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2008 Trends in Provider Health Care Delivery Forecasted by the Noblis Center for Health Innovation

Falls Church, VA – During 2008, health care providers will continue to face mounting pressures from multiple fronts, including: thin operating margins; physician recruitment challenges; decreased access to capital; increased competition; rising medical costs; and the growing number of uninsured. With the added pressure of an election year, the Noblis Center for Health Innovation believes that health care providers will need to adapt to the continuously changing and challenging health care environment by addressing these issues directly while continuing to focus on improving quality of care, customer service and provider effectiveness.

Here are the most significant issues impacting provider health care delivery this year, as predicted by the Noblis Center for Health Innovation:

1. **The inevitable “next wave” of payment pressures.** The current trajectory of increasing utilization and costs of health care cannot and will not be sustained over the long-term. Government, business and primary payers have begun initiating reforms that will seek to pay for services based on value and to create a more granular level of detail on the services provided by expanding the diagnosis-related group (DRG) system. The aim, to reign in health care spending, will present challenges for many providers with already razor-thin margins.
2. **The re-emergence of the ambulatory care imperative.** In 2008, we will notice a “sea of change” in the current trend lines for the use of relatively expensive inpatient hospital care and, as a result, the ambulatory care arena will once again become the largest growth market opportunity available to health care providers.
3. **Consolidation within the hospital industry will accelerate** as economic pressures force weaker organizations to join systems and stronger systems acquire vulnerable organizations in order to solidify and expand market position and strengthen their missions. As a result of this consolidation, some hospital closures may occur; in other cases, merged entities will work to evaluate and streamline service lines, improve operational efficiency and reduce cost.
4. **The popularity of medical tourism will continue to grow**, putting more stress on US health providers as they face increased competition. More U.S. health care organizations are opening offshore hospitals to compete and capture this market segment. This will also result in the need to address issues related to patient confidentiality, as well as the availability and integration of clinical data between providers globally.

5. **Individual states will continue to pick up the mantle of health reform.** Although health care will be the major domestic issue in the next presidential election, actual health care reform in 2008 will be most evident at the state level rather than nationally.
6. **Access to capital will become more strained and expensive.** The overall condition of the capital markets will change access to capital for even solid-performing organizations. Providers will have to make serious choices about what functions and programs they are able to fund over others.
7. **Increased scrutiny on the tax-exempt status** of hospitals and health systems will force organizations and their boards to better document, and in some situations increase, the levels of charity care and community benefit.
8. **The need to redefine relationships with physicians – partner, competitor or employee?** Like hospitals, physician groups are increasingly concerned with their ability to afford their futures, and proposed Medicare payment reductions in 2008 will only increase their incentives to compete more aggressively in the ambulatory care market.
9. **Physician employment by hospitals will increase.** This recent trend will continue as physicians question the economic viability of the private practice model. With younger physicians bringing different lifestyle expectations to the job market, more physician activity will be split into an “inpatient medicine” component and an “office-based” practice component.
10. **No payment for mistakes.** Hospitals will stop receiving payment for “never events” (ex. surgery on the wrong body part, leaving operating tools in a patient's body, etc.), requiring them to continue existing efforts aimed at improving the quality of care and eliminating “never events.” A component of this issue focuses on how health providers process and remediate the over 3,000 health care related product alerts issued each year.
11. **Health care facilities investments will continue.** High population growth areas, such as Florida and Arizona, will experience an increase in the building of new facilities, while low growth areas will concentrate on upgrading current facilities. Both types of facilities will require an integrated approach to retooling customer service, provider effectiveness and space efficiency.
12. **Construction of free-standing specialty hospitals will reach a tipping point** due to their limited ability to serve complex patients and public scrutiny. However, specialty boutiques within hospitals will continue to flourish.
13. **Organizations of all types will increasingly establish institutional-centric Health Related Web portals** for internal and external purposes, i.e. pre-registration, lab results, connecting patients, and focusing on wellness and disease management. These portals will be designed so that they provide support for the individual organizations and also take into consideration integration with the community.

14. **Community and regional data sharing organizations are struggling, making the ultimate goal of a National Health Information Network appear unlikely by the target of 2014.** There are a handful of successful organizations, but defining sustainable business models and governance issues remain difficult challenges, even as technology is progressing. Failed attempts will cause new models to emerge.
15. **Operational strains and the continued fast pace of change in health care delivery will place significant stress on the workforce.** The resulting impact on employee morale, coupled with an overall reduction in pool of available employees will cause hospitals and other health care providers to redouble their efforts relative to managing organizational change, building stronger internal cultures, strengthening leadership and attracting and retaining top-notch health care workers.

To schedule an interview with Alan Dowling, PhD, executive director of the Noblis Center for Health Innovation, or with another member of the leadership team, to discuss the key health care trends in 2008, please contact Rachael Adler, radler@cooperkatz.com or 212-455-8037 or Jorge Lavina, jlavina@cooperkatz.com or 212-455-8041 or klayton@cooperkatz.com or 212-455-8029.

About the Noblis Center for Health Innovation:

The Noblis Center for Health Innovation assists private-sector and government health organizations in achieving their missions through an integrative and collaborative approach. It combines strategic thinking with innovation to support clients' planning, performance innovation, information management, facilities planning and applied research efforts. For more information, please visit: <http://www.noblis.org/hc/HealthInnovation.asp>

About Noblis:

Noblis is a nonprofit strategy, technology and decision science organization that helps clients solve complex scientific, systems, process and infrastructure problems in ways that benefit the public. Noblis brings the best of scientific thought, management and engineering know-how to find solutions that are practical, efficient and effective. You will find Noblis at work in many fields, including health care; national and homeland security; transportation; criminal justice; energy and the environment; oceans, atmosphere and space; and public safety.

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