



AVANZA INTELLIGENCE
6th Hospital Leadership
ASC SURVEY

EXECUTIVE SUMMARY

Avanza Strategies is pleased to share the results of the 6th 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 2024 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.

Hospital system ownership of ASCs has become the standard.

Hospital and health system ownership of ASCs has surged, with more than 80% now owning at least one surgery center in 2024. That's up from 41% in 2019. This aggressive expansion of ASC ownership is driven by the competitive urgency for hospitals and health systems to enhance their outpatient surgery portfolios as well as demand from payors, surgeons and patients. The pressure for hospitals and health systems to add one or more ASCs is especially intense in markets with rival systems and in states with revised or pending changes to certificate of need (CON) laws, making delays increasingly risky. Delaying action is neither a viable option nor a strategic choice.

ASC investments are accelerating and becoming central to the overall health system strategy. Nine out of 10 hospitals and health systems plan to continue investing in and affiliating with ASCs. This figure has consistently risen since the survey's inception 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 for surgical cases.

Maturing market continues to impact the perspectives on external partnerships.

As the ASC market continues to evolve, changes in how centers are financed and managed are to be expected. Hospitals and health systems are increasingly prioritizing ownership and operational control, with many now overseeing their ASCs through internal teams. These teams are able to leverage a wide range of external resources to provide flexible short- and long-term support as operational needs arise, while maintaining alignment with broader organizational goals.

SURVEY SAYS:

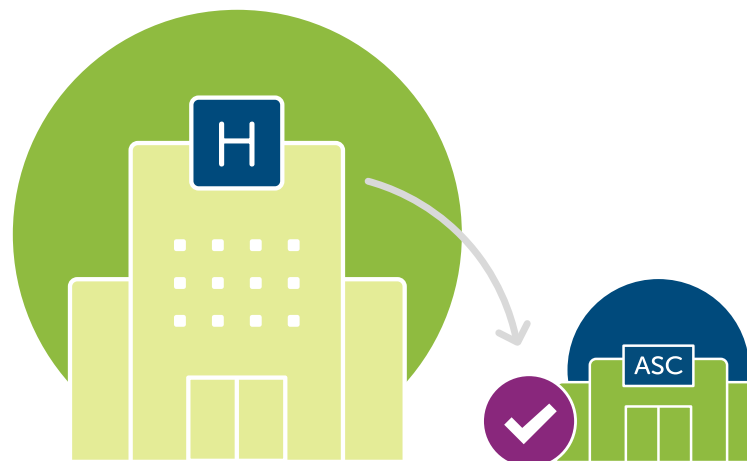
Hospital Systems Fully Commit to ASCs

The latest outpatient strategy survey of healthcare executives and clinical leaders by Avanza Strategies shows that hospitals and health systems are rapidly expanding their investments in ASCs, driven by a steady increase over the past several years. This growth shows no signs of slowing, and the trend is expected to continue gaining momentum in the years ahead.

Hospital systems were faced with a choice. They chose ASCs.

The growing inclusion of ASCs in hospital and health system portfolios reflects the rising demand from payors, physicians, and patients for surgical settings that offer both high efficiency and significant cost savings. In response, many hospitals and health systems are moving beyond a single ASC, strategically expanding their networks to accommodate evolving surgical needs and market demands.

ASCs have solidified their role as a preferred site for high-quality, low-cost surgical care, further motivating hospital and health systems to either convert existing outpatient departments or transition more cases to these centers. The growing emphasis on value-based care and the continued migration of surgical procedures — including more complex cases — away from hospital settings have strengthened ASCs' competitive position.

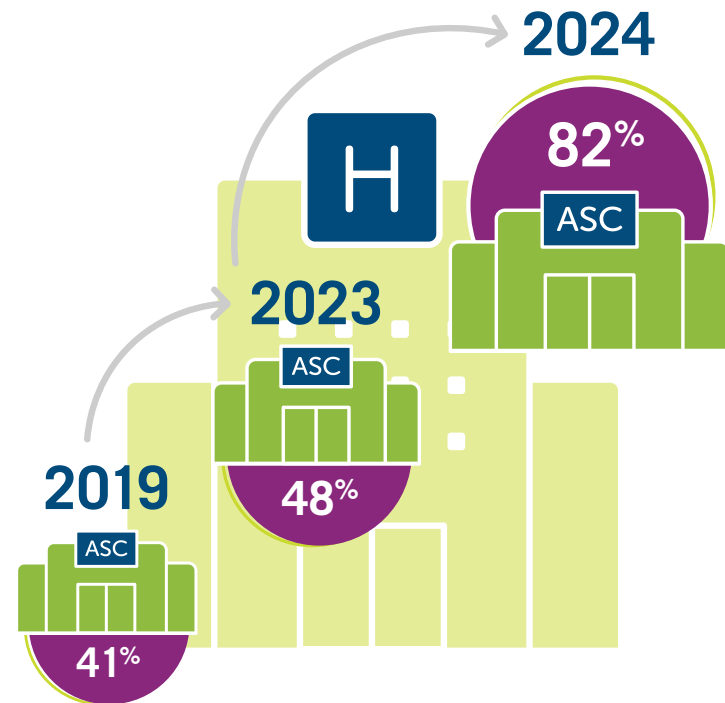


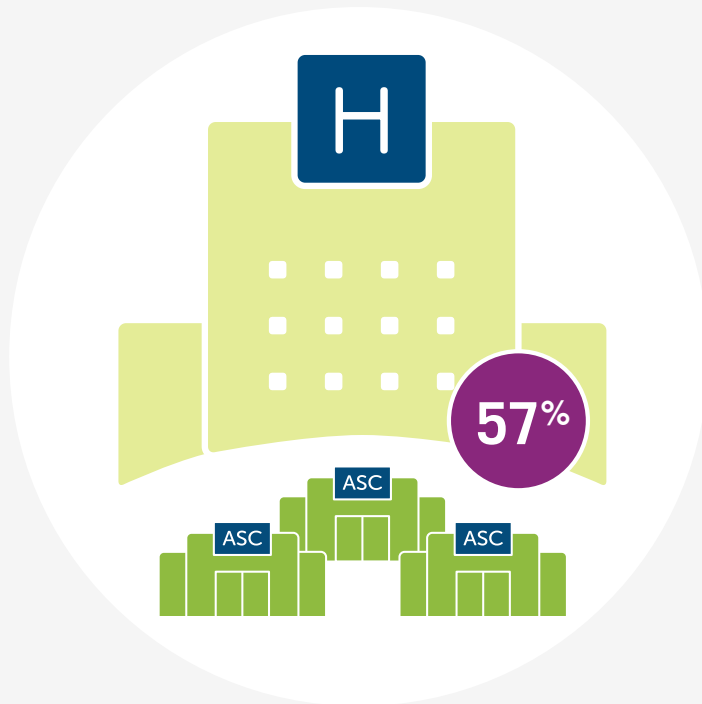
ASCs are a trusted setting for outpatient surgery, offering excellent clinical outcomes and high patient satisfaction. With a track record of more than 50 years of success, they are now an integral and indispensable component of modern healthcare delivery. As hospitals and health systems adapt to industry shifts and economic pressures, ASCs are set to play an even greater role, expanding access to care while driving innovation in efficiency, affordability, and patient-centered delivery.

Majority of Hospital Systems Now Have ASCs

ASC ownership by hospitals and health systems has experienced a significant surge, with 82% having at least one ASC in 2024. This is a figure that's doubled since 2019 and climbed significantly from 2023.

While COVID-19 delayed some ASC development due to hospitals and health systems needing to focus efforts elsewhere, most organizations have now made up for the lost time by aggressively pursuing ASC opportunities. The pressure to add ASCs to their outpatient surgery portfolio — and the potential risks of waiting to do so — is too great to postpone investments. Such pressure is magnified in markets with competing hospitals and health systems, in states with recently revised CON laws, and in states considering revising their CON laws.





In 2024, for those hospitals and health systems that own ASCs, 57% own two or more, which is up from 47% in 2023.

Most Hospital Systems With ASCs Own Multiple Centers

Hospitals and health systems have increasingly identified the value of owning multiple centers. This is becoming the norm and is often the result of acquiring physician practices that own existing ASCs. In fact, data from the Ambulatory Surgery Center Association show that hospitals had some form of ownership in one-third of all ASCs in 2023.

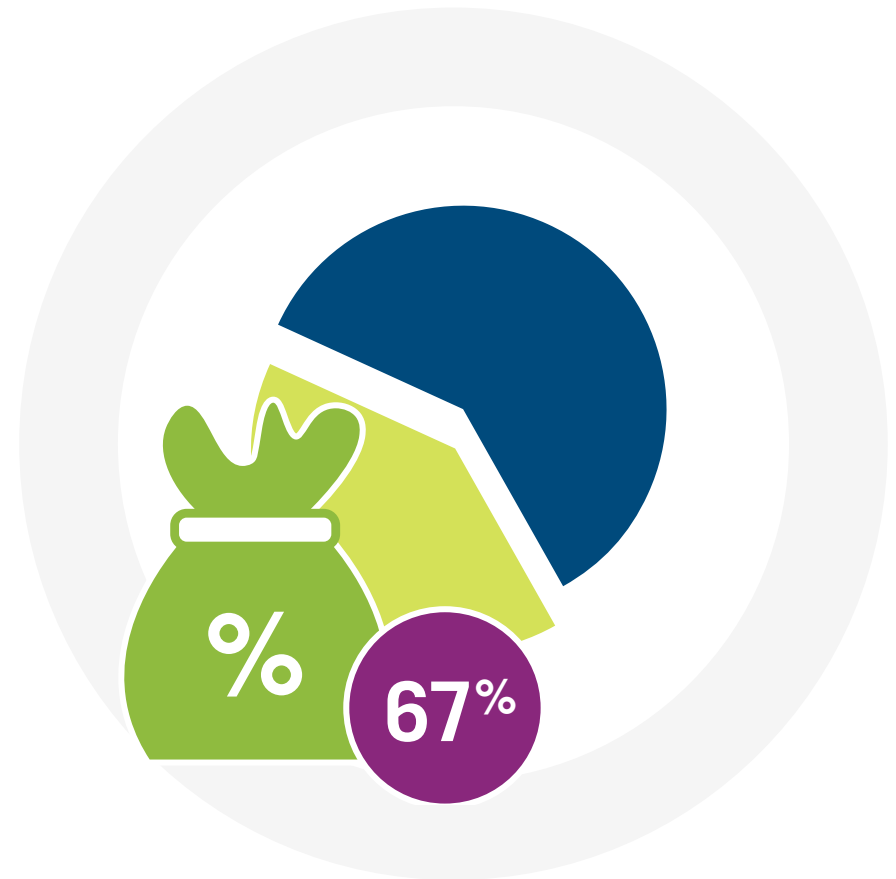
Hospital Systems Are More Likely To Share Ownership in Their ASCs

Hospitals and health systems are generally amenable to sharing ASC ownership with physicians. About 75% of hospitals and health systems are structuring their ASCs as joint ventures — a figure that has largely remained consistent year over year. Physician financial investment in the surgery center may serve to motivate physicians to be more engaged and cost-conscious, thus helping drive profitability. Physicians are still interested in joint ventures where they are the minority owners because they want to leverage contracts such as those from payors and group purchasing organizations that are only accessible if the hospital demonstrates control.



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

Hospitals and health systems increasingly prefer owning at least 50% of the ASC partnership — a preference indicated by 67% of survey respondents, which is up from 64% in 2023. A willingness by physicians to accept hospital and health system majority control may point to their developing greater trust that hospital and health system leaders will not try to unnecessarily control ASC operational decisions. Hospitals may also be more willing to grant physicians operational control while retaining oversight of other aspects.



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. Survey results for this question have remained fairly consistent year to year, hovering around 50%. We continue to see hospital and health system leadership willing to consider this approach because of its potential benefits. These 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 reduced risk of competition.



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 need for increased outpatient surgical capacity is the top reason cited in 2024 — just as it was in 2023. Close behind is the desire to enhance physician relationships, which jumped up significantly from 2023. Responding to consumer driven trends remained in the top three. Other responses receive a significant number of votes in 2024 include reduce costs, payor pressures, and prevent surgeons from moving cases out of the system.

66%



Increase outpatient surgical capacity

65%



Enhance physician relationships

52%



Respond to consumer-driven trends

33%



Reduce costs

25%



Payor pressure

24%

Prevent physicians from taking cases outside the hospital system



13%



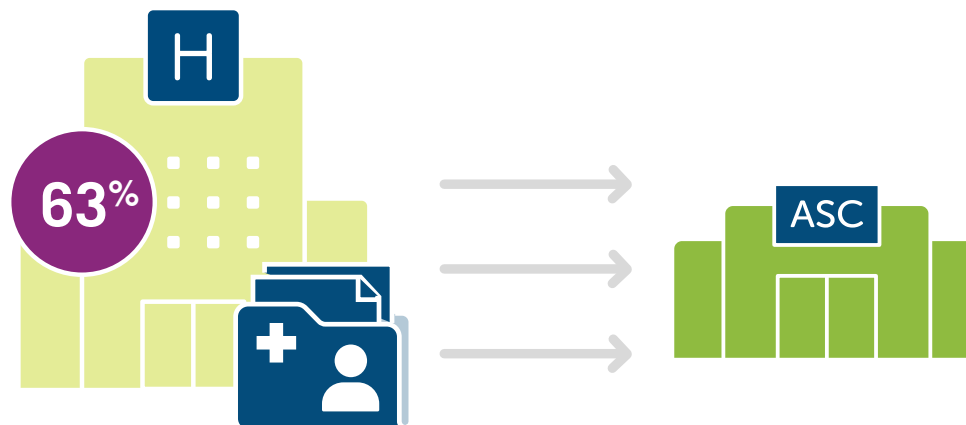
Recruit surgeons

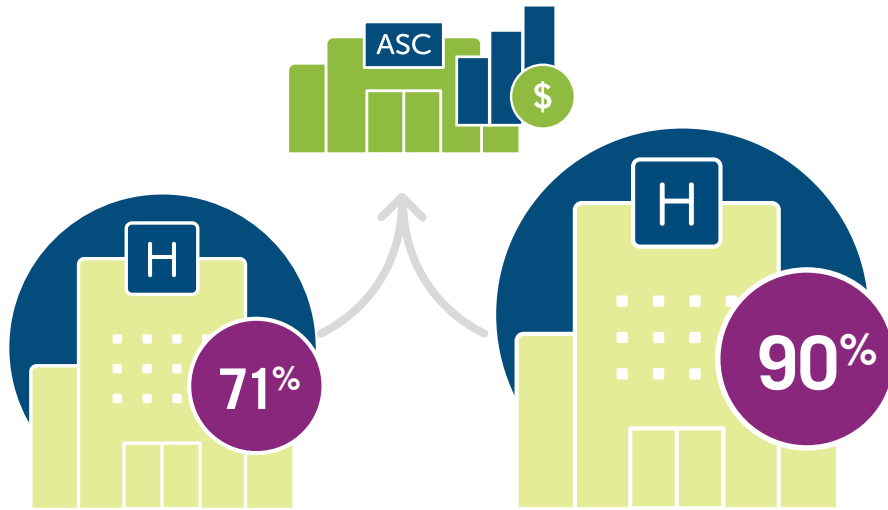
Note: Percentages do not add up to 100% due to the ability for respondents to select up to three responses.

Commercial Payors Exerting Pressure For Outpatient Migration

Commercial payors are leveraging their influence to push for more surgical procedures to move to the ASC setting. Many hospitals and health systems are feeling this pressure firsthand, with 63% reporting that payors are pressuring them to offer ASC options for appropriate cases.

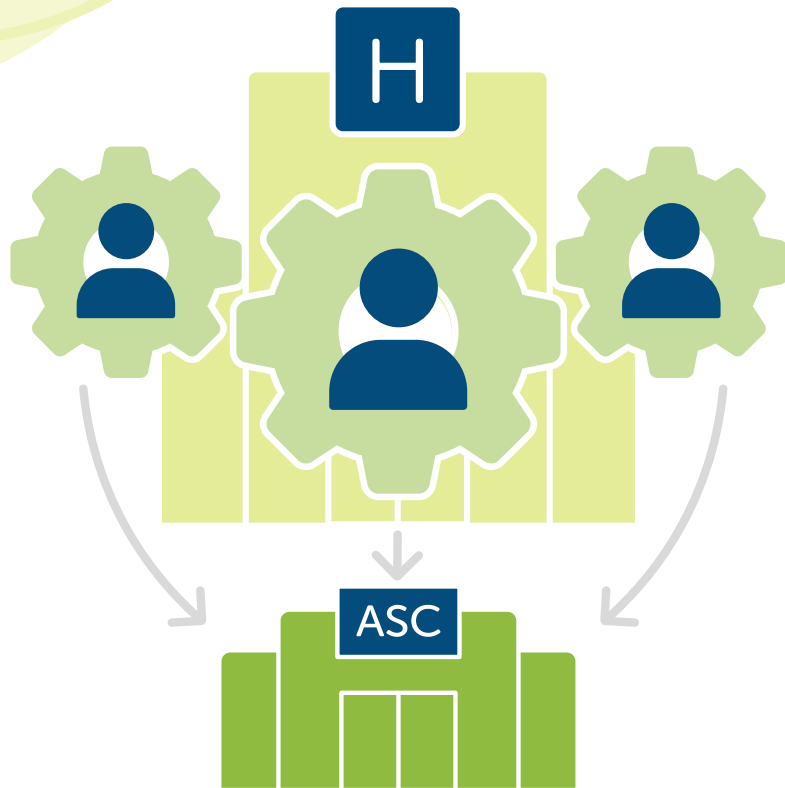
Payors recognize ASCs as sites for high-quality, often lower-cost care compared to hospitals, and shifting procedures to surgery centers helps reduce overall healthcare costs. By encouraging ASC investment, payors can better manage expenses while helping meet consumer demand. This helps ensure access to efficient and effective surgical care for their members.





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

It's not surprising to see 9 out of 10 hospitals and health systems planning to increase ASC investments and affiliations — which is up from about 7 out of 10 in 2023. We believe every hospital, health system, and academic medical center — regardless of size or location — should have at least one ASC in its portfolio to better meet the surgical needs of the patients they serve.

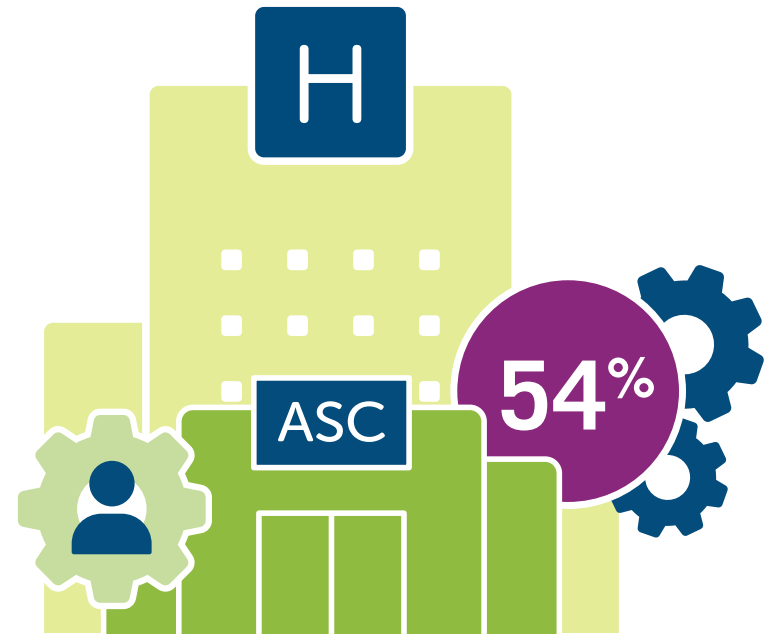


Hospital Systems Bring ASC Expertise In-House

Management organizations have long played a key role in the surgery center industry, and ASC growth continues to provide steady opportunities. However, as the market has matured, more hospitals and health systems are choosing to manage their ASCs themselves. Hospitals and health systems are now more experienced with owning ASCs, and the maturity of the industry means there are more resources available to support ASC operations on an as-needed basis. In addition, we are seeing many health systems develop internal ASC departments to assist in the development and operational support of system-owned surgery centers.

Reliance Upon Internal ASC Management

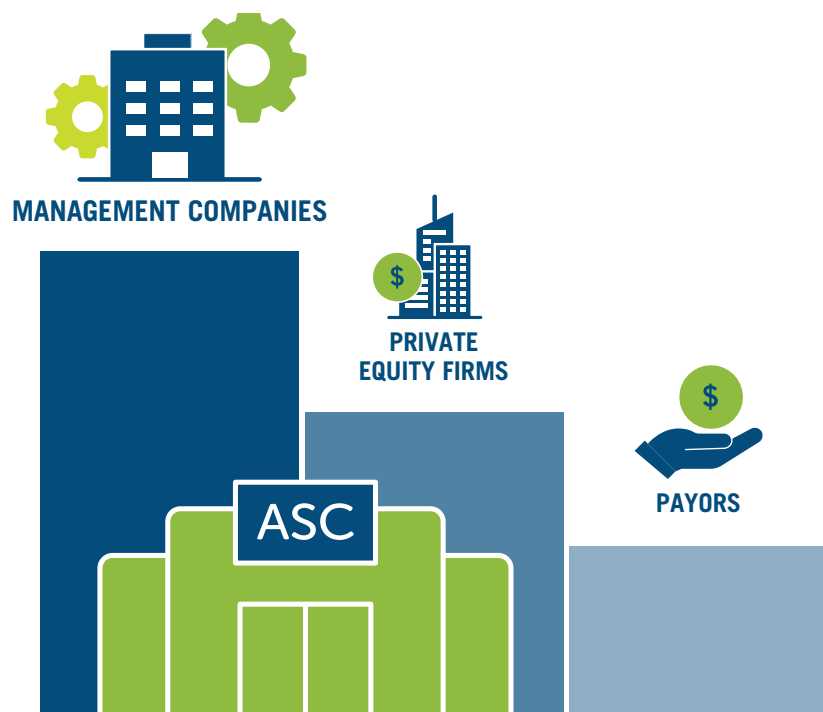
To help ensure operational efficiency, cost-effectiveness, and physician engagement, 54% of hospitals and health systems are setting their ASCs up with an internal management team, rather than relying upon a third-party manager or the hospitals or health systems trying to manage the surgery centers themselves. This internal team is usually comprised of a combination of an administrator, medical director, and board of directors. Internal ASC teams can often adapt more quickly to industry changes and patient and physician needs. An internal management approach, often complemented by external advisory services and support, can enhance ASC cost-efficiency while upholding high standards of care.



ASC Ownership Evolving

Responses concerning third-party management ownership in ASCs highlighted the growing role of payors and private equity firms as owners, alongside traditional management companies. Private equity firms are employing various strategies to add surgery centers to their portfolios. Private equity has long been invested in physician specialties like orthopedics, and now increasingly in cardiology. When investing in physician practices with affiliated ASCs, they often focus on expanding surgery center networks. For practices without ASCs, private equity firms typically work aggressively to add them.

Private equity firms are also targeting ASCs by investing in companies that own and operate surgery centers. Another notable trend is commercial payors partnering with hospitals and health systems — a development expected to grow.



ASCs Critical For Surgeon Recruitment

As the ASC model has matured, surgeons increasingly prefer performing procedures in these specialized facilities. Surgeons, especially those in high-demand specialties like orthopedics and ophthalmology, prefer ASCs for their efficiency and enhanced autonomy compared to hospital-based surgery. Understandably, more than 9 out of 10 (93%) of hospitals and health systems view having an ASC as important for surgeon recruitment.

ASCs can also offer a competitive edge in recruitment by providing surgeons with investment opportunities and financial incentives. Hospitals and health systems that integrate ASCs into their operations demonstrate a commitment to innovation, physician collaboration, and patient-centered care. This can make them more appealing to surgeons seeking an efficient, high-quality surgical environment.



Reasons Hospital Systems Do Not Have ASCs

Why do some hospitals and health systems still lack an affiliation or ownership in ASCs? Responses vary, but most suggest they plan to eventually invest in ASCs, particularly as CON laws evolve or are repealed.

REGULATORY OBSTACLES
(E.G., CERTIFICATE OF NEED)

**AN ASC IS NOT
FEASIBLE DUE TO LACK
OF OUTPATIENT
SURGICAL VOLUME**

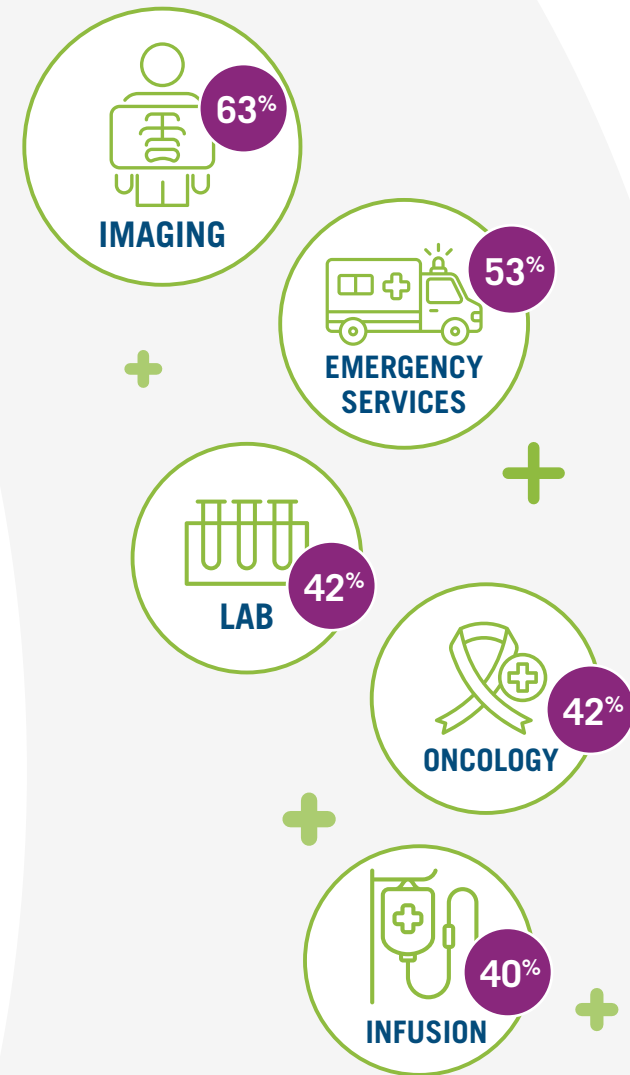


**AN ASC IS UNDER
CONSIDERATION, BUT
IT'S NOT YET A PRIORITY**

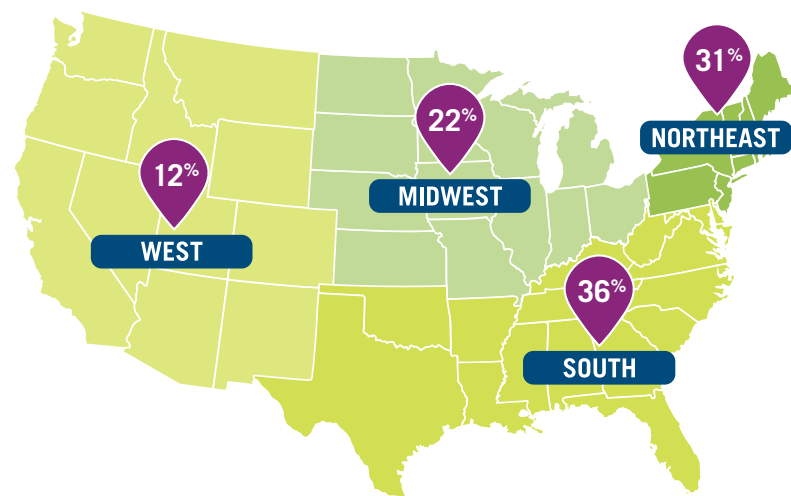
**HOSPITAL SYSTEM WILL
HAVE AN ASC SOON
(PLANNING UNDERWAY)**

Hospital Systems Pursuing Other Ambulatory Service Lines

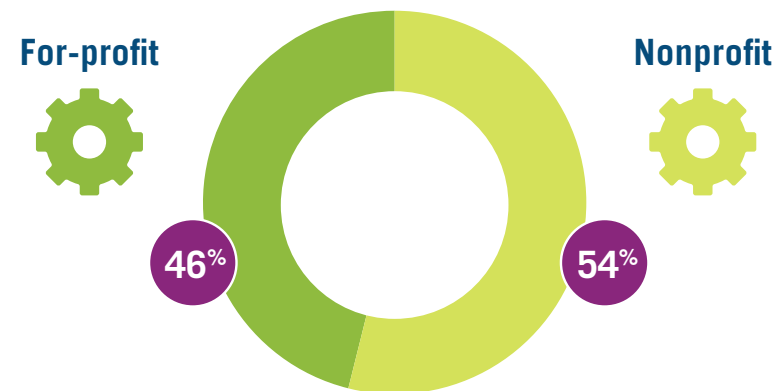
Hospitals and health systems are expanding beyond ASCs into other ambulatory service lines to meet the growing demand for outpatient care. Imaging services are the top priority for expansion, with 63% of respondents identifying it as a key area. Emergency services, along with laboratory, oncology, and infusion services, are also seeing increased focus as organizations aim to enhance their outpatient offerings and reduce the strain on inpatient facilities. This shift is driven by the need for hospitals and health systems to adapt to changing patient preferences, cost pressures, and the industry's overall move toward value-based care.



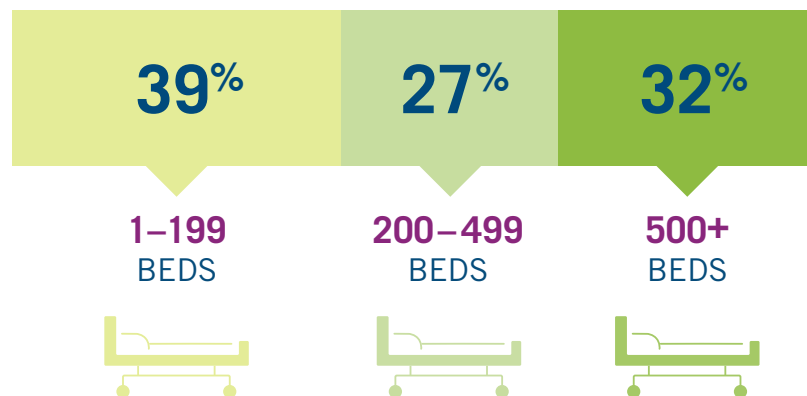
SURVEY RESPONDENT DEMOGRAPHICS



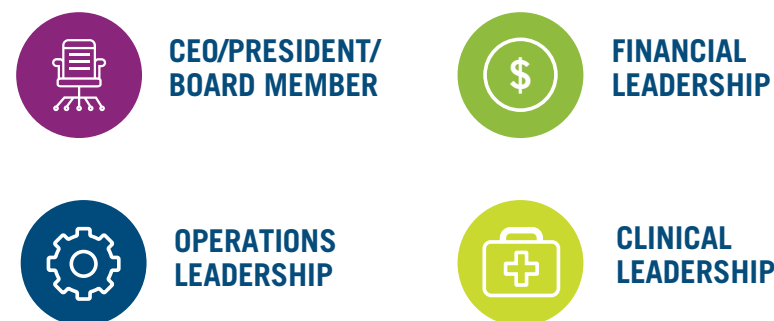
PROFIT STATUS

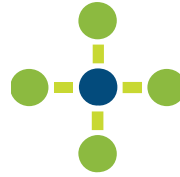


LICENSED BEDS



PARTICIPATING INDIVIDUALS BY ROLE





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 central component for the delivery of outpatient surgical care. Avanza is an industry leader recognized for its unmatched experience supporting hospital- and health system-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.

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