Top health industry issues of 2018
A year for resilience amid uncertainty

Chart pack
December 2017
Figure 1: Healthcare businesses should focus on three key areas to overcome risks and uncertainty in 2018

Enterprise resilience

- Cross-sector collaboration
- Strategic investments
- Creating efficiency

Risks to healthcare businesses

Cost pressure

Opioid addiction

Natural disasters

Security threats

Tax reform

Health Policy shift

Source: PwC Healthcare Research Institute
Figure 2: Half of provider executives surveyed plan to put new restrictions on opioid prescribing practice in 2018
Does your hospital or health system have plans to restrict, or further restrict, opioid prescribing practices next year?

- Yes: 50.6%
- No: 46.5%
- Don’t know: 2.9%

Source: PwC Health Research Institute Provider Executive Survey, 2017
Figure 3: Consumers want more collaboration between their community and their providers, payers and employers

How important is it that the following have partnerships with organizations in your local community to help you more effectively manage your health or the health of a loved one?

- Doctor or hospital:
  - Important: 72%
  - Unimportant: 28%

- Insurance company:
  - Important: 72%
  - Unimportant: 28%

- Employer:
  - Important: 59%
  - Unimportant: 41%

Source: PwC Health Research Institute Consumer Survey, 2017
### Figure 4: States drug pricing and transparency legislation has gained traction in recent years

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturers</td>
<td>45</td>
<td>12</td>
</tr>
<tr>
<td>Pharmacy</td>
<td>10</td>
<td>8</td>
</tr>
<tr>
<td>benefit managers</td>
<td>6</td>
<td>4</td>
</tr>
<tr>
<td>Payers/Providers</td>
<td>2</td>
<td>0</td>
</tr>
</tbody>
</table>

#### Transparency

- **2016**: 45 bills
- **2017**: 12 bills

#### Price control

- **2016**: 10 bills
- **2017**: 8 bills

* Includes study orders

Source: PwC Health Research Institute analysis of data from CQ, National Academy of State Health Policy, National Conference of State Legislatures
Figure 5: Disasters have cost the US between $18 billion and $200 billion each of the last five years

- Hurricane costs for 2017 are estimates due to Hurricanes Harvey, Irma and Maria. Wildfire costs for 2017 are likely underestimated as the damage from the California wildfires is still being assessed as of December 2017.

Source: PwC Health Research Institute analysis of data from the National Oceanic Atmospheric Administration
Figure 6: US consumers 65 and older are increasingly willing to use digital devices at home and visit with doctors virtually

Percentage of consumers who said they’d be somewhat or very likely to have a live visit with a physician via an application on their smartphone if it cost less than a traditional option.

- 2013: 16%
- 2017: 30%

Percentage of consumers who said they’d be somewhat or very likely to have a pacemaker or defibrillator checked at home wirelessly by a physician if it cost less than a traditional option.

- 2013: 40%
- 2017: 45%

Percentage of consumers who said they’d be somewhat or very likely to send a digital photo of a rash or skin problem to a dermatologist for an opinion if it cost less than a traditional option.

- 2013: 42%
- 2017: 47%

Source: PwC Health Research Institute Consumer Surveys, 2013 and 2017
### Figure 7: Health reform in 2018 means taking many different routes to achieve a portfolio of goals

<table>
<thead>
<tr>
<th>Health reform goal</th>
<th>2017 approach</th>
<th>2018 approach</th>
<th>2018 entities</th>
<th>Most affected</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reduce and cap federal Medicaid spending, including ACA Medicaid expansion</td>
<td>Repeal and replace legislation</td>
<td>Reduce spending through budgetary process and granting of CMS Section 1115 waivers; create block grant or per capita system for federal funding through federal legislation</td>
<td>US President Congress HHS State lawmakers</td>
<td>Healthcare providers in the 32 states that expanded Medicaid under the ACA, especially those with high Medicaid exposure, could see cuts to reimbursements, reduced reimbursable services or a rise in uninsured patients</td>
</tr>
<tr>
<td>Expand consumer choices for health insurance</td>
<td>Repeal and replace legislation</td>
<td>Expand access to association health plans and short-term limited duration insurance through rule-making process, Section 1332 waivers</td>
<td>HHS Labor Treasury State lawmakers</td>
<td>Healthy shoppers on the individual market could find cheaper premiums; insurers may benefit from sales of a wider variety of plans. Older individuals who earn too much to receive ACA premium tax credits could face much higher premiums for ACA exchange plans</td>
</tr>
<tr>
<td>Soften ACA individual and employer mandates</td>
<td>Repeal and replace legislation</td>
<td>Loosen enforcement of mandates</td>
<td>IRS Congress</td>
<td>Consumers and businesses that wish to go without health insurance, or cannot afford it</td>
</tr>
<tr>
<td>Expand use and usability of health savings accounts (HSAs)</td>
<td>Repeal and replace legislation</td>
<td>Expand HSAs through tax reform or other legislative measures</td>
<td>US President Congress</td>
<td>Financial services firms could benefit if HSAs are made more attractive and take off with consumers; consumers with the money to invest in them also could benefit</td>
</tr>
<tr>
<td>Repeal ACA taxes and fees</td>
<td>Repeal and replace legislation</td>
<td>Repeal select ACA taxes and fees through tax reform</td>
<td>US President Congress</td>
<td>Medical devices-makers; repealing the excise tax on nonretail medical devices, supporters on both sides of the aisles of Congress</td>
</tr>
</tbody>
</table>

Source: PwC Health Research Institute
Figure 8: Device vulnerabilities are being reported at record rates
Medical device cybersecurity vulnerabilities reported by the Department of Homeland Security’s Industrial Control Systems Cyber Emergency Response Team, by year

2014  2

2015  5

2016  4

2017  25

Figure 9: Healthcare providers are investing in a number of services to enhance patient experience

Which of the following services to enhance patient experience does your organization currently offer?

- Online bill pay: 65%
- Digital communication tools: 60%
- Facility improvements: 53%
- Social media presence: 50%
- 24-hour nurse hotline: 47%
- Remote patient monitoring: 46%
- Online scheduling: 43%
- Caregiver tools and support: 40%
- Care manager services: 40%
- Clinician tools and support: 32%
- Digital product support/educational tools: 27%
- Interactive patient engagement systems: 21%

Source: PwC Health Research Institute Consumer Survey, 2017
Figure 10: Business leaders think AI can have a large impact on their business

- Virtual personal assistants: 31%
- Automated data analysts: 29%
- Automated communications like email and chatbots: 28%
- Automated research reports and information aggregation: 26%
- Automated operational and efficiency analysts: 26%
- Predictive analytics: 26%
- Systems used for decision supports: 21%
- Automated sales analysts: 18%

39% of provider executives say they’re investing in AI, machine learning and predictive analytics.

Figure 11: While the overall economy has strengthened since 2015, stock market value for pharma’s middlemen has declined

Pharma middlemen market cap*
S&P500 % change since 2015
Pharma middle market cap % change since 2015

* Pharma middlemen market cap averages market caps of five of the pharmaceutical industry’s largest intermediaries including pharmacy benefit managers and wholesalers. HRI examined market caps as of September 12th for 2015, 2016 and 2017 as available on www.zacks.com (2015 and 2016) and finance.yahoo.com (2017)

Source: PwC Health Research Institute analysis of two-year stock performance
Figure 12: Consumers are more interested in sharing data to help measure the safety and efficacy of a drug than to help determine whether its price is justified.

For what purposes would you be comfortable having your medical and health information shared among healthcare organizations?

- To measure the safety and effectiveness of a drug I’m taking: 48%
- To determine whether the performance of a drug I’m taking justifies the cost: 31%

Source: PwC Health Research Institute Consumer Survey, September 2017
Figure 13: Healthcare companies hold more foreign earnings overseas than all other industries except technology companies

Dollars (in billions)*

- Technology: $514.3
- Healthcare: $451.0
- Consumer goods: $282.0
- Industrial goods: $214.5
- Financial: $158.8
- Basic materials: $136.4
- Services: $55.1


Source: PwC Health Research Institute analysis of Audit Analytics Tax data
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