

*Leadership Discussion:*

# The New, New Normal in Healthcare: Trends, Implications for National Association of Community Health Centers

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The Keckley Report



## NACHC

*“Community Health Centers serve as the primary medical home for more than 27 million people in 9,800 rural and urban communities across America. These community-based “family doctors” enjoy longstanding bipartisan support by Administrations and policymakers at all levels, as well as in both the private and public sectors”*

- Serves as the national and unified voice to advocate on behalf of medically uninsured and uninsured populations.
- Advocates for growth and development of health centers and the needs of all medically underserved and uninsured populations.
- Provides training and technical assistance to health center staff and boards in operational, financial, clinical and governance areas.
- Conducts research – independently and in collaboration with others – to advance the body of community healthcare knowledge.
- Develops strategic partnerships in both the public and private sectors to support the work of health centers and improve the health of patients and communities nationwide.

## For our discussion, the big questions:

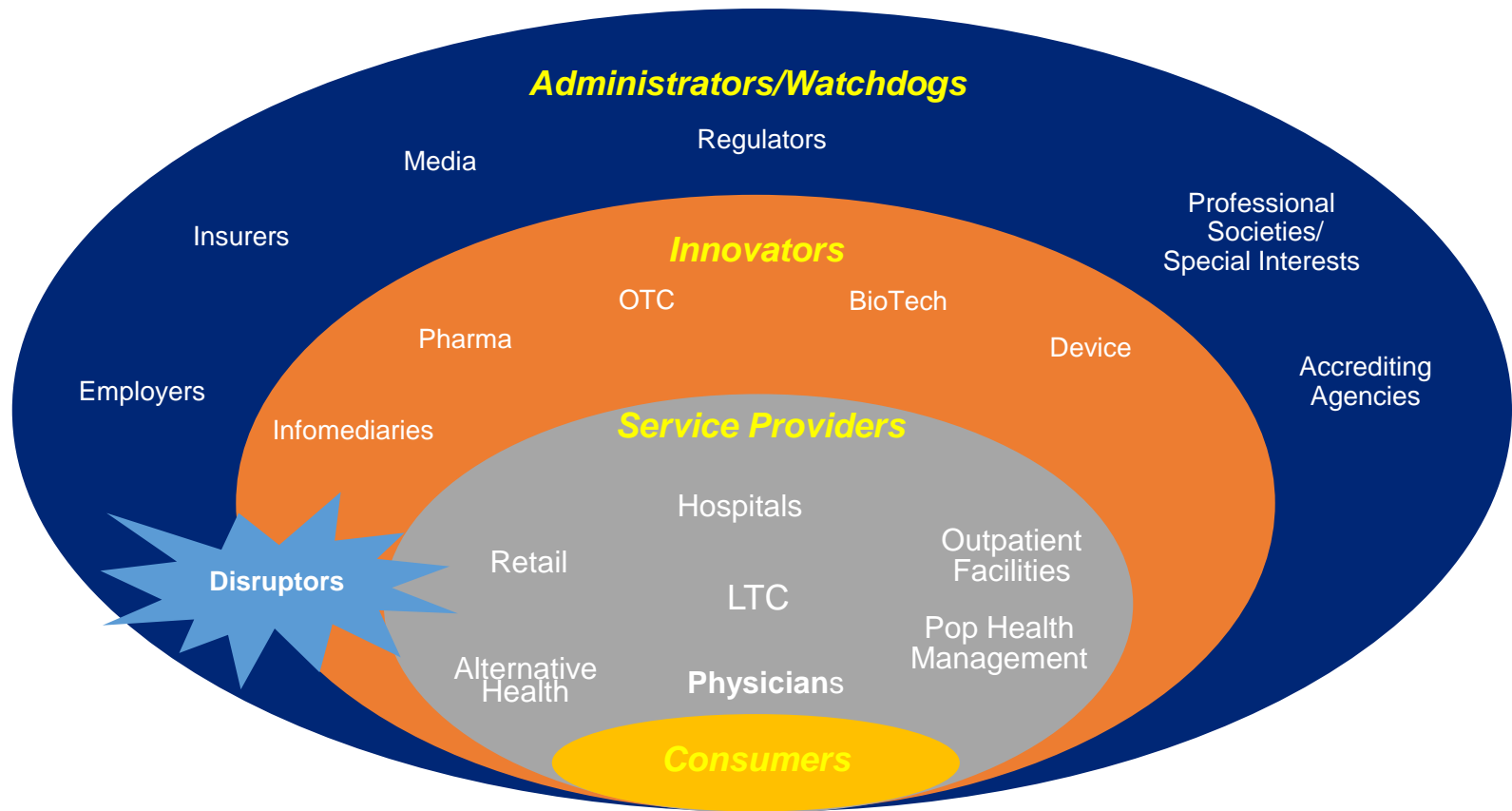
What's going on in the healthcare environment that's relevant to the mission and focus of NACHC?

What's going on in the world of healthcare focused on the under-insured and under-served that's relevant to NACHC's short and long-term strategies?

What changes, if any, are useful to enhance the efficiency and effectiveness of NACHC initiatives?



The \$3.3 trillion system: labor intense, capital intense, complex, fragmented, misunderstood, profitable, disconnected  
*'health or human services, not health & human services'*



- NHE grew 4.3% to \$3.3 trillion in 2016, or \$10,348 per person, and accounted for 17.9% of Gross Domestic Product (GDP).
- Medicare spending grew 3.6% to \$672.1 billion in 2016, or 20 percent of total NHE.
- Medicaid spending grew 3.9% to \$565.5 billion in 2016, or 17 percent of total NHE.
- Private health insurance spending grew 5.1% to \$1,123.4 billion in 2016, or 34 percent of total NHE.
- Out of pocket spending grew 3.9% to \$352.5 billion in 2016, or 11 percent of total NHE.

# Some sectors compete globally, some nationally, some locally (S&P)

## Health Care

Chart 7 – Revenue growth (local currency)

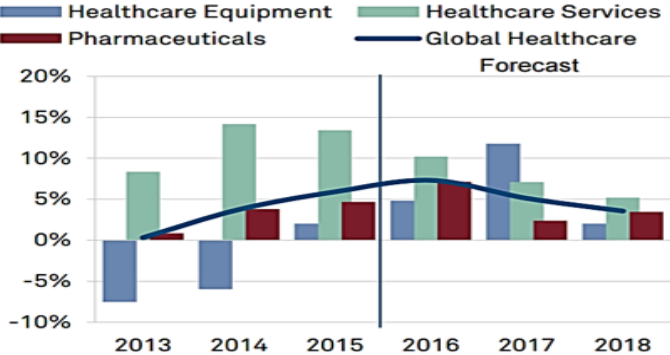


Chart 8 – EBITDA margin (adjusted)

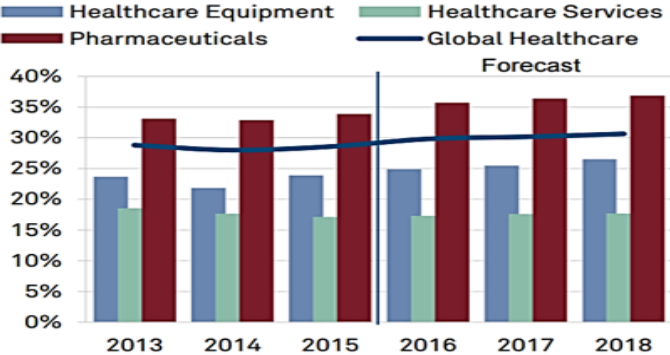


Chart 9 – Debt / EBITDA (adjusted)

This revenue trend line is not representative of the underlying growth estimates as it includes numerous factors skewing the results including M&A activity, divestitures, and currency fluctuations.

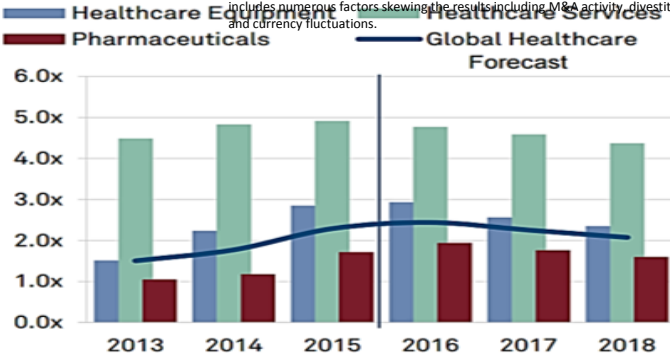
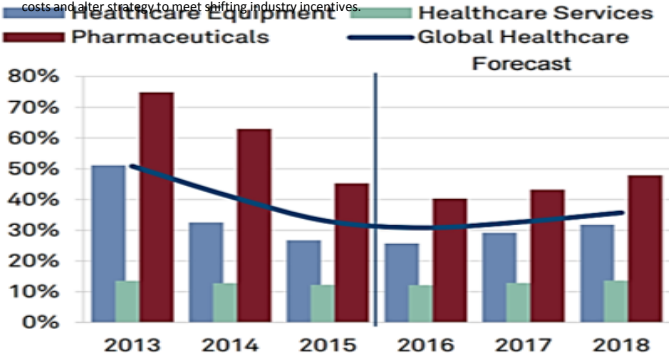


Chart 10 – FFO / debt (adjusted)

Relative stability of margins reflects companies' aggressive efforts to control costs and alter strategy to meet shifting industry incentives.

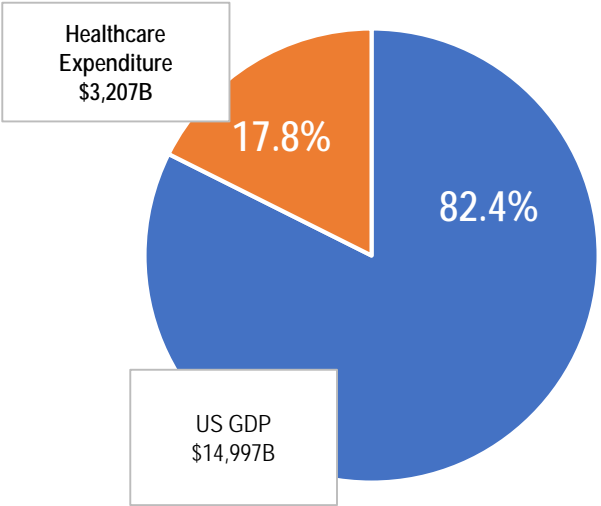


Source: S&P Global Ratings. Revenue growth shows local currency growth weighted by prior-year common-currency revenue-share. All other figures are converted into U.S. Dollars using historic exchange rates. Forecasts are converted at the last financial year-end spot rate.

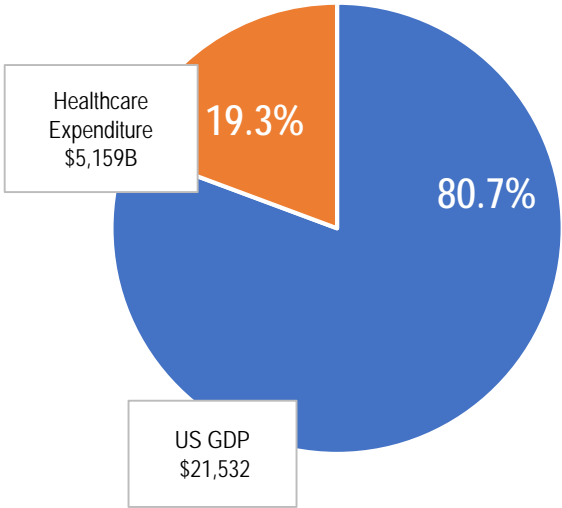


# Health costs are the system's most pressing issue: how to address increased demand across all segments in the population efficiently and effectively

Share of Total Healthcare Expenditure as a percent of GDP (2015)

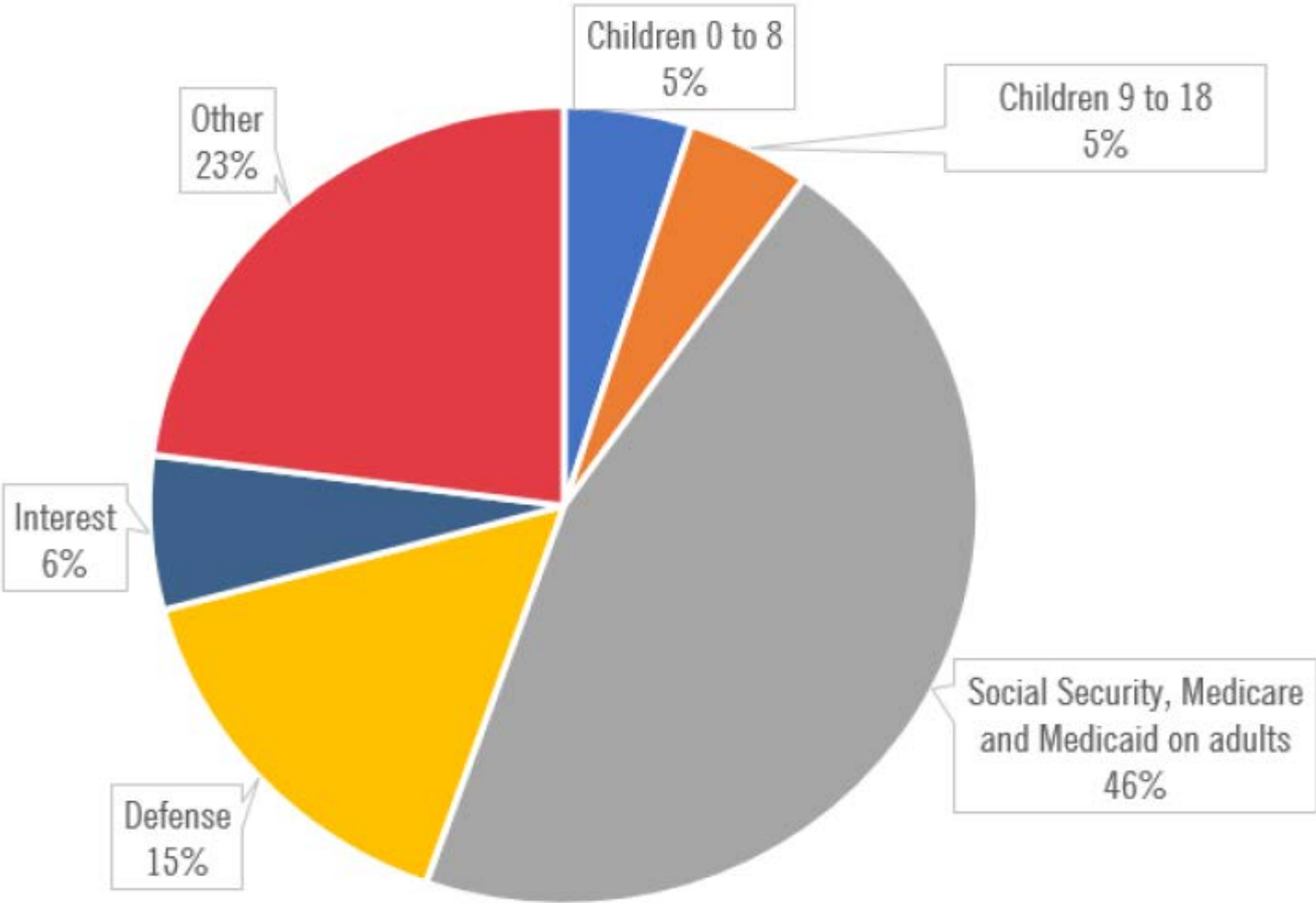


Projected Share of Total Healthcare Expenditure as a percent of GDP (2023)



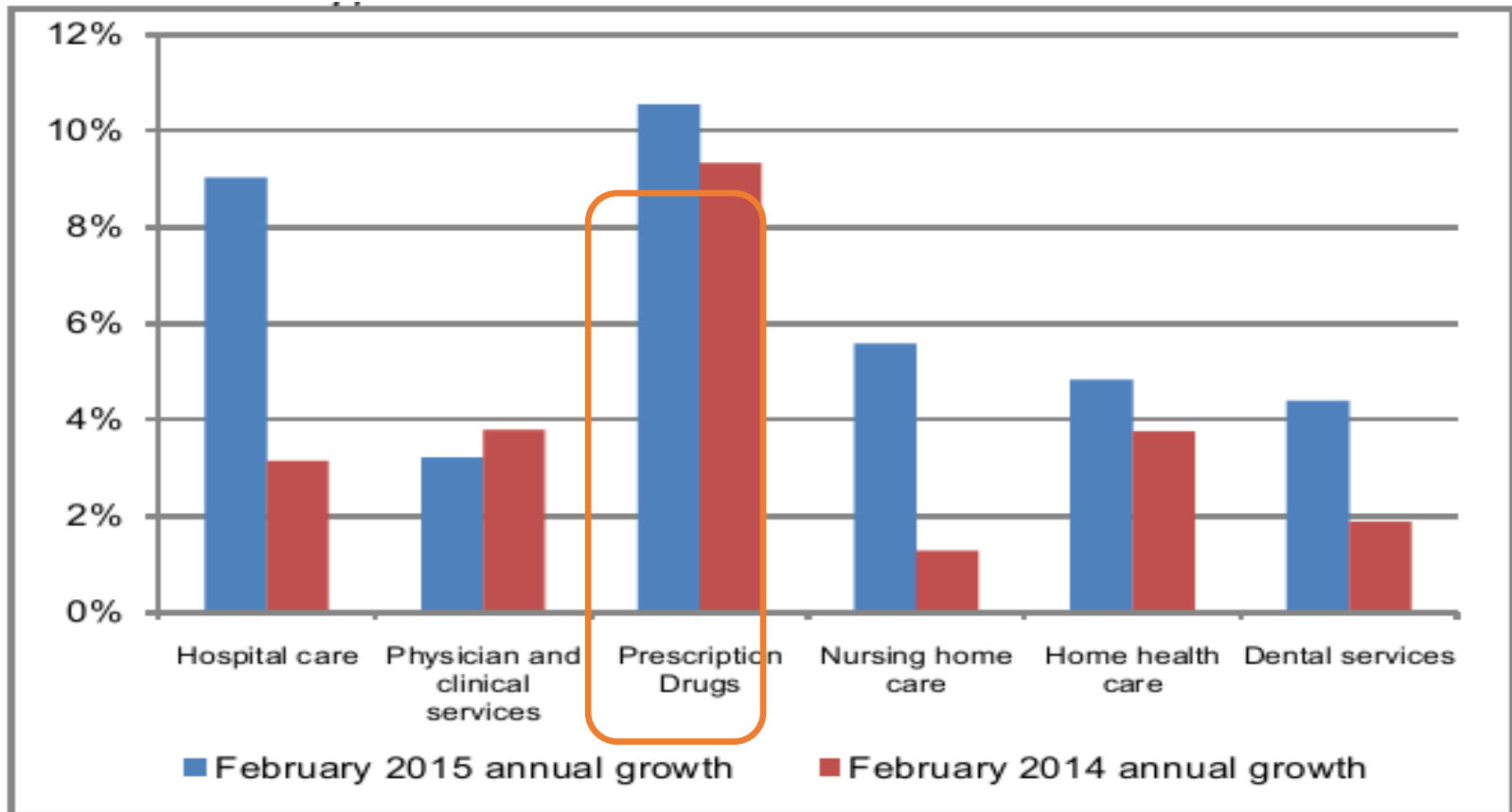
Source: US Centers for Medicare and Medicaid Services, "National Health Expenditures and Selected Economic Indicators, Levels and Annual Percent Change: Calendar Years 2007-2023" - April 2015

# Federal Outlays on Social Security, Medicare, and Medicaid for Adults Are Nearly 10 Times Larger than Total Outlays for Children Ages 8 and Younger



Heather Hahn, Cary Lou, Julia Isaacs, and Joycelyn Ovalle.  
2017. *Spending on Children Ages 8 and Younger*. Washington, D.C:  
Urban Institute.

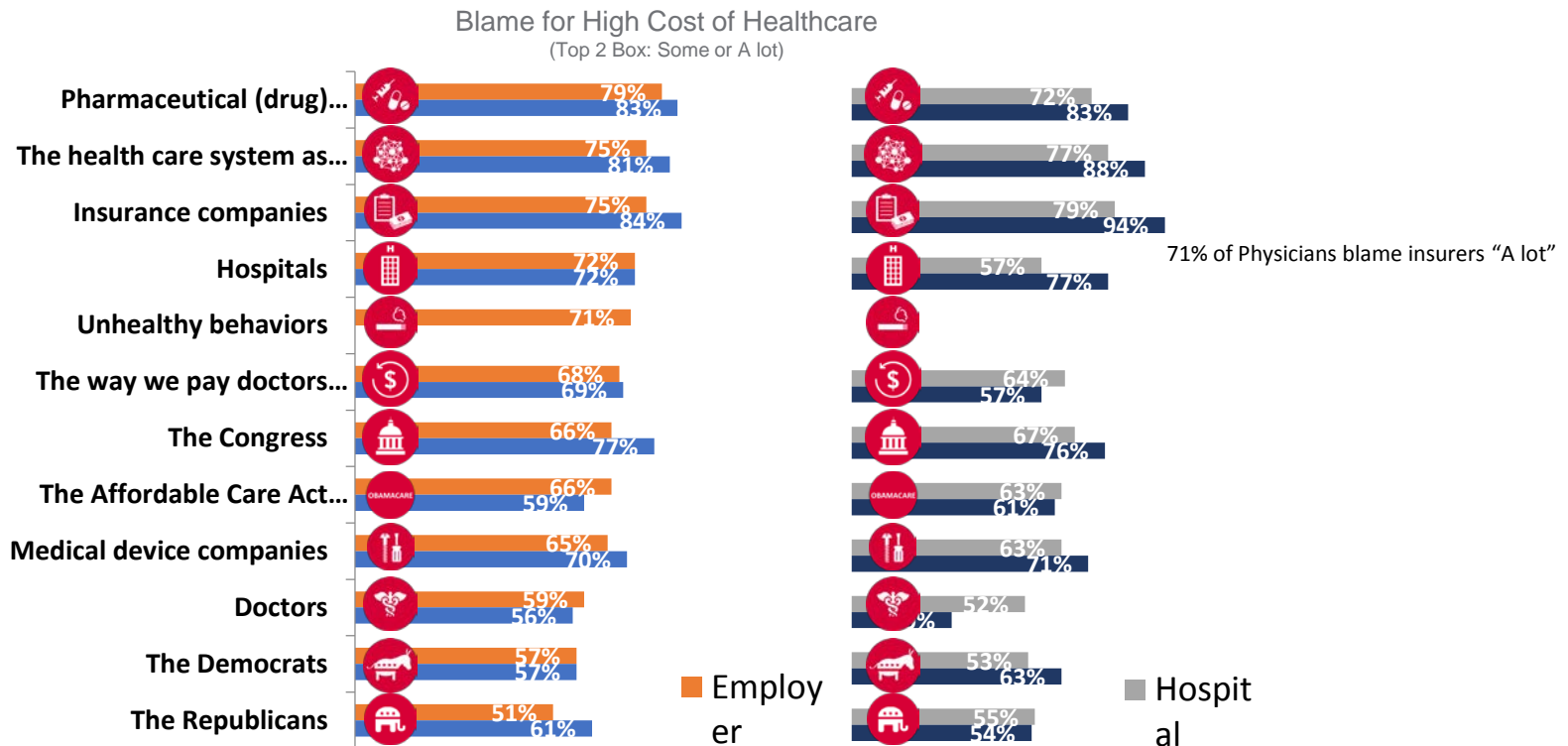
# Root causes of high health costs (Altarum)





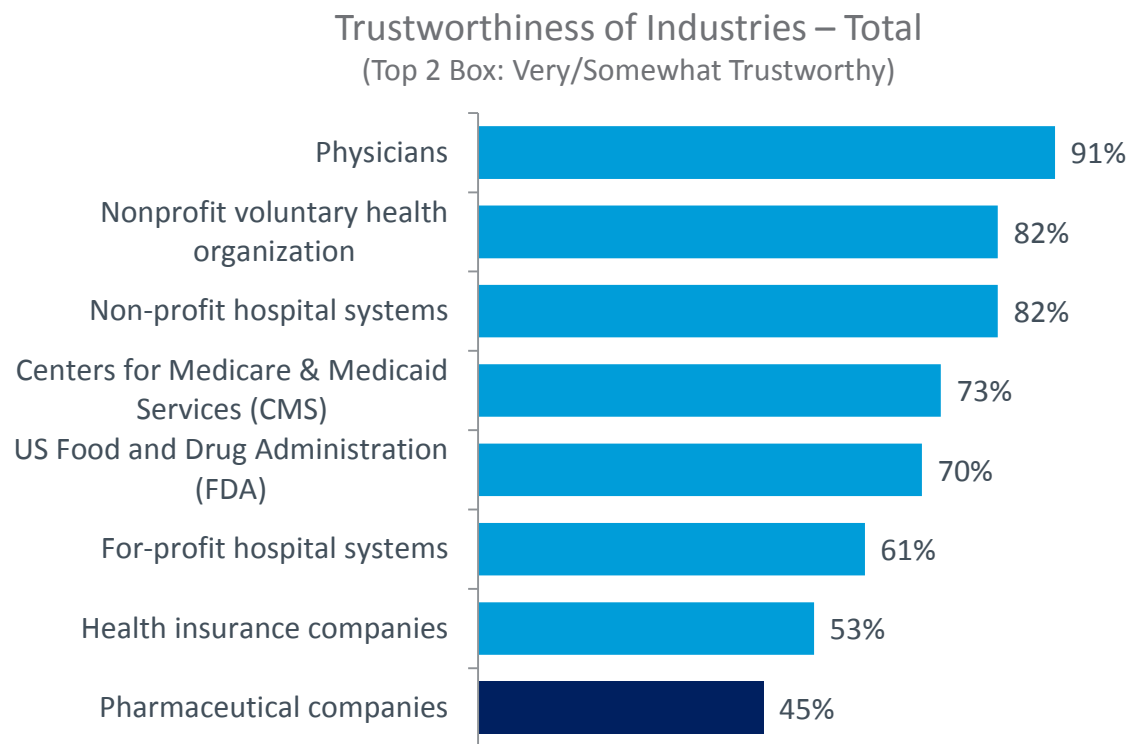
# Consumers, Employers blame Pharma for High Costs; Physicians, Hospitals blame Insurers

## Perceived Responsible Entities for High Healthcare Costs



Base: All Employer Health Benefit Decision Makers (n=340); All Consumers (n=9994); All Hospital-Based Execs (n=205); All Physicians (n=599)  
Q1030: How much are the following to blame for the high cost of health care?

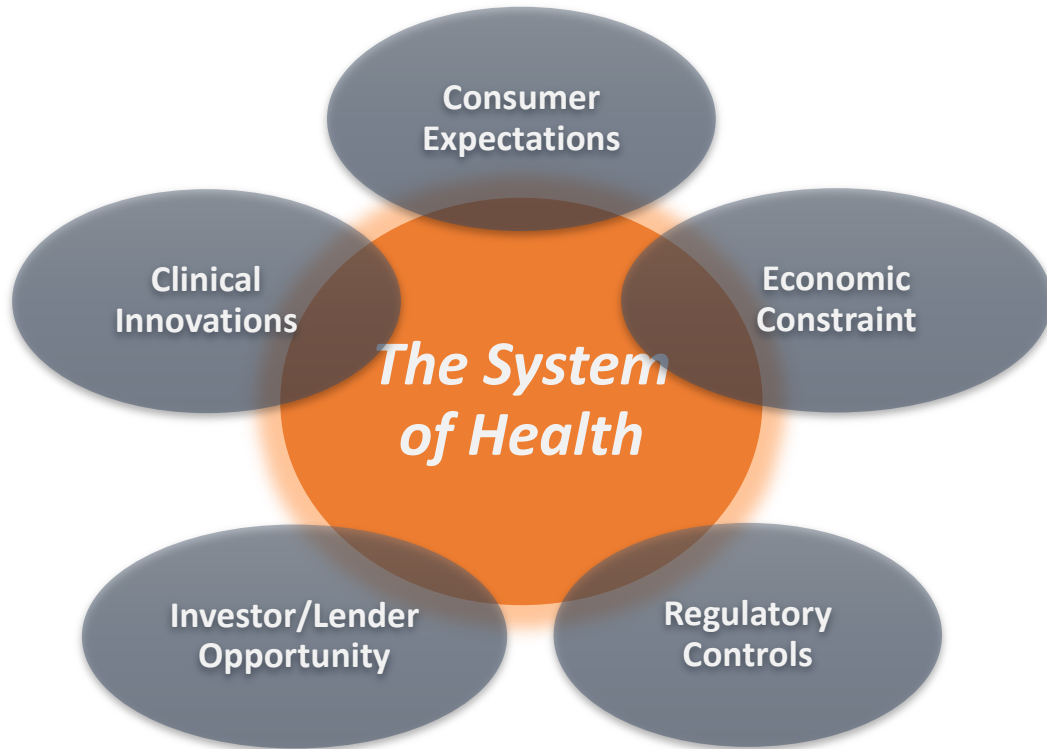
# Some sectors enjoy more public trust than others, especially “non profits”



Base: All US Adults (2016 n=10000 split sampled)

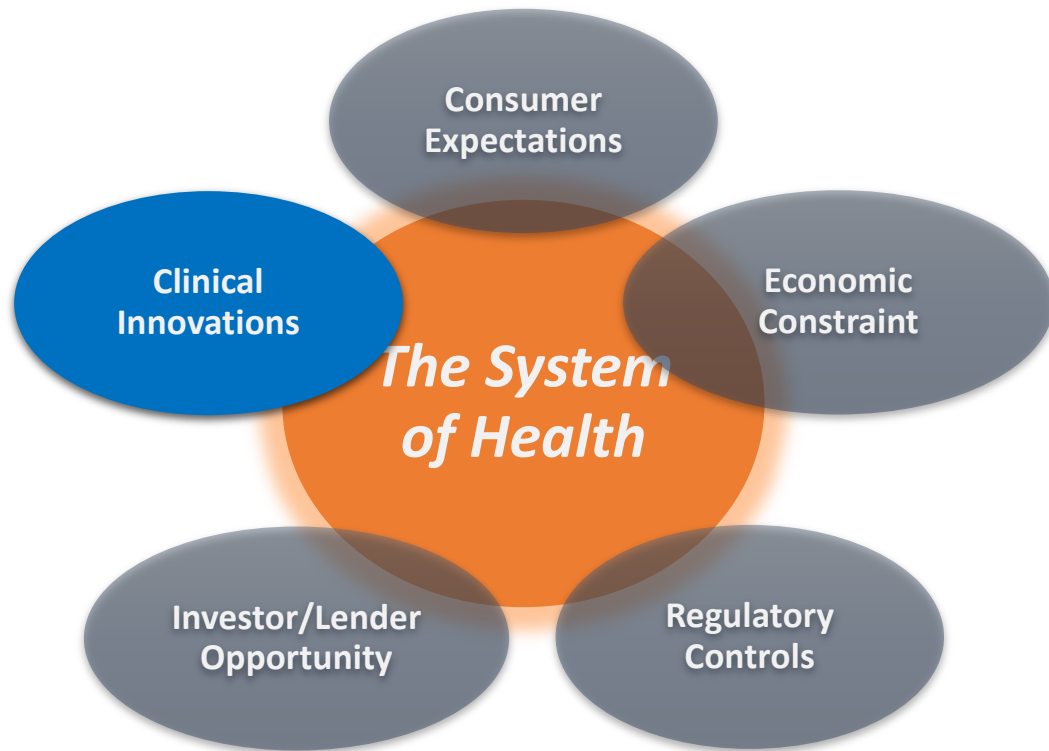
Source: Q565 In your opinion, how trustworthy is each of the following industries?

# Five sets of trends impact how the system operates



*Insurance, health status & household income determine how fast and how impactful each is...*

Clinical Innovations: every investment in healthcare originates from changes in the way health is defined and its delivery is organized



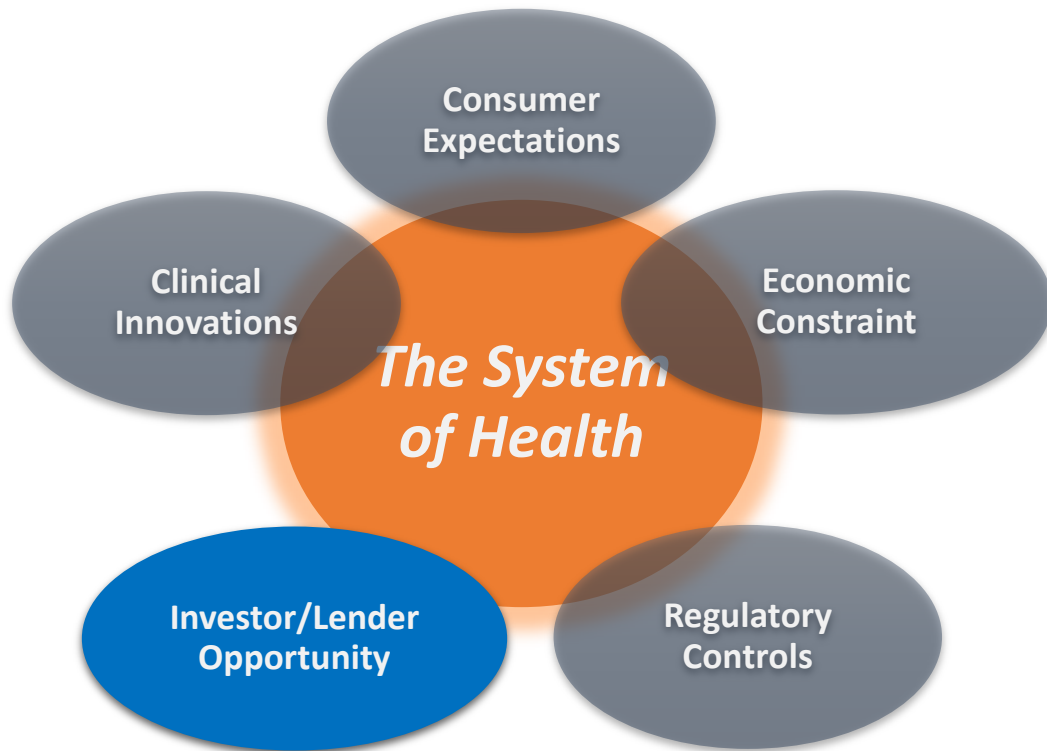
*The Big Changes:*

*Precision medicine*  
*Smart devices*  
*Artificial intelligence*  
*Machine learning*  
*Mindfulness*  
*Biomedical informatics*  
*Outcome measurement*  
*Emphasis on social determinants*

Social determinants of health are a focus in most not-for-profit health systems



Capital: the system is capital dependent--sources are three:  
lenders, investors & philanthropy



*Lenders want lower risk*

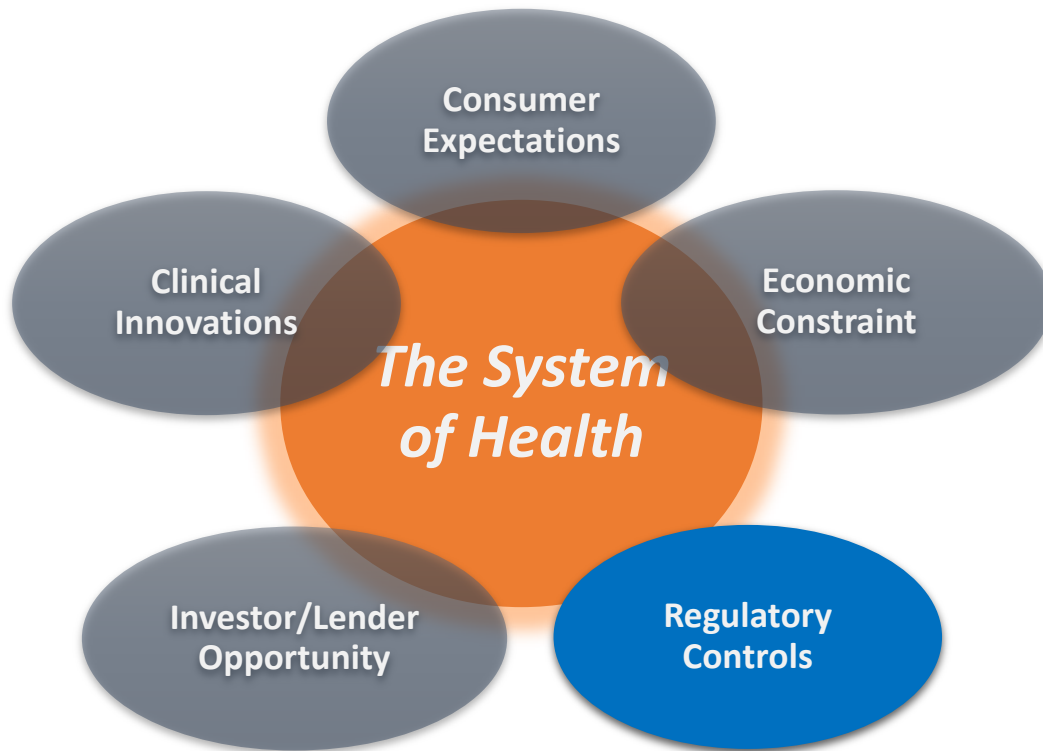
*Investors want quicker returns  
(especially financial investors)*

*Donors want recognition & tax  
advantages*

*States want manageable  
results*

*Funders want technology-  
enabled scale*

Regulation: each sector has a unique combination of state and federal legislation that constantly change

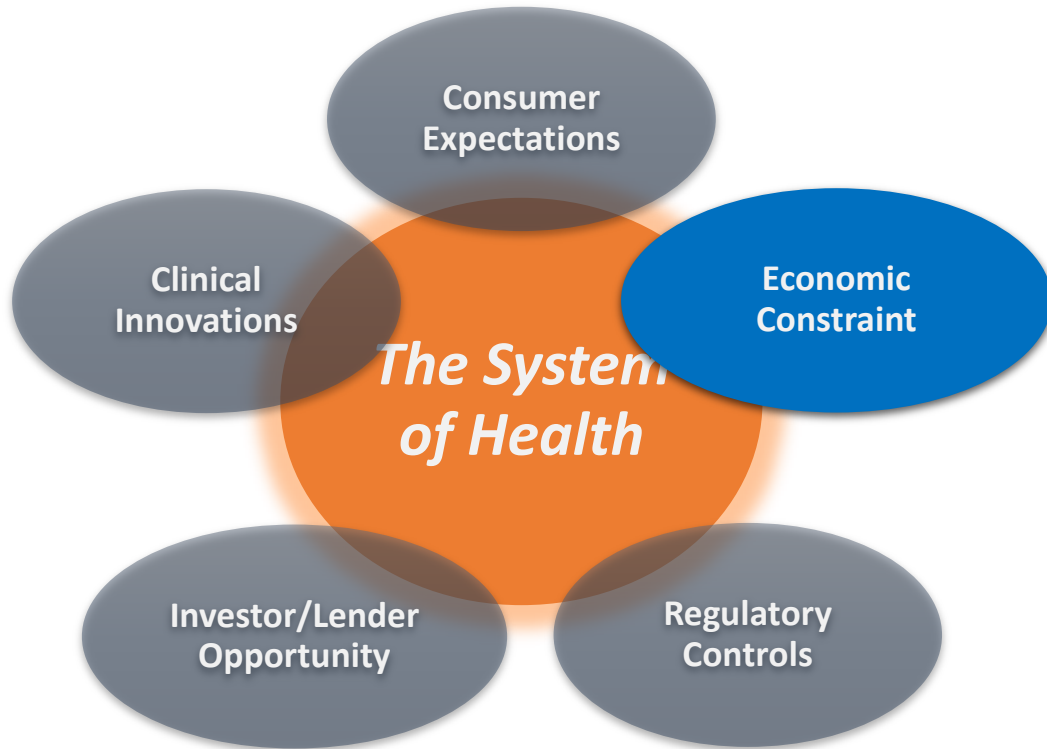


*Healthcare is 28% of federal budget, up to 34% of state budgets & 14% of household budgets—and all are increasing*

*In the acute, post acute, and outpatient sectors, Medicare (CMS) and Medicaid play major roles as regulator & payer*

*States want control of budgets*

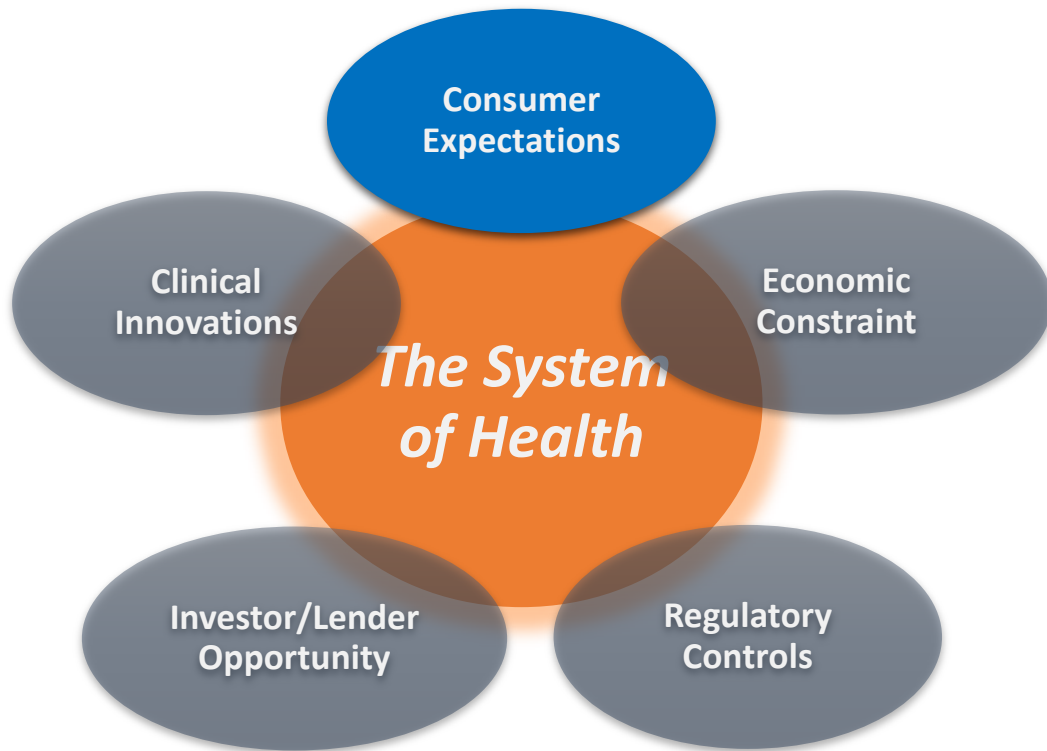
Economics: the way money flows in a market determines the sustainability of sectors



*The current healthcare system presumes 5.6% annual spending growth: increased dependence on public funding, increased responsibility in states*



## Consumers are users, payers, and voters



*1 in 4 consumers has an active diagnosis; 2 of 3 has suboptimal health, especially uninsured, rural, poor*

*Consumers under 65 pay 14% of their discretionary household spending on healthcare*

*The majority thinks the system is expensive, complicated and not user friendly*

*The majority support universal coverage but resist funding*

# The big questions for NACHC board:

- Is a dramatic change in the U.S. system likely in the next 3-5 years? What will be the impetus? How will NACHC be impacted?
- What role will incumbents--major health systems, insurers, disruptors (Optum, CVS, Amazon, et al) play? What's their end game? What impact will incumbents have on access? affordability? Are relationships partnerships useful to NACHC aims?
- How will elected officials react? Will state/federal health policies change relative to services, programs, funding for the underserved/underinsured?
- How should NACHC strengthen its voice, enhance its impact in the policy, industry & public arena? What partnerships/coalitions are necessary to up the game?

# Contact

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