Emerging Trends in Outpatient Orthopedic Strategy

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Cynthia Tassopoulos
Analyst
Service Line Strategy Advisor
TassopoC@advisory.com
1. Impetus for Outpatient Shift in Orthopedics

2. Key Considerations for Outpatient Orthopedic Expansion

3. How Service Line Strategy Advisor Can Help
Orthopedics Historically Inpatient Stalwart

Yet, Now Shifting to Outpatient Setting

National Volume Growth Projections by Key Sub-Service Lines
2013-2018

- Joint Replacement: 157%\(^1\)
- Other Surgical Orthopedics: 21%
- Sports Medicine: 13%
- Foot/Hand: 10%
- Trauma: 4%

Outpatient Share of Estimated 2013 National Volumes

93%

5-Year Expected Outpatient National Growth

15.4%

5-Year Expected Inpatient National Growth

5.1%

Source: Advisory Board Inpatient & Outpatient Market Estimator Tools; Service Line Strategy Advisor research and analysis.

1) Graph not to scale
Outpatient Shift Driven by Competition, Patient Access

Major Drivers of Outpatient Shift

- **Clinical Innovation**: Reduction in procedure invasiveness, recovery times
- **Cost Pressures**: Continuing pressure to decrease costs
- **Increasing Competition**: Competition from ASCs, freestanding specialty centers
- **Patient Engagement, Access**: Desire for more easily accessible care

Source: Service Line Strategy Advisor's research and analysis.
Expansion Enables Hospitals to Achieve Critical Goals

OP Presence Supports Market Capture, Quality, and Cost Reduction

Goals of Outpatient Expansion

Increase Capture
- Feed downstream IP business
- Grow market share

Improve Quality
- Promote physician alignment
- Improve patient satisfaction, access
- Cover care continuum

Minimize Costs
- More specialized, lower overhead
- Capitalize on more efficient site

Impetus for Outpatient Shift in Orthopedics
Broadening Scope of Outpatient Services

Expansion Grounded in New Clinical, Infrastructure Offerings

Expanding Scope of OP Orthopedic Business

**Procedural Offerings**

- Early Adopters
  - Joint Replacements
  - Hand & Foot
  - Sports Medicine

- Late Adopters
  - Joint Replacements

**Entry Points**

- Hospital Outpatient Department
- Ambulatory Surgical Center
- Orthopedic Urgent Care Clinics

157% Projected National 5-Year Growth for Outpatient Arthroplasty

50-100 Number of New Urgent Care Clinics per Year

Source: American Academy of Urgent Care Medicine "Quick Stats", available on: http://aaucm.org/about/future/default.aspx; Advisory Board Service Line Strategy Advisor research and analysis.
Key Considerations to Expand Scope of OP Services

**Outpatient Joint Replacements**

1. Establish patient selection criteria
2. Employ advanced intra-operative techniques
3. Offer pre-surgical patient education
4. Develop standardized protocols
5. Evaluate return on investment
6. Navigate insurance requirements

**Orthopedic Urgent Care Clinics**

7. Define scope of services
8. Coordinate necessary ancillary services
9. Rightsize hours of operation
10. Identify best-fit staffing model
11. Monitor upfront, operational costs
Impetus for Outpatient Shift in Orthopedics

Key Considerations for Outpatient Orthopedic Expansion

How Service Line Strategy Advisor Can Help
OP Joints Require Advanced Care Coordination

Careful Interplay of Clinical, Operational Performance Leads to Success

► Outpatient Joint Replacements

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Success Rooted in Careful Patient Selection Criteria

Though Not All Patients Appropriate Surgical Candidates

Key Characteristics of Patients Suitable for OP Joints

- ASA Grade 1 or 2
- Caregiver or social network at home
- No/minimal comorbidities
- Appropriate insurance coverage
- Lower-range BMI (<40)
- Willingness to undergo outpatient surgery

“Everything has to be so carefully defined [with nothing unpredictable] to have a one day length of stay because you worry about bleeding, bruising, wound care, all of those things that have to go right. Our physicians are very conservative about who is the right candidate.”

Executive Director
Schmidt Health System

#2: Employ Advanced Intra-Operative Techniques

**Advanced Surgical Offerings Enable Rapid Recovery**

**Important Intra-Operative Clinical Offerings**

**MI Surgical Techniques**

*What:* • Minimally-invasive surgical approaches for TKA, THA (e.g. anterior hip approach)

*Who:* • Orthopedic surgeon with high skill, confidence in surgical techniques

*Why:* • Enables shorter operative time

**Multimodal Pain Management**

• Combination of regional anesthesia\(^1\) & intra-operative agents (e.g., TXA\(^2\))

• Highly experienced anesthesiologist to control pre-, intra-operative pain

• Prevents nausea and ORAEs\(^3\)

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**Benefits of Advanced Intra-Operative Offerings**

- Minimizes surgical impact on patient
- Reduces transfusion rate, intra-operative blood loss
- Enables more rapid ambulation, same-day discharge

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1) As opposed to general anesthesia
2) Tranexamic acid
3) Opioid-related adverse events

Source: Service Line Strategy Advisor research and analysis.
Pre-Surgical Education Prepares Patient for Shorter Recovery Time

Pre-surgical Curriculum

**Education**
- Explain care pathway, procedure
- Outline rapid rehabilitation exercises

**Expectations**
- Set expectations for same-day return home
- Establish discharge plan
- Match care team’s goals, expectations

Impact

**Patient Confidence**
- Familiarity with procedure, care team reduces patient anxiety

**Accelerated Treatment**
- Patient expectations contribute to LOS outcomes
- Patient knowledge of postoperative protocols eases rapid rehabilitation

Impact of Pre-Surgical Education on LOS

<table>
<thead>
<tr>
<th></th>
<th>2010; Days</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>THA</strong></td>
<td></td>
</tr>
<tr>
<td>Without Education</td>
<td>3.9</td>
</tr>
<tr>
<td>With Education</td>
<td>3.1</td>
</tr>
<tr>
<td><strong>TKA</strong></td>
<td></td>
</tr>
<tr>
<td>Without Education</td>
<td>4.1</td>
</tr>
<tr>
<td>With Education</td>
<td>3.1</td>
</tr>
</tbody>
</table>

#4: Develop Standardized Protocols

**Short Timeframe Necessitates Seamless Care Pathway**

## Example of Outpatient Joint Replacement Care Pathway

### 23 Hour Period

<table>
<thead>
<tr>
<th>Pre-Surgical Process</th>
<th>Rapid Rehabilitation</th>
<th>Discharge</th>
</tr>
</thead>
<tbody>
<tr>
<td>Review medical history</td>
<td>Ambulate patients within a few hours after surgery</td>
<td>Contact within 24 hours</td>
</tr>
<tr>
<td>Set patient expectations</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Pre-Operative Period

- **Outpatient Arthroplasty**
  - Perform efficient procedure
  - Recover in PACU

### Surgical Operation

- **Same-Day Discharge**
  - Ensure medically stable
  - Review safety precautions

### Patient Discharge

- **Hour 1-2:** Anesthesia wears off
- **Hour 7-12:** Begin ambulation
- **Hour 13-20:** Sleep & recovery
- **Hour 21-23:** Climb stairs, discharge

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**Key Post-Operative Milestones**

1. **Hour 1-2:** Anesthesia wears off
2. **Hour 7-12:** Begin ambulation
3. **Hour 13-20:** Sleep & recovery
4. **Hour 21-23:** Climb stairs, discharge

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1) Timeline may vary between practices and between patients

Identify Best Site for Outpatient Surgical Offering

Site of Care Impacts Reimbursement, Costs

Leverage Hospital OP Department

Build New Freestanding Facility

Procedural Reimbursement

$$$ 

$"

Upfront Costs

$ $

$$$$

Facility Operating Costs

$$$$

$$

Procedural Costs

$$

$"

ASC Reimbursement Lower than HOPD Rate

Reimbursement for Select Knee Procedures

2015

Primary knee arthroplasty

$3,364

$1,843

Revision, primary knee arthroplasty

$10,224

$7,844

1) CMS CY 2015 Payment Rates for Hospital Outpatient Prospective Payment System and Ambulatory Surgical Center Payment System
2) Rates reflect outpatient reimbursement for APC 0047
3) Rates reflect outpatient reimbursement for APC 0425

But, Specific Guidelines Must be Met for Reimbursement

Estimated Outpatient Arthroplasty Case Mix, by Age Demographic\(^1\)

2013, National; \(n = 65.8K\)

- 0-24: 2%
- 25-44: 6%
- 45-64: 11%
- 65+: 81%

Commercial Insurance Payers More Supportive of Coverage

- Both IP, OP arthroplasty requires authorization but no referral
- No restriction on outpatient TKA, THA if meets AAOS-recommended clinical criteria
- Outpatient TKA, THA requires precertification

IP Only Rule\(^2\)

No Medicare reimbursement for 81% of projected OP arthroplasty market

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1) Based on national projections from The Advisory Board Company’s internal Inpatient & Outpatient Market Estimator Tool
2) Joint replacement remains on CMS’s Inpatient Only list, meaning CMS will not reimburse these procedures when conducted as an outpatient procedure.

Source: The Advisory Board Company's Inpatient & Outpatient Market Estimator Tool; BCBS Georgia, UnitedHealthcare, Aetna, Cigna most recent policy briefs available online.
Key Considerations for Outpatient Orthopedic Expansion

Access, Patient Convenience Key for Urgent Clinics

► Outpatient Joint Replacements

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► Orthopedic Urgent Care Clinics

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#7: Define Scope of Services

Urgent Care Expands Coverage for Lower Acuity Cases

Services Address Gap Between Emergency Care, Physician Office

Types of Orthopedic Procedures, Treatments

- Open or compound fractures
- Orthopedic trauma as part of multi-system injury
- Emergency surgical operation

- Minor Strains & Sprains
- Fractures & Dislocations
- Painful or Swollen Joints
- Cast and Wound Dressing Issues
- Sports-Related Injuries

- Persistent joint pain or inflammation
- Pre-surgical consultation or evaluation
- Non-surgical operation or care management (e.g. injections)

Source: Service Line Strategy Advisor research and analysis.
Imaging, DME Crucial Ancillary Requirements

Key Ancillary Resources Needed for Orthopedic Urgent Care

**Imaging**
- X-Ray crucial for musculoskeletal injuries
- Musculoskeletal ultrasound, CT, MRI useful but less critical

**Clinicians & Staff**
- Clinical provider – physician, PA, or NP
- Nurses

**DME**
- Casts
- Splints
- Crutches

1) Durable medical equipment

Source: Service Line Strategy Advisor’s research and analysis.
#9: Rightsize Hours of Operation

## Assess Patient Preference to Inform Operational Hours

### Trial & Error Process Common Experience

### Consumer Preferences by Age Demographic

<table>
<thead>
<tr>
<th>Age Range:</th>
<th>18-29</th>
<th>30-49</th>
<th>50-64</th>
<th>65+</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CONVENIENCE</strong></td>
<td>Extended Hours</td>
<td>Time to First Available Appointment</td>
<td>Ancillaries On-site</td>
<td></td>
</tr>
<tr>
<td><strong>ACCESS</strong></td>
<td>After-Hours Access</td>
<td>Weekend Availability</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Case in Brief: The San Antonio Orthopaedic Group - OrthoNOW

- Well-established, PA-led orthopedic urgent care center offered within physician office as extension of clinical services
- Adjusted operational hours over a year-long trial and error period

**Original Hours**

- 5–9pm

**New Hours**

- 11:30 –7:30pm

### Impact of New Hours

*The San Antonio Orthopaedic Group - OrthoNOW*

- Increased volumes once better aligned with patient demand, preference
- Reduced unnecessary utilization of resources, labor costs

Orthopedic Urgent Care Pathway

1) Patient Presents to Urgent Care Center

2) Advanced Practitioner Assesses Patient Injury
   • Nurse Practitioner (NP) or Physician Assistant (PA) with orthopedic training

3) Patient Receives Follow-Up Care as Needed

Responsibilities, Tasks of AP
1) Conduct patient intake and work-up in clinic
2) Provide diagnostic, therapeutic care
3) Order ancillary services (imaging, prescriptions)
4) Manage patient follow-up care

Advantages of AP-Led Service
1) Appropriate skill match for common level of injury acuity
2) More cost-effective than surgeon-led service
3) Generates downstream referrals to orthopedic practice if necessary

10-12
Average number of patients per provider in one ~4 hour session

1) Anecdotally reported

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Source: Service Line Strategy Advisor research and analysis.
Leverage Existing Resources to Minimize Costs

Key Financial Considerations

Start-Up Costs

- Facility development

$750K – $1M

Start-up cost of a new stand-alone urgent care facility with imaging on-site

Operating Costs

- Staff salaries and benefits lead costs
- Other sources of cost include DME\(^1\) purchasing, overtime pay for office staff, technicians

Reimbursement

- E&M coding
- Urgent care billed using E&M codes which may require additional coding expertise

Tactics to Maximize Financial Return

1. Minimize start-up costs by using existing physician office space with appropriate on-site resources

2. PA or NP-led orthopedic urgent care lower cost relative to physician-led models

3. Weigh costs and benefits of using urgent care codes based on operating hours, private payer reimbursement

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1) Durable medical equipment

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Align Innovations with Existing Care Strategy

New Expansions Must Sync with Market Demand, Internal Readiness

Assess Readiness to Offer New Outpatient Service

### Outpatient Joint Replacement
- Market demand for outpatient procedures
- Strong clinical outcomes for inpatient joint replacement cases (e.g., low complication rate, low LOS, low operative time)
- Necessary outpatient resources in place
- Experienced clinical staff
- Established reimbursement rates with private payers

### Orthopedic Urgent Care Services
- Market demand for more accessible orthopedic care
- Competitive market for retail care in service area
- Core team of clinical and administrative staff willing to work extended hours
- Facilities, resources to support extended hours (e.g. imaging, DME)
Leverage Service Line Leadership to Guide Outpatient Strategy

Comprehensive Approach for New Outpatient Services

- Clinical Treatment
- Operational Resources
- Financial Return on Investment

Outpatient Strategy within Orthopedic Service Line Leadership

- Align incentives and goals across inpatient and outpatient leadership
- Evaluate opportunity to differentiate with outpatient services
- Ensure physician buy-in and alignment with outpatient strategy
- Identify partnerships to support regional footprint
- Assess new resource investments
- Design marketing and outreach efforts

Source: Service Line Strategy Advisor research and analysis.
How Service Line Strategy Advisor Can Help

Service Line Strategy Advisor Extends Support Across OP Orthopedic Questions

**Expert Consultations**
- Talk to an expert about orthopedic market trends
- Get up to speed on the resources needed for expanding your outpatient orthopedic footprint

**Outpatient Facility Placement Guide**
- Read about the key factors hospitals must consider when deciding where to place their outpatient facilities
- Get insight into the objectives and priorities of key stakeholders

**Outpatient Opportunity Audit**
- Receive a custom assessment of your institution’s outpatient orthopedic opportunities
- Assesses current and forecasted market opportunities in prioritizing ambulatory service development
Questions?

Cynthia Tassopoulous
TassopoC@advisory.com