THE FUTURE OF HEALTHCARE:
TRENDS THAT WILL AFFECT
YOUR PROFESSIONAL
AND PERSONAL LIFE

Dr. Keith Hornberger, BSRT, MBA, DHA, FACHE
The Future Direction of Healthcare

- Healthcare Reform will catalyze a wave of experimentation with new forms of payment as well as reorganization of the care system.

- There will be significant changes and trends that will profoundly affect you professionally and personally.

* Accountable Care Act
“Unsustainable trends tend not to be sustained”
- Herbert Stein
Economist & Presidential Advisor

The Current system of healthcare in the U.S. cannot be sustained

The growth rate of healthcare Services and healthcare cost cannot continue to follow historical trends
Cumulative Impact of Growth Rates: Healthcare Spending Since 1970

National health expenditures per capita:
Healthcare spending in 2010 was 21.6 times 1970 levels.

Consumer Price Index:
Consumer prices in 2010, as measured by the CPI, were 5.6 times 1970 levels.

Debt Will Explode if Current Policies Are Continued

Source: CBPP projections based on CBO data.
The percentage of uninsured Americans climbed from the 14% range in early 2008 to over 17% in 2011, and peaked at 18.0%.

42 million uninsured
Coverage has varied by state income distribution, the nature of employment and the reach of the state Medicaid program.

*Source: Kaiser Family Foundation analysis of the 2014 ASEC Supplement to the CPS*
Goal of ACA* ...

Targeting Contemporary Issues

- **Access**… provide health insurance coverage to a majority of the uninsured population.

- **Costs**… slow the unsustainable growth in healthcare expenditures.

- **Affordability**… for the consumer, via expansion of Medicaid and insurance subsidies.

- **Quality**… advance clinical best practices and align rewards for quality by moving to a “value based” reimbursement methodology.

*Accountable Care Act*
“The Long and Winding Road”

- Early EMR Adoption
- Independent Payment Advisory Board Established
- Provider market basket reductions begin

- VBP* Initiated
- P4P* Hospital Payment Impacts Initiated
- Bundled Payment Pilots
- P4P Physician Models Developed (limited)
- CAH P4P Demonstrations

2010

2011

2012

2013

2014

2015

2017

2020

- Charting a Course for Clinical Integration
- Quality & Cost Initiatives
- Revenue Optimization
- ACOs Launched
- Community Health Needs Assessments
- Medicare DSH Reductions DELAED TIL 2018
- Medicaid DSH Reductions
- Independent Payment Advisory Board … limited proposals
- Uninsured Population Decrease?

- P4P Broad Physician Model Applications
- Additional Bundled Payment Pilots

- Significant Clinical Integration
- Independent Payment Advisory Board … binding proposals on all Medicare payments

*VBP = Value Based Purchasing
*P4P = Pay for Performance
Forward Momentum of Reform

- Supreme Court of the United States upheld the major components of the ACA.
- “Payment reform” components of the Act will move forward.
- Individual mandate to buy insurance upheld.
- Court’s decision prohibits federal expansion of Medicaid without State acceptance.
- Question of Medicaid expansion will have far reaching strategic implications going forward for hospitals and physician practices.

A State’s decision to decline participation in Medicaid expansion could have negative financial implications to providers… compared to earlier estimates of improved net revenue, which were based on reducing the number of uninsured.
What Are the Immediate & Long Term Trends and Implications?
Long Term Impact of Reform

2012

- Reimbursement Reductions
- Value-Based Reimbursement

Cost Re-balancing

Increased Consumer Responsibility for Payment

Consolidation

Primary Care Demand

Shift to outpatient and less acute care

2020
**ACA Means Payment Reductions**

### Payment Reductions: Percentages

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<tbody>
<tr>
<td>Market Basket Index (MBI)</td>
<td>Note 1</td>
<td>-0.25</td>
<td>-0.10</td>
<td>-0.30</td>
<td>-0.20</td>
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<td>Productivity Adjustments (PA)</td>
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<tr>
<td>Medicare DSH</td>
<td>Note 2</td>
<td></td>
<td></td>
<td>-75% Max</td>
<td>-75% Max</td>
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<td>Medicaid DSH</td>
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<td>45%</td>
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**General Note:** Hospital Reductions take effect on Oct.1 while others take effect Jan 1, xx with exception of Medicare DSH

**Note 1:** MBI & PA applies to all provider types and types of services: IP, OP, HHA, Psych, etc. PA expected to approximate 1.0%:

**Note 2:** Medicare DSH will decrease with Increases in Insured Population

**Note 3:** Reductions only occur if state wide uninsured population decreases by 45%
## ACA Payment Reductions
### “At Risk” Payment Reform Percentages

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<tr>
<td><strong>Value Based Purchasing Hospitals</strong></td>
<td>Note 1</td>
<td>-1.00</td>
<td>-1.25</td>
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<td><strong>Hospital Re-admissions</strong></td>
<td>Note 2</td>
<td>-1.00</td>
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<td><strong>Hospital Acquired Conditions</strong></td>
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<tr>
<td><strong>Physician Quality Reporting</strong></td>
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<td>1.00</td>
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<td><strong>Physician VBP</strong></td>
<td>Note 4</td>
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**Note 1:** Hospital exceeds base period or Benchmarks yields increase: Effective Oct 1, 2012

**Note 2:** Applicable to heart attack, heart failure and pneumonia: Effective Oct 1, 2012

**Note 3:** Reduction applies to total PPS Payments. Applies when hospital in top 25% of HACs: Effective Oct 1, 2013

**Note 4:** Practice by Practice Effect: Applies to select physicians in 2015 and all physicians in 2017
Implications of Healthcare Reform

1. Significant **downward pressure** on reimbursement

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*Critical Access Hospital*
Implications of Health Reform, Cont.

Moving from volume-based to value-based reimbursement... **Value Based Purchasing** (VBP)

- At-risk payment reductions
  - Quality and patient satisfaction performance
  - Hospital readmissions
  - Hospital acquired conditions
2. Necessity to significantly **re-balance** the hospital's **cost** structure.

- Traditional cost reduction tactics alone are not sufficient
- Sustainability of “core services” at risk, if intervention is not initiated

How much hospitals would have to cut costs on average to maintain margins, if all payers reimbursed at Medicare rates:

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<th>Small/Medium Community Hospitals</th>
<th>Large Community Hospitals</th>
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<td>Direct cost reduction per case:</td>
<td>- $849</td>
<td>- $1,003</td>
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<td>Direct cost % change:</td>
<td>- 14.5%</td>
<td>- 16.9%</td>
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3. **Primary care demand** will increase significantly.

- Expected shortages of physicians
- New access points for primary care services
- Demand driven by newly insured
- Increased primary care needs of an aging population
- Need for creative thinking around non-physician extenders

**Source:** Association of American Medical Colleges, June 2010 Analysis
4. Increased **consumer responsibility** for payment of health care services and consumer expectations

- High deductible and coinsurance plans
- Provider risk associated with consumer obligation as payor
  - Increased bad debt risks
  - Increased cost of collections
5. Consolidation of the healthcare system and integration of providers and insurers

- We will continue to see consolidation of hospitals into systems to gain economy of scale
- The assumption of risk is creating health system development of insurance products to become a Health plan company
- Insurers are acquiring hospitals and health systems
- Health plans will create ACOs to share risk
6. Shift to outpatient care and less acute care

- Consumers want convenience
- Primary care access and expansion are an essential strategy
- Expand access points through community network of care
- Extenders in the care model
- Increased use of hospice and palliative care

Inpatient volume to remain weak and decline - 2% over the decade; while outpatient volume expected to grow 30%. 
Technology

• Personalized Medicine Using molecular imaging and digital pathology to deliver personalized medicine and genomics to determine health risk

• Computer assisted diagnostic programs will be extended to more body parts

• Imaging will be used by clinical specialists trained in imaging – The operating room of the future will contain a mix of imaging tools

• IT will focus on increased standards and protocols Metrics will increase for Value Based Purchasing across all sites of care – patient safety and dose reduction efforts monitoring will be included

• New data systems will be required to track patients through the entire care experience and not just hospitals. Data is a strategic lever for operational efficiency and quality of care.

• Remote monitoring, email, texting and online scheduling will reduce overall cost social media increase patient participation in health and care.
... There are trends in healthcare that will affect you professionally and personally

...It will require personal “agility” to respond
Professional Implications

- You will be asked to do more with less. Multiple distributed sites will increase workload and productivity will be emphasized.

- Management layers will be eliminated – Opportunity to increase management responsibilities – show willingness and management qualification & preparation.

- Theranostics could increase the opportunity for patient contact and education but cost could be a problem.

- Increase contact with specialists could increase value to the organization.
Personal Implications

- Expect to pay more out of pocket for healthcare
- Develop a relationship with a provider to assure access
- Expect to use physician extenders for your routine care
- Do not plan on retiring early – cost of healthcare insurance coverage will be prohibitive
QUESTIONS?

Dr. Keith Hornberger
Associate Professor
Pfeiffer University

Keith.Hornberger @ pfeiffer.edu