Blue Chip Partners Surgery Centers

# Implement Spine to Drive Higher Performance of Your Surgery Center

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## Surgery Center Industry Challenges

- Obamacare? ACO's?
- Mild Case Volume Growth
- Flat facility reimbursements
  (Medicare increase of 1.6% in 2012… 0.2% in 2011)
- ½ of ASC's are marginally profitable or worse
- Physician Medicare reimbursement cut by 30% in 2012 or 2013?
- Sizeable % of MD's employed by the hospital



## Recognize the Challenges

- Business planning and projections
- Surgeon selection/syndication
- Anesthesia
- Staffing, team-building, crisis training
- Processes and training
- Pay attention to the details
  - Case costing
  - Contracts & EOBs
  - Direct access scheduling

## Why Spinal Surgery?

- More than 65 million Americans experience low back pain every year, and 80% of adults experience low back pain sometime during their lifetimes.
- The medical costs for treating back pain in the US approach $25 billion each year. The cost to the economy is about $85 billion each year, including medical care and loss of productivity.
- Spine surgeons have not yet invested in ASC's!

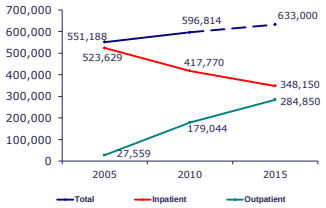
### Minimally Invasive Spine Surgery (MIS)

- With the minimally invasive approach, the procedure has become less traumatic and leads to less pain, shorter hospital stays and recovery times.
- The potential for minimally invasive spinal surgery can be seen in how the number of spine fusion procedures in the US exceed 500,000 per year.



## Spine is "Hot"

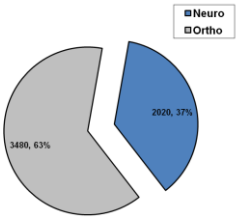
- 300+% growth of outpatient spine volumes




Note: Inpatient Spine Procedures defined on historical base of DRGs 4, 496-500, 519-520. Source: Solucient (Traditional) and NeuroSource/NeuStrategy, 2005

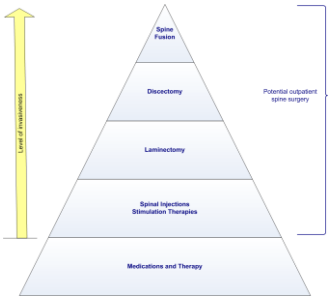


## Spinal Surgeon Breakdown by Specialty



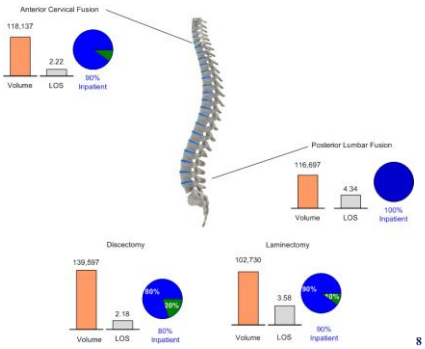

There are approximately 5,800 spine surgeons in the US

## Trends & Drivers – Clinical






## Common Spine Surgery Procedures




The Advisory Board 2008

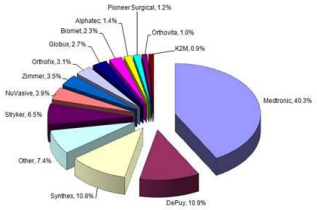


## Best Practices – Clinical

- Best procedures at the moment……
  - 63030 Single level lumbar laminotomy &/or excision of intervertebral disc
  - 63075 Single level ACDF
  - 63047 Lumbar laminectomy, facetectomy and foraminotomy
  - 63042 Redo One level lumbar laminotomy &/or excision of intervertebral disc
  - 63020 Single level cervical laminotomy &/or excision of intervertebral disc

## Challenges / Opportunities

- More difficult Reimbursement Policies
- Implants, supplies and instrumentation






## Trends & Drivers – Demographic

- Baby-boom bubble:
  - Overweight = increased potential of spine problems
  - Desire for "active" lifestyles
- Growing acceptance of outpatient surgeries
- Spine surgeon population remains relatively flat



## Trends & Drivers - Financial

- Declining physician reimbursement
- MRI and CT facility reimbursements falling
- Surgical Hospital development is dead
- Minimal regulatory risk - large number of ASC operating rooms across the country difficult to replace and….Medicare supports transition to ASCs
- ASC cost effective vs. hospital
- Solid profit margins on spine procedures

## Surgical Costs is 30-60% Less

| Lumbar Microdiscectomy | Inpatient | Outpatient |
|---|---|---|
| Procedure Cost | $7,000 - $24,000 | $3,500 - $11,500 |
| Length of Stay | 2 days | 3 Hours |
| Infection Rate | 1% | 0.25% |
| Patient Satisfaction | 88-94% | 98% |

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## Managed Care Spine Trends

- Eager to push lower acuity spine cases out of the more expensive hospital setting to ASC
- "Progressive" Insurers have been reimbursing specific ASC spine codes for 3-5 years
- Targeting high cost hospitals performing spine to stimulate development of ASC's
- Procedural reimbursement to include implants shifts risk to ASC
- Bundled payments?

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## Attracting Physician Interest

*Performing spine in a surgical center offers physicians opportunity to achieve important objectives*

- Increased practice volume.
- Improved professional experience / efficiency.
- Attractive ROI.
- Important recruiting chip for attracting prospective surgeons.
- A tool for professional collaboration – clinical and business.
- Managed Care will drive spine to lower cost setting.

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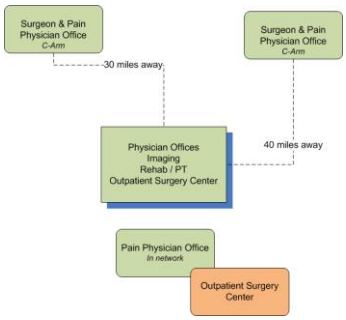
## Seed Region with Pain Physicians and Lease ASC to Pain Physicians

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## Integrate Spine in 5 Steps

1. Financial assessment & ROI model
2. Thorough review of Clinical Practice
   - Do surgeons have the cases?
   - Are relevant procedures being performed as outpatient in hospital?
3. Consider payer & benefit plan mix
   - Medicare, Workers Comp., HMO, PPO
4. Capital start-up costs: equipment, instrumentation
5. Case costing: average reimbursement per procedure

**A good plan, violently executed now, is better than a perfect plan next week.**
**George S. Patton**

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## 1. ROI Analysis– Business

- Financial model adding roughly 75 spine cases per spine surgeon to existing orthopedic ASC
  - Capture pain procedures… legally
- Figure an average of 200k in capital equipment investment to add spine specialty to existing orthopedic ASC
- Overnight stays allowed?

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## 1. ROI Analysis– Business

3 OR 1 Procedure Room Orthopedic ASC

- 3,000 outpatient ortho cases
- 2,000 outpatient pain cases
- 2 million debt
- 10,000 square ft at $22

Add 225 spine cases (3 spine surgeons)

- Margin Increase of 5%
- Profit Increase of 600k
- See Handout

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## 2. Clinical Practice

- Identify cases appropriate for ASC setting
- Does MD perform outpatient spine at hospital currently?
- Does patient need to remain overnight at hospital or does MD simply use this option due to ease?
- Anesthesia
- Start slowly and ramp up volume considerably
- 7:30 a.m. spine start
  - ACDFs always go first

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## 3. Contracting

- Concerns?
  - No groupers (not Medicare ASC approved)
  - Hospitals set the community pricing standards
    - Understand hospital reimbursements
  - In network vs. out of network
    - In network presents problem
    - Out of network increases leverage
  - Implants, Stimulators
- Opportunities?
  - Substantial procedural savings (Implants??)
  - Lower infection rates
  - No overnight stay
  - Bundled Payments?

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## 4. Capital Requirements

| | | |
|---|---|---|
| Mayfield Head Piece | 1 | $13,000 |
| Wilson Frames | 1 | $7,500 |
| C-Arm | 1 | $140,000 |
| X-ray aprons | 6 | $1,278 |
| Mobile Apron Rack | 1 | $435 |
| Extended Stay Stretchers | 2 | $8,000 |
| Video Tower | 1 | $40,000 |
| 2 view recessed x-ray box (2 per room) | 2 | $690 |
| Recliners | 2 | $3,000 |
| cervical retractor | 1 | $17,500 |
| ACDF instruments | 2 sets | $19,000 |
| Lumbar Laminectomy instruments | 2 sets | $18,000 |
| Basic Neuro Instruments | 3 sets | $14,000 |
| Lumbar retractor | 1 | $6,000 |
| | | |
| Microscope (refurbished) | 1 | $60,000 - $140,000 |
| BiPolar Cautery | 1 | $10,000 |
| HeadLights | 1 | $5,000 |
| Minimally Invasive Spine Surgery Instrumentation, Dilators and Disposables | 1 set | $35,000 |
| | | |
| Cervical implants & instrumentation | multiple sizes | n/c |
| | | |
| ADDING PAIN | | |
| Pain Table (refurbished) | 1 | $15,000 |
| Radio Frequency Generator (Pain) | 1 | $35,000 |
| | | |
| SUBTOTAL | | $388,403 |
| SALES TAX ADDED | 6% | $23,304 |
| SHIPPING CHARGES | 5% | $19,420 |
| TOTAL EQUIPMENT | | $431,127 |

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## 5. Case Costing

- Record supply expense for each case
- Calculate your average cost per OR minute using all expenses except supplies
  - $18 per minute average?
- Match reimbursement for case to determine net profit per case and sort by payer
- Identify opportunities to standardize or enhance "best practice"
- Review monthly

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## Questions?

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