

In February, we attended ACG New York's 11<sup>th</sup> Annual Healthcare Conference. Here are five of our top takeaways from the panel discussion on 'The Future of Healthcare Dealmaking: Are You Ready?'

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## 5 THINGS YOU MISSED –

**1 Healthcare Industry Outlook:** Healthcare accounted for 17.9% of the US economy in 2017 and is expected to reach 19.4% by 2027. As per the latest CMS projections, healthcare spending is expected to grow at an annual rate of 5.5% from 2018-2027, outpacing the GDP growth by 100 bps. Factors like inadequate access to medical care, changing lifestyles, and the trial-and-error method of prescriptions are expected to increase healthcare costs. These, coupled with key drivers like lack of clinical and non-clinical productivity, and over-consumption of healthcare services, would continue to contribute to the multifold growth of the healthcare industry. On the administrative side, the industry is still ripe for technology/innovation that would lead to better efficiency and quality improvement across the system in the future. Investors consider these factors to be the underpinning for their investment strategies.

**2 Factors Aiding Cost Reduction in Healthcare:** Genetics, clinical care, and social determinants (SDH) are primary factors that determine cost outcomes in the healthcare industry. It is important to note that by addressing SDH factors, ~40%-50% of the costs could be cut down by identifying factors like nutrition, housing, etc., wherein the payer's influence on spending is limited, and building programs to alter unhealthy lifestyles. A large number of studies suggest that access to nutrition, housing and transportation can reduce readmission rates among patients. However, the challenge that persists is providing the facilities at scale. Leveraging technology simplifies the challenge, as it can bind together knowledge, lifestyle, and access.

**3 Reducing Costs in the Business Model:** Investors in healthcare companies are interested in the accelerating collaboration between payers and providers. They believe that integration in the healthcare system is leading to better consumer experience and data aggregation, thereby enabling the companies to understand and serve patients in a more efficient way. From a business perspective, it permits lowering the support costs through better relationships with the patients, enabling smarter decisions independent of volumes from the fee-for-service model. In a nutshell, tighter integration and aligned incentives drive better outcomes for businesses.

**4 Technological Progress:** Numerous new technologies have surfaced in the US healthcare system in recent years. Institutions are constantly working towards progress in cell therapy and regenerative medicine, which has helped professionals understand the nature of and cure an increased number of rare diseases. Studies in gene therapy have led to an understanding of how to manipulate genes to cure diseases. These advances have led to progress in diagnostic services and helped bring down prices as well .

**5 Disruptive Forces in Healthcare:** Companies focused on building an entire healthcare ecosystem, much like the ecosystems developed by American tech giants, can deliver real value to consumers and are believed to be disrupting forces in the healthcare space, where there is the opportunity for consolidation. . Additionally, the companies led by pragmatic optimists, who understand the framework of the industry and can enable cross-migration in the healthcare chain along with embracing technological advances, are expected to have a major influence on the industry.

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