Hospital-at-Home Economics: Value Creation

Much of the value derived from a Hospital-at-Home program relates to the patient experience and clinical efficacy of the model. However, Hospital-at-Home also presents opportunities for significant economic value to an organization. While Hospital-at-Home will not fully replace facility-based care for all conditions and services, its primary financial value is transitioning the appropriate care to a less costly setting, obviating more intensive, high-cost hospital-based acute care services that don't require these fixed assets. The business case for Hospital-at-Home, therefore, can be summarized by a simple equation:

Reimbursement Reduction

Incremental H@H Costs

Examples
- Hospital OpEx reduction
- Capital avoidance
- Cost arbitrage on case rates
- Higher acuity backfill

Examples
- Commercial discounts
- MA rate reduction
- 30-day bundles

Examples
- Dispatched care team
- Command center and RPM
- Courier services
- Patient and provider transport
- Program management

Although the incremental costs of Hospital-at-Home and potential reimbursement reductions have an impact to the economics of the program, the **value creation opportunities** (when effectively targeted and achieved) **unlocked by establishing the home as a site of care far supersede any drawbacks**.

Value Creation

There are a variety of value creation opportunities that a health system can pursue with Hospital-at-Home. The degree of impact will vary by organizational context. For example, a large Academic Medical Center facing capacity constraints might see their Hospital-at-Home program decant lower acuity cases to make room for complex cases that require advanced inpatient facilities. Similarly, an organization focused on Length of Stay (LOS) reduction may find re-bedding at home as an effective strategy to drive utilization patterns. Organizations looking to understand the enterprise impact of a Hospital-at-Home program should array these value drivers and quantify the expected impact via business case development.

Example Value Driver Hypotheses to Evaluate in a H@H Business Case

Value Driver	Hypothesis	Lever	*Illustrative* Impact
Capital Avoidance	Increasing capacity for acute-level care could obviate the need to build/acquire beds	CapEx Avoidance	$$$
Reduced LOS/ Ancillary Utilization	Reducing LOS and avoiding unnecessary utilization is an effective lever for hospital operators to find cost efficiencies (at scale) and perform against case-rate reimb.	OpEx Arbitrage	$$
Improved Pay-for-Performance	Improving cost and quality outcomes could drive VBC results – e.g., reduced readmissions, TCOC bundles, incentivized patient satisfaction, value-based purchasing	Incremental Revenue	$$
Backfill High-Acuity Cases	Decanting IP beds creates capacity for backfill of higher-acuity cases	Incremental Margin	$$
H@H Standalone Profitability	Requires sufficient scale to break-even on initial investment and operations, accounting for potential duplicative costs for current bricks-and-mortar operations	Incremental Revenue	?
Inpatient Cannibalization w/ Duplicative OpEx	Decanting hospital volumes to lower-cost setting in the home may yield lower overall revenue (all else being equal) and duplicate operating expenses (e.g., nursing)	Margin	⚠
New Revenue Streams	H@H infrastructure enables expansion into new lines of business (e.g., tele-ICU, mobile diagnostics, RPM, end-of-life care, differentiated care models)	Incremental Revenue	$
Hospital Partnerships	H@H infrastructure enables extension of capabilities to other hospitals/ health systems (e.g., rural hospitals, safety nets)	Incremental Revenue	$

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Depending on their situation, health systems may also choose to prioritize evaluating several other potential value creation opportunities (e.g., the impact to patient acquisition and retention from enhanced patient experience and market perception) that might be less direct or more difficult to quantify. It is important to not lose sight of these benefits, though, when considering the strategic imperatives for building an offering.

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