

Choosing the Future

Critical Information for Critical Times, Edition of Thursday, December 17, 2015



2016 Fearless Forecast

It says right here in the Consultant's Manual:

- Don't be a buzz kill.
- Avoid negativity at all costs.
- Be a "glass half-full" kind of guy.

Moreover, hospital people are by nature almost universally optimistic folks. With that in mind, I approach today's task of looking into the future with more than a little trepidation.

These prognostications contained in this issue are the result of a careful analysis of information in the public domain. In the spirit of full disclosure,

you should know that the analysis was shaped by a generally libertarian-traditionalist world view that is grounded in Austrian economics. That said, here goes.

The Hospital Operating Environment in 2016

- For most hospitals, operating expenses will continue to rise at a pace that outstrips net revenue increases.
- Demand for primary care services will decline in all settings.
- Scores of small hospitals will close with devastating consequences for the economies of rural communities.
- Double-digit increases in health insurance premiums, deductibles and co-pay amounts will combine to increase accounts receivables. Much of the increase will result from non-payment by insured patients.
- There are nearly 19 times as many procedure codes in ICD-10-PCS than in ICD-9-CM and nearly 5 times as many diagnosis codes in ICD-10-CM than in ICD-9-CM. This greatly increases the likelihood of payment denials and delays because of coding errors.
- After spending more than a zillion dollars nationally on EHR-related information system upgrades, increasing numbers of hospital management teams will come to appreciate the import of Brady & Associates' Information System Observation:
 - Data are not information.
 - Information is not understanding.
 - Understanding is not a solution.
- The value-based payment system will prove to be every bit as successful as many other *Affordable Care Act* mandates and for the same reason: it is based upon a fundamental disconnect from economic reality. When the amount of compensation to physicians and hospitals is contingent upon the amount of money those "providers" saved the Third Party Payer System by withholding care, those who have paid through the nose for care that was not provided are apt to be displeased.

The next several issues will continue the Fearless Forecast and discuss strategic coping options. Stay tuned.

FJB



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