

## Hospital Finance: Part 3 Investing in the Future

*This Health Issues Brief is the third in a series about hospital finance. It explores health trends and the resources hospitals will need to meet the Triple Aim of improved health, a better patient experience, and reduced per capita costs.*

### Health Care Trends

Over the next 30 years, the U.S. health care system will become more personalized, evidence-based, and quality-driven. Medicine's focus will shift from acute condition-related interventions to disease prevention, chronic care management and the promotion of healthy lifestyles. This medical makeover will be driven by large-scale scientific innovations and broad demographic changes, and will require significant financial investments by hospitals.

#### Medical Innovation

Medical treatments will be tailored to patients' unique genetics. Scientific breakthroughs will enable prevention and earlier treatment of both infectious and chronic diseases. Electronic medical records and vast statistical databases will help caregivers and patients select the best treatments. New drugs, biomedical technologies and minimally invasive methods of care will improve outcomes, accelerate recovery and enhance safety for all patients.

#### Demographics

The U.S. population is aging, growing and becoming more diverse. In 2030, all baby boomers will be 65 years of age or older and represent 19% of the population (72 million people). The nation's current population is 317 million but is expected to reach 400 million in 2051. By 2043, the U.S. will be a "plurality nation" in which no single race or ethnicity constitutes a majority of the population.

#### Chronic Disease

In 2010, one in four adults suffered from multiple chronic conditions, especially arthritis, hypertension and diabetes. These conditions are related to unhealthy lifestyles. Some predict that over half of the nation will be obese by 2030 and therefore at greater risk for chronic disease.

### Demand for Hospital Care

Cumulative patient volumes will rise despite medical advances because population growth will outpace reductions in disease and injury prevalence. Hospital demand will also increase because aging patients suffering from multiple chronic conditions will require more complex levels of care.

#### Tiered Hospitals

The hospital sector will become far more tiered. Small hospitals like Florida Hospital Wauchula will specialize in health maintenance. Patients needing care that is more complex will be transferred to large tertiary or teaching hospitals like Florida Hospital Orlando that serve as regional hubs and have the economies of scale necessary to provide sophisticated care in the most cost-effective manner.

### A Vision of the Future Hospital

Exploring the hospital of the future, you may first notice that it is surprisingly quiet. The halls do not ring with a noisy chorus of alerts. Smart alarms and wireless vital sign monitors use advanced data analysis to notify nurses and doctors of potential problems before they occur. Versatile patient rooms morph to fit every need. Test results are instant. Patients and their care team can discuss test results and personalized treatment options in real time. Families can join in via video conference. The most remarkable thing is how truly patient-centered the hospital is.

### Young and Susceptible

Many young people do not get enough daily exercise or eat enough fruits and vegetables. The CDC notes that the childhood obesity rate doubled between 1980 and 2010 to nearly 18%. Without lifestyle changes, future generations will require more care at an earlier age.

## Achieving the Future

In order to ensure access to the highest standards of care, hospitals must address caregiver shortages, focus on the care continuum, and manage financial constraints.

### Care Continuum

Hospitals must add more sub-acute and rehabilitative care capacity to improve health maintenance. Better health system integration will allow hospitals to partner more closely with primary care physicians, nursing homes and home health care networks.

### Preparing Future Caregivers

Growing health care utilization may lead to substantial shortages of doctors, nurses and other health care providers. Many regions of the country, especially rural communities, already face noticeable shortages of nurses, primary care physicians and pharmacists. Some reports indicate that the U.S. could face a shortage of 130,600 doctors and 260,000 nurses by 2025.

Solving these shortages is possible. It will require expanded medical education and investments in training technology like advanced simulation capabilities. Smart medical devices paired with electronic medical records will facilitate more efficient team-based care processes.

### Financing the Future

Health care payment reforms that reward high value and quality care are coming fast. The current fragmented reimbursement system does not adequately encourage primary, preventive and team-based care. Medicare and Medicaid payment cuts have affected small rural hospitals and large urban hospitals serving low-income patients – furthering the need for more cost-effective care.

## Key Takeaway – Investing in the Future

The hospital of the future will provide personalized, patient-centered care in high-tech settings. Hospitals must be able to hire and train a highly skilled workforce, better integrate with the entire health care system, and invest in innovative technologies and facilities. These investments, though costly in the short-term, will ensure that future health care is highly accessible, affordable and quality-driven.

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## Health Care Consumerism

Patients are becoming more engaged in health care decision-making due to increased access to health information and economic incentives like high deductible insurance plans – up 24% between 2006 and 2012.

Some employers are choosing defined contributions vs. defined health benefits. The result is that employees often select plans with lower premiums and higher deductibles. A third of all insured employees now have deductibles of at least \$1000. In response, hospitals must provide clarity about treatment effectiveness and out-of-pocket costs.