



Ambulatory Surgery Centers in the Current Healthcare Environment
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With 75 percent of surgeries nationally being performed on an outpatient basis, Ambulatory Surgery Centers (“ASCs”) are becoming even more substantial as part of an overall outpatient strategy. And with many new procedures having been approved for ambulatory settings, it is expected that percentage will continue to grow materially.

Current market state:

The healthcare environment continues to evolve. Hospitals and health systems are seeing the ASC strategy as a means to: enhance physician relationships; provide a better surgical experience for patients and surgeons; become more competitive; and offer a safer surgical alternative by shifting patients to outpatient environments due to COVID. Currently hospitals and health systems have ownership in approximately 25 percent of ASCs nationally and fully own two percent of all ASCs. We expect these numbers to continue to grow. And the ASC business model is a key ingredient of the overall ambulatory strategy and continuum of care.

Physicians are seeing involvement in an ASC as a means to: enhance their personal quality of life; be more efficient in their overall practice; be more involved in the quality of care provided to patients; and through ownership, meet their individual entrepreneurial desires. Physician involvement via ownership gives physicians input in the clinical environment and quality of care and they can focus on fewer procedures and be highly specialized. In the current ASC market, 90 percent of ASCs have some level of physician ownership and 80 percent of the total ASC case volume is performed by physician investors.

From a value-based perspective, ASCs provide a lower cost alternative for patients due to their focus on specific procedures, greater efficiency, better outcomes and traditionally very low infection rates. And cost transparency is now being coupled with quality information as well.

Why ASCs?

There are several key reasons that an ASC strategy is an effective strategy:

- Better outcomes - due to shorter, less acute and highly specialized procedures and extremely low infection rates (critical in the current environment).
- Less expensive – ASCs are from 45 – 60 percent less expensive than hospitals. Part of this is due to the type and narrow scope of procedures being performed, but much of it is due to the efficiency of the business model which is driven by turnover times in the OR, flexibility in staffing and lower fixed overhead costs.

- More personalized service – ASCs can be more flexible due to the business model and as a result there is an individual service experience mentality resulting in exemplary patient satisfaction (*92% satisfaction rate*) scores and extremely satisfied surgeons.
- Maximizes the physician practice – because of the efficiency of the ASC model, the physician's practice benefits in terms of time away from the office, ease in scheduling cases and patient satisfaction. In other words, there is an increased control over the surgical practice.
- More specialized staff – due to the narrow scope of procedures performed in ASC environments, OR crews are selected and hired (with physician involvement) to work in specific service lines resulting in higher quality and happier surgeons.
- Maximizes patient and staff safety – by virtue of the business model, *infection rates* in ASCs generally are about 1/10th of 1 percent versus hospitals which maintain a rate of about 1 percent.
- Opportunities for physicians to invest – approximately 90 percent of ASCs nationally have some level of physician ownership and 65 percent have physicians as their sole owners. The financial investment is known to lead to a greater participatory investment by physicians. Investment is attractive to physicians as it allows for a voice in governance and operation as well as a financial return.

What We Do:

Progressive Healthcare has expanded our realm of influence to provide expertise to clients in ASC strategy and analysis, development, syndication and management. We have a proven track record in: De Novo development, creating strategic partnerships, evaluating underperforming centers and management services for centers.

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