



Physicians Endoscopy, L.L.C.



John Poisson
Executive Vice President

- Single-specialty GI focused
- Develop and manage EASCs as minority equity owner
- 18 operating GI centers, several under development
- Numerous Hospital—Physician JVs around the country

Procedural Volume Growth



Year	Procedural Volume (Approx.)
2000	10,000
2001	15,000
2002	20,000
2003	30,000
2004	45,000
2005	60,000
2006	75,000
2007	90,000
2008	105,000
2009	120,000
2010	170,000

What to Expect in the Next 5 Years



- Clinical Predictions
- Operational Predictions
- Financial Predictions



Clinical Prediction #1



New payment systems based on documented quality metrics

- ✓ aka "pay-for-performance," maybe ACOs
- ✓ Who defines the metrics?
- ✓ How are these metrics reported?
- ✓ Will this impact my referral base?

▪ GIQuIC (www.giquic.org)

- ✓ The GI Quality Improvement Consortium Ltd. (GIQuIC) is an educational and scientific 501(c)(3) organization established by physicians specializing in gastroenterology. The Consortium's purpose is to improve the quality of medical care given to patients throughout the United States and abroad.
- ✓ report card
- ✓ national in scope, sponsored by ACG and ASGE

Clinical Prediction #2



Increasing regulatory scrutiny, audits and paperwork

- ✓ "unfunded government mandates"
- ✓ Two words: infection control
- ✓ Medicare conditions of coverage, the next generation?
- ✓ Red flags
- ✓ RAC audits
- ✓ Many surveys becoming more adversarial than consultative
- Illinois: 22 of 29 ASCs (76%) cited for infection control problems
<http://www.chicagodefender.com/article-8261-ill-surgery-clinics-cited-over-infection-control.html>
- New Jersey: 25% of ASCs non-compliant in use of single-dose vials
<http://www.outpatientsurgery.net/news/2010/08/12>

Clinical Prediction #3



Deployment of an EMR by TBD (to be delayed) deadline

- ✓ Some good report writers out there
- ✓ Some good practice management software out there
- ✓ Will never the two meet?

- A great electronic work flow must first be established by a solid paper flow
- The devil is in the details (e.g., time stamps)
- Where are the idiot-proof locks?

Operational Prediction #1



More Medicare Colon Screenings in 2011

- ✓ 1/1/2011: wellness benefit—100% paid by CMS, no patient liability
- ✓ Private insurers “encouraged” to emulate CMS, some have or will
- ✓ When Charlie Sheen gets screened on “2 ½ Men” you know colorectal cancer screening is mainstream



- Fantastic marketing opportunity
- Medicare isn't the best payer, but you get the money in 14 days
- Volume is King, Utilization is Queen

Operational Prediction #2



Increasing proof that a JV with the Hospital makes sense

- ✓ Its all a question of what each party brings to the table
- ✓ Possible upside in reimbursement or access to certain insured populations controlled, owned or managed by the hospital
- ✓ Both de novo and merger/acquisitions on the rise—many 3-way

- Short term benefits: cash, increased patients, quality initiatives
- Long term benefits: positioning for ACO

Operational Prediction #3



Increased GI ASC Growth in CON States

- ✓ Many traditionally difficult states becoming possible
- ✓ Expansion within CON states becoming easier
- ✓ Hospital JVs to play a large role in CON states

- CON: upfront burden of entry, downstream long-term benefits
- Healthcare reform may allow for GI procedures to be seen as less threatening to the hospitals

Financial Prediction #1



Further Governmental Reimbursement Declines

- ✓ 2011 last scheduled year of CMS cuts to GI facility fees
 - ✓ 2012+ what will happen?
 - ✓ If more governmental patients enter system, lower reimbursement inevitable and assured
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- CPT 45378 in 2005 was \$446, in 2010 it's \$380 (drop of 15%)
 - Most GI centers the Medicare/Medicaid population is 20-30% of the mix

Financial Prediction #2



Further Increasing Patient Financial Liabilities

- ✓ Copays and deductibles have dramatically increased
 - ✓ Does your center collect TOS payments? Should they?
 - ✓ Front office staffing levels are increasing 25%+ as more insurance verification, pre-certification etc are required
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- PE 2009 Study: Overall write-offs of 0.7%, of which 90% patient related
 - Payment plans
 - Care Credit options
 - Financial hardship discounts
 - Increasing self-pay patients due to loss of insurance (tend to be "shoppers")


Financial Prediction #3



Compression of 3rd party payer annual increases


- ✓ Your center MUST have a payer re-negotiation strategy
 - ✓ 2008: private payer increases outweighed CMS cuts
 - ✓ 2009: private payer increases outweighed CMS cuts
 - ✓ 2010: private payer increases outweighed CMS cuts
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- Increases getting stingy, but they still exist
 - Historical 4-7% increases now 2-4% in many markets
 - Some opportunities >10% still exist
 - Overall, the market increases are tighter and will likely continue to be for some time in the future

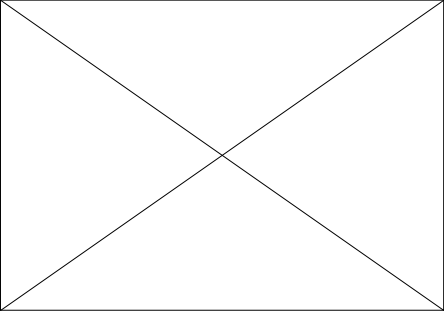
Summary Of Predictions




Clinical	
✓ Payment systems based on quality	GOOD
✓ Increasing regulatory scrutiny	MIXED
✓ Deployment of EMR	GOOD
Operational	
✓ More colon screenings	GOOD
✓ More hospital JVs	GOOD
✓ Easing in CON states	GOOD
Financial	
✓ Further declines in governmental payments	BAD
✓ Increased patient financial liability	MIXED
✓ Compression of 3 rd party payer increases	BAD

Someone Who Is a Crystal Ball Expert







Thank You

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