

## 2018 HEALTHCARE INDUSTRY OUTLOOK

*2018 will bring change from all parts of the healthcare system*

On January 4, Avalere experts discussed the trends to watch this year during our annual [Healthcare Industry Outlook](#) webinar. The webinar featured:

- [Elizabeth Carpenter](#), Senior Vice President, Policy
- [Sarah Donovan](#), Vice President, Life Sciences Client Solutions
- [Tom Kraus](#), Senior Vice President, Commercialization and Regulatory Strategy
- [Josh Seidman](#), Senior Vice President, Center for Payment Delivery and Innovation®

The discussion focused on three major themes for 2018:

- Experimentation in public programs;
- Increased pressure for greater drug competition; and
- New approaches to value-based payment.

### Experimentation in Public Programs

Today, 1 in 3 Medicare beneficiaries are enrolled in Medicare Advantage (MA). MA enrollment is expected to continue to climb in 2018 and beyond. New flexibilities proposed by the Centers for Medicare & Medicaid Services (CMS) in late 2017, if finalized, would give MA plans more room to innovate their offerings to drive future enrollment growth.

[View our slide on historical and projected MA enrollment growth.](#)

States seeking to change their Medicaid programs can also expect additional flexibilities from the federal government. Two-thirds of states have submitted waivers since the beginning of the Trump administration. This will continue, as waivers become a primary mechanism for changing Medicaid. The Health & Human Services Secretary has broad authority to approve waivers and is likely to push the program toward more commercial-style benefits with greater personal responsibility requirements.

Threats to the Affordable Care Act will persist in 2018. [Avalere analysis](#) finds that the individual market is seeing higher premiums, fewer participating insurers, and lower enrollment for the year. These dynamics, combined with the repeal of the individual mandate, will lead to more focus from some members of Congress on how to stabilize the market.

### Increased Pressure for Greater Drug Competition

Current policy efforts on drug prices are centered on drug affordability for patients. Avalere experts anticipate Medicare will pursue strategies to return a portion of negotiated price concessions between payers and manufacturers to consumers. In parallel, states are expected to continue their efforts to increase transparency into drug development and supply chain costs throughout the year.

The FDA will also play a larger role in the drug price debate, with Commissioner Scott Gottlieb's early actions indicating a willingness to engage on issues related to value, pricing, and competition – areas that FDA has traditionally avoided.



[View our slide on FDA's level of engagement in the public policy debate.](#)

In 2018, biosimilars will continue to be looked to as a way to increase competition in the drug markets. Avalere experts anticipate 2018 may bring more action on addressing perceived barriers to biosimilar adoption, from the launch of educational initiatives to debates on reimbursement policy.

## **New Approaches to Value-Based Payment**

Real-world data will be a key catalyst of market-based solutions. Data collection and accessibility will remain a major theme driving the transition toward alternative payment models and outcomes-based contracting.

While the Trump Administration has shifted away from large-scale mandatory alternative payment models (APMs), the Center for Medicare and Medicaid Innovation is designing new models to continue the drive toward value. In 2018, CMS will continue to develop and expand advanced APMs that will provide clinicians with options to excel under the Quality Payment Program.

Value-based contracts for drugs between health plans and manufacturers are growing in sophistication, as plans and manufacturers build on early experiences. In 2018, new technology-based will facilitate more complex contracts by enabling plans and manufacturers to monitor and respond to individual patient outcomes data in near real-time.

[View our slide on the critical steps to implement a value-based contract.](#)

Strategic and operational planning in this dynamic market requires an analytic focus. Avalere has built the tools to help you meet these imperatives, and we look forward to our engagement with you in 2018.

[Listen to the full webinar recording.](#)

[Download the Outlook 2018 document.](#)

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