

## Setting Up for Success: The Financial Foundation of ASCs

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There are many elements required to develop and operate a successful ambulatory surgery center (ASC). One of the most important is establishing the right financial and operational foundation for the business. Fundamentally, that means:

- Developing comprehensive fee schedules based on industry standard methodologies;
- Securing strong contracts based on favorable reimbursement rates; and
- Creating the right processes and systems so that claims are paid quickly and efficiently, unpleasant surprises are eliminated, and financial projections are met.

Because Blue Chip focuses on a select network of ASCs, our team has the bandwidth to support the management and staff at our centers in addressing these critical factors. Though each of our projects is unique (depending on specific physician groups, market conditions and specialty mix), all Blue Chip-affiliated businesses are structured around these core principles and best practices.

This Perspective – a companion piece to Monitoring ASC Performance by Vicki Dekker – will frame the key issues and offer clear, actionable recommendations pertaining to contracting, reimbursement and financial management. These matters can seem daunting to a busy ASC administrator. They can certainly overwhelm poorly managed ASCs. That's the worst-case scenario. By adopting the most up-to-date contracting, reimbursement and financial management strategies to ensure an optimal revenue stream for our ASCs, we lay the foundation for success the moment the business begins to take shape.

### Building a Strong Base

Profitable ASCs start with good contracts and viable financial models, which are based on accurate estimates

of case volumes and costs. Each prospective surgeon-partner must be brutally honest in regards to the number and type of cases he/she can bring to the center. Further, the partners should know what each type of case and procedure costs. That insight allows us to determine, based on current reimbursement rates in a given market, if they can be done profitably at the center. That knowledge is absolutely critical to setting up the business for success. Without it, the partners can't objectively assess potential risk and reward. Transparency and honesty are also valuable in that they help build a culture of trust among partners in an ASC business.

We use accurate case costing information and data on prevailing reimbursement rates in the community to establish comprehensive fee schedules for specific procedures. This information serves as a blueprint for the business, providing a basis to negotiate the best possible contracts with payors and as a scorecard for measuring performance. All the partners – including Blue Chip – understand their obligations and know what it takes to succeed because it's clearly spelled out from the start.

### Getting to Good Contracts

Successful ASC partnerships are structured to capitalize on the current reimbursement and payor landscape. The key is to increase the probability of success by focusing on high-value, low-risk contracts with the right payors. Blue Chip provides extensive payor and regulatory analysis as part of our initial market studies. That way we can define exactly the types of contracts we need for our financial model to succeed. We define target reimbursement ranges for different types of procedures to ensure they can be profitably performed at the ASC. These ranges give us flexibility as rates shift, and to negotiate a variety of contracts with payors.

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With private payors, we reach out proactively to explore creative, mutually beneficial arrangements. Because we know what local hospitals are charging, we can present compelling offers. For Medicare, we invest lots of time staying on top of changes to methodologies, rates, codes and regulations. We also consult with workers' compensation bureaus at the state level to understand relevant caps and limits. Similarly, we engage suppliers directly to pursue favorable deals.

Our contract evaluation process is extremely detailed. We examine patient plan designs, including specific benefits and limitations outlined in certificates of coverage and explanations of benefits. In some cases, we directly consult with local employers to understand their plans (e.g., whether they're self-funding or insured), and identify cost reduction opportunities. We look to leverage market forces like consumer-driven health plans wherever we can.

Fundamentally, we believe that staying ahead of reimbursement methodologies and maintaining highly collaborative, direct working relationships with payors – with an emphasis on mutual benefits – provides our ASCs a significant competitive advantage. They give our centers a better chance of success right from the start.

### Finding Opportunity

Our approach to building ASC businesses goes beyond simple assessments of dollars and relative value units (RVUs) or payment weights. We closely study claim denial rates for specific procedures and the implications of out-of-network vs. in-network arrangements. Often, we reach surprising conclusions that give us an edge. For instance, some of our ASCs thrive with 100% of cases handled on an out-of-network basis, while 10% out-of-network is the optimal percentage for others. Occasionally, we ignore “bread and butter” treatments, because the finances don't make sense in a specific market. The question of whether or not to participate in a network is one we carefully consider based on a full data set and thorough analysis.

All this analysis and information allows us to shape contracts to optimize value for our surgeon-partners, as well as for patients and payors. They also ensure a strong flow of cases to our centers. The point is, we want to ensure that every single case that comes in our center is a profitable one. Sometimes our surgeon-partners find us a bit obsessive about the details. But certainly they appreciate that success is practically written into our contracts, thanks to the due diligence.

### Mastering Billing & Collections

Billing and collections systems, along with effective processes, “operationalize” strong contracts. They ensure the right fees and payments are collected up front from patients, that claims are distributed promptly and accurately, and that they are ultimately paid correctly. The processes we implement ensure that wrongly denied claims aren't written off because they don't seem worth the hassle to busy ASC staff. When it comes to CPT codes, the key is to ensure the latest and most accurate codes are specifically addressed in our contracts, entered into our systems and fee schedules, and updated regularly.

Accounting systems for ASCs can be particularly complex, thanks to the bureaucratic nature of managed care and government healthcare systems. We maintain extensive coding libraries that make it easier to install and upgrade software. We have strong working relationships with many of the leading software and systems providers. In fact, we help them keep their data maps current and accurate. We hold weekly conference calls with those companies and we proactively deliver coding updates to our network of centers. For billing and collections technology, Blue Chip functions like a help desk to our centers. Lastly, we actively participate in CMS coding activities and the National Uniform Billing Committee. Once again, the effort and attention to detail are well worth it in that they eliminate potential “gray areas” later and reduce the risk of denied claims.

***We expect every case that comes to the ASC to be profitable.***

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### Synching the Team

We invest considerable time on the “nuts and bolts” of financial management. We spend just as much time with the office staff at Blue Chip-developed ASCs to ensure they understand the unique structure of the business. Detailed workflows, checklists and questionnaires help ensure that administrators and schedulers know which treatments are best handled at the ASCs, and how every claim should be written and processed.

We even communicate regularly with the surgeons’ office staff to ensure they know what procedures they should schedule at the ASC. And we do it before the ASC opens. It’s important that everyone understands the stakes and the importance of operating the business in line with the clinical and business models.

### The Bottom Line: A Proven Formula

If all this sounds like a lot of work, you’re exactly right. But the considerable effort involved in establishing a strong financial, contractual, operational and technical foundation for the business pays off. In fact, we believe it’s an essential ingredient to the success of our centers. Positive cash flow is achieved sooner; fewer claims are denied; and staff members have the freedom to focus on the patients – just as they should.

Blue Chip provides many of these services as part of the business development agreement within our partnerships. We have robust processes, proven systems and skilled and experienced people to help our centers navigate financial challenges. Collectively, our team has years of experience working on all sides of the ASC and healthcare business – for payors, with regulatory agencies, and at ASCs. That’s how we know what it takes to succeed, and how to best structure the business. It also gives us an edge in solving complex bureaucratic problems (like billing and collections issues) sooner.

### 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.

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