2019 Orthopedic Service Line Outlook

What will drive (or slow) orthopedic services growth in the coming five years? Here’s our orthopedic team’s take.

**Inpatient Growth 2018 – 2023**

- Population growth/shift and disease prevalence: +8.0%
- Technology adoption: -2.3%
- Insurance changes: -0.8%
- Readmission efforts: -1.5%
- Care management: -6.2%
- Total: -2.7%

**Outpatient Growth 2018 – 2023**

- Population growth/shift and disease prevalence: +21.8%
- Technology adoption: +1.7%
- Insurance changes: -2.1%
- Readmission efforts: 0.0%
- Care management: +3.4%
- Total: +24.8%

**RATIONALE**

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<thead>
<tr>
<th>Inpatient</th>
<th>Outpatient</th>
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<tr>
<td><strong>Population growth/shift and disease prevalence</strong></td>
<td>+ Continuing prevalence of comorbidities, including diabetes and obesity, among adult population</td>
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<td><strong>Technology adoption</strong></td>
<td>- More optimized pain management protocols, like regional anesthesia, reducing need for inpatient stay</td>
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<td><strong>Insurance changes</strong></td>
<td>- Removal of TKAs(^1) from CMS inpatient-only list, allowing for Medicare reimbursement in HOPD</td>
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<td><strong>Readmission efforts</strong></td>
<td>- BPCI Advanced and CJR bundled payment models emphasize post-discharge care coordination to reduce readmissions</td>
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<td><strong>Care management</strong></td>
<td>- Improved musculoskeletal disease management reducing need for hospitalizations</td>
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<td></td>
<td>- Value-based payment initiatives incentivizing outpatient care and reducing hospital admissions</td>
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\(^1\) Total knee arthroplasty  
\(^2\) Total hip arthroplasty
2019 Orthopedic Strategic Imperatives

Where should orthopedic service lines focus their growth efforts this year? Here are the four things our orthopedic services team says you need to get right.

1. Set up outpatient orthopedics program with deliberate planning

As payers and patients continue to push for orthopedic procedures to be performed outpatient, providers must be proactive in capitalizing on the high-volume growth in this setting.

For providers to compete in the outpatient environment, they must appropriately select patients eligible for outpatient procedures to prevent costly complications and readmissions, negotiate payment rates with payers early and reduce device spend to ensure their program’s financial sustainability, and partner with physicians to keep their orthopedic volumes in-system, including evaluating a joint venture outpatient site or ASC investment. Learn more with our Build a Sustainable Outpatient Joint Replacement Program research report.

2. Appeal to consumer preferences and market to them in terms they understand

Orthopedic patients are increasingly playing an active role in choosing their physicians. According to Advisory Board’s orthopedic consumer choice survey results, more than a third of patients who had received a prior orthopedic surgery had shopped for their provider. Consumers look for quality, including the surgical facility having top quality scores and cutting edge technology, when shopping for orthopedic providers. In response, successful providers are using strategies that directly appeal to orthopedic consumer preferences.

For example, word-of-mouth referrals has remained an important volumes driver to orthopedic programs. Consequently, providers have been using past and current patients as patient ambassadors to introduce and funnel new patients into their programs. Other providers have highlighted patient testimonials on their website to appeal to patients who value reputation when shopping for care.

3. Integrate conservative care to meet payer demands and retain patients

Payers are strengthening pre-authorization requirements for orthopedic surgeries, and providers will need comprehensive, conservative orthopedic offerings to supplement traditional orthopedic revenue streams. Health systems should assess adding services like pain management and/or physical therapy to their suite of orthopedic offerings in response.

Though these services are lower in revenue, they can be an effective way to capture patients resistant to surgery and retain them in a health system until and if they do need surgery. Keep in mind that this will require high levels of coordination between surgical and non-surgical providers to ensure patients receive timely and appropriate care.

4. Control costs and manage post-acute transitions to succeed in value-based care

Orthopedics is at the forefront of payer pressures to transition to risk-based payment models. BPCI Advanced includes joint replacements, spinal fusions, and outpatient back and neck cases among other orthopedic clinical episodes. Commercial payers are also launching similarly-structured bundles which aim to reduce orthopedic episodic spending. To respond, providers must elevate the conventional imperatives of saving costs and increasing quality to ensure that their program is ready to absorb the financial downside of taking part in these programs.

Specifically, post-acute care spending is a big cost driver in value-passed payment models, and increasing alignment with these providers can lead to more effective patient management while controlling episode costs. Providers should also identify opportunities to cut device spending and achieve care pathway efficiencies.