

The Next Generation of Ambulatory Surgery

Growth Opportunities for ASC's



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Objectives

We hope you walk away knowing...



Best surgical sub-specialties to focus on transitioning to an ambulatory basis



Opportunities for future growth



Key strategies for making your ASC successful in this dynamic landscape

“We can’t solve the problems of healthcare with incremental add-on solutions; we have to change the very structure of how we deliver and think about healthcare”

Michael Porter PhD



AGENDA



**Current State &
Trends**



**Growth
Opportunities**



**Ambulatory
Reimbursement**



Case Study: HIFU



**What's needed for
success**



Current State: Ambulatory surgery volume is growing

65%

of all surgeries are
performed on an
ambulatory basis

Advancements
in technology

Payer
pressures

Improved pain
control

The range of ambulatory procedures is expanding

- Ear, Nose, & Throat
- Eye
- Excision of lesion/Tissue
- Gastrointestinal
- Musculoskeletal
- Nerve Treatments
- Plastics





Successful ambulatory surgery centers (ASC) have specific characteristics

- ✓ Depth of Specialty
- ✓ Diagnostic Capabilities
- ✓ Access to capacity
- ✓ Value Based Focus



ASC growth is expected to continue through 2022*

- Inpatient discharges are expected to decrease by 2%
- Outpatient volume grows 15%
- Outpatient surgery is expected to see an 11% increase 2018-2022

	IP	OP
Ortho Spine	↓ 3%	↑ 35%
GYN	↓ 28%	



1. Ortho
2. Spine
3. G.I

* Source: <https://www.beckersasc.com/asc-turnarounds-ideas-to-improve-performance/10-key-trends-for-ascs-and-outpatient-surgery-in-the-next-10-years.html>



Growth can come from broadening of procedures, specialties, technology, or enhancing value

- Orthopedics/Spine
- Energizing Technology
- Specialty Focus
 - Diagnosis
 - Treatment
 - Rehabilitation
- Value Based Care
 - Clinical Outcome
 - Patient Satisfaction
 - Cost



Surgeon owned ASCs are prime acquisition targets for hospitals

- Original investor practices maturing with limited opportunity to cash out
- Younger surgeons not as interested in investments
- Center's future success depends increasingly on investment in high cost technology such as MRI equipment



There are three obvious areas for hospitals to focus on to drive outpatient volume



























Best Positioned to
Move to an ASC

Spine

JOINTS

UROLOGY

Different ambulatory procedures offer different financial opportunity

Practice Area	Procedure	Demand	Margin
Ophthalmology	Vitreotomy		
	Corneal Transplant		
Gynecology	Laparoscopic Hysterectomy		
General Surgery	Hernia Repair		
	Laparoscopic Cholecystectomy		
Vascular	Access		
Orthopedic	Total Joint Replacement		
Neurosurgery	Mini Laminectomies		
	Herniated Disc Excision		
	One Level Anterior Cervical Discectomy & Fusion		
ENT	Simple Thyroidectomy		
Urology	Prostatectomy		
	High Intensity Focused Ultrasound		

KEY





Ambulatory surgery volume growth saves CMS money because of the difference in HOPD and freestanding reimbursement...

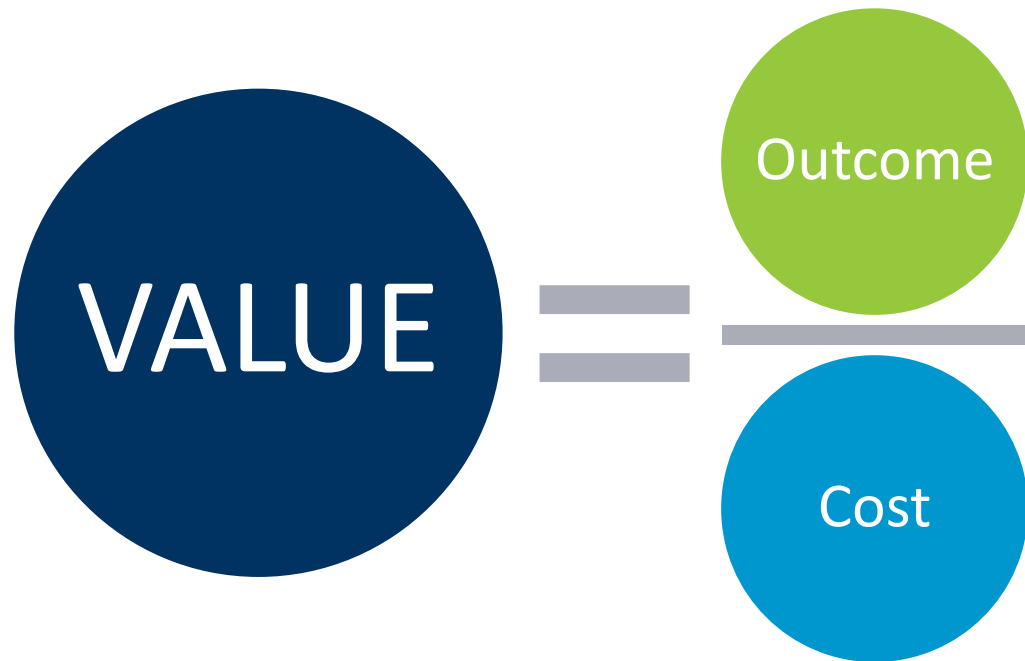
Illustrative Reimbursement Rates:

	Impatient	Outpatient	Saving	% Saved
TKA	\$12,384	\$10,122	\$2,262	18.2%

... However, Reimbursement impacts the decision for hospitals to consider a Joint Venture:

HOPD reimbursement 45% more than free standing ASC!

Success with government and private payors depends on proving value

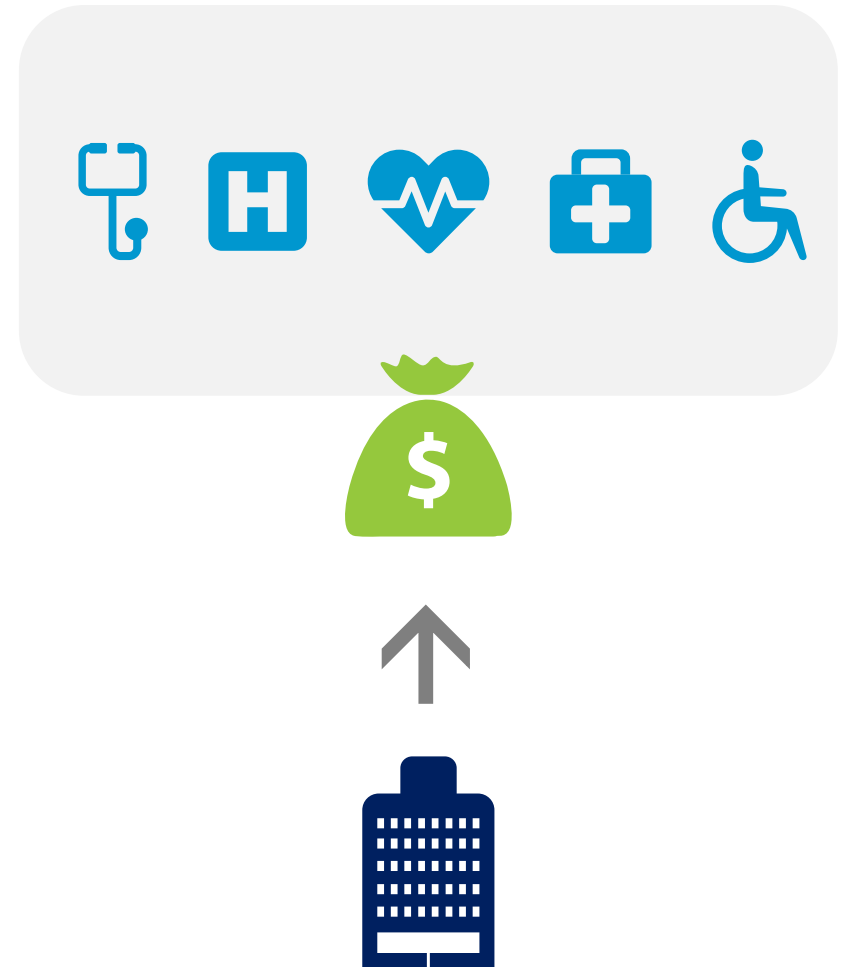


- Patients and payers shift focus to *value*
- Decreased cost *cannot result* in a decrease in outcomes

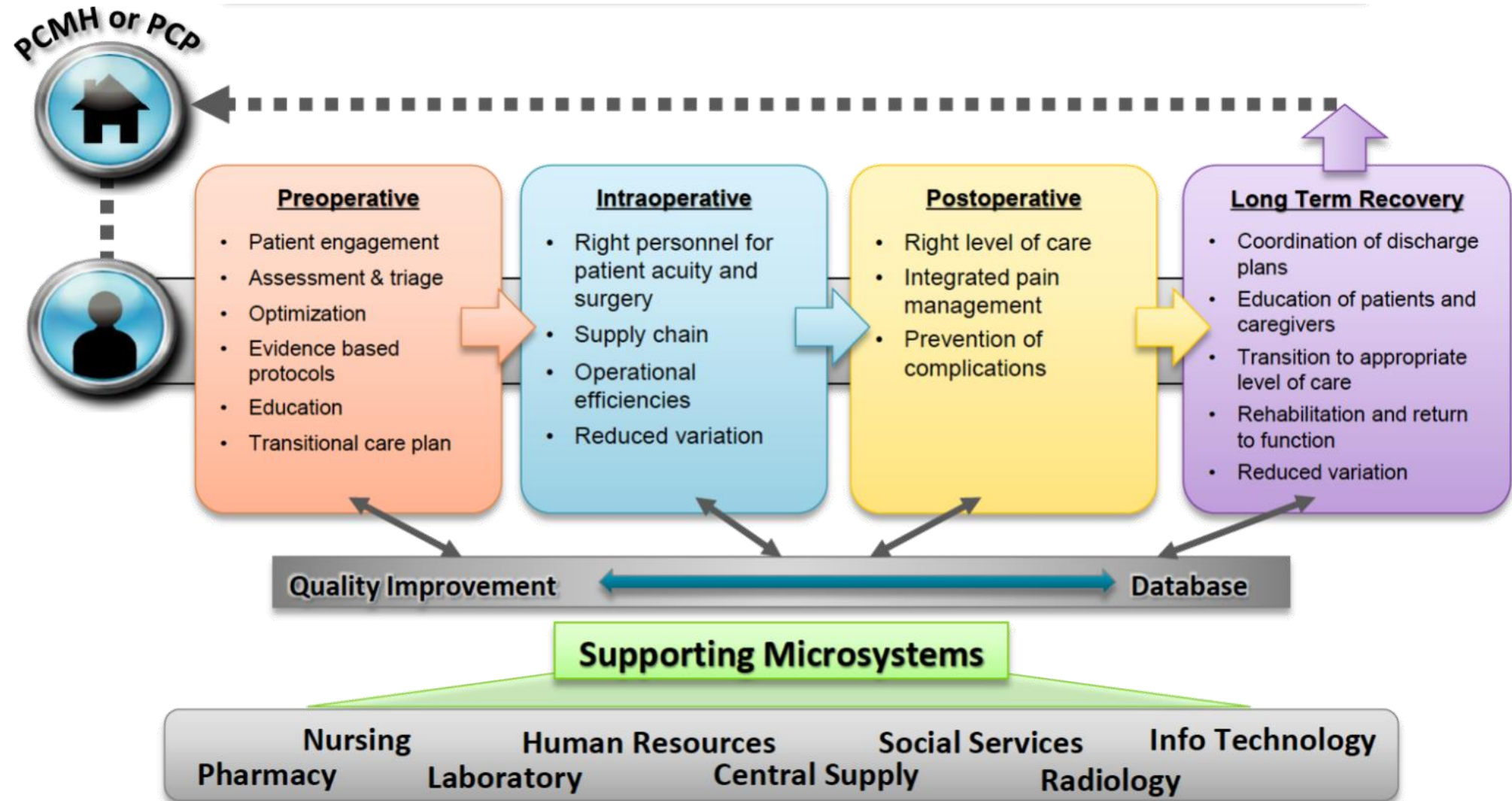
ASC success depends on positioning and preparation for bundled payments!

Commercial payers encourage bundled payment reimbursement for an increasing number of procedures

- Surgical Bundles include reimbursement for all services required for a **single, pre-defined episode of care**. For example:
 - Facility (ASC)
 - Anesthesia
 - Surgeon
 - Post-Op Care for 90 Days (e.g., SNF, home nurse, physical therapy)



Bundled payments cover the entire episode of care





Bundled payment models require standardization

Total Knee Replacement	Benchmark*	Provider A	Provider B
Volume	21,966	516	236
Mortality	0.10%	0.00%	0.42%
30 Day Readmissions	3.65%	3.11%	9.79%
Complications	10.69%	7.36%	15.25%
Direct Cost per Case	\$12,041	\$11,899	\$14,038
Patient Satisfaction	Top Decile	92%	86%

Variation precludes organizations from:

- ✘ Being prepared to offer competitive pricing for bundled payment
- ✘ Taking on financial risk of managing the health outcome of a community



Case Study...

SITUATION

- Hospital in the Southeast wants to capture more volume from an independent group of 100 surgeons.

BACKGROUND

- Prostate cancer is the third leading cause of cancer death in American men.*
- Historic Options:
 - Diligent Observation
 - Radical Prostatectomy
 - Radiation

***A new FDA-approved alternative opens the door to an ambulatory offering:
High Intensity Focused Ultrasound (HIFU)***



Case Study ... (cont.)

- HIFU is a Medicare-reimbursed procedure
- **Significant reduction in complications** relative to Prostatectomy because prostate lesion is treated with high frequency ultrasound
- Procedure information:
 - **Time:** 90-120 minutes
 - **Anesthesia:** General
 - **Post-op → discharge:** 2 hours

Case Study ... (cont.)

- The majority of patients pay \$25,000 for the surgery, anesthesiologist, and facility fee.
- The ASC assists with billing Medicare and any third party payer.

HIFU, per procedure

	Commercial	Medicare
Fee	\$ 15,000	\$ 7,500
Facility Cost	\$ 2,800	\$ 2,800
Fee for Device and Disposables	\$ 5,500	\$ 5,500
Total Direct Cost	\$ 8,300	\$ 8,300
Gross Margin	\$ 6,700	\$ (800)



Case Study ... (cont.)

HIFU Procedures in August 2017	
12 Commercial patients @ \$15k each	+ \$180,000
12 Medicare patients @ \$7500 each	+ \$90,000
Facility Costs	- \$67,200
Device and Disposable Costs	- \$132,000
Gross Margin	\$70,800



HIFU reflects current trends in Ambulatory Surgery

- Alternative to invasive inpatient procedure
- Emerging technology
- Integration of surgery & diagnostic imaging

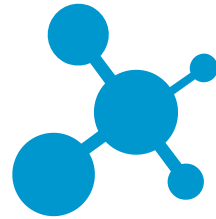


Success managing ambulatory surgery volumes depends on several factors



GOVERNANCE

- *Physician Leadership*
- *Commitment of Resources*
- *Data Dissemination*



CLINICAL REDESIGN

- *Pre-Surgical Optimization*
- *Daily Huddle*
- *Enhanced Recovery After Surgery*



PATIENT ENGAGEMENT

- *Communication of Expectations*
- *Technology Tools*
- *Pre-Procedure Education*



Successful ASC's are passionate about ensuring value and that they are optimized

- Clinical
 - Unanticipated admission to hospital
 - Pain
 - PONU
 - Functional Status
- Patient Satisfaction
 - Communication
 - Check In
 - Explanation of anesthesia process
 - Discharge instructions
 - Patient Advocacy (OASCAHPS)

Strong ASC governance is essential

- **Physician Leadership:** Form a Multidisciplinary Committee
- **Commitment of Resources:** Invest in Staff, Equipment
- **Data Dissemination:** Share Data with Surgeons in a Transparent Way

		FY'13	Nov'15-Oct'16
Provider E	Volume	236	199
	Mortality	Benchmark - 0.10%	
		0.42%	0.00%
	30 Day Readmissions	Benchmark - 3.65%	
		9.79%	2.51%
	Complications	Benchmark - 10.69%	
		15.25%	5.03%
	LOS	Benchmark - 3.24	
		3.86	2.54
	Direct Cost per Case		
		\$14,038	\$10,170

		Volume		Mortality		30 Day Readmissions		Complications		LOS		Direct Cost per Case	
		FY'13	Nov'15-Oct'16	FY'13	Nov'15-Oct'16	FY'13	Nov'15-Oct'16	FY'13	Nov'15-Oct'16	FY'13	Nov'15-Oct'16	FY'13	Aug'16-Oct'16
TKA/THA	Organization	2,180	2,260	0.27%	0.00%	5.25%	2.43%	9.99%	6.77%	3.34	2.13	\$12,163	\$10,064
	Benchmark*	NA		0.10%		3.65%		10.69%		3.24		NA	
	Provider A	516	533	0.00%	0.00%	3.11%	2.06%	7.36%	4.69%	2.75	1.49	\$11,899	\$9,702
	Provider B	338	391	0.00%	0.00%	6.51%	2.99%	10.36%	7.88%	3.34	2.01	\$12,092	\$10,892
	Provider C	341	448	0.59%	0.00%	3.54%	2.68%	6.73%	8.04%	3.51	2.56	\$12,855	\$10,340
	Provider D	309	391	0.32%	0.00%	4.22%	1.28%	11.65%	6.91%	3.05	2.07	\$9,932	\$9,215
	Provider E	236	199	0.42%	0.00%	9.79%	2.51%	15.25%	5.03%	3.86	2.54	\$14,038	\$10,170

*Benchmark based on Premier Top Performing Hips/Knees Centers

CLINICAL REDESIGN

- ***Pre-Surgical Optimization:*** Coordinate Care Continuum
- ***Daily Huddle:*** Prepare to Care for the Patient
- ***Enhanced Recovery After Surgery:*** Implement Best Practice



Coordination of care is the heart of clinical redesign to shift surgical volume

Pre-Operative Care

Pre-Operative Pathway



Surgeon
Pre-Op Visit



Pre-Admission Testing



Hospital

Acute Care

Inpatient Pathway



Inpatient Rehab



Skilled Nursing Facility



Home Health
Agency



Outpatient
Physical Therapy

Shared Post-Acute Pathways



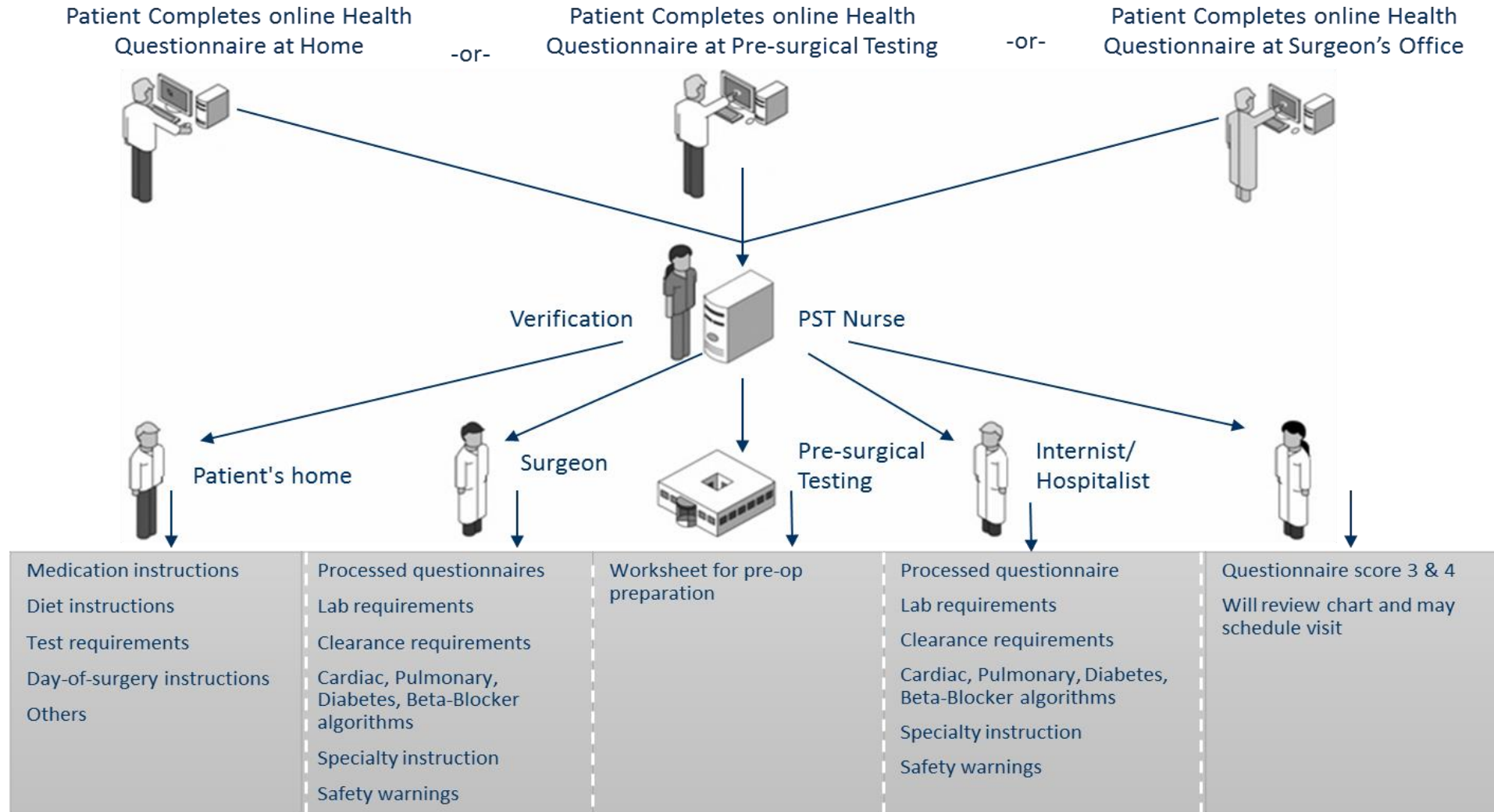
Primary Care
Visits



Surgeon
Follow-up Visits

Post-Acute Care

Pre-Surgical optimization is a key element in clinical redesign





Patient engagement is critically important

- **Communication of expectations:** Messaging should be consistent
- **Technology tools:** Utilize technology to remind & monitor patients
- **Pre-procedure education:** Provide education multiple ways, multiple times

Provide
Education
Video Links

Manage patients' expectations and prepare them for the entire surgical experience

Patient
Technology
Engagement
Apps

 DuetHealth
A MedData Company

twistle 



What's next: Critical questions to answer

1. What services will give our facility a competitive advantage?
2. What cluster of procedures will offer a specialty focus?
3. What volume of procedures by surgeon can we expect?
4. Which payers will approve an ASC setting?
5. How should we manage patient responsibilities (e.g., pre-surgical payments, at-home preparation, post-op rehabilitation)?
6. Are clinical providers motivated to manage their more complicated procedures and patients?
7. What capital, people, and clinical processes need to be changed?
8. Is the financial return worth the capital risk?

Thank You!



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