Ambulatory services help pull hospitals out of the red, but they get no respect

Despite explosive growth during the 1980s, ambulatory services remain the Rodney Dangerfield of the hospital product portfolio.

Ambulatory surgery and diagnostics are the fastest-growing hospital-products, but they continue to be viewed as a means to an end-more inpatient admissions-rather than an important source of revenues and profits.

Part of the problem may be the information gap. The chief planner of a major investor-owned hospital system said in 1985, "My outpatient revenues have increased 500% in the last five years, and that's about all I can tell you. I can't tell you what services we've provided, how good a job we've done or even how much earnings those services have generated."

Yet without growth in outpatient revenues, his firm's financial performance would have been diminished significantly.

**The focus of the future.** Ambulatory services may well be the main event in hospitals of the future. Ambulatory diagnostic, surgical and treatment visits already constitute the majority of treatments in most hospitals and the vast majority in hospitals with fewer than 200 beds.

The explosion in diagnostic imaging - from magnetic resonance imaging to computed tomography - is producing far better diagnostic information in some cases than exploratory surgery or examination by flexible scopes. Complex cancer treatments, including radiotherapy and chemotherapy, are becoming predominantly outpatient services. Entire surgical specialties virtually have disappeared from the inpatient hospital, including ophthalmology, plastic surgery and gynecology. With advances in lithotripsy, urology quickly will follow. Technology and changing medical practice styles will permanently alter what we use hospitals for now.

**Innovative ideas.** Hospitals are making major capital investments in ambulatory services to anticipate these trends. An estimated one-third of the approximately $8 billion spent annually on hospital construction has been used for ambulatory facilities, including physician offices. Ambulatory facility construction probably will exceed 50% of total construction spending by the early 1990s. Meanwhile, a number of innovative ambulatory facility ideas are competing for management attention:

- The ambulatory services building, which combines physician office space with ambulatory diagnostic and treatment services on the hospital campus.

Elegant, new ambulatory services buildings recently opened at 451-bed St. Vincent Hospital and Medical Center, Portland, Ore., and 504-bed Baptist Medical Center, Oklahoma City. The latter facility was a joint venture with physicians. These facilities have succeeded in augmenting the physician staff on campus while providing state-of-the-art ambulatory services.

- The medical mall, which combines retail shops with ambulatory and health-related services, typically on the hospital campus.
These complexes are modeled after the successful development at 420-bed Humana Hospital-Medical City Dallas. Healthcare International will break ground this summer on a gigantic medical mall in Austin, Texas. The complex will comprise a 147-bed hospital, an eight-story physician office building and 150,000 square feet of commercial and retail space. Hospital Corp. of America is participating in almost 70 medical mall projects, many of which convert hospital space to man uses. The mall idea, while intriguing, rests on an assumed, but not proven, synergy between medical care and retail services.

- The integrated campus, which combines physician office space and ambulatory services on locations remote from hospitals. These typically are located in developing or medically underserved areas.

The Western Reserve Care System, Youngstown, Ohio, opened an integrated campus, the Beeghly Medical Park, in 1986. The campus includes physician offices, ambulatory surgical units, diagnostics units and community education facilities. A second development phase will bring birthing and an Alzheimer’s disease treatment facility. The Beeghly campus successfully shifted surgical market share in south Youngstown by concentrating local physicians on campus while avoiding high hospital overhead costs and providing services in a relaxed, park-like setting.

**Hospital evolution.** Experimentation with these new ideas may lead to the evolutionary successor to the contemporary hospital. The traditional hospital outpatient focus will be challenged in the next few years by the phase-out of cost reimbursement of outpatient care and capital payments by Medicare. These reimbursement changes may stimulate not only corporate and management separation of ambulatory services but also the growth of freestanding services.

The ambulatory healthcare market presents major opportunities for innovative healthcare managers and physicians to reposition themselves for heightened competition.