

# ASC PHYSICIAN FOCUS

AN ASCA PUBLICATION >>

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## Message from the CEO



If you own or perform surgery in an ASC, you now have new online resources you can use to share the many

benefits of ASCs with your patients and policymakers. These new tools are part of recent upgrades to ASCA's Advancing Surgical Care website—a site ASCA maintains to provide information about ASCs to the public.

The website now includes a new video that features patients talking about their experience in an ASC, information about quality and patient safety in ASCs, research results that demonstrate the cost savings ASCs provide and a video that answers the question "What is an ASC?"

Other resources on the site help users locate ASCs in their region, look at legislation the ASC community is backing and talk about ways patients benefit from physician ownership of ASCs.

Visit Advancing Surgical Care at [www.advancingsurgicalcare.org](http://www.advancingsurgicalcare.org).

**Bill Prentice**  
Chief Executive Officer

## Growing Your Distribution

Four ASC physician owners share how they work to increase their distribution, in addition to bringing more cases.

**Eric Anderson, MD, Pain Management Specialist, Co-Founder and Owner of Advanced Pain Institute of Texas in Lewisville, Texas:**

My approach to increasing distribution is quite simple. I call it "R and R." The first "R" stands for reimbursement. The first thing I look at to increase distribution is review our payer contracts. This is done yearly, and sometimes more frequently than that. There are often sections in the contract that are not reimbursed at fair market rates, and this can be a significant source of uncaptured potential revenue.

The second "R" is resource allocation. If there are unused times available in the facility, how can they best be maximized without increasing fixed costs? For example, if there are three clinical days in the facility, I will recruit a physician and start an additional clinical day. This can be more complex than reviewing contracts, but having good outcomes, running efficiently and having clear expectations for everyone typically will minimize future misunderstandings and maximize the success of all involved.

**William Ciccone II, MD, Orthopedic Surgeon and Board President at The Surgery Center at Lutheran in Wheat Ridge, Colorado:**

To improve the profitability of the surgery center and help increase my distribution in the process, I have worked with my ASC team and our management company to examine our evaluation process of overall expenses. We have better defined the data required to make a reasonable evaluation of ongoing costs. By modifying the expense reports reviewed by our board, current costs can be directly compared to the historical costs. This allows a rapid ability to see where expenses are increasing so that these can be discussed within the time constraints of our board meetings.

**Michael Greenley, MD, Ophthalmologist at Lakes Surgery Center in West Bloomfield, Michigan:**

Bringing every case I can to the center is certainly important to distribution dollars. I also participate in discussions about the cost of my cases. I am always open to making changes to the supplies I use, especially if it supports improving the bottom line. I am motivated to be an active participant in my ASC's operations because it's wonderful to come to a center with a main concern to make my experience and my patients' experiences great. For me, it is efficient and easy to work in an ASC, and all my patients are happy when they leave.

**Joshua Siegel, MD, Orthopedic Surgeon and Director of Sports Medicine at Access Sports Medicine & Orthopaedics in Exeter, N.H. (with a new ASC in Auburn, N.H.):**

I work to be an active participant in my ASC's operations. This takes many forms. I look for opportunities to diversify my practice and develop new and more efficient ways to perform cases. I also learn new methods and procedures that can be done in the outpatient setting. I support and participate in reviewing and renegotiating payer and service contracts. We generally rebid contracts and do not just automatically renew. We scrutinize every invoice, looking for ways to improve efficiency and cut costs.

At the same time, I welcome taking risks and investing in new equipment and staff training. These investments can help us develop new opportunities, capture more procedures and recruit more physicians. We have worked to build a team of experts in their field, from accountants to attorneys, who help us stay on top of tax and healthcare law changes so we do not miss new opportunities in those areas.

Finally, we work to hire and reward the right people, and do not hesitate to let the wrong people go.

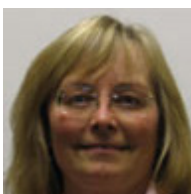
# Developing a Successful Regional Block Program

By Greg Hickman and Terri Gatton



Hickman

As the opioid epidemic in this country has grown over the past several years, our ASC—the Andrews Institute Ambulatory Surgery Center in Gulf Breeze, Florida—set out to achieve a few related goals: reduce opioid administration (and, with it, the likelihood of addiction) without reducing patient satisfaction. Since 2010, the ASC has administered narcotics in the PACU setting to fewer than 11% of its patients while maintaining an overall patient satisfaction rating of 98%.



Gatton

The key to our success: regional blocks. The ASC has placed nearly 30,000 of them since opening in 2008.

## Launching and Growing

Where do you start when you want to build or enhance a regional block program at your ASC? If you are just beginning a dedicated program, engage your surgeons and, most importantly, your nursing staff.

Think of it like having a private scrub for the surgeon. A dedicated nurse will become proficient with the process, which will increase efficiency. This will increase throughput as well as surgeon satisfaction.

If you are already performing blocks, there are methods to increase engagement with physicians and staff. For example, commit to frontloading blocks in the morning and provide cross training to help ensure consistent coverage. Another important component is patient education and understanding of regional blocks.

## Financials

As with any new service, you will need to address the financial questions. Can the ASC bill for blocks? If so, how does that work? What is the expected reimbursement across payers? Answering these and other questions is critical for a successful regional block initiative.

In addition, you will want to factor in the cost of supplies, staff and other expenses related to these cases, as well as the expected net margin, into the decision of whether to proceed with a program.

## Supply Storage

New procedures bring new supplies. Determine the supplies you will need to perform these blocks, then assess storage availability and determine the most effective inventory management.

## Staff Competency

Carefully consider staff selection. Assess staff ability to multitask and work independently to keep the anesthesiologist on track. Consider using a staff competency checklist to help perform the assessment.

Include annual training for staff related to regional block safety and quality.

## Documentation

Forms, either electronic or paper, need to be developed. Involving multiple staff in this phase increases buy-in from staff and can help prevent reformatting the forms repeatedly.

Critical documentation includes consents and policies and procedures. Ensure these are complete and always followed.

## Quality Improvement

A robust regional block program can be a great source for quality improvement study topics. Examples include patient engagement and tracking outcomes, decrease in opioid use and decrease in pain scores.

## Learn More

A good regional block program will ultimately enhance your center's patient care. If you would like to find out more about our regional block program and what makes it successful, we are leading a discussion at the ASCA 2018 annual conference in Boston, Massachusetts. Hear our session, "Regional Block Program Development A-Z," on Friday, April 13. Access the ASCA 2018 schedule at [www.ascassociation.org/asca2018/schedule](http://www.ascassociation.org/asca2018/schedule). We look forward to seeing you there!

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## 4 Reasons to Attend ASCA's Annual Meeting

ASCA 2018—April 11–14 in Boston—is the can't-miss meeting of the year for the ASC community. Here are just four of the reasons you and your staff should attend.

**1. There's something for everyone in your ASC.** ASCA 2018 is jam-packed with more than 60 sessions. Experienced ASC managers will be talking about robotics, adding specialties, keys to joint venture success, new federal regulatory policies, strategic planning, bundled payments and more.

**2. Advanced sessions.** These are designed for ASC employees who have the basics in their respective fields covered and are looking to take their skills to the next level.

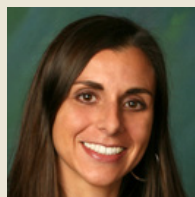
**3. Networking.** ASCA 2018 is the largest ASC meeting of the year. There's no better opportunity to explore new ways to improve your ASC and its bottom line.

**4. Exhibit hall.** With 200-plus product and service providers, find the partners that can help grow your bottom line.

Learn more and register at [www.ascassociation.org/ASCA2018](http://www.ascassociation.org/ASCA2018).

# How Much to Distribute: Guidance for Making Smart Decisions

By Stephanie Leventis



Distributions are a key consideration when developing an ASC's financial forecast. Some centers choose to start the distribution

process early in the life of the center (while still paying off debt). Others choose to hold off until they are free of debt. Some centers will distribute monthly, while others will do it on a quarterly or even annual basis.

Facility administrators are typically instrumental in preparing the center's financial picture prior to doing a distribution. If the center is run by a management company, it may be involved and provide recommendations on the amount to distribute.

## Key Considerations

Here are a few important items to take into account when preparing a distribution:

- **Fixed costs:** This includes items such as loan payments, rent, personnel/payroll costs, leases and utilities and is especially important if planning monthly distributions. Center management will need to know the payment due dates for these expenses so there is sufficient cash available to cover the costs.
- **Current accounts receivable:** If the center has managed care contracts

in place, the billing team should be able to view claims that were processed recently and know when payment is set to arrive.

- **Large expenses on the horizon:** Examples of this include a capital equipment purchase or a large payment for property taxes or re-accreditation fees.

## Finding the Right Balance

While the governing body, physician owners and any corporate partners should agree on the timing of distributions, there are a few additional factors to consider:

- **Consistency with distributions:** This is particularly important if the center will distribute monthly or quarterly. There may be months or seasons when cash flow is higher. The fourth quarter of the year for ASCs is often very busy volume-wise as patients are electing to undergo surgery since deductibles/out-of-pocket maximums are met. This will typically set up an increased cash flow early in the first quarter. While it may be tempting to issue a larger distribution, the center may want to consider retaining cash to account for possible unplanned expenses and so distributions in the following months (or quarter) can remain generous.
- **Center financial goals:** As some facilities will choose to bypass

distributions until all the facility's debt is paid, it is important that this topic is discussed among the governing body, owners and any corporate partners. The debt schedule should be monitored closely, especially if pre-payment of the debt will occur.

## Keep Priorities in Order

There are no hard-and-fast rules for how much money should go into distributions and when they should occur. It's important that any return on investment for the partnership does not prevent the ASC from delivering the highest quality care, covering expenses and making investments critical to the success of the center.

A successful center—in patient safety, satisfaction and profitability—is the best tool for attracting prospective investors and growing the facility. Keeping distributions consistent and in-line with the center's financial goals will help achieve these objectives.

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# Tax Reform Analysis: Qualified Business Income Deduction

By Kara Newbury



*One key change to the individual tax code, overhauled by the "Tax Cut and Jobs Act of 2017" passed late last year, is the qualified business income (QBI) deduction for pass-thru entities. A summary of ASCA's current understanding of the statutory language and its potential limitations for ASC*

*physicians follows. Look for additional analysis of tax reform's effect on the ASC industry in future ASCA publications.*

QBI represents business net income from ownership in pass-thru entities, including partnerships, S corporations and sole proprietorships. In general, pass-thru entities may claim a 20 percent deduction on the owner's personal tax return. However, there are limitations on pass-thru entities that fall under "specified service businesses," which include

the performance of services in most professional fields, such as health, law and accounting, but excludes architects and engineers.

Doctors with personal taxable income less than \$157,550 (single) or \$315,000 (married) are still generally eligible for the deduction, while those with personal taxable income greater than \$207,500 (single) or \$415,000 (married) are not eligible. Those that fall in between these categories are generally eligible for the deduction but subject to reductions.

Consult an accountant or tax attorney to determine how this provision impacts your bottom line.

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# Winning with Data

By Larry Taylor



Health care today is driven by data. Your team needs to be at the top of its game when it comes to collecting the right data and putting it

to work to help you gain market share, negotiate better contracts, expand your programs, improve clinical outcomes and implement meaningful cost control.

Advancements in health care and ASC software, combined with on-demand research, make it possible for your team to be able to quickly pull, organize and analyze data for timely decision making. A snapshot of your monthly performance can be customized to meet physician needs and identify trends in your ASC. Special projects can be developed to analyze trends, costs, utilization of programs, physician's utilization and specific items that drive down costs and increase margins. You can ask your team to prepare summary reports that highlight important trends that are easily reviewed at monthly meetings with individual physicians. These trending items include net revenue, salary expense per case, medical supply per case, implant cost per case, variable cost per case and total expense per case. They can also serve as the basis for deeper data dives.

Let's examine a few ways ASC leaders can effectively leverage the data at their fingertips.

## Moving Forward

**Supply costs.** To complete a cost assessment and subsequent review process, your ASC team must possess accurate pricing and case use data and ensure timely data entry on cases under review. ASC software allows for costs to be entered with their specific cases. The circulator documenting these items must accurately capture all costs. Data

entry must be timely to include cases in data sets. When there are new items or cost changes, these must be entered in the system immediately to help ensure accurate tracking.

**Staff expenses.** In an ASC, one of the greatest costs and assets is human capital. Salary expenses are a large driver of total ASC expenses. There are many ways to approach evaluating salary costs or the encompassing expense of salary, wages and benefits. When simply expressed as salary cost per case, this rudimentary review takes the total expense divided by the number of cases in the same period. Alternatively, we can consider cost per minute in the OR. This calculation takes all salary dollars divided by OR minutes. By using cut-to-close and wheels-in-to-wheels-out time, we can identify additional trends.

**Case costs.** You can use these cost-per-minute calculations and communications to secure the attention of your entire ASC leadership team. Sharing this data can facilitate meaningful projects and help identify a wide array of areas of focus. For centers not yet calculating cost per minute and communicating these costs, know that discussions with all team members can be eye-opening. For instance, sharing an analysis that compares physician times by common CPT code can be enlightening.

*Note:* There are often outliers in data findings, so it is important to review the summary and individual case data closely. When adding financial performance to reports, make sure to only use accounts with zero balances to assure concise data.

**Supply changes.** When considering changing an implant, biological, disposable item or other type of supply, your team can gather and

present the necessary decision points (e.g., cost comparison, shelf life, cross utilization between programs, physician compliance, reduction or increased time in prep/operating room (OR) time or recovery, storage of item) and then conduct a trial to assure the new product meets individual standards. Don't make the mistake of considering only the purchase price of the item and ignoring other critical factors.

**Supply negotiations.** Does your ASC use enough volume of a supply to support a deep discount on pricing? If your data supports this argument, it may be worthwhile to engage in negotiations with a supplier. A few factors to consider: Will the change affect pricing on other items from the supplier, and are there opportunities to secure a greater discount by changing supplies? Understand that changing a commodity item is much easier than changing a clinical preference item.

## Final Thoughts

These represent just some examples of how review of the data your ASC captures can help with overall facility performance enhancement. When you feel comfortable with the basics of data gathering analysis, the review process can be quickly expanded to other, more specific areas. The key to success is making sure your center is data driven and that everyone on your team knows what costs drive your center's clinical and financial performance and results.

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## Fee-for-Service Remains Primary Source of Practice Revenue

Research published in an American Medical Association (AMA) report from late 2017 reveals that while a majority of physicians receive revenue from an alternative payment model (APM), most practice revenue is still generated by fee-for-service (FFS) payments.

The data, based on survey responses from 3,500 physicians, found that, on average, nearly 71 percent of overall practice revenue in 2016 came from FFS payments. Nearly 60 percent of physicians indicated that their practices received revenue from at least one APM

in 2016. The highest participation rates were pay-for-performance and bundled payment arrangements (around 35 percent).

Access the AMA report at <http://goo.gl/ydKFWE>.