

REPORT  
2024 trends

vizient®

# 2024: A year for bold bets



A YEAR FOR BOLD BETS

## 2024 will be a pivotal year for growth in healthcare

The industry has sent strong messages about what to expect for the remainder of the year. It's a pivotal year for healthcare.

Margins are on the rise from their pandemic lows, but the financial cushion for most health systems leaves little room for error. Efforts must continue to reduce costs, optimize the workforce and improve quality. At the same time, executives must use this year to focus on an inside-out approach.



**Sg2, a Vizient® company, recommends prioritizing strategy execution in these four categories:**

1. Revisit your payer strategy
2. Reevaluate your ambulatory business model
3. Change the game in primary care
4. Differentiate through targeted tech adoption

# 1.

## Revisit your payer strategy

### 2024 is the year to make a strategic decision on value-based care.

Many providers continue to thrive under traditional commercial reimbursement models. Yet, there are organizations with a new willingness to engage the Medicare Advantage and Managed Medicaid market space. Given changing demographics, intentional strategy development in this space is non-negotiable.

Since its origin, value-based care has evolved at a glacial-like pace. However, in the absence of commercial payers keeping systems whole, it's time to reconsider how to address the total cost of care as a market play.

### How leaders should respond

- Guide strategy based on future trajectory, not solely on current market dynamics.
- Optimize the mix of fee-for-service and value-based care payment models, paying attention to an intentional MA strategy. Decide whether resources are sufficient to create MA products or rely on a better-equipped partner.
- Consider the approach to managed Medicaid as new entrants zero in on government payers, and evaluate if on a path to value-based care.

### Medicare Advantage: assess your strategic approach

#### Keep the status quo

Face challenges

Questionable utilization review

Providers threaten out of network

Payer lawsuits

#### Invest in strategic initiatives

Face opportunities

Payer alignment

Partner with VC or PE

Provider-backed MA plans



# 2.

## Reevaluate your ambulatory business model

### Revenue growth also is contingent on a right-sized ambulatory footprint.

It's time to revisit your ambulatory business model(s). Renew your organization's focus and discipline to achieve breakthroughs in access and to decompress your inpatient business.

Large systems are going to allocate scarce capital toward a broad portfolio of ambulatory models. But, ambulatory facilities are only a piece of the larger puzzle.

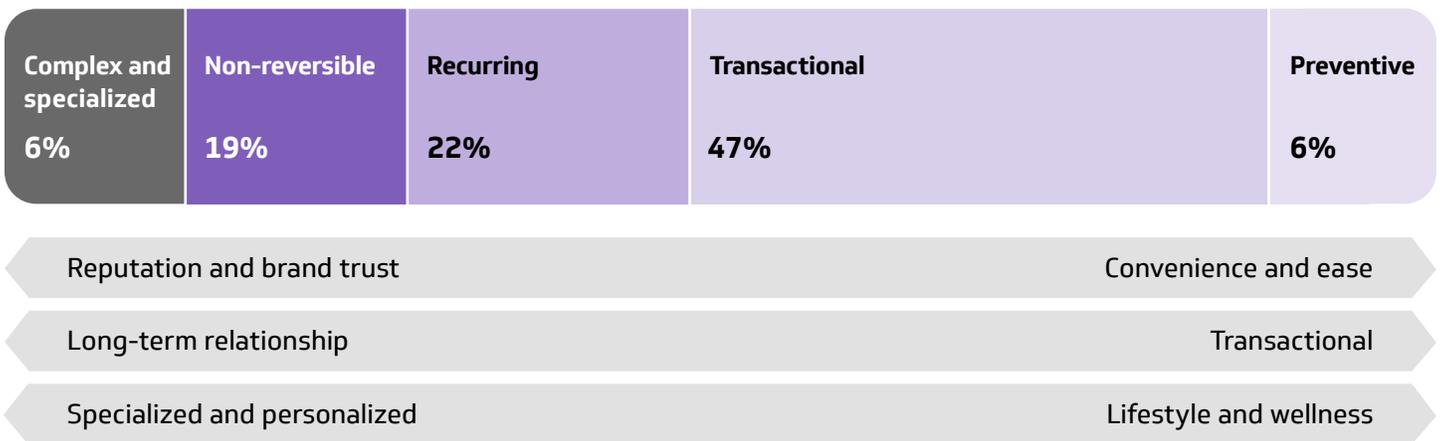
Healthcare consumer loyalty has been eroding over the past two years. Patients have demonstrated that if they can't access your providers and facilities, they will gladly go elsewhere. This means that success in the ambulatory space must include consumer segmentation and an understanding of "share of wallet."

Here's your starting point: segment your outpatient volumes by type of clinical care to assess consumer need and opportunities to differentiate.

### How leaders should respond

- Better understand consumer purchasing patterns and preferences to build loyalty.
- Embrace opportunities to differentiate by proactively addressing price transparency; get ahead of state-level price transparency mandates.
- Segment the ambulatory market to illuminate gaps; capitalize on opportunities to differentiate with models tailored to specific segments.

Adult outpatient volumes by CARE family subtype US Market, 2022



Note: Volumes and forecast exclude COVID-19 admissions. Analysis excludes 0–17 age group. Non-reversible Combined Cancer and additional CARE Families represented on the 2022 Sg2 Chronic Care List and CDC-defined chronic conditions. Preventive combined three CARE Families: Preventive Wellness Visits, Gynecological Wellness Visits, and Screenings and Follow-Up Encounters. Recurring and transactional CARE Families were defined by calculating new patient evaluation and management (E&M) visits to overall E&M visits and using 12.55% (mean) as a threshold; CARE Families in one of the other three categories were excluded. Sources: Proprietary Sg2 All-Payer Claims Data Set; IQVIA; Sg2 Analysis, 2022

# 3.

## Change the game in primary care

Care customized to specific patient segments is the hallmark of many new entrants in the primary care market.

New market entrants show health systems that primary care is a persistent cause of friction. It's drawing attention to the fact that the traditional primary care model should be reconsidered and reinvented for different consumer segments.

Expect to see more:

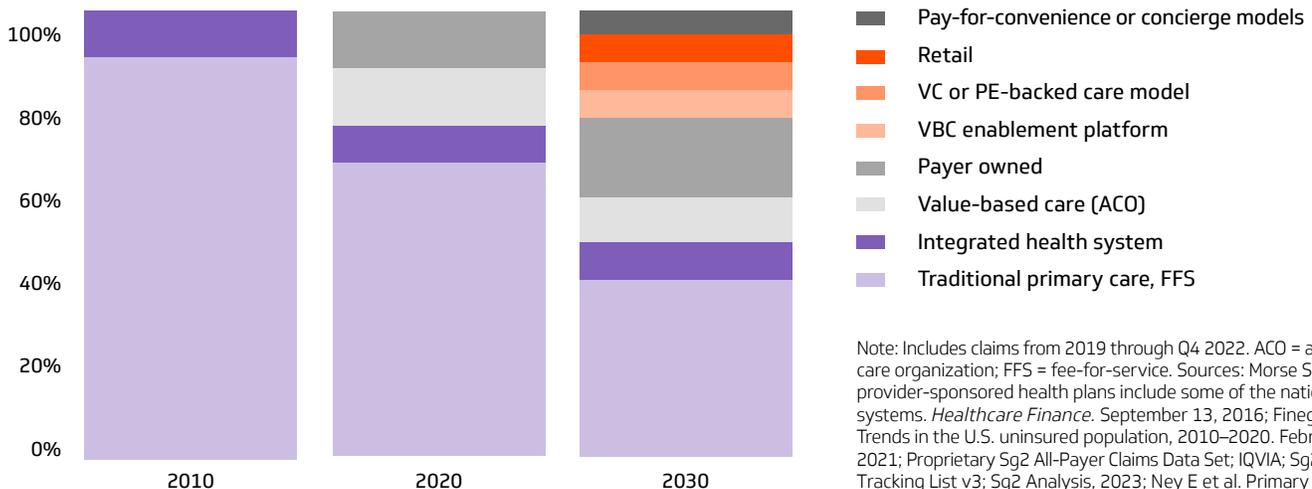
- Transactional access models
- Plays in concierge-like platforms
- Multi-modal care delivery models designed for patients in different types of value-based care models (e.g., Managed Medicare and Managed Medicaid)

Sg2 projects traditional, fee-for-service clinics will comprise less than half of primary care by 2030. In response to that splintering share of care, health system leaders should rethink their practice acquisition strategy and care models.

### How leaders should respond

- Use analytics to pinpoint key growth segments of the market, doubling down on consumer insights into those segments and existing gaps in primary care models.
- Identify new entrants that are filling care gaps or developing and scaling new models to craft the optimal strategic approach: Should we partner or compete?
- Hone partnership implementation skill sets; determine the mutual value of each party in a potential partnership.

Evolving share of primary care, by provider, payment model



Note: Includes claims from 2019 through Q4 2022. ACO = accountable care organization; FFS = fee-for-service. Sources: Morse S. 25 biggest provider-sponsored health plans include some of the nation's biggest systems. *Healthcare Finance*. September 13, 2016; Finegold K et al. Trends in the U.S. uninsured population, 2010–2020. February 11, 2021; Proprietary Sg2 All-Payer Claims Data Set; IQVIA; Sg2 Disrupter Tracking List v3; Sg2 Analysis, 2023; Ney E et al. Primary Care 2030: Innovative Models Transform the Landscape. *Bain & Company*. July 11, 2022.



# 4.

## Differentiate through targeted tech adoption

Many systems still see technology as a feature for market differentiation and care delivery innovation.

The question for 2024: are processes in place to ensure adoption is in step with accelerating consumer uptake? Evolving artificial intelligence tools, home DNA testing, new cellular based therapies, telehealth visits and use of digital devices that capture real-time health trends all show exponential growth.

Transformative clinical advances that bring new treatments for chronic disease and targeted cancer therapies also have strategic implications. All organizations, not just academic medical centers, must choose where to invest and how to execute.

Wise bets are feasible for those that align investments with service line strategy.

### How leaders should respond

- Assess programmatic needs and available technology options; ensure that the operational foundation is in place to execute.
- Consider participating in clinical trials, especially for academic medical centers and children’s hospitals. Forging partnerships with new entrants may allow more patients to access highly specialized programs.
- Ensure that service line structure and governance support agile responses to changes in the environment and technology.



Rx discoveries



Gene therapies



Diagnostics at home



3D printing



Rx = prescription

## To sum it up

Countless challenges will compete for the attention of health system leadership. Operational and strategic work still needs to happen given the persistence of capacity constraints, behavioral health solutions, post-acute care, service line optimization and pharmacy.

Vizient remains committed to being a trusted adviser on these challenges as we help providers deliver on bold bets. Reach out to us today to discuss your bets.



# Resources

- 1 Claritas Pop-Facts®. Published 2023.
- 2 Claritas Health Insurance Estimates Derived for Sg2. Published 2023.
- 3 Sg2 Analysis. Published 2022.
- 4 CMS State Medicaid and CHIP Applications, Eligibility Determinations, and Enrollment Data. Accessed October 2022.
- 5 Kaiser Family Foundation 2022 Employer Health Benefits Survey. Published October 27, 2020.
- 6 CMS MA State/County Penetration. Accessed October 2022.
- 7 CMS Standard Analytical Files 100% Denominator File. Published 2020.
- 8 CMS 2022 Marketplace Open Enrollment Period Public Use Files. Modified June 9, 2022.
- 9 US Census Bureau Small Area Health Insurance Estimates (SAHIE). Published 2020.
- 10 Sg2 Analysis. Published 2023.

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