

Government & Policy

PwC's top 10 healthcare industry issues for 2017

The year ahead holds both opportunity and uncertainty, the consulting firm noted, with the Affordable Care Act's fate coming into question as healthcare organizations move into the new world of value-based care and other advances.

By **Jack McCarthy**, Healthcare IT News December 19, 2016 09:54 AM

There's no doubt that with President-elect Donald J. Trump preparing to take office, the healthcare industry is headed for significant changes on many fronts. In a new report, "Top health industry issues of 2017: A year of uncertainty and opportunity," the consulting firm PwC outlines its view of how the healthcare landscape will take shape and how to prepare for it.

Among the report's conclusions: Despite calls for its repeal, the fate of the Affordable Care Act (ACA) remains unclear; pharma's business relationships with Washington and with its customers may undergo major alterations; new technologies will alter many of our preconceptions about healthcare delivery; and perhaps most enduring, the shift towards value-based care will continue its development, altering the healthcare landscape.



“Many of the top health industry issues of 2017 highlight how this shift toward value is occurring, and how traditional health organizations and new entrants are responding to it,” the consulting firm report said. “There are three main tactics that organizations will use to address this shift to value – they will adapt, they will innovate and they will build new programs and approaches to their work. “

[Also: 27 hot health techs to watch in 2017 (<http://www.healthcareitnews.com/news/27-hot-health-technologies-watch-2017>)]

Despite uncertainty with the new administration, “the industry also will continue to be rich with opportunity, as forces greater than politics carry on its transformation,” the report said.

PwC’s outlines 10 changes as follows:

The fate of the ACA remains unclear. President-elect Trump has made repealing and replacing the ACA one of his top priorities. However, complete repeal of the law would eliminate the ACA’s health insurance exchanges and reverse the expansion of Medicaid, adding 20 million to the ranks of the uninsured. Hospitals, especially those in states that expanded Medicaid, could experience a dramatic increase in uncompensated care. Meanwhile, insurers likely would lose most of the \$1.9 trillion in federal ACA-related subsidies slated to be doled out over the next 10 years.

“Health organizations should map out potential gains and losses of insured consumers around multiple scenarios,” the report said. Industry leaders should educate the new administration on the interplay between premium costs, essential benefits and guaranteed issue.

The possible upheaval in the market may create strategic opportunities. "Heading into open enrollment for 2017, several insurers scaled back their exchange efforts," the report said. "Exits by Aetna, Humana and UnitedHealthcare put about 1.6 million lives and over \$8 billion in premium revenues up for grabs for 2017."

Pharma's new strategic partner? Patients. As the reimbursement and regulatory environment for pharmaceutical companies grows stiffer they will need to engage with patients to justify prices and satisfy regulators that they are providing customers with the best possible value.

"Government emphasis on patient engagement may increase the value of pharmaceutical companies offering services to providers that help patients collect, analyze and understand their own health data and health conditions," PwC said. "Companies able to identify and meet patients' needs may have more success with regulators who increasingly are focusing on patient engagement."

These companies should build trust for effective engagement, including data sharing with customers. Partnerships, such as with advocacy organizations, may help companies access these data more effectively, the report said.

Taking the training wheels off value-based payment.

"The march toward paying for value over volume has been a gradual one. Up until this point, new programs and payment models have largely involved upside risk for healthcare providers. But this will begin to change in 2017 as the training wheels for these risk-based arrangements are eased off," the report said.

Next year is the first performance year for the Medicare Access and CHIP Reauthorization Act of 2015, the physician payment reform law also known as

MACRA, and healthcare providers will be asked to participate in one of two payment tracks, both of which emphasize downside risk.

The report said that providing higher quality, lower cost care will require an analytics-driven approach to deliver tailored care management solutions based on specific needs. "Achieving this requires a robust infrastructure of technology and clinical skills, which will take time to build and operationalize," the report said. "Providers should consider partnerships and alliances to acquire both."

Solutions will also be available to help doctors drowning in data. These can minimize their administrative burdens, allowing them to spend more time caring for patients.

Insert your card here for healthcare. About 5 percent of healthcare provider revenue today comes through credit card transactions, a percentage that likely will double by 2020, PWC estimates. The consultant said next year health systems will begin to modernize payments in preparation for creating more consumer-centered experiences.

The need for modernization is pressing, as most health systems maintain a patchwork of credit card processing devices, systems, vendors and operations, often allowing each business unit and location to choose their own. In addition, hackers are targeting health systems more than ever.

PWC said that in response, healthcare providers should plan on creating a dedicated group to keep payment processes up to date once the project is complete. In addition, providers can use secure payments as a way to build consumer trust, loyalty and satisfaction.

Paging Dr. Drone: It's time to prepare for emerging technologies. Although the healthcare industry lags behind other industries in the deployment of emerging technologies such as artificial intelligence, drones and virtual reality, these innovations loom on the health industry's horizon with great potential to disrupt in 2017.

Providers should consider these technologies together and apply them in coordination with one another, or in coordination with services delivered by people. To operate these technologies, organizations should be prepared to compete with technology, financial services and retail companies for workers, such as engineers and designers. They should also invest in cybersecurity in keeping with their adoption of emerging technologies to avoid costly breaches and meet regulator expectations.

The battle against infectious diseases sparks invention. In 2017, millions of dollars will be earmarked for drug and device industry projects aimed at combating the spread of infectious diseases such as the Zika virus.

PwC said providers should partner with public agencies to overcome market barriers. "Close collaboration with health agencies in the U.S. and Europe, such as HHS' Biomedical Advanced Research and Development Authority and the European Innovative Medicines Initiative, can help pharmaceutical and device makers secure funding and expedite research and regulatory approval," the report said.

Mobile technology will be used to locate and diagnose patients. Education will play an important role in this area as companies selling drugs and devices that target infectious diseases and antimicrobial resistance should provide strong educational resources for

healthcare workers to share with consumers to help prevent the spread of new pathogens and the development of antibiotic resistance.

Rx cauliflower: Nutrition takes a more central role in health. Emphasis on value-based care is prompting health organizations to focus on nutrition to prevent costly medical problems and improve the overall health of the populations they serve. Providers need to understand the unique diet-related needs of the populations they serve. They should recognize new entrants such as retailers, tech companies and even entertainment companies that offer unique capabilities that can help address consumers' diet-related issues as partners in nutrition-related programs. Primary care teams of the future likely will be comprised of many different professionals, including dietitians and nutritionists.

Drug companies put the brakes – gently – on prices. Biopharmaceutical industry's drug pricing practices may lead to new pricing restrictions in 2017, after years of pressure. "But these new rules may not come from regulators, but from the industry trade organizations and the C-suites of pharmaceutical companies themselves," the report said.

The report said companies should commit to transparent and refrain from frequent price increases in order to may help to rebuild trust with consumers, physicians and health insurers, and demonstrate goodwill to legislators.

"Being more transparent about the justifications for drug prices and educating consumers about the other stakeholders that influence drug prices – including employers, insurers, pharmacy benefits managers and pharmacies – may help to put the price of drugs into a deeper context," the report said.

These companies should experiment with cross-sector partnerships. A partnership between drug makers and the Academy of Managed Care Pharmacy, for example, is working to address predictability in drug pricing by sharing prices with insurers up to 12 months prior to launch.

A year of new partnerships and collaborations.

Consolidation through mergers and acquisitions will continue in the healthcare industry in 2017. But there will also be an uptick in alternative transactions, such as joint ventures, partnerships, strategic alliances and clinical affiliations.

“The broad industry shift to pay for value over volume and a growing interest in wellness – the two forces identified by HRI (PWC’s Health Research Institute) as reshaping the New Health Economy most swiftly – are driving organizations to build new capabilities quickly to stay competitive,” the report said.

Partnerships can be market differentiators if a compelling value proposition can be articulated to consumers.

Medical students prepare to enter value-based world.

Physicians acknowledge that value-based care will likely impact how they practice medicine in the future. The value-based payment models of the future will require them to be able to work on cross-discipline teams – often as leaders – and to measure and continually improve upon the value, cost and quality of care.

Physician executives, at any level, are becoming one of the most important roles in healthcare. Innovative programs are preparing students for these roles.

Programs, PwC said, “which train faculty in quality and safety improvement, along with other educational opportunities that offer a broader perspective of value-based care, will become increasingly important.”

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