



Physician-Owned ASCs and Hospitals – The Best Strategies for the Next Five Years

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General Strategies

Bottom line... Be proactive, not reactive

- ❖ Keep your eye out on the healthcare reform landscape – ACOs, etc.
- ❖ Keep your eye on payment reform initiatives
- ❖ Get involved – if you don't like what is going on, contact your Senators/Representatives and voice your opinion
 - ❖ Along with employees, physician partners, patients, etc.



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Operational Strategies Physician-Owned Hospitals

- ❖ Existing physician owned hospitals
 - ❖ You can't add OR's or beds or procedure rooms... Work on other ways to do more cases.
 - ❖ Increase productivity to reduce turnover times - fine tune the process. More staff to turn over OR's and get the next patient ready, better use of step down.
 - ❖ Longer surgery hours? Saturday surgery schedule?
 - ❖ If beds are the limiting factor, add specialties that are primarily outpatient and don't need overnight beds.



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Operational Strategies Physician-Owned Hospitals

- ❖ Work to standardize implants, one of the biggest expenses of physician owned hospitals.
- ❖ Consider non rep implant purchase
- ❖ If caseload allows and facility is at capacity consider dropping Medicare or Medicaid.
- ❖ Existing physician owned hospitals should try to add physicians by having existing physicians sell a part of their share ownership to new doctors.
 - ❖ Provides cash, reduces their risk, and brings more committed physicians who utilize and grow the case volume of the facility.



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Operational Strategies Physician-Owned Hospitals

- ❖ For new hospitals- utilize the models that allow physicians to own real estate, equipment and provide some of the management services for the hospital, but not own the hospital.
- ❖ Sell a percentage of your hospital to a corporate partner and have them syndicate to new physicians.



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Operational Strategies ASCs

- ❖ Future will bring more patient satisfaction, quality reporting, disclosure and visibility.
 - ❖ Patient satisfaction and quality indicators must be a primary focus for all ASC's.
 - ❖ Medicare and insurance companies will tie reimbursement to attainment of high quality outcomes.



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Operational Strategies ASCs

- ❖ Physician partners and employees will become more important than ever.
- ❖ Cost and competition will force ASC's to be as efficient as possible.
- ❖ To obtain maximum efficiencies employees and medical staff will need to work together as a team whether in the area of staffing, supplies.
- ❖ There will be an increased premium on leadership and management skills.
- ❖ Keep profit sharing and distributions high.



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Operational Strategies ASCs

- ❖ Facilities will need to continue to grow.
 - ❖ More cases and more reimbursement per case.
- ❖ Investigate the addition of new specialties.
 - ❖ Ask your medical staff about new physicians in the area or those who might be interested in performing cases at the facility.
 - ❖ Some physicians later in their career appreciate the outpatient versus inpatient practice focus associated with an ASC.
 - ❖ Surgeons appreciate doing more cases in the same amount of time or even the same number of cases in less time meaning more time for other activities.



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Operational Strategies ASCs

- ❖ More efficiencies - evaluate blocks and reduce times for the bottom 20%. Consider increasing the time to release unused blocks to that add on cases can be added more easily.
- ❖ Plot productivity by day and set internal benchmarks at the 70th percentile.
- ❖ Perform case costing and reimbursement and compare costs between physicians for the same type of case. Identify implant standardization opportunities and enlist a physician within the specialty to push for more standardization.



Operational Strategies

ASCs

- ❖ Determine if a local hospital system is interested in becoming a partner and if so can the system increase reimbursement rates or case volume.
- ❖ Use marketing to get your name out in to the community. You can do many things including community benefits, advertising, working with local high schools and colleges, working with local physician offices to develop a relationship to assist in gaining referrals. Get involved with employers with health screenings for employees.



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Operational Strategies

ASCs

- ❖ Physician recruitment-gather information about new physicians in town from physician partners and employees. Include physician leads as part of medical staff and employee staff meeting.
- ❖ Invite new physicians for a tour of the facility. Have someone with a business perspective emphasize facility efficiency, turnover and the investment opportunity, and have a clinical person discuss the staff, equipment, and block schedule.



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Operational Strategies

ASCs

- ❖ Physician recruitment continued...
 - ❖ If you aren't doing pain and your ortho doctors are referring out pain cases to physicians who perform the cases elsewhere, look at adding a pain program.
 - ❖ Determine a fair market value for the shares. Make sure you are complying with 1/3 requirements and case volume requirements for quality purposes so that you have a strong physician staff utilizing the facility.



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Operations Strategies Clinical



- ❖ It will be essential that facilities have processes in place to be able to measure both supply and labor expense.
- ❖ Software programs are designed to measure the cost to get a patient through your facility. Mandate that this functionality of your software program be utilized to its maximum capability. That is the only way to truly measure profitability.
- ❖ Request from surgeons for new equipment for existing CPT codes will need to be scrutinized.
- ❖ Does this really improve surgical times, patient outcomes, or patient safety? Is it necessary to compete with other healthcare entities in order to maintain market share for this procedure? Or is it really just whistles and bells on existing technology that will not bring any additional revenue to the center?



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Operations Strategies Clinical

- ❖ Evaluation of new procedures for profitability will need critical due diligence.
- ❖ Surgeons have historically inflated the volumes that will come to the facility if new equipment and instruments are available. If there are any doubts about the volumes, consider short term leases on equipment.
- ❖ While ASCs and POHs have historically enjoyed high patient satisfaction and clinical outcomes, make sure everyone knows how outcomes and public reporting in the future will impact the bottom line and patient's selection of where to receive their healthcare & surgery.



Operations Strategies Clinical

- ❖ Historically QI and Infection control may have been considered "fluff" activities in a center or hospital. In the current and future environment, they need consistent focus, time and talent budgeted.
- ❖ While unemployment rates may be high, there are still markets experiencing a shortage of qualified nurses and this is expected to escalate with the aging nursing workforce. Leaders need to be creative in providing a flexible work environment to attract and retain talented nurses.



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Revenue Cycle Management Strategies

- ❖ Intense focus on managed care contracting strategies.
 - ❖ With many payers beginning to work reimbursement limits into patient health insurance contracts and benefit plans, it is becoming more important to focus on negotiating aggressively for reasonable rates with major payers as opposed to remaining out-of-network--as has become the trend for many. Proactively pursuing these contracts will help ensure you are not left scrambling to get in-network when carriers restructure out-of-network pricing.



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Revenue Cycle Management Strategies

- ❖ Get involved in worker's compensation fee schedule reviews and fee updates in your state
- ❖ Stay up to date on emerging technology and CMS updates to procedures added to the outpatient list. Staying up to date on CMS additions to the outpatient procedure list will enable you to proactively seek surgeons to join your facility that are performing procedures not previously allowed in an outpatient setting.



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Revenue Cycle Management Strategies

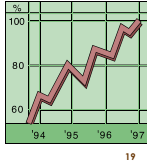
- ❖ Perform third-party coding/billing review annually to ensure you are collecting every penny possible.
- ❖ Constant review of business office and revenue cycle management processes.
- ❖ Streamline processes to ensure maximum revenue generation.



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Financial Management Strategies

- ❖ Look at overhead and supplies to ensure you are constantly finding ways to reduce costs but keep quality high.
- ❖ Renegotiate vendor agreements, find new vendors, or persuade your physicians to use less expensive devices.
- ❖ Perform your total joint cases without a rep.



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Accountable Care Organizations

- ❖ It remains unclear as to whether ASCs and POHs will have a positive role with ACOs.
- ❖ Development of ACOs will tend to favor lower cost providers such as ASCs and POHs.
- ❖ However, many of the ACOs will be driven by hospital systems that are much more focused on steering all possible cases to their hospitals.



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Conclusion

- ❖ Get involved not only in the facility but at a local and national level.
- ❖ Keep a constant eye on revenue cycle and business office processes to reduce costs.
- ❖ Understand healthcare reform and the opportunities and pitfalls of certain programs.
- ❖ Keep your eye on payment reform.



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Questions/Comments?



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