

# Predictions 2020: Healthcare

## Election-Year Rhetoric, Regulatory Uncertainty, And Virtual Care Will Shape The Year Ahead For Healthcare Organizations

by Jeff Becker, Arielle Trzcinski, Greg Barber, Caleb Ewald, and Annalise Clayton  
November 5, 2019

### Why Read This Report

2020 will bring legislative turmoil as the Affordable Care Act (ACA) returns to the US Supreme Court and election-year rhetoric thrusts Medicare for All and healthcare job growth onto center stage. Set against this backdrop, price transparency rules will take effect, rounding out a year that will end with a newly elected president and potentially an entirely new healthcare legislative agenda. Healthcare leaders should read this report to ensure that legislative turmoil does not undermine their growth efforts.

### Key Takeaways

#### **Health Insurers Will Win In The Medicare-For-All Debate**

Calls for a single-payer health system will give way to a more tangible and publicly supported plan to expand Medicare Advantage eligibility, which will create new growth opportunity for health insurers.

#### **Demand For Virtual Health Visits Will Soar**

Consumer demand for convenience and lower costs will shift primary care and mental health visit volumes to virtual delivery and drive job growth.

#### **Price Transparency Will Force Providers To Compete On Cost**

New mandates will require providers to disclose the secretive, closely guarded rates that they negotiate with health insurers. Public disclosure will empower consumers and pressure providers to differentiate on cost.

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## Prepare For Healthcare Reform And More Virtual Care Visits In 2020

The US is projected to spend \$3.8 trillion on healthcare in 2019 — the most of any industrialized nation.<sup>1</sup> US mortality rates climbed over the past several years, leaving the country with the lowest life expectancy of all developed nations.<sup>2</sup> Out-of-pocket medical costs are also rising, driving consumers to take on record levels of personal debt to cover medical expenses.<sup>3</sup> These unsustainable trends will bring healthcare reform onto center stage at the 2020 presidential debates — and a fog of regulatory uncertainty and market volatility to healthcare organizations (HCOs).

In 2020, Medicare for All and a host of alternatives will be presented and dissected in the court of public opinion. And the Affordable Care Act will have its own day in the US Supreme Court, where opponents will argue for it to be overturned entirely. Within this politically volatile environment, key executive orders focused on price transparency will expose the closely guarded negotiated rates between health insurers and providers, setting the stage for a year of healthcare regulatory volatility.

- › **Medicare for All will fade away as Medicare Advantage takes center stage.** Two of the top three US Democratic presidential candidates champion a Medicare for All plan.<sup>4</sup> This type of bill would introduce a fully funded public plan to all US citizens and eliminate the role of private health insurance in the US market. And it would disrupt and devastate 900 health insurers and 507,000 employees in the US.<sup>5</sup> Only 41% of likely US voters support this proposal, while 70% support a public plan that preserves a role for private insurance.<sup>6</sup>

In 2020, the debate on healthcare reform will shift from eliminating private insurance to a far more palatable plan for HCOs, aimed at expanding Medicare access. This shift will calm healthcare markets and HCO stock price volatility. And it will preserve health insurers' role in the industry and expand lucrative Medicare Advantage markets. Providers will have mixed feelings — increases in coverage will mean less uncompensated care, but Medicare patients generate far lower reimbursement rates than private insurance contracts.

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- › **Virtual care adoption will soar with more than 36 million new visits in 2020.** Virtual visit growth will change clinician work and lead to new jobs to meet the growing demand. Currently, consumers wait an average of 24 days for an in-person appointment, and 44% of Americans don't make appointments due to cost — this has created a crisis for individuals seeking quick, cost-effective access to care.<sup>7</sup>

Historical outpatient claims data reveals that approximately 43% of outpatient visits could be shifted to virtual delivery.<sup>8</sup> In 2019, 15% of global healthcare purchase influencers planned to adopt virtual care, and 43% planned to increase their investment.<sup>9</sup> Leading HCOs achieved average enrollment rates of 20% for virtual delivery in year 1. Recent activity from large employers, like Walmart advocating for employee adoption, and new consumer options, such as Sam's Club's buy-up option for members, will drive enrollment. HCOs that don't provide access to virtual care will experience customer attrition in 2020 and beyond.

- › **One out of 11 mental health visits will be delivered virtually.** Mortality rates in the US are climbing. Suicide rates have been increasing at an average of 3% per year for the past five years. Alcohol-induced deaths are up 28% in the past decade. Opioid overdoses took the lives of 69,000 people in 2018. Collectively, "deaths of despair" are blamed for driving down life expectancy in the US in recent years. Without a coordinated national response plan in place, these societal issues will continue to wreak havoc on the population.

In 2020, HCOs will scale innovative advancements in digital mental healthcare to combat ever-increasing deaths of despair. Digital therapeutics will deliver substance abuse recovery care, and teletherapy platforms will provide between-visit care — these are designed to create a safety net for mental health patients and fill in the gaps left by the shortage of mental health professionals. Rapid adoption of these services will be critical in 2020 as HCOs push to combat the clinical and economic impact of the lack of access to care.

- › **For the first time, providers will compete on cost as price transparency is enforced.** Despite opposition from America's Health Insurance Plans and the American Hospital Association, negotiated rates will be made public in 2020.<sup>10</sup> Opponents say that hospital operators will revolt if they find that they are paid less than peers. Proponents say that consumers will shop for nonemergency services if price data is public.<sup>11</sup> As pricing becomes public knowledge, employers and consumers will pressure HCOs to differentiate on price.

In 2020, employers like Amazon and Walmart, and consumers at large, will use price transparency data to avoid overpriced providers. Many employers will use this data to justify offering their own onsite health services to employees. These market pressures will drive providers to differentiate on cost to maintain patient volume and market share. Today, providers are ill-equipped to differentiate on price; most don't know the cost of the care they provide. Price transparency will present immediate accounting hurdles for providers in 2020.

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- › **The ACA will survive, and health insurers will double down on key markets.** Following a 5th Circuit decision in the fall of 2019, US Supreme Court justices will once again hear arguments for dismantling the ACA. The court has upheld the ACA in two prior cases but will face increased political pressure as this case is argued while the presidential election season is in full swing. The nation's highest court will once again preserve the ACA and protect coverage for the 19.1 million Americans who would otherwise lose access to care.<sup>12</sup>

In 2020, health insurers will respond by pursuing growth in insurance marketplaces and state Medicaid markets that have expanded under the ACA and now routinely contract with private health insurers for managed care services. They will need new capabilities to support low-income members, including analytics tools to help mitigate the impact of social determinants of health on medical costs. Providers, which are largely reimbursed through value-based care arrangements, will expand virtual care to support Medicaid patients in remote areas.

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## Endnotes

<sup>1</sup> “National health expenditures are projected to grow 4.8 percent in 2019, up from 4.4 percent growth in 2018, and to reach \$3.8 trillion.” Source: “National Health Expenditure Projections 2018-2027,” CMS.gov (<https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/NationalHealthExpendData/Downloads/ForecastSummary.pdf>).

The United States, on a per-capita basis, spends much more on healthcare than other developed countries; the chief reason is not greater healthcare utilization, but rather higher prices, according to a study from a team led by a Johns Hopkins Bloomberg School of Public Health researcher. Source: “Health spending,” Organisation for Economic Co-operation and Development (<https://data.oecd.org/healthres/health-spending.htm>).

<sup>2</sup> “The USA now has the lowest life expectancy levels among high income developed countries, and Americans fare poorly across a broad set of ages, health conditions, and causes of death compared with their counterparts in these countries.” Source: Jessica Y. Ho and Arun S. Hendi, “Recent trends in life expectancy across high income countries: retrospective observational study,” *The BMJ*, August 15, 2018 (<https://www.bmj.com/content/362/bmj.k2562>).

<sup>3</sup> “Americans borrowed about \$88 billion to pay for health care last year, and one in four people skipped care because of costs.” Source: Ken Alltucker, “Fear and health care: Gallup survey finds Americans skipped treatment, borrowed \$88B to pay for costs,” *USA Today*, April 2, 2019 (<https://www.usatoday.com/story/news/health/2019/04/02/health-care-costs-gallup-survey-americans-borrowed-88-billion/3333864002/>).

<sup>4</sup> Source: “S.1129 - Medicare for All Act of 2019,” *Congress.gov*, April 10, 2019 (<https://www.congress.gov/bill/116th-congress/senate-bill/1129/text>).

<sup>5</sup> Source: Steven Weisbart, “Insurance Industry Employment Trends: 1990-2018 (January 2018),” *Insurance Information Institute*, March 9, 2018 (<https://www.iii.org/presentation/insurance-industry-employment-trends-1990-2018-january-2018-030918>).

<sup>6</sup> “90% of Democrats, as well as 70% of all adults, support a public option. Meanwhile, 64% of Democrats (and 41% of all adults) support ‘Medicare for All.’” Source: Danielle Kurtzleben, “Democratic Debate Exposes Deep Divides Among Candidates Over Health Care,” *NPR*, September 13, 2019 (<https://www.npr.org/2019/09/13/760364830/democratic-debate-exposes-deep-divides-among-candidates-over-health-care>).

<sup>7</sup> Source: Jessica Kim Cohen, “Patient wait times increased 30% since 2014: 5 survey findings,” *Becker’s Hospital Review*, March 20, 2017 (<https://www.beckershospitalreview.com/patient-flow/patient-wait-times-increased-30-since-2014-5-survey-findings.html#close-olyticsmodal>).

Source: “New Survey Finds Large Number of People Skipping Necessary Medical Care Because of Cost,” *West Health* press release, March 26, 2018 (<https://www.westhealth.org/press-release/survey2018/>).

<sup>8</sup> Approximately 383 million visits, or 43% of potential outpatient volume, could be shifted to a virtual care visit. This is based on Forrester’s analysis of historical 2015 claim volumes (from the CDC’s National Ambulatory Medical Care Survey: 2015 State and National Summary Tables) for all outpatient visits by visit type, adjusted to expected 2020 volumes by applying a 1.2% growth rate for 2016 to 2020. This growth rate is based on the actual outpatient volume increase of 1.2% from 2016 to 2017. This includes outpatient visits for the following: progress visit, not otherwise specified; general medical exam; medication; counseling; post-op visit; cough; knee symptoms; back pain; other and unspecified test results; shoulder pain; diabetes mellitus; skin rash; pre-op visit; symptoms related to throat; and other special visits. We included visits related to abdominal pain at a rate of 25%; some virtual care vendors can support these visit types. We excluded gynecological exam, prenatal exam, well baby exam, and all other reasons.

<sup>9</sup> Source: Forrester Analytics Global Business Technographics® Priorities And Journey Survey, 2019.

<sup>10</sup> “Within 60 days of the date of this order, the Secretary of Health and Human Services shall propose a regulation, consistent with applicable law, to require hospitals to publicly post standard charge information, including charges and information based on negotiated rates and for common or shoppable items and services, in an easy-to-understand,

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consumer-friendly, and machine-readable format using consensus-based data standards that will meaningfully inform patients' decision making and allow patients to compare prices across hospitals." Source: "Executive Order on Improving Price and Quality Transparency in American Healthcare to Put Patients First," The White House, June 24, 2019 (<https://www.whitehouse.gov/presidential-actions/executive-order-improving-price-quality-transparency-american-healthcare-put-patients-first/>).

<sup>11</sup> Source: Shelby Livingston, "Trump price transparency proposals take long bet on curbing costs," Modern Healthcare, July 31, 2019 (<https://www.modernhealthcare.com/law-regulation/trump-price-transparency-proposals-take-long-bet-curbing-costs>).

<sup>12</sup> "The number of non-elderly Americans who are uninsured decreased by 19.1 million people from 2010 to 2017 as the ACA went into effect." Source: "If the Affordable Care Act is Struck Down, Nearly All Americans Would Be Affected in Some Way," Kaiser Family Foundation press release, December 20, 2018 (<https://www.kff.org/health-reform/press-release/if-the-affordable-care-act-is-struck-down-nearly-all-americans-would-be-affected-in-some-way/>).

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