The Governance Institute

BOARD BRIEFING

Why a busy clinic can bring in less revenue

A change in payment can alter the return on care patients still need.

5–6 MINUTE READ

In This Briefing

A hospital-owned clinic could attract the patients expected in its plan while receiving less for affected services. The explanation lies in payment rules as well as demand. Location, expenses, and the share of care covered determine the possible effect.

About Board Briefings

Board Briefings offer deeper explanations of healthcare issues and their implications for governance. Each includes a practical example, authoritative sources, and key questions to support informed board discussion.

What Happened

On September 29, Elevance Health announced new policies to verify where hospital services are delivered and apply the relevant off-campus rates to specified care away from the main campus. The insurer plans to introduce individual policies across its businesses during 2026 and 2027. (1)

For affected clinics, the announcement could change what care earns without changing patients' need for it. The scope matters: this is one insurer's approach to certain services, not a reduction in every hospital outpatient payment.

The Issue, Explained

A patient visits a clinic several miles from a hospital. The hospital's name is on the door, and the hospital owns the service. But the visit takes place away from its main campus. Ownership and location are different facts, and payment rules can depend on both.

Outpatient care includes appointments and procedures without an inpatient admission. A hospital may provide that care on its main campus or at another location. Its ownership does not guarantee that every service receives the same payment in both places.

Elevance says it will require hospitals to identify the physical place of care, check that information against hospital addresses, and apply off-campus rates in specified circumstances. It also addresses certain laboratory work performed elsewhere. The company describes billing accuracy and affordability as its goals, not benefits already demonstrated for every patient. (1)

For a clinic, revenue depends on how much care is provided and what is received for each service. More visits create more opportunities for payment. If the average payment falls enough, however, the extra appointments may not replace the revenue lost.

Those extra visits also need resources. More nursing time, supplies, or space can raise expenses. A clinic might receive less revenue overall, or it might receive more revenue but retain less after expenses. Neither outcome is visible from the appointment book alone.

The share of visits affected matters as much as the rate. A policy may reach only selected services or insurance plans. Applying it to every visit would exaggerate the effect, while a small systemwide average could conceal a substantial change for one important service.

The Issue, Explained (continued)

The change also arrives in stages. A policy notice alters expectations. A forecast estimates the possible effect. Later, actual claims and payments show what happened. An announced risk and a financial loss already recorded are not the same finding.

The original investment plan assumed particular demand, payment, expenses, and access benefits. A clinic that sees the expected patients but receives less per visit has a different financial pattern from one with fewer visits than anticipated. Payment changes, service use, and costs may also change together.

The clinic may still make care easier to reach or support a wider program. Those benefits remain relevant if payment changes, alongside the resources needed to continue providing them. Actual payments and operating results will show more than the announcement alone about the commitment required.

A Practical Example

A hypothetical clinic receives $200 for each of 1,000 visits, generating $200,000. In the next period, visits increase to 1,100 but average payment falls to $170. Revenue is now $187,000. The clinic has 10% more visits and $13,000 less revenue.

Now suppose only 200 of those 1,100 visits receive the lower payment. The other 900 still receive $200. Revenue becomes $214,000. The same $30 rate difference produces a different total because fewer visits are affected.

These are illustrative rates, not Elevance’s actual payments or a forecast. The calculations exclude expenses and the value of improved access. They show why both the payment difference and the share of care affected determine the revenue result. Patient demand alone answers neither question.

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Governance Implications

A clinic expansion rests on expectations about patient demand, payment, costs, and access. Patients arriving as expected support one part of that plan. A different payment rate can change another part without establishing whether the investment as a whole is meeting its objectives.

Financial results may reflect changes in reimbursement, service use, operating expenses, or several factors together. Their relative effects matter when considering further expansion or continuing support. An announced policy is not evidence of a loss at every clinic, and patient volume alone does not establish the return.

Management evaluates contracts and operates the services. The board reviews major investments, affordability, and access commitments. A clear account of what has changed supports those different responsibilities. The continuing question is what care the clinic provides and what resources that care requires under the payments it receives.

Questions for the Board

1. **When reviewing an outpatient investment:**
   How have patient demand, payment per service, and operating costs changed from the investment plan?

2. **When assessing a payer policy change:**
   Which services and plans are affected, and what is forecast rather than already reflected in payments?

3. **When considering further outpatient commitments:**
   What do the revised financial and access expectations mean for major outpatient commitments?

Sources & Further Reading

1. Elevance Health. New Policies To Improve Billing Transparency and Help Lower Health Care Costs. September 29, 2026. A policy announcement, not measured results for each clinic or patient.

Board Briefings provide governance education and do not constitute legal, clinical, accounting, or investment advice.