



Your business strategy is a community relations strategy

By **Michael Petrone** | October 2026

Health systems invest considerable time and money in community relations. They support local organizations, sponsor events, fund community health programs, create partnerships, and encourage employees to volunteer.

Then the strategy team announces a decision that changes something the community cares deeply about. A service may move or a facility may close. A merger, acquisition, or major expansion may change where care is delivered and where investment flows. Leaders can suddenly discover feelings about the organization that bear little resemblance to what their community relations work suggested.

The disconnect points to a larger problem. Hospitals tend to think about community relations through the things they deliberately do to build relationships, while communities also judge that relationship through the business decisions they experience. Your business strategy may ultimately have more impact on your community relationship than your community relations strategy does.

Strategic decisions look different from outside the hospital

Hospital leaders live with the conditions that eventually drive strategic decisions. They see demand changing, workforce pressures building, financial constraints emerging, and capital needs approaching. By the time a decision has to be made, they already understand much of what led to it. The community encounters the decision without the associated context.

People are more likely to judge the decision by how it changes their experience with the health system. A merger may give the organization access to capital while raising concerns about local control. Moving a service may improve efficiency or clinical quality while making care less convenient for the people who used to receive it nearby. A major investment in one part of the market may leave another community wondering why its needs aren't receiving the same attention.

Leadership may have sound strategic reasons for each decision and still underestimate how differently it will look from outside the organization. Community relations can help leadership understand that view while there's still time for it to inform the strategy.

The status quo may not be an option

One of the hardest gaps to close is the distance between what a community believes will happen if nothing changes and what hospital leaders believe will happen.

A community opposing a merger may believe it's fighting to preserve an independent local hospital. Leadership may know that keeping things exactly as they are isn't financially or operationally sustainable. If they do nothing now, they may eventually have to cut services, defer investments, or make more painful choices later.

The community may see the choice as changing the hospital or keeping it the way it is. Leadership may see a choice between making changes now, while there are still options, and being forced into worse changes later.

Healthcare is expensive to deliver, and much of the economics behind that care is difficult to see from outside the organization. Hospitals have to maintain essential services around the clock and compete for highly skilled workers. Communities reasonably expect them to pay those workers well, maintain modern facilities, and keep needed services available. Supporting those expectations requires revenue generated through an extraordinarily complicated reimbursement system.

Hospital closures provide a sobering reminder that financial pressure can eventually narrow an organization's choices. But financial strain begins long before a hospital reaches that point. [In 2024, 37% of hospitals had negative operating margins, and the median operating margin was only about 3% in April 2025.](#)

Even a hospital with a positive margin may be supporting services that lose money. [More than half of hospital costs in 2025 were tied to service lines where reimbursement fell short of the cost of providing care.](#) That includes services communities consider essential and expect their local hospital to maintain.

Your employment strategy is a community relations strategy too

In many communities, the health system is one of the largest employers, so workforce decisions reach well beyond the hospital walls. And they're expensive. [Workforce spending accounted for about 60% of total hospital expenses in 2025.](#)

Hospitals need enough people to keep care available while facing intense pressure to control costs. They also need to pay employed staff competitively and sometimes fill persistent gaps with more expensive contract clinicians.

Employees see those choices from their own vantage point. A nurse who knows what the hospital is paying for a traveler may reasonably ask why the organization can't pay its own nurses the same amount. Benefits and other employment costs complicate the comparison, but they don't make the question disappear.

For a major local employer, workforce strategy affects access, hospital finances, household incomes, and how thousands of employees and their families experience the organization. Those decisions become part of the community relationship whether anyone intended them to or not.

Bring hospital community relations into the strategy room

Major strategic decisions should include an assessment of what they'll mean for the community relationship. Leadership needs to understand what people stand to gain or lose, which parts of the decision may be difficult to see from outside the organization, and what the community currently believes about the problem being solved.

Before assuming people understand the alternatives, find out what they believe will happen if nothing changes. If leadership sees an unsustainable service and the community sees one that can continue indefinitely, the organization has found an important gap in understanding. Waiting until the closure announcement to address it leaves very little room to change the conversation.

Health systems can also make the pressures shaping their strategy more visible over time. Workforce shortages, changing demand, capital needs, and reimbursement pressures don't need to become a running lesson in hospital administration. But communities need enough understanding of how the institution works to put consequential decisions into context when they arrive.

Community-relations leaders can bring community perspectives into strategic planning. They know which previous decisions still affect trust, what people are hearing outside the organization, and where leadership's assumptions differ from the community's. That information may not change the strategic decision, but it can change how leadership evaluates the alternatives and how early it begins preparing the community for what may come next.

A community that understands the problem may still believe leadership chose the wrong solution. But the organization has a much better chance of having a productive debate when everyone understands the choices that actually exist.

Health systems spend years building community relationships through outreach, investment, and partnership. The business decisions they make will ultimately test those relationships. Community relations deserves a place in the room while those decisions are still being made.