



Powerful forces are bearing down on health care, creating crises for some organizations and opportunities for others. Some of these forces are being felt every day, while others are developing strength and the potential to disrupt how our industry operates.

Find out what you need to know about the top forces shaping our industry as you set strategic priorities for 2023 and beyond.



Rising costs

are decimating provider margins, which will also impact payers and commercially insured patients.

Skyrocketing expenses, 2022 vs 2019¹

+37% Labor costs per adjusted discharge

+37% Drug costs per adjusted discharge

+21% Supply costs per adjusted discharge

IMPACT

69%

Of health system strategic planners reported operating margins below pre-pandemic performance in 2022²

10%

Median proposed premium increase for individual market plans across 72 insurers in 13 states and Washington, D.C., in 2023³



A workforce in flux

is threatening some organizations but bolstering others.

Hospitals and post-acute care Physician practices Life sciences Health plans and purchasers Ambulatory and virtual providers Big tech, big retail, and startups



Compounding crises

are stressing already depleted resources.



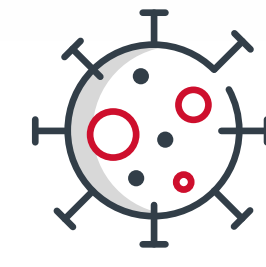
The continuing Covid-19 pandemic



Skyrocketing behavioral health needs overwhelming inadequate infrastructure



Shocks to reproductive care with the overturn of Roe v. Wade



Potential health emergencies

- Monkeypox
- Polio



Coverage shifts

driven by the end of public health emergency support and Medicare Advantage growth will impact utilization, revenue, and profitability.

15M

Fifteen million **Medicaid enrollees may lose coverage** after the Covid-19 public health emergency ends.⁴ Where will they land, and how will the movement impact enrollment, revenue mix, charity care, and bad debt?

>50%

More than half of seniors will soon be enrolled in **Medicare Advantage plans versus traditional Medicare** plans. Insurance giants are increasingly dominating the MA market and investing in valuable care delivery capabilities to build competitive advantage.



Big strategic moves

by both incumbents and new players are redefining the competitive landscape.

Large national plans are building vertical ecosystems and market influence through both acquisition and partnership...



Four UnitedHealth Group deals so far in 2022⁵
beckershospitalreview.com

CVS to buy home health giant Signify Health for about \$8 billion⁶
cnbc.com

...while new players introduce uncertainty into the competitive landscape.^{7,8,9}

The New York Times

Amazon acquires One Medical in push into health care

Featured

Walgreens buys majority stake in primary care company VillageMD

cnbc.com

BREAKING NEWS cnbc.com

Walmart, UnitedHealth to offer preventive healthcare program for seniors



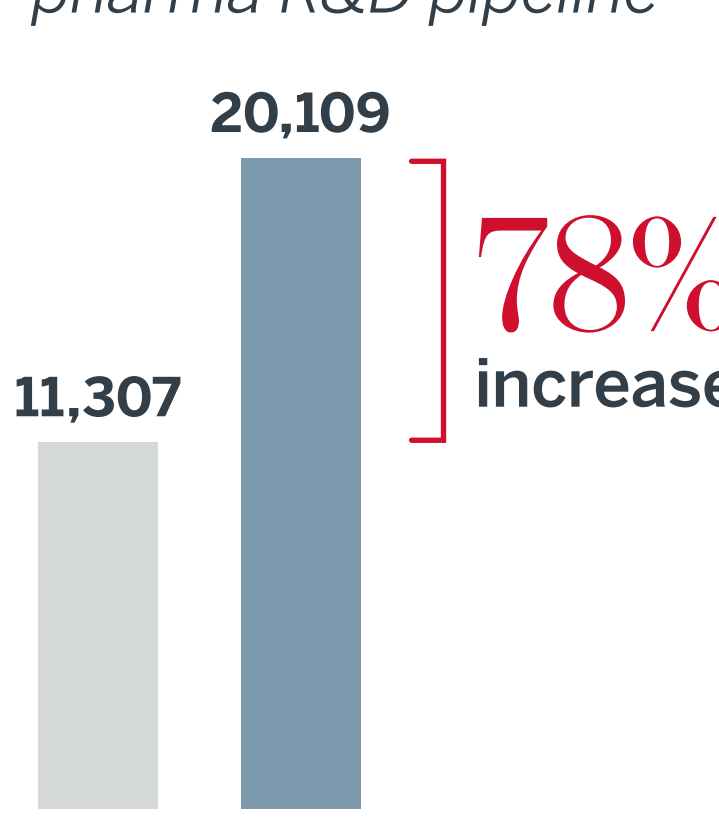
The billions invested in biotechnology and technology

will drive breakthroughs—but also uncertainty and evolution.

? An immense pharma pipeline: How will the industry finance and manage so many diverse, targeted, and expensive innovations?

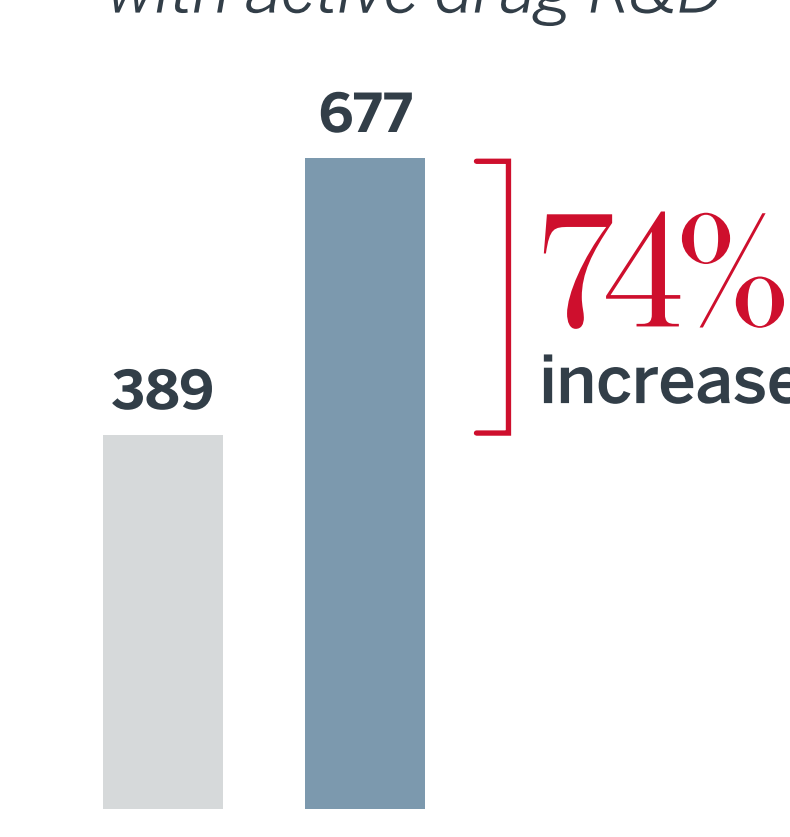
More therapies...

Number of drugs in the pharma R&D pipeline¹⁰



...for more rare diseases...

Number of rare diseases with active drug R&D¹¹



...and massive anticipated spending

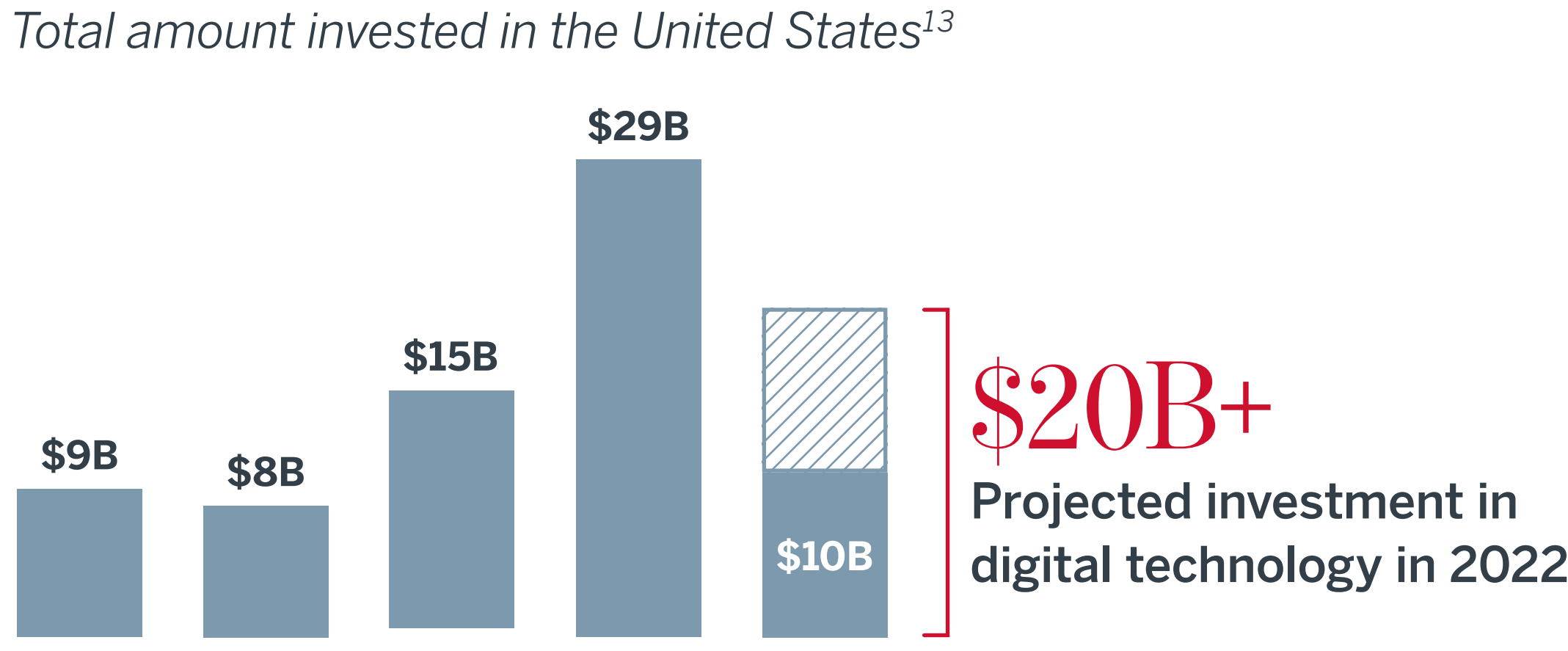
Projected spending on gene and cell therapy in 2026¹²

\$21B to \$48B

? Continued investment in new technology: Which startups will prevail, and will they integrate into or disrupt traditional health care business structures?

Digital health startup funding

Total amount invested in the United States¹³



1. "National Hospital Flash Report," KaufmanHall, 2022.
2. 2022 Strategic Planning Survey, Advisory Board, May 2022.
3. "An Early Look at What Is Driving Health Costs in 2023 ACA Markets," Peterson-KFF Health System Tracker, July 2022.
4. "Health Insurance Coverage: Estimates from the National Health Interview Survey," CDC.
5. "4 Optum Deals So Far This Year," Becker's Hospital Review.
6. "CVS to Buy Home Health Giant Signify Health for About \$8 Billion," CNBC.
7. "Amazon Acquires One Medical in Push into Health Care," The New York Times.
8. "Walgreens Buys Majority Stake in Primary Care Company VillageMD," CNBC.
9. "Walmart, UnitedHealth to Offer Preventive Healthcare Program for Seniors," CNBC.
10. "Pharma R&D Annual Review 2022: Navigating the Landscape."
11. Citeline Informa Pharma Intelligence, March 2022.
12. Quinn C, et al., "Estimating the Clinical Pipeline of Cell and Gene Therapies and Their Potential Economic Impact on the US Healthcare System," Value in Health, June 2019.
13. "H1 2022 digital health funding: Two sides to every coin," Rock Health, July 2022.

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Learn more about these market forces and what they mean for the future of health care at: advisory.com/HealthCare2023



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