



## AMBULATORY GROWTH REPORT

# The Future of Care Delivery Outside the Hospital

# HARNESSING AMBULATORY GROWTH

U.S. health systems continue to redefine themselves as major shifts occur in how and where patients receive care. Many organizations are countering gradually declining inpatient volumes and shrinking hospital budgets with increased investments in ambulatory care services. For years, an imbalance existed between inpatient and outpatient utilization and the net revenue associated with each segment. However, the scale is tipping; outpatient revenue at \$472 billion annually is inching closer to inpatient revenue at \$498 billion, according to an [American Hospital Association \(AHA\) report](#).<sup>1</sup>

Ambulatory surgery centers (ASCs), which are a hallmark of the shift, continue to pop up in markets across the country. More than

half of outpatient surgeries are now performed in ASCs, up from 32% in 2005, and outpatient procedure [volume is expected to grow](#) 16% by 2026. The growth of ASCs brings with it new partnerships as hospitals seek joint ventures with physicians to build outpatient facilities.<sup>2</sup>

As consumers increasingly seek the more convenient and typically less costly care of an outpatient setting, organizations are scrambling to stay competitive in national and regional markets. Leaders do not have to look much further than the CVS-Aetna merger to see the opportunities and threats. Less than 10 months after the merger's close, the company was [attributing its higher-than-projected earnings](#) to "successful execution of priorities" and its plans to build a more cost-effective and efficient care delivery system.<sup>3</sup>

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The growing emphasis on healthcare value and the settling in of value-based, risk-based business models further emphasizes the trend in ambulatory growth. Evolving beyond episodic care and keeping people healthy requires an infrastructure to reach patients where they are with efforts like telemedicine, virtual visits and health hubs.

Growth and integration usher in additional challenges around standardizing and enhancing patients' experiences — and doing so at scale. Leaders agree it's going to take

1. "AHA data show hospitals' outpatient revenue nearing inpatient." Bannow, Tara. Modern Healthcare. January 3, 2019. <https://www.modernhealthcare.com/article/20190103/TRANSFORMATION02/190109960/aha-data-show-hospitals-outpatient-revenue-nearing-inpatient>

2. "2018 Ambulatory Surgery Center (ASC) Market: Project to Increase from \$36 Billion in 2018 to \$40 Billion by 2020." Business Wire. October 11, 2018. <https://www.businesswire.com/news/home/20181011005301/en/2018-Ambulatory-Surgery-Center-ASC-Market-Projected>

3. "CVS jumps on earnings beat as its merger with insurance company Aetna begins to pay off." Winck, Ben. Markets Insider. <https://markets.businessinsider.com/news/stocks/cvs-2q-earnings-raises-forecast-amid-aetna-merger-benefits-2019-8-1028426740>



top talent, aligned organizational goals and a shared vision to change the way care is delivered.

To gain a better understanding of the challenges associated with growing a healthcare network outside the hospital, Huron interviewed 201 leaders operating in the healthcare ambulatory market. C-suite, vice president, director and senior manager levels from three types of organizations were included in the survey: group practices and employed physician practices, national health systems and regional health systems.

## Key Findings:

- Forty-four percent of executives indicate that ambulatory care is an area of focus for growth in the next three years. Despite this acknowledgement, approximately 50% of those organizations do not have a strategy in place to guide the growth.
- Leaders express the need to continue investing in data analytics and technology adoption and enablement with specific references to broadening the use of artificial intelligence (AI) and machine learning (ML).
- Financial growth, reimbursement and risk-based models — value-based care



- and Accountable Care Organizations (ACOs) — concern leaders from the C-suite to the director level. Developing a strong ambulatory presence plays a key strategic role in success amid new reimbursement and care delivery models.
- Patient-centered technology enablement and changing consumer expectations about their healthcare experience are two of the top four areas that leaders deem important when addressing ambulatory-specific challenges. This focus is critical as ambulatory services expand and organizations seek to standardize the patient experience and clinical quality

across care settings.

- Attracting and retaining top physician talent continues to be a priority for leaders, and not without a technology focus. Top physicians will insist on the “latest and greatest” technology, spurring yet another reason leaders want more from their digital investments.
- Innovation is top of mind for leaders, with a focus on solutions that improve the consumer experience. Due to pressure to expand and scale, leaders need innovation that supports both short-term and long-term goals.

# FINANCES, PEOPLE AND TECHNOLOGY: LEADERS FACE DIVERSE CHALLENGES

## RECOMMENDED READING

- ▶ [6 Innovations from Other Industries That Healthcare Organizations Should Adopt](#)
- ▶ [Elevating Change Management:](#)
- ▶ [From Point Solution to Continuous Transformation](#)
- ▶ [Finding Value Amid Challenges With Pharmacy Benefit Managers](#)

Leaders report a broad list of top challenges, goals and aspirations for their ambulatory operations. In describing their organizations, leaders note the desire to better integrate the use of technology to oversee leadership activities and to advance the use of predictive analytics. Many point to the pressure of undergoing major transformation in response to market disruption.

Differences in challenges vary some by role and function. And while there is a high level of agreement between leaders at all levels, additional concerns emerge for C-suite leaders. Related to financial pressures, disruption from retail ranks high for every role and function surveyed, indicating that new market entrants continue to vex healthcare leaders.

## HIGHEST-RANKING ORGANIZATIONAL CHALLENGES

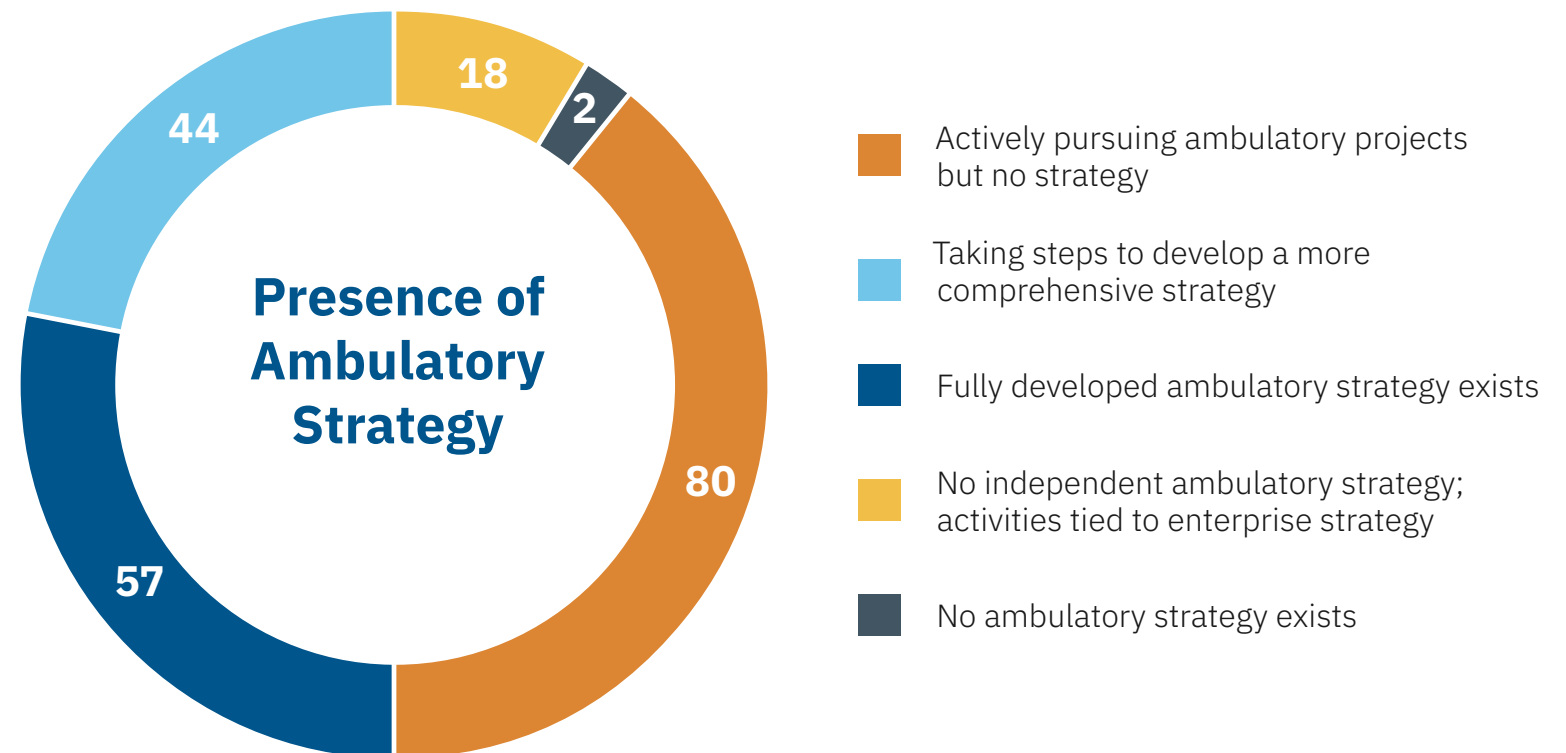
ALL RESPONDENTS	ADDITIONAL C-LEVEL CHALLENGES
1. Achieving financial growth	1. Physician recruitment
2. Medicare and Medicaid reimbursement	2. Integrating physicians
3. Operational transparency	3. Physician employment models
4. Switching to value-based models	4. Nurse shortages
5. Disruption from high-tech competitors or retailers	
6. Navigating the new ACO world	



# GROWTH LACKS STRATEGY

While most leaders agree the ambulatory market is growing and nearly half of those surveyed indicate ambulatory care as an area of focus, fewer than half have an ambulatory-specific strategy.

Leaders are split on why ambulatory strategies are not in place. Nearly three-fourths (73%) of C-level respondents blame a lack of capital for stalling strategy development. Meanwhile, 80% of VP/director-level respondents point to leaders' failures to recognize the benefit of addressing ambulatory-related challenges.



## WHY AMBULATORY STRATEGIES LACK DEVELOPMENT

1. Leadership lacks awareness of the need to solve ambulatory issues.
2. There is a lack of funding to create an effective strategy.
3. Leaders do not recognize the lack of alignment at the leadership level.
4. There is a lack of understanding of the benefit of leveraging data, digital transformation and predictive understanding.

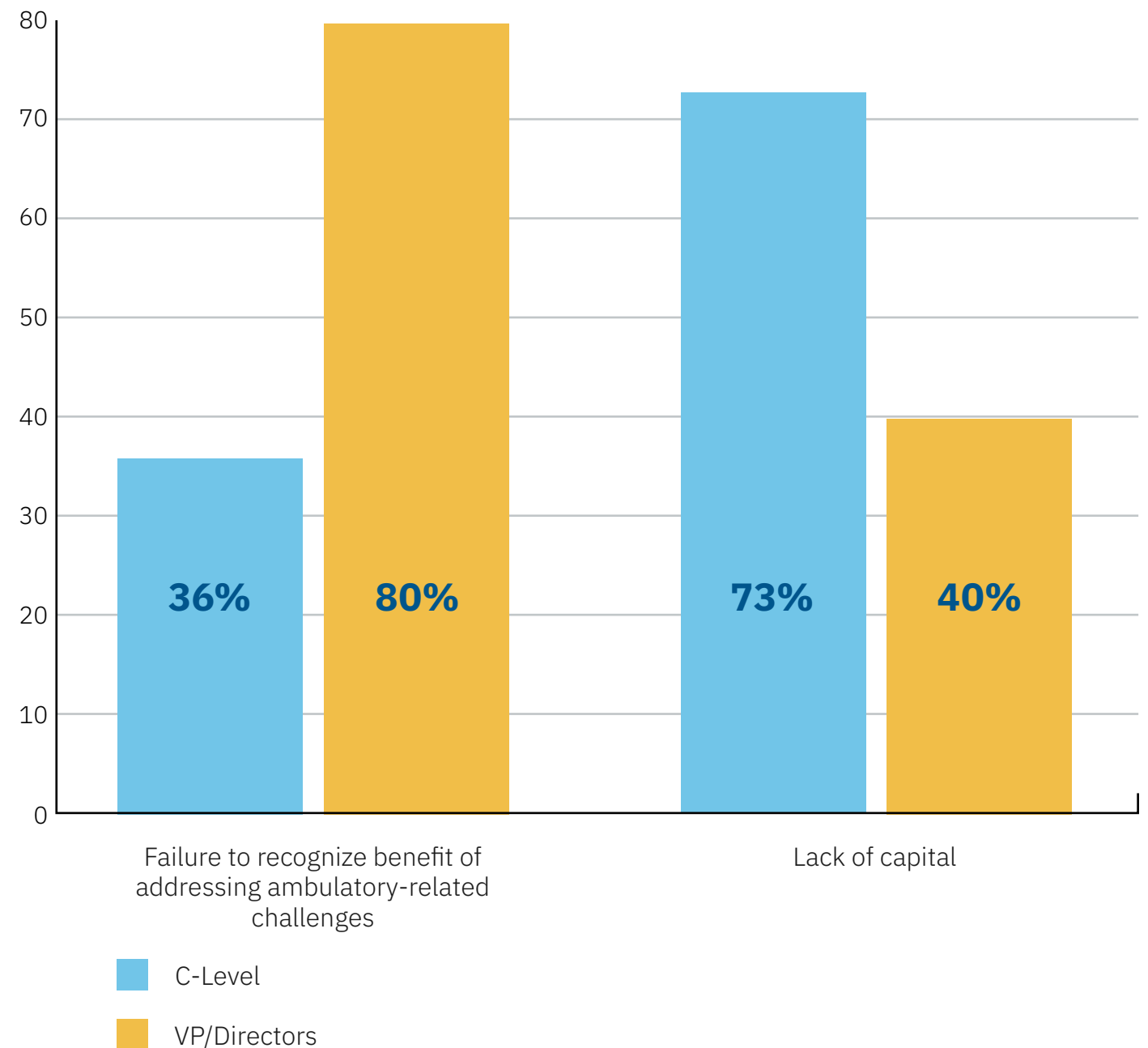
Despite a lack of strategy, leaders are clear on the business priorities that will support growth. Leaders are leaning heavily on technology to improve operations, clinical delivery and outcomes. Specifically, leaders indicate the need for progress in making big data analytics, AI and ML work for their organizations. Additionally, concerns about talent recruitment and retention and leader development top the list.



#### BUSINESS PRIORITIES FOR AMBULATORY LEADERS

1. Data analytics (AI and ML)
2. Talent recruitment, development and retention
3. Patient-centric tech enablement
4. Changing consumer expectations about their healthcare experience

### Leaders Split on Reasons for Lack of Strategy



# DATA ANALYTICS AND TECHNOLOGY INVESTMENTS

## RECOMMENDED READING

► [Healthcare Data Analytics: Leverage Assets Now to Prepare for What's Next](#)

► [The Interoperability Imperative in Healthcare Today](#)

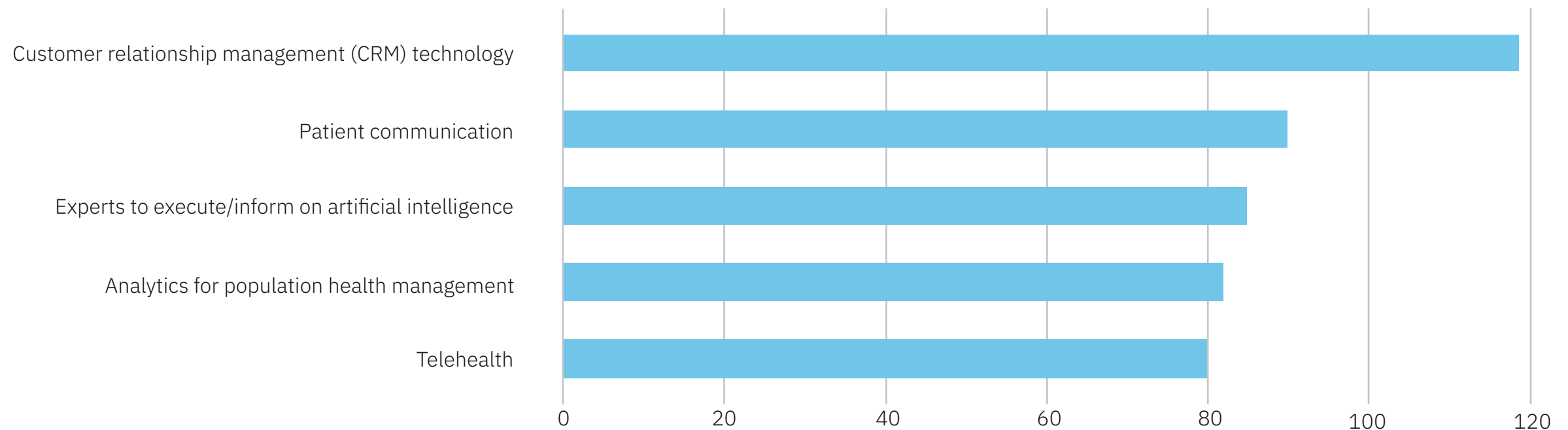
While some in the industry have dismissed big data analytics as hype, organizations are looking to applications like artificial intelligence and machine learning to improve operations, clinical delivery and patient outcomes. In the survey, every leader across roles, functions and organization type notes data analytics as an area where their

organization needs improvement. Most organizations have made investments in data analytics, but many agree their capabilities are not where they should be. Less than 25% of those surveyed describe their organization as “digitally mature.”

Customer relationship management (CRM) technology, AI and patient communication

are the most critical technology needs where investments are being made. Despite ambitions to use predictive analytics enterprisewide, getting the basics right with technology — e.g., ensuring the interoperability of solutions and tools — tends to stall progress. Workforce woes enter the scene again as leaders fear their organizations lack the technical talent needed to bridge technology gaps.

## Top Five Areas for Technology Investment





# TALENT RETENTION AND RECRUITMENT

## RECOMMENDED READING

- ▶ [Attracting and Retaining Talent in an Age of Disruption](#)
- ▶ [How to Engage Physicians in Your Quality Metrics Journey](#)
- ▶ [Filling the Leadership Gap](#)

Physician-hospital relationships continue to evolve, with various nontraditional models emerging. In some models, hospitals contract with independent physicians for specific services or service lines as a step toward aligning them with the organization. In co-management relationships, physicians are employed

for administrative and clinical leadership roles; and more integrated, hybrid models are taking shape where health-system-employed and self-employed physicians partner closely with health systems.

While there may be variation in how relationships are structured, consistent themes exist around goal alignment and

incentives. In both acute and ambulatory facilities, leaders express that talent recruitment and provider engagement are crucial for transforming how they deliver care. Leaders indicate that shared goals and objectives must serve as the basis for the physician-health system relationship. Most arrangements are driven by outcomes-based incentives, informed by specific performance metrics and aligned to organizational goals.





# INNOVATION IN CARE DELIVERY AND PATIENT-CENTRIC TECHNOLOGY ENABLEMENT

## RECOMMENDED READING

- ▶ [Digital Trust: Earn It and Sustain It to Fuel Tomorrow's Healthcare](#)
- ▶ [Consumer Choice and The Future of Healthcare Service Lines](#)
- ▶ [Social Determinants of Health: Using Consumer Insights to Move From Why to How](#)

In the ambulatory care market, patient-centricity is the primary impetus for innovation. More and more leaders are looking to technology adoption to evolve care delivery models through investment in telemedicine, patient self-service and process standardization in order to improve patient experiences and reduce clinical variation.

Process standardization ranks as a top effort for all types of ambulatory organizations, but national health systems are keeping their emphasis on improving patient centers, self-service patient tools and telemedicine.

Most leaders are eager to adopt and leverage new ideas and technology, especially if it will enhance care delivery and improve the consumer experience. Innovation is the ability to create or deploy new products or business models that have a meaningful impact in the market. The perception of what is “new” and “impactful” will vary widely





depending on the organization's size, type, budget, services and mission.

What is clear is that leaders expect a quick return on investment in innovation as they balance change with the ongoing needs of their core business. Transformative innovation is still possible, but it will take a mindset shift that begins with top leadership.

## Rethinking the Metrics That Matter

Survey responses from healthcare leaders indicate a change in how organizations measure return on investment. The gains organizations are after are more complex than just revenue. Revenue growth still matters, but as organizations embrace more transformative journeys, leaders are considering other metrics as indicators of the success of ambulatory investments. Alignment to organizational goals and performance improvement will continue to gain relevancy as organizations adopt new business models and new ways of delivering care.



### FACTORS FOR DETERMINING ROI

1. Financial metrics — revenue growth
2. Organization strategy — alignment to organizational goals
3. Performance improvement — technology adoption
4. Performance improvement — clinical outcomes
5. Organizational strategy — alignment to strategic initiatives
6. Financial metrics — cost reduction



# CONCLUSION

Outpatient revenue is on track to eclipse inpatient revenue in the next few years. Leaders across the industry continue to grapple with the shrinking role of traditional hospital services that must be matched by growth in outpatient and ambulatory care. Concerns and pressure are mounting over competition from new entrants, and leaders need a better understanding of where they stand in a changing environment. While a growing consensus exists around the importance of the ambulatory market, that focus has not translated into strategic actions.

Developing ambulatory-specific strategies will require leaders to overcome critical funding and internal team alignment barriers. From there, investing in new technology and maximizing current technology investment will be key to enabling strategy and transforming relationships with people — physicians, staff and consumers.

## Key Takeaways

To better equip their organizations for the continued growth of ambulatory care markets, leaders must:

### Think differently.

Tipping the scale from inpatient to outpatient care is about more than just moving services and shifting volumes; it's about meeting patients where they are for a more patient-centric delivery of care.

### Plan differently.

Getting back to basics is crucial; dig in on strategy, and check for alignment issues among leadership teams on short-term plans and long-term vision for technology adoption, talent recruitment and retention, and patient-centric care.

### Act differently.

Positioning your organization with a fully developed, robust ambulatory strategy that strengthens your core business while also repositioning your organization for the future is critical for long-term success.

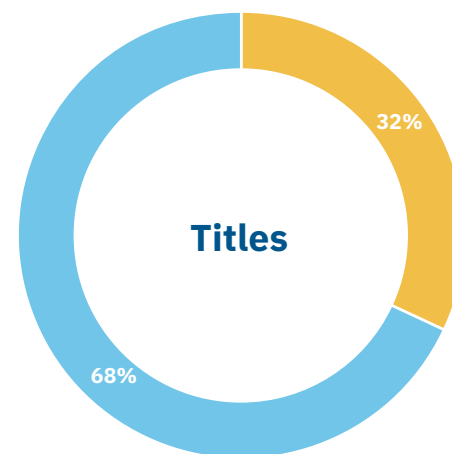
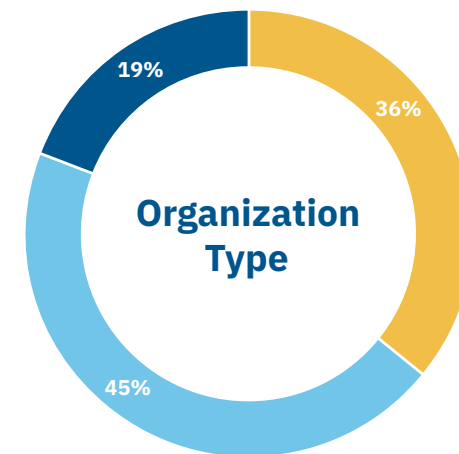
# RESEARCH METHODOLOGY

In March of 2019, Huron commissioned a blind survey of 201 healthcare leaders operating in the ambulatory healthcare market. A purpose of the study was to better understand the needs and challenges leaders face amid growth of the ambulatory healthcare market.

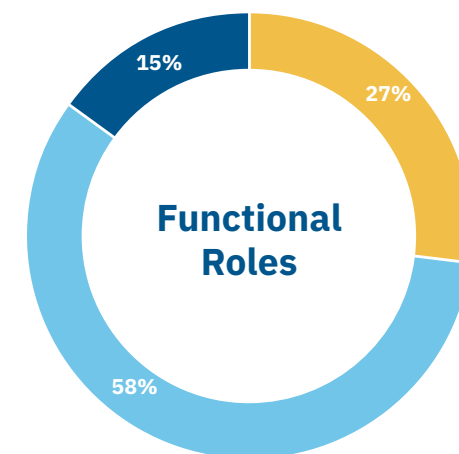


## Respondent Demographics

- Group Practice and Physician Practice
- Regional Health System
- National Health System



- C-Level
- VP/Director/Senior Manager



- Strategy and Operations
- Technology
- Clinical





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