

“ *Working with our center to determine what cases were profitable and helping our staff implement case costing was only a few of the areas where Avanza helped us better manage our surgery center. Their industry knowledge and experience was invaluable.* ”

SITUATION

A 20-physician, multi-specialty surgical center operating for five years in a large urban area boasted high patient satisfaction, low turnaround times, busy operating rooms, a capable administrator/clinical manager and a hard-working business office manager, and yet was cash-flow breakeven each month and investors had not received any distributions. The governing board and staff were perplexed about why the facility was only breaking even despite the appearance of efficient operations. Use of QuickBooks and the center's IT system did little to identify the obstacles to profitability. The accounting firm hired to prepare the surgery center's financial statements was not well-versed on ASC reimbursement or operations and could not provide effective suggestions to increase the bottom line.

Around the same time, a local neurosurgeon was seeking block time to perform high-reimbursing spine cases. The board discussed equipping an unused operating room to accommodate this surgeon and add more morning start times, but considering this would require a large capital investment and the surgery center was just breaking even, leadership was unsure how to proceed.

ENGAGEMENT

Avanza Healthcare Strategies (formerly ASC Strategies) was engaged by the board and administrator to determine why the ASC was unable to turn its cash flow positive and help the shareholders determine how to proceed with the proposed operating room expansion and addition of the neurosurgeon.

HOW WE HELPED:

PROFITABILITY ANALYSIS

- **Performed a financial statement analysis** with benchmarking comparisons
- **Analyzed profitability per procedure by physician**
- **Conducted a business processes audit** to identify opportunities to improve coding, billing and collections

EXPANSION AND CAPITAL PURCHASE ANALYSIS

- **Created a pro forma** showing expenses and returns for a new surgeon and specialty, and equipping and operating a new operating room
- **Performed a cost/benefit analysis** illustrating the number of additional cases needed to justify the investment
- **Advised on financing options**

OUTCOME

Avanza provided the surgery center's shareholders with a clear picture of the following:

- Why they were underperforming
- Profitability of their procedures
- Where they lagged behind benchmarks
- How to address the request for additional block time and physical plant expansion
- What actions to prioritize and what steps to take.

Avanza also quantified the opportunity costs and recommended specific steps to turn around underperforming operations. For example, the surgery center lagged behind the medical supplies per case benchmark by 40 percent. Avanza demonstrated how the variance cost the center \$650,000 annually, along with a remedy for the variance.

Avanza was retained to provide monthly profitability per case and benchmark reporting to the board. The surgery center used this information to accomplish a number of objectives, including standardizing supplies within specialties and renegotiating third-party payor contracts.

