

BOARDROOM BASICS

Planning for 2026 and Beyond

This special issue provides key insights and questions for boards to consider based on the American Hospital Association's 2026 Environmental Scan and other sources.

Hospitals across the country are continuing to face many of the same pressures as last year, and technology is playing an increasingly important role in how and where care is delivered. While each hospital or health system experiences the shifts a little differently, the overarching themes included in the 2026 American Hospital Association (AHA) Environmental Scan impact all organizations. The topics are organized into six areas: the hospital and health system landscape, the financial landscape, workforce, innovation and technology, changes in demographics and overall health.

Hospital and Health System Landscape

Most of the hospitals in the United States are community hospitals (84%), and most are affiliated with a system (nearly 70%). While the overall number of hospitals in the U.S. remains about the same, there was a decline in the number of staffed beds

and a decline in overall admissions in hospitals from 2019 to 2023.

Hospitals Remain a Trusted Source, But Consumers are Also Looking Elsewhere.

In a 2025 survey, hospital systems and physicians were reported as the most trusted source for accurate health and wellness content.

Consumers have the lowest trust in health insurance companies and government agencies.

But while health care providers remain a top source for health information, individuals are increasingly listening to non-traditional sources for health care advice. According to the 2025 Edelman Trust Barometer,

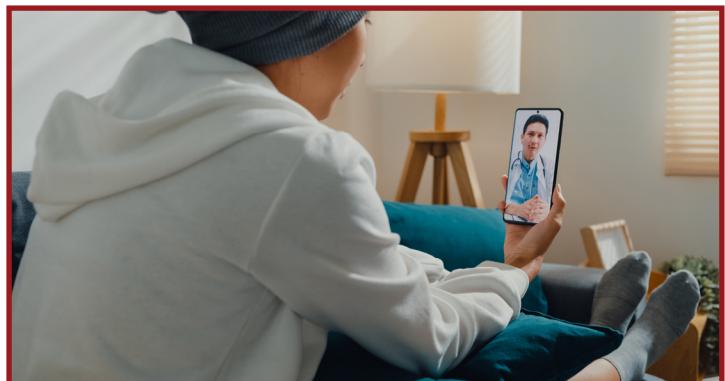
hospitals and health systems face new challenges as “non-credentialed experts” are often a top source based on anecdotal information, relatable stories and easy-to-understand resources.

Care Will Continue to Shift to Post-Acute and At Home. Over the next ten years, the greatest growth in health care is predicted to be home-based services and post-acute care (both exceed a 30% growth projection in the next decade). Inpatient volume is expected to increase by a modest amount (5%), but outpatient volume is expected to increase by 18%.

Key takeaways from the Sg2 2025 *Impact of Change Forecast* include:^{1,2}

- By 2035, patients over 65 will account for more than half of inpatient discharges and will have multiple comorbidities
- Cancer outpatient care is predicted to grow nearly twenty percent, with no change in inpatient care. The increase in cancer prevalence in younger generations is changing how cancer patients receive care

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Our Perspective: Planning for 2026 and Beyond

The South Dakota Association of Healthcare Organizations (SDAHO) recognizes the unique environment facing health care today. Planning for 2026 began over a year ago, with members of the SDAHO leadership team alongside the Association's Board of Trustees. All looked to national, state, and local trends to make impactful decisions to guide the Association throughout 2026, and beyond. Our members — including hospitals, nursing homes, assisted living, home health, and hospice providers — continue to navigate complex challenges. Below is a summary of key trends and opportunities as we move forward.

Hospital and Health System Landscape

SDAHO serves a diverse membership of health care providers, from large system affiliates to independent facilities. While each organization has its own needs, common priorities include workforce recruitment and retention, financial stability, technological innovation, and strong community and patient relationships. SDAHO supports members through a strong advocacy arm, in addition weekly live and on-demand educational webinars, in-person networking, and resources offered through [SDAHO Enterprises](#) ([enterprises.sdaho.org/](#)) partnerships. Our goal is to provide tools and support that recognize no two facilities are alike.

Workforce

Ongoing shortages of nurses, physicians, and other clinical staff elevate labor costs and operational strain. Recruiting and retaining skilled professionals remains one of our members' most pressing concerns, sometimes increasing reliance on expensive temporary staffing. SDAHO launched the [South Dakota Health Care Workforce Resource Center](#) ([sdworkforce.com](#)) to centralize impactful workforce resources. We also maintain a strong focus on workforce education through webinars and conference programs to help members identify practical solutions.

Innovation and Technology

Keeping pace with health care innovation and technology is a priority for providers statewide. SDAHO continues to help members engage with these evolving tools to improve care delivery and operational resilience. A major opportunity in this space is the [Rural Health Transformation Fund](#), a landmark initiative for South Dakota.

Rural Health Transformation Fund

During the 2026 legislative session, Governor Rhoden signed **House Bill 1044**, granting the South Dakota Department of Health authority to spend up to **\$402** million in federal funds over the next two years for the Rural Health Transformation Program. This investment represents one of the largest rural health funding commitments in state history and enables strategic deployment of resources to address long-standing rural health care challenges.

This fund will be used to:

- **Recruit and retain health care professionals** in rural communities, strengthening local workforces.
- **Modernize rural facilities and enhance technology infrastructure.**
- **Expand access to care**, behavioral health services, maternal and infant health supports, and innovative care models.
- **Support data and connectivity improvements** to enable better care coordination and planning.

Securing and effectively using these funds will be critical to building sustainable, resilient rural health systems for decades to come. SDAHO looks forward to partnering with the many stakeholders who will be part of this historical initiative.

Looking to the Future

In 2026, SDAHO celebrates [100 years of service](#) to our members and the communities they serve. While much has changed over the past century, our commitment to ensuring high-quality health care across South Dakota remains strong. SDAHO's mission — *advancing healthy communities through a unified voice across the health care continuum* — continues to guide our work. We look forward to 2026 and the opportunities ahead as we work together to strengthen health care for all South Dakotans.

Upcoming Education

Visit: <https://members.sdaho.org/events/>

February 17, 2026 | 12pm CT | Magnetic Communication, Leadership Expedition Series

February 19, 2026 | 12pm CT | Nursing Services Condition of Participation

February 24, 2026 | 12pm CT | Navigating the Healthcare Affordability Maze: Impact on Providers, Patients, and Patient Payments

February 26, 2026 | 12pm CT | Managing Food, Cost and Waste in Long-Term Care

March 3, 2026 | 11am CT | Building Bridges Not Walls: Leading Multigenerational Interdisciplinary Teams

March 5, 2026 | 12pm CT | Minimizing Fall Risk

March 9, 2026 | 12pm CT | Echoes in the Nervous System: Trauma's Influence on Pain Pathways

March 10, 2026 | 11am CT | Home Health Hot Topic: The Home Health Face-to-Face - 2026: A Whole New World

Do you have ideas for future issues of *The Trustee Quarterly*?

Our goal is to provide you with the information and knowledge you need to lead your hospitals forward in today's rapidly changing environment. Tell us what you think, and what you'd like to see in future issues of *The Trustee Quarterly*.

Write or call:

Stephanie Rissler
Marketing and Media Relations
3708 W Brooks Place
Sioux Falls, SD 57106
Stephanie.Rissler@sdaho.org
605-789-7530

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SDAHO Enterprises was developed to pursue valued services and increase non-dues revenue. Overall goals and objectives of providing revenue to supplement SDAHO strategies and providing support and benefit to members.

“ Depending on the market, health systems may consider growing their post-acute footprint, investing in offerings, such as remote patient monitoring or virtual nursing to scale home-based care.² - Tori Richie, Senior Director, Sg2 Intelligence ”

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- In large part because of GLP-1 use, there will be slower growth in type 2 diabetes inpatient care, but a significant increase (26%) in evaluation and management visits for diabetes
- Post-acute care will increasingly be provided at home, rather than in hospitals and skilled nursing facilities

Hospital Landscape: Questions to Consider

- **Trust:** How do we share easy-to-understand, relatable information and build and maintain trust with our community and patients?
- **Shift to Care at Home:** Are we prepared for an even larger shift toward post-acute care and hospital care provided at home?
- **Value-Based Payments:** How have payments already changed at our organization, and how do we expect them to shift in the coming years?
- **Quality:** What actions are we taking to advance quality and patient safety? Do we encourage professional development, are we investing in new technologies, and do we participate in continuous learning such as the AHA's Quality Exchange and Living Learning Network?

Value-Based Payments Continue to Increase. Value-based payment models continue to grow, shifting payment from the traditional “fee for service” model to payments based on cost and quality of care.

In 2023, more than sixty percent of community hospitals reported participation in an accountable care organization and had contracts with commercial payers tied to quality and patient safety performance. Nearly one-quarter of community hospitals had some percentage of net patient revenue paid on a shared-risk basis.

Hospitals are Making Notable Quality Improvements. Hospitals report improvements in key quality metrics from 2020 to 2024, including declining fall rates, central line-associated bloodstream infections, catheter-associated urinary tract infection rates and hospital-acquired pressure injury rates.

Hospitalized surgical patients are also experiencing better outcomes. In the first quarter of 2024, hospitalized surgical patients were nearly 20% more likely to survive than expected when compared to the fourth quarter of 2019. This trend is significant not only because of the increase, but because many surgical procedures are shifting to outpatient

or ambulatory settings, leaving only the most complex and higher acuity cases for hospitalized surgical patients.

The Financial Landscape

Hospitals and health systems continue to face increased financial challenges due to a combination of federal budget shortfalls, changes in how health care is paid, an increase in uncompensated care and increased labor and supply chain costs.

The Federal Deficit is Growing. The federal deficit is estimated at \$1.8 trillion. Payments for national debt are one of the largest federal spending categories, with 13 cents of every dollar spent on paying interest toward the national debt. The fund that pays for Medicare Part A is expected to be depleted by 2033.

Medicare and Medicaid Underpay for Services. It is well-known that both Medicare and Medicaid payments do not cover the cost of care. Studies estimate that Medicare reimbursement



covers 83 cents for every dollar of hospital care. That gap may widen further, as payment rates are not keeping up with inflation. From 2022 to 2024, inflation rose by 14.1% while Medicare payment rates only rose by 5.1%.³

Without supplemental payments, Medicaid reimbursement results in an even larger loss. In 2023, Medicaid fee-for-service covered 58 cents on the dollar and Medicaid managed care organizations 65 cents.

Hospital Expenses Remain High.

Labor consumes more than half of all hospital expenses, and the AHA reports that salaries for registered nurses (RNs) have grown 26% faster than inflation over the past four years. In addition to rising costs in a variety of areas, hospitals are impacted by tariff-driven costs from international supplies. Experts predict both an increase in tariff-related expenses and delays in the supply chain.

Rural Hospitals are Hit

Especially Hard. Nearly half of all rural hospitals operated at a financial loss in 2023. Reports estimate that one-third of all rural hospitals are at risk of closing because of financial challenges.

Cybersecurity and Violence are Growing Financial Hardships.

The rapid growth of technology and use of artificial intelligence have brought new expenses related to cybersecurity and data breaches. The health care sector experienced the highest average data

breach cost for the 14th year in a row when compared to other industries.

The hospital cost of workplace and community violence are also high, estimated at \$18.3 billion in 2023. Hospitals are impacted by both the cost of the violence and treating injuries as well as the impact on public perception, staff recruitment and retention and other non-measurable impacts.

Consumer Costs are Growing. In 2025, nearly half of adults reported that it was difficult to afford health care costs. The cost of care continues to outpace inflation. Over the past twenty years, health care costs have increased an average of 6%, compared to an average inflation of 2.5%.

The Health Care Workforce

Hospitals continue to face high turnover rates, staff burnout, and an ongoing need to fill the future pipeline.

At the same time, studies show cultural shifts and staff engagement can result in positive changes.

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High Turnover Rates are Expensive and Disruptive. Turnover rates have come down since the height of the Covid pandemic, but rates for all hospital employees remain high at 18%. It takes almost three months to replace an RN, with an average turnover cost of \$61,110. The professions with the highest turnover rates are certified nursing assistants, patient care technicians, environmental

The Financial Landscape: Questions to Consider

- Growing Federal Debt and Poor Reimbursement:** How is our hospital preparing for ongoing shortfalls, and what is the potential impact of the One Big Beautiful Bill on our financial stability?
- Hospital Expenses:** What are our biggest expenses and how are we taking steps to protect from additional increases?
- Cybersecurity:** Is cybersecurity part of our organization's enterprise risk management thinking?
- Workforce Violence:** Are we involved in the AHA's Hospitals Against Violence Initiative?
- Rising Consumer Costs:** How are rising costs impacting access to care and health needs in our community?

services, RNs and medical technologists.

More Needs to Be Done to Fill the Pipeline. Enrollment in baccalaureate nursing programs increased by nearly 5% in 2024, resulting in enrollment increases for two years in a row. At the same time, U.S. nursing schools turned away more than 80,000 qualified applicants due to lack of resources. Forty percent of nurses report plans to leave the workforce or retire within the next five years, and the percentage of RNs younger than 30 years continues to decline.

The Health Care Workforce: Questions to Consider

- **Turnover:** What professions have the largest turnover at our organization and why?
- **Filling the Pipeline:** Are we partnering with other organizations to help fill the pipeline?
- **Burnout:** What are the biggest causes of burnout at our organization and what are our strategies to address them?
- **Culture of Safety:** Has our board defined a clear commitment to create a culture of safety?
- **AI:** How are we advancing the use of AI to maximize workforce recruitment and retention?

Burnout Rates Remain High.

Pharmacy professionals report the highest burnout rate of all health care professions (65%). Fifty percent or more of health care workers surveyed in 2024 reported burnout in the following occupations: pharmacy professionals, dentists, advanced practice professionals, nurses, medical students and physicians.

Staff Engagement is Powerful. Data from Press Ganey show that care team engagement is positively connected to a hospital's patient safety culture. This leads to safer care and a more resilient care delivery system.⁴

The AHA and Press Ganey define the culture of safety as an environment where everyone, including patients and families:⁴

- Can speak up when they see something that might not be right
- Is confident that improvements occur when issues are reported
- Is dealt with fairly and compassionately when an error occurs
- Experiences effective teamwork and communication

Artificial Intelligence Can Help.

Providers report spending significantly less time with patients and more time on administrative tasks when compared to five years ago. Artificial intelligence (AI) can help with documentation; creation of discharge instructions, care plans and progress notes; automation of insurance pre-authorization; nursing education; and telehealth and remote monitoring. As AI becomes more widespread, leaders expect virtual nursing to be an integral part of acute care in the future.

Innovation and Technology

Technology has the potential to do more than alleviate workforce shortages. It can change the way health care is delivered, making administrative tasks smoother and more efficient for patients and allowing providers to have more direct patient care time.

Consumers are Engaged with Known Technologies. Telehealth services and electronic medical records have

become mainstream for most patients. In 2023, three-quarters of hospitals used telehealth services, including remote patient monitoring. In 2024, 90% or more of hospitals reported using electronic health records to share medical information in a portal and send and receive secure messages with providers. While not as widespread, using EHRs to submit patient-generated data is also increasing.

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Generative AI is Increasing, Agentic AI is Coming. Generative AI (gen AI) is the AI most commonly used in health care today. It responds to instructions and completes tasks, such as summarizing a visit or reading imaging results. More than 60% of health care organizations

currently use gen AI for at least one business function.

Agentic AI is different from gen AI because it autonomously performs complex tasks that require making decisions and navigating complex workflows without waiting for human input.⁵ Agentic AI could be used 24/7 for patient triage, appointment scheduling, real-time care coordination, analyzing multiple sources of tests to suggest a diagnosis or treatment plan, insurance claim optimization, post-discharge support and revenue cycle management.^{5,6}

While agentic AI is in the early stages, early adopters are showing a glimpse of ways it may emerge in the future.

Innovation and Technology: Questions to Consider

- **Advancing Technology:** Has our board prioritized technology advancement so that we don't fall behind?
- **Gen vs. Agentic AI:** Have the board and senior leadership had candid discussions about the emerging use of AI and how it is being used and will be used by our organization and our competitors?
- **Training:** Have we prioritized ongoing employee education related to innovation and technology?
- **Virtual Care:** How does the growth of RPM and virtual care impact our strategic thinking?

“One of the clearest signs that agentic AI has arrived is how it’s changing appointment scheduling—traditionally a manual, back-and-forth process involving long hold times or multiple phone calls. Now, AI agents are taking over that task from start to finish.” - Nicole Witowski, *Definitive Healthcare*

Employee Training is Needed. Less than one-quarter of health care employees have received training in AI.

Growth in Virtual Care. Remote patient monitoring (RPM) has the potential to reduce in-person visits,

cutting costs for patients and reducing strains on the health care workforce. RPMs allow for the growth in virtual nursing as providers receive real-time information about patients through wearables like blood pressure cuffs and activity trackers.

Experts predict that virtual nursing will continue to grow.⁷



increase, the U.S. is more than four years below the average of its peer nations.

Changes in Demographics

As demographics shift in the U.S., organizations must understand and adapt to not only national trends, but to micro shifts occurring in the communities they serve.

The Population is Getting Older and Growing More Slowly. Nineteen percent of the population is over age 65 today. By 2050, 23% of the population will be over age 65.

In addition to the population getting older, overall growth is expected to slow to an average growth rate of 0.2% per year.

Life Expectancy is Increasing, But Remains Lower Than Other Nations. Life expectancy in the U.S. continues to improve, with an average of 78.4 years in 2023. Despite the steady

Maternal Mortality is Improving, But More Must Be Done. Hospitals are making strides in maternal mortality rates, with deaths declining 16% from 2022 to 2023. However, the U.S. maternal mortality rate is higher than the majority of all high-income countries. The U.S. rate is 18.6 deaths per 100,000 live births, while countries including Ireland, Norway, Switzerland, Austria, Poland and Israel have rates of less than 3 deaths per 100,000 live births.⁸

Within the U.S., death rates are higher in certain states (Louisiana is the highest at 41.9) and for black mothers (50.3 per 100,000 live births).

Lack of access to care also plays a role, with more than 35% of U.S. counties classified as maternity care deserts and less than half of rural hospitals offering labor and delivery services.



Virtual care will become the standard of care across the continuum within the next couple of years...This model is more than just nursing and technology. It's a new patient care model that leverages the care team through technology. Nursing is perfectly positioned to redesign its practice.⁷ - Bonnie Clipper, DNP, MA, MBA, RN, CENP, FAAN, CEO of Innovation Advantage and Founder of Virtual Nursing Academy



Changes in Demographics: Questions to Consider

- **Aging Population:** How is the population changing in our community specifically, and how does that impact our strategic thinking?
- **Maternal Mortality:** What are maternal mortality rates in our county and state, and what are we doing to move the needle?
- **Consumer Preferences:** How are preferences changing in our community, and are we adapting to the holistic, partnership-focused care that younger generations are seeking?
- **Technology Adoption:** Where should we increase our focus on technology use, considering areas with the best potential for impact and our community's willingness to adopt it?

Consumer Preferences are Changing.

Each generation interacts with the health care system in different ways and with different goals. Older generations are more likely to use primary care as an entry point and tend to value loyalty. Younger generations are more likely to use urgent care, and prioritize convenience and ease.

When it comes to views on health care in general, older generations tend to think of health care when they're sick, while younger generations look for holistic care that includes wellness and prevention.

Younger Generations Use Technology More for Health Care. It is no surprise that younger generations are more prone to using technology than older generations, including using mobile devices to access health care information. When asked about whether AI can improve health care, 66% of those under 45 are optimistic while only 33% of people over 45 are. Eight in ten 18-34 year olds report that they are willing to use gen AI for routine health care.



Hospitals also report increases in integration of routine behavioral health services in emergency care, acute inpatient care and primary care.

Chronic Disease Rates are Higher in the U.S. When compared to similar countries, chronic disease rates are notably higher in the U.S. Obesity is the most glaring difference, measured at 42% in the U.S. and 18% in comparable countries. The U.S. has higher rates in:

- Obesity
- Hypertension
- Diabetes
- Asthma
- Kidney disease
- Depressive disorder
- Cancer

Alzheimer's Disease and Dementia are Increasing. New studies report that the risk of developing dementia in the U.S. is more than double what was previously estimated. The chance of developing dementia is 42% for Americans over age 55, resulting in one million estimated new dementia cases annually by 2060. In addition, there are seven million people with Alzheimer's today, and that number is projected to increase to nearly 13 million by 2050.

2026 ENVIRONMENTAL SCAN



To download the full AHA 2026 Environmental Scan, go to www.aha.org/environmentalscan.

The Mental Health Crisis Continues.

Similar to previous years, nearly one-quarter of adults experienced a mental illness in the past year. In addition, more than 18% of adolescents had moderate or severe symptoms of generalized anxiety disorder.

Suicide is the second leading cause of death for youth and young adults and the eighth for adults ages 35-64. Suicide rates are particularly concerning for adults 75 and over, veterans and postpartum individuals.

Opioid Use Remains a Challenge, But Deaths are Declining. There was a 27% decrease in opioid deaths in the U.S. from 2023 to 2024. Despite this good news, opioid overdose remains the leading cause of death for Americans ages 18—44 years old. The diagnosis of opioid use disorder

(OUD) has increased by 40% in commercially insured patients since 2021, and when patients receive treatment with buprenorphine, they have improved outcomes. The estimated cost per OUD case is \$695,000.

Food Insecurity, Lack of Nutrition and Overall Health are Intertwined.

The average Healthy Eating Index for the U.S. population ages two and older is a failing score—58 out of 100. A 2019 study published in *The Lancet* assessed the diet in 195 countries and determined that poor nutrition was responsible for 11 million deaths, most notably cardiovascular disease, cancers and type 2 diabetes. The findings reported that “suboptimal diet is responsible for more deaths than any other risks globally, including tobacco smoking, highlighting the urgent need for improving human diet.”⁹

In the U.S., experts report that poor diet is the leading cause of death and disability.

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The solution is not easy. Food insecurity has increased steadily over the past three years, and 24 million Americans live in a food desert. Hospitals have an opportunity to be part of the solution to this complex problem. When asked, more than three-quarters of Americans report that they would prefer to use food over prescription medications. The concept of Food is Medicine is growing, and a recent study found that Medically Tailored Meals can have a big impact on hospitalizations for people with complex health conditions.

Overall Health: Questions to Consider

- **Social Determinants of Health:** Do we have adequate data to understand our community's social determinants of health and develop strategies and partnerships to address them?
- **Rise in Non-Communicable Diseases:** What are our biggest challenges in this area, and are we impacting change and tracking measurable results?
- **Mental Health:** Does our board engage in dialogue about meaningful solutions to our community's mental health?
- **Nutrition and Physical Inactivity:** How can our organization impact the community's diet and lifestyle?

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