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EXECUTIVE PERSPECTIVES ON TOP RISKS

for the Near- and Long-Term

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Cyber threats, workplace issues, third-party risks top concerns for healthcare leaders

By Richard Williams and Bryon Neaman

Healthcare boards of directors and senior executive teams face a complex web of dynamic business uncertainties, capable of generating opportunities for strategic advantage as well as unexpected disruptions and performance shortfalls. An ability to anticipate risks that may be on the horizon can help leaders navigate industry developments – particularly those that are uncontrollable – that may impact their organisation's value and growth objectives.

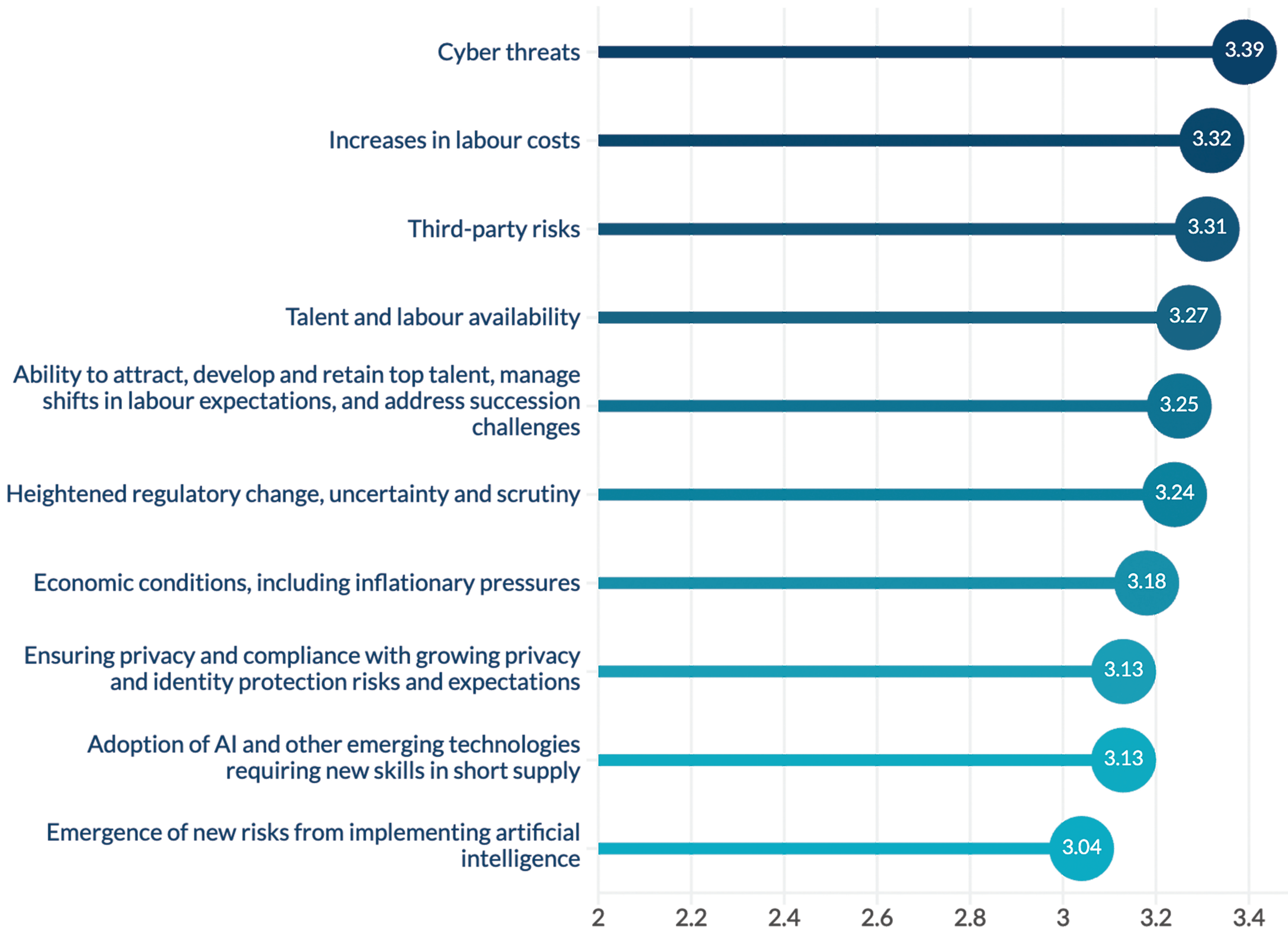
Our 13th annual **Executive Perspectives on Top Risks Survey** contains insights from more than a thousand board members and C-suite executives around the world regarding their views on the top risks they see on the near- and long-term horizon. Specifically, our global respondent group provided their perspectives about the potential impact over the near-term (two to three years ahead) and long-term (over the next decade) of 32 risk issues across these three dimensions:

- **Macroeconomic risks** likely to affect their organisation's growth opportunities
- **Strategic risks** the organisation faces that may affect the validity of its strategy for pursuing growth opportunities
- **Operational risks** that might affect key operations of the organisation in executing its strategy

This report contains insights regarding the perspectives of boards of directors and C-suite executives in the healthcare industry, regarding risk areas shared by all those in the industry as well as risk nuances unique to the payer, provider and life sciences sectors.

Healthcare industry – near-term outlook

Top 10 near-term risks



“Healthcare organisations face a more challenging business and economic climate than any time in recent history. From growing and more sophisticated cyber threats to third-party risks, a rapidly changing and complex regulatory environment, and seismic shifts in the technology landscape being driven by new advances in AI, healthcare leaders undoubtedly have a lot on their plate. Add to this a tenuous global economy along with growing uncertainty being driven by new tariffs and trade policies affecting global supply chains, it’s no wonder we see so many risks rated at an elevated level by board members and C-suite leaders in the industry. More than ever, providers, payers and life sciences organisations need to have complete clarity regarding the risks their organisations face – supported by appropriate data, advanced analytics and insights – to ensure they see not only the challenges but also the opportunities on the horizon.”

Richard Williams, Global Healthcare Practice Leader, Protiviti

Commentary – perspectives of healthcare industry executives

As healthcare leaders assessed the challenges and risks facing their organisations in the short term, managing cyber threats, rising labour costs, and third-party risks were reported as their top concerns. Other issues that rank in the top ten include workforce challenges, such as talent and labour availability and the ability to attract and retain top talent, heightened regulatory change, uncertain economic conditions, data privacy and security, and concerns around the adoption of artificial intelligence (AI) and other advanced technologies.

Cyber threat sophistication and risk are ever-increasing

Healthcare organisations continue to be a favourite target of cyber attackers. Cybercriminals see a potentially lucrative payday as their attacks can take critical systems offline for multiple weeks, causing significant patient impacts and the delay or denial of much needed revenue. Attackers have two primary ways of monetising their efforts: causing enough disruption with ransomware to cause an organisation to pay for the release of their system(s) or extorting the organisation with the threat of publication of their protected health and other sensitive data. Attackers also have the option of selling the compromised data on the dark web.

The sophistication of cyber threats such as ransomware attacks, phishing attempts and more novel social engineering efforts not only continually increases but is increasing at a faster rate than ever because of advanced artificial intelligence (AI). AI is enabling attack automation, crafting advanced phishing attempts, facilitating evasion techniques, creating realistic deepfakes, enhancing malware with self-learning capabilities and aiding in data analysis for precise targeting, thereby escalating the complexity and effectiveness of cyber threats. Additionally, recent proposed regulatory changes, particularly updates to the Health Insurance Portability and Accountability Act (HIPAA) Security Rule, have introduced the potential for increased compliance risk. These changes aim to enhance the protection of sensitive patient information but would also add layers of complexity to required risk management strategies. Organisations will be required to invest in more robust cybersecurity measures in order to comply with the proposed standards.

Modern healthcare organisations can be both vast and complex, with many different variables that create unique and persistent challenges. These challenges can include:

- Creating and maintaining a diverse set of user profiles (often with many users needing custom profiles), which are challenging to effectively manage and monitor
- Significant reliance on vendors and third parties, each with their own set of potential compromise and breach scenarios
- An array of different applications and authentication mechanisms, making it hard to create centralised control
- Aging operating systems with known exploitable vulnerabilities that require one-off compensating controls
- The sprawling Internet of Things (IoT), including a multitude of medical devices with their own access to the network
- The competition for optimising costs savings while still enabling the best in modern medicine technologies across numerous specialties

Managing these risks and implementing effective mitigation strategies is an unending challenge. Exacerbating the challenge, healthcare faces a shortage of skilled information security professionals, which has significantly increased the cost of employing them. Staffing and budgeting obstacles are hindering organisations from procuring and implementing cutting-edge technology solutions that could aid in managing these cyber threats.

Workforce challenges remain a top risk

Healthcare organisations expect to continue to face workforce-related risks over the next two to three years, including a continued increase in labour costs, tightening of the talent market and the need to address succession challenges. Workforce challenges, including increases in labour costs, talent and labour availability, and the ability to attract and retain talent, account for three of the top five risks to industry members. The tightening of the healthcare labour market has caused significant margin erosion, particularly on the provider side. Hospital labour expenses, which account for nearly 60% of the average hospital's total budget, increased by more than $42.5 billion between 2021 and 2023 and jumped more than 10.1% in 2023 alone.[1]

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[1] America's Hospitals and Health Systems Continue to Face Escalating Operational Costs and Economic Pressures as They Care for Patients and Communities," American Hospital Association, May 2024: https://www.aha.org/costsofcaring.

While expenses in short-term staffing solutions have moderated since the pandemic, spending remains elevated, adding to the financial challenges hospitals face. Overall growth in hospital wages, including benefits, has significantly outpaced inflation over the past decade, in some cases by more than 40%.[2]

With healthcare workers leaving the industry at high rates due to factors such as burnout and aging, it is imperative that the industry optimise and retain the labour that remains. In 2024, year-over-year recruitment expenses in healthcare showed a notable rise, with employers reporting increased costs and time spent on recruitment.[3] To improve engagement and retention, recruitment processes should be tailored to improve the candidate experience and should extend well into onboarding processes that address the needs of the new hire, such as improving knowledge transfer and skills-based training, offering schedule flexibility, and being clear about roles and responsibilities.

Additionally, healthcare has seen an increase in organised labour activity in 2024, with unions targeting the sector with record-high petitions and wins due to the new National Labor Relations Board (NLRB) rulings and rising worker dissatisfaction.[4] The macroeconomic factors driving increases in anticipated costs include inflation, shortages of clinical and nonclinical workers, and continued fierce competition for healthcare workers with in-demand skills.

Unlike other industries, which have utilised advances in technology and process optimisation to reduce the cost of labour as a percentage of expense, the administration and delivery of healthcare is still very much a labour-intensive service. However, new opportunities arise with the ability to automate tasks associated with the enormous administrative burdens that exist within payer and provider operations.

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The World Health Organization (WHO) estimates a global shortfall of 11 million health workers by 2030.[5] There is little relief in sight, therefore it will be essential to focus on worker productivity, establishing new ways of working by rethinking and redesigning jobs, and increasing the use of technology. The use of artificial intelligence (AI) will certainly propel healthcare forward and holds great promise for automating the multitude of manual administrative processes and improving clinical outcomes, while lowering costs using predictive modeling and clinical decision making.

In addition to rising labour costs, the ability to attract and retain top talent in a continually tightening labour market continues to be a concern for healthcare organisations. The crisis in healthcare human resources has been described as one of the most pressing global health issues of our time. Workforce planning, talent marketing, recruitment, succession planning and retention are essential competencies.

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[2] Ibid

[3] "Monthly healthcare industry financial benchmarks," Strata Decision Technology, February 2025: https://www.stratadecision.com/monthly-healthcare-industry-financial-benchmarks.

[4] Press Release: "Union Member – 2024," U.S. Bureau of Labor Statistics, January 28, 2025: https://www.bls.gov/news.release/pdf/union2.pdf.

[5] "Health Workforce," World Health Organization, August 7, 2019: https://www.who.int/health-topics/health-workforce#tab=tab_1

Job fatigue has impacted every area in healthcare. Almost one in three healthcare workers are considering leaving the industry due to burnout, job dissatisfaction and heavy demands for productivity and efficiency.[6] Throughout the industry, the largest staffing concern and resulting pain point over the last few years has been clinical staff retention. The registered nurse (RN) vacancy rate remains elevated and is 9.9% nationally with nearly half of hospitals reporting in excess of 10%. The RN Recruitment Difficulty Index is averaging 86 days. In essence, it takes almost three months to recruit an experienced RN, with medical/surgical units presenting the greatest challenge.[7] This increased turnover is a result of burnout, competition, retirements, career change and consolidation. This troubling trend impacts not just the bottom line – it also can diminish accessibility and quality of patient care. Innovative strategies are needed to meet current and future staffing demand through different approaches to attract, hire, train, retain, support and transform the workforce.

This risk, too, is anticipated to persist well into the future. There will likely continue to be a massive gap between the supply of and demand for talent, skills and people. Unfortunately, recruitment alone will not solve the problem. Transforming the workforce through a combination of job redesign, improved automation and reskilling or upskilling workers will create new career pathways critical to engaging and retaining workers. AI and emerging digital technologies will continue to transform how healthcare is delivered over the next decade. Tools that support clinical decision making, predictive analytics and remote/hybrid work are expected to enable a shift from people-driven to technology-supported models of care.

Organisations should anticipate continued labour shortages and hiring difficulties. As companies navigate this challenging environment, it is important they remember that, compared to previous generations, many younger job candidates place as much importance on an organisation's mission, values and culture as on salary.[8] By emphasising employment brand and reputation and delivering a positive candidate and employee experience, organisations can put themselves in a stronger position when competing for workers.

Third-party reliance introduces a myriad of risks

The healthcare industry increasingly relies on third-party entities to enhance operational efficiency, expand market reach and deliver high-quality services. However, this reliance introduces a myriad of risks that can significantly impact patient care, regulatory compliance and overall business performance. Across all segments of the healthcare industry, several common concerns arise from the reliance on third-party entities:

- **Operational disruptions:** Disruptions or failures of goods or services provided by third or nth parties can compromise quality, outcomes, timing and customer trust ("nth parties" refer to the vendors,

[6] "The Association of Work Overload with Burnout and Intent to Leave the Job across the Healthcare Workforce during COVID-19," Lisa S. Rotenstein, Roger Brown, Christine Sinsky, and Mark Linzer, Journal of General Internal Medicine 38 (8), March 23, 2023: https://doi.org/10.1007/s11606-023-08153-z.
[7] "2025 NSI National Health Care Retention & RN Staffing Report," NSi Nursing Solutions, Inc., March 2025: https://www.nsinursingsolutions.com/documents/library/nsi_national_health_care_retention_report.pdf.
[8] "What Do Newer Generations of Employees Want, And Can Your Business Adjust?," Liz Kislik, *Forbes,* January 28 2022: https://www.forbes.com/sites/lizkislik/2022/01/28/what-do-newer-generations-of-employees-want-and-can-your-business-adjust/?sh=119354252ee0.

services, applications and IT infrastructures of your vendors' vendors). High-profile incidents such as the Change Healthcare cybersecurity incident highlight the cascading operational disruptions that can arise from vendor vulnerabilities.

- **Regulatory landscape:** Evolving regulations, such as the proposed revisions to the HIPAA Security Rule, emphasise covered entities' responsibilities for validating their business associates' technical safeguards and contingency planning. Compliance with these regulations is crucial to avoid penalties and ensure the protection of sensitive data.
- **Enterprise resilience:** Organisations should evaluate both internal and third-party capabilities related to cybersecurity incident response, information technology (IT) disaster recovery and business continuity. Developing comprehensive contingency plans and establishing clear communication channels for crisis management are essential.
- **Due diligence and performance oversight:** Conducting thorough due diligence before engaging with third-party vendors is crucial. This includes evaluating vendors' capabilities, compliance history, financial stability and reputation. Robust monitoring mechanisms and periodic reviews of service-level agreements help proactively identify potential issues.
- **Concentration risk:** Overreliance on a single or a few vendors increases vulnerability to significant disruptions. Diversifying the vendor base and understanding the interdependencies within the supply chain can mitigate this risk.

Healthcare providers leverage third parties for joint ventures, partnerships, co-sourcing, outsourcing arrangements and strategic sourcing (e.g., group purchasing organisations). This dependency introduces specific risks:

- **Data commercialisation and monetisation:** As healthcare organisations look to leverage partnerships in an effort to maximise revenue opportunities, agreements with third parties need to consider and include risks associated with intellectual property, privacy, compliance and shared revenue.
- **Patient care impact:** Disruptions or failures of third-party services can directly affect patient care, compromising quality, outcomes and patient trust.
- **Interdepartmental coordination:** Providers must foster coordination between legal, compliance, IT and operations departments to manage third-party risks effectively.

Healthcare payers increasingly turn to third parties for mission-critical services, which make them more dependent on nth-party entities. Specific risks for payers include:

- **Claims processing and customer service:** Disruptions in key operations managed by third-party vendors can lead to delays, errors and customer dissatisfaction.
- **Upstream and downstream implications:** Payers should consider the risks associated with their subcontractors and suppliers, as well as the impact on the services they provide to members and healthcare providers.

Life sciences companies depend heavily on third-party entities for research and development, manufacturing, distribution, and post-market surveillance. Unique risks in this segment include:

- **Product quality and regulatory compliance:** Integration of third parties into critical operational areas can lead to vulnerabilities that impact product quality and compliance with stringent industry standards.
- **Supply chain fragility:** Disruptions due to natural disasters, geopolitical tensions or pandemics can lead to significant delays in product availability, affecting relationships with healthcare providers and patients.

Third-party risks in the healthcare industry are multifaceted and require a strategic and proactive approach to management. Healthcare providers, payers and life sciences companies are advised to conduct thorough due diligence, establish robust performance oversight, enhance enterprise resilience and consider upstream and downstream implications. By adopting these tactics and strategies, risks can be mitigated and the continued delivery of high-quality services and products can be facilitated.

Artificial intelligence creates need for new skills but presents new risks

In the dynamic landscape of the healthcare industry, the adoption of AI is becoming increasingly prevalent. AI's transformative potential spans from predictive analytics and automation to advanced clinical decision support, fundamentally altering how care is delivered, claims are processed, and operational efficiencies are realised. However, this evolution also creates an urgent need for new skills, many of which are in short supply, and presents new risks that must be carefully managed.

AI has numerous applications in healthcare, including operational efficiency and cost containment; personalised patient care; regulatory compliance and risk mitigation; and interoperability and data insights. Through AI-driven automation in areas like claims processing, fraud detection and revenue cycle management, administrative overhead is reduced and work quality is improved. AI-powered predictive analytics enhance treatment plans, improve patient engagement and optimise care pathways. By identifying compliance risks, streamlining audits and facilitating adherence to evolving regulations, AI can play a critical role in regulatory compliance and risk mitigation. Furthermore, AI and blockchain technologies facilitate seamless data exchange across providers and payers, enhancing care coordination.

Despite these advancements, the rate of AI adoption in healthcare is slowed by a significant talent gap. Many organisations struggle to find professionals with expertise in AI model development and maintenance, healthcare data science and analytics, ethical AI and regulatory compliance, and process automation and intelligent workflow design.

Emerging AI-driven adaptive learning platforms offer a solution by tailoring educational content to individual employees, adjusting in real time based on user performance. This personalised approach helps close skill gaps more efficiently than conventional training methods, helping ensure that employees are prepared for AI-integrated workflows.

Another significant breakthrough in AI is the emergence of vertical AI agents, domain-specific AI systems designed to perform specialised tasks within healthcare. Unlike general AI, these agents are trained with deep industry knowledge, making them highly effective in automating tasks such as medical coding, prior authorisation approval and clinical documentation. Healthcare providers can leverage these agents to enhance decision-making, reduce administrative burden and improve patient outcomes by integrating them seamlessly into existing workflows.

However, the implementation of AI in healthcare introduces new risks that providers must navigate carefully. One significant challenge is the potential for algorithmic bias, which can lead to poor care outcomes. AI models trained on incomplete or nonrepresentative datasets may result in conclusions that shouldn’t be extrapolated to entire patient populations. Additionally, reliance on AI for clinical decision-making raises concerns about liability. If an AI-driven recommendation leads to a misdiagnosis or incorrect treatment, determining accountability can prove difficult. Industry members must establish clear governance structures and maintain human oversight to help ensure AI augments, rather than replaces, critical medical judgment.

Another emerging risk is the increased vulnerability to cybersecurity threats. As AI systems integrate with electronic health records and other digital infrastructure, they become prime targets for cyber attacks. Unauthorised access to AI-powered systems could lead to manipulation of patient data, disruptions in service or breaches of confidential information. Healthcare organisations must prioritise the implementation of robust cybersecurity measures, including continuous monitoring, encryption protocols and stringent access controls to mitigate cybersecurity risks. Without proper safeguards, the adoption of AI could inadvertently compromise patient data and result in regulatory noncompliance.

A more unique yet critical risk is the potential for AI to erode the human element in patient care. While AI enhances efficiency and decision-making, overreliance on automation could reduce meaningful clinician-patient interactions, ultimately affecting patient satisfaction and treatment outcomes. AI-driven chatbots and virtual assistants can streamline administrative workflows, but patients can feel disconnected from their care providers if human engagement diminishes. Healthcare providers must strike a balance between leveraging AI for operational efficiency and preserving the compassionate, empathetic relationships that define quality healthcare. Implementing AI in a way that enhances, rather than replaces, human connection will be crucial for maintaining patient trust and delivering holistic care.

The adoption of AI and emerging technologies is inevitable in healthcare, but its success hinges on acquiring or developing personnel with the right skill sets. By embracing innovative training methods like digital twins, AI-driven adaptive learning and vertical AI agents, healthcare industry members can stay ahead of the curve. Those who act now will not only bridge the talent gap but also position themselves as industry leaders in the AI-driven healthcare landscape. At the same time, careful navigation of the emerging risks associated with AI implementation is paramount. Emphasising robust cybersecurity measures, careful oversight of AI decision-making, and preserving the human element in patient care are essential steps in this journey.

Segment-specific perspectives

While certain risk issues are consistently top of mind across the healthcare industry, their perceived urgency and strategic impact can differ significantly across sectors depending on a wide variety of factors. This variation in level of risk can be seen in the table below and unique insights that follow.

Top 10 near-term risk issues by segment

Top Risks	Provider	Payer	Life Sciences
1	Cyber threats	Cyber threats	Heightened regulatory change, uncertainty and scrutiny
2	Third-party risks	Talent and labour availability	Increases in labour costs
3	Talent and labour availability	Third-party risks	Changes in global markets and trade policies
4	Increases in labour costs	Ensuring privacy and compliance with growing privacy and identity protection risks and expectations	Uncertainty surrounding core supply chain ecosystem
5	Ability to attract, develop and retain top talent, manage shifts in labour expectations, and address succession challenges	Adoption of AI and other emerging technologies requiring new skills in short supply	Economic conditions, including inflationary pressures
6	Heightened regulatory change, uncertainty and scrutiny	Ability to attract, develop and retain top talent, manage shifts in labour expectations, and address succession challenges	Third-party risks
7	Adoption of AI and other emerging technologies requiring new skills in short supply	Increases in labour costs	Talent and labour availability
8	Ensuring privacy and compliance with growing privacy and identity protection risks and expectations	Economic conditions, including inflationary pressures	Geopolitical shifts, regional conflicts and instability in governmental regimes
9	Economic conditions, including inflationary pressures	Heightened regulatory change, uncertainty and scrutiny	Cyber threats
10	Emergence of new risks from implementing artificial intelligence	Sustaining customer loyalty and retention	Ability to attract, develop and retain top talent, manage shifts in labour expectations, and address succession challenges

Provider

Legal and regulatory compliance complexities expected to continue

The current political environment significantly impacts healthcare providers, primarily influenced by the outcomes of the recent elections and ongoing legislative changes. Through the work of the Department of Government Efficiency (DOGE), the new administration has placed an emphasis on reducing regulations and governmental bureaucracy as well as on reevaluating government funding programs. Congress has proposed a reduction to federal Medicaid spending, which would have wide-ranging implications for state budgets and healthcare delivery systems. Efforts to lower prescription drug prices and address healthcare costs are also prominent in political discussions. Providers must navigate these changing policies while addressing patient needs and maintaining compliance with evolving regulations, including payment integrity programs.

Facilitating quality of care and patient safety remains paramount, requiring steadfast adherence to clinical guidelines and robust monitoring systems to optimise patient outcomes. Compliance oversight of quality and safety is now an explicit expectation of the U.S. Department of Health and Human Services Office of Inspector General (HHS-OIG). Additionally, the precision of billing and coding practices continues to be a top priority in order to avoid noncompliance with the stringent regulations of Medicare and Medicaid. Moreover, the specter of fraud, waste and abuse (FWA) looms large, demanding robust internal controls and continuous oversight to mitigate risks and detect and prevent misconduct.

Beyond these broad compliance challenges, healthcare providers must grapple with specific risks related to the privacy of patient and personally identifiable information. The continued proliferation of state-level privacy laws calls for a swift adaptation of new compliance strategies by providers to successfully navigate this intricate tapestry of regulations. Further, the development of robust data-governance frameworks, encompassing comprehensive methodologies for data classification, access controls and retention policies, becomes critical to manage risks associated with data breaches and facilitate compliance with evolving privacy regulations. Providers must implement risk-mitigation measures to help ensure that vendors, especially business associates, do not compromise the organisation's compliance, privacy and security standards or its operational integrity.

To successfully navigate these multifaceted challenges, providers must establish comprehensive data-governance frameworks, devise proactive incident-response strategies, and foster a culture of continuous learning through targeted training programs. By embracing these priorities, healthcare providers can facilitate compliance excellence, safeguard patient trust, and uphold the highest standards of care, even in this rapidly evolving regulatory landscape. This proactive approach not only mitigates risks but also positions providers to thrive amid the regulatory challenges of 2025.

Economic and inflationary challenges may threaten financial viability

The U.S. healthcare industry continues to face significant economic and inflationary challenges that may begin to threaten its financial viability. These challenges are exacerbated by a combination of factors, including a rapidly aging population, persistent provider shortages, declining reimbursement and skyrocketing pharmaceutical costs. However, healthcare providers appear to be entering 2025 on better footing than they were a year ago, as financial and operating performances have stabilised somewhat. Key indicators like operating margins, outpatient revenue and average length of stay improved in early 2024 and held steady in the back half of the year.[9] For many providers, volumes have rebounded, surpassing pre-pandemic levels. This is particularly true for health systems in high-growth markets, though many systems in stagnant service areas are also experiencing some volume gains, according to a Fitch Ratings report issued in December 2024.[10]

Despite the positive trends of the key metrics noted above, three overarching areas of economic concern remain top of mind for healthcare executives:

- **Declining reimbursement:** One of the most pressing issues for healthcare providers is the decline in reimbursement from both government and private payers. As reimbursement rates stagnate or decrease, providers are forced to operate with tighter margins, which can lead to reduced services or even closures, particularly among rural hospitals that already face many other challenges.
- **Increased labour and supply costs:** Labour costs have risen significantly due to inflation and increased demand for healthcare professionals. Providers are struggling to attract and retain qualified staff, which further strains operational budgets. This situation is compounded by the need for additional hiring to address the growing patient population, especially as more individuals require care due to chronic conditions associated with aging. Providers are also feeling pressure from increasing costs in other areas, such as spending on medical supplies, drugs and purchased services. According to Kaufmann Hall's report, nonlabour expense per calendar day was up 10%, supply expense grew 13% year over year and purchased-service expense also rose 13%.
- **Pharmaceutical costs:** The rising cost of medications, particularly specialty drugs, has become a critical concern. As healthcare inflation outpaces general inflation, providers are grappling with the increasing financial burden of providing necessary treatments to patients. Drug shortages have forced hospitals to expend additional resources, including staff time, to procure drugs from new sources or alternative drugs, often at higher prices. As a result, hospitals' drug expenses increased by 15% from October 2023 to October 2024.

Inflationary risks facing healthcare providers in 2025 are not insignificant. Healthcare costs are projected to grow by approximately 8%, marking the highest increase since 2012.[11] This surge in costs is largely driven by inflationary pressures that affect all sectors of the economy but impact healthcare more acutely, as reimbursement typically doesn't increase at the same rate. The combination of rising costs and stagnant reimbursements creates a harsh financial environment for healthcare providers. Many

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[9] "National Hospital Flash Report," KaufmanHall, November 2, 2023: https://www.kaufmanhall.com/insights/research-report/national-hospital-flash-report-october-2023.

[10] "Hospitals and Healthcare Systems Labor Tracker: December 2024," Fitch Ratings, December 16, 2024: https://www.fitchratings.com/research/us-public-finance/hospitals-healthcare-systems-labor-tracker-december-2024-16-12-2024.

[11] "US Healthcare Forecast 2025: Trends Shaping the Year Ahead," L.E.K. Insights, February 10, 2025: https://www.lek.com/insights/hea/us/ei/us-healthcare-forecast-2025-trends-shaping-year-ahead.

organisations are reporting that nearly half of their entities are operating below EBITDA breakeven, indicating a troubling trend that could lead to widespread financial distress if not addressed.[12]

The impact of interest rates on healthcare providers in 2025 is a critical issue that adds another layer of complexity to the financial challenges they face. Higher interest rates increase the cost of borrowing, which can diminish, delay or outright cancel critical investments. This is particularly detrimental at a time when technological advancements and facility upgrades are crucial for staying competitive and improving patient care. Additionally, many healthcare organisations carry significant amounts of debt. As interest rates rise, the cost of servicing this debt increases. For providers already struggling with tight margins, increased debt-service requirements can lead to budget cuts in essential areas such as staff, supplies and patient services.

[12] "What to expect in U.S. healthcare in 2025 and beyond," Shubham Singhal and Neha Patel, McKinsey & Company, January 10, 2025: https://www.mckinsey.com/industries/healthcare/our-insights/what-to-expect-in-us-healthcare-in-2025-and-beyond.

Provider segment: Top 10 near-term risk issues

Risk category	Risk issue
Operational	**1.** Cyber threats
Operational	**2.** Third-party risks
Macroeconomic	**3.** Talent and labour availability
Macroeconomic	**4.** Increases in labour costs
Operational	**5.** Ability to attract, develop and retain top talent, manage shifts in labour expectations, and address succession challenges
Strategic	**6.** Heightened regulatory change, uncertainty and scrutiny
Strategic	**7.** Adoption of AI and other emerging technologies requiring new skills in short supply
Operational	**8.** Ensuring privacy and compliance with growing privacy and identity protection risks and expectations
Macroeconomic	**9.** Economic conditions, including inflationary pressures
Operational	**10.** Emergence of new risks from implementing artificial intelligence

Payer

New and rapidly changing federal and state laws and regulations create challenging compliance environment

The current political environment presents several challenges and opportunities for healthcare payers. For example, membership composition and risks are rapidly changing, lines are blurring between payers and providers, and expensive new medications are being added to formularies. There's also a strong focus on reducing healthcare costs being ushered in by the new administration's Department of Government Efficiency (DOGE), including consideration for reducing federal support of state Medicaid programs and reforming Medicare Advantage programs, which could further impact payer reimbursement models and negotiations with CMS, state agencies, and providers. Tariff-induced disruptions in the healthcare supply chain will also likely have delayed impact on payers as providers try to absorb inflated costs of essential medical supplies. Additionally, regulatory changes aimed at increasing transparency in healthcare pricing are intended to empower consumers but may require significant adjustments from payers in their operations and pricing strategies.

Over the next two to three years, healthcare payers anticipate significant risk associated with heightened regulatory change, uncertainty, and scrutiny. Much of this risk is created by the rapid evolution of federal and state laws and regulations (e.g., the Inflation Reduction Act, Centers for Medicare and Medicaid Services (CMS) Final Rules, transparency requirements, interoperability regulations, American Rescue Plan Act), creating a challenging environment that demands careful navigation to maintain compliance. Additionally, the integration of advanced technologies such as AI and data analytics into payer operations presents both opportunities for innovation and new compliance risks that must be adeptly managed.

The landscape for Medicare Advantage plans is undergoing substantial changes, with new regulations aimed at ensuring beneficiary protection and requiring enhanced transparency and accountability. Furthermore, as Medicare Advantage membership has continued to boom to slightly more than half of Medicare beneficiaries, compliance departments overseeing these plans have not been scaled accordingly. As the frequency and scope of regulatory audits have increased and expanded, so have the demands made of compliance as well as operational staff members, who struggle to keep up with the government requests and required skills associated with those audits. As layoffs and retirements reduce payers' access to in-house compliance expertise, more organisations look to co-sourcing to fill the gaps and strengthen their compliance programs.

Payers are increasingly turning to third-party vendors and delegates to obtain operational efficiencies and cut costs. It is imperative that payers enact a comprehensive delegation oversight process and audit strategy to help ensure vendors are vetted prior to contracting and are performing the delegated functions compliantly throughout their engagement. This includes monitoring third-party vendors that have access to patient information to validate that they are compliant with applicable laws, regulations and contractual requirements, both at the initiation of the relationships and on an ongoing basis.

Additionally, there is an intensified focus on combating FWA due to the increasing scrutiny from regulatory bodies and the introduction of new guidelines aimed at preventing FWA activities. Payers must adapt to these changes by implementing more rigorous oversight mechanisms and enhancing their reporting practices to proactively address FWA risks. The HHS-OIG has identified risk adjustment specifically as an area rife with FWA concerns. Payers should immediately make sure that their risk adjustment and Hierarchical Condition Category (HCC) Coding capture processes are resulting in accurate outputs to avoid being added to the growing list of payers that have recently been subject to regulatory enforcement actions for noncompliance in this area.

The other critical compliance risk area that has emerged among the top ten in our survey is "ensuring privacy and compliance with growing privacy and identity protection risks and expectations." This risk, ranked at number 4 in the payer segment, underscores the importance of robust data governance and risk management practices in the emerging era of AI. The rapid pace of technological change necessitates continuous updates to data strategies and close collabouration among compliance, IT and security disciplines. The biggest drivers of privacy compliance risk this year are the expanding patchwork of state privacy regulations and expansion of AI's access to customer data. The variance in state-level requirements is causing payers to swiftly revise their privacy compliance strategies and tactics accordingly, aligning their policies and procedures with the most stringent state laws to avoid legal repercussions and maintain member trust. Finally, as the number of use cases of AI in the payer segment multiply every year, so do the risks associated with its growing access to patient information. AI requires the creation of a governance framework to, among other things, keep track of what systems and tools have access to what data and help ensure that breaches do not result.

Economic conditions and uncertainty impact growth opportunities and margins

Economic conditions, particularly inflation, are poised to continue negatively impacting growth opportunities and margins in the healthcare insurance market. Climbing utilisation rates, aging populations moving to government plans, and elevated prices for services, pharmaceuticals and labour will lead to increased claims costs for payers, which can drive down margins. Even as profits shrink, payers must balance premium-rate changes and rising costs to reduce medical-loss ratios in order to stay solvent. Recent reports highlight that the top five most profitable payers in 2024 had an average of approximately 18% year-over-year decrease in total net earnings.[13]

Adding to the challenges these conditions create, economic uncertainty can lead to cautious consumer behavior, impacting enrollment in health plans. Individuals and employers are incented to reassess their healthcare spending and opt for lower-cost plans or reduce coverage altogether, which would result in diminished premium revenues. The effects of consumer pessimism could be exacerbated by potential job losses or reduced hours in the workforce, leading to a decrease in employer-sponsored insurance enrollment.

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[13] "Payers ranked by 2024 profits," Jakob Emerson, Becker's Payer Issues, February 12, 2025: https://www.beckerspayer.com/payer/payers-ranked-by-2024-profits/.

Furthermore, regulatory changes (e.g., the Inflation Reduction Act) and policy shifts by the new administration (e.g., expiration of marketplace subsidies in 2025) will likely add complexity to the healthcare insurance landscape. Payers face new requirements aimed at controlling costs or enhancing consumer protections, which could necessitate additional investments in compliance and operational adjustments. Such changes could divert resources away from innovation and growth initiatives.

The combination of these factors creates a precarious short-term situation for payers, but the longer-term outlook is more promising, with an estimated 7% compound annual growth rate through 2028.[14] Payers will need to adopt strategic measures, such as enhancing operational efficiencies, leveraging technology for cost management, and exploring innovative product offerings to navigate these economic challenges and acuity shifts to higher-risk populations. Ultimately, the interplay of inflation and other economic conditions will require payers to be agile and responsive to sustain growth and protect margins in an increasingly volatile market.

Customer loyalty and retention

To effectively navigate the evolving landscape of healthcare, it is imperative for payers to enhance the end-to-end customer experience and to recognise and address the critical risks associated with customer loyalty and retention. As the industry faces increasing competition and shifting consumer expectations, prioritising personalised engagement strategies will be essential for maintaining a competitive edge and ensuring member satisfaction. To foster customer loyalty and retention, healthcare payers should deliver specific, contextual and data-driven recommendations that resonate with the individual needs of their members. Continuous, proactive engagement throughout the customer experience, not just during periods of acute healthcare needs, is crucial for maintaining trust and perceived value. Moreover, transparency and clear communication regarding benefits, costs and coverage, along the provision of educational resources, are essential for empowering customers, boosting their satisfaction and loyalty.

Healthcare payers should prioritise building trust through personalised and accessible services, such as offering timely well-being recommendations following medical appointments and providing 24/7 online access to various health plan resources, such as a live nurse line. By integrating seamless processes into a user-friendly platform like appointment scheduling to enhance the user experience or a modern payment platform with the health system, payers can create a smooth experience for their customers from appointment scheduling to claims adjudication and on through payment. Moreover, replacing outdated and disconnected systems with modern ones can eliminate data silos and manual review bottlenecks, thereby improving operational efficiency and enhancing customer loyalty and retention.

Healthcare payers can further sustain customer loyalty and retention by offering medical-service pricing comparisons with various providers. By providing customers with transparent pricing information, payers empower members to make informed choices about their healthcare options. This not only fosters trust but also encourages customers to seek care from in-network providers, ultimately reducing costs for both

[14] "What to expect in U.S. healthcare in 2025 and beyond," Shubham Singhal and Neha Patel, McKinsey & Company, January 10, 2025: https://www.mckinsey.com/industries/healthcare/our-insights/what-to-expect-in-us-healthcare-in-2025-and-beyond.

the payer and the member. Furthermore, implementing loyalty programs that reward customers for engaging with their health plans – such as participating in wellness programs or achieving health milestones – can enhance retention. These programs can include incentives like discounts on premiums, gift cards or even contributions to health savings accounts (HSAs).

Leveraging technology, particularly AI, is vital for streamlining tasks like finding and evaluating in-network doctors and navigating health-plan benefits. AI can also support the delivery of accurate, personalised and real-time digital health experiences, which boosts customer engagement. Additionally, AI-driven tools can analyse customer data to provide tailored recommendations and alerts, ensuring that members receive the most relevant information at the right times.

By adopting these multifaceted approaches – creating seamless processes, providing transparent pricing comparisons and leveraging innovation – healthcare payers can build stronger relationships with their customers, enhancing their satisfaction and ultimately driving loyalty and retention.

Payer segment: Top 10 near-term risk issues

Risk category	Risk issue
Operational	**1.** Cyber threats
Macroeconomic	**2.** Talent and labour availability
Operational	**3.** Third-party risks
Operational	**4.** Ensuring privacy and compliance with growing privacy and identity protection risks and expectations
Strategic	**5.** Adoption of AI and other emerging technologies requiring new skills in short supply
Operational	**6.** Ability to attract, develop and retain top talent, manage shifts in labour expectations, and address succession challenges
Macroeconomic	**7.** Increases in labour costs
Macroeconomic	**8.** Economic conditions, including inflationary pressures
Strategic	**9.** Heightened regulatory change, uncertainty and scrutiny
Strategic	**10.** Sustaining customer loyalty and retention

Life Sciences

Heightened regulatory change, uncertainty and scrutiny top list of concerns

Over the next two to three years, life sciences organisations expect to continue grappling with significant risks associated with heightened regulatory change, uncertainty and scrutiny. This risk area topped the list of concerns among life sciences executives surveyed, reflecting the swift evolution of federal and international regulations as well as the unprecedented level of uncertainly associated with the Trump administration, such as the priorities of the new leadership at the U.S. Department of Health and Human Services, the U.S. Food and Drug Administration (FDA) and the National Institutes of Health (NIH). This tumultuous landscape necessitates meticulous and agile compliance strategies to help ensure operational integrity and safeguard sensitive data.

Life sciences organisations are particularly challenged by the stringent requirements surrounding data privacy and risks associated with the integration of AI. The increasing reliance on AI technologies for drug development and clinical research introduces substantial compliance challenges related to algorithmic bias and data-handling practices. The intensified focus on the ethical use of AI necessitates robust governance frameworks to facilitate alignment with regulatory expectations. Concurrently, as privacy laws become more rigorous globally, life sciences organisations must bolster their data-governance frameworks to manage risks associated with large-scale breaches and facilitate compliance with the evolving regulations.

Further, advertising and marketing practices in the life sciences sector are under increased regulatory oversight, particularly concerning the promotion of prescription drugs and medical devices. In 2025, the FDA is expected to enforce stricter guidelines, emphasising transparency and accuracy in promotional materials. Organisations should ensure that their marketing strategies and tactics comply with these regulations to avoid potential penalties. The U.S. Department of Justice has not abandoned its tried-and-true enforcement tactics and continues to use the False Claims Act (FCA) as its primary tool for fighting false and misleading advertising by life sciences companies that result in payments by government programs. FCA liability can also be triggered by inappropriate relationships with providers, for example, those that violate the federal Anti-Kickback Statute (AKS) by incenting physicians to prescribe a firm’s drug or device.

Life sciences organisations’ relationships with physicians and other providers continue to be a focus of government scrutiny due to the conflicts they can present, which, in the worst cases, can lead to patient harm. Effective management of these relationships is essential for mitigating associated risks, safeguarding patient trust and upholding organisational integrity. This requires multiple controls to facilitate compliance with regulatory requirements, particularly the AKS, which prohibits transactions intended to induce or reward referrals for services or products paid by federal healthcare programs. Life sciences organisations should take steps to ensure that all provider arrangements, especially those involving physicians, fall into the AKS safe harbors and possess adequate safeguards, as failure to do so can lead to criminal charges, large civil fines and exclusion from federal programs.

Finally, on February 10, 2025, President Trump issued an executive order freezing all new Foreign Corrupt Practices Act (FCPA) investigations and enforcement actions for 180 days, with the stated goal of advancing U.S. interests "by eliminating excessive barriers to American commerce abroad."[15] Life sciences companies may decide to reduce spend associated with FCPA compliance oversight, but doing so could open the door for a variety of reputational, legal and ethical challenges on a global stage.

Changes in global markets and trade policies bring caution

The life sciences market size was valued at approximately $88.15 billion in 2024 and is expected to reach $214.37 billion by 2032, growing at a compound annual growth rate (CAGR) of about 11.75% from 2024 to 2032.[16] While these projections and overall increasing demand for health products has life sciences executives bullish on the long-term outlook, economic uncertainties, political actions, trade policies and the trend of increasing globalisation impacting the industry has made the same executives cautious over the short run.

Life sciences firms are contending with extremely high costs related to research and development resulting from, for example, clinical trials, regulatory compliance and emerging custom technologies. These financial burdens impair development, particularly in smaller organisations, and will likely lead to increased drug prices for customers. The life sciences segment also confronts issues associated with multiple national and international regulatory systems and protocols regarding approval of drugs and clinical research, as well as the safety of products. This multitude of differing regulatory considerations slows product development and increases costs, impacting the development of drugs and where drugs can be developed cost-effectively.

Changes in U.S. trade policies, such as tariffs on raw materials, active pharmaceutical ingredients and finished products, may disrupt the supply chains of pharmaceutical and medical device companies. This could lead to increased costs and potential delays in production. Also, additional incentives to manufacture in the U.S. (or disincentives to manufacture abroad) may result in a shift to increased domestic production, which is expected to increase the cost to manufacture. These costs will either be passed on to customers/patients through additional price hikes for drugs or impact the margins of life sciences companies. Life sciences leaders are considering preemptive price increases for drugs in an effort to offset potential tariff impacts. Overall, life sciences companies need to stay agile and adapt to the evolving trade policy landscape to mitigate risks and capitalise on new opportunities.

Uncertainty surrounds core supply chain ecosystems

The life sciences industry operates within a complex and dynamic environment characterised by rapid technological advancements, stringent regulatory requirements and evolving market demands. A critical challenge facing this sector is the uncertainty surrounding core supply chain ecosystems, which ranked as

[15] "Pausing Foreign Corrupt Practices Act Enforcement to Further American Economic and National Security," The White House, February 10, 2025: https://www.whitehouse.gov/presidential-actions/2025/02/pausing-foreign-corrupt-practices-act-enforcement-to-further-american-economic-and-national-security/.
[16] "Life Sciences Market Overview," Business Research Insights, March 10, 2025: https://www.businessresearchinsights.com/market-reports/life-sciences-market-117655.

the fourth highest risk concern for life sciences executives. This uncertainty, particularly concerning the control of raw material sources, can significantly impact the ability of life sciences companies to manufacture products efficiently.

At its core, a supply chain ecosystem in the life sciences segment encompasses all of the interconnected entities involved in the production and distribution of pharmaceutical products, medical devices and biotechnological innovations. These entities include raw material suppliers, manufacturers, distributors and healthcare providers. Each link in the supply chain plays a critical role in helping to ensure that high-quality products reach patients safely and on time.

However, models of these complex ecosystems include a myriad of variables, many of which are hard to predict. Factors such as global sourcing, geopolitical tensions, natural disasters and unexpected regulatory changes can disrupt the flow of materials and information, leading to delays and increased costs. Further, the COVID-19 pandemic highlighted vulnerabilities within supply chains, prompting life sciences companies to reassess their tactics and strategies for managing the unexpected.

The impact of raw-material sourcing

One of the most pressing issues contributing to supply chain uncertainty is the sourcing of raw materials, the foundational components used in the manufacture of pharmaceuticals and medical devices. The quality and availability of these materials directly affect product safety and efficacy. Challenges related to raw material sourcing can include:

- **Global supply chain vulnerabilities:** Reliance on a global network of suppliers for raw materials can lead to vulnerabilities, especially when geopolitical risks manifest or when there are disruptions in specific regions. For example, trade restrictions or tariffs can increase costs and/or limit access to essential materials.
- **Quality control:** Ensuring the quality of raw materials is paramount in the life sciences segment. Variations in quality can result in failed batches, recalls and regulatory penalties. Companies must implement rigorous quality control measures throughout the supply chain, which can be challenging when sourcing from multiple suppliers across different regions.
- **Regulatory compliance:** Compliance with stringent regulations governing the sourcing and use of raw materials requires companies to maintain comprehensive records of their supply chains, conduct regular audits of suppliers and ensure that all materials meet specified standards. Navigating these regulatory requirements across different jurisdictions adds another layer of complexity to raw-material sourcing.
- **Sustainability concerns:** Increasing pressure to source raw materials sustainably and ethically pressures life sciences companies to consider factors like environmental impact and labour practices when choosing suppliers, adding constraints to sourcing decisions.

Despite these challenges, several strategies can help manage these risks and help ensure the reliability of raw material sourcing. Developing resilient and flexible supply chains by diversifying suppliers, implementing advanced technologies for real-time monitoring, and fostering strong partnerships with key stakeholders can help companies anticipate and respond to disruptions and facilitate a steady flow of essential raw materials and products. Stringent quality control measures, including thorough testing, continuous monitoring, and maintaining transparency with suppliers, can help mitigate the risks of contamination and regulatory noncompliance while safeguarding products and maintaining the trust of regulators and consumers. Building strong relationships with suppliers, conducting regular audits and facilitating adherence to quality standards are crucial elements of effective supplier management that can help mitigate risks, creating a more reliable and controlled supply chain ecosystem.

Life sciences organisations also can enhance supply chain visibility and efficiency by embracing technological advancements such as AI, IoT and blockchain. These innovative tools can provide real-time tracking, predictive analytics and secure data sharing, while providing the insights needed to make informed decisions and build more adaptive and resilient supply chains.

Finally, implementing sustainable initiatives can enhance supply chain resilience while addressing ethical and environmental concerns. By sourcing from suppliers who adhere to sustainable practices, companies can reduce the risk of reputational damage and regulatory penalties.

Proactive strategic planning and preparedness is essential for addressing uncertainties within the supply chain. Developing contingency plans, conducting risk assessments and investing in capacity-building initiatives can help companies prepare for potential disruptions and minimise their impact when they do occur, facilitating continuity in the supply chain.

Life sciences organisations are navigating an era of unprecedented challenges and uncertainties within their supply chain ecosystems. The complex nature of the segment, coupled with the need for high quality standards, makes supply chain management a critical endeavor. It is therefore imperative that life sciences segment members prioritise the development of resilient and flexible supply chain ecosystems to navigate the complexities of the current global market.

Other economic conditions and inflationary pressures cause concern

In addition to supply chain costs and regulatory shifts impacting economic conditions, other key economic- and inflation-related concerns for executives at life sciences companies over the next two to three years can be summarised as follows:

- If inflation continues to grow, costs for life sciences companies will continue to increase, resulting in the need to increase prices to customers/patients. When coupled with expected reductions in Medicare reimbursement, the short-run forecast can indeed look gloomy.
- If policies are enacted that limit life sciences organisations' ability to increase prices, further reductions in margin are likely.

- As high-value patents expire over the next few years, projections suggest billions of dollars in revenue may be lost for pharmaceutical companies.[17] Companies should adopt dynamic pricing strategies and market-specific approaches to retain revenue streams in the face of these challenges.
- Fluctuating interest rates are affecting the cost of capital, impacting investment decisions and financial planning.

Overall, executives are showing an increased focus on reducing the costs and time needed to bring drugs to market due to these uncertainties, with emerging tech and AI, along with increased outsourcing, demonstrating the biggest potential to streamline drug discovery and clinical trials.[18] AI has the potential to reduce costs by 70% per trial and shorten timelines by 80%. One study suggests that AI could reduce drug development time by four years and save $26 billion.[19] AI algorithms are being used to analyse vast datasets, identify drug targets, design small molecules and predict drug properties. Generative AI is also being used for tasks such as synthesising scientific literature, generating synthetic data and creating digital twins for *in silico* clinical trials.

Regional conflicts and instability in governmental regimes create additional risk

In addition to the disruption of regional regulations and potential supply chain disruption impacts, regional conflicts and instability in governmental regimes create risks and opportunities for life sciences organisations:

- **Investment uncertainty:** Instability in governmental regimes can create an uncertain investment climate. Investors may be hesitant to fund projects in regions with high political risk, impacting the financial stability and growth potential of life sciences organisations.
- **Market access and expansion:** Geopolitical shifts can alter market dynamics, opening up new opportunities in some regions while closing off others. Companies need to be agile and adapt their strategies and tactics to these changing conditions.
- **Research and development:** Political and economic instability can affect funding for research and development. Governments may cut budgets for scientific research, impacting innovation and the development of new therapies.
- **Talent mobility:** Regional conflicts and political turmoil can affect the mobility of skilled professionals. Restrictions on travel and immigration can make it difficult for life sciences companies to attract and retain top talent.

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[17] "2025 Trends in Life Sciences: Adapting to a Changing Landscape," Revenue Management Labs, January 9, 2025: https://revenueml.com/insights/articles/2025-trends-in-life-sciences.
[18] "AI in the Pharmaceutical Industry: Innovations and Challenges," Damla Varol, Scilife, February 20, 2025: https://www.scilife.io/blog/ai-pharma-innovation-challenges.
[19] Ibid.

To reduce or hedge against these risks and uncertainties, life sciences executives should consider the following actions to mitigate threats and maximise opportunities:

- Staying informed about regulatory changes and maintaining nimble and adaptive methods to facilitate compliance and adhere to new requirements quickly
- Establishing strong relationships with regulatory bodies and investing in regulatory intelligence tools
- Implementing robust risk-management frameworks and conducting scenario planning to better anticipate and prepare for potential geopolitical and economic disruptions
- Forming strategic partnerships and alliances to gain access to new markets and resources, helping companies navigate regional conflicts and political instability
- Leveraging advanced technologies like AI and data analytics to enhance operational efficiency and decision-making and the ability to better predict market trends and regulatory changes

Life sciences segment: Top 10 near-term risk issues

Risk category	Risk issue
Strategic	**1.** Heightened regulatory change, uncertainty and scrutiny
Macroeconomic	**2.** Increases in labour costs
Macroeconomic	**3.** Changes in global markets and trade policies
Operational	**4.** Uncertainty surrounding core supply chain ecosystem
Macroeconomic	**5.** Economic conditions, including inflationary pressures
Operational	**6.** Third-party risks
Macroeconomic	**7.** Talent and labour availability
Macroeconomic	**8.** Geopolitical shifts, regional conflicts and instability in governmental regimes
Operational	**9.** Cyber threats
Operational	**10.** Ability to attract, develop and retain top talent, manage shifts in labour expectations, and address succession challenges

Healthcare industry -- long-term risk outlook

Respondents also were asked to provide their long-term outlooks on the risk landscape, specifically the risks they believe will have the most significant impacts on their organisations over the next ten years. The most cited risks in each category are listed below.

Macroeconomic risk issues

- Talent and labour availability
- Economic conditions, including inflationary pressures
- Increases in labour costs

Strategic risk issues

- Heightened regulatory change, uncertainty and scrutiny
- Adoption of AI and other emerging technologies requiring new skills in short supply
- Rapid speed of disruptive innovation enabled by new and emerging technologies and other market forces

Operational risk issues

- Cyber threats
- Third-party risks
- Ability to attract, develop and retain top talent, manage shifts in labour expectations, and address succession challenges

About the Executive Perspectives on Top Risks Survey

We surveyed 1,215 board members and executives across a number of industries and from around the globe, asking them to assess the impact of 32 unique risks on their organisation over the next two to three years and over the next decade, into 2035. Our survey was conducted online from mid-November 2024 through mid-December 2024. For the near-term outlook, each respondent was asked to rate 32 individual risks on a five-point Likert scale, where 1 reflects "No Impact at All" and 5 reflects "Extensive Impact." For each of the 32 risks, we computed the average score reported by all respondents and rank-ordered the risks from highest to lowest impact.

We also asked executives to share their perspectives about long-term risks (over the next 10 years – 2035) by selecting the top two risks from each of the three dimensions (macroeconomic, strategic and operational). For each of the 32 risks, we calculated the percentage of respondents who included that risk as one of their two top risks for each dimension.

Read our *Executive Perspectives on Top Risks Survey* executive summary and full report at https://www.protiviti.com/us-en/survey/executive-perspectives-top-risks or http://erm.ncsu.edu.

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