



avanza intelligence •
2020 ASC SURVEY •

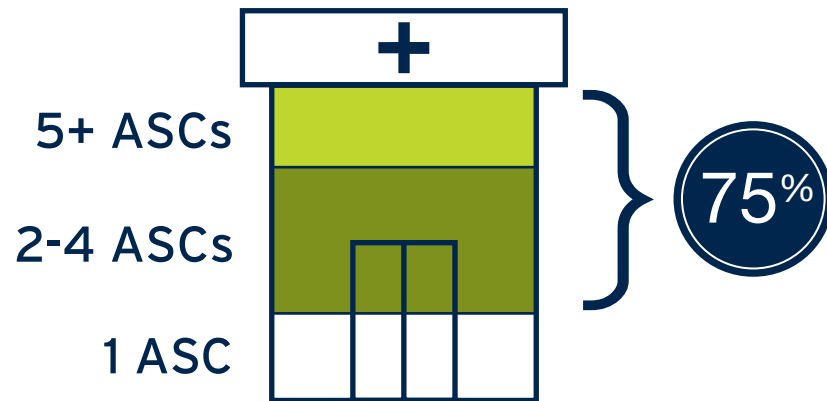
MOST HOSPITALS EXPANDING ASC INVESTMENTS

Most hospitals and health systems, regardless of size, are planning to increase their investments in ambulatory surgery centers (ASCs), according to a national survey of healthcare executives and clinical leaders. The survey, sponsored by Avanza Healthcare Strategies and conducted by HealthLeaders Media, was conducted in early 2020, prior to the COVID-19 pandemic.

ASCs have become the model for providing high-quality, low-cost surgical care, and many hospitals are converting their outpatient departments or migrating cases to ASCs. Consumer- and payer-driven trends favor ASCs, and hospitals are recognizing they need at least one ASC in their portfolio to accommodate patients and payers looking for a lower acuity, less expensive site for outpatient surgery. This was true before the pandemic reinforced the business case for every hospital having a freestanding ASC in its portfolio.

With its latest annual survey, Avanza has drilled deeper into the data to reveal new insights about hospitals and health systems with 200-plus beds.

MORE HOSPITALS OWNING MORE ASCS

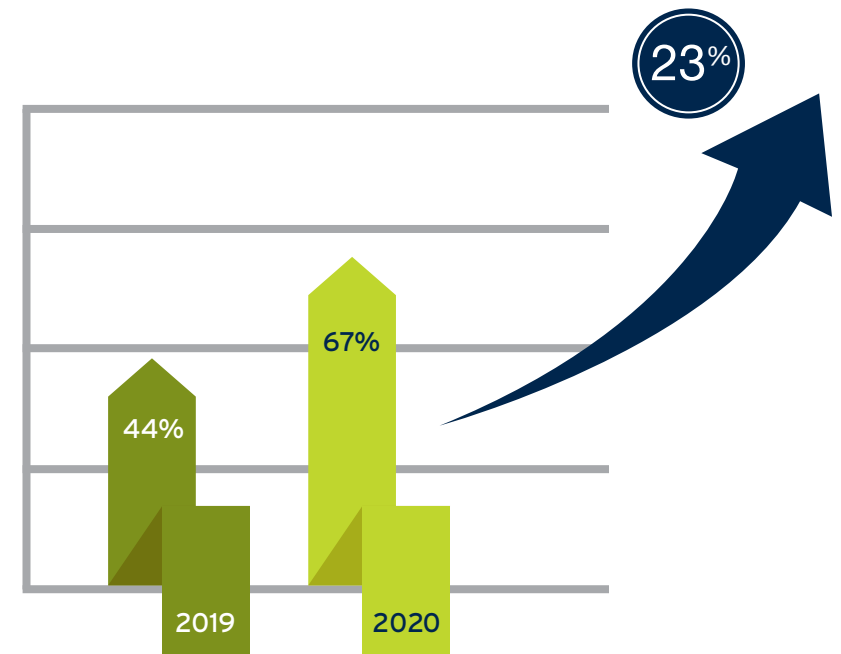


In 2020, 75% of hospitals with 200-plus beds have more than one ASC.

In two years, the number of hospitals owning or affiliating with more than one ASC jumped 17 percentage points. In 2020, 75% of hospitals with 200-plus beds have more than one ASC. Payer pressures and other market forces have softened hospitals' historically defensive posture toward ASCs, paving the way for overall growth, lower operating costs and heightened patient satisfaction.

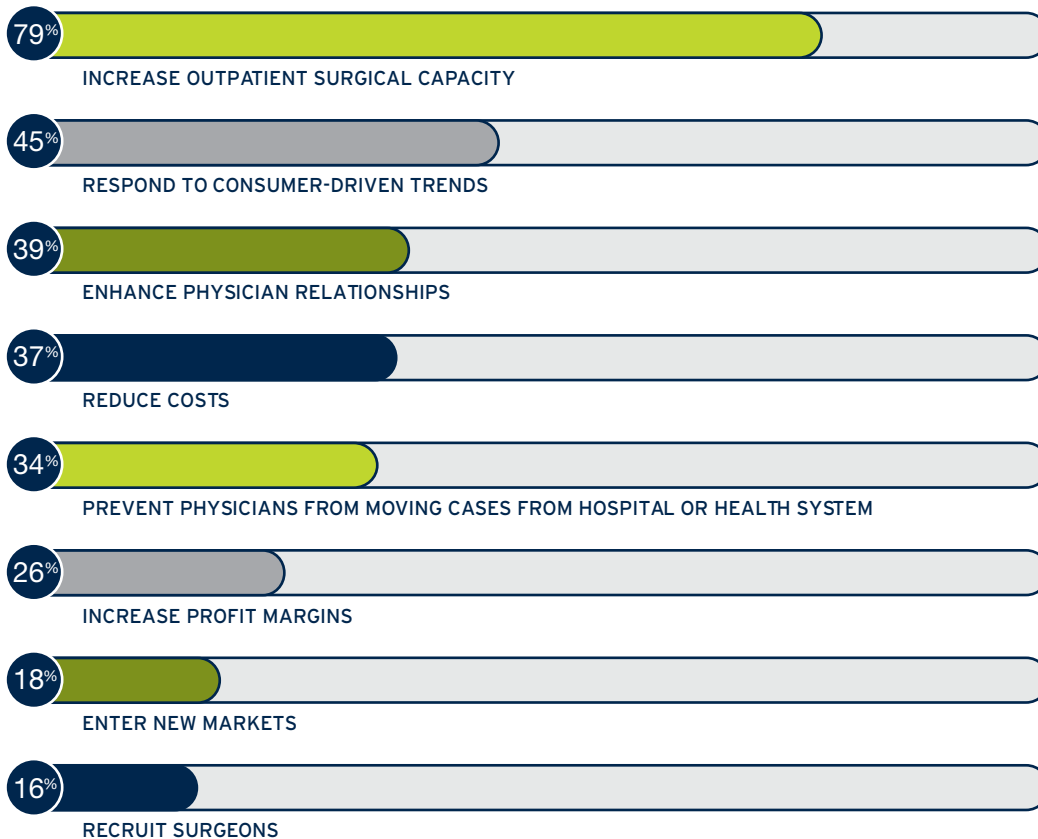
MORE HOSPITALS PLAN TO EXPAND ASC INVESTMENTS

After several years of slowing growth, hospitals and health systems of all sizes are once again developing de novo ASCs and converting hospital outpatient departments to ASCs. An even more impressive 76% of larger hospitals report increasing their investments in ASCs.



From 2019 to 2020, those planning to increase their investments in ASCs rose from 44% to 67%.

8 REASONS HOSPITALS OWN OR AFFILIATE WITH ASCS



Payers, hospitals and a growing number of consumers know ASCs are safe, efficient and lower-cost settings for low-acuity outpatient surgical cases.

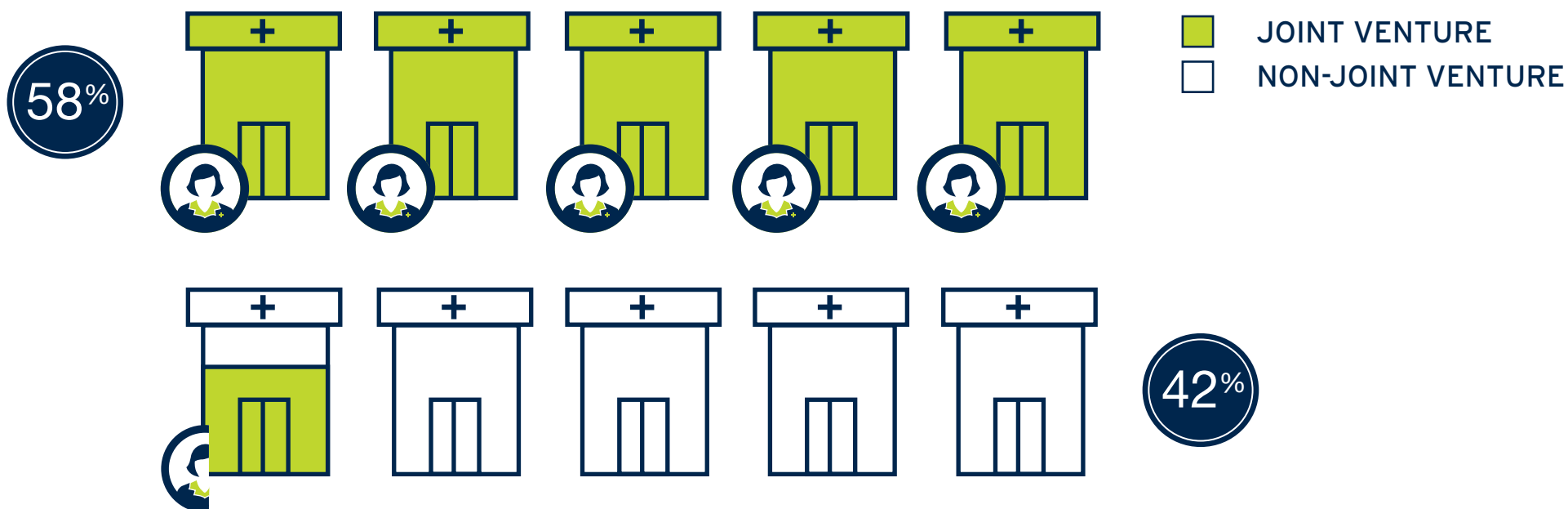
Increasingly, payers and patients are insisting procedures take place in ASCs.

Avanza expects safety protocols that require isolating healthy patients from those with active infections and unknown conditions will further position ASCs as the preferred site for elective surgical cases. This is among the many reasons we are witnessing an increase in the number of HOPD-to-ASC conversions.



Gone are the days when hospitals formed joint ventures under pressure from surgeons. They now do it proactively because it's good business.

MOST HOSPITALS WITH ASCS OPERATE THEM AS PHYSICIAN JOINT VENTURES



Fifty-eight percent of hospitals and health systems with ASCs report being party to at least one ASC joint venture.

This number is down from previous years, likely because more hospitals fully own ASCs than in years past.



HOSPITAL EQUITY STAKE TOPS 50% FOR MOST JOINT VENTURES

Hospitals prefer to hold the majority ownership stake in ASC joint ventures, especially hospitals with 200-plus beds.



Seventy-nine percent of hospitals prefer to own more than 50% of the equity of a joint venture. This arrangement often is preferable for both parties because ASCs can leverage hospitals' payer contracts (e.g., obtain higher reimbursement rates and more covered procedures) when a hospital has controlling interest in an ASC.



FEWER HOSPITALS ALLOWING EMPLOYED PHYSICIANS TO INVEST IN ASCS



ALLOW



DON'T ALLOW

Only a third of hospitals allow employed physicians to invest in ASCs — the lowest number in three years.

Whether or not employed physicians are allowed to invest in an ASC is one of the most difficult decisions hospitals face when developing an ASC.

MOST HOSPITALS SAYING NO TO ASC PARTNERSHIPS WITH THIRD PARTIES



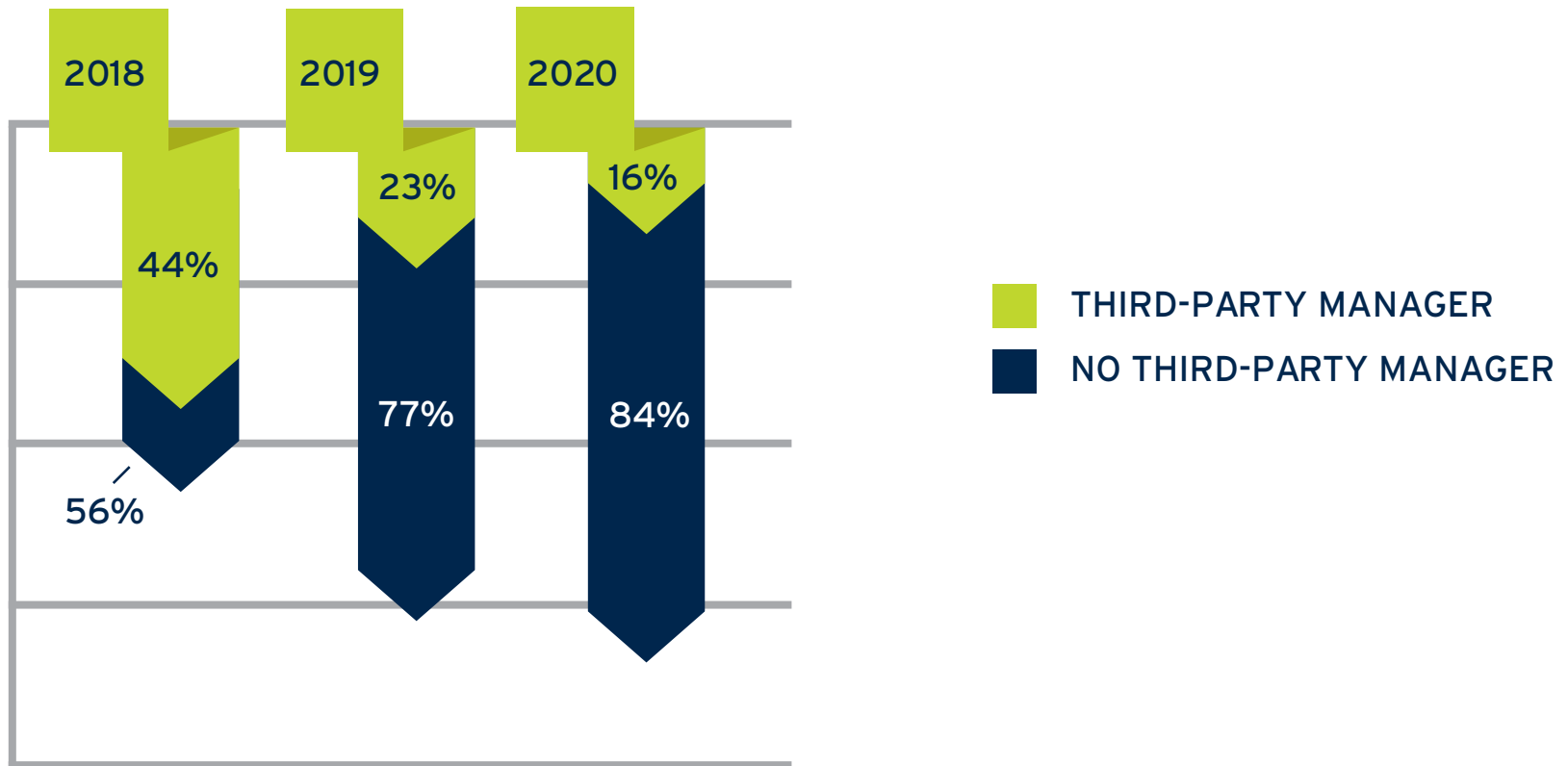
**NO THIRD-PARTY
EQUITY PARTNER**



**THIRD-PARTY
EQUITY PARTNER**

As hospitals and health systems deepen their investments in ASCs, they are also building their in-house expertise and capacity to manage surgery centers themselves. Best of all, they're doing so without losing the efficiencies and cost savings ASCs are known for.

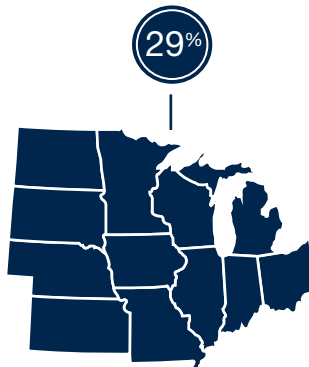
CONTRACTING WITH MANAGEMENT COMPANIES DECLINING



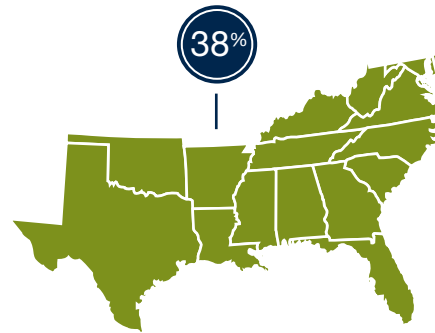
WHO WE SURVEYED



WEST



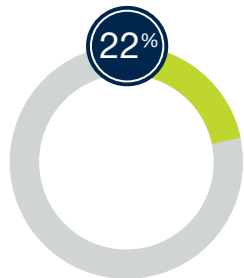
MIDWEST



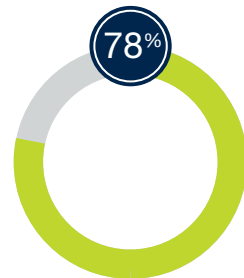
SOUTH



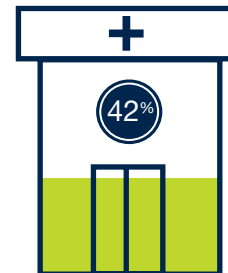
NORTHEAST



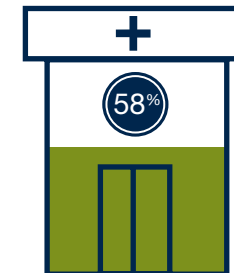
FOR-PROFIT



NON-PROFIT



1 - 199 BEDS



200+ BEDS



YOU HAVE OPTIONS

Avanza's annual survey of hospitals and health systems highlights trends and variations in ASC legal, financial and operational structures.

Options mean decisions, and when developing an ASC or converting an HOPD, expert guidance from Avanza can help you determine what's best for your organization.

Contact us: hello@avanzastrategies.com | 512.479.6700