

# 7 Ways TrumpCare Will Change The Healthcare Industry

Volume 3 Issue 26, December 28, 2016

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At this point, only one thing is certain about TrumpCare: it's going to happen. But what will it look like? At this point nobody knows, probably including even Trump himself.

Nevertheless, it's possible to read some "tea leaves" in Trump's appointments and the statements that he and his appointees have made in the past. Based on this, there are seven likely developments:

1. **Block grants for Medicaid** – President-elect Trump has already proposed significant tax cuts which will add to the pressure to reduce healthcare expense. The brunt of this effort is most likely to fall upon Medicaid, probably in the form of block grants to states rather than direct federal funding.
2. **More Emphasis on Measurement** – Health insurers have long wanted to control costs by paying for results rather than activities, aka "value based reimbursement." TrumpCare will probably require healthcare providers to submit additional paperwork to prove "demonstrated outcomes" before being paid.
3. **More Spending on Information Technology** – Increased emphasis on cost control and outcomes will drive healthcare providers to use more technology and automation. Much of this will take the form of shifting clerical work (making appointments, handling insurance claims) onto patients.
4. **Less Government Regulation** – Trump and GOP have identified over-regulation as a major source of unnecessary healthcare costs. As such, TrumpCare will likely include a reduction in regulation and reporting requirements, especially those promulgated during the Obama administration.
5. **Fewer Cost Controls for Physicians** – The proposed Secretary of Health and Human Services (HHS), Tom Price, believes physicians should play a leadership role in all areas of healthcare, including reimbursement approaches outside of hospital settings. He can be expected to fight programs like the current Centers for Medicare and Medicaid Services (CMS) effort to bundle payments for cardio surgery.
6. **More Public/Private Partnerships** – Some public/private demonstration programs, like the Independence At Home (IAH) in-home elder primary care project, have yielded good results for shared risk and profitability. It's reasonable to assume that TrumpCare will embrace and expand such efforts.

**7. More Mergers and Acquisitions** – Obamacare drove a wave of M+A activity as healthcare firms were forced to adapt to rapidly changing circumstances. TrumpCare is likely to create even more change, especially in parts of the healthcare market (mostly outside of hospitals) that are currently fragmented.

#### **WHAT DOES THIS MEAN FOR YOUR INDUSTRY SEGMENT?**

Our entire professional team believes that healthcare technology in all verticals will have more prominence, including revenue cycle management, outcome data measurement, and population analytics. The more integrated the technology is inside a healthcare company's operations, the more it will increase the company's valuation.

We also note there are other factors that will affect healthcare company value, including the unfolding issue of minimum wage and the recently stayed increases in the exempt salary threshold advanced by DOL. These initiatives will have the greatest impact on labor-intensive services, which predominate in the healthcare marketplace.

#### **Durable Medical Equipment (DME) and Medical Devices**

"We have already undergone significant change with competitive bidding in the durable medical equipment (DME) market and there will be more to follow. Despite this there remain great opportunities and we have several good quality deals in our pipeline. In the medical device area, there will be very positive growth with the likelihood of a rollback on medical device taxes."

-- Bradley Smith, VERTESS Managing Director/Partner

#### **Urgent Care Center (UCC), Ambulatory Surgery Centers (ASC), and Physician Practice**

"Each of these areas continue to have strong investor interest, including private equity, and fit well with the focus on cost control. It appears that reimbursement will increasingly support more services in outpatient environments that are attractive for physician entrepreneurs. The markets will continue to expand even as they consolidate through increased M+A activity."

-- Luis de la Prida, VERTESS Managing Director

#### **Pharmaceuticals and Contract Research Organizations (CROs)**

"There are many exciting developments in all of these bioscience verticals and, despite the specter of TrumpCare, pharma's shares have skyrocketed. I foresee strong growth in 2017 and beyond."

-- Teresa Gonzalo, VERTESS Managing Director

#### **Homecare/Hospice, Intellectual/Developmental Disabilities (I/DD), and Addiction Treatment**

"The value of programs will be maintained in 2017, with the possibility of some increases as consolidation ramps up in all areas, including nonprofits. While the I/DD market is experiencing more managed care reimbursement pressure, there remains a broad, politically agnostic base of support across the US."

-- Tom Schramski, VERTESS Managing Partner

## **THE BOTTOM LINE ON TRUMPCARE**

This is not a time to "hunker down and hope for the best." Quite the contrary, TrumpCare will drive massive change in the healthcare industry. In order to survive and thrive, you will need to:

1. **Remain Alert.** Once things start happening, they'll happen very quickly. You'll want to stay atop the news for the healthcare industry in general and your segment in particular. VERTESS is committed to help you do this, so stay tuned to the *SalientValue* newsletter.
2. **Become Flexible.** To become more agile, you must fully understand your business—especially your financial and operational strengths and weaknesses. If you find this effort too daunting, VERTESS can advise you on how to better assess your current position.
3. **Focus on Building Sustainable Value.** Regardless of what happens, the healthcare companies that focus on the basics will perform better than those that neglect them. Again, if you have questions about how to proceed, VERTESS can help.