



ASC Insights And Trends Overview

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Shift of Surgeries to ASC Delivers Clinical and Economic Value to All Stakeholders

Patient



- **Convenience:** Facilities closer to home
- **Speed:** Same-day surgery
- **Cost:** Less expensive

Payers



- **Cost:** Lower reimbursement for same quality of care

Surgeon



- **Financials:** Physician owners share profits, higher margin vs. hospital
- **Convenience:** Quicker turnover, predictable hours
- **Comfort:** Growing comfort in ASC surgeries for increasingly complex procedures

Life Sciences



- **Innovation:** New devices and technology enabling safe and high-quality procedures at an ASC

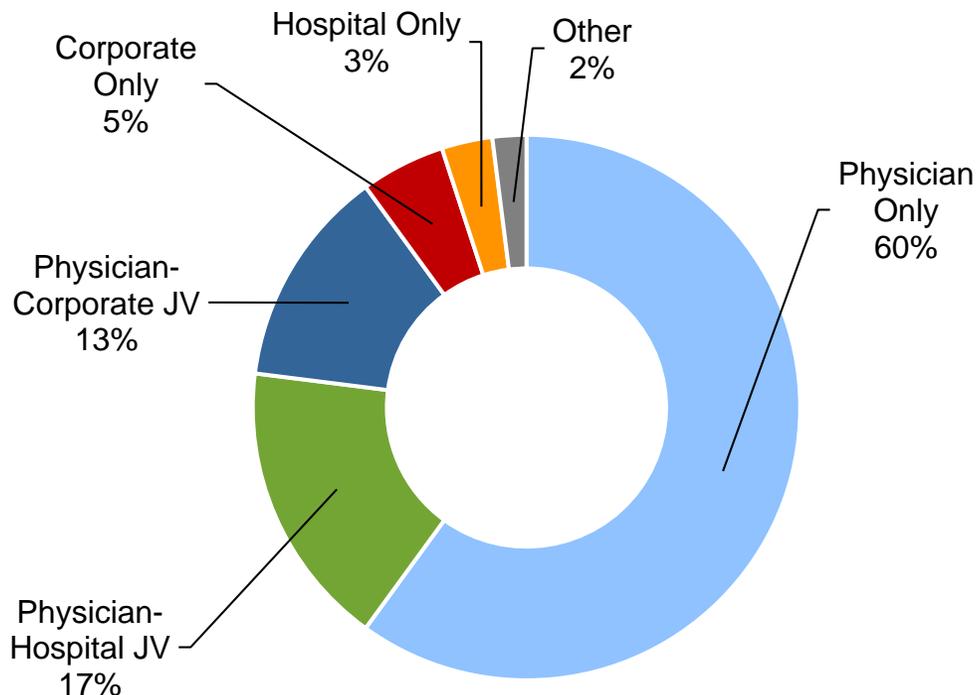
Health Systems



- **System of CARE:** Prevent patient leakage to out-of-system sites
- **Consumerism:** More convenient for patients

ASCs Are Still Largely Physician Owned Today, Although Some Health Systems Are Making Significant Investments in ASCs

Distribution of ASCs by Ownership Type, 2022



Recent Health System Investments in ASC

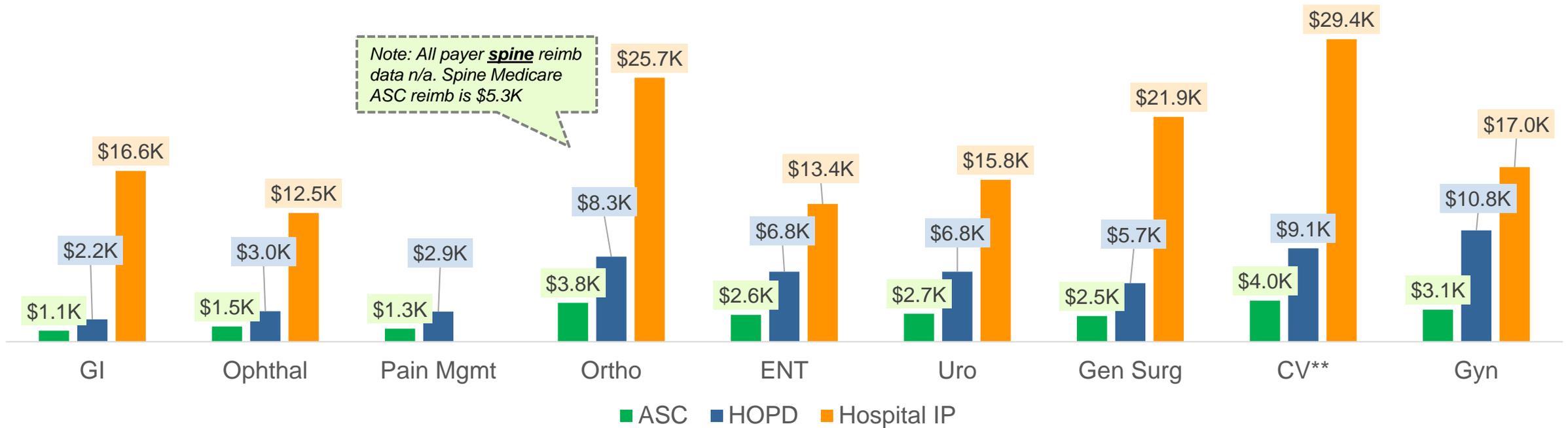
- **Bon Secours Mercy Health:** Partnership with Compass Surgical partners to develop 30+ ASCs across multiple states
- **OhioHealth:** Created company with Surgery Partners to grow ASC JVs across Ohio
- **Intermountain Health:** Signed collaboration agreement with Surgery Partners to develop ASCs in its markets and manage its existing ASCs
- **Tenet/USPI:** Acquired 45 ASCs from SurgCenter Development for \$1.1B in 2020, and then remaining 92 ASCs in 2021

ASC Chain Ownership

- **USPI** – Tenet
- **AMSURG** – Independent Company (no outside owner)
- **SCA** – UnitedHealth Group (part owner)
- **Surgery Ventures** – HCA
- **Azura Vascular Care** – Fresenius Medical Care

While ASC Reimbursement is Lower Than Hospital Reimbursement...

Average Procedure Reimbursement (All Payer) Estimates* by Specialty and Site of Care



*ASC reimbursement estimates are from VMG Health. HOPD reimbursement estimates calculated by applying Medicare HOPD/ASC reimbursement ratio by specialty to ASC reimbursement rates from VMG Health. IP reimbursement calculated based on analysis of Vizient Clinical Database.

**CV HOPD and ASC reimb data availability is limited. Data in chart represents a rough estimate based on Medicare rates and what Sg2 has seen in the market.

Reimbursement may vary by geography due to variance in wages, expenses and liability insurance

ASC Total Addressable Market Today in Terms of Procedure Volume is Substantial

Total Addressable Market

Across specialties, there were approximately **26.7M procedures performed in ASCs in 2023**



Highest Volume Specialties

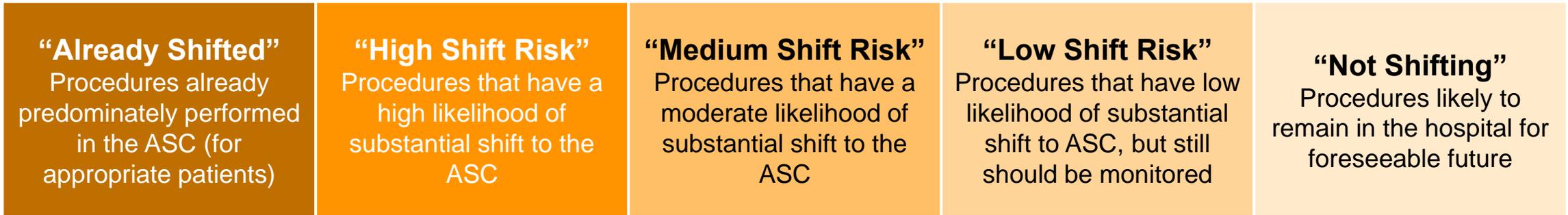
GI: 9.1M

Ophthalmology: 8.4M

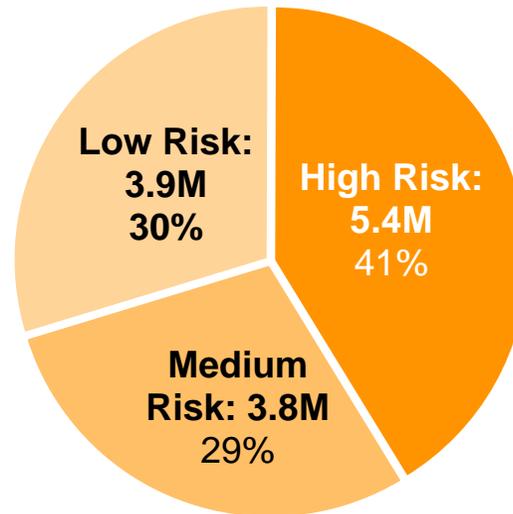
Pain Management: 5.5M

Ortho: 4.4M

Procedures Across Specialties Are at Various Stages of “Shift” from the Hospital to ASC



Total HOPD volume at risk of shift to ASC: **13M**

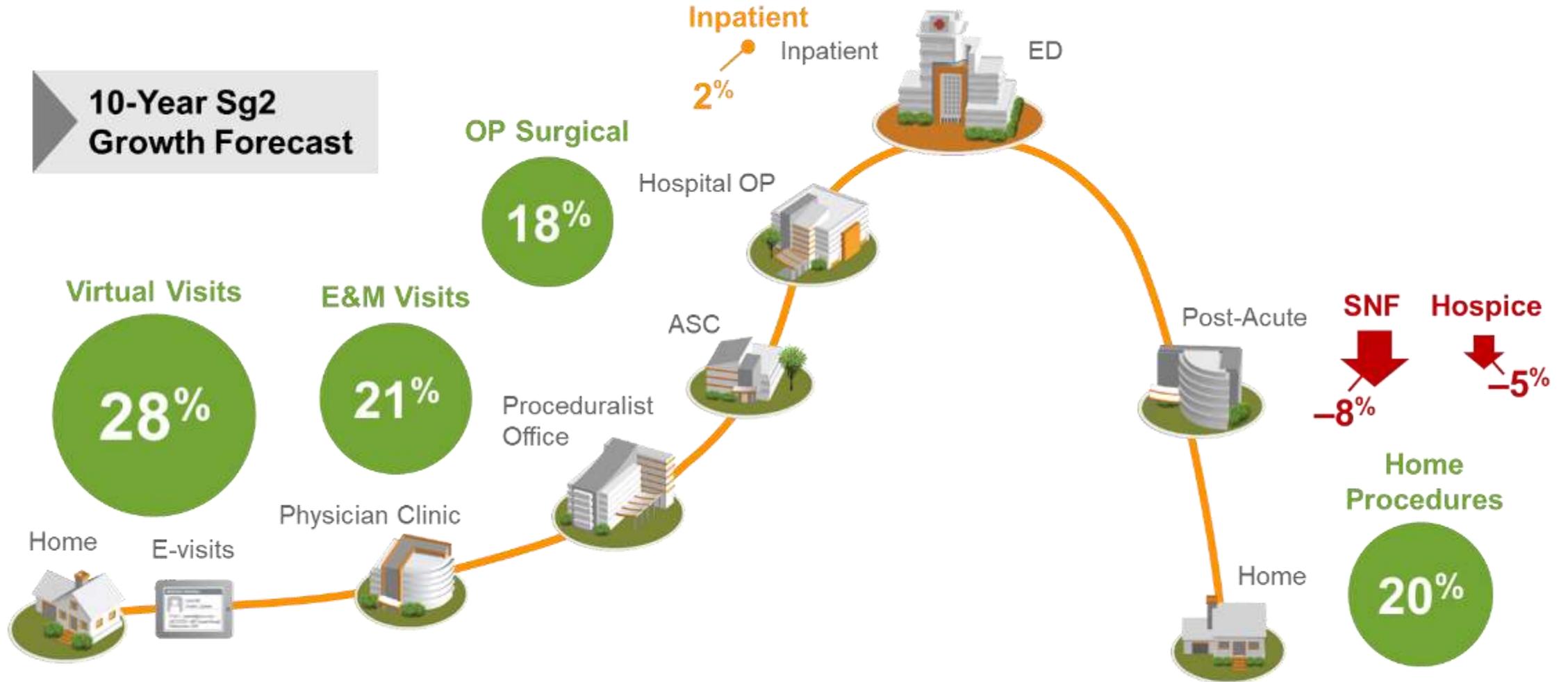


Within Each Specialty, the Shift-to-ASC Story is Procedure-Specific

HOPD Procedures at Risk of Shifting to ASC Over Next 5-10 Years

| Specialty | Already Shifted | High Shift Risk | Medium Shift Risk | Low Shift Risk | Not Shifting |
|--------------------|---|--|---|--|---|
| Cardiology | | | | <ul style="list-style-type: none"> • Pacemakers & Implantable Defib. • Implantable Loop Recorder • Diagnostic Catheterization • Percutaneous Coronary Intervention • Intracardiac Catheter Ablation | <ul style="list-style-type: none"> • Open Heart Surgery |
| GI | <ul style="list-style-type: none"> • Colonoscopy | <ul style="list-style-type: none"> • Upper GI Endoscopy | | <ul style="list-style-type: none"> • ERCP | <ul style="list-style-type: none"> • Colon Resection |
| Gen Surgery | | <ul style="list-style-type: none"> • Appendectomy | <ul style="list-style-type: none"> • Hernia Repair • Bariatric Surgery | <ul style="list-style-type: none"> • Cholecystectomy | |
| Orthopedics | <ul style="list-style-type: none"> • RF Ablation • Trigger Finger Release | <ul style="list-style-type: none"> • Carpal Tunnel Release • Hammertoe Procedures • First Ray (Foot) Procedures | <ul style="list-style-type: none"> • Rotator Cuff Repair • Primary Hip Replacement • Primary Knee Replacement | | |
| Spine | | <ul style="list-style-type: none"> • Spinal Decompression/Laminectomy | <ul style="list-style-type: none"> • Cervical Spinal Fusion | <ul style="list-style-type: none"> • Lumbar/Thoracic Spinal Fusion | |
| Urology | <ul style="list-style-type: none"> • Cystoscopy | | <ul style="list-style-type: none"> • Lithotripsy Procedures | | <ul style="list-style-type: none"> • Prostatectomy |
| Vascular | | | | <ul style="list-style-type: none"> • Endovascular Procedure – Peripheral • AV Fistula | |
| Other | <ul style="list-style-type: none"> • Cataract Surgery | | <ul style="list-style-type: none"> • Lumpectomy/Mastectomy • Percutaneous Biopsy • Neurostimulator – Parkinson’s Disease, Pain • Bronchoscopy | <ul style="list-style-type: none"> • Hysterectomy | <ul style="list-style-type: none"> • Organ Transplant • Craniotomy • Neurostimulator Procedures for Epilepsy and Other Seizure Disorders • Most Lung Procedures |

Where Will Growth Come From?



Note: Analysis excludes 0-17 age group. ASC = ambulatory surgery center; E&M = evaluation and management; SNF = skilled nursing facility. **Sources:** Impact of Change®, 2023; Proprietary Sg2 All-Payer Claims Data Set, 2021; The following 2021 CMS Limited Data Sets (LDS): Carrier, Denominator, Home Health Agency, Hospice, Outpatient, Skilled Nursing Facility; Claritas Pop-Facts®, 2023; Sg2 Analysis, 2023.

Site of Care Shifts Continue Throughout the Decade

OP surgical
volumes to grow

18%

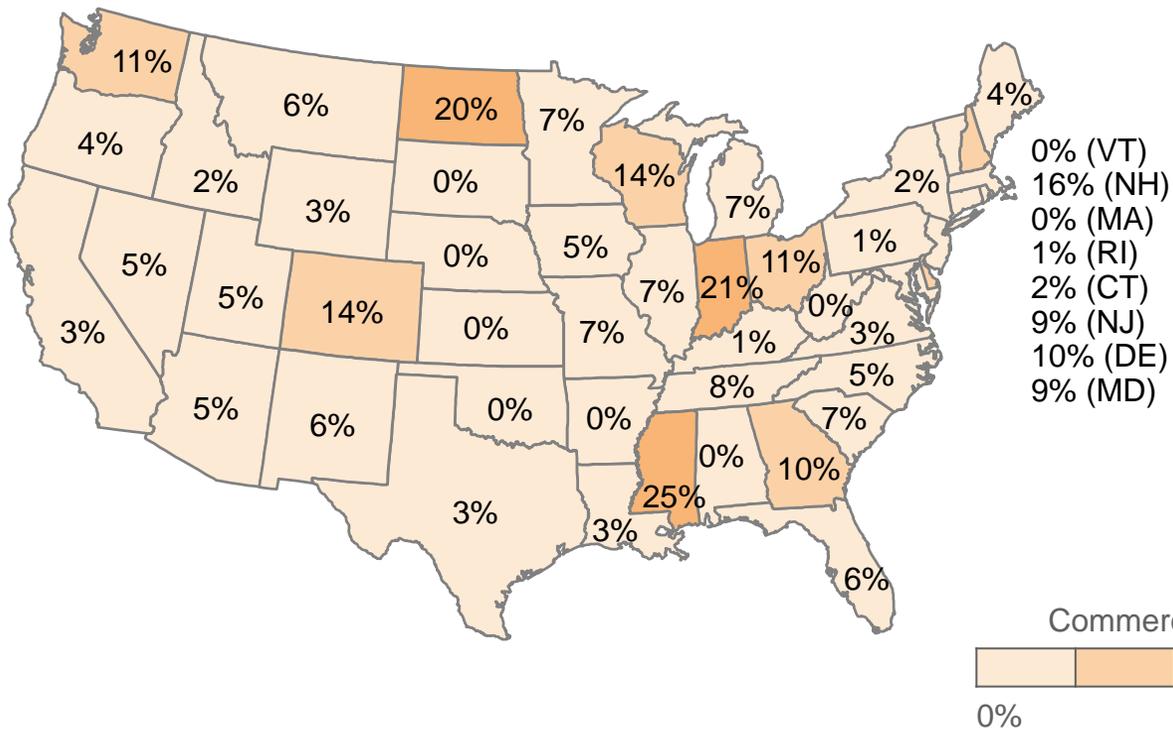
by 2033

TOP SHIFTING PROCEDURES

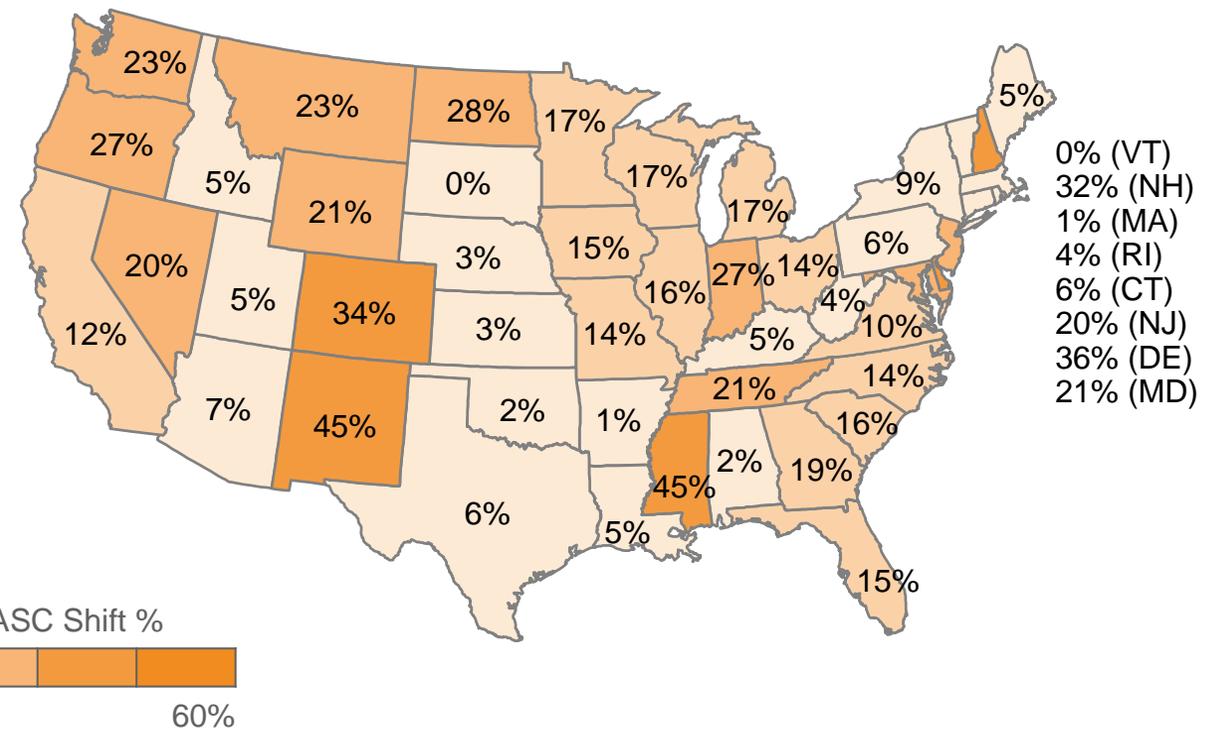
- ▶ Total Joint Replacement
- ▶ Lumbar/Thoracic Spinal Fusion
- ▶ Revision Knee Replacement
- ▶ Prostatectomy
- ▶ Cervical Spinal Fusion
- ▶ Cholecystectomy
- ▶ Bariatric Surgery

ASC Shift Accelerates as Procedures Are Removed From Inpatient Only List – Geographic Variation Also Plays a Role

Elective Knee Replacement %ASC
Commercial Claims, 2019



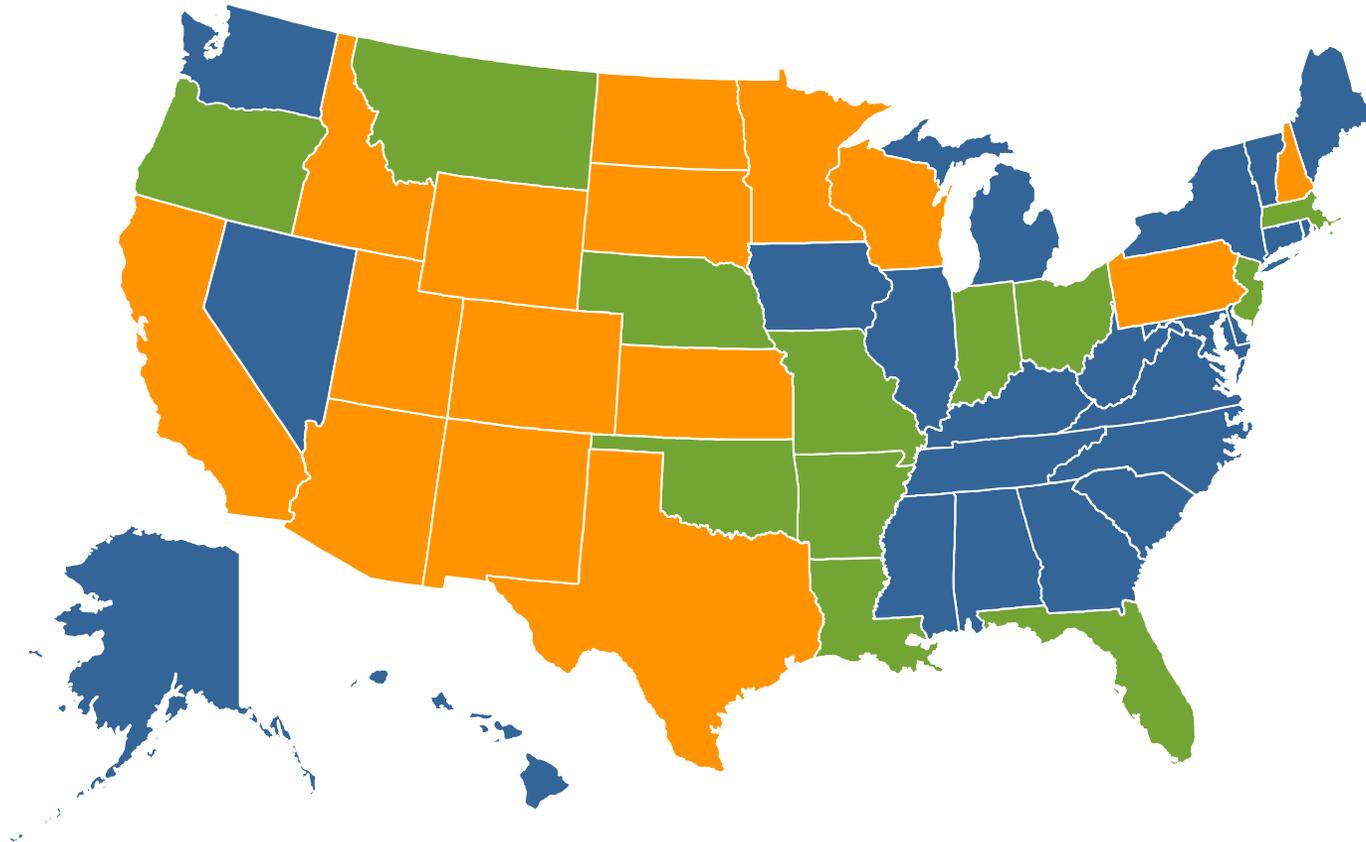
Elective Knee Replacement %ASC
Commercial Claims, Q1–Q3 2022



Note: Analysis excludes 0–17 age group and includes commercial claims only. Elective knee replacement includes primary knee replacement and Osteoarthritis CARE Family only. %ASC includes ambulatory surgery centers only. **Sources:** Proprietary Sg2 All-Payer Claims Data Set; IQVIA; Sg2 Analysis, 2023.

Current and Emerging Regulatory Factors Influence ASC Market Growth

Current Certificate of Need Requirements



23 states have ASC CON legislation.

12 states have CON programs but don't regulate ASCs.

27 states have no CON regulations.

CON = Certificate of Need. **Sources:** National Conference of State Legislatures. *Certificate of Need State Laws*. January 1, 2023; Robertson M. These 12 states have CON laws that don't restrict ASCs. *Becker's ASC Review*. October 29, 2021.

Current and Emerging Regulatory Factors Influence ASC Market Growth

Current Certificate of Need Requirements



In 2021:

- States that **require** ASCs to apply for a CON have, on average, **1.57** ASCs per 100,000 residents.
- States **with** CON laws that **don't regulate** ASCs have an average of **1.86** per 100,000 residents.
- States with **no CON laws** have an average of **1.96** ASCs per 100,000 residents.

 CON regulations.



CON = Certificate of Need. **Sources:** National Conference of State Legislatures. *Certificate of Need State Laws*. January 1, 2023; Robertson M. These 12 states have CON laws that don't restrict ASCs. *Becker's ASC Review*. October 29, 2021.

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