

The Healthcare Industry Is Evolving Rapidly

What Will It Look Like in the Next Five to 10 Years?



Healthcare is constantly changing. Advances in technology, population shifts and illness trends affect everything from the demand for care to its delivery and costs. The COVID-19 pandemic is quickly reshaping and restructuring healthcare in a variety of ways that are likely to have long-lasting implications.

While payers, providers and organizations continue to address the impact of the virus today, they are also planning for the future of healthcare. Over the next five to 10 years, we expect the industry will continue to evolve on several fronts, including [access to and the delivery of care](#), [financing and payment arrangements](#), [patient care and engagement](#) and [population health](#). This publication covers those areas, based on our predictions, and concludes with advice on [preparing for the future of healthcare](#).





Access and delivery

The COVID-19 pandemic has accelerated use of telehealth services. Consequently, both patients and providers are now more accepting than ever before of virtual care delivery. (See [Segal's insight](#) on digital health trends). The rise of telehealth is also broadening access to care for underserved populations and driving efficiencies.

The traditional doctor-patient relationship is being disrupted

The coupling of virtual technologies with remote medicine disrupts the idea that having a regular relationship with a local primary care provider is necessary to manage chronic illness and improve health and well-being. Younger generations prefer interacting with the health system in the same way they purchase other goods and services — virtually and on demand. Expectations are high for on-demand access to information on services, costs, quality and satisfaction.

Access to more information could empower consumers to be more engaged in their healthcare.

Much of traditional primary care and chronic care management is likely to be enhanced by virtual delivery

Telehealth will evolve from being a complement to physician office visits to becoming a substantial source of primary care, some specialty care and certainly behavioral healthcare. In some cases, office visits will be by referral and telehealth encounters will be integrated into a larger delivery system or practice. Virtual-first models will become more common as health plans seek to better manage non-urgent issues and provide more convenient options and broader access for individuals.

Providers have advocated to be paid similarly for virtual visits for the same level of care as an in-person visit, eliminating the cost efficiencies promised by telemedicine.

Access to specialists is expected to increase via virtual technology

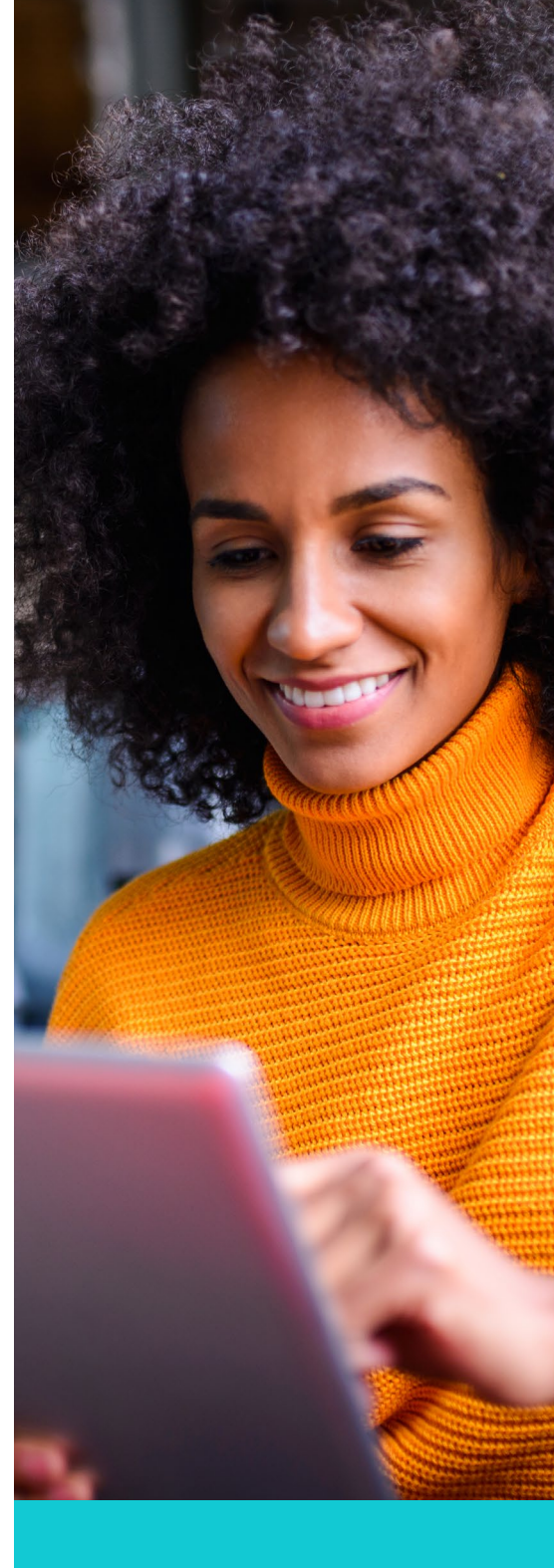
Those in traditionally underserved geographic regions will benefit through improved access and intervention by experts in their field and subspecialists. The model is especially viable for behavioral health and overcoming barriers to treatment, such as stigma and confidentiality. Wider use of remote monitoring technology will enable specialists to provide more collaborative and data-driven care to improve outcomes.

Access to primary care services and chronic care management is projected to accelerate

The “retailization” of medicine at pharmacies and big-box stores, as well as new partnerships and arrangements with and by payers, is expected to improve convenience and access to care for those in underserved geographic areas. Access to medications will expand to include more delivery options, on-site kiosks and retail storefronts.

Consolidation of health systems and providers will further drive independent providers out of the market

Mobile technologies along with automated intelligent operational and clinical technologies will drive additional mergers and acquisitions in the healthcare industry. Advances in remote medicine will increase competition beyond traditional geographic borders. Independent physician practices are rapidly disappearing. Regional health plans and medical carriers will push a more integrated solution that will attempt to reverse the trends for plan sponsors to contract with stand-alone specialty carve-out services. As the digital landscape continues to grow and become more competitive, expect swift and massive consolidations as many vendors work to embed themselves into different health plans and PBMs under their “digital formularies.”





Financing and payments

Healthcare costs will continue their upward trajectory, but increased competition among providers, price transparency and the move to value-based care will attempt to drive efficiencies in the system and help stakeholders better manage costs.

The conflict between broad access and affordability is likely to come to a head

Affordability among plan participants continues to be a top concern. As a result, plan sponsors will be forced to choose among more restricted provider networks and drug formularies to avoid increasing out-of-pocket costs for their workers. A growing number of plan sponsors are already adding narrow networks and closed formularies as an election option for participants or as a full-replacement coverage strategy.

Hospitals' contracted rates with insurers are expected to become somewhat more uniform

In 2021, hospitals must begin publishing shoppable rates for certain services. This could lead to more direct-to-consumer advertising and appeals from hospital systems to patients.

In addition, the [transparency rule](#), parts of which are set to begin taking effect January 1, 2022, will make it much easier for patients to compare costs among providers. The rule requires group health plans and insurers to disclose negotiated provider rates, drug pricing and cost-sharing information. As a result, we expect high-cost outlier hospitals will face new pressures to bring their pricing down to market levels or risk being removed from the insurer's broad networks. (Our [February 16, 2021 webinar](#) discussed the transparency rule and its implications for plan sponsors.)

Bundled payments and value-based care may become the norm

Bundled payments, which are included in the transparency rule, will make it easier to appear cost competitive (see above) because they are more straightforward for patients to understand. They are also a shift away from inflationary fee-for-service pricing. Incentives to overtreat will be lessened under bundled-payment contracts.

In addition, bundled payments will encourage more efficient delivery of care, such as using telemedicine for follow-up visits rather than requiring in-office care.

Providers are likely to compete directly with insurers

As health systems continue to grow in depth and breadth, absorbing physicians and other providers into their systems, some will become insurance providers themselves and take on risk for the total costs of caring for individuals. In exchange, they will require patients to be captive to their health system, leading to a reduction in choice and out-of-network care options. The result will pit health systems against health insurers, with both competing directly for patients' premium dollars.

Prescription drug pricing is expected to remain murky

The political pressures for reducing prescription drug prices will continue to gain momentum. Regulations controlling prescription drug costs, such as the elimination of rebates in the Medicare Part D program in favor of point-of-service discounts, will lead to increased pricing transparency. International pricing standards for certain Medicare Part B drugs may be linked to shifts in payment standards.

We should expect that any changes in public policy will be used by private payers to generate cost savings. Private payers will continue to push for more transparent drug-pricing contracts and will trade deeper discounts for exclusivity.





Patient care and engagement

With the application of new technologies and new treatments, patient care is ever-changing. Digital care offers new ways to engage patients and provides opportunities for individuals to take a more active role in their healthcare. Furthermore, higher out-of-pocket expense liabilities from high-deductible plans will force plan participants to be more prudent consumers of elective services.

Care protocols are likely to become more patient centric and cost efficient

Driven by the pandemic, clinical protocols were adjusted to mitigate and reduce exposure to the virus, particularly among high-risk populations. This will have a lasting impact on standards of care and the practice of medicine. Protocols will continue to evolve to deliver care more efficiently and safely. Clinical trials will become more decentralized, making it easier for patients to participate and leading to less costly and invasive interventions that can get to market faster. A patient-centered care model will take priority, emphasizing the partnership among practitioners, patients, their families and caregivers to align decisions with patient needs and preferences.

Digital transformation of disease and chronic condition management are anticipated to improve outcomes

Programs and services to manage chronic disease through digital applications or direct patient engagement will grow and support improved program adherence. New technologies will enable providers to prevent and detect disease earlier and intervene with low-touch care. Earlier and more cost-effective interventions, including remote monitoring and virtual check-ins, show promise to reduce disease spending.

Many payer programs are shifting from a generalist model to focusing on the members who have the most catastrophic costs. As programs offer a suite of digital options for disease management, traditional telephonic coaching programs will become less common.

Attention will also shift from managing individual diseases to focusing on overall health and well-being that addresses underlying behavioral causes and uses a team-based management approach. However, it must be noted that current engagement rates in digital disease management programs are low and more work needs to be done to improve and sustain higher engagement rates.

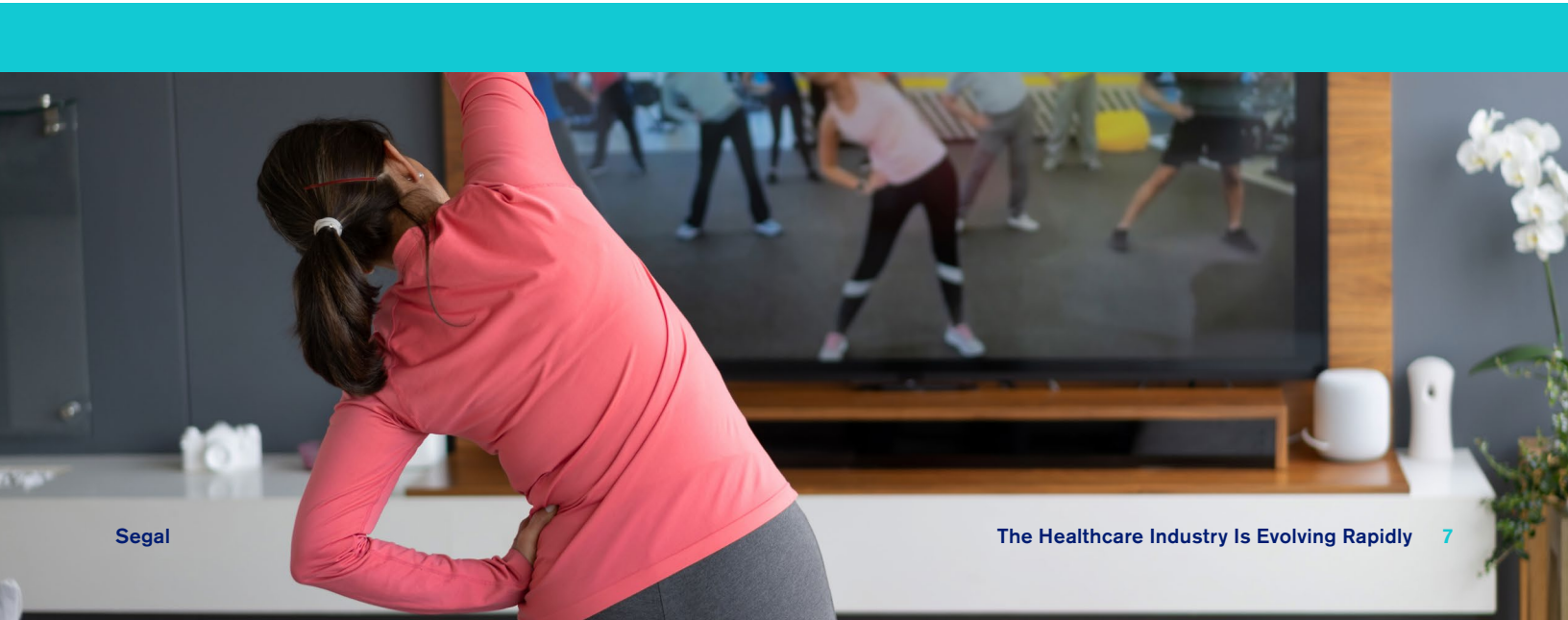
A word about healthcare consumerism

The typical economic principles of supply and demand have proven to be elusive in the healthcare industry. Transparency of fees are unlikely to change things in the near term. Because the healthcare system is intimidating and complicated for most patients, rational demand for treatments don't respond to traditional incentives.

Technology and innovation will likely reshape prescription drug development

The pharmaceutical industry will continue to develop treatments for rare and extremely rare diseases and conditions. Curative in nature (rather than palliative), the treatments are being developed to prevent long-term medical costs, excessive care delivery and high mortality.

Continued consolidation in the industry is expected and can potentially create issues with competition. For diseases that have many available medications produced by multiple drug manufacturers, there will be intense competition for market share on PBM formularies. This will help slow ever-rising drug prices through price discounts and rebates. As newer, more effective medications are developed, more expensive treatments may become obsolete.



Population health

Addressing the long-term effects of the pandemic on population health and behavior will be a high priority for policymakers in the coming years. In addition, policymakers, providers and plan sponsors will take a renewed interest in social determinants of health and make better use of big data and new technologies to guide predictive modeling and program design.

The pandemic is expected to have long-term effects on physical and mental health

The social, emotional and financial turbulence of 2020 will have a lasting impact on physical health, mental well-being and substance use disorders (SUD) for years to come. Since the beginning of the pandemic, demand for anti-anxiety/antidepressants and sleep-disorder prescriptions have increased and SUD have grown. Researchers are only beginning to understand the long-term effects of COVID-19. For many patients, severe fatigue, cognitive issues and heart problems are lingering long after they were expected to recover. Access to virtual solutions integrating behavioral and physical health issues will become the norm as ongoing support is needed to address the long-term effects of the virus.

The impact of the pandemic on the supply of healthcare providers remains uncertain. Will we see a decline in the supply of nurses, doctors, therapists and other healthcare professionals or will the pandemic increase the flow of students who want to join the healthcare services industry? The answer to this question could have a tremendous impact on future access issues.

Social determinants of health are expected to receive more attention

Emerging research identifies a direct correlation between social determinants of health — where people live, work, learn and play — and the high utilization of potentially avoidable acute care services. More health plans will offer social-determinant index scoring and predictive modeling using data to project future costs. Insights to addressing the root cause of preventable maladies have the potential to reverse the increase in the prevalence rates of disease among future generations.

Partnerships with vendors and government programs will grow to address issues like transportation and food insecurities within a region and within workforce populations. As the next generations enter the workforce, they will continue to evaluate potential employers based on societal contributions and overall individual well-being.



Data is likely to drive program design

Expanded use of data analytics to identify populations for targeted prevention, screening and treatment will help organizations better target programs to address workers' immediate and long-term concerns. Wellness planning that encompasses physical, emotional, financial and social well-being will become the standard.

New technology, including wearables and AI-powered tools, will track and monitor individual health and connect users with appropriate support programs and counseling. Broader use of these tools and other new technologies will demand increased scrutiny of usage guidelines and safeguards to ensure privacy and security.



Preparing for the future of healthcare

The pandemic is providing the healthcare industry and its many stakeholders with an opportunity to reshape the health system. As plan sponsors prepare for the future, the focus will be on leveraging digital health technologies to:

- Improve access to care
- Increase cost transparency
- Partnering with providers to ensure cost-effective, high-quality care that's affordable
- Enhance patient care, health equity and well-being to drive advances in population health

The growth in enrollment in both Medicare and Medicaid in the last decade (partly driven by the ACA and partly driven by the pandemic's impact on employment) will play a growing role in all facets of the healthcare system. Publicly funded health plan enrollment levels are approaching private employer-based plan enrollment. This trend will put even more pressure on private health plan sponsors. Healthcare providers will look to private healthcare payers to replace revenue lost on less generous public health systems. The challenges to make healthcare more efficient and cost-effective for private health plan sponsors remain complex and varied.

Health plan sponsors will need to continue to take an active role to understand these industry trends and to closely manage their health benefits programs. Whether it's improving contracts, revising plan designs or modernizing their prevention and utilization-management programs, plan sponsors have work to do to get the most out of the benefit dollars they spend.

Questions? Contact us.

To discuss the implications of the trends discussed here for your health plan, contact the authors:



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Segal's health benefits consulting services

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Our professionals can help your organization plan, design and strategize by providing:



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