

Competition Between Hospitals and ASCs: Is the Playing Field Level?

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Regent Surgical Health Model

- High quality, low cost, efficient surgery centers
- Physician-driven
- Turn around underutilized centers

Global Trends

- Aging Baby Boomers require more out-patient and in-patient points of service causing a building boom by hospitals
- Record number of Americans without health insurance
- Sky rocketing costs and medical errors cause patients and employers to rebel
- Government, Insurance Companies, Hospitals and Physicians wrestle for control over healthcare.

Recent Events: What Do They Mean?

- Congress places 18 month moratorium on specialty hospitals in Medicare Drug Bill
- Medicare drug bill freezes ASC rates through 2009
- State and Local Attacks
- July 23, 2004, FTC report recommends states abolish CON laws
- Pennsylvania Health Care Cost Containment Council report suggest ASCs are winning the hearts and minds of patients.

Why ASCs Have Survived and Grown

- Lower costs for patients
 - 20% co-pay on lower charge for ASC vs. up to 50% on higher charge for Hospital. \$182 vs. \$568 for beneficiary.
- Lower costs for government and third party payers
- Physicians control care for their patients
 - Latest technology
 - Less wasted time
 - Lower incidence of complications and infections
 - Less hassle
 - Stable work force

A Surgery Center Case Study

Operating Costs per Case for Multi-Specialty ASC

	<i>MGMA Median</i>	<i>Surgery Center</i>
Number of Cases	3,953	3,059
SWB	\$299.65	\$365.68
Medical Supplies	\$226.72	\$197.12
Building	\$88.38	\$93.50
Other Expenses	\$222.76	\$189.54
Operating Expenses/Case	\$837.51	\$845.84
Depreciation		\$96.07
Total Expenses/Case		\$941.90
Reimbursement/Case HMO (773 Cases)		\$690.48
Reimbursement/Case Medicare (740 Cases)		\$490.42
HMO+Medicare (1,513 Cases)		49.50%

Is the Playing Field Level? You Decide

- Hospital reimbursement similar for simple cases to dramatically higher (up to 60%)
- CMS limits ASC services; we cannot perform many minimally invasive Laparoscopic and Arthroscopic procedures that commercial payers reimburse in ASCs
- Hospitals recently received 6% rate increase while ASCs are frozen by Medicare Drug Bill until 2009
- Hospital lobby making headway in creating federal, state and local barriers

Is the Playing Field Level? You Decide

Hospitals enjoy an arsenal of tools to “punish” physicians who compete

- Reduce access to most desirable OR times
- Stop referrals from hospital owned primary care physicians
- Refuse to grant transfer agreement
- Use not-for-tax resources to recruit competing surgeons to community
- Build competing ASC facilities
- Reduce or take away privileges to admit patients to hospital
- Use CON laws to limit new competitors
- Limit market by entering into exclusive contracts with payers
- Use On-Call pay to extract non-compete agreements

What Is a Hospital?

Most make profits – some don't pay taxes!!!

- **Many business units**
- **Complex organizations**
- **Often not-for-tax**
- **Controls a huge number of jobs**

- **The department store of the 1980s? Perfume department?**

St. Elizabeth's - Dayton, OH

- **Failed community hospital**
- **Both not-for-tax chains refused to buy it**
- **NY investors pay \$3 million for 1.2 million SF campus and invest to make it a first class medical mall**
- **Currently 40% leased**
- **LTAC, REHAB, gastric bypass, ASC, urgent care, imaging, and many not-for profit educational and health service organizations.**

The Future As We See It

- Promote competition, not stifle it, by eliminating legislative and regulatory barriers e.g. CON
- Promote choice by patient and physician
 - Surgical procedure reimbursement that makes site of service neutral – reward high quality, patient preferred setting
 - Allow same range of procedures in HOPD and ASC setting - give choice to patient and physician

Who Controls Healthcare?

- Doctors?
- Hospitals?
- Payers?
- Regulators?
- Government?

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