5 Observations on Hospital-ASC Joint Ventures

As inpatient volumes continue to decline, hospitals increasingly need to consider focusing on outpatient care and surgical services, says Brent Lambert, MD, principal and founder of Ambulatory Surgical Centers of America, an ASC development and management company based in Hanover, Mass.

The number of ASCs has grown significantly during the past decade, reaching approximately 5,400 Medicare-certified ASCs as of 2011. As pressure mounts to transform care delivery and cut costs, hospitals and ASCs alike stand to benefit from joining forces.

However, pitfalls such as a lack of mutually agreed upon goals, hospital leadership turnover and a lack of ASC involvement in managed care contracting can keep joint ventures between hospitals and ASCs from going smoothly. Dr. Lambert shared the following observations on why hospitals should explore joint ventures with ASCs and how to collaborate successfully.

1. **ASC partnerships are essential to care delivery reform.** As they feel the financial squeeze of reduced reimbursement, payment reform and other factors, hospitals are increasingly saying they don’t have the funds to explore joint ventures with ASCs. “I don’t think a month goes by that I don’t encounter a hospital that’s saying, ‘We don’t have the money to do this,’” Dr. Lambert says. However, he says hospitals need to partner with ASCs to optimize their potential and effectively reform the way they deliver care.

   “ASCs are a low-cost, high-quality provider,” he says. “When you’re trying to do population health management, cost is very important. You need ASCs.”

2. **Hospitals and ASCs need to agree on goals to carry out successful joint ventures.** Partnerships between hospitals and ASCs work out for the best when both organizations have clear, mutually agreed upon goals for the joint venture. Dr. Lambert says that his company had an experience with a health system that was “very helter skelter” in its efforts to execute a joint venture.

   “Their efforts to bring constancy and order to their joint venture strategy was thwarted by their disorganization,” he says.

3. **ASC involvement can help managed care contracting run more smoothly.** Many hospitals and health systems aren’t familiar with ASC contracting procedures for a freestanding ASC, Dr. Lambert says. Therefore, when the hospital’s managed care contracting division ends up handling all of the contracting, the process isn’t as effective as it could be. A welcome trend he has observed has been hospitals making the ASC an integral part of managed care contracting.

   “More and more, our hospital partners are saying, ‘You know what, you do this all the time with these people. Why don’t you take over the lead and run everything by us?’” he says. “The results are just dramatic. Where we’ve been stalled for two or three years with one health system, suddenly we’re getting great contracts because we’re doing the contracting ourselves and the hospital is approving everything.”

4. **High hospital C-suite turnover can harm agreements with ASCs.** Hospital CEO turnover hit 20 percent in 2013, the highest rate recorded since the American College of Healthcare Ex...
executives began tracking turnover in 1981. The increase reflects a combination of factors, such as baby boomers seeking retirement, increased healthcare consolidation and the amount of change taking place in the healthcare industry, according to ACHE.

Dr. Lambert says ASCOA has observed a “tremendous disruption” of the hospital C-suite during the last one to two years. The hospital industry has come upon hard times for various reasons, and the net result is massive changes in executive leadership, he says.

Hospitals facing financial trouble have been replacing their executive leadership or carrying out mergers and consolidations, which can also result in different people in charge, he says. From the perspective of ASCs engaged in joint ventures with those hospitals or health systems, the change is “disquieting,” Dr. Lambert says.

“The people we were dealing with a year ago are no longer there, and, consequently, the strategies that were previously formulated, that were articulated to us, no longer apply,” he says. “With these changes that are happening in the C-suite, this is no longer a coherent message or a coherent plan because new factors have been introduced.”

5. Overall, hospitals need an outpatient surgical strategy. If they don’t have one already, Dr. Lambert stresses hospitals need to have an outpatient surgical strategy. “We find the majority don’t,” he says. “They don’t think it applies to them.”

However, he says the shifting healthcare system means hospitals will need a low-cost, high-quality alternative to what they’re already doing. Additionally, partnering with ASCs can solve capacity problems. Dr. Lambert says the case of a state medical school he has been in talks with illustrates this issue.

“Their ORs are filled with cases that could easily be done in an ASC, and it’s crowding out the big cases that they need to be doing,” he says. “They want to decant these cases from their main ORs in the hospital that don’t need to be done there, that can be done in this low-cost area in which they have ownership.”

5 Recent Hospital & ASC Joint Ventures

By Carrie Pallardy

Joint ventures are an increasingly popular strategy in the hospital and ambulatory surgery center industries. Here are five hospital and ASC partnerships that have been announced over the past two months.

Kaleida Health and a group of 22 physicians received preliminary approval from the New York State Department of Health for the $2.7 million Southtowns Ambulatory Surgery Center to be built in Orchard Park, N.Y. The project faces opposition from multiple nearby hospitals and health systems.

Florida International University and Miami Children’s Hospital partnered to open a pediatric outpatient surgery facility on the FIU campus in Miami. The center is expected to open in January 2015.

Massac Memorial Hospital in Metropolis, Ill., and the Orthopedic Institute of Western Kentucky in Paducah partnered to open a $6 million orthopedic and podiatric surgery center in Metropolis.

Meridian Surgical Partners, LLC announced that its Battle Creek, Mich., facility Brookside Surgery Center, LLC has partnered with Bronson Battle Creek, a subsidiary of Bronson Healthcare. This is the first hospital partnership for Meridian Surgical Partners. The facility will continue to operate as Brookside Surgery Center.

Local physicians have partnered with the Northwest Community Healthcare Day Surgery Center on a joint venture to provide outpatient surgery on the NCH campus in Arlington Heights, Ill.
Four Issues You Must Absolutely Consider In Any Hospital-Physician Joint Venture ASC.

Challenges keep mounting for hospitals. So as a way to maximize performance, Hospital-Physician Joint Venture ASCs look more attractive by the day. Yet, but before you decide, key questions arise.

Is my hospital financially ready to make the investment? What is the potential case volume of my operating rooms? How will this position us against our competition? And how do all partners enjoy a lasting, rewarding relationship?

The more you ask, the more the answer is ASCOA, with more than 65 successful physician partner centers and hospital-physician JVs. Find these answers and more at ascoa.com.
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Learn today about the joint venture model everyone else emulates and the specific things to consider before embarking on a hospital-physician surgery center. Visit ascoa.com and get results no one else can match.