

The Camden Group Outlines Major Healthcare Industry Trends and Challenges for 2009

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Severe US Recession Already Having Major Effect on the Healthcare Sector, But Opportunities Exist Even Amidst the Challenges

The Camden Group, one of the nation's leading healthcare advisory firms, today announced its annual forecast of major trends and challenges in the nation's healthcare industry. Previously viewed as one of the most recession-proof sectors, healthcare has recently come under significant pressure from the historically severe economic downturn that is gripping the US and increasingly the world.

"Healthcare is by no means immune to the negative effects of a major recession, and we are already starting to see this manifested in growing job losses and revenue declines throughout the health sector," said Steven T. Valentine, President of The Camden Group. "But even with this challenging picture in the year ahead, we expect that a number of industry players will seize new opportunities to make acquisitions and adopt innovative health delivery programs that drive both growth and operational efficiency."

The following are the **eight key trends and challenges** that The Camden Group predicts will have a major and continuing impact on the healthcare sector during 2009:

- **The Economy Trumps All** – The major economic recession is already impacting the healthcare sector in numerous ways. More people are out of work and having trouble paying for COBRA or other benefits, increasing the already growing ranks of the uninsured or under-insured. Expect to see resulting drop offs in volumes and increases in bad debt. Formerly recession-proof hospitals are increasingly resorting to layoffs, while even pharmaceutical sales have slowed as patients try to stretch out medication regimens or skip filling prescriptions altogether.
- **The Urge to Merge** – The trend toward consolidation will pick up speed in 2009 as hospitals and other primary care providers struggle with the recessionary effects. Declining utilization and payments will drive some hospitals out of business, creating new opportunities for mergers and acquisitions. A major recession typically causes a freeze in growth activities; however it also creates opportunities for other players to capitalize on lower valuations. This "Darwinian" economic environment will test the mettle of all industry players.
- **Can Technology Finally Save the Day?** – The adoption of the Electronic Medical Record (EMR) is still a major technology trend impacting healthcare, but doctors have been slow to adopt this new technology. The economic downturn will further slow the transition to an EMR as physicians and hospitals will be hard pressed to make the necessary IT investments in the face of declining volumes. This, in turn, is fueling increased skepticism about whether the expected healthcare IT changes will ever really deliver the economies of scale and financial and operational benefits promised.

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- **Capital Expenditures Will Slow, But Buying Opportunities Emerge** – The credit crisis has made it even more difficult to borrow money to undertake needed capital expenditures. At the same time, lenders will use this leverage to demand “preferred relationships” from health systems. This tighter credit environment will make it increasingly difficult for the weaker players to keep up – or even survive. Benefiting from these emerging buying opportunities, the stronger, better-financed healthcare entities will pursue growth through acquisitions.
- **Healthcare Reform is Not a Panacea...Yet** – With a new Democratic president and Congress, it is widely expected that universal healthcare is closer than ever to becoming a reality in the US. President-elect Obama’s reform strategy is built on reducing skyrocketing costs, enhanced IT, increased access and preventative healthcare. But even with this greatly increased impetus for reform, there will not be anything approaching a true sea change in the healthcare system anytime soon. Meantime, the recession and rising healthcare costs will continue to pose serious threats to meaningful reform in the coming years.
- **Silver Lining: Less Personnel Shortages** – The big HR trend for 2009 is that the longstanding personnel shortages in healthcare should be a thing of the past, again a consequence of the recession and resulting lower volumes. With their finances having taken a huge hit, recently retired doctors, nurses and other allied health professionals, will be forced to return to the workforce this year just to stay whole.
- **Physicians and Hospitals: Can’t We All Just Get Along?** – As doctors beat a path toward security in a challenging economy, there will be expanded efforts to build and enhance the critical relationships between hospitals and physicians. Now more than ever, each group needs the other—even just to survive. Look for health systems to get creative in luring back physicians whose retirement accounts have been decimated. There will also be a trend toward improving communication and collaboration between hospitals and doctors, focusing on key issues such as patient flow and procedures, EMRs and evidence-based medicine.
- **Driving Innovation in Care Delivery Models** – If necessity truly is the mother of invention, then this recession will likely create greater momentum for testing and adopting innovative new care delivery models. One such model is the emerging “medical home,” with the physician acting as the coordinator. Other innovative care delivery approaches that can be expected to gain ground in 2009 include the integrated “hospitalists” model, palliative care, telemedicine and even outsourcing.

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