

# MILLENNIUM GROWTH STRATEGIES

## for Health Care

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## Annual Treatment Costs for Chronic Wounds Climb to Over Five Billion Dollars

Non-healing wounds affect an estimated 3 to 5 million Americans each year, with total annual treatment costs estimated from \$5 to \$7 billion. Clinically, chronic wounds may be associated with pressure, trauma, vascular insufficiency or disease, diabetes, or prolonged sedentary state. The treatment of chronic, open wounds is variable and costly due to lengthy hospital stays, specialized home care, skilled nursing care, and expensive supplies. And once a wound is healed, recurrence rates can be as high as 70 percent.

## Growth and Revenue Opportunities: Wound Care Centers

Patients seeking care for non-healing wounds often consult with multiple physicians, resulting in disjointed care. Typical treatment involves passive therapies including cleansing, dressing changes, and wound protection, none of which actively stimulate the healing process. These more traditional approaches to wound care may lead to poor healing outcomes that could result in amputation and costly rehabilitation.

Therapies are now available that, when provided in a coordinated fashion, can dramatically improve patient outcomes, reduce treatment costs, and generate incremental revenue. A wound care center may include an interdisciplinary team of physicians (e.g., primary care, vascular surgeons, plastic surgeons, podiatrists), nurses, nutritionists, physical therapists, and compression therapists. These professionals assess patients, develop a course of treatment, and provide therapies and treatments.

One wound center management company cites an 80 percent healing rate for patients who complete treatment with an average healing time of 10 weeks, after patients have spent an average of 7 months seeking treatment from other health care professionals. A key factor in this



### Benefits of Wound Care Centers

- Capture patients new to organization (one national management firm found that over 56 percent of wound care center patients were new to the sponsoring hospital)
- Diversification of revenue
- Better treatment outcomes than conventional approaches
- Enhanced physician relationships
- Early detection
- Improved healing rates
- Reduction in cost of resulting disability and risk of amputations

success rate is developing and adhering to clinical pathways, including case management, outcome management, and proven standards of care, to consistently produce cost-effective clinical outcomes.

Wound care center patients use a variety of services, including

- Diagnostic testing, such as vascular studies, Doppler ultrasounds, lab work, and MRI
- Surgical services including revascularization, plastic/reconstructive surgery, and skin grafting
- Rehabilitation and nutritional counseling
- Durable medical equipment, such as compression bandages and elastic wraps

Several new treatments have been introduced in recent years that offer

additional promise and revenue opportunities for effective wound treatment. Hyperbaric oxygen therapy, which involves breathing pure oxygen at greater than atmospheric pressure, promotes healing by enhancing oxygen delivery to tissue. Innovative wound healing drugs and tissue-engineered skin are also gaining prominence in treatment plans.

A multihospital system located in a metropolitan area in the Southeast opened an outpatient wound care center four years ago. The center averages 280 patient visits a month, and its nurses conduct another 680 visits per month to inpatients. In 1999, this program realized a 5 percent operating margin on total revenues of \$1 million.

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In addition to this revenue, the system also benefits from referrals such as additional testing, surgery, and rehabilitation. Six months ago, the system opened a second wound center and has experienced significantly higher volume than anticipated (440 visits per month). Both centers were developed at the request of physicians specializing in wound care who were interested in offering more cohesive services to their patients.

As with most outpatient services, APCs have affected payment for wound care services. Patient supplies (e.g., dressings, bandages) are now included with APC payments and cannot be billed separately. The impact of this change on wound care centers is still being assessed, but at minimum will require increased emphasis on cost-effective care.

Given the number of Americans affected by non-healing wounds and the costs of their care, organizations that develop well-coordinated wound care services can improve patient outcomes and reduce overall health care costs while enhancing physician relationships and diversifying revenue streams.



For more information on wound care centers and other growth and revenue enhancement opportunities, please contact one of our directors:

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