

HUB 2023

Outlook.

Healthcare



How gaining “trusted provider” status is a prescription for success in 2023.



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HUB Healthcare

Setting the Scene

Seeking healthy outcomes in an era of unprecedented change.

Healthcare organizations are facing more risk and disruption — labor shortages, supply chains under duress, safety issues and the emergence of new competitors and payment models. But even with these pressures, healthcare providers and institutions will find opportunities to thrive.

Compared with spend in 2022, healthcare institutions are paying



1. U.S. News & World Report, “[How Hospitals Are Battling Shortages in Staffing, Supply-Chain,](#)” August 3, 2022.

What to Expect in 2023

Even as economic and staffing pressures mount, healthcare organizations will find opportunity. Those that commit to investing in their people will have an edge over peers. Detailed risk management strategies will help healthcare institutions remain resilient despite the many pressures they face.



A sickly business model will need new treatments.

The economic viability of the healthcare industry came under unrelenting pressure in 2022, and that pressure will get worse in 2023.

The continuing struggle with pandemic-driven revenue losses and skyrocketing expenses have compounded pressures on the bottom line. More than one-third of U.S. hospitals and health systems ended 2021 losing money,² and as many as two-thirds will be in the red for 2022.³

With an industry-wide shortage of skilled staff, some healthcare institutions have cut back on delivery of care, foregoing revenue. In comparison, standalone outpatient services are proliferating, representing a market with more than \$20 billion in annual revenues.⁴ Pharmacy chain Walgreens is partnering with VillageMD and plans to open more than 500 full-service clinics in stores by 2025.⁵



Changes in how providers are reimbursed will further burden healthcare organizations' finances. Providers remain heavily reliant on fee-based reimbursement, but payers, especially Medicare and Medicaid, will continue their push toward a value-based care (VBC) reimbursement model. Providers that don't start transitioning to a VBC model in 2023 are setting themselves up for financial failure.

2. American Hospital Association, "[Massive Growth in Expenses and Rising Inflation Fuel Continued Financial Challenges for America's Hospitals and Health Systems](#)," April 2022.
3. Fierce Healthcare, "['Unsustainable' losses are forcing hospitals to make 'heart-wrenching' cuts and closures, leaders warn](#)," September 16, 2022.
4. Global Newswire, "[United States Urgent Care Centers Markets, 2020-2025](#)," December 9, 2020.
5. Walgreens, "[Walgreens and Village M.D. to Open 500-700 Full Service Doctor Offices Within Next Five Years in Major Industry First](#)," July 8, 2020.



The acute shortage of healthcare workers will continue.

The dearth of healthcare workers has reached epidemic levels. By the end of 2022, the nursing shortage will climb to an estimated 1.1 million positions,⁶ a number that doesn't include shortages of physicians, lab technicians or home health aides.

The structural issues involved — employee burnout, suboptimal working conditions and a thin educational pipeline of healthcare professionals — require long-term solutions. However, providers do have options to ease staffing shortages in the near term.

Namely, they can boost their recruiting and retention immediately through improved pay and benefits. Beyond increasing pay, a strategy offering personalized benefits that meet individual employee needs can give providers a competitive advantage in attracting and keeping talent.

With other career opportunities available in healthcare, hospitals need to show employees — especially clinicians and nurses — compelling reasons to choose the high-stress environment of a hospital. Flexible scheduling, childcare and eldercare support, and financial wellbeing programs will engender loyalty from employees often overburdened by patient needs.



6. U.S. News & World Report, "[Staff Shortages Choking U.S. Health Care System?](#)" July 28, 2022.



Remaining a trusted provider requires better risk management.

Healthcare providers' resilience will be further tested in 2023. In addition to maintaining health protocols to ensure a high level of patient care, the COVID-19 pandemic transformed delivery models. The chronic labor shortage is forcing institutions to rethink their missions. Previous risks viewed as peripheral have become major concerns, such as weather-related events, power failures and cyber risk.

Even more important: Providers must remain a trusted provider that can deliver care, no matter the circumstances.

For healthcare organizations to deliver care reliably in 2023, it will depend on their ability to adopt sound risk management and insurance strategies. They will need to improve their disaster preparedness to account for more frequent weather events and power failures, expand their vendor base to deal with chronic shortages and improve cybersecurity.

Insurance rates will reflect the additional risks. Property coverage could increase as much as 20% in 2023, and even higher in areas with high exposure to catastrophes. With ransomware attacks doubling in 2021 — and more than two-thirds of U.S. healthcare organizations experiencing an attack that year — the cost of cyber insurance could increase 10% to 40%.

Property insurance increases in 2023:

Cyber insurance increases:

as much as

20%

as much as

40%

7. The Guardian, "['Lives are at stake': hacking of U.S. hospitals highlights deadly risk of ransomware.](#)" July 14, 2022.



Providers must protect against the risks of workplace violence.

The prevalence of workplace violence from patients and visitors continues to exact a high price on healthcare, exacerbating the labor shortage. Managing this risk will be imperative.

Violence against nurses has been particularly troubling. Healthcare workers are 20% more likely to be a victim of violence than workers in other professions,⁸ and 44% of nurses reported being a victim of physical violence between February and June 2022.⁹

The hidden costs of these incidents include emotional distress, depression, isolation and anxiety. Victims are four times more likely to take time off due to workplace violence-related injuries than for any other reason.¹⁰

Healthcare accreditation organizations have taken notice. For example, the Joint Commission issued new workplace violence standards that highlight updated safety measures and mitigation plans that identify triggers and include the implementation of appropriate physical safeguards.¹¹



The depth and scope of workplace violence in healthcare also may affect the cost of general liability and workers' compensation insurance. Creating a safe environment can reassure underwriters and help bring a sense of safety and security to the workplace when it's needed most.

8. Nurse.org, "[Nurses Say Violent Assaults Against Healthcare Workers Are a Silent Epidemic](#)," October 11, 2021.
9. Sage Journals, "[Nurses' Experience With Type II Workplace Violence and Underreporting During the COVID-19 Pandemic](#)," August 3, 2021.
10. Online Journal of Issues in Nursing, "[Are Healthcare Professionals Optimistic About Workplace Violence?](#)" September 2022.
11. Joint Commission, "[R3 Report: Workplace Violence Prevention Standards](#)," June 18, 2021.



Make a plan

HUB healthcare specialists will work with you to develop a tailored strategy that protects the bottom line, supports your workforce and builds resiliency for 2023. Here are some initial considerations:



Take better care of employees.

Employees — especially healthcare workers — expect you to support their health, safety and wellbeing. Give them the ability to personalize their benefits without increasing costs. [HUB's QEX approach](#) will give you a competitive advantage.



Re-emphasize safety.

Violence against employees has reached epidemic proportions. Train and onboard employees to understand expectations and maintain a safe work environment. Working with a risk management consultant can identify problems with safety protocols and how to fix them.



Be transparent with your broker.

Let your broker know what changes have occurred in your organization so there are no surprises at renewal. Review exposures and insurance needs at least 90 days prior to policy renewal so your broker can identify the best options.



Understand your loss trends.

Uncover the root cause of your large losses and explain to carriers what you're doing to prevent them in the future. Develop a strategy with your broker to determine the best time and frequency to review alternative markets.



Hope for the best, prepare for the worst.

Given the increased frequency of weather-related disasters, attempted cybercrime and financial downturns, hospitals and health systems will be at the mercy of threats over which they may have little control. Strong risk management will help strengthen vulnerable facilities, computer networks and balance sheets.



Be Prepared

HUB International analyzes proprietary national survey data and interviews commercial insurance brokers and risk services consultants to create an annual rate outlook for the Healthcare industry.

We expect rate increases for nearly all lines of coverage in Healthcare, as a result of high losses in several lines of coverage.

On the next page is HUB's 2023 rate outlook for several Healthcare insurance coverages. This will help you discuss your business' exposure with your insurance broker in advance of your next renewal.



Healthcare Industry Rate Outlook — U.S.

Coverage	2023 Healthcare Rate Outlook	Insights
Automobile	↑ 5% to 10% or higher	Litigation trends, increased repair costs and medical inflation have resulted in poor underwriting performance. Proper onboarding and driver safety programs remain important to reducing exposure as driver shortages persist. Best practices such as adherence to the ANSI Z15 standard for safe motor vehicle operations may help reduce accident experience.
General Liability & Medical Professional	↑ 5% to 15%	An increase in litigation and social inflation, particularly involving sexual abuse, has resulted in less capacity. Jury verdicts in your geography could influence premiums in 2023.
Workers' Compensation	↓ Flat to 10% down	Rates are relatively stable and will be falling in some instances. However, it's important to adopt best practices for onboarding and training to keep accidents at bay, especially when it comes to less experienced staff. Adherence to federal and state government regulations and standards will help reduce exposure.
Umbrella & Excess Liability	↑ 10% to 20%	Carriers continue to reduce capacity due claims that exceed primary limits. As a result, the market is offering reduced limits, if coverage is offered at all. Finding coverage for risks involving abuse and molestation are extremely difficult.
Property	↑ 10% to 20% (no CAT exposure)	Increased underwriting scrutiny on insurance to value (ITV) is driving higher premiums. Properties that are well maintained and have sound business continuity planning are getting first consideration. Areas prone to wildfires will see higher rate increases. In areas subject to catastrophes, standard markets will provide terms for best-in-class properties with superior construction only.
Management Liability	↑ 5% to 20%	Rates have stabilized, following increased claims activity for racial discrimination and wrongful termination. Only a few markets are offering primary capacity, but carriers are more aggressive on excess layers due to increased competition. Expect sublimited coverage for antitrust and regulatory coverage.
Cyber Liability	↑ 25% to 40% or higher	Rates are easing for healthcare operations that have not had significant exposure changes or claims and have proper cybersecurity controls. Operations lacking multi-factor authentication (MFA), endpoint detection and response (EDR), and offline backups will have difficult renewals.

Healthcare Businesses

Business	2023 Rate Guidance	Insights
Physicians & Medical Practices	↑ 5% to 10%	Expect modest increases due to claims activity from tight operating margins and the labor shortage. Rates will vary by location.
Senior Care	↑ 5% to 10%	Following hefty rate increases, new market entrants have brought additional capacity, resulting in a softening market for senior care in 2023.
Hospitals & Health Systems	↑ 5% to 10% or higher	Claims activity has risen for hospitals and health systems, in part due to the industry's labor shortage. Capacity is limited, making it important to focus on employee onboarding and sound risk management policies.
Virtual Care	↑ 5% to 10%	The market will remain firm in 2023 as more patients turn to virtual care services and exposure increases across the board.
Ambulatory Care	↑ 5% to 10%	There will be modest increases due to increased litigation and claims arising from the labor shortage. Rates will vary by location.

NOTE: *Rate* is typically defined as the amount of money necessary to cover losses, expenses, and provide an insurance company with a profit for a unit of exposure. *Exposure* refers to a business' or individual's susceptibility to various risks encountered daily. Carriers evaluate the level of risk an insured faces in calculating insurance premiums.

HUB Healthcare

When you partner with us, you're at the center of a vast network of experts who will help you reach your goals. For more information on how to manage your insurance costs, reduce your risk and take care of your employees, talk to a HUB healthcare insurance specialist.

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