



PREPARING YOUR ASC FOR HEALTHCARE REFORM

A Strategic Business Relationship With Your Hospital

PRACTICE STRATEGIES FOR A STRONGER FUTURE



The Hospital Relationship: Stability, Growth & Independence – While Keeping Your Autonomy

PE WILL GUIDE YOUR PATHWAY to implementing a proven, and successful long term relationship with your local health system without your becoming a hospital employee. In the future ACO model, with its closed referral network, there will be winners and losers in each local marketplace. By aligning a relationship with the health system today, you will:

- Position your practice and ASC as the premier GI specialists in the ACO
- Immediately enjoy a substantial cash price for selling a 51% interest in your ASC, while long-term enjoying continued substantial annual distributions from the ASC*:

Element	Pre-Sale (NOW)	Post-Sale (FUTURE)
Physician Collective Equity	100%	49%
Sale Proceeds to Physicians	\$0	\$5,200,000
Annual Cash Distribution Total	\$1,700,000	\$4,300,000
Total Cash To Physicians	\$1,700,000	\$2,100,000

- Retain complete professional practice autonomy and independence, but enjoy the benefits of the aligned hospital relationship through your ASC relationship
- Maintain clinical control within the ASC
- Receive expense reductions and cost savings (typically 20-30%) on equipment and supplies through PE's national buying power
- Participate in benchmarking and shared clinical best practices across 20+ GI centers nationally performing >125,000 annual procedures
- Provide high-quality care, in a low cost environment—the perfect position in the ACO model

** Illustration based on center performing 7,500 annual procedures. Increased cash distributions post-sale result from higher per-procedure reimbursement as the ASC becomes part of the health system.*

MARKET CASE STUDIES

CARNEGIE HILL ENDOSCOPY

New York, NY

Medical Director: Blair Lewis, MD

Hospital Partner: Beth Israel Medical Center



Having a hospital partner may help in an ambulatory surgical center in many ways ranging from negotiations with insurance companies for fee schedules to making it easier in coordinating continuity of patient care.

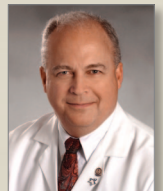
Knowing the ways hospitals typically work, I had initial concerns that the hospital's ability to commit and negotiate the red tape typically involved with these ventures would slow down the entire process. These concerns didn't last very long though, as it became apparent to all of us involved in the physician coalition that our hospital was quite motivated to make this happen quickly.

THE ENDOSCOPY CENTER AT BAINBRIDGE

Chagrin Falls, OH

Medical Director: R. Bruce Cameron, MD

Hospital Partner: University Hospital Health System



The owners of ECB and an affiliate of the UH Health System entered into a joint venture relationship so that ECB is now jointly owned and operated by a UH affiliate, USHC Gastroenterologists, Ltd and Physicians Endoscopy.

This joint venture was a great way to further solidify their UH relationships. Among other things, the joint venture positions ECB to be an active participant with UH in the development of an Accountable Care Organization (ACO) and allows ECB to be better positioned to benefit from UH's growing strength in the Cleveland market, as well as from increased purchasing power in many market segments.

SAINT VINCENT ENDOSCOPY CENTER

Erie, PA

Medical Director: Vinod Patel, MD

Hospital Partner: Saint Vincent Health System



Saint Vincent Health System (SVHS) is the smaller of the two hospitals serving the greater Erie, PA region. Locally, the GI marketplace is highly competitive with gastroenterologists, colorectal surgeons and general surgeons all performing colonoscopies.

By partnering with Physicians Endoscopy, both the hospital and physicians involved in the venture are comforted by the non-biased outside expertise and recommendations brought to the facility through PE's comprehensive and proven service delivery. Working with a management company, whose collective physician partners perform over 120,000 procedures annually, allows the Saint Vincent Endoscopy Center to incorporate proven best practices and benchmarking metrics into their operations.

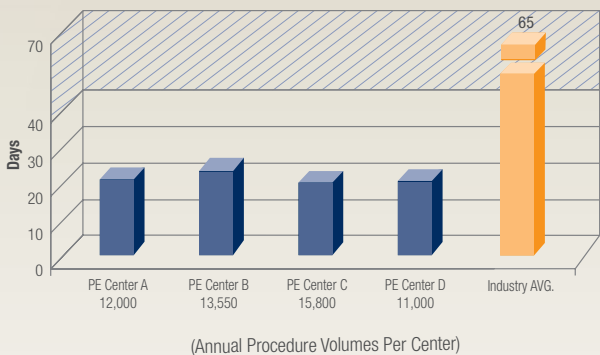
BENEFITS OF PARTNERING WITH PE



Physicians Endoscopy vs. Consultant

- Fully vested partner, long-term alignment with physician goals
 - Depth and specialization ensures on-time, on-budget start up, “efficient advice”
 - 20+ centers performing over 175,000 procedures in 2010
 - Strongly noted industry leader
 - Strongly capitalized
 - 50+ specialized, full-time employees, specific to endoscopy centers
- Limited long-term vested interest
 - Minimal staff tends to be “generalists”
 - Experience limited to handful of projects—typically regionally
 - Moderate regional reputation
 - Minimal to moderately capitalized
 - Limited personnel doing all things for all centers

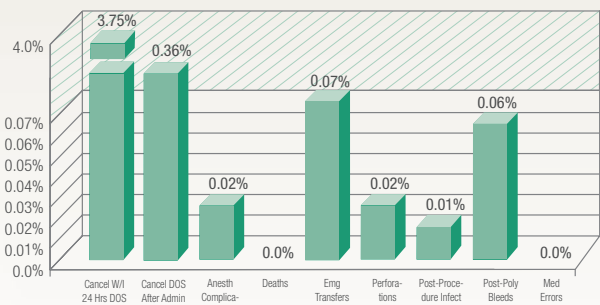
Days in Accounts Receivable



MAXIMIZED CASH FLOW

Cash flow is maximized by superior billing and collections services, reducing days in accounts receivable.

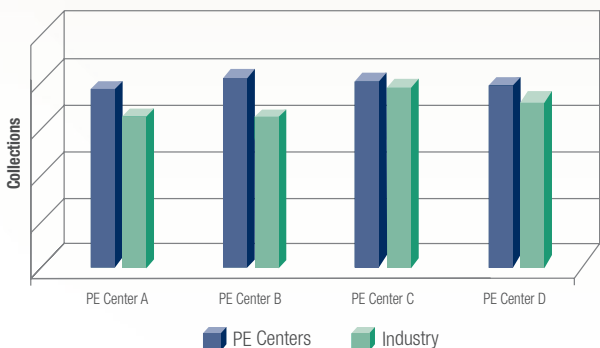
Quality Indicator 1-Year Study



CLINICAL BENCHMARKING

By providing professional clinical oversight to the ASC, and using our proprietary database of over one million patient visits, PE centers are proven to outperform in terms of best practices and positive clinical outcomes.

Average Collections Per Center



INCREASED AVERAGE COLLECTIONS

Centers partnered with PE enjoy a 14% increase in average collections per case.

CASE STUDY – Expense Reduction

As the preeminent developer and manager of endoscopy centers for the past twelve years, our strategic plan is to go against conventional industry norms by actually delivering to our partnered facilities a level and quality of ongoing service which is unmatched.

Our strategy for differentiation from industry peers is built upon one very simple platform—SERVICE. Our ongoing goal is to deliver an economic value to our partnered facilities which exceeds expectations and more than offsets our economic participation in each venture.

- Nearly \$1.5M savings in project costs
- Nearly \$1.2M increased profits

HOW DOES PE ACHIEVE THESE RESULTS?

Reduced costs of scopes, medical equipment and other furnishings through our existing vendor relationships.

Eliminate construction costs for superfluous operating rooms and other space.

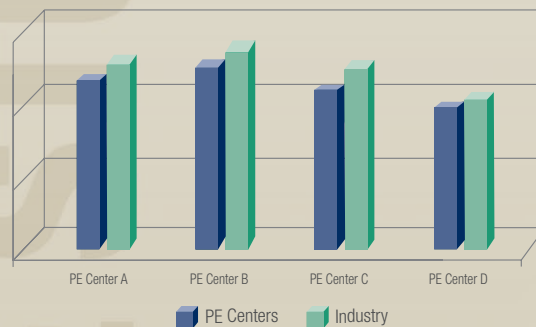
Accelerate profits and cash flow by diligently managing the construction progress and researching state timelines for licensure.

DEVELOPMENT

Save nearly \$1.1 million and avoid losing \$780k in profits from delays!

- Save in construction and equipment costs
- Eliminate unnecessary space
- Avoid lost profits
- Experienced resources at your disposal

Savings on Supplies

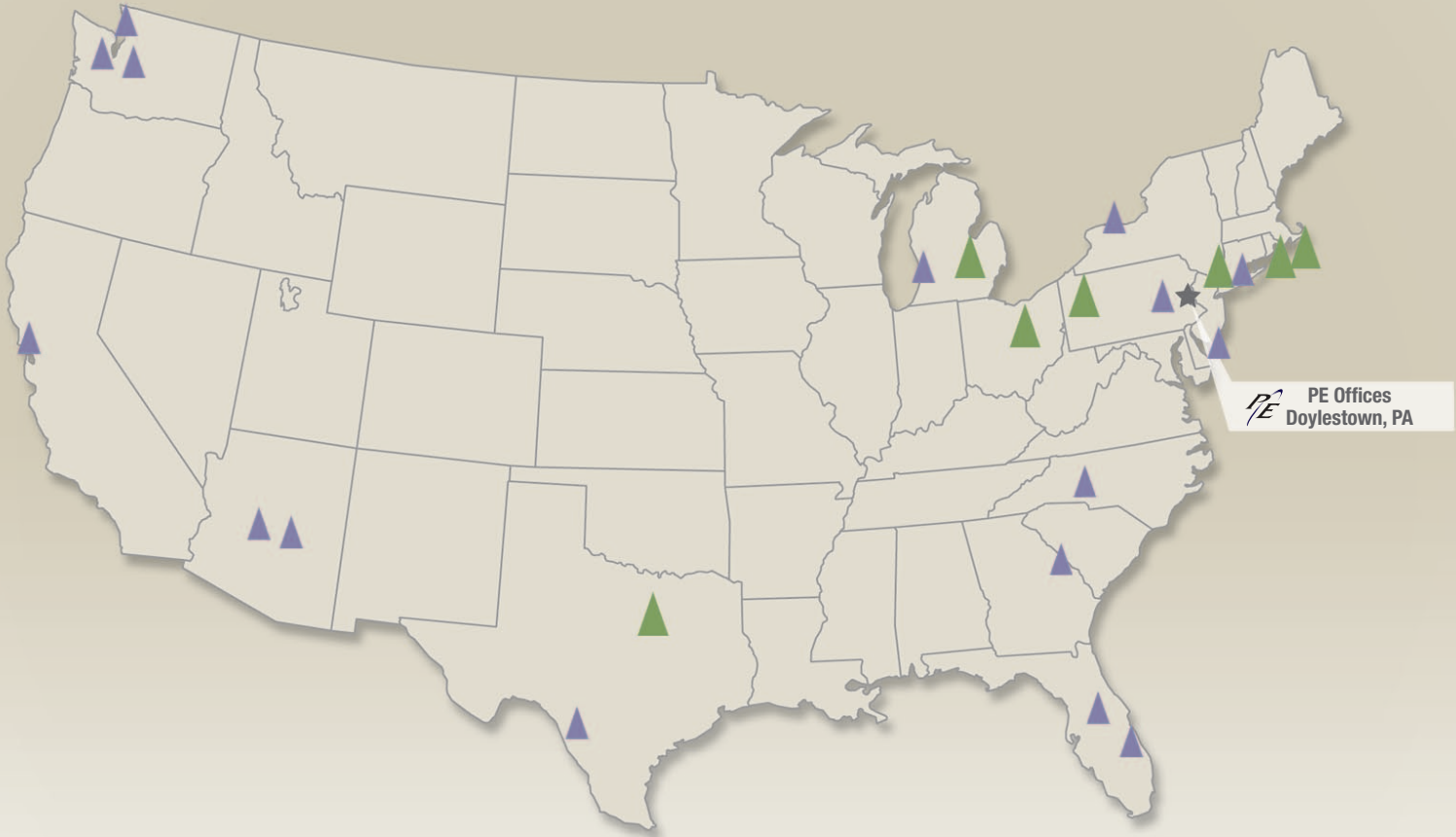


COST SAVINGS

A focus on supply costs allow centers partnered with PE to enjoy a 25% reduction in costs per case.



OUR NATIONAL PRESENCE



Hospital Joint Ventures

- Farmington Hills, MI
- Bronx, NY
- New York, NY - Upper East Side*
- New York, NY - Lower East Side
- Chagrin Falls, OH
- Erie, PA
- Keller, TX

All PE Centers

- | | |
|----------------------|-------------------|
| Mesa, AZ | Garden City, NY |
| Phoenix, AZ* | New York, NY (2) |
| Emeryville, CA | Williamsville, NY |
| Cooper City, FL | Chagrin Falls, OH |
| Orlando, FL* | Erie, PA |
| Augusta, GA | Wyomissing, PA |
| Farmington Hills, MI | Keller, TX |
| Kalamazoo, MI | Laredo, TX |
| Gastonia, NC* | Bellingham, WA |
| Lumberton, NJ | Bellevue, WA |
| Bronx, NY | Issaquah, WA* |

* Under Development



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