



The Tepid Demand Trajectory for Healthcare Services Persists

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Key Takeaways

- Despite a growing burden of disease, demand for healthcare services for the next five years is projected to be tepid and could be further constrained by the emergence of therapeutics.
- With the exception of emergency department volumes, which increased by 3.1%, visit volumes for care settings declined between 2021 and 2022, ranging from -0.2% (non-hospital outpatient visits) -13.7% (urgent care visits).
- Of the five major service lines, digestive surgery has the highest projected demand growth rate. The national median incidence rate for digestive surgical services is projected at 0.2% CAGR between 2023 and 2027, with projected outpatient growth (0.22% CAGR) outpacing projected inpatient growth (0.02% CAGR).

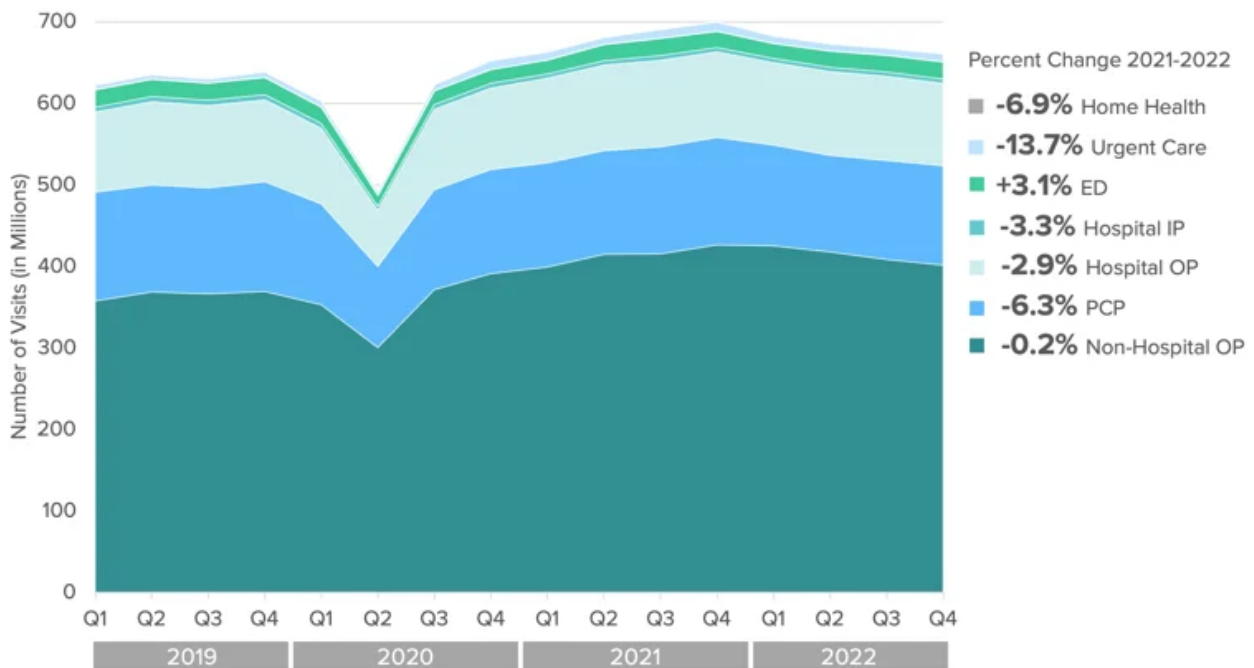
As we have discussed previously as part of our detailed analysis of the recently published *2023 Health Economy Trends Report*, the physical and mental health status of Americans is unraveling, particularly for younger adults who represent most of the commercially insured market.¹ It may seem logical to conclude that a sicker population would lead to increased demand for healthcare services, but demand is a function of *both* disease burden *and* population characteristics. Despite a growing burden of disease – particularly in oncology, immunology and rare disease as signaled by the

investments of several biopharmaceutical manufacturers – demand for healthcare is projected to remain tepid over the next five years, which will affect all healthcare stakeholders. Moreover, exogenous factors like emerging replacement therapies could further alter the demand trajectory for healthcare services.

Utilization Across Most Care Settings Declined From 2021 to 2022

In 2022, visit volumes declined across every care setting other than the emergency department (+3.1%) (Figure 1), reflecting that the observed “rebound” in 2021 was in fact attributable to increased testing and treatment for COVID-19. In turn, the decline in COVID-19 volumes explains the decline in both primary care (-6.3%) and urgent care (-13.7%) visits from 2021 to 2022, confirming that Americans have yet to return to preventive care at pre-pandemic levels. Even so, this downward demand trajectory predates the COVID-19 pandemic, with inpatient admissions declining since 2008.

FIGURE 1. VISIT VOLUMES BY CARE SETTING, Q1 2019-Q4 2022



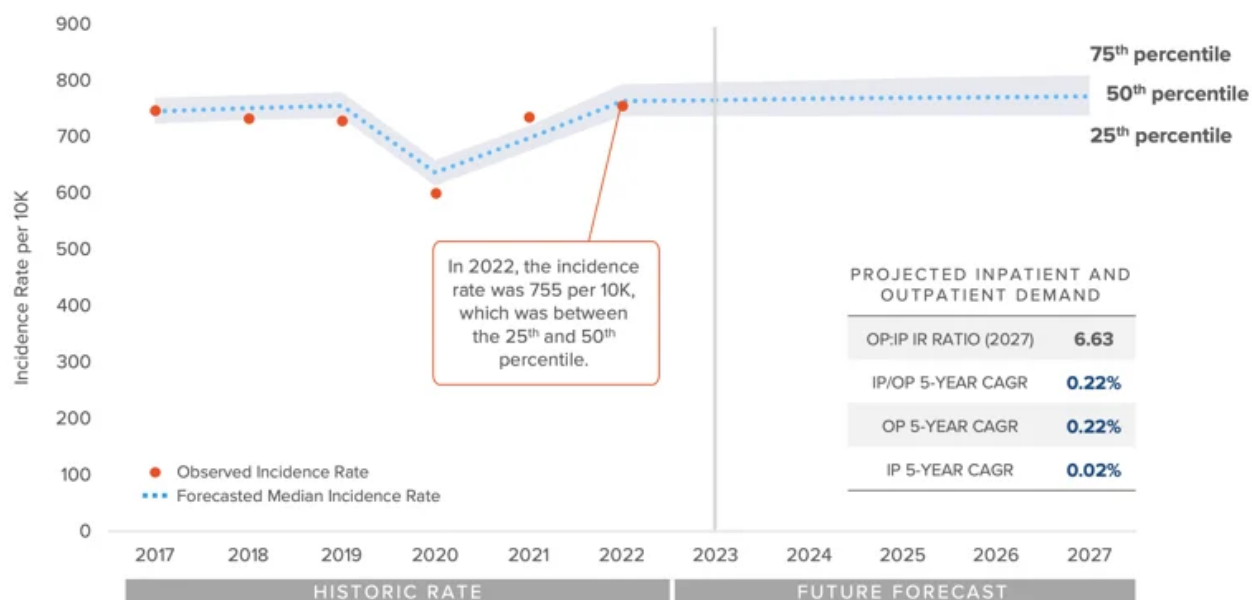
Note: IP denotes inpatient; OP denotes outpatient; PCP denotes Primary Care Provider; ED denotes Emergency Department.
Source: Trilliant Health national all-payer claims database.. • PNG

Demand Is a Function of Disease Burden, Demographics, Consumer Preferences and Access

Demand for most types of surgery is projected to be flat or declining over the next five years. Of the five major surgical service lines – heart/vascular, OB/GYN, neuro/spine, orthopedic, and digestive – digestive surgical demand has the highest compound annual growth rate (CAGR).

Demand for digestive surgical procedures is projected to increase at a CAGR of 0.2% between 2023 and 2027 (Figure 2). In 2027, 7.7% of the U.S. population are predicted to require digestive surgical services. By 2027, the incidence rate is forecasted to be between 738 (25th percentile) and 809 (75th percentile). With respect to care setting, projected outpatient growth (0.22% CAGR) is outpacing projected inpatient growth (0.02% CAGR).

FIGURE 2. NATIONAL HISTORIC & FORECASTED DIGESTIVE SURGICAL DEMAND, 2017-2027



Note: CAGR denotes compound annual growth rate; IP denotes inpatient; OP denotes outpatient.
Source: Trilliant Health Demand Forecast. • PNG



What is essential for health economy stakeholders to understand is that projected demand growth at the market level can, and often does, vary significantly from national

demand forecasts. Between 2023-2027, the projected CAGR for major surgical service lines nationally ranges from -0.04 (OB/GYN) to 0.2% (heart/vascular and digestive), but the “winners” and “losers” at the market and service line level vary widely (Figure 3).

FIGURE 3. SUMMARY OF FIVE-YEAR SURGICAL DEMAND FORECAST, 2023-2027

CATEGORY	CAGR (2023-2027)	RATIO OF OP:IP	CBSA WITH HIGHEST CAGR	CBSA WITH LOWEST CAGR	TOP OP PROCEDURE DRIVING DEMAND
HEART/VASCULAR	0.2%	1.62	Houston-The Woodlands-Sugar Land, TX	Atlanta-Sandy Springs-Alpharetta, GA	Cardiac Catheterization
OB/GYN	-0.04%	1.34	Boston-Cambridge-Newton, MA-NH	Miami-Fort Lauderdale-Pompano Beach, FL	Hysterectomy
NEURO/SPINE	0.01%	1.18	New York-Newark-Jersey City, NY-NJ-PA	Washington-Arlington-Alexandria, DC-VA-MD-WV	Surgery on Nerves and Nervous System
ORTHOPEDIC	0.1%	2.99	Philadelphia-Camden-Wilmington, PA-NJ-DE-MD	Houston-The Woodlands-Sugar Land, TX	Endoscopy/Arthroscopy Procedures on the Musculoskeletal System
DIGESTIVE	0.2%	6.63	New York-Newark-Jersey City, NY-NJ-PA	Washington-Arlington-Alexandria, DC-VA-MD-WV	Colonoscopy

Note: CAGR denotes compound annual growth rate; IP denotes inpatient; OP denotes outpatient. Historical industry expectation percentages were determined based on various news articles and qualitative input from health system and hospital operators responsible for strategic and financial planning decision.
Source: Trilliant Health Demand Forecast. • PNG



The Impacts of Tepid Demand Could be Compounded by New Therapies and Screening Guidelines

The emergence of both new therapies and new clinical evidence frequently translates into changes to clinical guidelines (e.g., screening) or practice patterns (e.g., medication management). As a result, healthcare strategists are advised to consider that some high-margin surgical procedures will be replaced with less invasive, patient preferred interventions. For example, even in a scenario where 5% of bariatric surgeries that would have typically been performed in a given year do not take place due to GLP-1 agonists, the potential surgical revenue loss could equate to as much as -\$133.3M (Figure 4). Are providers prepared for the potential volume declines and corresponding revenue losses associated with replacement therapies?

FIGURE 4. CURRENT AND FUTURE SCENARIOS FOR SELECT SURGICAL PROCEDURES WITH LESS INVASIVE ALTERNATIVES

PRESENT <i>Traditional Care Delivery Standard</i>					FUTURE <i>Potential New Standard</i>		
PROCEDURE OR INTERVENTION	APPROXIMATE ANNUAL U.S. VOLUME	AVERAGE INPATIENT MEDICARE RATE	MINIMUM ANNUAL PROVIDER REVENUE		LESS INVASIVE INTERVENTION	REPLACEMENT RATE SCENARIOS	POTENTIAL PROVIDER REVENUE LOSS
Bariatric Surgery	250K	\$10,667	\$2.67B	Replace with medication management ➤➤➤	GLP-1 agonists	5%	-\$133.33M
						10%	-\$266.68M
						20%	-\$533.35M
Cardiac Catheterization	1M	\$40,737	\$40.74B	Replace with alternate screening test ➤➤➤	PCSK9/SGLT2 inhibitors	5%	-\$2.04B
						10%	-\$4.07B
						20%	-\$8.15B
Screening Colonoscopy	15M	\$11,722	\$175.83B	Replace with alternate screening test ➤➤➤	Fecal occult blood tests, flexible sigmoidoscopy, fecal DNA testing	5%	-\$8.79B
						10%	-\$17.58B
						20%	-\$35.17B

Note: The approximate annual procedure volumes are based upon national projections. These scenarios represent the potential outcomes of changes in volume due to alternate treatments becoming available or recommended practice patterns changing. Replacement rate scenarios are merely illustrative and could be higher or lower depending on the specific procedure. GLP-1 denotes glucagon-like peptide-1 receptor.
Source: Centers for Medicare and Medicaid Services Inpatient Prospective Payment System. • PNG



Every health economy stakeholder will be affected by declining demand, particularly providers and device manufacturers. Notably, several large health systems, including Ascension, have announced the closure of inpatient maternity departments in small markets.² Additionally, Walgreens announced the closure of 60 VillageMD clinics last week.³

Tepid demand combined with the emergence of new drug therapies could imperil traditional healthcare delivery in the U.S. As the number of options patients have for where, how and when they receive care increases, providers must either adjust to meet patient needs or prepare for volume declines and corresponding revenue losses. Consumer behaviors are increasingly highlighted in patient decision making, underscoring the importance for traditional and new entrants providers to adapt their strategies and communication to effectively acquire patients.

Maintaining a competitive advantage in a negative sum game defined by declining demand will require data-driven insight into **who, what and where** will drive future

demand for healthcare services. Ultimately healthcare is local; for more information on which procedures and population segments will underlie surgical demand in the years ahead, and how these factors and demand projections vary by specific markets (e.g., Miami vs. Atlanta), upgrade to Compass+.

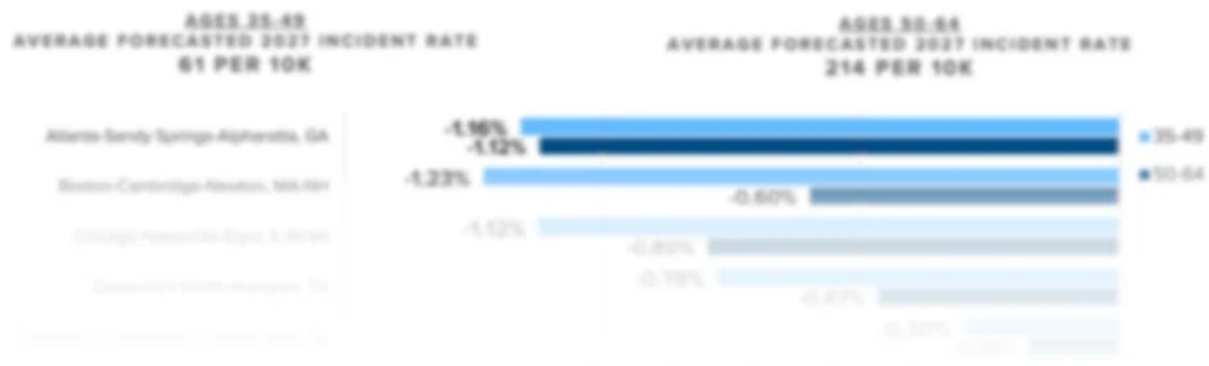
FIGURE 5. TOP FIVE SURGICAL PROCEDURES DRIVING PROJECTED INPATIENT DEMAND, 2023-2027

	HEART/ VASCULAR	OB/GYN	NEURO/ SPINE	ORTHOPEDIC	DIGESTIVE
1	Cardiac Catheterization	Vaginal Delivery	Spinal Fusion	Joint Replacement of Knee or Hip	Upper GI Endoscopy
2	Other Vascular Procedures	Cesarean Delivery	Removal of Spinal Disc or Spinal Cord	Other Orthopedic Procedures on the Lower Limbs (Other Hip)	Colonoscopy
3	Transcatheter Aortic Valve Replacement	Other Gynecological Procedures	Removal of Spinal Disc or Spinal Cord	Other Orthopedic Procedures on the Upper Limbs (Other Shoulder)	Proctology (Other)
4	Other Vascular Procedures	Other Gynecological Procedures	Removal of Spinal Disc or Spinal Cord	Other Orthopedic Procedures on the Upper Limbs (Other Shoulder)	Proctology (Other)
5	Other Vascular Procedures	Other Gynecological Procedures	Removal of Spinal Disc or Spinal Cord	Other Orthopedic Procedures on the Upper Limbs (Other Shoulder)	Proctology (Other)

FIGURE 6. MARKET-LEVEL FORECASTED PRIMARY CARE DEMAND, 2023-2027 CAGR



FIGURE 7. MARKET-LEVEL FORECASTED HEART/VASCULAR SURGICAL DEMAND, PATIENTS AGES 35-49 AND 50-64, 2023-2027 CAGR



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