



Prescription for Successful Spine ASCs

Case Study: The Christ Hospital Spine Surgery Center

June 2014



Agenda

- Quick overview of TCHSSC
- Rationale for surgeons
- Keys to getting started
- Growing the center
- Why partner
- Roles and responsibilities

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Overview of USPI

Market Leader	<ul style="list-style-type: none">• Industry leader in developing and operating ASCs and surgical hospitals• Championed model to joint venture with leading health systems & physician partners
Trusted Partner	<ul style="list-style-type: none">• Currently owns & operates 218 facilities (2/3 with hospital partner)
Financial Strength	<ul style="list-style-type: none">• Founded in 1998 with leading health care financial sponsor Welsh, Carson, Anderson & Stowe (IPO in 2001, LBO in 2007)
Deep Resources	<ul style="list-style-type: none">• Over \$2.3 million in revenues• Significant infrastructure to support physician and hospital partners

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Overview of The Christ Hospital Spine Surgery Center

- History**
 - Founded as The Mayfield Clinic Spine Surgery Center in 2007 by premier neurosurgery group in Cincinnati
- Performance**
 - Sold 51% equity stake to USPI and The Christ Hospital in December 2009
 - Profitable every year with TTM cases of 3,300+ and EBITDA of \$7.0MM
- Case Types**
 - Core cases: ACDF, laminectomy/decompression, neurostimulation & pain management
- Success Factors**
 - Growth: lumbar fusion and 23 hour cases
 - Right physicians, right cases, right partners

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TCHSSC Profile

- 3 OR / 1 Procedure Room / 9 private patient rooms
- Located 6 miles north of Cincinnati on I-71
- 16 neurosurgeon owners
- 14K square feet



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Rationale for Surgeons

- Control
- Convenience
- Focus
- Flexibility
- ROI

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Our Core Competency

	ACDF	Decompression / Discectomy
Pre-Op (minutes)	60	60
OR Time (minutes)	113	95
Recovery Time (minutes)	130	130
Average Supply Costs	\$2,000	\$500

** Patients are ambulatory after 60 minutes and frequently leave the center under their own power*

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Keys to Getting Started

- Strong surgeons
- Convenient location
- Right cases
- Smart contracting
- Outpatient anesthesia expertise
- Controlled evolution
- Building physician confidence in outpatient surgery

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Performing the Right Cases

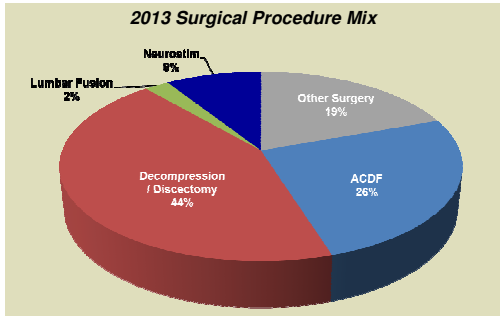
Surgical Volume Inception through 2013

	2007	2008	2009	2010	2011	2012	2013	TOTAL
ACDF	160	240	301	348	382	397	335	2163
Decompression/ Discectomy	313	408	552	527	547	559	568	3474
Lumbar Fusion	17	6	6	14	20	15	30	108
Neurostim	45	73	63	116	108	126	118	649
Other Surgery	105	186	170	165	190	200	253	1269
NEUROSURGERY TOTAL	640	913	1,092	1,170	1,247	1,297	1,304	7,663
PAIN MANAGEMENT TOTAL	1,298	2,461	2,369	2,602	2,481	2,039	2,050	15,300
Total Cases								22,963

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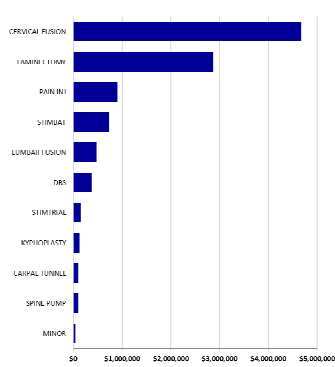
Performing the Right Cases



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Contribution per Case Type (total)

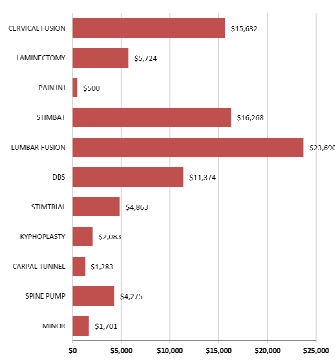


Contribution = revenue minus supplies and implants

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Contribution per Case Type (average)



Contribution = revenue minus supplies and implants

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Tracking and Improving Quality

Major Medical Complications

- Infection (8 per 1000)
- Admission/transfer (3.4 per 1,000)

- DVT
 - Unplanned re-operation
 - Return to OR within 72 hours
 - Dural tear with complication
 - Other significant medical complication
- } < 8 per 1,000

Other Indicators

- Turnover time (14 minutes)
- On-time starts (76% within 7 minutes of scheduled start)
- Same day cancellations (2%)

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Avoiding Potential Pitfalls

- Overbuilding
- Payors that won't pay
- Surgeons cling to hospital
- Surgeons push the limit
- Center accepts entry payor rate
- Passive owners
- Single versus multi-specialty

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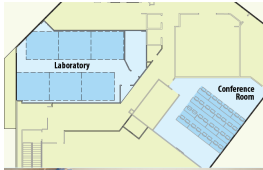
Enhancing Center Performance

- Motivating physicians - Constant Communication
- Standardizing device use while stimulating innovation
- Optimizing scheduling
- Payor Contracting – constant vigilance
- Teaching and training
- Recent success
 - Lumbar Fusion (TLIF, ALIF, XLIF)
 - Artificial Disc
- The "next" thing
 - O-Arm?
 - Cranial?
- Leveraging a spine ASC's value (cost, quality, efficiency)

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Teaching and Training



Featuring

- 1,500 SF training laboratory complete with six fully-functioning training stations
- 1,000 SF conference room with full AV, WIFI capability, that has flexible configurations for groups up to 50.
- Full facilities, including kitchen, restrooms, and locker rooms adjacent to training center
- Access to fully functioning surgery center if necessary and appropriate
- Elevator access to second floor facility from free parking in covered garage
- Within walking distance to the Rookwood Commons hotel/restaurants/shopping complex
- Flexible scheduling for Monday-Saturday Conferences and Workshops
- Shipment Storage Space
- On-site staff support
- Promotional support

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Why Partner?

Management Company

- Liquidity
- Capital
- Recruiting
- Operations

Health System

- Managed care contracting
- Brand
- Physician relations
- Network inclusion

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Roles & Responsibilities

Surgeons

- Clinical care & oversight
- Credentialing
- Governance
- Resource management

JV Partner

- Partnership management
- Managed care contracting
- Growth
- Operations
 - Back office functions
 - Financial management
 - Purchasing
 - IT
 - Legal
 - Facility management
 - Accreditation

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Key Operating Terms

- Exclusivity
- Price
- Ownership
- Governance
- Management agreement
- Non-compete
- Buy-backs

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Lessons Learned

- Politics matter
- Recruiting gets harder
- Motivation works
- Physician champions are key
- Growth is the result of evolution

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