



2024 HEALTHCARE OUTLOOK



From **BILL KERR, MD**, CEO, Avalon Healthcare Solutions

What to Expect in Healthcare in 2024

Though the COVID-19 public health emergency ended last year, healthcare is still recovering from its effects. Healthcare systems struggle with lower operating margins and higher labor costs. The country faced a provider shortage even before the pandemic; it's only worsened since. Consumers are more willing to embrace alternative healthcare delivery models, and non-traditional players, from retailers to tech companies, are staking their claims in this space.

All of the above are reasons why healthcare in 2024 needs to accelerate the transition to value-based care and control costs while improving delivery and outcomes.

Let's look at the trends that will affect healthcare in the coming year:



The Economy

The overall economy fared better in 2023 than many predicted. Inflation, though still high, is declining, and job creation has been steady. The Federal Reserve projects a GDP growth of 1.5% this year.

While this is good news, healthcare has its own economy, one wracked by labor shortages and unrest, rising costs and uncertainty. Hospital systems will seek to control costs and return to profitability through mergers, workforce reductions, workflow efficiencies, and limited investment in new technology.



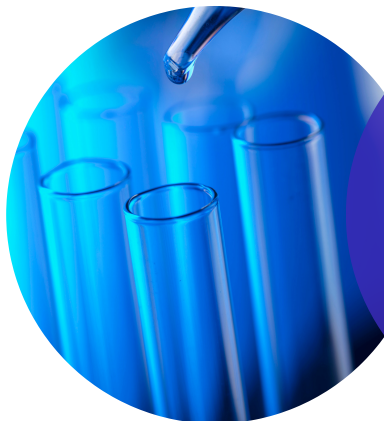
Rising Costs and Healthcare Unaffordability

Virtually everything having to do with healthcare, from insurance to drug therapies, is getting more expensive. Simultaneously, and not coincidentally, healthcare therapies are getting more powerful, targeted, and effective. Deciding who pays for these treatments, when, and how much is going to be at the front of healthcare policy discussions this year. Consider Leqembi®, which the FDA approved in July. It's the first drug proven to slow Alzheimer's disease, and the demand is high, but so is the cost – about \$26,500 a year.

Carriers and regulatory agencies will struggle with what to cover and how to pay for it.

Speaking of health insurers, healthcare insurance premiums last year rose a national weighted average increase of 6%, with substantial regional variance. It doesn't take a crystal ball to predict that premiums will continue climbing in 2024, possibly at an even higher rate, as inflation belatedly catches up to private insurance.

In response to rising prices, this year will see more employers exploring direct contracting, in which vendors contract for specific health services and work directly with employers, bypassing health plans and third-party administrators. A large-scale example is Disney contracting directly with Orlando Health for its employees in Florida. A more typical scenario would be a vendor contracting for imaging or other specific services on behalf of an employer.



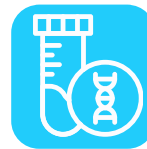
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This cost tidal wave hurts Americans' ability to access and afford healthcare. The results range from crippling medical debt to avoiding or delaying medical care with the resulting harm to individual, and population health and wellbeing.



Medicaid Redetermination

As many as 15 million Medicaid beneficiaries could be removed from the program since redetermination requirements were reinstated with the end of the COVID-19 public health emergency. However, more than seven in 10 disenrollments have been for procedural reasons, such as a state's inability to contact an enrollee, and not for eligibility reasons. Expect Medicaid rolls to continue to shrink in 2024, though at a slower pace. Plans that administer Medicaid for states will lose more customers. Some disenrolled people will join health insurance exchanges, but others will simply be left uninsured. Insurers most exposed to lost enrollment due to Medicaid redetermination were heavily impacted last year.



Genetic Testing

Powered by explosive growth in the number of tests and consumer interest, the volume of genetic testing will continue to climb. This will challenge the ability of providers and payers to determine which tests are clinically valid and which should be paid for. The industry faces a lag in coding practices and reimbursement models related to genetic testing, necessitating innovative solutions.



Consumerism

The traditional healthcare delivery model through a hospital or doctor's office continues to erode as providers look for greater efficiency and patients

prioritize convenience. For many consumers, healthcare has become just another commodity, one to be purchased at the best price and in the most convenient manner. As consumers continue to become more involved in managing their care, providers must be more flexible and creative in delivering it.



Artificial Intelligence

There was no hotter topic in healthcare this year than AI, as everyone from insurers to surgeons struggled to come to grips with its capabilities, its pitfalls, and how they might put it to use. While 2023 was more promise and hype than reality, AI will continue to improve in 2024, and healthcare vendors, providers, and insurers will refine their approaches to using it. Also, expect some pushback from regulators and consumer groups wary of AI making care decisions. Acting under the administration's executive order, the Department of Health and Human Services will struggle to balance supporting the development of AI with safeguarding patients, consumers, and workers.



Biomarker legislation and Lab Developed Tests (LDTs)

Biomarker legislation is gaining momentum in multiple states, but there is no uniform definition of what constitutes a biomarker and no consensus on which tests are clinically valid. The tendency in the legislation is to require insurance coverage for any test ordered by a provider. This could open the door to a world of problems, including waste, false positives, etc.

Because the legislation is so broad, payers will write their own policies defining what they will cover.

The federal landscape concerning lab-developed tests (LDTs) is shifting, with significant implications for laboratories and healthcare providers. The FDA proposed rule to treat in vitro diagnostics as medical devices, recently supported by CMS,

speaks to the significant role LDTs play in healthcare, and when they are performed poorly or are not supported by the science, they put patients at risk. The goal of the CMS and FDA's complementary framework is to assure patients and providers that they can rely on the clinical validity and accuracy of LDTs.

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Mandates and regulations

Though presidential election years tend to be quiet legislatively, 2024 will see some significant changes, primarily through agency rulemaking.

For example, CMS in January finalized a new rule mandating improvements in the prior authorization process for government-run health plans, which will require carriers to upgrade their processes and EHR integration. Another rule on e-prescribing and real-time pharmacy benefits is expected to come this year. CMS has until September to announce prices for the first 10 drugs in the Medicare drug negotiation program.

Congress might address pharmacy benefit reform and implement more price and operational transparency, such as requiring disclosing prices for lab tests, imaging, and ambulatory surgical centers.

This year also will see a lot of discussion and study of AI in light of the executive order requiring the development of policy to manage AI risks and regulate its use.

Lastly, the U.S. Supreme Court is likely to at least partially overturn the precedent that allows federal agencies to interpret laws protecting consumers, public health, and the environment. This could have enormous implications for the ability of agencies like CMS to form healthcare policy. ■