

ASC Development and Operations:

Advice from an Industry Expert



As someone who has been in the ambulatory surgery center (ASC) industry for more than 20 years, I have a good understanding of ASC design, development, and operations. I've seen good centers and bad, extremely successful centers and ones struggling just to break even. I've seen first-hand the benefits and drawbacks of both working with a corporate partner and going alone.

The purpose of this article is to share my advice on developing a successful surgery center. Some of the advice is based on laws, regulations and facts, and some of it on my own personal experience and observations. Either way, I think you'll learn something about what it takes to succeed in the ASC industry today.

1. Do some preliminary planning

The first step in the process is to determine your volume. Insufficient volume will make it next to impossible to have a profitable center. Once you've done this, examine the local market where your center will be located. Is there a community hospital? Are there any legal issues that need to be taken into consideration, including certificate of need (CON) regulations? What will your network consist of?

2. Set reasonable expectations

Do the calculations to understand how long you'll need to wait before seeing profits and how difficult it's going to be to get licensed. Start thinking about where

the center will be located, if you'll buy or lease the building, and whether you'll start from scratch or build out space in a building already in existence.

3. Decide if you want a partner

When it comes to the development of your center, you have a lot of options. You can partner with a hospital, use an ASC development company, use a consultant, or go it alone. Regardless of your choice, you'll need to determine who will champion the cause, which physicians will participate and how they will be brought in, who will be advising the group, and who will share the risk.

A partner can help reduce physician owner risk, increase profits, and provide time- and money-saving development and management expertise. Partners usually have a proven business model with which they work. Plus, they've already experienced much of what's out there so know how to avoid the common pitfalls associated with designing, building, developing, staffing, equipping, and managing an ASC.

Before deciding whether or not you want a partner and which one you want to go with, do your homework. Talk with several different firms, confirm their experience, contact their referrals, and make sure they're reputable with a good background and solid track record. Meet and talk with each company's management team in person, being sure to confirm both their operational and clinical experience. Inquire about their other completed projects and centers, and determine whether or not they will be a good fit with your and your partners' style, values and goals.

4. Resolve issues upfront

Don't delay in resolving problems as soon as they arise, including financial projections and issues, your center's location, build out and licensing/certifications and decisions such as your legal consultant, corporate partner and lead physician.

A strong physician leader is one of the keys to successful ASC development. He or she should be able to mediate and monitor partner interactions and maintain the project's focus and direction, as well as take the heat and provide regular progress reports to the other physician owners.

5. Before finalizing anything, work up detailed and accurate financial analyses

You need to make sure your center will be profitable and successful. Accurately understand the number of real cases currently performed that will be able to be moved over to the center, as well as the payor mix, reimbursement data,

patient demographics, and those insurance companies who will participate in your network. Also understand where profits come from so you can make sure your expenses, cases, and reimbursement are all in-line. A baseline goal for any new center is profitability above 25 percent.

6. Decide how to handle legal issues, including CON regulations

When it comes to CON issues, it's important to find an attorney with ASC experience. He or she will need to help you through lease/building purchase negotiations, corporate partnership management agreements, physician ownership agreements, financing agreements, tax structure and state and federal regulations (Stark laws).

7. Work out the remaining details

When considering the formation of your center and your case volume, you will need to determine whether or not additional physicians will need to be brought in and, if so, where they will come from. New physicians need to complete accurate due diligence while you complete a center valuation, determine share pricing and credentialing privileges, and decide whether or not you want to offer them equity ownership.

When determining where your center should be located, make sure the spot you choose is conveniently located between physician offices so travel time can be minimized, if not eliminated. Remember: increased productivity equals increased income. You will also want to find a location that's easy for your patients to find and access.

8. Size matters

Make sure you build smartly and efficiently based on your proforma. Otherwise, overhead and fixed costs can end up higher than your case volume and revenue. Design for efficient use of space but be aware that regulations can get in the way of optimal design. Remember to allow for support and office space, and to determine how many operating rooms and procedure rooms you need, along with their class.

9. Don't overlook construction

Unfortunately, your center is not exempt. The rules that have been put into place apply to your center the same way they do for every other center. Use an experienced architect and general contractor to help you save time and money in the long run. A project manager with ASC operations and facility development expertise will make the process quicker and easier and so is also highly recommended.

When it comes to your center's architectural needs, spend sufficient time upfront on your preliminary plans. This will help you avoid costly changes down the line. Also, resist the temptation to overbuild or you'll have to live with your decision for the life of the lease.

Know the regulatory requirements. Balance what you want with what the codes mandate, and work on incorporating both into a realistic plan. Choose your architect and engineers wisely. Unfortunately, you may not understand the importance of working with a good firm until you experience the cost and frustration of working with a bad one.

You will need to adhere to state requirements and building codes, as well as AIA guidelines, CLIA and DEA and Medicare conditions of coverage. Building codes include international, uniform and state-specific as well as OSHPD, national electrical, fire, plumbing and mechanical, local municipality codes, barrier-free (ADA) and ANSI.

10. Don't forget about operations

There are still more decisions to make having to do with your center's operations, including staff, anesthesia, equipment, payer contracting, referral dynamics, physician recruitment and accreditation.

Staff: You will need an administrator, medical director, anesthesia director, clinical director, business office, OR staff, pre-op, PACU, sterile processing, and housekeeping.

Anesthesia: ASC experience is a must. The anesthesia director is an integral part of the team. Make sure you effectively utilize CRNAs, and use an independent group rather than your own employees, along with conscious sedation, when performing pain procedures.

Equipment: This is going to be a large capital investment that requires consensus among you and your physicians. Pre-owned and factory refurbished are good options that often times cost less. Plan on adding equipment once case volume increases.

Insurance contracting: Will you be in network or out? What will your payer mix consist of? Will there be carve outs?

Physician group relations: Prepare yourself for utilization and equipment issues. Hospital dynamics can also change referral patterns, reduce hospital block time and have a negative effect on resident training.

11. Be prepared for licensing and surveys

When it comes to licensing, there are state regulations your center will need to adhere to, including plan approval, functional program approval and licensing survey. It should be noted that you will have little control over the timeline of your state review. Timing depends on the state's caseload so usually takes longer than expected.

Your ASC will need to complete state and Medicare surveys. State surveys usually feature a planned date, but not always, and may be combined with your Medicare survey. It will work to your advantage if you get to know your surveyor prior to your survey date. Whatever you do, don't underestimate the importance of passing your state survey. All the work you've done to date hinges on this day.

When it comes to Medicare, things are usually different. Unlike your state surveyor, your Medicare surveyor will show up unannounced so you and your staff must be pre-

pared. Try to complete your Medicare survey after your center has completed licensure by sending a letter acknowledging the fact that you've completed at least 10 cases.

In conclusion, ASCs are an excellent economic investment that can improve your productivity and patient care. By carefully planning and making sufficient arrangements upfront, you'll help ensure the continued success of your investment for years to come. □

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