

# SAMBA ASC MEDICAL DIRECTORS & LEADERS VIRTUAL SUMMIT

## Adding Service Lines to Your Ambulatory Surgery Center

Robert Eisenberg, RN, MBA  
Administrative Director-Ambulatory Surgery Planning and Integration  
reisenberg4@wellspring.org  
717-812-2423

1

## DISCLOSURE

I have no actual or potential conflict of interest related to this presentation.

2

### Objectives:

- 1) Identify the financial, clinical, regulatory and operational considerations when evaluating the addition of a service line to your ASC.
- 2) Be able to put together an effective business plan for adding a service line.

3

### Scenario:

You are an equity partner in an ASC and are on the Board. The center has two Operating Rooms and a Procedure Room. At present, the ASC performs Pain, ENT and General Surgery procedures. The volumes are such that one of the Operating Rooms sits idle nearly all week. You are approached by an orthopedic group who needs more outpatient operating room time.

### How would you go about evaluating this opportunity?

Let's start with the four critical elements.

- Financial analysis
- Clinical considerations
- Regulatory challenges
- Operational excellence

4

### Financial Analysis:

Information you will need to complete the financial analysis:

- 1) Anticipated volume by primary CPT code
- 2) Payer mix and reimbursement by payer by CPT
- 3) Direct case cost by procedure (personnel, supplies, implants)
- 4) OR time by surgeon and procedure type (Dr. X takes 90 minutes to complete a TKA)
- 5) Capital equipment and instrumentation investment needed

Financial analysis  
Clinical considerations  
Regulatory challenges  
Operational excellence

5

### Contribution Margin Worksheet

Primary CPT Code	Description	Reimbursement			Unlimited Weighted Average Reimbursement	Annual Volume			Estimated Revenue		
		Commercial 1	Commercial 2	Commercial 3		SNR	Year 1	Year 2	Year 3	Year 1	Year 2
20057	Fluorid Pain Block	\$356	\$391	\$1,141	\$713	800	250	200	\$284,800.00	\$223,600.00	\$229,500.00
44211	C. Canal Injunct Block	\$356	\$391	\$1,141	\$713	800	250	200	\$284,800.00	\$223,600.00	\$229,500.00
29821	Shoulder Arthroscopy	\$1,254	\$1,498	\$2,094	\$1,296	35	35	35	\$43,950.00	\$52,470.00	\$55,195.00
20027	HC	\$1,364	\$1,504	\$4,400	\$2,400	33	33	33	\$45,162.00	\$50,172.00	\$52,599.00
29824	Knee Arthroscopy	\$1,254	\$1,498	\$2,094	\$1,296	35	35	35	\$43,950.00	\$52,470.00	\$55,195.00
20009	Distal Radius Fr. Repair	\$4,404	\$5,044	\$6,420	\$4,437	34	34	34	\$151,254.00	\$171,516.00	\$180,756.00
27274	Shoulder	\$3,364	\$3,764	\$4,404	\$3,400	33	33	33	\$111,066.00	\$123,318.00	\$130,155.00
22421	TKA	\$10,132	\$11,770	\$13,776	\$10,497	33	33	33	\$335,331.60	\$381,111.00	\$405,183.00
22425	TKA w/ACL	\$9,440	\$10,740	\$12,440	\$9,593	33	33	33	\$315,279.00	\$358,821.00	\$379,251.00
44218	Transarterial Nerve	\$356	\$391	\$1,141	\$713	800	250	200	\$284,800.00	\$223,600.00	\$229,500.00
TOTAL									\$4,244,121.60	\$3,478,806.00	\$3,574,818.00

  

Primary CPT Code	Description	Direct Case Cost	Average OR Time (min)	OR Staff Cost per Hour	OR Personnel Cost	Total Cost per Case	Annual Volume	Year 1	Year 2	Year 3
20057	Fluorid Pain Block	\$81	40	\$60	\$118	\$259	800	\$207,200.00	\$128,800.00	\$130,800.00
44211	C. Canal Injunct Block	\$100	40	\$60	\$150	\$310	800	\$248,000.00	\$153,600.00	\$157,200.00
29821	Shoulder Arthroscopy	\$300	40	\$60	\$360	\$660	35	\$23,100.00	\$25,200.00	\$26,310.00
20027	HC	\$1,450	40	\$60	\$1,510	\$2,960	33	\$97,830.00	\$107,160.00	\$111,990.00
29824	Knee Arthroscopy	\$300	40	\$60	\$360	\$660	35	\$23,100.00	\$25,200.00	\$26,310.00
20009	Distal Radius Fr. Repair	\$2,450	70	\$60	\$3,010	\$5,460	34	\$185,640.00	\$210,660.00	\$221,160.00
27274	Shoulder	\$1,200	40	\$60	\$1,260	\$2,460	33	\$81,180.00	\$91,260.00	\$95,790.00
22421	TKA	\$6,000	90	\$110	\$6,110	\$12,220	33	\$403,260.00	\$457,830.00	\$483,465.00
22425	TKA w/ACL	\$5,300	90	\$110	\$5,410	\$10,710	33	\$357,930.00	\$406,890.00	\$428,265.00
44218	Transarterial Nerve	\$100	40	\$60	\$160	\$260	800	\$208,000.00	\$128,800.00	\$130,800.00
TOTAL								\$1,295,121.60	\$1,048,106.00	\$1,074,810.00

6

**Key considerations for Financial Analysis:**

- Have you negotiated favorable contract rates for the proposed CPTs? Implant reimbursement?
- Do you have a mechanism to fund the capital investment?
- Is the timeframe to reach breakeven acceptable? (In our example it would be about five months)
- Will a move to capitated reimbursement or bundled payments affect your assumptions?

CAPITAL EQUIPMENT	
C-arm	\$140,000
Mini C-arm	\$80,000
Specialty OR Table	\$40,000
Arthroscopy Towers	\$200,000
Instrument sets and pans	\$200,000
Power equipment (saws, drills)	\$120,000
Cameras, Arthroscopes	\$80,000
Positioning Equipment	\$40,000
Stretchers	\$35,000
Monitors	\$15,000
Misc. equipment	\$50,000
	<b>\$1,000,000</b>

7

**Clinical Considerations:**

- 1) Does the staff have the necessary competencies for the proposed specialty?
  - a. What impact will these have on case volume?
- 2) Have clinically appropriate patient selection guidelines been created and communicated?
  - a. Rescue equipment, instrumentation
- 3) Contingency planning: What can go wrong specific to the proposed specialty?
  - a. Medications
  - b. Biologics
  - c. Staff training
  - d. Hospital privileges
- 4) Do clinical pathways need to be developed?
  - a. Office, pre-op, intra-op, post-op
- 5) Anesthesia involvement in decision
  - a. Do they have experience managing the specialty?
  - b. Specific skill sets- i.e. peripheral nerve blocks
  - c. ERAS protocols

Financial analysis  
 Clinical considerations  
 Regulatory challenges  
 Operational excellence

8

**Regulatory Challenges:**

- 1) Have the planned procedures been approved to be performed in an ASC?
  - a. CMS ASC Approved Procedure List (APL)
  - b. By payers
  - c. State specific regulation- i.e. Need for Exception to perform TJR in PA
- 2) Will you need 23 hour stay capability? Is it allowed in your state?
- 3) Do you need to inform your accrediting body that you are adding a specialty?

Financial analysis  
 Clinical considerations  
 Regulatory challenges  
 Operational excellence

9

**Operational excellence:**

- 1) How will the ASC and practice work together to optimize communication and the patient experience?
  - a. Scheduling, patient teaching, pre-op testing, discharge instructions, follow-up appointments
  - b. Patient optimization or cancellation
- 2) Is the ASC staff well-versed in the clinical pathways?
- 3) Physical space for the new equipment
- 4) Sterile processing requirements, capacity, flow, timing
- 5) Pre-op and PACU space requirements, understanding patient flow
- 6) Adequate staffing for the specialty (this may also include non-clinical staff) and volume increase

Financial analysis  
 Clinical considerations  
 Regulatory challenges  
 Operational excellence

10

**Summary:**

Adding a new Service Line to your ASC can be a solid strategy to drive long-term success. Careful analysis, planning and execution are essential. Putting together a solid business plan will help inform decisions and help the center avoid costly missteps. Inclusion of the four critical elements in your plan is a good place to start. You may find elements unique to your situation to add to the plan.

Including various stakeholders from the beginning is critical. These may include your Medical Director, Anesthesia providers, Nursing leadership, Supply Chain and Business Office management. Ultimately, the opportunity will need to be presented to the ASC Board for consideration.

Thank you!!!

Please refer to the following attachments to help with your planning:

- 1) Contribution Margin Worksheet
- 2) Planning Sheet

11