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HEALTHCARE MANAGEMENT ADVISORS

3 Key Factors to Analyze as Cardiac Procedures Move to Outpatient

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By recategorizing procedures previously designated inpatient only, CMS is actively redirecting a significant number of cases to Hospital Outpatient Department ("HOPD") and community-based ambulatory surgery center ("ASC") settings. We have discussed the impact this will have on outpatient surgery, and strategies to prepare. This outpatient shift will also affect cardiac services, creating both risks and opportunities.

Cardiac services have been an essential revenue driver for hospitals. Medical costs associated with cardiovascular disease in the U.S. are expected to rise from $555 billion in 2016 to $1.1 trillion by 2035[1]. Health systems should consider strategies that can retain cardiac revenue and position the cardiac service line for sustained success.

Strong independent cardiac groups are beginning to set up cardiac-focused ASCs to provide catheterizations, angioplasties, and electrophysiology procedures. This type of facility can be in direct competition with hospital providers, though state regulations will limit where this type of facility can be established.

Hospitals or health systems with busy cardiac programs may also choose to develop an ASC that performs cardiac procedures, subject to state regulations. It may mitigate capacity constraints and delayed cases (and potentially lost revenue) in hospital-based procedure rooms and cath labs while enhancing the opportunity to align more closely with the cardiologists through a joint venture.

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[1] "Cardiovascular Disease: A Costly Burden for America - Projections through 2035." American Heart Association CVD Burden Report. 2017. https://www.heart.org/-/media/files/get-involved/advocacy/burden-report-consumer-report.pdf?la=en

In assessing the impact of the site of care shift and determining whether to invest in cardiac ASC development, hospitals and health systems should analyze three key factors:

- **Volume Projections and Capacity Impact:**
  - Estimate the volume of cases likely to shift to the ASC setting with attention given to the associated case mix index, average procedure time, and average length of stay by procedure code. Identify the resulting capacity impact at the hospital, and ASC procedure and pre-op and PACU capacity needed
  - The volume and capacity analysis should consider local physician attitudes and comfort with the shift and the evolution of the clinical procedure itself as a result of technological or other developments

- **Financial Impact:**

  Calculate the margins associated with the cases which are expected to shift and determine the resulting impact on the inpatient setting. This analysis will:

  - Inform the cost reduction needed in inpatient cardiac care to off-set the revenue decline due to the shift
  - Guide the goal setting for the inpatient revenue recovery needed, which in turn will establish the focus and magnitude of the cardiac backfill strategy
  - Be an input to assessing the financial viability of developing a cardiac ASC

- **Physician Alignment and Competition:**

  As more procedures shift to outpatient, cardiologists may set up their own facilities.

  - Understand the extent to which the cardiologists responsible for potential shifting procedure volume are aligned with each other, the hospital and market competitors, then assess potential joint venture opportunities with these physicians
  - Quantify the downside risk and impact of failing to align with the cardiologists specific to the shift in site care
  - Quantify the upside opportunity of attracting new cardiologists to the ASC joint venture and the associated growth in related case volumes and market share

Hospitals and health systems have begun to consider the impact of traditional surgical procedures shifting outpatient under the new Medicare rules, but many have not considered the impact on cardiac procedures. Before the end of 2021, hospitals and health systems should consider the steps they should take to address the threat and opportunity from the outpatient shift for cardiac services.