Successfully Adding Other Specialties to an Ophthalmic ASC

American Society of Ophthalmic Administrators
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Financial disclosure

Why add other specialties

• Substantial downtime
  • Don’t limit your ability to perform your own surgeries
  • Keep in mind that for every orthopedic or plastic surgery case
    you can typically perform at least 2 cataract cases
  • Be able to buy back any ownership shares if operating time
    becomes limited

• Increase profitability
  • Having your ASC sit empty 2-3 days a week, although not a
    devastating circumstance, does not generate profit
  • Sharing fixed costs between multiple users increases profit to
    all
  • Make sure the new specialties/reimbursement justifies the
    additional expenses – double check with the potential new
    payers
  • High Medicaid specialties like Otolaryngology & Oral
    surgery/Dentistry can be difficult to profit from
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**Why add other specialties**

- Lessen financial risk
  - Make sure the ownership structure is similar to the projected profit, not the reimbursement, margins.
  - What other parties will make is what % other parties will own.
  - The more parties that are involved the easier contracting will be.
  - However Medicare payment is assured and difficult to divert.
- Lessen political risk
  - The more parties that are represented in your ASC, the easier your life will be when dealing with the medical community.
  - With Medicare the “Hospital” can do little to divert patients.
  - Because your brother is an otolaryngologist.

**Why surgeons join & work at ASC’s**

- Control the OR
- Equipment, staff, & supplies
- Control their schedule
- Block scheduling & fast turnover times
- Generate extra revenue
  - If they own a piece of the ASC
- Introduce new procedures
  - Vasectomies, spine stimulation, lap-bands...
- Become part of a network
  - Surgeons can team together for ACO’s, bundled payments...

**The best & worst specialties**

- By procedure volume
  - Gastroenterology – 27% $883
  - Ophthalmology – 17% $3,426
  - Orthopedics – 17% $2,933
  - Pain management – 13% $941
  - Otolaryngology – 9% $2,071
  - General surgery – 7% $2,011
  - Plastic surgery – 4% $1,980
  - Gynecology – 3% $2,331
  - Podiatry – 3% $2,121
  - Urology – 2% $2,003
  - Oral surgery/Dentistry – 1% $1,150

  National net revenue per case
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The best & worst specialties

• By management company desirability
  - Orthopedic – 94% $2,933
  - Ophthalmology – 89% $1,426
  - Otolaryngology – 83% $2,071
  - Gastroenterology – 78% $883
  - Pain management – 78% $941
  - Podiatry – 78% $2,121
  - General surgery – 72% $2,011
  - Urology – 44% $2,603
  - Gynecology – 34% $2,331
  - Plastic surgery – 9% $1,900
  - Oral surgery/Dentistry – 7% $1,150
  - National net revenue per case

What specialties work best

• Podiatry – no general anesthesia
  • Low equipment costs
  • Moderate surgery & recovery times
  • Moderate reimbursement rates
  • They get pushed around elsewhere

• Pain management – no general anesthesia
  • Moderate equipment costs
  • ~2,500 procedures a year are needed to overcome these costs
  • Short surgery & recovery times
  • Your anesthesiologist performing these procedures in the afternoon works well
  • Low reimbursement rates
  • A physician for site-of-service payment differential applies & high “no-show” rates

What specialties work best

• Gastroenterology – no general anesthesia
  • Moderate equipment costs
  • ~2,500 procedures per year are needed to overcome these costs
  • Short surgery & recovery times
  • Low reimbursement rates
  • Cases are non-sterile which increases the staffing costs to “swing” the room from dirty to clean each time it’s used – using the OR for an entire day is preferred
  • A physician for site-of-service payment differential applies
  • High “no-show” rates
  • Finding space for the additional sterilization equipment and scopes is often difficult
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What specialties work best

- **Retina – general anesthesia**
  - Moderate equipment costs as you likely already have some of what you need
  - Short surgery & recovery times
  - Moderate reimbursement rates
  - Cases are relatively similar to what you are already doing and should be incorporated easily

- **Gynecology – general anesthesia**
  - Low equipment costs
  - Moderate surgery & recovery times
  - Moderate reimbursement rates
  - Patient privacy may be a problem if you’re running multiple OR’s

- **Plastic surgery – general anesthesia**
  - Low equipment costs
  - Long surgery & recovery times
  - Moderate reimbursement rates
  - ~$1,500/OR hour is needed to profit from cosmetic cases
  - Reconstructive procedures work much better than cosmetic ones

- **General surgery – general anesthesia**
  - Moderate equipment costs – if performing Lap Coli’s then High equipment costs
  - Moderate surgery & recovery times
  - Moderate reimbursement rates
  - May want to perform GI procedures as well

- **Urology – general anesthesia**
  - Moderate equipment costs (assuming no radiology gantry)
  - Moderate surgery & recovery times
  - Moderate reimbursement rates
  - Some surgeons think they need a floor drain in the OR which is unfeasible, however a fluid management system should work fine
  - Patient privacy may be a problem if you’re running multiple OR’s
  - High last minute add-on rates

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What specialties work best

- Otolaryngology – general anesthesia
  - Moderate equipment costs
  - Short surgery but very long recovery times
  - Moderate reimbursement rates
  - Some surgeons have very high Medicaid ratios which make profitability difficult
  - If you’re not doing pediatric surgeries now get ready for a huge change
  - With children come their parents, siblings, grandparents… can your waiting room handle the influx
  - With a tonsillectomy’s 15 minute surgery and 90-180 minute recovery times can your recovery bay numbers handle the influx
  - Patient privacy may be a problem as children tend to cry pre & post-operatively
  - An enclosed cry room is desirable

What specialties work best

- Orthopedics
  - High equipment costs
  - ~1,000 procedures per year are needed to overcome these costs
  - As 1,000 procedures per year equals a full orthopedic & spine OR – what’s the point
  - Why is it you never see a 1 OR orthopedic &/or spine ASC
  - Long surgery & recovery times
  - High reimbursement rates
  - However hand as well as foot & ankle specialists work great

Think outside the box

- Oral surgery/Dentistry
  - Assuming you have general anesthesia capability
- Fluoroscopy suite
  - Pain management
- Catheterizations
- Pace maker implants
- Gastrointestinal with barium
- Interventional radiology
- Oncology
- Sleep laboratory
  - However CMS is currently reviewing this issue
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Individual equipment costs

- C-Arm = $100,000 - $300,000
- GI endoscopes (6) = $135,000 - $200,000
- Microscope = $50,000 - $200,000
- Operating room table = $35,000 - $100,000
- Vitrectomy unit = $80,000
- Video tower = $70,000
- Cautery unit = $50,000
- Instrument trays = $10,000 - $50,000
- Argon laser = $40,000
- Pneumatic drill set = $30,000
- Cryo unit = $10,000

Specialty equipment costs

- Podiatry = $70,000
- General Surgery = $110,000
- Pain Management = $155,000
- Gastroenterology = $160,000
- Otolaryngology = $200,000
- Retina = $255,000
- Orthopedic Surgery = $300,000
- Spine Surgery = $470,000

Buy vs. Lease
- New, Used &/or Remanufactured

Architectural & engineering issues

- Waiting room
  - Otolaryngology - with parents and siblings showing up for surgery, does your ASC have enough waiting room space?

- Preoperative & recovery areas
  - Otolaryngology - with a 15 minute surgery and a 90-180 minute recovery period, does your ASC have enough recovery space?
  - An enclosed preoperative/recovery room(s) for criers, moaners & groaners is a nice space for specialties using general anesthesia

- Operating room size
  - General anesthesia specialties need a 400+ square foot operating room (podiatry, pain management & gastroenterology should not need this), does your ASC have enough operating room space?
  - Complex orthopedic cases could need a 500+ square foot operating room, does your ASC have enough operating room space?
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**Architectural & engineering issues**
- **“Swing” operating room**
  - These operating rooms make gastroenterology & pain management much easier to accommodate – but not allowed in all states
- **General & equipment storage**
  - 50 square feet of additional general storage & 25 square feet of additional equipment storage should be provided for each specialty
  - Pain management, gastroenterology & orthopedic surgery need an additional 25+ square feet of equipment storage over and above that
- **Sterilization**
  - Your ASC’s existing sterilization methods may have to be updated to accommodate the increased volume & specialized instruments
  - Gastroenterology endoscopes require specialized sterilization equipment known as a scope washer – does your ASC have the room for it?

- **Medical gases**
  - General anesthesia specialties may want piped in nitrous oxide capabilities, does your ASC have this?
  - Adding this capability to your ASC could become quite costly
- **Construction costs**
  - Southern central states = low cost (Fayetteville, AR)
  - National average = average cost
  - Northern west & east coast states = high cost (New York, NY)

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1st quarter 2016 RS Means estimates – expect a 10-15% annual increase
* 5-6 SF of site for every 1 SF of building – plus future expansion

**Other issues to address**
- **State CON & expenditure limits on construction & equipment**
- **Anesthesia & staffing competencies & costs**
  - Bariatric & pediatric patients need experienced staff
- **Patient flow & demographic changes**
  - Privacy needs
  - Prep & recovery bay numbers
  - Block time
- **The right surgeon is just as critical as the type of specialty**
- **The right number of surgeons is also critical**
  - A single gastroenterologist, urologist, otolaryngologist or retina, orthopedic, spine surgeon most likely doesn’t have the caseload to offset the cost of the equipment they’ll need
  - Validate their caseload or better yet have them lease the equipment
- **Plan ahead – addition of specialties will not happen overnight**
Thank you, any questions?

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