

ASC PHYSICIAN FOCUS

AN ASCA PUBLICATION >>

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Message from the CEO



Welcome to the debut issue of *ASC Physician Focus*, a new quarterly publication from the Ambulatory Surgery Center

Association (ASCA). As its name implies, this resource is written for physicians who own and perform procedures in ambulatory surgery centers (ASC). Each issue will tackle a wide range of topics in areas including finance, future forecasting, legal concerns, industry trends, growth opportunities in the ASC marketplace and more.

In this issue, you will find stories discussing how to capitalize on value-based care, the bottom-line benefits of improving your ASC's revenue cycle, the recent passage of legislation that will benefit ASC physicians, reasons why ASC physicians should attend ASCA's annual meeting this year and more.

Please share this publication with your physician colleagues and everyone you think might have an interest in it. If you would like to contribute or serve as a source for future stories, please email physicianfocus@ascassociation.org.

Bill Prentice
Chief Executive Officer

Making 2017 Your ASC's Most Successful Year Yet

The change of a calendar year can feel like a fresh start. We asked four ASC physician leaders what they are planning to do to make 2017 their ASC's best year yet.

Thomas M. Deas Jr., MD, Vice President of Physician Engagement, North Texas Specialty Physicians in Fort Worth, Texas: I would like to make it the best year ever for my patients. To do so, we will focus on their experience in the ASC. This would include reducing waiting times, assuring plenty of warm blankets in pre-op, measuring and improving a new quality outcome and establishing strict protocols to eliminate falls.

Louis Levitt, MD, Owner and Chairman, Massachusetts Avenue Surgery Center in Bethesda, Maryland, and Vice President and Secretary, The Centers for Advanced Orthopaedics: Due to incredible patient demand, it is our intention to move as much care safely away from the hospital setting and into ASCs. From my perspective, ASCs have become one of the more significant trends in medicine, delivering high patient satisfaction, total convenience, low complication rates and greatly reduced costs. The data reinforces this point, with a study from *Orthopedic Reviews* showing cost savings range from 17.6 percent to 57.6 percent, while patients also report a 92 percent satisfaction rate, according to the Ambulatory Surgery Center Association. Consequently, the Center for Healthcare Research and Transformation found that two-thirds of all surgeries in the US now occur in the outpatient setting.

The bundled payment model represents a strong opportunity to further reduce costs for patients, while providing incentives for physicians who best control costs and deliver quality outcomes. I think the centerpiece of a bundling event is going to be the ASC. In my ASC, we have already started offering total joint replacements as a

bundled payment. In the last year, we probably did 100 total joints, and we expect to double that this year. We are also presenting new bundled payment models to payers for seven episodes of care, including knee arthroscopy, rotator cuff repair, and anterior disc excision and fusion. In this new health care dynamic, I believe that ASCs will often present the most compelling value proposition to patients, because we can truly offer better quality, convenience and cost savings.

Keith Metz, MD, Anesthesiologist and Medical Director, Great Lakes Surgical Center in Southfield, Michigan: As we continue to care for the patients brought by our surgeons, we have encountered many new health care insurance products. A close evaluation of our actual reimbursements from the new products has revealed many surprises. Some cases that were previously well-reimbursed were no longer financially viable, and others were remarkably well-compensated. There was a variation of 300 percent in reimbursement for the same procedure with similar payers. We will have to continue to adjust our case evaluation and case-costing methodology to reflect these new payment realities.

Arnaldo Valedon, MD, Chief of ASC Division, First Colonies Anesthesia Associates in Frederick, Maryland: I plan to look into more evidence-based data for newer procedures being performed in ASCs to refine our current perioperative policies and procedures. Given the growing complexity of procedures being performed in ASCs, it is vital to keep ahead of the curve and plan for appropriate patient selection, refine multimodal pain management protocols and keep close track of outcomes. In addition, I would like to look at quality measure reporting and refine our measures to best capture short- and long-term care for patients.

Passage of 21st Century Cures Act Helps ASC Patients and Physicians

Late last year, then President Barack Obama signed the 21st Century Cures Act into law. The bipartisan bill included two noteworthy provisions that benefit Medicare patients and ASC physicians.

The first provision, Section 4012, directs the Secretary of the US Department of Health and Human Services (HHS) to create a public, searchable web site that allows Medicare beneficiaries to compare differences in their out-of-pocket costs and in the total expenses for various surgeries when those procedures are performed in hospital outpatient departments and ASCs.

The second provision, Section 16003, protects physicians who practice in an ASC from potential penalties tied to the Medicare meaningful use program. Current law requires Medicare providers to adopt and use certified electronic health record technology (CEHRT) for a fixed percentage of their patients. Unfortunately, no CEHRT is currently available for ASC encounters. As a result, physicians who bring patients to ASCs could have faced cuts in their professional fees even though meeting the program's threshold is not possible in the ASC setting. This legislation protects physicians who perform surgery in ASCs and authorizes HHS to approve an ASC CEHRT.

These provisions were included in the legislation because they received broad support thanks, in part, to the combined efforts of the many members of Congress who support ASCs and the many Ambulatory Surgery Center Association (ASCA) members who participated in fly-ins and grassroots efforts to educate elected officials.

"Patients benefit when they know their out-of-pocket costs up front and have access to the high quality, cost-effective care that ASCs deliver," said William Prentice, chief executive officer of ASCA, in a statement. "I commend Congress for recognizing the value that ASCs provide by including these two important provisions."

ASCs as Leaders of the Paradigm Shift to Value-Based Care

By Gregory Horner, MD



As ASC physicians, we are quick to assume that value-based reimbursement, and bundled, capitated and other value-based payment

and care models mean less pay for more work, administrative hassle and consolidation.

But this narrative can distract us from an unprecedented opportunity for our industry to increase our own revenue growth and influence. The shift toward value-based care seeks to reduce administrative and bureaucratic overhead and improve the quality of care. We are the natural leaders for this movement. Our industry already has the collective expertise to do this through our own experience.

In my own businesses, along with my involvement with the Health Rosetta Project (www.healthrosetta.org), I have seen this in practice. The Health Rosetta is an emerging blueprint for health benefits purchasers to improve costs and outcomes by improving the clinician and patient experience. It is a different approach than the typical bean-counting experience of the status quo, placing patients at the center of care and clinician success as a key lever for improving costs and outcomes.

Examples of approaches to health benefits that use Health Rosetta principles can illustrate how we can not only prepare for, but thrive in, the value-based payment paradigm shift. In any changing market, there are winners and losers. We are positioned to be the winners by embracing this change.

First, we can embrace transparency, both in pricing and outcomes. Relevant examples from our own industry are California's Tracy Surgery Center and Post Street Surgery Center, and the Surgery Center of Oklahoma. These ASCs publish their cash pay prices and infection rates on their web sites. In a crowded, opaque market, this creates significant advantages that make it very difficult to compete with them. They have created a machine that has far fewer administrative hassles.

Second, we have to expand our penetration into emerging models for attracting customers, such as working on bundled payment models with self-insured health benefits purchasers. Roughly 100 million Americans receive their health insurance from self-insured employers, cities and unions. They have flexibility in how they spend their benefits dollars and are increasingly flexing their purchasing power.

They also have many of the same goals as us, particularly around removing low-value administrative costs and bureaucracy. Their primary obstacle is they lack the know-how. The Health Rosetta gives them the know-how, which is partially why I have been getting involved with this grassroots movement. It has the potential to grow the market for our entire industry.

By working with self-insured employers, cities and unions, experts in contracting with them and their plan administrators, we can tap into an enormous market of profitable, quick-paying, lower-bureaucracy customers. This is not easy to do, but we are better positioned than anyone to capture this growing demand.

Surgeons at Tracy and Post Street, channeling the strength of their relationships, have demonstrated an incredible ability to bend the cost curve and share in the savings. They are actively booking deals with employers and actually roping in non-owner surgeons to augment the offering.

We are not the only ones to recognize the strong market position of today's ASCs. In January, UnitedHealth Group company Optum announced its intention to acquire ASC management and development company Surgical Care Affiliates for \$2.3 billion.

The wave is coming. We just need to prepare ourselves to ride it.

Gregory Horner, MD, is managing partner of HealthPoint Ambulatory Surgery Company, an ASC management and development company in Newbury Park, California. Write him at greg@hpsc.com.

Why Your Revenue Cycle Affects Your Long-Term Net Worth More Than Your Financial Adviser

By Nader Samii



With no intended slight to the fine financial advisers who help physicians and others manage their investment portfolios, ASC

physician owners concerned with long-term wealth creation often need to look no further than their own facilities to improve their net worth.

Improving each component of a facility's revenue cycle can increase the value of an ASC by potentially millions of dollars. In comparison, the stock market today, at best, promises low, single-digit annual growth. Which return would you prefer?

Here's a revenue cycle cheat sheet on how to prevent costly leakage that can really affect your long-term net worth.

Managed Care Contracts

Even if all other aspects of an ASC's revenue cycle are executed perfectly, if its managed care contracts were poorly negotiated, the facility's best-case scenario will be to achieve 100 percent of that poorly negotiated number.

A common misconception is that there is no room for negotiation in crafting these agreements. But providers have considerable leverage, and understanding a facility's cost structure for every procedure is vital to obtaining the most competitive contract.

Coding and Claims

ASCs frequently leave money on the table by failing to implement the appropriate quality and efficiency controls that can maximize appropriate reimbursements for performed procedures. Similarly, timely claims

submissions and appeals, as well as the provision of detailed operative notes and accurate demographic data, all require standardized processes and procedures that analyze each case and set forth the appropriate course of action.

Payment Posting

This critical function creates all of the financial information that allows an ASC to develop financial analytics around its caseload and implement the necessary improvements when weaknesses are identified. If these payments are posted incorrectly, the analytics will not provide the correct insights to make improvements. The payment posting department also should be flagging underpayments and collaborating with the accounts receivable (A/R) personnel to resolve them.

Patient Accounts

The front desk is the first line of defense for an ASC's revenue cycle, particularly now that patients are responsible for paying more of their expenses for health care out of pocket. The front desk also has to balance two responsibilities that may sometimes be at odds: 1) make sure patients are paying their bills in full and on time; and 2) create a great patient experience so they become return customers and a referral source.

Your Bottom Line

While it may not seem obvious at first glance, these four revenue cycle functions can deeply affect your long-term net worth—for better or worse. For example, consider an ASC that performs 400 cases per month at an average of \$1,000 per case, thus generating \$400,000 in revenue per month and \$4.8 million per year.

If that facility does the same volume of cases but makes a concerted effort to focus on improving its revenue cycle, as set forth below, the ASC's bottom line will dramatically increase. For example:

- Renegotiate your managed care contracts by understanding your cost structure and procedure mix; shoot for a 7.5 percent increase in reimbursement.
- Tighten up your coding and claims submission processes to reduce denials, including those due to untimely filing and appeals; a 5 percent increase in collections is likely achievable.
- Train the payment posting department to identify any underpayments and send to A/R for follow up; a 2.5 percent increase in collections is reasonable.
- Teach your A/R team how best to attack the A/R aging, plus ensure that they are trained on the most current methods for negotiating underpayments and fighting denials, and strengthen your patient collections; these can easily lead to a 10 percent increase in cash collections.

While these efforts do require planning, in-depth knowledge, hard work and strong leadership, the additional steps described above would lead to an additional \$1.2 million in annual cash collections, with a zero increase in case volume and nominal expense increases. The ASC's value would increase approximately \$7 million dollars, providing a substantial boost to the owners' net worth.

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U.S. News: Anesthesiologist, Surgeon are Top-Paying Jobs

In January, *U.S. News & World Report* issued its "2017 U.S. News Best Jobs Rankings," which identifies the year's best jobs across 15 categories, including best-paying jobs and best overall jobs.

For best-paying jobs, anesthesiologist

ranks first and surgeon ranks second. The 10 best-paying jobs are in health care and include oral and maxillofacial surgeon (#3) and physician (#6).

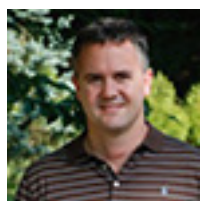
Health care jobs also dominate the best overall jobs, which takes into account salary, growth potential, work-life

balance and other job aspects. Of note, oral and maxillofacial surgeon is #9, surgeon is #14, and anesthesiology and physician tied at #17.

View the U.S. News rankings at <http://money.usnews.com/careers/best-jobs/rankings>.

Current State of the ASC Market

By Matthew Searles



By any objective measure, the ASC market has experienced increased activity in the last several years. This increase, and competition for strong acquisition candidates, is driven by general macroeconomic trends supporting and encouraging high-quality care at the lowest possible cost. These factors have led to increased valuations for sellers of ASCs.

According to recent surveys by valuation firms VMG Health and HealthCare Appraisers, the percentage of ASCs receiving multiples between seven and eight and higher has increased in recent years. It should be noted that these multiples are typically measured from the seller's perspective and do not include potential synergies that the buyers expect to add to the facility.

Federal and private payers' shift toward value-based care naturally benefits ASCs, where quality metrics are high relative to other sites of services, and the cost can often be 40–60 percent less than the same services provided in hospital settings. *The Affordable Care Act* specifically encouraged value-based compensation, as do alternatives being offered currently in Congress, so this trend is expected to continue.

In-network ASCs that are well-

diversified, and well-positioned for sale, can expect to have strong interest from a variety of strategic and hospital system purchasers. Buyers will look for ASCs that do not concentrate their revenue in a small number of physician users or physicians close to retirement (without succession plans in place), or ASCs that are non-participating with major payers. The strong acquisition candidate will also be free of major regulatory issues and, from a legal perspective, will be structured to accommodate a transaction.

Despite federal regulation prohibiting hospitals from acquiring 100 percent of an ASC and raising rates to hospital outpatient department levels, hospitals remain viable acquirers of ASCs. This is because of the federal and private pressure to reduce health care costs for consumers. Due to their specialized nature, ASCs are efficient, safe and often a more appropriate setting for the performance of outpatient cases. This makes them attractive to hospital buyers looking to lower the cost of delivering quality care.

Other trends that point toward increased utilization, and thus to growth, in the ASC market include continued migration of higher-acuity cases to the ASC setting. These cases include total joint, spine and bariatric procedures. Further adding to the growth potential for ASCs are demographic trends pointing to an aging population that will increase

demand for low-cost ASC services.

Strategic ASC companies continue to drive strong demand for ASC acquisition candidates. Buoyed by macroeconomic trends that benefit their models, and with the ability to provide economies of scale and professional management to independent centers, strategic acquirers are very active, and competition has increased valuations.

Recent entries of private equity-backed "roll-up" acquirers as well as non-traditional, vertically integrated purchasers is further adding to competition for independent ASCs. The latter includes examples such as Optum's (United Healthcare) recently announced acquisition of Surgical Care Affiliates, a formerly publically held ASC company with more than 200 active sites. After a period of consolidation, these new entrants are adding another option for sellers.

In summary, the ASC market is strong and is likely to grow stronger into the foreseeable future as these facilities present a real solution to rising health care costs.

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Earn CME and Network at ASCA 2017

The benefits for physicians attending the Ambulatory Surgery Center Association's (ASCA) annual meeting are numerous, says Brad Lerner, MD, president of Chesapeake Urology Associates and medical director of Summit ASC in Owings Mills, Maryland. One that he finds particularly valuable is the unique meeting environment that gives participants an opportunity to attend educational sessions related to all aspects of ambulatory surgical care.

Registrations are open now for this year's annual meeting, ASCA 2017, in Washington, DC, May 3–6. The meeting features more than 60 educational sessions on topics that include strategic

planning, online reputation, total joints, bundled payments, Medicare's payment methodologies and regulatory requirements. Physicians can earn up to 24 AMA PRA Category 1 Credit(s)[™], commensurate with the extent of their participation in the meeting.

The meeting's extensive networking opportunities will provide the chance to meet thousands of other ASC professionals and industry experts who can help improve all aspects of your ASC's operations.

The Gaylord National Resort & Convention Center, the location for ASCA 2017, is an impressive waterfront

resort. It is located steps from National Harbor's premier entertainment and shopping district and only eight miles south of the nation's capital. It is also near the new \$1.4 billion MGM National Harbor Casino.

"With the national trend of shifting from hospital- to ambulatory-based surgical care, there is significant value in attending the meeting to acquire up-to-date information to position yourself and your center to be as successful as possible," Lerner says.

Learn more about ASCA 2017 and register at www.ascassociation.org/asca2017/.