

Next in Health 2023

Leading disruption through the downturn

Health services executives find themselves at an inflection point in 2023. They face the complex mission of transforming the patient and member experience while economic forces converge to make 2023 a year of reckoning and restructuring. Many are operating with aging technology, outmoded business models and frayed infrastructure. Medical and tech innovators and start-ups are disrupting the market, and care models are being reimaged, giving rise to remote and retail care locations. COVID-19 had already laid bare the challenges of achieving health equity for everyone, while profit margins were becoming razor-thin.

The new year requires more than a recession-ready strategy. It's imperative to build new capabilities and seize competitive advantage, and every health plan and system needs to summon the courage to change. Those organizations that hold too tightly to traditional playbooks and are complacent in challenging historical roles and views of their purpose risk falling further behind.

The stakes are high. PwC research shows we're in the middle of a five-year, \$1 trillion revenue shift away from traditional healthcare payers and providers. By 2030, we expect the sector to move into a new health ecosystem. We believe the greatest potential lies in embracing new roles as orchestrators, integrators, and platform and solutions players in the health ecosystem.

- Orchestrators focus on delivering seamless, humane experiences and outcomes to consumers. Patients benefit from greater choice, transparency and control.
- Integrators help align incentives and reduce waste and variability in healthcare by offering a simpler, more convenient experience for consumers.
- Platform and solutions players focus on creating technology and cloud infrastructure for exchanging, storing and integrating data. These higher quality insights help create a more effective marketplace.

Health services companies that follow their North Star — finding ways to develop stronger relationships with consumers and improve the patient experience, rethinking traditional workforce and business models, and continuing to invest in technology and innovation — will likely be well positioned for what's next. No matter which role payers and providers choose to play, here are six pivotal issues that are critical to remaining competitive and leading in 2023.



Six pivotal issues for the industry in 2023:

- **Confronting affordability and disrupting costs**
- **Digitizing healthcare**
- **Attracting and retaining customers**
- **Rethinking risk**
- **Solving clinical workforce shortages**
- **Delivering deals value**



Confronting affordability and disrupting costs

The lingering effects of the pandemic and the uncertain economic environment are leading payers and providers to pursue near-term cost actions through **Fit for Growth** principles for cost and capabilities rebalancing. Even the largest at-scale health plans and health systems — which seem to be maintaining the high ground — are pushing hard on costs, capital and their future. But in order to address affordability, competitive threats and their own structural barriers, they're finding there are no quick fixes.

The business environment of 2023 will likely force all health plans and health systems to confront affordability head on. They need to reshape strategies, reengineer financial and business models to aggressively deliver greater value — or others will. They need to seize every transformational opportunity — from foundational technology investments, regulatory shifts, deals or crises — to clear the path for a drastically different cost, capabilities and business footprint by 2030.

Looking ahead

- Legacy plans and systems can confront cost by managing staffing to demand, contracting labor spending, employing effective capacity management, embedding automation, rethinking strategic sourcing and partnerships.
- Health equity goals need to become embedded in business and operating plans, delivering greater affordability, access and quality across populations.
- Delivering value-based care and innovation will become part of healthcare's DNA, enabling affordability for all and improving the patient experience.
- Plans will use leading technologies to address cost trends and take preventive actions.
- Administrative and medical cost efficiency will become a continuous improvement muscle, driving more repetition and more sustainable outcomes.

Health plans and systems need to have the courage to set a new course.

Thom Bales

Partner
Health Services Consulting Solutions Leader
PwC US



Learn more

- [Charting your growth plan](#)
- [Business transformation: Accelerating outcomes to unlock value](#)
- [Reimagining the patient experience](#)





Digitizing healthcare

Data is the currency of the new connected ecosystem. Health systems will continue transforming healthcare delivery through digital health and analytics that access capabilities faster, deliver more effective operating environments, and provide greater convenience and a seamless consumer experience.

Technology and cloud infrastructure allow stakeholders to exchange, store and integrate data and enable interoperability. It's also the foundation of a vastly improved and more seamless experience for every stakeholder in healthcare — consumer, member, clinician, employer and even regulator. The largest health plans are setting the stage with technology-enabled budgets of \$1 million or more, and leading health systems are embracing the cloud. More than 30 health systems have invested \$2.5 billion in remote monitoring and home health, alongside an additional \$1 billion to support digital capabilities — and that number is rising according to PwC's Hospital of the Future 2022 study.

Looking ahead

- The industry will find value in data-sharing partnerships that take advantage of a surge of medical information from wearable sensors and other health-monitoring devices. Many will boost investments in digital tools to be more effective and nimble.
- AI will be transformational. Tech-led partnerships will serve as sources of innovation and collaboration, enabling better clinician staffing as well as diagnosing and treating patients using at-home blood tests, telepathology, medical imaging, data repositories and more.

60%

of executives say digital transformation is their most critical growth driver.

Source: PwC Pulse Survey, January 2022

Learn more

- [How will your organization meet the demands of healthcare consumers?](#)
- [Using AI to help manage rare disease in a groundbreaking initiative](#)
- [Care management: PwC](#)



Attracting and retaining customers

The sector is embarking with renewed energy on the quest for members and patients. Trust and loyalty remain paramount. The intersections between brand, experience and reimbursement are more frequent than ever — led by consumer behavior and supported by shifts in performance measures such as Medicare STARS and CAHPS (Consumer Assessment of Healthcare Providers and Systems) surveys. Payers and providers are investing in engaging earlier and in new ways with members and patients, deepening the relationship.

With 10,000 Americans aging into Medicare every day, according to the U.S. Department of Health and Human Services, capturing this customer population requires awareness of overlapping needs for improved relationship management, segmentation, marketing, analytics, product innovation and engagement. Providers seeking to be the preferred choice will want to enhance digital experiences, and new approaches to provide better access, via apps, portals or other tools.

Looking ahead

- Government programs set the agenda for investments in customer attraction and the capabilities extended to private and commercial members and patients. The demand for telehealth and virtual care, for example, surged during the pandemic as the federal government loosened restrictions on telehealth reimbursement for Medicare patients.
- Customer attraction and retention will likely become further integrated with reimbursement and revenue, driving new investments in member insights and engagement to manage STARS and CAHPS surveys that gauge the experience of Medicare members.



Learn more

- [The future of the Medicare customer: PwC](#)
- [Creating loyalty in volatile times](#)

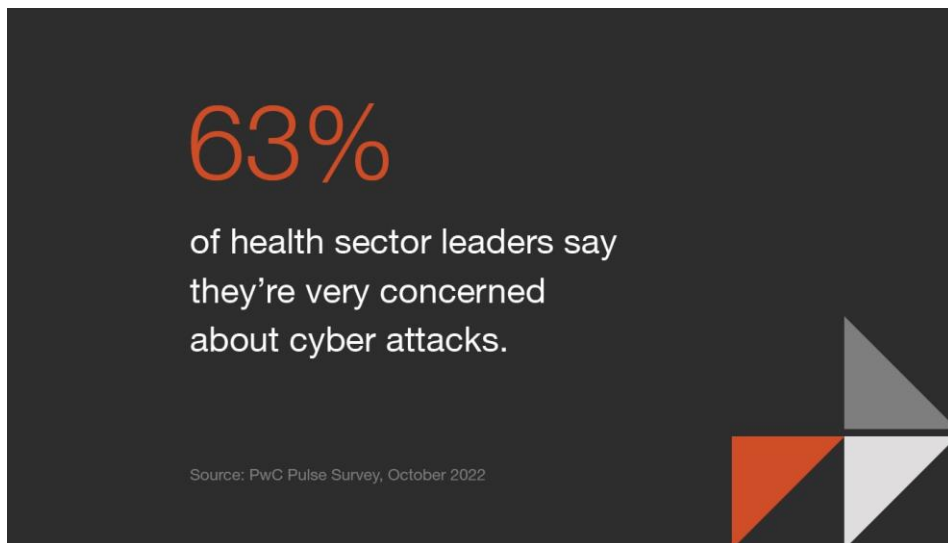


Rethinking risk: resetting strategies and raising the bar

Healthcare is a major target for cybercrime, according to PwC analysis. With healthcare's shift toward digitization and customer centricity, business and operations risks are also evolving, requiring rethinking of risk management and controls. The past year was struck by cyber breaches, and all indications point to 2023 keeping pace, if not being even more challenging in the face of global events. **Cyber attacks** may bring delayed patient care, loss of privacy or even more severe brand and economic consequences. As organizations look to transform their operations to evolve the customer experience, reduce costs and improve efficiency, they need to be vigilant in anticipating, understanding and controlling their risks in compliance, operations, finance and technology.

Looking ahead

- PwC anticipates greater regulatory oversight activity as we emerge from the pandemic, further pressuring the sector's already slim margins.
- Cyber threats, competitive disruption, crisis response, catastrophic readiness, business continuity and contingency planning, consumer trust, quality and safety, and supply chain disruptions are all areas of risk in healthcare. The sector needs to raise the bar to more proactively navigate this changing **risk and regulatory** landscape and protect organizations and patients through effective **cybersecurity and privacy** practices.



Learn more

- **In the health industries, your data is your lifeblood. How secure is it?**
- **Navigating regulatory risk and compliance challenges to succeed in the New Health Economy**

The callout box has a bright yellow background. At the top, the text 'Learn more' is in a pink font. Below it are two bullet points, each with a bold, underlined title. At the bottom right, there is a decorative graphic of overlapping triangles in shades of yellow, orange, and grey.



Solving systemic clinical workforce shortages and productivity game changers

Clinical workforce shortages pose risks to a healthcare industry crippled by low employment growth rates, leading to significant margin losses and, in some cases, even hospital closures. More nurses left the profession in 2021 than in any previous year, according to the U.S. Bureau of Labor Statistics, and physician burnout and aging out in many specialties are well documented.

Healthcare executives can take steps to be more proactive in developing the nursing workforce pipeline and attracting talent into a more agile and tech-enabled workplace. Simultaneously, they need to set aggressive goals on doing more with less — considering, for example, what would a path to reducing the need for clinical and administrative resources by 50% look like? How can the promise of technology realize more ambitious productivity gains? Setting an aggressive digital- and automation-led agenda can improve productivity, push the boundaries for the licensed care team design and roles (including the role of the home caregiver) — all while minimizing administrative burden. Integral parts of the solution are telemedicine and digital care, which enable clinicians to work at their optimum level while offering new sites for care and greater patient engagement.

Looking ahead

- New approaches to delivering care need to be created, including clinical practice models that require fewer on-site resources. Providers might, for example, explore upskilling staff, raising salaries for on-site nurses and enabling the rest of the nursing staff to work from home.
- Better automation of certain aspects of care would enable nurses to spend more time with patients and less time on administrative or lower priority tasks.
- The use of AI language model chatbots can help provide patients with real-time interactive conversations and a range of services, from scheduling appointments to filling prescriptions to answering questions 24/7.

60%

of US workers say they can thrive in the future world of work and adapt to new technologies.

Source: PwC's US Hopes and Fears Survey 2021

Learn more

- [Strategies to educate, recruit and retain nurses to combat the nursing shortage](#)
- [How the US can overcome the shortage of healthcare workers](#)



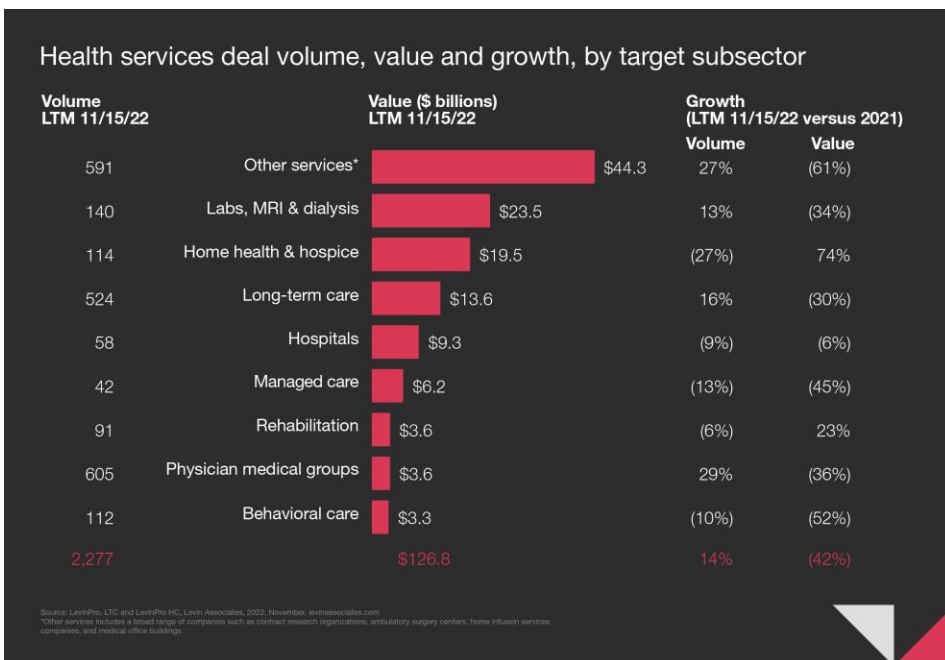
Delivering deals value

PwC sees a strong outlook for deals in the health services sector. The operative word is value, which remains the driving force. Payer-provider convergence and headline-grabbing investments from nontraditional players underlie the broader evolutionary theme of the sector. Fee-for-service models are in the rear-view mirror as more players embrace value-based care throughout the ecosystem. Large nationals will likely continue to broaden and deepen their portfolios, regionals will seek scale to keep up and become larger regionals themselves, while private equity and venture capital companies will likely continue to find ways to carve out business at the pinch points.

Value-based care provider models, and the enabling technologies and services that accommodate them, continue to be prime targets for investors who want to ride the sector’s volume tailwinds while minimizing reimbursement and other regulatory risk. Value will likely take the shape of companies focused on primary care, home health, consumer technology, data and digital platforms. Portfolio rebalancing will result in opportunities for divestitures.

Looking ahead

- Continued regulatory and industry trends can shape the speed and ability to close important health transactions.
- We can expect continuing challenges in this highly-regulated sector. Antitrust reviews, for instance, have yet to focus much on the cross-sector convergence with nontraditional players, but these deals may begin to draw heightened attention given their size and publicity. Longer-term uncertainty and potential variability is likely to remain.



Learn more

- **Health services 2023 outlook: Deal volume remains resilient despite headwinds**



Contact us



Thom Bales

Partner, Health Services Consulting
Solutions Leader, San Francisco,
PwC US

[Email](#)



[Laura Robinette](#)

Global Engagement Partner, Health
Industries Trust Solutions Leader,
Raleigh-Durham, PwC US

[Email](#)

