

# DOUBLE YOUR AMBULATORY PLATFORM BY 2020

## WHAT'S THE HURRY?

At every turn in today's healthcare marketplace, there are signs of the industry's transformation to value-based care. Evolving reimbursement realities and new technologies that allow more and more procedures to be performed on an outpatient basis are driving this change. Some health systems are moving very aggressively in the direction of value-based care, while others – typically smaller health systems with a more conservative approach to short-term revenue – are still adopting more of a wait-and-see attitude as they try to protect their existing fee-for-service business.

But the time for wait-and-see may be nearing an end. Many industry leaders agree value-based care is a concept whose time has come, and those who hedge their bets may find themselves behind in building the robust ambulatory care platform they'll need to deliver it cost-effectively.

This white paper will help hospital leaders answer four key questions that will help them double their ambulatory platform by 2020.

## The Four Questions

1.

**What is your managed care strategy?**

2.

**What are your current assets?**

3.

**What's missing?**

4.

**Can you execute?**

Many industry leaders agree value-based care is a concept whose time has come, and those who hedge their bets may find themselves behind in building the robust ambulatory care platform they'll need to deliver it cost-effectively.

## BENEFITS

- Market Share
- Geographic Footprint
- Patient Capacity
- Inpatient OR Space

## THE DOUBLE BENEFIT: COST-EFFECTIVE CARE, MORE MARKET SHARE

*"A strategically interconnected ambulatory care platform is critical to achieving success with value-based care, not only because it enables a health system to deliver care more cost-effectively, but because it allows the organization to serve the community well at the same time,"* says Chris Bishop, CEO of Regent Surgical Health, a leading developer and manager of ambulatory surgery centers (ASCs). *"The idea is to build a comprehensive ambulatory care platform against a single, customized strategy – aligning the expert resources in your network so they can refer patients back and forth between all assets in the system, making each productive beyond its own P&L."*

Bishop says expanding an ambulatory care platform dramatically can help health systems improve financial strength by growing market share and geographic footprint; increasing patient capacity, freeing up operating room (OR) space for more complicated surgeries; providing distinct and optimal environments for quality patient care, both in the OR and outpatient areas. It can also help boost the systems' reputations as innovators and leaders in their markets.

**Based on Regent's experience, he suggests four key steps that will help providers double ambulatory care platforms over the next four years:**

1. Develop a managed care strategy that suits the needs of your health system
2. Understand your existing assets, strengths, and opportunities
3. Identify the right expanded mix of interconnected ambulatory assets for your market area
4. Execute with excellence to strengthen relationships and improve care

## THE BIG SYSTEMS ARE MOVING FAST

Trinity Health has been public about transitioning 75% of their revenue to value-based care and partnering with payors to accomplish this objective. Trinity is part of the 28-member Health Care Transformation Task Force, a private-sector alliance aimed at accelerating the healthcare industry's transformation to value-based care. According to a recent article in Becker's Hospital CFO, each member of the Task Force has committed to put 75% of their businesses into value-based payment arrangements by 2020, which will hold providers accountable for the cost of care, quality of care and health of the population.

*"The formation of this Task Force and its ambitious goal demonstrate that the private sector embraces a value-based approach to improving care and lowering costs,"* Richard Gilfillan, M.D., CEO of Trinity Health and chairman of the Task Force, told Becker's. A national health system with the mission to be a transforming and healing presence within the communities it serves, Trinity Health has 93 hospitals and 120 continuing care facilities, home care agencies and outpatient centers in 22 states.

Regent's Bishop says, *"Shifting care to the outpatient setting is where ambulatory care options can really drive value. That's why we're seeing strong willingness among health systems to pursue actions that will double their ambulatory care platforms in the short term."*

REGENT | SURGICAL  
HEALTH

STRATEGY. DEVELOPMENT. MANAGEMENT.

dphalen@regentsurgicalhealth.com

630-400-8440

## STEP 1: DEVELOP A MANAGED CARE STRATEGY

The first step toward doubling your ambulatory care platform is to create a well-defined managed care strategy. Trinity Health wants to generate 75% of revenue from value-based care, but it's not a one-size-fits-all proposition. What percentage of your revenue currently comes from value-based care, and how is it trending? Bishop suggests health systems proactively define their current position in the marketplace, and then outline a four-year reimbursement strategy.

For many, he says the old definition of hospital no longer applies. *"Many hospital systems today are provider, payor and a network of outpatient resources all in one,"* he said. *"Some even have their own health plans, which provides even more incentive to drive aggressively toward value-based care."*

One example of this new type of hospital system is Providence St. Joseph Health, where ambulatory strategy is part of a coordinated consumer strategy. In his role at Providence's Oregon Region, Thomas R. Lorish, M.D., serves as medical director for Orthopedics and Ambulatory Services and chief executive of outreach. For more than two decades, he has successfully engaged physicians and providers while developing and operationalizing new care models.

*"Each community is different, so we divide the marketplace based on whether traditional volume or value-based care is more appropriate,"* Dr. Lorish says. *"It's unknown exactly when and what pace the transition to value-based care is going to occur, so you need a strategy that allows you to execute in both types of markets. I think ambulatory assets like surgery centers allow you to engage your key physicians, in a volume-based world. And, they prepare the hospital as well as the physicians for a more value-based world by having a better cost structure."*

## STEP 2: UNDERSTANDING EXISTING ASSETS

Regent's team has developed a process to help health systems identify the opportunities presented by ambulatory care. According to Bishop, once the strategy is in place, the process begins with taking a hard look at all assets in their marketplace, and then digging into the geography's demographics to identify the highest potential growth markets.

*"Think of it as a 'heat map',"* Bishop suggests. *"You need to be very intentional about zip code analysis: where are the patients coming from, what are the neighborhoods that have patients you want to attract, those with better commercial insurance to ensure we have a margin that allows us to deliver care in the less affluent communities? And then, ask yourself: what additional ambulatory or post-acute facilities are needed?"*

Answering these questions, he says, will help grow market share while allowing you to provide optimal care for the entire community. And, a deeper understanding of the market will not only help your organization capture more patients there, but will keep physicians engaged as well.

**"Each community is different, so we divide the marketplace based on whether traditional volume or value-based care is more appropriate... It's unknown exactly when and what pace the transition to value-based care is going to occur, so you need a strategy that allows you to execute in both types of markets."**

**– Dr. Thomas R. Lorish**

**REGENT** | SURGICAL HEALTH  
STRATEGY. DEVELOPMENT. MANAGEMENT.

dphalen@regentsurgicalhealth.com  
630-400-8440

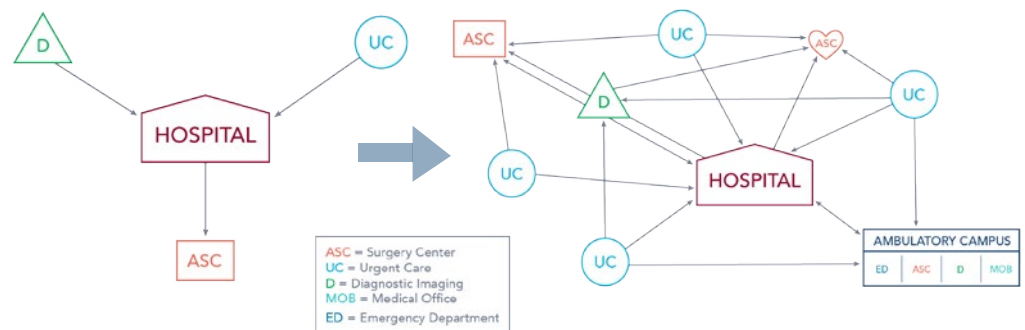


**Bishop suggests moving from the traditional “hub and spoke” relationship that health systems often have with outpatient resources, to a more interconnected, “spider web structure.”**

From the perspective of value-based care, Bishop says physician alignment is a second critical strategic necessity and requires a push toward developing relationships with bigger practice groups. *“It is very hard for 2-3 physicians groups to excel in this new environment,”* he said. *“We’re seeing physician practice mergers and a move toward physician-hospital joint ventures with larger, independent groups, as well as more hospital employment of physicians. A strong ambulatory platform drives growth for both models.”*

A leader in developing and managing hospital-ASC joint ventures, Regent helps its partners position themselves to gain business advantage by aligning hospital systems with physicians through development of specific service lines, such as orthopedics.

*“Identify the service lines that are important to have in the mix for your market,”* advises Bishop. *“Once those service lines are identified, you can target the physicians that you require to help you better serve that community – whether that means orthopedics or cardiology or women’s health.”*



Bishop suggests moving from the traditional “hub and spoke” relationship that health systems often have with outpatient resources to a more interconnected “spider web structure.” Developing an ambulatory platform that features a variety of interconnected assets helps raise the utility and profitability of each resource, even beyond its own specific contribution to revenue. As an example, Bishop says including a strong urgent care brand within your “web” can drive new patients to the hospital, and to your ASC.

At Providence St. Joseph, this approach has a multiplier effect, driving advantage for the health system, its provider-sponsored health plan, and the physicians involved. Dr. Lorish explains:

*“As a general example, say we’ve got a distant market 50 miles away from where we have our tertiary, hospital-based facilities. We invest \$2-3 million in an ASC that might spin off \$1 million per year of which the hospital might be a 50% owner so we get a half a million dollars. But the relationships with physicians in that community also allow you to highlight the value of your tertiary facilities in the larger market, and drive volume to them that can’t be handled in the ASC. For us, that might be anywhere from \$2.5 to \$5 million. Then, you also can pull volume from a local hospital into the ASC, helping your physician partners succeed. Finally, since ASC pricing is typically 20-50% less than hospital pricing, you’re driving a substantial savings to your health plan. Let’s say for this example that nets out to \$10-15 million in value to the health plan. When you aggregate it all, a single investment of \$1-2 million in an ASC can result in a yearly return of between \$10 and \$20 million.”*

In summary, Dr. Lorish says investing in an ASC can allow a health system to leverage the relationship into a multiplier that brings advantage to both the hospital system and the physicians in risk-based contracting, the foundational element of value-based services.

Bishop reinforces the value of that interconnectivity: *“Each asset in the web has something to offer to the others,”* he says. *“To continue the example, as much as an ASC is not a retail facility, it benefits from components of the platform that are, like urgent care or women’s health. Store-front facilities don’t typically offer orthopedics or spine, but they frequently encounter patients with those needs, so they’ll keep the ASC on speed dial.”*

## STEP 3: MOVE WITH SPEED TO SHORE UP YOUR MISSING AMBULATORY ASSETS

With a well-defined managed care vision in place, health systems have a start on the road map they need to build out the robust ambulatory platform that brings the strategy to life and makes it profitable. And they can assemble the assortment of ambulatory assets and tools that fit market needs.

*“The mindset you require is that you’re building a platform strategy that allows your organization to serve the community well, through cross referrals back and forth among all of the assets in your mix,”* Bishop continues. *“Urgent care can be a significant referrer for ASCs. And ideally, you want to own those urgent care centers and brand them for your health system. That marketing link is important because urgent care is a point of entry for a lot of patients. I’m also becoming more excited about telemedicine as a point of entry.”*

Kaiser Permanente, the largest health provider in California, has been an early adopter of telemedicine as a key element of their ambulatory platform. The company recently announced that 50% of patient visits are now due to some type of telemedicine. At Regent, telemedicine is a newer element of the ambulatory tool kit, but it’s taking hold there as well.

*“I was thrilled to learn first-hand that the telemedicine service we’re offering to our employees at minimal cost works so well for many routine issues,”* Bishop says. *“It’s a perfect example of effective ambulatory strategy and value-based care in action: it’s more convenient for your family and saves both the employee and the company dollars, thus lowering our premiums.”*

Assembling the right, customized set of assets and tools that align well with your health system’s market and strengths is the real work that must be done on the way to doubling your ambulatory platform, and speed is of the essence. Why? The whole healthcare world is headed toward value-based care, and the best resources may not always be available to align with your health system if you wait to assemble resources within or align with outside groups.

With years of experience helping bring hospitals and physicians groups together in joint venture or de novo ASCs, Regent also manages acquisitions and standalone ACSs. Regent’s model is emerging as the leading approach for structuring joint venture partnerships between physicians and hospitals. By allowing the hospital to

**The whole  
healthcare world  
is headed toward  
value-based care,  
and the best  
resources may  
not always be  
available to align  
with your health  
system if you  
wait to assemble  
resources within  
or align with  
outside groups.**

**REGENT** | SURGICAL  
HEALTH  
STRATEGY. DEVELOPMENT. MANAGEMENT.

dphalen@regentsurgicalhealth.com  
630-400-8440

form a strategic alliance with select surgeons, it minimizes the providers' financial investment and helps achieve physician alignment goals. If structured correctly, payments per case using Regent's hospital contracting model are at least 30% higher than an independent ASC's reimbursements. This model also provides competitive protections for doctors and allows them to maintain daily clinical and operations control over the facility. Hospitals retain authority over budgets, strategic decisions and disposition of assets, while still offering a more cost-effective solution.

While ASCs are an important element of any health system's ambulatory platform, Bishop's "spider web" analogy highlights the importance of other assets as well, from retail-facing patient points of entry for urgent care and telemedicine; to ambulatory campus arrangements themed for women's health, cardiology or cancer treatment; to specialty resources such as imaging, dialysis, outpatient emergency centers, medical office buildings and even micro hospitals.

While the arrangement that works is different for every health system, the common theme of interconnectivity is powerful. Following are two examples:

### **MidMichigan Medical Center**

Mark Santamaria, former president of MidMichigan Medical Center - Gratiot, was instrumental in assembling the "web" of complementary ambulatory assets at Mt. Pleasant Surgery Center in central Michigan, a new, multi-specialty ASC that opened earlier this year as a joint venture among MidMichigan Medical Center - Gratiot, 11 local physicians and Regent. The new ASC is a key health resource within the 128,000-square-foot medical center, which also features imaging and laboratory services to support the surgery center, a 24-hour emergency department, a short-stay overnight unit for extended patient observation, and a wide range of other frequently requested services, including pharmacy, radiology, physical therapy, infusion center and physician offices.

*"We had three hospitals within reasonable distance, so for us there was a strategic reason to expand presence in that town, but without building a new hospital," Santamaria said. "The market was very fragmented, with resources spread out across seven different locations. So, we decided to build a facility that could house primary care and all our specialists, both employed and private practice, along with the full range of resources that create an environment where patients really like to go."*

He said adding the ASC was another way to expand presence in an area that was very competitive in terms of recruiting and retaining physicians – the ASC created an opportunity to offer top physicians ownership and to encourage their investment. The interconnected resources created another draw for physicians, and having the extended recovery unit made it easier to draw new patients for procedures like total joint replacement.

*"No one was connected to each other before due to the seven locations," Santamaria continued. "But now, strong relationships have developed among all the providers in the building, and they're naturally referring to each other within the building. The reality is we have almost every service here that a hospital has, except inpatient beds. This next generation of medical centers with a robust ambulatory platform really is a way to grow and get into new markets."*

"We're now entering our third month in operation and serving 30 patients a day – that's what we had we projected for year three, not month three." -

Mark Santamaria,  
MidMichigan  
Medical Center

**REGENT** | SURGICAL  
HEALTH

STRATEGY. DEVELOPMENT. MANAGEMENT.

dphalen@regentsurgicalhealth.com

630-400-8440



## Palos Community Hospital

This suburban Chicago community health system has different needs than some of its larger counterparts around the country, but is also reaping the benefits of a robust and interconnected ambulatory care platform. For example, Loyola Cancer Treatment Center is an important ambulatory asset.

Tim Brosnan, vice president of Planning & Community Relations at Palos Health, oversees strategic planning, marketing, public relations, and facility planning and development. An independent hospital system with more than 400+ beds, Palos Health recently rebranded from Palos Community Hospital to reflect its scope more accurately.

*"We cannot provide everything to everybody, so we need strategic alliances with physicians and other providers to assure that patients in our community can access the right care, in the right place at the right time," Brosnan said. "As part of that strategy, we are in the midst of redeveloping our south campus to offer expanded services. Our affiliation with Loyola assures access to academic and tertiary services, while still allowing patients to maintain local relationships with their primary care providers."*

Brosnan said Loyola's physical presence in the south suburban community features cancer treatment services, physician clinics and a joint venture partnership with Palos for delivery of radiation oncology. The ambulatory campus also includes a joint venture ASC with Regent and a digital imaging center, among other services.

*"Our goal is to provide a high level of service – just short of in-patient care – to ensure our patients have access to a broad range of providers, both primary care and specialists," Brosnan said. "It's a win-win because it expands Loyola's reach and allows Palos Health to provide more services, while staying focused on what we do well. And we did it without a merger or acquisition, so each organization still has its own governance. We're able to keep our identities and the goodwill we've earned in the community."*

## STEP 4: EXECUTE WITH EXCELLENCE (AND SPEED!)

With a solid strategy and a well-researched four-year plan in place, health systems can begin executing the steps that will double their ambulatory care platforms and make their value-based care vision a reality. One of the early decisions to be made as execution begins is whether to partner with an established resource in the community or build from within. As a rule of thumb, Regent's Bishop recommends taking a hard look at internal capabilities as you make this decision.

*"To compete, you're going to need a great ambulatory team, best in class," he says. "If you're not best in class at a particular specialty, don't do it yourself. For example, go find a great partner among the urgent care providers out there – you'll want to align with a retail leader in urgent care for their brand marketing and community relations expertise. Not a seasoned surgery center operator? Get a partner with a track record of success in the space."*

**"To compete, you're going to need a great ambulatory team. If you're not best in class at a particular specialty, don't do it yourself."  
– Chris Bishop, Regent Surgical Health**

**REGENT** | SURGICAL HEALTH  
STRATEGY. DEVELOPMENT. MANAGEMENT.

dphalen@regentsurgicalhealth.com  
630-400-8440

# WHAT IT TAKES TO DEVELOP AN ASC

1.

Development and Planning Phase: Key tasks on the front end include physician identification, site selection, financing, legal documentation, joint venture development and partnership development.

2.

Construction Phase: Important decisions and tasks include choosing the layout for the facility, clearing regulatory hurdles with the state, and managing a budget to specify equipment appropriate for an ambulatory setting versus what belongs in a hospital. This time is also used to create a governing board for the ASC, as well as a medical executive committee, and coordinate staffing and managed care conversations.

3.

Operational Phase: As the ASC opens, tasks include ensuring the facility clears JCAHO or AAAHD certification and inspection, delineating appropriate cases for the ASC, and focusing on continued growth and development by marketing to the community, monitoring clinical outcomes, and ensuring staff efficiency.

For example, Regent typically assigns a team of 12-15 experts in various areas of focus when developing a new ASC. *“Unless a health center has a dozen people that are experts in each respective space and understand what the defined timeline looks like and what they’re responsible for, they’re better served with Regent,”* Bishop said. *“Developing an ASC is a very different business than surgery in an inpatient facility, and it’s very difficult to do well when you already have a full plate.”*

Another benefit of aligning with the best in class is speed to market. When it comes to executing an ambulatory strategy, health systems that move too slowly won’t be first to market and will therefore have trouble attracting the best resources.

Physician recruitment is a case in point: it’s an area that’s often politically sensitive for hospital systems, and yet, an ongoing, competitive system for recruiting and retaining the best talent is critical to gaining market share and competitive advantage. Health systems that move too slowly on this front will lose talent to large, independent physicians groups or to competing health systems and be left unable to build out specialties well that are key to their ambulatory plans.

Chad Beste is a consultant with PBC Advisors and works with both hospitals and large independent physicians groups, including Illinois Bone and Joint Institute, a large, independent orthopedic practice in the Chicago area.

*“It’s a challenging issue because many large, successful practices may want to own and control their own ASCs,”* he said. *“However, there are advantages to partnering with a large health system on several fronts. Increasingly large systems are developing their own accountable care organizations that a large group may wish to participate in. Hospitals tend to have better opportunities to obtain certificates of need (CON) – in CON states – and these days, most systems employ large primary care practices of which access to this network is important.”*

Beste said partnering with a large health system can make sense for those reasons, and sometimes makes sense even if they don’t have a lot of primary care physicians because they may in the future. *“Every market is different,”* he said, *“but more and more services are moving out of the hospital and into an ambulatory environment. Large practices need to ascertain if they might be better off partnering with hospitals in return for enhanced security in the long run. If I think I can build those services and deliver them to the community at a lower price than the hospital can, why wouldn’t I build them? So, I think in some ways this is going to happen anyway and hospitals want to have a piece of it, so they’re becoming more willing to give up a bit of control and a share of the revenue.”*

Beste’s example is evidence that the largest physicians groups can certainly thrive on their own – and can successfully offer their own integrated webs of services. Says Bishop: *“It’s basically an arms race for the large orthopedic practices and whether they’ll join you or another health system or become successful as independents. Some of the large gynecological practices can make it alone, too. You’ve got to move fast to lock in with the very best.”*

An outside partner often has an advantage in bringing hospitals and physicians, who very often have a history that has led to some mistrust, together. Regent has worked hard to develop a reputation as an objective third party with the expertise



and neutrality to build staff to fit actual case volume – something that’s difficult for hospitals to do for themselves.

*“Today, the only threat to hospital success associated with a robust ambulatory platform is moving toward that strategy too slowly,” Bishop reiterates. “Why? A key success factor – relationships with top physicians in your market – is at risk if you wait.”*

Mark Santamaria worked with Regent to develop the ASC that is central to the success of MidMichigan Medical Center. *“I really wanted to partner with a management company in the development of the center because I felt that it’d be easier to have a third party work through discussions with physicians, and have the credibility to ask them to be investors, to make them feel comfortable in the investment,”* Santamaria said. *“We liked the fact that Regent was a niche company, not too big to give us the attention we needed. And right off the bat we felt this comfort level, we felt they were interested in us and how we could be successful together. The chemistry was great right out of the gate.”*

### Summary

As the healthcare industry escalates its march toward value-based care, health systems need to make ambulatory strategy a financial and strategic imperative.

*“We’re getting into systems that really value health and wellness, and if you can prevent healthcare needs or disease, that’s the true value proposition,”* summarizes Dr. Lorish. *“So, number one, work with the local providers around population health and two, keep care local. We develop ambulatory facilities, after-hours urgent care, diagnostic imaging, and so on, all anchored through an ASC so that most of the care can be provided in that local area. And some of that volume can stay with the smaller local hospital, too. This is an opportunity to either compete or collaborate with the local hospital with the result of developing a long-term, durable relationship that says when you can’t take care of the patient, then it comes to us. It’s much less expensive to take care of patients when it doesn’t start with a helicopter ride.”*

Finally, for Regent’s Bishop, success with ambulatory strategy is reliant on timing and focused action:

*“The time is now to work toward the goal of doubling your ambulatory platform,”* he says. *“Approach it with an objective view of your strongest assets. Know whether you have the internal resources to get there financially, expertly, and rapidly, or not. If not, find partners with the culture and expertise to complement yours. Do it fast. Do it well. Sustain it. And thrive in the new world of value-based care.”*

**For an Ambulatory Strategy Assessment customized to your market and health system, contact Regent Surgical Health.**

## REQUEST AN AMBULATORY STRATEGY ASSESSMENT FOR YOUR REGION

Contact:

**DON PHALEN, VP OF  
BUSINESS DEVELOPMENT**

dphalen@regentsurgicalhealth.com

630-400-8440

**REGENT** | SURGICAL  
HEALTH  
STRATEGY. DEVELOPMENT. MANAGEMENT.