What Keeps Hospital CEOs up at night? U.S. Hospital Trends and Their Impact on Medtech

Maria Shepherd • *Data Decision Group*

Hospitals are adapting to change as fast as they possibly can, keeping up with the race to manage margins, predict reimbursement trends and maintain quality of care and profitability. In addition to these challenges, new factors are emerging, such as establishing a competitive edge and attracting and retaining patients.

The language of healthcare is changing. When was the last time you heard the expression "fee for service"? Such terms are being replaced with greater frequency by "population health management" or "accountable care."

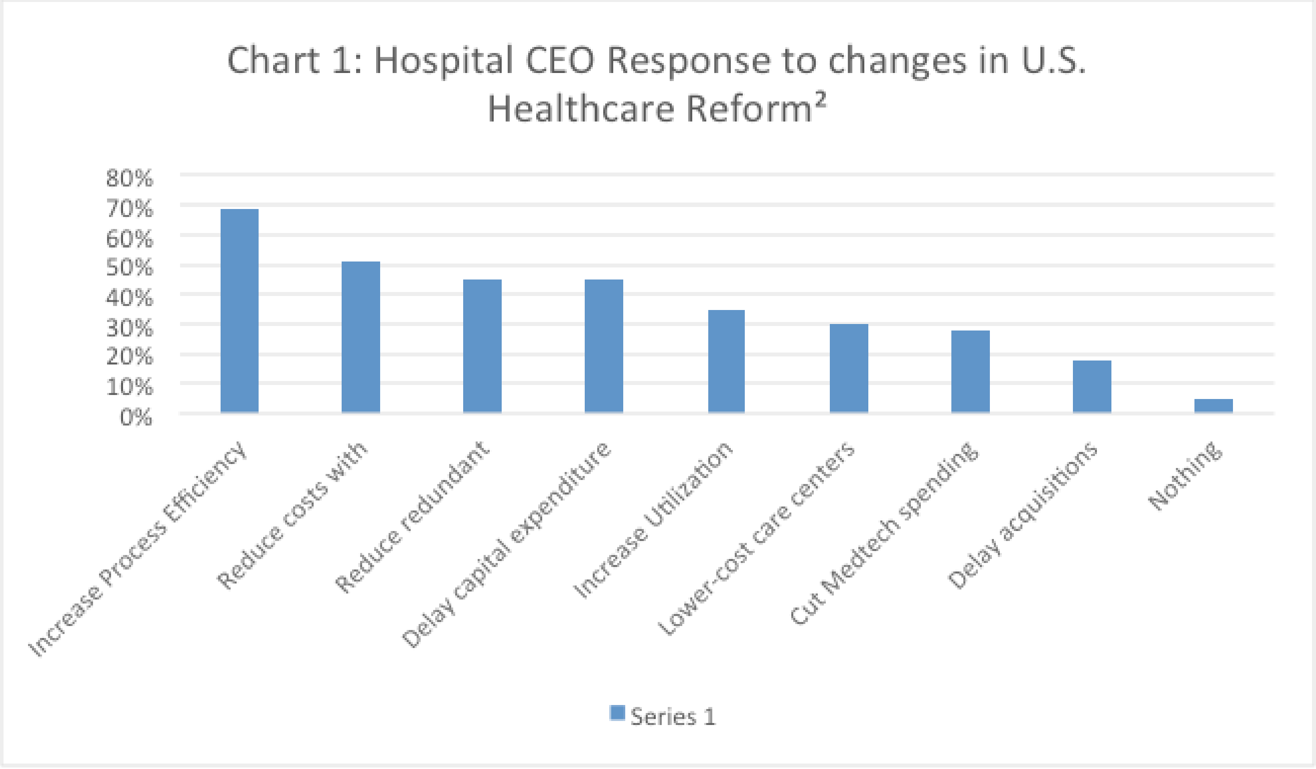
The new axiom "go big or get out" seems almost universally recognized and adopted by U.S. hospital systems, and the outcome is the trend toward hopsital consolidation drivien by U.S. healthcare reform. It is predicted that by 2020, the largest 100 hospital systems in the United States will account for more than 60 percent of hospital spending, an increase of 20 percent over 2008 estimates.[1]

New Hospital Service Lines: A Viable Strategy for CEOs?

The success or failure of a medtech company will, in large part, be determined by its capability to understand the business models of evolving hospital systems—their commercial needs and the rules of engagement necessary to support hospital system strategies.

One strategy many providers are pursuing is to launch new service lines. Hospital CEOs have a broad menu of service lines to choose from. Medical device companies can support hospital service line growth while gaining new relationships and the ability to partner with hospital executives. This can be accomplished by inquiring about hospital growth plans, and responding with focused strategies to support the hospital system in their new endeavor.

The compound annual growth rates (CAGR) of five service lines forecasted to be the fastest growing in the United States are presented in Chart 2.



The Common Denominator? The O.R.

Many hospitals consider the operating room (O.R.) to be the breadwinner for the institution. In a recent article, Clark Lagemann, vice president of Health Options Worldwide said that "improvements in the O.R. can help a hospital maintain its levels of profitability and that future profits lie in new equipment, such as smart O.R.s and hybrid O.R.s." He also noted: "For example, new technology, although an investment at first, can eventually lead to higher market share and patient volume, and it can also lower reoperation rates, which could improve reimbursements."[V]

A 2005 study of 100 U.S. hospitals found that O.R. charges average $62 per minute (range: $22 to $133 per min).[5] Based on this finding, the author concluded that, to save his or her institution $100,000, a surgeon has only to save seven minutes per case on 250 cases.

What is Your Strategy?

Understanding the changes in healthcare reform allows medical device manufacturers to develop stronger strategic positions for their products. Can your next device save seven minutes of O.R. time? ❖

References

1. LEK Executive Insights, Volume XVI, Issue 5
2. Ibid
3. www.beckersasc.com/webinars/HospitalStrategyWebinar.pdf
4. www.beckershospitalreview.com/finance/10-ways-for-hospitals-and-health-systems-to-increase-profitability-in-2012.html
5. Shippert, R. A Study of Time Dependent Operating Room Fees, American Journal of Cosmetic Surgery, Vol. 22, No. 1. 2005

Editor's note: Readers are invited to submit market data and trend questions to Maria Shepherd. Periodically, selected questions will be presented in this column, with answers from Maria. Send your questions to mshepherd@ddecisiongroup.com.

Maria Shepherd has 20 years of leadership experience in medical device/life-science marketing in small startups and top-tier companies. After her industry career—including her role as vice president of marketing for Oridion Medical, where she helped boost the company valuation prior to its acquisition by Covidien; director of marketing for Philips Medical; and senior management roles at Boston Scientific Inc.—she founded Data Decision Group. Data Decision Group (www.ddecisiongroup.com) provides whitespace research and critical data to support medical device product development. The firm performs market research, evaluates new technologies and provides marketing services and human factors usability testing. Shepherd has taught marketing and product development courses and recently was appointed to the board of the MSBiV Medtech Investment Committee. She can be reached at (617) 548-9892 or at mshepherd@ddecisiongroup.com.