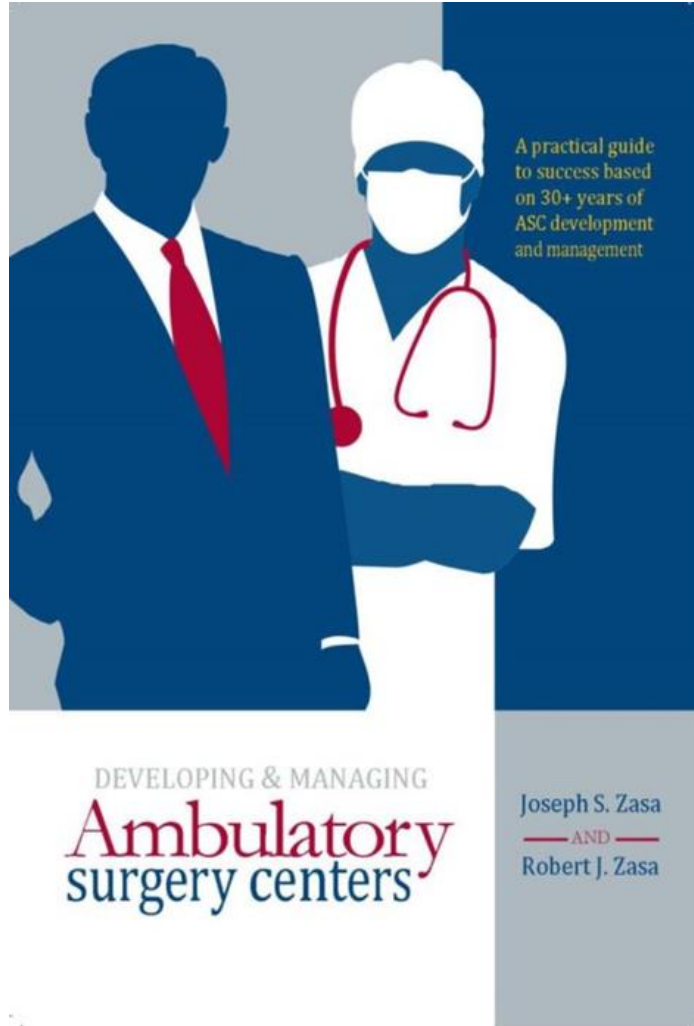


# Strategic Considerations Developing & Managing ASC's

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Managing Partner  
ASD Management

# Introduction



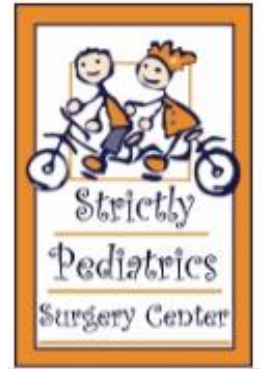
**ASD**  
MANAGEMENT



Nicklaus  
Children's  
Ambulatory  
Surgery Center



SOUTHERN INDIANA  
**SURGERY CENTER**  
Bloomington



CaroMont Health



SHELBY AMBULATORY SURGERY



The University of Texas at Austin  
**UT Health Austin**



**Surgery Center of Farmington**  
personalized patient care with attention to detail

# Strategic Planning for ASCs

*How and why are these developed?*

1. Physician Independence and Control
2. Patient Care and Physician/Patient Satisfaction
3. Competitive Advantage
  - Patients
  - Payers – Economic Credentialing
  - Market Competition
4. Economic Benefit for Physicians/Ancillary Income

# The Growth of Musculoskeletal ASC's

- Total Joints
- Spine
- Sports Medicine
- Pain

Payers are pushing more complex procedures to ASC's due to data showing patient preference & safer outcomes while maintaining a lower cost/reimbursement to ASC's.

# Key Considerations when Developing an ASC

“Measure Twice, Cut Once”

Prepare a thorough and comprehensive Business Plan

1. Develop Financial Projections

- Cases
- Sizing (*Pitfall*)
- Staffing
- Reimbursement & Cost

➤ Sources & Uses of Funds

➤ Income Statement

➤ Cash Flow

➤ Balance Sheet

# Business Plan Continued

2. Structuring your ASC
  - Who? Hospital JV or Physician Only: Pros & Cons
    - Ownership
    - Governance
  - Where(?) will it be located - Real Estate
    - Own or Build
    - 3<sup>rd</sup> Party
  - Why? Competitors in market, trends and committed surgeons/cases
  - How? Management and Development Expertise
  - When? Timeline
3. Letter of Intent
4. Financing
5. Finalize Offering and Raise Equity

# **TYPICAL CAPITALIZATION**

|  |                       |
|--|-----------------------|
| <b>Construction-A&amp;E (15,000 ft)</b>    | <b>\$ 7,500,000</b>   |
| <b>Land Cost (1.5 acre)</b>                | <b>300,000</b>        |
| <b>Equipment</b>                           | <b>3,000,000</b>      |
| <b>Pre-Opening Supplies &amp; Salaries</b> | <b>300,000</b>        |
| <b>Legal and Accounting</b>                | <b>100,000</b>        |
| <b>Construction Period Interest</b>        | <b>100,000</b>        |
| <b>Development Fees</b>                    | <b>200,000</b>        |
| <b>Working Capital (3 months fixed)</b>    | <b>900,000</b>        |
| <b>Miscellaneous</b>                       | <b><u>100,000</u></b> |
| <b>Total</b>                               | <b>\$ 12,500,000</b>  |

# Keys To Better Managing Your Surgery Center

Financial Analysis – it tells you where to look

1. Use Benchmark Information
2. Critical Management Factors
  - Revenue per Case
  - Supply Cost per Case,
  - Hours worked per Patient,
  - A/R Days etc.
3. Income Statement: Line-Item expense benchmarking
4. Statement of Cash Flows: Does the cash flow tie to the accrual?  
Cash variance?
5. Balance Sheet - Debt Analysis, Equity (skin in the game?),  
Liabilities



# Building your House - Ensuring Effective Operating Systems

## ➤ The Four Cornerstones:

1. Patient Care
2. Enterprise Risk Management
3. Managed Care/Payer Contracting
4. Business Office

## ➤ Who are the Walls?

- Staff
- Surgeons
- Anesthesia
- Managers

# Continued

## ➤ The Roof: Leadership

- Board of Managers, Medical Director and Administrator
- The Best Leaders have:
  - ✓ Vision - getting a group accustomed to underperforming to buy into the vision.
  - ✓ Communication Skills
  - ✓ People Skills
  - ✓ Character
  - ✓ Competence
  - ✓ A Serving Heart
- Creating a Winning Culture - Achieving Buy In
  - ✓ Staff and Surgeon Buy-In
  - ✓ Anesthesia
  - ✓ Staffing Assessment
- Key Pitfalls for Managers: Disney Princesses, Queens, and Kings

# New Program Development

- Determine what your ASC does well and how it can improve
- Areas of growth are Joints (Ortho), Spine, and Cardiovascular
- Patient Care Analysis, Preparation and Safety is critical
- Understand your Cost to include disposables, equipment and service agreements to ensure the new program is justified.
- Payer Contracting is **Key** – discussing with the payers and negotiate carve outs, explain the disparity between hospital and ASC reimbursement and show why this is in their favor – create a win/win scenario

The background features a faint, stylized illustration of three individuals in professional clothing. On the left, a man in a suit and tie is partially visible. In the center, another man is shown from the chest up. On the right, a woman with short hair, wearing a white top and a dark vest, is depicted. The overall style is minimalist and corporate.

Questions?