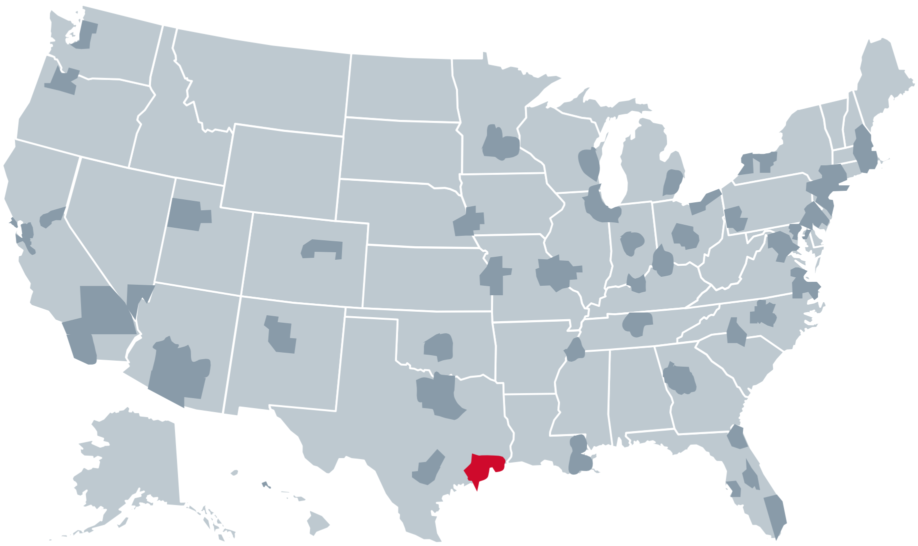
Advisory Board

Market Profile

Published by Health Care Industry Committee

Houston, TX



Counties Covered:

County	State
Austin County	TX
Brazoria County	TX
Chambers County	TX
Fort Bend County	TX
Galveston County	TX
Harris County	TX
Liberty County	TX
Montgomery County	TX
Waller County	TX

Total Population:

- 6,976,513

Market Summary

- **Overview**: A growing population in the Houston market is fueling demand for health care facility construction and health care jobs.
- **Health Systems**: Large Houston-based health systems are exploring ways to efficiently serve an growing population, with three of the area's largest systems exploring suburban expansions. In early 2019, Memorial Hermann Health System and Baylor Scott & White Health called off plans for a mega merger that would have created the largest hospital system in Texas.
- **Insurers**: Two major insurers in Houston (Partners in Primary Care; Blue Cross and Blue Shield of Texas) have announced plans to open clinics to improve access to care and reduce costs. While Montgomery County had the largest decrease in enrollment on the exchanges in 2019 (~11%), Harris County had just a 1% decline in enrollment figures.
- **Physicians**: With a healthy economy and growing population, physician services will remain in demand. However, retail clinics and freestanding emergency centers – in May 2019, Walgreens announced plans to offer primary care physician services in Houston - may threaten patient volumes for office or clinic-based physicians.
- **Employers**: While energy dominates the Houston economy, the region's largest employers are instead retailers and health care providers. The biggest employer in the market is Walmart, followed by H-E-B and Memorial Hermann Health System.
- **Population**: Houston's population continues to grow at record-breaking pace – between 2010 and 2018, the region's total population increased by 18%.

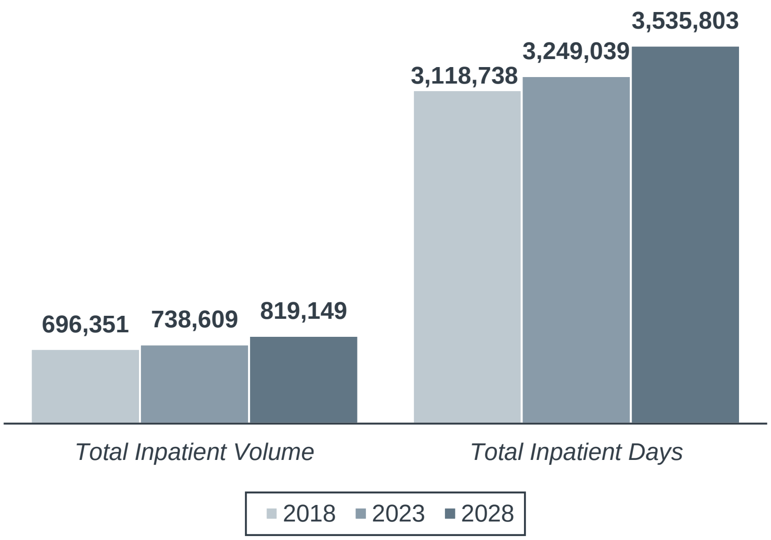
Source: "Healthcare leaders look at the past, present and future of consolidation," *Fierce Healthcare,* available at https://www.fiercehealthcare.com/practices/healthcare-leaders-look-at-past-present-and-future-consolidation; "Walgreens to offer primary care physician services in Houston," *Medical Economics,* May 2019, available at https://www.medicaleconomics.com/news/walgreens-offer-primary-care-physician-services-houston ; "Houston's biggest employers reflect local economy," *Houston Chronicle,* available at https://www.houstonchronicle.com/business/chron-100/article/Houston-s-biggest-employers-reflect-local-12989530.php; "Houston's big population boom continues with this many new residents each day," *Culture Map Houston,* available at http://houston.culturemap.com/news/city-life/04-23-19-houston-the-woodlands-sugar-land-population-growth-us-census/; Advisory Board interviews and analysis.

Market Glimpse

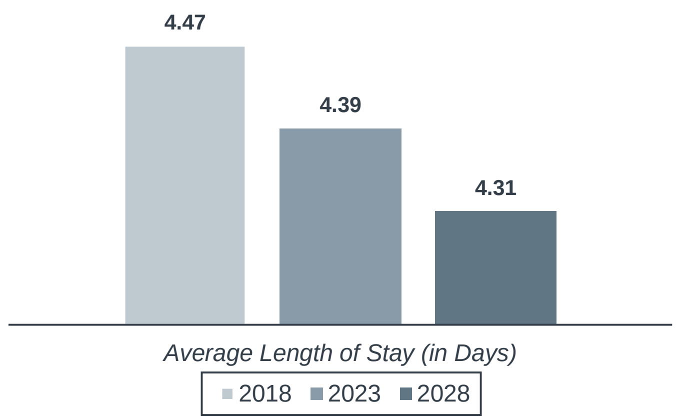
Key Figures

Category	Figure
Acute-Care Hospitals	62
Acute Care Beds	12,509
Number of Clinicians[1]	38,294
Households Count	2,494,363
Median Age	33.9
Median Household Income	$71,949
Per Capita Income	$34,547
Unemployment Rate	4.8%
% of Patients Who Visited a Doctor Last Year	73.8%
Uninsured Rate	High-Medium

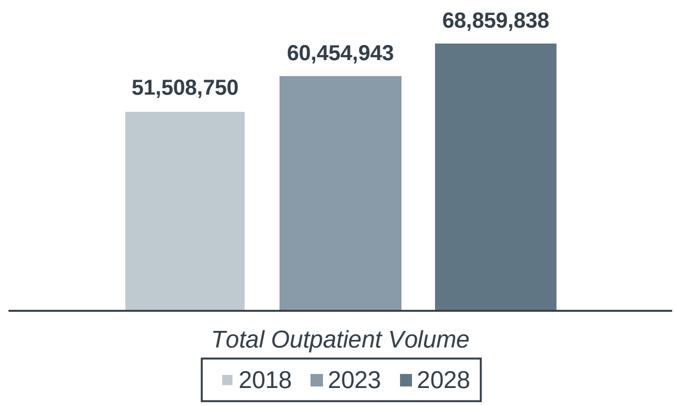
Inpatient Volume and Days



Average Length of Stay



Outpatient Volumes

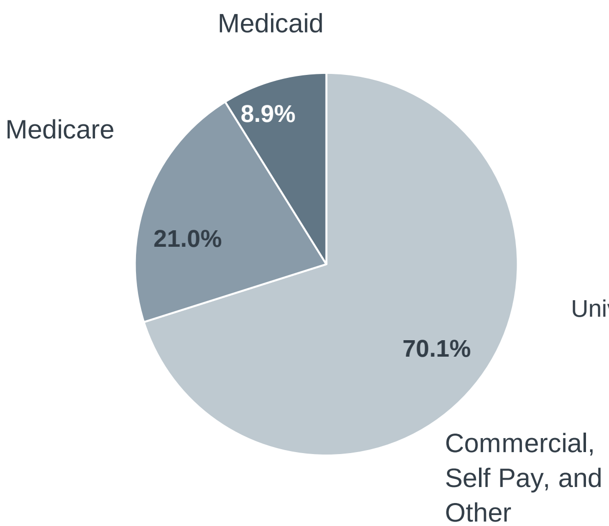


1) Includes primary care physicians, specialists, nurses, advanced practitioners, etc. For a breakdown of clinicians by type, specialty, or sub-specialty, you can use our Clinician Supply Profiler.

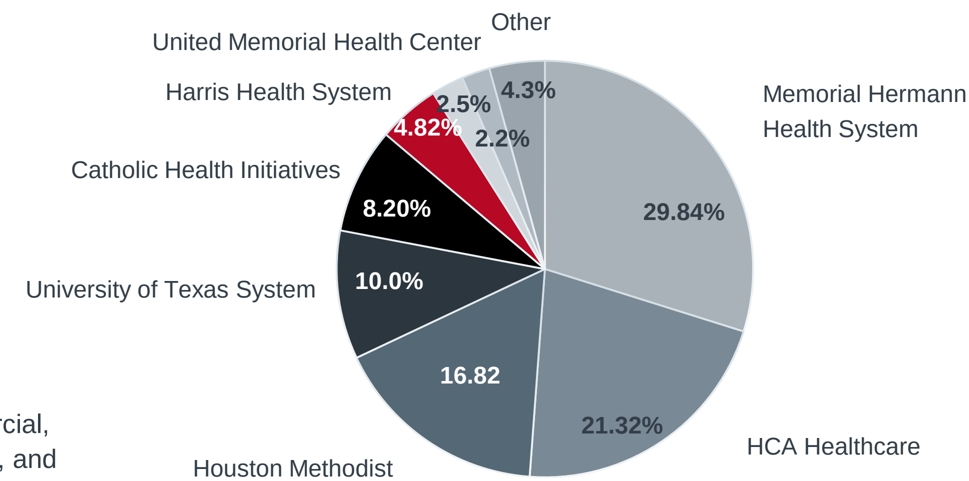
Source: Advisory Board research and analysis.

Overview of Payers, Inpatient Players, Major Ailments

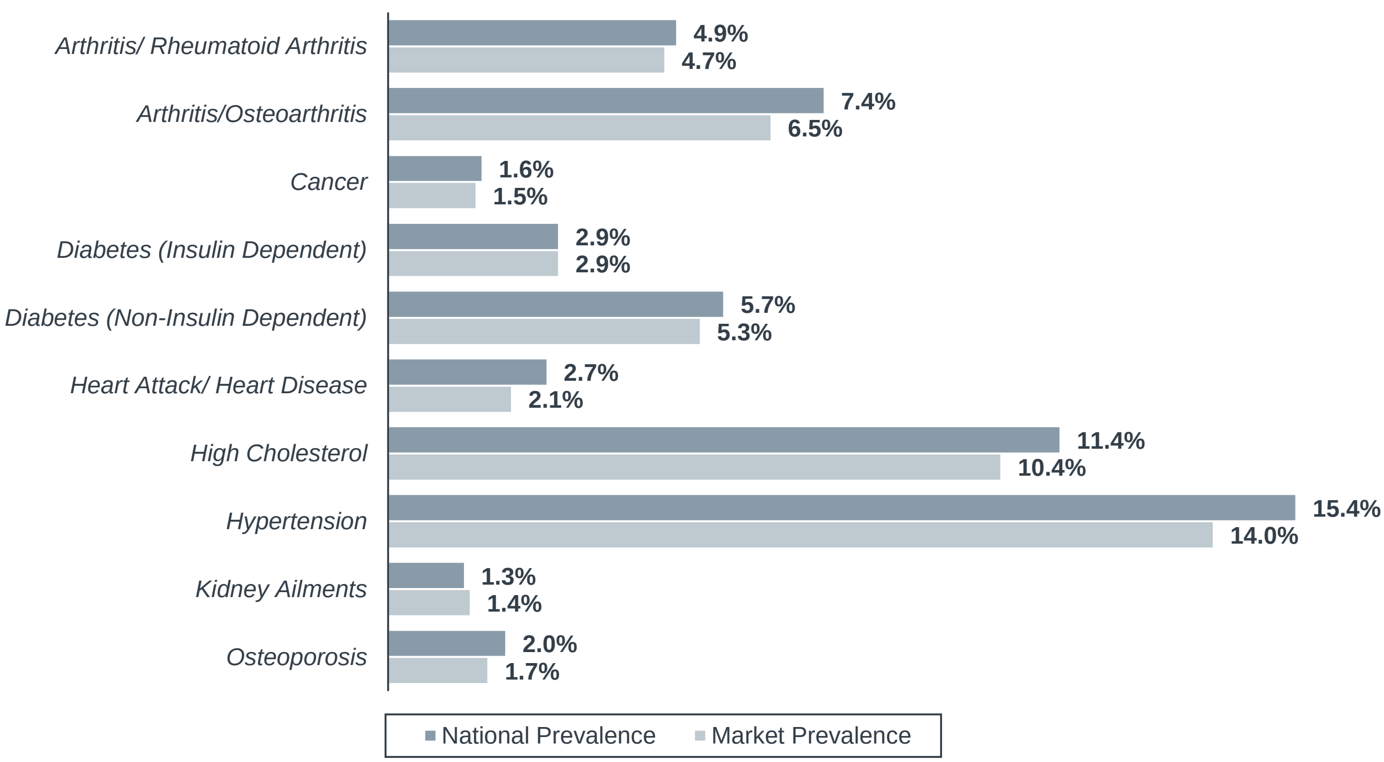
Discharge Mix



Medicare Inpatient Market Share Breakdown



Prevalence of Ailments



Source: Advisory Board research and analysis.

Population Stratification

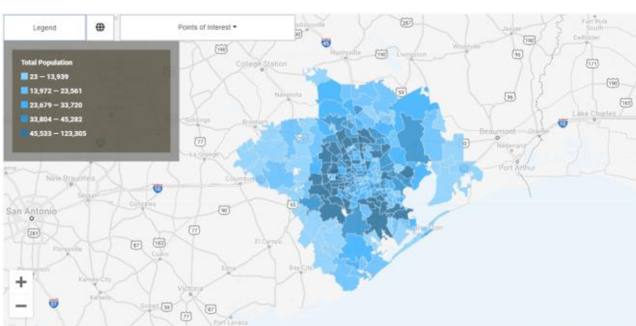
Segmentation by Age

Age Group	% of Population in 2018
0-9	14.7%
10-19	14.3%
20-29	14.2%
30-39	14.7%
40-49	13.4%
50-59	12.3%
60-69	9.4%
70-79	4.7%
80+	2.3%

Outpatient Sites of Care Volume Projections

Site of Care	2018 Volume	2028 Volume
Hospital Outpatient Dept.	5,197,261	6,777,867
ED	2,391,507	3,395,990
Ambulatory Surgery	5,782,167	7,809,305
Physician Office/Clinic	24,624,828	32,595,562
Endoscopy	901,454	1,224,002
Oncology Center	2,484,542	2,903,422
Sleep Studies	469,560	633,147
Independent Diagnostic Testing Facility	2,136,211	2,743,712
Physical Therapy	2,836,763	3,946,714
Lab	4,600,901	6,306,214
Other	83,556	136,846

Population Density



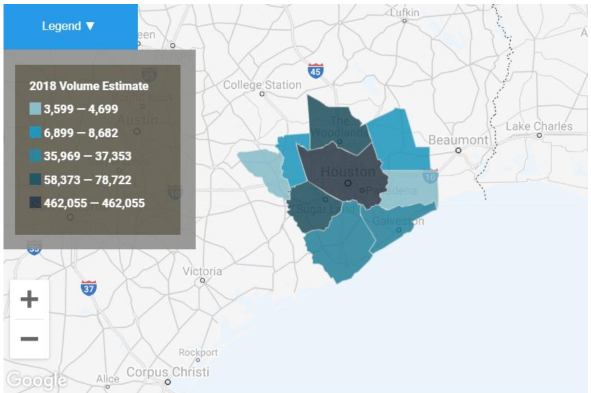
Segmentation by Gender

Gender	Current Population Count (2018)	Projected Population Count (2023)
Male	3,463,363	3,786,994
Female	3,512,940	3,848,380

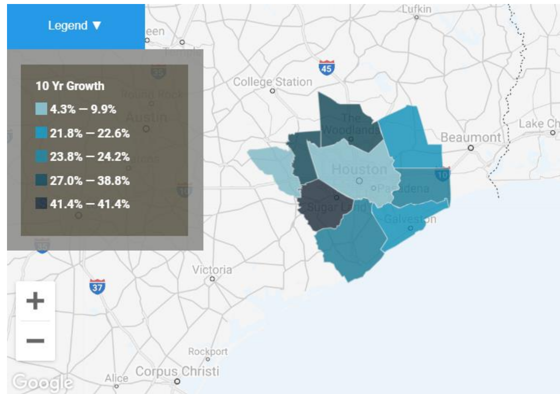
Source: Advisory Board research and analysis.

Inpatient Volume Projections

2018 Inpatient Volumes



2028 Inpatient Volumes (10-Year Growth)



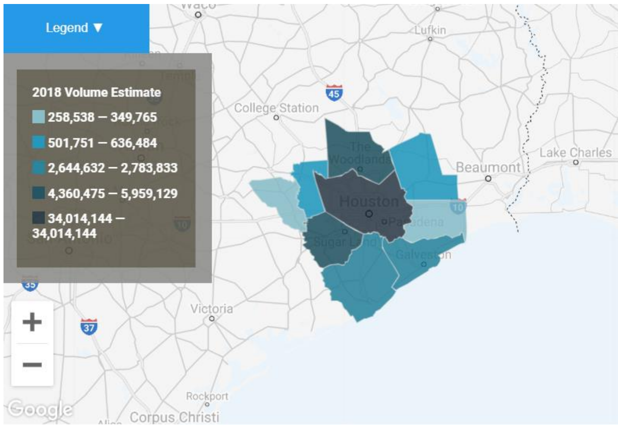
Service Line Volume Projections

Service Line	2018 Volume Estimate	2023 Volume Forecast	2028 Volume Forecast	5 Yr Growth	10 Yr Growth
+ Cardiac Services	61,641	58,936	66,655	-4.4%	8.1%
+ ENT	7,254	7,091	7,674	-2.2%	5.8%
+ General Medicine	233,009	259,403	294,677	11.3%	26.5%
+ General Surgery	46,123	48,827	53,712	5.9%	16.5%
+ Gynecology	7,908	7,626	8,022	-3.6%	1.4%
+ Invalid	1,432	1,235	1,266	-13.7%	-11.6%
+ Neonatology	102,231	107,735	114,840	5.4%	12.3%
+ Neurology	26,375	28,522	32,671	8.1%	23.9%
+ Neurosurgery	4,676	5,612	6,549	20.0%	40.1%
+ Obstetrics	98,756	104,597	113,023	5.9%	14.4%
+ Oncology/Hematology (Medical)	18,604	19,511	21,542	4.9%	15.8%
+ Ophthalmology	795	752	779	-5.3%	-1.9%
+ Orthopedics	38,778	41,389	46,487	6.7%	19.9%
+ Other Trauma	5,381	5,952	6,841	10.6%	27.1%
+ Rehabilitation (Acute Care)	6,410	3,618	3,119	-43.5%	-51.3%
+ Spine	15,094	15,267	16,321	1.1%	8.1%
+ Thoracic Surgery	3,435	3,739	4,050	8.8%	17.9%
+ Urology	8,309	9,255	10,477	11.4%	26.1%
+ Vascular Services	10,142	9,542	10,444	-5.9%	3.0%

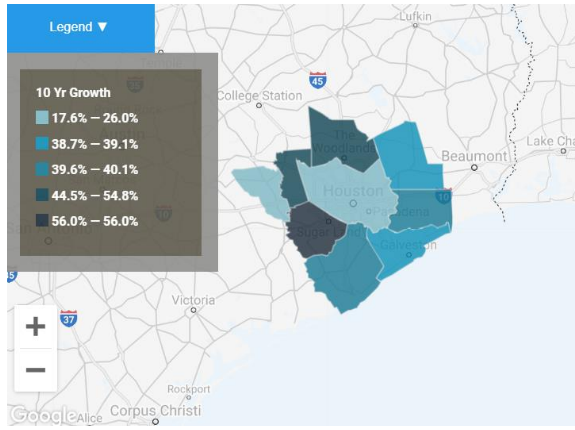
Source: Advisory Board research and analysis.

Outpatient Volume Projections

2018 Outpatient Volumes



2028 Outpatient Volumes (10-Year Growth)



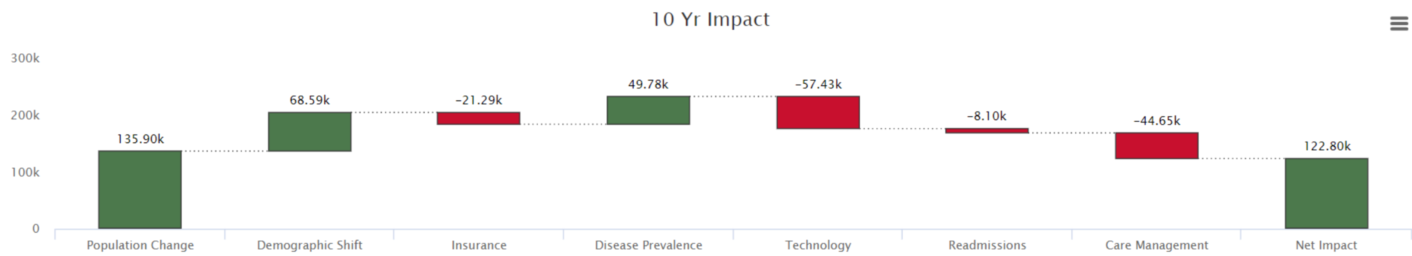
Service Line Volume Projections

Service Line	2018 Volume Estimate	2023 Volume Forecast	2028 Volume Forecast	5 Yr Growth	10 Yr Growth
Cardiology	1,573,448	1,873,402	2,228,324	19.1%	41.6%
Cosmetic Procedures	153,337	189,388	205,863	23.5%	34.3%
Dermatology	1,007,809	1,220,935	1,428,568	21.1%	41.7%
Endocrinology	14,512	22,520	26,550	55.2%	82.9%
ENT	653,116	814,327	996,833	24.7%	52.6%
Evaluation and Management	19,501,362	22,015,039	24,719,245	12.9%	26.8%
Gastroenterology	466,794	599,124	712,195	28.3%	52.6%
General Surgery	144,443	175,423	202,419	21.4%	40.1%
Gynecology	231,623	251,890	269,141	8.7%	16.2%
Lab	6,994,498	8,355,145	9,595,728	19.5%	37.2%
Miscellaneous Services	3,759,979	4,623,770	5,273,734	23.0%	40.3%
Nephrology	142,044	176,255	211,832	24.1%	49.1%
Neurology	292,450	381,969	452,235	30.6%	54.6%
Neurosurgery	16,668	21,393	25,953	28.3%	55.7%
Obstetrics	109,551	115,241	124,613	5.2%	13.7%
Oncology	34,202	38,489	42,763	12.5%	25.0%
Ophthalmology	1,386,033	1,759,051	2,105,757	26.9%	51.9%
Orthopedics	729,613	969,434	1,138,606	32.9%	56.1%
Pain Management	180,987	233,262	276,258	28.9%	52.6%
Physical Therapy/Rehabilitation	4,667,255	5,618,520	6,402,144	20.4%	37.2%
Podiatry	232,878	317,048	391,455	36.1%	68.1%
Psychiatry	2,631,485	3,031,470	3,272,404	15.2%	24.4%
Pulmonology	518,521	645,497	757,387	24.5%	46.1%
Radiology	5,379,183	6,132,096	6,953,078	14.0%	29.3%
Spine	23,657	31,501	37,056	33.2%	56.6%
Thoracic Surgery	4,082	5,774	7,250	41.5%	77.6%
Trauma	192,974	213,814	236,446	10.8%	22.5%
Urology	260,052	356,941	439,108	37.3%	68.9%
Vascular	206,196	266,226	326,893	29.1%	58.5%

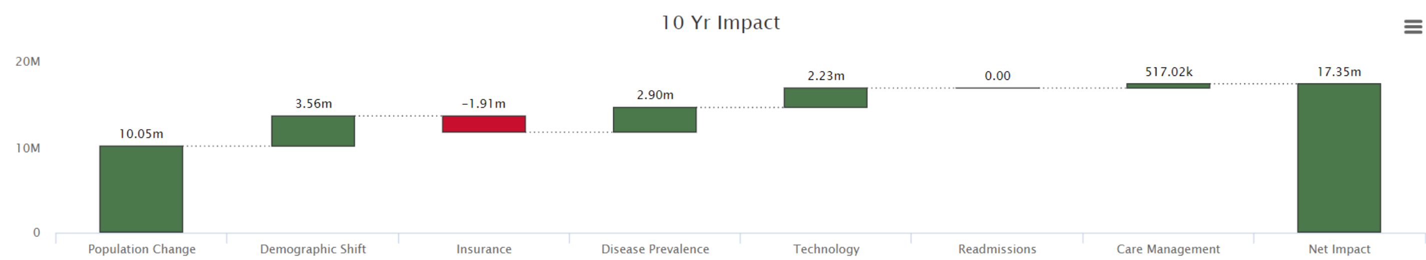
Source: Advisory Board research and analysis.

Volume Growth Drivers

2018-2028, Factors Influencing Inpatient Procedure Growth



2018,2028, Factors Influencing Outpatient Procedure Growth



- **Population Change:** Considers changes in total population of the market
- **Demographic Shift:** Considers changes in major demographic factors, such as age and gender
- **Insurance:** Considers insurance market factors, such as coverage expansion, increased cost-sharing, and payer scrutiny of medical necessity
- **Disease Prevalence:** Considers the growing population of chronic and multi-morbid patients
- **Technology:** Considers the role technology plays in changing demand and shifting site of care
- **Readmissions:** Considers the ongoing focus on driving down avoidable readmissions
- **Care Management:** Considers investments in care management designed to reduce inpatient utilization

Source: Advisory Board research and analysis.

This Advisory Board resource is part of a series of Market Profiles offered to health care industry members through the Health Care Industry Committee. We have used information and data from Advisory Board's Market Scenario Planner, Clinician Supply Profiler, and Demographic Profiler alongside US government databases including CMS Medicare Cost Reports. Please note that CMS Medicare Cost Reports data are submitted by individual facilities and are thus prone to some degree of inaccuracy due to inconsistent reporting practices and user error. The specific fiscal year reporting period for each provider varies slightly, but all data represent a single-year period for each provider.

These profiles are aimed to help suppliers and service firms better understand provider customers and patients in various markets.

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