



A Winning JOINT VENTURE

*The success story between Montefiore Medical Center
and Advanced Endoscopy Center*

BY CAROL STOPA

In the world of hospital joint ventures, there are many reasons for hospitals to partner with their physicians to develop an ambulatory surgery center. While some hospitals view a joint venture as simply a defensive mechanism, many hospitals see the advantages of partnering with their physicians which fosters a spirit of loyalty and trust between both parties. In an ASC joint venture the hospital benefits not only from increased inpatient admissions but also grows the ancillary revenue streams associated with the outpatient procedures—these are the same revenue sources that are typically lost when physicians venture out on their own outside the hospital system.

The primary challenge in the joint venture is to craft a solid business plan that

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addresses the needs of all parties. The hospital must be willing to relinquish some control and to share in the outpatient service revenue stream; accordingly, the physicians need to bring all the ambulatory appropriate cases necessary to

insure maximum utilization while agreeing to allow the hospital some voice in the way the ASC operates. One very effective mechanism to successfully blend the differing needs of these two parties is to introduce a non-biased third-party business partner into the equation.

In such a successful case, the Advanced Endoscopy Center located in Bronx, New York continues to have significant success over the past two years. This joint venture between Montefiore Medical Center and a coalition of over ten gastroenterologists is a real victory for all parties and a true testament that hospital joint ventures can work.

THE VENTURE

In 2004, the GI outpatient service

department at Montefiore Medical Center performed over 7,000 ambulatory GI procedures. In addition to the 10-12 voluntary physicians on the hospital staff, Montefiore also directly employed a number of full-time GI physicians to address the complex needs of its local urban patient population, as well as an active residency and fellowship program. The 10-12 voluntary physicians on staff at Montefiore Medical Center were performing over 6,000 office-based endoscopy procedures within their various professional practice offices. These physicians had left the hospital over the past several years for a variety of reasons—thereby converting much of their outpatient GI procedural business to office-based endoscopy units within their own professional practice space. The two parties, along with Physicians Endoscopy, evaluated the business opportunity to join forces and develop a new endoscopy center through a three-way joint venture arrangement.

The Hospital Point of View

“When we evaluated the concept of joint venturing with our voluntary physicians and a leading national firm specializing in the endoscopic ASC market, we identified three primary reasons to move forward with the project,” stated Don Ashkenase, Executive Vice President, who also serves as a member of the Board of Directors for the project.

“First, the hospital needed to focus on developing, enhancing and profiting from certain medical specialty core competencies. After a comprehensive fiscal analysis, we made the strategic decision that our GI outpatient service is one area that could be effectively managed as a freestanding unit.

“Second, the GI unit’s physical plant needed serious modernization. On cam-

pus, capital improvements are extremely costly, while developing space off-campus often saves significant money.

“Third, GI physicians in the Bronx (as is true anywhere in the country) could effectively convert the vast majority of their outpatient caseload to their professional practices. “Office-based” endoscopy in the New York City area remains highly prevalent. This was happening within the hospital’s voluntary GI physician group. By developing an EASC in partnership with our local GI physicians, we effectively aligned our goals and objectives directly with the physicians in a true partnership arrangement.”

One important mutual goal of all three stakeholders in the venture was to provide services to all patients regardless of their ability to pay for their care.

The Physician Point of View

“Although many members of the voluntary staff at the hospital performed a significant volume of office-based procedures in their practices for a variety of reasons, many of us felt that developing a high quality state-of-the-art endoscopic ASC would best serve the needs of our patients, while in the longer term ensuring reasonable financial stability for ourselves,” stated Robert Sable, MD, who has served as the facility’s Co-Medical Director. In addition, many of the physicians shared concerns similar to those of Dr. Sable which included:

Reduced Personal Risk—setting up and equipping a quality office-based

endoscopy unit is becoming more and more expensive every year. By joining a state-of-the-art EASC, physicians can spread their financial risks across a broader spectrum of participants—not just themselves.

Reduced Personal Headaches—managing an office-based unit takes time and energy, both of which are often in short supply in a busy GI professional practice. By developing a joint venture using an outside national company to guide the project, personal physician time commitments are reduced.

Enhanced Relations with the Hospital—the traditional physician versus hospital challenges don’t have to exist. In a properly structured joint venture, (with the right business terms) everyone can co-exist in harmony. Aligned incentives are a wonderful concept.

COMMUNITY SUPPORT INITIATIVE

One important mutual goal of all three stakeholders in the venture was to provide services to all patients regardless of their ability to pay for their care. As such, the facility crafted a “community support initiative” which earmarks certain funds for charitable care and reduced compensation care, as well as to support community educational efforts especially in the area of colorectal cancer.

NEARLY TWO YEARS LATER

After 23 months of operations, the joint ventured ASC continues to exceed expectations on nearly every level. Patient satisfaction is at an all-time high and the quality of care remains exceptional. Financially, the facility has dramatically outperformed its original business plan. All stakeholders in the venture remain extremely pleased.

The facility benchmarks patient satisfaction internally as well as with a

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peer group of 15 other endoscopic ASCs around the country. Patient satisfaction scores regularly exceed 98% "excellent/good" in overall scoring. Most notably, the ease of accessing the facility and short overall length of stay are most noted by patient feedback. The facility is adjacent to a parking garage (the center pays for patient parking) and train and bus stations are within a short walk from the front door. The current total patient encounter time is approximately 102 minutes, which benchmarks favorably within the facility's peer group.

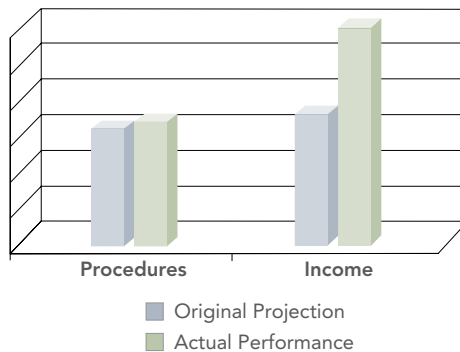
Clinical quality is regularly measured, monitored and reported to the board. On nearly every clinical indicator metric the center exceeds the average score of its benchmark peer group. The facility utilizes an outsourced anesthesia group to provide Propofol sedation and the anesthesia service scores well within its own anesthesia peer review benchmarking group.

Financially the joint venture has exceeded expectations. Over the first two years the center exceeded its business income projection by 165% of plan on a procedural volume

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base that exceeded original projections by 103%. Currently three of the four procedure rooms are utilized daily. The fourth room is used mornings-only twice weekly. In addition, two rooms run on 26 weekend days annually at the pleasure of the physician providers.

Business Plan vs. Actual Performance



The facility recently rotated its medical and board leadership per a rotational plan designed to provide management opportunities for many physicians within the coalition. Each physician board member also serves as a member of the board of managers for a term of three years. One member is rotated off the group annually, allowing the remaining two to provide continuity as new member transition into the mix. The plan appears to be working well.

SUMMARY

An exceptional physician—hospital joint venture can be successful with significant upfront planning, a well developed business plan and consistent and persistent execution of the plan. Patient safety must be at the forefront of activities—and in today's world a safe and quality focused program can and will yield significant financial benefits.

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PE Welcomes New VP to Its Sales Team!

Ms. Nicole DeBlois recently joined Physicians Endoscopy in April of 2009 as VP of business development, and she has been in the health care sales arena for the



Nicole DeBlois

past four years and served as vascular access manager for one of the top five medical device companies in the world Covidien. Her responsibilities included managing a team of sales representatives to reach company sales goals, generating new physician relationships, consulting with vascular surgeons on new devices, organizing and implementing clinical evaluations for new accounts, and training new members of the organization on key product lines. Ms. DeBlois started her career in pharmaceutical sales with Sanofi-Aventis, focusing on key products lines within the osteoporosis, insomnia market place. Ms. DeBlois earned her bachelor's in marketing from Bentley University in 2005, where she played Division II Volleyball. During her time at Bentley, she was a member of the prestigious NCAA Division II Student Athlete Advisory Committee where she represented student athletes from across the country on a variety of legislative topics that directly affected college athletics. Ms. DeBlois spearheaded the first ever NCAA grassroots fundraising campaign in partnership with the Make-A-Wish Foundation which to this day still continues to grow, and has thus far contributed over \$730,000 to the Children's Benefit Foundation. Ms. DeBlois currently resides in Boston.

If you would like to contact Nicole to learn more about the partnerships and services Physicians Endoscopy has to offer, please feel free to email her at ndeblois@endocenters.com.