

HEALTHCARE TRENDS TO WATCH

Trending Topics represents an executive summary compilation of news, information and perspective on matters affecting businesses and business leaders today. This insight is being provided to keep you up to date on the latest developments and trends influencing these topics. These views do not necessarily represent the views and opinions of PNC. For additional research on these topics, please consult the sources cited in this article.

Healthcare in the United States continues to evolve as the Affordable Care Act (ACA) reaches its six-year mark. New regulations, cost containment measures, technological advancements and shifting demographics are altering the \$3.2 trillion healthcare sector in ways never before imagined. Here are eight trends to watch:

- 1 Industry consolidation** — Emphasis on value in healthcare is driving a flurry of mergers and acquisitions, especially among insurers. This trend is playing out in innovative affiliations, joint ventures and partnerships. Hospital systems will continue to scoop up physician and specialty practice groups to manage larger populations and strengthen their brand.²
- 2 The rise of private exchanges** — Many businesses have opted out of providing health insurance for their employees and instead steered them to private exchanges with set dollar amounts they can apply toward coverage. Six million workers bought health insurance on private exchanges in 2015, and that figure is expected to double in 2016 and jump to 40 million by 2018.³
- 3 Healthcare goes retail** — Walk-in clinics at drugstores, retail chains and supermarkets are taking off, as busy consumers seek low-cost, convenient medical care. Some 36% of U.S. consumers used a retail clinic in 2015.⁵ Retail clinics continue to expand with 12% growth projected in 2016.⁶
- 4 Telemedicine takes off** — Only patients in rural areas have been able to obtain Medicare and insurance reimbursement for telemedicine services, and this limitation has slowed its adoption.⁷ Costs for services are relatively low and can be paid with pre-tax dollars through healthcare flexible spending accounts (FSA).⁸ Telemedicine is showing positive results in treating chronically ill patients by reducing hospitalizations and the need for long-term care.⁹
- 5 Pharmaceutical prices rise** — Drug prices may be peaking, especially as high drug prices are becoming a discussion point in this year's U.S. presidential election.¹⁰ Despite complaints from insurers, consumers and politicians about drug prices, pharmaceutical companies are concerned about pricing pressure and their need to fund ongoing development and innovation.¹¹
- 6 Biosimilars enter the U.S market** — Biosimilars are medical products that are near substitutes for original brand drugs, but they can only be generated from living organisms (unlike generics that are derived from chemical substances).¹² Four biosimilars are up for approval by the Food and Drug Administration this year, and their entry is expected to increase competition and choice for costly treatment regimes.¹³



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7 3-D printing — Currently used to create dental implants, hearing aids and orthopedic prototypes, 3-D printers are quickly expanding into surgery suites to help train surgeons on complex procedures.¹⁴ Bioprinted tissues for drug development and therapeutic applications are seen as the next frontier for 3-D printing.¹⁵

8 House calls return — Believe it or not, a doctor might arrive at your doorstep soon. Phone apps and startups across the country are promising a house call in an hour or so.¹⁶ Medicare's Independence at Home Demonstration is testing the delivery of primary care services at home for chronic conditions with the hope of reducing costs and delaying the need for nursing home care.¹⁷

To discuss these topics in more detail, please contact your PNC Relationship Manager.

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- 2 "Top health industry issues of 2016: Thriving in the New Health Economy," a report by the PWC Health Research Institute, December 2015. Available at: <https://www.pwc.com/us/en/health-industries/top-health-industry-issues/assets/2016-us-hri-top-issues.pdf>
- 3 "10 Healthcare Trends That Will Affect You in 2016," by Beth Braverman, *The Fiscal Times*, Jan. 4, 2016. Available at: <http://www.thefiscaltimes.com/2016/01/04/10-Healthcare-Trends-Will-Affect-You-2016>
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CIB ENT PDF 0216-0100-239002