

Becker's ASC Conference
October 21, 2010
Chicago, IL

Tomorrow is Now
Preparing your ASC for an uncertain future

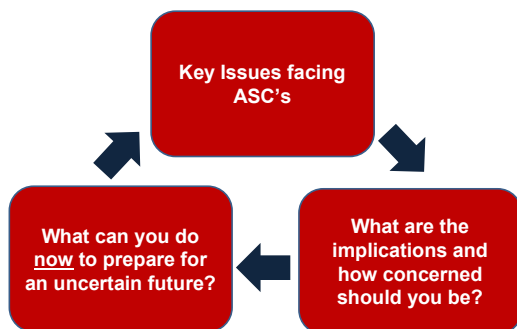


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What keeps you awake at night?
Is your ASC prepared for the future?



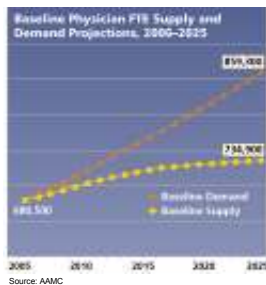
Presentation Topics



Key Issues Facing ASC's

- Physician Attrition & Shortages
- Healthcare Reform and Regulation
- Hospitals and other competition
- Cost & Profit Pressures

Issue: Physician Shortage & Attrition

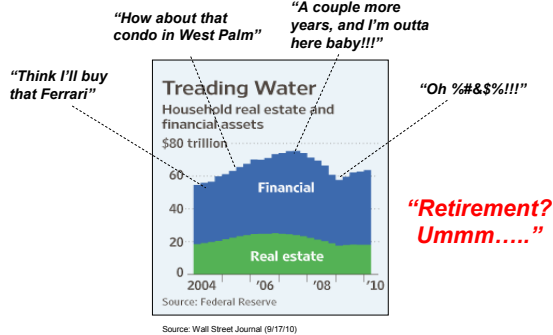


Pressure on volume due to physician-related issues:

- Physician Retirement
- Supply-Demand Imbalance
- New Physicians
 - Productivity?
 - Efficiency?
 - Quality?

Will ASC's be able to recruit/retain physicians in the future?

Physician Retirement: plans have changed



Issue: Healthcare Reform & Regulation



Let me get this straight. We're going to be "gifted" with a health care plan we are forced to purchase and fined if we don't, written by a committee whose chairman says he doesn't understand it, passed by a Congress that hasn't read it but exempts themselves from it, with funding administered by a treasury chief who didn't pay his taxes, and financed by a country that's broke.

What could possibly go wrong?

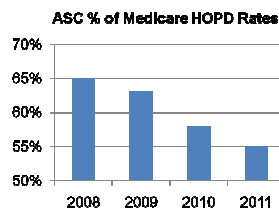
Issue: Healthcare Reform & Regulation

- Patient Protection and Affordable Care Act (March 2010)
 - 32 million new insured, ACO's
- Medicare ASC Conditions for Coverage (May 2009)
 - Board responsibilities, Quality Programs, Infection Control, Patient Rights
- State Departments of Health, Malpractice Insurance Providers, etc.
 - Cost & Quality reporting, infrastructure, process and protocols

Counting on a repeal? It may not matter...

"For-profit, entrepreneurial providers of medical imaging, renal dialysis, and outpatient surgery, for example, may find their business opportunities constrained."

—Donald Berwick, Administrator of the Centers for Medicare & Medicaid Services



Even with repeal, CMS retains overwhelming power over ASC's

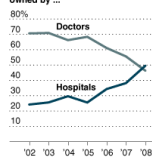
Issue: Hospital & Other Competition

Hospitals are employing more physicians

Fewer Private Practices

More doctors are joining hospitals and health systems rather than go into private practice.

Percentage of medical practices owned by ...



Source: Medical Group Management Association

Traditional Barriers to Competition may be falling

"New York has the second lowest ASC's per capita in the country."

"On average procedures tend to be most expensive in hospital settings."

"The Department's approach to ASC development should also include access to care, cost, quality, consumer preference."

-Richard F. Daines, M.D.
(Commissioner, State of New York Department of Health)

Issue: Cost & Profit Pressures

- Third-Party Payor Relations
- Patient Characteristics
- Staffing Challenges (access and labor costs)
- Clinical & Operational Complexity
- Supply Cost Inflation
- Declining Physician Incomes
- Aging Physical Plant

What does all of this mean for your ASC?

- Technology and industry-wide focus on cost/quality will create opportunities for ASC's
- Volume growth will be challenged
- Hospitals and national ASC companies are going to compete aggressively
- Reimbursement per case will be under pressure
- Profits will be squeezed by input cost factors
- Regulation and compliance will add cost and complexity

What should you be doing now?



It's not easy, there are no silver bullets. Challenging times require a "back to basics" focus on fundamentals.

Strategy: what, who, when



- What factors will maintain and drive your volume?
- How is your local market evolving?
 - How is the competition aligning with or against you?
 - Identify opportunity: "go where the puck is going to be"
- What will you use to compete and differentiate?
 - Location, equipment, staff, patient experience
- Which physicians should you retain and pursue?
- Focus on specialties where you can optimize scale, quality, profitability, capital investment

Operating & Financial Discipline



- Pursue Smart Growth
 - Profits may trump revenue and market share
- Enhance Payor Relations
- Revisit Block Time Allocations and Scheduling
- Maintain a Strong Balance Sheet
 - Revenue Cycle Excellence, Minimum Debt, Cash Resources
- Match labor resources to actual need
- Take an aggressive position on equipment, medical supplies, and other cost items

Regulatory & Compliance



- Regulatory and Compliance issues are real and demand high priority in the operation of your ASC
- Have an organization-wide approach to Compliance which accommodates Board, physicians, staff
- Network incessantly with other ASC peers – what is working and what doesn't
- *Semper paratus* – be ready for a compliance check at any time

People, Governance & Culture



- Establish a formal and inclusive governance structure and processes
- Cultivate a leadership team which can think three-dimensionally
- Strengthen clinical staff recruitment and retention efforts - start succession planning immediately
- Develop a mindset of standardization, efficiency and cost control with your practicing physicians
- Drive personal and team accountability in all areas

Q&A / Open Discussion

What are your greatest concerns and what are you doing now to address them?



So how will your ASC play it?

When written in Chinese the word "crisis" is composed of two characters. One represents danger, and the other represents opportunity.