



EDUCATIONAL RESOURCES

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

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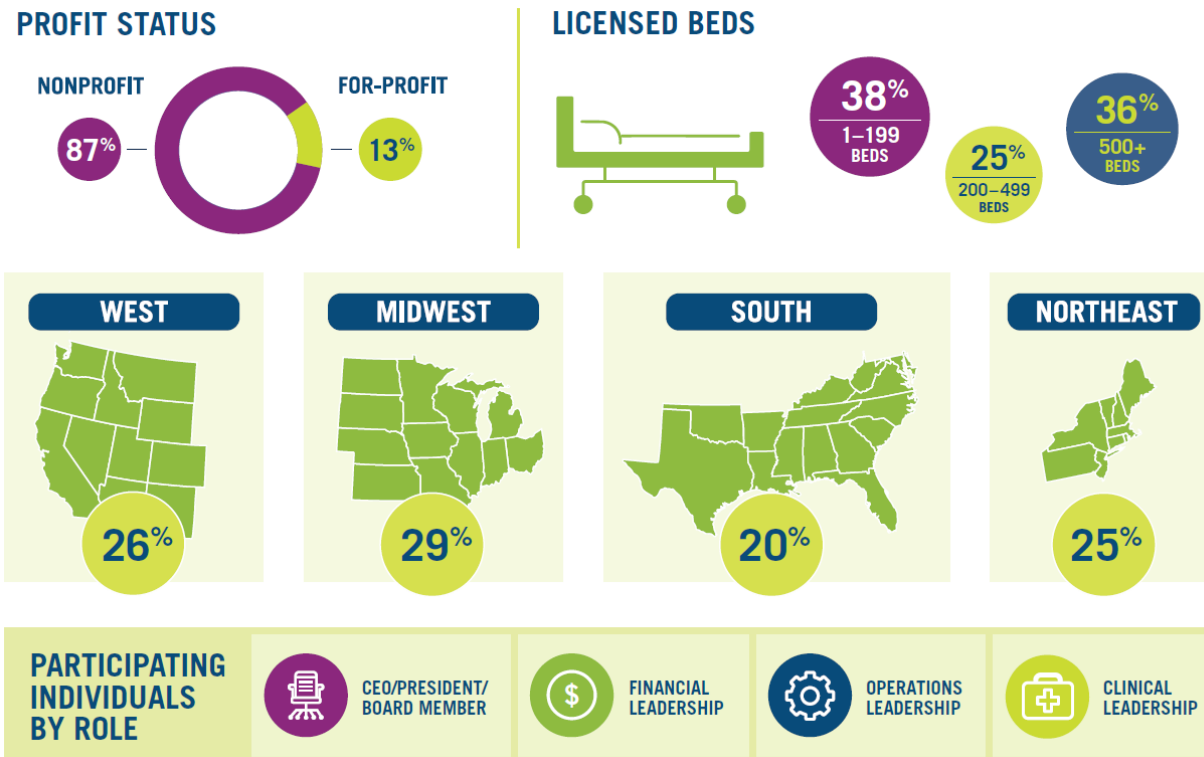
Avanza Healthcare Strategies



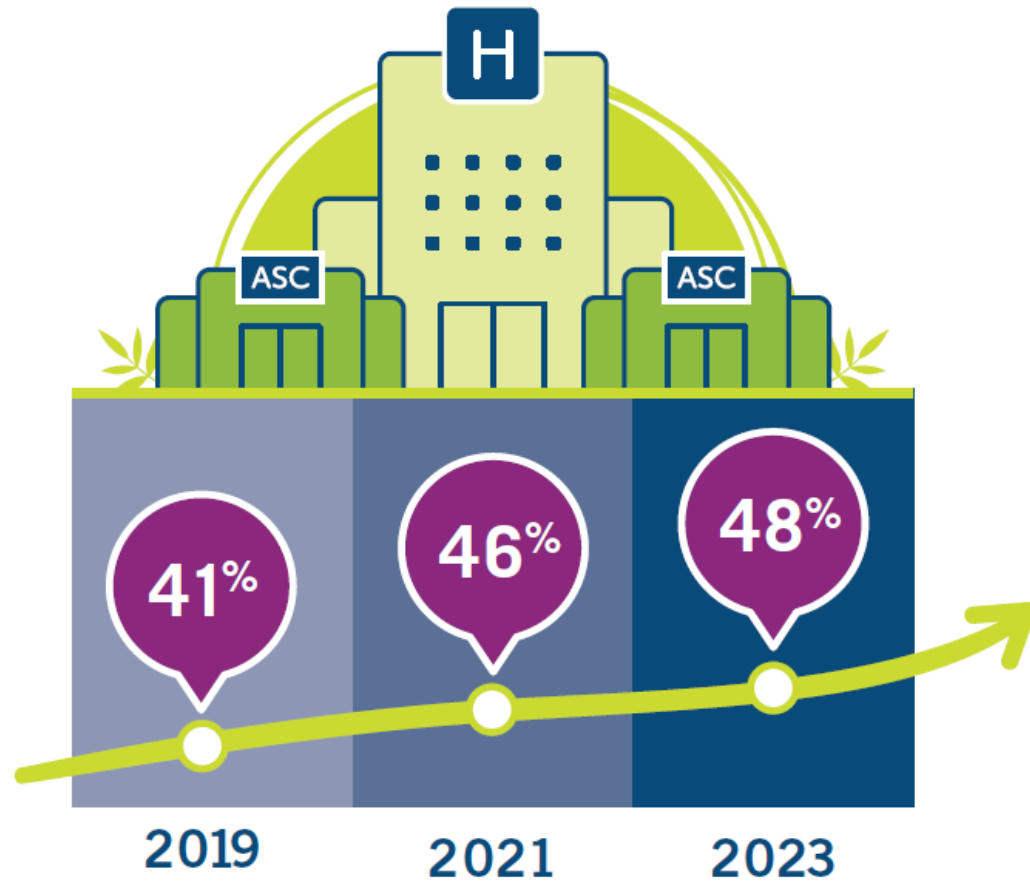
Welcome

- 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

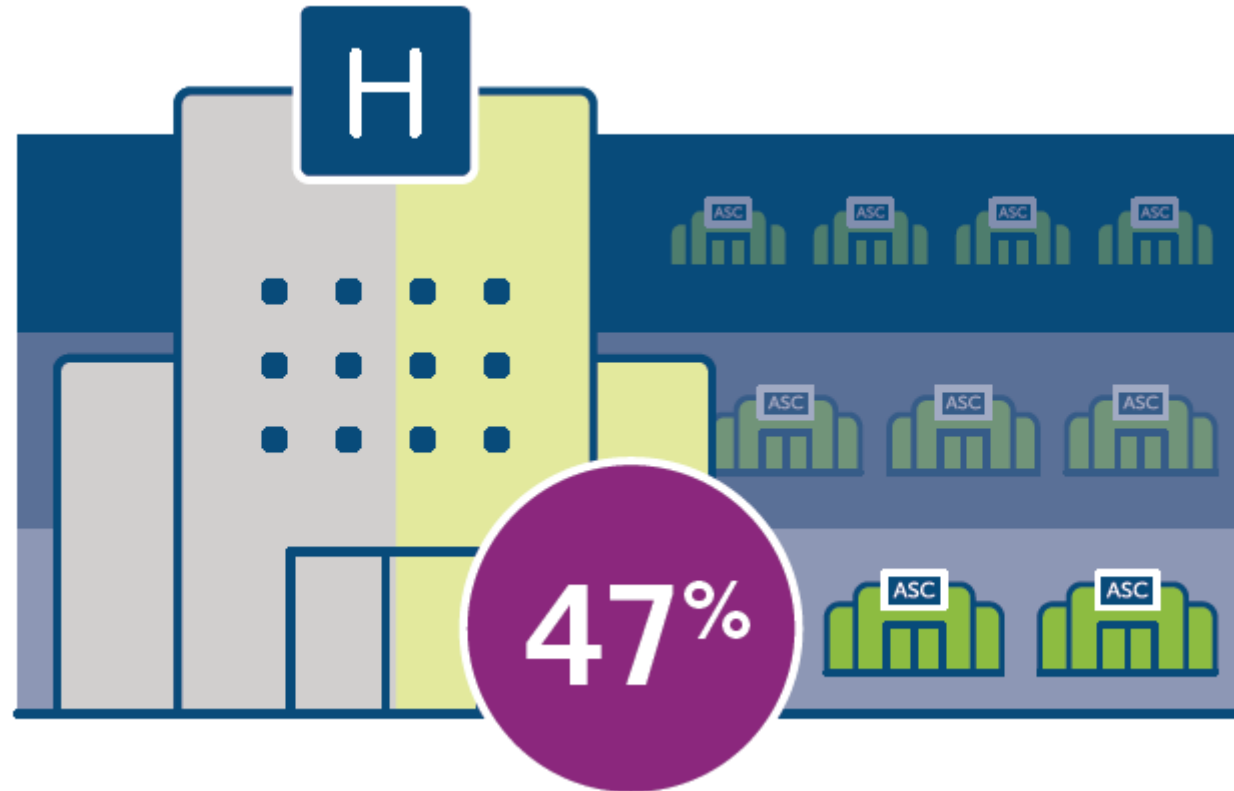
Avanza Intelligence: 2023 Hospital Leadership ASC Survey



Hospital System ASC Ownership



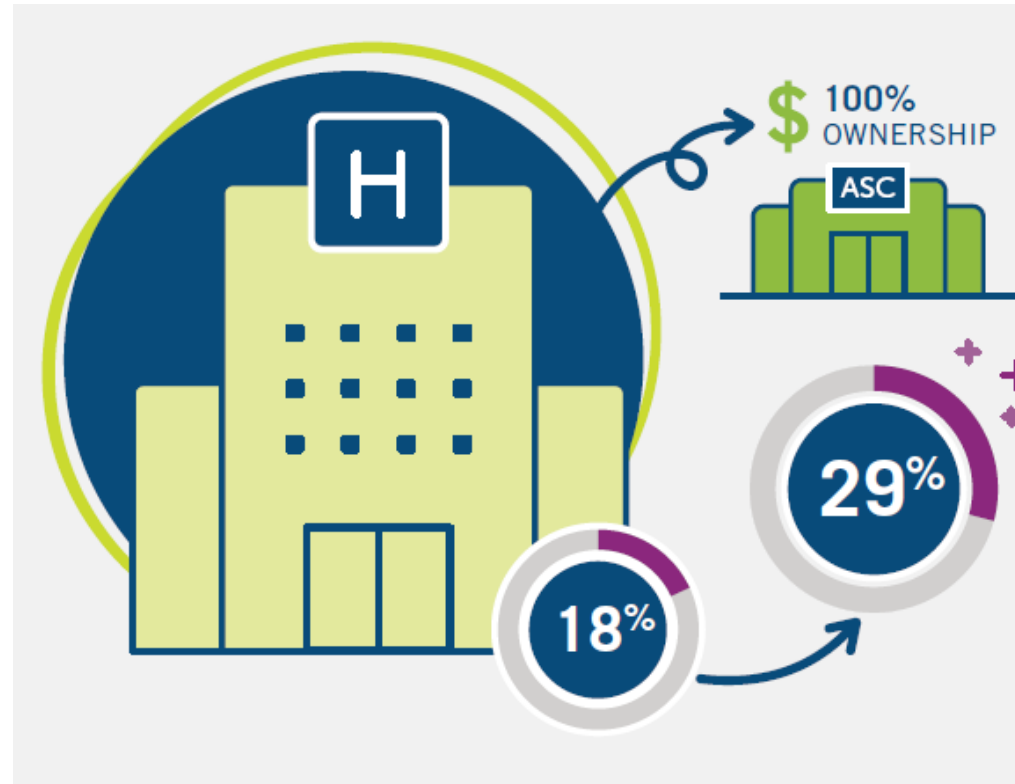
Hospital Systems With Multiple ASCs



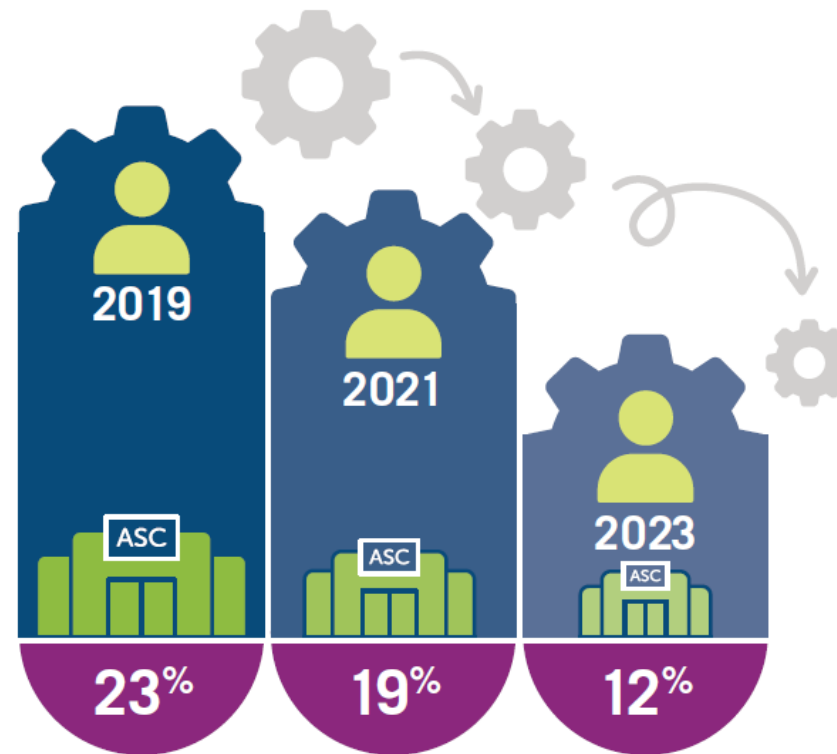
Hospital Systems Majority Ownership Stake in ASCs



Hospital Systems Owning 100% of ASCs



ASC Utilization of Third-Party Management Companies



Hospitals That Plan To Increase Their ASC Investments/Affiliations



Evolving ASC Ownership



Reasons Hospital Systems Do Not Have ASCs (Yet)



Top Reasons Hospital Systems Own/Affiliate With ASCs



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?



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Thank you

