

Avanza Intelligence: 2019 ASC Joint Venture Survey

Interest in Physician Joint Ventures Remains Strong in 2019

Hospitals and health systems continue to favor physician joint ventures as the preferred ownership model for ambulatory surgery centers (ASCs), according to a national survey of health care executives and clinical leaders. The survey, sponsored by Avanza Healthcare Strategies and conducted by HealthLeaders Media, found that among the 41% of hospitals and health systems that have a financial interest in an ASC, joint ventures increased year over year from 67% to 73%. At the same time, more hospitals are saying no to equity-based partnerships. Even more striking, contracts with third-party management companies are also down 21% in 2019.

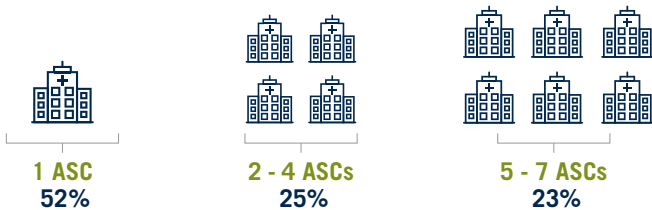
HOSPITAL OWNERSHIP INTEREST IN ASCs HOLDING STEADY

As in 2018, roughly 40% of hospitals have an affiliation with or ownership interest in one or more ASCs.



NUMBER OF HOSPITALS OWNING 5+ ASCs ON THE RISE

Although most respondents own or are affiliated with four or fewer ASCs, the biggest change in 2019 was a 7% jump in those owning five to seven ASCs. The increase may reflect acquisitions of physician practices where ASCs were included in the transaction.



MOST HOSPITALS WITH ASCs OPERATE THEM AS PHYSICIAN JOINT VENTURES

Joint ventures are on the rise, climbing from 67% in 2018 to 73% in 2019.



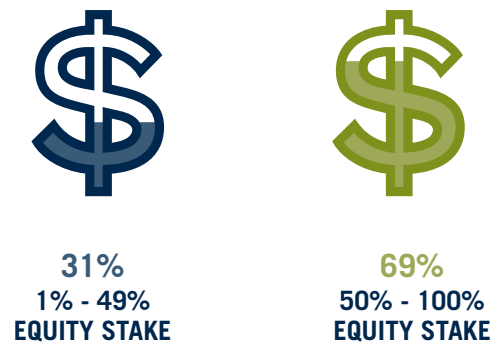
TOP REASONS HOSPITALS OWN ASCs

Hospitals are not short on reasons for owning or affiliating with ASCs. Profitability, consumer trends and physician relations top the list.

- INCREASE PROFIT MARGINS
- RESPOND TO CONSUMER-DRIVEN TRENDS
- ENHANCE PHYSICIAN RELATIONSHIPS
- KEEP PHYSICIANS FROM MOVING CASES FROM HOSPITAL OR HEALTH SYSTEM
- INCREASE OUTPATIENT SURGICAL CAPACITY
- REDUCE COSTS
- ENTER NEW MARKETS

HOSPITAL EQUITY STAKE TOPS 50% FOR MOST JOINT VENTURES

As was the case in 2018, hospitals continue to retain majority ownership stake in their ASC joint ventures.



How can we help you?

Learn more about Avanza's experience working with ASCs, hospitals and academic medical centers by contacting hello@avanzastrategies.com or call 512.479.6700

MORE HOSPITALS SAYING NO TO EQUITY PARTNERSHIPS WITH THIRD-PARTY INVESTORS

The drift away from equity-based partnerships with third-party investors continued in 2019 with a 9% drop. One factor that may be driving this change: concerns about the value of services received in exchange for an ownership stake.

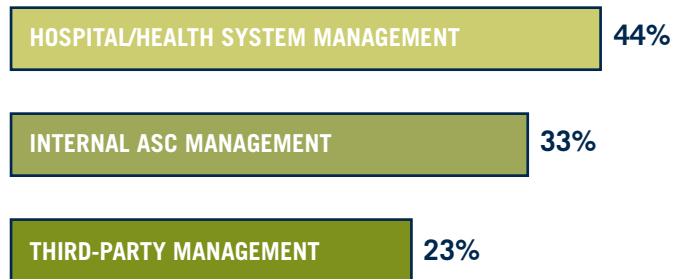
35%
THIRD-PARTY INVESTOR



65%
NO THIRD-PARTY INVESTOR

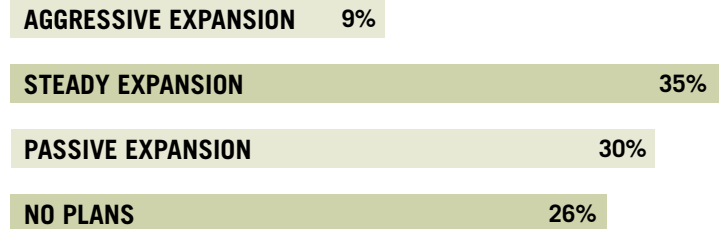
CONTRACTING WITH THIRD-PARTY MANAGERS ALSO DECLINING

The percentage of hospital-owned ASCs contracting with third-party managers dropped from 44% in 2018 to 23% in 2019 in lieu of more attractive options, including developing in-house competencies and use of fee-for-service consultants.



MOST HOSPITALS PLAN TO EXPAND ASC INVESTMENTS

Seventy-four percent of hospitals are either pursuing or keeping an eye open for ASC opportunities, a one-year increase of 26 percentage points.



MORE THAN HALF OF HOSPITALS ALLOW EMPLOYED PHYSICIANS TO INVEST IN ASCs

The percentage of hospitals allowing employed physicians to invest in ASCs increased from 51% in 2018 to 56% in 2019. This continues to be an aspect of ASC joint ventures where there is no one-size-fits-all answer.

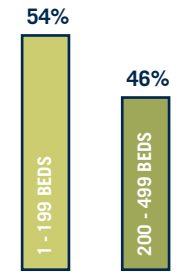
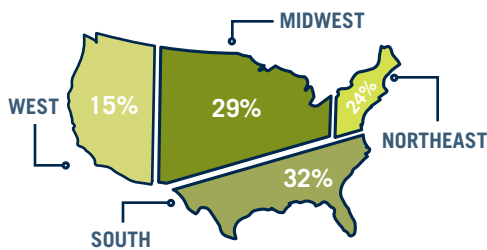


56%
ALLOW



44%
DON'T ALLOW

WHO WE SURVEYED



Continued interest and investment by hospitals and health systems in outpatient surgery centers underscores the need for careful planning and expertise in an increasingly competitive space. Healthcare leaders need reliable and actionable ASC market data to make informed decisions. Avanza is committed to providing that expertise as demonstrated by its annual investment in this ASC joint venture survey. Learn more about Avanza's experience helping hospitals and health systems acquire, develop and operate ASCs by contacting hello@avanzastrategies.com or calling 512.479.6700.