



7 Unforgettable Lessons from the Healthiest Hospital-Physician ASC Partnerships

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A focused ASC management and development company

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ASDManagement.com

Lesson 1.

The Foundation of a Healthy
Partnership
is **Trust & Respect**

Crucial:

- Hospital acknowledges they don't know ASC business
- Demonstrate what ASC experts can provide

Orient hospital management to:

- ASC trends
- Differences in processes, streamlining & efficiency
- Safety protocols

Orient hospital management to differences in:

- Staffing
- Salaries
- Purchased services
- Contracts
- Policies
- Payer contracts & reimbursement
- Business office operations

Orient hospital and physicians on the front end

Allows ASC experts to work:

- Efficiently and quickly
- For best results

Lesson 2.

Come to **Clear Agreement**

- Reasons for project
- Goals & objectives
- Timeline

Hospital and physicians may want different things

Physicians want:

- Efficient place to work
- Revenue
- Patient satisfaction

Hospitals want:

- Lower cost to be attractive to payers
- Bonding vehicle with doctors
- Means of freeing up the OR
- More net profit

Impediment to success:

Hospital bottom line drives the venture rather than true partnership

Lesson 3.

Set Clear Understanding of Timing

- Medicare
- Licensing
- Accreditation

Impact of Medicare timing:

- Paperwork > inspection > final > billing
- Finalizing payer contracts

Medicare timing: Set realistic expectations

- Plan for cash flow
- Healthy credit line
- Build into financial projections
- Get all partners on board

Lesson 4.

Set Clear Understanding of **Financial Management**

- Accounting
- Cash
- Banking relationships
- Financial processes

Beware of differences in financial cultures

- Physicians want maximum distributions
- Hospitals may want more cash in reserve

Typical ASC distributions:

- Within first 16 months
- First 12 months, 2-3 months of expenses in reserve, depending on cash flow
- 1 month of cash in reserve after first year
- Equipment paid from cash or equipment line
- Dependent on financial size and volume of cases

Lesson 5.

Review Assumptions on Budget and Debt

- Debt and use of equity for first 2 years
- Financial loss during ramp up

Get physicians accustomed to accrual accounting

Make financial reports in:

- Cash format
- Accrual format to sync with hospital

Lesson 6.

Spell Out Differences of Ownership and Control

Majority shareholder and control of operations

Hospital owns 51%

Minority owners (physicians)
retain control on:

- future partners
- no additional debt without consent
- Consent to change or move business

Hospital needs specific nonprofit controls

- Accounting to protect status
- Charity care
- Medical and Medicare
- Care to the underserved while maintaining profit

ASC operating agreement articulates:

- Ownership & control differences
- Rights of minority & majority shareholders
- Ownership eligibility
- Partner buy-out & buy-in
- Legal & ethical manner of riding partners

Lesson 7.

Make Agreements on Physician Recruitment & Adding Services

Beware of conflicts with hospital strategic plans and goals

E.g., disallowing employed
physicians to protect
bottom line

Hospital must agree on moving appropriate services to ASC:

- Attractive to payers
- Reduces patient out-of-pocket
- Gives patient more satisfying experience

6 Traits of a Successful **Joint Venture**

Trait 1

Patience

In aligning goals and reasons
for
the joint venture

Trait 2

Dedication to working out issues

Frank and candid mechanisms for resolving conflicts

Trait 3

Patience

With processes of development
and opening

Trait 4

Clearly understand financial aspects

Especially cash flow of a new
center

Trait 5

Work together to keep relationships fresh & add new services

For mature ASCs (5 years old)

Trait 6

Innovative with pricing strategies, coordinated payer contracts

- Avoids conflict and unfair advantage
- Hospital can extend its contract reimbursement to the ASC

Thank You
for your time and
attention

What are your questions?

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