

Premier Health Briefing

US Healthcare in 2022 and Beyond: Implications for Illinois Small & Rural Hospitals



June 16, 2022

Paul H. Keckley, Ph.D.

The Keckley Report

www.paulkeckley.com

pkeckley@paulkeckley.com

Context: Rural Health: *A Strategic Perspective (CDC)*

People who live in rural areas, for example, are more likely than urban residents to die prematurely from all of the five leading causes of death: heart disease, cancer, unintentional injury, chronic lower respiratory disease, and stroke. About 46 million Americans—15% of the US population—live in rural areas. Causes...

Health Behaviors: Rural residents often have limited access to healthy foods and fewer opportunities to be physically active compared to their urban counterparts, which can lead to conditions such as obesity and high blood pressure. Rural residents also have higher rates of smoking, which increases the risk of many chronic diseases.

Health Care Access: Rural counties have fewer health care workers, specialists (such as cancer doctors), critical care units, emergency facilities, and transportation options. Residents are also more likely to be uninsured and to live farther away from health services.

•**Healthy Food Access:** National and local studies suggest that residents of low-income, minority, and rural neighborhoods often have less access to supermarkets and healthy foods.

•**Demographic Characteristics:** Residents of rural areas tend to be older, with lower incomes and less education than their urban counterparts. These factors are linked to poorer health.

 pkeckley@paulkeckley.com

Paul H. Keckley, Ph.D., The Keckley Report

Overview: The U.S. Health "System"

Economics 2020:

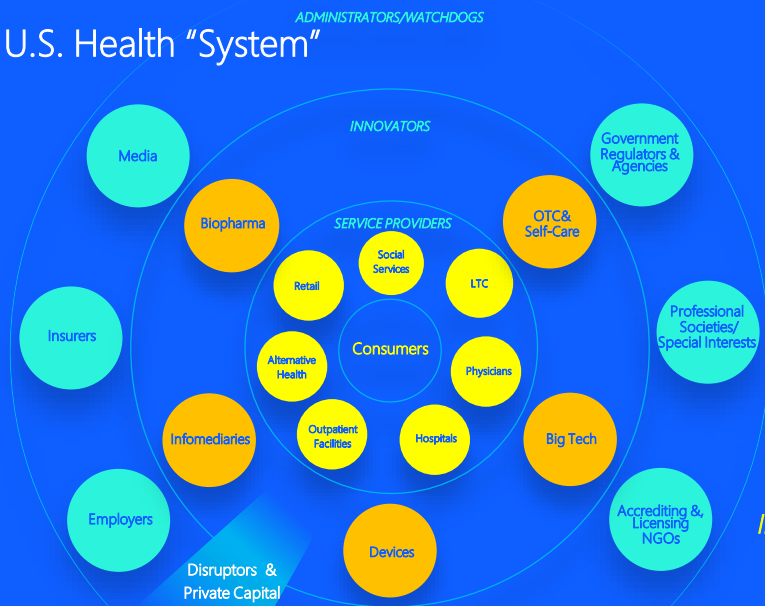
\$4.1 trillion spending

\$12,005/capita

18 million direct employment

19.7% of GDP

5.4% CAGR thru '28



Characteristics:

- Complex
- Fragmented
- Highly regulated
- Labor intense
- Capital intense (Public & Private)
- NFP, Public & Investor Ownership**

pkeckley@paulkeckley.com

Context: Illinois hospitals operate in a traditional market that's not experiencing population growth: major near-term structural change is unlikely

Industry trends and disruption evolve from five zones:

Observations:

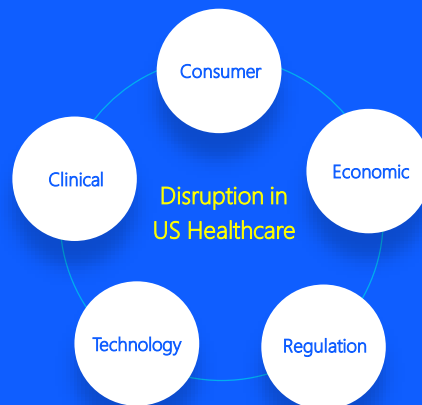
- *Changes are asynchronous and predictable.*
- *The pandemic is the game changer!*
- *Regulatory policies lag industry trends.*
- *The system is not sustainable. It is ripe for disruption.*

Responding: time-frames...

NOW (1-2 years)

then FAR (8-10 years)

NEAR (3-5 years)



Context: Illinois hospitals also operate in a competitive market: proxemic to hubs in IN, MI, KY, WV, PA + disruptors.

pkeckley@paulkeckley.com

Zone 1


Clinical Innovation

Incremental

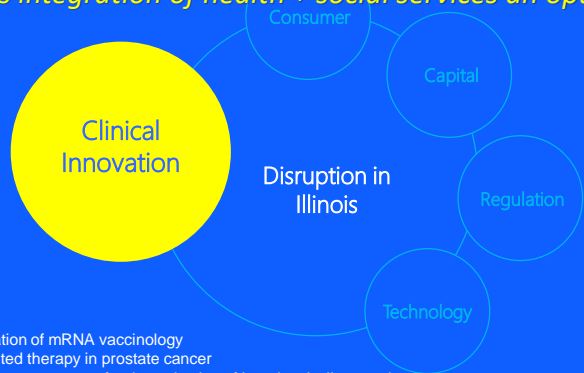
- From episodic to chronic
- From procedures to medications & alternative health/whole person care
- From populations to personalization
- From experience to evidence (data)

Transformational:

- *Hospital to home*
- *Disease reversal drugs*
- *Self-care*
- *From opaque efficacy to democratized effectiveness*

 pkeckley@paulkeckley.com

Where should clinical emphasis be for long-term sustainability for IL small & rural hospitals? Where are the gaps between rural & urban services? Is integration of health + social services an option?



- Next generation of mRNA vaccinology
 - PSMA-targeted therapy in prostate cancer
 - Inclisiran, a new treatment for the reduction of low-density lipoproteins
 - Once-weekly injectable dual glucose-dependent insulinotropic polypeptide, a novel drug that treats Type 2 diabetes
 - Brexanolone, intravenous infusion treatment to treat postpartum depression
 - Targeted medication for hypertrophic cardiomyopathy
 - Nonhormonal alternatives for menopause treatment
 - Implantable brain-computer interface technology for severe paralysis
 - Artificial intelligence for early detection of sepsis
 - Predictive analytics for hypertension
- Cleveland Clinic Top Clinical Innovations of 2022*

Zone 2

Technology

Incremental

- Automation & machine learning
- Robotics
- Portable diagnostics
- Virtualization
- Artificial IQ

Transformational:

- *Telehealth 2.0*
- *Smart homes & devices*
- *Automation*
- *AI & decision support*

 pkeckley@paulkeckley.com

Which technologies are necessary to optimize value proposition for gap-filling services? What mechanisms enable technology access?



Technology facilitates better, cheaper ways of doing business

Technologies change where and how services are provided and by whom

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

What state/federal resources are necessary to systemness? Health + human services? Which shared services are most scalable?

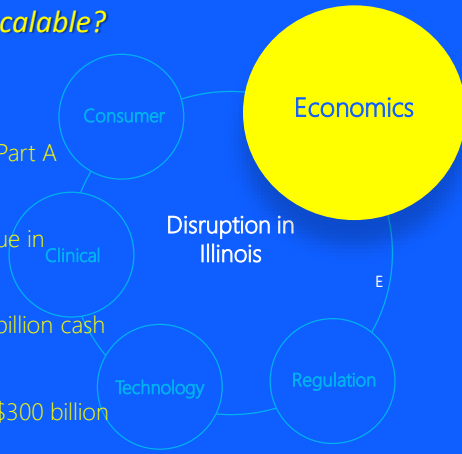
Context:

Medicare Trustees 8/21: Part A shortfall in 2026

Federal debt a major issue in Campaign '22, '24

Private equity has \$700 billion cash on hand

Healthcare SPACS have \$300 billion to invest in next 2 years



 pkeckley@paulkeckley.com

Zone 3

Economics: Incremental

- Increased demand
- Growing Gov't control (Fed & state)
- Growing dependence on Private financing (group/individual)
- Increased attention to "value"
- Health insurer control
- Increased PE (SPAC) role
- Slow economic growth + increased labor costs + inflation

Transformational

- *Personalized insurance*
- *Employer wellbeing*
- *Health + social services*
- *Outcomes-based contracting*

Zone 4

Consumers

Incremental

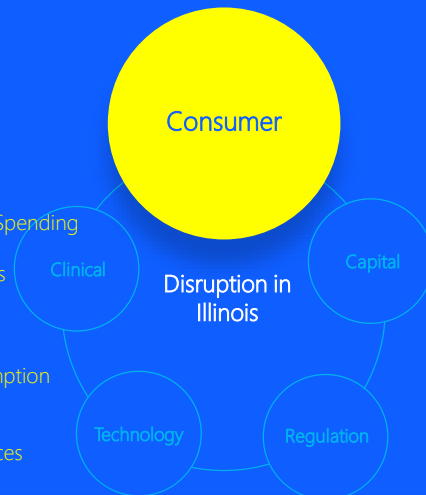
- Heightened sensitivity to affordability
- Growing distrust of "system"
- Increased adoption of alternatives
- Patient experience enhancement (last mile)
- Increased D2C products/services

Transformational:

- *Enhanced primary care*
- *Retail care*
- *Public option*
- *Potential "occupy healthcare"*

Signals

- Discretionary Spending
- Employment
- Voting Patterns
- Utilization
- Demography
- Religiosity
- Media consumption
- Mood
- Trust
- User experiences



*Do IL small & rural hospitals enjoy a unique value-prop that's recognized by voters, employers?
Are user experiences favorable?*

How do state legislators view long-term role of small & rural hospitals? How can SOP laws, credentialing be modified to enhance access in small & rural settings?

The Biden focus:

Roe v. Wade mitigation

Increased public health funding

Coverage expansion

Constrained consolidation

Drug price controls

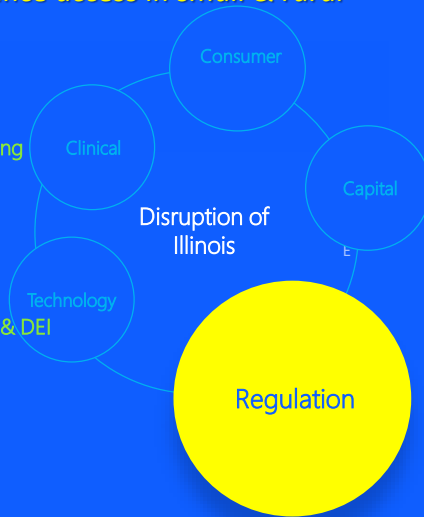
Holistic Primary Care

Managed Medicaid

MA Reforms

Corp. Oversight: Equity, ESG & DEI

BUT...House, possibly Senate
Likely to flip in '22



Big Questions for Illinois Small & Rural hospitals...

- LONG TERM...What is the destination for the U.S. health system? What Black Swans alter the destination? Pace? Will it result from incremental or transformational change? DOES THIS DESTINATION REQUIRE SMALL & RURAL HOSPITALS IN IL TO DEPLOY RESOURCES DIFFERENTLY?
- NEAR TERM: What can IL small & rural hospitals do to optimize positioning re: physician relationships, dental and nutrition services, chronic & senior health, shared services, payer risk sharing, et al? DO THESE REQUIRE A PARTNER?



SUBSCRIBE

The Keckley Report

www.paulkeckley.com



FOLLOW

[@paulkeckley](https://twitter.com/paulkeckley)



CONNECT

[paulkeckley](https://www.linkedin.com/company/paulkeckley)

pkeckley@paulkeckley.com

Paul H. Keckley, Ph.D., The Keckley Report