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The Camden Group Announces “Top 10” Healthcare Industry Trends and Challenges for 2010

Continuing Economic Challenges and Anticipated Healthcare Reform Drive Major Developments in Year Ahead as Key Trends of Efficiency, Quality and Cost Reduction Gain Momentum

Los Angeles, CA, January 12, 2010 -- The Camden Group, one of the nation’s leading healthcare business advisory firms, today announced its annual forecast of the “Top 10” trends and challenges in the nation’s healthcare industry. The continuing effects of the Great Recession and expected healthcare reform are the driving forces behind many of the 2010 “Top 10” trends. The Camden Group expects that in the year ahead there will be increased momentum around major healthcare industry themes, such as efficiency and integration, quality improvement, cost reduction and information technology.

“With the overall economy finally emerging from the last year’s brutal recession, the healthcare industry is facing a new year that will continue to pose serious challenges, but also offer opportunities to smart players that can adapt quickly to rapidly changing realities,” said Steven T. Valentine, President of The Camden Group. “Healthcare reform is of course the elephant in the corner right now, and the entire industry is anxiously waiting to see how reform really pans out once it becomes law, as expected.”

Valentine continued: “Beyond reform, however, there are numerous other industry trends that we expect to pick up speed in 2010, creating both winners and loser in a healthcare sector that is undergoing the most profound change in history.”

The following are the “**Top 10**” **trends and challenges** that The Camden Group predicts will have a major and continuing impact on the healthcare sector during 2010:

1. **Waiting for Reform** – The general consensus is that some level of healthcare reform will be enacted into law later this year. The question now becomes: What does it all mean? Even if reform does pass, actual implementation will take months and in some cases years. Expect the biggest impact to be changes in reimbursement, particularly relating to Medicaid, Medicare, Disproportionate Share Hospital payments and even some commercial payment rates. Hospitals should anticipate all payment rates moving closer to Medicare levels over the next few years.
2. **Recession Woes Not Going Away Anytime Soon** – With respect to the still halting economic recovery, 2010 can be summed up like this: “Expect the worst, hope for the best.” Unemployment is expected to remain high, depressing demand for healthcare services and keeping bad debt levels high. This will also affect charity and indigent levels, which will also continue at high levels. Until changes to premiums and benefits start to kick in, enrollment in Medicare Advantage will remain constant. There is light in the economic tunnel, but for healthcare it remains relatively dim, at least for the foreseeable future.
3. **Physician/Hospital Alignment: Primary Care Tops *Food Chain*** – The reform initiatives now being finalized are tending to favor primary care physicians, especially as medical home and Accountable Care Organizations (ACOs) take root. Specialists and sub-specialists will find tougher sledding as hospitals move to bundle payments, pursue clinical integration and respond to value-based (VBP) purchasing programs. Hospitals will employ more primary care and specialty physicians to enhance access and enhance care coordination. Seeking a safe economic harbor and more balanced lifestyles, physicians will continue to show preference for employment by hospitals.
4. **There’s a New Model in Town: Clinical Integration** – Some of the industry “stars” that emerged from last year’s healthcare reform debate include highly integrated providers like the Cleveland Clinic and the Billings Clinic. Most view clinical integration as the inevitable provider model of the future, especially given new federal and health plan guidelines that dictate it, including bundled payment structures. Accountable Care Organizations (ACOs) will also be introduced to allow qualified providers to assume responsibility for overall costs and quality of care for certain populations. Ultimately, these integrated models reinforce the key industry mantra of increasing efficiency, lowering costs and improving outcomes.

5. **The Urge to Merge Persists, Driven Mainly by Economic Necessity** – The severe economic challenges of the past year have driven numerous hospitals even closer to the brink. Looking ahead, those institutions that cannot survive will be acquired, converted to alternative care, or closed altogether (in the next five years, we expect to see a number of hospitals close). The strong – or at least, “stronger” – providers will survive because they are able to generate sufficient patient volume (such as 90-95% operating capacity), manage their payer mix, substantially reduce costs and drive more efficient operations.
6. **Unions Get Organized, as Workforce Supply Lags** – In the past few years, unions have aggressively targeted the healthcare industry as a membership growth opportunity. We expect to see unions continuing to step up their efforts to organize healthcare workers in 2010. At the same time, a top priority will be to push for mandated staffing ratios among nurses and allied health professionals. The growing demand for these professionals will increase the need to support advanced nursing training, programs and recruitment.
7. **The Hunt For Capital Isn’t Getting Any Easier** – The global financial collapse in the fall of 2008 continues to reverberate throughout the healthcare industry, with access to vital capital continuing to be difficult. To deal with this tight capital environment, smart strategic planners are concentrating on critical areas such as resource allocation, net income generation, and preparing for the new era in healthcare delivery. They will focus capital expenditures on core competencies, such as IT infrastructure, revenue generating equipment and services, and streamlining processes that improve results.
8. **Technology Remains Beating Heart of Reform** – One of the breakthrough themes of the past several years has been the adoption of advanced technologies to revolutionize all areas of the healthcare system. Indeed, healthcare reform is largely predicated on the broad – and faster – adoption of information technology solutions, including clinical information systems, Computerized Physician Order Entry and, of course, Electronic Medical Records (EMRs). These tech-driven changes are so important that reform legislation includes both financial rewards and penalties to ensure the adoption of clinical IT infrastructure across the healthcare industry.
9. **If You Don’t Perform, You Don’t Get Paid** – A true revolution is brewing in the fundamental philosophy of, and approach to, how healthcare providers are paid for their services. This accelerating trend is dragging the healthcare industry (kicking and screaming at times) to be more in line with other performance and metrics-driven industries. Given this shift, we expect to see an even greater focus in 2010 on Pay-for-Performance (P4P) programs, which are evolving to include both quality and cost metrics. These new P4P strictures include both financial **carrots** and **sticks** to

“encourage” providers to increase quality and safety, and improve patient outcomes. Underscoring this new era of accountability, expect to see increased transparency through public posting of quality and patient safety data.

10. **Empowered Patients Will Seek Value, Preferred *Brands*** – Healthcare has never been known as a brand-driven industry. But, that is changing...and rapidly so. Driving this shift is the increasing empowerment and choice that consumers will have in making their healthcare decisions. Reform is certainly a catalyst for this “leveling of the playing field” in healthcare. More fundamentally, though, the industry is entering an era when it will have to compete and survive based on objective measures that include quality, performance, accessibility, and even price. Healthcare providers – including physicians and hospitals – will increasingly need to demonstrate real value to win the hearts, minds and business of patients.

About The Camden Group

With offices in Los Angeles and Chicago, The Camden Group is one of the nation's leading healthcare advisory firms. The firm provides a broad array of healthcare consulting services in areas ranging from strategic and business planning and financial advisory and compliance, to hospital operations improvement and hospital/physician alignment. Since its founding in 1970, The Camden Group has advised more than 1,000 hospitals, medical groups, outpatient facilities, and other healthcare organizations nationwide. For more information, visit us online at www.thecamdengroup.com.

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