



AVANZA INTELLIGENCE  
2023 Hospital Leadership  
**ASC SURVEY**

# EXECUTIVE SUMMARY

Avanza Healthcare Strategies is pleased to share the results of the 5th Avanza Intelligence Hospital Leadership ASC Survey. We want to thank all those who participated, with a special thank you to HealthLeaders Media for leading the survey efforts. The results for 2023 continue to illustrate the fluidity of the ambulatory surgery center (ASC) industry and how a maturing market is impacting execution strategies.

**Here are some notable highlights from this year's survey.**

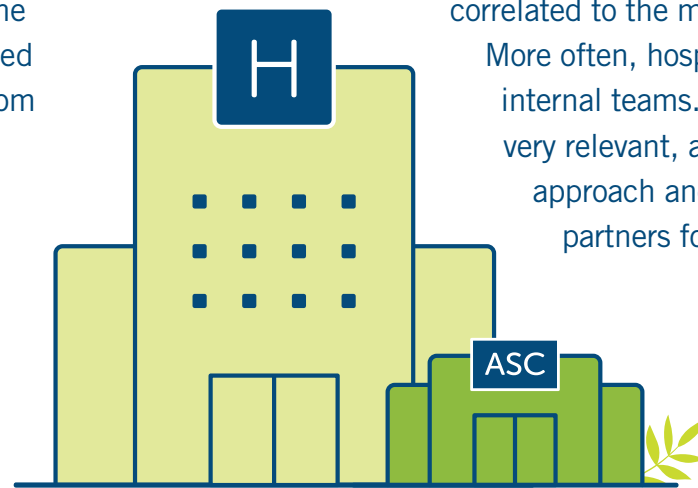
**ASC investments are accelerating and becoming central to the overall health system strategy.** More than 7 out of 10 hospitals and health systems intend to continue investing in and affiliating with ASCs. The trend is up 8% since 2019 and is attributable to many factors, including the ongoing shift of non-urgent surgical procedures into the outpatient setting, consumer demand, the need to decrease costs and growing competition from physicians for surgical cases.

**Ownership dynamics and equity incentives remain fluid.**

The 2023 survey indicates that more hospitals prefer to have ownership stakes greater than 50%. In fact, 29% of respondents said their hospital and health system owned 100% of their ASCs. If this trend continues, it will impact the overall market in many ways, including physician relations, management strategies and overall alignment with broader outpatient strategies.

**Maturing market continues to impact the perspectives on external partnerships.** As the ASC market evolves, there will inevitably be shifts in how centers are developed, financed and managed. For example, this year's survey indicated that 12% of the respondents currently engage a management organization, which is down from 23% in 2019. This downward trend is correlated to the maturing ASC management market.

More often, hospitals are managing their ASCs through internal teams. Management organizations are still very relevant, and many have adapted their market approach and business models to remain valuable partners for hospitals and health systems.



# Hospital Ownership of ASCs Is Accelerating



Hospitals and health systems are accelerating their investments in ASCs. There has been a steady increase over the past several years, and we expect this trend to continue its upward trajectory. The main factors driving this movement are pressure to reduce costs, government regulation and more complex procedures moving to outpatient environments.

The complexity of surgical cases being performed in ASCs is influencing the approach and strategies hospitals and health systems are deploying. “The early evolution of ASCs allowed hospitals and health systems to focus their operating rooms on higher acuity cases, which generally had a positive impact on their operating margins,” according to Avanza Founder Joan Dentler, MBA. “The current trend of increasing case complexity performed in ASCs is a significant factor driving client strategies.” Planning for the financial impact of transitioning more complex cases to ASCs is a critical part of any strategy.

The increasing complexity of cases performed in outpatient environments like ASCs will accelerate how hospitals and health systems execute their strategies. “Increasing complexity of outpatient cases has a unique impact on financial performance,” says Matt Lau, who leads Avanza’s financial performance team. “The allocation of cases previously performed in the hospital to outpatient settings typically decreases hospital revenue but subsequently increases hospital profitability if an ASC is operating effectively. There is a balance when transitioning these cases in terms of reporting, transparency, contracting and reimbursement strategies.”

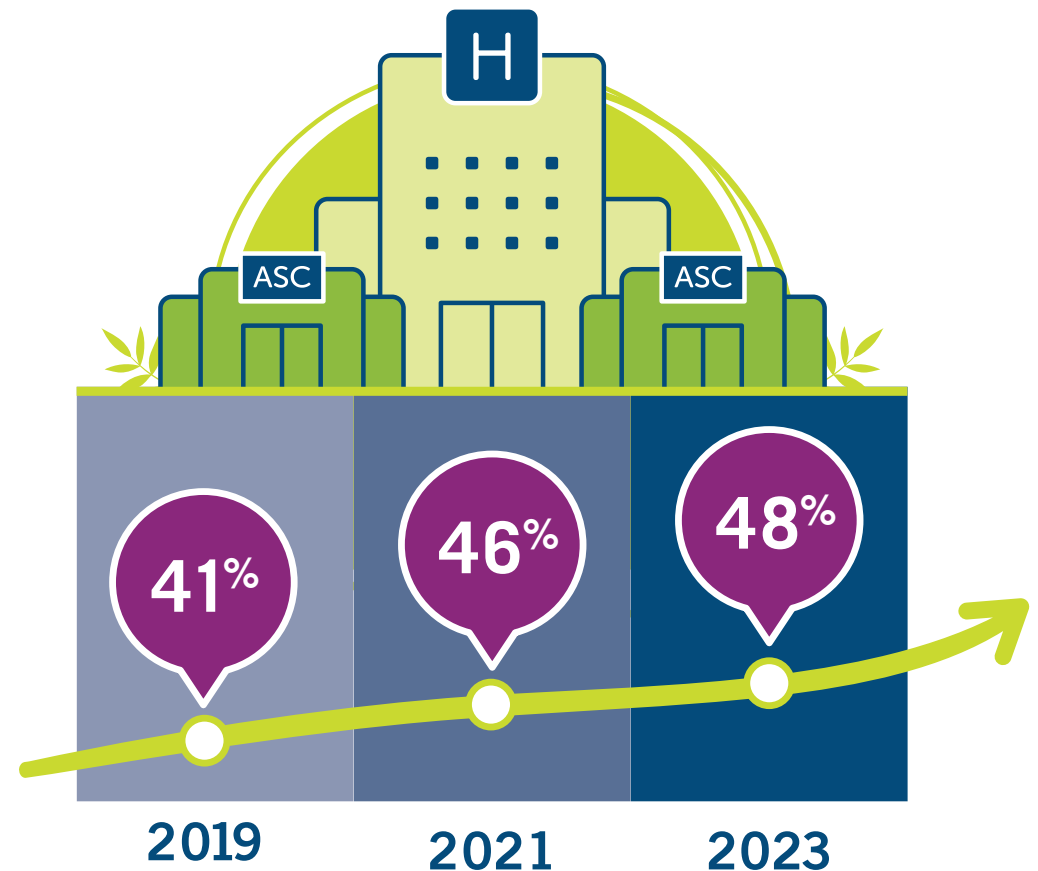
Another notable area impacting hospital and health system strategies is government regulation changes, specifically around certificate of need (CON) laws. The amendments to CON programs in North and South Carolina will inevitably increase competition and challenge legacy healthcare delivery systems. If this trend continues, hospitals and health systems will need to increase their investments in ASCs and outpatient delivery networks.

# I. ASC OWNERSHIP TRENDS

## ASC FOOTPRINT GROWTH

# Number of Hospital Systems Owning ASCs Is on the Rise

This figure should cross 50% within the next few years. While many hospitals and health systems are still working to recover from the significant financial impact of COVID-19, the pressure to add ASCs to their outpatient surgery portfolio — and the potential risks of waiting to do so — is becoming too great to postpone investments. Such pressure is magnified in markets with competing hospitals and health systems, in states with recently revised CON laws (e.g., North Carolina, South Carolina) and in states considering revising their CON laws (e.g., Mississippi, Kentucky, Alabama, Georgia, Connecticut), as previously noted.



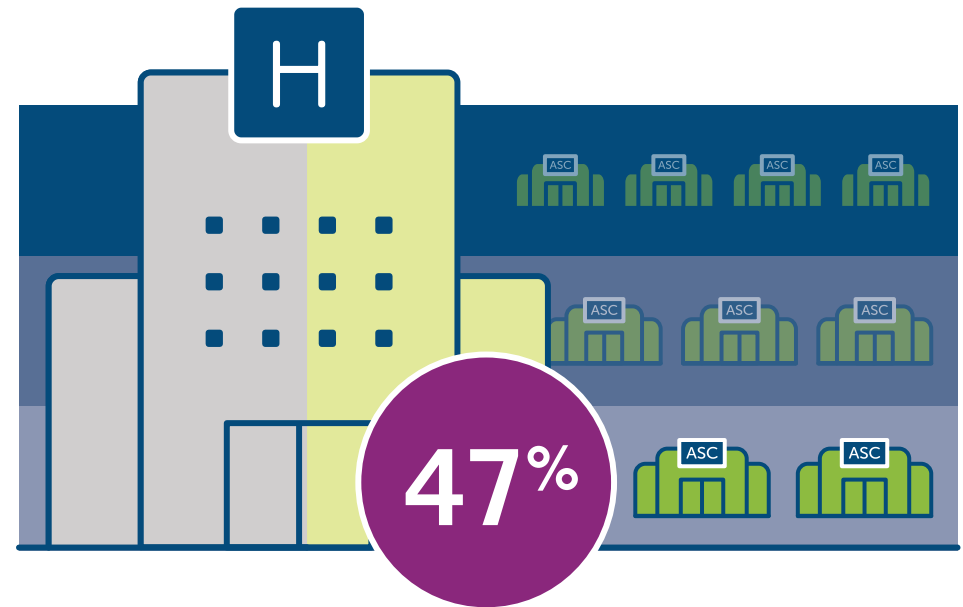
**ASC ownership by hospitals and health systems continues its upward trend, with 48% of respondents stating that their organization has at least one ASC in 2023. That's up from 41% in 2019.**

## ASC FOOTPRINT GROWTH

# Most Hospital Systems With ASCs Own Multiple Centers

Forty-seven percent of hospitals and health systems surveyed have an affiliation or ownership interest in multiple (two or more) freestanding ASCs.

“Hospitals and health systems that serve patients in multiple communities see significant benefits from multiple ASCs, which are increasingly being utilized as a benefit to physicians who have equity stake opportunities in the centers,” says Avanza Vice President Tyla Blom, RN, MBA, CASC.



## HOSPITAL EQUITY TRENDS

# Most Hospital Systems Want To Own a Majority Stake in Their ASCs

This year's survey provided insight into the fluid ownership dynamics of ASCs. Hospitals and health systems increasingly prefer owning at least 50% of the ASC partnership — a preference indicated by 64% of survey respondents. “There is growing desire to have control over case migration for both clinical and financial reporting purposes,” says Erik Miller, President of Avanza and its parent company, MedHQ. “Physician partners increasingly favor larger equity stakes from hospital and health systems in order to leverage payor contracting relationships and clinical operations.”

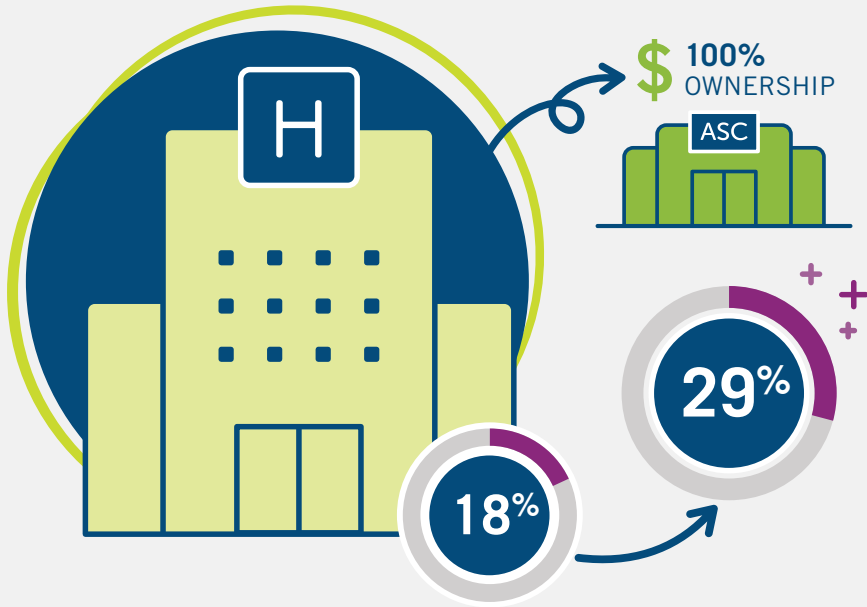
Blom adds, “The physician relationship and engagement strategy are critical to success and amplified if the physicians are employed by the health system.”



## HOSPITAL EQUITY TRENDS

# Hospital Systems Are Increasingly Owning 100% of Their ASCs

This year's survey showed that 29% of respondents said their hospital- and health system-owned ASCs were owned solely by hospitals and health systems. That's an increase from 18% from the previous survey. We are seeing more hospitals and health systems being proactive in pursuing ASCs and building out their surgery center strategies rather than initiating such efforts only after facing pressure from their medical staff. "This trend is not surprising," says Miller. "We are increasingly working with organizations that see ASCs as a critical part of their long-term operational strategy. This is especially true for organizations focused on value-based care reimbursement strategies."



Hospitals and health systems are becoming more aggressive in going alone with their ASC strategy and owning 100% of their ASCs.



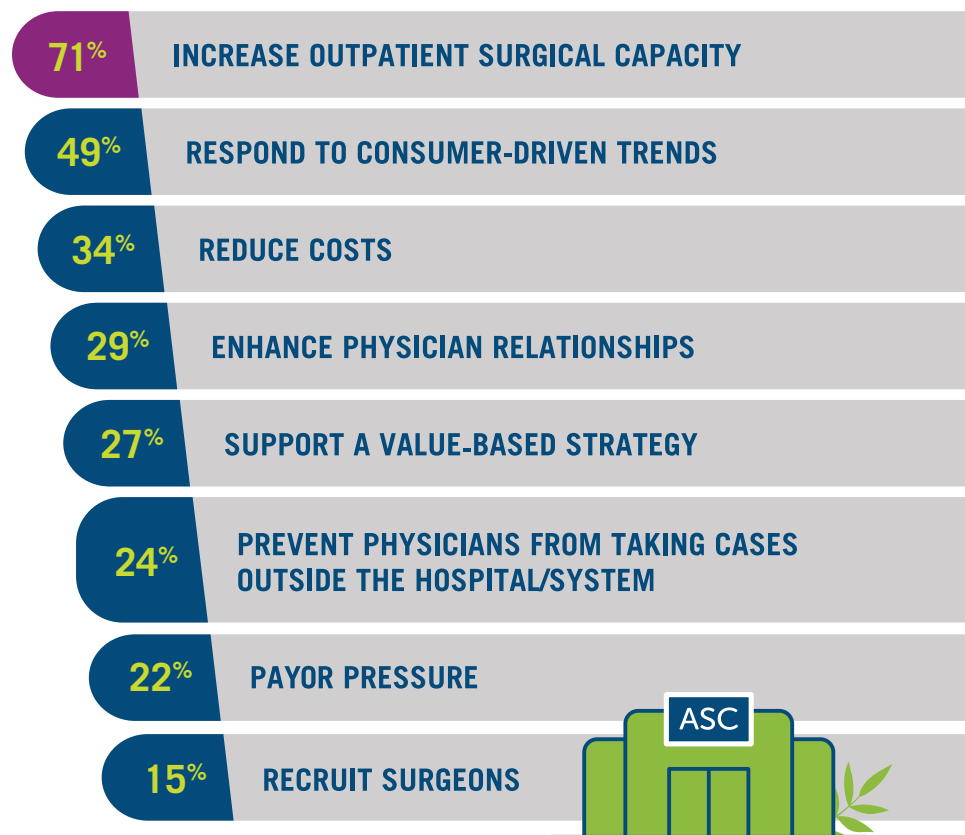
# Top Reasons Hospital Systems Own or Affiliate With ASCs

Hospitals and health systems have a variety of reasons why they want to own or affiliate with ASCs. The rationale has changed over the years, with the need for increased outpatient surgical capacity emerging as the top reason in this year's survey. It surpassed consumer-driven trends, which was the top reason chosen in the previous survey. The need to cut costs has taken on greater importance as hospitals and health systems have seen their expenses surge. The American Hospital Association [reported](#) that more than half of hospitals ended 2022 operating at a financial loss and hospital expense increases between 2019 and 2022 were more than double the increases in Medicare reimbursement for inpatient care during that same period.

“While the data suggests payor pressure is not high on the list of reasons, we view this as an increasing influence as ASCs continue to demonstrate their ability to perform procedures once restricted to inpatient operating rooms at significant cost savings,” says Dentler.

Payor pressure is largely geographically dependent. It's very heavy in some areas, yet non-existent in others. We wouldn't be surprised to see the percentage of respondents identifying this as a motivating reason rise over the years as more payors push for surgical procedures to be performed at the most appropriate site. ASCs have demonstrated their ability to perform procedures once restricted to inpatient operating rooms safely and for less reimbursement.

*Note: Percentages do not add up to 100% due to the ability for respondents to select up to three responses.*



**With the continuing focus on driving down the cost of healthcare, ASCs are an essential strategy for providers, payors and patients looking for ways to reduce the cost of non-urgent surgical care.**

# More Than Half of Hospital Systems Allow Employed Physicians to Invest in ASCs

Whether hospitals and health systems should permit employed physicians to invest in their employers' ASCs continues to be a frequent question asked of Avanza. While survey results for this question have remained consistent year to year at about 50%, we are seeing less resistance among hospital and health system leadership and more willingness to consider this approach because of its potential benefits. Such benefits include greater engagement around cost containment, which is even more important for organizations developing ASCs as a component of their overall value-based strategy, and a stronger alignment with physicians, which also leads to less risk of competition.



**51%**

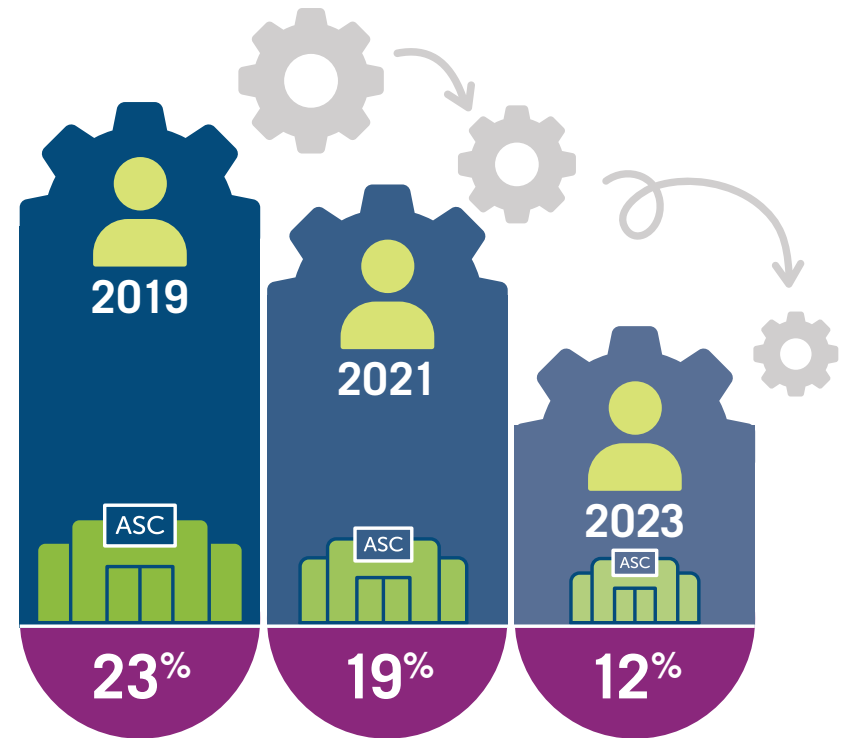
**51% of survey respondents said their hospital or health system offers employed physicians equity in their ASCs.**

**II. MATURING MARKET  
IMPACTING PERSPECTIVES  
ON EXTERNAL PARTNERSHIPS**

# Maturing ASC Market Changes What Health Systems Need

The ASC segment continues to evolve and mature as a broader segment of the healthcare ecosystem. Management organizations will naturally be a part of the market as it matures. Still, this year's survey once again indicates a decline in the utilization of third-party management companies. In 2023, only 12% of survey respondents said their ASCs were managed by a third party. This is down from 19% in 2021 and 23% in 2019.

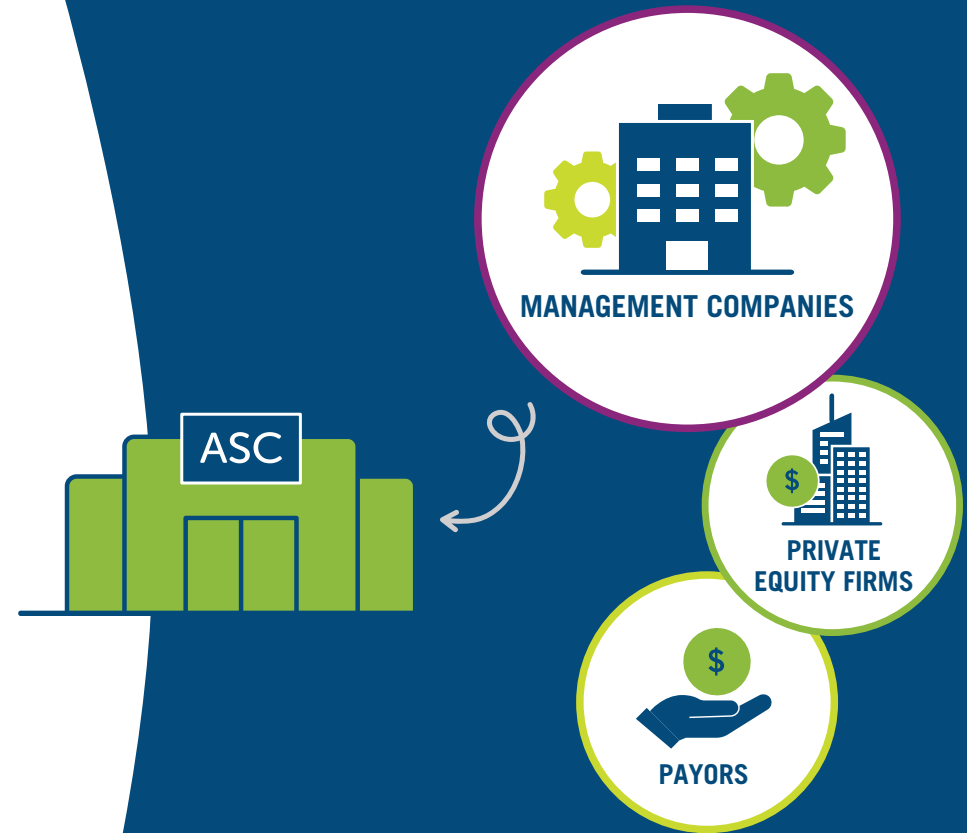
“We are seeing diverse approaches among hospitals and health systems concerning ongoing ASC management,” says Miller. “Ownerships and control are obvious factors when considering options. We are seeing more and more hospitals and health systems assessing the core competencies of management organizations to ensure alignment with their goals. Some examples include payor contracting and revenue cycle management.”



# ASC Ownership Evolving

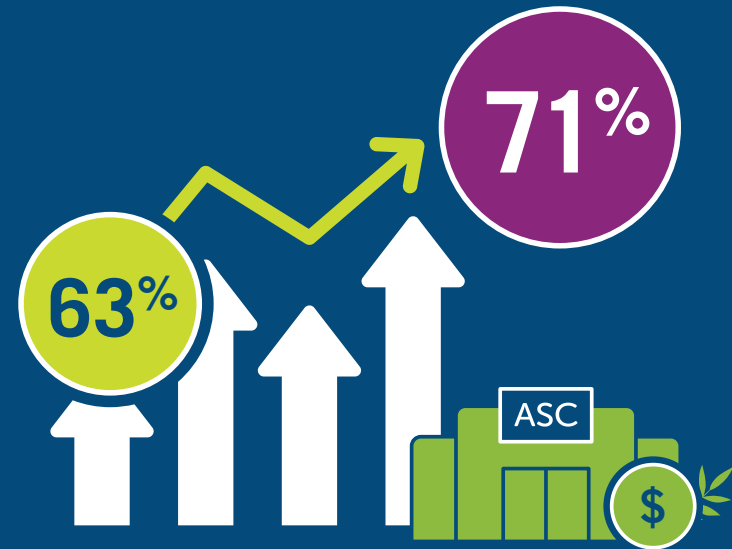
Some particularly interesting points concerning external management came from responses and commentary about third-party management ownership in ASCs. While management companies continue to be the predominant third-party ownership partner for hospitals and health systems, a noteworthy number of respondents identified payors and private equity firms as owners.

It's not surprising to see private equity interest in ASCs, says Dentler. "Private equity firms have been long-time participants in the ASC space, with most of their involvement coming through ownership of physician specialties like orthopedics. But the bigger story here is the involvement of payors with hospital and health systems in their ASCs. In the long term, we expect to see greater payor participation in the market, and this is a trend we are currently watching and discussing with our clients."



### III. A FUTURE WITH MORE SURGERY CENTERS

# More Hospital Systems Plan to Expand ASC Investments and/or Affiliations



It's not surprising to see more than 7 in 10 survey respondents (71%) indicating that their hospitals and health systems are planning to increase ASC investments and affiliations — a figure that increased from 63% in the previous survey. We believe every hospital, health system and academic medical center — regardless of size or location — should include outpatient surgery at freestanding sites as part of their strategy going forward to better meet the outpatient surgical needs of their patient populations.

We are seeing more health systems pursuing a systemwide approach to ASC development and operations which takes into consideration the short- and long-term patient care needs and opportunities within and sometimes outside their existing markets. Such a strategy often leads to the development of multiple ASCs that meet these needs and can help support outpatient surgical growth rather than developing many “one-off” ASCs over time that are not as optimized for the organization's long-term goals.

# Hospital Systems Are Asking Important Questions About ASC Development

For hospitals and health systems considering whether and how to best add ASCs to their outpatient surgery portfolios, it is important that they address a number of questions first. The answers will help guide them toward making the most appropriate decisions. Here is a selection of questions Avanza has recently been asked by hospitals and health systems in this situation.

What are the best specialties to include in a new ASC?

What's the ideal number of surgeons needed for an ASC to be successful?

Which is better: building a new ASC or converting an HOPD to an ASC?

What types of cases are migrating out of ASCs to physician offices?

What types of cases are migrating to ASCs?



# Reasons Hospital Systems Do Not Have ASCs



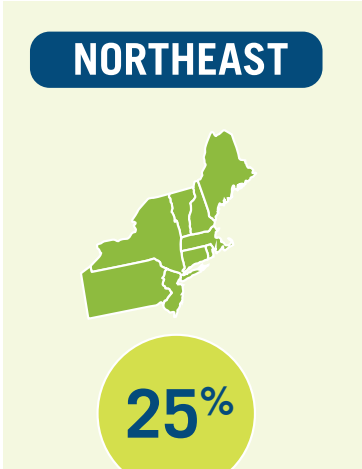
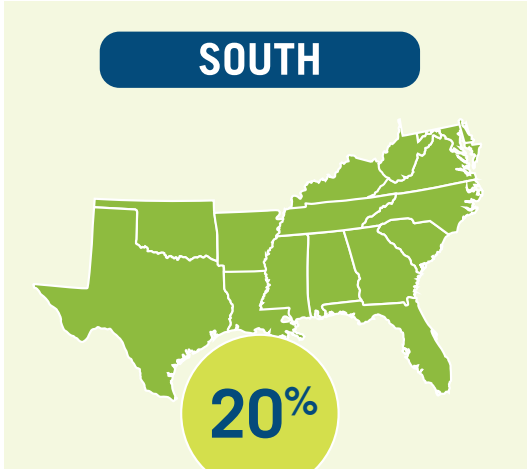
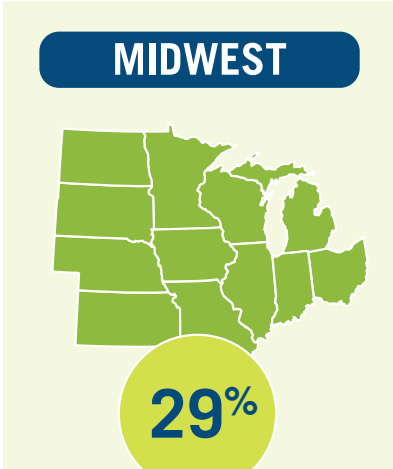
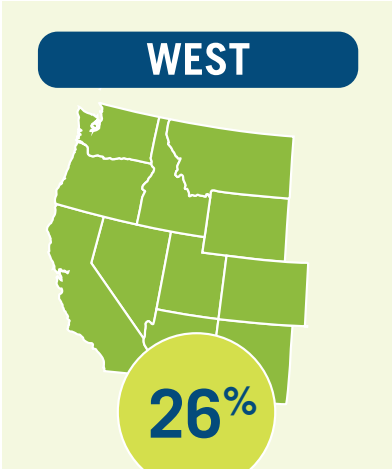
Why do hospitals and health systems lack an affiliation or ownership interest in ASCs? The explanations they provide vary, although most answers given by survey respondents indicate one or more ASCs are likely in their future — especially if CON laws continue to be refined and repealed.

# SURVEY RESPONDENT DEMOGRAPHICS

## PROFIT STATUS



## LICENSED BEDS



**Joan Dentler, [jdentler@avanzastrategies.com](mailto:jdentler@avanzastrategies.com)** — Joan has more than 25 years of experience consulting on, developing or operating ambulatory surgery centers, hospital outpatient services and community health initiatives. She is recognized as an industry leader in helping health systems and academic medical centers develop successful, systemwide outpatient strategies. Joan founded ASC Strategies in 2007 and Outpatient Strategies in 2011, unifying the two companies under a single brand, Avanza Healthcare Strategies, in 2013.

**Erik Miller, [emiller@avanzastrategies.com](mailto:emiller@avanzastrategies.com)** — Erik leads MedHQ's business segments and client delivery strategies, encompassing outsourced human resources, accounting, recruitment and staffing, and advisory services under the Avanza brand. He joined MedHQ after more than 15 years in healthcare, most recently serving as interim president of anesthesia medicine at Ventra Health as well as its chief strategy and business development officer.

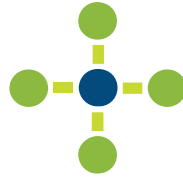
**Tyla Blom, [tblom@avanzastrategies.com](mailto:tblom@avanzastrategies.com)** — Tyla has more than 25 years of clinical and operational experience. Over the course of her career, Tyla has been recognized for her operational acumen, collaboration skills and strategic thinking. In an environment of declining reimbursement and increasing costs, Tyla works with each individual client to craft a plan that allows for the provision of excellent care while improving the bottom line.

**Matt Lau, [mlau@avanzastrategies.com](mailto:mlau@avanzastrategies.com)** — Matt is a financial executive with more than 20 years of experience spanning forecasting and analysis, key performance metric monitoring, strategic planning and oversight of ownership structure reorganizations, and budget development and control in the healthcare finance industry. He is a goal-oriented change agent with a proven track record of implementing impactful solutions that enhance financial control, operating efficiency, cost-effectiveness and fiscal integrity. Matt is recognized as a dynamic leader with a passion for communicating cross-functionally to ensure organizational cohesion and productivity.

**For more information on this survey or our services, please contact us.**

### **About Avanza Healthcare Strategies**

Avanza is an ASC and healthcare advisory organization supporting leading healthcare organizations in planning, developing, executing and operating their ASC and outpatient strategies. In the last 20 years, Avanza has worked with more than 150 organizations and participated in more than 500 ASC projects, representing more than \$200 million in customer revenue generation. Avanza is a subsidiary of MedHQ, a leading tech-enabled service provider leveraging expertise across human resources, accounting, clinical staffing and revenue cycle to empower outpatient strategies.



# NO NEED TO GO IT ALONE

Avanza's annual survey of hospitals and health system leaders brings to light the trends and developments increasingly motivating these organizations to pursue ASCs and make them a more central component for the delivery of outpatient surgical care. Avanza is an industry leader recognized for its unmatched experience supporting hospital-owned ASCs and working with hospital-physician joint ventures longer than any other company. This annual survey is part of our ongoing investment in market Intelligence that helps organizations make sound business decisions concerning their short- and long-term outpatient strategies.

When building a new ASC or converting an HOPD to an ASC, expert guidance from Avanza can help your organization create the surgery center portfolio that keeps surgeons engaged and surgical volume up.

The Avanza team of professionals can support your efforts to create a highly effective and sustainable ASC strategy. Our flexible agreements, no requirement for equity or long-term management contracts, and custom-built, multi-disciplinary teams with extensive strategic planning experience have made Avanza a sought-after partner for hospitals, health systems and physicians looking to migrate low-risk inpatient services to outpatient settings.

**Contact us:**

**[hello@avanzastrategies.com](mailto:hello@avanzastrategies.com)**

**512.479.6700**

