

An Opportunity for Hospital/Physician Partnership

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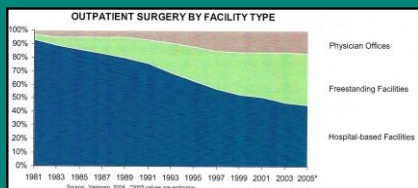


ASC Industry Overview

- 5,500+ ASCs in the United States
- Approx. half of ASCs are at break-even or below
- Average profit margin of profitable ASCs: 18%
- Average profit margin of ASCOA ASCs: 39-40%
- Average profit margin of hospitals: 2.5%
- Less than 25% of ASCs are partnered with hospitals



Outpatient Case Trends



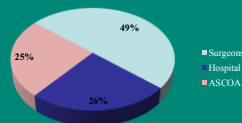
Why do Hospitals find ASCs Attractive?

- Hospital operating rooms are at (or near) capacity
- Hospital needs an ASC to augment their ACO strategy
- Hospital is looking for additional profit center
- Hospital wants to recruit surgeons away from competitor
- Hospital wants to retain high value surgeons
- Hospital wants to increase market share
- Hospital wants to expand service area
- Hospital has an existing ASC that is losing money or functioning well below potential (Hospital can benefit from a corporate partner who can turn the center into a success)



What is the Standard Equity Structure?

- Typically: 26% hospital, 25% ASCOA & 49% surgeons
- Model can vary depending upon market dynamics
- Hospital may chose to take a lower equity position and ramp up over time



Profitability vs. Equity

- How Hospitals Get More With Less

	ASC	Hospital
Collections	\$1,000,000	\$1,724,138
Margin	41%	5%
EBITDA	\$410,000	\$86,207
Equity	25%	100%
Profit	\$102,500	\$86,207

* Increase in hospital collections is based upon HOPD rates vs. stand alone ASC rates for Medicare



What are the Financial Returns to the Hospital?

- ASC is leveraged (20% cash, 80% financed)
- Hospital's initial investment averages \$15k per 1% ownership
- Cash return averages 314% annually
- Investment is one time, returns are annual
- Over a 10 year period, return is \$31 for each \$1 invested
- No upfront development fee



Which specialties should be included?

- Spine
- Bariatrics
- Orthopedics
- ENT
- General
- Pain
- Ophthalmology
- Urology
- Podiatry
- GYN
- Hand



Questions?

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