



Healthcare Venture Professionals, LLC
Surgery Center Specialists

Converting an ASC to an HOPD

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Becker's ASC Review/ASC Communications /ASC Association

Chicago / October 10, 2009



Background Information

- Growing interest and trend toward HOPD's
 - New ASC's
 - Conversion of existing Freestanding ASC's
- Reflected in ASC literature
- HVP's experience



Background Information ...

- Rationale
 - Maturity of existing ASC's and “aging” of Physician owners
 - Hospital as alternative buyer (vs. ASC Company)
 - Reimbursement differentials
 - Recent economic events
 - Risk aversion
 - Deal complexity
 - Ongoing regulatory scrutiny
 - Increasing Hospital efficiency / ASC Management Company as Operator



Key Considerations

- New ASC
 - Feasibility Analysis – JV vs. HOPD
 - C.O.N. “protection”
 - Physician leadership involvement
 - Legal / Regulatory issues
 - Open communications
 - Board and Physician education
 - ASC Business Plan / operations



Key Considerations

- ❑ Conversion of existing ASC
 - ❑ Composition of current ownership
 - ❑ Hospital impact / Feasibility Analysis
 - ❑ Board and Physician education
 - ❑ Open communications
 - ❑ Maintenance of meaningful Physician role
 - ❑ Legal / Regulatory issues
 - ❑ ASC Business Plan / operations



Legal / Regulatory Considerations - Conversions

- Certificate of Need
 - Change of ownership
- State Issues
 - Licensure
 - Medicaid Program
- Medicare
 - Certification
 - “Provider-Based” regulations
- FMV approach



“Guiding Principles” for HOPD

- Full integration into Hospital operations **BUT:**
- Run like a Freestanding ASC vs. Hospital department
- Minimize “red tape” and bureaucracy
- ASC Benchmarks – Quality / Operations / Satisfaction
- Key functions controlled by ASC
 - Staffing
 - Scheduling / Pre-cert / Registration
 - Billing
 - Supply and instrumentation standardization
 - Equipment
- Emphasis on Physician and Patient satisfaction



Guiding Principles...

- Use Hospital professional and support resources to extent possible
 - GPO, Biomedical, Housekeeping, Lab, Pharmacy, Anesthesia, etc. **BUT:**
 - Go elsewhere if better service / more efficient / less expensive
- Adopt an “Operations Committee” governance structure



Operations Committee

- De Facto Board / governance structure
 - Analogous to Board of Directors in a Freestanding ASC
- Key vehicle for formal Physician involvement, input and control of HOPD ASC
- Equal Physician and Hospital Composition
 - Senior Physician Utilizers / Leaders
 - Senior Hospital Executives
 - Ex-officio (Administrator, Medical Director)
 - Management Company Corporate Rep
- Monthly meetings



Operations Committee...

- Roles & Responsibilities:
 - Advise Hospital on all clinical, managerial and operational matters
 - Establishment of performance objectives for ASC
 - Monthly review of quality, financial & operations results and issues
 - Accreditation / Licensure / health & safety issues
 - Patient, Physician and Employee satisfaction
 - Strategic Planning, Marketing and Physician Recruitment efforts
 - New Procedures / Capital Equipment / Product Standardization
 - Performance oversight of Administrator, Medical Director, Management Company and all Contractors



Hospital / Surgery Center Integration Issues

- ❑ Staffing / HR
- ❑ Information Systems
- ❑ Scheduling, Pre-certification, registration & PAT, billing and collections
- ❑ Hospital Support Services
- ❑ Policies & Procedures
- ❑ Forms / Medical Records
- ❑ Drug Control procedures
- ❑ Finance / Materials Management



Benefits to Physicians

- Control of outpatient surgery process
 - Role of Operations Committee
- Ability (or continued ability) to offer a high quality ambulatory surgery experience in a non-Hospital environment
- Alternative form of Hospital-Physician collaboration
 - “Co-Management” opportunity?
- Return on Investment (Conversions)
- Physician recruitment tool
- Maintain / grow market share and revenue base



Benefits to Hospital

- 100% ownership of dedicated ambulatory surgery setting
- Alternative form of Hospital-Physician collaboration
 - “Co-Management” opportunity?
- Ability to offer a high quality experience to Physicians and Patients in a non-Hospital environment
- Freeing up of in-Hospital OR space
- Physician recruitment tool
- Maintain / grow market share
- Profitability



“Co-Management” Model (CMM)

- Identify key Physician Group / organization
- Management Services Agreement between Hospital and Physician Group
 - FMV considerations
- Professional ASC Management Services Subcontract between Physician Group and external ASC Management Company



CMM - Physician Group Role

- Provide key leadership to Operations Committee
- Provide Medical Director for ASC
- Oversee Management Company Subcontractor
- Establish / maintain standards to ensure quality
- Recommend approved surgical procedures and ASC staffing / personnel
- Implement training programs
- Recommend and implement Quality Improvement & Utilization Review programs
- Develop Community Education and Outreach programs
- Other clinical / administrative responsibilities as defined in the Management Services Agreement



CMM - Management Company Role...

- ❑ On-site Administrator
- ❑ Management of day-to-day ASC operations
- ❑ Consulting Expertise / Operational Oversight
- ❑ Corporate representative at all Operations Committee Meetings
- ❑ Operational Performance monitoring & benchmarking
- ❑ Support for ASC Strategic Planning efforts
- ❑ Information / education on industry trends, regulatory and safety issues
- ❑ Monthly financial reporting / annual budgeting / new procedure or equipment analysis
- ❑ ASC Policy & Procedure development
- ❑ Administrative coordination w/ Hospital on behalf of Physician Group (“Buffer” role)
- ❑ Other duties as defined in Subcontract



Final Comments – HOPD Model

- Need for “balance”
 - Hospital integration vs. operational “freedom”
- Consider options for meaningful Physician participation
- Obtain Legal and Professional expertise
- “Best of Both Worlds”
 - Enhanced service delivery model
 - Opportunity for unique Hospital-Physician collaboration
 - Financial results