Predictions 2023: Healthcare

PREDICTIONS REPORT

Summary

A new dawn is on the horizon in healthcare. Equipped with new digital capabilities and pressured by new consumer expectations for personalized, convenient experiences, healthcare organizations face a predicament — act now and stay afloat, fail to act and get consumed by the competition, or risk financial ruin. With a looming recession, new entrants in the healthcare space, and familiar constraints like staffing shortages, chronic disease prevalence, and supply chain issues, healthcare organizations are thrust once again into the spotlight — and they must act now to meet consumer demands and preserve business viability. This report explores predictions for healthcare in 2023.

Chronic Care, Retail Health, Trial Enrolment, And Wellness Are At The Frontline

1

The headline isn't new — COVID-19 changed how consumers and brands do business, and healthcare organizations are no exception; the pandemic accelerated transformation by a decade. In 2023, hospitals must identify their financial risk and focus on employee retention and recruitment as the threat of a recession looms. Healthcare organizations must re-evaluate their approach to consumer engagement and experience as external industry players vie for a larger foothold in the healthcare market. Care will continue to extend beyond brick-and-mortar settings as technology advances to support chronic care management and decentralized trials in remote settings. This report predicts that in 2023:

- **Economic downturn and consumer behaviours will spike hospital bankruptcies by a third.** Inflation, the nurse staffing crisis, labour cost hikes, supply chain disruption, and sourcing shortages are breaking the banks of US hospitals and shutting their doors. Over the next 12 months, hospitals that averted financial crisis due to the Fed's contingency provisions, state-based funding sources, and lender- granted waivers and extensions will succumb to a lack of cash flow. In 2023, hospital and health system expenses are expected to increase by nearly $135 billion, driven by a projected $86 billion increase in labour expenses. Backlogs for surgery, imaging, and diagnostic services will prevent hospitals from recovering a $20 billion loss of revenue, spurred by the shutdown of elective procedures from March to May 2020. Chapter 11 bankruptcy filings for large healthcare organizations in 2022 are tracking 28% higher than 2021, and this comes after large healthcare organization bankruptcies in 2021 were 44% behind 2020 levels. More than 30% of all rural hospitals are at immediate risk of closure due to low financial reserves or reliance on government aid.

  Patient volumes, high-deductible health plans, and commercial insurance rates will move the needle on hospital sensitivity to recession from low to high. A lack of access to hospital care for underserved, chronically ill, and elderly populations will result in serious ramifications to public health and the economy. Americans 50 to 64 said they skipped medications and cut back on food and utilities during the pandemic to cover their medical needs. In 2020, the loss of employer insurance and significant shift from private to public insurance cost hospitals an estimated $95 billion in annual revenue and an additional $33 billion due to cost-averse consumer behaviour. In part, this was a result of 26% of consumers (16 million people) who skipped medical treatment due to cost concerns. To navigate this crisis and stay afloat, hospitals should start quantifying their finance distress levels now by calculating their Z-score monthly and tracking it over 24 to 36 months. This will help identify risks and trigger a financial turnaround strategy for hospitals at or nearing the red zone.

- **Retail health clinics will double their share of the primary care market.** From 2019 to 2020, retail health clinics experienced growth of 21.5%, fuelled initially by the need for local, convenient COVID-19 testing sites and sustained by their ability to provide accessible, no-appointment-needed, convenient, low-cost, quality care. In 2022, the US retail clinic market was valued at $3.49 billion. Sixteen years ago, there were 29 retail health clinics; now, there are more than 3,000. This report forecasts that retail health clinics will double their share of the primary care market in 2023, fuelled by patient demand and additional retail companies looking to join the ranks of CVS-Aetna, Walgreens, Walmart, Amazon, and Optum-UnitedHealth Group, which are all buying primary care practices or hiring PCPs directly. In 2023, patients will choose retail health for their primary care needs, as health systems, constrained by inadequate resources, fail to match retail's elevated patient experiences. Retailers' large consumer bases and multiple store locations give them a leg up offering immediate care options when, where, and how patients want and need them. The CDC says that nearly nine in 10 Americans live within five miles of a community pharmacy, making primary care readily available. Additionally, an increase in retail health clinics will help lower the cost burden on healthcare organizations and patients, with Modern Healthcare stating that care at retail clinics costs around 30% less than similar treatment at physician offices and 80% less than similar treatment at emergency departments. As retail health doubles its share of the primary care space, demand for health systems to step up their patient experience game will increase as patients flock to retail health primary care providers.

- **Decentralized clinical trials will double, signalling a shift in rural patient participation.** Experimental therapies are routinely denied the chance to be evaluated in clinical trials due to insufficient patient recruitment, as 19% of clinical studies are not completed because they can't accrue enough participants, and 86% are held up for the same reason. Geography is the major obstacle to patient recruitment: 70% of potential participants live more than 2 hours from trial sites. Lower participation rates among 60 million rural residents negatively affect the generalizability of trial results, ultimately reducing their value and contributing to the prevalence of health disparities between urban and rural Americans. The decentralized clinical trial (DCT) model that emerged in the early 2010s aims to address this problem. Instead of bringing patients to clinical centres, study sponsors bring trials to patients where they are.

During the past decade, DCTs have quietly made inroads into the vast landscape of clinical research. Only 120 DCTs were initiated globally, or a meagre 0.4% of all initiated trials, in 2019. The pandemic dramatically exacerbated clinical study recruitment problems and catalyzed trial decentralization: 230 DCTs commenced in 2020 and 422 in 2021. This report believes this surge was not just a knee-jerk reaction to the lockdown but the beginning of a lasting change in patient recruitment practices. The pressure to speed up time to market and clinical study diversity and inclusion imperatives will leave the industry with no option but to embrace trial decentralization and increasingly adopt DCT-enabling technologies for remote monitoring, engagement, and telemedicine. Entrepreneurs and disruptors in this space must convince investors that the DCT business model is viable. Study sponsors and contractors should take advantage of the favourable regulatory environment for DCTs and incorporate DCTs into their workflow. This will alleviate geographical barriers and bring clinical trials to a broader range of patients.

- **A quarter of US adults will be treated with RPM tools for chronic conditions.** The American healthcare system is at a crisis point due to the impact of the COVID-19 pandemic on people suffering with chronic disease. Six in 10 Americans live with at least one chronic disease. Chronic diseases represent seven of the top 10 causes of death and are the leading drivers of disability and healthcare costs. The annual economic burden of the most common chronic diseases is more than $1 trillion, which could balloon to nearly $6 trillion by the middle of the century. As of June 30, 2020, an estimated 41% of US adults reported having delayed or avoided medical care during the pandemic, including 12% who reported having avoided urgent or emergency care. A decline in all modalities of care due to COVID-19 concerns provoked an irreversible snowball effect with consequences that remain to be seen. Modeling studies estimated that delayed screening and treatment for breast and colorectal cancer could result in almost 10,000 preventable deaths. Critically, the long-term effects of the COVID-19 sequalae are still unknown.

  The need to monitor, report on, and analyze patients with chronic conditions in their time of need is a national imperative. This report predicts that remote patient monitoring (RPM) tools will play a critical role in treating multimorbid patients to mitigate potentially avoidable hospitalizations and the exacerbation of chronic diseases. In 2022, RPM became the beating heart of acute care at home programs, now operating in 114 systems and 253 hospitals in 37 states. There are now five codes specific to RPM services, facilitating reimbursement and widespread adoption. The global RPM market is projected to reach $175.2 billion by 2027, from $53.6 billion in 2022, at a CAGR of 26.7%. Devices like weight scales, pulse oximeters, blood glucose meters, blood pressure monitors, heart monitors, and wearables will improve clinical prognosis and remove socioeconomic hurdles due to social determinants of health. RPM implementers must take a multifaceted approach to safeguard their own network infrastructure, devices, the edge, and the cloud using administrative, technical, and physical safeguards for optimal security and patient outcomes.

- **Forty percent of the hospitality industry will offer mental health benefits.** A healthy workforce is the backbone of the hospitality industry, yet the burnout rate of people working in this industry is among the highest of all industries. Stress, anxiety, and depression caused by employment rank among the top reasons that hospitality employees seek employment elsewhere. Four out of five hospitality employees report high stress levels due to their positions, and the CDC reports an overall increase in depression and anxiety symptoms to 42% across the US. In fact, 35% of employees believe that mental health benefits are more important than salary or higher pay. As domestic travel restrictions are lifted, the hospitality industry faces an employee shortage with a reported turnover rate of 70% to 80%. According to the American Hotel & Lodging Association's State of the Hotel Industry 2021 report, approximately 4 million hospitality jobs were lost in 2020. While some of these positions have been recovered, it will take years to return to pre-pandemic levels.

  In response, the hospitality industry is snapping into action and has begun offering healthcare benefits — including mental health services — to combat high turnover. In fact, 87% of employers said that enhancing medical health benefits will be among their top priorities in the coming years. This includes access to free or reduced-price counselling sessions, subscriptions to virtual health offerings, as well as subscriptions to wellness apps. Monitoring morale and welfare requires reassessing and re-establishing burnout prevention and management strategies continuously. Employers should partner now with a teletherapy company that offers evidence-based solutions — including cognitive behavioural therapy, coaching, symptom tracking, and therapy appointments — to ensure improvement in employee mental health. This will bolster their employee medical benefit offerings, help retain staff, and improve their employees' mental well-being.