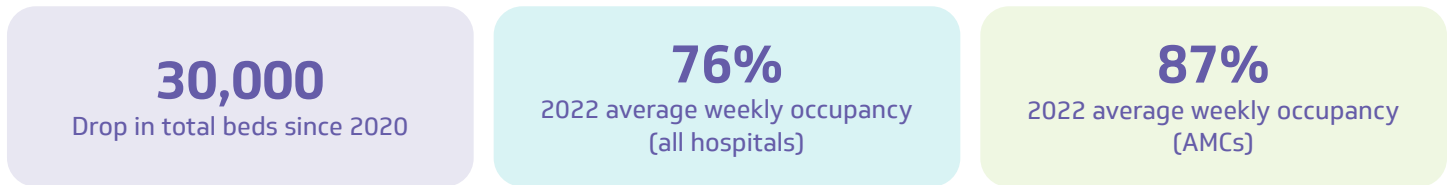


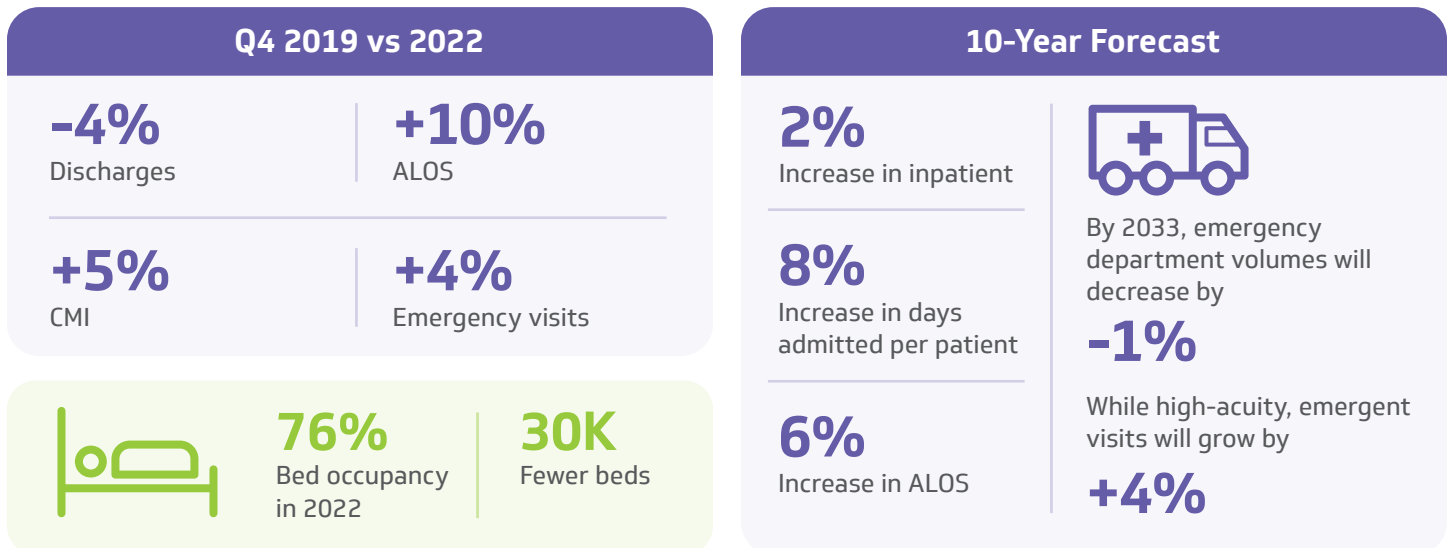
Running out of beds: Solving the capacity crunch

Healthcare is experiencing a capacity crunch; it's rare to find a health system with space to spare. Many systems are working to build their way out of the problem through growth strategies but may find that challenging due to the ongoing workforce shortages and tighter access to capital.



Source: Sg2 Executive Briefing: Capacity Crunch: Estimates Show Trio of Care Redesign Strategies Offer Potential Relief, May 2023.

Bed capacity is down, and patient acuity is up and climbing



CMI = case mix index; ALOS = average length of stay

Sources: Data from the Vizient Clinical Data Base/Resource Manager™ used by permission of Vizient, Inc. All rights reserved. Q1 2019–Q4 2022; US Department of Health and Human Services. COVID-19 reported patient impact and hospital capacity by facility. Accessed December 2022; Impact of Change®, 2023; HCUP National Inpatient Sample (NIS). Healthcare Cost and Utilization Project (HCUP) 2019. Agency for Healthcare Research and Quality, Rockville, MD; Proprietary Sg2 All-Payer Claims Data Set, 2021; The following 2021 CMS Limited Data Sets (LDS): Carrier, Denominator, Home Health Agency, Hospice, Outpatient, Skilled Nursing Facility; Claritas Pop-Facts®, 2023; Sg2 Analysis, 2023.

In just the past six years, Medicare Advantage enrollment has grown by approximately 10 million beneficiaries or about 51%, while traditional Medicare enrollment growth has declined over the same period in just the past four years Medicare Advantage penetration has gone up nearly 10% nationally—and according to the CBO, that growth trajectory is expected to continue, rising to 61% penetration by 2032. Additionally, Medicare Advantage federal spending is already at \$427 billion which is approximately 55% of federal Medicare spending.

Redesign to free up capacity

As consumer expectations evolve, it is necessary to redesign your care delivery model to meet them where they are. Consider these three ways to adapt to and overcome the current capacity crunch.

1. Shift physical procedural sites of care

Embracing the shifting sites of care can control the paths toward strategic growth and ensure superior quality. Proactive prioritization enables site shifts beyond those driven solely by external factors, such as payers' benefit design or policy changes.

4%

Estimated reduction in inpatient days (e.g., osteoarthritis, degenerative spine, disc injury)

2. Explore digital care to alleviate and get ahead of acute demand

Virtual care has the potential to reduce and prevent admissions—and readmissions—for patients with chronic conditions. Remote patient monitoring measures put in place prior to the COVID-19 pandemic have achieved long-term reductions in readmissions, avoidable emergency department visits and total cost of care.

2%

Estimated reduction in inpatient days from virtual visits (e.g., diabetes, CHF, COPD)

3%

Estimated reduction in inpatient days from remote patient monitoring (e.g., hypertension, diabetes, obesity)

3. Lean into consumer demand, get in the home

Care at home, not only appealing to consumers, has been shown to improve value, reduce unnecessary hospital use, shorten in-facility ALOS and bypass challenges in skilled nursing facility placements. By circumventing inpatient admits and safely transitioning care to home, systems can find top-line growth opportunities.

3%

Estimated reduction in inpatient days from primary care at home (e.g., diabetes, asthma, anxiety)

11%

Estimated reduction in inpatient days from skilled nursing at home (e.g., stroke, wound care, COPD)

17%

Estimated reduction in inpatient days from hospital at home (e.g., CHF, UTIs, pneumonia)

Source: Sg2 Executive Briefing: Capacity Crunch: Estimates Show Trio of Care Redesign Strategies Offer Potential Relief, May 2023



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