



**BLUE CHIP  
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## **Business Planning for Orthopedic and Neurosurgical Spine Driven Centers**

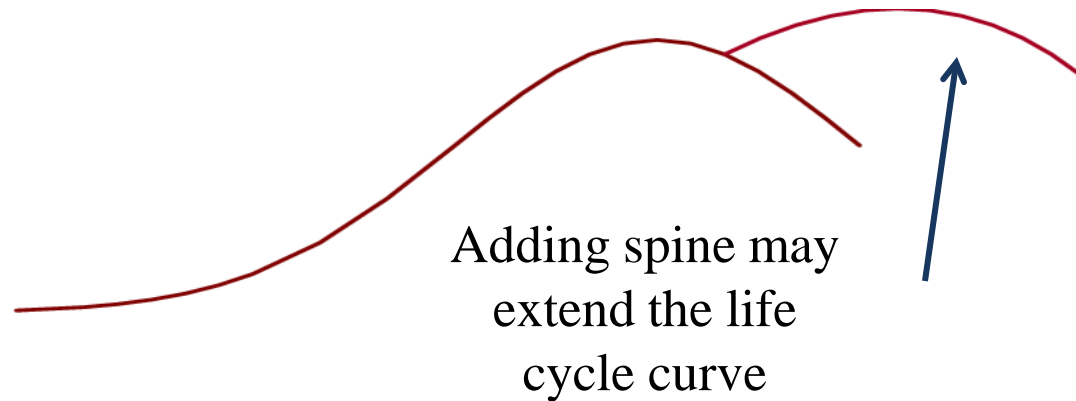
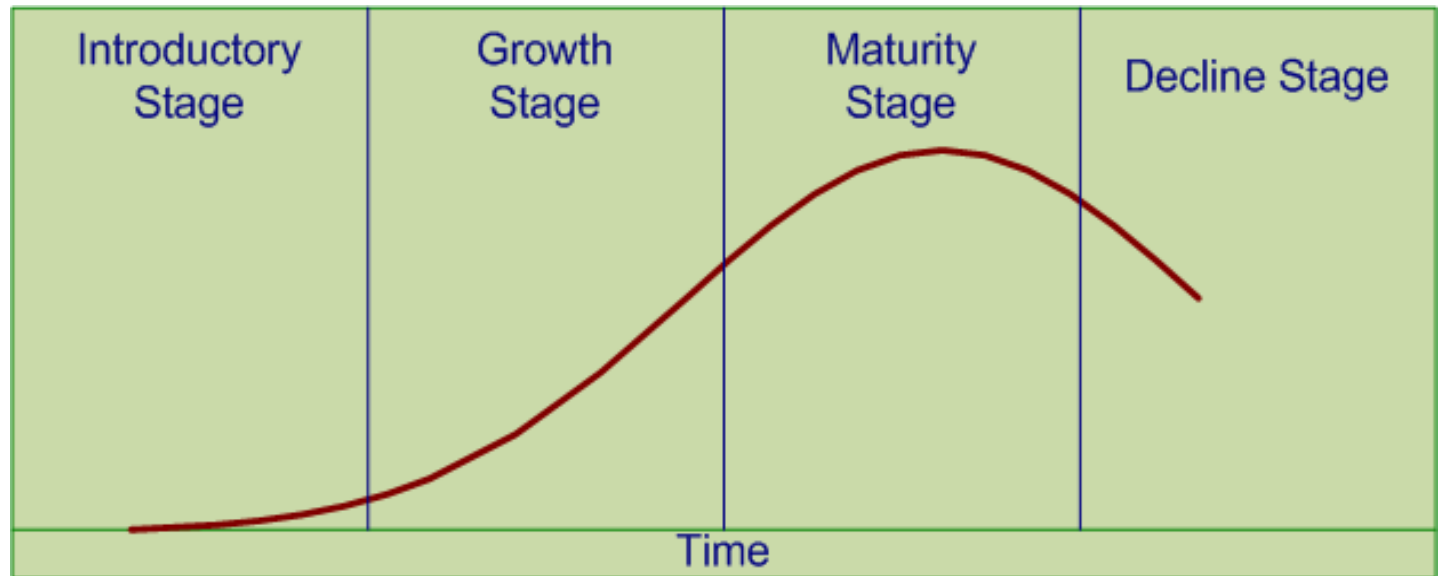
*a few points to consider if adding spine to an existing  
ASC or launching a new spine ASC*

Jeff Leland, CEO  
Blue Chip Surgical

October 2011



# The Life Cycle Curve





## Trends & Drivers: Our View of Spine

- Significant opportunities – there is plenty of runway
- Minimally invasive surgery advances will shift even more spine surgery to outpatient
- Shortage of select specialty physicians will continue
  - Income pressures are squeezing private practice surgeons
  - 20% fewer neurosurgeons today than in 2000
- Neurosurgeons and Orthopedic spine surgeons will converge



## Trends & Drivers – Clinical

- Evolution, improvement of minimally invasive procedures, techniques
- Better anesthesia
- Improved imaging = more precision in diagnosis and therapy
- New technology (artificial discs, bone growth stimulation, new implants, etc.)
- Study data is clear: no increased complication



## Trends & Drivers – Demographic

- Baby-boom bubble:
  - Overweight = increased potential of spine problems
  - Desire for “active” lifestyles
- Growing acceptance of outpatient surgeries
- Spine surgeon population remains relatively flat



## Trends & Drivers – Surgeon View

- Improved productivity
- Feelings of control (e.g., staffing, schedule)
- Ancillary income
- Potential to create high-value asset
- Tools to support focus on care
- Patient satisfaction
- *Surgeons want to “get a grip” on their lives – both personal and professional!*

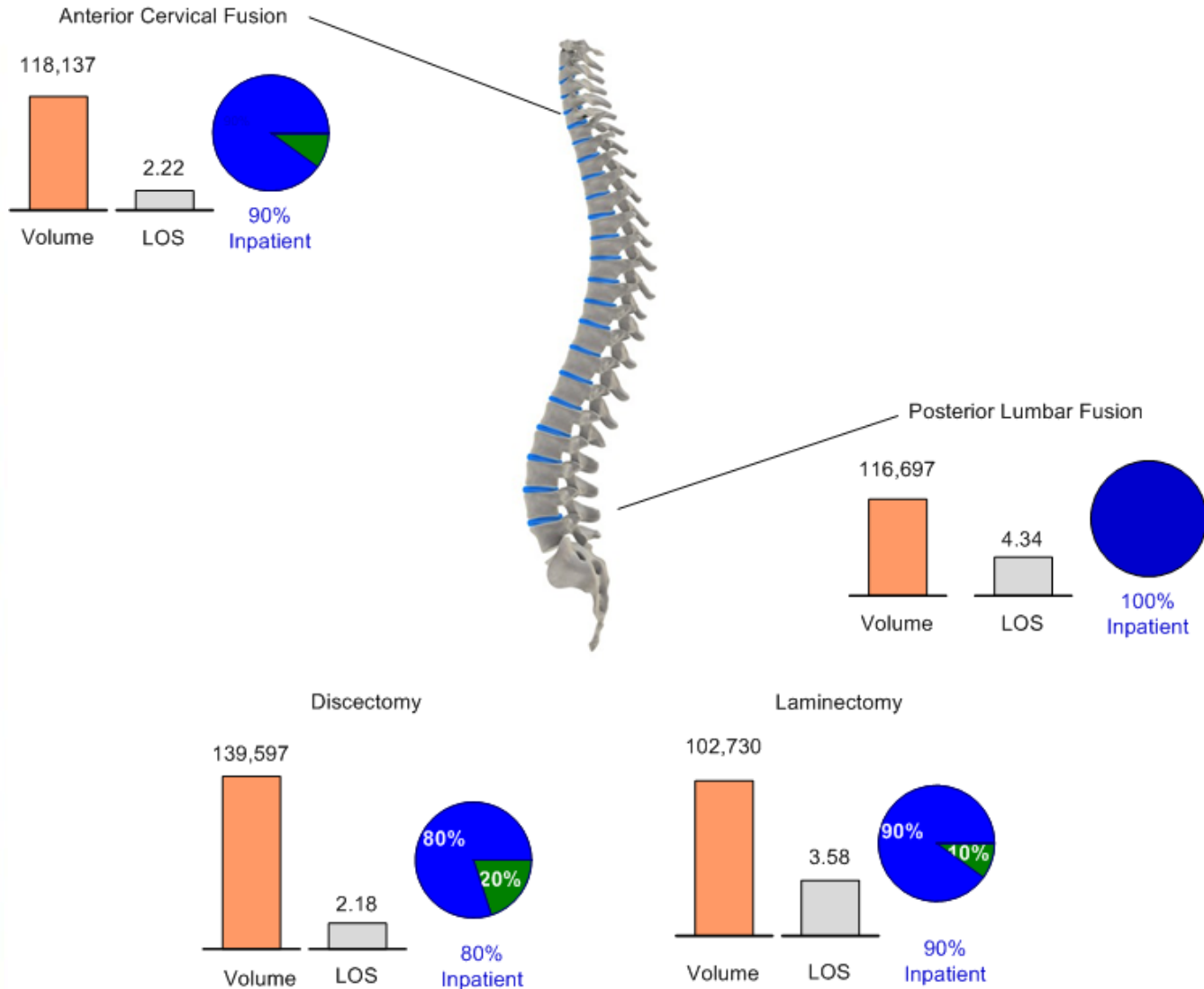


## Trends & Drivers - Financial

- Declining physician reimbursement
- MRI and CT facility reimbursements falling
- Surgical Hospital development is dead
- Minimal regulatory risk - large number of ASC operating rooms across the country difficult to replace and....Medicare supports transition to ASCs
- ASC cost effective vs. hospital
- Solid profit margins on spine procedures



# Common Spine Surgery Procedures







## Best Practices – Clinical

- Best procedures at the moment.....
  - 63030 Single level lumbar laminotomy &/or excision of intervertebral disc
  - 63075 Single level ACDF
  - 63047 Lumbar laminectomy, facetectomy and foraminotomy
  - 63042 Redo One level lumbar laminotomy &/or excision of intervertebral disc
  - 63020 Single level cervical laminotomy &/or excision of intervertebral disc



## Seizing the Opportunity

- Recognize the challenges
- Understand the right procedures
- Solve the case volume/case mix equation
- Nail the contracting (tricky but doable)
- Be creative in business model
  - Hospital JVs
  - Spine COEs
  - Integrate with existing ASC
  - Add pain management
  - Holistic approaches: 1-800-SPINE



## A quick case study

- Orthopedic ASC, 3 years old, no profit distributions
- 12 Orthopedists, 2 Pain physicians and.....2 Ortho Spine surgeons
- Added two Neuro Spine + potentially 4 more Neuro and the 2 Ortho Spine above
- Inventory and case costing
- Additional equipment and attention to detail
- Contracting strategy – OON for awhile



# A Better Model for Healthcare?

Yesterday's  
Model ?

600 bed hospital



- All things to all people
  - 24/7
  - Workshop for nearly all community physicians
- To replace and operate:
- > \$1m/bed
  - \$\$\$,\$\$\$/\$discharge

VS.



300 Bed  
"Receiving" Hospital

- 24/7 for the critically ill
- > \$1m/bed
- \$\$\$/\$discharge

+



200 Bed Hospital  
(scheduled and  
standardized)

- Closed on weekends
- > \$500k/bed
- \$\$\$/\$discharge

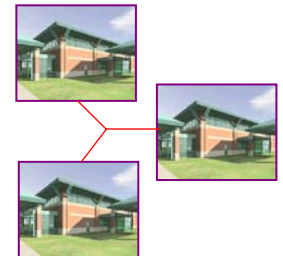
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200 Bed  
Community  
Hospital

- 24/7
- Low intensity
- > \$500k/bed
- \$\$\$/\$discharge

+



Ambulatory  
Network

- Scheduled hours
- Outpatient activities
- Leased
- \$\$\$/\$discharge



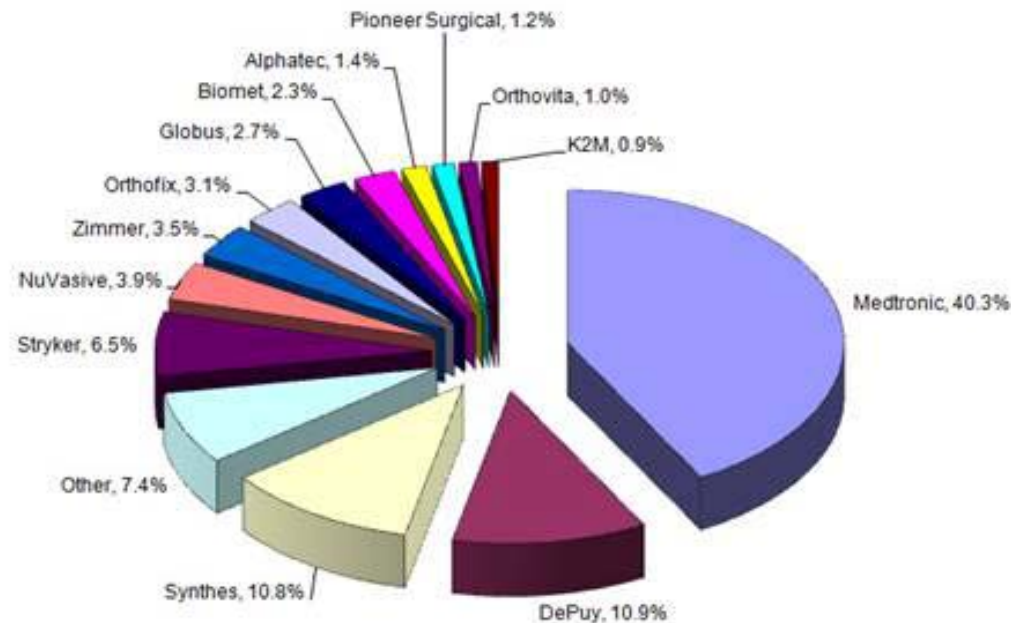
## Hospitals will develop an interest in niche-like, focused, specialized programs

- Spine Centers of Excellence
- Focused, niche surgery centers
  - Weight loss surgery centers
  - Surgery Centers for Women
  - Spine Surgery Centers



## Contracting Challenges

- More difficult Reimbursement Policies
  - Lumbar fusions
- Implants, supplies and instrumentation





## Key Points to Consider

- Committed partners
- Case volume projections
- Reimbursement
- Transition plan
  - Inpatient to outpatient
  - Surgeon stress / clinical risk
- Cost of instrumentation, implants and supplies
- Cost of equipment



# Questions and Discussion



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