



Merging Practices

Including Existing Assets And ASCs

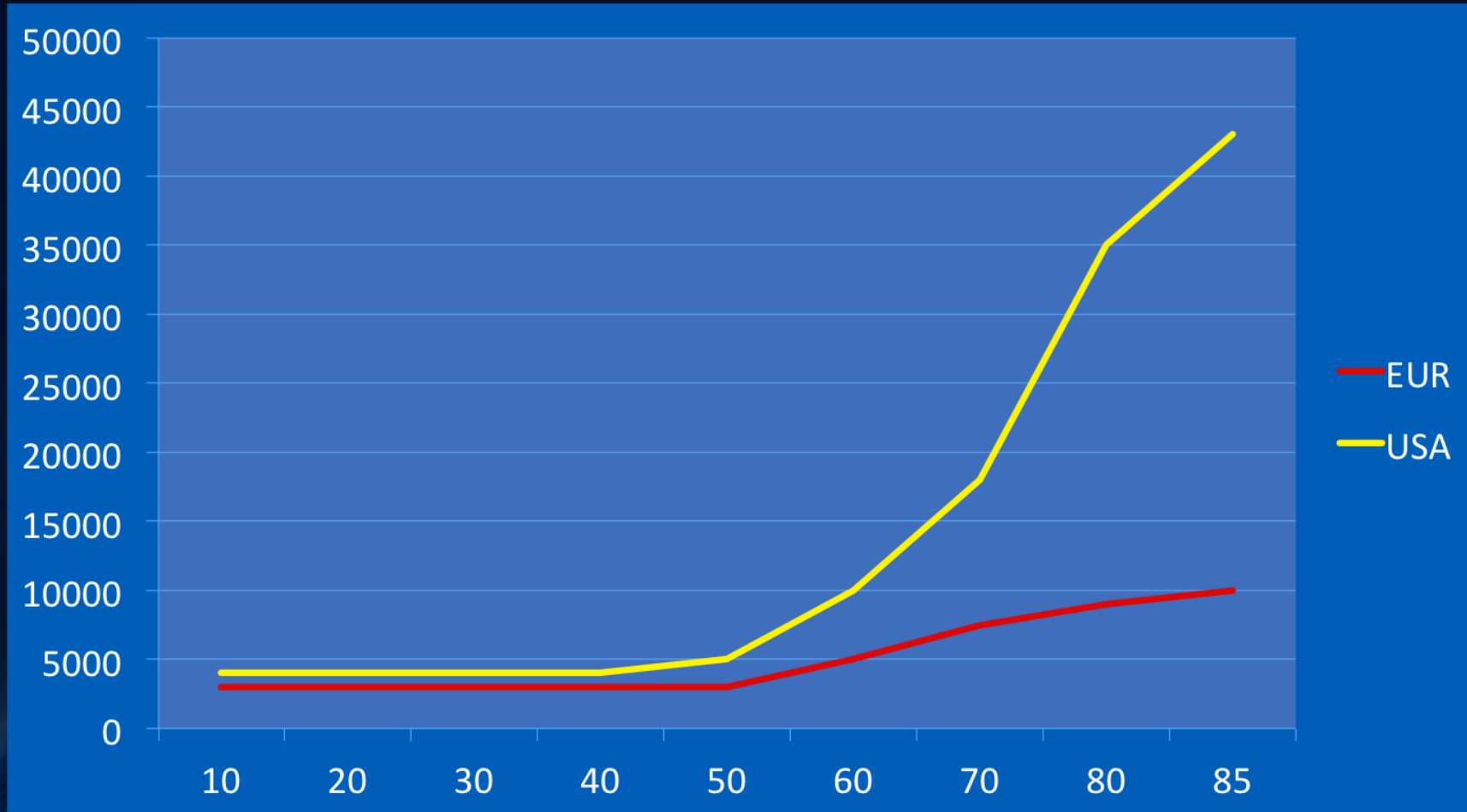
Integrated & Non-Integrated Organizational Models

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A Introductory Primer of The Practice Affiliation Process and the Relationship with an ASC



The Problem with Health Care in the U.S.



U.S. Health Care Solutions

- Improved Performance
- Value
- Reduced Cost
- Improved Patient Experience
- Regionalization and Growth
- Innovative Health Care Organizational Models

It is not the strongest of the species that survives, nor the most intelligent that survives. It is the one that is the most adaptable to change.

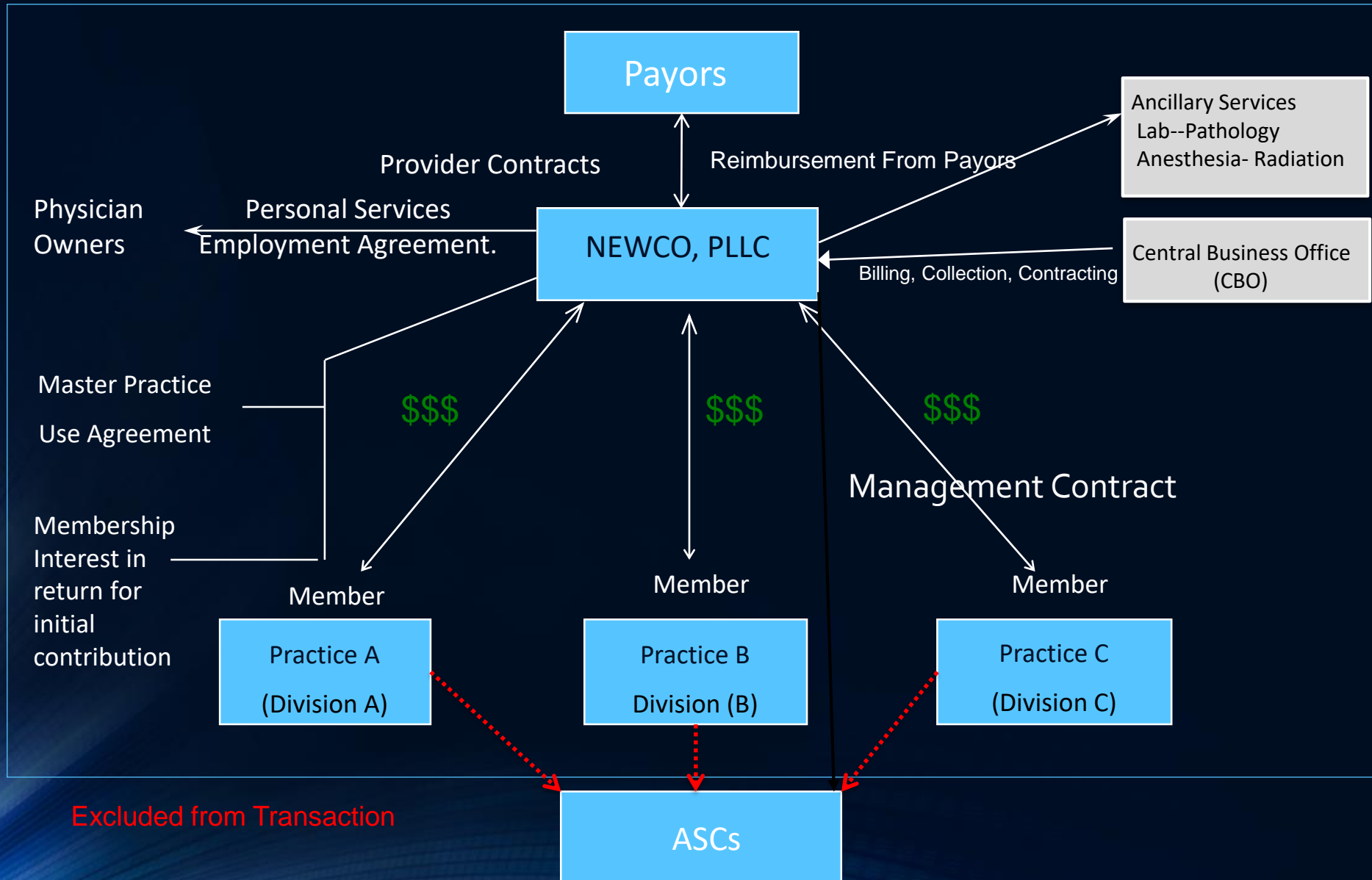
Charles Darwin



Adapting to Change Through Innovative Organizational Models

- Integration (Merger)
 - Care Center/Profit Center
- Clinically Integrated Network (“CIN”)

Professional Limited Liability Company (PLLC) Member Managed Model



Merger Structure Features

- Professional practices are members of the new entity
- ASCs and ancillary revenue projects (except in-office exception programs) not included in merger and new entity
- New entity – single Tax ID
- Payor contracts assigned from practices to new entity
- Assets licensed from legacy practices to new entity
- Physicians must be re-credentialed under new Tax ID
- Compensation of physicians can be separately determined by practice group
- Revenue and costs allocated to divisions
- Decision making is entirely flexible

ASC Structure Features

- ASCs/Endoscopy Centers outside of transaction
- Staff of new entity leased to ASC (where possible)
- New entity manages ASC/management service agreement
- New entity bills for clinical services
- Evaluation of Affiliated Service Groups
 - If affiliated, treated as single employer for retirement
- Divisional model
 - Revenue and costs assigned to division with ASC relationship
- Single Ownership of all ASCs can be transitioned in future

Merger Regulatory Considerations

- Stark II regulations require that the merged group meet the “unified business” test to qualify as a group practice.
- Three requirements to meet this “unified business” test
 - Centralized decision-making by a Board of Managers
 - Consolidated billing, accounting and financial reporting
 - Designated Health Services profits (lab/imaging) must be allocated evenly or by “non DHS” formula

An Alternative To The Practice Integration (Merger) Model

No Merger



Merger

Clinically Integrated Network (CIN)



What Is A Clinically Integrated Network (CIN)

- A CIN is defined as a health network or provider system working together, using proven protocols and measures, to improve patient care, decrease cost and demonstrate value to the market.

Clinically Integrated Network (CIN) Requirements And Objectives

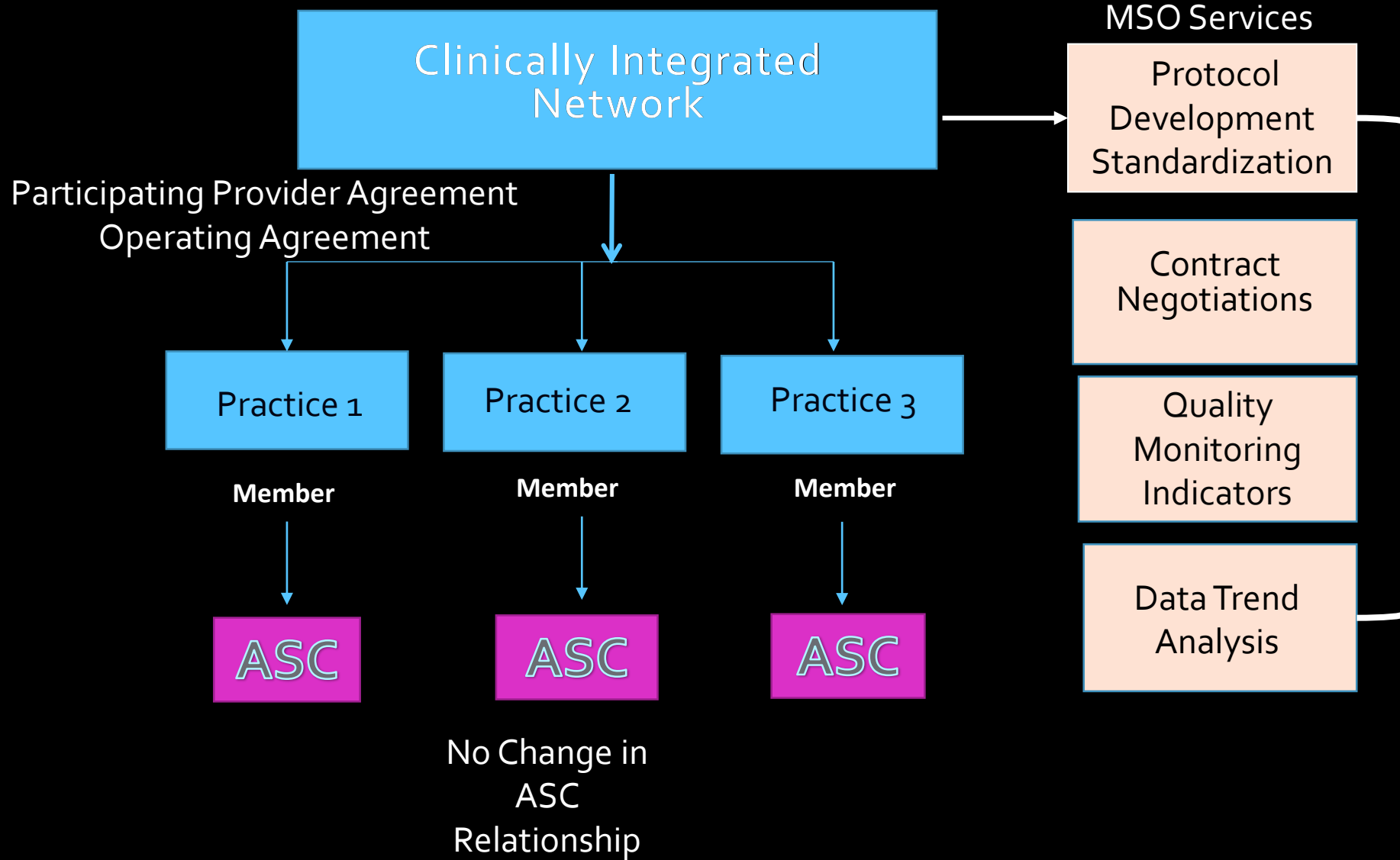
To Be Considered a CIN by the FTC, It Must:

- Increase Quality
- Reduce Cost and Waste
- Sustain Independence for Physicians
- Effectively Manage Utilization With a Healthcare Population
- Solution to State Wide and Regional Contracts

Why Develop or Join a CIN ?

- Collective bargaining by physicians that compete with each other is considered anti-competitive.
- Prohibited except where they are financially or clinically integrated.
- Everyone needs to be in the “same boat”
- In a CIN, independent physicians can negotiate collectively with payers on reimbursement arrangements without merging practices





CIN is a Non Integrated Practice Model
Based upon quality and cost physicians can contract as a unit

Merger?

CIN?



What is the Best Solution for Practice and the ASC?

It Must Meet Two Criteria to Succeed Today and Tomorrow in Health Care

Change



Adaptation



Merging Practices

Integrating Merged Assets

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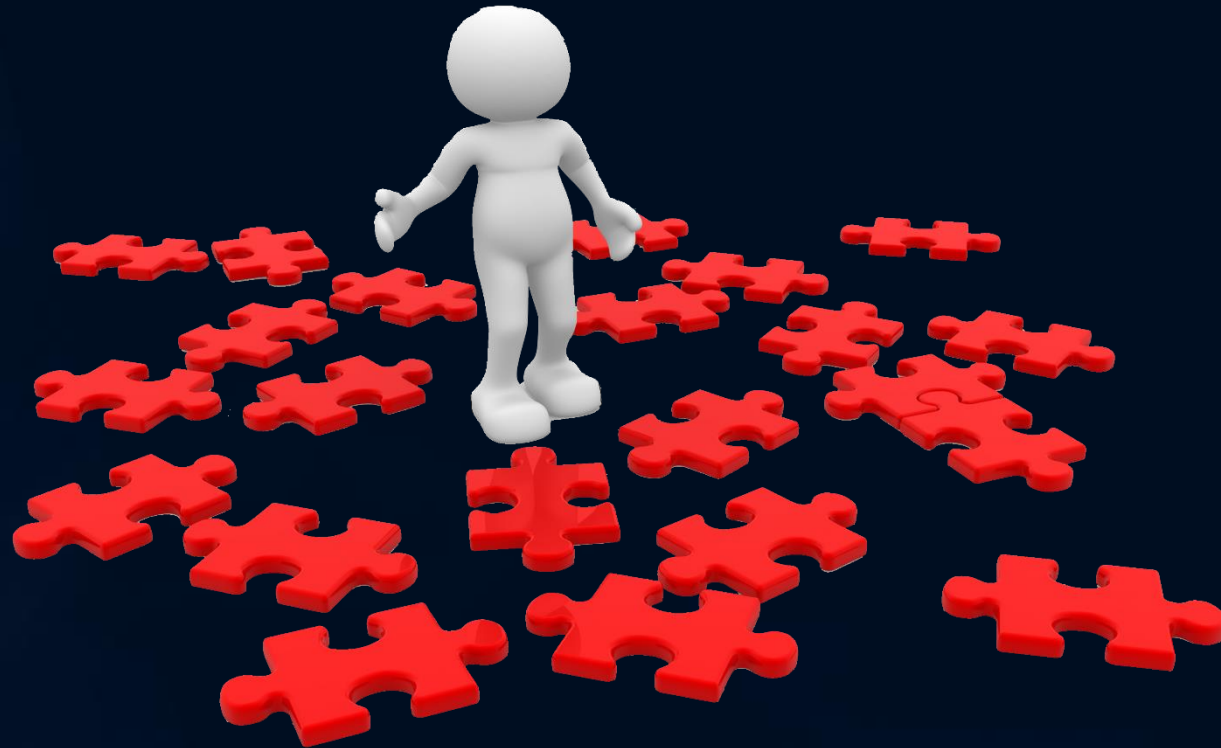


Integration Makes Sense and Cents

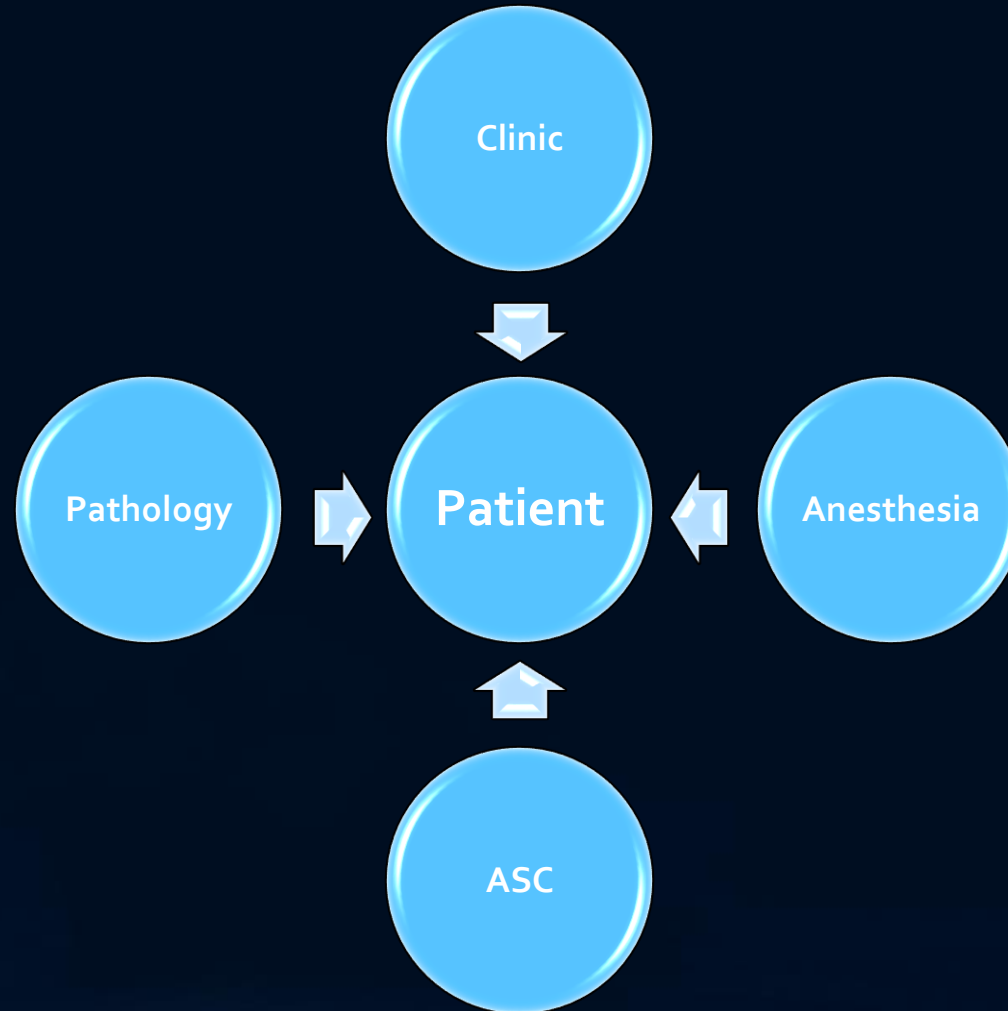
The U.S. Health Care Solution

- Improved Performance
 - Value
 - Reduced Cost
 - Improved Patient Experience
 - Regionalization and Growth
 - Innovative Health Care Organizational Models
 - Mergers
 - Clinically Integrated Networks
- 

Historically management companies buy into a single part of the patient experience, breaking the relationship.



Why integrate?



- Allows you to leverage technology to create efficiencies
- Creates scalability
 - Support & maintain architecture
 - Single point of resolution
- Intimate knowledge and relationship

You can throw people at an opportunity,
throw money at an opportunity, or you can
get smarter.

Shared Information

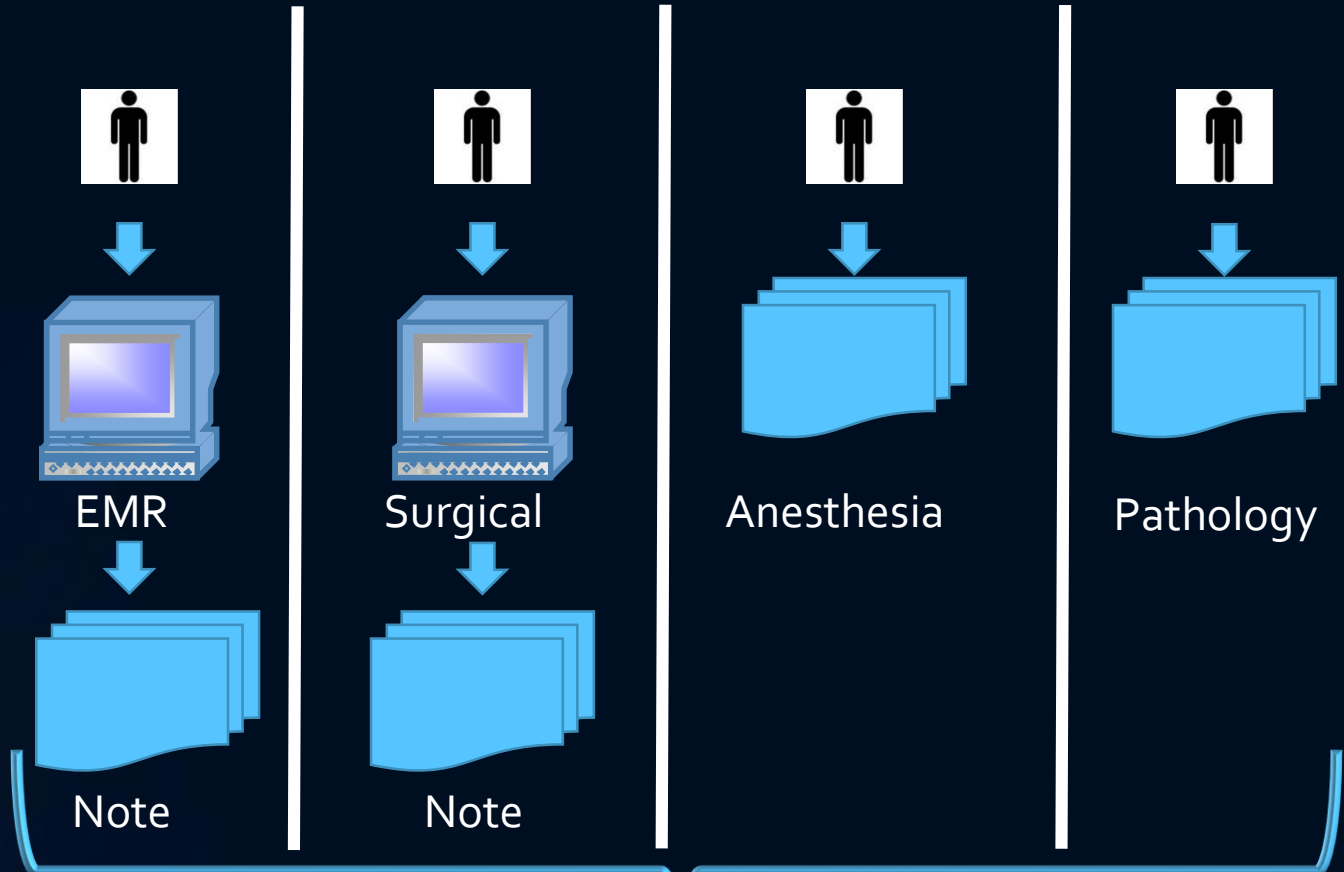
Registration
& Scheduling

HR & Payroll

Procedure
Note & H&P

Quality
Reporting

Billing
Components



Reporting and
Quality Initiatives

