

# Choosing the Future

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## Whither the Hospital?

Two competing visions of patient care are currently engaged in an almost invisible struggle of epic proportions. History tells us who will ultimately win this competition.

The legacy system is third party payer centered. It is ponderously bureaucratic, centrally regulated, increasingly complex, and completely unaffordable.

The emerging alternative is flatter, distributed, and decentralized. It consists of entrepreneurially-managed elements linked in ways ranging from ownership to collaborative partnerships to purchased services. It will provide quality care at prices determined by market forces.

*Enterprises offering expensive services that do not provide a perceived value will not survive, regardless of size or resources.*

Although the movement of traditional diagnostic and treatment services out of the acute care hospital into less costly settings has been underway for decades, the enactment of the Affordable Care Act has accelerated that movement exponentially. At the same time, increasing numbers of physicians are ending participation in the Medicare and Medicaid programs even as the ACA's implementation drives primary care physicians from private practice and reduces local primary care availability. The closure of local hospitals as a result of bankruptcy and the reduction in the number of participating insurance companies through mergers and acquisitions has created virtual monopolies, driving up prices and narrowing of network choices available to insured people with many physicians and hospitals being excluded.

The third party payer system has priced traditional hospital services out of the market place. Specialized out-of-hospital patient care providers, unencumbered by the hospital cost structure, regulatory requirements, and organizational complexity, are moving into the resulting vacuum to compete with acute care hospitals across the entire spectrum of health care services. Shorter feedback loops and service line autonomy provide them with a competitive advantage. They can provide quality services at significantly lower costs to patients and respond more quickly to changing local conditions. Examples include:

- Diagnostic imaging centers.
- Telemedicine, including teleradiology.
- Surgery centers.
- Office and clinic-base rehabilitation services (physical therapy, occupational therapy, and speech therapy).
- Home Health and home maker services.
- Assisted living facilities.
- Private duty nursing providers.
- Cancer treatment centers.
- Store front urgent care centers in retail outlets such as CVS Pharmacy, Walgreens, etc., staffed by nurse practitioners or physician assistants.

Price transparency requires that the hospital position itself to deliver quality patient care at the price point. That positioning will necessitate a complete inventory of the service armamentarium, a strategic redesign of corporate organization, and development of an alternative price structure that eliminates the effect of the hospital's cost structure and billing expense.



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