

Transitioning From Out of Network

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Out of Network



The Good

- Great Margins
- Focus on Throughput
- Nearly all Cases Profitable
- 50%-70% profit



Bad

- Small
- Physician Managers
- Complacent
- Isolated



Ugly

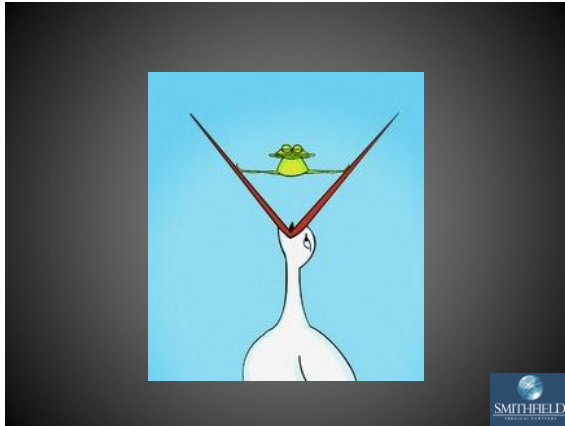
- Poor Staff Productivity
- Low Case Selectivity
- Reckless Purchasing Cycle
- Excluded Physicians
- Poor Service Contracts



Surviving OON Centers

- Rare indemnity plans for individuals
- Self Insured Companies
- Unions
- Very expensive local hospital

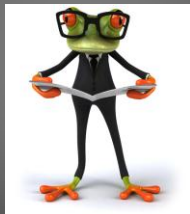




"...Cigna has been fully implementing the new 'fee forgiving protocol' as an antifraud initiative to deny all out-of-network provider claims, including the alleged 'prompt pay discount' fraud."



"...If a non-participating provider offers to waive or forgive any part its charges, please notify the CIGNA HealthCare Special Investigations Hotline at 1.800.667.7145"



AETNA LIFE INSURANCE COMPANY
ON ITS OWN BEHALF AND AS CLAIMS
ADMINISTRATOR FOR SELF-FUNDED
PLAN SPONSORS,

Plaintiff,

v.

BAY AREA SURGICAL
MANAGEMENT, LLC, a California
Limited Liability Company,
BAY AREA SURGICAL GROUP, INC., a
California Corporation,
FOREST SURGERY CENTER, LP, a
California Limited Partnership,
SOAR SURGERY CENTER, LLC, a
California Limited Liability Company,
KNOWLES SURGERY CENTER, LLC, a
California Limited Liability Company,
NATIONAL AMBULATORY SURGERY
CENTER, LLC, a California Limited
Liability Company,
LOS ALTOS SURGERY CENTER,
LIMITED PARTNERSHIP, a California
Limited Partnership,
PACIFIC HEIGHTS SURGERY
CENTER, a California Limited Liability
Company,



Soft Landing?

- CA WC paid percent billed charges
- 2003, Schwarzenegger (R) signed SB 899
- By 2005, Hundreds of ASC Bankruptcies



Florida



8 Steps to Go In Network

1. Estimate Potential Volume
2. Create Financial Model
3. Start Negotiations Early
4. Improve Staffing
5. Recruit Volume
6. Reduce Supply Costs
7. Refine Service Lines
8. Think Outside the Box



Step 1: Estimate Potential Volume

- Physicians' Office Data
- Potential per Payer
- Stay Conservative



Step 2: Create Financial Model

Multivariate "What If" Calculator



Step 2: Create Financial Model

- Volume
- Variable Costs
 - Staffing
 - Supplies
- Fixed costs
- Revenue



Step 2: Create Financial Model

- Volume
- Variable Costs
 - Staff
 - Wage Estimates
 - Blended avg. Hours Per Case
 - Supplies
- Fixed costs
- Revenue



Step 2: Create Financial Model

Blended Average H/C:

Nurses			
Specialty	Volume/m	NHC	Total
Ortho	200	1.5	300
GI	150	1.5	225
Ortho	75	6.8	510
Blended Avg	2.364705882		



Step 2: Create Financial Model

- Volume
- Variable Costs
 - Staff
 - Supplies
- Fixed costs
- Revenue



Step 2: Create Financial Model

- Volume
- Variable Costs
 - Staff
 - Supplies
- Fixed costs
- Revenue



Step 2: Create Financial Model

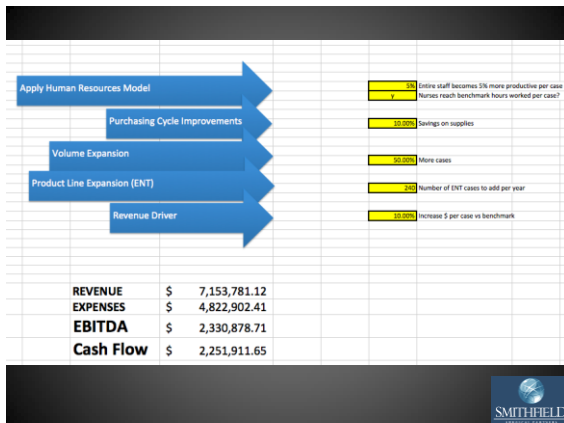
- Volume
- Variable Costs
 - Staff
 - Supplies
- Fixed costs
- Revenue



Revenue

- Breakeven
- Know your “Cost of Equity”
- Profit





Step 3: Start the Negotiations Early

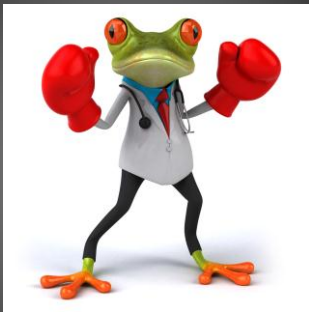
- Revenue Targets
- Time
- Pricing Power
- Outsources
- Third Parties



Third Parties

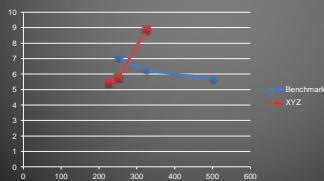
- Local Employers
- Unions
- HMO/IPA's
- Local Governments





Step 4: Improve Staffing

- Historical Stress Test
- Productivity analysis



Step 4: Improve Staffing

- Historical Stress Test
- Productivity Analysis

Nurses			
Specialty	Volume/m	NPIC	Total
Emergency	285	1.1	315
ICU	350	1.1	350
Ortho	75	6.6	530
Blended Avg	2,364,705.88		



Step 4: Improve Staffing

- Incentive Program
- Non-Financial Metrics
- Managers



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Step 5: Add Volume

- "HMO" Doctors
- "1/3" Doctors
- Political Outsiders
- Motivate Current Doctors



Step 6: Reduce Supply Costs

- 18-22% of Revenue
- Volume Projections
- GPOs for Cost Analysis
- Apples to Apples



Step 7: Refine Service Lines

- Ophtho
- GI
- Plastics
- Bariatrics



Step 7: Refine Service Lines

- Spine
- General Surgery
- Total Joints



Step 7: Refine Service Lines

- End of Day Case Costing
 - RVU's
- Monthly review
- Narrow Focus



Relative Value Units

- 2:1 or 3:1 in PACU
- Use RVUs to Apportion Costs



Step 8: Think Outside the Box

- In/Out Strategy
- Mergers
- Strategic Partners



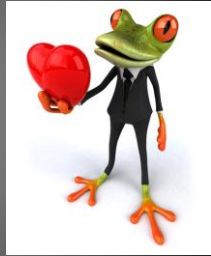
In and Out Strategy

- Overlap physicians
- Share staff
- Contract one center



Merge

- Evaluate need
- Dispose unnecessary capacity



Strategic Partners

- Local Hospital
- Hospital Chain
- ASC Mgmt. Co's



Strategic Partners

- Adds Expertise
- Purchasing Power
- Contracting power



Sell

- Valuation
 - In vs. Out
- Know risks
- Is this the peak?



Conclusion

1. Data Driven Analysis
2. Start Negotiations Early
3. Improve Operations
4. Think "Outside the Box"



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