



About this report

Each December, HRI names the top US health industry issues for the coming year. These issues include trends that will impact insurers, providers, employers, PLS, government, new entrants and consumers.

This fall, HRI surveyed 1,000 US adults on their perceptions, beliefs and actions regarding healthcare.

HRI also interviewed experts, clients and others to gain a broad understanding of the issues that will impact the healthcare industry in 2015.

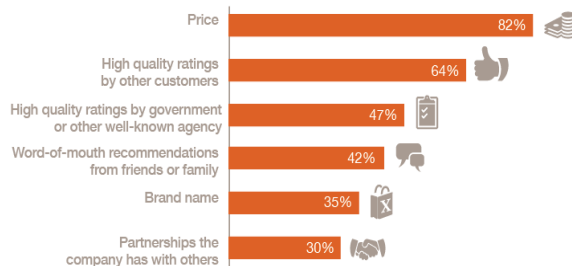


2015 at a glance

In 2015, PwC's HRI expects to see the faint outlines of a market emerge in the \$2.8 trillion US health ecosystem as new and traditional players alike respond to consumer demands, financial pressures and advances in technology.

Figure 1: Price and consumer ratings are most important when making healthcare purchasing decisions

Which of the following factors are most important when making decisions about purchases of healthcare products or services?



Source: HRI Consumer Survey, PwC, 2014

Top 10 health industry issues of 2015

Top issue for 2015

- 1 Do-it-yourself healthcare
- 2 Making the leap from mobile app to medical device
- 3 Balancing privacy and convenience
- 4 High-cost patients spark cost-saving innovations
- 5 Putting a price on positive outcomes
- 6 Open everything to everyone
- 7 Getting to know the newly insured
- 8 Physician extenders see an expanded role in patient care
- 9 Redefining health and well-being for millennials
- 10 Partner to win

Do-it-yourself healthcare

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Knowing the facts:

- Technology companies are **building intuitive mobile medical devices and apps** that monitor vital signs, analyze blood and urine, track medication adherence and more.
- Consumers** are **taking charge** of more of their own care.
- 20%** of MDs said that they **already prescribe** nutrition and weight loss **mobile health apps**.

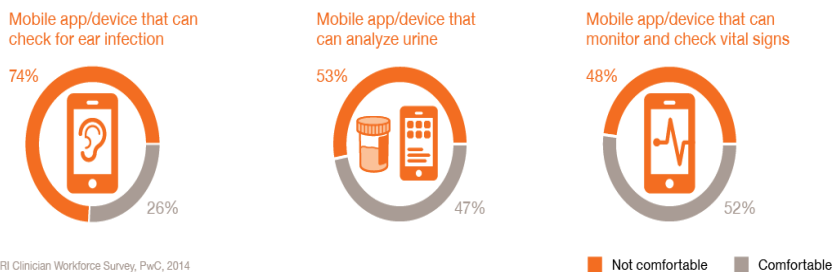
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Do-it-yourself healthcare

Figure 2: US clinicians ready to embrace mobile apps and devices

US clinicians were asked how comfortable they are using patient data streamed from mobile health apps and devices



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Do-it-yourself healthcare

Implications:

- Hospitals and other care providers should ***incorporate DIY tools*** into efforts to ***engage patients***.
- Health information technology systems must have ***secure and open platforms*** to handle data streaming from many sources, including ***personal health devices***.
- Payment should move in the direction of ***rewarding algorithmically-derived care insights*** that lead to better outcomes.
- New entrants and traditional healthcare providers should ***collaborate*** on the ***development and commercialization of these technologies***.

Making the leap from mobile app to medical device

Knowing the facts:



- Under the US Food and Drug Administration's (FDA) mHealth approach, they will ***oversee apps*** that serve as ***"medical devices whose functionality could pose a risk to a patient's safety if the mobile app were to not work as intended."***
- Products that ***do not need regulatory approval*** may enter the market with greater ease and at a ***lower cost***.
- The app market is ***highly saturated***, and is filled with ***50,000 free and nearly-free products***.

Making the leap from mobile app to medical device

Figure 3: Mobile health apps are becoming a regular part of care



Clinicians that believe mobile apps will become important to physicians for patient health management over the next 5 years

Top four mobile medical application categories used by respondents



Source: HRI Clinician Workforce Survey, PwC, 2014 & HRI Consumer Survey, PwC, 2014

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Making the leap from mobile app to medical device

Implications:

- **Regulatory approval** may provide a **competitive edge**, and can set one firm apart from others in a crowded field.
- Consumers and providers may benefit from an **apps formulary or pharmacy**.
- Partnerships marry **product development** with **regulatory expertise** may be best positioned for success.

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Balancing privacy and convenience

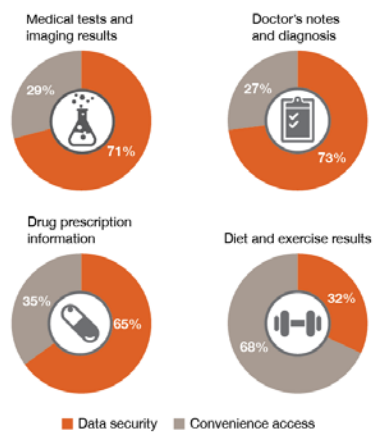
Knowing the facts:

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- Health records contain **personal, financial and medical** data, and can command up to **\$1,300** per record on the black market.
- Consumer** desire to have **access to their data in real-time** on their mobile devices is on the rise.
- Nearly **25% of all companies** detected **50 or more security incidents** in the past year.

Balancing privacy and convenience

Figure 4: Privacy trumps convenience for most health data
US consumers were asked which is more important to them – data security or convenience – regarding access to different kinds of health data



Sources: HRI Consumer Survey, PwC, 2014

Balancing privacy and convenience

Implications:

- Keep an eye on ***internal*** and ***external threats***.
- ***Know your data*** and activate the ***right consumer protections***.
- Learn from ***other industries***, financial companies and the retail sector have ***experience balancing consumer convenience, privacy and security***.

High-cost patients spark cost-saving innovations

Knowing the facts:








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- Among the most cost patients in America are the “***dual eligibles***” – approximately ***9.6 million individuals*** who qualify for both Medicare and Medicaid.
- Healthcare systems, insurers and others are ***adopting innovative care models*** that can better manage high-cost patients in lower-cost care settings.
- Health systems are experimenting with a variety of ***cost-containment programs***.

High-cost patients spark cost-saving innovations

Figure 5: Dual-eligibles represent high cost, high potential for savings

Differences in average fee-for-service Medicare payments for dual-eligible beneficiaries and non-dual-eligible beneficiaries, 2010

	 Medication	 Inpatient	 Outpatient	 Nursing facility	 Physician	 Hospice	 Home health
Dual-eligible beneficiaries	\$4,805	\$6,122	\$2,311	\$1,466	\$3,209	\$676	\$806
Non dual-eligible beneficiaries	\$1,002	\$2,803	\$1,133	\$572	\$2,598	\$211	\$460
Payment difference	\$3,803	\$3,319	\$1,178	\$894	\$611	\$465	\$346
Percentage of difference	380%	118%	104%	156%	24%	220%	75%

Source: HRI, MedPAC analysis of the Medicare Current Beneficiary Survey, Cost and Use file 2010

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High-cost patients spark cost-saving innovations

Implications:

- Health systems and insurers that can identify high-cost patients and **efficiently coordinate their care** will **gain market advantage**.
- Insurers and healthcare providers need to **build personal engagement, social and behavioral health capabilities** to better care for this population.
- **Technology** can drive **effectiveness** and **efficiency**.
- The care model should incorporate **“unconventional care partners**, from contractors that build ramps for fall protection to retail-based clinics.

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Putting a price on positive outcomes

Knowing the facts:

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- Insurers and an increasing number of health systems in the New Health Economy are **limiting access to high-priced drugs**.
- The government is looking to **control drug costs** in Medicare Part D as more patients begin using expensive specialty medications.
- Incorporating **genomic information** into treatment decisions remains a challenge but also represents an opportunity to **show drug effectiveness**.

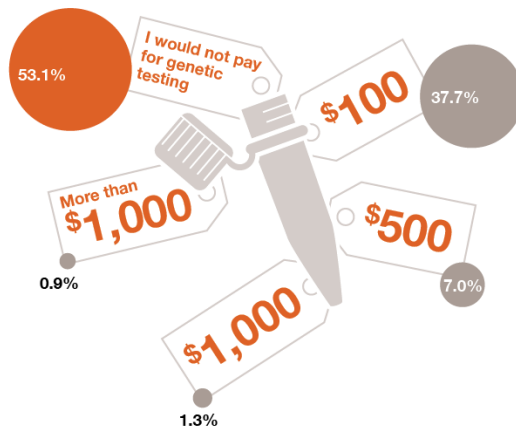
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Putting a price on positive outcomes

Figure 6: Most US consumers are unwilling to spend much for genetic testing

Amount US consumers are willing to pay for genetic testing



Sources: HRII Consumer Survey, PwC, 2014

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Putting a price on positive outcomes

Implications:

- Drug makers should collaborate with health systems or integrated delivery networks to ***synthesize de-identified EHR data, claims data and genomic data.***
- As consumers shoulder more costs, new ways to ***promote adherence*** are critical.
- ***Communicating new evidence about drug value*** to key stakeholders – insurers, physicians and patients – will require additional skills.

Open everything to everyone

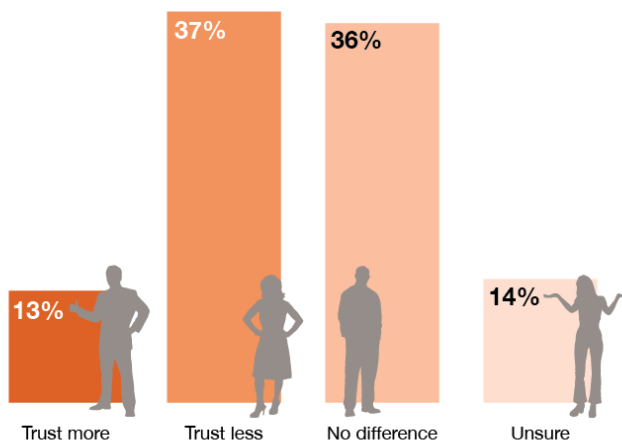
Knowing the facts:

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- Many ***clinical trial data sets*** are ***never published***, denying researchers valuable information.
- Large pharmaceutical and medical device manufacturers are ***contributing clinical trial data*** sets to Project Data Sphere, the Yale University Open Data Access Project and other programs.
- FDA's Open Payments law (previously known as the Sunshine Act) makes ***financial relationships between the drug and device industry and physicians*** public for the first time.

Open everything to everyone

Figure 7: US consumer views are mixed on pharma dollars for MDs
US consumers' trust in doctors receiving pharmaceutical company payments



Sources: HRI Clinician Workforce Survey, PwC, 2014 & HRI Consumer Survey, PwC, 2014
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Open everything to everyone

Implications:

- Newly-accessible clinical trial data provides the ability to **better understand disease pathways and progression** in specific patient populations, identify biomarkers, conduct smaller, **more focused trials** and avoid past mistakes.
- **Sharing data internally**, across organizational silos, allows companies to build data-sharing capabilities with **less risk**.
- Organizations that can **demonstrate value to patients and physicians** by improving care and outcomes will continue to form symbiotic relationships with customers.
- To optimize drug development, companies should tap into **OpenFDA's adverse events database**.

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Getting to know the newly insured

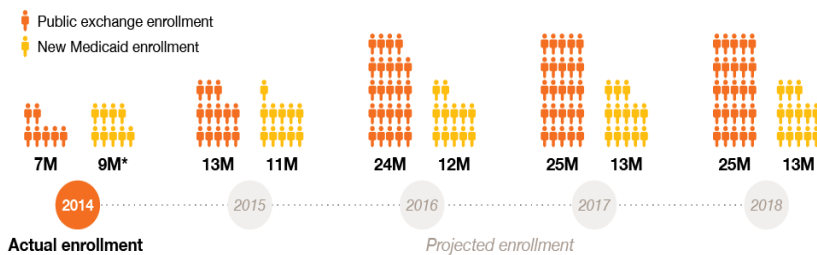
Knowing the facts:



- Since July 2013 about **six million young adults** between 19 and 34 **gained coverage**.
- Primary care doctors, surgeons and other specialists saw **measurable increases in the proportion of patients with Medicaid** in expansion states.
- Remaining uninsured are likely **younger and healthier** than those who already purchased coverage.

Getting to know the newly insured

Figure 8: The number of newly-insureds projected to grow dramatically
ACA insurance enrollment will grow rapidly in 2015 and 2016, providing a window of opportunity for companies to attract new healthcare consumers



*8.7 million

Sources: HHS, CBO Updated Estimates of the Effects of the Insurance Coverage Provisions of the Affordable Care Act (April 2014). Actual 2014 enrollment numbers are as of Sept 2014 for exchanges and August 2014 for Medicaid.

Note: CBO's forecasts are net projections that take into account individuals shifting away from public coverage. The numbers include not just the newly insured, but also individuals who have previously had coverage (such as through an employer).

Note: HHS recently issued a revised 2015 public exchange enrollment estimate of 9 to 9.9M. These numbers have not yet been officially incorporated by the CBO.

Getting to know the newly insured

Implications:

- Healthcare providers should contract broadly with insurers and help uninsured or underinsured patients enroll in coverage at the point of care through ***enrollment navigators and/or assisters***.
- To manage unhealthier enrollees, insurers should engage members early through ***coordinated use of health risk assessments, disease management and social support programs***.
- Insurers should deploy ***marketing campaigns*** that target ***demographic and language differences*** amongst potential customers.

Physician extenders see an expanded role in patient care

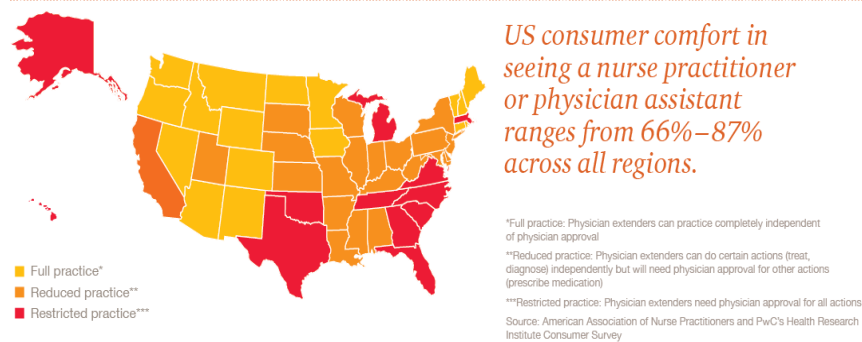
Knowing the facts:



- By the end of 2014, more than half of states were ***weighing expansion of clinical duties*** for nurses, physician assistants, pharmacists and others.
- More than 25% of doctors surveyed say up to ***half of their patient encounters*** could be handled by extenders.
- Over the next five years, ***supply of primary care nurse practitioners and physician assistants*** is expected to increase by 30% and 58% respectively.

Physician extenders see an expanded role in patient care

Figure 9: Nurses, nurse practitioners and other extenders gaining new responsibilities across US



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Physician extenders see an expanded role in patient care

Implications:

- Extenders initially may not slow ***growth in the cost of care*** as increased demand could ***lead to rising wages***.
- Technology should ***ease the transition of care from doctors*** to others.
- Retail clinics could benefit from expanded scope of practice laws that allow them to ***rely on pharmacists to deliver more care***.
- Some health systems will have to work harder than others to ***communicate the advantages of seeing an extender*** instead of a physician.

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Redefining health and well-being for millennials

Knowing the facts:

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- The children of baby boomers, the **nation's 80 million millennials** were born between the early 1980s and the early 2000s.
- Millennials in the workplace seek more than money, and **look for fulfillment** at work and in life.
- In 2015, millennials will be the **majority in the US workforce** and by 2030 they will make up **75%** of it.

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Redefining health and well-being for millennials

Figure 10: Work/life balance tops younger workers' priorities for jobs

Top 3 choices for the most important thing to millennials career choices, as voted by various age demographics



Across all age groups, there is agreement on the top 3 priorities.

The order of importance reflected each age group's values.

Source: HRI Consumer Survey, PwC, 2014

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Redefining health and well-being for millennials

Implications:

- Employers will pivot to better meet the expectations of millennials by ***reorienting strategies*** from wellness to well-being and from employee benefits to the ***broader “employee experience.”***
- Insurers and healthcare organizations will work closely with employers and consumers ***to support and enhance the well-being of their members and patients.***
- ***New entrants*** will continue to ***disrupt*** how consumers, employers, insurers and clinicians interact.

Partner to win

Knowing the facts:

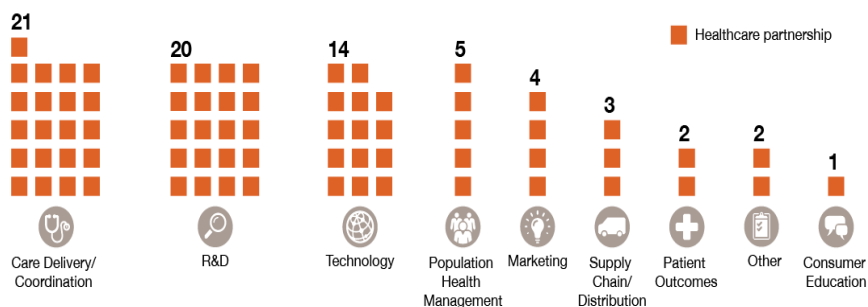
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- To thrive in this new hypercompetitive environment, the most successful companies will ***work together on innovative products and services.***
- Analysis of the *Fortune 50* companies found that ***40% pursued new healthcare partnerships*** in 2014.
- In September 2014, Walgreen Co. announced a long-term partnership with blood test innovator Theranos to ***bring new affordable testing services*** to Walgreens stores.

Partner to win

Figure 11: Fortune 50 companies are busy forming healthcare partnerships

The biggest companies formed over 70 distinct healthcare partnerships, which fell into the following categories



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Partner to win

Implications:

- Organizations should pursue both **strategic partnerships** that give them an innovative edge and **commodity-driven relationships** that can help drive down costs and fill business gaps.
- Companies entering into partnerships should lay out **clear terms for collaboration**.
- New arrangements out to require each partner to have “**skin in the game**.”
- Collaboration requires a **clear definition** of objectives, governance structure and communication channels.

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