How to T~~S~~ive Survive in a Declining Reimbursement Market

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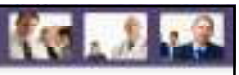
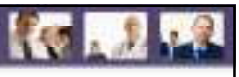
President & CEO

The Current Situation



- **Positives:**
  - ✓ More patients with health insurance
  - ✓ Elimination of co-pays for screening colonoscopies
  - ✓ Increased patient education
  - ✓ Significant increased focus on quality
  - ✓ Patients are more consumer oriented
- **Negatives:**
  - ✓ Degradation of payer mix
  - ✓ Continued downward pressure on reimbursement
  - ✓ Payer plans moving toward higher deductibles

The Current Situation



- **Negatives - continued:**
  - ✓ Increasing costs for staffing, benefits, supplies, technology, services, insurance, regulatory compliance…
  - ✓ Twice as many GI physicians at, or nearing, retirement age than are entering the specialty. (More patients – fewer providers)

Trends

- **Fear of the future/survival instinct is spawning:**
  - ✓ Urge to merge (Bigger is better)
  - ✓ Sacrifice independence - (Physician employment has doubled in just two years)
  - ✓ Sell my ASC to a hospital – (Hoard cash e.g., fund my retirement; grab lower cap gains tax rate while available; higher reimbursement under hospital managed care contracts.

How To Survive and Thrive

❖ Top Line Strategies:

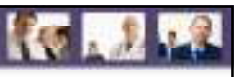
- **Maximize Utilization**
  - ✓ Try to eliminate gaps in the schedule
  - ✓ Consider extending hours or adding one or more Saturdays each month
  - ✓ Physician extenders – PA model
- **Focus on Collecting Time of Service Payments** (Co-pays and deductibles) – Reduces costs and maximizes revenue
- **Add New Service Lines**
  - ✓ Example - hemorrhoid banding or pain management

How To Survive and Thrive

❖ Top Line Strategies:

- **Reimbursement**
  - ✓ Understand your payer mix
  - ✓ Who are your most profitable payers
  - ✓ Who are your most problematic payers
- **Re-negotiate contracts using a systematic approach**
  - ✓ Timing
  - ✓ Establish "must-have" terms within the agreement (e.g., payment terms)
  - ✓ Know when to say "no"
  - ✓ Don't be afraid to ask for more, even if only CPI adjustment
  - ✓ Know your leverage points (e.g., coverage, quality, etc.)

How To Survive and Thrive

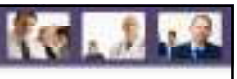


- Top Line Strategies:
  - **Know your billing statistics**
    - ✓ Days from DOS to bill drop: <48 hrs
    - ✓ % electronic vs. paper claims: >95%
    - ✓ % clean claim submissions: >99%
    - ✓ Catalog all claim rejections by reason: <5%; look at trends
    - ✓ DSOs: <30 days
    - ✓ % AR >90 days: <5%; keep write-offs <1%
    - ✓ Catalog all write-offs by reason code
  - **Should management services be contracted?**

How To Survive and Thrive

- Top Line Strategies - continued:
  - **Marketing – You need to begin to actively market**
    1. Yourself
    2. Your staff
    3. Your ASC
    4. Accessibility; availability; convenience; quality; patient satisfaction; procedure volume
    5. It's time to let people know why you are the provider of choice

How To Survive and Thrive



- Top Line Strategies - continued:
  - **Are GI services a "commodity" in your area? Assume they are, no matter what you think.**
    - ✓ Expend time on relationships with referral groups—both at the physician and office manager levels
    - ✓ Your collaterals, website, etc. need to tell both patients and other physicians "why" your practice is special
    - ✓ Examine how you can leverage media coverage of GI services?
    - ✓ Focus on patient satisfaction as your best referral source
  - **Give back to the community**
    - ✓ You probably already do this, does anyone know about it?
    - ✓ Make this a mandate for partnership status in your group.

How To Survive and Thrive

- Operations
  - **Methodically renegotiate every service contract – e.g., space lease, various maintenance contracts (e.g., scopes, reprocessors, generator, vacuum pump, etc.) supplies contracts (e.g., laundry, med gas etc.)**
  - **Track you staffing (FTE) hours per case**
  - **Monitor staffing mix**
  - **Monitor all supply costs per case**
  - **Start with the most costly items and work your way down**

Things to Consider

Strategic Alternatives for Consideration:

- **Practice Merger**
- **Strategic Alignment**
  - ✓ **Use your ASC as leverage to gain**
    1. Survival capital
    2. A partner
    3. Technology access
    4. Better reimbursement
    5. But be careful – you also want to consider how you can protect and continue to benefit from your biggest asset – your ASC.
- **Ancillary Services**
  - ✓ Anesthesia
  - ✓ Pathology

Thank You

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