



# A 2022 Health Care Industry Outlook from the Association Forum Health Care Collaborative

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On February 15, 2022, the Association Forum Health Care Collaborative – a collection of metropolitan Chicago based Healthcare associations, held its winter event. This virtual gathering featured two sessions titled: “Healthcare Policy Perspective” and “Megatrends and Tipping Points that will Define Success in the "New Normal". Following these presentations, the meeting ended with a Reactor Panel which included panelists from the American Hospital Association, the Community Behavioral Healthcare Association of Illinois, the National Association for Healthcare Quality and the author of the Keckley Report.

This meeting addressed and encapsulated many of the challenges that have either emerged or been exacerbated by the onset of COVID-19 and the government and industry reactions to it. In addition, the outlook for healthcare in terms of future anticipated changes was also addressed.

## Session 1: A Perspective on Provider Challenges from the American Hospital Association

The first presentation of this gathering focused on prior, current, and potential future challenges experienced by the current health care system including:

- Vaccine Mandates, pandemic surges, state laws, and the challenges of frontline care
- COVID-19 Costs including: Personal Protective Equipment (PPE), longer lengths of stay, elective service freezes
- Workforce Shortages: retirements, resignations, temporary work, and career changes
- Labor and Supply chain shortages driving up provider costs
  - Travel RNs costing \$200-\$300 per hour
- Payer mix changes with the growth of Medicare, Medicaid and ACA (whose reimbursements are lower than Commercial)
- Increasing anti-trust outlooks, pricing transparency and surprise billing crackdowns
- Transformations in Digital Health

Many of the challenges mentioned above which impact providers are also impacting other sectors of healthcare including insurers and patients while some can potentially impact all areas of the economy.

In addition to the areas mentioned above, COVID-19 itself has directly impacted the health care system in the following ways:

- Large Shifts to Digital Health
- Increased awareness of health inequity
- Strains on Health Care Financing
- Pressure on health care workforce
- Need for more effective integration of behavioral and physical health

Hospitals faced severe financial challenges with \$54 billion of projected losses in 2021 due to more than 1/3 of all hospitals expected to have negative operating margins.<sup>1</sup> A large component of this is labor costs at all levels, and particularly with travel nurses. Significant jumps in nursing turnover and much higher costs of temporary labor were key contributors.

In addition, it was noted that COVID-19 significantly impacted the affordability of medical care to insured members. In the first year of COVID-19, a cited source indicated that 18% of US adults and 35% of low income earners reported that they or a member of their household did not seek treatment for a medical problem due to cost of care.<sup>2</sup> Thus, COVID-19 exacerbated a situation that existed even before its onset.

On the topic of insurance coverage changes, the presentation illustrated a 3% reduction in Employer Sponsored coverage which mainly shifted to Medicaid and ACA coverages.<sup>3</sup> This is typically a sign of job loss or reduced income in the case of subsidize ACA coverage.

Supply chains have impacted all areas of the economy during the pandemic and healthcare is no different. Providers reported experiencing supply chain shortages in their day to day operations. Areas most often impacted included PPE, oxygen, staffing, transportation, and medical supplies impacted by the pandemic. In fact, 93% of provider executives reported pandemic related supply chain shortages.<sup>4</sup>

The provider workforce has experienced a considerable amount of turmoil and disruption during the COVID-19 pandemic. Some key manifestations of that include clinician burnout, shifting in workforce requirements, changes in technology and inequity / bias. As a result, there has been a significant reduction in self-reported emotional health among nurse leaders. Workforce shortages have worsened largely due to the strains caused by COVID-19 surges and policies, as well as issues of burnout.

In addition, to the healthcare workforce, the overall adult population saw significant Behavioral Health (BH) impacts due to the pandemic. 41% of all adults reported at least one behavioral condition according to a CDC study<sup>5</sup>, while 32% of adults say they needed but were unable to get mental health services from March 2020 to March 2021 according to a study by KFF.<sup>6</sup>

Health Equity was also a concern during the COVID-19 pandemic. According to the US COVID Community Vulnerability Index, historically marginalized communities were 37% more likely to have died from COVID, while they also showed 13-14% increases in COVID-19 diagnosis likelihood.<sup>7</sup>

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<sup>1</sup> "Financial Effects of COVID-19: Hospital Outlook for the Remainder of 2021." Kaufman, Hall & Associates LLC, Sept. 2021.

<sup>2</sup> Witters, Dan. "In U.S., an Estimated 46 Million Cannot Afford Needed Care." Gallup, March, 31, 2021.

<sup>3</sup> Karpman, Michael and Zuckerman, Stephen. "The Uninsured Rate Has Held Steady During the Pandemic as Public Coverage Increased, The Urban Institute". August 2021

<sup>4</sup> "Medical Cost Trend: Behind the Numbers 2022." PWC's Health Research Institute, June 2021.

<sup>5</sup> Czoislor, Mark E. et al. "Mental Health, Substance Use, and Suicidal Ideation During the COVID-19 Pandemic – United States, June 24-30 2020." CDC Morbidity and Mortality Weekly Report, 69(32). August 14, 2020

<sup>6</sup> Kearney, Audrey. "Mental Health Impact of the COVID-19 Pandemic: An Update ." Kaiser Family Foundation, April 14, 2021.

<sup>7</sup> "The U.S. COVID Vulnerability Index," Surgo Ventures, precisionforcovid.org/ccvi, Accessed February 9, 2022.

Digital Health Equity was also brought to light. 92% of adults with incomes of > \$75,000 had home broadband access, while only 57% of household incomes of < \$30,000 had broadband access.<sup>8</sup> The majority of this shortfall is attributable to affordability.<sup>9</sup>

Telehealth also had tremendous increases in uptake due to COVID-19. Telehealth increased almost 80-fold in April 2020 relative to pre-COVID levels. By February of 2021, this number had dropped by about 50%, but was still significantly higher than pre-COVID levels.<sup>10</sup> Some top areas of projected future telehealth growth include Chronic Care Management, Behavioral Health, Urgent Care, and Primary Care. Barriers to telehealth include broadband access, reimbursement uncertainty, and EMR integration.

Specifically related to hospitals, Health Care executive across the US indicated that the vast majority of them are likely to significantly increase their digital consumer strategies over the next 5 years. In addition, most hospitals will be expanding their “Hospital at Home” capabilities over the same timeframe. Preparation for the next pandemic is another key item of focus as most hospitals are increasing ICU capacity and PPE stockpiles to that end.

The last portion of the presentation addressed AHA specific policy and goals. The AHA’s main advocacy goals were:

- Supporting COVID-19 efforts
- Protecting patient access
- Enhancing patient quality, safety and equity
- Strengthening the healthcare workforce
- Advancing health care affordability
- Advancing health system transformation

Through the pursuit of enhanced Rural Health capabilities, and navigation of the political environment, the AHA is seeking to achieve these goals.

Overall, the AHA presentation provided some valuable insights into some key challenges in the hospital provider landscape which are often impacting the non-hospital-based health care system.

## Session 2: Healthcare Industry Trends and Disruptions

The second portion of the presentation addressed healthcare industry trends along with potential disruptions. The main areas of focus were clinical innovations, technology trends, capital trends, consumer trends and politics / policy changes. Many of these changes are asynchronous. The pandemic was a game changer which helped illustrate the unsustainable state of the current healthcare marketplace which is ripe for disruption. The healthcare industry is generally resistant to change and to that end, regulatory policies tend to lag industry trends.

### CLINICAL INNOVATION

Clinical innovation was put forth as the area of greatest opportunity. Some general trends discussed included

- Shift from episodic to chronic care

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<sup>8</sup> “Internet Broadband Fact Sheet.” Pew Research Center, Washington, D.C. April 7, 2021. [Pewresearch.org](https://www.pewresearch.org/internet/2021/04/07/broadband-fact-sheet/).

<sup>9</sup> McClain, Colleen. “34% of lower-income home broadband users have trouble paying for their service amid COVID-19.” Pew Research Center, Washington, D.C., June 3, 2021. [Pewresearch.org/fact\\_tank/2021/06/03/34\\_of\\_lower\\_income\\_home\\_broadband\\_users\\_have\\_trouble\\_paying\\_for\\_their\\_service\\_amid\\_COVID-19](https://www.pewresearch.org/fact-tank/2021/06/03/34-of-lower-income-home-broadband-users-have-trouble-paying-for-their-service-amid-covid-19/)

<sup>10</sup> Bestsenny, O., Gilbert, G., Harris, A & Rost J. “Telehealth: A Quarter Trillion Dollar Post-COVID-19 Reality?” McKinsey & Company. July 9, 2021.

- Shifting from procedures upstream to medications and alternative health designed for prevention
- Shifting to personalized care
- Addressing Social Determinants of Health

Several potential clinical disruptions were also considered including:

- Artificial Intelligence in clinical decision support
- Emergence of disease reversal drugs
- Using technology for preservation of wellness and self-care
- Integrating Health Services with Social Services
- Greater clinical workforce competency measurement

## TECHNOLOGY TRENDS

Technology trends were also discussed with key trends to monitor including:

- Shared Services and outsourcing
- Real-time data
- Portability and financing flexibility

Some potential technological disruptions included:

- The next wave of telehealth
- In-home care
- Self-diagnostics / wearable technology
- Data security / ownership
- Insurtech
- Medical Banking

## CAPITAL AND HEALTHCARE FINANCING TRENDS

Some key Capital Trends discussed included the following:

- Private Equity and Venture Capital entering the marketplace
- Lower government funding
- Healthcare Special-Purpose Acquisition Companies (SPACs)

Anticipated healthcare budgetary constraints at State and Federal levels are likely to force more disruptions to the healthcare system.

## CONSUMER TRENDS

Consumer changes were also discussed with the main trends being:

- Greater consumer price sensitivity
- Growing distrust of the current medical system
- Increased adoption of alternatives

The result of these shifts could help drive the following disruptions:

- Keeping patients engaged with technology throughout their journey
- Integration of providers into the payer space and Primary Care gatekeepers
- Nutritional Activism

- Customer Service Differentiators, especially at the point of service

### REGULATORY AND POLICY TRENDS

The key regulatory and policy trends included:

- Restructuring of Value-Based Care
- Barriers to Consolidation
- Price Transparency and Controls

Some potential regulatory disruptors were discussed as well including:

- Bundled payments and other payment innovations
- Greater emphasis on integration of non-medical services to improve outcomes through the gatekeepers
- Outcomes based provider compensation

The overall conclusion from the second presentation was that the Healthcare Industry is ripe for disruption. The COVID-19 pandemic has helped to accelerate some prior emerging trends and has offered a glimpse into what some emerging disruptions might look like as the US Healthcare system transitions into a “new normal”. Many downstream impacts are still being sorted out and many of the COVID related adaptations are likely to catch on more quickly and continue to force additional changes.

In summary, this gathering of Healthcare Associations provided some confirmations of key issues being dealt with within different parts of the Health Care space. There were also some very helpful insights for health care professionals and actuaries to consider as they try to make sense of and quantify the impact of potential changes to the healthcare landscape in years to come.

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