

Key Trends for Ambulatory Surgery Centers in 2018

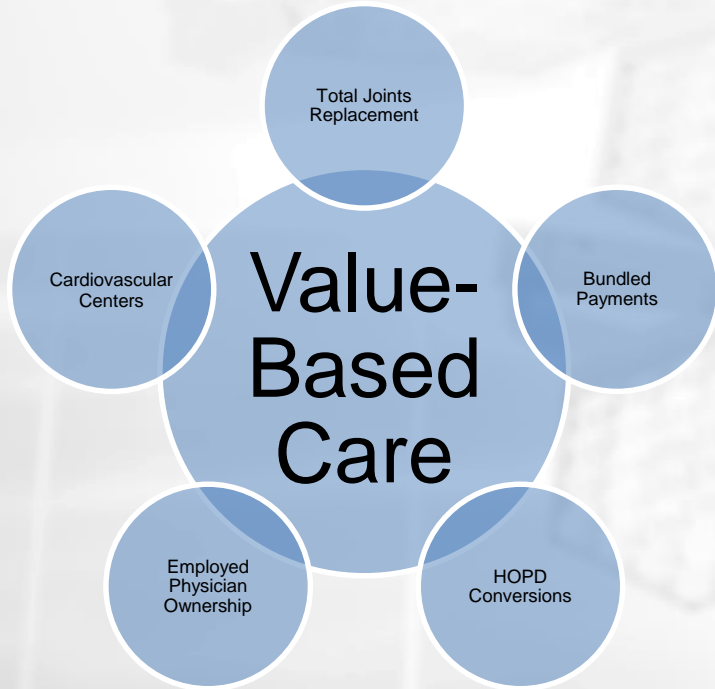
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MOVING TOWARDS VALUE-BASED CARE



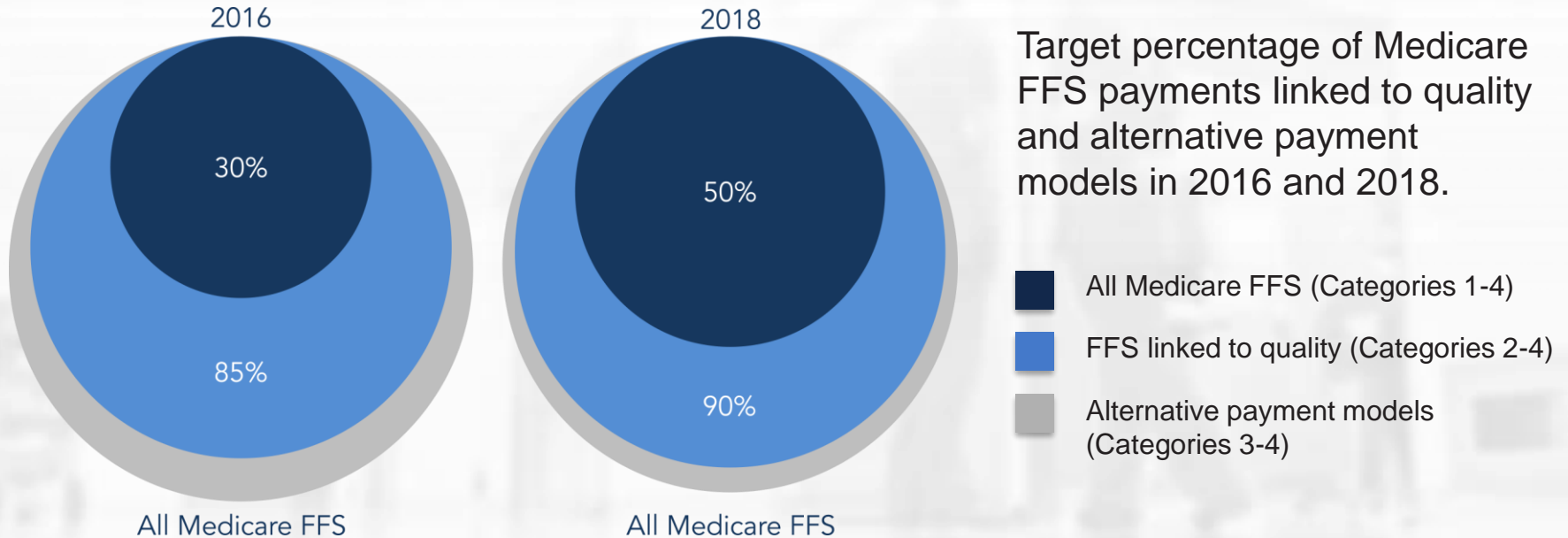
- **Shift to Value** – IP ORs are considered cost center and targets for reduction.
- **Reimbursement Shifts** – CMS approving new procedures and narrowing gap b/w ASC and Hospital Rates. Move toward bundled payments and risk-based contracts.
- **Outpatient Capabilities** – Technology, smaller incisions, and advances in anesthesia and pain management techniques encourage more cases to go outpatient.
- **Physician Preference** – Better alignment of incentives with Physician Ownership. Physicians have better control and material financial returns.
- **Patient Preference** – Provides lower costs for those with high deductible plans. ASCs tend to be more convenient, less crowded, and less confusing than hospitals.

A grayscale photograph of an operating room, viewed from below, showing several large, hexagonal surgical lights hanging from the ceiling. The lights are arranged in a circular pattern, and their surfaces are covered in numerous small, bright LEDs. The background is slightly blurred, showing parts of the operating table and other medical equipment.

HOW FAST
ARE YOU MOVING TOWARDS
VALUE-BASED CARE?

MOVING TOWARDS VALUE-BASED CARE

CMS is aggressively pushing to have “Value” replace “Volume”



20 MAJOR HEALTH SYSTEMS
& PAYORS pledge to convert

75% OF BUSINESS to value-
based arrangements **BY**

2020 *According to chairman of the
taskforce, CEO Richard
Gilfillan, MD, of Trinity Health*



Total Joint Replacements in Outpatient Setting

HISTORY OF JOINTS IN THE OUTPATIENT SETTING

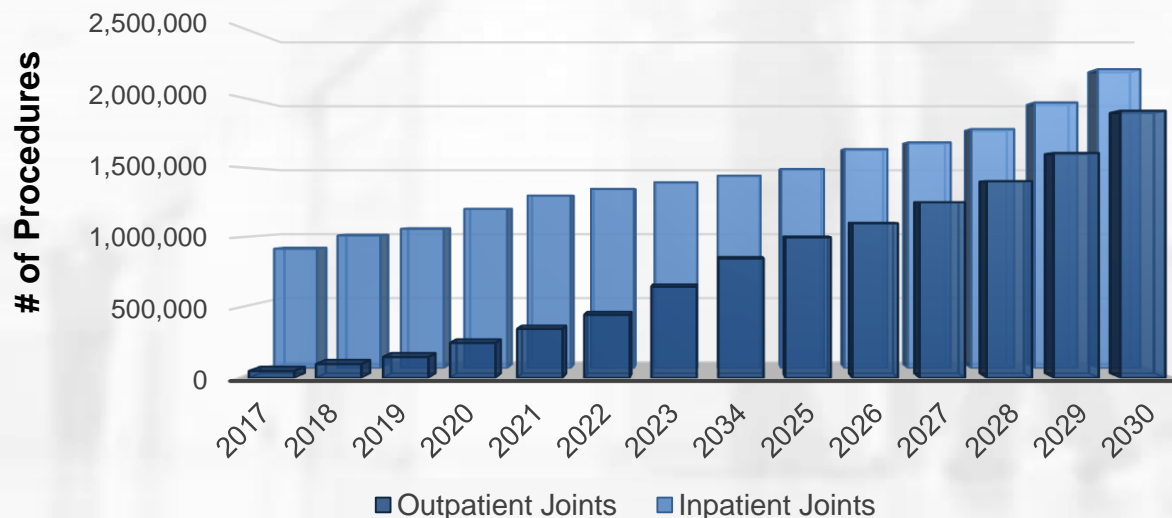
INITIAL HEADWINDS TO CHANGE

- Payors
- Surgeons
- Clinical Staff

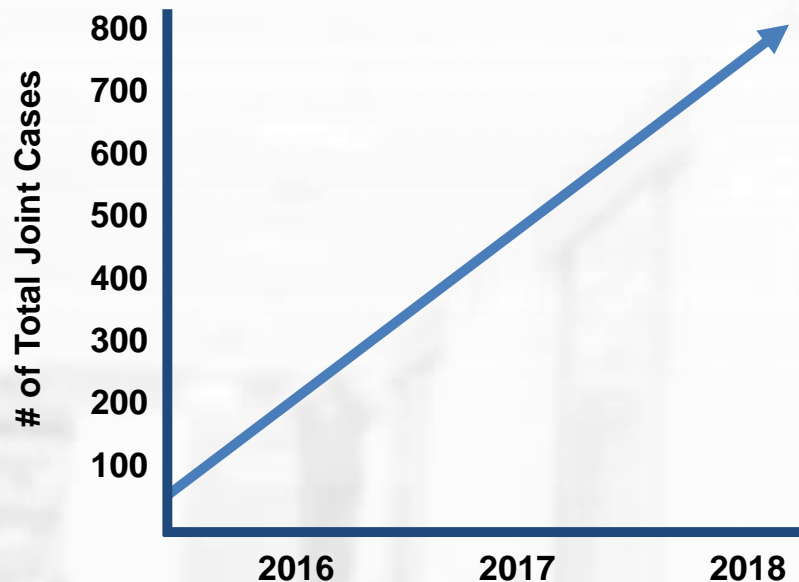
Strong leadership was required to overcome challenges

PROJECTED GROWTH IN THE OUTPATIENT SPACE

- By 2030, annual total hip and knee joint replacements are expected to grow from \$1M to \$4M
- 45% of procedures could be outpatient by 2025



RESULTS OF THE CHANGE



- Quick change in attitudes and volumes
- Regent: 300+% Increase in Total Joints from 2015 to 2016 – Similar growth expected for 2017 and beyond



Bundled Payments

TAILORING WHAT'S INCLUDED IN THE BUNDLE

Types of Bundled Payment Options

Day of Surgery

90 Days of Risk

Timing of When the Episode Begins/Ends

Day of first office visit

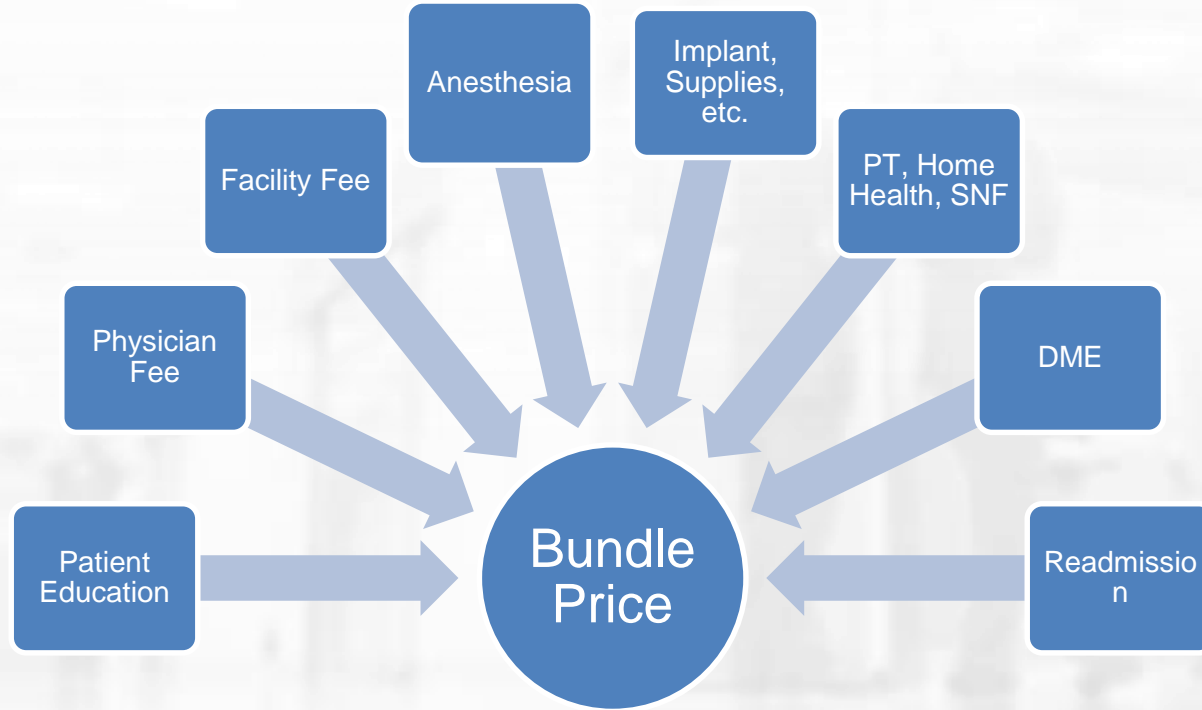
1 year post surgery

Patient Selection Criteria

Only outpatient qualified

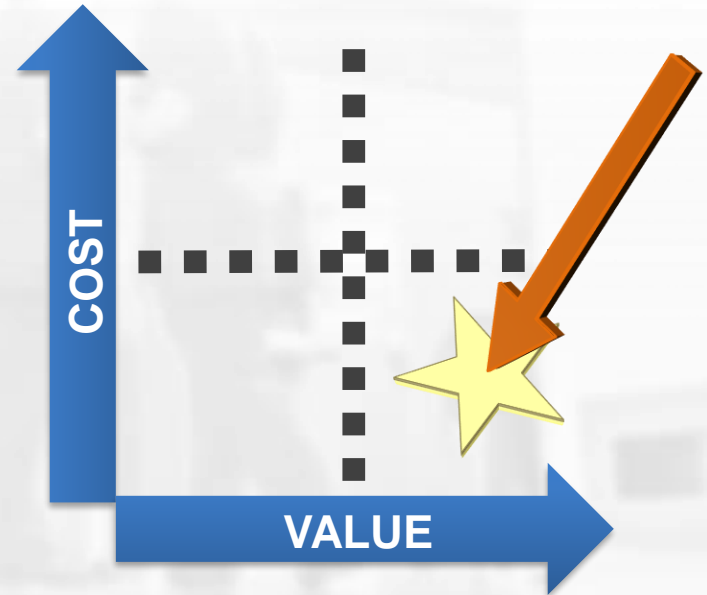
Any Patient w/ a designated
index DRG or CPT

EXAMPLE: 90 DAY TJR BUNDLE



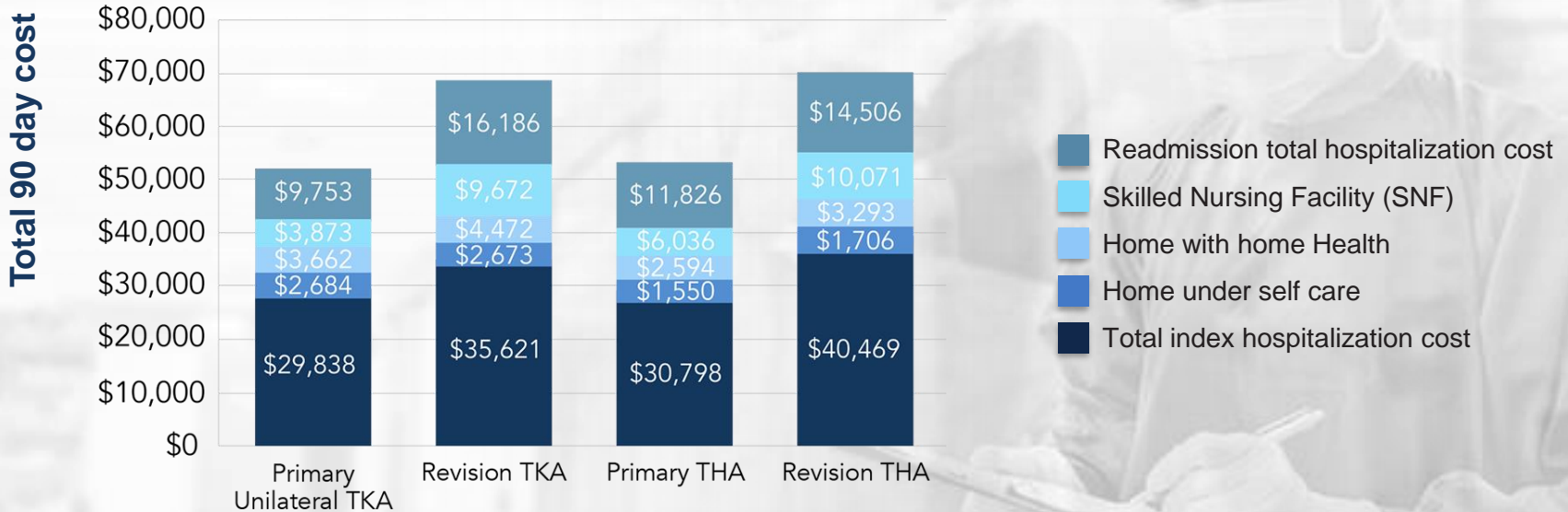
OUTPATIENT PROCEDURES & BUNDLED PAYMENTS

- Outpatient surgery will play an integral role in a value based healthcare system
- ASCs provide equal or better outcomes at a lower cost
 - ASCA study: ASCs = \$38B in Commercial Payor Savings
 - UC Berkeley Study: ASCs = \$2.5B in Medicare Savings



TOTAL JOINT COST EPISODE COST BREAKDOWN

Where the surgery is performed will have the greatest impact on the cost of the episode



* Source: *Journal of Arthroplasty*

WHO WILL PAY FOR THE BUNDLE

MEDICARE

- CMS has backed off expansion of mandatory bundles
- Have turned to a free market solution – want those willing to lead to propose solutions to CMS

COMMERCIAL INSURERS

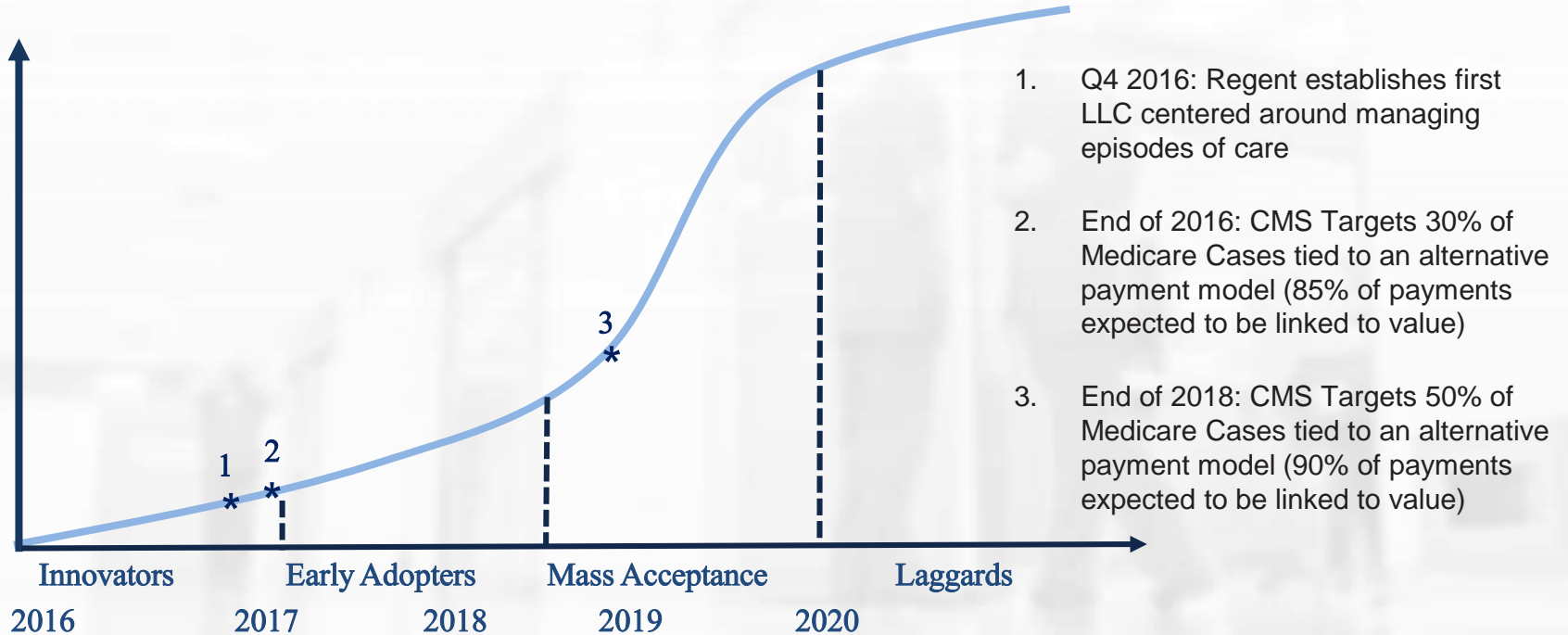
- Have begun pilot programs in select market
- In the crawl phase, but will likely ramp up in 2018-2019

SELF-FUNDED EMPLOYERS

- Have been making strides on their own to contract for innovative solutions
- Healthcare costs continue to grow and have a material impact on businesses financial performance
- Many won't wait for the commercial insurers to catch up, but are solving this problem on their own

BUNDLED PAYMENTS:

EARLY ADOPTERS = FUTURE MARKET LEADERS





HOPD Conversions

HOPD TO ASC JOINT VENTURE CONVERSIONS

- In support of a larger value-based care strategy
 - Hospitals now support moving cases to ASCs as they take on risk with new payer contracts
- In CON states, regulations to convert existing HOPD may be easier than building de novo
- As a growth strategy – drive volume by partnering with independent or “splitter” surgeons
- As a retention strategy – retain partnerships with key surgeons looking to partner with a competitive health system or develop their own

The key is to identify incremental case volumes through strategic physician alignment AND use the hospital's strength to leverage rates



Employed Physician Ownership

EMPLOYED PHYSICIAN OWNERSHIP

- Number of employed physicians growing, many systems are now considering allowing employed physicians to invest as partners in ASC joint ventures
 - *employed physicians under age 40 is 65.1% - Becker's May 2017
- Physician retention strategy



Cardiovascular Centers

CARDIOVASCULAR LAB PROCEDURES

Diagnostic Procedures

- Angiography
- Noninvasive Diagnostic Cardiology
- MRI
- Carotid Ultrasound
- Exercise Stress Testing
- Non-invasive vascular imaging

Interventional Procedures

- Coronary Angioplasty
- Stenting
- Arterectomy
- Septal Closure Devices
- Thrombectomy
- Peripheral angioplasty
- Carotid angioplasty
- Renal artery angioplasty
- Venous angioplasty

Electrophysiology

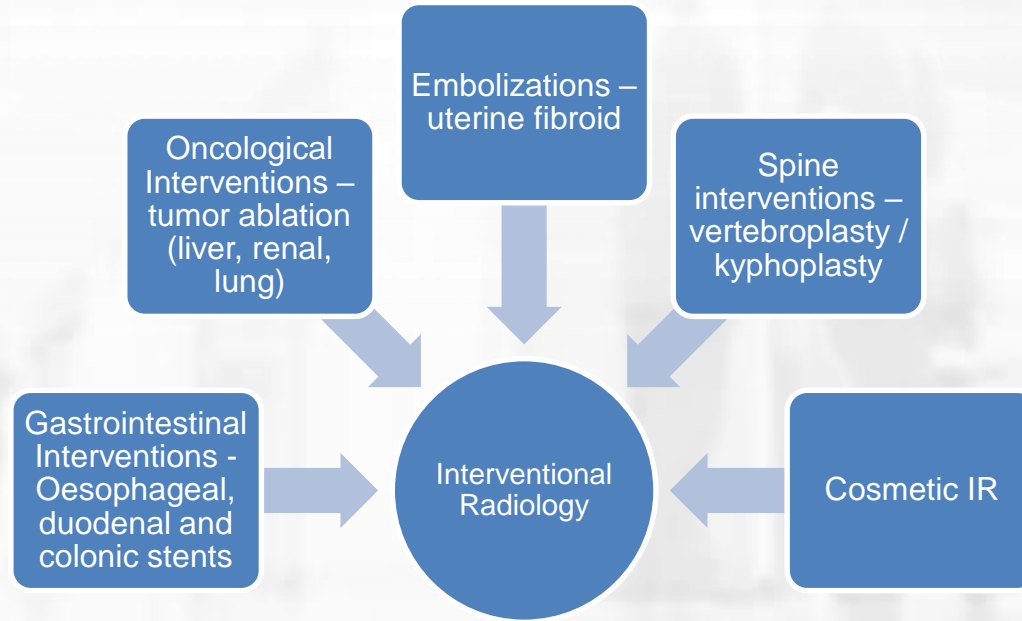
- Pacemaker Placement
- Defibrillator (ICD) Placement
- Implantable Loop Recorder
- Cardioversion
- Cardiac Ablation

Other Vascular Procedures

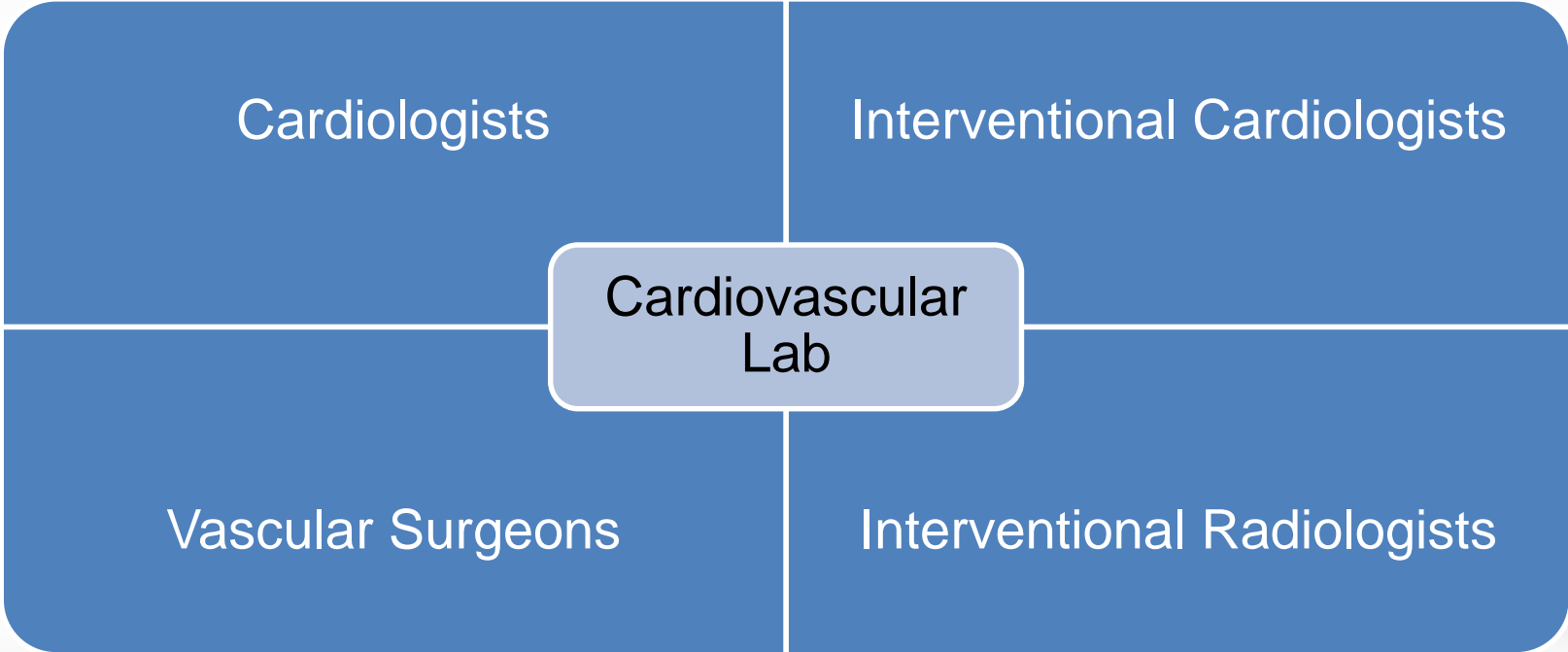
- Varicose vein ablations
- Venous access for dialysis

INTERVENTIONAL RADIOLOGY – MORE THAN JUST VASCULAR

Interventional radiology is rapidly expanding to diagnose and treat diseases in nearly every organ system



PATH FORWARD



Q&A