

Preparing for Reform

How Physicians Endoscopy Can Help the GI Practice

BY CAROL STOPA

There are so many changes forthcoming within the healthcare industry; you need a crystal ball in order to understand what the physician can expect their future role to be. Physicians Endoscopy (PE) works closely with other healthcare experts to determine the best approach for the continued success of endoscopic ASCs, and to offer valuable advice to those physicians trying to decide what path to take.

Physicians, more than ever, have decided to become hospital employed or are looking to joint venture with hospitals that can hopefully provide stability for their surgery center and help protect their revenue stream. As with many things happening in the country today, fear can be a driver in making choices (or avoiding decisions) that can sometimes be hard to live with.

What's the future for the GI practice?

I recently spent two days at the GI Roundtable conference in Knoxville, TN where over 200 industry thought leaders gathered to discuss the impact of current healthcare reform efforts and the future of the GI specialty. The goal was to formulate strategies that would strengthen independent practices and develop successful solutions that will improve quality of care to patients.

A keynote speaker at the conference was the former U.S. Senate Majority Leader Dr. Bill Frist who stated, "We can't do what we've done in the past. Only phy-

sicians can affect the delivery of healthcare." There were several speakers who offered significant insight and perspectives as to what is happening within the GI industry, but providing tangible, real solutions was difficult to deliver – no one really knows what healthcare reform is all about. However, the predominating theme was for physicians to protect themselves and what they have built by aligning more formally with other GI physicians, hospitals, and management companies, as well as making conscious decisions regarding quality initiatives as we move to a pay-for-performance methodology and away from fee-for-service. Those who attended were provided with thoughtful concepts to consider, and ultimately it is up to the individual practices to weed out what makes the most sense and who they can trust to provide realistic answers.

What are the challenges? Physicians will be faced with a proposed new reimbursement model that will focus more on accountability with respect to



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quality, cost savings, and coordination of care. Incentives will change how physicians provide services and what new systems and obligations they will be faced with. There will be greater use of quality measures in determining clinical outcomes. Payers will become more aggressive in determining what surgeries are necessary. Accountable Care Organizations (ACOs), which are scheduled to begin in 2012 for Medicare patients, will be designed around the patient's entire continuum of care. Medicare inspections of ASCs will continue to increase putting even greater pressure on the physicians and staff.

What are some of the predictions?

Many think single-specialty ASCs will expand to multi-specialty as pressure on reimbursement continues and fewer GI physicians are available. Physicians will find hospital employment more appealing for economic reasons. Development of surgery centers will slow down mainly due to saturation, and fewer physicians will choose to invest in these facilities. ASCs will look for a partner – either hospital and/or management company – to help provide stability. And there will be more pressure for the government to recognize that ASCs are a lower cost delivery setting, which provides the same service

with the same providers as the hospital, which are compensated differently.

What are PE's solutions? Over the past year, PE has continued to work with their physician partners, as well as physicians across the country to put them on a course for long-term success. Even with all the uncertainty in the current market, PE centers have continued on a path of growth and profitability. Our business development team has been busier than ever working with GI doctors to develop new centers or to help existing centers align successfully in a joint venture relationship with their hospital. The de novo market may appear to be tightening; however, PE continues to meet physicians who want the dream and stability of center ownership. Currently, we have 11 new centers in various stages of development which will add close to 75 new physicians to our existing 300 partners within our 18 endoscopy centers. Over the past year, we have helped our centers continue to grow by recruiting new partners or merging practices, as well as increasing profitability by improving reimbursement, reducing costs and improving utilization.

Solution 1: decide it's not too late. PE can work with you to help determine if a new center will be a feasible and profitable venture by developing a financial feasibility pro forma that will show you how profitable your center could be. This is a small but important step. Right up front you will know if this makes solid financial sense. There's no cost for this service – just an hour of your time.

Solution 2: find doctors in your area with whom you are willing to partner. You don't necessarily need to combine practices, but a coalition of four or more physicians pulling together their procedural volume can insure a real winning strategy. ASCs will be a significant piece to the ACO puzzle – don't be left out.

Solution 3: talk with PE's physician partners. You will hear firsthand why they have taken the important step to center ownership and that PE made it easy for

them. They will tell you that PE continues to bring value and dedication to the partnership every day.

Solution 4: let PE be your advocate. PE will guide you to implementing a proven and successful long-term relationship with your local hospital 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 integrating with a professional management company and your hospital you will:

- Position your practice and ASC as the premier GI specialists within the ACO
- Immediately enjoy substantial cash pricing for selling a majority equity interest in your ASC, while long-term enjoying continued substantial annual distributions from the ASC*
- 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 PE's 18 centers nationally performing >125,000 annual procedures
- Provide high-quality care in a low-cost environment – the perfect position in the ACO model

A high-level example of how you may benefit from a joint venture by partnering with PE and your local hospital:

Equity Sale Transaction*	Pre-Sale (Now)	Post-Sale (Future)
Physicians collective equity	100%	49%
Sale proceeds to physicians	\$0	\$5,200,000
Center annual cash distributions	\$1,700,000	\$4,300,000
Physicians annual cash distributions	\$1,700,000	\$2,100,000

Illustration based on center performing approximately 7,500 annual procedures. Increased cash distributions post-sale result from expected higher per-procedure reimbursement as the ASC becomes partnered with the hospital.

Finally, what are hospitals doing?

Many hospitals are making their plans now to prepare for healthcare reform and ACOs. PE is helping to insure that GI is not overlooked as one of the most lucrative service lines for a hospital or health system in the compendium of their delivery of care. With PE's professional business approach, we have been able to bring GI to the forefront in helping the GI surgery center benefit within the hospital's overall health reform future plans. PE will help insure that your ASC is on the agenda for their planning team as the hospital determines where they will invest their capital.

PE will drive the joint venture model by developing the framework and strategically engaging the physicians and hospital in a durable, long-term partnership while defining the elements upon which the parties want to be aligned. In the end, the joint venture provides stability and the continued growth and profitability each party seeks.

Talk to your partners about how you should be planning for the future and what makes the most sense for the physician partners and your center. In the words of Dr. Bill Frist, "We can't do what we've done in the past." Physicians Endoscopy can help position you for the future by providing information and solutions so you can make an informed decision. We look forward to working with you soon.

Carol Stopa, Vice President, New Business Development. Ms. Stopa has been with the company for the past ten years and in the healthcare industry for the past 25 years. Carol is responsible for developing new market initiatives, as well as identifying and generating qualified business opportunities within the physician community in regards to new partnerships, hospital joint ventures and acquisitions in the Mid-Atlantic and upper Midwestern parts of the country. Carol is also editor/publisher for the company's quarterly economic journal *EndoEconomics*. Prior to joining the PE team, Ms. Stopa worked in clinical and administrative healthcare including mental health centers and correctional and psychiatric healthcare management companies. Ms. Stopa can be reached at cstopa@endocenters.com.