

FY26 PERFORMANCE BRIEF

Performance is *a Human System*

Why execution — not strategy — is where healthcare performance is won or lost, and what organizations can do about it.



Institute for
Healthcare
Excellence

EXECUTIVE SUMMARY

Healthcare leaders are being asked to solve a familiar set of challenges: tightening reimbursement, workforce instability, rising administrative burden, and increasing expectations for access and experience. On the surface, these look like financial and operational problems. And they are. But underneath them sits a more fundamental question, one that is easier to overlook because it lives inside the work itself:

■ *How well is the organization actually functioning, day to day, under pressure?*

For years, healthcare systems could absorb a degree of operational friction. Decisions that required revisiting. Misalignment across teams that created rework. Conversations that took longer than they should. These dynamics were rarely ideal. They were manageable. That margin is disappearing.

As financial pressure becomes structural — driven by reimbursement compression, coverage instability, and rising operational cost — the system has less capacity to carry friction. What was once invisible becomes measurable. What was once tolerated becomes consequential.

THE CENTRAL ARGUMENT

Performance in healthcare is, at its core, a human system. In the current environment, the organizations that understand and strengthen that system will not only operate more effectively, they will sustain performance when others struggle to hold it.



The prevailing models of healthcare performance are still largely built around structure: strategy, process, technology, organizational design. Each remains essential. But they share a common assumption: that people, operating within those structures, will communicate clearly, align consistently, and execute effectively under pressure. Increasingly, that assumption is where performance begins to break. This brief makes that dynamic visible — and offers a framework for what organizations can do about it.

1. The system has changed but how we think about performance has not

Healthcare is entering a structurally different operating environment. Most organizations are still trying to solve it with legacy models of performance. There have always been pressures in healthcare: reimbursement cycles, staffing shortages, regulatory shifts. Historically, these pressures moved in waves. Organizations adapted, recalibrated, and continued forward. **What is different now is not the presence of pressure, but its permanence.**

Millions

at risk of losing insurance coverage as federal and state policy instability increases

Projected federal/state coverage changes

500K–\$1M

estimated replacement cost for a single physician

WifiTalents Healthcare Burnout Report

\$4.6B

annual cost of physician burnout to the U.S. healthcare system

WifiTalents Healthcare Burnout Report

Coverage instability is increasing. Medicare reimbursement continues to face structural pressure tied to federal deficit controls. Medicaid funding is tightening across states. Administrative complexity continues to grow, increasing the cost of delivering care even as margins compress.

At the same time, workforce strain has not recovered. Burnout remains elevated. Leadership capacity is stretched. The World Health Organization has formally identified burnout as an occupational phenomenon with direct performance implications.

This is not cyclical pressure. It is structural compression. Most organizations are still responding with familiar tools: cost containment, operational efficiency, strategic prioritization. These are necessary. But they are incomplete.

They assume performance is driven primarily by structure and strategy. In constrained environments, that assumption increasingly fails.

When financial pressure becomes structural, performance is no longer defined by what organizations plan — but by how effectively they operate inside the plan.



2. Performance does not live in strategy

Performance is not a strategic construct. It is an emergent property of how people interact, decide, and coordinate in real time. Across healthcare systems, leadership teams rarely lack strategic clarity. Priorities are well-articulated. Initiatives are well-resourced. And yet, outcomes vary — often dramatically — between teams operating within the same system, under the same leadership, with access to the same tools. **The difference is not intent. It is interaction.**

Performance lives in the moment a nurse hands off a patient. In the way a physician frames a concern. In whether a team aligns before acting — or assumes alignment and proceeds.

These moments are constant. They are small. And they are largely invisible in formal reporting structures. But they determine how work flows — and whether it flows at all. Research consistently reinforces this.

Communication failures are among the leading contributors to clinical errors and adverse events in healthcare. Breakdowns in coordination, not knowledge gaps, are frequently cited as root causes of performance failure in high-reliability environments.

IHE EVIDENCE

In environments where communication and coordination improved, perceived strong collaboration increased from 42% to 93% — with corresponding improvements in clarity, decisionmaking speed, and execution consistency.



The implication is significant. Organizations investing in strategy, technology, and process are building the right structures. But structures only perform as well as the interactions happening inside them. Without addressing the quality of those interactions, structural investment has a ceiling. **Strategy sets direction. Interaction determines whether anything actually moves.**

3. Friction is the hidden variable in healthcare performance

Workload is real. But it is not the whole story. Across healthcare, burnout is typically attributed to volume — too many patients, too many tasks, too few hours. Yet research increasingly shows that burnout is strongly influenced not by how much work people do, but by how that work is experienced: the presence of inefficiency, lack of clarity, and persistent misalignment.

Operational friction, not workload alone, is the primary driver of performance breakdown, burnout, and hidden cost.

Friction emerges when:

- Communication is unclear, requiring follow-up and clarification that absorbs time and attention
- Decisions are made without alignment, then revisited under pressure
- Assumptions diverge across teams, creating rework and delay
- Coordination gaps force individuals to compensate through extra effort that isn't visible in staffing models. Each instance is small. But friction compounds. And at scale, it becomes something more serious than inefficiency.

2.3x

more likely to leave practice — physicians experiencing burnout vs. those who are not

Worldmetrics Healthcare Burnout Statistics

56%

increase in turnover intention associated with nurse burnout

WifiTalents Healthcare Burnout Report

\$44K-\$64K

average replacement cost per nurse; total system losses exceed \$5M annually in some organizations

WifiTalents Healthcare Burnout Report

IHE EVIDENCE

In environments where communication and coordination improved, burnout declined by approximately 8% year-over-year — resulting in significant cost avoidance tied to workforce stability and reduced replacement costs.

More than half of healthcare workers report burnout in environments where communication is inconsistent or ineffective. The connection between communication quality and emotional exhaustion is well-documented — and it points to something organizations can directly address. What feels like fatigue is frequently not fatigue. It is friction experienced as fatigue. And friction, unlike workload, can be reduced without adding resources. **What feels like fatigue is often friction. And friction, at scale, becomes cost.**

4. Human behavior is not a soft variable — it is performance infrastructure

The behaviors that shape communication, decision-making, and alignment function as infrastructure, determining whether systems operate as designed. Healthcare has invested heavily in systems including clinical protocols, technology platforms, operational frameworks, quality improvement initiatives. The sophistication of those systems continues to grow. But every system assumes something fundamental: that the people operating within it will communicate clearly, align effectively, and respond well under pressure. When those assumptions hold, systems perform. When they do not, systems degrade, regardless of how well-designed they are.

You can have the right strategy, the right technology, and the right people — and still underperform. The difference is usually invisible. It lives in how people work together.



This is where human capability becomes critical — not as a cultural aspiration, but as a functional requirement. Not “soft” skills that organizations invest in when resources are available. But core performance infrastructure: the conditions through which everything else either works or doesn’t. Gallup research shows that employees who are thriving in their work environments have turnover rates nearly half that of those who are struggling. Disengagement and lack of clarity increase absenteeism, reduce productivity, and create

the kind of quiet instability that compounds invisibly across teams and functions.

The organizations that treat human capability as infrastructure — investing in it with the same rigor they apply to technology or process — are building the most durable form of competitive advantage available in a constrained environment. **Human skills are not soft skills. They are the infrastructure through which performance flows.**

IHE EVIDENCE

When communication and leadership behaviors become more consistent, emotional thriving increases by 29% — reflecting a restored capacity for individuals to remain engaged and effective under the same level of pressure. This is not a soft outcome. It is restored performance capacity.

5. Performance improvement is not about adding more — it is about unlocking what exists

In periods of constraint, the instinct is to add: more staff, more systems, more initiatives. But in many healthcare organizations, significant capacity already exists. It is simply constrained by inefficiency, misalignment, and inconsistent execution.

When communication improves, time is recovered.

When decisions align, rework decreases.

When coordination improves, throughput increases, without additional staffing.

The financial implications are measurable and, in constrained environments, significant.

IHE EVIDENCE

IHE’s work has demonstrated more than \$1.5 million in retention-related value in certain environments, driven by improved workforce stability, reduced burnout, and the downstream reduction in replacement and onboarding cost.

This reframing matters strategically. Performance improvement in constrained environments is not a resource problem. It is a system performance problem. The question is not what to add — it is what is preventing the existing system from operating at its potential. Organizations that ask that question — and answer it by addressing the human dynamics underneath performance — will find that the capacity they need is already present. It simply needs the conditions to operate.

Performance is not a function of adding more. It is a function of enabling what already exists to operate effectively.

CONCLUSION & TAKEAWAYS

In a constrained environment, competitive advantage will come not from differentiated strategy, but from differentiated execution under pressure. Most healthcare organizations are working from similar information, facing similar constraints, and pursuing similar strategic priorities. The documents look alike. The initiatives rhyme. The ambitions are largely the same.

What will differ is how those strategies are carried into the work.

In some organizations, pressure will amplify fragmentation. Communication will become more transactional. Decisions will become inconsistent. Performance will erode not because the strategy failed, but because the system of interaction could not hold it. In others, something different will happen, not because the environment is easier, but because the system of human interaction is more stable. Conversations remain clear.

Decisions align more quickly. Teams operate with shared understanding across roles, functions, and levels of the organization. These organizations will not eliminate complexity. But they will function more effectively within it. **And in an environment where everyone is managing complexity, functioning well within it is the advantage.**



THE BOTTOM LINE

Performance is *a Human System*

In environments like this, the system determines the outcome.

The question is not simply what organizations will do. It is how well they will function while doing it. Because performance is not created in strategy. It is created in the work itself — in every conversation, every decision, every moment of coordination under pressure.

ABOUT THE INSTITUTE FOR HUMAN EXCELLENCE

The Institute for Human Excellence partners with healthcare systems and non-clinical organizations to strengthen the human dynamics that drive performance. Through evidence-based programs in communication, leadership, and organizational culture, IHE helps organizations unlock the capacity that already exists in their people — and build the conditions for it to sustain.

IHE's work spans RELATIONS® for Transformation, Solutions for Thriving, and Revitalizing Leaders — a continuum of offerings designed to address performance challenges at the team, organizational, and leadership levels.

To explore how IHE works with organizations like yours: iheteam.com

