



2009:

A LOOK AHEAD

Entering Uncharted Territory and Unprecedented Opportunity

Predicting the future is particularly risky this year. Predictions are usually extrapolations of historical trends, modified by analysis of circumstances that might move outcomes in different directions. However, circumstances at the beginning of 2009 are unprecedented. Health industry leaders are asking what to expect with unaccustomed apprehension. The only honest answer is that nobody knows.

The political landscape is obviously very different. Under normal circumstances, the changes in Washington would augur well for health systems in the Windy City because the new President and First Lady are Chicagoans with progressive ties to medical care. However, circumstances are anything but normal. The political explosion in Springfield will also alter the local landscape for health care in many significant, unpredictable, and problematic ways.

The economic crisis further muddies the picture in the crystal ball. Although the nation has experienced and survived bank failures on more than one occasion, it has never before faced a collapse of the entire financial system. The extent of the underlying problem with "toxic assets" will take several years to unravel. The recent globalization of the economy makes matters even



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worse because governments no longer control their domestic economies.

Although health reform was a major issue in the 2008 presidential campaign, economic recovery will consume the White House and the Congress throughout 2009. The estimated cost of trying to return the nation to acceptable levels of employment is rising so high that it will almost surely "crowd out" any

hopes of increasing the number of Americans with health insurance coverage. Further, uninsured consumers have no money to purchase health plans. Ensuring universal coverage is a laudable long-run goal, but 2009 is not a promising year to do it.

Consequently, health care executives should not expect rising reimbursement to solve their organizations' financial problems. However, one silver lining has a relatively decent chance of breaking through the black clouds of the economic storm—government subsidies for imperative investments in information technology. IT is the only proposed reform with bipartisan support, and it costs considerably less than universal access. Perhaps most significantly, IT is the only type of health care spending that creates new jobs in the economy, consistent

with the bipartisan goal of using deficits to improve the nation's infrastructure. (Congress is very unlikely to appropriate money just to save failing hospitals; neither elected officials nor policy analysts perceive a shortage of hospital beds.)

If the only plausible source of new money in 2009 is funds earmarked to move health care from the paper trail to the information highway, where can hospitals and medical groups look to find the resources they desperately need to deal with their own financial crises? The answer is to improve the efficiency and effectiveness of their daily operations—to identify wasted resources and reallocate them to productive use before Congress reduces reimbursement to save money. Abundant evidence suggests that one-quarter to one-third of all health care resources are wasted, and putting an across-the-board end to wasteful spending will be a major theme in Washington this year. (Health care executives should pay close attention to how Congress and the White House reacted to requests for money to save the domestic automobile industry!)

The outlook for health care providers in

Chicago—or anywhere else, for that matter—is not rosy. Some facility closures are likely, and many expansion projects will be suspended indefinitely. However, 2009 could also be the year when hospitals and their medical staffs realize that business as usual does not have a promising future. With their man and woman in the White House, Chicago's progressive health systems could lead the way toward the adoption of information technology to eliminate waste and provide top-quality care as inexpensively as possible. Performance improvement at home, not health reform in Washington, is the key to success in 2009. The forecast is gloomy, but the opportunities are inspiring.

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The Noblis Center for Health Innovation Forecasts 2009 Trends in Provider Health Care Delivery

With access to capital becoming more restricted accompanied by a significant decline in philanthropic giving, dwindling investment income, increasing bad debt and growing charity care, many hospitals and health systems are extremely vulnerable.

In the wake of the current economic crisis, here are the five most significant issues that will impact provider health care delivery in 2009, as predicted by the Noblis Center for Health Innovation:

1. Consumer demands will continue to change

- Health care utilization will be stable or even decline as consumers delay in seeking routine care.
- Consumers will continue to seek medical information/knowledge via Web resources.
- Medical travel will increase, expanding the competitive environment.

2. Budgets will be trimmed and capital investments delayed

- Margins will decline with the economic downturn negatively affecting investment income, philanthropy, interest payments, unemployment, cash flow, bad debt, and charity care.
- The economic downturn will force most hospitals to trim their operating budgets in 2009, resulting in hiring freezes of non-clinical staff, lay-offs, and other expense reductions.
- The credit market will tighten further and bond ratings will fall, limiting hospitals ability to access capital.
- The recent health care construction boom will continue, but at a much slower rate.

3. The health care industry will consolidate even further

- Hospitals that have historically relied on investment income, municipal funding of indigent and charity care, and low interest rate credit lines will experience an increase in bankruptcies, program closures, and/or hospital closures.
- Small hospitals and rural hospitals will be the most at risk in today's economy.

4. The workforce will be in transition

- Physician responses to their own financial uncertainties will vary, but will include slowed/delayed retirements, seeking employment/practice purchase, and decreased acceptance of no pay/slow pay (including Medicaid) patients.
- Innovative staffing alternatives will be explored by hospitals and physicians as they seek ways to operate more efficiently and expand volumes without adding cost.
- Nursing vacancies may lessen with some inactive nurses returning to the workforce.

5. Health reform will not be universal, but it will be everywhere

- Healthcare reform will be a high priority on the national level although significant national system reform is unlikely in the short term.
- Hospitals will increase efforts to fund care for their uninsured patients.

the trip everyone takes...
yet no one seems to pack for.



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