



State of the Industry 2023

Guideposts for strategically reshaping the industry

Roadmap for discussing the state of the industry

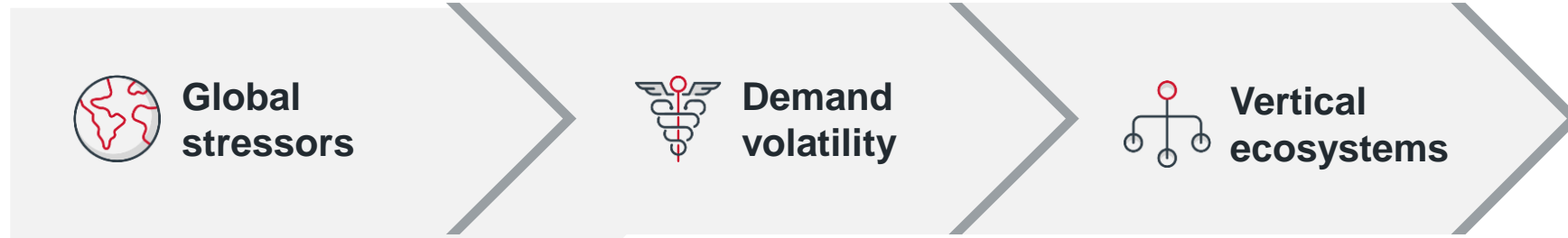
01 Disruptive market forces

Pressing, transformative trends that are affecting the entire industry's business environment

02 Site-of-Care Shifts

Key structural dynamics that will shift based on the specific actions of industry players

The most disruptive market forces the industry faces



- Broader labor and supply pressures raise costs
- Labor shortage exposes structural vulnerabilities and prompts opportunistic recruitment

- Compounding health crises complicate care delivery response for evolving needs
- Massive shift into Medicaid poised to decline while MA accelerates

- Health solutions giants continue strides toward vertical integration
- Health systems seek vertical assets but may merge defensively

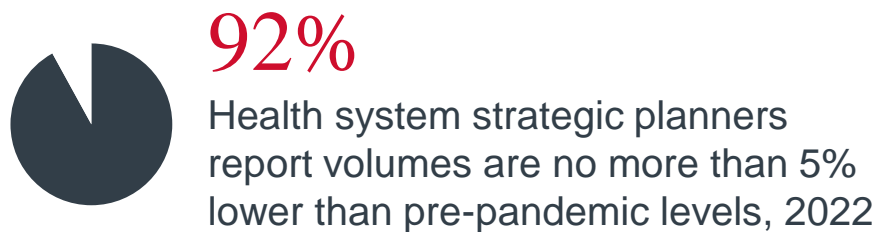
IMMEDIATE IMPACT

BUILDING MOMENTUM



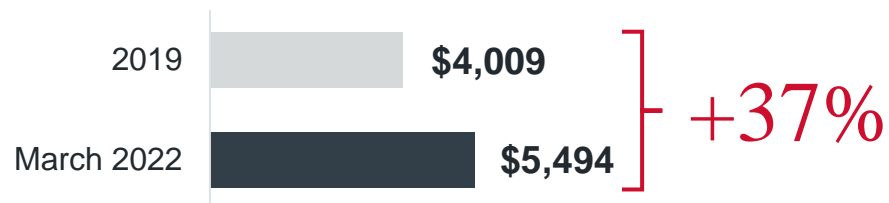
Elevated spending creates a tough business climate

UTILIZATION SPOTLIGHT



EXPENSE SPOTLIGHT

Median labor expense per adjusted discharge



- 69%**
ERODED MARGINS
 Health system strategic planners report operating margins **below** pre-pandemic performance, 2022
- 6.5%**
HIGHER PREMIUMS
 Expected average increase to employer health care benefits costs for 2023
- 159%** **-45%**
CAPITAL SCRUTINY
 Increase in VC investment in health, 2019-2021 Decrease in valuation of newly-public health tech companies in 2021

Source: 2022 Strategic Planning Survey, Advisory Board, May 2022; "Aon: U.S. Employer Health Care Costs Projected To Increase 6.5 Percent Next Year," Aon, August 2022; Healthcare Dive, May 2022; "The Financial Effects of Hospital Workforce Dislocation," KaufmanHall, May 2022; "Health tech's sky-high projections in 2021 have already been punctured," STAT News, December 2021; "Healthcare investments and exits," Silicon Valley Bank, January 2022.



The economic future is not set in stone

Scenario 1:

Stabilization avoids a painful recession

Guided intervention and market self-corrections alleviate economic crises indefinitely

Federal interest rate hikes appropriately stem demand and curb consumer prices

Unemployment overall remains low and health care workforce challenges persist

Labor costs overall remain high, including for the health care workforce

Supply chain challenges improve, bringing down input costs

Scenario 2:

Mitigation now triggers a recession later

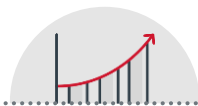
Intervention now improves economic indicators in the near term, but triggers a recession in reaction

Federal interest rate hikes are too aggressive, so businesses struggle to borrow and invest capital

Unemployment overall spikes, but with limited potential to ease health care labor shortages in time

Labor costs overall decline, but remain high for much of the health care workforce

Supply chain challenges and costs improve for some sectors, but remain high for others



Indicators to watch

FEDERAL INTEREST RATE

▲ 3.75% Nov. 2022

UNEMPLOYMENT RATE

3.5% Dec. 2022

EMPLOYMENT COST INDEX

▲ 5.0% Sept. 2022 YOY¹

PRODUCER PRICE INDEX

▲ 7.4% Nov. 2022 YOY

Source: "Employment Cost Index Summary," BLS, October 2022; "Federal Funds Target Range," Federal Reserve Economic Data; "Civilian unemployment rate," BLS, December 2022; "Producer Price Index News Release Summary," BLS, December 2022; "Fed raises interest rates another 0.75 percentage point," Axios, November 2022.

1. Year-over-year



New big legislation absent, focus is on the details

Federal policy initiatives underway

PASSED LEGISLATION

Price transparency and surprise billing enforcement

- Biden administration continues to implement the No Surprises Act and Hospital Price Transparency

Medicare drug pricing rules

- Biden administration plans to continue to implement Inflation Reduction Act (IRA) regardless of election results

IMPENDING POLICY PRIORITIES

Medicare payments to providers

- Congress likely to step in and adjust MPFS cuts, but no further provider relief
- Congress must address reimbursement of majority of telehealth and home health services ending post-PHE
- Medicare PAYGO 4% cut, Congress may waive in lame duck

Insurance coverage support

- Congress examining decoupling MOE from PHE at the federal level
- States and CMS are working to ensure transitions from Medicaid to marketplace
- Affordable Care Act subsidies extended through IRA

POLICIES BEING DISCUSSED

Behavioral health reform

- Bipartisan support; waiting to hear from Senate Finance Committee on parity
- May be included in a lame duck EOY package

Antitrust enforcement

- Federal Trade Commission is fulfilling Biden's executive order on stimulating competition in the economy
- Bipartisan consensus on antitrust reform package in the House, action still to be decided in the Senate

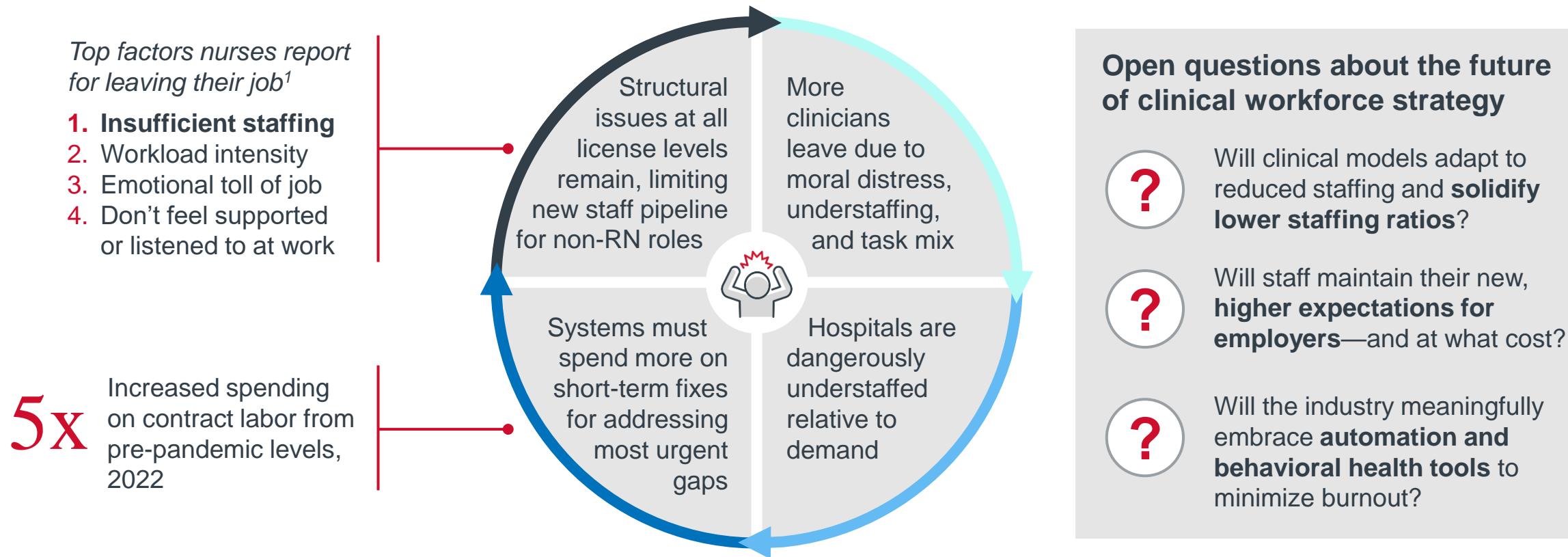


Congressional control comes with ability to set hearing agendas and investigate regulatory actions, which challenges policy progress

Source: "[U.S. Senate: Party Division](#)," U.S. Senate, November 2022; "[Party Breakdown | House Press Gallery](#)," U.S. House of Representatives, November 2022; "[Health Care — GOP targets Democratic drug pricing law](#)," The Hill, October 2022; "[Election results and balance of power in Congress](#)," CNN, November 2022.

Vicious staffing cycle difficult for systems to escape

Nursing shortage creates treacherous feedback loop



1. Survey conducted spring 2021, n=314.

Source: "A Special Workforce Edition of the National Hospital Flash Report," Kaufman Hall, May 2022; "Nursing in 2021: Retaining the healthcare workforce when we need it most," McKinsey, 2021.

“Great Resignation” is more likely a great realignment

Relative impact of the workforce crisis on key industry segments

*Staff limitations and margin crunch force some organizations to **pull back on strategic priorities***

*Non-traditional organizations position themselves to **siphon talent from provider organizations***

POTENTIAL TO **LOSE** TALENT

POTENTIAL TO **GAIN** TALENT



Hospitals & post-acute care

- Elevated staffing costs
- Worsened experience-complexity gap
- Capacity constraints




Physician practices

- Care team burnout
- Referral constraints
- Heightened partnership expectations




Life sciences

- Challenge to engage target client base
- Delayed clinical trials
- Difficulty building RWE collection workflows




Health plans and purchasers

- Pressure to offset provider costs
- Membership churn
- Demand for hyper attractive benefits



Ambulatory and virtual providers

- Increased appeal of alternative clinician employment
- Opportunity to capture market share



Big tech, big retail, and startups

- Arms race to attract talent
- Increased urgency and appetite for innovation

STRATEGIC IMPERATIVES AND DISRUPTED INITIATIVES



Compounding crises demand resources and bandwidth



Tripledemic¹ straining resources

CASE EXAMPLE

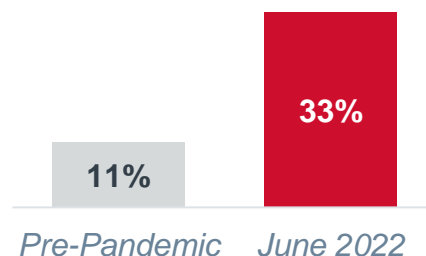
UC San Diego Health

- Trifecta of respiratory viruses in December 2022 strained bed capacity and caused the academic health system to **triage patients in the parking lots and reconfigure conference room spaces** to treat patients



Behavioral health crisis worsens

Percentage of adults reporting symptoms of anxiety or depression



Reproductive care access shock



“New Insurance to Cover Docs’ Post-Roe Legal Battles Over Abortion”

Washington state’s largest **malpractice insurer**, Physicians Insurance, will offer the “add-on” rider beginning 2023

Medscape

Challenges amid evolving care demand pressures

Staff engagement

Supply management

Clinical quality

Leadership bandwidth

Care complexity

Clinician recruitment

Strategic initiatives

1. Term used by public health leaders to describe the current spread of Covid-19, flu, and R.S.V.

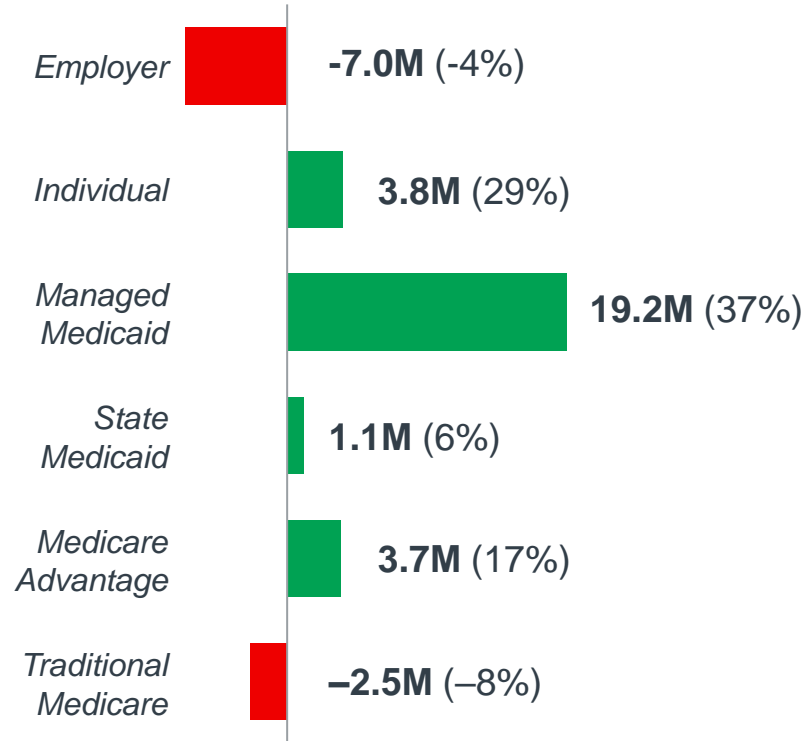
Source: “Hospitals are opening triages in parking lots amid ‘triple-demic’ surge,” CNN, December 2022; “Adults Reporting Symptoms of Anxiety or Depressive Disorder During COVID-19 Pandemic,” KFF, June 2022.



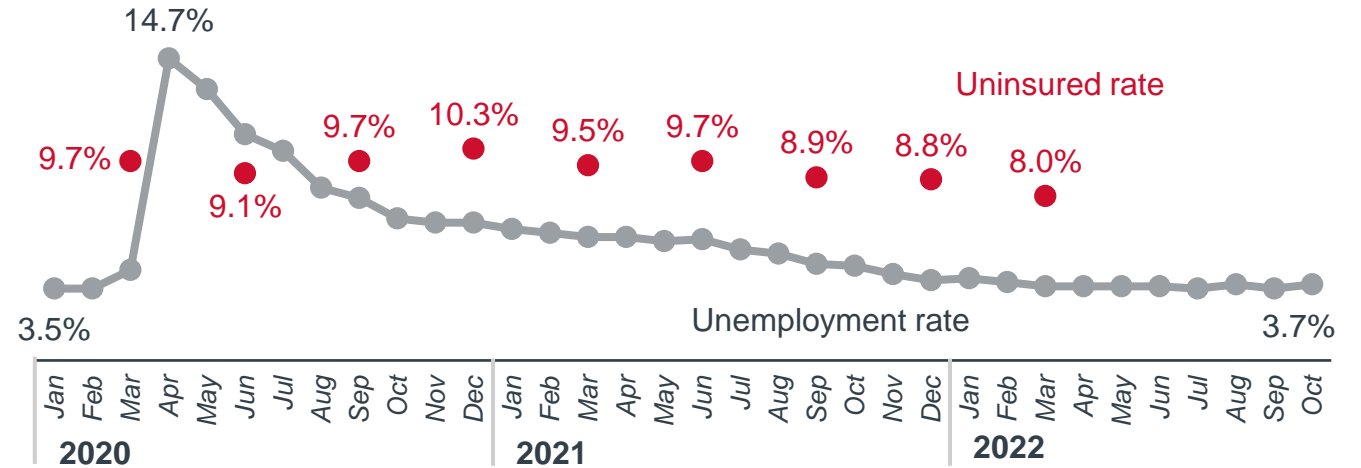
Today's coverage mix is a temporarily skewed picture

Insurance enrollment changes

2019 Q4 to 2022 Q3



Unemployment and uninsured rate



A looming Medicaid coverage cliff?

18M enrollees could lose coverage after Covid PHE¹ ends

65% of adults who could be disenrolled likely eligible for employer coverage

92% decrease in bad debt and charity care as revenue item, March 2020 to April 2022

1. Public health emergency.

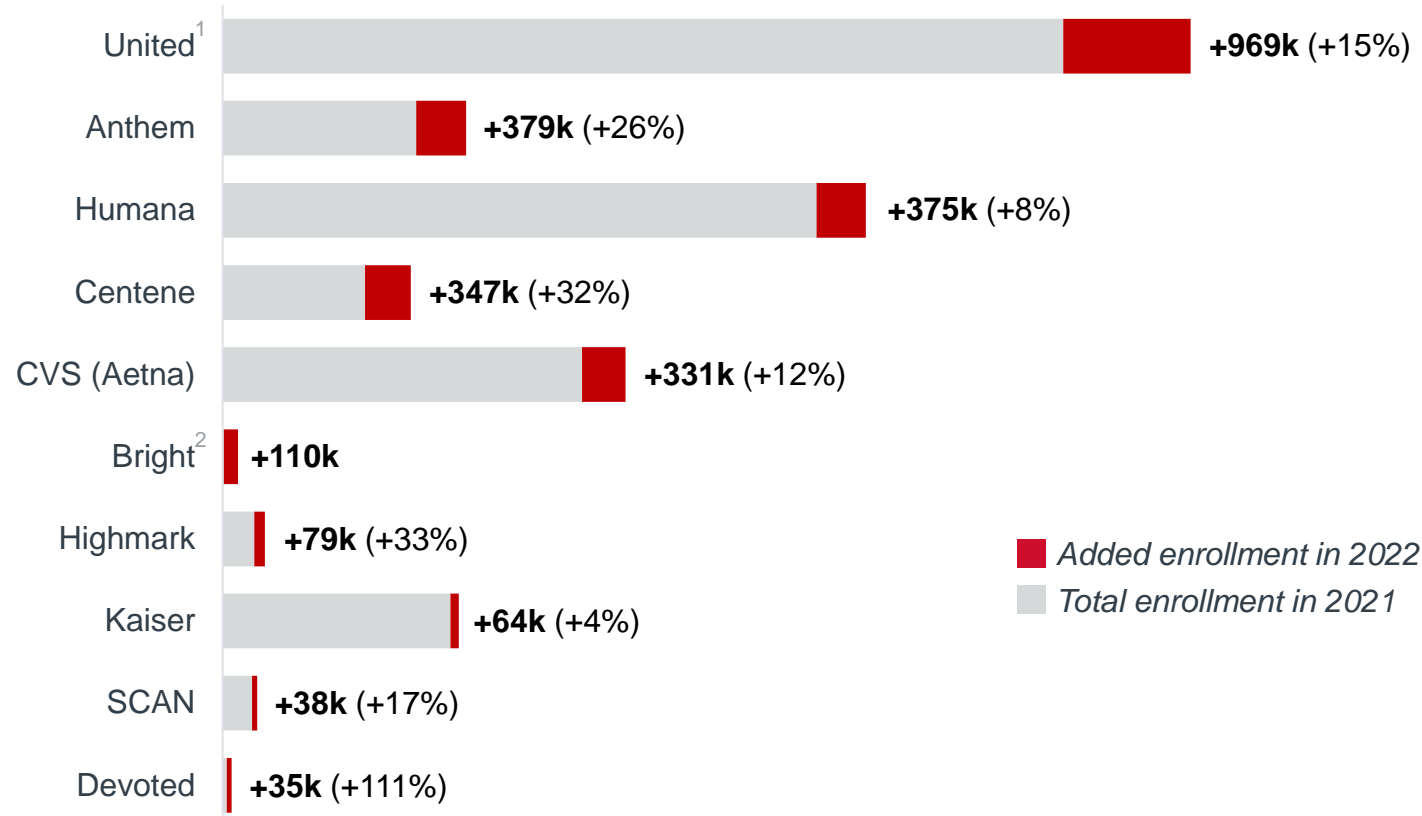
Source: AIS Directory of Health Plans, 2019 Q4 & 2022 Q2; "Health Insurance Coverage: Estimates from the National Health Interview Survey," CDC; "Labor Force Statistics from the Current Population Survey," BLS; "National Hospital Flash Report," KaufmanHall, April 2022; "The Impact of the COVID-19 Public Health Emergency Expiration on All Types of Health Coverage," Urban Institute/Robert Wood Johnson Foundation, December 2022.



Insurance giants and disruptors make leaps in MA

Largest Medicare Advantage enrollment increases

January 2021 to January 2022



1. Advisory Board is a subsidiary of Optum, owned by UnitedHealth Group. All Advisory Board research, expert perspectives, and recommendations remain independent.

2. Bright Health made its main entry into Medicare Advantage in 2021, and thus a percentage calculation is misleading.

MA growth is an integral strategic priority



“[We will] create the needed capacity to **fund growth and investments** in our Medicare Advantage business, which we believe will **further drive** significant improvement in our membership growth as well as **further expansion** of our health care service capabilities.”

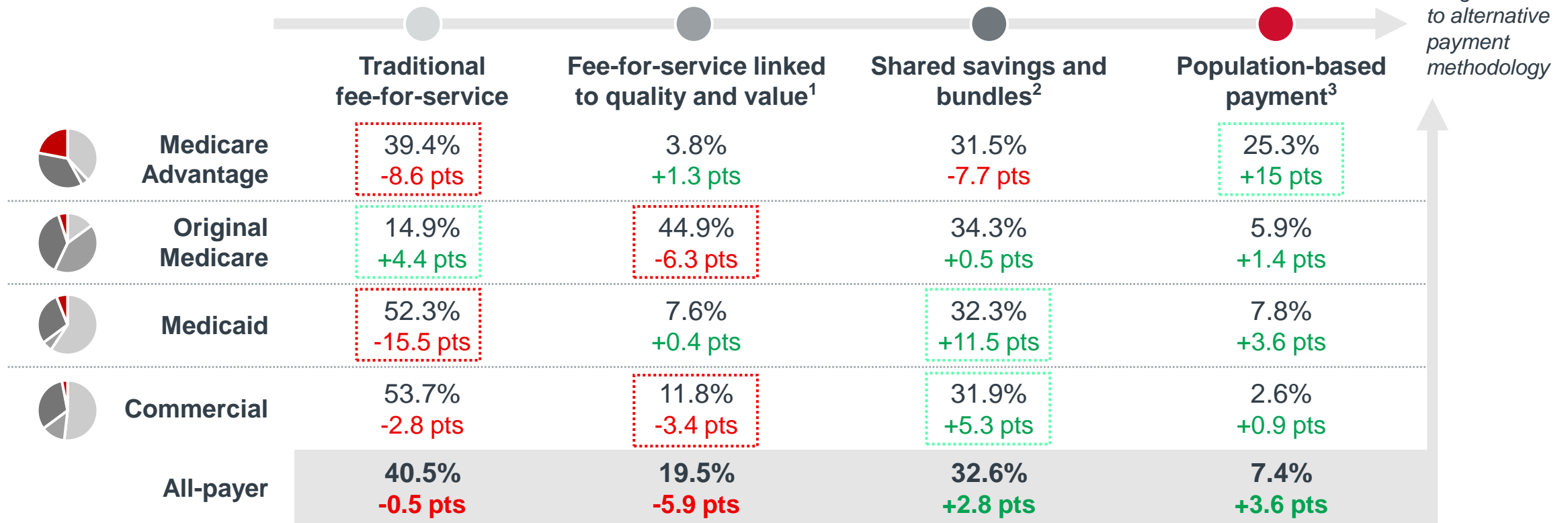
Bruce Broussard, CEO, Humana

Source: “Quarterly Results,” Humana, Q1 2022; “Monthly Enrollment by Plan,” CMS, January 2021 & January 2022.



Participants keep moving, but overall still sitting at 60%

Payments made in CY 2021 and percentage point change from payments made in 2017



1. Includes foundational payments for infrastructure and operations (e.g., care coordination fees) and fee-for-service plus pay-for-reporting payments and pay-for-performance payments.

2. Includes alternative payment models with shared savings with upside risk only and shared savings with downside risk. These are built on FFS architecture.

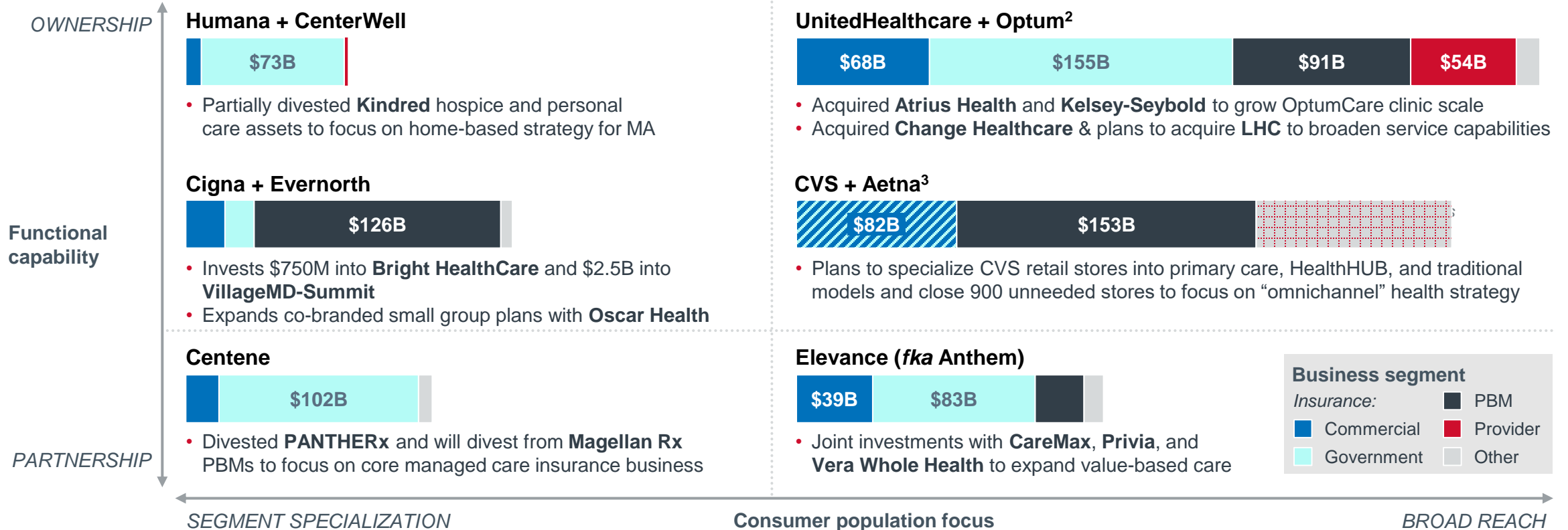
3. Includes condition-specific payments (e.g., PMPM for oncology or mental health), comprehensive population-based payment (e.g., global payments), and integrated finance and delivery systems (e.g., global budgets).

Source: "APM Measurement Effort", HCP LAN, 2022; "Progress of alternative payment models," HCP LAN, 2018.



National plans focus on growth through vertical assets

National health plans' relative vertical integration strategies and 2021 segment revenues¹

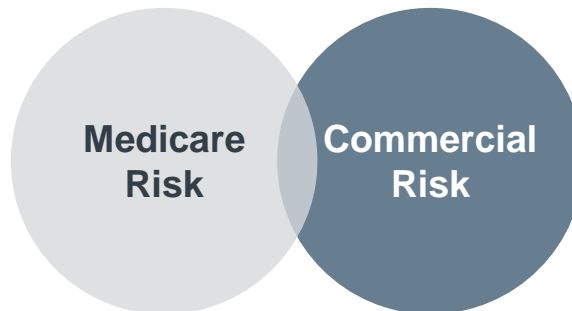


1. Sum of segment revenues is larger than total revenues due to internal transfers and eliminations.
 2. Advisory Board is a subsidiary of Optum, owned by UnitedHealth Group. All Advisory Board research, expert perspectives, and recommendations remain independent.
 3. CVS's 10-K filing does not further break its Aetna insurance business into specific insurance segment revenues.

Source: 2021 year-end earnings reports and 10-K filings from \$ANTM, \$CI, \$CNC, \$CVS, \$HUM, and \$UHC; "Humana Completes Divestiture of Majority Interest in Kindred at Home Hospice and Personal Care Divisions to CD&R," Humana, August 2022; "Bright Health nabs \$750M capital infusion with help from new investor (and competitor) Cigna," Healthcare Dive, December 2021; "What's in it for Evernorth? Cigna's health services arm invests \$2.5B in VillageMD-Summit," Healthcare Dive, November 2022; "CVS to close 900 drugstores under omnichannel health strategy," Supermarket News, November 2021; "Centene completes divestiture of PANTHERx," Centene, July 2022; "Anthem relies on flexible partner-not-build strategy in shift to value," Healthcare Dive, February 2022.

All in on risk still requires a tailored provider response

Risk-based population health management strategies by patient segment



Age 65+

Age 0-64

- Emphasis on screening
- Annual visit recommended
- Chronic care management (especially comorbidities)

Primary care

- Emphasis on prevention
- Some early screening habits started
- Annual visit NOT recommended for everyone

- Trading hospital stays for low-cost management
- Shifting disconnected specialist management into comprehensive care management

Utilization shift

- Shifting visits to more cost-effective sites and sources
- Identifying “missing” patients (and likely increasing appropriate primary care utilization)

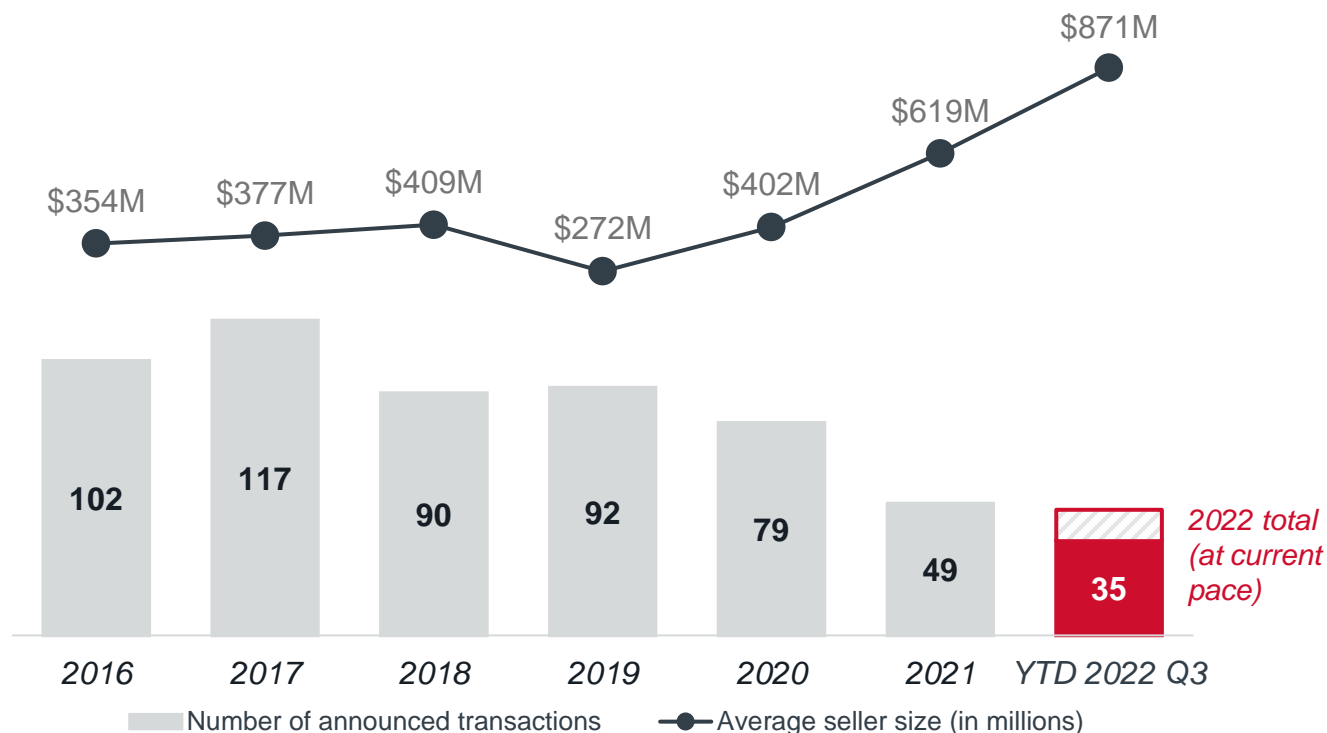
- Consumers prefer care continuity and extra support
- Influence from caregivers and federal government

Consumer engagement

- Consumers prefer low costs and convenient access
- Influence from dependents and employer

Megadeal hospital M&A ambitions invite scrutiny

Hospital and health system M&A deal counts and sizes



Recent activities in “mega-merger” deals



Source: “2021 M&A in Review: A New Phase in Healthcare Partnerships,” KaufmanHall, January 2022; “M&A Quarterly Activity Report: Q1 2022,” KaufmanHall, April 2022; “M&A Quarterly Activity Report: Q2 2022,” KaufmanHall, July 2022; “M&A Quarterly Activity Report: Q3 2022,” KaufmanHall, October 2022; “The top 10 healthcare M&A deals of 2021” Fierce Healthcare, December 2021; “HCA Healthcare to buy operations of 5 Utah hospitals from Steward Health Care,” Healthcare Finance, September 2021; “Advocate Aurora Health, Atrium Health close mega-merger,” Fierce Healthcare, December 2022.

Amazon iterates... on an unprecedented scale

Services **shuttering** with Amazon Care closure



Chat function

Text-based chat with nurses initiated with in Amazon's app



Video visits

Virtual visits with a doctor or nurse practitioner for low-acuity care needs and referrals



House calls

Nurses dispatched to home or office for in-person services

Services Amazon is **keeping** (or **seeking**)



Amazon Pharmacy

Prescriptions delivered to patients' home or office



One Medical *(pending acquisition)*

Access to 188 offices and virtual care services in 29 markets with a \$199 annual membership



Amazon Clinic

Asynchronous, message-based service connecting patients to providers and prescriptions

Key questions to consider for sector disruption potential



Can Amazon-One Medical expand to more markets?



How strong is the appetite to disrupt owned businesses?



Which Amazon business goals take priority?

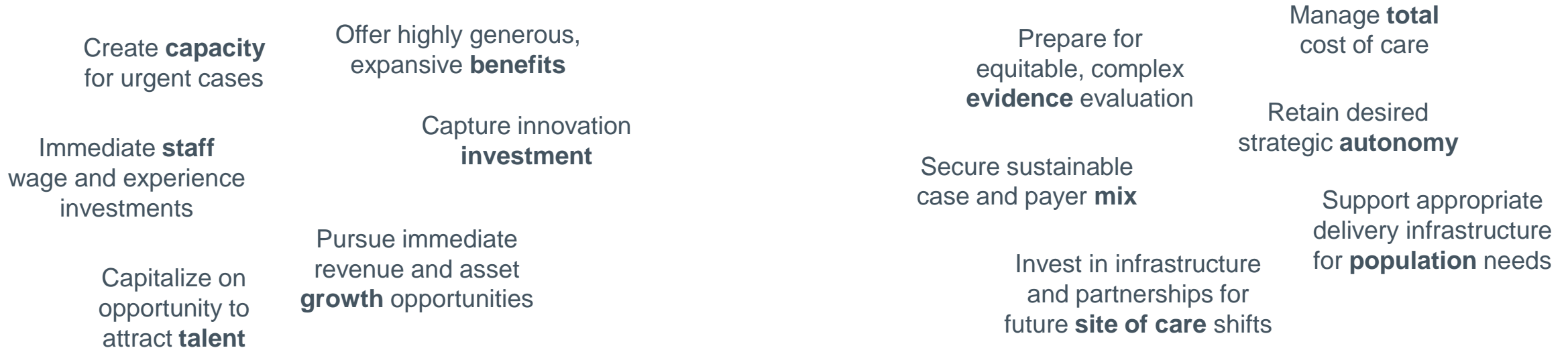


How urgently will peers feel compelled to respond?

Source: "Amazon scoops up primary care company One Medical in deal valued at \$3.9B," Fierce Healthcare, July 2022; "Amazon to shut down its telehealth offering," The Washington Post, August 2022; "Amazon's Signify Health Interest Another Indicator Of At-Home Care Capabilities Buildout," Home Health Care News, August 2022.

Current responses enable—or impede—future ambitions

Current and future priorities of various health care industry organizations



NEAR TERM

Challenges and Opportunities



LONG TERM

Strategic Trajectory

Roadmap for discussing the state of the industry

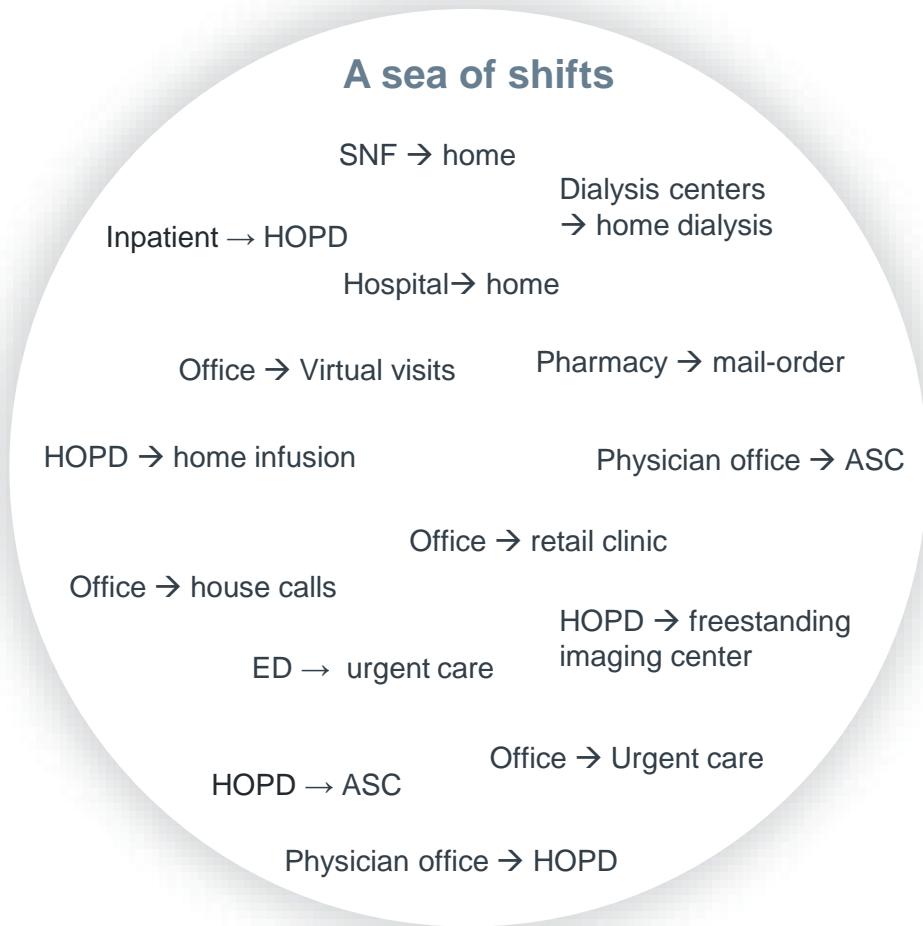
01 Disruptive market forces

Pressing, transformative trends that are affecting the entire industry's business environment

02 Site-of-Care Shifts

Key structural dynamics driving site-of-care shifts based on the specific actions of industry players

Everyone preparing for seismic shifts



Lofty projections heard in the research

“A third of ED care is avoidable...60-70% of the rest could be handled in the home.”
CEO, home care company

“We will have a hospital at home census equivalent to our main inpatient tower by 2024.”
Chief Strategy Officer, health system

“80% of blood tests can be done through the mail.”
CEO, diagnostics company

“We will have 58 ASCs by the end of year, and we will have over 150 in four years.”
VP, health system

“We think up to 30% of inpatient admissions can shift to the home.”
Chief Strategy Officer, health system

Drivers of shifts have multiplied, evolved

	Policy and regulation	Purchaser preference	Innovation	Provider competition
	<i>Does regulation and payment permit shifts to occur sustainably, on a wide scale?</i>	<i>Are health plans, employers, and consumers activated in selecting high-value sites?</i>	<i>Have clinical and technological innovations changed practice patterns and care standards?</i>	<i>Is there choice and differentiation between care sites to purchasers and clinical staff?</i>
Traditional drivers	<ul style="list-style-type: none"> • Medicare fee schedule • Site neutral payment policy • Value-based payment program incentives 	<ul style="list-style-type: none"> • Utilization management tactics (ex: prior authorization) • Narrow networks, benefit design incentives, care gap closures • Access to care 	<ul style="list-style-type: none"> • Robotics • Pharmaceuticals • Local anesthesia • Surgical techniques 	<ul style="list-style-type: none"> • Mergers and acquisitions • Clinical affiliations • Joint ventured care sites
Additional drivers today	<ul style="list-style-type: none"> • State and federal expansion of telehealth coverage • CMS Hospital Without Walls program 	<ul style="list-style-type: none"> • Price transparency tools • Employer adoption of direct primary care, COE networks • Perceived infection risk in hospitals 	<ul style="list-style-type: none"> • Artificial intelligence enablement • Supplier risk-sharing partnerships 	<ul style="list-style-type: none"> • Hospital staff Covid-19 burnout • PE¹, nontraditional physician groups funding expansion • Payvider and virtual groups altering referrals

Guideposts for strategically shaping the industry's future

Structural elements of health care in flux today

GOALS FOR OUTCOMES

STEERAGE MECHANISMS

CARE OPTIONS



Health equity

How far will the business mandate reach?



Physician partnership

How much will market power remain with physician groups?



Telehealth

How will strategic partnerships shape deployment?



Value-based payment

What tradeoffs will maximize sector-wide savings?



Consumer navigation

How will networks influence care choices?



Home-based care

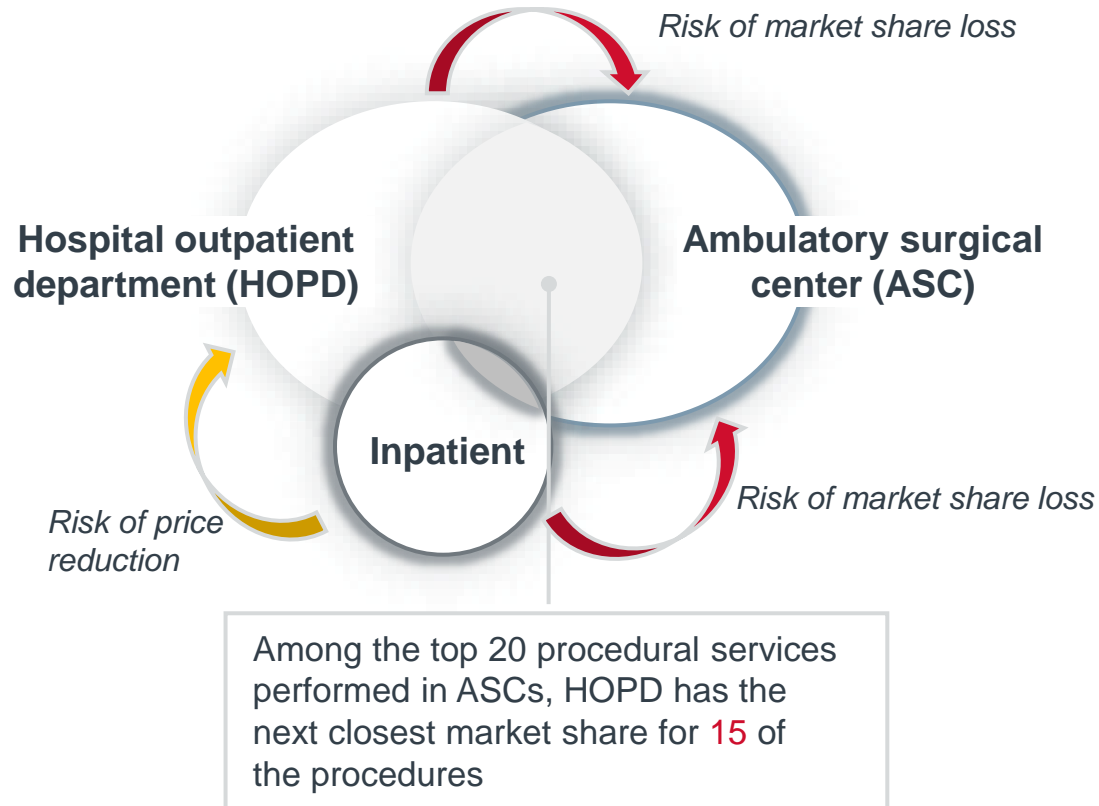
How will market pioneers influence scaling services?

01

Surgical care

ASCs competing for larger share of outpatient surgeries

ASCs compete for large share of HOPD surgical volume



7.1%

Growth in number of ASCs from 2016 to 2020 compared to 1.75% for hospitals—but wide variation across markets still exists²

Drivers of ASC growth

- ▶ **Physicians**
92% of ASCs have physicians as equity owners
- ▶ **Payer steerage**
Becoming common to offer cash bonuses to physicians and consumers for using ASCs
- ▶ **Coverage**
CMS steadily adds codes to ASC payable list

1. According to Life Science Intelligence and L.E.K. interviews and analysis.

2. Advisory Board analysis of CMS Provider of Services file.

Source: CMS Provider of Services File, CMS; Frack B, Williamson J, Grabenstatter K, "Ambulatory Surgery Centers: Becoming Big Business," L.E.K Consulting; Research and Market's "2017 Ambulatory Surgery Center Market Report," December 2017

ASCs expanding scope beyond traditional specialties

Current and projected share of procedure claims in ASC

Advisory Board analysis and modeling of Optum’s de-identified Clinformatics® Data Mart Database

Service line	Actual 2021 claims share	Estimated 2026 claims share	Share in 90 th percentile market (2021)	
Cosmetics	60.8%	60.9%	100%	Traditional targets
Ophthalmology	53.6%	54.3%	80.8%	
Gastroenterology	47.9%	48.7%	73.7%	
Orthopedics	27.9%	29.3%	49.1%	New targets
Spine	13.5%	15.9%	36.2%	
Vascular	3.1%	5.0%	6.9%	Experiments
Cardiology	0.8%	1.2%	0.0%	
Overall	24.2%	24.9%	40.4%	

Already major players in orthopedics and spine

Share of outpatient procedures in ASCs nationwide (2021)

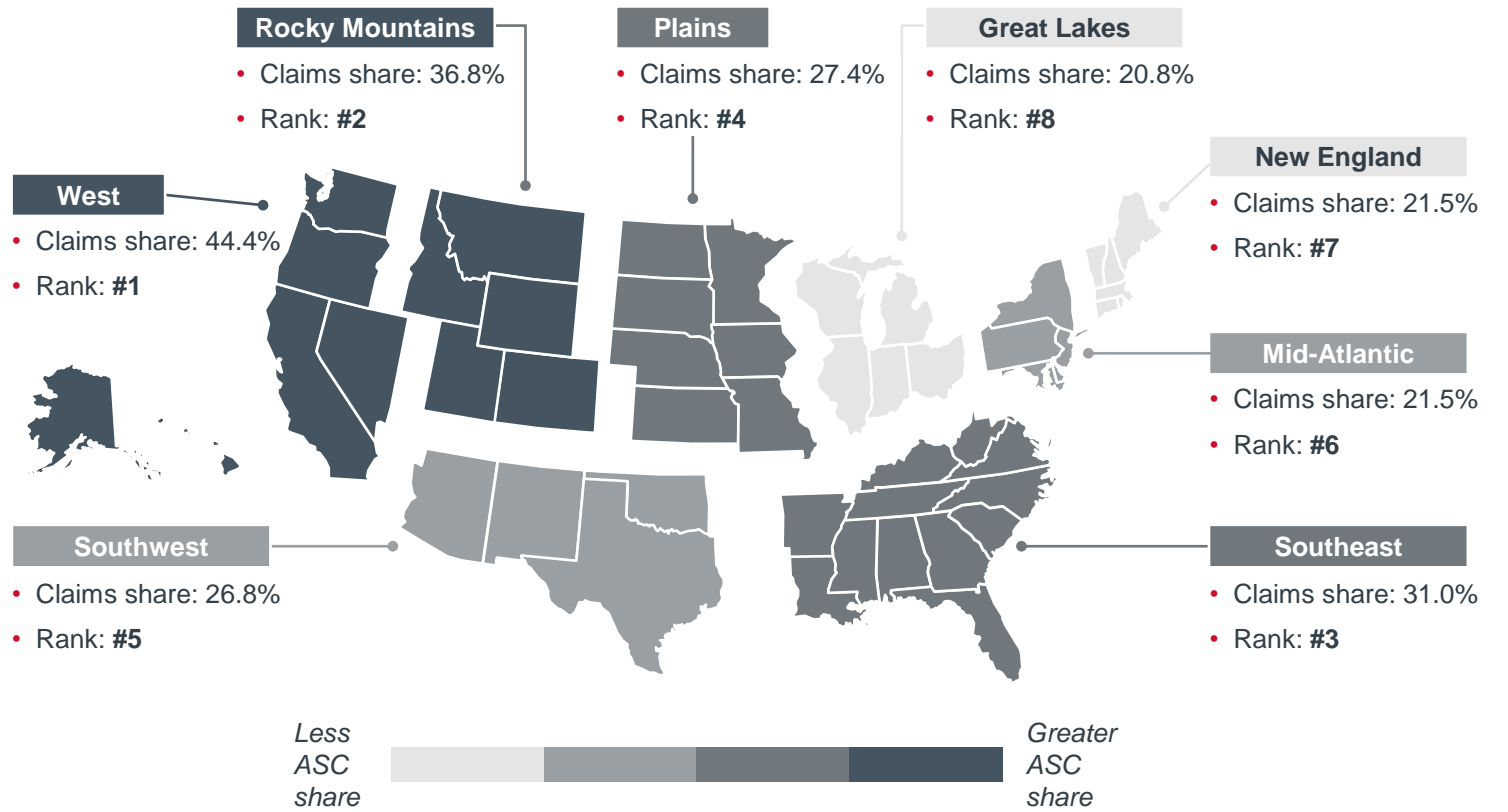
28.0%

of **orthopedic** procedures were performed in ASCs

13.5%

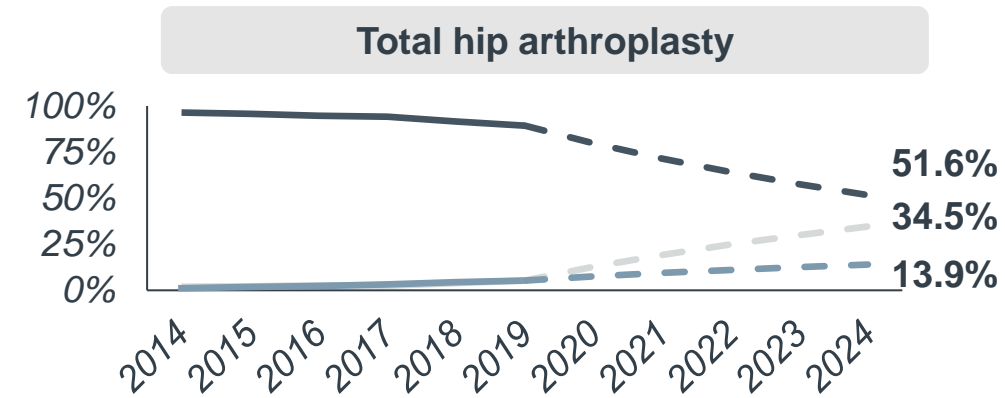
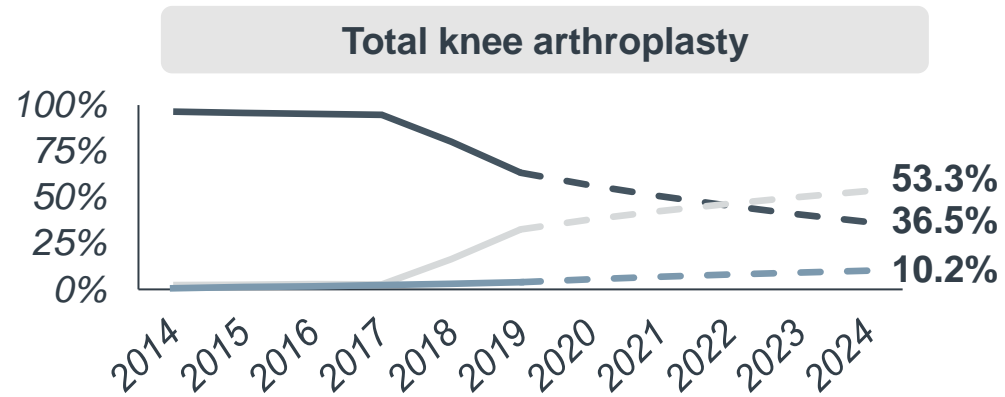
of **spine** procedures were performed in ASCs

Share of outpatient orthopedic procedure claims in ASCs by region

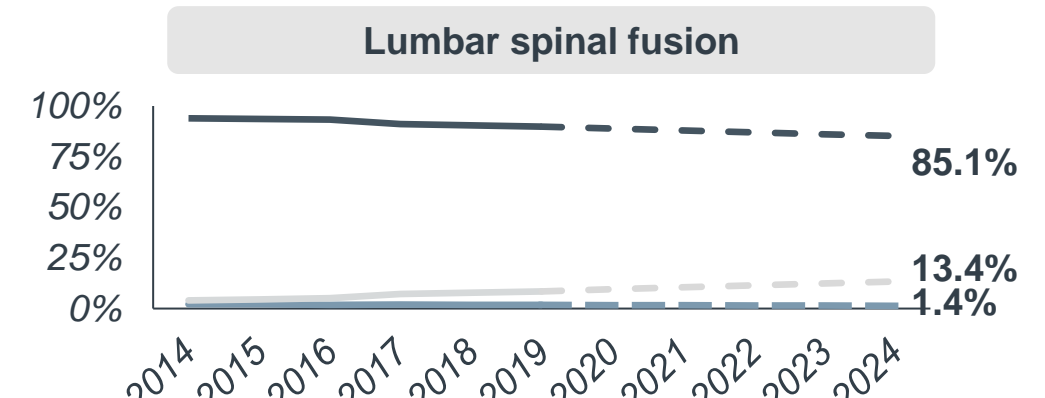
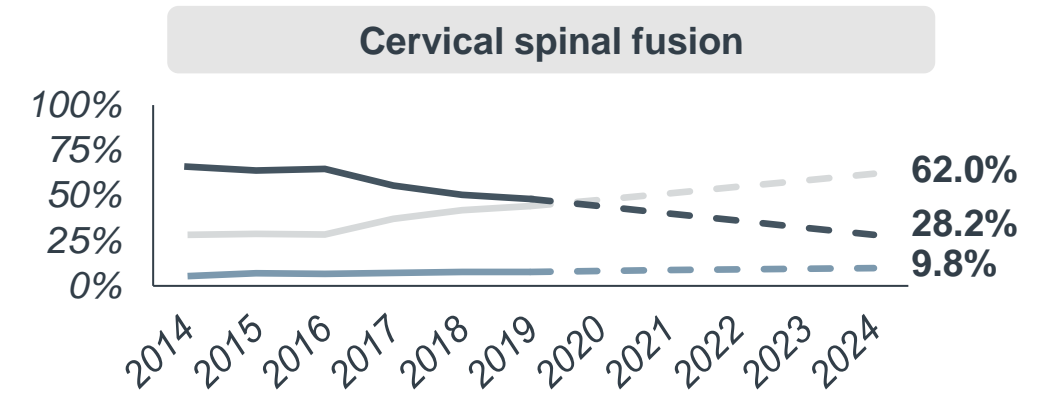


Inpatient declines to expect for joint replacement and spine

Joint replacement shifts likely to occur rapidly



Spine fusion likely to move at a slower pace

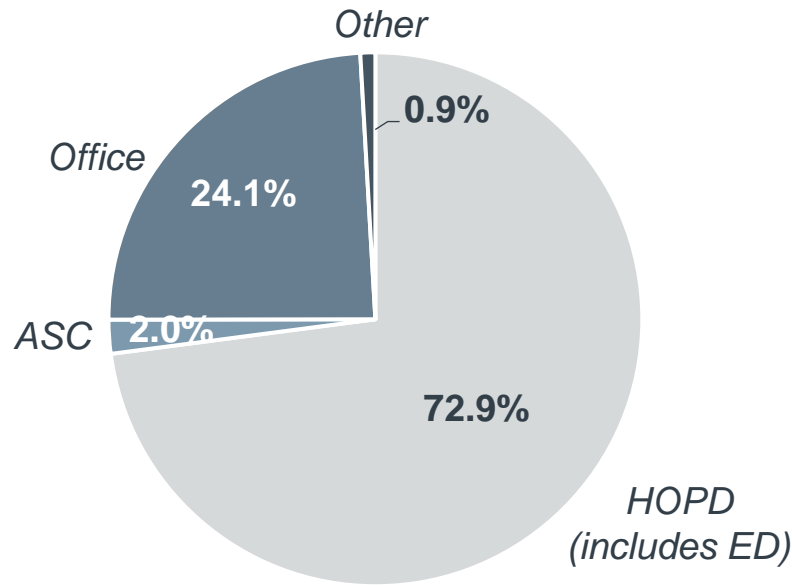


— IP hospital — HOPD — ASC and office

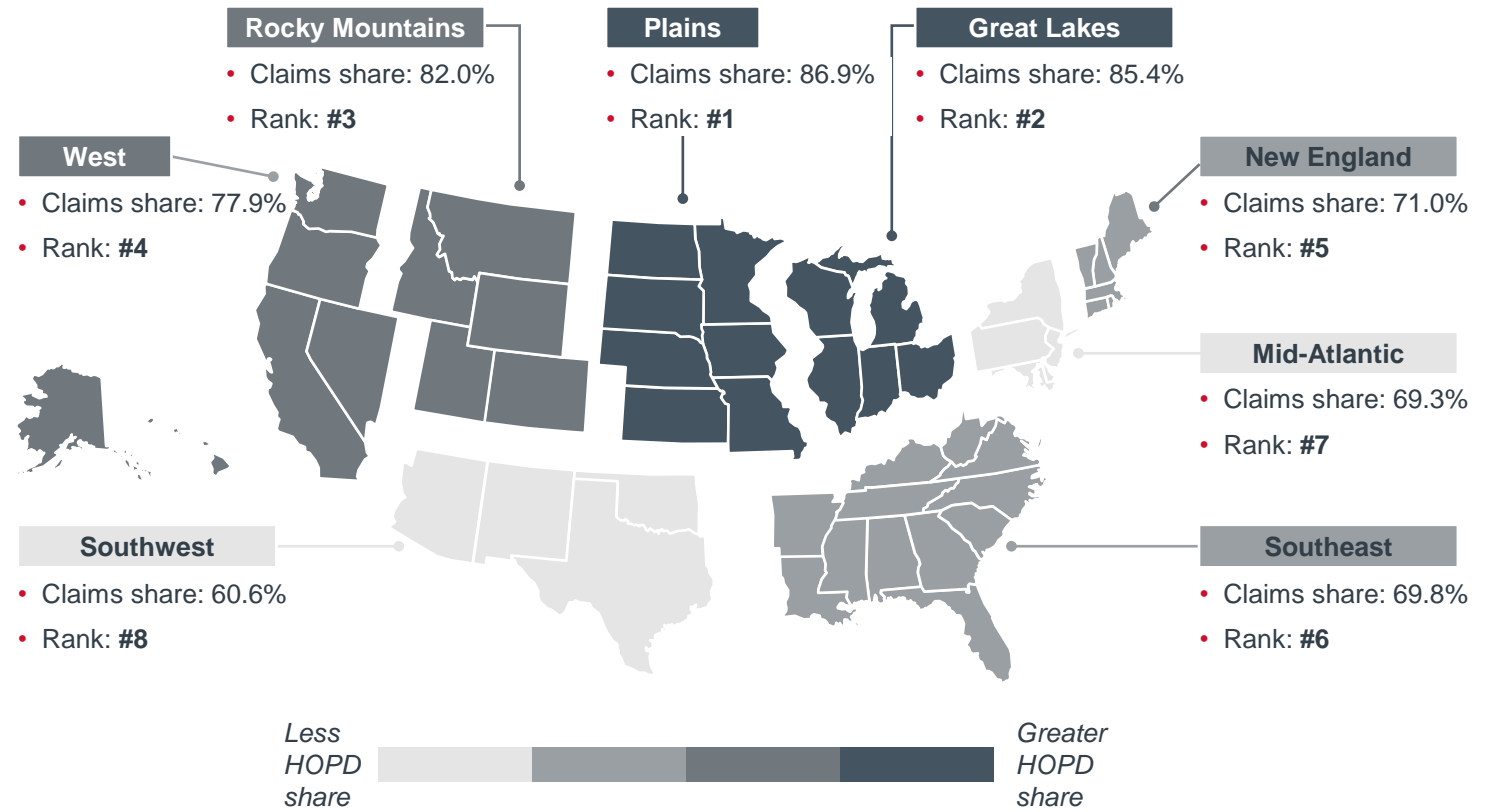
— IP hospital — HOPD — ASC and office

Outpatient CV procedures still mostly performed in HOPD

Share of cardiovascular procedure claims by site of care (2021)



Share of outpatient cardiovascular procedure claims in HOPD by region



Freestanding cardiac cath most common in the South

Few HRRs perform cardiac cath procedures in OBLs and ASCs today¹

9.2%

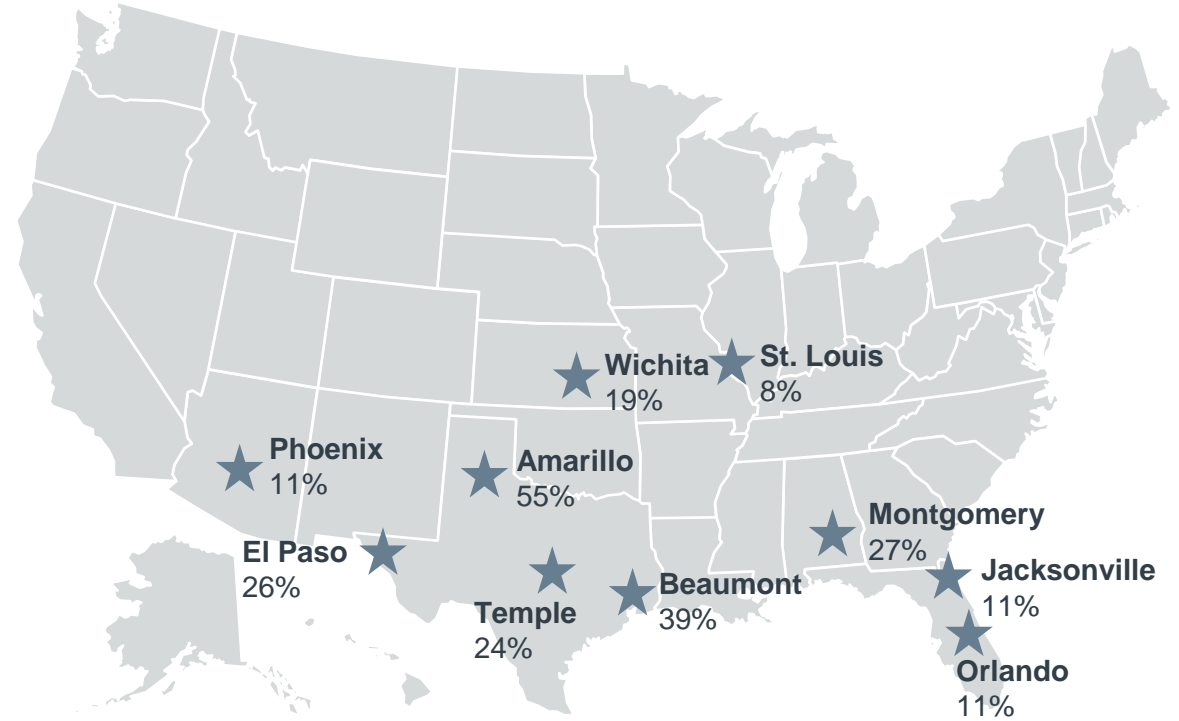
Of HRRs had cardiac cath procedures recorded in an **office-based setting** in 2021

5.0%

Of HRRs had cardiac cath procedures recorded in an **ASC** in 2021

1. Among the HRRs with any recorded outpatient cardiac cath volume.
2. For an HRR to be included there must be at least 80 procedure volumes in ASC and OBL combined.

Percentage of outpatient cardiac cath procedures performed in OBLs and ASCs combined, by HRR¹



02

Convenient care clinics

- Urgent care centers
- Retail clinics

Convenient care access points driving office-based shifts

Retailers announce new (and renewed) expansion plans

Rite Aid and Homeward partner to improve rural health care access

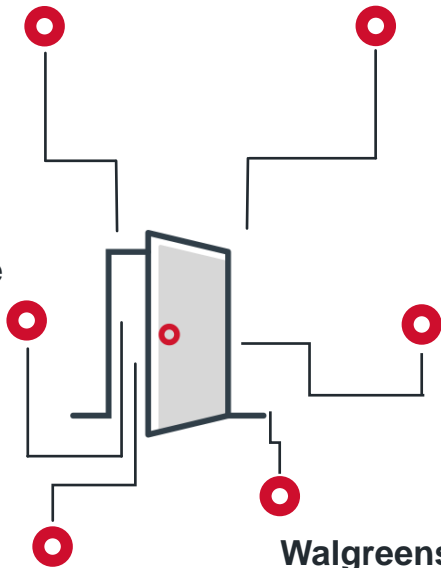
Dollar General announces plan to expand health offerings, hires CMO

CVS unveils new health-focused retail strategy, explicit move into primary care

Best Buy pays \$400M for Current Health, venturing into health care

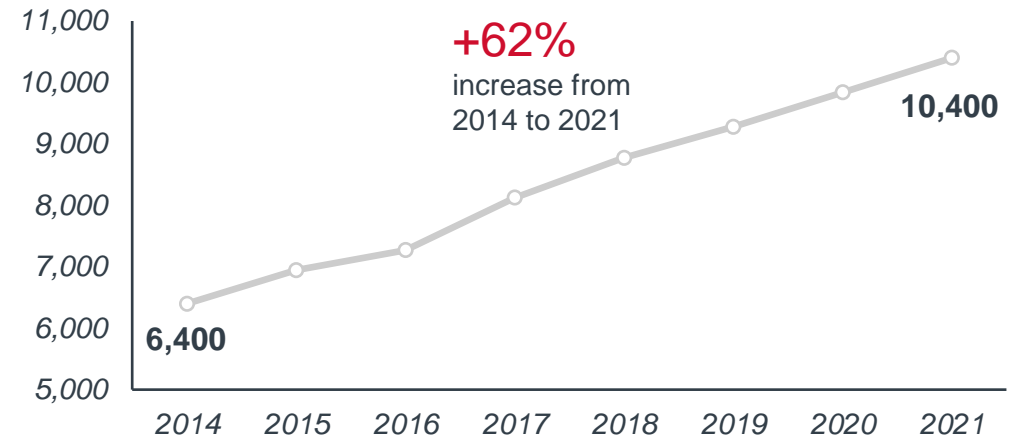
Walmart Health expands to Florida with five new health centers

Walgreens announces healthcare strategy; opens in-store primary care clinics



Urgent care operators continue to expand presence

Estimated number of urgent care centers in the U.S.



Number of locations operated by major players

Concentra

MedExpress
URGENT CARE Great Care Fast.

CITYMD

Doctors Express
URGENT CARE

500

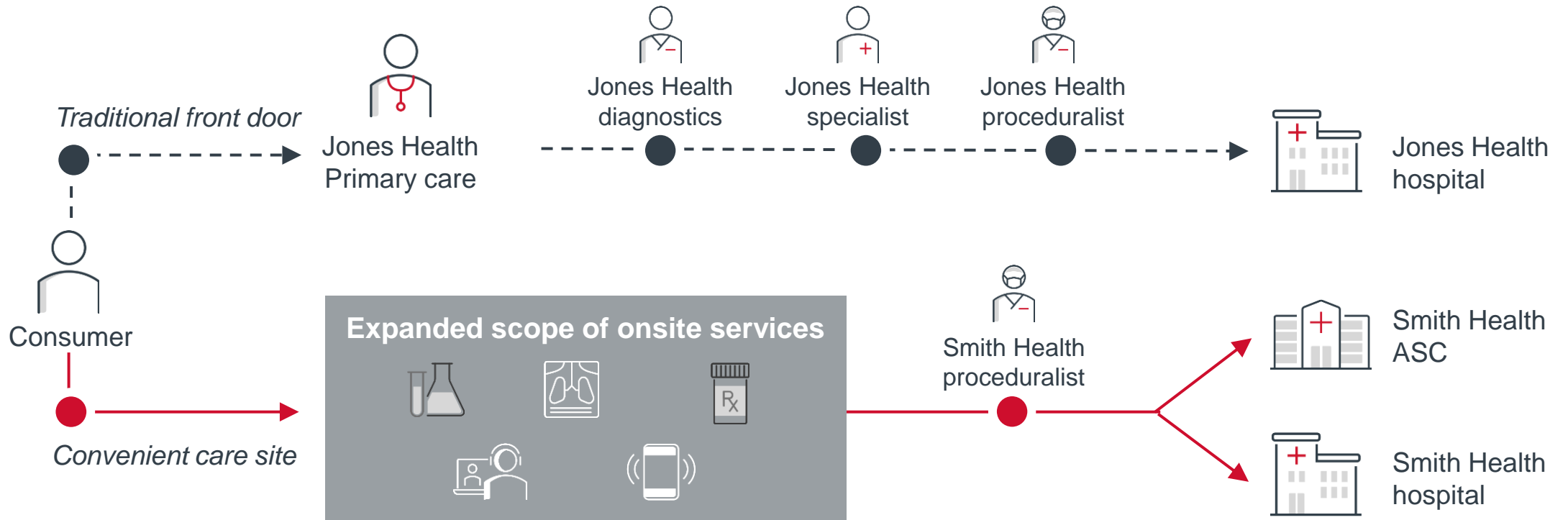
286

150

227

Source: Goldberger, I, "Private Equity Continues to Propel Urgent-Care Growth, But Some Markets Reaching Capacity", Kaufman Rossin, June 2021.

Wider upstream catchment also shifts downstream care



Two points of competition

1 Visit volume from self-referrers | ~35% of convenient care visits are from persons without a regular PCP

2 Downstream referrals | ~20% of convenient care visits result in a referral

Source: UCA Admin, "Benchmarking Report," Urgent Care Association, 2019; Ayers A, "Inbound Referral Strategies for Urgent Care," JUCM, 2019

Retailers move towards more comprehensive care models

CVS HEALTH

Retail clinic strategy

Looking beyond its retail clinic model—the HealthHUB—to acquisitions of existing primary care and home care assets

Current footprint

1,000
HealthHUBs (originally goaled for 1,500 by end of 2021)



"Our overall strategy is to build capabilities in primary care, home, and provider enablement... We can't be in primary care without M&A... there is no one-and-done asset."

Excerpt from CVS Q2 2022 earnings call

WALGREENS

Building 2,500 sq. ft. full-service primary care clinics in partnership with VillageMD—an experienced risk-bearing entity

120
VillageMD primary care clinics co-located at retail stores (goaled for 1,000 by 2027)



Image credit: Walgreens

WALMART

Building 10,000 sq. ft. health centers offering primary and specialty care services at affordable prices

29
Health centers across Arkansas, Georgia, Florida, and Illinois

Services offered at Walmart Health

- Primary care
- Dental care
- Behavioral health and counseling
- Optometry
- Pharmacy
- Lab
- X-ray
- EKG
- Hearing
- Wellness and insurance education

Out-of-pocket prices range from \$40 to \$90 for a sick or injury visit based on the market

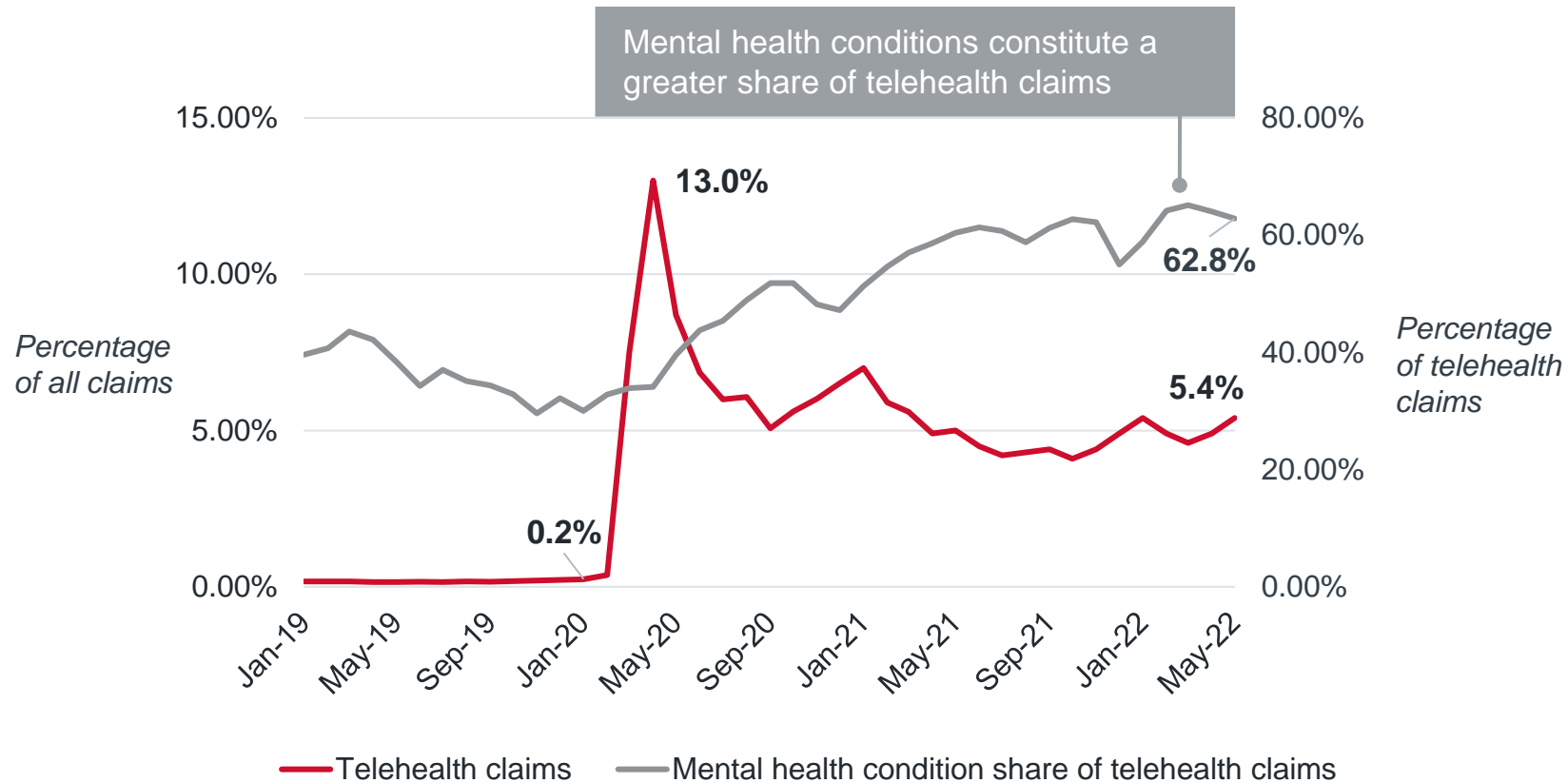
03

Digital health

Is the digital shift over?

Percentage of medical claims lines performed virtually

FAIR Health's monthly telehealth tracker



DATA SPOTLIGHT

↓ **59%**

Decline in percent of medical claim lines from peak in April 2020 to May 2022

↑ **23x**

Increase in percent of medical claims lines from January 2020 to May 2022

Business impacts not just about reimbursable visits

Feasible percentage of outpatient visits that could be performed virtually

Advisory Board analysis

Cardiology	29%
Dermatology	41%
General and family practice	30%
General surgery	53%
Internal medicine	24%
Neurology	23%
Obstetrics and gynecology	21%
Ophthalmology	14%
Orthopedic surgery	19%
Otolaryngology	30%
Pediatrics	34%
Psychiatry	88%
Urology	8%

Many lingering questions will determine business impacts

Virtual visit utilization levels

- What types of visits will be reimbursed by CMS and private payers?
- Which visits are additive vs. replacements?
- Are your affiliated providers capturing visit volume? If not, is revenue loss significant?

Downstream care impacts

- Are the “owners” of virtual channels competing for- or incentivized to shift referrals for ancillary and specialty care?
- Does digital health utilization destruct downstream demand?

Non-reimbursable use cases

- What business cases can be made for digital health use cases that don't require reimbursement for the visit itself?

Virtual-first health plans diverting portion of ED visits

CASE EXAMPLE



Wilbur Health Plan

Nonprofit health plan • South

- Launched virtual-first, Bronze plan on individual Marketplace in 2021
- Plan is catered to members who primarily have acute needs, are located in rural areas, and value affordability
- 1,500 current members switched to the virtual plan in first year
- Next iteration of virtual first plan will target members with chronic conditions

Core plan features



24/7 telehealth access¹



Does not require a referral for specialist visits



No copay for virtual visits; 20% lower premiums²

>80%

Of plan members use virtual care options first

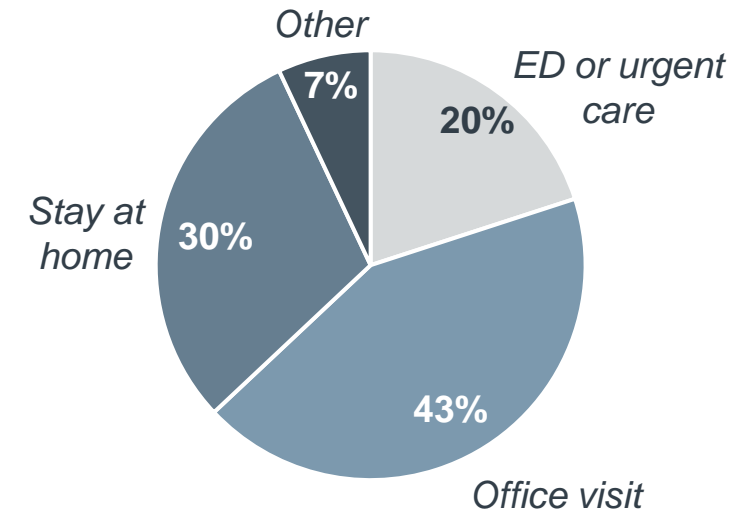
1. Services provided through partnership with Doctor on Demand.

2. Estimate versus comparable Bronze plans.

► Plan diverts care from costlier settings

“Question: Where would you have gone if telehealth wasn’t an option?”

Wilbur Health Plan survey



04

Home-based care

- Today's focus: Hospital at Home (HaH)

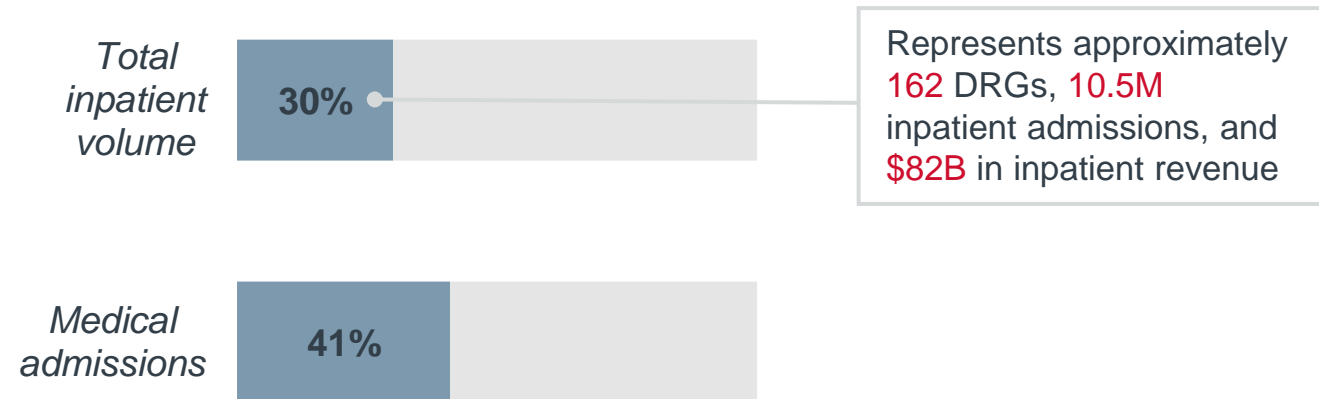
The expanding landscape of home-based care models

Home model	Personal care	Post-acute care	Chronic care management	Chronic care treatment	Acute care
Scope of services	<ul style="list-style-type: none"> • Private duty • Non-medical 	<ul style="list-style-type: none"> • Hospice and palliative care • Home health 	<ul style="list-style-type: none"> • Primary care house calls • Remote patient monitoring 	<ul style="list-style-type: none"> • Infusion • Dialysis 	<ul style="list-style-type: none"> • Hospital at Home (inpatient medical conditions) • Urgent and emergent care
Goals	<ul style="list-style-type: none"> • Help patients with activities of daily living (ADLs), such as bathing and meal prep • Offer companionship to reduce 'loneliness epidemic' 	<ul style="list-style-type: none"> • Smooth transitions of care after acute illness, injury, or procedure • Provide palliative services to terminally ill patients and bereavement family services 	<ul style="list-style-type: none"> • Close care gaps among polychronic or homebound patients • Provide ongoing access to health professionals to avoid escalation of health issues 	<ul style="list-style-type: none"> • Reduce expenses of administered drugs • Provide convenient access to patients who are frequent utilizers 	<ul style="list-style-type: none"> • Relieve inpatient capacity constraints • Reduce total cost of care compared to facility-based care
Site of care opportunity	Address and manage social determinants of health, especially for growing elderly population	Potential to curate network to improve performance under bundled payment arrangements	Supplement primary care office to better manage complex patients	Target of steorage efforts among private payers, and source of specialty pharmacy growth	Reimbursement opportunity opened through CMS waiver program

How much could shift? Beware optimistic guesses

Percentage of inpatient volume that could **theoretically** shift to Hospital at Home

Advisory Board analysis of health system billing data in conjunction with Market Scenario Planner forecasting model



Many factors limit patient eligibility and decrease likely shifts from theoretical upper bound

Social exclusion criteria:

- Safe home environment
- Home poses risk to caregivers

Clinical exclusion criteria:

- Likely to require procedure (ex: blood transfusion, MRI, CT)
- Presence of delirium
- Cannot ambulate
- Requires controlled substances for pain control
- Vitals, test results, out of desired range(s)

TOOL IN BRIEF

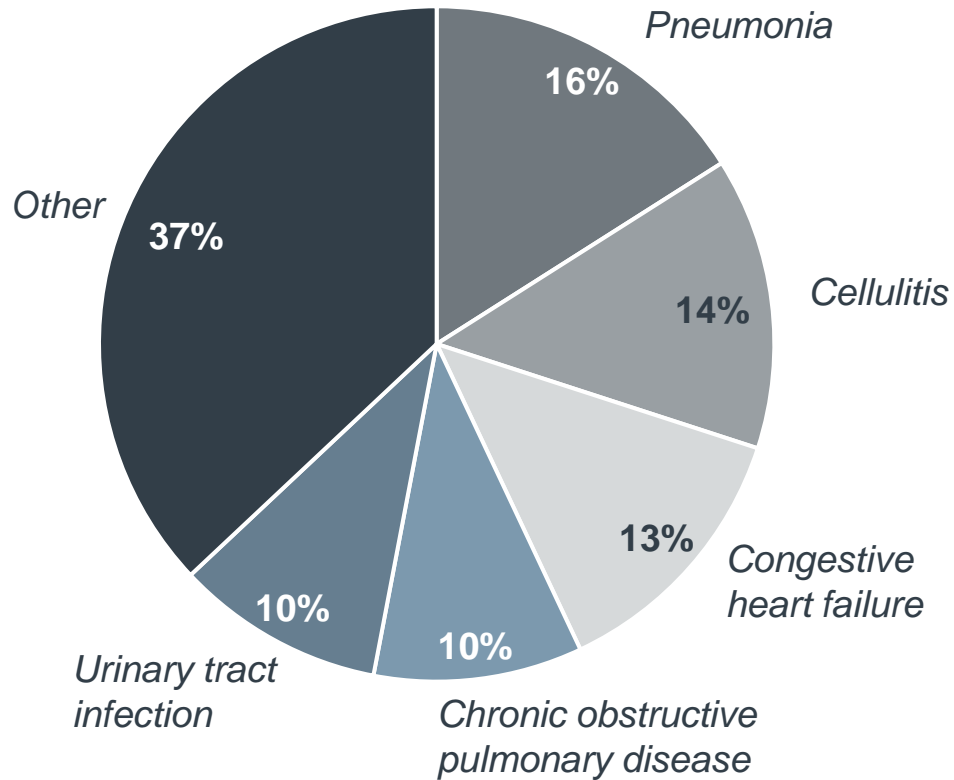
Market Scenario Planner

Provides current, five-, and 10- year estimates of patient volumes and growth rates for any geographic region in the U.S.

Source: Advisory Board Market Scenario Planner; Advisory Board Hospital Benchmark Generator

Concentrated shifts likely across select conditions, patients

Breakdown of Hospital at Home admissions, by medical condition¹



1. Estimates from Mount Sinai.

These conditions are ideal candidates because:



Equipment and supply needs are relatively cheap and portable



Treatments are approved for payment in the home setting



Conditions are costly with high rates of readmission and ED utilization



Patients are often frequent utilizers and may prefer comfort of the home



Physicians can work with care team extenders for patient needs



Technologies are available to remotely monitor for acute exacerbations


Source: "Acute Hospital Care at Home Resources, CMS."

Industry choices may bring fragmentation or control



**Flexible
Fragmentation**

*Chaotic competition
of diverse, flexible,
fragmented players*



**Coordinated
Control**

*Coordinated order
controlled by
comprehensive,
integrated behemoths*



Please evaluate today's presentation

1. Aim your camera app at the QR code. Do not take a picture of the code. When the code is recognized you will see a web browser prompt appear at the top of the screen; tap this prompt and the evaluation will open in your web browser.
2. If you using an Android device, your camera may not recognize the QR code. Use the QR code reader app that you downloaded at the beginning of the workshop to access the evaluation.
3. Please let the facilitator know if you are unable to use the above QR code





Stay current on our
Outlook for Health Care
and the forces reshaping our industry

advisory.com/healthcare2023



LEGAL CAVEAT

Advisory Board has made efforts to verify the accuracy of the information it provides to members. This report relies on data obtained from many sources, however, and Advisory Board cannot guarantee the accuracy of the information provided or any analysis based thereon. In addition, Advisory Board is not in the business of giving legal, medical, accounting, or other professional advice, and its reports should not be construed as professional advice. In particular, members should not rely on any legal commentary in this report as a basis for action, or assume that any tactics described herein would be permitted by applicable law or appropriate for a given member's situation. Members are advised to consult with appropriate professionals concerning legal, medical, tax, or accounting issues, before implementing any of these tactics. Neither Advisory Board nor its officers, directors, trustees, employees, and agents shall be liable for any claims, liabilities, or expenses relating to (a) any errors or omissions in this report, whether caused by Advisory Board or any of its employees or agents, or sources or other third parties, (b) any recommendation or graded ranking by Advisory Board, or (c) failure of member and its employees and agents to abide by the terms set forth herein.

Advisory Board and the "A" logo are registered trademarks of The Advisory Board Company in the United States and other countries. Members are not permitted to use these trademarks, or any other trademark, product name, service name, trade name, and logo of Advisory Board without prior written consent of Advisory Board. All other trademarks, product names, service names, trade names, and logos used within these pages are the property of their respective holders. Use of other company trademarks, product names, service names, trade names, and logos or images of the same does not necessarily constitute (a) an endorsement by such company of Advisory Board and its products and services, or (b) an endorsement of the company or its products or services by Advisory Board. Advisory Board is not affiliated with any such company.

IMPORTANT: Please read the following.

Advisory Board has prepared this report for the exclusive use of its members. Each member acknowledges and agrees that this report and the information contained herein (collectively, the "Report") are confidential and proprietary to Advisory Board. By accepting delivery of this Report, each member agrees to abide by the terms as stated herein, including the following:

1. Advisory Board owns all right, title, and interest in and to this Report. Except as stated herein, no right, license, permission, or interest of any kind in this Report is intended to be given, transferred to, or acquired by a member. Each member is authorized to use this Report only to the extent expressly authorized herein.
2. Each member shall not sell, license, republish, or post online or otherwise this Report, in part or in whole. Each member shall not disseminate or permit the use of, and shall take reasonable precautions to prevent such dissemination or use of, this Report by (a) any of its employees and agents (except as stated below), or (b) any third party.
3. Each member may make this Report available solely to those of its employees and agents who (a) are registered for the workshop or membership program of which this Report is a part, (b) require access to this Report in order to learn from the information described herein, and (c) agree not to disclose this Report to other employees or agents or any third party. Each member shall use, and shall ensure that its employees and agents use, this Report for its internal use only. Each member may make a limited number of copies, solely as adequate for use by its employees and agents in accordance with the terms herein.
4. Each member shall not remove from this Report any confidential markings, copyright notices, and/or other similar indicia herein.
5. Each member is responsible for any breach of its obligations as stated herein by any of its employees or agents.
6. If a member is unwilling to abide by any of the foregoing obligations, then such member shall promptly return this Report and all copies thereof to Advisory Board.



Advisory
Board