# -HealthLeaders Intelligence

FREE REPORT

DECEMBER 2014

# **Ambulatory & Outpatient Care:** A Market-Driven Approach for Success

Powered by



WWW.HEALTHLEADERSMEDIA.COM/INTELLIGENCE

## Intelligence Report Premium from HealthLeaders Media

## Ambulatory & Outpatient Care: A Market-Driven Approach for Success

## Business rules, patient mix, competitors, financials everything about ambulatory/outpatient care is different. Get answers to key strategic questions in this new report.

- Learn how **Borgess Health** built a new \$29.6 million ambulatory health park that's already producing a positive margin and pushing outpatient revenues above 50%
- Discover why access to care, the need to coordinate care across the continuum, and the ability to provide more efficient care are now as vital to market-share growth as maximizing the acute care referral base
- Learn how **UPMC** has reduced its cost structure to support ambulatory care efficiency by renegotiating supply chain contracts, reconsidering appropriate staffing levels, and working more closely with its physicians
- Understand the challenges—and lessons—brought on by big-box retailers' entry into healthcare, particularly related to treating patients as consumers
- Find out how **Jupiter Medical Center** succeeded in applying a retail business model to determining the location, staffing, compensation, and service offerings of its new urgent care center

#### TOC << >> PAGE 26 DECEMBER 2014 Ambulatory/Outpatient Care FIGURE 3 Tactics to Expand Ambulatory/Outpatient Specialty Care Network Q What tactics or mechanisms are you using to expand your ambulatory/outpatient specialty care network? TAKEAWAYS Total responses To expand specialty care networks via physician practices, more health systems than hospitals are involved in partnering (70% vs. 61%, respectively) and acquisition (65% Partner with physician practices, organizations 64% vs. 49%) 52% · Compare Acquire physician practices, organizations systems ( New Data Partner with community-based organizations 41% expandir via an HI Develop or join internal or external HIF 26% Segmentation Tool 13% In Figur Partner with urgent care clinics equal pe Find out how organizations 12% Partner with convenient care clinics care via: partneri though, just like yours are addressing Acquire urgent care clinics 8% ambulatory & outpatient care. Acquire convenient care clinics 8% Don't know 5% WHAT DO As with 1 Base = 311. Multi-Respons practices VIEW BY NUMBER OF BEDS what we to expar of organ Otherwi VIEW BY NUMBER OF SITES S VIEW BY NET PATIENT REVENUE VIEW BY VIEW BY SETTING VIEW BY NUMBER OF BEDS STATES Click on these icons to dia deeper

## For more information or to purchase this report, go to *HealthLeadersMedia.com/Intelligence* or call **800-753-0131.**

## -HealthLeaders Intelligence

Access. Insight. Analysis.

## **About the Premium and Buying Power Editions**

This is a summary of the Premium edition of the report. In the full report, you'll find a wealth of additional information. For each question, the Premium edition includes overall response information, as well as a breakdown of responses by various factors: setting (e.g., hospital, health system, physician organization), number of beds (hospitals), number of sites (health systems), net patient revenue, and region.

Available separately from HealthLeaders Media is the Buying Power edition, which includes additional data segmentation based on purchase involvement, dollar amount influenced, and types of products or services purchased. In addition to this valuable survey data, in the Premium and Buying Power editions you'll get the tools you need to turn the data into decisions:

- A Foreword by John D. Couris, President and CEO of Jupiter (Florida) Medical Center and Lead Advisor for this Intelligence Report
- Three Case Studies featuring initiatives by Borgess Health in Kalamazoo, Michigan; UPMC in Pittsburgh; and Jupiter (Florida) Medical Center
- A list of Recommendations drawing on the data, insights, and analysis from this report
- A Meeting Guide featuring questions to ask your team

TOC

## **Table of Contents**

6	Foreword					
	Methodology					
	Respon	Respondent Profile 6				
	Analysis 7					
6	Case Studies					
6	Borgess Health: The Building Blocks of an Ambulatory Strategy					
•	Jupiter Medical Center: Adopting a Retail Business Model					
•	UPMC: /	Ambulatory Care and the Efficiency Imperative				
Survey Results						
	Fig. 1	Factors Driving Ambulatory/Outpatient Care Strategy15				
6	Fig. 2	Tactics to Expand Ambulatory/Outpatient Primary Care Network				
6	Fig. 3	Tactics to Expand Ambulatory/Outpatient Specialty Care Network				
	Fig. 4	Participation in Convenient Care Clinics				
6	Fig. 5	Participation in Urgent Care Clinics				

🔓 Fig. 6	Ambulatory/Outpatient Area Offering Greatest Financial Contribution Today
🔒 Fig. 7	Ambulatory/Outpatient Area Expected to Deliver Greatest Financial Contribution in Five Years
🔒 Fig. 8	Shift in Ambulatory/Outpatient Care Net Patient Revenue in Three Years
🔒 Fig. 9	Average Ratio of Capital Budget for Inpatient Acute vs. Ambulatory/Outpatient Care New Program Development Within Three Years
🔂 Fig. 10	Facility Expansion Priorities Over Next Three Years
🔒 Fig. 11	Expansion of Care Service Priorities Over Next Three Years
🔒 Fig. 12	Greatest Competitive Threat to Ambulatory/Outpatient Area
🔂 Fig. 13	Dollar Level of Self-Pay
🖬 Fig. 14	Dollar Level of Self-Pay Within Three Years
<b>Recom</b>	nendations
<b>A</b> Meetin	a Guide

This document contains privileged, copyrighted information. If you have not purchased it or are not otherwise entitled to it by agreement with HealthLeaders Media, any use, disclosure, forwarding, copying, or other communication of the contents is prohibited without permission.

TOC

PAGE 5

#### Click here to learn more and order the PREMIUM EDITION: case studies, actionable strategies, further segmentation

## Methodology

The 2014 Ambulatory & Outpatient Care: A Market-Driven Approach for Success Survey was conducted by the HealthLeaders Media Intelligence Unit, powered by the HealthLeaders Media Council. It is part of a series of monthly Thought Leadership Studies. In September 2014, an online survey was sent to the HealthLeaders Media Council and select members of the HealthLeaders Media audience. A total of 311 completed surveys are included in the analysis. The bases for the individual questions range from 175 to 311 depending on whether respondents had the knowledge to provide an answer to a given question. The margin of error for a sample size of 311 is +/-5.6% at the 95% confidence interval.

Each figure presented in the report contains the following segmentation data: setting, number of beds (hospitals), number of sites (health systems), net patient revenue, and region. Please note cell sizes with a base size of fewer than 25 responses should be used with caution due to data instability.

#### ADVISORS FOR THIS INTELLIGENCE REPORT

The following healthcare leaders graciously provided guidance and insight in the creation of this report.

John D. Couris President and CEO Jupiter (Florida) Medical Center

Patrick Dyson Executive Vice President Borgess Health Kalamazoo, Michigan

#### Edward Karlovich

CFO of the Hospital and Community Services Division UPMC Pittsburgh

#### UPCOMING INTELLIGENCE REPORT TOPICS

JANUARY Annual Industry Survey FEBRUARY Mergers, Acquisitions, and Partnerships MARCH Payer-Provider Strategies APRIL Healthcare IT and Analytics MAY Emergency Department Strategies JUNE Strategic Cost Control

## Click here to subscribe.

#### ABOUT THE HEALTHLEADERS MEDIA INTELLIGENCE UNIT

The HealthLeaders Media Intelligence Unit, a division of HealthLeaders Media, is the premier source for executive healthcare business research. It provides analysis and forecasts through digital platforms, print publications, custom reports, white papers, conferences, roundtables, peer networking opportunities, and presentations for senior management.

## -HealthLeaders

Intelligence Report Senior Research Analyst MICHAEL ZEIS mzeis@healthleadersmedia.com Vice President and Publisher RAFAEL CARDOSO rcardoso@healthleadersmedia.com

Editorial Director EDWARD PREWITT eprewitt@healthleadersmedia.com

Managing Editor BOB WERTZ bwertz@healthleadersmedia.com Intelligence Unit Director ANN MACKAY amackay@healthleadersmedia.com Media Sales Operations Manager ALEX MULLEN amullen@healthleadersmedia.com Intelligence Report Contributing Editor PHILIP BETBEZE pbetbeze@healthleadersmedia.com Intelligence Report Contributing Editor DON COSTANZO dcostanzo@healthleadersmedia.com Intelligence Report Design and Layout KEN NEWMAN knewman@healthleadersmedia.com

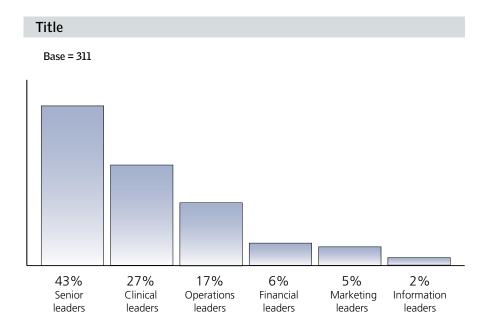
Copyright ©2014 HealthLeaders Media, a division of BLR, 100 Winners Circle, Suite 300, Brentwood, TN 37027 Opinions expressed are not necessarily those of HealthLeaders Media. Mention of products and services does not constitute endorsement. Advice given is general, and readers should consult professional counsel for specific legal, ethical, or clinical questions.



Click for information on joining.

## **Respondent Profile**

Respondents represent titles from across the various functions at hospitals, health systems, and physician organizations.

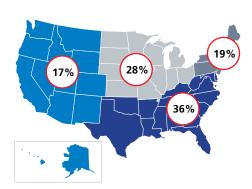


- Senior leaders | CEO, Administrator, Chief Operations Officer, Chief Medical Officer, Chief Financial Officer, Executive Dir., Partner, Board Member, Principal Owner, President, Chief of Staff, Chief Information Officer
- Clinical leaders | Chief of Cardiology, Chief of Neurology, Chief of Oncology, Chief of Orthopedics, Chief of Radiology, Chief Nursing Officer, Dir. of Ambulatory Services, Dir. of Clinical Services, Dir. of Emergency Services, Dir. of Inpatient Services, Dir. of Intensive Care Services, Dir. of Nursing, Dir. of Rehabilitation Services, Service Line Director, Dir. of Surgical/Perioperative Services, Medical Director, VP Clinical Informatics, VP Clinical Quality, VP Clinical Services, VP Medical Affairs (Physician Mgmt./MD), VP Nursing
- **Operations leaders** | Chief Compliance Officer, Chief Purchasing Officer, Asst. Administrator, Chief Counsel, Dir. of Patient Safety, Dir. of Purchasing, Dir. of Quality, Dir. of Safety, VP/Dir. Compliance, VP/Dir. Human Resources, VP/Dir. Operations/ Administration, Other VP
- Financial leaders | VP/Dir. Finance, HIM Director, Director of Case Management, Director of Patient Financial Services, Director of RAC, Director of Reimbursement, Director of Revenue Cycle
- Marketing leaders | VP/Dir. Marketing/Sales, VP/Dir. Media Relations
- Information leaders | Chief Medical Information Officer, Chief Technology Officer, VP/Dir. Technology/MIS/IT

Type of organization	ı	Number of beds	
Base = 311		Base = 159 (Hospitals)	
Hospital	51%	1–199	47%
Health system	33%	200–499	31%
Physician organization	15%	500+	22%

Number of sites		Number of physicians		
Base = 102 (Health systems	)	Base = 50 (Physician organizations)		
1–5	23%	1–9	30%	
6–20	30%	10–49	26%	
21+	47%	50+	44%	

## Region



WEST: Washington, Oregon, California, Alaska, Hawaii, Arizona, Colorado, Idaho, Montana, Nevada, New Mexico, Utah, Wyoming

MIDWEST: North Dakota, South Dakota, Nebraska, Kansas, Missouri, Iowa, Minnesota, Illinois, Indiana, Michigan, Ohio, Wisconsin

SOUTH: Texas, Oklahoma, Arkansas, Louisiana, Mississippi, Alabama, Tennessee, Kentucky, Florida, Georgia, South Carolina, North Carolina, Virginia, West Virginia, D.C., Maryland, Delaware

NORTHEAST: Pennsylvania, New York, New Jersey, Connecticut, Vermont, Rhode Island, Massachusetts, New Hampshire, Maine

тос

#### ANALYSIS

## **Classic Tactics With a Twist: Market Share and Cost Control**

MICHAEL ZEIS

It's not a new concept, but it is one that is getting new attention for new reasons. Nearly two-thirds (61%) of healthcare leaders include expansion of market share among their top three drivers of their outpatient/ ambulatory care strategy, according to the *HealthLeaders Media Outpatient/ Ambulatory Care Survey*. At one time, expansion of market share might have meant that a hospital or health system was building a referral base. But expansion of market share in the ambulatory care context isn't only about acute care admissions.

Most healthcare leaders are striving for better care coordination, and many are placing a priority on population health management, both of which drive the desire to provide patients with a wide set of access alternatives. And healthcare providers recognize the need, eventually, to shift to addressing the overall care needs of patients over a long time span, which ambulatory and outpatient care networks can do. Also, most healthcare providers recognize that new working relationships with payers are coming. Broader ambulatory and outpatient reach and a new wave of consolidation among providers are manifestations of the desire to improve their negotiating positions.

Patrick Dyson, executive vice president of Borgess Health, a not-for-profit health system with three hospitals serving 10 counties in southwest Michigan, acknowledges the classic acute care model and sees the care

#### WHAT HEALTHCARE LEADERS ARE SAYING

"We will expand our health system's geographic footprint with convenient care centers, employ more primary care physicians, and partner with postacute care entities to fill out the care continuum."

—CEO for a medium hospital

тос

"We are launching IVR [interactive voice response] and remote home monitoring for chronic conditions such as COPD, CHF, diabetes, and asthma."

-VP clinical informatics for a large health system

"We have direct investment in systems and processes to manage global budget payment agreements. We will begin working with payers more closely on global budget payment agreements."

-Chief medical officer for a large health system

"We will develop more capitated relationships with both payers and primary care providers."

-CEO for a medium health system

"We expect to have a significant portion of our primary care patients in a risk arrangement."

—Vice president for a large health system

"We formed a clinically integrated network with hundreds of physicians. We have applied to be a MSSP participant and advised our state that we are willing to take risk under a Medicaid ACO model."

-Chief financial officer for a medium health system

"We will develop weekend clinics, extended-hour clinics, and create walk-in slots on daily basis."

-Executive director for a large physician organization

## Analysis (continued)

continuum—with ambulatory and outpatient care being important elements—as part of a broader view.

"While we have the acute care model and concept," Dyson says, "we're thinking about what's involved pre-hospital—what happens before a person ever enters the acute care setting. And we have to recognize that many patients rarely or never enter an acute care setting. Then there is the whole postacute continuum. What happens when a person leaves the hospital? Will they go home? Will they go to an interim care facility of some sort? So we're really thinking about a person's care experience at different points of their life, across that continuum."

Tactics for delivering higher-quality care more cost-effectively are still emerging. At the same time, the healthcare industry's financial foundation is threatening to shift, but has yet to do so in a full or expansive way. These are but two factors that focus healthcare leaders on the cost of care, and ambulatory/outpatient care plays a role. Cost control joins market share as a second "classic" motivation driving strategies in ambulatory and outpatient care. More than half (55%) include cost control as a top driver.

About cost, John Couris—president and CEO of the not-for-profit Jupiter (Florida) Medical Center, with 163 acute care beds and 120 long-term care, rehabilitation, and hospice beds—reminds us of how the ambulatory and outpatient care settings meet the longstanding desire to deliver care in a costeffective way, supported by advances in medicine. He says, "Most healthcare is provided in an outpatient environment. Some of the reasons include technology advances, which have allowed

"We're really thinking about a person's care experience at different points of their life, across that continuum."

TOC

-Patrick Dyson

for a greater number of procedures to be completed in the outpatient setting. Primary care continues to do a good job of managing the health and wellness of a community, which translates to fewer resources required to take care of people. So, it tends to cost less in an ambulatory environment versus a hospital setting."

Some payment models encourage longer-term relationships with patients. Dyson states, "With managed care payers such as Medicare with their Advantage products, you're building a relationship with a patient over time. That patient is attributed to your system because you provide the lion's share of their care. Then that leads to accountability for clinical outcomes under some of the evolving value-based purchasing models, incorporating the idea that healthcare providers should be evaluated not just on taking care of an episodic issue, but on helping manage the patient's care over a longer horizon."

## Analysis (continued)

This broader perspective leads to an examination of what services to provide, and in what location. "Whether they are issues of access, convenience, or geographic markets," Dyson says, "organizations are decoupling ambulatory services from the main medical center setting and dispersing their array of services in a continuum across the larger geographic region."

Although organizations are moving away from episodic care and toward long-term care relationships, risk-sharing for accountability (which some see as the ultimate objective) is a top driver now for only 17% of survey respondents. Seeing the need to take on risk on the bottom of the list of drivers does not diminish its importance to Ed Karlovich, chief financial officer for UPMC, a Pittsburgh-based nonprofit health system with 20 hospitals, 400 outpatient sites, and 5,100 licensed beds. He says, "As a provider, if you think in the long term, you're going to be involved in the insurance side of this business in some fashion, so you're going to want to have an ambulatory network that will support that." Indeed, UPMC is very much in the insurance side of the business. The UPMC Health Plan and a set of partners integrated with the UPMC Insurance Services Division count 2.3 million members in Western Pennsylvania.

## Top contributors: Surgery centers now, primary care soon

Today, three areas of outpatient care are identified as top financial

contributors in nearly equal proportions: surgery centers (22%), specialty care (22%), and imaging (20%). At present, 16% of all respondents say that primary care is the ambulatory/outpatient activity that provides the greatest financial contribution, although that is higher (24%) among physician organizations. Within five years, though, healthcare leaders expect the picture to change, and 33% say that primary care will deliver the greatest

"As a provider, if you think in the long term, you're going to be involved in the insurance side of this business in some fashion, so you're going to want to have an ambulatory network that will support that."

тос

—Edward Karlovich

financial contribution. The change reflects continued dependence by acute care facilities on patient flow through ambulatory and outpatient settings as well as growing recognition of the care coordination role of primary care practices.

According to Dyson, an advisor to this Intelligence Report, "Most people, if they're going to get to a specialist or a surgeon, are going to come by way of primary care. If you are trying to drive business to complex surgical and procedural things that you do in the acute care hospital, you need primary

## Analysis (continued)

care. We also will be reasserting the role of primary care as a gatekeeper, a navigator, a coordinator of care. And how do you expand your outpatient or ambulatory footprint? Primary care is a key way to do that."

Karlovich reminds us about the shift in financial foundation that must take place for primary care to become more important as a financial contributor. "In the traditional fee-for-service model, primary care practices are not enormously profitable. But if you are taking risk, and you can manage the population effectively, and you benefit financially from patients who may not be generating as many downstream admissions, then you can see how primary care could rise to the top. In responding to this question, people have to be making the assessment that they are going to be taking on risk in some fashion."

#### Financial decisions are in line with new emphasis

Nearly as many organizations are expanding their ambulatory/ outpatient primary care physician practice network through acquisition (60%) as through partnerships (62%). Although certainly part of the ambulatory care landscape, urgent care clinics and convenient care clinics are used much less frequently as the vehicle for expansion of primary care and ambulatory services. While both have roughly the same percentages of proponents (ranging from 13% to 19%), Karlovich tells us that urgent care clinics might be a better fit for many hospitals and health systems than convenient care clinics. "Providers get into urgent care for several reasons. First, they can expand their retail footprint. Second, they can relieve pressure on their ED. Finally, urgent care is similar to what they actually do today. Convenient care clinics are really a different care model."

Overall, 56% expect net patient

"We're investing heavily in improving access points in ambulatory, while the hospital is investing in programs and services that increase the intensity of work that we do."

тос

#### —John Couris

revenue from ambulatory and outpatient services to increase by 10% or more within three years. Dyson identifies at least three factors influencing outpatient revenue growth: general population characteristics, a technology-enabled shift of patient volume from inpatient to outpatient, and payer practices. He says, "Sociodemographics and the underlying epidemiology of the community come into play. Technology is allowing [procedures and other care] to move from an inpatient setting to outpatient. For example, robotic surgery development has enabled shorter lengths of stay, which has impacted outpatient growth. And payers are making determinations that reimbursement or payment is only going to be in a particular setting."

## Analysis (continued)

More than half (57%) say that their No. 1 priority in new program development investments for expansion of care services over the next three years is ambulatory/outpatient care. Prompted by a larger geographic footprint and what usually is a larger care network, 70% of health systems say their No. 1 new program development investment over the next three years will be outpatient and ambulatory services, compared to 49% of hospitals. Says Karlovich, "It gets back to the way health systems think compared to individual hospitals. Health systems probably compete over a larger geographic area. And health systems may be building their network of care. Small or midsize hospitals, maybe community hospitals, may be thinking about one or two programs, probably at or near their campuses."

Overall, new program development capital budgets will be split 64% for ambulatory care and 36% for inpatient care within three years. The split will be closer to 50-50 among the industry's largest organizations: Those with net patient revenues of \$1 billion or more expect their new program development capital resources to be split 54% for ambulatory care and 46% for inpatient. Couris, lead advisor to this Intelligence Report, explains that it is a requirement to invest in both. "We're investing heavily in improving access points in ambulatory, while the hospital is investing in programs and services that increase the intensity of work that we do. If most ... care is going to be provided in the outpatient world, only the sickest and most compromised patients are going to end up in the hospital. If you don't have services to take care of those sickest patients—if you can't handle it—you will, over time, become irrelevant."

Improvements and expansion in the acute care environment

demands more funds than in outpatient settings, of course. "The cost to do anything on the inpatient side is enormous compared to ambulatory," says Karlovich. "Even if you're doing something small, you just burn through the capital on the inpatient side."

## Patients as consumers: Yes and no

Couris identifies four principal strategic components for Jupiter Medical Center, and he mentions outpatient first. "At the very core of Jupiter Medical Center's delivery model is the creation of a patient-centered system of care designed to provide predictable, world-class quality care at the lowest cost possible. The strategy has for components: ambulatory, acute care, postacute care, and physician alignment.

"First, in the outpatient world, it's all about improving access points and

"How do you expand your outpatient or ambulatory footprint? Primary care is a key way to do that."

TOC

-Edward Karlovich

## Analysis (continued)

getting into communities that we're currently not in. In the inpatient world, we're increasing the intensity of service and diversifying our portfolio. We don't need to add more beds—we are focusing on medical technology and services differently. In post-acute care, it's all about building out the continuum—services like home health and rehab. The fourth and final piece is physician alignment." And consumerism is a core concept behind Jupiter's approach to ambulatory care. "We're in the urgent care space because of consumerism," Couris says. "We understand the significance of not only being out in the community, but also being more consumer driven."

Karlovich explains that, despite the need to consider patients as consumers of healthcare services, few patients bring to healthcare transactions the kind of product knowledge that they bring to purchases of conventional consumer products. "It's not a typical consumer transaction," he observes. "You may only go to your medical provider once every five years if you're healthy and just don't need to see anybody. But as a consumer, you want to have many of the same attributes that exist in routine consumer purchases. You want to be able to get to your product easily, in a location where you want it. You don't want to be hassled about getting to it. You want to make sure people are friendly and courteous. Those are things that are transferable from the conventional consumer purchase model. What many don't have, though, is an understanding of the actual service that's being provided. It's very hard for many consumers of healthcare services to grasp what's happening around them."

Of course, the selection of a healthcare provider should not be a low-involvement decision. In an outpatient environment (which has many characteristics of a retail environment and, in some cases, "Technology is allowing procedures and other care to move from an inpatient setting to outpatient."

TOC

-Patrick Dyson

is in a retail environment), consumer-product priorities will be part of the decision-making. Karlovich describes how a patient may come to a decision as a consumer: "Because I don't understand it, I view them all as the same and, therefore, I'm going to pick one maybe by price or by location." Couris adds this insight: "You have to run your ambulatory businesses very differently than you run your hospitals. Free-market principles in the aggregate may not really apply to healthcare. They do, however, apply in the ambulatory setting."

Healthcare providers find themselves in an environment where consumer preferences become part of patient decision-making, which may be one reason that retail medicine is identified by 29% of survey respondents as the ambulatory or outpatient service presenting the greatest threat over the next three years. Although the current mix of healthcare

## Analysis (continued)

services available in chain pharmacies and big-box retailers hardly serves as a substitute for most of the care that occurs in the acute care environment, healthcare leaders should recognize the market power of the organizations involved, their ability to fund their programs, and their merchandising savvy.

"The large retailers have financial capacity to invest in the healthcare industry," Dyson says. "They know how to drive traffic to their services. And one of our self-criticisms is that we are slow to evolve and adapt; we may not have the speed of response that such large for-profit companies have. Also, there is a disruptive innovation component. They can take what is otherwise a complex service or product and simplify it. Some younger people are not looking for a primary care relationship. They may be saying, 'Take care of my need when I have the need.' Retailers can come in, decouple the monolithic healthcare system, and develop more effective ways to deliver some services."

Dyson reminds us that, although there is a great deal of focus on population health, managing patients across the care continuum applies to a relatively small portion of patients, especially today, while the techniques and funding for such activities are still emerging. As a result, large retailers can offer their easy-access on-demand services to a large population. "Longitudinal management of the patient over time outcomes, prevention, and managing chronic conditions—is a small part of the healthcare business today. That tends to become more important with aging. That means there is a huge segment that is very episodic," he says.

## Consumerism and competition

Ambulatory and outpatient care fills the need to establish long-term relationships with

patients. According to Dyson, "Organizations are configuring themselves for relationships with the patient that will extend, hopefully, over a long time horizon. You're building a relationship with that patient for whatever their needs are at different points in their life. How are you responding to those different needs, and what does that mean in terms of access, convenience, availability, and scope of services? It's no longer the acute care-centric model, with patients having to drive 60 miles or 20 miles. People no longer have to come to you to get the service they need."

Just as traditional healthcare providers acknowledge patients as consumers, traditional retailers recognize consumers as patients. While the power and reach of retailers must be acknowledged, traditional providers can take solace in recognizing that retailers are likely to, as

"We understand the significance of not only being out in the community, but also being more consumer driven."

TOC

—John Couris

## Analysis (continued)

Dyson notes, examine the complex set of services that the healthcare industry provides, "decouple" some, and deliver that smaller set of services effectively. Retailers are sharing the healthcare space, and it's probably better to welcome their presence than to go toe to toe with them, because just as ambulatory care uses a different business model from acute care, it also uses a different business model from consumer retail.

There are two principal components of cost control that bring it close to the top of the list of drivers of ambulatory and outpatient strategy. First, there is the desire to provide care in the most cost-effective setting, which is prompting increases in ambulatory patient volume and revenue. The second component recognizes that the patient is a consumer, in that patients are responsible for deductibles, copays, and sometimes the whole fee. And while few in ambulatory would want to compete directly with big-box retailers, the fees charged for care services are important elements of the hearty competition among non-retail ambulatory market participants. So the need to compete on price provides additional incentive to control costs.

Healthcare leaders are directing a great deal of resources—and capital investment—toward ambulatory and outpatient care. But with a solid 36% of new program development capital resources expected to be dedicated to inpatient acute care investments in the three-year time frame (48% among large health systems), it is clear that providers are not neglecting acute care as they expand ambulatory care.

"There's always going to be a place for large central facilities—there will always be things that need to be done on an inpatient basis," says Karlovich. "And some care can only be justified through economies of scale that a large "The cost to do anything on the inpatient side is enormous compared to ambulatory. Even if you're doing something small, you just burn through the capital on the inpatient side."

тос

-Edward Karlovich

facility will have. But I will tell you, I think we're going to be looking at an industry where you're going to have more locations on an outpatient basis with significantly more competition amongst providers as we begin to overlap in ambulatory environments."

Michael Zeis is senior research analyst for HealthLeaders Media. He may be contacted at *mzeis@healthleadersmedia.com*.

## BUYING POWER REPORT SAMPLE CHARTS Click here to order!

**FIGURE 1** Factors Driving Ambulatory/Outpatient Care Strategy

**Q** | What are the top three factors driving your organization's ambulatory/outpatient care strategy?

DATA SEGMENTATION TOOL

Click on these icons to dig deeper

тос

## BUYING POWER REPORT SAMPLE CHARTS Click here to order! **Factors Driving Ambulatory/Outpatient Care Strategy** FIGURE 1 (continued) **Q** What are the top three factors driving your organization's ambulatory/ outpatient care strategy? BUYING POWER Who controls the money? Click on the icons to learn how they think Click on these icons to dig deeper Indicates the type of goods or services Indicates the role of the respondent in Indicates the total dollar amount the making purchasing decisions the respondent is involved in purchasing respondent influences

тос

## PREMIUM REPORT SAMPLE CHART Click here to order!

## FIGURE 4 Participation in Convenient Care Clinics

**Q** | Does your organization participate in convenient care clinics through ownership or partnership?

DATA SEGMENTATION TOOL

Click on these icons to dig deeper

TOC

# Access. Insight. Analysis.



The nation's most exclusive healthcare intelligence community

Be a voice Gain insight from your peers Shape the direction of the industry



Join today at www.healthleadersmediacouncil.com