State of the ASC Industry

Andrew Hayek
President & CEO, Surgical Care Affiliates
Chairman, ASC Advocacy Committee

Three Messages

Industry Has Entered A Very Different Stage

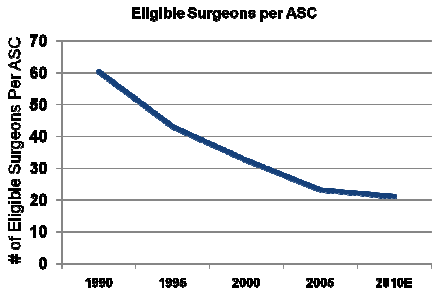
This Impacts Strategy Significantly

Your Help Is Crucial In Advocacy & Quality

Trend 1: Physician Employment

Sources: AHA 2008 Trends Affecting Hospitals and Health Systems, Verispan Profiling Data, SCA Analysis.

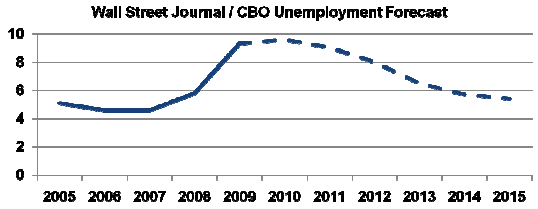
Trend 2: Market Saturation



Sources: AHA 2008 Trends Affecting Hospitals and Health Systems, Verispan Profiling Data, SCA Analysis.

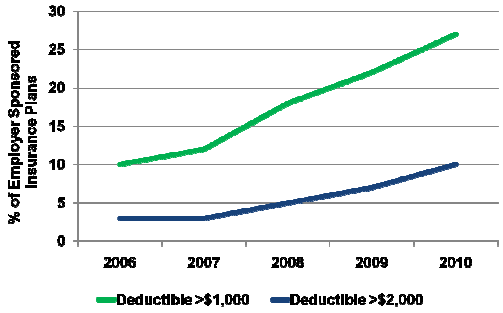
Trend 3: The Economy

- ↑ in unemployment → rising # of uninsured / underinsured
- High unemployment will remain for several years



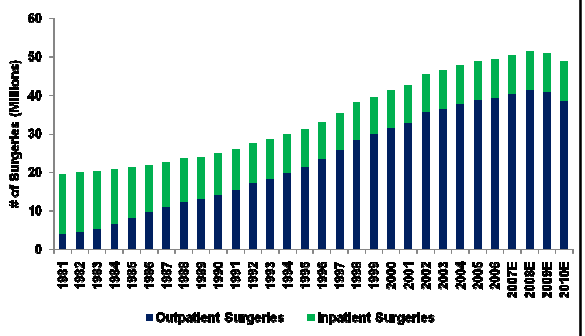
Sources: BLS, Wall Street Journal, Congressional Budget Office, SCA analysis

Trend 4: Plan Design



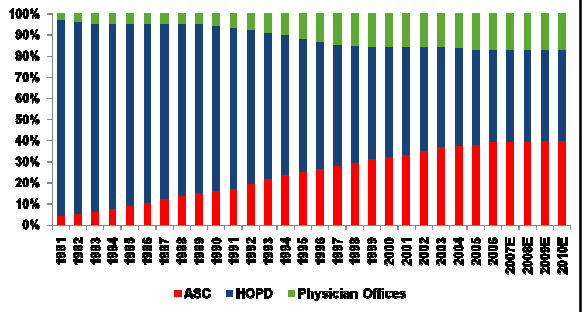
Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2006-2010.

Symptom 1: Shift to OP Has Plateaued



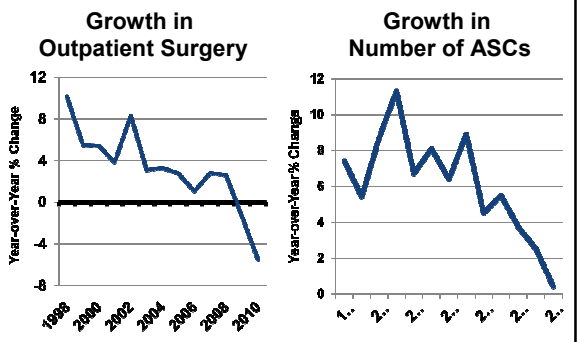
Sources: AHA 2008 Trends Affecting Hospitals and Health Systems, Verispan Profiling Data, SCA Analysis. 7

Symptom 2: Shift to ASC Has Plateaued



Sources: AHA 2008 Trends Affecting Hospitals and Health Systems, Verispan Profiling Data, SCA Analysis. 8

A New Stage, A Mature Industry



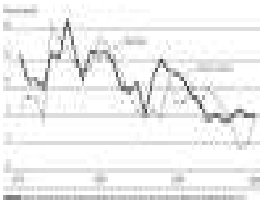
Sources: AHA 2008 Trends Affecting Hospitals and Health Systems, Verispan Profiling Data, CMS, SCA Analysis. 9

Tougher Payer Environment

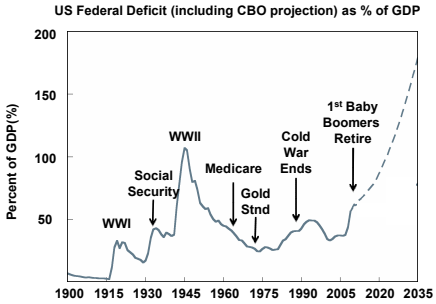
Out-of-Network Pressure

Payer	Changes
A	• Expansion of maximum out of network benefit limitations
B	• Non payment of out of network claims • Limitations on out of network reimbursement to fixed rate methodologies
C	• Pre-authorization of out of network facilities

Rate Pressure



Medicare Rate Pressure Will Accelerate



Source: Congressional Budget Office

Three Messages

Industry Has Entered A Very Different Stage

This Impacts Strategy Significantly

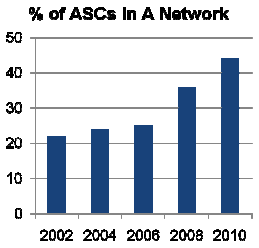
Your Help Is Crucial In Advocacy & Quality

Winning Strategy Is Shifting

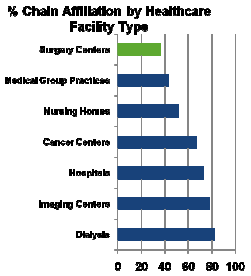
Old Model	Future State
• Rapid building cycle	• Rate + cost pressure
• Unaffiliated surgeons	• Slower volume growth
• Out-of-network strategy	• Need for scale, efficiency, sophisticated systems
• "Flip this house"	• Significant clinical investments
• Under the radar	

Leading to Consolidation

Consolidation Accelerating



And Will Likely Continue



Three Messages

Industry Has Entered A Very Different Stage

This Impacts Strategy Significantly

Your Help Is Crucial In Advocacy & Quality

Political Environment

TECHWATCH

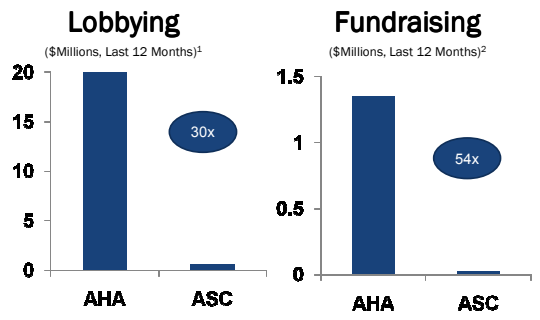
By John M. Hollingsworth, Zeqian Hu, Seth A. Stripp, Sarah L. Kreis, Ann T. Hollenbeck, and David R. Hollenbeck

TECHWATCH

Physician-Ownership Of Ambulatory Surgery Centers Linked To Higher Volume Of Surgeries

"The potential for more profits often induces the physician investor to order more procedures than are needed"
- Senators Grassley & Baucus

Political Power



1) Data reported for 1st Qtr 2009 thru 1st Qtr 2010 as reported to the FEC through April 25, 2010.
2) Data reported for 1st Qtr 2009 thru 1st Qtr 2010. http://www.fec.gov/finance/disclosure/srssea.shtml

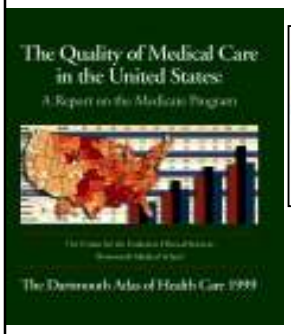
Healthcare Reform

New Health Program	Financing
• Health Exchange	• Personal Tax Increase
• Health Subsidies	• Health-related Tax Increases
• Medicaid Expansion	• Medicare and Medicaid Cuts
• Individual Mandate	
• Employer Mandate	
• Small Business Tax Credit	

Independent Payment Advisory Board

Accountable Care Organizations

Accountable Care Organizations



Medicare Spending Per Capita 2003

Miami, FL	$11,352
Los Angeles, CA	$9,752
Worcester, MA	$8,203
Boston, MA	$7,901
Springfield, MA	$7,103
San Francisco, CA	$6,408
Lebanon, NH	$5,254
Minneapolis, MN	$5,213

What Keeps Us Up At Night?

- Flat to declining Medicare rates
- Allegations of poor clinical quality
- Threats to physician ownership
- Independent Payment Advisory Board
- Accountable Care Organizations
- Value-based purchasing

What can we do?

Your Advocates, Our Responsibility

ASC
Ambulatory Surgery Center Association

ASC Campaign for Advancing Surgical Care
Quality for Patients, Value for Healthcare

ASC Quality Collaboration

Advocacy Committee

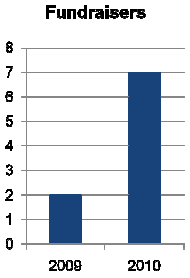
United effort
More resources
Coordinated messaging
Grassroots efforts
Fundraising

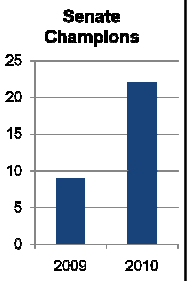
Momentum

Cost Reporting

No Rate Cut

CMS Outreach





Your Role: Clinical Quality

Quality

- Accreditation
- Infection control kit
- Use NQF metrics
- Report data to QC

ASCQuality.org

Your Role: Advocacy

Advocacy

- Join ASCA
- Sign up with AC
- Give to a PAC
- Grassroots

AdvancingSurgicalCare.com