

2020 Orthopedic Market Outlook and Implications for Orthopedic Practice Management



Today, orthopedic surgeons in the U.S. face mounting uncertainties, revenue and income pressure, and new barriers to treating patients with traditional methods. While healthcare reform remains an unknown, market consolidation, diminishing profit margins, opioid legislative changes, and an aging baby boomer population are changing the face of orthopedic medicine.



30-35%
reduction in
reimbursements under the
Affordable Care Act



10-210
oxycodone pills prescribed for
common orthopedic procedures –
widely varying protocols



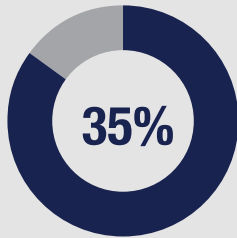
21-29%
of patients prescribed
opioids for chronic pain
misuse them

200M

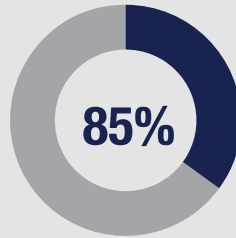
new patients per year

2x

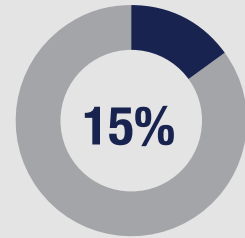
the number of Americans
age 65+ by 2030



of opioid prescriptions are
for orthopedic patients



of orthopedic patients
are non-surgical



growth per year in
outpatient market

Orthopedic surgeons are under increasing pressure to improve patient care while maintaining profitability. Changing patient demographics and caseloads, an increasing percentage of patients whose conditions are chronic and non-surgical, combined with the shift to improved transparency and online physicians' reviews, will lead many orthopedic surgeons to seek new treatment protocols for improved outcomes and an improved patient experience.

Top four trends impacting orthopedic practices are:

1. Aging baby boomer population will increase demand for joint pain solutions
2. Shift to outpatient procedures and ambulatory centers
3. Alternatives to prescription pain relief in the age of the opioid crisis
4. Healthcare reform and declining reimbursements leading to margin pressure

1

Aging Baby Boomer Population Will Increase Demand for Joint Pain Solutions



While non-operable conditions already make up 85% of orthopedic patient complaints, this number is anticipated to grow as the baby boomer generation advances in age. With the number of Americans over the age of 65 predicted to double by 2030, this will significantly change the makeup of most orthopedic practices. Joint replacements have seen a tremendous growth rate since the beginning of baby boomer retirement, but non-surgical candidates suffering from conditions such as osteoarthritis, sciatica, lower back pain, and epicondylitis are expected to increase at the same pace.

The need for new treatment protocols for chronic, non-operable pain management is a significant driver for orthopedic practices to consider laser therapy and other technologies that offer both pain relief and an opportunity to generate new revenue.

2

Shift to Outpatient Procedures and Ambulatory Centers

While orthopedics has long been viewed as a cash center for hospitals, an increasingly complex and often adversarial relationship has developed between physicians and hospital administrators. The following trends demand improved collaboration and new employment models between physicians and hospitals:

- Market consolidation—small practices are particularly targeted for acquisition
- Shift to outpatient or ambulatory care centers—15% or more growth per year
- Increasing overhead due to regulatory demands due to legislation like the Health Insurance Portability & Accountability Act
- Changing expectations for work-life balance

While acquiring small practices may provide hospitals with an opportunity to better leverage infrastructure and create a strategic advantage, orthopedic physicians wishing to remain independent must consider new revenue streams to improve patient care and differentiate themselves in the marketplace.



3

Alternatives to Prescription Pain Relief in the Age of the Opioid Crisis

Orthopedics represents a substantial portion of opioid prescriptions in the United States, for both postoperative pain management and chronic conditions.

Studies of opioid prescribing patterns following surgical procedures show that in 61% of the cases, participants reported unused opioid medication, suggesting widely disparate prescription practices.

Wide variety in prescription practices

	Median	Range
Total hip arthroplasty	90 oxycodone 5 mg pills	20-300 pills
Total knee arthroplasty	90 oxycodone 5 mg pills	10-200 pills
Endoscopic carpal tunnel release	80 oxycodone 5 mg pills	18-100 pills
Lumbar decompression	80 oxycodone 5 mg pills	10-270 pills

Risk of managing unused pills

Only 41% of patients reported appropriate disposal of unused pills, creating risk of illegal prescription drug use.

Florida's new legislature limiting opioid prescriptions to three days for acute pain seems to be the first of many states' laws controlling opioid prescriptions. The call for new pain management techniques and tightening prescription protocols will drive change in orthopedic practices in 2020.

The U.S. Department of Health and Human Services and the National Institute of Health have prioritized the improvement of treatment practices for pain management cases. This will spur improved protocols, medical device and drug innovation and improved adoption of existing FDA-approved therapies for pain.

The orthopedic market has long relied on opioid prescription medication in treatment of both surgical and non-surgical cases, and with an increase in long-term chronic conditions due to an aging population, new protocols are a top priority.

MLS® Laser Therapy is FDA cleared for inflammation and pain associated with:

- Osteoarthritis of the knee
- Rotary tears
- Sciatica
- Lower back pain
- Epicodolitis



4

Healthcare Reform and Declining Reimbursements Leading to Margin Pressure

While the 2010 Affordable Care Act kicked off a decade of uncertainty, dismantling the act under the current administration seems to continue the era of market paralysis, increased competition, margin pressures and practice management complexity.

Initial legislative changes appear targeted at young, working consumers, continuing the trends toward:

- Patients as educated consumers
- Expanded coverage options
- Escalating healthcare costs for both patient and physician

The increased transparency around costs and insurance complexities are causing many patients and physicians to consider cash-based modalities. Individual behaviors may lead the way for a broader healthcare transformation focused on customer value, not just cost, taking outcomes into consideration. Integrated coverage and care, like that provided by Kaiser Permanente to its 12M policy holders, is one step away from the traditional constructs and toward consumer-centric models.

Change is not fast—but it's driving profit margin pressures right now. Orthopedic practices with growing overhead and shrinking reimbursements must improve margins, often in two primary ways:

Streamline medical device product lines, to cut training and purchase costs; streamline billing practices to improve cash flow; streamline practice base to create sub-specialty; streamline non-value-add time to improve quality of time spent with patients.

Expand locations; offer new treatment protocols, particularly those that offer cash revenue opportunity. New pain management therapies can provide a viable alternative to pharmaceuticals and bring revenue back into the practice. In the case of MLS therapy, orthopedic practices could realize in excess of \$200,000 per laser, per location.

As orthopedic practices have worked to streamline operations and reduce expenses over the last decade, expansion of treatment options offers the most viable means of driving profit margins in today's practices.

Conclusion



With an escalating patient load, shrinking margins, and pain management limitations due to changing legislature, orthopedic surgeons will look to innovate and differentiate their practices to serve the Baby Boomer market and improve patient experience.

Considering laser therapies for improved outcomes and revenue stream?

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