Weekly Advisory: July 1, 2020
Our 2020 hospital demand outlook—updated for Covid-19
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Impact of Covid-19 on volumes to date

March
Beginning of decline

• As hospitals started shuttering services in mid- to late March based on governors’ forced closure orders, volumes saw a sharp downturn
• Hospital patient volumes declined between 40-60% for most hospitals

April
Bottoming out

• The decline sped up in April and volumes hit rock bottom in mid-April
• Total surgeries at for-profit hospitals declined by 55-70% in April compared to the same period last year
• Governors started easing restrictions in late April

May
Start of recovery

• By the end of May, 49 states had resumed some form of elective surgery (Michigan still had ban)
• According to Strata Decision, daily outpatient visits rose 41.2% from April 23 to May 23, while daily inpatient admissions increased 6.92% and ED visits increased 9.97%

June
Increased pace of recovery

• Restrictions continue easing with many states now in phase 2 of recovery plans
• Multiple regional surges threaten recovery in last weeks of June

Early to mid-June volume data for hospitals promising

Tenet volume recovery for May and June after Covid-19 dip

Numbers are current volumes represented as % of last year’s volumes from same time period

<table>
<thead>
<tr>
<th>Volume statistics</th>
<th>May</th>
<th>1H June</th>
</tr>
</thead>
<tbody>
<tr>
<td>Admissions</td>
<td>80%</td>
<td>90%</td>
</tr>
<tr>
<td>OP visits</td>
<td>60%</td>
<td>70%</td>
</tr>
<tr>
<td>ER visits</td>
<td>65%</td>
<td>75%</td>
</tr>
<tr>
<td>Hospital surgeries</td>
<td>80%</td>
<td>95%</td>
</tr>
<tr>
<td>USPI surgical cases</td>
<td>70%</td>
<td>85%</td>
</tr>
</tbody>
</table>

“...hotspots of Covid activity...are back to the 90% level from prior year”

Tenet Healthcare Covid-19 Webcast


DATA SPOTLIGHT

89%

Of outpatient visits for the week of June 14 as percent of baseline week visits of 3/01
Updated tool incorporates 5 year economic impacts of Covid
Clinical impacts and practice changes incorporated later this year

5-year inpatient growth projection
Advisory Board Market Scenario Planner, 2019 – 2029

<table>
<thead>
<tr>
<th>Advisory Board growth drivers</th>
<th>Covid-19 economic impact</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>-1.5%</td>
<td>-0.2%</td>
<td>-1.7%</td>
</tr>
</tbody>
</table>

Top inpatient sub service lines impacted by Covid-19
- Spine fusion (-2.2%)
- Joint replacement (-1.7%)
- Orthopedics (foot) (-1.4%)
- Radiation oncology (-1.2%)
- Orthopedics (hand) (-1.0%)

5-year outpatient growth projection
Advisory Board Market Scenario Planner, 2019 – 2029

<table>
<thead>
<tr>
<th>Advisory Board growth drivers</th>
<th>Covid-19 economic impact</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>10.9%</td>
<td>-0.3%</td>
<td>10.5%</td>
</tr>
</tbody>
</table>

Top outpatient sub service lines impacted by Covid-19
- Joint replacement (-7.9%)
- Spine fusion (-6.0%)
- Therapeutic apheresis (-3.0%)
- Sleep studies (-2.4%)
- Proctosigmoidoscopy (-2.1%)

Market Scenario Planner:
- Provides current and projected inpatient and outpatient volume estimates for any given geographic area in the U.S.; users able to adjust drivers of change across five categories for enhanced scenario planning.
- For most recent update, tool considers impact of a prolonged economic turbulence on demand for services.
- We expect volumes to be suppressed for select services, especially those of a more elective nature, due to factors including (a) decreases in employment and insurance coverage; (b) increases in cost-sharing provisions in health benefit designs; and (c) greater price sensitivity among consumers.
Will we ever return to pre-Covid-19 volumes?
Most planners optimistic that volumes will return

Percentage of respondents reporting volumes expected to return to pre-Covid-19 volumes
Advisory Board’s May strategic planner survey; n=28

- Elective outpatient procedures: 100%
- Elective inpatient procedures: 96%
- Unavoidable ED utilization: 96%
- Avoidable ED utilization: 93%
- Physician office visits: 86%

Key takeaways

- Most are optimistic that volumes will eventually recover to pre-Covid-19 levels
- A small percentage of planners believe that ED utilization, especially avoidable ED utilization, may not return to pre-Covid-19 levels
- Physician office visits are most likely to never return to pre-Covid-19 levels, possibly due to the adoption of telehealth
Telehealth impact remains a question for most systems
An estimated $250B of current spend could theoretically shift permanently

Current outpatient and office visits that could be virtually-enabled (billions of dollars)
2020 McKinsey estimate from commercial, Medicare, and Medicaid claims data

<table>
<thead>
<tr>
<th>Service Type</th>
<th>Potential Impact (in billions of dollars)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Virtual urgent care</td>
<td>35</td>
</tr>
<tr>
<td>Virtual office visits</td>
<td>126</td>
</tr>
<tr>
<td>Near-virtual office visits</td>
<td>39</td>
</tr>
<tr>
<td>Virtual home health services</td>
<td>35</td>
</tr>
<tr>
<td>Tech-enabled home medication</td>
<td>12</td>
</tr>
<tr>
<td>Non-virtualizable visits/spend</td>
<td>1004</td>
</tr>
<tr>
<td>Total outpatient, office, and home health spend</td>
<td>1250</td>
</tr>
</tbody>
</table>

Percentage of encounters that could be virtualized

- 20% of encounters
- 24% of encounters
- 9% of encounters
- 35% of encounters
- 2% of encounters

Percentage of total outpatient, office, and home health visit revenue that could be virtualized

- 20%
Elective outpatient procedures, avoidable ED last to return

Planners believe unavoidable ED and office visits will be first to come back

Expected timeline for utilization to return to pre-covid-19 levels
Advisory Board’s May strategic planner survey; n=28

- **Unavoidable ED utilization**
  - Middle of September 2020

- **Elective inpatient procedures**
  - Middle of November 2020

- **Avoidable ED utilization**
  - Beginning of December 2020

- **Physician office visits**
  - Middle of October 2020

- **Elective outpatient procedures**
  - End of November 2020

Most likely time when respondents expect caseloads for secondary wave infections to peak
Scenario 1: persistent plateau of national Covid-19 cases

Volumes as percent of pre-Covid-19 volumes (estimates; illustrative)

Months
- March-April
  - Elective cancellations begin
  - Capacity/PPE constraints cause forced closures
  - Consumers start avoiding care
  - Peak Covid-19 admissions

- May-June
  - Regional hot spots of virus continue to spike
  - Surge from performing backlogged cases followed by lull in new surgeries
  - Top of funnel begins to ramp up
  - Consumer avoidance continues

- July-September
  - Regional hot spots of virus continue to flare-up
  - Backlog mostly cleared
  - Productivity and throughput remains lower due to Covid-19 safety precautions
  - Greater no-show rates (than usual) from lingering consumer anxiety
  - Economic effects limit full recovery

- October-December
  - Regional hot spots of virus continue to spike (but at a decreasing rate)
  - Gradual growth in volumes as consumer fear fades
  - Productivity and throughput remains lower due to Covid-19 safety precautions
  - Economic effects limit full recovery

1. Outpatient visits included telehealth
Regional outbreaks could slow recovery
Texas, California, others reach record high Covid-19 hospitalizations in past week

Number of patients in an inpatient care location who have suspected or confirmed COVID-19, April 1st through June 23rd

The Washington Post
June 24th
“New coronavirus cases in the U.S. soar to highest single-day total”

The Texas Tribune
June 25th
“Gov. Greg Abbott pauses Texas’ reopening, bans elective surgeries in four counties to preserve bed space for coronavirus patients”

The Texas Tribune
June 30th
“Elective procedures are now banned in eight counties around the state”

Scenario 2: second wave of Covid-19 in mid-fall

Volumes as percent of pre-Covid-19 volumes (estimates; illustrative)

- Inpatient admissions
- Inpatient surgeries
- Outpatient surgeries
- Outpatient visits
- Daily deaths
- Daily deaths (projected)

1. Outpatient visits included telehealth

**Months**
- May-June
  - Surge from performing backlogged cases followed by lull in new surgeries
  - Top of funnel begins to ramp up
  - Consumer avoidance continues

**July-September**
- Regional hot spots of virus continue to flare-up
  - Backlog cleared
  - Productivity and throughput remains low due to Covid-19 safety precautions
  - Greater no-show rates (than usual) from lingering consumer anxiety
  - Economic effects limit full recovery

**October-December**
- Seasonal influenza starts to spike
- No viable vaccine or therapeutic is available to stem second wave of Covid-19 cases
- Hospitals self-limit inpatient surgeries rather than force closing; outpatient surgery and visits remain fully operational
- Consumer avoidance picks up as reported Covid-19 cases increase
- Surgeries shift from inpatient to outpatient settings to preserve capacity
Providers need to create own facility forecast scenarios
Move from annual forecasting to frequent scenario planning

Annual forecasting and planning

- Annual forecasting to inform budgets and investment strategy
- Considers one future; No impact or sensitivity analysis done on forecasted volumes
- One set of plans and investment recommendations regardless of reality

Continuous forecasting and scenario planning

- Rolling forecasting (frequency can vary based on climate uncertainty)
- Considers multiple futures; modifies impacts with varying rates of change for various outcomes
- Multiple strategies developed to address various futures, if-then contingency plans created; enables quick course correction

Move from annual forecasting to frequent scenario planning
Individual facility volumes will look different than national
Two major categories of exogenous factors responsible for variance

Covid-19 cases and hospitalizations

*Impacted by:*

- State and county stay-at-home and reopening orders and restrictions (including risk level of businesses allowed to open, capacity restrictions)
- Mandating of wearing masks in public by local and state governments
- Social distancing behavior of population
- Percent of susceptible patients in the market (chronically ill, elderly)

Ability to remain “fully” open

*Impacted by:*

- State restrictions on elective procedures
- ICU, beds capacity in the market
- Supply of PPE and testing available to state and facility
Three factors suppressing volume recovery

**Consumer anxiety**
Avoidance and deferral of care due to perceived safety risk of health care settings

Consumer avoidance of health care settings for major and minor care
Optum’s June survey; n = 7,000

18%
Percentage of consumers that say they are likely to avoid the ED despite showing signs of a heart attack or appendicitis

34%
Percentage of consumers that say they are likely to avoid the ED despite a cut that may require stitches

**Economic instability**
Decreased demand following losses of job and insurance coverage

Employer-sponsored insurance losses
Commonwealth Fund’s June survey; n = 2,271

Among those who had coverage, percentage that are now uninsured

1
21%

**Throughput and efficiency**
Reduction from safety protocols and supply-side shortages (staff and space)

Likelihood to take the following actions in 2020 as a result of Covid-19
Advisory Board’s May survey; n=29

<table>
<thead>
<tr>
<th>Action</th>
<th>Slightly more likely</th>
<th>More likely</th>
<th>Significantly more likely</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lay off and/or furlough staff</td>
<td>79%</td>
<td>66%</td>
<td>76%</td>
</tr>
<tr>
<td>Rationalize excess inpatient capacity</td>
<td>66%</td>
<td>66%</td>
<td>76%</td>
</tr>
<tr>
<td>Close, divest, or downsize ambulatory buildings and offices</td>
<td>76%</td>
<td>66%</td>
<td>76%</td>
</tr>
</tbody>
</table>


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1. Respondents were 18+ and reported if either they or their spouse/partner was uninsured as a result of a Covid-19 related job loss or furlough.
### How do these factors play out in your market?

How are you inflecting these factors?

<table>
<thead>
<tr>
<th>Major suppression factors</th>
<th>Level of consumer anxiety in your market</th>
<th>Economic impact on your market</th>
<th>Supply of staff and space in your market</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Questions to answer</strong></td>
<td>Avoidance and deferral of care due to perceived safety risk of health care settings</td>
<td>Decreased demand following losses of job and insurance coverage</td>
<td>Reduction from safety protocols and supply-side shortages (staff and space)</td>
</tr>
<tr>
<td></td>
<td>• Are you communicating regularly to the community about the need to receive essential health care?</td>
<td>• How reliant is your health system on employer-sponsored health insurance?</td>
<td>• Have you been forced to space out appointment slots to reduce crowding?</td>
</tr>
<tr>
<td></td>
<td>• Are call center staff, navigators, and clinicians prepared to reassure patients of the safety measures you’ve put into place?</td>
<td>• Are you seeing a greater proportion of Medicaid patients?</td>
<td>• Are you seeing increases in room turnover time compared to pre-Covid-19 performance?</td>
</tr>
<tr>
<td></td>
<td>• Are you conducting regular pulse surveys to ensure you are sufficiently addressing community concerns?</td>
<td>• Are you experiencing an increase in self-pay patients?</td>
<td>• Have you identified bottlenecks restricting patient throughput?</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Do you offer flexible payment plan options?</td>
<td>• Are you adequately staffed to compensate for additional safety precautions put into place?</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Are businesses in your area likely to rehire staff?</td>
<td></td>
</tr>
</tbody>
</table>
What consumers say will make them most likely to get care

Top 10 factors, and utilities, that will make consumers feel most comfortable going to the clinic

n=7,452

- There is a widely available vaccine for Covid-19, and I have received it: 15.6%
- Exam rooms are sanitized after each patient: 8.7%
- The clinic tests all patients for Covid-19 when they arrive for their appointment, using a rapid test: 8.4%
- Approved and widely available medicine for treatment of Covid-19 that reduces symptoms and recovery time: 6.4%
- Clinic screens every individual for Covid-19 by taking their temperature before they enter the building: 6.1%
- All staff are rapidly tested every day to ensure they don’t test positive: 5.8%
- Staff treating Covid-19 patients will not treat me: 5.3%
- All staff wear masks at all times: 4.7%
- The clinic has patients wait in their car, rather than in the waiting room: 4.3%
- Enough space that patients can stay 6 feet apart from each other at all times: 4.0%

Consumer Covid-19 Survey

Between May 26 and June 8, 2020, we surveyed more than 7,000 adult consumers (aged 18 to 93) on how Covid-19 has changed their health care behaviors and preferences to test:

- Consumer anxiety levels and personal impact of Covid-19
- Factors influencing comfort seeking health care services
- Communication and site of care preferences
- Virtual visit preferences for different types of services
Multiple smaller factors can also impact volume returns

Likelihood to reschedule or postpone remains high

How likely are you to reschedule or postpone a medical exam or procedure at a hospital that was scheduled for today because of Covid-19?

Optum Consumer Pulse survey; n = 700

<table>
<thead>
<tr>
<th>Date</th>
<th>Definitely would not</th>
<th>Very unlikely</th>
<th>Somewhat unlikely</th>
<th>Very likely</th>
<th>Definitely would</th>
</tr>
</thead>
<tbody>
<tr>
<td>May 4th</td>
<td>9%</td>
<td>9%</td>
<td>15%</td>
<td>21%</td>
<td>21%</td>
</tr>
<tr>
<td>May 18th</td>
<td>9%</td>
<td>9%</td>
<td>18%</td>
<td>23%</td>
<td>22%</td>
</tr>
<tr>
<td>June 1st</td>
<td>14%</td>
<td>9%</td>
<td>15%</td>
<td>24%</td>
<td>21%</td>
</tr>
</tbody>
</table>

Minor suppression factors

- Prolonged stay-at-home habits, reducing accidents and trauma
- Deferral of care until visitation policies are lifted
- Increased number of patients opting for non-surgical treatment options
- Less medical tourism
- Increased preference for alternative treatment settings
- Permanent shift of physician referral patterns
- Closed upstream referral sites decreasing downstream demand
- Mortalities in highly affected regions
How to move forward
Understand your market, plan for multiple scenarios

Move to weekly or bi-weekly scenario planning meetings with your executive team:

- Update assumptions/drivers and a range of possible outcomes that your market may experience across the next 3 to 18 months
- Model out multiple volume scenarios and the likelihood of occurrence
- Create short term contingency plans for potential scenarios, double clicking on worst-case scenario
- Tweak longer term plans and investments as new realities surface

Focus on your market drivers not historical trends:

- Track leading indicators of Covid-19 surge:
  - Levels of social distancing in your market
  - Frequency of calls/virtual visits/in-person visits with Covid-19 symptoms prior to testing
- Survey your market to understand consumer sentiment amid changes
- Take into account your supply—capacity and staff
- Model out your market’s potential unemployment scenarios and impact to volume
Priorities for maximizing volumes this year

1. **Expand capacity at the top of the funnel**
   Ramping up outpatient services after a long pause will be critical to overall volume stabilization. Create extra space for services like cancer screenings and medical specialist visits.

2. **Address the fear factor**
   Reassure patients and the community with communications that focus on safety measures such as testing, sanitization procedures, and social distancing protocols.

3. **Communicate the risks of care avoidance**
   Utilization data suggest that many are still delaying care despite urgent symptoms. Create targeted messages for MI, stroke, and chronic conditions.

4. **Accelerate your outpatient shift**
   Outpatient procedural capacity will likely remain online even with another surge. Most organizations have more opportunity to shift GI, orthopedics, vascular, and general surgery cases outpatient.

5. **Overcommunicate with referring physicians**
   Provide physicians with talking points to reassure patients that procedures are safe; include information on new policies and procedures for patient arrival, registration, waiting rooms, screenings, testing, parking, and visitation.

6. **Simplify your complexity**
   Use patient access centers and virtual triage services to direct anxious patients to the right next steps.