Exchange

Carlson School of Management
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"Cut Here:" U Professor Finds Top Surgical Care Outside Hospitals

MILI's Director Stephen Parente knows his way around a title; his newest *Health Affairs* article, "Procedures Take Less Time at Ambulatory Surgery Centers, Keeping Costs Down and Ability To Meet Demand Up," with the University of Kentucky, Louisville's Elizabeth L. Munnich, does indeed show why healthcare professionals should look to ambulatory surgery centers over hospitals as sites of efficiency and high-quality outpatient care. With procedures taking an average of 25 percent less time in ambulatory care centers, Parente and Munnich suggest these sites will best fulfill the ACA's goal of more and better medical care.

Indeed, Parente says, "This is why we're seeing so much construction in Edina—Tria and Twin Cities Orthopedics." These freestanding clinics are top picks for hospital acquisition, providing excellent outcomes for patients and profits for Accountable Care Organizations.

> *"Our results show that complex medical care is absolutely possible and high-quality physicians and intellectual property leaders are behind these smaller 'un-hospitals.'"*

Among his fellow academics, Parente believes putting research behind what felt like an intuitive finding will affect how they study firm size and its relationship to patient outcomes. "The general sense is healthcare surgery requires an institution with huge size; that 'focused factories' don't work very well when it comes to major surgery, even if 'retail clinics' are good for other healthcare needs. Our results show that complex medical care is absolutely possible and high-quality physicians and intellectual property leaders are behind these smaller 'un-hospitals.'"

"For industry professionals, I think this article is a wake-up call for hospitals that hope to consolidate," Parente continues. "Economics of scale and scope are still possible, but hospitals that gain the dreaded label 'too big to fail' might actually be failures. The most profitable components can walk out the door with physician entrepreneurs—and that might not be a bad thing."

Parente's expertise in industry, research, and government have made him a leader in shaping provider response to and navigation of the ACA. Now, as more patients gain insurance and access earlier healthcare and preventive services, he is clearly helping create future directions for the delivery of—and compensation for—top tier medical care. Patient outcomes and clinics' own health depend on thoughtful research like this. ■

About

Exchange, a publication from the Medical Industry Leadership Institute, features dialogue on medical industry research and application. The content is a summary of research from both academia and the medical industry, followed by commentary on the importance of the research and its application. Topics highlighted in the *Exchange* span all sectors of the medical industry and include commentary from leaders in the field, as well as researchers from the University of Minnesota and other academic institutions.

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Exchange—A dialogue on medical industry research and application

Commentary

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There's no shortage of voices calling for reduced costs and improved quality in healthcare. Still, in 15 years of progress, it hasn't been clear that gains in healthcare quality justify the costs, even when they actually deliver on the promise of better value to the patient. This lack of clarity comes with a lack of a consistent perspective on who defines "value." Munnich and Parente's research on Ambulatory Surgery Centers (ASCs) is a great example of looking at value from different perspectives.

According to this research, procedures take less time in ACSs. Less time per procedure with identical outcomes, from surgeons' perspectives, is valuable in that it gives them more time to perform more surgeries, see more patients, or spend more time with their families. For the owner or manager of the ACS, less time per procedure can mean more procedures performed in a given day or fewer hours in operation per day. From a payer's perspective, there's no obvious additional value to an individual procedure taking less time to achieve the same outcomes, but since a freestanding ASC is the least expensive venue, it's preferable. And for the patient, less time and less cost for the same outcome—maybe a better outcome—is an incredible value proposition.

With all these varying perspectives realizing an improvement, why do so many surgeons and patients keep surgeries in hospital outpatient departments? The answer is that the value isn't as obvious in the current healthcare system, largely based on momentum (or inertia). Surgeons may choose where to perform procedures based on their mix of inpatient surgeries, their hospital duties, and simple habit. Physician ownership in ASCs is a great incentive for surgeons to switch locations, but comes with the downside risks Munnich and Parente describe as demand inducement.

Today's financial incentives for hospitals and health systems are aligned to keep surgeries in hospital outpatient departments or hospital-based versions of ASCs.

A shift to freestanding ACSs will take those patients, employers, and tax-payers who actually foot the bills demanding this low-cost, high-quality option. ■