



HEALTH CARE PAYERS, PROVIDERS, SYSTEMS & SERVICES

The Crucial Role of Physicians in Managing Health Care Costs

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Health care providers have long faced the difficult balancing act of delivering high-quality patient care while simultaneously pursuing growth and innovation under persistent margin pressures. Many organizations have concentrated their cost-management efforts on the areas they perceive as most controllable, such as corporate overhead, nonclinical labor, and discretionary operating expenses. Yet some of the largest opportunities are often found elsewhere, in clinically sensitive domains. They are not pursued because value is absent, but because change is difficult to execute.

This constraint is particularly evident in clinically driven spending categories such as physician preference items (for example, surgical implants and biologics) and medical supplies. These areas that often remain under-addressed for three reasons: misplaced assumptions that best pricing has already been achieved, entrenched vendor relationships, and—most importantly—a lack of early and sustained physician engagement. Hospitals and health systems instead default to incremental, procurement-led efforts that deliver limited impact.

Achieving the full measure of cost control requires a different approach. Cost management must be treated as a clinical and strategic priority, and physician engagement must be embedded early and continuously through the process. Our experience with hospital systems demonstrates that real and durable value can be unlocked when these principles guide the effort.

Why Value Often Remains Locked in Plain Sight

Third-party spending typically accounts for 30% to 40% of a provider's total operating expenses. This includes categories heavily affected by clinical practice patterns, vendor relationships, and historical norms. Too often, organizations do not engage clinicians fully in managing these costs, or they bring physicians in late in the process and without a member of the clinical staff who acts as a change champion. Instead, providers frame initiatives narrowly and rely on isolated sourcing events to deliver savings.

Moreover, when physicians are brought into the process after other options have already been developed, they tend to perceive the initiatives as administrative mandates rather than clinically informed decisions. Even compelling economic opportunities can stall as organizations struggle to build trust, establish shared objectives, and create alignment around change. The challenge is not simply identifying opportunities for improvement, but building the organizational capability required to capture them.

Reframing Cost Transformation as a Clinical Endeavor

Leading organizations take a different approach. Rather than treating spending with third parties as a procurement challenge, they treat it as a clinical and strategic issue that requires alignment

from the outset among clinical, operational, and executive stakeholders. The focus shifts from where to cut to how to lead change collectively and approaches cost management as a mechanism for reinvestment in strategic priorities.

Successful cost efforts begin not with negotiations or savings targets but with principles. Management makes clear that preserving excellent patient outcomes is nonnegotiable, that specialized and differentiated products will be maintained where they affect care, and that consolidation will occur only when products are clinically equivalent. Clinical leaders are engaged early to establish these shared principles, which then guide decision making throughout the transformation.

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Equally important, leadership explicitly positions the cost initiatives as supporting broader strategic goals, including growth, technology adoption, innovation, and clinical excellence. Cost improvement is pursued as an outcome that results from closer alignment and smarter decision making rather than as the primary objective. Cost savings become a means of expanding organizational capacity for funding innovation, supporting growth initiatives, strengthening clinical programs, and improving the patient experience.

By grounding decisions in outcomes, evidence, and long-term strategy, organizations can create the conditions for trust and avoid the defensive dynamics that often derail clinically sensitive initiatives.

Sustained Physician Engagement as the Mechanism for Change

Early physician engagement is important, but sustained engagement is what ultimately determines the success of the effort. Physician involvement must extend beyond periodic consultation and become embedded in both decision making and vendor interactions.

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In many health systems, physicians maintain vendor relationships that can influence clinical procurement decisions. While these relationships are often viewed as barriers to change, they can become powerful assets when physicians are actively engaged. Once they are aligned around a shared vision, physicians can help evaluate alternatives, establish equivalency standards, provide clinical context, and reinforce expectations around partnership and value in vendor discussions.

This level of engagement does not happen automatically. Organizations must invest in building understanding, trust, and ownership among clinicians. Multiple actions consistently distinguish successful providers' efforts:

- **Identify respected physician champions who can serve as the “voice of the doctors” and help build broader clinical support.** Transformation efforts are far more likely to succeed when messages come from trusted peers rather than administrative leaders alone. Influential physician champions can help translate objectives, reinforce agreed-upon principles, and build credibility across clinical teams.
- **Engage physicians early in defining equivalency standards, evaluating trade-offs, and shaping potential scenarios.** Involving clinicians before decisions are made creates ownership of both the process and the outcome. Early engagement also helps distinguish where different products affect quality of care and where standardization can occur without compromising clinical outcomes.
- **Share benchmarking data and organizational context early and often.** Many clinicians do not have visibility into how pricing compares across suppliers, the scale of purchasing decisions being made, or the broader financial realities facing the health system. Providing this context helps physicians evaluate alternatives through both a clinical and organizational lens and builds support for change.
- **Provide findings and updates to physician forums.** Dedicated physician or physician-only discussions provide a venue for candid dialogue and peer-to-peer problem solving. Clinical staff can discuss objectives, review data, and address concerns. These forums can help surface concerns early, align stakeholders around shared principles, and create momentum for change before formal decisions are made.
- **Leverage physicians' expertise and vendor relationships.** Physicians often have long-standing relationships with suppliers and deep knowledge of the products being evaluated.

When appropriately engaged, they can help shape vendor behavior, reinforce expectations around partnership and value, and strengthen the organization's negotiating position.

- **Maintain a consistent cadence of engagement through meetings, workshops, and one-on-one discussions.** Physician change management is not a single event but an ongoing process. Regular touchpoints help sustain alignment, reinforce objectives, communicate progress, and prevent previously resolved issues from resurfacing later in the transformation.

Two Paths to Value Enabled by Physician Change Management

Engaging physicians in the change process creates value through two distinct avenues. The first is value from external partners. Physician involvement reshapes vendor behavior, strengthens negotiations, supports item-specific and volume-based pricing discussions, and reinforces the organization's position as a strategic partner rather than a transactional buyer.

The second is internal value. With clinical alignment in place, organizations can establish clearer utilization guardrails that preserve access to specialized options while reducing unwarranted variation among clinically equivalent products. These changes improve transparency, enhance operational efficiency, and support consistent and cost-effective delivery of high-quality care.

Broader operational benefits accrue as well. Consolidating to a smaller set of core suppliers can simplify contracting, reduce operational complexity, improve inventory management, and strengthen clinical support models. At the same time, maintaining a limited number of smaller or emerging suppliers helps preserve competitive pressure on larger vendors and ensures continued access to differentiated innovation and future value creation. These levers deliver significant, sustainable impact and establish a repeatable model for future initiatives.

An RFP as a Proof Point of Physician-Led Change

One recent provider transformation illustrates these principles in practice. A structured RFP for physician preference items served not simply as a sourcing exercise, but as a vehicle for

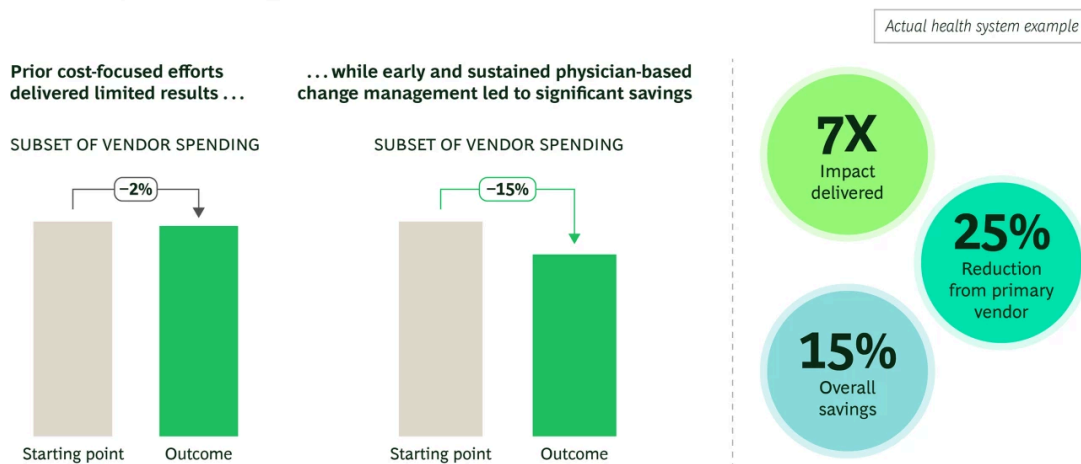
physician-led change management. The process was deliberately designed around principles established with clinical leadership at the outset, including preserving clinical excellence, maintaining appropriate supplier choice, and ensuring access to differentiated products where clinically necessary.

Negotiation teams paired clinicians with supply chain and operational leaders to balance the clinical perspective with commercial rigor. Strategies for vendor contracts avoided sole-sourcing approaches, preserving choice and supply resilience while enabling significant consolidation. Price was evaluated alongside other issues such as broader vendor partnership considerations, technology enablement, operational support, innovation, and long-term strategic alignment.

Physician engagement did not diminish once the RFP launched. Clinical teams remained actively involved across multiple negotiation rounds, providing input on evolving scenarios and participating directly in discussions as competitive dynamics intensified. Vendors received consistent signals not only about pricing expectations, but about what it meant to be a long-term partner to the organization.

While prior cost-focused efforts targeting the same spending categories had delivered only marginal savings, this process provided a different level of impact. (See the exhibit.) Vendor behavior shifted materially, generating significant savings and operational improvements while preserving clinical outcomes.

Physician Engagement Is Essential to Reducing Clinical Procurement Costs



Source: BCG case experience.

Even more important, the effort established a replicable model for future transformations. By demonstrating that physicians could serve as active partners in driving change rather than blocking it, the organization created a foundation for tackling other clinically sensitive opportunities. The lasting value was not only the savings achieved, but the capability developed.

The Broader Lesson for Providers

The most important takeaway is not about any single cost category. It is about how providers can lead change when clinical autonomy, trust, and outcomes matter deeply. Physician change management is more than a communications exercise or a late-stage validation step. It is a strategic capability that unlocks value in clinically sensitive domains while preserving clinical excellence and strengthening organizational performance.

For providers facing ongoing margin pressures alongside rising expectations for quality and innovation, the message is clear. Sustainable economics are built not just through analytics or negotiation but through physician-led change. The challenge is no longer identifying opportunities for improvement but building the organizational capabilities necessary to capture them.

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