



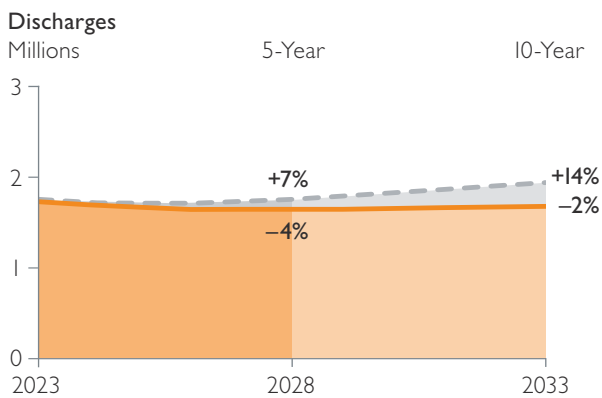
Snapshot 2023

# ORTHOPEDICS

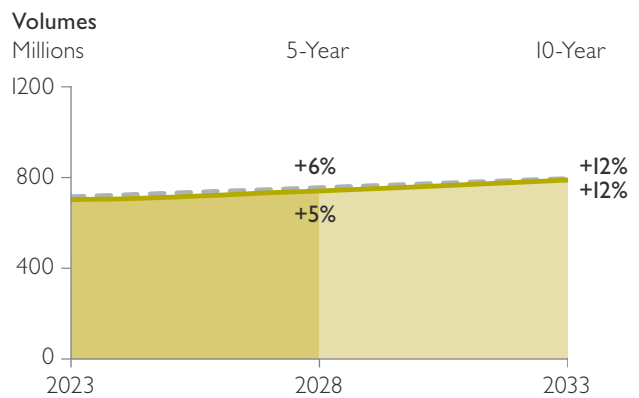
## LANDSCAPE

Health system orthopedics programs are contending with declining inpatient discharges while vying for outpatient market share. Numerous factors are complicating legacy systems' ability to compete and safeguard financial sustainability. These include workforce shortages, evolving physician alignment, inflation, payer restrictions and an accelerating shift to lower-cost sites of care. Sg2 projects that higher-acuity procedures, notably hip fractures and revisions, will remain hospital based. Adherence to best practice protocols and care pathways will be essential to enable high-quality care delivery within appropriate lengths of stay. Success amid the migration of services to ambulatory settings requires progressive approaches to commercial contracting. This spans not only contracts with major insurers but also stepped-up efforts in direct-to-employer deals and sound consumer strategy. Heightened focus on patient access, supportive care and outcomes will buoy virtual and other digital health options, but payer scrutiny will dampen overall E&M visit growth. Efforts in this arena must keep health inequities top of mind.

Inpatient Orthopedics Forecast  
US Market, 2023–2033



Outpatient Orthopedics Forecast  
US Market, 2023–2033



■ Sg2 IP Forecast ■ Population-Based Forecast ■ Sg2 OP Forecast

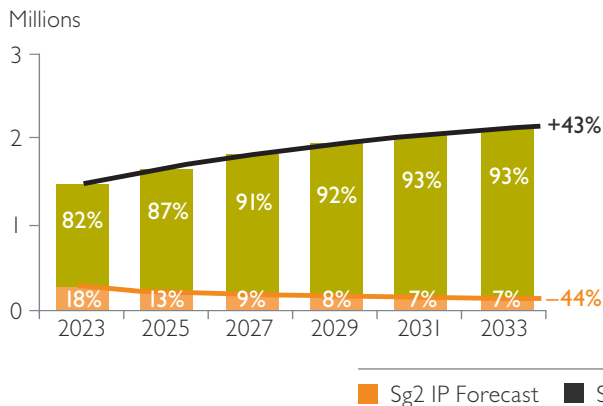
## TOP TRENDS

- Commercial payers' medical necessity reviews for ASC-eligible cases scheduled for hospital settings are reshaping historic volume trends. Public payers' changing policies also warrant new processes to enable care delivery in optimal sites of care.
- Accelerating site-of-care shifts are sparking novel partnerships between physicians and health systems and increasing activity from private equity firms.
- Momentum is building for innovative value-based care design within musculoskeletal services.
- Providers are implementing multimodal pain management and resetting patients' expectations to emphasize pain management vs pain elimination.
- Technology-assisted surgery is expanding beyond traditional robotics. This includes new applications of image navigation and augmented reality systems. Orthobiologics have gained traction as a viable alternative to surgical joint repair, but costs vary widely and are offered primarily on a cash basis.
- State-of-the-art orthopedic programs are expanding sports medicine capabilities to provide more comprehensive, consumer-friendly offerings that span pre- and post-injury care and accelerate access.

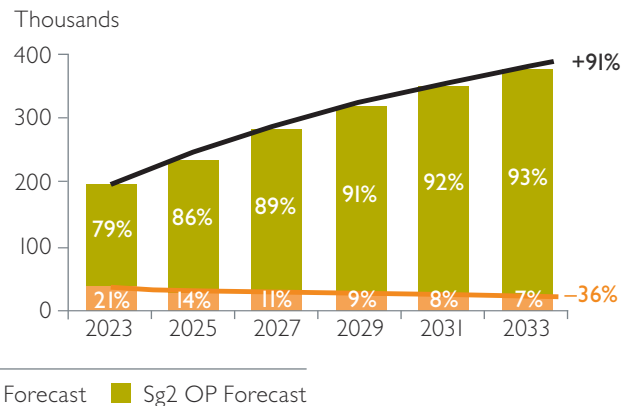
**Note:** Analysis excludes 0–17 age group. ASC = ambulatory surgery center; E&M = evaluation and management. **Sources:** Impact of Change®, 2023; HCUP National Inpatient Sample (NIS). Healthcare Cost and Utilization Project (HCUP) 2019. Agency for Healthcare Research and Quality, Rockville, MD; Proprietary 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.

# ORTHOPEDICS SNAPSHOT 2023

IP/OP Hip and Knee Replacement Forecast for Osteoarthritis  
US Market, 2023–2033



IP/OP Shoulder Replacement Forecast  
US Market, 2023–2033



IP/OP Orthopedics Surgical Procedure Location Mix and Forecast  
US Market, 2023

	IP	OP	2023–2028 Forecast
Elective Hip and Knee Replacement	18%	82%	+27%
Shoulder Replacement	21%	79%	+53%
Hip and Knee Revision	75%	25%	+8%
Fracture Repair	36%	64%	+7%
Other Hip and Knee	2%	98%	+10%
Hand and Upper Extremity	1%	99%	+7%
Foot and Ankle	1%	99%	+7%
Overall Surgical Orthopedics	10%	90%	+9%

## IP/OP PROCEDURE HIGHLIGHTS

- **Steady growth is expected for elective hip and knee replacement**, as trends in obesity rates, expanded patient eligibility and utilization continue.
- **Robust growth for shoulder replacement is expected**, fueled by next-generation implants, emerging and innovative surgical techniques, and improved outcomes.
- **Revision procedures will increase and remain inpatient**, driven by robust TJR growth, although volumes will be dampened by improvements in outcomes and clinical advancements.
- **We expect fluctuating growth in fracture care**, with some short-term growth in trauma-related injuries and long-term demographic-driven growth projections, while efforts to prevent and treat osteoporosis and better manage fall risk will slow growth in fragility fractures.

## ACTION STEPS TO DRIVE VALUE

- ▶ **Build a comprehensive and integrated portfolio of services to deliver patient-centered care that addresses new market realities and optimizes efficiency and experience.**
- ▶ **Revamp marketing strategies to align with consumer and employer priorities; put in place mechanisms to seamlessly capture patient reviews of physicians and facilities.**
- ▶ **Streamline front-end services and sites by integrating physical and occupational therapists and athletic trainers as alternative access channels and to triage patients.**
- ▶ **Partner with physicians to establish and deploy clinical pathways designed to optimize patient outcomes. Track and share results to encourage buy-in and peer-to-peer accountability.**
- ▶ **Expand efforts to differentiate the organization in the market through broad transparency of the program's clinical outcomes and cost-effectiveness.**
- ▶ **Explore contractual avenues (eg, comanagement, professional services agreements) to incentivize and promote quality-based collaborations among independent, affiliated and employed orthopedists.**

**Note:** Analysis excludes 0–17 age group and includes the orthopedics service line only. Hip and knee replacement includes primary hip/knee replacement for the Osteoarthritis CARE Family only. Overall orthopedics includes all IP/OP major procedures plus OP arthroscopy. Elective hip and knee replacement includes Osteoarthritis CARE Family only and primary hip/knee replacement. Shoulder replacement includes primary shoulder replacement for the Osteoarthritis and MSK Injury—Shoulder/Elbow/Upper Arm CARE Families only. Hip and knee revision excludes hip and femur fracture. Fracture repair includes all IP fracture repair and OP open treatment of fracture, plus surgical procedures within the Hip and Femur Fracture CARE Family (arthroscopy, IP/OP major therapeutic procedure group). Other hip and knee includes MSK Injury—Knee and Pelvis/Hip/Femur CARE Families and excludes fracture repair. Hand and upper extremity includes MSK Injury—Hand/Wrist/Forearm and Shoulder/Elbow/Upper Arm CARE Families and excludes shoulder replacement and fracture repair. Foot and ankle includes MSK Injury—Lower Leg/Foot/Ankle CARE Family and excludes fracture repair. CARE = Clinical Alignment and Resource Effectiveness; MSK = musculoskeletal; TJR = total joint replacement.

**Sources:** 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, 2022; The following 2021 CMS Limited Data Sets (LDS): Carrier, Denominator, Home Health Agency, Hospice, Outpatient, Skilled Nursing Facility; Claritas Pop-Facts®, 2023; IQVIA; Sg2 Analysis, 2023.

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