Turning Around an ASC –
Key Lessons Learned From
Case Studies

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Case Studies

- New York
- Florida East Coast
- North Carolina
- Tennessee
- Florida West Coast
- Michigan
New York ASC

- 9,621 sq. ft. facility with 3 ORs and one procedure room.
- CON state.
- Purchase price 1.2 million for the CON and equipment.
- ASC destitute – on the brink of bankruptcy.
NY Before Turnaround

- Supply Costs 29% of revenue
- Staffing Costs 52% of revenue
- Rent 14% of revenue
- Accounts Receivable 94 days out
- Accounts Payable $582,000 (almost 3 months)
- Avg. Revenue Per Case $846
NY After Turnaround

- Supply Costs: 14% of revenue
- Staffing Costs: 20% of revenue
- Real estate lease: 5% of revenue
- AR: 29 days
- AP: $72,763
- Average revenue per case: $2,586
- Distributions: $230,000/month
New York
Mechanism of Improvement

- Cancelled and renegotiated contracts.
- Case Costing.
- Part time replaced many full time personnel.
- Compression of schedule.
- Reduce number of operating rooms used.
- Implement efficiencies.
New York
Lessons Learned

- Control supply costs.
- Control staffing costs.
- Renegotiate the lease.
- AR less than 40 days.
- AP reduce to current expenses.
- Increase revenue per case.
Florida East Coast ASC

- 10,744 sq. ft. facility with 4 ORs.
- 2,200 cases per year, averaging $700 per case in revenue.
- Purchase price $3 million including all real estate.
FL East Coast
Before Turnaround

- Supply Costs 35% of revenue
- Staffing Costs 31% of revenue
- Accounts Receivable 85 days out
- Accounts Payable $99,374
- Avg. Revenue Per Case $698
FL East Coast

After Turnaround

- Supply Costs 18% of revenue
- Staffing Costs 18% of revenue
- Accounts Receivable 34 days
- Accounts Payable Current
- Avg. Revenue Per Case $1,747
- Distributions $240,000 / month
FL East Coast
Mechanism of Improvement

• Recruited new surgeons and their cases.
• Controlled staffing costs to less than 20% of collections.
• Controlled supply costs to less than 20% of collections.
• Dramatically improved average revenue per case by renegotiating contracts.
FL East Coast Lessons Learned

• Requirement to control costs – primarily staffing and supplies.
• Requirement to increase average reimbursement per case.
• Requirement to recruit new surgeons bringing additional cases.
North Carolina ASC

- 14,525 sq. ft. facility with 4 ORs and 1 Procedure Room.
- 1,070 cases per year, averaging $892 per case in revenue.
- Purchase price $3.1 million including all real estate.
North Carolina
Before Turnaround

- Supply Costs: 26% of revenue
- Staffing Costs: 36% of revenue
- Accounts Receivable: 71 days out
- Accounts Payable: $117,000
- Avg. Revenue Per Case: $892
North Carolina
After Turnaround

- Supply Costs 15 % of revenue
- Staffing Costs 14 % of revenue
- Accounts Payable Current
- Avg. Revenue Per Case $ 3,452
- Distributions $ 290,000/month
North Carolina
Mechanism of Improvement

- Controlled supply and staffing costs.
- Increased dramatically average revenue per case.
- Recruited new physicians.
North Carolina Lessons Learned

- Control staffing and supply costs.
- Recruit new cases.
- Improve average revenue per case.
Tennessee ASC

• 1 OR.
• 1,200 sq. ft.
• Only 2 active surgeons.
• Brink of bankruptcy.
Tennessee
Before Turnaround

- Supply Costs: 19% of revenue
- Staffing Costs: 34% of revenue
- Rent: 18% of revenue
- Cases: 365
- Net Income: - $103,637
Tennessee
After Turnaround

- Supply Costs: 17% of revenue
- Staffing Costs: 20% of revenue
- Cases: 5,015
- Net Income: $1,929,629
- Distributions: $1,629,509
Tennessee
Mechanism of Improvement

- Built a modern ASC with 2 rooms and 1 procedure room in 6,300 sq. ft.
- Recruited all new surgeons—12.
- New contracts.
- Case costing.
- AR 34 days.
Tennessee Lessons Learned

• Requirement for a fully functional facility.
• Control staffing and supply costs.
• Increase average revenue per case.
• Recruit physicians and cases.
Florida West Coast ASC

• The center had bad credit—forced to pay vendors on delivery.
• The Center was charging less than it cost to perform cases.
• Administrative staff had limited experience in billing and collections, e.g., AR 9 days out.
• $2,528,390 – Total debt and AP.
Florida West Coast ASC
(continued)

• Poor equipment.
• Open 5 days a week when 2 would have been adequate.
• Poor reputation in the community.
• No experience with contracting—all contracts were signed regardless of terms.
Florida West Coast
Before Turnaround

- Supply Costs       27.5 % of revenue
- Staffing Costs  39.0 % of revenue
- Rent         8.5 % of revenue
- AR            9 days out
- AP            $ 640,000
- Average Revenue $ 807 / per case
Florida West Coast After Turnaround

- Supply Costs: 14% of revenue
- Staffing Costs: 20% of revenue
- Rent: 3% of revenue
- AR: 39 days out
- AP: current
- Average Revenue: $2,600 / per case
- Distributions: $150,000 / month
Florida West Coast
Mechanism of Improvement

• Resyndication of ownership to new surgeons.
• Cancellation of unprofitable payer contracts.
• Implement efficiencies
  – AP
  – AR
Florida West Coast
Lessons Learned

• Virtual complete change of ownership and surgeons bringing cases.
• Cancel unprofitable contracts.
• Increase average revenue per case.
• Control staffing and supply costs.
Michigan ASC

• CON for 3 ORs and 2 procedure rooms.
• Beautiful facility.
• Lost money for 5 previous years of operation.
• Losses getting less—prior year was 541,739 loss.
• Staffing costs excessive.
• Poor staff morale.
• Billing and collections poor.
• Heavily in debt—3.2 million.
MI Before Turnaround

- Supply costs: 40%
- Cases: 200/month
- Staffing Costs: 50%
- AR: 85 days
- AP: $1,253,160
- Average revenue per case: $791
- Distributions: $0
MI After Turnaround

- Supply Costs: 15% of revenue
- Cases: 350/month
- Staffing Costs: 15% of revenue
- AR: 33 days
- AP: $200,000
- Average revenue per case: $1,285
- Distributions: $100,000/month after one year
Michigan
Mechanism of Improvement

- Case costing.
- Utilized a GPO.
- Reduced inventory.
- Recruited 6 new surgeons/retired 5 surgeons.
- Refinanced debt.
- Replaced full time with part time.
- Closed ORs when not in use.
- Reduced surgical days.
- Brought billing on site.
- Claims billed on same day as surgery.
Michigan Lessons Learned

- Control staffing and supply costs.
- Recruit new surgeons.
- Improve debt structure.
THINK PROFITS

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