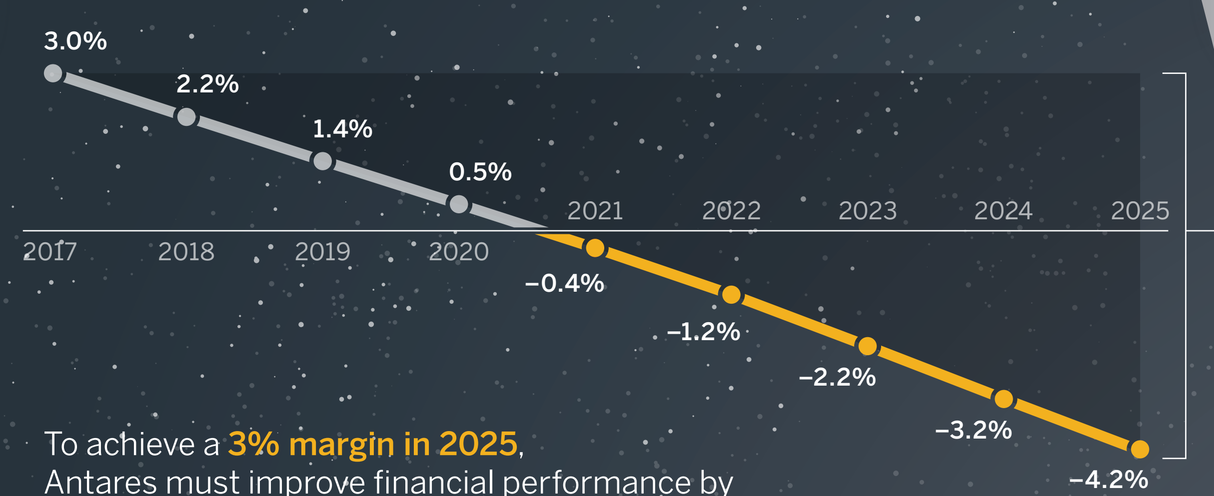
# Zooming in on the ANTARES Moment

**In many ways**, hospitals and health systems are comparable to stars. Take, for example, Antares, a red supergiant that is currently the 15th brightest star in the sky. From far away, Antares shines brightly. It appears healthy and luminous. But the red supergiant faces a significant problem upon closer inspection—Antares is nearing the end of its life. It is rapidly devouring all its fuel to burn so brightly. Eventually, Antares will deplete the rest of its hydrogen and collapse.

Similar to Antares, many hospitals and health systems appear healthy from afar. But a new challenge has become clear: their operating expenses now outpace their operating revenue. Antares Health System, Advisory Board's financial model of an average health system, illustrates the magnitude of the challenge. Absent intervention, Antares will have a **–4.2% operating margin in 2025**. Read on to learn how Antares Health System can reverse course and ensure a bright—and sustainable—future.

## Antares's margin absent intervention

*Advisory Board's model health system*




To achieve a **3% margin in 2025**, Antares must improve financial performance by

**$595M–$635M**

from 2017–2025, of which

0% — 100%

**55% or $320M–$350M** is from cumulative cost avoidance

**45% or $275M–$285M** is from total new revenue growth

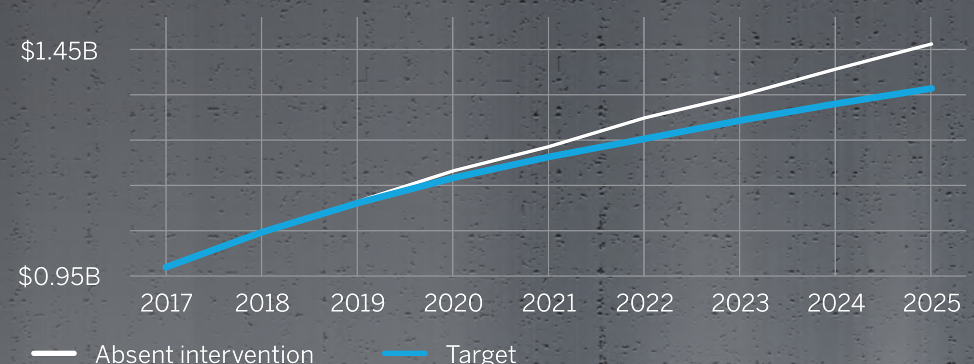
## Meet ANTARES Health System

- **5** hospitals
- **$1B** operating revenue in 2017
- **3%** operating margin in 2017

## Cost avoidance

**$40M–$44M**
Annualized cost avoidance necessary to achieve a 3% margin in 2025

Projected **operating expenses**




INTERVENTIONS ▼

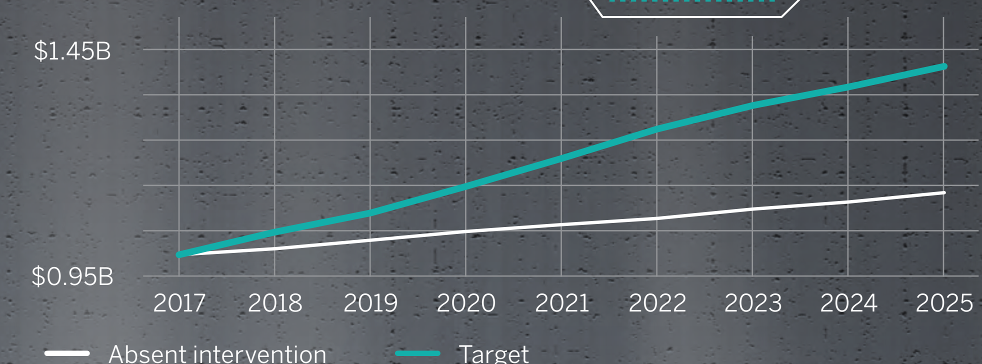
**Rebase external spending**
Elevate decision-making to reduce purchased services and supply spending. The goal in this stage is to lower the cost curve before bending it.

**Cultivate the cost-effective workforce**
Increase productivity and rationalize service lines to slow labor cost growth.

## Revenue growth

**$35M–$45M**
Annualized additional new revenue necessary to achieve a 3% margin in 2025

Projected **operating revenue**




INTERVENTIONS ▼

**Reduce avoidable revenue erosion**
Improve revenue cycle performance and limit payment penalties.

**Win an increased share of lucrative patient volumes**
Reduce leakage and refine a unique patient acquisition strategy to win new volumes in high-revenue clinical service offerings.

**Diversify through new revenue streams**
Develop new revenue sources to hedge against future hospital-focused reimbursement pressure.

Advisory Board | Health Care Advisory Board

Learn more about how Antares can achieve sustainable cost control and revenue growth at advisory.com/antares