

MEASURES THAT MATTER

Transforming Health Systems to Meet the Challenges Ahead

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August 8, 2024

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HEALTH & LIFE SCIENCES

DEMOGRAPHIC INEVITABILITIES ARE FAST APPROACHING, IMPACTING HEALTHCARE DEMAND AND SUPPLY

2029

Year all baby boomers will be eligible for Medicare

96M

Seniors in 2035, a 38% increase from today

51M

Cases of cardiovascular disease in 2035, up from 35M in 2015

2:1

Working age adults per senior in 2035, from 4:1 in 2015

7-14%

Shortage of PCPs nationwide in 2035; non-urban shortages will be higher

48%

Of net new jobs in 2035 will be in healthcare

HEALTHCARE AFFORDABILITY IS ON ALL OUR MINDS (AND IN THE HEADLINES)

‘Don’t get sick. It’s too expensive’: medical debt is putting more Americans in financial crisis

The Guardian, Dec 2023

59% of Americans worry about paying for healthcare, new survey shows

Forbes, Oct 2023

The healthcare work force crisis is already here

Axios, June 2024

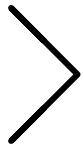
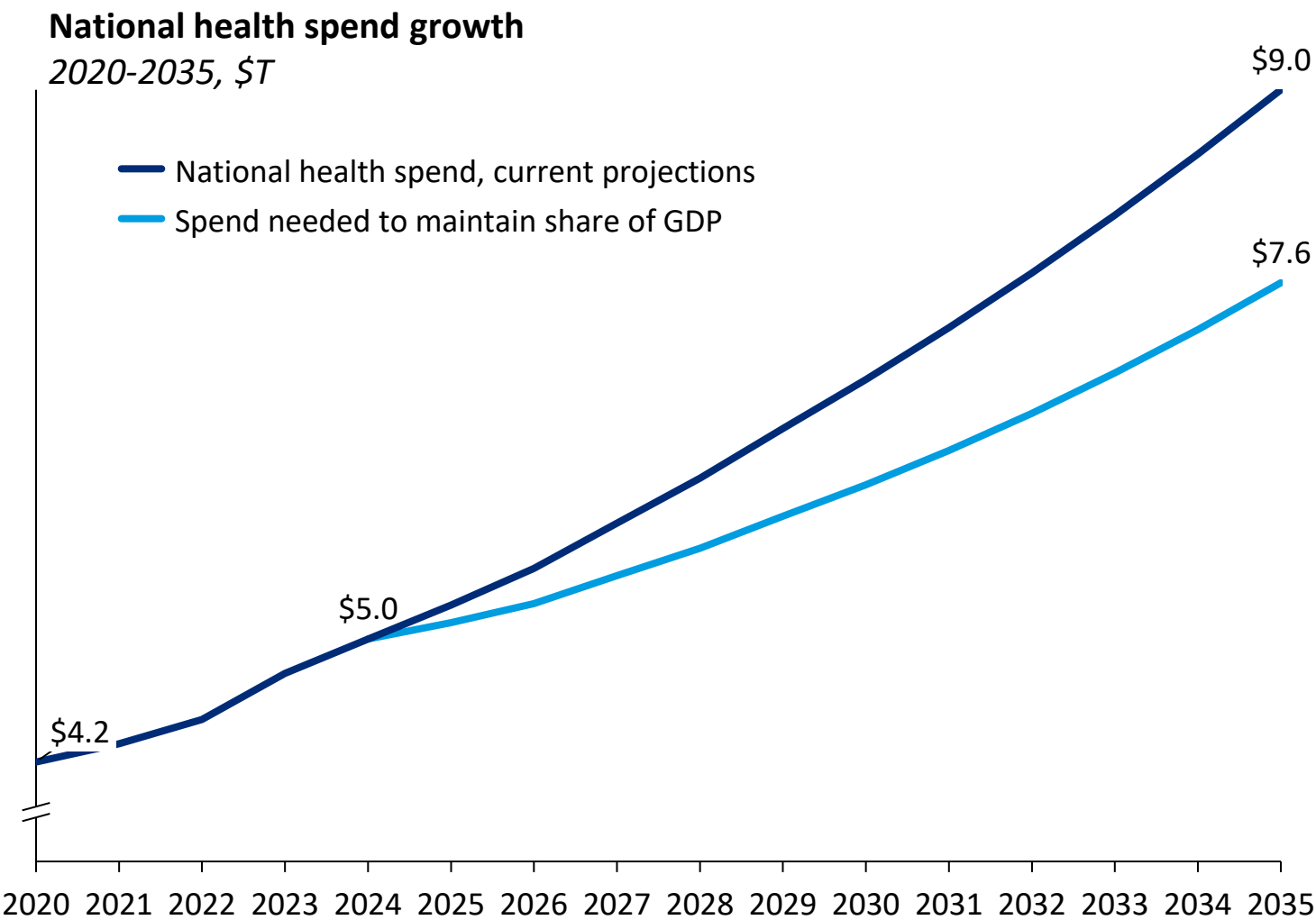
Social Security will not be able to pay full benefits in 2035 if Congress doesn’t act. Medicare has a little more time

CNN, May 2024

Wells Fargo sued over drug costs in employee health plan

Bloomberg, July 2024

A \$1.4 TRILLION DOLLAR IMPERATIVE



\$1.4T

Savings required by 2035
assumes healthcare spend as a share of
GDP remains at 17.3%

\$5K

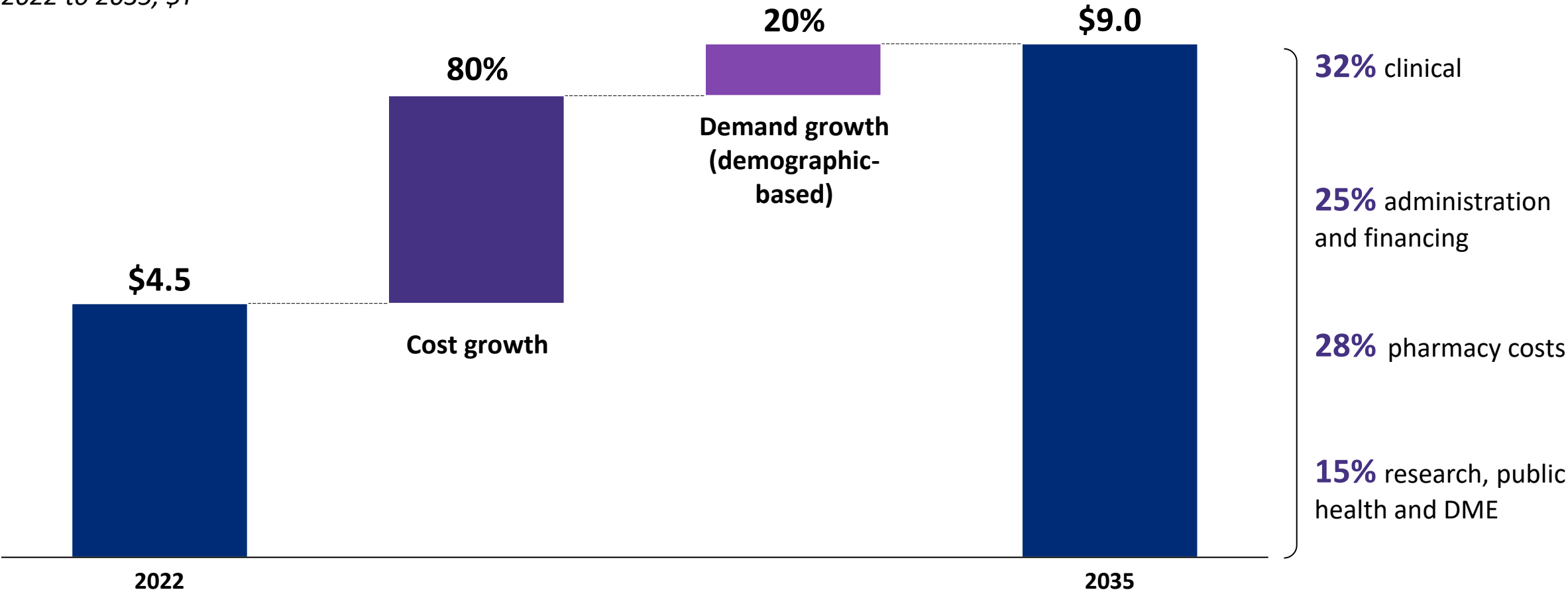
Reduction in household healthcare costs

\$600B

Reduction in government spending per year

THE PATH TO \$1.4T: DEMAND MATTERS, BUT COSTS MATTER MORE

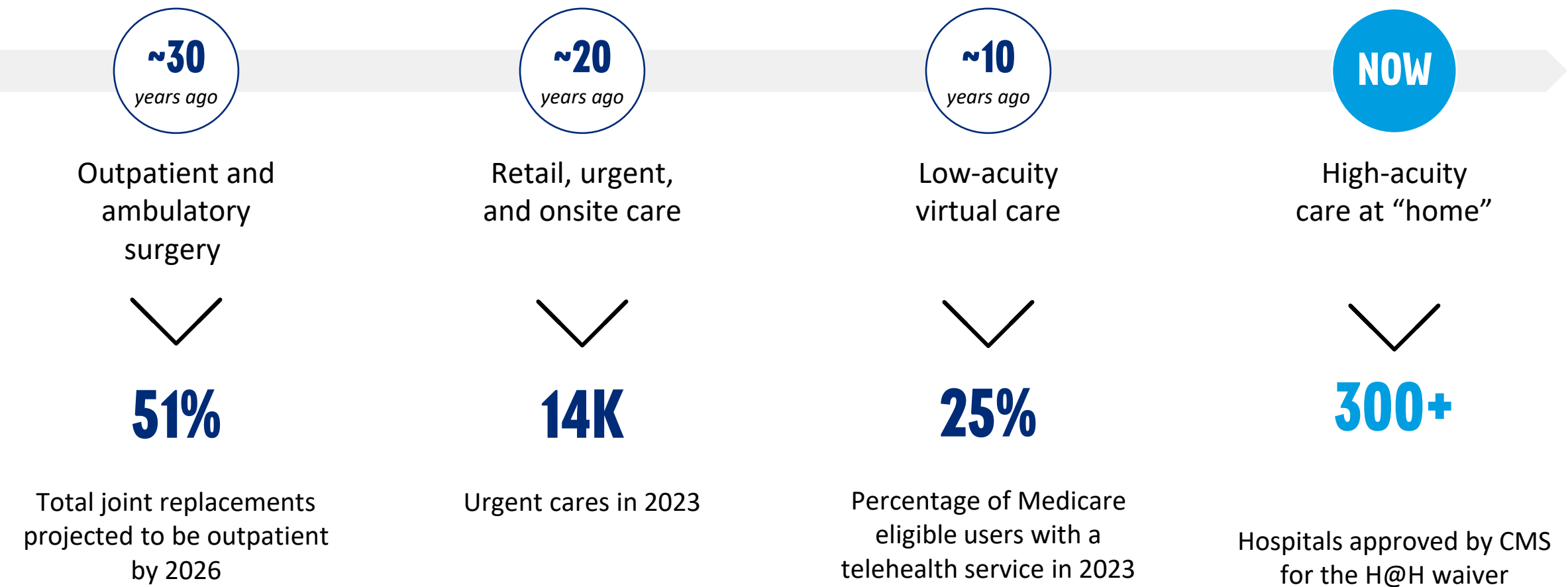
Factors driving national health spend growth
2022 to 2035, \$T



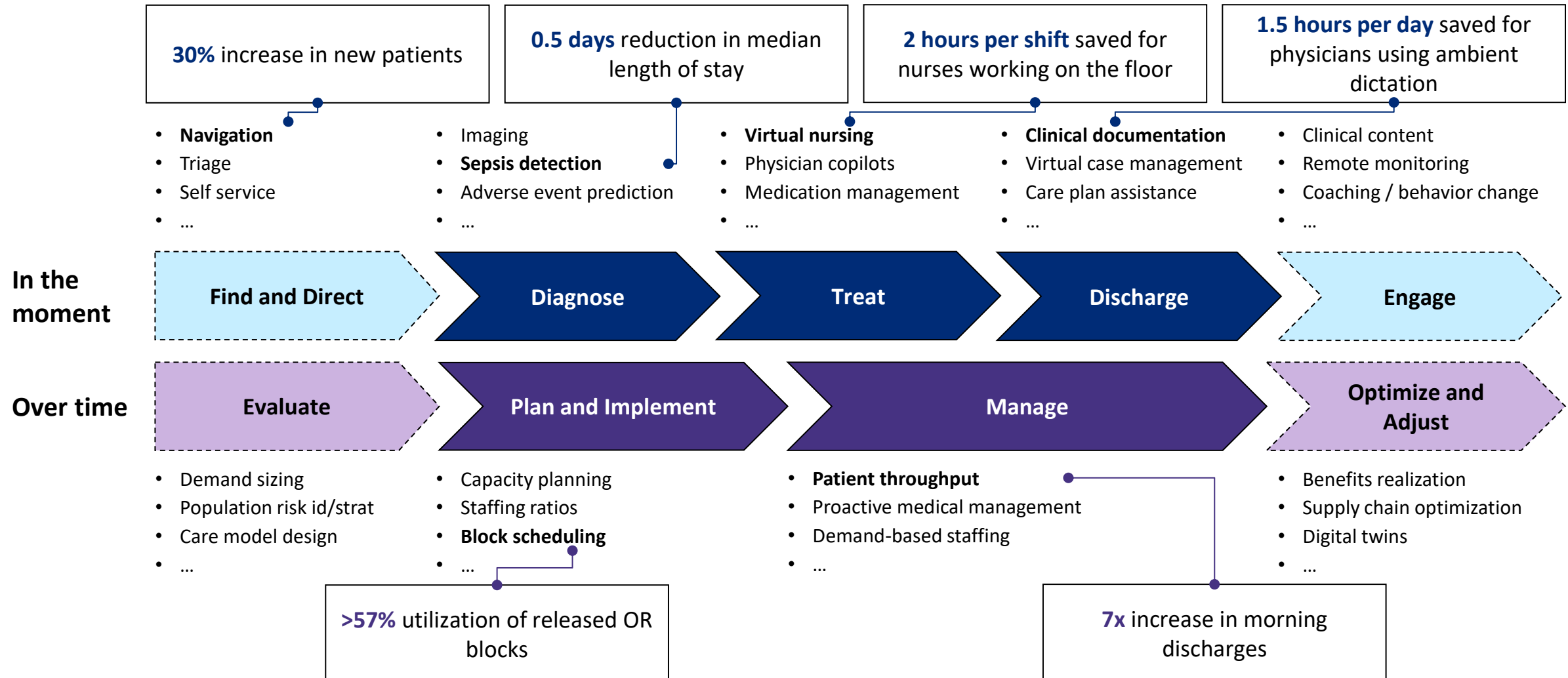
Source: CMS
1. Cost growth accounts for growth arising from price inflation (economywide and relative medical price) and shifts in quantity and mix of services; 2. Demographic-based demand growth accounts for growth arising from population growth and the age-sex mix of the population
© Oliver Wyman

HOME IS THE NEXT FRONTIER, BUT CANNOT HAPPEN IN A VACUUM

Major site of care shift horizons



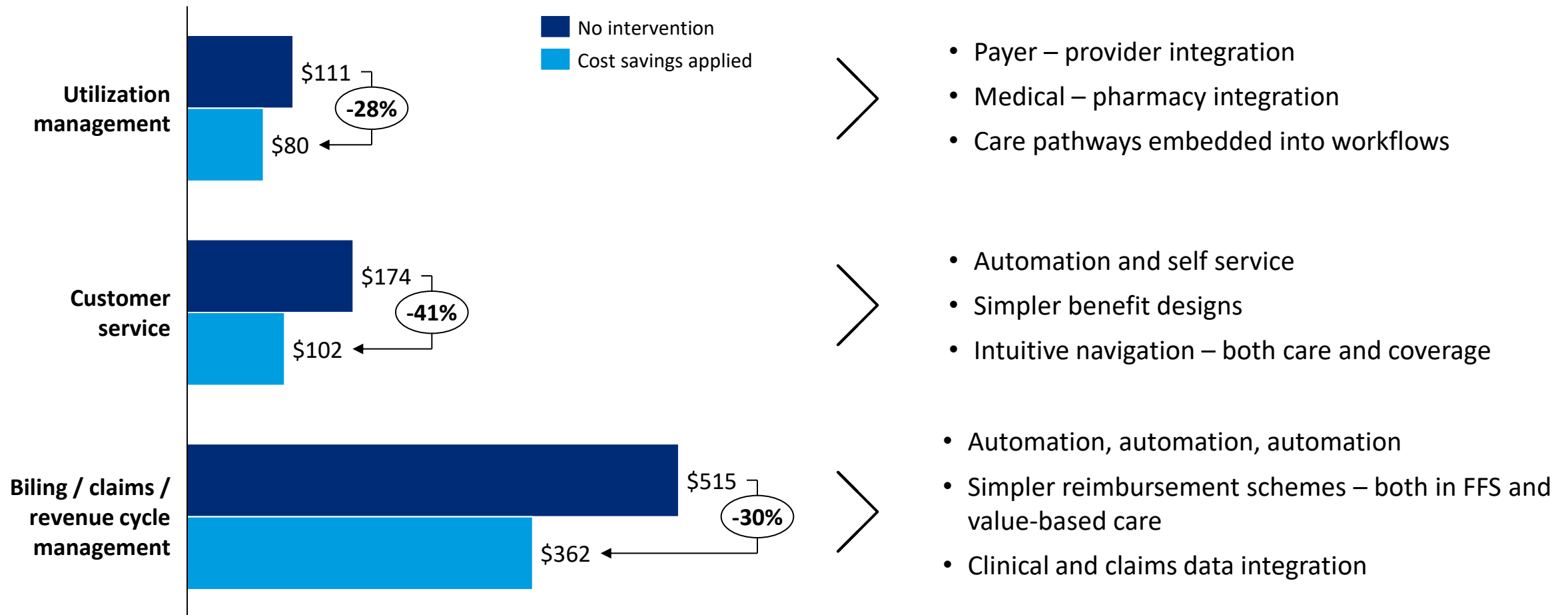
ARTIFICIAL INTELLIGENCE CAN MAKE A DIFFERENCE NOW



WE MUST WORK TOGETHER TO MAKE ADMINISTRATION MORE EFFICIENT

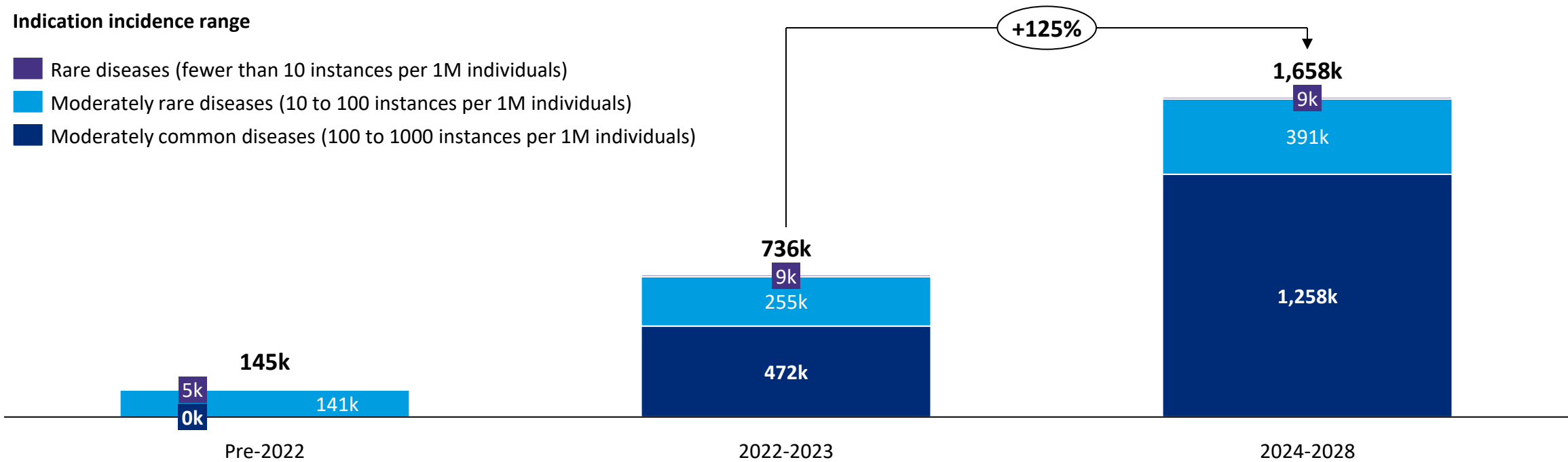
Payer + provider total spend for select admin categories

Projected 2035, \$B



PHARMACY COSTS ARE THE NEW HOSPITAL COSTS (AND THEN SOME)

Total addressable patient population for approved cell and gene therapies¹
Through 2028



1: Based on average incidence within defined incidence range for approved drugs applied to the total US + EU population
Sources: Evaluate Pharma, ARM, Oliver Wyman analysis

THE OPPORTUNITY IS NOT JUST IN CELL AND GENE THERAPY

Biosimilar adoption

\$78B

Possible nationwide savings in 2035
from biosimilar growth

94%

Share of patients willing to take a
biosimilar if prescribed by their doctor

Cost-plus pricing

20-40%

Discount versus market prices
for cost-plus programs

\$51B

Reduction in generic drug spend if every
generic were priced cost-plus

Medicare Drug Price Negotiation

52%

Share of Medicare spend on which CMS
is authorized to negotiation prices

\$26B

Projected savings in 2035 from
Medicare price negotiations authorized
by Inflation Reduction Act

THE GOVERNMENT ALREADY HAS A BOLDER AFFORDABILITY AGENDA

Regulatory forces, combined with broader payer/provider tensions, are creating a tipping point



Inflation Reduction Act

Redesign of the Part D benefit lowers the catastrophic threshold, increases plan liability above that threshold, eliminates the coverage gap. Major changes take effect beginning in 2025



Lower Revenue And Refined Product Rules

Effective growth rates for plans in 2024 and 2025 is 2.3%, lower than inflationary trend in costs with industry averages at 4%+



Stars Model Changes

Major structural model changes (removal of the reward factor, introduction of HEI) coupled with meaningful measure changes and rising measure cut points



Risk Adjustment Changes

Introduction of v28 and new RADV rules create average margin headwinds of 1.5 – 2.5% for MA GE plans, or up to 3X for D-SNP plans



Utilization Trend

Industry-wide increase in Part C expenses driven by deferred care, Part B drugs, OP spend and double-digit Part D trends with GLP-1s as major contributors

GETTING READY FOR TOMORROW, TODAY

In 2035 we will need...		Therefore, today we must...
1 The overall industry to be 15%+ more affordable – with health systems leading the way	➤	Ensure strategies and business cases survive a 15%+ reimbursement cut, with less capital-intensive business models
2 To bring our system to where people are – be it at home, in long-term care, or in a facility	➤	Become the hub (owned and partnered), connecting patients regardless of where they “walk in the door”
3 10%+ more efficiency in our clinical workforce	➤	Rearchitect every step of the clinical journey, collapsing steps from diagnostics to treatment... and ensure payment models keep pace
4 Our senior population to be significantly healthier, for longer	➤	Redefine preventive health businesses as profitable enterprises, focusing on interventions that we know deliver results
5 30%+ reduction in the amount of money (and time, and brain power) on administrative tasks	➤	Embed clinical best practices into workflows to reduce the need for “add on” processes... and protect our data
6 Get more value out of our drug spend – both through pricing, prescribing, and access	➤	Consider pharmacy as important as surgical service lines, and take advantage of near-term opportunities to disrupt the market
7 The government, health plans, and health systems to have a sustainable operating model	➤	Dig in and turnaround MA performance – focusing on total cost of care in addition to risk adjustment and Stars



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