

NEW RULES, NEW ROLES: REDEFINING YOUR ORGANIZATION IN A NEW COMPETITIVE ENVIRONMENT

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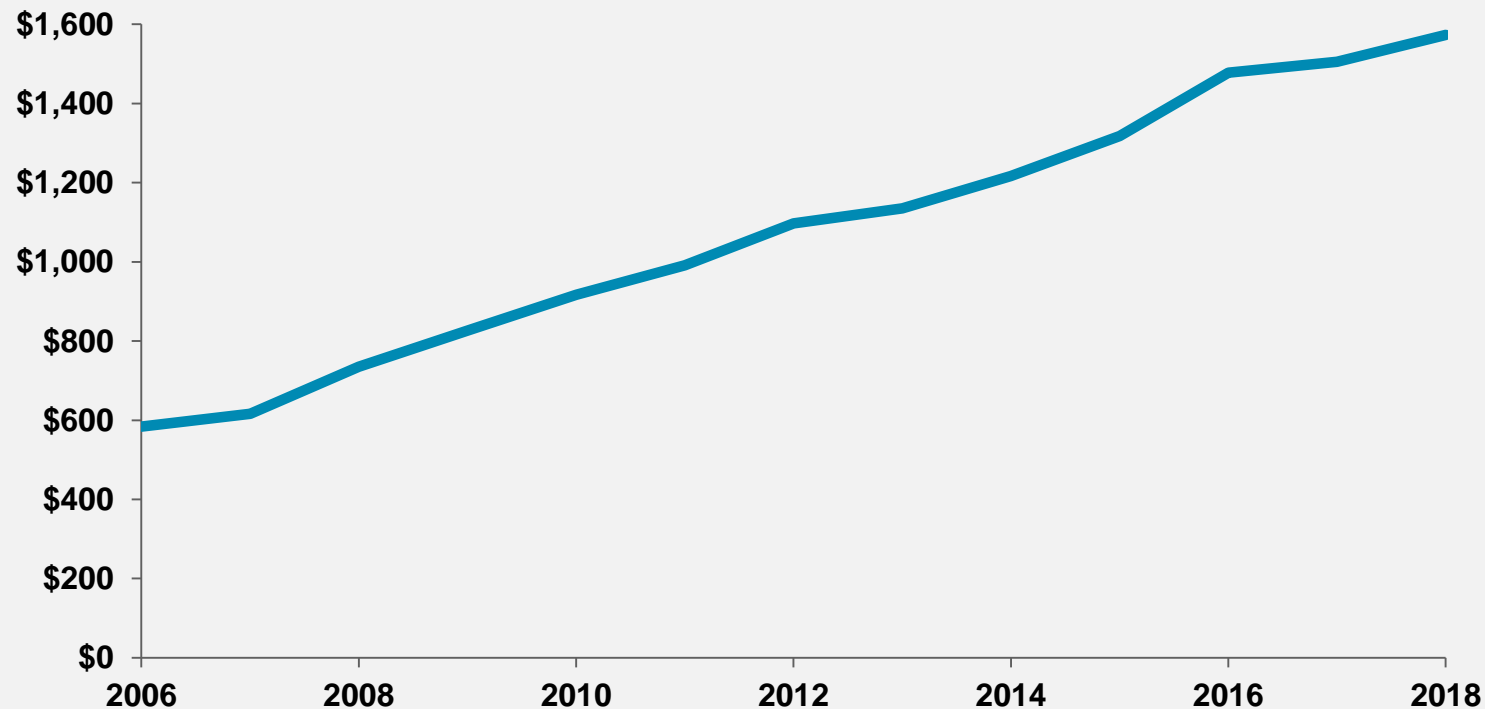
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We're all feeling pressure

- 1 Consumer pressure**
- 2 Economic pressure**
- 3 Technological pressure**
- 4 Competitive pressure**

Consumer pressure: They're spending their own money

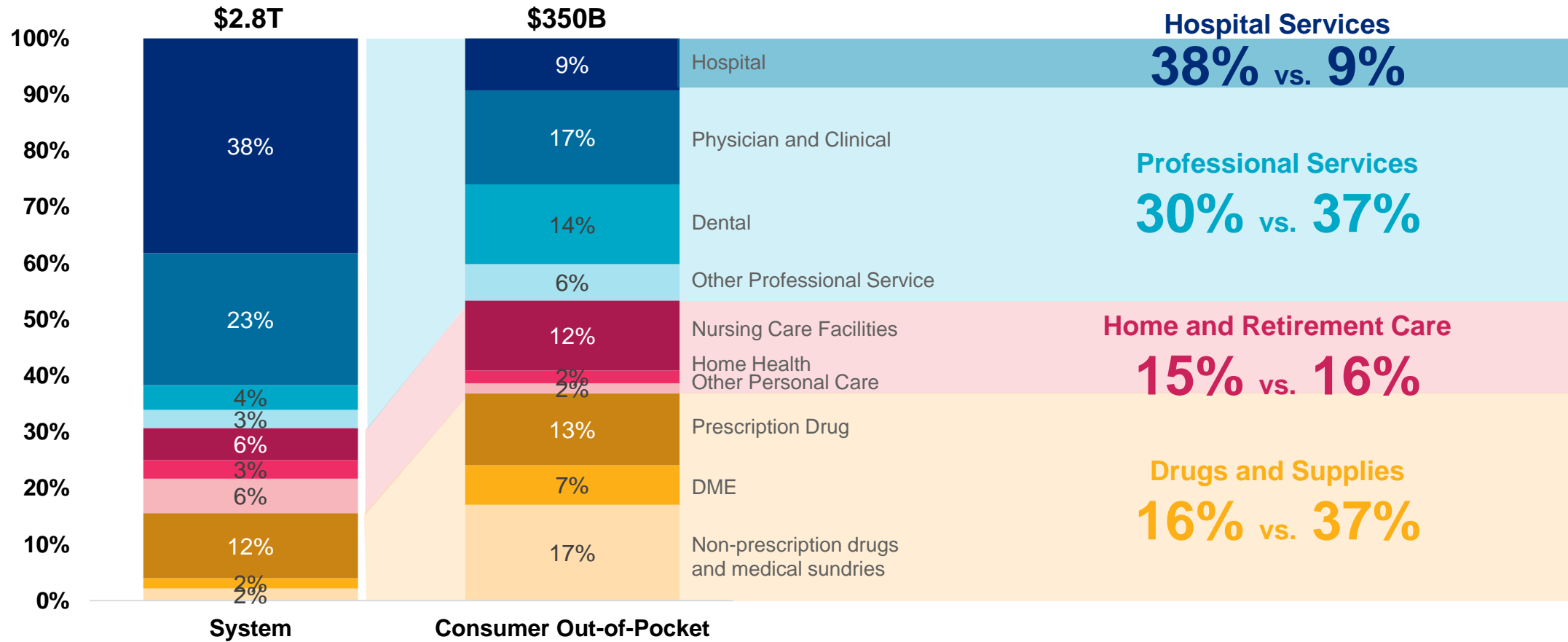
Average individual deductible in an employer-sponsored health plan



Deductibles
have grown
8 times
faster than
wages since
2008

Consumer pressure: They don't think about affordability the way we do

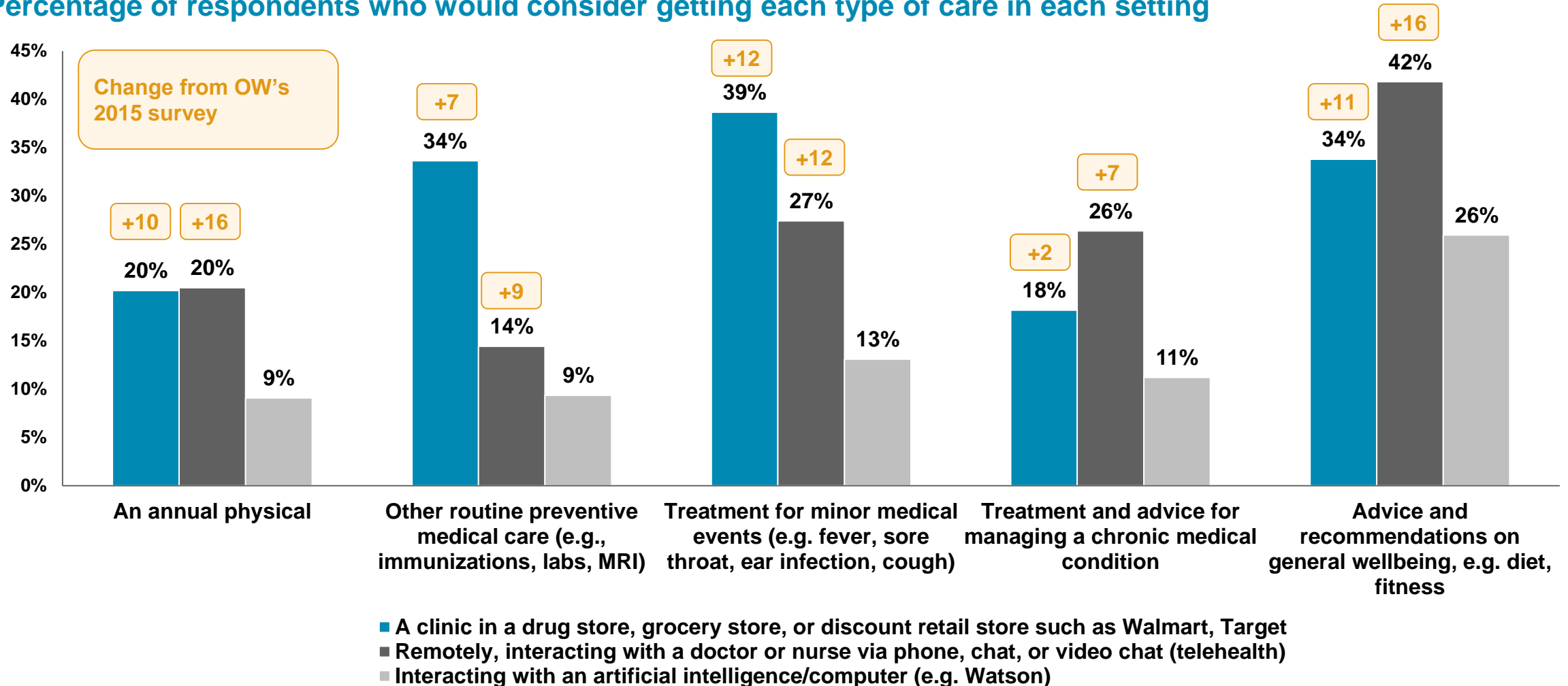
System and consumer health expenditures by type



Source: National Health Expenditures by Source of Funds and Type of Expenditures

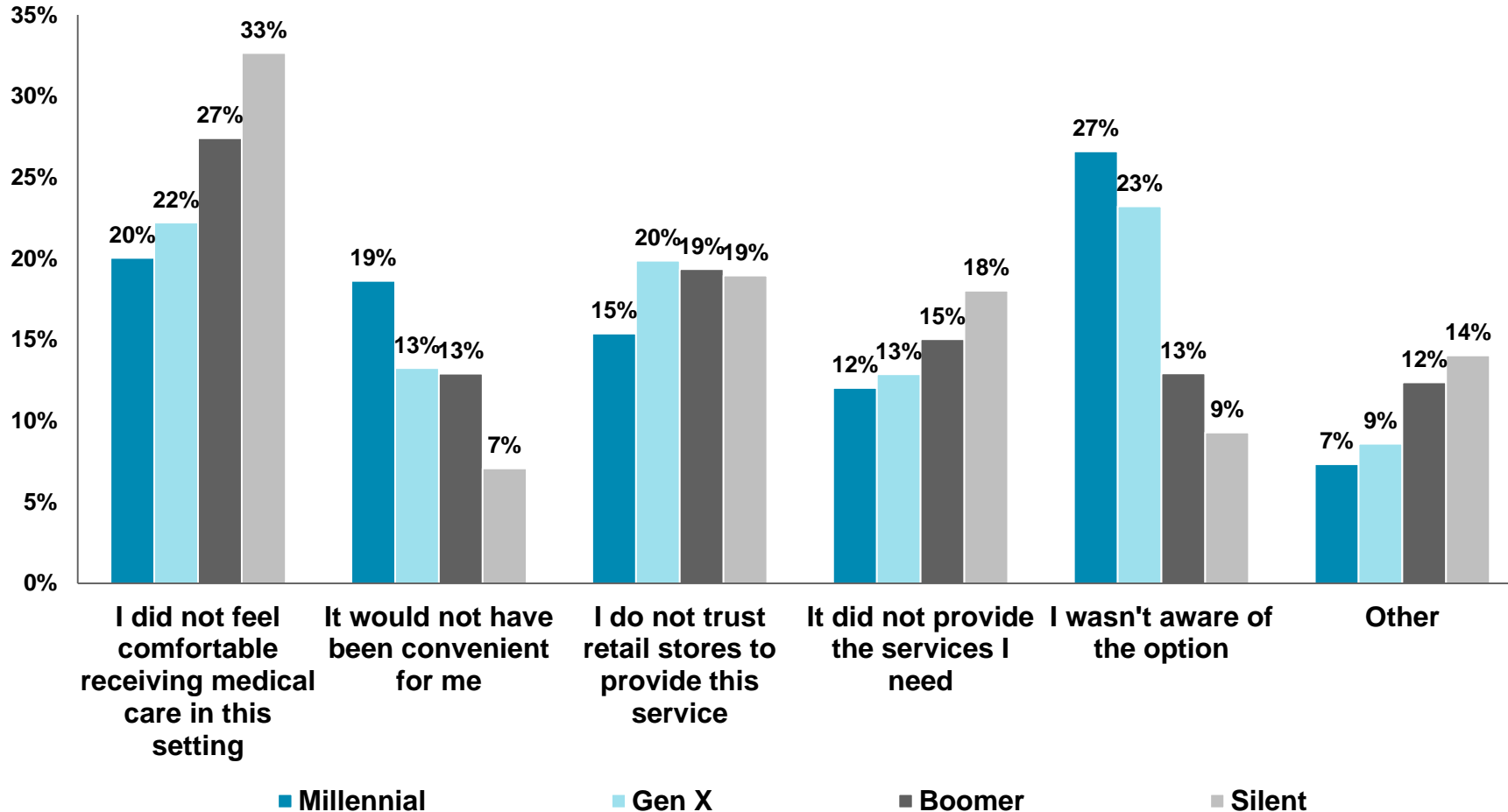
Consumer pressure: They say they want new ways of receiving care...

Percentage of respondents who would consider getting each type of care in each setting



Consumer pressure: ...yet they're slow to change their behavior

Percentage of respondents who could have used a retail clinic but did not



Millennials: Don't just build it, lead me to it

More likely not to use retail clinics because they were not aware of them or because they were not convenient

Boomers: Make me feel comfortable first

Cite more fundamental concerns around their general comfort with retail clinics

Source: 2018 Oliver Wyman Consumer Healthcare Survey

Economic pressure: Capital is harder to come by, and harder to deploy

Raising capital is harder with continued credit downgrades...

2:1

ratio of healthcare credit
downgrades to upgrades in 2018

“The **not-for-profit healthcare outlook remains negative** amid some glimmers of stability. While expense growth will slow in 2019, we expect it to still exceed revenue growth. **Bad debt is expected to increase by 8% to 9%** as health care plans place a greater financial burden on patients. Moreover, **low reimbursement rates and a shift to more Medicare patients** as the population ages will also constrain hospital revenue growth.”

– Moody’s, December 2018

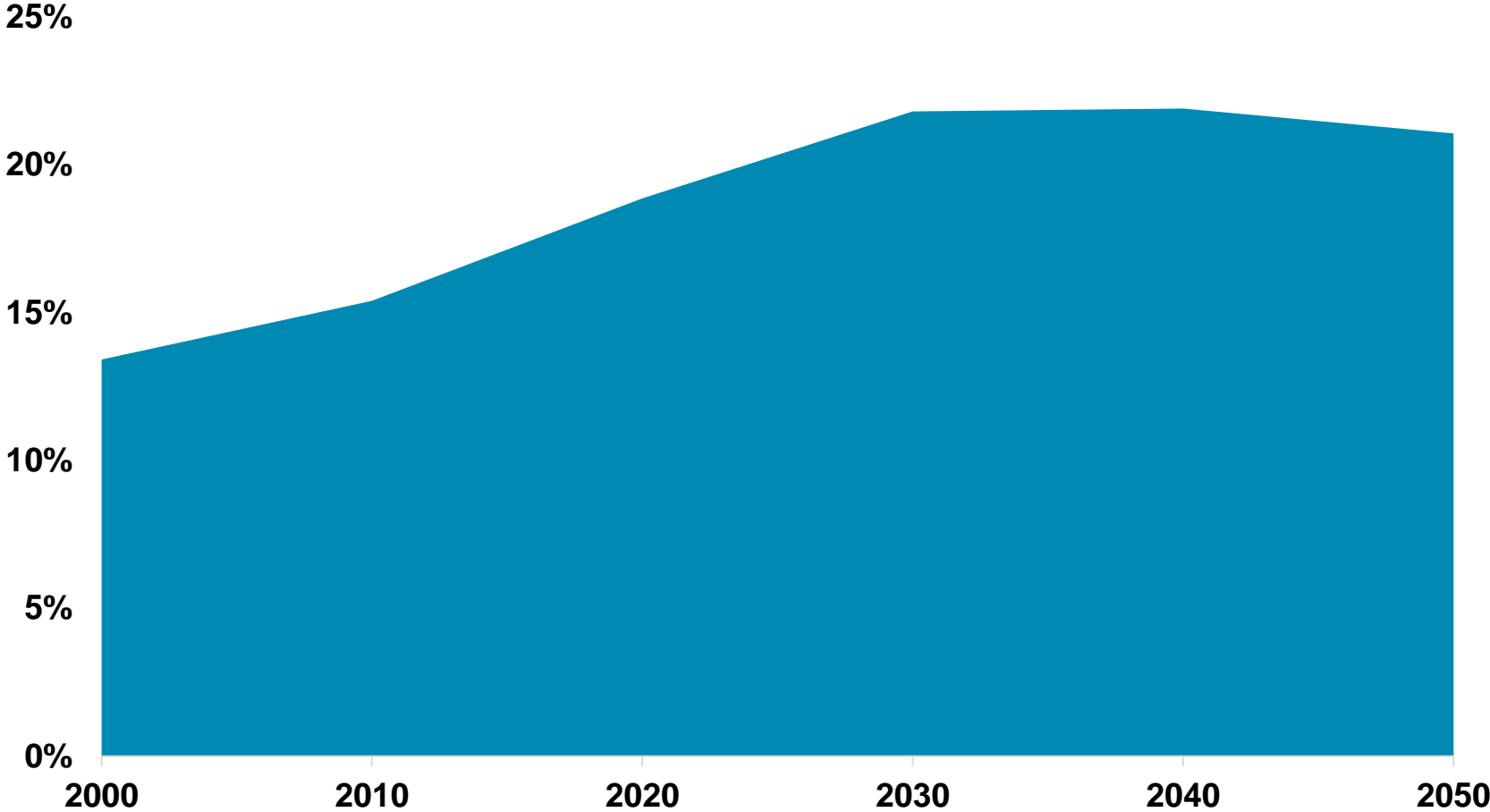
...while regulators are doubling down against M&A

Example deals blocked due to regulatory challenges



Economic pressure: Medicare for All? Well, at least Medicare for More

Percentage of Americans enrolled in Medicare



By 2030...

22% of Americans will be enrolled in Medicare

They will represent **45%** of total healthcare spending

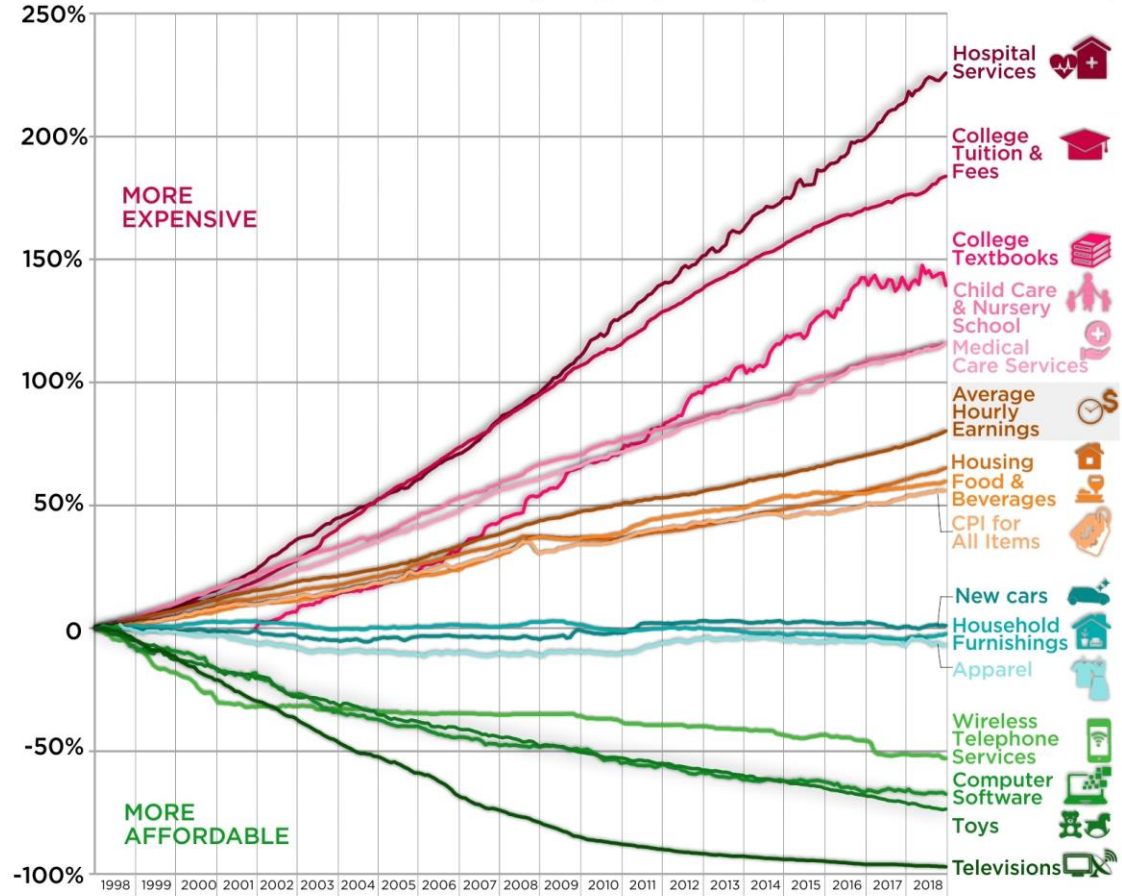
More than **50%** of them will be covered by a Medicare Advantage plan

Sources: Kaiser Family Foundation, US Census Bureau, American Hospital Association, Oliver Wyman analysis

Economic pressure: We can't keep giving our customers less for more

20 Years of Price Changes in The United States

Selected Consumer Goods & Services, Wages (January 1998 to December 2018)



Article & Sources:
<https://howmuch.net/articles/price-changes-in-usa-in-past-20-years>
 CPI and other price indices - Bureau of Labor Statistics - <https://data.bls.gov/PDQWeb/cu>
 Average hourly earnings - Bureau of Labor Statistics - <https://data.bls.gov/timeseries/CE505000000008>

howmuch.net

But why?

White-collar and professional wages
growing faster than inflation

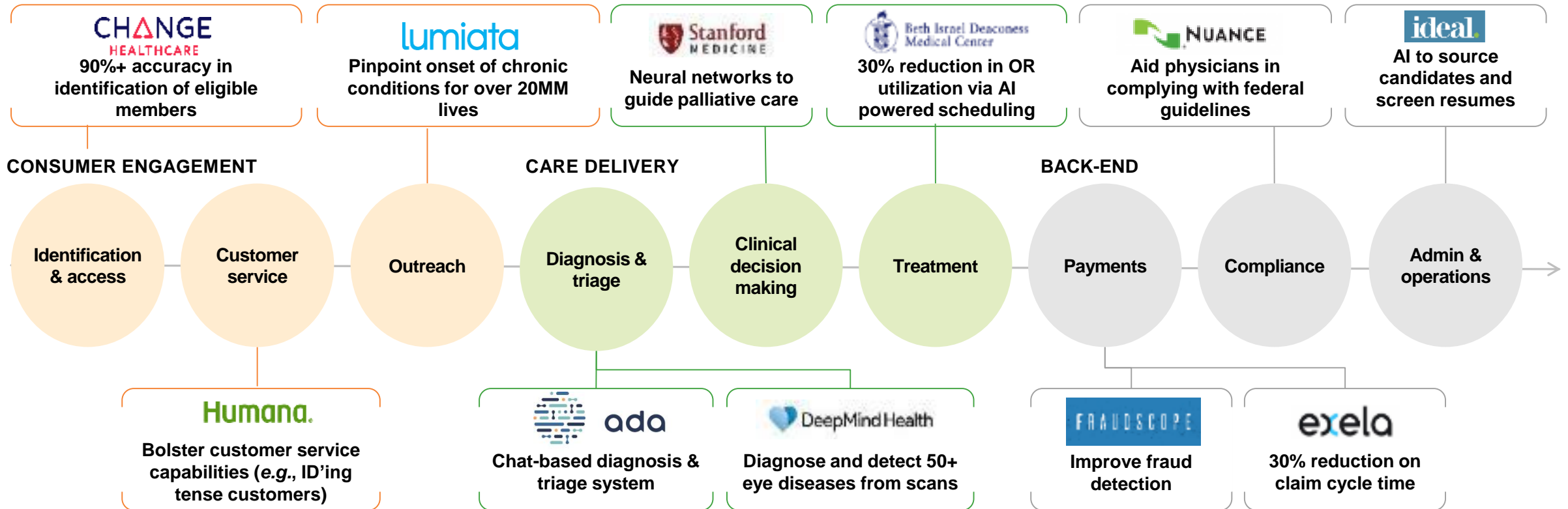


Declining productivity per employee



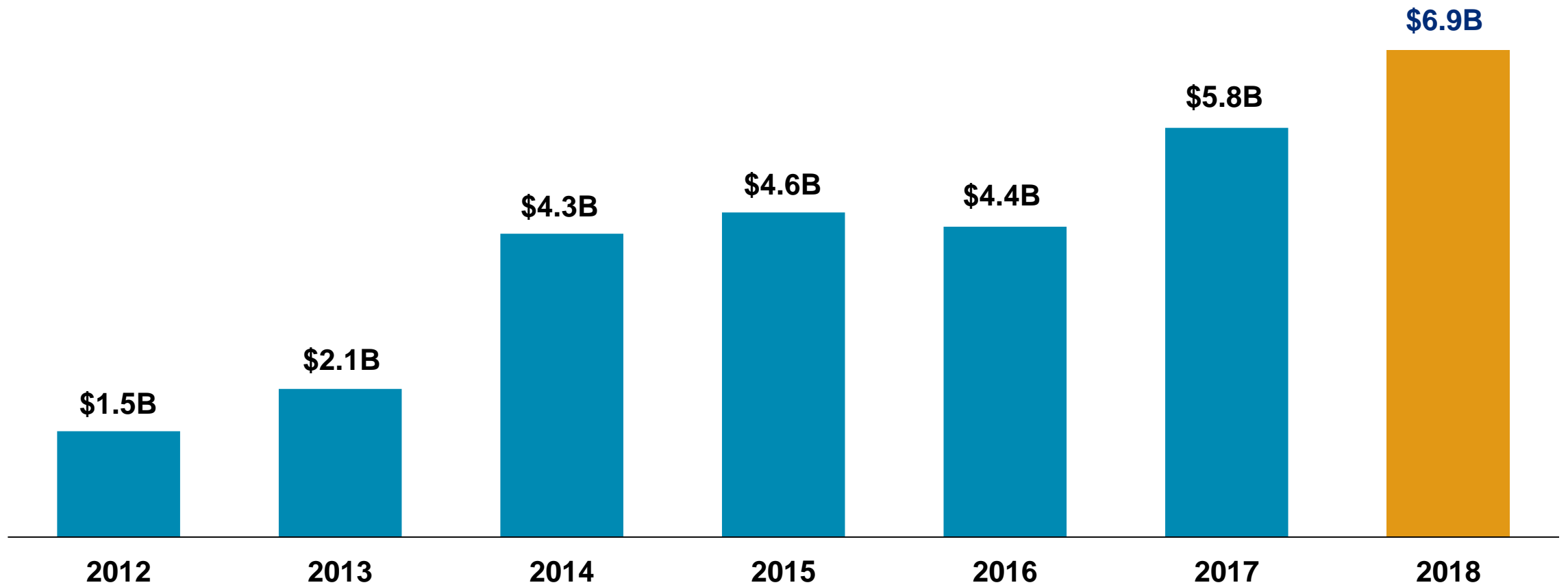
Only source of consistent job
growth during the Great Recession

Technological pressure: Artificial intelligence, big data, and thinking differently about scale



Competitive pressure: Lots of new little guys...

Digital health venture capital investment



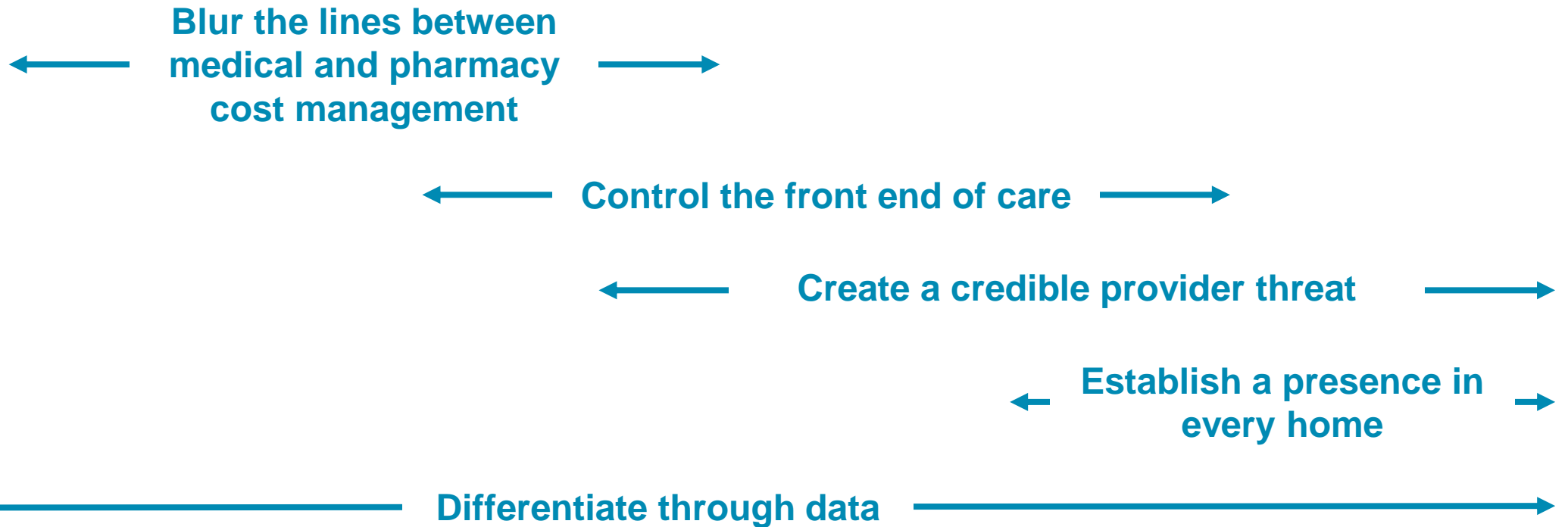
Source: Rock Health

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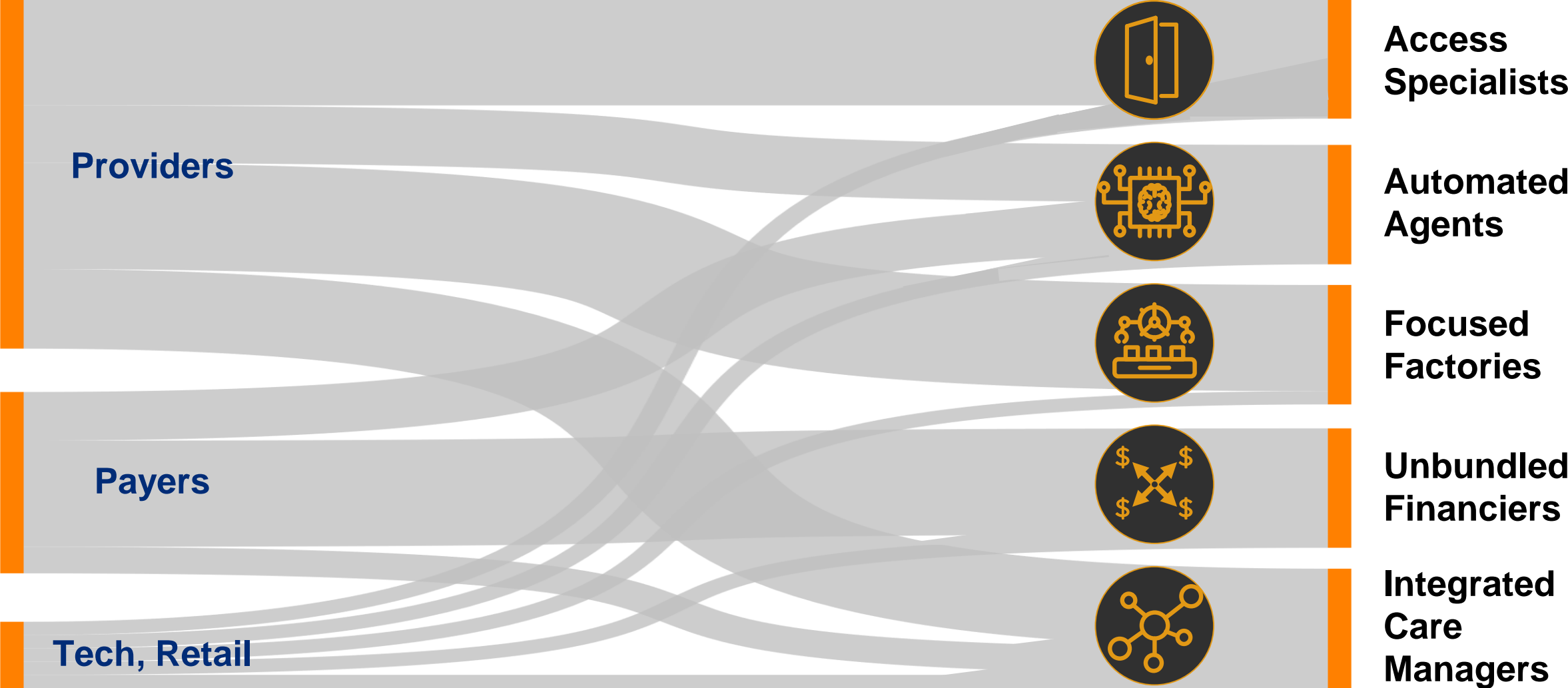
Competitive pressure: ...and some new big guys



Redefine R&D



So what role to play?



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