

Health Industry Update: Immutable Forces Reshaping Our Industry

HMMS-NJ

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Today's Discussion

Show Me The Money
Back To The Future?

The Matrix

A Brave New World

Monopoly

Et tu, Brute?

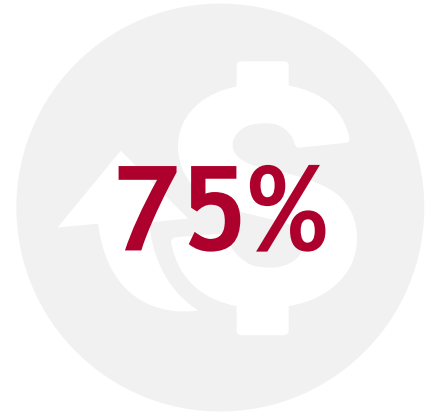
Show Me the Money

Or, Why the Baby Boomers Will Once Again Re-define an Industry

The Challenge . . .



13% = 40%
23% = ?



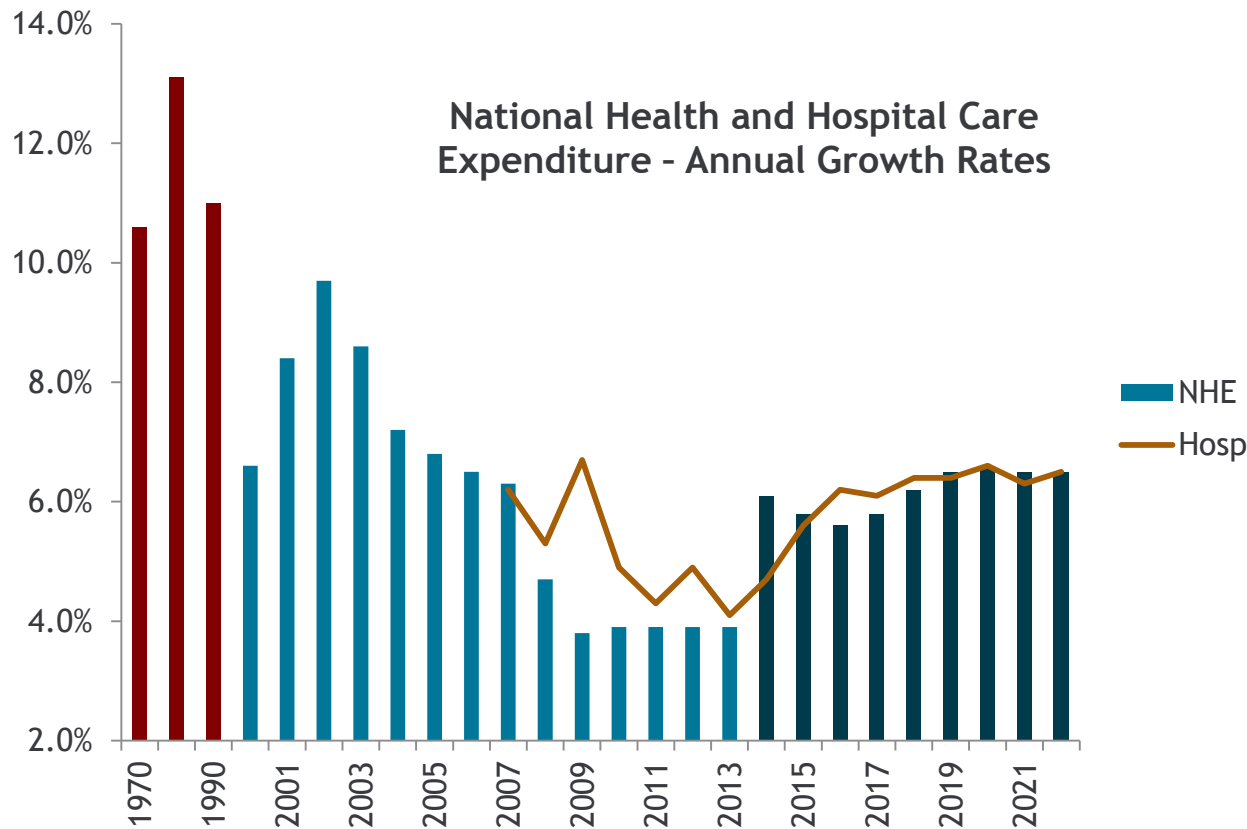
The Solution?

1% = 21%
5% = 50%

\$1000

Back To The Future:

Four Stages of Healthcare Growth

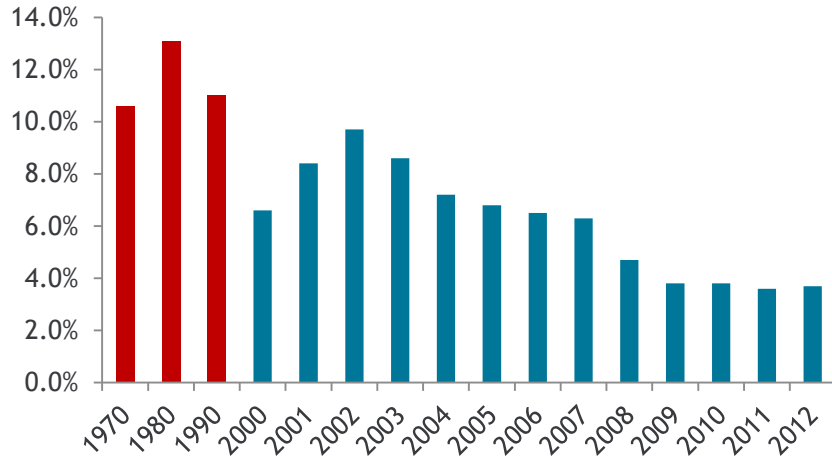


Source:
Centers for Medicare & Medicaid Services

Back To The Future

An Extended Malaise or New Normal?

National Health Expenditures (NHE)



- 44-year period of NHE growing above GDP
- Now, 5 straight years of “softness”

- Extended recession
- Lower income and price growth
- Changing Medicaid policy
- Changes in private spending and insurance

Tailwinds



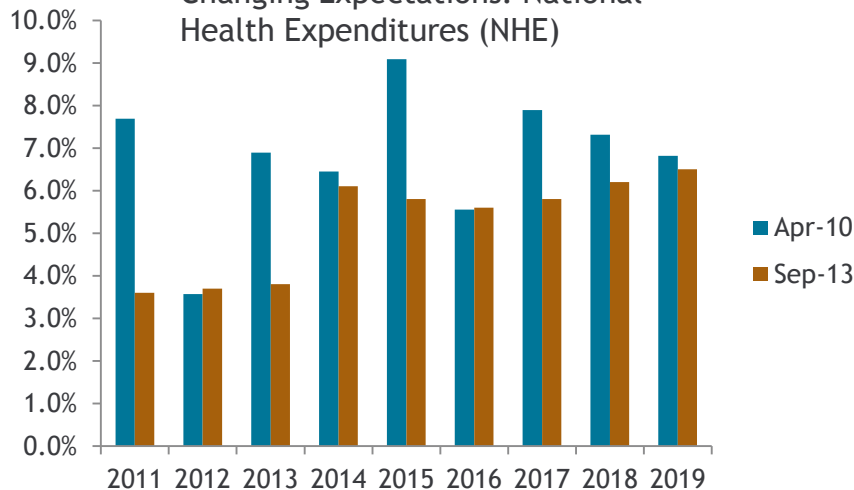
- Demographics
- ACA coverage of uninsured
- Economic recovery



Headwinds

- ACA “promised” increased utilization, as more were insured
- Yet, CMS has revised projections downward 4x since April 2010

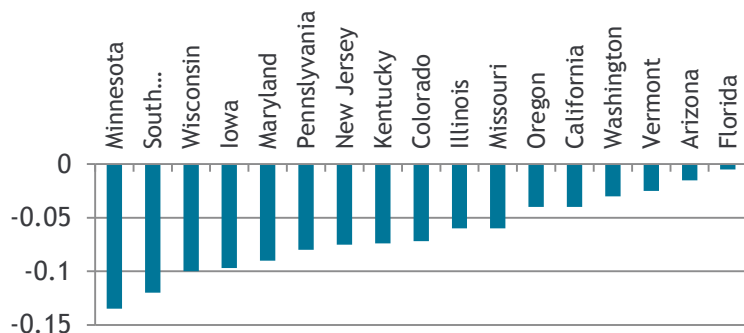
Changing Expectations: National Health Expenditures (NHE)



Source: Centers for Medicare & Medicaid Services

Evidence of a Change in the Business Model?

2006-2011 Change in Inpatient Use Rates per 1,000



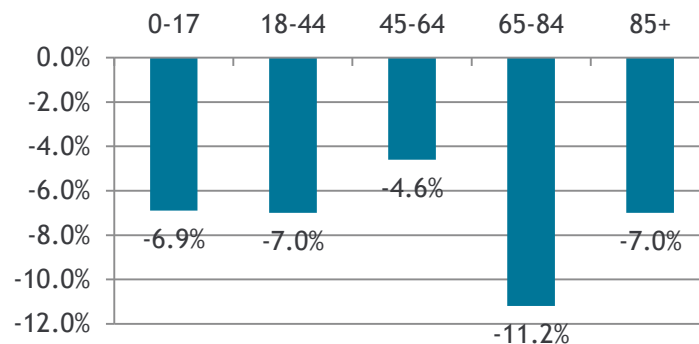
Bending the curve?

- Medical homes
- Value-based purchasing
- Community-based management of chronic patients
- ACOs

Source: KaufmanHall

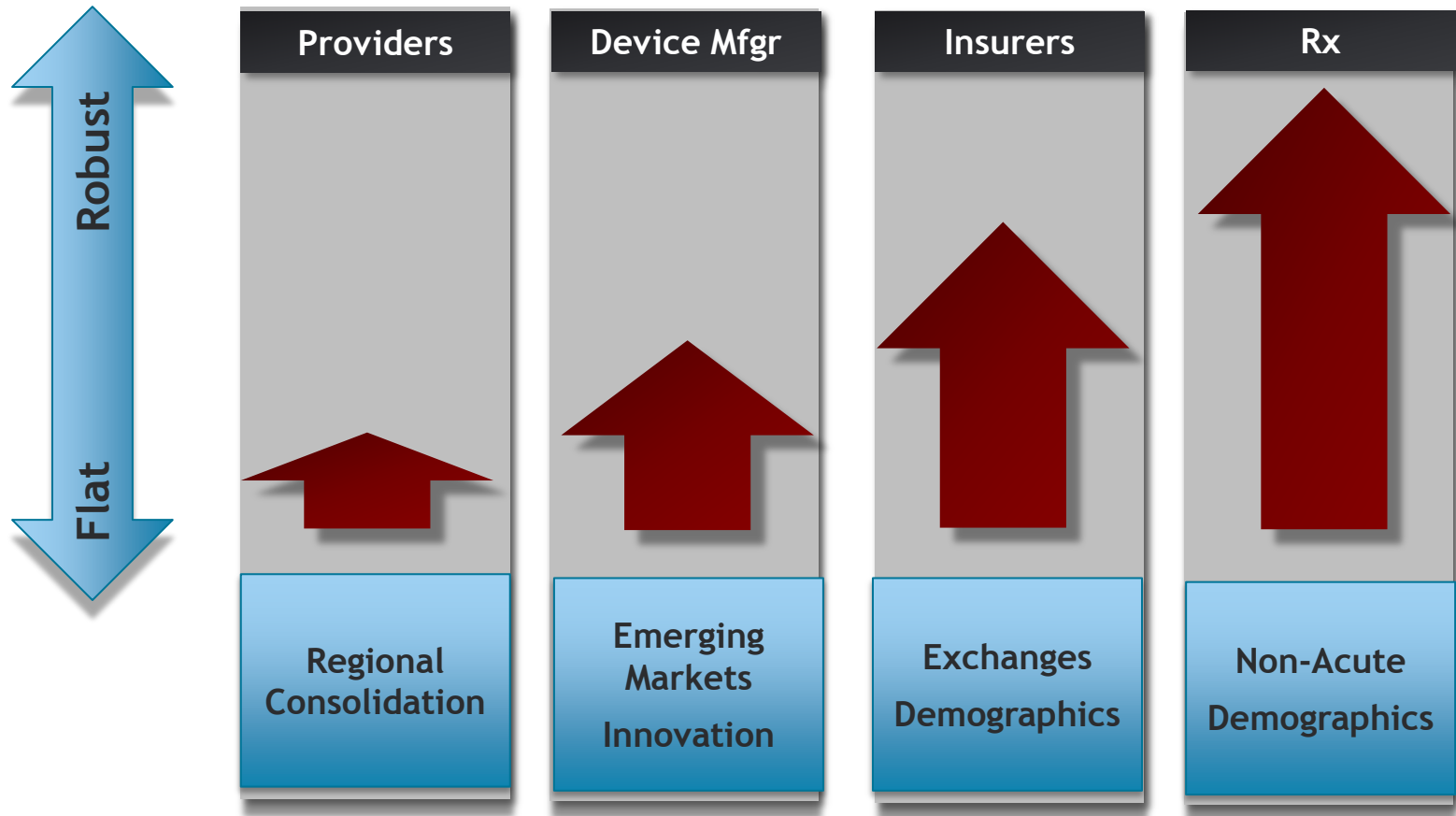
Reflective of federal efforts to shift Medicare to outpatient setting?

Total Change 2006-2011



The Matrix

Four Alternative Views of Near-Term Growth Prospects in Healthcare



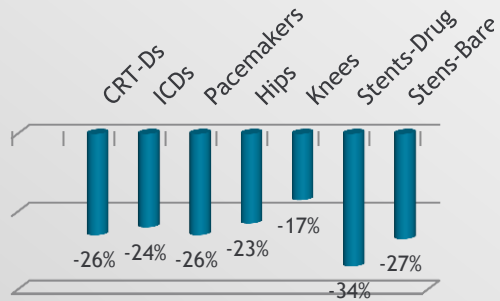
Source: O&M Business Intelligence, based on company presentations at 2014 JP Morgan Healthcare Conference

A Brave New World

Healthcare Manufacturing Facing Daunting Challenges . . .

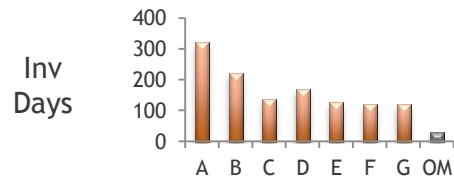
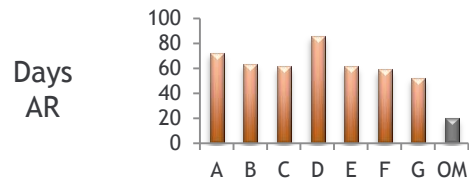
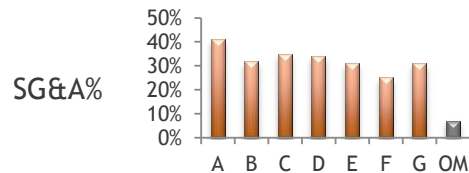
Price Compression

Change in Average Real Prices
2007-2011



Source: Long, Genia, Richard Mortimer and Geoff Sanzenbacher, "Recent Average Price Trends for Implantable Devices, 2007-2011", Analysis Group, September 2013. Research supported by Advanced Medical Technology Association.

Margin Pressures



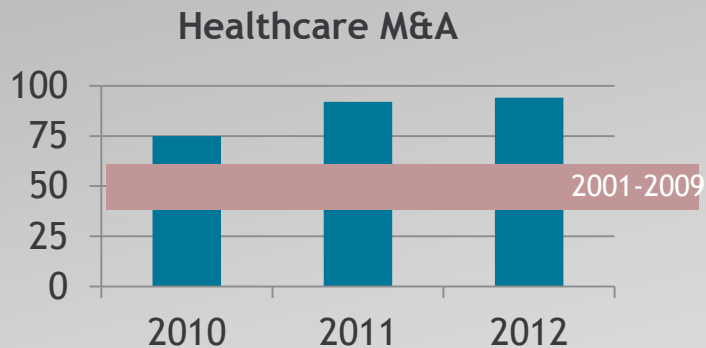
Source: Company 10-Ks, IBM Research Database

Globalization



Monopoly

Provider Consolidation Continues



Source: American Hospital Association data

Top 50 IDNs:

- 33% of hospitals
- 49% of beds
- 44% of net revenue

As of
2012

Source: O&M Business Intelligence, Modern Health 2012 Survey of Largest IDNs

Et Tu, Brutus?

2014 Could be A Pivotal Year For Health Reform . . .

Difficulties

- Website issues
- Implementation delays
- Uncertain impact on total enrollees
- Original backers goals unmet
- Election year dynamics



2014 Implications

- Utilization concerns
- Volume shifts
- Bad debt
- Modifications (not repeal) but, how?

Discussion