

RESEARCH REPORT

The four hospital and IDN trends life sciences leaders need to know

Breaking down top hospital and IDN trends for 2022





Overview

The four hospital and IDN trends life sciences leaders need to know

As the health care ecosystem continues to evolve, life science leaders across both the pharmaceutical and medical device industries must understand how their customers' priorities are changing—and what that means for their customer engagement, evidence generation, and communication strategies.

In this series, we're breaking down the top customer trends that life science leaders need to know about in 2022. In this installment, there are four hospital and IDN trends that life science leaders worth watching.


01 Site-of-care shifts are expanding where drugs, diagnostics, and medical equipment are used and who has influence over product decisions.

02 Telehealth utilization will continue to disperse where and how care is delivered in the post-Covid world, taking market share away from the hospital and/or health system.

03 Ongoing disruptions to the supply chain will require life sciences leaders to build more resilient supply chains, prioritize collaboration and transparency when working with their provider customers, and redefine how they provide clinical support.

04 The health care industry is investing heavily in home-based care, shifting inpatient medical admissions from the hospital to the home setting.

 **Read on to learn more about each trend and what it means for you.**



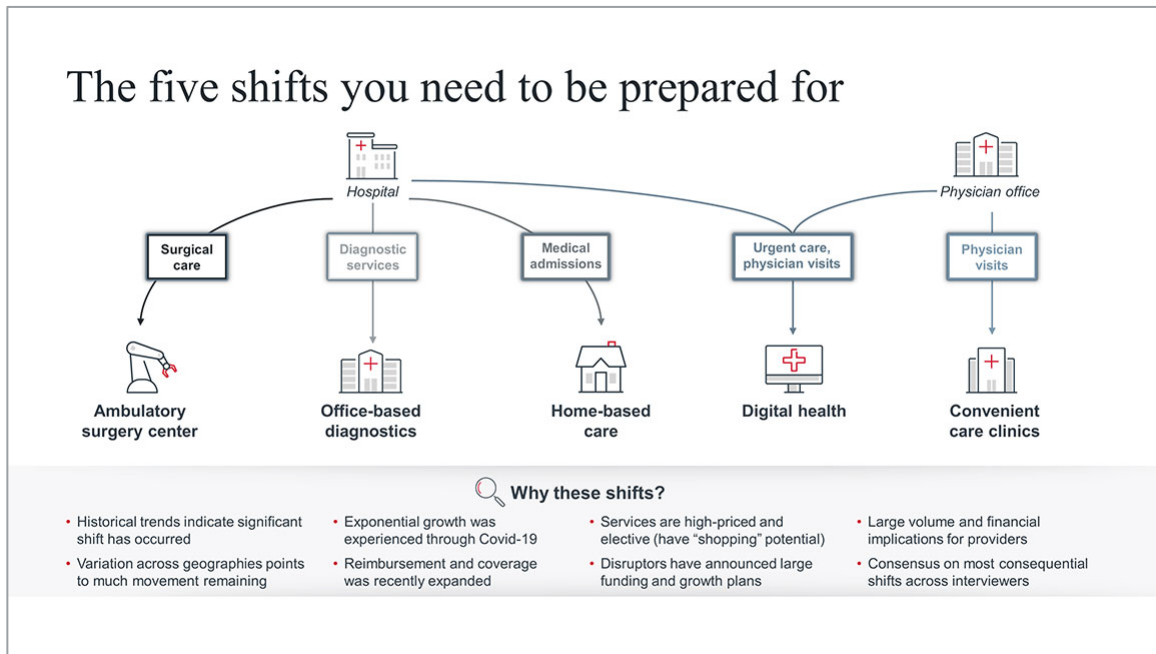
01 **Site-of-care shifts are expanding where drugs, diagnostics, and medical equipment are used and who has influence over product decisions.**

Throughout 2021, site-of-care shifts evolved in light of the pandemic and trends that preceded it. While not new in health care, their acceleration has changed where care is delivered—and by whom.

More complex surgeries are shifting from the hospital to freestanding ambulatory surgery centers (ASCs), especially in orthopedics, CV, urology, pain management, and general surgery. The growth in these service lines is notable as ASCs have historically been driven by GI and ophthalmology volumes. In fact, our modeling projects an 11% growth in ambulatory surgery volumes by 2026, compared to a 2% decline in inpatient volumes.

However, site-of-care shifts extend beyond ASCs. Physician visits are shifting from the office setting to virtual visits via telehealth, or occurring in urgent care centers, retail clinics, and other alternate sites. Such sites of care are also expanding their offerings to include more chronic care management, cardiovascular, trauma, and orthopedic services. Additionally, imaging and lab services are also shifting from hospital to ambulatory sites.

As a result, many health systems and IDNs are directing patients to these settings to access new clinical innovations and/or cut costs—and clinicians are using products in a more dispersed range of clinical and nonclinical settings. For example, many next-gen cell and gene therapies are administered in freestanding Centers of Excellence, rather than traditional academic medical centers (AMCs). Robotic surgeries and procedures involving implants or medical devices are occurring in freestanding ASCs, rather than in the hospital. These shifts also expand the set of influencers over product use to include pharmacists, nurses, and advanced practice providers (APPs) who play an increasingly critical role in care delivery.





Impact on life sciences

As HCPs and clinicians use products in more disperse settings, life sciences leaders must understand how demand for diagnostics, drugs, and medical equipment is changing across sites of care. Additionally, they must integrate these shifts into their customer engagement strategies. This means that reps and field teams must expand the types of institutions that they work with, and the decision-makers with whom they work, to share evidence, information, and support.

Life science leaders must also recognize how site-of-care shifts occur at different rates across markets. They can no longer take a one-size-fits-all


approach to how they serve their customers. Moreover, they must actively assess whether increased care fragmentation creates barriers to care or friction for patients, who may need additional support. For example, life science leaders can play a critical role in supporting patients' medication adherence or post-surgical care.

Site-of-care shifts will also create new demands for medical evidence that supports product use and utilization in alternate sites. Life sciences leaders must integrate such questions into their evidence generation strategies to help customers understand product safety and efficacy in atypical settings.



Questions to consider

- Do we understand how site-of-care shifts impact where our products are used? Are we actively preparing for further site-of-care shifts in our respective markets?
- How are site-of-care shifts changing who holds decision-making power over product coverage and use? Where are our top decision-makers located today, and how is that changing?
- Are we actively engaging customers across a wider range of clinical and nonclinical settings? Are we broadening the types of decision-makers with whom we engage to include members of the care team (e.g., pharmacists, APPs, NPs?)
- Have we adapted our communication strategies to account for a broader range of decision-makers and sites of care? Do we need to adapt our value messaging and evidence to better resonate with customers?
- Are we generating evidence about how our products work in a growing set of sites of care (e.g., home-based care, ASCs)? What customer questions do we receive that can inform our future evidence generation strategy?
- How can we help customers streamline supply chain operations and management in new sites of care?



Telehealth utilization will continue to disperse where and how care is delivered in the post-Covid world, taking market share away from the hospital and/or health system.

Telehealth took hold during Covid-19, but the change in care delivery will outlast the pandemic. Driven by new competitive pressures, consumerism, and health care payment reform, many provider organizations continue to invest in telemedicine programs that support virtual patient visits of different kinds. Specifically, spikes in telehealth utilization for physician visits, urgent care, and triage are further shifting care delivery from brick and-mortar sites to digital platforms.

As telehealth adoption accelerates amongst physicians, payers, and telehealth vendors, IDNs will lose market share, direct revenue streams, ownership of patient relationships, and control over patient care. They may also lose their ability to control whether physicians adhere to clinical guidelines

and care variation reduction initiatives—directly impacting medical product utilization. Consequentially, IDNs and health systems may start to respond to such shifts by reigning in control over telehealth policies or finding ways to maintain their share-of-wallet.

Moving forward, long-term utilization of telehealth will be heavily dependent on changing regulations, consumer preferences, and coverage and payment decisions—and how IDNs respond to these moves. While Advisory Board analysis estimates that the greatest shifts toward digital-first outpatient care will be in psychiatry, general surgery, dermatology, and pediatrics, nearly all specialties can be impacted. Now that patients have experienced the convenience of and learned to use telehealth, there will be going back.



Impact on life sciences

The impact of telehealth on life sciences' customer engagement and evidence generation strategies is at an inflection point.

On the one hand, as providers increasingly use telehealth, it's harder for life sciences leaders not only to engage their customers and have meaningful virtual interactions, but also to identify who has “influence” within organizations. Without insight into how HCPs operate within the context of the broader hospital, health system, or site-of-care, targeting the appropriate decision-makers proves increasingly difficult.

On the other hand, HCPs are already shutting their in-person doors to reps (due to Covid-19 restrictions, burnout, and other factors)—and telehealth creates more opportunities for life sciences leaders to engage their customers remotely and on-demand.



Medical device reps may even be able to utilize telehealth to remotely assist with procedures or surgeries. However, whether these virtual interactions complement—or replace—in-person interactions, and how that impacts the relationship between life sciences reps and their customers overall, remains to be determined in the post-Covid world.

Further, as providers embrace remote patient monitoring and other digital tools to track patients outside of the hospital, a plethora of opportunities for real-world data collection arise—especially for longitudinal outcomes tracking, patient reported outcome generation, and the collection of digital biomarker data. Life science leaders can even partner with hospitals and IDNs to identify novel opportunities for data collection and synthesis.



Questions to consider

- How are we identifying and connecting with virtual-first providers? Do we understand which of our customers are increasingly seeing patients virtually, and how that impacts product utilization and clinical care?
- How can we support provider organizations as their physicians increasingly shift towards virtual care? What evidence, information, or wraparound services do they need to best understand how to use our products?
- How will our customer relationships be impacted if HCPs restrict rep access in the post-Covid world? How will we understand who has influence, who the right decision-makers are, and how to engage these individuals?
- How does increased telehealth use impact referral patterns and patient steerage, and who ultimately provides in-person care? What impacts do those shifts have on who uses our products?
- Have we adapted our communication strategies to better identify and engage virtual-first providers? Are our reps prepared to have engaged and productive virtual-first customer interactions?
- Are we working with hospitals and IDNs to leverage data collected from telehealth and remote patient monitoring to generate real-world evidence? How can we leverage relationships with our top accounts to form collaborative partnerships for evidence generation?



Ongoing disruptions to the supply chain will require life sciences leaders to build more resilient supply chains, prioritize collaboration and transparency when working with their provider customers, and redefine how they provide clinical support.

The global supply chain didn't see much relief in 2021 as the pandemic and its ripple effects created critical product shortages once again. Not only are lists of unavailable goods expanding, but disruptions are also occurring at more points along the supply chain—from raw material gathering (e.g., active pharmaceutical ingredients, semiconductors, medical device parts), to component part manufacturing, to distribution. Today's shortages are both more widespread and unpredictable, making it more difficult for provider leaders to anticipate when and where the next shortage will occur.

As a result, there's often steep competition among providers when product shortages arise. Hospitals, sometimes in the same system, fight for limited supplies, while competitors from other industries with far greater scale and financial resources quickly deplete stock levels. These challenges are further complicated by a lack of resiliency and visibility across the supply chain, preventing flexibility in times of crisis and creating friction between life sciences manufacturers and their customers.



Impact on life sciences

For life sciences leaders, increasing visibility is key to enabling a more efficient and flexible supply chain and being a better partner of choice to customers. In practice, this means prioritizing efforts to communicate clearly and frequently, sharing necessary data about shortages, backorders, on-time delivery, and recalls, and working directly with provider supply chain and clinical leaders to discuss stock levels, manufacturing capacity, and transportation timelines. It also means alerting customers when shortages exist and helping find viable substitutes or work-arounds.

Such efforts are critical for helping customers anticipate and accommodate spikes in supply, gain confidence that the right products will be available at the right time, and reduce unnecessary waste.

The importance of price isn't going away, but a supplier's transparency, flexibility, and reliability will factor into customers' "total cost" equations.

Efforts to build resilient supply chains and build trust with customers also mean that life sciences may need to evolve the role that their reps play in customer interactions. As reps must maintain trust and their strong relationships with their customers, they should assess opportunities to unlock new collaborations—such as increased data sharing between parties. Life sciences leaders must also think about how to work cross-functionally across commercial, medical, and operations teams to support customers holistically.



Questions to consider

- How are we working with our partners to share information related to product demand, availability, and sourcing?
- Are we leveraging our internal data and information to help clinicians predict product availability, understand changes in expected supply, and adapt accordingly?
- Are we alerting providers when we expect shortages and helping them find alternative products and viable substitutes?
- How can we support providers in making demand planning more adaptive?
- Are we actively identifying key customers with whom we can build more strategic, less transactional partnerships?
- Do we need to generate any new evidence or information about how alternate products may work in case of shortages?



04 **The health care industry is investing heavily in home-based care, shifting inpatient medical admissions from the hospital to the home setting.**

Home-based care has long been an area of interest for the health care industry. Patients often prefer to receive care in their homes, and several models have demonstrated the ability to lower health care costs while providing the same or better-quality care.

The Covid-19 pandemic created more urgency to shift all types of care to the home, from acute to primary care. Policy and regulatory changes, such as CMS' Acute Hospital Care at Home Program waiver, open the door for greater reimbursement of home-based care. Payers have continued negotiating bundled payments and reduced DRG rates for coverage. Providers are forming JV arrangements between health systems and home care companies, and new technology creates opportunities to orchestrate logistics and determine patient eligibility.

Despite the promise held by home-based care, it's important to note the ripple effects it can create on downstream hospitalizations, post-acute care utilization, and specialty care needs. Further, home-based care shifts can exacerbate health disparities. To receive home-based care, patients must have stable, safe housing located within a defined service area. These requirements can lead to disparities in access, disadvantaging non-dominant groups.

Industry moving full steam ahead on home-based care

All key stakeholders coalescing around the promise of home-based care



Quadruple aim potential

- Patients prefer to receive care in the home, especially since the pandemic**
- Clinicians seeking lower panel sizes, reduced administrative burden, and relief from hospital care amid pandemic**
- Emerging evidence across care models on potential for improved health outcomes**
- Opportunity to reduce spending at a lower cost site of care**

Source: "A Monumental Advance": Newly Unveiled American Jobs Plan Would Invest \$400B into Home-Based Care," Home Health Care News, March 2021; "CMS Launches 'Unprecedented' Hospital-at-Home Strategy to Manage Latest COVID-19 Surge," Home Health Care News, November 2020; "Amazon Joins Home-Based Care Providers to Advocate for Better Health Care Policy," Home Health Care News, March 2021; "Kaiser Permanente, Mayo Clinic Invest \$100M in Hospital-at-Home Company," MedCity News, May 2021; "Anthem to Buy Home-Based Care Management Company myNEXUS," Home Health Care News, March 2021; "Humana to Make \$100M Investment in Home Health Startup Heal," Fierce Healthcare, July 2020; "Humana acquires OneHome to pursue value-based home health strategy," Healthcare Dive, June 2021.

ADVISORY BOARD

Impact on life sciences

Life sciences manufacturers must prepare to support their customers as care moves into the home. This can include helping providers determine which patients qualify for home-based services, leveraging home infusion and other services to deliver treatments directly to patients, and utilizing technology to assist with adherence and post-surgical follow up.

Additionally, life sciences leaders may need to generate evidence about how products work in home-based settings. As more pharmaceutical products and medical equipment are used outside traditional care settings, decision-makers may need to see evidence of safety and efficacy before allowing use in the home.



Questions to consider

- Are we supporting our provider customers as they increasingly treat patients in home-based settings? Do we need to adapt our communication strategies to better share how and when our products can safely be used in home-based settings?
- What types or subpopulations of patients who use our products might prefer care in the home, and how does that impact utilization of our products?
- What barriers might this patient population face in receiving this care at home? Where can our organization provide additional support?
- Are we generating evidence to demonstrate that our products can safely be used treat the target patient population in the home setting? What are the most important outcomes metrics we should be tracking?
- What outside factors (regulatory change, staffing shortage) could affect whether our products are successful in home-based care?

ABOUT OUR RESEARCH

Our deep relationships span the health care ecosystem; we work not only with leaders of hospitals, health systems, medical groups, and post-acute care providers, but also with digital health companies, health plans, and health care oriented professional services firms. We leverage this longstanding network and our unique research methodology to help life sciences leaders better understand customers, market dynamics, and cross-industry challenges to inform strategy.

HOW WE HELP

We help you understand your customers and optimize your strategy

WHO WE SERVE

Hospitals • Health systems • Life sciences firms • Post-acute care providers • Medical groups • Digital health companies • Health plans • Health care professional services firms



To learn more about how we support commercial organizations within medical device and medical supplier firms, visit us at advisory.com/forlifesciences or email programinquiries@advisory.com.

The Advisory Board advantage

Our team of 200+ experts harnesses a time-tested research process and the collective wisdom of our 4,500+ member network to develop provocative insights, actionable strategies, and practical tools to support execution.

LEGAL CAVEAT

Advisory Board has made efforts to verify the accuracy of the information it provides to members. This report relies on data obtained from many sources, however, and Advisory Board cannot guarantee the accuracy of the information provided or any analysis based thereon. In addition, Advisory Board is not in the business of giving legal, medical, accounting, or other professional advice, and its reports should not be construed as professional advice. In particular, members should not rely on any legal commentary in this report as a basis for action, or assume that any tactics described herein would be permitted by applicable law or appropriate for a given member's situation. Members are advised to consult with appropriate professionals concerning legal, medical, tax, or accounting issues, before implementing any of these tactics. Neither Advisory Board nor its officers, directors, trustees, employees, and agents shall be liable for any claims, liabilities, or expenses relating to (a) any errors or omissions in this report, whether caused by Advisory Board or any of its employees or agents, or sources or other third parties, (b) any recommendation or graded ranking by Advisory Board, or (c) failure of member and its employees and agents to abide by the terms set forth herein.

Advisory Board and the "A" logo are registered trademarks of The Advisory Board Company in the United States and other countries. Members are not permitted to use these trademarks, or any other trademark, product name, service name, trade name, and logo of Advisory Board without prior written consent of Advisory Board. All other trademarks, product names, service names, trade names, and logos used within these pages are the property of their respective holders. Use of other company trademarks, product names, service names, trade names, and logos or images of the same does not necessarily constitute (a) an endorsement by such company of Advisory Board and its products and services, or (b) an endorsement of the company or its products or services by Advisory Board. Advisory Board is not affiliated with any such company.

IMPORTANT: Please read the following.

Advisory Board has prepared this report for the exclusive use of its members. Each member acknowledges and agrees that this report and the information contained herein (collectively, the "Report") are confidential and proprietary to Advisory Board. By accepting delivery of this Report, each member agrees to abide by the terms as stated herein, including the following:

1. Advisory Board owns all right, title, and interest in and to this Report. Except as stated herein, no right, license, permission, or interest of any kind in this Report is intended to be given, transferred to, or acquired by a member. Each member is authorized to use this Report only to the extent expressly authorized herein.
2. Each member shall not sell, license, republish, or post online or otherwise this Report, in part or in whole. Each member shall not disseminate or permit the use of, and shall take reasonable precautions to prevent such dissemination or use of, this Report by (a) any of its employees and agents (except as stated below), or (b) any third party.
3. Each member may make this Report available solely to those of its employees and agents who (a) are registered for the workshop or membership program of which this Report is a part, (b) require access to this Report in order to learn from the information described herein, and (c) agree not to disclose this Report to other employees or agents or any third party. Each member shall use, and shall ensure that its employees and agents use, this Report for its internal use only. Each member may make a limited number of copies, solely as adequate for use by its employees and agents in accordance with the terms herein.
4. Each member shall not remove from this Report any confidential markings, copyright notices, and/or other similar indicia herein.
5. Each member is responsible for any breach of its obligations as stated herein by any of its employees or agents.
6. If a member is unwilling to abide by any of the foregoing obligations, then such member shall promptly return this Report and all copies thereof to Advisory Board.



655 New York Avenue NW, Washington DC 20001
202-266-5600 | [advisory.com](https://www.advisory.com)