

# Current Issues for Ophthalmic ASCs



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# ASCENT

## Health Care Advisors

# Current Issues for Ophthalmic ASCs

- Risks of the Single Specialty/Single Procedure Center
- The Possibility of Expanding Your Offering of Procedures
- The Financial Impact of Each Type of Expansion
- Expanding to Multiple Specialties

# Risk Considerations for Ophthalmic ASCs

- Reimbursement Disruption
- Loss of Harmony Within Partnership
- Loss of Single, High-Volume Surgeon
- Loss of Long-Term Strategic Vision
- Excessive Dependency on Single Procedure
- Limited Revenue Growth Perspective

# Lifting The Clouds On The Horizon For Single Specialty Eye Centers

- Must You Remain Single Specialty – Single Procedure?
  - Do Your Surgeons Perform Premium IOL or Glaucoma Procedures?
  - Can You Accommodate Retina?
  - Can You Accommodate the Increased Volume of Laser Procedures?
  - Can You Accommodate a Roll-In Lasik?
  - Can You Accommodate Non-Ophthalmic Procedures?

# Other Concerns For Single Specialty Eye Centers

- Can You Expand to Multi-Specialty?
  - Do Your Owners Consider (Selective) Multi-Specialty As Too Much of a Headache?
  - Do You Have Access to the Capital Required for the Expansion?
  - Can You Recruit the Staff Required for the Expansion?
  - Will This Be Full- or Part-Time Additional Staff?

# Single Specialty Eye Centers: Reimbursement Trends

- Ophthalmology Fared Reasonably Well in New Medicare ASC Payment System
- YAG Procedure Will See the Biggest Reimbursement Decline

# Future Concerns for Single Specialty Eye Centers: Medicare Reimbursement - Transition and Trends

		2007	2008	2009	2010	2011
66984	Cataract Removal w/IOL	\$973.00	\$976.76	\$980.52	\$984.27	\$988.03
66821	YAG	\$312.50	\$288.20	\$263.90	\$239.60	\$215.29
65855	ALT	N/A	\$148.54	\$148.54	\$148.54	\$148.54
65426	Pterygium w/ Corneal Excision w/Graft	\$717.00	\$777.63	\$828.25	\$898.18	\$959.50
66150	Glaucoma Filter w/No Shunt	\$630.00	\$712.38	\$794.75	\$877.13	\$959.50

# Expanding Revenue Growth With Multifocal Lenses

- Are You Using Multifocal and Accommodating IOLs: ReSTOR®, ReZoom™, crystalens®?

# Case Study: Multifocals

For Enhanced Profitability, Surgeons Must Allow the Center to Bill for the IOL

- Recognize the Surgeon's Professional Fees for Multifocals Increases By Extra Pre-Operative In-Office Testing Over and Above Standard IOL
- Three Billing Scenarios for the Multifocal IOL
  - A: Doctor Bills & ASC Fails to Bill a Handling Charge
  - B: Doctor Bills & ASC Does Bill a Handling Charge
  - C: ASC Bills for the IOL

# Case Study: Multifocals – Scenario A

## Doctor Bills & ASC Fails to Bill a Handling Charge

- Typical Cataract Removal w/IOL
  - CPT 66984: \$976.76
    - \$150.00 IOL Allotment
    - \$826.76 ASC Net Revenue
  - If Typical Average Cost of IOL is \$60, Then ASC 'Loses' \$90 of Net Revenue per Case

# Case Study: Multifocals – Scenario B

Doctor Bills & ASC Does Bill an Ordering & Handling Charge

- Typical Cataract Removal w/IOL
  - CPT 66984: \$976.76
    - \$150.00 IOL Allotment
    - \$826.76 ASC Net Revenue
  - Now, ASC Bills 10% of Premium IOL Cost (\$895) as Handling Fee (\$89.50)
  - Handling Fee Offsets ‘Lost’ Net Revenue, So ASC Breaks Even

# Case Study: Multifocals – Scenario C

ASC Bills for the IOL (assuming \$1,500 Premium IOL Charge)

- ASC Bills Patient: \$1,350 for IOL (Portion That Exceeds the \$150 Medicare Allotment)
- ASC Net Revenue: \$ 976.76
- Handling Fee (est.): \$ 89.50
- Total Net Revenue: \$2,416.26
- Less IOL Cost (\$895.00)
- Est. Contribution \$1,521.26
- As Compared to \$ 916.76 (\$976.76 - \$60 IOL Cost)
- **Increased Profit/Case: \$604.50**

# Case Study: NTIOLs

## No Enhanced Net Profit

- Lens Reimbursement Increase: \$50.00
- Lens Cost Increase: (\$50.00)

ASC Net Revenue Impact      \$ 0.00

# Bringing Retina Cases Into Your Center

- Do You Have the Size, the Space and the Staff to Add Retina?
- What is the Equipment Outlay, with a Current Expandable Modular Phaco vs. New Stand-Alone?
- What Additional Supplies and Staff are Needed?
- Can You Tolerate Late Add-On Cases?
- Scheduling Challenge

# Case Study: Retina

## Equipment Needs

• Posterior Segment Vitrectomy Instrument, Including Light Source (Avg Cost-Refurbished)	\$50,000
• Microscope Modification (For Rapid Room Turnover, Might Consider Two)	\$25,000
• Laser	\$25,000
• Filters, Indirect Ophthalmoscope	\$ 5,000
• Surgical Instruments	\$10,000
• Cryo Unit	<u>\$10,000</u>
<b>Total Capital Expense</b>	<b>\$125,000</b>

# Case Study: Retina

## Disposable Packs

- Very Surgeon-Specific
- Back Table Pack
- Silicone Oil
- Gas

Range from \$320-650/case

\$30-150/case

\$400-500

\$40/case

# Case Study: Retina

## Profitability

- Driven By Case Mix and Volume
- Need 4-5 Membrane Strippings per Week
- Need Medicare as Primary Payor
- Need to Negotiate Carve-outs or Better Reimbursement with Average Payor
- Surgeon Preferences
  - If Laser Every Case → \$100/probe/case
  - If Gas → \$ 40/case
  - If Oil → \$400/case
  - If Prefers Dye Plus Scrapers → More Cost

# Case Study: Retina

## Profitability (continued)

- Once Equipment is Amortized, Duration of Procedure Will Be the Primary Factor in Determining Profitability

# Case Study: Retina

- Profitability is Directly Related to Time of Procedure

Total Number of Cases	5			
	Time per Case	0.75		1.50
Reimbursement per Case	\$ 1,540.44	\$ 7,702.20		\$ 7,702.20
Supplies Cost per Case	\$ 500.00	(2,500.00)		(2,500.00)
Other Operating Exp/Case	\$ 350.00	(1,750.00)		(1,750.00)
Staffing Cost per Hour	\$ 500.00	(1,875.00)		(3,750.00)
		\$ 1,577.20		\$ (297.80)

# Bringing ALT, SLT, and YAG Laser Cases To Your Center

- Can You Absorb the Added Volume and the Quick Turnaround?
- Consider Performing Cases in Between OR Cases
- Can That Reduce the Surgeon's Request for a Second OR?

# YAGs, ALTs, SLTs: Site of Service Differential

	In-Office Prof. Fee	In-Facility Prof. Fee	ASC Facility Fee
66821	\$294.07	\$254.39	\$288.20
65855	\$270.63	\$253.88	\$132.53

# Lasers: Site of Service Considerations

	In-Office	ASC
Pros	<ul style="list-style-type: none"><li>-Convenience</li><li>-Less Complex Charting</li><li>-Additional Income</li></ul>	<ul style="list-style-type: none"><li>-Done When Surgeon is in a 'Procedure Mind Set'</li><li>-Can Be Squeezed in at Any Time, Any Day</li><li>-Can Be Dribbled in Between OR Cases</li><li>-Staff is Prepared for Rapid Turnover</li></ul>

# Lasers: Site of Service Considerations

	In-Office	ASC
Cons	<ul style="list-style-type: none"><li>-Must Schedule All Patients for Same Time in a Busy Office Schedule Which is Not Set Up for Rapid Turnover</li><li>-Cannot Do an 'Emergency' on a Late Add-On Case if the Unit is Rented (Time is Limited)</li></ul>	<ul style="list-style-type: none"><li>-Requires Slightly More Chart Documentation</li><li>-Might Result in a Slight Reduction in Professional Fee (Site of Service Reduction)</li></ul>

# Innovative Laser Strategy for ASCs

- Assuming You are Pressed for OR Time with Too Many Surgeons Wanting the Same Start Time,
- Assuming Your Surgeons Are Adaptable,
- Assuming Your Surgeons Have a Long-Term View of Personal Income,
- Assuming That a Decision Has Been Made That at Some Future Time, Each Partner Will Sell His Shares (All or Some) to the Current Partners or to an Outside Company
- Then...

# Innovative Laser Strategy for ASCs

- Recognizing That Long-Term Revenue is Valued at a Multiple of 6-7x the Short-Term Dollar,
- All Efforts Should Be Directed at Enhancing ASC Bottom Line Profitability

## Conclusions:

- Do ALT/SLT Procedures in the ASC in Between Cases,
  - Which Will Allow the Surgeon to be Maximally Efficient in One (not Two) OR
  - Which Permits the Second OR to be Filled by Another Surgeon Enhancing Revenue

# Bringing Glaucoma Cases To Your Center

- Scenario 1:
  - Current Reimbursement: ~\$950
  - Cost of Shunt: (\$450 - 655)
  - Gross Contribution: \$500 – 295
  - Typical Supplies: (\$ 65)
  - Cost of Graft Material (\$255)
    - Avail. To Pay Staff/Admin \$180 – (25)

# Bringing Glaucoma Cases To Your Center

- Scenario 2:
  - In Addition to 66180, Consider Also Billing 67255 (Scleral Reinforcement)
    - 67255 Reimburses at \$335 (50% - secondary procedure)
    - Result Increases Pre-Staff + Admin Revenue to \$515

# Case Study: Glaucoma

	2007	2008	2009	2010	2011
66180	\$717.00	\$948.76	\$1,180.52	\$1,412.28	\$1,644.04

# Bringing LASIK Cases To Your Center

- Requires Space and Access
- Consider It a Cosmetic Plastic Procedure
- Do It to Accommodate Your Doctors if They Have No Better Alternative Site for LASIK

# Multi-Specialty Expansion

## Minimal

- Add One Specialty (Pain Management)

## Moderate

- Add Two Specialties (Pain Management + GI)

## Maximum

- Add as Many Specialties as Possible (Pain, GI, Orthopedics, ENT, Plastics, Urology, Podiatry)

# Is Consensus Achievable Among Your Physician Partners?

- Consensus
  - Of Supplies
  - Of Phaco Technology
  - Of One Room or Two Rooms
  - Of Schedule/Block Book
  - Of IOLs
  - Of Viscoelastics