Hospital Seeks to Align With Orthopedic Surgeons

**SITUATION**

Several orthopedic surgeons from different practices performed all of their outpatient and inpatient cases at one local hospital. The surgeons wanted more control over their surgical environment and proposed forming a joint venture partnership with the hospital to develop a freestanding ambulatory surgery center (ASC). The hospital already operated an outpatient surgery facility on its campus and had recently acquired a freestanding surgery center in the community.

**INITIAL ENGAGEMENT**

The hospital and orthopedic surgeons contracted with a consultant to provide guidance on whether a joint venture was feasible. After several months, the hospital and surgeons became dissatisfied with the consultant’s work and asked Avanza Healthcare Strategies to evaluate the work to date. Avanza conducted a feasibility study that examined whether a joint venture ASC was a practical venture for the hospital and surgeons.

**HOW WE HELPED:**

- **Spoke with leaders from the hospital and the orthopedic surgeons** to better understand what each party wanted out of a formal partnership.
- **Reviewed and revised the financial figures** from the original consultant.
- **Analyzed the updated data** to determine whether surgical volume merited development of a new freestanding joint venture ASC. It did not.
- **Recommended a management services contract between the hospital and surgeons as a viable alternative to a joint venture.** For such a contract to work, the surgeons would first need to form a limited liability company (LLC).
FURTHER ENGAGEMENT

After reaching agreement on terms, the hospital contracted with the LLC to manage outpatient orthopedic surgical services.

One year into the partnership, the hospital requested the LLC expand its management services to include inpatient orthopedic surgery. The LLC is now exploring the addition of new surgeons to help manage the inpatient processes. Avanza was reengaged to help ensure a smooth, compliant extension of the management services agreement.

OUTCOME

The hospital has experienced both direct and indirect benefits of the management services arrangement. It now has strong alignment with its orthopedic surgeons, and its outpatient orthopedic surgical services are performing well. The surgeons are collaborating with the hospital on quality improvement initiatives and are participating in negotiations with vendors to reduce costs. Moreover, the surgeons are effectively engaged and fairly compensated for the management services they provide.