

# ASC-Hospital Joint Ventures & HOPD Trends

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# ASCs and Hospitals

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Less competition

More collaboration

# What's Changed ?

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- ❑ Hospital revenue reduced—push to OP
- ❑ Less hospital hubris and more willingness to collaborate
- ❑ Payor pressures / OON threat
- ❑ Tightening credit markets
- ❑ Need for capital infusion
- ❑ No exit for physician's wanting to cash out
- ❑ Quality of life vs. diminishing distributions
- ❑ Increased physician employment
- ❑ Healthcare reform legislation (ACOs, PfP)

# Common Models

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- Joint Venture with hospital minority**
- Joint Venture with hospital majority**
- 100% Acquisition**

# Legal Considerations

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## □ Physicians-Hospital JV ASC

- Federal anti-kickback statute safe harbor
- Private inurement
- Antitrust
- Under-arrangement / provider-based – not an option

# MD > 50% Joint Venture Model

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## □ MD

- More control
- More distributions
- More equity and debt requirements

## □ Hospital

- 50% of something is better than 100% of nothing
- Physician alignment/engagement
- New market presence
- Lock MDs in non-compete
- Lower cost site
- Beta site for efficiency and savings

# MD < 50% Joint Venture Model

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## MD

- Possibly less control
- Lower distributions
- Less equity and debt requirements

## Hospital

- NFP may require more control
- Improved contracting clout
- Better exit strategy
- More likely to shift OPS from main hospital

# HOPD

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- ❑ Impetus – ASC acquisition, new construction, decompress ORs
- ❑ Desire to operate as if freestanding ASC due to payor pressures and MD demands
- ❑ Often allow some form of MD management/oversight
- ❑ No or low physician investment requirement
- ❑ Incentives for attaining metrics (ex. quality, satisfaction, cost)
- ❑ Maintain hospital standards of equipment, etc.
- ❑ Problems tend to be HR, IT.....

# Legal Considerations

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## □ ASC – HOPD Challenges

- Valuation
- Partnership vote
- Management company
- Restrictive covenants

# Legal Considerations

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## □ Post-transaction structure

- Physician management company
- Leases with physician-owned entities
- Medical directorships
- Use of facility
- Co-management

# Contact:

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