The structure of the healthcare industry has fundamentally changed since 2008, with the introduction of health insurance exchanges and the expansion of Medicaid in 2014. Sharp industry leaders have used this time to purposefully shape their portfolios by divesting before the downturn, while others have remained laggards. The gap between industry leaders and laggards is widening during and after the downturn.

States will likely experience significant budgetary pressures as Medicaid costs rise and general revenue declines. Medicaid expansion is part of the 2017 Affordable Care Act and will continue to grow in response to increased state funding and patient enrollment.

Healthcare stakeholders may experience varying degrees of impact due to likely coverage shifts. Pharmacy and PBM stakeholders may experience significant impact due to potential cuts in federal spending and reductions in Medicaid DSH payments. Providers may experience increased uncertainty and potential reductions in revenue, as well as increased utilization in elective care and ancillary services.

Revenue growth for 2018 is projected to range between 3% and 7%, driven by increased enrollment in Medicaid and Medicare, as well as higher enrollment in state-sponsored insurance. States are expected to see a slight decrease in state budget increases, with planned Medicaid DSH cuts of $4 billion in FY 2020 and $8 billion thereafter.

Impact of a recession on healthcare: The next time could be different

**Impact of recession on healthcare:** The next time could be different

**Potential impact** of an economic recession on the current healthcare market

- **55%** Decline in state budget increases
- **63%** Decline in State budget increase
- **58%** Decline in Medicaid DSH payments
- **33%** Decline in Federal Medical Assistance Percentage (FMAP) for expansion population and reductions in Disproportionate Share Hospital (DSH) payments.

**Imperfect solutions:** Healthcare stakeholders may experience varying degrees of impact due to likely coverage shifts.

- **3** States will likely experience significant budgetary pressures as Medicaid costs rise and general revenue declines.
- **2** States are expected to see a slight decrease in state budget increases, with planned Medicaid DSH cuts of $4 billion in FY 2020 and $8 billion thereafter.

**Stakeholders may experience varying degrees of impact due to likely coverage shifts:**

- **Pharmacy and PBM stakeholders may experience significant impact due to potential cuts in federal spending and reductions in Medicaid DSH payments.**
- **Providers may experience increased uncertainty and potential reductions in revenue, as well as increased utilization in elective care and ancillary services.**

**Analysis of the last recession shows that “resilient” organizations outperformed others throughout the downturn and achieved the performance gap after.** The resilient organizations that survived (and even thrived) during the last downturn did three things differently:

1. **Purposefully shaped their portfolio by divesting before the downturn.**
2. **Increased their utilization in elective care and ancillary services.**
3. **Increased their revenue growth for 2018.**