Advisory Board

The State of the Healthcare Industry in 2024

How to prepare for the future of longstanding paradigm shifts

ABOUT

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Jocelyn Herrington is a national spokesperson and vice president of strategic partnerships at Advisory Board. She brings our thought leadership to life in the market while developing creative partnership opportunities with our most valued members. Since 2013 she has served Optum and Advisory Board in a variety of delivery, commercial, and leadership roles, from managing consulting projects to overseeing all Advisory Board delivery.

Previously, she defended and managed professional liability litigation against behavioral health providers. She earned her B.S. in Public Health from Rutgers University, J.D. from The George Washington University Law School, and M.H.A. from George Mason University. She also studied Comparative Health Systems and Comparative Health Law at the University of Oxford.

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The state of the healthcare industry in 2024

1

Industry snapshot

A moment of instability

- Poor outlook for patient health and industry performance
- Challenging business operating environment

2

Purchaser disruption

Government-led scrutiny

- Overall public coverage growth despite Medicaid whiplash
- Tightening MA business model
- Employer coverage balancing act harder with fiduciary rules
- Sweeping policy changes to pharmaceutical business

?

TODAY'S QUESTION

How will the industry **prepare** versus **react**?

3

Strategic paradigms

The future of longstanding shifts

A. **Delivery infrastructure** will evolve into ecosystems focus

B. **Care team roles** will shift with new tech capabilities

C. **Treatment economics** will adapt to high-cost drugs

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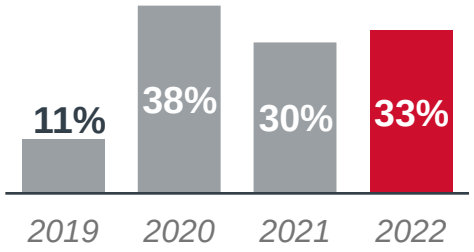
Advisory Board interviews and analysis.

The patients are not alright

Characteristics of the patient emerging from the pandemic era

STAYING BAD → GETTING WORSE

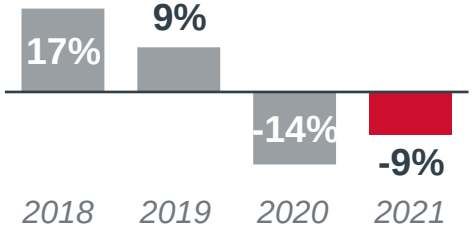
Behavioral health needs



Adults reporting[1] symptoms of **anxiety or depression**

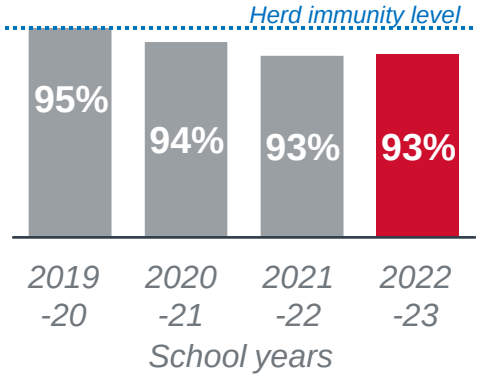
n=54,926 adults in 2022

Undetected cancer



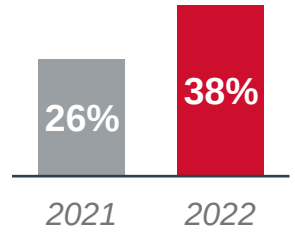
YOY[2] change in **colorectal cancer diagnoses**

Missed prevention



Kindergarteners covered by MMR[3] **vaccines**

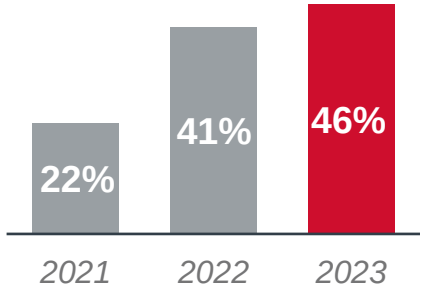
Cost avoidance



Americans reporting they or family **postponed care due to costs**

n=1,020 adults in 2022

Aggression



Nurses reporting more **workplace violence**

n=1,000 nurses in 2023

1. Values pulled from June of each year, except 2019 is January to June.
2. Year-over-year.
3. Measles, mumps, and rubella.

Source: "Coverage with Selected Vaccines and Exemption from School Vaccine Requirements Among Children in Kindergarten — United States, 2022–23 School Year," CDC, November 2023; "Record High in U.S. Put Off Medical Care Due to Cost in 2022," Gallup, January 2023; "Adults Reporting Symptoms of Anxiety or Depressive Disorder During COVID-19 Pandemic," KFF, 2024; "NNU report shows increased rates of workplace violence experienced by nurses," National Nurses United, February 2024; "Declining Cancer Screenings Suggest Increased Burden of Disease," Trilliant Health, April 2022.

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Advisory Board interviews and analysis.

A poor report card for our overall performance

Tough quality outlook

57%
2020 to 2023

Increase in **adverse events**

Slight decline from 2022 to 2023

38%
2020 to 2021

Increase in **maternal mortality** deaths per 100,000 live births

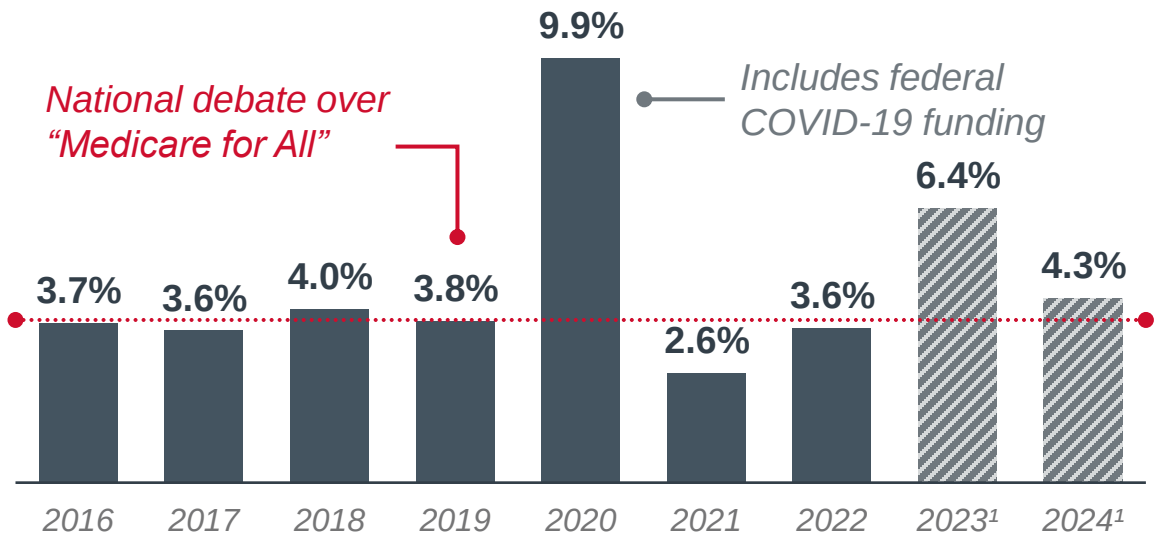
73%

Adults believe the healthcare system is **not meeting their needs**

n=2,519 adults in March 2023

Looming spending pressures

Annual growth in health expenditures per capita



Source: "The Pandemic's Consequences: Survey of Registered Nurses," AMN, January 2023; "National Health Expenditure Projections," Health Affairs, June 2024; "Sentinel Event Data 2023 Annual Review," The Joint Commission, 2024.

1. Projected.

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Purchaser and payment policy dynamics at a glance

Medicaid coverage whiplash

20.1M

Medicaid terminations completed as of April 11, 2024

Medicare Advantage business model squeeze

0.16%

Decrease in benchmark rates for Medicare Advantage in 2025

Pharmaceutical business regulatory overhaul

$98.5B

Expected Medicare savings from drug price negotiation, over the next ten years

Employer benefits fiduciary pressure

8.5%

Projected increases in health insurance costs for employers for 2024 benefits

Source: "Around the nation: CMS finalizes benchmark rate cut for MA plans", Advisory Board, April 2024; "Medicaid Enrollment and Unwinding Tracker," KFF, March 2024; Isaacson G et al, "The future of Medicare Advantage," McKinsey & Company, July 2023; Cubanski J et al "Explaining the Prescription Drug Provisions in the Inflation Reduction Act," KFF, January 2023; Leo L and Mandowara K; "US employers to see biggest healthcare cost jump in a decade in 2024," Reuters, September 2023.

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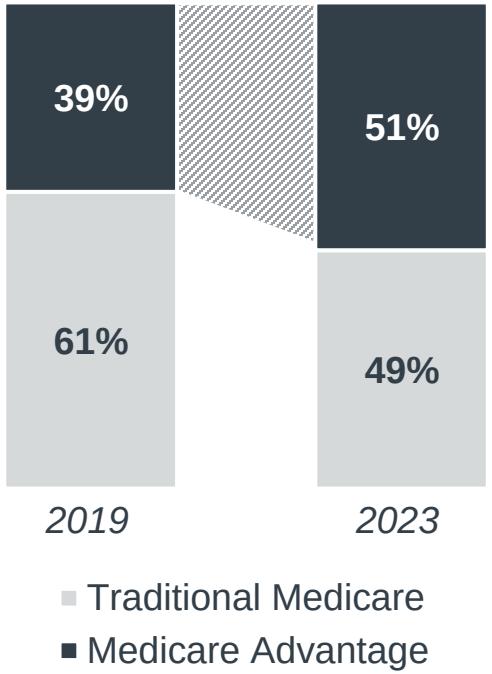
Coverage whiplash won't return to pre-Covid mix

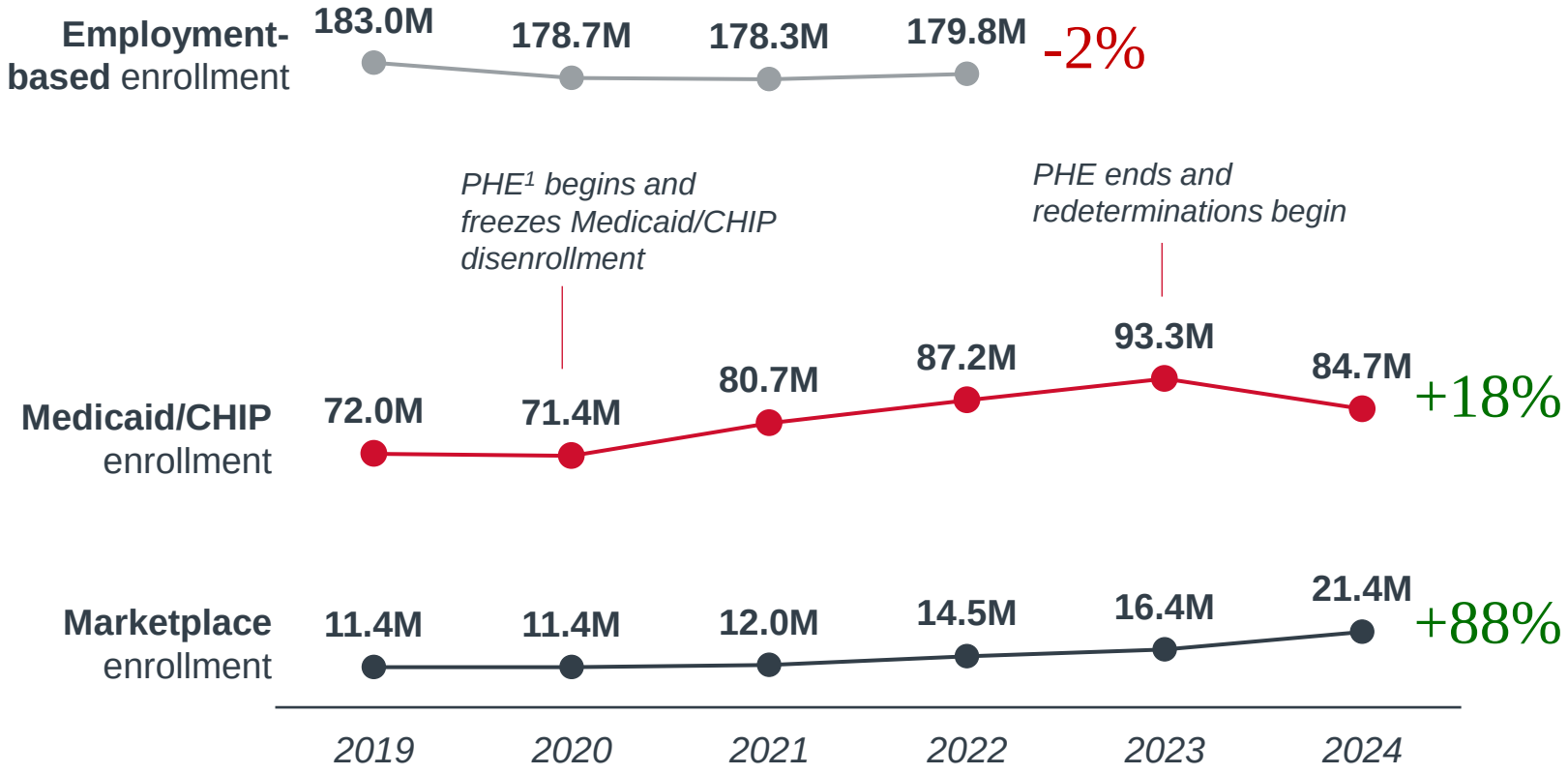
Medicare Advantage crosses the 50% threshold

Percent of Medicare beneficiaries enrolled in traditional Medicare and Medicare Advantage, 2019-2023



Marketplace enrollment on the rise as Medicaid fluctuates and employer plateaus

Total employer-based, monthly Medicaid/CHIP, and Marketplace insurance enrollment (in millions)



Source: "Marketplace Enrollment, 2014-2024", KFF, 2024; "Total Monthly Medicaid & CHIP Enrollment and Pre-ACA Enrollment", KFF, 2024; "Medicare Advantage in 2023: Enrollment Update and Key Trends", KFF, Aug 2023; "Health Insurance in the United States" Tables for 2021, 2022, and 2023, Census.gov.

1. Public health emergency.

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The future of…

DELIVERY INFRASTRUCTURE

LEGACY MODEL	CURRENT STATE	FUTURE OUTLOOK
Hospital-centric service delivery	ACCELERANTS • Dire hospital finances • Care delivery M&A	Ecosystem-directed care management

CARE TEAM ROLES

Overextended generalists with automation at the margins	ACCELERANTS • Workforce crisis • Generative AI	Tech-dependent care teams

TREATMENT ECONOMICS

Procedure-centric delivery and cost control standards	ACCELERANTS • Breakthrough drugs • Finance experiments	Healthcare business defined by bespoke care

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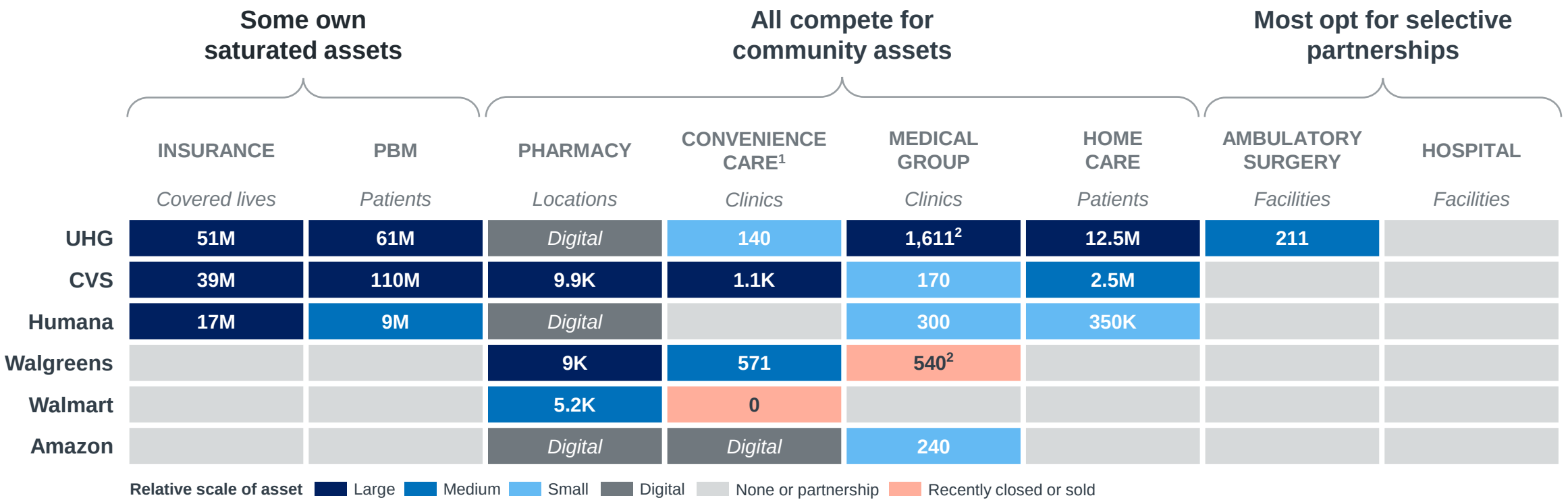
Ecosystem players build cross-continuum reach

Corporations pursue selective consolidation across care delivery and financing (as of April 2024)



1. Convenience care includes retail care and urgent care centers.
2. Includes primary and specialty care practices. Walgreens' medical group total excludes the 140 clinics they've closed as of 3/28/24.

Sources: See additional sources slide.

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Players draw from mix of assets to serve unique goals

Top inferred strategic goals of ecosystem players

	Cross-sell services *Walgreens, Amazon, CVS*	Capture senior care value *Humana, CVS, UHG*	Oversee network operations *UHG, KP (Kaiser Permanente)*
Ambition	Cross-sell across a diverse healthcare portfolio to capture low-acuity care and pharmacy spend	Coordinate risk-based care across settings in a market to manage longitudinal senior health	Equip value-based physician groups and select hospital operators to steer patients to preferred cost-effective sites
Hurdles to overcome	*Patient conversion, reimbursement economics, partner coordination*	*Patient attribution, clinician enablement, scaling, government scrutiny, quality*	*Patient engagement, multi-payer partnerships, referral discipline, cost management, antitrust*

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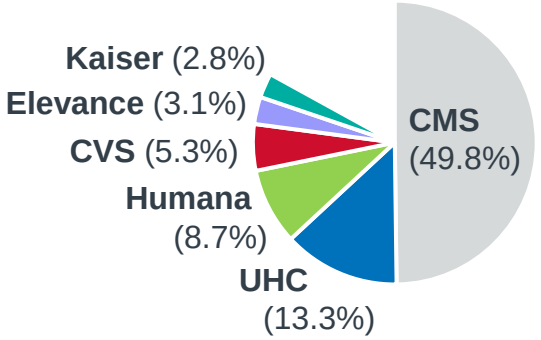
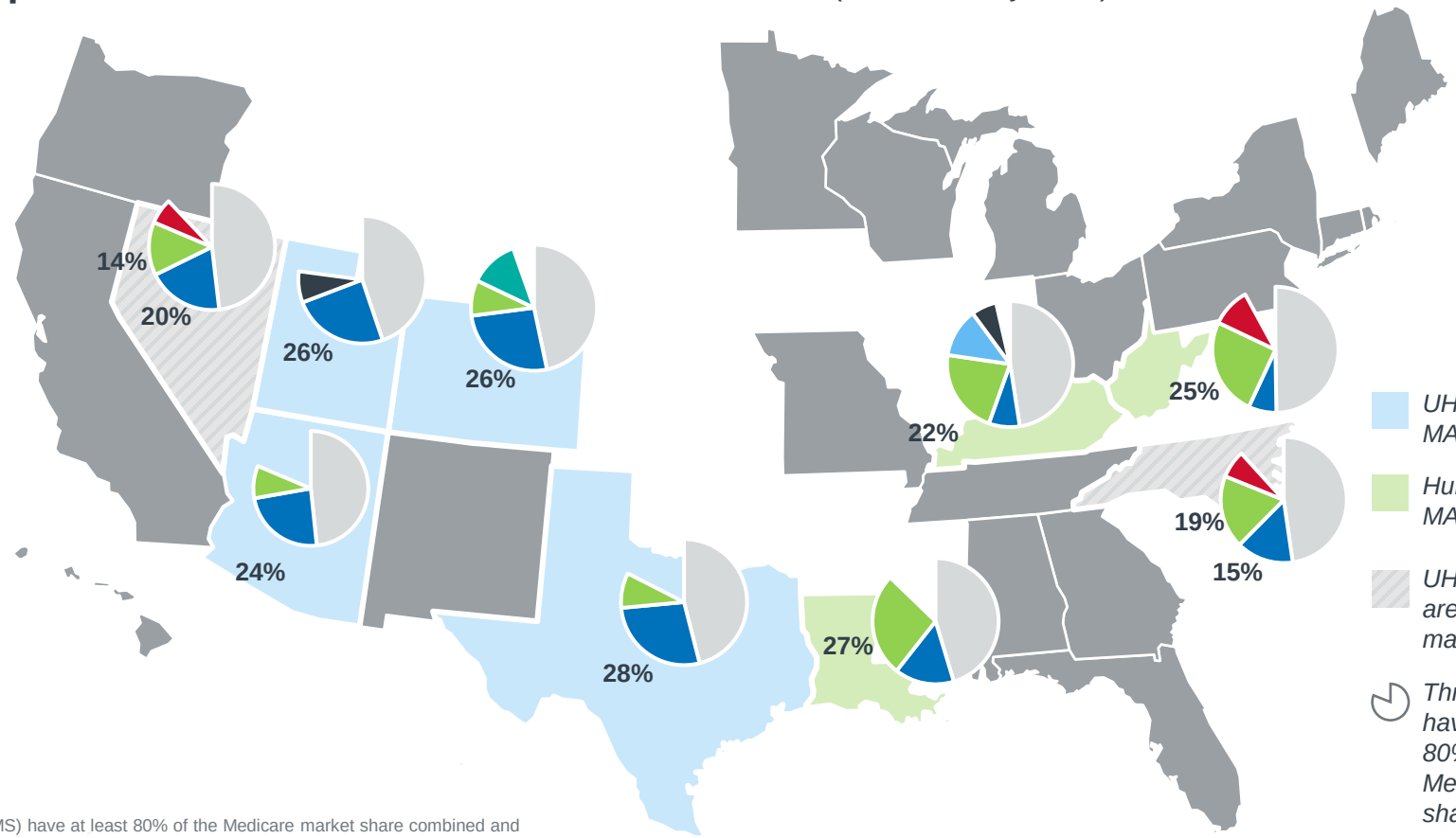
As MA beats 50%, local power will affect partnerships

Medicare market share composition[1] within most concentrated states[2] (as of January 2023)

States depicted have over 50% Medicare Advantage penetration

National Medicare market share composition





1. Pie charts show states where the top three payers (including CMS) have at least 80% of the Medicare market share combined and depict payers with at least 5% of the market share. Black indicates an MA plan other than UHC, Humana, CVS, Elevance, or Kaiser.
2. Map shows states where CMS has less than 50% of the Medicare market share.

Source: Advisory Board analysis of CMS MA enrollment by SCC-October 2017- 2022 and Medicare Monthly Enrollment data sets.

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Systems face unrelenting financial struggle

Core challenges to hospital-based care finances

WORKFORCE & SUPPLY CHAIN VOLATILITY

200K Estimated **loss of experienced RNs** from 2020 to 2022

17% Increase in health systems **medical supply expenses** from Jan 2022 to 2023

CAPACITY & QUALITY CHALLENGES

30% Increase in **ED visits per day** from January 2021 to January 2024

11% Increase in **adverse events** resulting in permanent/severe harm or death from 2022 to H1 2023

SHIFTING REIMBURSEMENT MIX

20M **Medicaid terminations** as of April 2024

7M **Enrollment loss in employer coverage**, 2019—2023

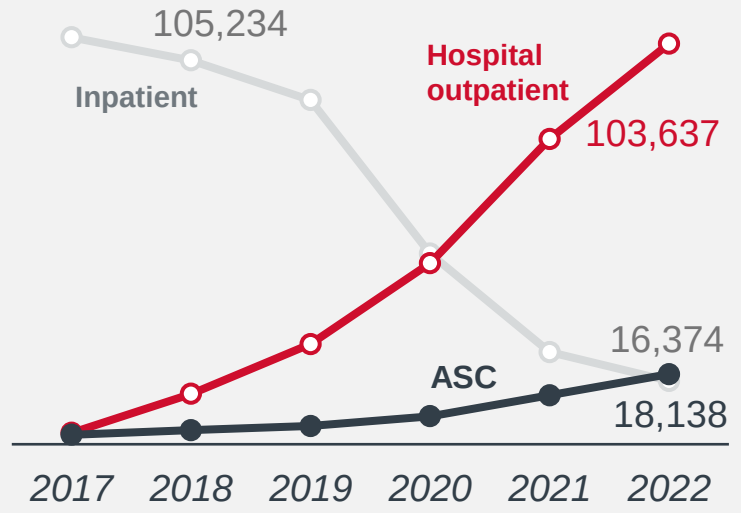
ERODING SITE OF CARE REVENUES

SCRUTINY OVER LEGACY SUBSIDIES

- Site-neutral payments
- 340B drug discounts program
- Not-for-profit status

Joint replacement encounters by site of care

2017-2022, The Optum de-identified Clinformatics® Data Mart Database



Source: AIS Directory of Health Plans, 2019 Q4 & 2023 Q1; "National hospital flash report," Kaufman Hall, Dec. 2022; "National hospital flash report," Kaufman Hall, February 2024; "Issue Brief: Patients and Providers Faced with Increasing Delays in Timely Discharges," AHA, 2022; "Hospital Vitals: Financial and Operational Trends," Syntellis and the AHA, 2023; "Sentinel Event Data 2022 Annual Review," ; "Sentinel Event Data 2022 Annual Review," The Joint Commission, 2023; "New sentinel event data available for first 6 months of 2023," The Joint Commission, 2024; "Medicaid Enrollment and Unwinding Tracker," KFF, April 2024; The Optum de-identified Clinformatics® Data Mart Database (2007-2022).

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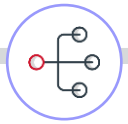
Strategic lifelines emerge for system partners

PARTNER → CONSOLIDATE

Ambulatory connectivity



To expand patient entry points
establish multichannel connections from convenient care options

EXAMPLES

- **RUSH**, a Chicago-area AMC, participates in **CVS** ACO's first ACO REACH[2] program
- **Walmart** partners with **Orlando Health** on patient care coordination

Synthetic scale

To redistribute costs
align with an operator for resources and expertise

- Via **Optum Market Performance Partnership (MPP)** 9 systems transfer select enterprise services to Optum
- **Atrium** partners with **Best Buy Health** to improve care at home

IDN[1] model alignment

To access premium dollar
replicate provider-sponsored, plan-aligned model across markets

- **Risant Health** created via $5B acquisition of Geisinger expanding KP care model
- **Intermountain** acquires **SCL** and enables Select Health expansion

- General Catalyst's **HATCo[3]** signs intention to acquire **Summa Health**

Non-contiguous merger

To increase market power
merge across geographies for scale amid FTC scrutiny

- ✗ **UnityPoint** and **Presbyterian** attempted to form $11B system to expand health plan reach and improve cost challenges
- ✓ **Advocate Aurora** and **Atrium** merge to form Advocate Health

1. Integrated delivery network.
2. ACO Realizing Equity, Access, and Community Health Model.
3. Health Assurance Transformation Corporation.

Source: "CVS Health and RUSH collaborate to increase health care access for Chicago-area Medicare patients," CVS, January 2023; "Walmart Health inks partnerships with Orlando Health, Florida insurer to streamline care coordination," Fierce Healthcare, November 2023; "The Hospital Strikes Back: Why Kaiser Permanente Formed Risant Health," Work Week, May 2023; "Healthcare Dealmakers—UnityPoint, Presbyterian's $11B merger called off," Fierce Healthcare, November 2023; Pifer R, "General Catalyst to acquire Ohio nonprofit Summa Health," Healthcare Dive, January 2024..

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Systems' survival strategies leaves access gaps

Health systems make tough choices…

Rationalized services

▼ Decreases in the number of psychiatric beds

165M Americans live in mental healthcare health professional shortage areas, September 2023

Service line closures

217 Hospitals closed their labor and delivery departments, 2011-2022

7M Women of childbearing age live in maternity care deserts, 2022

Hospital closures

150 Rural hospital closures, 2016-2021

80% Rural U.S. areas designated as medically underserved, 2019

…other sectors step in with patchwork solutions

Behavioral health solutions focused on low-acuity patients

$12B **Venture funding** in digital behavioral health, 2018-2022

1k Behavioral health **startup companies** created, 2018-July 2023

Women's health startups aimed at employers

$854M **Venture funding** of fertility technology start-ups, 2022[1]

143% **Increase in PE acquisitions** of OB/GYN practices and fertility services companies[2]

Rural care limited and often focuses on preventative care

3 **Dollar General** mobile health clinics to improve rural care, January 2023

2023 200+ co-located **VillageMD** clinics opened

2024 announced closure of 160 **VillageMD** clinics

1. Compared to $306M in 2017.
2. From 7 acquisitions in 2010-2017 to 17 in 2017-2019.

See additional sources slide for sources.

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The future paradigm of **delivery infrastructure**

While large conglomerates make a final push for remaining assets across the care continuum, health systems seek financial survival pathways through partnerships. These moves will cement a shift away from hospital-centric service delivery toward ongoing care management directed by the ecosystem level—upending performance standards and creating distinct challenges for patient access.

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The future of…

DELIVERY INFRASTRUCTURE

LEGACY MODEL

Hospital-centric service delivery

CURRENT STATE

ACCELERANTS

- Dire hospital finances
- Care delivery M&A

FUTURE OUTLOOK

Ecosystem-directed care management

CARE TEAM ROLES

Overextended generalists with automation at the margins

ACCELERANTS

- Workforce crisis
- Generative AI

Tech-dependent care teams

TREATMENT ECONOMICS

Procedure-centric delivery and cost control standards

ACCELERANTS

- Breakthrough drugs
- Finance experiments

Healthcare business defined by bespoke care

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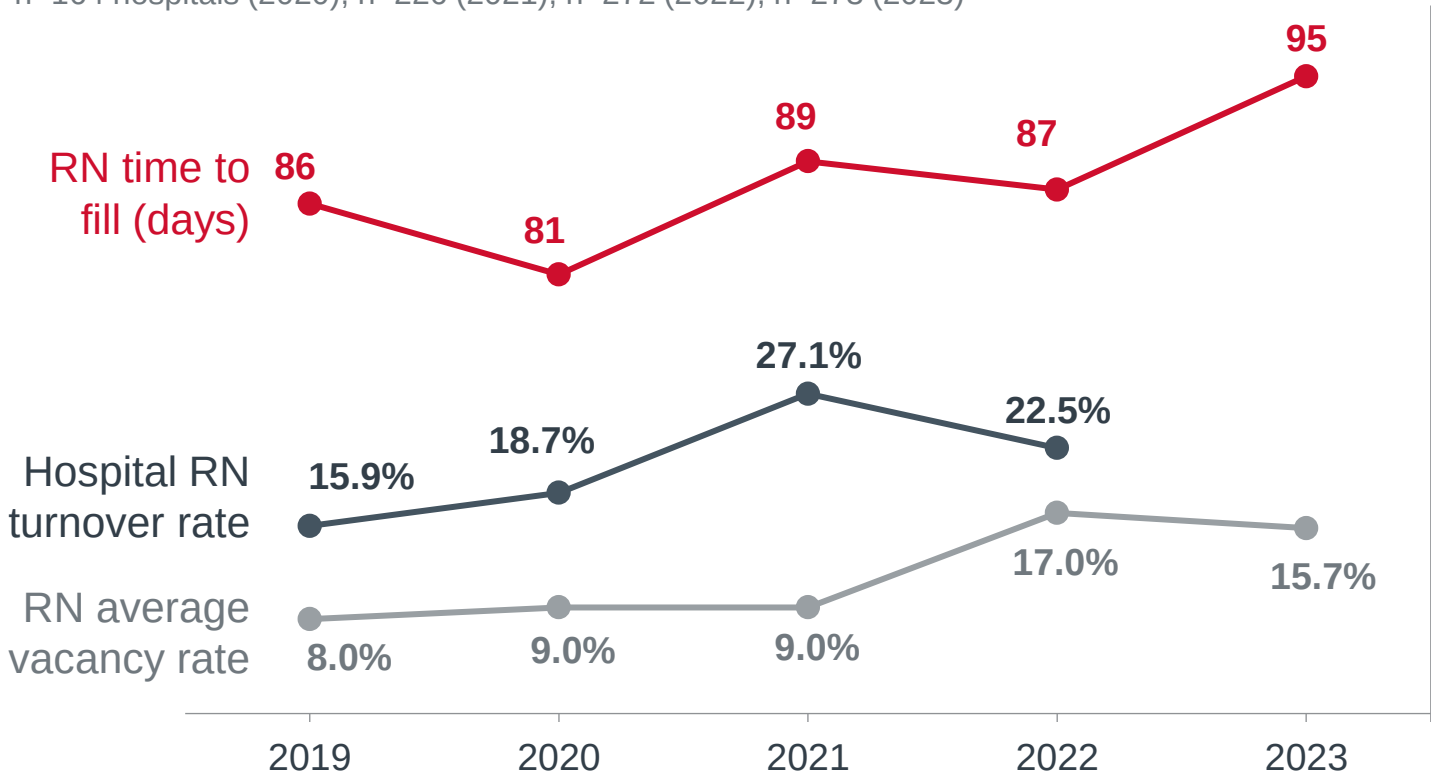
Labor challenges persist as AI increases in popularity

Turnover, vacancy rates, and time to fill remain elevated

n=164 hospitals (2020), n=226 (2021), n=272 (2022), n=273 (2023)



AI IN THE NEWS

"Microsoft Invests **$10 Billion in ChatGPT** Maker OpenAI"

BLOOMBERG, JAN '23

"ChatGPT reaches **100 million users** two months after launch"

THE GUARDIAN, FEB '23

"Big majority of doctors see upsides to using health care AI"

AMA, JAN '24

Source: "National Health Care Retention Report," NSI, 2020, 2021, 2022, 2023; "ChatGPT reaches 100 million users two months after launch," The Guardian, February 2023; "Microsoft to Invest $10 Billion in ChatGPT Maker OpenAI (MSFT)," Bloomberg, January 2023; "Big majority of doctors see upsides to using health care AI," AMA, January 2024.

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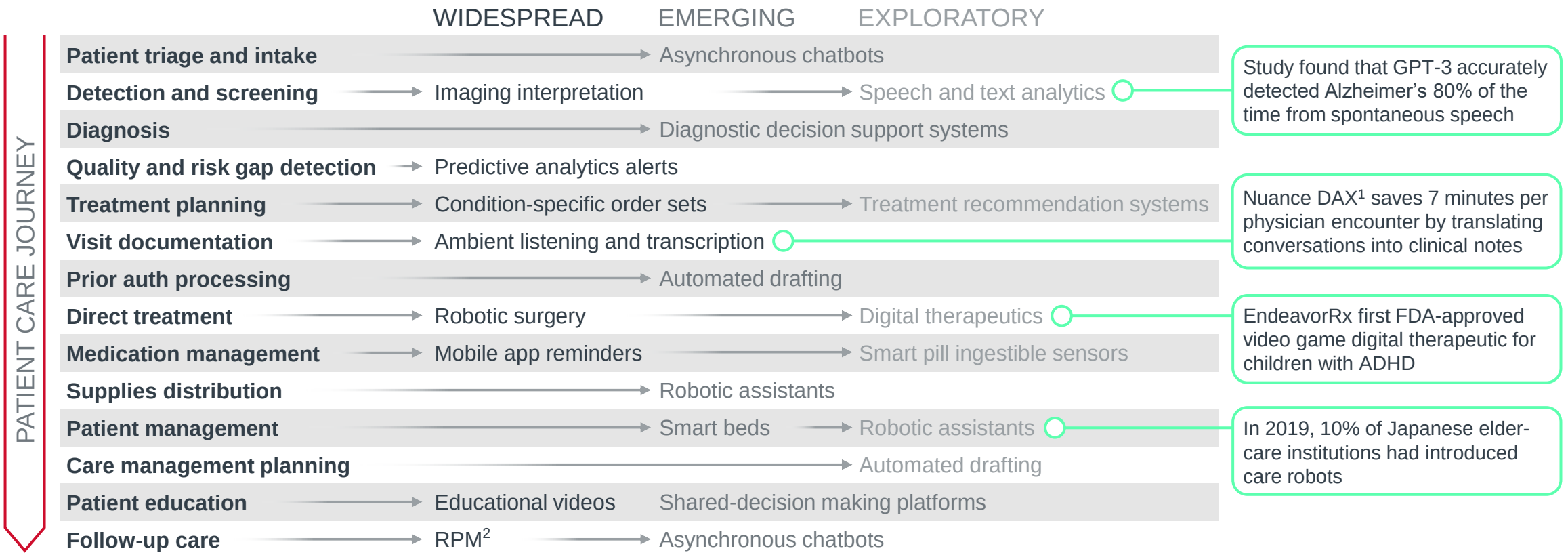
Tech increasingly capable of more tasks, often with AI

Adoption of select clinical workforce technologies across the patient care journey



1. Dragon Ambient eXperience.
2. Remote patient monitoring.

Source: "Ambient Clinical Intelligence," Nuance, 2023; "Inside Japan's long experiment in automating eldercare," MIT, January 2023; "FDA Permits Marketing of First Game-Based Digital Therapeutic to Improve Attention Function in Children with ADHD," FDA, June 2020; "Predicting dementia from spontaneous speech using large language models," PLOS Digital Health, December 2022; "ChatGPT's AI Could Help Catch Alzheimer's Early," WebMD, February 2023.

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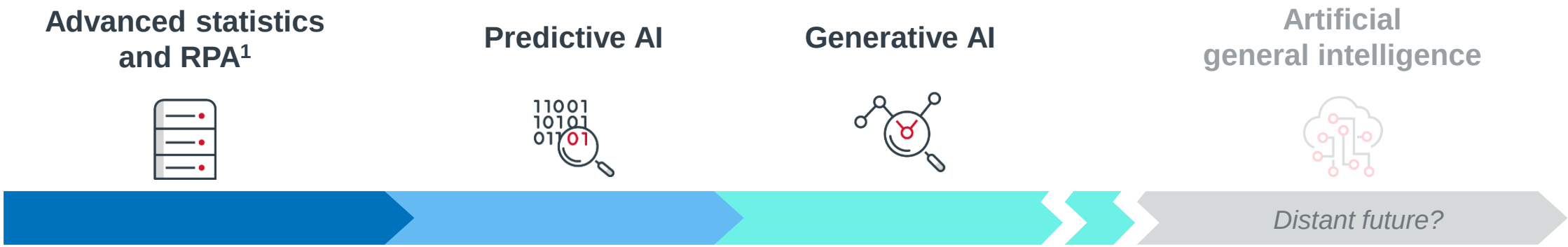
What is AI, *really*?

Advances in technology pushing the limits of AI



AI today

AI is not magic, but rather is a range of specialized tools

- Performs **specific tasks** that normally require human intelligence by using algorithms, pattern matching, etc.
- Must be **trained**, and can only learn from data it has access to
- **Continuously improves** accuracy of predictions and pattern matching with more interactions
- Each AI model has **limited utility** outside of the task for which it was designed

1. Robotic process automation.

Source: "AI in health care," Advisory Board, March 2022; "Generative artificial intelligence," Advisory Board, March 2023.

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Can’t leap forward with tech until we nail the essentials

> “A lot of organizations are susceptible to ‘magical thinking’ where they gravitate towards new technology. This results in them looking past a lot of the **basic foundational technology**.”

CIO, large health system in Midwest

Prioritize **building blocks**

Top 3 “back to basics” seen in 2023

01 Maximize **value of existing systems** (i.e., *are you using all the functionality built into the EHR[1]?*)

02 Make basic functions like order sets as **accurate, effective, and easy** to execute as possible

03 Prioritize **clinical staff needs**—not “shiny things”—for technology investment

Goal and related problems should inform tech investment decisions

Sample Goal	Retain nursing staff
▼ Potential Root Causes	• Lack of schedule flexibility • Feeling unsafe at work • Undesirable task mix
▼ Targeted Tech Solution	Leverage ambient listening and automated note summaries, reducing time spent on administrative tasks
▼ Caution	Temptation to **add** other undesirable tasks to reallocate newly available nurse time

1. Electronic health record.

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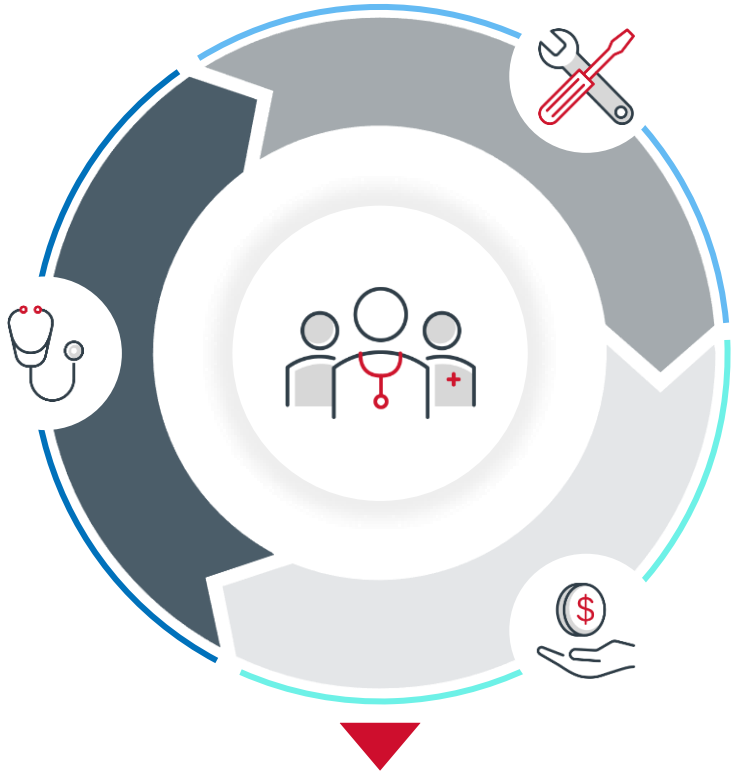
Tech can’t replace humans, but it will change their roles

As technology becomes a member of the care team, the rest of the care team must evolve

ROLE
Who does what tasks?

- As technology makes some tasks **faster**, what will clinicians spend **more time** on?
- Will we need to **add** new roles or **repurpose** existing ones?
- How will clinicians engage with **patients** as consumer access to AI-powered diagnostic tools grows?



TRAINING
Where does learning happen?

- How will clinicians gain **experience** and **expertise** as technology takes on **simple** tasks?
- When will schools, employers, and accreditors standardize training on **working with technology**?
- Will technology enable clinicians to take on some responsibilities with **less training**?

COMPENSATION
How do we value work?

- How will compensation models shift to **incentivize** performance that is **blended** with technology?
- Will compensation **levels** vary to reflect shifting **training** requirements?

Who will make decisions proactively – and who will be forced to respond?

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AI’s business impact will go beyond workforce

As AI becomes more prevalent and less expensive in healthcare, watch for possible consequences

Uneven progress across individuals and organizations

“The rich get richer”

- Early adopters skew representative training datasets and outpace peers in efficiency gains
- Varying clinician adoption alters outcomes, compensation, and patient experience

Replicating existing challenges and inequities

“Doomed to repeat the past”

- Automating single tasks entrenches ineffective workflows and prevents structural redesign
- Models inadvertently reinforce health inequities found in data, complicating quality efforts

New power levers for the owners of data and algorithms

“More cooks in the kitchen”

- Reliance on vendors changes supply contract structures and competitive data ownership
- Owners of AI solutions have new entry points to control patient pathways

Source: "Leveraging AI/ML to identify more at-risk," IQVIA, 2023; "Doctors Are Using ChatGPT to Improve How They Talk to Patients," NY Times, June 2023; "Algorithmic Bias In Health Care: A Path Forward," Health Affairs, November 2019.

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The future of…

DELIVERY INFRASTRUCTURE

LEGACY MODEL

Hospital-centric service delivery

CURRENT STATE

ACCELERANTS

- Dire hospital finances
- Care delivery M&A

FUTURE OUTLOOK

Ecosystem-directed care management

CARE TEAM ROLES

Overextended generalists with automation at the margins

ACCELERANTS

- Workforce crisis
- Generative AI

Tech-dependent care teams

TREATMENT ECONOMICS

Procedure-centric delivery and cost control standards

ACCELERANTS

- Breakthrough drugs
- Finance experiments

Healthcare business defined by bespoke care

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The future paradigm of **care team roles**

Rapid, chaotic advances in technology (especially AI) create new opportunities to address persistent workforce challenges. In the quest for top-of-license care, clinician roles must evolve—possibly to the point where *clinicians* will complement *technology*. The new era of tech enablement will open the door to greater efficiency, entrench inequities, and shift control over care decisions.

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The future of…

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Drugs poised to eclipse the strategic focus on procedures

THERAPUETIC DRUGS

1. **Innovation activity targets rare, untreated conditions**
2. **Drug spend catching up to hospital operating costs**

EPISODIC PROCEDURES

1. **Innovation activity enables lower-acuity care**
2. **Transparency data and outpatient shift pressure rates**

One provider-sponsored plan's experience with drug costs in 2022:

Retail prescriptions + Provider-administered drugs = ~20% OF PREMIUM = Hospital operating costs

69%

Average price for a procedure in an ASC relative to the same in a HOPD[1], 2019

1. Hospital outpatient department.

Source: "Shifting Common Outpatient Procedures to ASCs "Can Save Consumers More than $680 per Procedure," UHG, September 2021; "Impact Report - Q1," Turquoise Health, March 2023; "Toolkit Overview: Pipeline," Tufts, December 2020; Advisory Board Market Scenario Planner

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Weight management drugs driving industry frenzy

Promising clinical effects

15-20% Average **total body weight loss** on semaglutide[1]

Rising patient demand

44% Of surveyed people with obesity would **change jobs to gain coverage** for obesity treatment

Financial implications

142M **Eligible US patient population** for semaglutide for weight loss according to FDA criteria[2]

Variable coverage in 2023-2024

- ✓ **Direct-to-consumer companies Ro** and **WeightWatchers** enter weight loss medication space
- ? 51% of surveyed **health plans** do not cover weight loss medications[3]
- ? **Medicaid** covers select weight loss drugs in 16 states
- ? **Medicare Advantage** can cover weight management drugs as an additional benefit,[4] but not common
- ? **Medicare** now allows Part D coverage of weight management drugs for cardiovascular treatment

1. Medication indicated for treatment of type 2 diabetes and obesity.
2. BMI >30 or BMI >27 with a pre-existing condition such as diabetes.
3. 31% are considering adding coverage in the next 1-2 years.
4. Through flexible benefits and formularies that meet CMS requirements.

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Envisioning a healthcare business defined by drugs

Illustrative comparison of business characteristics for procedure and drug treatments

TRADITIONAL PROCEDURES	CATEGORY	BESPOKE THERAPIES
Improve safety and reduce invasiveness	**Innovation impact**	Address conditions without available or effective treatments
IP/OP, ASC, surgical specialty office	**Delivery options**	IP/OP, infusion center, home delivery, patient administration, medical specialty office
Pre-operative consults and prep, rehab, ongoing monitoring	**Wraparound care**	Pre-treatment diagnostic testing, concurrent symptom and side effect care, ongoing treatment, monitoring, and care
• Relatively binary with predictable benchmarks established • Market-based competition over efficiency	**Cost and quality competition**	• Standards still unfolding on a gradient • Experimentation with new models and new players
• Prior authorization • Provider selection	**Cost management strategies**	• Prior authorization or formulary design • Provider selection • Drug/dose/modality selection • Drug sourcing mandates
• One-time • Provider payment • (Increasingly) bundled patient cost sharing	**Financing**	• Ongoing or one-time • Provider, pharmacy, and PBM payment • Ongoing patient cost sharing

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All “high-cost drugs” are not the same

Key characteristics to evaluate the impact of specific emerging high-cost drugs

EXAMPLES	1 List prices and revenues	2 Estimated population size *As of 2022*	3 Clinical significance	4 Administration logistics and timing	5 Future pipeline developments to watch
GLP-1 agonists for weight loss[1]	$16.2K per patient[2] $25B sales est. for 2028	142M (eligible)	**Improvement** to weight loss treatments	• Ongoing weekly injections • Patient-administered	• May be used to reduce BMI to qualify for surgery
Leqembi (lecanemab) for Alzheimer’s	$26.5K per patient[3] $3.1B sales est. for 2028	100K (eligible)	**New treatment** to slow cognitive and functional decline	• Ongoing biweekly infusions • Provider-administered	• Eli Lilly’s Alzheimer’s treatment donanemab pending FDA decision in 2024
CAR T-cell therapies for blood disorders	$373K per patient $6B sales est. for 2026	2,000 (treated from 2019 – January 2022)	**Improvement** in short-term and long-term cancer remission	• One-time gene therapy infusion • Provider-administered	• Gene therapy Casgevy approved by FDA to treat sickle cell disease and beta-thalassemia in early 2024
Hemgenix gene therapy for hemophilia B	$3.5M per patient $44M sales est. for 2028	3,300 (eligible)	**New treatment** to replace regular prophylactic infusions	• One-time gene therapy infusion • Provider-administered	• Pfizer’s hemophilia B gene therapy fidanacogene elaparvovec approved by FDA in 2024

1. Such as Saxenda (liraglutide), Wegovy (semaglutide).
2. Annually, for semaglutide.
3. Annually, for lecanemab.

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Purchasers turn to old tools to balance access and cost…

Greater scrutiny expands use of familiar strategies to regulate access

Formulary exclusions
What do we cover?

10x Increase in unique products excluded by top three PBMs, 2014 to 2022

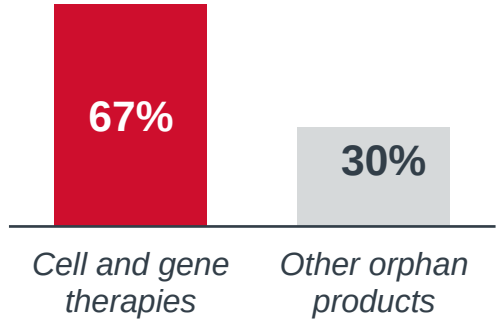
47% Excluded medicines with no therapeutically equivalent drugs on the market, 2022

Utilization management
Who do we cover it for?

9 of 11 Largest commercial insurers that cover Wegovy[1] require diet, exercise, or behavioral modification for access, April 2023

14 of 19 Medicaid coverage policies reviewed restrict Zolgensma[2] beyond FDA label, June 2023

Coverage restrictions by largest commercial health plans, April 2020



1. Semaglutide (weight management medication).
2. Prescription gene therapy for children under two with spinal muscular atrophy.

Sources: 2023 Benefit Design Report, PSG, June 2023; "Medicare Officially Limits Coverage of Aduhelm to Patients in Clinical Trials," NY Times, April 2022; "Variation in market access decisions for cell and gene therapies across the United States, Canada, and Europe," Tunis et al., December 2021; "Medicaid coverage practices for approved gene and cell therapies: Existing barriers and proposed policy solutions," Allen et al., June 2023; Jinghong Chen, "Commercial Payers Wrestle With Managing Weight Loss Drug Coverage," AISHealth, January 2024; Enright D et al "How US commercial health plans are covering semaglutide (Wegovy®) for obesity management," CEVR, August 17, 2023.

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…but explore alternative models to manage drug costs

	Stop-loss insurance	Care management add-ons	Outcomes-based agreements	Specialty pharmacy carve-outs
CHALLENGE	Unsustainable and full of holes	Unclear return on investment	Difficult to execute	Contributes to fragmentation
EMERGING MODELS	Proposed CMMI **Accelerating Clinical Evidence Model** would adjust CMS payments for drugs approved under the Accelerated Approval Program to incentivize manufacturers to complete confirmatory trials	CMMI developing **CGT**[1] **Access Model** for state Medicaid agencies to assign CMS to negotiate multi-state, outcomes-based agreements with manufacturers	Large PBMs offering new **CGT carve-out models** that attempt to combine risk-pooling, care management, and outcomes-based agreements for specific CGTs	

1. Cell and gene therapy.

Source: "CMMI Drug Pricing Model Concepts," Avalere, February 2023.

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Unique drug dynamics intensify our usual challenges

Opportunistic non-traditional players in emerging terrain

Widespread demand invites investment in delivery and administrative capabilities from new entrants

Specialized, longitudinal care and financial coordination

Scale of complexity and cost requires highly specific care delivery and access management

Purchasers focused on near-term cost exposure and benefits

Extreme financial uncertainty leads to limited coverage and varied experiments

Emerging drugs intensify evergreen challenges

Two-tiered patient access

Hurdles to payment transformation

Consolidated utilization control

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The future paradigm of **treatment economics**

Emerging, diverse drugs with high prices and complicated delivery logistics will require new investments in delivery infrastructure and spur experimental financial models—and ultimately eclipse the legacy focus on procedures. Strategy in a pharmaceutical-based healthcare system will diverge from current tactics, open more paths for power grabs or consolidation, and exacerbate patient access disparities.

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The (heightened) responsibilities of the future

In a future with…

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Stakeholders must embrace their responsibility to…

Set priorities	Expand coordination	Protect access
EMPLOYERS **Decide** standards for the scope of covered healthcare services, care access, and consumer autonomy	PLANS **Track** care coordination and financing across stakeholders, for partner accountability and longitudinal cost pooling	HEALTH SYSTEMS **Balance** the need to standardize service operations with collaborating on patient access, supporting personalization, and enabling clinical autonomy
DIGITAL HEALTH **Focus** technology and service offerings on unmet, pervasive population care and team workflow needs	MEDICAL GROUPS **Manage** patients longitudinally across a complex continuum by designing and deploying holistic care teams	LIFE SCIENCES **Build** practical payment models and education, to scale product access commensurate with specialized delivery needs and clinical breakthroughs

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Strategic paradigms: *The future of longstanding shifts*

Delivery infrastructure will evolve to have an ecosystems focus, care team roles will shift with new tech capabilities, and treatment economics will adapt to high-cost drugs. These paradigm shifts aren’t new, but their recent acceleration gives the industry an opportunity to anticipate the future trajectory—and embrace new, elevated responsibilities to support the broader industry.

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