

# MILLENNIUM GROWTH STRATEGIES

## for Health Care

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### Aging and Growing Population Increases Demand for Fitness and Wellness Services

Within the next five years, 35 percent of the United States population (in excess of 100 million people) will be over the age of 45 and could benefit from medically supervised health promotion and wellness services. Medically integrated fitness centers have been emerging to help meet this growing demand. According to the 2000 edition of the Medical Fitness Association's *Industry Guide*, there are currently over 550 such facilities in the United States and Canada, double the number in existence 10 years ago, with approximately 70 percent classified as not-for-profit. In the aggregate, these centers generate more than \$500 million in annual revenue.

### Growth and Revenue Opportunities: Medically Integrated Fitness Centers

**M**edically integrated fitness centers are a natural extension of the continuum of care because of the demonstrated physical and mental health benefits of exercise and wellness/prevention programs. Hospital-based or hospital-affiliated medical fitness centers differ from commercial fitness centers (e.g., Bally's, Gold's Gym, etc.) in several ways because they typically

- Tailor services and products to meet the needs of people not commonly attracted to commercial centers, largely those 45 years of age and older.
- Offer a higher staff to customer ratio, with staff members having higher levels of professional training and credentials.
- Provide structured, medically supervised fitness programs that focus on health improvement and wellness rather than weight reduction and bodybuilding.

As health care providers seek to generate additional revenue by expanding their continuum of services and becoming more accessible to the community, a variety of financing options and ownership structures have

emerged for medical fitness centers. Hospitals and systems may develop the centers independently or jointly with physicians. Outside firms may be retained to manage the centers or fulfill the role of joint venture partner with management responsibilities.

Joint venture relationships with outside firms feature both advantages

and disadvantages. Access to capital through a partner who is experienced in the management and development of fitness centers can facilitate easier entry into a growing market. But involving outside firms can also lead to decreased hospital or system authority and philosophical differences between the partners. [continued on next page](#)



### Strategies for Medical Fitness Center Success

- Ensure a significant medical service component is represented (e.g., physical and cardiac rehabilitation, sports medicine, pre- and post-natal exercise, stress management, weight management, smoking cessation, and other health promotion services)
- Package services that are targeted to the needs of niche populations (e.g., age 55+, women, etc.) to create a distinct image
- Communicate regularly with area physicians and other health care providers to ensure a collaborative approach to health improvement
- Solicit input and feedback from employers, insurance companies, and other organizations on the quality of service and new service development
- Host workshops with hospital and other health educators
- Develop a variety of membership options and launch member retention campaigns

A midwestern health system with two acute care hospitals owns and manages two fitness centers, manages seven other centers, and operates three centers for their employees. The centers have over 200 full- and part-time employees, generate more than \$8 million in annual revenue for the health system, and are expected to generate a positive contribution margin of \$300,000 this year. Within three years, the system expects the fitness centers to generate a contribution margin of \$800,000.

Developing medical fitness centers is an anticipatory strategy that can create numerous benefits for health care organizations. Organizations that have made medical fitness centers a key component of their continuum of care have benefited from increased exposure for the sponsoring hospital or system, diversified revenue sources, improved financial performance, and new and unique relationships with consumers, employees, physicians, and local businesses.



For more information on medically integrated fitness centers and other growth and revenue enhancement opportunities, please contact one of our directors:

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