



Presentation Overview

- **GI Background & Statistics**
 - Migration of GI procedures in past decade
 - How GI physicians are changing
- **Reasons JVs Make Sense**
 - Physician alignment strategy
 - Recaptures a shrinking service line
 - Creation of high-quality & cost-effective program
 - Profit centers
 - Facility revenue stream
 - Downstream referral sources
- **Joint Venture Model Structures**
 - Controlling equity interest
 - Minority equity interest
 - Minority equity interest coupled with clinical integration program
- **Questions & Answers**

GI Background & Statistics:
migration of procedures

- Single-specialty GI ASCs represent about 25% of the ASC market
- GI procedures also commonly performed in multispecialty ASCs
- Between 35-40% of all CMS claims in ASCs are for GI procedures

GI Background & Statistics: changes in physicians



- Approximately 225 new Fellows enter the workforce annually
- In 2005, <20% were hospital employees—most in private practices
- In 2012, >50% migrated to the hospital employment model
- 2015 projection is >65% migrating to hospital employment model
- Top reasons for the trend?
 - Fear related to healthcare reform
 - Stability
 - Lifestyle
- Substantial difference in payer mix between hospital employed GIs and those in the private practice in the same community

GI Background & Statistics: conclusions



- GI procedures moving from HOPD to ASC
- More GI physicians becoming employed by the hospitals
- Thus, not only have the hospitals lost GI procedures, their payer mix continues to degrade to less desirable payers and their labor costs have increased to service these patients
- Hospitals **MUST** either get into the ASC business in order to slow this progression or form relationships the GI practices and ASCs in the local market

Why JVs Make Sense: physician alignment strategy



- Cost-effective methodology of partnering with local physicians
- Places hospital, physicians and management company on the same side of the table in decision-making on most issues
- Administrative services typically provided to ASC through the management company at fair market value rate structure
- Provides a good beta site for initial demonstration of clinical integration strategies
- Hospital employed GIs may transition some HOPD procedures to ASC setting when clinically appropriate

Why JVs Make Sense:

recapture a shrinking service line



- HOPD colonoscopy share fell from 74% to 50% from 2000 to 2010
- Substantial difference in payer mix between hospital employed GIs versus those in private practice in the same community
- In most urban/suburban areas the annual procedural volume growth rate of private practice GIs exceeds that of hospital employed GIs

Why JVs Make Sense:

creates high quality, cost-effective program



- The ASC is a less expensive location to service GI procedures than a the traditional HOPD
- ASCs have a proven track record of delivering services at the same quality level as an HOPD
- ASC joint venture is an optimal location to begin clinical integration in a healthcare system

Why JVs Make Sense:

The ASC as a Profit Center



- De Novo Case Study: 10,600 annual procedures, initial capital contribution to project was \$1,000,000
- Collections 2012: \$13,058,644
- Direct Operating Costs 2012: \$2,598,445
- Other Operating Costs 2012: \$1,789,476
- Taxes, Depreciation & Interest: \$1,164,545
- DISTRIBUTIONS 2012: \$7,506,178 58% MARGIN

Why JVs Make Sense:

Downstream referral revenue



Financial Benefits to Medical Center:

- De Novo Case Study: 9,000 annual procedures, initial capital contribution to project was \$510,000
- Projected Distribution: >\$1.5M
- Pathology: >\$1.7M
- Imaging Services: >\$1.0M
- Complex GI Procedures: >250
- Surgical Referrals: >500
- Oncology Referrals: roughly 25
- IP Admissions: >300
- Other laboratory services

Why JVs Make Sense:

Joint Venture Models



- Controlling Interest
- Minority Interest
- Minority Interest with "clinical integration"

Why JVs Make Sense:

Clinical Integration Control Features



- Patient medical records accessible at ASC & Hospital
- ASC has transfer and affiliation agreement with Hospital
- Hospital provides ancillary services such as pathology, laboratory, anesthesiology, radiology and infection control
- ASC Medical Director is a Hospital employee
- Clinical nurse liaison at ASC coordinating pre and post procedural care as well as collect information on outcomes
- ASC adopts practice guidelines that are subject to Hospital approval
- All ASC physicians maintain active privileges at Hospital
- QA/QI data from ASC reported up through Hospital's QA/QI process
- Hospital shares substantial financial risk with ASC through capitated rates or other cost containment financial incentives

GIQuIC (www.giquic.org)

- The GI Quality Improvement Consortium Ltd. (the "GIQuIC") is an educational and scientific 501(c)(3) organization established by physicians specializing in gastroenterology. The Consortium's purpose is to improve the quality of medical care given to patients throughout the United States and abroad.
- "report card"

Questions & Answers



Adam Henick

Senior Vice President – Continuum Health Partners

ahenick@chpnet.org

212-636-8137

John Poisson

Strategic Partnerships Officer– Physicians Endoscopy

jpoisson@endocenters.com

215-589-9003
