"It's Complicated": Making an ASC Joint Venture Work

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Welcome

- Share results of Avanza Intelligence: 2023 Hospital Leadership ASC Survey
- Explain what is required for joint venture success
- Discuss how to best divide joint venture responsibilities
- Explain role of the partners in tackling accreditation and compliance
Avanza Intelligence: 2023 Hospital Leadership ASC Survey
Hospital System ASC Ownership

- 2019: 41%
- 2021: 46%
- 2023: 48%

ACHCU is a brand of ACHC.
Hospital Systems With Multiple ASCs

47%
Hospital Systems Majority Ownership Stake in ASCs
Hospital Systems Owning 100% of ASCs
ASC Utilization of Third-Party Management Companies

- 2019: 23%
- 2021: 19%
- 2023: 12%
Hospitals That Plan To Increase Their ASC Investments/Affiliations
Evolving ASC Ownership
Reasons Hospital Systems Do Not Have ASCs (Yet)

- Regulatory obstacles (e.g., certificate of need)
- An ASC is not feasible due to lack of outpatient surgical volume
- An ASC is under consideration, but it's not yet a priority
- Hospital system will have an ASC soon (planning underway)
Top Reasons Hospital Systems Own/Affiliate With ASCs

- **71%** Increase outpatient surgical capacity
- **49%** Respond to consumer-driven trends
- **34%** Reduce costs
- **29%** Enhance physician relationships
- **27%** Support a value-based strategy
- **24%** Prevent physicians from taking cases outside the hospital/system
- **22%** Payor pressure
- **15%** Recruit surgeons
Motivations for Partnering: Physicians

- Capital
- Payer relationship
- Branding and reputation (practice growth)
- CON support
- Better exit opportunity
- Development and operations expertise/resources
Critical Components for Success

- Aligned vision for success (What does success look like for both parties?)
- Mutual trust and respect
- Similar financial risk tolerance
- Strong hospital-physician steering committee/governing board
- Constant and transparent communications at all levels
- Experienced third-party facilitator
Key Issues to Work Through

- Equity division
- Operational control
- Facility location, size and design
- Equity-to-debt ratio
- Distributions vs. cash reserves
- Management
- Cases (what comes to ASC, what stays at hospital)
- Revenue cycle service delivery
- Hospital support (or control) of operations
- Non-compete issues (physician and hospital)
Misconceptions & Misinformation

- No universal equity requirements for either party
- ASC JVs will not collect HOPD rates, even if the hospital owns 51+% 
- Physicians can’t own in an HOPD 
- No regulation exists that prohibits employed physicians to be ASC JV investors 
- Competitive physicians can be partners in a JV 
- Hospital cannot gift services (must be FMV)
Roles & Responsibilities: Hospital

- Avoid inappropriate need to control
- Provide appropriate expertise/resources
- Allow physicians to take the lead on decisions
- View ASC as extension of surgical services, not competitor
- Support ASC by migrating appropriate cases from main ORs to the ASC
- Promote ASC in recruiting and marketing
- Invite ASC staff to applicable hospital in-services, other training/education opportunities, drills
- Expand contracts with consultants (e.g., infection control, Life Safety Code, active shooter) to include ASC
- Be flexible
Roles & Responsibilities: Physicians

- Actively participate in governance, committees — and do your homework
- Understand need to compromise
- Do your part to support efficient, cost-effective ASC operations
- Treat your staff well
- Growth and succession planning are essential
- Engage with hospital leadership about services that can benefit ASC staff (e.g., training/education, consultants)
- Be flexible
Tackling Accreditation & Compliance

• Discuss accreditation organization options
• Do ASC staff prefer a particular organization? Do they want to avoid a particular organization?
• Maintaining accreditation and compliance is primarily the responsibility of ASC staff, but ...
• … hospitals can assist (training, education, consultants, etc.)
• Hospitals shouldn’t force hospital technology on the ASC
• ASC technology that supports accreditation and compliance can differ from what’s used at the hospital
• The key: interoperability
No JV Is Better Than a Bad JV

- **Warning signs**
  - Disparate goals and/or visions of success
  - Lack of strong physician leadership and/or commitment
  - Opaque communication or commitment from hospital leadership
  - Hospital has excess capacity and no plans for backfill
  - Hospital or physicians aren’t financially secure prior to the JV

- **Key to success**: Be transparent and always account for challenges that may impact financial projections and timelines (union issues, audit constraints, system/board approvals, retirements, etc.)
Health System Influence on ASCs

- Anesthesia stipends
- Staffing recruitment
- More stringent requirements (e.g., OAS CAHPS)
- Easing of CON laws (big change from the past)
- Rising ASC multiples
Questions?
Thank you