

Aligning the Culture of the Hospital & Physicians for a Seamless Joint Venture

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Overview

- Hospitals and physicians have many sources of conflict
- An ASC joint venture makes both sides come to a consensus (or else they will risk failure)
- The hospital and the physicians must allow for a new ASC-oriented culture to be created at the ASC

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Overview (continued)

- In partnering with a hospital, physicians must be willing to make certain concessions given the hospital's mission, strategy and needs
- Historically ASCs are physician-run enterprises. In this sense, hospitals must adapt to working with an ASC-culture

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Hospitals & Physicians

- Many shared business objectives:
 - Quality patient care
 - Ethical and responsible delivery of services
 - Long-term viability of medical practices and the hospital institution
 - Obtaining a profit or maintaining a margin
 - Even if non-profit: "no margin no mission"

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Differing Business Objectives

- Physicians
 - Independent
 - Entrepreneurial
 - Want to control their medical practices, including their ORs
- Hospitals
 - Broader strategic objectives
 - Fulfilling a mission and/or meeting a community need
 - Operates numerous healthcare services

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Joint Venture Motivations: Physicians

- For physicians:
 - Join forces with a potential competitor
 - Share risk and obtain access to a hospital's resources and goodwill
 - Support the hospital institution

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Joint Venture Motivations: Hospitals

- For hospitals:
 - Keep physicians loyal to the hospital
 - Free facility space for other services
 - Establish an outpatient facility in a competitor's territory & make inroads with new physician groups

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Prior to Forming a JV

- Hospitals and physicians need to discuss *how* decisions will be made, even in exploring an ASC project
- Memorialize the understanding in a non-binding "term sheet" or "letter of intent"
 - Set ground rules
 - Identify a common purpose
 - Identify the "deal breakers"

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Framing the Issue: The Common Purpose

- The hospital and the physicians must acknowledge an ASC is not “part of” either constituency
- The ASC must be an autonomous entity that exists for its own purpose
 - Quality surgical services
 - Efficient healthcare delivery
 - Profitable operations

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Typical Areas of Conflict

- Speed of development process
- ASC services: “Who’s patients are they?”
- Control & governance
- Operations & management

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Mitigating Areas of Conflict

- Speed of development process
 - Establish a joint committee in charge of the project
 - Allow the committee to hire and direct outside advisors
 - Consider a consulting firm or ASC company to serve as developer/partner

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Mitigating Areas of Conflict

- ASC services: “Who’s patients are they?”
 - Physicians choose the surgical facility
 - Legally problematic to discuss competitive issues
 - Hospital is better served allowing physicians to control such decisions

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Mitigating Areas of Conflict

- Control & governance
 - For regulatory reasons, control should reflect investment
 - An attempt to have hospital control may result in an impasse and, possibly, failure of the venture
 - Control must be shared
 - “Consensus” model
 - Super majorities in areas of particular sensitivity

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Mitigating Areas of Conflict

- Operations & management
 - An ASC is not a hospital nor a physician practice
 - ASC management and operations should be autonomous
 - Hire staff with ASC backgrounds
 - Critical information systems & accounting systems should be ASC-based

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Conclusion

- A successful ASC joint venture will:
 - Address difficult questions early in the process
 - Have both the hospital and the physicians committed to the ASC's success
 - Create an ASC-oriented culture

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Thank you