



PAUL KECKLEY

Executive Briefing

**The U.S. Health System:
Strategic Considerations for
Coronavirus and Beyond**

Austin Healthcare Council

April 9, 2020

The Big Picture: The U.S. Health System

\$3.7 trillion estimated to grow at 5.7% through the decade

18% of US GDP
28% of federal spending
21-42% of state budgets*

complex
fragmented
influential
expensive
change-averse

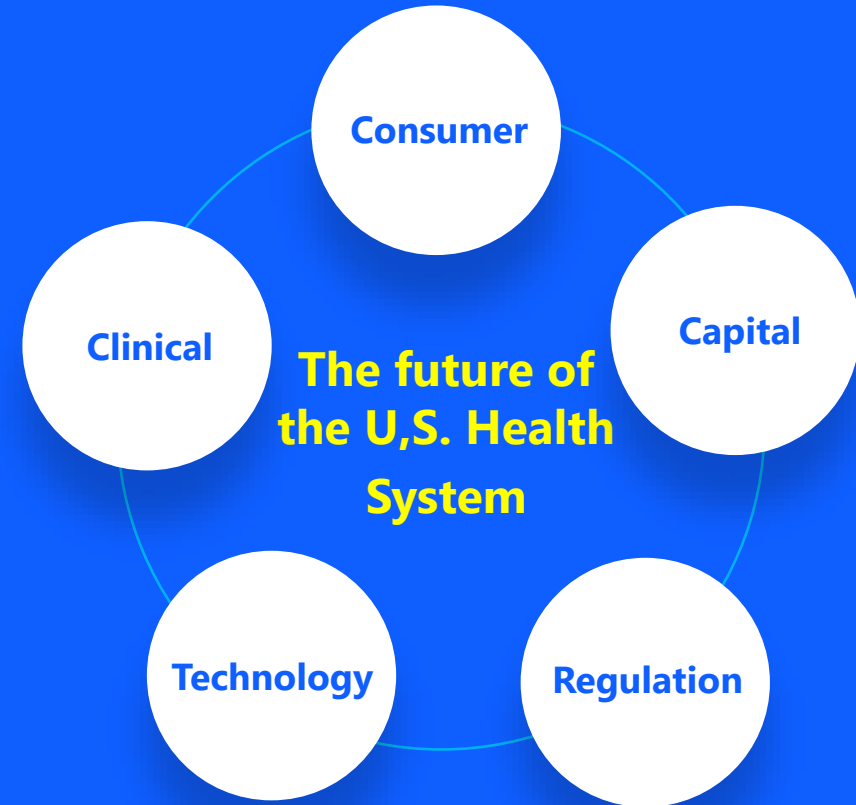


Looking ahead, trends in five zones will define the future for healthcare in the U.S. :

Changes are asynchronous but predictable.

The coronavirus is a game changer:

- Adds \$4 trillion to national debt
- Erodes hospital solvency & liquidity
- Puts spotlight on system access, affordability, profitability



Zone 1

Clinical Innovation

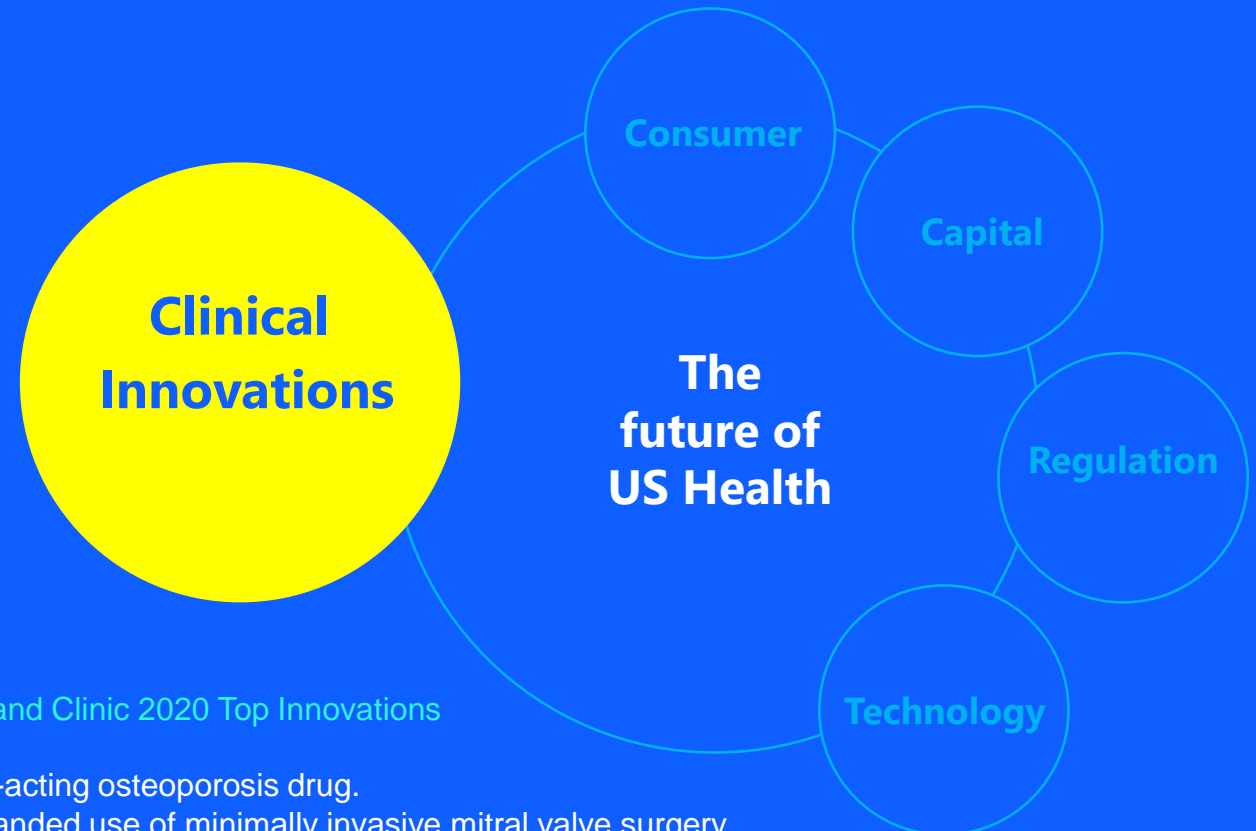
- From episodic to chronic
- From procedures to medications & alternative health
- From populations to personalized care
- Social determinants play significant role

Innovations in diagnostics & treatment are the basis for how care is provided and by whom. Science is being democratized and valid & reliable data more accessible to measure efficacy & effectiveness.

AHC discussion:

What are the frontiers in clinical research that we should understand?

How will they change based on events, science?



Cleveland Clinic 2020 Top Innovations

1. Dual-acting osteoporosis drug.
2. Expanded use of minimally invasive mitral valve surgery.
3. First-ever medication for treatment of transthyretin amyloid cardiomyopathy.
4. Development of new oral immunotherapy medication to reduce effect of peanut allergies.
5. Closed-loop spinal cord stimulation to treat chronic pain.
6. Biologics in orthopedic repair.
7. Antibiotic-embedded envelopes for cardiac implantable device infection prevention.
8. Bempedoic acid to lower cholesterol in statin intolerant patients.
9. Poly-ADP ribose polymerase inhibitors for maintenance therapy in ovarian cancer.
10. SGLT2 inhibitors, or drugs used to treat type 2 diabetes, applied as a new treatment option for heart failure with preserved ejection fraction, also known as diastolic heart failure



Zone 2

Technologies that change how and where care is delivered & by whom

AHC discussion:

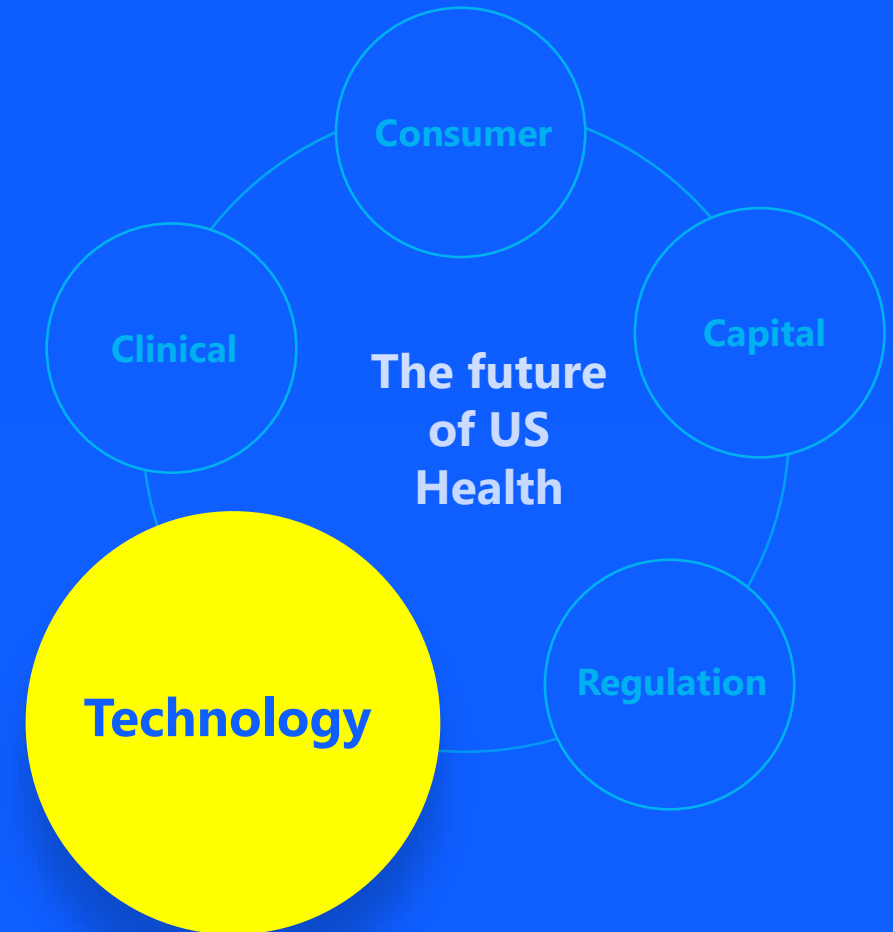
Which technologies offer the highest potential for value creation in the near term?

Technological hotspots in healthcare

- Digital health
- Artificial intelligence
- Telehealth & virtual care
- Robotics
- Smartphones & watches
- EHRs & Artificial intelligence
- Adaptive Clinical Trials
- Et al.

Data structure, retrieval, security & decision rights are transformed by technologies in every sector.

Watch for new technologies that disrupt how care is delivered and funded



**Major Structural
Features of U.S. Health
System Policy
Framework**

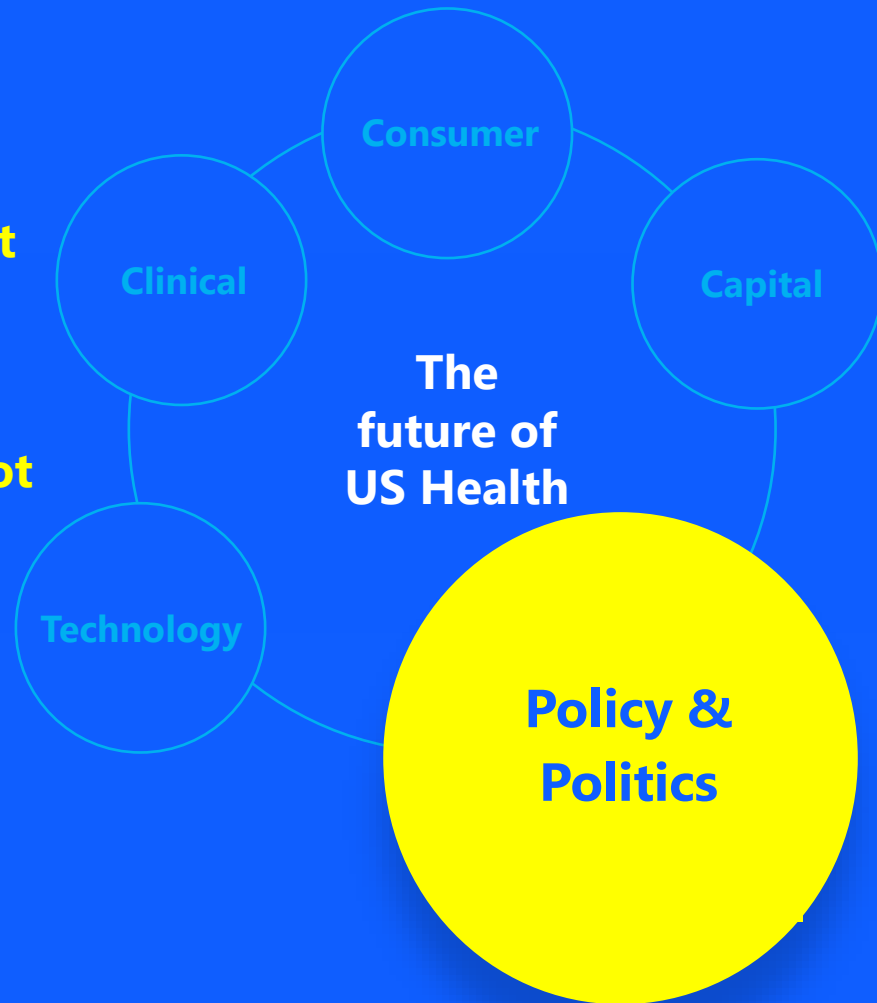
**State & Federal
Regulatory Oversight
of Each Sector**

**Health and social
services programs not
integrated**

Fragmented

Private Delivery

**Public-Private
financing**



Zone 3

The rules and reg's that define roles, responsibility & scope of services.

AHC discussion:

How will state and federal funds be allocated and services rationed?

How will Campaign 2020 impact the financing and delivery of health in the U.S.?

How will regulators stimulate recovery for hospitals?

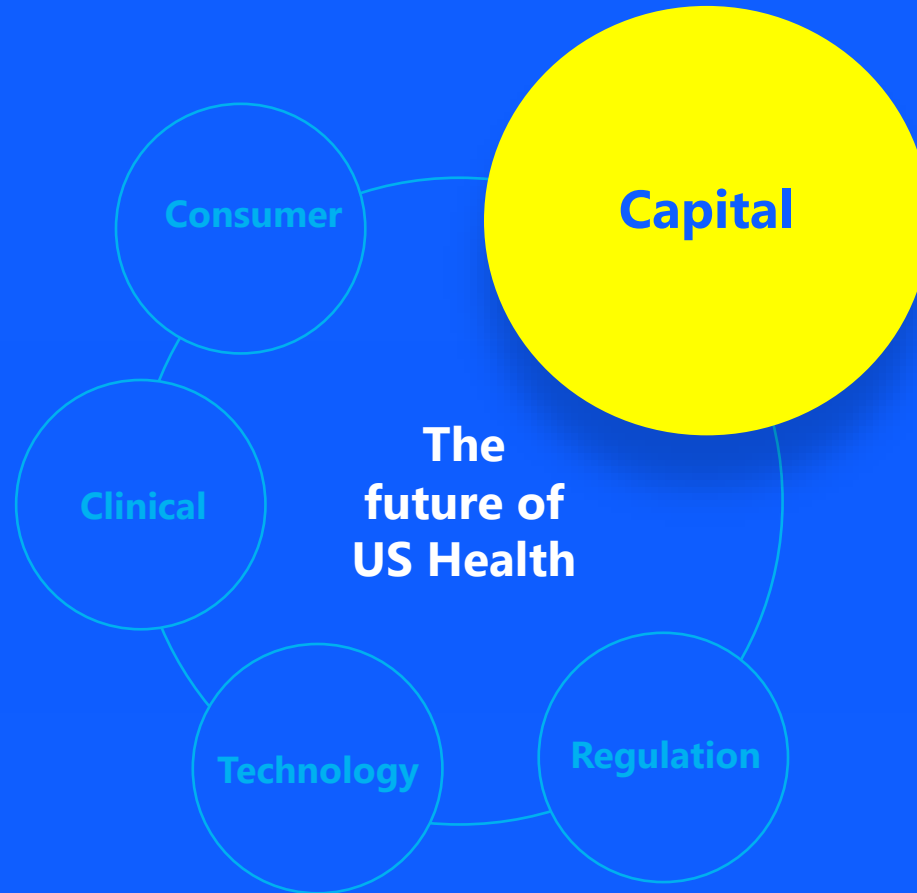
Sources

- Margin
- Debt
- Grants
- Partners

Considerations

Solvency, Liquidity,
Growth, Return on
Capital

Watch for
deployment of capital
from outside
investors and
strategic partners
while monitoring
solvency and liquidity
requirements



Zone 4

Access to and use of capital

Healthcare spending increasing beyond
inflation

Private investments increasingly opportunistic

AHC discussion:

Is public funding adequate? How will it
be sourced?

How will private investments impact
market structure?



Zone 5

Consumers as patients, members, voters and payers.

Healthcare is a key issue in campaigns because it's a pocketbook issue.

AHC discussion:

How important is healthcare to voters?

Household discretionary spending?

In which niches are B2C models necessary to a hospital's future?



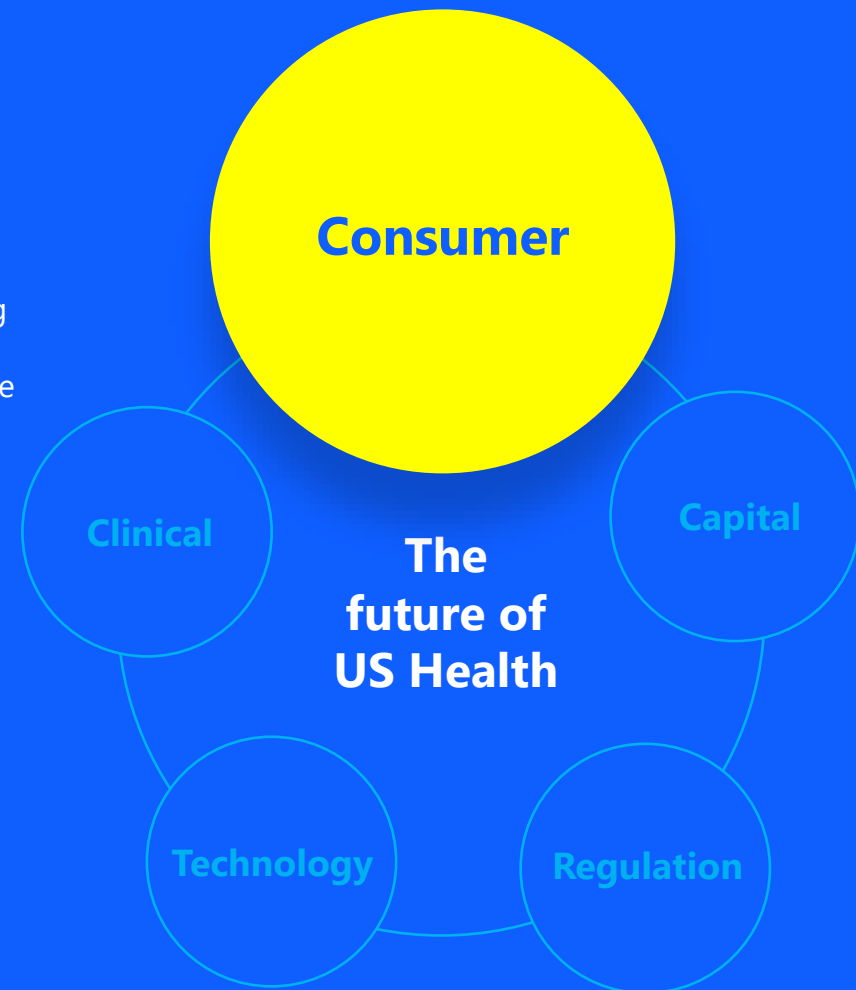
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Key metrics

- Discretionary Spending
- Employment
- Institutional Confidence
- Voting Patterns
- Utilization
- Demography
- Mood

Consumers worry about affordability. They are receptive to alternative financing & delivery options.

Watch for public opinion shift around affordability, trust



In addition to **coronavirus**, the near-term issues are these:

- **CARES Act & Stimulus 2.0**
- DSH, 340B payment cuts resolution
- Supreme Court Review of ACA
- **Campaign 2020 & Health Reform**
- Data privacy & interoperability
- **Effectiveness of alternative payment models**
- Drug price controls

and some long-term policy shifts that should be monitored:

- **Constraints on private equity**
- DOJ/FTC consolidation rule changes
- **Drug importation + comparative effectiveness**
- Patient risk sharing in payer arrangements
- **Expansion, re-calculation of MA (Part C)**
- Public health funding
- **Balancing profit and purpose**
- **Economic recovery: The Recession!**





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