

# The New Doctors Hospital

*With a moratorium on the development of new physician-owned hospitals and rising pressure from payers to push cases to lower cost environments, do new physician-owned specialty hospitals make sense anymore?*

**A**mbulatory surgery center volumes will continue to rise as more surgical cases once considered hospital-only migrate toward ASCs. Payers, patients, and employers are applying significant pressure on healthcare providers to provide value. Considering these trends, surgeon investors should strongly consider the long-term advantages of an ASC vs. a physician-owned specialty hospital (POSHs). Even if the moratorium on new POSHs is lifted, demand for such projects should be declining in favor of ASCs built to serve more complex patients in a lower cost, high quality, comfortable environment.

## Physician-Owned Specialty Hospitals

Physician-owned specialty hospitals have been controversial for years. Opponents, led by the AHA, have argued that POSHs cherry-pick patients and drive less-desirable patients, whether from lower-reimbursement payers or patients requiring more complex and costly surgeries, to non-profit hospitals. Pushback was so strong that the ACA, passed in 2010, included a moratorium on all new POSHs. The moratorium is still in place today. Supporters argue that POSHs do not “cherry-pick” and point to studies that illustrate that, for non-emergent specialty surgery, POSH patients are similar in age and payer, including similar percentages of Medicaid and Medicare patients.<sup>1</sup> Recent comments from the Trump administration suggests a potential loosening of the POSH moratorium.

*As the argument rages on, perhaps a better question gets ignored: **Do new specialty surgical hospitals even make sense anymore?***

<sup>1</sup> Available: <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC4558297/>



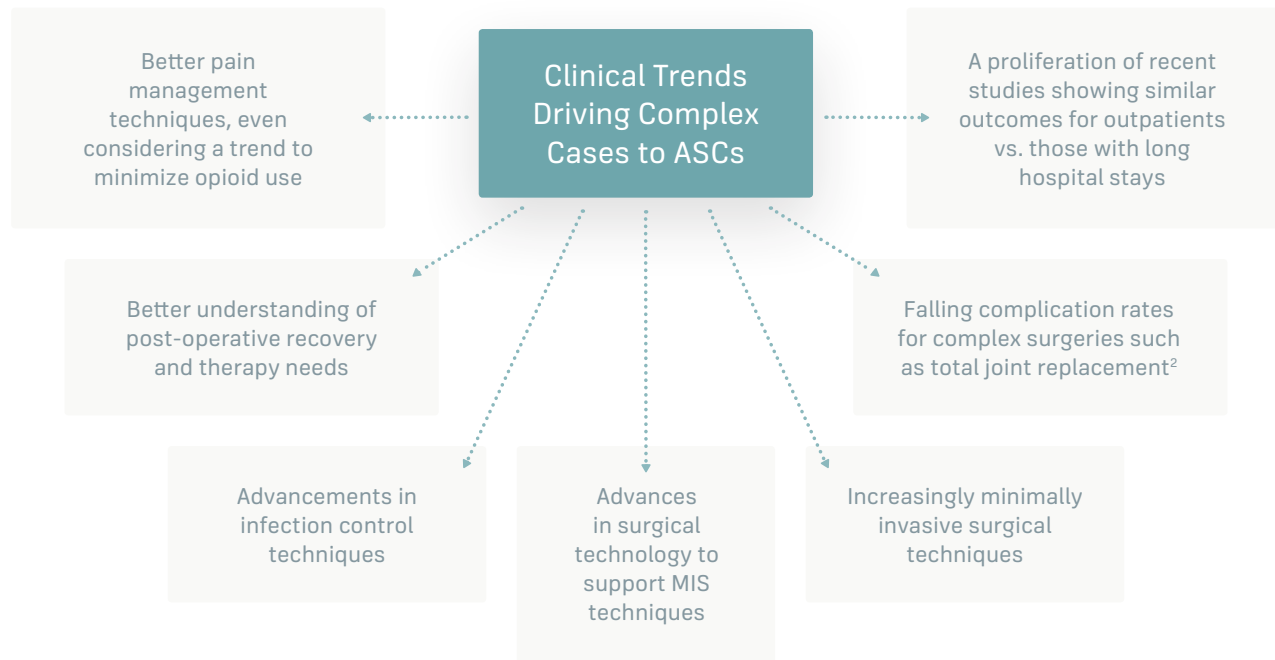
### BENEFITS OF THE ASC MODEL

- » Lower Cost      » High-Quality Care
- » Comfortable Environment



## Cost Differentials

For appropriate patients, ambulatory surgery centers provide much lower cost of care when compared to hospitals, whether POSHs or traditional full-service hospitals. This is a well-known and unchanging fact. What is changing is the definition of “appropriate patients”. Surgical patients that once required a stay of two or three days in hospitals are now being discharged same-day. Major drivers of this change are common procedures such as total joint replacement, lumbar spinal fusions, SI joint fusion, orthopedic trauma, and pacemaker implantations.



## One Night Stay Surgery Centers

To support the shift of more complex cases to outpatient, many surgery centers now offer one-night stays within the ASC. Medicare allows a 23-hour overnight stays and many states, though not all, also allow 23-hour stays in licensed ASCs.

<sup>2</sup> Available: <https://www.bcbs.com/the-health-of-america/reports/planned-knee-and-hip-replacement-surgeries-are-the-rise-the-us>



Even in states without 23-hour stay capability, more innovative models are appearing, including:

- » The use of traditional hotels as partners to accommodate patients who would like a comfortable place to recover for a night or two
- » The use of specially designed recovery care suites that allow for patients to recover in a comfortable environment specifically staffed and suited for post-operative recovery
- » Licensed “Recovery Care Centers”, which are officially recognized in a handful of states (other state legislatures such as Florida have flirted with idea but have yet to implement it)

These newer developments in approach to outpatient surgery recovery simply support an ongoing trend: Outpatient surgical volumes are growing, and inpatient surgical volumes are falling.

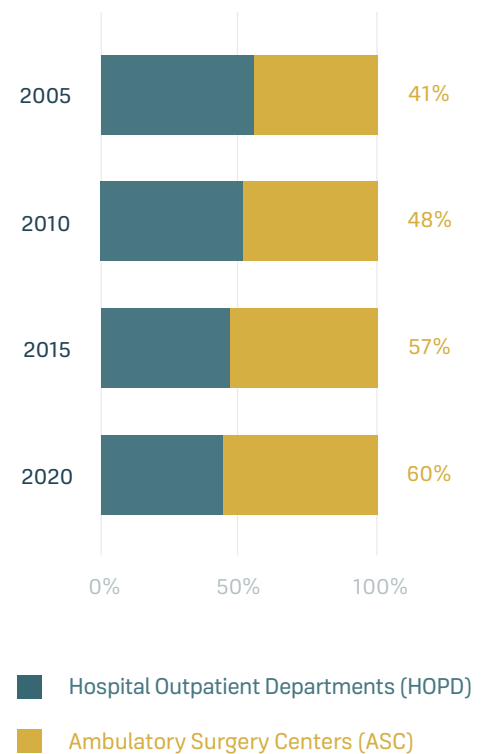
According to the Advisory Board, hospital inpatient surgery volumes will have fallen eight percentage points (from 42 to 36 percent of all surgeries) between 2005 and 2020 while ASC-based surgery will have risen from 41 percent of all outpatient surgery to 60 percent during the same time period.<sup>3</sup> That’s a dramatic shift away from inpatient to freestanding ASCs in only 15 years.

*Given all this, we again ask the question: **are newly developed POSHs really necessary moving forward?***

ASCs with overnight recovery options for more complex patients will be able to accommodate the majority of outpatient surgical patients. In order to continue to bring value to patients and lower the overall cost of care, capital for new operating room capacity should be directed toward ASCs. Existing operating room capacity in both POSHs and full-service hospitals are important resources to continue to serve at-risk patients. However, in order to justify investment in new hospital-based operating rooms, hospitals will need to expand outpatient surgery, which is much better suited for an ASC.

#### A LOOK AT SURGERY VOLUMES

#### Percentage of Outpatient Surgeries Completed by Year



<sup>3</sup> Available: <https://www.advisory.com/-/media/Advisory-com/Research/H CAB/Success-page/H CAB-ASC-Strategy-Excerpt-2019.pdf>



## The New Doctors Hospital: What Does an ASC Built for Complex Cases Look Like?

While many surgery centers around the country have embraced total joint replacement, few are entirely centered around the concept. Specialization is at the heart of healthcare innovation and quality. In our experience operating ASCs, we view the complex care center of excellence as the **future gold standard**. So, what is the model? Key components include:

- » Integrated process across physician practice and surgery center to provide seamless patient education, planning, surgery, care coordination, and outcomes tracking (see Figure 1 on next page)
- » Efficient surgery center (1 to 3 operating rooms)
- » Total joint and spine specialists with additional orthopedic surgeon partners or pain management specialists filling out available block time (this can be a great proposition for the non-joint specialists)
- » Concierge-like feel
- » Specialized patient education programs centered around the surgery center
- » Strong post-acute partners (PT and home health)
- » Staff specialized in the care of total joint and spine patients, providing superior care to that of hospitals or generalized ASCs
- » In-state payers willing to establish contracts



*The Complex Care ASC Center of Excellence:  
An alternative to physician-owned specialty hospitals*

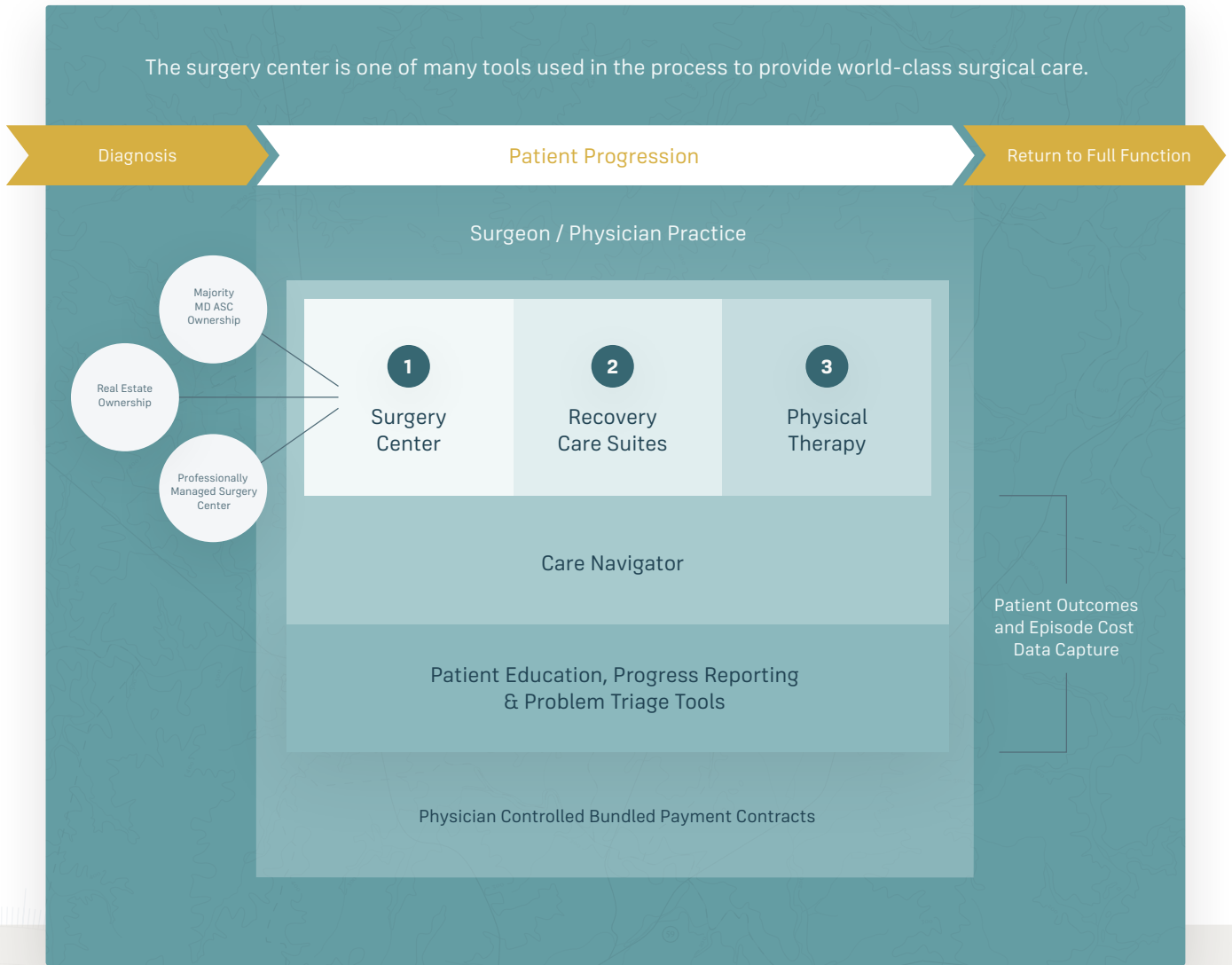
### THIS MODEL HAS THE POTENTIAL TO EXCEL IN TWO KEY AREAS:

1. Superior clinical quality and patient experience for the properly selected patient.
2. High financial returns for individual physician investors. The financial potential owes to a smaller facility footprint and a small physician partnership.



FIGURE 1

### A Surgery Center Model Integrated with the Episode Continuum



CONTACT US FOR ADDITIONAL INFORMATION OR TO DISCUSS ASC FEASIBILITY

**Will Holding, MHA**

DIRECTOR FOR COMPASS SURGICAL PARTNERS

[wholding@compass-sp.com](mailto:wholding@compass-sp.com)