

# managing the margin

...strategies for generating new revenue and controlling costs

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## FEATURED FOCUS

# Bariatrics: Market Share and Revenue Opportunities

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In today's challenging healthcare environment, hospitals are searching for new clinical programs to build market share and increase revenue. One of the most promising to emerge in recent times is bariatrics, a cutting-edge field that focuses on treating the surgical, medical, and psychological needs of the obese population. The prevalence of obesity in the United States has increased steadily over the past 30 years, and the treatment of obesity has become a top national health concern. Hospitals willing to make the necessary investments in special equipment, staff training, and care management processes can build revenue while addressing a critical health need in their communities.

## Defining the Problem

Obesity presents a serious, far-ranging health problem. About 60 million adults in the United States are obese and nine million are morbidly obese, according to the latest National Health and Nutrition Examination Survey by the Centers for Disease Control and Prevention. (Clinically, obesity is defined by a body mass

index [BMI] greater than 30 kg/m<sup>2</sup> and morbid obesity by a BMI of more than 40 kg/m<sup>2</sup>.) Also, more than 30 medical conditions are associated with obesity, including diabetes, hypertension, cardiomyopathy, asthma, and sleep apnea. Annually, direct healthcare expenses of more than \$100 billion and an estimated 62.7 million physician office visits are related to the treatment of obesity conditions.

Nonsurgical treatments have had limited success in helping the obese achieve sustainable weight loss. The use of gastric bypass surgery to treat obesity occurred as early as 1966, and it remains the standard of care today.<sup>a</sup> Individuals with a BMI above 40 are potential candidates for surgery, according to the American Society for Bariatric Surgery (ASBS), as are those who have high-risk obesity-related illnesses and a BMI between 35 and 40. About 5 to 10 percent of qualifying patients are ruled out as candidates for the surgery, primarily for health prob-

a. Mason, Edward Eaton. "Obesity Surgery," *International Bariatric Surgery Registry Newsletter*, Summer 2001, 16:2.

lems that increase surgical risk and psychological problems or eating disorders that will complicate weight-loss efforts following surgery.

## Meeting the Demand

Nearly 60,000 people had weight-loss surgery in 2002, an increase of 50 percent over 2000 and nearly four times as many as in 1992, according to the ASBS. This significant growth in volume has been driven in part by the more frequent use of minimally invasive surgical techniques.

Hospitals of all sizes, including small and medium-sized community hospitals, are developing bariatric surgery programs. In 2001, at least 300 hospitals had fully integrated programs, and another 150

to 200 hospitals had some elements of a full program in place. Membership in the ASBS has more than doubled since 2000 and now includes at least 500 surgeons. A program typically has one or two surgeons, with annual procedure volume between 200 and 300 cases. Higher volume programs might perform 600 to 1,000 cases each year.

The demand for bariatric surgery continues to exceed the capacity of existing programs. In some markets, patient wait lists are six to 18 months long. The national average is about eight months. According to one estimate, the market potential for a single bariatric surgeon is at least 15,000 prospective patients, assuming 800 surgeons and 13 million people with a

## Bariatric Surgery Outcomes

- Major Complication Rate (nationally): 10 percent
- Mortality Rate (nationally): 1 percent
- Leak Rate (postsurgery): 1 to 2 percent for a high volume program
- Wound Infection Rates: Below 5 percent
- Length of Stay (open surgery): 3.5 to 4.0 days
- Length of Stay (laparoscopic surgery): 2.5 to 4.0 days

Source: *International Bariatric Surgery Registry; Health Care Strategic Management*

BMI above 35.<sup>b</sup> Further evidence of the unmet demand for bariatric surgery is that fewer than 5 percent of persons with a BMI above 35 underwent weight loss surgery in 2002.

Well-established, high-volume programs frequently draw patients from well beyond their typical service area. At some organizations, out-of-state patients account for up to 50 percent of bariatric surgery volumes. Therefore, a successful bariatric surgery program can enhance an organization's profile and reputation throughout a broad geographic market.

Hospitals should expect to spend up to a year establishing an integrated bariatric surgery program once a qualified surgeon/medical director is in place. It is likely to take an additional two years of experience before the program is running smoothly. Recruitment of surgeons qualified in bariatric surgery is expected to become increasingly difficult as the number of programs continues to grow. Capital requirements may be as low as \$100,000, although costs vary by how much equipment has already been purchased to treat obese patients for other conditions.

### Examining Revenue

Charges for a bariatric surgery procedure typically range from \$15,000 to \$30,000, including surgeon's fees of about \$5,000. The specific procedure performed and

whether it is done laproscopically or with an open incision are two factors accounting for the variation. In well-designed, integrated programs, hospital costs for the care of a bariatric surgery patient and follow-up visits have been estimated at less than half of paid charges. Successful programs can earn a return on the initial investment within a few years and then contribute significantly to the bottom line as the program matures.

Payment is not without its challenges, however. Private insurers pay for nearly 80 percent of hospital bariatric surgery cases, although some plans limit coverage to specific procedures or locations. Medicare and Medicaid both cover bariatric surgery procedures. However, the approval process is quite intensive. Also, state insurance regulations vary widely.

### Planning for Success

For a successful bariatric surgery program, hospitals need:

- **Physician champions.** Most programs are started because one or more surgeons work to gain the support of hospital administration. Commitment to the treatment of obesity is key because a surgeon's compassion and bedside manner are as important to prospective patients as his or her surgical skills.
- **Clinical training.** Physician members of the ASBS must be surgeons who are diplomates of the American Board of Surgery or fellows of the American College of Surgeons (ACOS). Surgeons who

are not board certified or are new to the field should have surgical affiliate membership status in the ASBS. The ACOS also recommends that surgeons understand the medical complexities associated with morbid obesity, have educational and long-term patient management skills, and possess patient screening experience.

- **Dedicated staff.** A full-time bariatric surgery team might comprise five to 25 people depending on the size of the program. In addition to the surgeon(s), this multidisciplinary team might include nurses, a nutritionist, a dietician, a social worker, an exercise physiologist, anesthesiologists, and psychiatrists. This staff, which plays an active role in screening patients, performing the procedure, and delivering inpatient and follow-up care, often volunteers or is hand-picked by the medical director.
- **Care protocols.** Having specific protocols in place for postsurgical patient care, infection control, and resuscitation of obese patients improves the quality of care delivered, lowers complication rates and patient mortality, and reduces the length of stay.
- **New culture.** All hospital employees who routinely interact with bariatric surgery patients should participate in training and in-service sessions to learn how to treat obese patients with compassion and understand their specific needs.
- **Equipment.** Capital investment includes the

purchase of special equipment that is capable of accommodating patients who weigh up to 750 pounds. Specific items include tables, equipment and instruments in the operating room, diagnostic equipment, beds, stretchers, chairs, commodes, and wheelchairs.

- **Commitment to follow-up.** Involvement of the surgeon and program staff does not end with the patient's discharge from the hospital. The first of seven follow-up visits with the surgeon occurs one week after the patient goes home with the remainder scheduled over the first post-surgical year. Yearly exams occur thereafter, especially when the surgeon participates in the International Bariatric Surgery Registry that tracks long-term results. Patient participation in hospital-sponsored support groups also is important.
- **Marketing.** Organizations with bariatric surgery programs typically sponsor monthly seminars for those who are interested in being evaluated for the procedure. The number of seminars held will vary with the size of the program. Typically, the frequency ranges from one or two per month to eight or 10 per month. Often, 80 percent of those attending the seminars will become patients.<sup>c</sup> Virtually all bariatric programs attract a significant percentage of their new patients through referrals from

b. Alt, S. "Market Memo: Bariatric Surgery Programs Growing Quickly Nationwide." *Health Care Strategic Management*, September 2001, 19:9.

c. "Market Memo..."

# Case Study: Bariatrics at AtlantiCare

AtlantiCare celebrated the first anniversary of its first procedure at the Center for Surgical Weight Loss & Wellness, part of the system's Atlantic City Medical Center (ACMC), early in March 2003. However, the critical first step toward this progress occurred several months prior to that initial surgery when physicians approached the administration to secure support. Once management agreed that a bariatric surgery program was strategically worthwhile, additional investments in time and resources were made.

A team of six individuals from ACMC (two surgeons, an anesthesiologist, a registered nurse manager from a medical-surgical unit, an RN from the operating room, and a surgical technician) received specialized training in program management, patient care, operating room processes, and the state-of-the-art surgical technique at a long-standing bariatric surgery program in California.

Upon their return, ACMC began the necessary facility renovations to accommodate morbidly obese patients and purchased advanced minimally invasive laparoscopic equipment and a robotic arm. Key elements of the program's infrastructure were also put in place during this time. Staff identified healthcare professionals within the organization with a sincere commitment to working with bariatric surgery patients, and held several extensive training sessions. Factors key to the program's success were:

- **Strong program develop-**

**ment.** All of the major elements of an integrated bariatric surgery program were in place before the first procedure was performed. Achieving a successful outcome requires an exceptionally skilled surgeon to perform the procedure, a thorough screening process, and individualized postsurgical support.

- **Strict screening criteria.** All surgical candidates must meet the body mass index and comorbidities (diseases

patients to lose at least 10 percent of their excess body weight prior to surgery. For most patients, this request is simply to demonstrate their commitment to their new lifestyle after surgery. However, patients with a BMI of more than 50 must also lose weight so that laparoscopic instruments can be used.

- **Comprehensive patient orientations.** One week prior to surgery, patients tour the unit; meet the

physicians, local payers, and the public. ACMC is also working to reduce the length of time that patients spend getting approved for surgery, focusing particularly on streamlining the multidisciplinary evaluation process.

## Future Growth

ACMC currently performs two procedures per week. Its goal is 200 patients, or four procedures per week. More than 130 people are scheduled to attend an educational seminar in April (typically, 90 percent of attendees follow up with the surgeon to continue on the path to surgery). About 50 patients are in the diet and exercise management stage of the process, and another 50 patients are about to begin their formal evaluations prior to surgery.

The program's rigorous screening process is one reason the number of procedures performed each week has not increased more quickly. Patients cannot schedule the procedure until all presurgery requirements have been met.

Primary tools for marketing the program have been physician and patient referrals, AtlantiCare's web site, public relations programs, educational television programming, and brochures in physician offices. In the future, ACMC plans to expand its focus on community education related to obesity, including improving health and wellness for children and their families. ■

## AtlantiCare

### Service Area:

New Jersey's Atlantic County, northern Cape May County, and southern Ocean County. The bariatric program attracts patients from across southern New Jersey.

### Organizational Status:

Not-for-profit and privately owned

### Hospitals:

Atlantic City Medical Center (ACMC) has two divisions – the City Division, located in Atlantic City, and the Mainland Division, located in Pomona, 12 miles west of Atlantic City.

### Licensed Hospital Beds:

581

related to obesity) criteria established by the National Institutes of Health. ACMC also conducts a comprehensive assessment to evaluate medical history, age, extent of disease burden, and whether additional evaluations by a cardiologist, pulmonologist, gastroenterologist, or endocrinologist may be necessary. Patients also undergo a psychiatric evaluation because of the significant life change that occurs following the surgery.

- **Demonstrated patient commitment.** Staff asks

physical therapy, dietary, and pulmonary staff; and learn what to expect during recovery. The goal of these sessions is to educate patients and reduce their fear of the unknown.

## Challenges

No significant challenges arose during the development process, and system leadership has continued to be supportive. Currently, ACMC is working hard to build awareness of the program and communicate the proce-

former patients, so word-of-mouth publicity is important. Networking among bariatric surgery candidates and post-surgery patients is widespread, and the Internet is a crucial link. In bulletin boards and chat rooms, patients

educate themselves about what to expect, compare notes on surgeons, discuss the service they received, and share success stories. A comprehensive web site and participation in the Association for Morbid Obesity support

are other valuable marketing tools. ■

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