

Open Up and Say Ahhh!
It's Time for Your ASC Business
Operations Checkup!

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EVEIA HEALTH

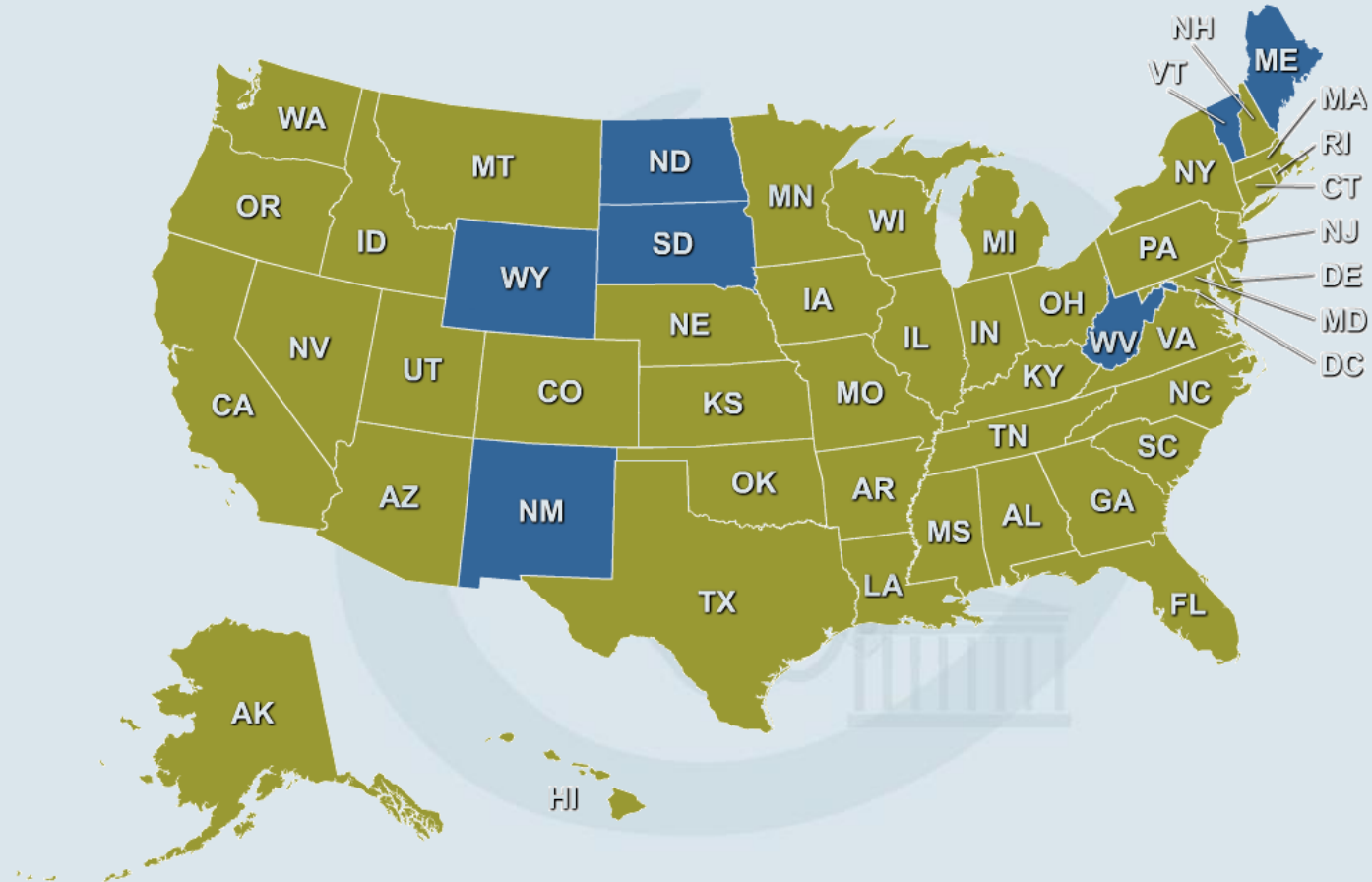
Consulting & Management®

Who is Eveia?

- Eveia has serviced over 500 providers nationwide in approximately 43 states since the inception of the firm in 1998
- Eveia is one of the largest independent consulting firms in the country servicing the ASC industry
- Eveia provides an array of services with expertise in operations, business analysis, optimization of financial performance, strategic planning, accreditation and regulatory compliance
- Eveia's team has negotiated thousands of managed care contracts and has relationships with leadership and senior management of all major national payors as well as critical local area payors throughout the United States



Eveia's Client Locations



Note: Clients serviced in 43 states highlighted in green



The Eveia Team

- Eveia Team: 12 professional consultants; 2 accounting associates; 2 administrative support associates
- ASC / Surgical Hospital Administrators & CEOs
- Physician Practice Administrators
- Healthcare Financial Analysts
- Seasoned Payor Contracting Negotiators
- Highly educated professionals holding Masters or Professional Degrees: MPH, MBA, MHA, MS, PA-C, CPA



Agenda

- Business Office Processes
- Monitoring Performance Metrics / Evaluation
- Managed Care Contracts Evaluation
- Clinical Excellence Metrics / Evaluation



What is the Benefit and Value of a Business & Operations Assessment?

- Identification of opportunity to reduce cost, improve revenue and improve overall operating performance.
- Identifies areas of opportunity for process improvement
- Provides statistics for evaluating financial performance that can be used for benchmarking and continued monitoring of performance by management
- Provides insight on appropriateness of payor contracts relative to case mix



Business Office Processes

- A Common Pitfall
 - Separating the Business Office mission from the patient care mission
- Identify Desired Outcomes and Work Backwards
 - Define excellence at each stage of the Business Office process in measurable terms
 - Ensure the data is available and collect it routinely
 - Measure against goals on a regular basis
- Critical Path
 - Make time to review performance and manage to the numbers



Business Performance Metrics

- Expand Business Office Concept to Broader Operations
- Focus on Manageable Components of P&L
 - Revenue per case
 - Labor per case
 - Drugs/Med Supplies per case
 - Implants per case
 - Variable Expense per case
 - Fixed Expense per case
 - Volume Growth
- Tailor Goals to Your ASC
 - What makes sense based on your market, your specialties, your growth plan?



Business Performance Metrics

Sample Center

	2013	2014	#/\$ Change	% Diff
Cases	2,048	3,276	1,228	60%
Net Patient Revenue	\$6,483,661	\$9,307,787	\$2,824,126	44%
Salaries & Benefits	1,615,566	2,292,282	676,716	42%
Supplies	1,165,642	1,968,230	802,589	69%
Other Expense – Fixed	588,842	607,573	18,731	3%
Other Expense - Variable	<u>835,934</u>	<u>1,213,091</u>	<u>377,158</u>	<u>45%</u>
Total Operating Expenses	4,205,983	6,081,176	1,875,193	45%
EBITDA	2,277,678	3,226,611	948,933	42%
Taxes & Depreciation	225,729	260,339	34,610	15%
Non-Operating Expense	<u>1,937,981</u>	<u>2,572,556</u>	<u>634,575</u>	<u>33%</u>
Net Income	\$113,968	\$393,716	\$279,748	246%



Business Performance Metrics

Sample Center

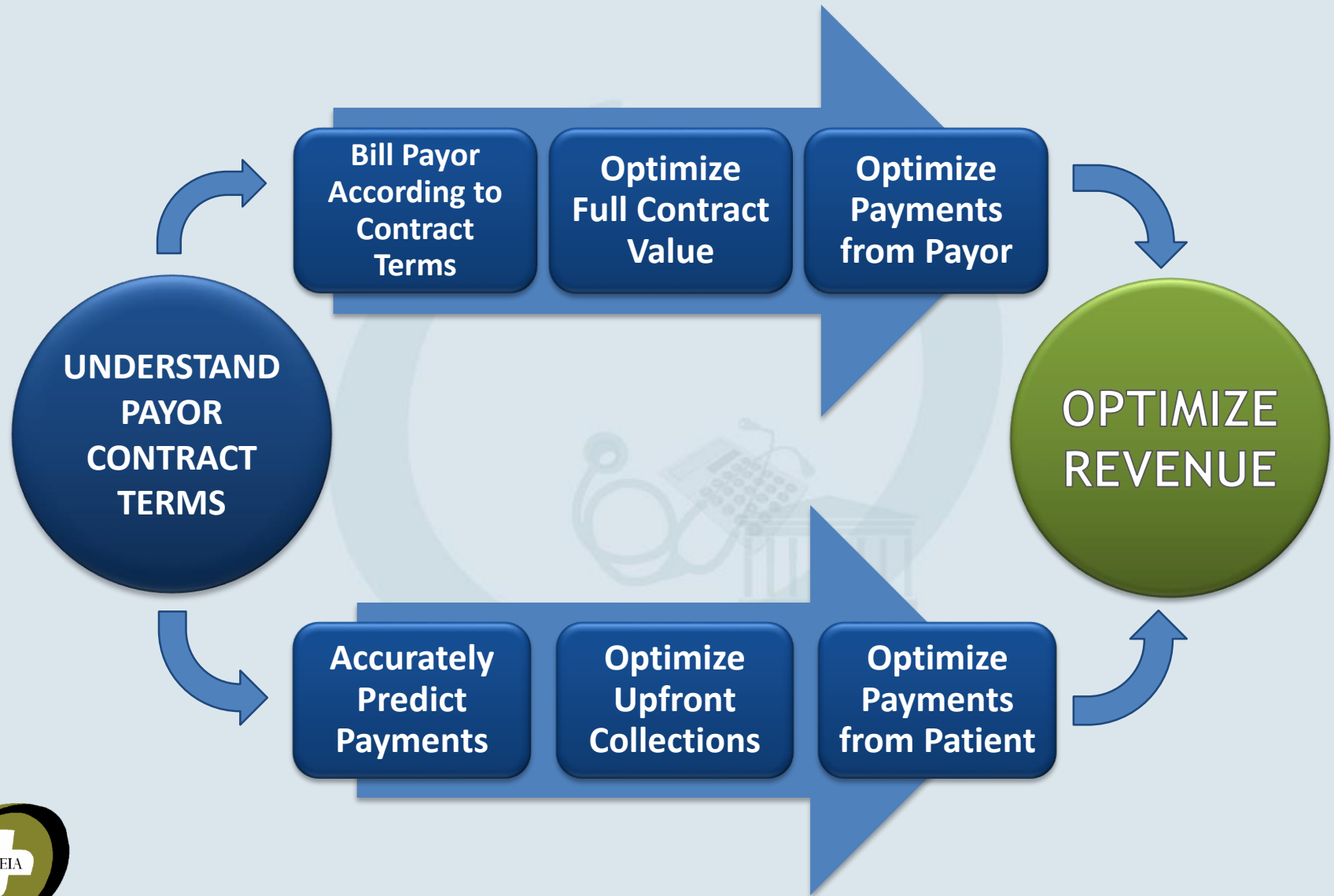
	2013	2014	#/\$ Change	% Diff	Recommended Target
Cases	2,048	3,276	1,228	60%	
Net Patient Revenue/case	\$3,166	\$2,841	(\$325)	(10%)	\$1,800 - \$2,000
Salaries & Benefits/case	789	700	(89)	(11%)	\$425 - \$475
Supplies/case	569	601	32	6%	\$300 - \$350
Other Expense – Fixed/case	288	105	102	(36%)	
Other Expense – Variable/case	<u>408</u>	<u>370</u>	<u>(38)</u>	<u>(9%)</u>	
Total Operating Expenses/case	2,054	1,856	(197)	(10%)	
EBITDA/case	\$1,112	\$985	(\$127)	(11%)	
Operating Margin	35.1%	34.7%			



Managed Care Contract Evaluation



It Pays to Understand Contracts



Dollars in the Details

- Payment methodologies becoming more complex
- Contracts may include specific billing requirements
- Examine payment exhibits for anything that impacts payment eligibility or amounts
- Educate billing staff or billing company



Managed Care Contract Assessment

- Periodically evaluate managed care contracts and compare to performance
- Routinely assess rates AND language
- Become familiar with term, termination, structure, methodology
- **Don't assume you are being paid according to contract!**



Managed Care Contracts – Language Evaluation

- Effective Date / Term
 - “Old” is not necessarily bad
- Methodology
 - POC, Medicare, Proprietary fee schedules
- Potential for Renegotiation / Termination
 - What are you not doing today that you COULD if the reimbursement allowed it?
- Merger / Acquisition Language
 - Not as simple as “rolling you onto new contracts”
- Implant / Supply Reimbursement Language
 - Make sure your billing team understands implant mark up / reimbursement / exclusion language

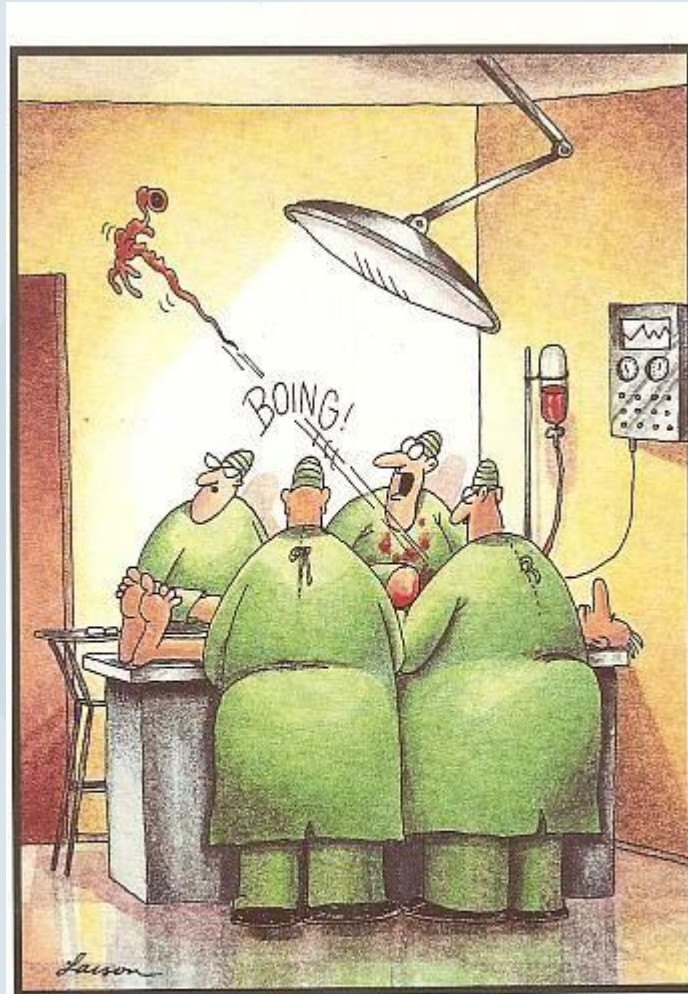


Managed Care Contracts – Value Assessment

- Payor Value
 - Revenue, cost, other payors
- Payor Mix
 - Volume, charges, receipts, product types
 - Negotiable vs non-negotiable
- Potential ASC Value to Market
 - Competition, uniqueness, cost savings
- Case Mix
 - Cost, impact of reimbursement on recruitment / development
- Charge Master
 - Cost, profitability, comparative value, adequacy to contracted rates



Clinical Excellence Metrics



"Whoa! Watch where that thing lands—
we'll probably need it."



Clinical Excellence

- Celebrated by ASCs / Physicians
- Assumed as a given by patients / payors
- Excellence means more than great outcomes and high patient satisfaction
- Must marry financial efficiency and clinical efficiency with patient safety and comfort
- **Not just about the clinical staff!**

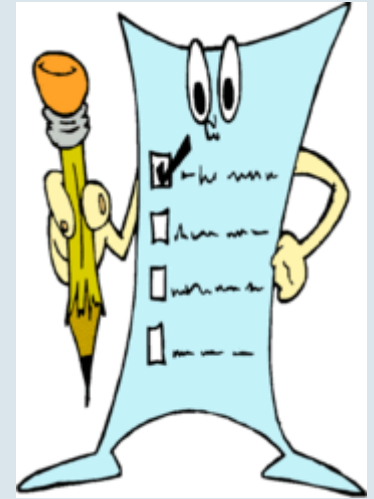


Clinical Excellence

- Need to compare clinical outcomes and metrics to financial metrics to assess TRUE level of performance
 - Facility can have superior patient satisfaction and clinical outcomes and still fail financially



Clinical Metrics



- Multiple Levels of evaluation:
 - Bi / Tri Annual = Accreditation Surveys
 - Annual = Mock Surveys / Clinical Operations Surveys
 - Semi Annual / Quarterly = QAPI Projects and Reports
 - Monthly = Fallouts / clinical indicators / metrics
 - Establish plan to integrate / coordinate activities AND tie back to financial performance



Survey Types



- Mock Surveys
 - Evaluate multiple areas of compliance with selected regulatory body (AAAHHC, CMS, State, etc)
 - Helps promote continuous compliance
 - NOT ideal for measuring efficiency
 - Should be done at least once during accreditation cycle
 - Facility can do internally, but should consider third party



Survey Types

- Clinical Operations Surveys
 - Evaluate level of performance in multiple areas (clinical / non clinical)
 - Compare on the ground performance with financial metrics using P&L information AND national / regional / specialty specific benchmarks
 - Focus should be on clinical benchmarks that are strongly tied to financial performance
 - Staffing efficiency, OR utilization, case costing, patient throughput, etc
 - Recommendations should be center / market / specialty specific
 - Should strongly consider third party evaluation



In Closing

- No one product / company / program can cover all areas
- Important to consider mixture of tools and continuously challenge the ASC leadership and physicians to improve on multiple fronts



Questions



Thank You!!



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