

Becker's ASC Conference
October 28, 2011
Chicago, IL

Are we *Profitable*?

Driving ASC Performance Through Effective
Financial Management



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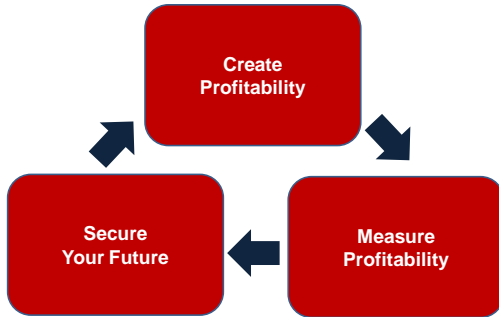
Agenda

- Financial Management in the ASC
- Create Profitability
- Measure Profitability
- Secure Your Future
- Q&A / Open Discussion

Financial Management in the ASC

- Disciplined Operating Model
- Facilitate Methodical, Consistent, Fact-Based
Decision Making
- Provide Analytical Support
- Enhance Velocity & Responsiveness
- Promote Long-Term Thinking

Financial Management in the ASC



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Create Profitability



- Business Development & Revenue Generation
 - Procedure Costing & Profitability Assessment
 - Economic Credentialing
- Payor Contracting
- Schedule Management / Staff Management
- Working Capital Management
- Purchasing
 - Capital Investments, Medical Supplies, Services



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Measure Profitability



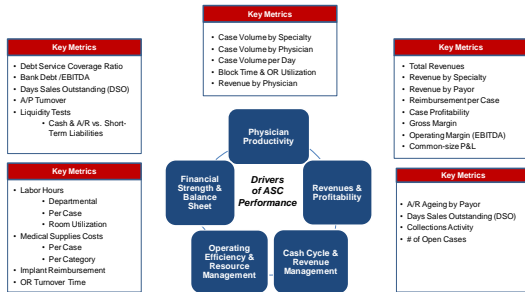
- Financial Statements
- Performance Measurement & Metrics
- Benchmarking

Financial Statements



- Types of Financial Statements
 - Income Statement (a.k.a. Profit & Loss Statement)
 - Balance Sheet
 - Statement of Cash Flows
- Frequency of Statements
- Accrual vs. Cash Accounting

Performance Measurement & Metrics



Key Metrics for ASC's

Prioritization and use of the data are important factors

- What and How to Measure
- Frequency of Measurement
- Trends & Patterns
- Who is the consumer of these Metrics
- Why measure and how to use

It is vital to have a strong data backbone to be successful in performance measurement

- Enterprise System (e.g. Source Med, Experior)
- Accounting System & Process (Accrual vs. Cash)
- Analytical Team (Controller, Accountant, or other)

Benchmarking: Why Benchmark?

- Establish standards and conduct ongoing measurement of performance against those standards
- Understand your strengths and weaknesses; identify opportunities for improvement accordingly
- Provide objectivity using a quantitative approach; preliminarily takes emotions, politics and other factors out of the equation
- External point of view - learn from the successes of other organizations which are high level performers
- Create a sense of urgency within your own organization

Benchmarking: Sources



- VMG Health
 - Intellimarker ASC Benchmarking Study (Annual Publication)
- ASC Association
 - ASC Financial Performance Survey (joint with MGMA)
 - ASC Employee Salary & Benefits Survey
- State ASC Associations
- Networking with other ASC Administrators

Benchmarking: Keys to Success



- Snowflake Rule: Every ASC is different!!!
 - Must account for geography, specialty/case mix, and other factors which make your ASC unique
- Data Integrity is Critical
- Be Mindful of Physician Relations
 - Build Consensus
 - Pick your spots - be aware of sensitivities
- Benchmarking is only the first step
 - Implementation drives tangible results
- Make this a continuous process
 - Evaluate progress
 - Highlight and reward successes

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Secure Your Future



- Strategy Development (*"The Vision"*)
- Budgeting (*"The Roadmap"*)
- Capital Structure (*"Your Fuel"*)
- Governance & Decision Making (*"Getting There from Here.....In One Piece"*)

Strategy Development: what, who, when



- What factors will maintain and drive your volume?
- How is your local market evolving?
 - How is the competition aligning with or against you?
 - Identify opportunity: "go where the puck is going to be"
- What will you use to compete and differentiate?
 - Location, equipment, staff, patient experience
- Which physicians should you retain and pursue?
- Focus on specialties where you can optimize scale, quality, profitability, capital investment

Budgeting



- Revenue & Cost Estimates: "Bottoms Up" Approach
- Cash Is King
- Expect the Best, Prepare for the Worst
- Authorship is Ownership

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Capital Structure



- How are you funding your business?
- Level of Available Cash Resources
- Different types of debt
 - Term Debt
 - Revolving Line of Credit
- Sources of Financing
 - National/Regional Bank vs. Community Bank
 - Non-Bank Lenders
- Refinance / Restructure Soon!!!

Hard to imagine interest rates can go any lower...



Governance & Decision Making



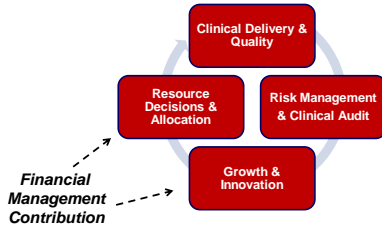
Governance Framework: Participants & Controls



Governance & Decision Making



Governance Framework: Key Processes



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Q&A / Open Discussion

Audience Participation Time!!!

- How important is financial management at your ASC, e.g. does it have a "place at the table?"
- Who handles the financial management role at your ASC?
- What are some recent financial management challenges you faced in your ASC?
- Other thoughts or comments?

