# ASC Strategies for the Foreseeable Future –

A View of the National Landscape Through the ASC Prism

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## Plethora of Trends

- Payment now affected by productivity adjustment.
- IPAB (Independent Payment Advisory Board) will put downward pressure on payments going forward.
- ACOs (Accountable Care Organizations) may exclude ASCs.
- ObamaCare mandated coverage of 32 million new lives with most falling under the government Pay.
- We can't effect in any meaningful way the above. Let's concentrate on the things we can possibly respond to in a meaningful way.

## Declining Number of Independent Physicians' Practices

- The greatest sale of medical practices in history: individual MDs and Groups are selling their practices to hospitals at an ever increasing rate. The reasons are money, professional insecurities and life style considerations.

- A recent poll suggested that 40% of surgeons plan on retiring in the next 5 years. If true, this will seriously affect the pool of surgeons for ASCs to draw on.

## Declining Number of Independent Physicians' Practices
(continued)

- Some communities have almost no independent practices.
- This is a problem for creating de novo centers and for recruiting to an existing center experiencing attrition in its own user/owner ranks.
- The ASC model is dependent upon independent physicians to succeed.

## What can be done?

- Create a robust program for recruitment. It's essential for your center to survive and thrive
- Consider updating your center's non-competition covenants to include a prohibition on being employed by an entity that competes with the center in outpatient surgery.
- Consider a partnership with a local hospital.

## Maturation of ASCs

- Retiring surgeons still holding equity positions.
- Cost of buy-in to successful mature centers prohibitive.

## What can counter the effects of ASC aging?

- Ensure your operating agreement for provisions that recover ownership from those retiring.
  - Should define retirement/relocation.
  - Should provide mechanism by which ownership is bought back at a reasonable price.
- Consider mechanisms that gradually recover ownership as partners slow down.
- These best done well in advance of partners approaching retirement.

## Increasing Payer Risk

- Increasing percentage of patients covered by government insurance.
- Consolidation of payers.

## Disappearance of Out-of-Network

- Leverage is disappearing.
- The hospital-like payments are disappearing as I speak.

## Counter act the payer trends

- The reimbursement squeeze is on.
  - Our costs rise year after year.
  - Reimbursement is mostly flat or declining.
- Turbo charge your payer contract negotiations by controlling where your cases are done.
- Enhance you center efficiency through case costing and schedule compression.

## Government Payment Will Be Tied To Quality

- Value Based Purchasing will be the rule when looking to a government payer.
- Plan is mandated to be created by HHS by the end of 2010.

## Have effective quality processes

- Monitor outcomes and other quality measures.
  - Don't just comply with accreditation standards.
  - Focus on what is most meaningful for patient outcomes.
  - Participate in voluntary reporting.
- Have an effective process for medical staff issues. Strength of your Medical Director is key.
- Become known for maintaining higher standards than your area hospital.

## Private Equity Increasingly Disenchanted with the ASCs

- Those invested are looking to harvest their returns rather than deploying more capital.
- If you are thinking of expanding with VC money it will be hard to come by and dear if you find it.
- Fewer opportunities for sale of existing ASCs.
- ASC pricing is down from its peak.

## What buyers still like

- Multispecialty centers with room to grow.
- Centers contracted with all significant payers.
- Centers in communities where there are ample recruitment opportunities.
- Young medical staff.
- Independent referral sources.

## THINK PROFITS

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