



## **ASC Turnaround: Lutheran Campus Case Study**

*A story of leadership and clinical  
improvements that boosted one  
center's annual revenue by  
47 percent.*

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SURGERY CENTER EXCELLENCE

**WHITE PAPER**

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When the **Lutheran Campus Ambulatory Surgery Center (LCASC)** in Wheat Ridge, Colorado opened in late 2005, it seemed poised for success. Community physicians and the local hospital came together for the joint-venture ASC, with the physicians maintaining majority control. The hospital interviewed a number of management companies and selected the one it believed would maximize the ASC's benefits for the community and the returns for the facility's investors.

It didn't take long for any visions of a successful ASC to fade. LCASC experienced losses of **more than \$1 million** in 2006 and more than **\$1.4 million** in 2007.

"We opened the ASC and the management was horrible," recalls orthopedic surgeon Thomas Fry, M.D., an investor in and board member of LCASC. "As we started going through all of the money that was available, including the reserves, it became a real question of whether the ASC would even survive."

## WHAT WENT WRONG

With LCASC heading toward bankruptcy, PINNACLE III was brought in to conduct an audit. "Many of the ASC's surgeons were familiar with PINNACLE III through their work at other surgery centers in the area and convinced the hospital that we needed PINNACLE III to come in and give us a second opinion on whether we could survive or not," Dr. Fry says.

What PINNACLE III discovered put LCASC's future even more in doubt, says PINNACLE III's CEO and President Robert Carrera. "The center never realized the volume they had projected in their pro forma. Their staffing didn't meet the needs of the physicians. There was a great deal of turnover and a large pool of per diem staff both of which led to the physicians never developing a comfort level with the people working there. They had a very difficult time collecting revenue on the cases that were being performed. They were paying way too much for supplies. With all of these problems, they dug themselves into a hole to a point where they weren't able to pay their bills."

When presented with this information, Dr. Fry says LCASC's leadership was taken aback. "The management company did some unbelievable stuff," he recalls. "From the way they hired people to paying full retail for supplies, we were all just stunned when PINNACLE III provided their report."

The report also included PINNACLE III's recommendations for changes. The leaders of LCASC reviewed the recommendations and found them to be reasonable. They elected to remove the existing management company and entered into a six-month management agreement with PINNACLE III.

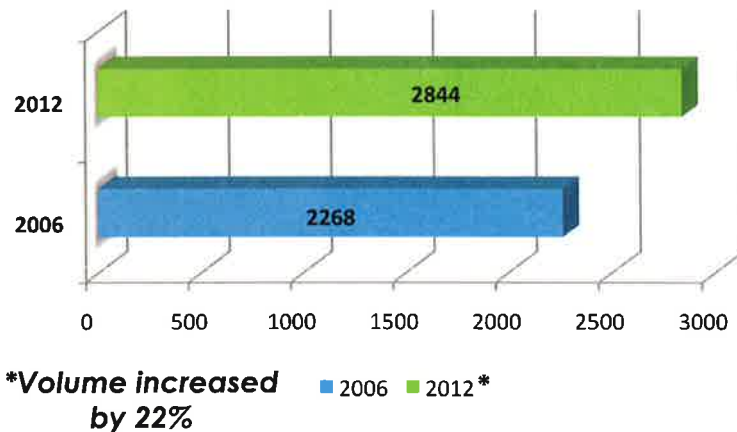
## ACROSS-THE-BOARD CHANGES

At that time, physician perception was there was a lack of management focus on sound business practices, clinical quality and customer service, while staff held the perception there was a distinct lack of direction and leadership. When PINNACLE III assumed management in mid-2008, the center was projecting a loss of nearly \$2 million.

### **PINNACLE III quickly got to work.**

"We went out and marketed to physicians heavily, trying to bring back partners who weren't doing many cases due to their experiences at LCASC and going after physicians who had thought about investing in the past but decided against it," Carrera says. "We evaluated the staff that were already there, looked to see if we needed anybody else and worked on growing the physicians' confidence in their team while building the staff's confidence in the ASC's leadership. We focused on bringing about improvements in a number of other areas as well, including customer service, policies and procedures, materials management and the overall culture of the ASC."

### **Annual Patient Volume Increase**



To address the revenue cycle problems, LCASC contracted with PINNACLE III's centralized billing office, **Specialty Billing Solutions**.

## BUILDING ON SUCCESSES

After six months had passed, LCASC renewed the management agreement for another six months because of the improvements brought about by PINNACLE III and Specialty Billing Solutions in such a short period of time. Due to the renewed focus on operational and revenue cycle management, the center ended up cutting its projected 2008 loss by 75 percent. "We still had some significant problems to overcome, but the hemorrhaging had stopped," Dr. Fry says.

PINNACLE III continued to implement improvement measures. LCASC's loans were renegotiated under much more favorable conditions. Significant time was spent changing and renegotiating purchasing contracts and taking advantage of savings offered through LCASC's group purchasing organization. Existing physician investors were convinced to bring more of their cases to the ASC, while a group of orthopedic surgeons that used to perform procedures at LCASC became investors.

Meanwhile, Specialty Billing Solutions conducted “forensic collections.” PINNACLE III’s Specialty Billing Solutions team culled through all the old accounts to ensure they had been processed properly and as much money was collected on them as possible. The team re-evaluated all the write-offs, checking to make sure they were accounted for properly and there wasn’t any money left on the table. Specialty Billing Solutions also implemented new collection processes and trained LCASC’s staff to adhere to defined collection parameters on new accounts.

“We worked very closely with the board on these efforts,” Carrera recalls. “We met monthly with the board with a strong focus on the financials. We evaluated the cash flow analysis several times a week, looking at what bills we could pay and when we could pay them. We put a thorough plan together and implemented that plan for the turnaround.”

## ACHIEVING PROFITABILITY

Turnaround efforts have continued over the last few years, with LCASC undergoing refinancing and re-syndication. In 2012, more than **\$1 million** was distributed to the investors and similar distributions are expected to continue in 2013.

“We went from a cash call to paying dividends for four straight quarters and showing a profit,” Dr. Fry says. “I relate that totally to the changes that PINNACLE III identified and put into practice. Specialty Billing Solutions has made a tremendous difference as well. Their expertise and hard work really turned things around for us. It’s hard not to be happy with the difference between a cash call and a dividend payment.”

As a joint venture with high hopes of being profitable, LCASC certainly knew what life was like at the bottom. Thanks to fortitude and the willingness of LCASC investors to partner with an outside expert, like PINNACLE III, the company knows that management support and billing service will continue to be maximized by quality staff, while the doctors focus on delivering superior health care services to their patients.

***And, investors will continue to see quarterly dividend checks that prove it.***

## Annual Revenue Increase



■ 2006 ■ 2012\*

***\*Revenue increased by 22%***

For more information about Lutheran Campus ASC or PINNACLE III, please contact Simon Schwartz at [sschwartz@pinnacleiii.com](mailto:sschwartz@pinnacleiii.com).