

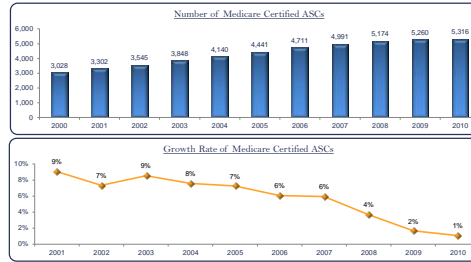
## Joint Ventures With Academic Medical Centers Challenges and Opportunities

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### ASCs are a Segment of the Healthcare Industry

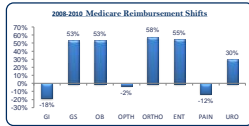
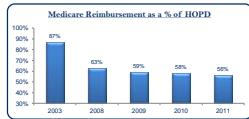


### Regent Facilities/Partners

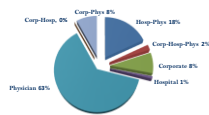
1. The Center for Specialized Surgery  
St. Mary, IL  
Partnership with St. Mary's Regional Medical Center
2. Surgery Center of Mount Zion  
Mount Zion, IL  
Partnership with Mount Zion Community Hospital
3. Peninsula Ambulatory Surgical Center  
Baltimore, MD  
Partnership with Peninsula Medical Center
4. Ambulatory Surgical Pavilion at Robert Wood Johnson  
New Brunswick, NJ  
Partnership with Robert Wood Johnson University Hospital
5. Endovascular Center of Central NJ  
East Brunswick, NJ  
Partnership with Robert Wood Johnson University Hospital
6. Marvella Surgery Center  
Marvella, OH  
Partnership with Marvella Memorial Hospital
7. Knightbridge Surgery Center  
Columbus, OH  
Partnership with OhioHealth
8. Medical Center at Elizabeth Place  
Dayton, OH  
Partnership with Kettering Health System
9. Pulse Surgicenter  
Pulse Heights, IL  
Partnership with Pulse Community Hospital
10. Midland Surgical Center  
Tomball, IL  
Partnership with Midland Community Hospital
11. Illinois Sports Medicine and Orthopedic Surgery Center  
Morton Grove, IL  
Partnership with Midland Community Hospital
12. Revere Way Surgery Center  
Glenview, IL  
Partnership with Midland Community Hospital
13. The Center for Ambulatory Surgery at Swedish Covenant  
Chicago, IL  
Partnership with Swedish Covenant Hospital
14. The Center for Special Surgery Texas  
Center for Ambulatory  
San Antonio, TX  
Partnership with Swedish Covenant Hospital
15. Southern New Mexico Surgery Center  
Albuquerque, NM  
Partnership with Swedish Covenant Hospital
16. Cheyenne Surgical Center  
Cheyenne, WY  
Partnership with Swedish Covenant Hospital
17. Summit Surgery Center at Saint Mary's Valencia  
St. Mary, VA  
Partnership with St. Mary's Regional Medical Center
18. Surgery Center of Reno  
Reno, NV  
Partnership with St. Mary's Regional Medical Center
19. Advanced Surgery Institute  
Santa Rosa, CA  
Partnership with St. Mary's Regional Medical Center
20. Lodi Outpatient Surgical Center  
Lodi, CA  
Partnership with Lodi Memorial Hospital
21. Endovascular Center of Lodi  
Lodi, CA  
Partnership with Lodi Memorial Hospital
22. Surgery Center of Anchorage  
Anchorage, AK  
Partnership with Lodi Memorial Hospital
23. Neurosurgery Institute at Hermitage Medical Clinic  
Dublin, Ireland  
Partnership with Hermitage Medical Clinic
24. CyberKnife Ireland  
Dublin, Ireland  
Under Development



## Reimbursement and Ownership Dynamics



2010 ASC Ownership Breakdown



### Commentary

- Over 90% of ASCs have physician ownership
- Approximately 20% of ASCs have a hospital partner
- Reimbursement shifts in recent years
- Evaporation of Out-of-Network reimbursement

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## Why Academic Medical Centers Are Electing To Pursue Ambulatory Surgery Center Partnerships

- Healthcare reform, or the threat thereof, has heightened everyone's awareness as to the need to review current business models and determine ways to create "strategic alliance" not only with the faculty physicians but the larger medical community.
- Academic medical centers are disadvantaged as it relates to competing on both price and patient satisfaction and will require alternate delivery models.
- Appreciably higher payments for cases with the hospital contracting model which "lessens" the financial impact of cases migrating off campus.
- With less new surgery centers being developed in a market, academic centers can acquire existing ASC's as a means to gain market share.
- Alliances with the larger medical community are a means to diminish the "town/gown" conflicts of the past and create sustainable referral relationships for tertiary care referrals.

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## Why Academic Medical Centers Will Utilize a Third Party To Implement An ASC Strategy

- Academic Departments are complex and politically charged organizations.
- Hospital requires an independent third party to facilitate partnership.
- A third party can improve management of center with distracting hospital/department personnel.
- Free up block time in hospital OR
- Increase inpatient and outpatient surgical volume
- Enhance physician loyalty
- Expand market reach
- Enhance quality and improve patient satisfaction

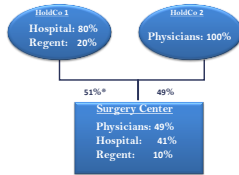
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## Typical Ownership And Governance Model

### Governance Structure

- Hospital has 2 board seats, Physicians have 4 seats, and Regent has 1 seat
- Physicians are Class A shareholders, while Hospital and Regent represent Class B shareholders
- Hospital controls Class B and majority interest
- Physicians retain voting control on clinical issues
- Maximizes financial upside for all stakeholders while maintaining hospital's ability to consolidate earnings

### Typical Hospital Contracting Model



\*Can be as low as 35%, related to managed care strategy/ability to obtain hospital rates

## The Economics of a Academic Medical Center ASC Joint Ventures

- Medicare pays the ASC the same per case regardless of whether the ASC is independent or not
- Average reimbursement for independent ASCs is between \$1,200-\$1,700 per case, if the ASC is fully contracted
- Average reimbursement for academic medical center affiliated ASCs is in the range of \$2,200-\$3,000 per case

## Partnering With Academic Medical Centers Is Not Without Its Challenges

### Administrative

- Goals of medical center take precedent to goals of the community.
- Decision making process, in some not all AMC's, is slow and unresponsive.
- AMC when compared to community based have different motivators.
- Layers of administration and financial barriers to execution aka "Deans Tax".

### Clinical

- Medical Schools faculty mission sometimes conflicts with the ASC needs for efficiency.
- Faculty doctors have a tendency to be "inquisitive" and want to try new \$\$\$ technologies.
- Faculty doctors are sometimes slower in the OR.

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REGENT MEDICAL HEALTH  
EMERGENCY CARE/INPATIENT SERVICES

7

REGENT MEDICAL HEALTH  
EMERGENCY CARE/INPATIENT SERVICES

8

REGENT MEDICAL HEALTH  
EMERGENCY CARE/INPATIENT SERVICES

### Keys to Successful Joint Venture

- Does AMC have a defined ASC strategy?
- Will the CEO, COO and/or CFO be involved in the ASC in the process?
- Physician control of clinical and operational decisions at the board level
- Determine early if the Medical Center has the contracting power to improve ASC rates.
- Is there a reasonable specialty mix to develop business and surgeons to participate?
- Will AMC shift lower acuity cases from inpatient OR to ASC?
- Constant communication with AMC leadership is essential

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### Regent Surgical Health - Our Experience

- Founded in 2001; Headquartered in Chicago
- Originally founded as an ASC "turnaround" company
- Industry leader in Physician/Hospital ASC Joint Ventures
- Currently operating 24 ASC partnerships; 30 historically
- 17 of 24 are partnerships with hospitals.
- In 2012 actively working with 2 major academic medical centers in acquiring/developing 5-8 freestanding ASC partnerships.



Leesburg Hospital Joint Venture, Mt. Dora, FL



OhioHealth Joint Venture, Columbus, OH

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### Surgery Center Partnerships Nationally and Internationally



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Regent Facilities/Partners

1. The Center for Specialized Surgery  
Ft. Myers, FL

2. Surgery Center of Mount Sinai  
Mount Sinai, FL  
Partnership with Lending Hospital

3. Peninsula Ambulatory Surgical Center  
Sarasota, FL  
Partnership with Bayview Medical Center

4. Ambulatory Surgical Pavilion at Robert Wood Johnson  
New Brunswick, NJ  
Partnership with Robert Wood Johnson University Hospital

5. Endovascular Center of Central NJ  
East Brunswick, NJ  
Partnership with Robert Wood Johnson University Hospital

6. Marletta Surgery Center  
Marletta, OH  
Partnership with Marletta Memorial Hospital

7. Knightbridge Surgery Center  
Columbus, OH  
Partnership with OhioHealth

8. Medical Center at Elizabeth Place  
Dayton, OH  
Partnership with Bethany Health System

9. Palco Surgicenter  
Palm Heights, IL  
Partnership with Palco Community Hospital

10. Midland Surgical Center  
Spartanburg, SC  
Partnership with Kohnsaver Community Hospital

11. Blount Sports Medicine and Orthopedic Surgery Center  
Macon, GA, IL

12. Rawlin Way Surgery Center  
Carmichael, IL

13. The Center for Ambulatory Surgery at Swedish Covenant  
Chicago, IL  
Partnership with Swedish Covenant Hospital

14. The Center for Special Surgery Texas  
Center for Atrial Fibrillation  
San Antonio, TX

15. Southern New Mexico Surgery Center  
Alamogordo, NM

16. Cheyenne Surgical Center  
Cheyenne, WY

17. Summit Surgery Center at Saint Mary's Gateway  
Reno, NV  
Partnership with St. Mary's Regional Medical Center

18. Surgery Center of Reno  
Reno, NV  
Partnership with St. Mary's Regional Medical Center

19. Advanced Surgery Institute  
San Jose, CA

20. Lock Department Surgical Center  
Lock, CA  
Partnership with Lock Memorial Hospital

21. Endovascular Center of Lock  
Lock, CA  
Partnership with Lock Memorial Hospital

22. Surgery Center of Anichange  
Anichange, AK

23. Neurosurgery Ireland at Hermitage Medical Clinic  
Dublin, Ireland  
Partnership with Hermitage Medical Clinic

24. Cyber Kofu Island  
Dublin, Ireland  
Under Development

Questions and Answers

Follow-Up

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