Key Steps to Reduce Implant Costs

John Seitz, Chairman & CEO, Ambulatory Surgical Group

Ambulatory Surgical Group

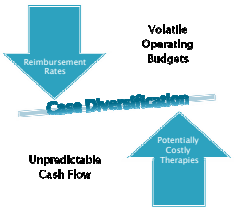
- Provides development, operational and financial management services to nation's leading ambulatory surgical centers.
- Extensive experience in the denovo development of new physician-owned ASCs

ASC's challenge to drive results:

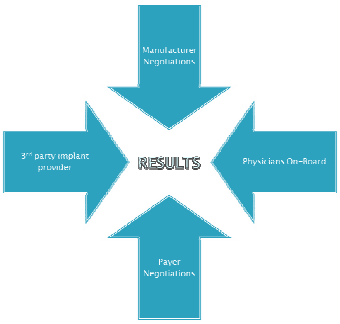
Problem:

Volatile operating budgets
+ Unpredictable cash flow
≠ Case Diversification

- potentially costly therapies
- reimbursements rates



ASG Solutions to achieve success:



ASG Solutions to achieve success:

- Get Physicians on-board
  - Understand procedures and implants associated with each
  - Research options available for implants on each procedure
  - Open and "transparent" discussion with physicians on options and cost
- Manufacturer negotiations
  - Preferred vendors, preferred equipment
  - Negotiate better discounts/rebates, etc
  - Result: The variety of different manufacturers make it hard to negotiate with each to help drive down costs.

ASG Solutions to achieve success:

- Payer negotiations
  - Basic education often required – don't assume they know the uses and costs of the implants
  - Negotiate higher DRG or cost + rates with payers
  - Result: Implant costs are rising and negotiation of contracts sometimes take months to negotiate and don't cover all implant costs most of the time.
- 3rd party implant provider
  - AMQ bills for implants – takes on financial risk
  - Result: Increases ASC case volume & eliminates risk of having to move surgeries to hospitals

Example of ASC Before ASG/After involvement w/ASG

Summary

- Generating a reliable revenue stream and controlling expenses are fundamental to operating a successful surgical center.
- Procedures involving implants present both the opportunity to increase revenue through new procedures and the challenge to control the costs associated with their purchase.