

**Outlook.**

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# Healthcare

Healthcare providers seek calm in an industry struggling with instability.

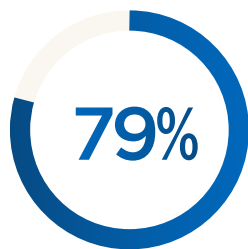


Risk & Insurance | Employee Benefits | Retirement & Private Wealth



# What to Expect in 2024

The continuing difficulties of healthcare show little sign of abating: escalating cost pressures, a chronic labor shortage and greater risks to property, reputation and professional status. Healthcare organizations that provide forward-thinking benefits and implement effective risk management are more likely to thrive in the macro healthcare market.



**Number of healthcare industry executives who view continued cost increases as a threat to profits in 2024<sup>1</sup>**

1. Results from HUB's Outlook Executive Survey, which polled 900 C-Suite and VP-level executives on the issues facing them on profitability, employee vitality and organizational resilience.

# Healthcare will continue its long and difficult fiscal recovery.

It is well-known that hospitals and healthcare providers struggled financially following the COVID-19 pandemic: The median operating margin for hospitals in 2022 was 0.22%, compared with 3% in 2021; in mid-2023, one-third of hospitals' operating margins were less than 3%.<sup>2</sup>

Increased expenditures are a top concern for 79% of healthcare respondents to the HUB International 2024 Outlook Executive Survey. Higher labor costs are driving expenditures, as is the cost of routine maintenance due to higher supply and equipment costs.

The number of nonprofit and for-profit urgent care clinics has exploded to nearly

**14,500**

since 2019, and patient volume has surged

**60%**



Elevated interest rates also are squeezing margins, as the cost of borrowing affects capital projects like building new facilities or remodeling existing ones and purchasing advanced medical tech. For instance, a new cancer hospital decreased its bed capacity 38% due to a 29% jump in construction costs.<sup>3</sup>

The pinch is happening to clinicians as well: The Centers for Medicare and Medicaid Services (CMS) has proposed a 3.4% cut in physician reimbursement rates for 2024,<sup>4</sup> following cuts in 2023.<sup>5</sup>

Greater competition is also eroding revenues and profits. The number of nonprofit and for-profit urgent care clinics has exploded to nearly 14,500 since 2019 and patient volume has surged 60%.<sup>6</sup> And Medicare will extend coverage of telehealth consultations through 2024, the service's continuing popularity will divert revenues from some providers who would otherwise see patients in person.

To improve their financial viability, healthcare providers will need to explore new streams of revenue, understand the implication of emerging payment models like value-based care and explore how to cut insurance costs in the face of rising risks.

2. HFMA, "[The latest on hospital finances: signs of improvement but margins remain tight](#)," July 27, 2023.
3. Becker's Hospital Review, "[3 healthcare capital projects affected by inflationary pressures](#)," February 17, 2023.
4. Medical Economics, "[CMS proposes a 3.4% cut to Medicare payments](#)," July 14, 2023.
5. FPM Journal, "[Medicare payment reduction for 2023 smaller than originally announced](#)," January 10, 2023.
6. CT Insider, "[Urgent care expands across Connecticut amid calls for greater oversight](#)," July 31, 2023.

# Benefits strategy — not AI — will have the biggest potential to help fill staff shortages in 2024.

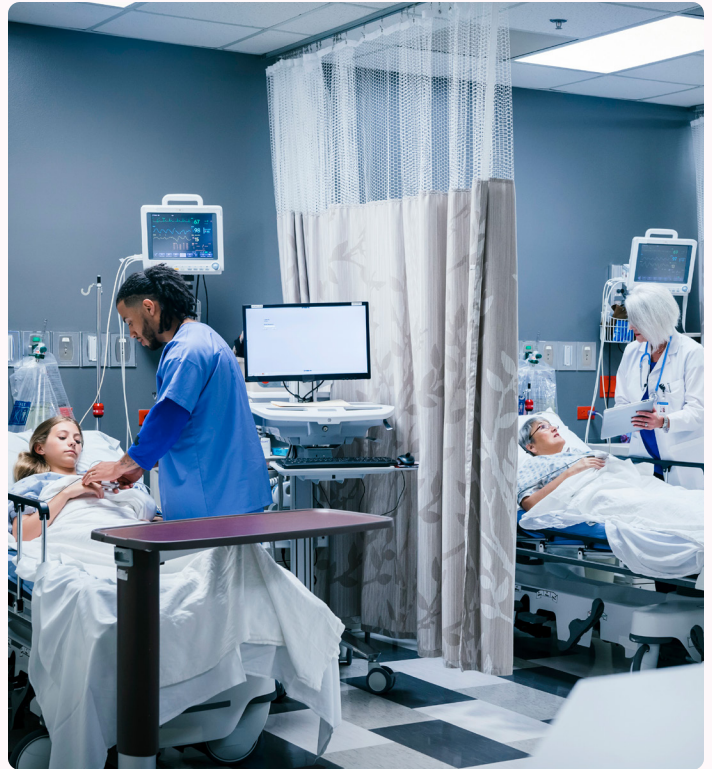
The healthcare industry is facing a shortfall of nearly 200,000 nurses by 2030<sup>7</sup> and 48,000 primary care physicians by 2034.<sup>8</sup> This follows an existing shortage of 400,000 caregivers for older adults.<sup>9</sup>

In part, healthcare workers are leaving the field because of respect: The top reason healthcare workers exit their organizations is because they don't feel valued (31% of employees), and 21% feel their employers don't support employee wellbeing.<sup>10</sup>

There's also the matter of safety in employee recruiting and retention. Healthcare professionals' risk of injury from workplace violence is five times greater than any other industry,<sup>11</sup> and fears of safety have driven healthcare workers into other professions.

Although artificial intelligence has been touted as the long-term benefit for labor shortages and shows potential in healthcare,<sup>12</sup> the technology remains in its infancy. And 87% of healthcare respondents to HUB's Outlook Executive Survey ranked training and adding skills as having an impact on employee vitality, more than any other factor.

The industry might better heal itself with a more humanistic approach to benefits and work policies. More than eight out of 10 employees want to be seen as individuals, not merely workers,<sup>13</sup> and for their employers to support both their work and personal lives. Delivering personalized benefits that create **quality employee experiences (QEX)** can be a major factor in boosting recruiting and retention efforts in 2024.



7. U.S. Bureau of Labor Statistics, "[Registered Nurses.](#)"
8. AMA, "[Doctor shortages are here – and they'll get worse if we don't act fast.](#)" April 13, 2022.
9. McKnight's Senior Living, "[Long-term care workforce shortages worst in all of healthcare, provider groups say as Senate committee explores issue.](#)" February 17, 2023.
10. Becker's Hospital Review, "[Top 9 reasons healthcare workers quit.](#)" June 16, 2023.
11. Forbes, "[Violence Against Healthcare Workers Is Rising: Here's How We Can Protect Them.](#)" August 2, 2023.
12. National Library of Medicine, "[Evaluation of artificial intelligence techniques in disease diagnosis and prediction.](#)" January 30, 2023.
13. HR Today, "[Rethinking EVP.](#)" June 11, 2021.

## Risk management will be key in a challenging environment.



Given the headwinds working against the industry, it will be difficult for healthcare providers to rebuild resiliency.

Some risks are more easily tackled than others. Technology's role in healthcare, for example, is vitally important for greater efficiency and enhanced patient care. But cyberattacks have skyrocketed: Healthcare data breaches have doubled in 2023,<sup>14</sup> causing closures.

Guarding against Mother Nature is another matter. As hurricanes, floods, extreme heat and other catastrophic weather events occur with more frequency, business contingency plans are key, but so is sufficient insurance. Property coverage and insurance for catastrophic perils will rise as much as 30% in 2024, and possibly more for properties with high catastrophe (CAT) exposures.

For providers, professional liability coverage is getting more expensive, with rates rising as much as 15% for medical mal insurance. Underwriters are pulling back due to social inflation affecting litigation against healthcare. In fact, excess liability claims have risen 9% in the past year due to rising legal costs and medical cost inflation.

(Two positive notes: Cyber insurance premiums are likely to level off or have minor rate increases after years of double-digit price increases, while workers compensation insurance premiums could decrease as much as 10%.)

Because many carriers are limiting capacity, restricting their appetite in selected markets or increasing premiums to the point of unaffordability, healthcare providers will want to consider alternate risk vehicles like captives or self-insurance for certain insurance needs, such as property coverage, when appropriate.

Organizations should not expect a single underwriter to cover all of their insurance needs in any given coverage line, as healthcare providers often need to access multiple carriers for full coverage.

14. Medical Economics, "[Computer attacks in health care are booming so far in 2023](#)," August 9, 2023.

## Disruptions ahead. Are providers ready?

More than half of healthcare respondents to HUB's Outlook Executive Survey conduct enterprise risk management assessments monthly or quarterly, indicating executives understand that preparedness will be important in 2024.

But there is a difference between knowing that preparedness is important and actually being prepared. For example, 76% of the HUB survey's healthcare respondents say they are prepared for climate change and severe weather. Yet fewer than half have effective facilities risk management plans.

For hospitals, climate change is a two-pronged risk: They must prepare for weather damage to healthcare facilities and care for patients injured in a severe weather event. No matter if the disaster is a hurricane, wildfire or extreme heat, these events will be costly — the latter alone expected to amount to \$1 billion in additional healthcare costs in 2023.<sup>15</sup>

Health systems have responded with dashboards listing patients at risk from extreme weather events and have encouraged investment in tree canopies and improved cooling and air filtration in the homes of those at risk.<sup>16</sup>

Organizations are also rethinking construction, rebuilding hospitals and adding barriers to withstand hurricanes and floods, for example.<sup>17</sup>

Other potential disruptions are forthcoming. The industry should be prepared for continued government audits for compliance with terms and conditions that accompanied COVID-19 relief funding, as well as lawsuits alleging relief fund fraud.<sup>18</sup>

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Healthcare providers need to consult their insurance broker about filling gaps preparedness, whether it's for an increasing number of patients, weather-related damage to property, or audit or litigation preparation. If they're unprepared, they not only risk damage to the bottom line, but their ability to stay operational.

15. Yale Climate Connections, "[Extreme heat will cost the U.S. \\$1 billion in health care costs - this summer alone](#)," July 10, 2023.
16. The Commonwealth Fund, "[How Health Care Organizations Are Preparing for Climate Shocks and Protecting Vulnerable Patients](#)," October 20, 2022.
17. Health Facilities Management, "[Building hospitals that can withstand extreme weather events](#)," August 24, 2022.
18. JDSupra, "[HRSA and OIG Begin Recovery and Audits of the COVID-19 Funding Programs](#)," June 29, 2023.

# Make a plan

HUB healthcare insurance, risk management and employee benefits professionals will work with you to develop a tailored strategy that will protect the bottom line, support the vitality of your workforce and build resiliency for 2024. Here are some initial considerations:



## Thoughtfully lean into risk.

Risks in healthcare have increased — and so have premiums. Consider taking a higher deductible, which reduces premiums and improves experience rating, or alternative risk transfer vehicles to lower costs. Ask your broker what kind of insurance strategy meets your risk profile and budget.



## Increase engagement through benefits.

Employees — especially healthcare workers — expect you to support their health, safety and wellbeing. A benefits strategy based on personalization and fostering **quality employee experiences (QEX)** will boost engagement, recruiting and retention, and lower risk.



## Re-emphasize safety.

In an era of labor shortages, workplace violence against healthcare workers and increased patient litigation, keeping patients and employees safe is essential. Train and onboard employees to understand expectations and commit to maintaining a safe work environment.



## Understand your loss trends.

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



## Be transparent with your broker.

Let your broker know what changes you've made to the business, 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.

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# Healthcare Industry Rate Guide – U.S.

HUB International interviews brokers and risk services consultants and analyzes survey data to bring you our proprietary rate report each quarter. Read the HUB 2024 Commercial Lines Rate Report to know what to expect in advance of your next renewal.

Coverage	2024 Healthcare Rate Outlook	Insights
<b>Commercial Auto &amp; Patient Transportation</b>	+5% to 15% or higher	<p>To offset insurers' losses, premiums will increase. Several factors are causing these losses: increased vehicle replacement costs, production backlogs on part replacements, labor costs and higher medical costs. Risks involving the transportation of minors or those with intellectual disabilities are harder to place.</p> <p>Clients with favorable experience are likely to see lower rates than otherwise. Litigation has created a challenging market for all casualty lines in healthcare.</p>
<b>General Liability &amp; Medical Professional</b>	Flat to +15%	<p>Most carriers will be seeking rate increases in the single digits for general liability coverage. Social inflation remains a key underwriting issue, especially in certain jurisdictions. Policies with larger deductibles are likely to have the lowest rate increases; in select circumstances healthcare entities may see rate decreases. However, GL rate increases are likely in the future to compensate for previous reductions.</p>
<b>Workers' Compensation</b>	-10% to Flat	<p>Workers' compensation is the most profitable line for commercial insurers, and rates in 2024 will reflect this. Rates have remained stable with carriers offering competitive rates. Inflation may result in greater losses from higher wages and medical costs.</p>
<b>Umbrella &amp; Excess Liability</b>	+5% to 25% or higher	<p>The Healthcare sector will continue to see lower limits in umbrella and excess liability insurance at renewal. For example, \$10 million excess limits are being renewed at \$5 million, and \$5 million are being renewed at \$2 million — but for the same premium as the higher limit.</p> <p>Finding capacity to fill a tower will remain difficult, as entities requiring more than \$10 million in limits will need to move to a shared or layered insurance program.</p>
<b>Package</b>	+5% to 10%	<p>Property and excess lines are still driving rate activity. Rate changes will vary based on client-specific loss experience as well as the size of deductibles.</p>
<b>Commercial Property</b>	+10% to 30%	<p>The property market is facing unprecedented challenges, with reinsurers restricting capacity, particularly for properties with an unfavorable brush mapping profile or protection class.</p> <p>Carriers are reducing total insurable values (TIVs) per location while applying increased deductibles and loss limits.</p> <p>Insurers remain focused on valuation, as underwriters are declining risks that do not represent current replacement cost valuations while increasing rates for accurate valuations.</p> <p>Engineering and loss control remain a major underwriter focus on high-value properties.</p>

**Catastrophic Perils**

+10% to 35%

While traditional CAT perils such as floods, earthquakes and windstorms remain a concern, insurers are also focused on severe and convective storms, wildfires, winter storms and deep freezes, with little appetite for habitational property risk. Properties exposed to convective storms and wildfire are likely to see much higher rates.

Expect hefty increases for any buildings constructed prior to 1980. Buildings that have not had electrical, plumbing and roofing maintenance will have fewer options. Large schedules of assets with separate insurance programs will need to combine their program to secure terms.

**Environmental**

Flat to +8%

Carriers are trying to build their portfolio in environmental coverage through competitive pricing where possible. For insureds with a favorable loss history, rates for environmental coverage will remain flat or increase slightly. Insurance for challenged risks (i.e., those with claims severity or frequency) are seeing premium increases commensurate with losses.

Risks with other casualty coverages packaged with their environmental insurance are seeing rate increases up to 5%, although market pressures are holding those down in many instances.

**D&O: Private**

-10% to +10%

After years of difficult market conditions, pricing and retentions for private company D&O have improved. There is more competition: carriers have lessened their restrictive classes and some are offering higher limits than in years past.

**D&O: Public**

-20% to +5%

The D&O market for public companies continues to improve. There remains plenty of capacity, and insureds with no major issues will see favorable renewal terms. Insureds with difficult risk profiles may see higher pricing, but competition will keep rate hikes to a minimum.

**Cyber**

Flat to +10%

Cyber insurance pricing has improved considerably after a difficult few years.

However, carriers are reporting increased ransomware activity and cybercrime. While claim activity is up, competition has muted rate increases. That could change in 2024, though not to an extreme extent, as was the case in 2021.

**Physicians & Medical Practices**

Expect high single-digit to modest double-digit increases due to claims activity arising from nuclear verdicts and litigation funding. Rates will vary by jurisdiction.

**Senior Care**

Over the past year, new entrants for senior care insurance have added capacity to the market, decreasing premium rate pressure.

**Hospital & Health Systems**

Claims frequency and severity continue to be on the rise for hospitals and health systems. As capacity is limited, best-in-class risk management is key to securing coverage.

**Virtual Care**

The insurance market for virtual care is expected to remain firm, as more patients use virtual care services, increasing exposure across the board.

**Ambulatory Care**

Expect slight increases due to claims activity arising from nuclear verdicts and litigation. Rates will vary by jurisdiction.

**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 HUB, you're at the center of a vast network of experts who will help you improve your profitability, enhance the vitality of your workforce and remain resilient into the future. For more information on how to manage your insurance costs, reduce your risk and take care of your employees, talk to a HUB healthcare advisor. We're here to help.

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