Valence Health | Solutions For Value-Based Care

Industry Perspective

Healthcare Predictions–2016

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Pulitzer Prize-winning novelist John Steinbeck once said,"Because time does the job, dynamite can't touch."

I have to admit that when annual healthcare predictions for the coming year are rolled out by the consulting firms and pundits each December, I think about Steinbeck and this quote.

Although a massive disaster could certainly significantly change the healthcare delivery system very quickly (i.e., a devastating pandemic or a national economic collapse), a full assessment of the size and complexity of the American healthcare enterprise should lead to one or two important conclusions. First, truly material change will be a generational change project. The steps necessary to change healthcare structures and processes, and improve the outcomes of care delivery in a truly meaningful way, will include not only the adoption of new technology and adherence to creatively crafted rules and regulations, but also the tackling of the most difficult of all challenges: changing human behavior.

Second, if you believe the preceding statement, then any short-term "disruptions" in healthcare delivery and organization, no matter the hopes and dreams of entrepreneurs, rebels, innovators, benign heretics and young geniuses sleeping in $3,000-a-month bunk beds in converted garage apartments in the San Francisco Bay Area, is highly unlikely.

However, compared to the rate of change in healthcare, say 30 years ago, we are literally screaming forward. The good news is that the first large hurdle that needed to be traversed to begin the generational change project in earnest seems to have been cleared: *acknowledgement by healthcare leaders of the actual need for change.*

So with all of these considerations in mind, am I willing to simply state that "next year will be pretty much like the last few" in healthcare? No way. Dynamite may be no match for time, but it can be fun to ignite from a safe distance.

Here are some predictions for the American healthcare enterprise in 2016:

Entitlement Programs, Like Medicare, Will Largely Be Left Alone

While there are some formulaic changes, such as certain beneficiaries paying relatively higher Medicare premiums this year due to no cost of living adjustment for Social Security, do not expect much tampering with Medicare. It's an election year and every elected official, or those aspiring to be, lives in abject fear of the AARP. While there might be some desire by the Obama administration to make changes in both Medicare and Medicaid before leaving office, don't expect anything significant as 2016 looms in the distance.

Red-Hot Investment in Digital Health Technology Will Show Some Early Signs of Cooling

More than $4 billion was invested in digital health again this year, about the same as 2014. Between 2011 and 2014, however, investment went from just north of $1 billion to $4 billion. While the plateau in 2015 is likely related to capacity (almost 10 percent of all venture investing was deployed in healthcare IT over the past two years), there will be increasing pressure in 2016 for scaling healthcare technology companies to demonstrate returns on investment for customers. The problem gets back to that "generational" thing I mentioned earlier. While many technologies are being developed to keep patients healthier and out of the clinic or hospital, providers are not necessarily being paid for that—and the technologies are sold to providers. While the development of potentially incredibly useful technology races ahead, the payment model lags behind.

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Increasing Pressure Will Be Applied to States to Ease Virtual Care and Telemedicine Restrictions

While state legislatures introduced more than 200 telemedicine bills in 2015, many were constructed to make the use of these technologies and approaches more restrictive. Growing evidence validating these approaches as safe and effective, as well as capable of providing access to those in underserved areas such as rural Texas (where there are more than 100 medically underserved areas and where one of the more restrictive rules was passed in 2015), will place well-deserved pressure on rule-makers to reconsider.

Some Affordable Care Act (ACA) Cans Will Be Kicked Down the Road by Both Parties

The can-kicking already has begun, as several of the tax provisions necessary to fund various components of the ACA were kicked down the road for 2016—with a two-year delay of the Cadillac Tax, a two-year suspension of the Medical Device Tax and a one-year suspension of the Health Insurance Tax. For Republicans, this could be viewed as a "delaying" tactic on full funding of various program components as well as a win for Democrats as they curry the favor of some important constituents like labor unions, which oppose the Cadillac Tax provisions. Of course, someone has to be dedicated to health care reform of some type at some point regardless of politics or special interests—but not right now.

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A Name-Brand Academic Medical Center (AMC) Will Be Consolidated Into a Larger Delivery System

At the very least, discussions between Academic Medical Centers (AMCs) and "non-academic" integrated and consolidated delivery systems will be increasingly common as free-standing AMCs—built on high-cost and highly reimbursed specialty care—will be pressured to compete in a progressively value-based world where managing the entire continuum of care is required.

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Steerage of patients away from these centers (by payors working with others on specialty care bundled payment arrangements) will drive this home quickly. That being said, the educational and research missions must be preserved as they underpin the delivery system. Clinical training of doctors, nurses and other providers, as well as highly efficient specialty care rendered by high-volume centers, will be desired by larger consolidating systems.

Acute Care Provider Interest in Acquiring or Partnering With Post-Acute and Community Providers Will Accelerate

Acute care providers will be increasingly interested in the management of both medical spend and quality beyond the four walls of the delivery system. Both the accountable care organization (ACO) and Medicare Shared Savings Program experience and the current bundled payment program have demonstrated the importance of better "managing" this aspect of care, and for including these providers (e.g., long-term acute care hospitals, home health, skilled nursing, rehabilitation) in the coordinated continuum of care. Moves to consolidate the non-acute care space likely will accelerate and the national leaders in some of these non-acute care categories will clearly emerge.

Interest in Provider-Based Risk Management Will Continue to Grow

Provider organizations, pressured by the ACA and public opinion to pay more attention to population health, will have to deploy new tools and competencies into these populations. Managing the health insurance premium dollar through better disease prevention and management can create revenue rather than reduce it in the value-based world that is rapidly developing. Look for more providers to create clinically integrated networks to acquire better contracting leverage now and lay the foundation for risk management later. In addition to voluntarily working in pay for performance, bundled arrangements and ACO-type endeavors, many organizations will be creatively developing provider-based managed Medicaid and Medicare health insurance offerings in partnership with experienced vendors or existing payors.

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About Valence Health

Valence Health provides value-based care solutions for hospitals, health systems and physicians to help them achieve clinical and financial rewards for more effectively managing patient populations. Leveraging 20 years of experience, Valence Health works with clients to design, build and manage customized value-based care models including clinically integrated networks, bundled payments, risk-based contracts, accountable care organizations and provider-sponsored health plans. Providers turn to Valence Health provides value-based care solutions for hospitals, health systems and physicians to help them achieve clinical and financial rewards for more effectively managing patient populations. Leveraging 20 years of experience, Valence Health works with clients to design, build and manage customized value-based care models including clinically integrated networks, bundled payments, risk-based contracts, accountable care organizations and provider-sponsored health plans. Providers turn to Valence Health's integrated set of advisory services, population health technology and managed services to make the volume-to-value transition with a single partner in a practical and flexible way. Valence Health's more than 900 employees empower 90,000 physicians and 135 hospitals to advance the health of 20+ million patients. For more information, visit **www.valencehealth.com**

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