



BLUE CHIP CLINICAL MODEL

FOCUSED ON QUALITY CARE, PATIENT AND PHYSICIAN SATISFACTION AND OPERATIONAL EFFICIENCY.

Blue Chip Partners' commitment to the advancement of minimally invasive surgical techniques and procedures differentiates us from other development and management firms. The clinical model for all of our ambulatory surgery center (ASC) businesses consists of proven strategies for:

- Enhancing quality of care and the patient experience
- Facilitating physician freedom to focus on patients
- Heightening operational efficiency
- Maximizing profitability in outpatient environments.

These operational standards are achieved in an outpatient surgical environment via our clinical model, which is based on best practices in several key areas.

Staffing

Sound staffing begins with facility administrators who possess not only the business acumen to manage a multi-million dollar enterprise, but also the skills and experience to support clinical excellence. These individuals must keep their finger on the pulse of day-to-day operations. Administrators assume full responsibility for all aspects of the surgical center. In smaller facilities (2-3 surgical suites), it may be necessary for administrators to perform in a clinical role, in addition to management functions. The ideal candidates for administrator positions are RNs who also hold MBA degrees. We expect them to be highly visible at all time and move freely and frequently in and out of ORs.

All staff is cross-trained in pre-, intra- and post-operative patient care. The majority of the clinical staff is hired on a per-diem or part-time basis, which allows the center the flexibility to adjust the person-hours budget in accordance with procedure volume. Flex-time also permits the facility to recruit desired clinical staff to support specific surgeons. Blue Chip-developed surgery centers hire only "cream of the crop" employees. The recruitment process is aided by employees' desire to work in cutting-edge facilities, in a flexible environment with respected surgeons, and by compensation above the community standard. The financial goal is for the center's salary, wages and benefits budget not to exceed 25% of collections.

Anesthesia

Blue Chip partnerships select only anesthesiologists who are committed to the outpatient surgery model, have deep experience with specific procedures in outpatient environments and want to be involved in the business. We expect anesthesiologists to participate in medical advisory committees and quality improvement initiatives. In return, anesthesiologists don't have to be on call and can enjoy an almost guaranteed stream of productive hours.

Our surgeon-partners have more freedom, through the ASC, to work with anesthesiologists they like and trust. Anesthesiologists are screened by Blue Chip during the recruitment process. If necessary, a request for proposal (RFP) may be issued to local groups. If CRNAs are used, their work is overseen by anesthesiologists.

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Blue Chip Clinical Model *continued*

Accreditation & Certification

While some development organizations view accreditation as a necessary administrative evil, Blue Chip believes it lays the foundation for long-term clinical and business success. Our staff helps our ASCs achieve accreditation quickly and efficiently. Beyond Medicare accreditation, we consider the imprimatur of a major agency (AAAHC, AAAASF or JCAHO) to be a requirement. Our accreditation experts understand the nuances of each agency and the differences between states. In successfully completing the process hundreds of times, we have a 100% record in accreditation. Our model is designed to achieve accreditation at the highest level and as soon as possible after opening the ASC. That's much faster the national average and represents a competitive advantage for our centers.

We use detailed checklists, review templates and mock review to greatly streamline the application process for facility administrators. We help ASC staff implement effective record-keeping and documentation processes. Blue Chip staff regularly conducts clinical, operational and financial audits and ongoing quality improvement initiatives to ensure facilities are prepared whenever state reviewers and regulators show up.

Patient Scheduling

Creative scheduling is a key component of financial success for ASCs. Blue Chip-managed businesses use a block scheduling system, with a.m. and p.m. block times available. We aim for 85% block utilization. Physician-partners have the first opportunity to choose blocks of time based on their historical procedure volumes. Any unscheduled block time is released 48 hours prior to surgery day and made available to other surgeons for semi-urgent or overflow procedures. Add-on cases are welcomed. Available times are communicated to all surgeons and their staff. When available, the use of two surgical suites per physician

is encouraged. On a daily basis, the surgery schedule is compressed to eliminate large blocks of unused time and inefficient use of staff time, thereby eliminating unnecessary overtime. We expect all procedures to start on time.

Facility hours and days of operation are based on booked OR time, with increased procedure volume necessary to expand hours of operation. We are not afraid to turn out the lights if necessary. Procedure start times, 9-12 minute turnover times and block-time utilization statistics are closely monitored on an ongoing basis and communicated to all involved parties through the governing medical board. We believe 1,500-1,800 surgical procedures can be performed annually per OR. Procedure rooms utilized for GI endoscopy and/or pain management procedures can easily accommodate 2,500-3,500 procedures per year.

Meeting targets for fast turnarounds and high volumes requires a strong commitment to efficiency and productivity on the part of surgeons and staff. We adopt – and help our partners adopt – best practices such as team clean-up, advance preparation and block scheduling. More efficient OR management results in more revenue for the business.

Physician Leadership & Governance

Leadership of the business and culture comes from the board. Hence, physician-owners are expected to attend periodic board meetings. These meetings will be highly organized, focused on key clinical and business issues and as brief as possible. To encourage attendance, profit distribution checks are distributed only at board meetings. They are not mailed. We expect surgeons to participate in quality improvement programs and the medical advisory committee. The role of Medical Director should rotate among partners.

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WE DON'T JUST APPLY BUSINESS AND CLINICAL BEST PRACTICES — WE DEFINE THEM.

Blue Chip Clinical Model *continued*

Equipment and Technology

When launching a new surgical center, Blue Chip encourages surgeons to select the “best” equipment and then negotiates attractive acquisition prices. The evaluation and procurement of capital equipment or technology (e.g., new instrumentation or electronic health records) is a Board-level decision, supported by thorough cost-benefit analysis that seeks to quantify the number of new or additional cases the new equipment will bring and the impact on reimbursement rates or importantly, the improvement of quality or patient satisfaction. After analysis and evaluation documents have been reviewed, the Board renders final determination on capital equipment purchases.

The Blue Chip business model calls for new equipment to be purchased in cash from operating income, which may necessitate a delay in monthly distribution checks for the partners. We believe this level of discipline is critical to the long-term success of the ASC business. Purchases of new equipment are then measured and evaluated on an ongoing basis.

Case Costing & Volume

Blue Chip believes profitable ASC businesses are built on a solid foundation of accurate case costing and volume projections. Ideally, all participating physicians in an ASC know the cost of each and every case, and agree on clear, objective projections up front. That allows ASCs to negotiate strong contracts with both payors and suppliers and permits physicians to implement the contracts effectively, laying the groundwork for profitability.

The contracts which our surgical centers accept must reflect accurate volume estimates, but also address the right mix of cases and payors. To identify those cases precisely, a number of factors must be taken into account, including the age and health of the patient, in-network vs.

out-of-network reimbursement, and Medicare groupers and payments. Once contracts are established, cost data is carefully tracked and monitored against contracts and projections. Blue Chip staff helps our surgeon-partners and administrators negotiate these complex tasks.

Supply Standardization & Inventory Control

Blue Chip emphasizes efficient inventory management and standardization. We incorporate just-in-time inventory ordering practices, implant consignment arrangements, participation in group purchasing organizations and thorough case costing analysis to control variable costs, optimize cash flow and ensure profitability. After careful consideration of financial and patient safety factors, as well as physician preferences, the physician-led Board of Directors establishes policies for supplies and inventory.

The Blue Chip clinical and business models are built on a disciplined approach to inventory management. We believe a little thrift goes a long way in building profitable ASCs. For instance, we don't automatically open two shavers before procedures. Usually, two shavers aren't necessary and, in the rare cases they are, it only takes a few seconds to open the back-up. It may sound like a small thing, but our surgeon-partners tell us it helps them and their staffs understand the need to control costs. They own the business, after all.

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Blue Chip Clinical Model *continued*

Preference Cards

Because quality care comes first, staff members at Blue Chip carefully and regularly review surgeon preference cards and work diligently to ensure the preferences are met. However, we also encourage physician cards to be adjusted – where appropriate – in line with business needs. For instance, we encourage dialogue with physicians to ensure their preferences align to our disciplined approach to supply and inventory management.

Architectural Design & Facilities Management

Blue Chip designs facilities for the comfort of patients and the convenience and productivity of staff and surgeons. We believe that the design of outpatient surgery centers should contribute to clinical excellence and beneficial outcomes for patients. Facility size ranges from 5,000 to 12,000 square feet, with typically two to four ORs. Generally, we prefer retail, consumer or patient-friendly locations.

Using best practices and experienced professionals, we manage all the details throughout the design and construction phase of the project, eliminating typical flow issues that can hinder future productivity and growth. We are careful not to overbuild and we avoid the temptation of “extras” which add little value. Blue Chip-developed ASCs fit the appearance of local communities. Neither the most expensive nor the “cheapest” facilities in town, they are designed to be attractive, comfortable, patient-friendly and functional. Our development team consults with local and state authorities early in the process, avoiding many common issues that slow construction and the launch of the business. The ability to use our resources efficiently helps us streamline the development process.

Pediatric Care

We believe ASCs are perfectly suitable for pediatric treatments, given careful patient assessment and selection. Because of the experience and expertise of our surgeon-partners and the talented staff members we recruit, we are comfortable with young children in our ORs.

Our clinical model makes provisions for the unique needs of these cases. For example, for pediatric surgeries, we offer private post-op recovery rooms. Further, we have PALS-certified nurses on staff and only use anesthesiologists with extensive pediatric experience and who are familiar with the latest innovative techniques in pediatric anesthesia.

Performance Measurement

Blue Chip-developed ASCs carefully and rigorously measure clinical outcomes, including transfer rates, infection rates, discharge times, and treatment costs. We compare this data to that from hospitals and inpatient settings, as well as across the network of Blue Chip-developed ASCs and against relevant studies and industry averages. In many cases (as with outpatient spine surgeries), we are helping to define the benchmarks for ASCs.

In addition to quality and treatment outcomes, we also electronically monitor business and financial metrics of each surgical center each day like case volume, cash on hand, processed claims, accounts receivable and accounts payable status.

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Blue Chip Clinical Model *continued*

Communication & Information Sharing

Blue Chip's dedicated and experienced staff regularly shares best practices, effective policies and success stories across our network of ASCs. This is one important way we provide support to all of our partnerships and to individual administrators. For each center, we measure clinical outcomes and freely, openly and actively exchange findings and best practices across our network for facilities and partners. What we learn in one center quickly moves to another.

Similarly, we share relevant business data about pricing, reimbursement and other factors, as well as policy forms, charts and templates for specific operational processes. We stay on top of shifting regulations, which allows us to update policies and forms for all of our ASC businesses in an efficient, standardized way. We have workflow models and all required documentation for accreditation, quality improvement, facilities management and other key functions.

The Bottom Line: A Model for Clinical Excellence

As economic and lifestyle factors continue to influence the delivery of healthcare and surgeons' preferences for their practice environments, the movement of care from inpatient to outpatient environments and from open procedures to minimally invasive or endoscopic procedures will increase. Through physician and staff education, acquisition of necessary equipment and technology, and robust relationships with payors, Blue Chip develops and manages profitable ASC businesses that support these surgical advancements and provide environments where our surgeon-partners can do their best work.

Learn More About What Makes Us Blue Chip

We encourage you to learn more about what we do and the unique way we do it by viewing other Blue Chip Perspectives.

Visit www.bluechipsurgical.com/bcsinsight.html

- [Blue Chip Business Model & Services](#)
- [Blue Chip Clinical Model](#)

- [Committing Hearts, Minds & Wallets to ASC Success](#)
By Anthony Coletta, M.D.
- [The Freedom to Do Your Best Work](#)
By John DiPaola, M.D.
- [Avoiding the Common Risks in Spine ASC Development](#)
By Richard A. Roski, M.D.
- [Why ASCs Fail](#)
By Beth Johnson, RN



Blue Chip Partners creates and manages highly profitable, physician-led ambulatory surgery centers. Our businesses help physicians gain more control of their practice and their life in environments where they can do their best work.

**Find out more about our people, passion and many successful partnerships.
Contact us today. 513.561.8900 or info@bluechipsurgical.com**