

FROM STRATEGY TO ACTION

How the next five years will determine health systems' futures

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HEALTH & LIFE SCIENCES

REALITIES FOR THE NEXT FIVE YEARS (AND BEYOND)



Aging will permanently reshape our business and our workforce



Artificial intelligence will move from novelty to necessity and change consumption



Traditional provider cross-subsidy models will become unsustainable



Pharmaceuticals will continue to redefine cost and care



Consumers, employers, and governments will reach their limits for healthcare cost growth

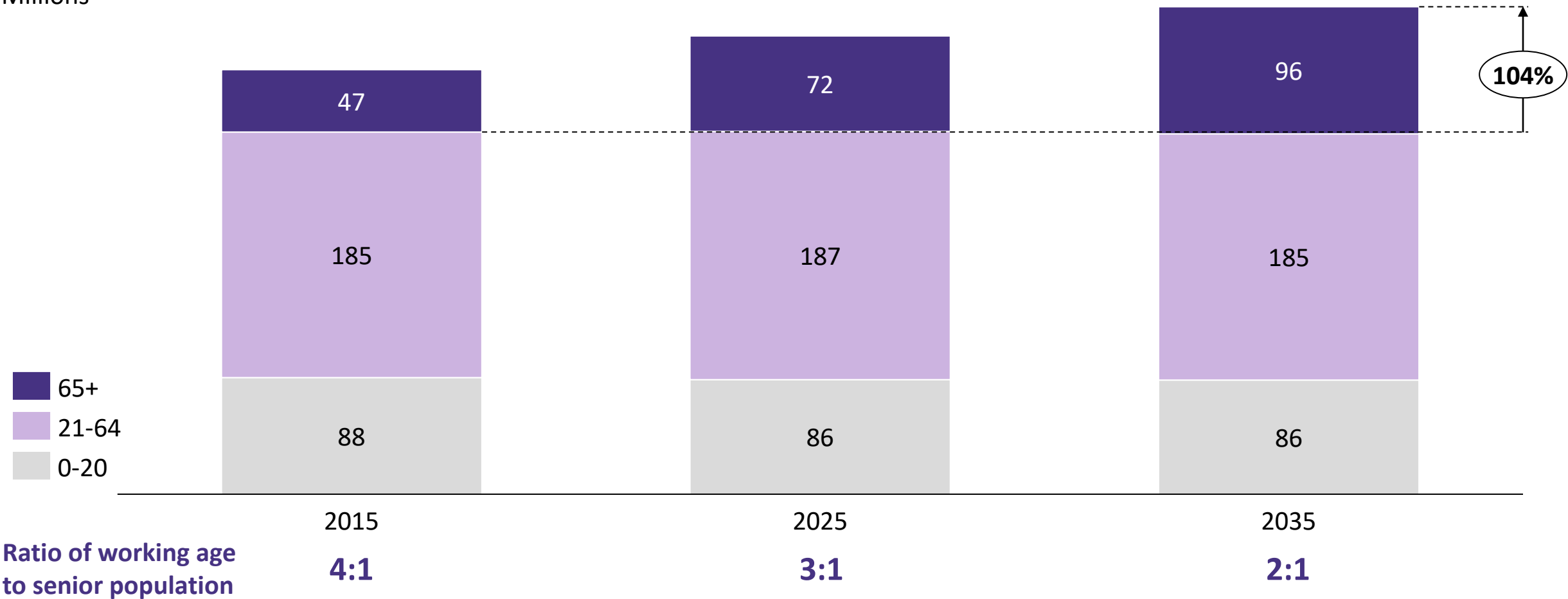


We will need to earn back trust and serve consumers the way they want to be served – or someone else will

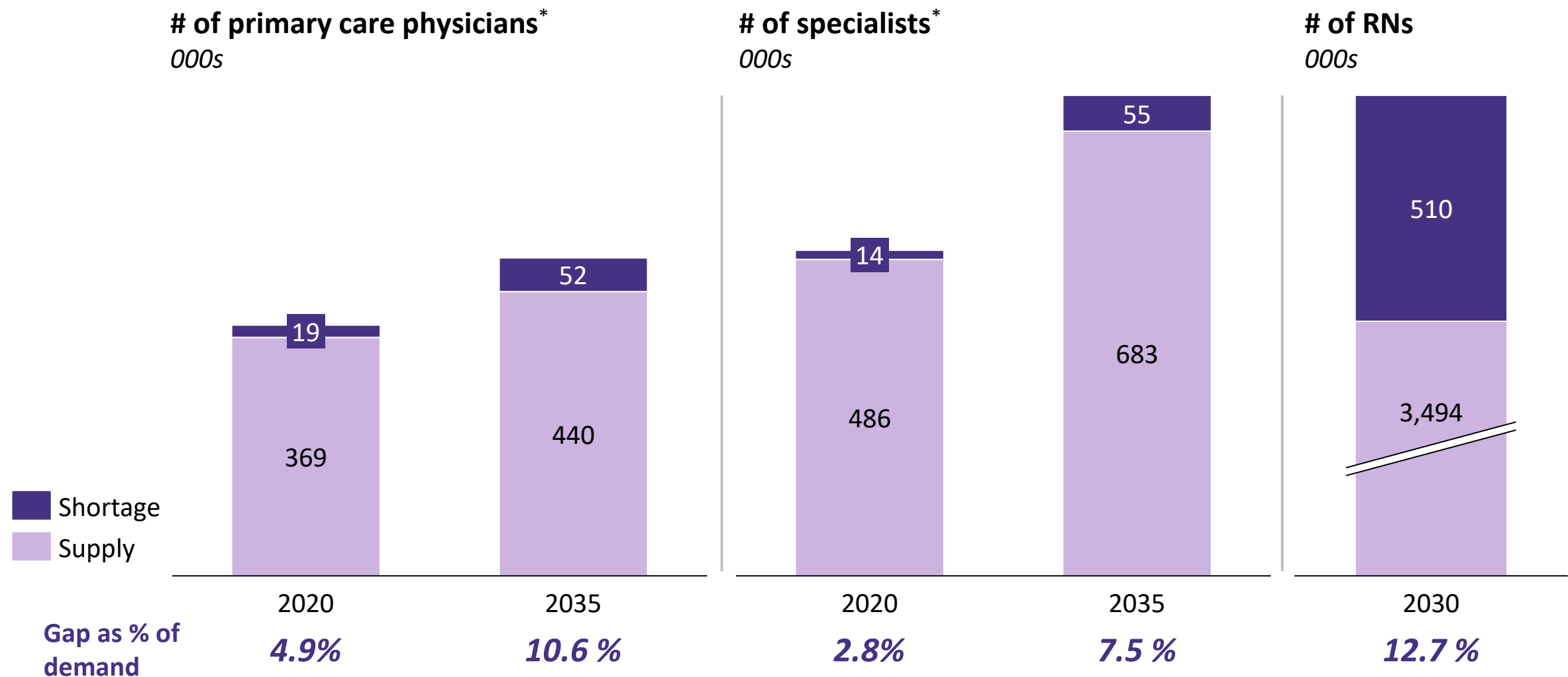
AGING IS A PERMANENT REALITY

Age distribution from 2015 to 2035

Millions



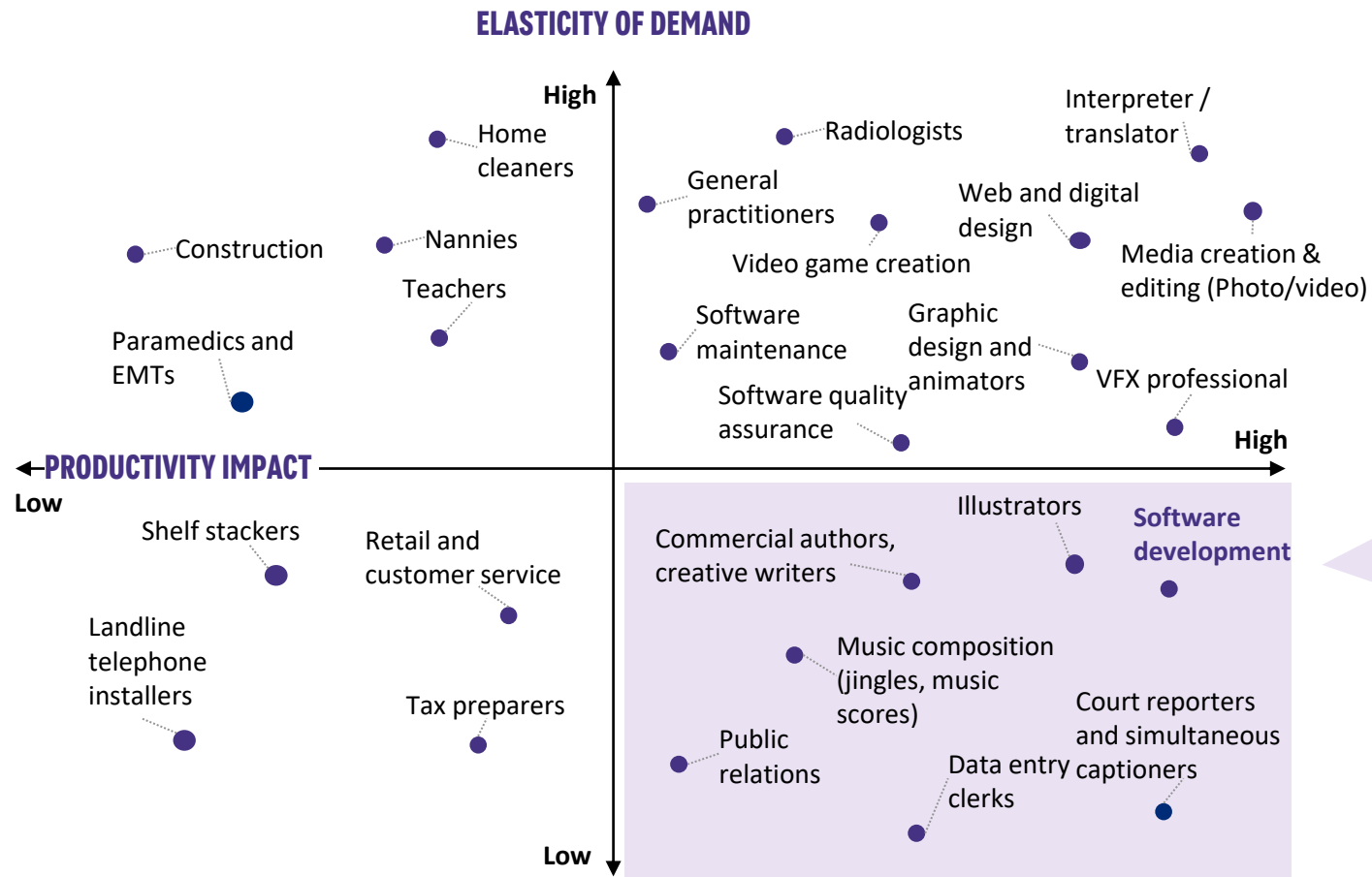
HELP NEEDED: 100,000+ PHYSICIANS AND 500,000+ NURSES?



Sources: 1. AAMC, 2. Cleveland Clinic Lerner College of Medicine
*Not inclusive of APPs (~0.56 per physician)
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ARTIFICIAL INTELLIGENCE CHANGES BOTH COST AND CONSUMPTION

Anticipated productivity vs. net demand impacts of artificial intelligence, by role



Most impacted jobs

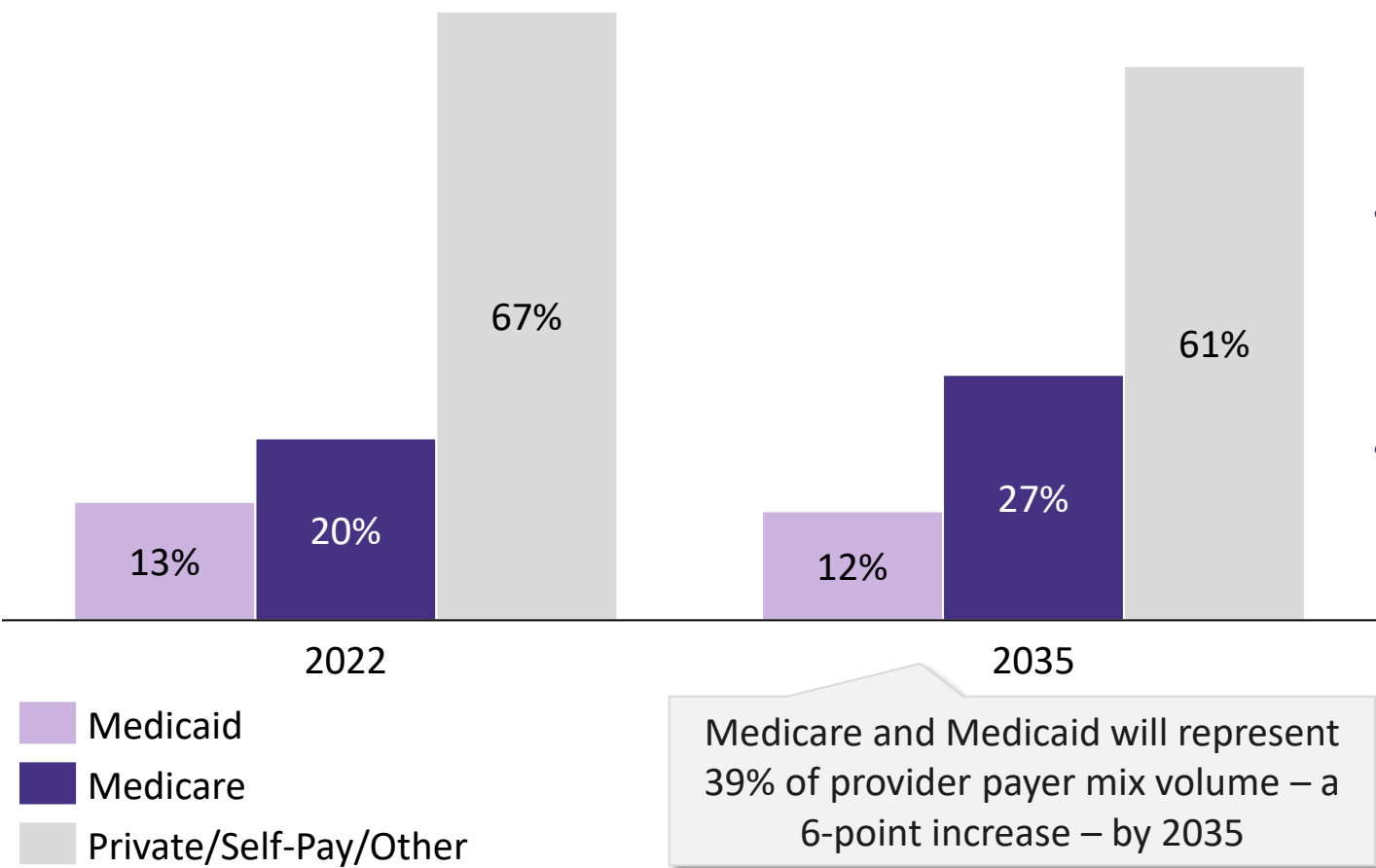
Example: Software development

- While total amount of software development taking place will grow, the drop in required skills needed to develop software is very significant
- Allows many more people (such as business analysts) who don't know coding to contribute to software development, likely reducing aggregate wages paid for development as a standalone job

Source: BLS, [Writers and Authors](#) (2021)

WE HAVE TO GET OUT OF THE “ROBIN HOOD” GAME

Current provider payer mix by revenue



As little as a 5% shift in patient volume mix can eliminate hospital margins

2.5%

Average hospital margin

0.3-0.5%

Margin reduction for every 1% mix shift towards Medicare business¹

1. Dependent on hospital specific commercial reimbursement level, which can range from 150% of Medicare to 300%+ 2. DRG
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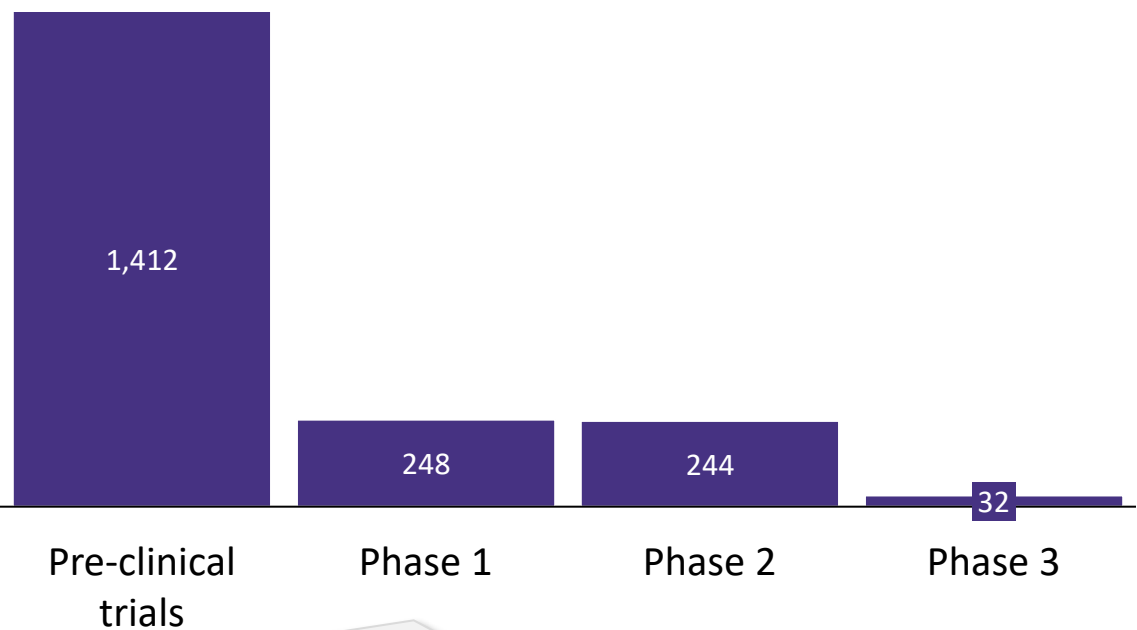
SPECIALTY RX SHOWS GREAT PROMISE, BUT INNOVATION ISN'T CHEAP

Growth of innovative therapies will outpace overall industry growth...

Therapeutic area	CAGR ('21-'28)	Sales (\$BN)
Immunomodulators	12.8%	100
Oncology	11.6%	375
Central Nervous System	10.1%	175
Cardiovascular	5.1%	75

1. US pipeline as of Jan 2022

...partially driven by the robust pipeline of expensive cell & gene therapies¹



Current cell & gene therapy treatments are limited to small patient populations, but treatments for larger volume disease areas will reach patients before 2035

OUR CURRENT HEALTHCARE COST TREND CAN'T LAST

For households and employers

Private insurance, \$K

	2015	2025	2035	CAGR
Household PMPY ^{1,2,5}	14.2	22.1	32.8	4.3%
PMPY as % of household income	25%	31%	34%	---
Average annual household income ¹	55.8	72.5	95.6	2.7%

For the government

\$T

	2015	2025	2035	CAGR
Gov't healthcare spend ¹	1.5	2.4	4.3	5.4%
Spend as % of outlays ³	39%	46%	62%	---
Total outlays ³	3.7	5.3	6.9	2.8%

Source: 1. CMS projections to 2030 assume constant growth to 2035, 2. KFF, 3. White House Budget Office, 4. Federal Reserve Bank, 5. OW Analysis, 6. 2024-2030

CONSUMER TRUST HAS ERODED – AND RELIANCE ON “LOCAL” SOURCES OF INFORMATION HAS GROWN

3.5X	More people are educating themselves about health issues as compared to before the pandemic ¹
44%	Of people aged 18-34 believe the average person can know as much as a doctor ¹
1.5X	Gen Z is 1.5 times as likely to read a medical journal on their own ²
56%	Of consumers have switched healthcare providers for greater “trust and respect” ³

1. 2023 Edelman Trust Barometer: Trust and Health, March 2023; 2. Oliver Wyman, A-Gen-Z Report: What business needs to know about the generation changing everything, January 2023; 3. Huron Consulting Group Healthcare Consumer Market Report, 2021

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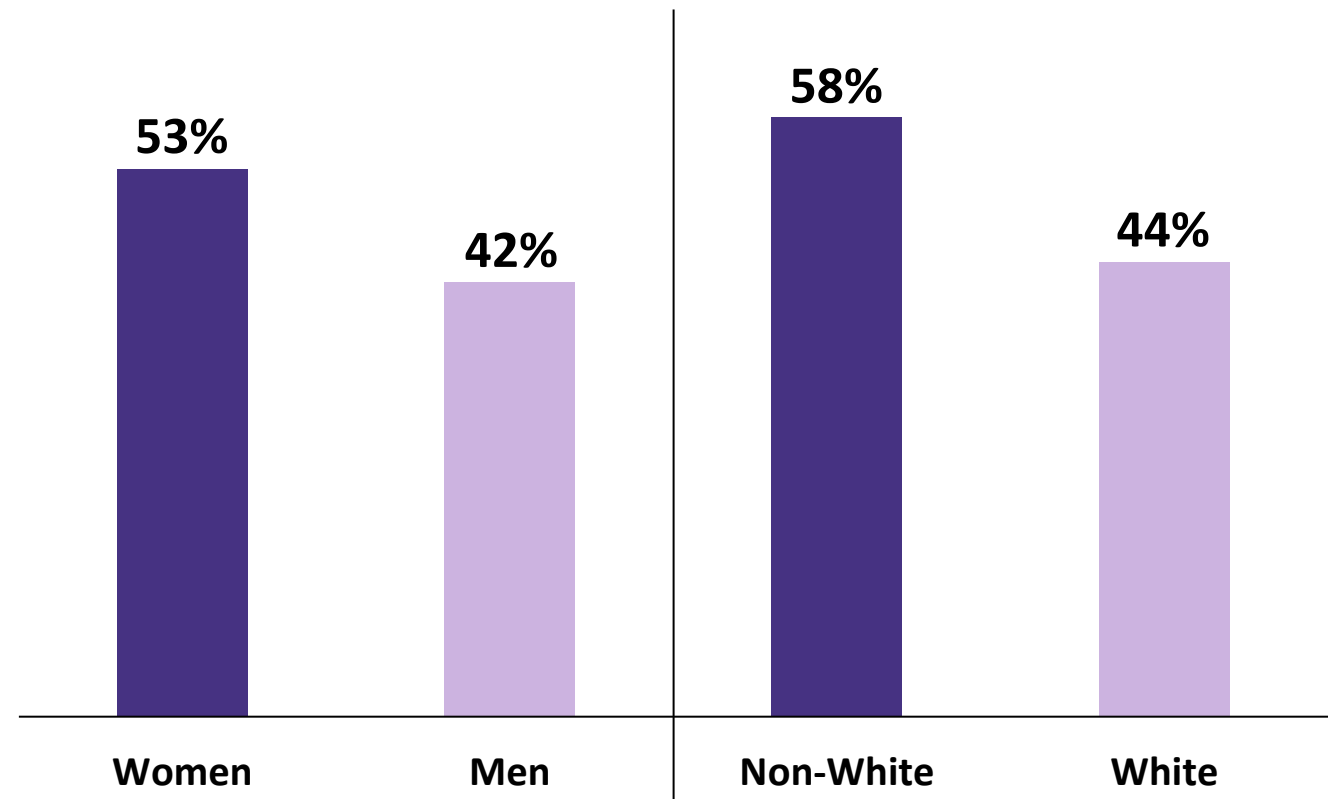
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TRUST EROSION HAS CONSEQUENCES



How concerned are you about having access to high quality health care when you need it?

% of Americans extremely or very concerned, 2022



Source: Associated Press-NORC Center for Public Affairs Research at the University of Chicago, July / August 2022

EVEN THE BEST OF US ARE BAD AT DIFFERENTIATING DISRUPTIONS FROM DISTRACTIONS

Fortune

August 24, 2007



“...despite all the hype, **BlackBerry is still the most formidable force in U.S. smartphones...**

... while the iPhone is revolutionary, it’s not yet positioned to truly challenge RIM’s foothold in the smartphone market.”

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What we know

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What we must do



Master Medicare (either on your own, or with partners), design for caregivers, and target 25% greater labor productivity



Redesign assuming overnight software development and personalized everything



Know where you need scale, where you need to cut, and how to get there for each



Start implementing “pharmacy population health” now



Require every business case to be viable even with a 10% reimbursement cut



Measure behavior change and convenience for everything; if you aren’t achieving either one, go back to the drawing board



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