

## Leveraging Ideas from Other Industries to Improve ASC Profits



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Chief Operating Officer

### Welcome!

- Miami University / Wharton
- CPA & Corporate Finance
- 15 Years Healthcare Services Leadership
- Support 125 ASC's & 4 Surgical Hospitals
  - 100,000+ Ortho and 1,000+ Spine Cases
- Married 15 years, 3 Daughters – Wilmette, IL
  - 3<sup>rd</sup>/4<sup>th</sup> Grade Girls Lacrosse Coach

### Agenda

- Dialysis vs. ASC industry comparison
- Key success factors in dialysis industry
- Leveraging ideas from dialysis industry to improve ASC profits

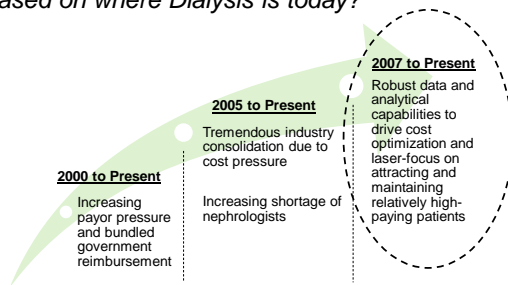
## Industry Comparison

*Back to the Future → Dialysis of yesterday looks very similar to the ASC space today*

Key Trends	Dialysis Circa 2000	ASC Circa 2011
Moderate payor pressure	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Moderate focus on cost optimization	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Moderate physician shortages	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Highly fragmented market	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

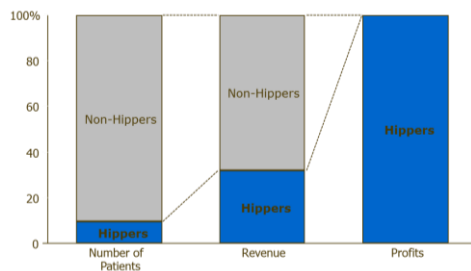
## Industry Comparison (con'd)

*Learn from History → What can ASCs expect based on where Dialysis is today?*



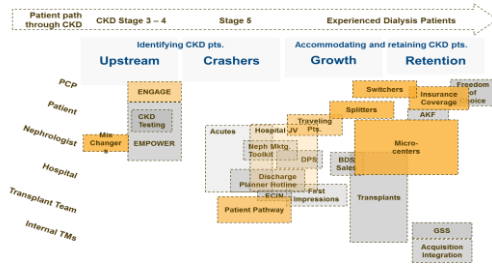
## Success in Dialysis in '11

*Key Profitability Lever → "Hippers" account for >10% of patients and 100% of profit*



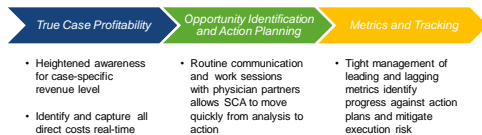
## Success in Dialysis in '11 (con'd)

Optimizing "Hippers" → Strategy focuses on identifying and growing key profitability lever



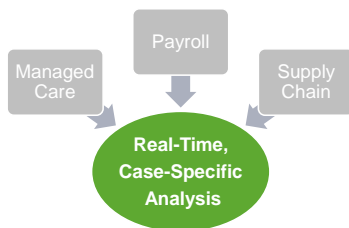
## Where do your profits come from?

SCA has developed a platform to identify and track key profitability levers in real-time



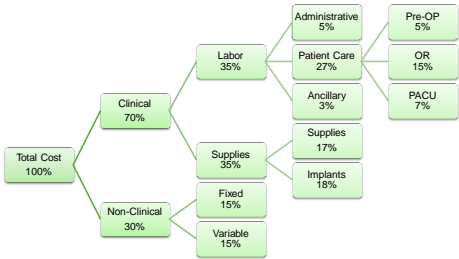
## ECO System

Integrates payor, supply chain and payroll databases → real-time, case-specific analysis



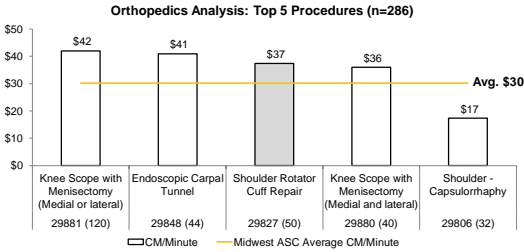
# ECO System (con'd)

Detailed cost analysis quickly identifies operational efficiencies and opportunities



## Case Study: Midwest ASC

Determine profitability of top procedures on a per minute basis



## Case Study: Midwest ASC

Quickly identify and vet potential opportunities


Shoulder Cuff Repair: 29827

Physicians	Case Count	OR Minutes / Case	Payment / Minute	Cost / Minute	CM / Minute
MD 1	100	106	\$55	\$27	\$28
MD 2	4	121	\$124	\$16	\$109
MD 3	12	125	\$72	\$23	\$48
MD 4	28	114	\$93	\$28	\$65
MD 5	36	170	\$46	\$21	\$25
MD 6	20	123	\$65	\$17	\$47
TOTAL	200	122	\$62	\$25	\$37

## Case Study: Midwest ASC

*Renegotiating rate for Payor A shoulder cases  
for MD 1 → \$326K impact*

### Opportunity Analysis: Physician 1 Shoulder Cases

Payer	NPR / Case	CM / Case	Annual CM		New Contract Impact
Payor A	\$1.6K	(\$1.7K)	(\$76K)		\$326K
Payor B	\$7.5K	\$4.6K	\$55K		--
Payor C	\$5.0K	\$2.5K	\$25K		--
Payor D	\$6.0K	\$4.4K	\$17K		--
Payor E	\$4.0K	\$1.3K	\$5K		--
AVG / TOTAL	\$5.7K	\$1.3K	\$26K		\$326K

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## Key Takeaways

- Expect more pronounced payor pressure
- Improving profits will depend upon:
  - Understanding where your profit comes from
  - Translating analysis to action

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