

ASC PHYSICIAN FOCUS

AN ASCA PUBLICATION >>

Contents

- Recent Trends Affecting the Value of ASCs 2
- Send Your Team to ASCA's 2019 Winter Seminar 2
- Importance of Data Collection and Analysis in Outpatient Arthroplasty 3
- US House Passes ASC Payment Transparency Act of 2018 3
- Protecting Your Interests in a Hospital Joint Venture 4
- Repurposing of Properties for Medical Facilities on the Rise 4

Message from the CEO



On July 25, the Centers for Medicare & Medicaid Services (CMS) released the 2019 proposed

payment rule for ASCs and hospital outpatient departments.

We are pleased to see CMS address several long-standing priorities for ASCs on issues including the alignment of ASC and hospital outpatient department update factors and reimbursement for device-intensive procedures. Commentary in the proposed rule also demonstrates greater recognition of the quality and value ASCs provide than we have seen in any previous rule.

ASCA members can read more about the proposal and its impact on individual ASCs in an interview published on ASCA's website at goo.gl/zxtRbb.

Not a member? I encourage you to sign up today. Your support is essential to our future efforts on behalf of your ASC. Visit goo.gl/R1pu8V.

Bill Prentice
Chief Executive Officer

Marketing to the Next Generation of ASC Surgeons

Four ASC leaders share ideas for recruiting young surgeons to surgery centers.

Vivek Mahendru, MD, Board-Certified Anesthesiologist and Chief Business Development Officer of Pain Specialists of America in Austin, Texas: I recommend taking several steps. Allow these progressive doctors to have ownership in your ASCs. Provide a timely start time, turnover time and discharge time for their patients.

The overall patient experience should be so profound that patients highly recommend the surgeon and the facility; you can't expect better marketing than from consumers themselves. Hold seminars and meet and greets, do an open house of your center and showcase the talent of your doctors who are bringing state-of-the-art technology and skill sets to your facility and community.

Finally, consider what Simon Sinek said: "People don't buy what you do; they buy why you do it."

Hugo Ribot, Jr., MD, Founder and Medical Director, and Renee Wolk, RN, Clinical Director, of Georgia Advanced Surgery Center for Women in Cartersville, Georgia: Surgeons and patients with the good fortune to have access to ASCs invariably prefer that setting over hospitals. The multiple reasons why this is so should be trumpeted to the next generation of surgeons. Efficiency, streamlining, consistent outcomes, dedicated teams, unmatched patient satisfaction and lower cost of care are inarguable. An ever-increasing number of complex and advanced procedures are now routinely performed in ASCs, including total joints and hysterectomies.

Not to be ignored is the potential for additional revenue in a world of declining professional reimbursement.

These should be strong incentives for the next generation of (often debt-laden) surgeons.

Joseph Rodriguez, CRNA, Medical Director of Tri-City Surgery Center in Prescott, Arizona, and Managing Partner of Arizona Anesthesia Solutions: Administrators should focus on "the customer" and work backwards to their facility—that is, find out what the surgeon truly needs and work from there. Don't simply look at your openings and try to fill the gaps. If you know more about a surgeon's goals, you'll know what will work well for them.

When an administrator takes the time to recognize the surgeon's situation, the surgeon can also begin to see the ASC perspective. With this approach, ASC administrators build relationships that are conducive to the goals of both parties.

And of course, use communication that younger surgeons are comfortable with—text messages are often preferred!

Joy Taylor, Chief Operating Officer of Polaris Spine & Neurosurgery Center in Atlanta, Georgia: ASCs should sell younger surgeons on the value of ASC ownership. It provides a means for them to chart their own courses and change the fundamental mathematics of their careers. Through specialization, technological efficiency and increased staff engagement, ASCs enable surgeons to do more procedures in the same amount of time and benefit from garnering a part of the facility fees on the cases they are already performing.

On a deeper level, being able to make a center "your own" is a unique opportunity that should be appealing to these surgeons. Providing a place to treat patients that reflects who you are gives greater meaning to the care experience.

Recent Trends Affecting the Value of ASCs

By Matthew Muller and Nicholas Janiga



Muller



Janiga

The health care sector is continually clouded by uncertainty from government regulation, reimbursement pressures and other outside forces. These uncertainties can place downward pressure on the valuation of a given entity. While ASCs are not immune from these pressures, positive tailwinds in recent years have resulted in an expanded interest in ASCs. Accordingly, investors have been purchasing ASCs at increased valuation multiples.

Care Migration a Growing Trend

As payers seek to shift the place of care from inpatient to less costly outpatient settings, ASCs are a natural beneficiary. While the cost advantage of an ASC setting has been touted by the ASC industry for years, we are now seeing widespread acceptance of this value proposition. Payers are increasingly indicating that for procedures that can be performed in an ASC, prior authorization would be required to have the same procedure performed in a hospital outpatient department. This trend is affecting other segments of the health care industry, with certain payers outright refusing to reimburse for specific imaging services provided at a hospital and denying out-of-network reimbursements for emergency department care that payers determine should have been handled in an urgent care setting. This cross-industry trend indicates that a structural shift is taking place, which should be a boon for lower-cost settings, such as ASCs.

As an example, this shift from inpatient to outpatient settings is highlighted by the increasing amount of total joint replacements being performed at ASCs throughout the country. The Centers for Medicare & Medicaid Services has furthered this shift by removing knee replacements from its inpatient-only list in 2017. At HealthCare Appraisers, we have seen an increased demand for appraisals of orthopedic-focused ASCs, as both physician and corporate investors alike seek to buy in or increase their ownership interest in these ASCs.

Integration Spurs Investment

Integration of the health care delivery model, both vertical and horizontal, also appears to be a trend that will affect many areas of the health care sector (including ASCs) into the foreseeable future. UnitedHealth Group's Optum acquired Surgical Care Affiliates in 2017, as it continues to vertically integrate its national health care delivery operations. Tenet Healthcare increased its ownership interest in United Surgical Partners International from 80 percent to 95 percent in the second quarter of 2018. As the health care market continues its trend towards integration, the new entry of entities, such as insurance companies, competing against health systems and ASC management companies for ownership in ASCs only heightens the demand and appeal of ASCs in the marketplace.

Private Equity Ramps Up Pursuit

Like insurance companies, private equity investors have re-emerged as a source of capital in the health care arena, adding yet another potential bidder for ASCs. At the close of the third quarter of 2017, Bain Capital purchased a roughly 54 percent ownership interest in Surgery Partners. In June 2018, KKR executed a definitive agreement to acquire Envision Healthcare, which contains a sizeable ASC portfolio given its previous merger with AmSurg.

On a smaller scale, private equity firms across the nation continue to purchase physician practices and their affiliated ASCs through management service organizations/arrangements and friendly professional corporation arrangements. Demand is strong for ophthalmology, dermatology, gastroenterology, dental, plastics and other specialties with the ability to generate revenue through multiple streams, such as in-office ancillaries, cosmetic procedures and ASCs.

ASC Multiples on the Rise

With a larger number of entities competing to invest in ASCs, a shift in the focus of payers in moving care from an inpatient to outpatient setting and the emergence of a trend of vertical integration in the health care delivery model, a favorable environment has emerged for ASC owners, resulting in higher valuation multiples.

In HealthCare Appraisers' annual ASC Valuation Survey (goo.gl/RFwjVS), we noted a trend of not only increasing valuation multiples, but a tightening of the range of multiples paid for an ASC. As an example, our 2017 survey indicated that 25 percent of respondents paid less than a 6.0x EBITDA multiple for a controlling interest in a multi-specialty ASC. Conversely, in 2018, no respondents reported paying a multiple below 6.0x, with most paying a multiple above 7.0x.

While the value of an ASC is always based on its individual performance, as well as local economic and demographic drivers, the macro environment should continue to bode well for ASC investors for the foreseeable future.

Matthew Muller is a director for HealthCare Appraisers. Write him at mmuller@hcfmv.com. Nicholas Janiga is a partner for HealthCare Appraisers. Write him at njaniga@hcfmv.com. Muller and Janiga both work out of the firm's Denver, Colorado, office.

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Send Your Team to ASCA's 2019 Winter Seminar

ASCA's 2019 Winter Seminar will provide ASC-specific education and resources needed to grow your facility's bottom line while complying with evolving laws and regulations. Join ASC professionals from throughout the country January 17-19 in Austin, Texas, for three specialized tracks that cover ASC management, coding and billing and infection prevention. Send multiple members of your staff to take advantage of the valuable information, networking and continuing education credits and save on registration costs. Register today at ascassociation.org/2019winterseminar.

Importance of Data Collection and Analysis in Outpatient Arthroplasty

By Daniel Hoeffel, MD



It often seems as if health care providers have been collecting data for the sake of data collection. It is clear that current electronic

health records (EHRs) are relatively cumbersome as tools of outcome analysis. As economic realities and efficiency objectives drive a shift of total joint arthroplasty (TJA) from an inpatient to outpatient procedure, the need for accurate processes and outcome data gains importance. We must move toward converting data to beneficial change for patients, providers and the health care system.

These changes center around changes in processes and efficiency. Cost is not the only measure of significance in this equation. Value is the overriding goal. Meaningful data collection centered on process and outcome will provide greater insight into quality improvement and process efficiency. The continued drive toward bundled episodes of care, with financial performance associated to outcomes, only further amplifies the need for robust data.

Improvement Methodologies

Health care organizations continue to adopt and implement Lean and Six Sigma methodologies. These improvement tools benefit from standardized care pathways and data collection. All quality improvement methodologies require data to establish a baseline and measure the impact of process changes on outcomes. To complete the quality improvement cycle, one must measure outcomes

and implement potential process enhancements so that the next cycle can begin.

As our understanding of the prevalence and causes of provider burnout (lack of well-being) grows, further “data burden” on providers is not a solution to ongoing data needs. The importance of simple, transparent data collection directly from patients and EHRs should be the goal. The emergence of digital care navigation platforms offers solutions, with low provider burden, to deliver reproducible patient pathways and concomitantly collect meaningful data.

Digital care navigation refers to software platforms designed to inform, guide and measure patient outcomes of patients under treatment for a specific condition or episode of care (e.g., heart failure, joint replacement and diabetes). These platforms can use text messaging, email and automated phone calls or combinations of these modalities to inform and educate patients. Pathways for outpatient TJA are designed to keep patients “on track” concerning treatment protocols and pre-surgical risk reduction. They can be used to aid in preoperative smoking cessation, postoperative rehabilitation protocols and care reminders, such as dressing changes. Equally as important, standardized outcomes surveys (e.g., HOOS, KOOS, PROMIS) or customized outcomes measures (e.g., facility and provider satisfaction) are collected directly from the patient electronically. The importance of these digital tools is evidenced by strategic alliances being formed between orthopedic manufacturers and digital navigation

companies. My experience with digital care navigation (CareSense by MedTrak, Inc. partnered with DePuy Synthes) has resulted in decreased patient risk by addressing correctable co-morbidities and reduced case cancellations.

Putting Data to Work

For outpatient TJA data to be of greatest utility, once collected it must be analyzed and interpreted, with the pertinent results communicated. The main audiences for this are patients, payers, governmental agencies and employees. Recognizing the varying needs and requirements of these groups when choosing measurement and survey tools is critically important. Patients are acutely interested in complication rates and overall satisfaction. Payers naturally lean toward a combination of quality and financial measures.

Perhaps the most frequently overlooked value is to the organization itself. Building a culture of continuous improvement using data aligns the organization toward the common goals of improved patient outcome and self-improvement. Outpatient TJA will continue to evolve and improve. This evolution will be driven by robust data collection and analysis.

Daniel Hoeffel, MD, is an arthritis and joint reconstruction specialist in Minneapolis-St. Paul, Minnesota. Write him at dhoeffel@hoeffelortho.com.

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US House Passes ASC Payment Transparency Act of 2018

In July, the US House of Representatives passed the *ASC Payment Transparency Act of 2018* (H.R. 6138). This important legislation would improve access to high-quality outpatient health care. ASCA has long advocated for these policies, so its passage represents a significant achievement for the ASC industry. The bill includes the following critical provisions:

1. Add an ASC industry representative to the Centers for Medicare & Medicaid Services' (CMS) Advisory Panel on Hospital Outpatient Payment (HOP). This advisory panel helps determine payment policies for hospital outpatient

departments and ASCs. Current statute requires HOP members be employed by a hospital or health system.

2. Disclose criteria used to determine the ASC procedure list. CMS can exclude a procedure from the list because of a general concern for specific criteria. CMS, however, is not currently required to disclose which criteria it uses to exclude a given procedure.

Access H.R. 6138 at goo.gl/p8bX6y.

Protecting Your Interests in a Hospital JV

By Joan Dentler



Physician-hospital ASC joint ventures (JVs) have always had the potential to be an ideal form of surgery center ownership. The

structure, when executed skillfully, can be a win for all involved: physicians, hospital administrators, patients and payers. Given the support for growing joint-venture ASCs that exists in the health care marketplace today, you may now find taking on a hospital partner particularly attractive.

While collaboration with a hospital has the potential to bring significant improvements to an ASC, poor planning and execution of the partnership could lead to missed opportunities or even bring undesired changes to a successful ASC. Some key considerations when entering into a partnership with a hospital and working to strengthen the joint venture are as follows.

Involve outside counsel. During discussions with hospital leadership about the joint-venture parameters and when it comes time to draft the deal terms, the partnership should have its own legal representative and not work only with hospital in-house counsel (which should be advising the hospital on the partnership). The physicians and hospital may want to engage a neutral attorney experienced in ASC governance requirements for the partnership as a whole. The physician partners should each consult with their own legal counsel to look after their personal interests.

Embrace select hospital services.

While you will want to avoid inefficiencies associated with acute-care operations from creeping in to the joint-venture ASC, there are hospital services that can benefit the surgery center without harming efficiency. These can include human resources, payer contracting, maintenance, housekeeping and purchasing. If you receive support from the hospital for these or other services, maintain administrative oversight to help ensure the ASC's needs are met.

Focus on case migration. One of the most appealing aspects of entering into an ASC joint-venture partnership with a hospital is the potential to move appropriate (e.g., low-acuity, non-emergent) procedures out of the inpatient setting and into the surgery center. Encourage hospital leadership to assess its outpatient surgery portfolio. Emphasize the benefits of moving some or all of it to the ASC. These include freeing up the high-cost operating room time for higher acuity (and higher reimbursing) cases and increasing patient satisfaction. Payers are increasingly reimbursing ASCs only for certain low-acuity cases, so having an ASC in their portfolio is a benefit to hospital leadership if payers stipulate such requirements.

Develop a cooperative relationship.

Success of the joint-venture enterprise is contingent on several factors, including both parties serving as committed partners. Through this commitment, physicians and the hospital can build a collaborative culture supported by open lines of communication and transparency. This cooperative relationship, once solidified, will help open the door for the ASC to lean on the hospital for timely assistance, such as when hospital in-house expertise can help tackle a challenge or the borrowing of supplies and/or instrumentation is required. A cooperative relationship can help in other areas as well, including joint marketing and community education efforts.

Adopt an ASC-specific IT system.

A hospital may try to push for adoption of technology designed for its setting into the ASC, but this can be problematic. Reasons why include the cost of the system and requiring ASC staff to

navigate a solution with features and data fields designed for a hospital, which can negatively impact staff efficiency and productivity. Since ASCs typically follow an established routine and schedule, with short cases and patient stays, information requested in a hospital-based IT system can be overkill for an ASC. If your hospital partner encourages such a transition, make sure its leadership understands the potential risks and explore whether solutions exist to provide the hospital with the data access it needs without requiring the adoption of an inpatient-focused IT solution.

Involve a third-party adviser. Bringing aboard a third-party consultant can prove invaluable to the partnership negotiation and ongoing joint-venture ASC management processes. This adviser can provide guidance focused specifically on the sustainability of the ASC rather than representing the interests of the physicians or hospital. The insight from the consultant, delivered on an ongoing or periodic basis, should ultimately benefit both partners when the ASC is successful.

Note: There are advisers that require equity and those who do not. There are advisers that require long-term management agreements and those who do not. Do your due diligence and match the services provided to your special situation and needs.

Joan Dentler is president and chief executive officer of Avanza Healthcare Strategies in Austin, Texas. Write her at jdentler@avanzastrategies.com.

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Repurposing of Properties for Medical Facilities on the Rise

Health care providers are increasingly using entrepreneurial real estate strategies, contributing to a surge in the transformation of underused or vacant property into medical facilities, according to an Avison Young report.

The report examines how more services are being untethered from the high-cost

hospital setting and established on an outpatient basis (e.g., ASCs) in locations nearer to where people live and shop and the factors encouraging these developments.

Access the free report at goo.gl/Bu8yCr.