2019 General Surgery Market Trends
Highlights and Key Takeaways for Suppliers and Service Providers

General surgery is a diverse service line comprised of basic general surgery (e.g., appendectomy), bariatrics (e.g., gastric bypass), digestive health (e.g., GI surgeries), and complex general surgery (e.g., transplant); surgery modalities include open, laparoscopic, endoscopic, and robotic.

General surgery leaders must evolve their planning efforts in response to technological innovations, continued payer focus on care management, and the outmigration of surgical care. Advisory Board’s webconference on 2019 General Surgery Market Trends and the accompanying ready-to-use slides analyze how these and other trends are impacting demand for surgical services and offer strategies for providers to thrive in today’s market. This two-pager synthesizes highlights from the webconference and offers key takeaways for suppliers and service providers that work across surgical services.

Four trends shaping demand for surgical services

Patient demographics and consumerism

- Growing rates of chronic conditions continue to drive surgical volumes, but the impact of demographic patterns varies across geographies
- Providers in rural areas, already facing significant recruitment and retention challenges, must cater to aging populations with more complex conditions
- Providers in urban areas must focus on winning millennial loyalty among surgical patients and providers

Care management

- Providers are refocusing on pre- and post-operative care protocols to reduce costs by achieving lower length of stay and preventing unnecessary readmissions
- Pain management remains a critical component of the surgical experience, though focus is shifting from eliminating pain to ensuring patient safety
- Providers are evolving staff responsibilities and facility infrastructure to foster coordinated care across inpatient and outpatient sites

Technological innovation

- Biologics are gaining traction to treat historically untreatable wounds; but given their steep price will likely only be profitable in select inpatient cases
- Despite limited evidence for positive return on investment (ROI), robotic surgery is increasingly common: one out of three US surgeries will use robots within the next five years
- Virtual care promises improved cost and quality outcomes, but adoption of cutting edge applications remains limited

Outpatient shift

- Public and private payers continue to take a more active role in steering surgical care to lower cost sites
- Health systems are actively pursuing ambulatory surgery center (ASC) investment but face stiff competition from other well-capitalized players (e.g., Bain Capital, OptumCare)
- New treatment and medication options may compound the shift of surgical services from hospital to outpatient and ambulatory sites and into the home

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Financial outlook: surgical services face near-certain margin erosion

- Across inpatient and outpatient settings, general surgery contribution margin is on the decline
- Providers' surgical margins have historically been driven by inpatient cases; therefore, the shift of surgical services to lower profitability outpatient sites will have significant financial consequences for most provider organizations

Implications for Suppliers and Service Providers

1. First and foremost, providers must manage costs through mindful decision making. Key components of this strategy include leveraging outcomes and cost data to standardize care pathways and educate physicians on per-case instrumentation costs.

   Suppliers and service firms may actively support provider efforts to uncover physician-level cost variation and may be able to play a role helping providers leverage cost and outcomes data to build and adhere to standardized care pathways. While innovations in surgical care hold promise of improved outcomes, suppliers in this space must prepare for even closer scrutiny around these high dollar investments; to achieve buy-in, focus on modeling real world, versus theoretical ROI.

2. In an increasingly competitive market, providers must ensure they're appealing to patient preferences for surgical care – and recognizing that those preferences differ across markets and consumer segments.

   While appealing to surgical consumers is an industry-wide imperative, it’s important for suppliers to recognize that patient engagement strategies may vary across markets. In some instances, suppliers or service firms may help providers engage tech-savvy, quality-driven consumers by marketing the latest innovations in surgical care delivery. In others, third party organizations may demonstrate value to providers by helping drive patient adherence to standardized pre-operative or post-operative care protocols.

3. Lastly, to compete with capital-backed and efficient ASCs, providers must optimize ASC clinical, operational, and financial processes.

   Providers’ success in the general surgery market will depend on how well they navigate the shift of services from inpatient to outpatient and ambulatory settings. Suppliers can help address evergreen challenges like delivering consistent high quality outcomes (through precise minimally invasive technologies), improving operational efficiencies (e.g., turnaround time), and helping providers appeal to surgeons through improved revenue cycle operations. However, providers’ approach to the ASC market (whether entering via acquisition, partnership) may have implications on procurement and vendor/partner management processes.

Suggested conversation starters:

1. What cost and quality outcomes are most important to you when making surgical care product and service investments?
2. How are you adjusting your strategy to appeal to surgical consumers? How does that strategy vary across consumer segments?
3. How are you approaching the ASC market? What are your key strengths relative to competitors and what challenges do you still face?