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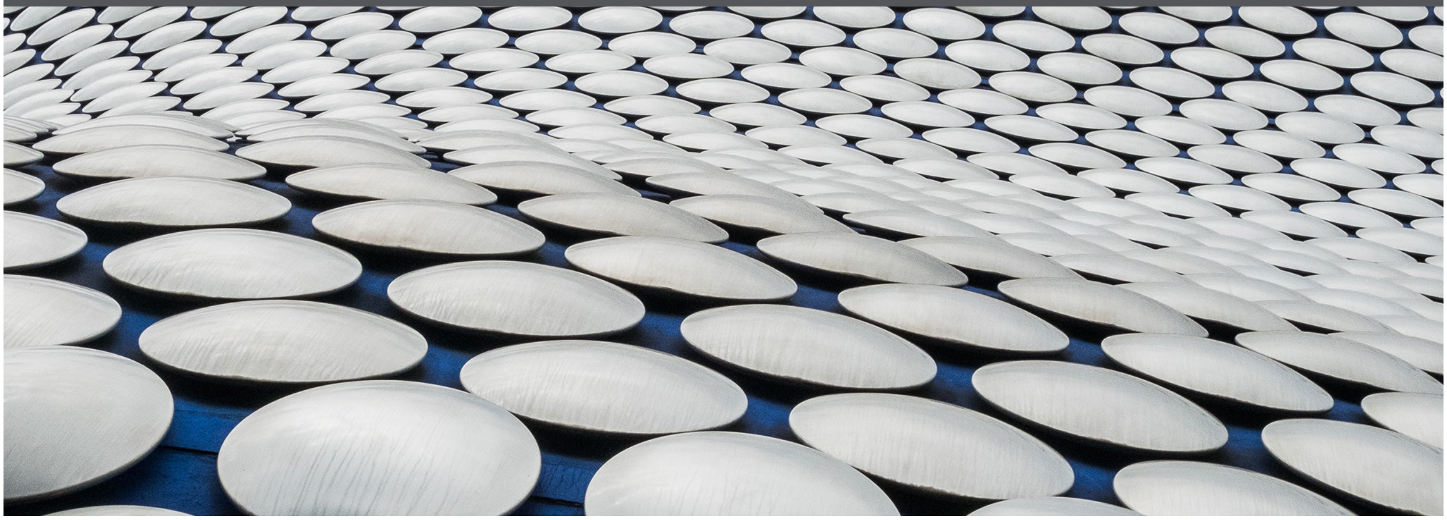

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10 Market Predictions for 2024 from a Healthcare Lawyer

As a healthcare lawyer, 2023 was a pretty unusual year with the sudden entrance of a number of new players into the healthcare marketplace and a rapid retrenchment of others. With innovation showing no signs of slowing down in the year ahead, healthcare providers should consider how to adapt to improve the patient experience, increase their bottom line, and remain competitive in an evolving industry. Here are 10 personal observations of the past year that may help you plan for the year ahead.

1. **Health tech will continue to boom.** Without a doubt, in my practice, health tech exploded, and understandably. In the face of tight margins, healthcare technology may offer the promise of immediate returns (think revenue cycle). But it is also important to understand the context. Health tech offers the promise of quick implementation relative to construction of clinical space, and it can be accomplished without additional clinical staff or regulatory oversight, potentially resulting in a prompt return on investment. Advancing technologies and AI will enable real-time, data driven surgical algorithms and patient-specific instruments to improve outcomes in a variety of specialties.

2. **Value-based care is here to stay.** Everyone is interested in value-based care. In the past, value-based care was simply aspirational. Now, there are significant attempts to implement it on a sustained basis. It is not a coincidence that there has also been significant turnover in healthcare leadership in the past few years, and that has likely led to more receptivity.

3. **Expansion of value-based care models.** There has been considerable activity around advanced primary care and single-condition chronic disease management. We are now starting to see broader efforts to manage care up and down the continuum of care, involving multi-specialty care and the gamut of care locations. Increased pressure to lower costs will result in increased volumes in lower cost, ambulatory settings.

4. **Regulatory scrutiny will continue to increase.** For most, this is a given. In 2023, we saw increased scrutiny up and down the continuum, whether related to pharmaceutical costs, regulation of pharmacy benefit managers, healthcare transaction laws, or innovations in thinking around healthcare from the Federal Trade Commission. With the impending election, it is likely healthcare will receive considerable attention and scrutiny.

5. **Private equity ("PE") will resume the march—with discipline.** In my practice, PE entities rethought their growth strategies to focus on how to bring acquisitions to profitability quickly, from a "growth at all costs" mind set. Now there appears to be an increasing focus on operations and an emphasis on making realistic assumptions to underly growth. This has led to a more realistic pricing discipline and investment in management teams with operational experience.

6. **Partnerships.** There is an increasing trend towards partnerships between PE entities and health systems. Health systems are under considerable financial stress, and while they do not universally welcome PE with open arms, some systems do appear open to targeted partnerships. By the same token, PE entities are beginning to realize that they require clinical assets that are most readily available at health systems. This will continue in 2024.

7. **The rise of independent physician groups.** There is increasing activity among freestanding physician groups. Some doctors are leery of PE because they believe it is solely focused on profits. Similarly, many physicians are reluctant to be employed by health systems because they believe they will simply become a referral source. While we are not likely to see a return to 2002, where many PE and health system physician deals were unwound, we will see increasing growth by independent physician groups.

8. **Continued consolidation.** The trend towards consolidation in healthcare is nowhere near ending. To assume risk (the ultimate goal of value-based care), providers require scale, both vertically and horizontally. While segments of healthcare slowed in 2023, a resumption of growth is inevitable.

9. **Increased insolvencies.** Most healthcare providers have very high fixed costs and low margins. Small swings in accounts receivable collections, wages, and managed care payments can have a large impact on entities that are just squeezing by.

10. **New entrants.** Last year saw several new entrants to the healthcare marketplace nationally. Who in 2023 would have thought Best Buy would enter the healthcare marketplace? There is still plenty of room for new models of care, which we will see in 2024.

2024 promises to be an interesting year in the healthcare industry. These are a few trends I'm seeing in my practice and I'm confident there are other developments and opinions, which I welcome hearing. Likewise, if your business or health system is considering how to take advantage of or prepare for these trends in the new year, we are here to help.

If you enjoyed this alert, stay tuned for a podcast that I will be launching the in the new year titled "BRight Minds in Healthcare Delivery," where I will be talking to guests who work in and serve the healthcare sector about the latest trends and innovations in healthcare delivery.

For more information or assistance, contact Eric S. Tower or another member of Blank Rome's Corporate, M&A, and Securities or Healthcare groups.

Eric S. Tower
312.776.2595 | eric.tower@blankrome.com