

**January 13, 2025**

2025 INDUSTRY OUTLOOK | HEALTH CARE

## **Future federal support for Medicaid, Obamacare to weigh heavily on healthcare industry in 2025**

By David Krechevsky

As we enter the new year, certain trends will have a major influence on the healthcare sector in 2025.

In particular, healthcare advocates say they are keenly focused on what the new Trump administration and Congress have in store for the industry, especially as it relates to the Affordable Care Act (ACA) and Medicare and Medicaid reimbursement rates.

Given the financial state of Connecticut's 27 acute-care hospitals, any changes could have a dramatic effect on their bottom lines.

According to an analysis produced for the Connecticut Hospital Association by New York health management consultant Kaufman Hall & Associates, the total hospital operating margin in Connecticut in fiscal year 2023 was -0.5%, while the total operating loss for all hospitals in the state was \$76 million.

That was only a slight improvement from fiscal 2022, when the total operating margin was -1%, and the operating loss totaled \$164 million.

Other trends will also impact the industry, including the growth of value-based care and increased use of artificial intelligence, experts said.

All eyes on D.C.

### **Kurt Barwis**

Kurt Barwis, president and CEO of Bristol Health Inc., says there are several key federal programs that have "near-term funding cliffs" and could be adversely affected by the incoming administration and 119th Congress.

"The two big ones are extending and funding the (ACA) subsidies and ... the ACA marketplace subsidies, which expire at the end of 2025," said Barwis, who oversees the 154-bed Bristol Hospital. "The first could negatively impact the funding of our state Medicaid program, and the second our insurance exchange, Access Health CT."

A total of 129,000 people enrolled in an Access Health CT qualified health plan in 2024, the highest enrollment since the state-based marketplace opened in 2013.

Meanwhile, in 2021, state legislators approved expanding Medicaid, known as HUSKY in Connecticut, to children ages 8 and younger, regardless of their immigration status. A year later, eligibility was expanded to include children 12 and younger, as long as their families meet the qualifying income limits for Medicaid.

The ACA provides subsidies on a sliding scale that reduce premiums.

“As an expansion state, where eligibility criteria makes it easier for low-income families and individuals to qualify for Medicaid, the impact on the state budget could be significant at a time when we already see Medicaid consuming more and more of our state budget,” Barwis said. “A reduction in marketplace subsidies would mean some will no longer be able to afford health insurance coverage through Access Health CT.”

If that happens, it could overwhelm the state’s already overburdened budget for Medicaid, which Gov. Ned Lamont has identified as an area of concern, calling Medicaid costs the “new cancer in our budget.”

The state’s Medicaid program was running a \$220 million deficit as of October, according to the governor’s budget office.

### **Lisa Trumble**

Lisa Trumble, president and CEO of Southern New England Healthcare Organization, or SoNE Health, agrees that it’s a precarious time for the ACA.

“While it’s uncertain what the new administration will do with the Affordable Care Act, efforts to restructure or eliminate it without careful consideration could lead to market instability, limiting options for patients and employers,” she said.

Trumble said changes to essential benefits, such as covering domestic partners or pre-existing conditions, may increase costs and result in reduced access to care and more uninsured people.

“The Biden administration’s efforts to prevent further consolidation in the healthcare industry, including private equity acquisitions, may face setbacks, resulting in increased costs,” she added.



# HARTFORD BUSINESS

## Payment reform

While the uncertainty around potential federal changes has raised concerns, one positive trend in health care is expected to grow in 2025.

Called value-based care, it has been a much-talked about goal for the healthcare industry, and efforts to adopt it are expected to continue.

At its roots, value-based care aims to move away from the traditional “fee-for-service” model, and instead pay providers, including physicians and hospitals, based on the health outcomes of their patients and quality of care.

“Leading Connecticut primary care and specialty medical groups, along with national advanced primary care brands, will show true leadership (by) embracing payment reform and care transformation, thereby meeting employer demand for lower-cost, accountable care,” said Jeff Hogan, president of Upside Health Advisors in Farmington.

## Lou Gianquinto

That opinion is shared by Lou Gianquinto, president of Anthem Blue Cross and Blue Shield in Connecticut.

“Over the last decade, and especially since the COVID-19 pandemic, employers and insurers have started to recognize the benefits of prioritizing ‘value over volume’ through value-based care models,” Gianquinto said. “At Anthem, we are seeing continued expansion of these outcomes-driven payment models in Connecticut, particularly with primary care practices.”

Patients work in partnership with their doctors, he said, collaborating on treatment plans that “not only benefit them from a clinical perspective, but also from an emotional, mental, social and financial point of view.”

He added that the collaboration has delivered better overall health outcomes for members and, ultimately, lower cost trends.

Trumble said many physician practices need to “adapt workflows, implement advanced data analytics, and shift financial models” to align with the value-based care model.

“Payers and regulators are intensifying their scrutiny of patient outcomes and quality measures, incentivizing practices to invest in population health management, data analytics and preventative care,” she said.

### Artificial intelligence

Another trend expected to grow in 2025 is the use of AI in health care.

Hogan says AI “will gain widespread use in healthcare delivery, helping clinicians to identify and better coordinate and manage treatment and to drive and measure superior outcomes for patients.”

He said using AI in those ways will reduce fragmented care, as well as wasteful services and spending.

Trumble said AI will enhance diagnostic accuracy in radiology, pathology and other specialties.

“AI tools are timesaving and help physicians spot anomalies that may otherwise be missed, which could help reduce costs to patients and the system,” she said.

AI will also help predict patient needs, she added, “which can reduce reactive care, improve patient outcomes and lower costs.”

### Medicare scrutiny

Another trend cited by Barwis, who also is a director of the American Hospital Association and chairs its regional policy board for New England, is increased scrutiny of Medicare Advantage plans.

Medicare Advantage, or Part C, is a Medicare-approved plan from a private company that offers an alternative to original Medicare.

“The focus on fixing these plans for enrollees is not a partisan issue in D.C., which is great news,” he said. “Connecticut has a high percentage of seniors covered in these plans, so the improvements — which are largely focused on prior authorization delays and denials of needed care — will have a significant positive impact on access, timeliness and outcomes for Connecticut seniors.”

Trumble, on the other hand, said such plans, as well as original Medicare, may face rapidly rising costs in 2025.

That may cause “lower-performing plans to leave the market, even as the Centers for Medicare and Medicaid Services and the new administration aim to encourage more beneficiaries to enroll in managed-care products like these,” she said.