Top health industry issues of 2020: Will digital start to show an ROI?

In its 14th year, PwC Health Research Institute’s report highlights the forces that will most powerfully affect the industry in 2020.

Chart Pack
December 2019
Healthcare organizations cite digital upskilling and using emerging technologies among the top workforce priorities for 2020

<table>
<thead>
<tr>
<th>Workforce Strategy</th>
<th>Payer Executives</th>
<th>Provider Executives</th>
<th>Pharmaceutical / Life Sciences Executives</th>
</tr>
</thead>
<tbody>
<tr>
<td>Digital upskilling existing workforce</td>
<td>26%</td>
<td>33%</td>
<td>26%</td>
</tr>
<tr>
<td>Using technology for tasks previously performed by employees</td>
<td>12%</td>
<td>23%</td>
<td>28%</td>
</tr>
<tr>
<td>Hiring employees with skills to support new capabilities, products or services</td>
<td>27%</td>
<td>14%</td>
<td>24%</td>
</tr>
<tr>
<td>Offering more flexible work arrangements</td>
<td>9%</td>
<td>10%</td>
<td>8%</td>
</tr>
<tr>
<td>Digital upskilling by hiring of new employees</td>
<td>11%</td>
<td>7%</td>
<td>11%</td>
</tr>
<tr>
<td>Promoting diversity in the workforce</td>
<td>5%</td>
<td>9%</td>
<td>2%</td>
</tr>
<tr>
<td>Promoting diversity in leadership</td>
<td>5%</td>
<td>4%</td>
<td>1%</td>
</tr>
<tr>
<td>Offering more telecommuting opportunities</td>
<td>5%</td>
<td>1%</td>
<td>0%</td>
</tr>
</tbody>
</table>

Source: PwC Health Research Institute executive survey, September 2019
Providers and plans have many financial options for consumers, yet Americans are still frustrated.

What strategies is your organization employing to help make healthcare more affordable for patients?

- Direct patients to lower-cost care options (77% Provider executives, 66% Payer executives)
- Offer payment plans without interest (50% Provider executives, 40% Payer executives)
- Offer healthcare credit cards (39% Provider executives, 34% Payer executives)
- Develop new care delivery programs focused on high-cost patient populations (42% Provider executives, 34% Payer executives)
- Offer loans that waive interest if all payments are made on time (59% Provider executives, 27% Payer executives)
- Address the social determinants of health (40% Provider executives, 27% Payer executives)
- Offer loans that charge interest which cannot be waived (7% Provider executives, 14% Payer executives)

Source: PwC Health Research Institute executive survey, September 2019
The fate of four Trump administration priorities is at stake in the 2020 election

<table>
<thead>
<tr>
<th>Policy</th>
<th>Status</th>
<th>Likely impacts</th>
</tr>
</thead>
</table>
| Administration's push for more transparency in pricing for drugs and hospital services | The administration published a final rule requiring drug manufacturers to publish list prices in TV ads, which was struck down in the courts. In summer 2019, CMS published a proposed rule requiring providers to publish negotiated rates for 300 “shoppable” services. | Provider: **Negative.** If it survives a legal challenge, the CMS proposal could have a modest negative impact on providers as payers and employer push for lowest-negotiated rates. The proposal also could lead to some price hikes.  
  
  Payer: **Positive.** If it survives a legal challenge, the CMS proposal could have a modest positive impact on payers, giving them windows into competitors' rates for a slice of services. But employers also will learn whether they negotiated well.  
  
  Pharmaceutical/Life sciences: **Negative.** Struck down in the courts, the TV price proposal may be reconsidered. As written, it was mildly negative for a small number of life sciences companies that advertise on TV.  
  
  Employer: **Positive.** The CMS proposal would be modestly positive for employers, allowing them to see how well payers negotiate for the services. |
| Congressional legislation linking Medicare prices for drugs to international prices | House and Senate lawmakers have introduced bills that would tie prices for drugs in Medicare to those paid overseas. | Provider: **Mixed.** Some providers would benefit from reduction in drug spending; others would see payment rates for procedures fall.  
  
  Payer: **Positive.** Would reduce medical cost trend and spending.  
  
  Pharmaceutical/Life sciences: **Negative.** Though certain sectors would be affected more than others (e.g., innovative medicines vs. generic medicines).  
  
  Employer: **Positive.** Would reduce medical cost trend and spending. |
| Transformation of Medicaid through Section 1115 waivers | CMS is encouraging states to apply for Section 1115 waivers to transform Medicaid programs with work requirements, block grants and more. | Provider: **Neutral so far.** Few states have taken CMS up on its offer, and those that have are mired in court battles. If CMS and the states prevail, the policies could have a modestly negative impact, driving up the numbers of uninsured in these states.  
  
  Payer: **Neutral so far.** Few states have taken CMS up on its offer, and those that have are mired in court battles. If the states prevail, the policies could have a modestly negative impact on Medicaid managed care organizations as beneficiary numbers drop.  
  
  Pharmaceutical/Life sciences: **Neutral.**  
  
  Employer: **Neutral.** |
| Additional tariffs on Chinese imports to the US | As part of a broader negotiation strategy, the Trump administration is using tariffs on thousands of Chinese-made imports to the US, including some pharmaceuticals, durable medical equipment and medical devices. | Provider: **Negative.** Supply chain disruptions are likely to raise costs for medical products, as well as costs of building new facilities.  
  
  Payer: **Somewhat negative.** Supply chain disruption could increase costs, though costs may be passed on to customers and patients.  
  
  Pharmaceutical/Life sciences: **Mixed.** While negotiations stand to increase intellectual property protections, short-term shocks could disrupt supply chains and raise costs.  
  
  Employer: **Mixed.** Likely to affect sectors differently, though supply chain disruptions may increase costs. |

PwC Health Research Institute analysis
Expect a slow 2020 when it comes to healthcare regulation

**Fewer major regulations tend to be released in the lead-up to an election**

But the regulations that are released can be more substantive in scope and intended impact

<table>
<thead>
<tr>
<th>Year preceding election year</th>
<th>Election year (12-month period preceding Election Day)</th>
<th>Year following Election Day</th>
</tr>
</thead>
<tbody>
<tr>
<td>President Barack Obama (2012)</td>
<td>136</td>
<td>64</td>
</tr>
<tr>
<td>President George W. Bush (2004)</td>
<td>94</td>
<td>91</td>
</tr>
</tbody>
</table>

Source: PwC Health Research Institute analysis of Federal Register data. Based on all economically significant HHS regulations.
Cybersecurity and privacy is seen as the largest barrier to digital strategies across all sectors.

Which of the following are barriers to your organization’s digital strategies?

- **Ensuring cybersecurity/privacy**: 85% of Payer executives, 75% of Provider executives, 75% of Pharmaceutical/life sciences executives.
- **Cost**: 53% of Payer executives, 53% of Provider executives, 64% of Pharmaceutical/life sciences executives.
- **Having the right talent**: 49% of Payer executives, 49% of Provider executives, 49% of Pharmaceutical/life sciences executives.
- **Having the right partners**: 44% of Payer executives, 31% of Provider executives, 44% of Pharmaceutical/life sciences executives.
- **Ability to scale**: 39% of Payer executives, 31% of Provider executives, 39% of Pharmaceutical/life sciences executives.

Source: PwC Health Research Institute executive survey, September 2019
Top companies from all health sectors are investing overseas and in innovation

<table>
<thead>
<tr>
<th>Global</th>
<th>Innovation</th>
<th>Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>100%</td>
<td>100%</td>
<td>• Incubators</td>
</tr>
<tr>
<td>40%</td>
<td>60%</td>
<td>• Innovation centers</td>
</tr>
<tr>
<td>100%</td>
<td>100%</td>
<td>• Investment funds</td>
</tr>
<tr>
<td>100%</td>
<td>100%</td>
<td>• Innovation platforms</td>
</tr>
<tr>
<td>100%</td>
<td>100%</td>
<td>• Startups</td>
</tr>
<tr>
<td>100%</td>
<td>100%</td>
<td>• Investment funds</td>
</tr>
<tr>
<td>100%</td>
<td>100%</td>
<td>• Research centers</td>
</tr>
<tr>
<td>100%</td>
<td>100%</td>
<td>• Accelerators/incubators</td>
</tr>
<tr>
<td>100%</td>
<td>100%</td>
<td>• Investment funds</td>
</tr>
<tr>
<td>100%</td>
<td>100%</td>
<td>• Accelerators/incubators</td>
</tr>
<tr>
<td>100%</td>
<td>100%</td>
<td>• Innovation studios</td>
</tr>
<tr>
<td>100%</td>
<td>100%</td>
<td>• Partnerships/grants</td>
</tr>
</tbody>
</table>

85% have global activity in some form – including education, foundation or philanthropy support and business operation

90% have innovation activity in some form – including research, education and venture capital funds

Source: PwC Health Research Institute analysis of 2018 SEC filings and public statements of the five largest organizations by revenue in each sector
Deal priorities differ among healthcare executives: Health plan and pharma executives are most concerned with remaining competitive and accessing new markets; providers want access to new technology.

Which outcome represents the highest priority for a deal?

- **Access to new markets**: 32%
- **Ability to remain competitive in our market**: 25%
- **Access to new technology**: 24%
- **Cost synergies**: 21%
- **Increased revenue**: 17%
- **Ability to make healthcare more affordable for patients/members**: 16%
- **Access to new talent**: 12%
- **Ability to negotiate favorable contracts**: 9%

Source: PwC Health Research Institute executive survey, September 2019
Healthcare organizations are considering new strategic identities that require deals to match

Strategic identities for the New Health Economy

Product and Innovation Leader

Value Leader

Experience and Consumer Advocacy Leader

Population Health and Outcomes Leader

Sources: Provider systems of the future: What happens when the hospital is no longer the center of the health universe?, PwC Health Research Institute, 2018; The health insurer of the future: Consumers’ advocate, providers’ partner, PwC Health Research Institute, 2017; Beyond 2020: Building Strategic Coherence in the New Health Economy, PwC.
Consumers are not convinced that healthcare deals benefit them

How strongly do you agree or disagree that healthcare mergers result in you having access to the following?

<table>
<thead>
<tr>
<th></th>
<th>Agree</th>
<th>Neither agree nor disagree</th>
<th>Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lower cost</td>
<td>38%</td>
<td>42%</td>
<td>20%</td>
</tr>
<tr>
<td>More personalized care</td>
<td>32%</td>
<td>45%</td>
<td>23%</td>
</tr>
<tr>
<td>Higher quality doctors</td>
<td>31%</td>
<td>50%</td>
<td>19%</td>
</tr>
<tr>
<td>More innovative products and services</td>
<td>41%</td>
<td>45%</td>
<td>14%</td>
</tr>
</tbody>
</table>

Source: PwC Health Research Institute consumer survey, September 2019
Janelle’s health journey

**Janelle’s journey**

Janelle is uninsured and has difficulty affording and finding preventive care. Like many part-time workers in female-dominated and low-wage fields (e.g., retail, housekeeping, food service), she doesn’t have coverage through her employer. She doesn’t qualify for Medicaid, because her state did not expand Medicaid coverage through the ACA, and she cannot afford the premiums in the ACA exchange plans even with the income subsidy. Searching the exchange is its own obstacle because her state slashed funding for navigator assistance.

Janelle has very little disposable income to cover medical expenses. She struggles to keep up with the rising rent due to gentrification. She has never been able to access home mortgage financing despite paying bills on time and keeping current on her student debt, which also eats away at her income. Without insurance, Janelle needs a healthcare provider that will offer payment plans. She has struggled to find one and has gone years without preventive care.

The only healthcare provider Janelle can reach by public transportation is the safety-net provider hospital near her neighborhood, which has had to limit preventive care services because of its deteriorating financial situation. She has few alternatives for healthcare; free clinics have closed because of funding cuts, and private providers have moved their clinics to more affluent neighborhoods that require a taxi/ride service. Even if Janelle could spare the fare, these providers do not offer financing options, leaving her unable to afford the care.

Once Janelle became a patient, she wasn’t given a choice in her provider and was assigned to an older, white male physician. She also wasn’t asked about her communication preferences or how she would like to interact with her doctor. Even if Janelle had been asked her preference, it’s likely the healthcare provider wouldn’t have been able to match her with her preference. Only 12% of physicians and surgeons in the US are black, and less than 40% are female.

Janelle’s poor neighborhood (and the public school where she works) has a lead-based water system, and her substandard building has mold and rodents, which carry diseases that are dangerous to pregnant women. Janelle’s doctor graduated from medical school a long time ago, before health outcomes and the social factors affecting health were emphasized. He has lived his whole life in an affluent suburb. He doesn’t think to ask her about her living conditions and isn’t prompted to do so by the EHR.

Janelle reports muscle pain to her doctor at each visit, but he continues to dismiss it as minor. He doesn’t dig deeper for a cause or eventual treatment options. Even if he had, proven treatment options would be limited because of a lack of research involving historically underrepresented groups.

If Janelle’s doctor had taken notice of her living conditions and exposure to lead-contaminated water and had not dismissed her muscle pain complaints, he might have tested her blood and identified elevated lead levels. This awareness might have also prompted him to more closely monitor Janelle for hypertension. Instead, this was all left unchecked and Janelle suffered a heart attack, resulting in hospitalization that left her with bills she couldn’t afford to pay.

**What the research says**

Most groups of color are significantly more likely to be uninsured than whites. Between 2016 and 2017, coverage gains stalled or reversed for some groups for the first time since the ACA’s implementation.

43% of consumers with annual income of less than $15,000 said they decided not to seek medical care because of cost at least once in the past year.

38% of black consumers said it was very important for doctors to discuss getting transportation to a doctor’s appointment, versus 20% of all consumers.

Only 27% of uninsured consumers have seen a doctor for a preventive care visit within the past year, compared with 69% of all consumers.

**Outcomes**

Women with atherosclerotic cardiovascular disease are more likely to report poorer patient experience, lower health-related quality of life and poorer perception of their health when compared with men.

Women have worse outcomes than men after certain types of heart attacks. Black women have a higher incidence of heart attacks in all age categories compared with white women. 36% of black consumers said they had nothing saved for an emergency expense, compared with 22 percent of white consumers.

**Access**

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**Care Delivery**

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**What the research says**

Shared physician-patient gender has been shown to increase survival rates among female heart attack patients.

24% of black consumers said a provider that spoke their first language and/or shared their ethnicity/race was most important in communicating with health providers, the highest for any ethnic group.

Black male patients assigned to a black doctor increased their demand for preventive care, particularly invasive services.

Relative to white patients, black patients are less likely to be given pain medications and, if given pain medications, they receive lower quantities.

Women have historically been underrepresented in clinical studies of cardiovascular disease.

19% of clinicians report that they do not collect any data on the social determinants of health.

**Sources:** DataUSA, Kaiser Family Foundation, PwC Health Research Institute, National Institutes of Health and American Heart Association
Some leading healthcare companies have taken action to promote diversity in leadership.

Has your organization taken the following actions to promote diversity in leadership?

- Developed mentorship or leadership development programs: 68% (Payer executives), 64% (Provider executives), 50% (Pharmaceutical/life sciences executives)
- Planned changes in leadership positions to increase diversity: 59% (Payer executives), 52% (Provider executives), 50% (Pharmaceutical/life sciences executives)
- Compared the demographics of your workforce with those of your leadership team: 41% (Payer executives), 24% (Provider executives), 43% (Pharmaceutical/life sciences executives)
- Made changes in leadership positions to increase diversity: 23% (Payer executives), 32% (Provider executives), 29% (Pharmaceutical/life sciences executives)

Source: PwC Health Research Institute executive survey, September 2019. Based on the 90 executives that said their companies have made promoting diversity in leadership a workforce strategy in 2020. Top four results are displayed.
Here’s how health companies can get to insights faster

<table>
<thead>
<tr>
<th>One-stop data ingestion</th>
<th>Intelligent data fabric</th>
<th>Insights tools and apps</th>
<th>Visualizations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consolidate ingestion activities to avoid jumping back and forth between data sites and programs. Then automate these tasks for next time.</td>
<td>Enrich your own data with trusted, vetted industry libraries and third-party data sets.</td>
<td>Interrogate data via testing, segmenting, abstracting and simulating.</td>
<td>Sift through the noise to find insightful signals with easy-to-understand visualization models.</td>
</tr>
<tr>
<td>60-70% of time looking for insights is wasted on data ingestion.</td>
<td>64% of health insurance executives and 88% of provider executives said having insufficient information about customers is a barrier to meeting their expectations.</td>
<td>79% of provider executives surveyed by HRI think that the lack of analytical tools is a barrier to effectively segmenting their patient population.</td>
<td>33% of pharmaceutical executives surveyed by HRI said the use of EHRs by providers has had a positive effect on their businesses.</td>
</tr>
<tr>
<td>44% of providers are using their EHRs to warehouse their data even through EHRs were not effectively built for integrating disparate sets of data.</td>
<td>82% of provider executives said they believe that data sharing with pharmaceutical companies will be important in the future.</td>
<td>55% of pharma/life science executives cited lack of skilled teams as a key obstacle to digital innovation.</td>
<td>36% of pharmaceutical executives said that data from remote monitoring and smart devices represent the greatest opportunities for their companies to improve the customer experience.</td>
</tr>
<tr>
<td>Only 5% of clinicians use clinical/disease registries to collect data on SDOH. 4% use community datasets and 7% use health information exchanges.</td>
<td></td>
<td>41% of providers say challenges with data and analytics to accurately estimate costs is preventing them from succeeding in value-based care models.</td>
<td></td>
</tr>
</tbody>
</table>

Source: PwC and PwC Health Research Institute executive surveys