



## Extreme Makeover: Surgery Center Edition

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You May Have Seen the Show ...




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Hopefully, You Don't Need to Star in  
an Episode




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### When It's Time to Change

"You can't change where you started but can change the direction you are going."  
Napoleon Hill

- Healthy percentage of ASCs require makeovers (as high as 1/3<sup>rd</sup>)
  - Underperform expectations and plan
  - Require cash calls
  - Declare bankruptcy
- Each ASC is unique
- Extreme is in the eye of the beholder

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### No Need to Fear Change

- Major rebuilding and creative rejuvenation are hallmarks of highly successful businesses:




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### Size of Your Toolbox?



- Minor Adjustments
  - Standardizing supplies based on case costing
  - Compressing schedules (closing on Fridays)
- Moderate to Substantial Changes
  - Inside Recruiting: ensuring all surgeon-owners are bringing all appropriate cases to center
  - Extensive outside recruiting
  - Back-office overhaul – billing systems, fee schedule, fte's, collections processes, etc.

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### Extreme Makeover Options

*"Leadership  
is seeing  
opportunity  
in tough  
times."*  
Jack Welch

- Restructuring debt
- Real estate lease changes or relocation
- Renegotiating contracts or canceling contracts
- "Extreme" recruiting
- Resyndication – removing dead wood
- Adding high margin specialty (spine)
- Aligning with a management partner
- Starting over w/ asset purchase
  - New Tax ID number
  - Resyndicated ownership group
  - Out of network contracts




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### Debt Restructure

- Refinance to lower interest rate
- Extend amortization schedule to lower monthly requirements
- Capital call to reduce monthly payment
- Enhance terms to several financing
  - No joint and several
- Lower debt guarantees
  - 200% down to 100%

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### Improve Contracts

#### **Shoring up the Foundation**

- Successful ASCs are all built on excellent contracts for majority of payers
- Find "win-win" arrangement with payers
- Seek leverage
  - Transition cases from hospital to asc
  - Spine, etc.
- Restructuring through an asset purchase with a new tax ID number allows cancellation of contracts and "restart"
- Outsource if not a core competency

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### Adding Spine as Backbone

- Can increase volume and boost profits (with right contracts)
- Outpatient spine & pain management are an excellent fit
- Surgeon selection and patient selection must be managed carefully
- Need right cases and right surgeon-owners to effect a successful makeover

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### “Extreme” Recruiting

- Top-performing ASCs are always recruiting
- Overall recruitment goal: 5-10% annual caseload growth (2010 ASC Industry = 0% - 1%)
- “Inside-outside” recruiting approach
  - Existing partners recruitment of cases?
  - Persistent pursuit of new MD’s pays off
- Target new MD’s & specialties
- Trial MD for 60 days minimum prior to offering ownership

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### Starting Over




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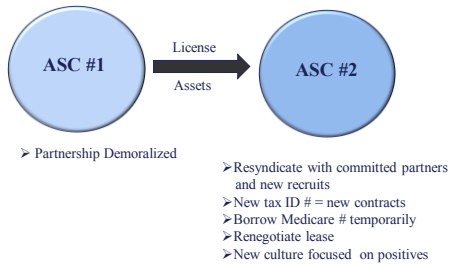
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### Restart with Asset Purchase




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### Engage the Right Business Partner

- Free MDs to focus on providing care
- Resyndication
  - Remove non Safe Harbor compliant MD's
  - Recruit new MD's
  - MD's don't trust MD's to manage poorly performing asc
- Experience with managed care
- Supply cost reduction
- Improved financing options
- Restructure Lease
- Infuse Working Capital

"Find the one thing you do well and don't do anything else."  
John Maxwell

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### Creative Solutions

- Outside consultant or operating partner
- Merge 2 underperforming asc's
- Debt Restructure
  - Restructure to single note at lower interest rate and / or longer amortization
  - Pay down debt thru cash call
- New MD investors for \$1 per unit & invest in working capital
- Sell to Hospital, Convert to an HOPD, and establish a co-management agreement

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### Patients Deserve Great ASC's

- Extreme Makeover is a worthy cause
  - Helps people & communities in need
- ASCs are worthy endeavors
  - Play important roles in medical community
  - Highest quality outpatient care
  - Elite patient / consumer experience

*"A day lived  
without doing  
something good  
for others is a  
day not worth  
living."*  
Mother Theresa




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