THE CHANGING MARKETPLACE:
Integrating Additional Services in Your ASC

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Factors Motivating Expansion

- Under utilization of physical plant.
- Poor case mix for anesthesia providers.
- Attract and retain qualified staff.
- Enhance the profitability and free cash flow of the ASC.

Elements to Evaluate

- Regulatory requirements and constraints.
- Equipment and supplies, impact on sterile processing.
- Treatment spaces/physical plant.
- Staffing, credentialing and peer review.
- Other costs, including professional liability.
First – Expand Ophthalmology

- Advantages:
  - Equipment may already be owned.
  - Established contacts with other surgeons.
  - Long-term upside for these procedures.
  - Generally improved reimbursements since 2008.
- Issues:
  - Cost of equipment, if not owned, e.g., retina.
  - General anesthesia for some procedures.
  - Impact on physical plant, i.e., need for PACU, enclosed recovery, etc.

Retina

- Advantages:
  - Some equipment may already be owned or upgradeable.
  - Established contacts with other surgeons allows identification of “ASC friendly” practitioners.
  - Younger demographic means more commercial payers.
- Issues:
  - Cost of equipment, if not owned.
  - General anesthesia for some procedures.
  - Impact on physical plant, i.e., need for PACU.
  - Specialized staff training for OR team.
- Reimbursement in 2017:
  - Most common codes fall into the same APC.
  - National CMS average rate for 2017 is $1,719.49.

Retina Equipment and Supplies Costs

- Equipment needs:
  - Vitreor with 532nm laser $120K
  - Cryo and light source $12K
  - Microscope $125K
  - Indirect view system $40K
  - HD image capture $25K
  - Instruments set Volume/Preference
- Equipment total $250K+ - $350K+

- Supplies:
  - Surgical packs $375 - $650 per case
  - Silicone Oil/Perfluorooctane $350 - $650 per case
- With average case times of 30 to 90 minutes, incremental revenue should be very favorable.
"Retail" Services - Femto

- The clinics must build a sales infrastructure first.
- Requires a solid commitment from the surgeons.
- Try before you buy, options to lease or rent.
- Assess your market potential.
  - 15 cases per month or less - "outsource."
  - 20+ cases per month may support purchase.
- The pay-back period should be 36 months or less.
- The "all-in" cost per case in the current market will approach $525; thus, your facility fee must equal or exceed that amount.

"Retail" Services - Plastics

- Recruit established surgeons with existing volumes.
- Support existing staff members that are expanding practices.
- Negotiate facility fees and anesthesia fees well in advance for purely cosmetic procedures.
  - 2017 CMS rates for blephs are $758.51.
  - There is market tension between the professional and facility fees.
- Don't crowd out other more profitable cases.
- Relatively minimal equipment and supplies costs.
- The ASC will usually also pick up the "functional" cases, e.g., ptosis, entropion, ectropion, etc.
- These cases are also desirable and profitable - $778.51 CMS.

Other Ophthalmic Services

- Glaucoma:
  - Lower volumes in most cases, limited new equipment needs.
  - Should be profitable; however, be aware of multi-procedure discounts when combined with cataract.
  - 66770 CMS 2017 – $961.15
  - 66174 - 66183 CMS 2017 - $1,719.49
  - 0191T CMS 2017 - $2,497.71
  - Traditional valves are $500 to $800; Stents are $900 to $1,450.
  - Stent procedures done with cataracts may be only marginally profitable due to multiple procedure discounts.
  - Ensure that commercial contracts are updated to include the new CPT codes for these procedures and cost of devices.
  - Other procedures, e.g., ECP and Trabectome are very, very volume dependent to carry the equipment and supplies costs.
Other Ophthalmic Services, Cont.

- Cornea:
  - Lower volumes in most cases, limited new equipment needs.
  - Reimbursement for tissue may be problematic:
    - Ensure that commercial plans have a carve-out for the tissue.
    - Some states may require the ASC to be separately licensed to handle tissue.
    - Obtain processed DSEK tissue. In-house processing is not reimbursed to the facility.
  - Generally, these cases support a surgeon also performing other anterior segment procedures.

- Ophthalmic Lasers:
  - Generally profitable across all sub-specialties.
  - Two major impediments are scheduling (duplicate patient visits) and site-of-service differentials.
  - Most retina surgeons are unwilling to bring these cases.

Other Specialties To Consider

- Other surgical specialties:
  - May not need arthroscopy/endoscopy:
    - Pain Management
    - Oral Surgery
    - Cosmetic and or Reconstructive Plastics
    - ENT
    - Podiatry
  - Require arthroscopy/endoscopy:
    - G.I.
    - ENT
    - Orthopedics
    - Podiatry
    - Urology
    - Gynecology

Pain Management

- Anticipated equipment costs - $100K to $200K.
- Advantages:
  - Intermediate equipment costs, depending on provider needs.
  - Low supply costs, relatively high margins.
  - Potential large case volumes.
  - Favorable payer mix, more commercial coverage.
  - Doesn’t require a sterile room.
- Issues:
  - Need a Radiological Technician to operate the C-arm.
  - Site of service differential for basic procedures.
  - Trend toward being office-based, threat to deletion from ASC list.
  - Neurostimulator trials and implants may change the analysis.
Oral Surgery

- Anticipated equipment costs - $15K to $50K.
- Advantages:
  - Surgeons often ill-treated at the hospital.
  - Relatively low equipment costs.
  - Public relations value.
- Issues:
  - Longer case times, typically lower volumes.
  - Frequently pediatric cases.
  - Need for general anesthesia and longer recovery times.
  - Credentialing, hospital coverage.
  - High mix of Medicaid in many cases.

Plastic Surgery

- Anticipated equipment costs - $75K to $150K.
- Advantages:
  - Private pay patients.
  - Growing market segment.
  - Relatively low equipment and supplies costs.
- Issues:
  - Professional liability insurance issues.
  - Very long case times, low revenue per hour.
  - Reconstructive cases are often Medicare or Medicaid.
  - Long recovery times increase labor costs.
  - Need to be careful of 'mix' of patients in reception area.
  - Highly demanding, potentially litigious patients.

G. I.

- Anticipated equipment costs - $250K - $350K
- Advantages:
  - Large case volumes and short case times.
  - Low supply costs, relatively high margins.
  - Most frequently performed ASC cases after eyes.
  - Doesn't need a sterile room.
- Issues:
  - Contamination of OR.
  - Cleaning of equipment, i.e., "cold" sterilization
  - Staff training.
  - May need significant blocks of time.
ENT

- Anticipated equipment costs - $40K to $150K.
- Advantages:
  - Relatively low equipment costs, unless endoscopic sinus.
  - Low supply costs, relatively high margins.
  - Favorable payer mix, more commercial coverage.
- Issues:
  - Longer case times.
  - Need for general anesthesia.
  - Kids won’t mix with adults in the center.
  - Some practices have a large Medicaid component.
  - Endoscopy is usually an “add-on” if already equipped.

Orthopedics

- Anticipated equipment costs - $250K to 400K per room.
- Advantages:
  - The “hot” market segment for the last several years.
  - High percentage commercial, thus high per case reimbursement.
  - Large case volumes appropriate for the ASC.
- Issues:
  - Larger practices are likely to develop their own center.
  - High equipment and supplies inventory costs, e.g., implants.
  - Inability to bill for implants, etc. for governmental patients.
  - More complicated recordkeeping due to cost and volume of supplies.
  - The local hospital will not be pleased to lose these cases!

Podiatry

- Anticipated equipment costs - $40K - $150K.
- Advantages:
  - Relatively low equipment costs, unless endoscopic ankles.
  - Low supply costs, relatively high margins.
  - Favorable payer mix, more commercial coverage.
- Issues:
  - Longer case times, typically lower volumes.
  - Implant costs if performing endoscopic cases.
  - Need for general anesthesia and longer recovery times.
  - Credentialing, hospital coverage.
  - Professional liability insurance cost impacts.
  - Again, usually an “add-on” for endoscopic procedures.
Urology

- Anticipated equipment costs - $50K to $150K.
- Advantages:
  - Intermediate equipment costs, depending on provider needs.
  - Low supply costs, moderate to high margins.
  - Favorable payer mix, more commercial coverage.
  - Many procedures don’t require a sterile room.
- Issues:
  - Some contamination problems unless the physical plant was built to accommodate.
  - Large site of service differential.
  - Trend toward being office-based, threat to deletion from ASC list.
  - Also, often an "add-on."

Gynecology

- Anticipated equipment costs - $80K to $175K.
- Advantages:
  - Intermediate equipment costs, depending on provider needs.
  - Moderate supply costs, moderate to high margins.
  - Favorable payer mix, more commercial coverage.
- Issues:
  - Relatively small volumes.
  - Longer recovery times.
  - Potential for complications and blood loss in some of the more complex cases.
  - Another of the "add-on" subspecialties.

Physician Retention

- Expect Owners to contribute 80+ percent of total case volume.
- Consider equity sales to compatible surgeons.
- Equipment leasing and supplies purchases arrangements may be used to facilitate adding high cost specialties.
- Agreements must be written and reflect Fair Market Value for all parties.
THANK YOU!!

Questions and Answers