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707-396-0138 | [jsimmons@regentsurgicalhealth.com](mailto:jsimmons@regentsurgicalhealth.com)

# OUTPATIENT JOINT REPLACEMENT

## & TWO ADDITIONAL DEVELOPMENTS TRANSFORMING THE AMBULATORY SURGERY CENTER (ASC) INDUSTRY

As healthcare moves toward value-based care and risk-sharing payment models, many hospitals are taking a new look at ambulatory surgery centers (ASCs) as a transformational outpatient strategy with potential to improve both bottom-lines and quality of care.

Since 2001, Regent Surgical Health (Regent) has been a leader in developing and managing successful surgery center partnerships between hospitals and physicians, while improving and evolving the ASC model, based on changing market conditions, to stay ahead of emerging trends. From this vantage point, the company has developed proprietary ASC ownership models that give both physicians and hospital administrators what they need to ensure long-term clinical and financial success. Based on extensive knowledge of the ASC marketplace, **Regent has identified three developments that are currently transforming the industry.**

- 1. Outpatient Total Joint Replacement** – Why hospitals should embrace the move of these procedures to an outpatient environment
- 2. Value-Based Care** – The ASC's role in transitioning from paying for value, not volume
- 3. Employed Physicians as ASC Partners** – A recruitment, retention, and value-based care strategy

*"As value-based care goals drive the movement of additional types of surgery from hospitals to ASCs, we are seeing a shift in how hospitals view their outpatient strategy. It is no longer a matter of losing some outpatient volume to secure higher acuity inpatient volume. ASCs are now seen as a major piece of the system's care model of the future,"* says Regent Surgical Health CEO Thomas Mallon.

*"We know patients already are migrating away from hospitals to ambulatory surgery centers throughout the city,"* says Paul Gaden, CEO of Providence Portland Medical Center, a Regent managed hospital/physician ASC joint venture in Portland, Ore. *"This [ASC partnership] provides a lower cost, high quality center on our campus to serve patients and provides our physicians an opportunity to develop and invest in an ambulatory surgery center with Providence."*

## MAKING THE CASE FOR OUTPATIENT TOTAL JOINT REPLACEMENT

Today, the most notable migration of a surgical procedure to ASCs is total joint replacement (TJR). Made possible by the development of less invasive arthroscopic technologies, joint replacement is emerging as a cost-effective, sophisticated and convenient surgical option, offered to patients at a growing number of ASCs. This trend is a prime example of an ASC's ability to lower costs, increase convenience and improve care.

A study presented at the 2014 Annual Meeting of the American Academy of Orthopaedic Surgeons (AAOS) showed same-day TJR outcomes were comparable to those of patients admitted to the hospital and staying at least one night following surgery.

The study by David N. Vegari, M.D., Jeffrey G. Mokris, M.D., Susan M. Odum, Ph.d., and Bryan D. Springer noted, *"We found no statistical difference for readmission, emergency room visits or patient satisfaction in either cohort. In properly selected patients, the outcomes of outpatient TJR are comparable to inpatient arthroplasty without increasing readmission rates and financially penalizing hospitals."*

For these reasons, more experts predict surgeries performed in an outpatient setting will grow by 19 percent between 2015 and 2025, while the number of inpatient procedures will be reduced by four percent. And, it's not only the quantity of outpatient procedures that are increasing, but the variety as well. The Advisory Board Company, a research and consulting firm, found that the percentage of healthcare facilities performing total joint knee replacements in an outpatient setting had risen from less than 10 percent of institutions surveyed in 2012 to 25 percent by the first quarter of 2014.

*"Moving total joint replacement surgeries to the ASC makes sense for many reasons, both clinical and financial,"* says Regent's Mallon, *"but it's critical to assess outcomes on an inpatient versus outpatient basis, and measure whether the results of these procedures vary by setting type or even provider."*

After a program begins, Regent tracks both clinical and non-clinical metrics for TJR procedures as part of its Continuous Process Improvement Program. Examples of these metrics include: Complications, cancellations, implant costs, surgery duration accuracy, and overall satisfaction. However, before a center starts a TJR program it is important to review metrics that determine whether that ASC is prepared to properly handle TJRs and other traditionally inpatient procedures. **Metrics include:**

- **Surgical Site Infection Rate:** According to the Centers for Disease Control and Prevention, surgical site infections (SSIs) are the most common healthcare-associated infections; but ASCs have an SSI rate of nearly half their inpatient counterparts. Tracking the rate of SSIs developed in an ASC is critical to not only ensure patient and staff safety, but also to determine the health of the center's daily operations.

Experts predict surgeries performed in an outpatient setting will grow by 19 percent between 2015 and 2025.

- **Return to Surgery Rate:** Measuring and recording, on a monthly basis, the rate at which patients return to an operating or procedure room prior to or within 48 hours of discharge is another key metric. According to the Ambulatory Surgical Center Association, tracking this rate over time helps ASC leaders and staff identify strengths and weaknesses in patient care, implement cost-saving initiatives, and improve compliancy standards.
- **Hospital Readmission Rate:** Generally defined as patients returning to the hospital within 30 days of their procedure, the Centers for Medicare and Medicaid estimate that the Medicare hospital readmission rate was at 18.4 percent in 2012. This rate is the final data point to measure to ensure an ASC is performing with results that are equal to or better than those from an inpatient setting. To positively impact this rate, Regent recommends ASC staff effectively communicate with and reassure patients that the outpatient setting is appropriate for their procedure, and follow up with patients in the days and weeks after their procedure.

What is causing the migration of procedures like TJR toward outpatient surgical settings? According to healthcare analytics firm Sg2, payment models, payment penalties and increasing pressure for quality outcomes are all primary reasons for this increasing trend.

Regent's Vice President of Managed Care Andrea Woodell expects that payers will continue to devalue the clinical and financial risk ASCs provide by bringing total knee replacements to an ASC, a less expensive site of service. She is building on Regent's model for offering bundled pricing on spine surgeries and applying that expertise to total joint replacements. *"By broadening our base of services, strategically bundling professional and patient support services, Regent reinforces our value within the payer community and secures appropriate payments for the care provided,"* says Woodell.

### Who Qualifies for Outpatient TJR?

- Healthy patients – no organic, physiologic, biochemical or psychiatric disturbance
- Mid – moderate systemic disturbance; may or may not be related to reason for surgery
- BMI < 50
- No presence of the following co-morbidities:
  - Insulin dependent diabetes
  - Cardiac history
  - Sleep apnea

**Payment models, payment penalties and increasing pressure for quality outcomes are driving the migration of procedures to outpatient surgical settings.**

**- Sg2**



## THE ASC'S ROLE IN TRANSITIONING TO VALUE-BASED CARE

Value-based care models are driving healthcare executives to find new ways to increase quality by reducing costs. Transforming to this model is difficult, but ASCs are one of the simpler strategies healthcare systems can implement to drive early success.

One of the key strategies for health systems to move to paying for value rather than volume is to tie factors such as outcomes, quality, and satisfaction to physician compensation. A 2013 survey of 424 healthcare organizations by Sullivan, Cotter and Associates predicted incentive pay would rise from three to five percent of compensation for employed physicians to seven to 10 percent over the next few years.

*“A hospital/physician ASC joint venture takes this value-based model to the next level,”* says Mallon. *“Surgery centers are already proven to improve outcomes while lowering costs, and the physicians and hospital are 100 percent aligned in their efforts to deliver value.”*

Although the ASC model has sometimes strained relationships between hospitals and physicians over the past two decades, competition between the two is beginning to subside as new developments in healthcare support more collaborative models of care. A departure from the days of all or nothing, joint ownership helps hospitals attract top surgical talent, offering physicians the independence they seek and feeding their entrepreneurial spirit to keep them engaged in business growth.

*“Regent Surgical Health has been the conduit for bringing together the hospital and physicians. We’re all working together in a unified way and I believe our patients will be the beneficiaries of this partnership,”* says Dr. Paul Imber, ENT, board president of a Regent hospital/physician ASC joint venture in Delaware. *“Our patients will continue to receive the high level of customer service they’ve grown accustomed to, and now we are well positioned to deliver a higher level of care at a lower cost. This is a big win for our community.”*

This trend also benefits hospital bottom-lines. While payers reimburse less for ASC procedures than they do for the same procedures conducted in-house, hospitals are increasingly interested in sharing in that revenue, along with the other benefits that ASCs accrue. And for physicians, working through jointly-owned ASCs complements their own skills with the inherent strengths of hospital partners, allowing them to leverage managed care contract rates and shared administrative functions.

With joint venture ASCs as a key component, **Regent sees a number of factors supporting a natural evolution toward value-based care in the coming years:**

- **Regulatory Environment in Flux:** While the Affordable Care Act (ACA) is just gaining traction, the Supreme Court and/or a new U.S. president could make significant changes to the current healthcare law, changing healthcare reform's trajectory in the near term. In addition, the ACA counsel charged with making recommendations on Medicare payments will convene for the first time in 2016. For the first two years, the counsel can only make changes to physician and ancillary reimbursement as well as drug costs; but after 2018, the counsel can also focus on hospitals.
- **Evolving Physician Dynamics:** As hospitals continue to acquire physician practices at a high rate, some physicians who initially were not interested in relationships with hospitals are now partnering, afraid they'll be left out otherwise. Others, in specialties that can be independent, likely will remain so unless their economics change significantly. In the case of orthopedic surgeons or ENT physicians, unless some regulatory change impacts them specifically, most groups that want to be employed have likely already done their deals, and the rest want to remain independent as long as they can.
- **ASCs as Part of Accountable Care Organizations (ACOs):** While ACOs are still in their infancy in most markets, the idea -- that a group of doctors or hospitals assume responsibility for both the quality and cost of health care -- is extremely timely. And, it makes sense that ASCs could be part of ACOs in the future. Currently, ACO specifications are flexible enough to accommodate a large range of provider organizations, including fully integrated healthcare systems, multi-specialty group practices, physician-hospital organizations and independent physician associations.

## EMPLOYED PHYSICIANS AS ASC PARTNERS

The concept of what kind of physician can or should be a partner in a surgery center continues to evolve. Once considered ill-advised, employed surgeons are being offered ownership in ASCs. Health systems are utilizing ASC joint ventures as powerful recruitment and retention tools that are beneficial for hospital leaders and physicians alike. For hospitals, these partnerships provide a long-term physician alignment solution, while providing physicians with greater independence, additional sources of revenue and entrepreneurial opportunities.

### NUMEROUS BENEFITS

As part owners of an ASC, employed physicians can enjoy greater autonomy, an additional source of income and increased involvement in patient care and satisfaction. This partnership model encourages physician participation in hospital and ASC decision-making, while granting physicians more control over their time and schedule.

*"All physician contracts end at some point. If an employed doctor has a financial stake in the community, they will stay and either renew with the health system or be an independent provider, both of which increase access*

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*for specialist services in the community,”* says Mallon. For example, the turnaround time in a hospital outpatient surgery department could be as high as 30 or 40 minutes. In an ASC setting, turnaround times tend to be closer to 10 minutes. This difference is crucial in both patient and physician satisfaction, and allows surgeons more efficient time management. In an era when contracts are based on productivity, this creates a win-win situation for all involved.

In addition, as mentioned in the previous section, fee-for-service contracts will become less and less common. Joint-venture ASCs not only provide an opportunity to recruit and keep the best doctors, they also can help achieve strategic, value-based care goals. For example, an inpatient total knee replacement traditionally, in years past, required a hospital stay of up to three days. In an ASC, a patient undergoing the same procedure can be discharged at 6 p.m. after an 8 a.m. surgery – of course, contingent upon the patient’s medical history and status. This significant reduction in onsite recovery time frees ASC staff and leaders to support greater patient loads and generate more revenue overall. Such a strategy also can go a long way in helping an organization reach ACO goals.

Based on Regent’s experience, the best ownership model to align interests for long-term success is the hospital contracting model. It is a strategic hybrid that minimizes hospitals’ financial investment and risk, while preventing surgeons from competing with them in other transactions.

Within this model’s governance structure, the hospital has two board seats, physicians have four and Regent has one. The hospital typically maintains control over key areas such as budget, strategic decisions and disposition of assets, while physicians control clinically related operating policies and equipment purchases as part of the larger budget. Regent has seen this model achieve high-levels of success within its facilities as an answer to many of the challenges the healthcare industry now faces.

To make the ASC partnerships work optimally, **Regent suggests hospital systems look for the following qualities in their physician partners:**

- Willingness to make a financial investment in the center
- Maximum facility usage for appropriate cases
- Willingness to save money on physician preference items

*“Based on Regent’s more than a decade of ASC joint venture experience, we also know that physicians can become more valuable partners when they work closely with hospital executives to grow the ASC,”* says Mallon.

To become even deeper ASC partners in joint ownership with hospitals, **Regent suggests that physicians:**

- Bring more inpatient work to their hospital partner
- Give up unused ASC block time for potential new partners
- Take call hours at the hospital
- Serve on additional leadership committees for inpatient departments

## SUMMARY

All three of these trends are fueled by improved partnerships between hospitals and surgeons through an ASC; Regent Surgical Health offers unmatched experience structuring and managing strong ASC joint venture partnerships.

*“Regent has always believed the strongest ASCs are the result of aligning the interests of the community’s leading surgeons with the community’s leading hospital,”* says CEO Mallon. *“Although the industry has lagged behind, a vast majority of Regent’s partnerships have historically been joint ventures involving hospitals and physicians.”*

In today’s post-healthcare reform environment, which requires new levels of quality and efficiency, the most productive and profitable ASCs benefit from the combined talents of hospitals, physicians and corporate partners. By staying ahead of industry trends and providing proven leadership in structuring ASC joint ventures, Regent helps hospitals defend market share, increase OR capacity, enhance physician loyalty, and improve quality – a winning strategy for sustainable growth.

## ABOUT REGENT SURGICAL HEALTH

Regent Surgical Health is among the nation’s leading surgery center management and development companies, and the most experienced company offering physician/hospital ASC joint venture partnerships. Regent has an unmatched record for delivering sustainable profitability, while enabling physician partners to maintain clinical autonomy and financial control. The company invests capital side-by-side with hospital and physician partners, and firmly believes the by-product of excellent care and efficiency is financial success.



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To learn more about Regent Surgical Health and other physician/hospital alliance opportunities, contact:

**JEFFREY SIMMONS, CHIEF DEVELOPMENT OFFICER**

707-396-0138 | [jsimmons@regentsurgicalhealth.com](mailto:jsimmons@regentsurgicalhealth.com)

