



Building a Comprehensive Ambulatory Strategy: Build, Buy, or Partner?

AJ Reall, Vice President of Strategy, El Camino Health

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Outline/Agenda

■ Session Overview

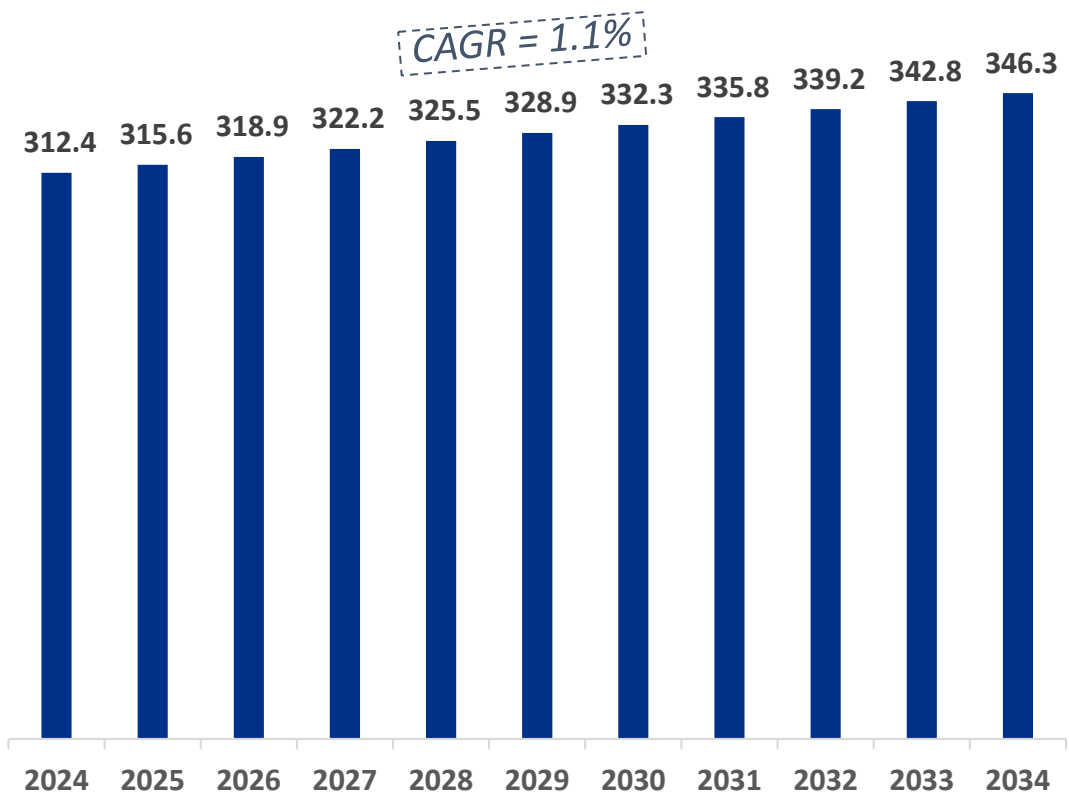
- Explore strategies to develop a comprehensive ambulatory platform: build, buy, or partner
- Compare benefits, risks, and long-term implications of each approach
- Highlight impact on growth, financial performance, and market positioning

■ Learning Objectives

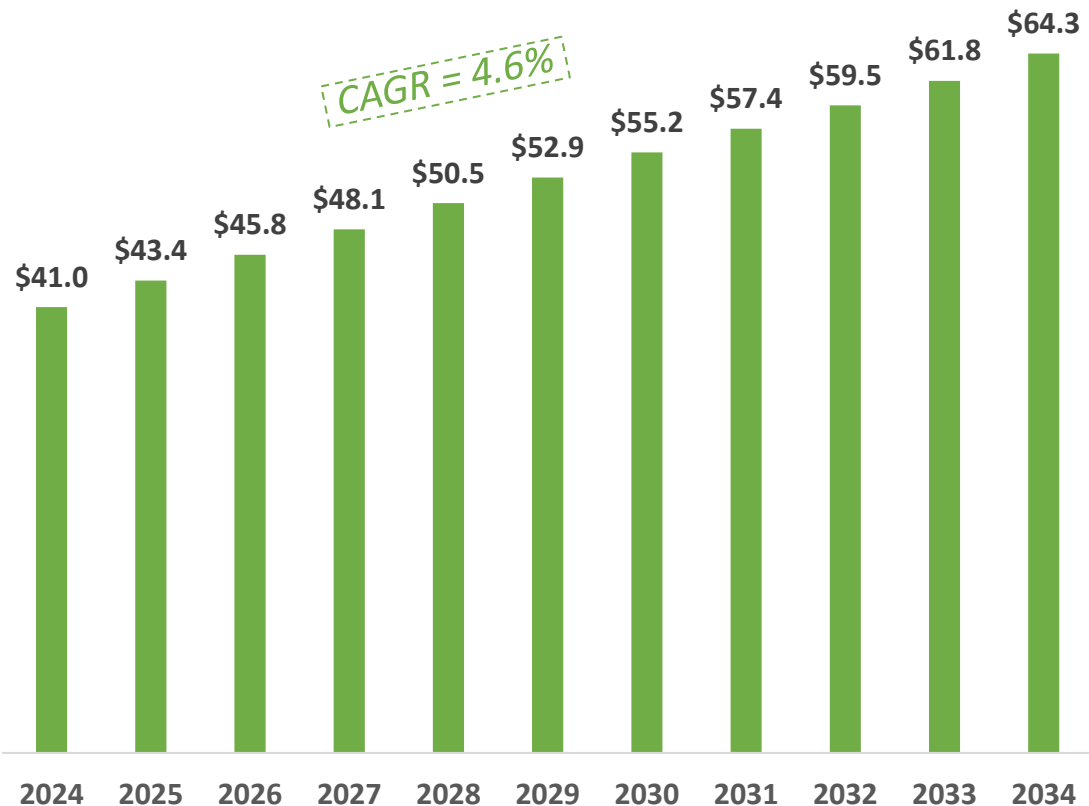
- Assess strategic, financial, and operational trade-offs of each option
- Align ambulatory strategy with organizational goals and patient needs
- Apply decision frameworks to select the optimal growth path

Ambulatory: Modest Volume Growth, Major Market Expansion

U.S. Projected Growth of ASC Volumes 2024-2034
(In Millions)¹



U.S. ASC Market Size Projection 2024 – 2034
(USD Billions)²



Notes:
1. Advisory Board Market Estimator
2. Precedence Research – ASC Market Size Projections (USA Only)

Systems Expand Ambulatory Services for Strategic, Financial and Operational Reasons – Be Clear on the Rationale

Income / ROI	Grow Relationships and Volume from Unaffiliated Groups	Decant Main Campus Surgery Facilities	Extend Geographic Reach/Expand Market
<div>Develop New Profit Centers</div> <div>Decrease Overhead</div>	<div>Joint Venture with Physicians</div> <div>Increase Productivity</div>	<div>Optimize Hospital Resources</div> <div>Reduce Wait Times</div>	<div>Enter New Services Areas</div> <div>Improve Referral Network</div>
Strengthen Strategic Ties to Existing Groups	Recoup Losses on Primary Care	Respond to Competitive Forces	Create Low-Cost ASC Setting
<div>Strengthen Relationship Via Equity</div> <div>Efficient Surgical Environment</div>	<div>Compensate for Losses</div> <div>Expand Ancillary Services</div>	<div>Offensive</div> <div>Defensive</div>	<div>HDHP Commercial Population</div> <div>More Efficient, Higher Quality</div>

Key Considerations: What are your system's strategic objectives? What are you trying to accomplish?

El Camino's Approach

ECH's Ambulatory Plan Began by Defining Strategic Intent & Ended with a Comprehensive Build, Buy, Or Partner Strategy



ECH Prioritized Three Outcomes in the Ambulatory Strategy

Strategic Intent	Description	Key Metrics
Align Key Physicians in Market	Align physicians in core service area to increase provider alignment and increase long-term patient loyalty	<ul style="list-style-type: none"> • Percent of total margin in aligned agreements (employed or partnership) • Referral Volume by Key Physicians • Physician Retention Rate
Grow Profitable Volume	Grow high margin volume while ensuring current HOPD volumes are not shifted to non HOPD sites	<ul style="list-style-type: none"> • Contribution Margin • Market Share by Service Area • Total capital cost • ROI, payback period
Create OR capacity	Shift appropriate/less complex care from HOPD to ASC and create capacity for utilization of Inpatient ORs	<ul style="list-style-type: none"> • Total Inpatient OR capacity created • Estimated backfill volume • Operating margin impact • Total capital cost • ROI, payback period

We Used Five Criteria To Select Facility Options In Key Markets

5 Criteria to Evaluate Market

Facility Type	Market	Population	Competition	Avail. Physicians	Growth Req.	Leaked Volume	Score			
Imaging Center	Mountain	4	4	N/A	2	0	13			
	Northern	4	0		2	0	8			
	Eastern	4	0		4	0	10			
	Western	4	0		4	4	15			
	SC & SV	4	2		2	0	10			
	Tri	4	0		4	0	10			
	Southern	4	4		2	0	13			
Ortho ASC	Mountain	4	2	0	2	N/A	10			
	Northern	4	4	2	2		15			
	Eastern	4	4	4	4		20			
	Western	4	2	4	4		18			
	SC & SV	2	4	0	0	8				
	Tri	4	4	0	2	13				
	Southern	2	4	0	4	13				
Cardiac ASC	Mountain	4	2	0	0	N/A	8			
	Northern	4	4	0	4		15			
	Eastern	4	4	4	4		20			
	Western	4	4	4	2		18			
	SC & SV	0	4	0	2	8				
	Tri	4	4	0	2	13				
	Southern	0	4	0	2	8				
Multi ASC	Mountain	2	2	2	4	N/A	13			
	Northern	4	2	2	4		15			
	Eastern	4	4	4	4		20			
	Western	4	0	4	4	15				
	SC & SV	0	4	0	2	8				
	Tri	4	4	0	2	13				
	Southern	0	4	0	4	10				
Niche/Big Box	Mountain	2	N/A	2	4	N/A	13			
	Northern	4		2	4		17			
	Eastern	4		4	4		20			
	Western	4		4	4		20			
	SC & SV	0		0	2	3				
	Tri	4		0	2	10				
	Southern	0		0	4	7				
			Score Definition	0-7	Not Ideal	8-13	Moderate Match	14-20	Good Match	

We Evaluated Target Markets To Estimate Supply and Demand For Facility Types Unique To The Needs Of The Population

Develop standardized facility archetypes

Evaluate markets to analyze population, market share, and payor mix

There are 4 facility type opportunities for Client

Multi-Disciplinary Imaging Center



Services/Procedures	X-ray, MRI, CT, and Mammography
Composition	2 X-rays, 1 CT, 1 Mammo, 1 MRI and ~ 6,000 sqft
Population Requirements	16k

Single-Specialty ASC



Services/Procedures	Single specialty				
Composition	<table><tr><td>Ortho</td><td>5 ORs, 2 Procedure rooms, and ~24,500 sqft, 11.4 Surgeon FTEs</td></tr><tr><td>Cardiac</td><td>3 ORs, 1 Procedure rooms, and ~17,500 sqft, 7.0 Surgeon FTEs</td></tr></table>	Ortho	5 ORs, 2 Procedure rooms, and ~24,500 sqft, 11.4 Surgeon FTEs	Cardiac	3 ORs, 1 Procedure rooms, and ~17,500 sqft, 7.0 Surgeon FTEs
Ortho	5 ORs, 2 Procedure rooms, and ~24,500 sqft, 11.4 Surgeon FTEs				
Cardiac	3 ORs, 1 Procedure rooms, and ~17,500 sqft, 7.0 Surgeon FTEs				
Population Requirements	96k				

Multi-Disciplinary ASC



Services/Procedures	GI, Ophthalmology, PM&R, Oto, GS, Gyn, and Uro
Composition	3 ORs, 1 Procedure room, and ~14,700 sqft 8.7 Surgeon FTEs, 1,152 Surgeries Per OR Annually
Population Requirements	162k

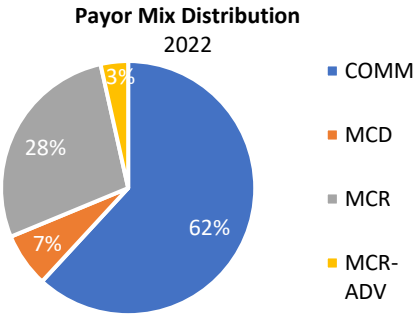
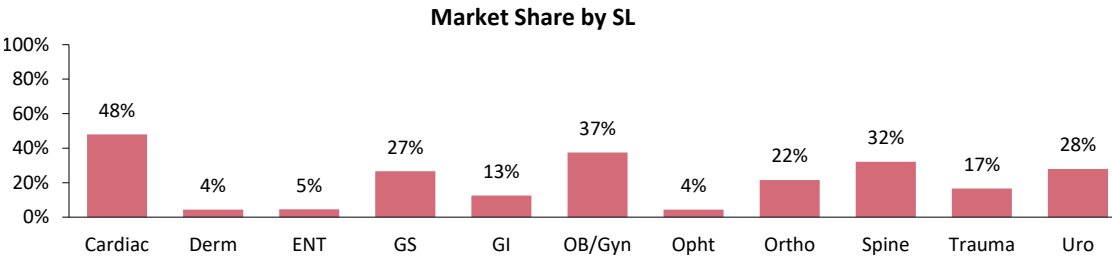
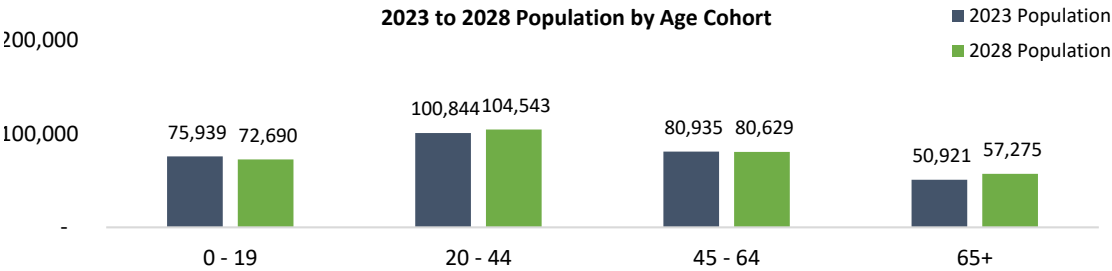
Niche Branded or Big Box (Multi ASC, Imaging and Physician Offices)



Services/Procedures	Women's/Men's Health, Cancer, Imaging, Primary & Specialty Care, and Multi ASC
Composition	3 ORs, 1 Procedure room, 2 X-Rays. 1 CT, 1 Mammo, 1 MRI. Estimated Space: 50,000 sqft ³
Population Requirements	162k

3: Space for Big Box/MOB is an estimate and will depend on space for Exam rooms, etc.

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ECH Determined That Three Facility Types Were Suitable In Four Target Markets

Multi-Disciplinary Imaging Center



Total Sites: 2

- Potential Sites: **1** in **Northern** & **1** in **Southern**
- Proposed Sqft per Site: ~11.2k
- Services Provided: X-Ray, CT, Mammo, MRI, and Ultrasound

Multi-Specialty ASC (Orthopedics, Pain Management, Gastroenterology, & Gynecology)



Total Sites: 2

- Potential Sites: **2** in **Western**
- Proposed Sqft per Site: ~27k – 36.4k
- Services Provided: Orthopedics, Pain Management, GI, and Gynecology

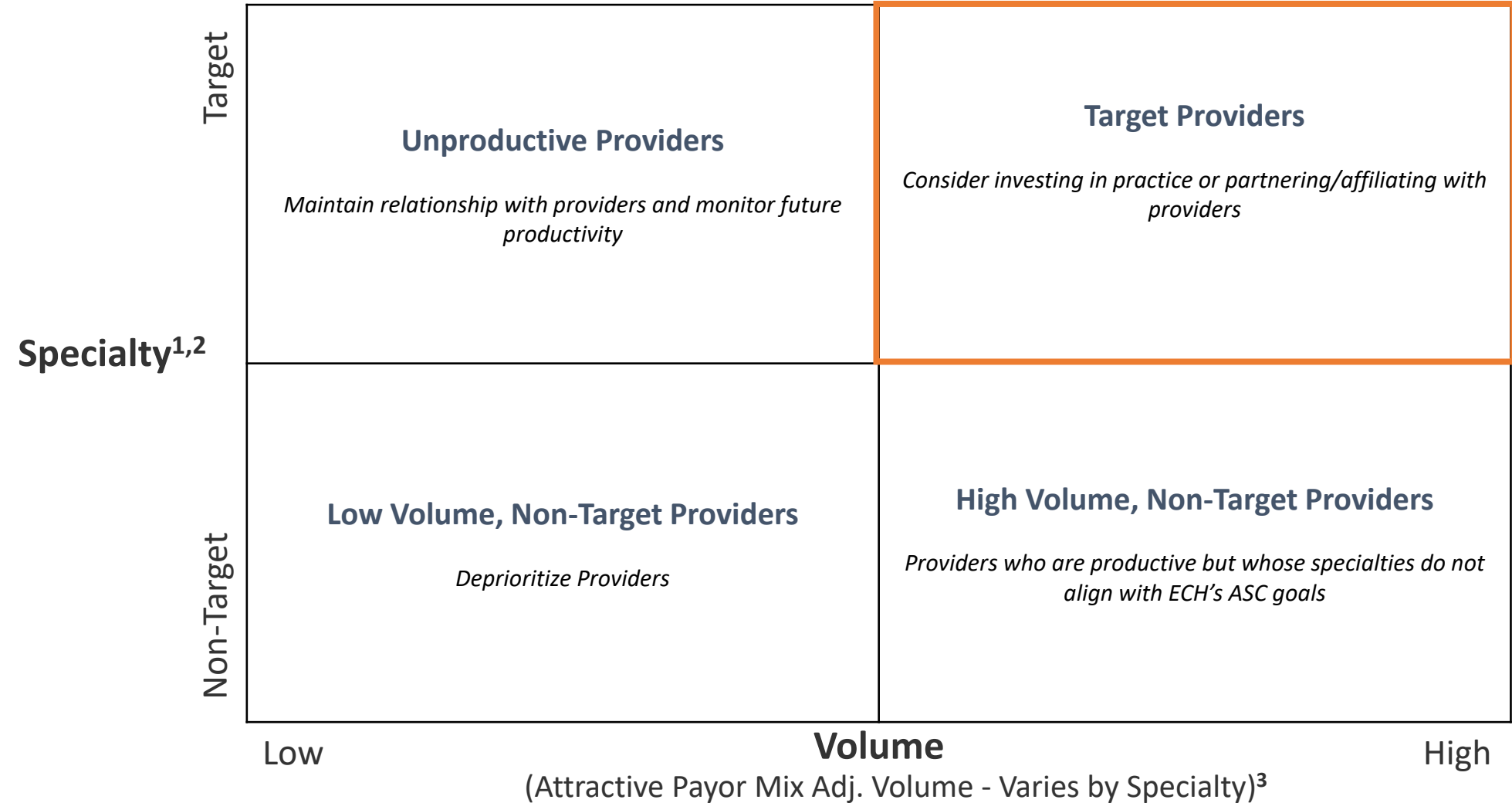
Niche Branded or Big Box (Multi ASC, Imaging, & Physician Offices)



Total Sites: 2

- Potential Sites: **1** in **Western** & **1** in **Eastern**
- Proposed Sqft per Site: ~42.4k - 84k
- Services Provided: Multi ASC (Ortho, Cardiac, GS, GI, Uro, Gyn, Ophthalmology), Imaging, Provider Offices, and Excellence Centers (Women's, Men's, and Cancer)

Next, ECH Evaluated Market Physicians To Identify Providers Best Suited To Fill Facilities Based On Specialty And Productivity

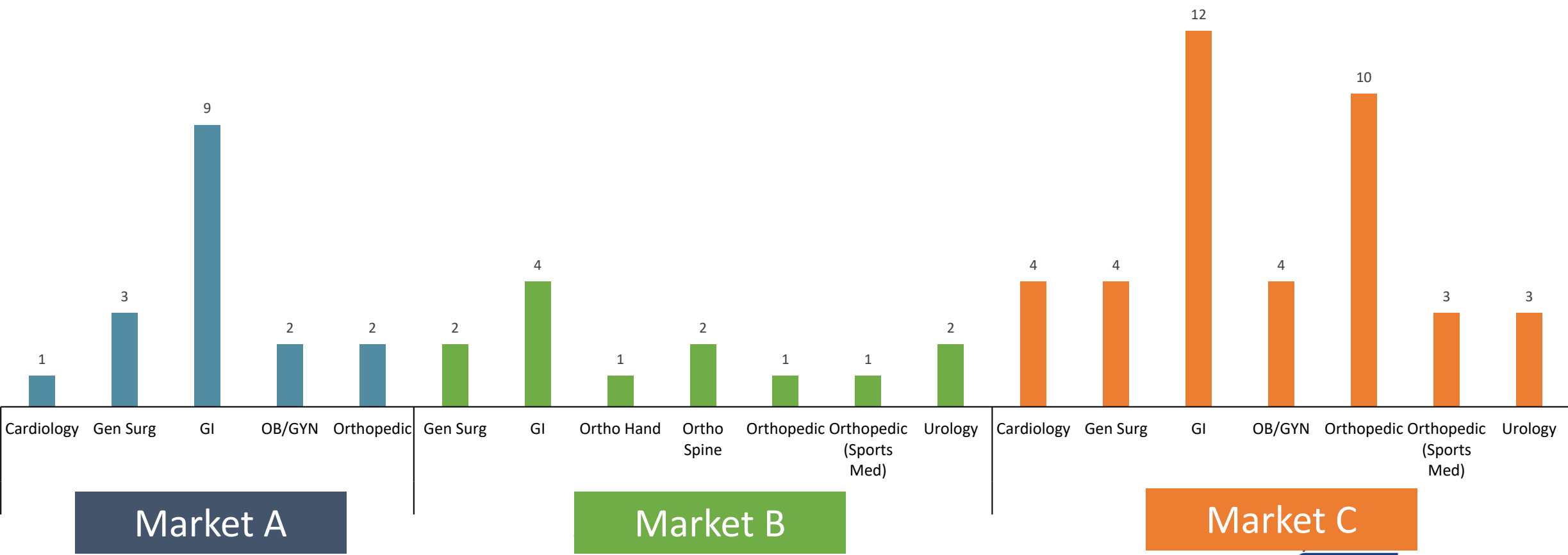


Notes:

- 1. "Target specialties" include: Cardiology, Gen Surg, GI, IV Cardiology, OB/GYN, Ortho Hand, Ortho Spine, Orthopedic, Orthopedic Sports Medicine, Urology
- 2. "Non-Target specialties" Include: Endocrinology, GynOnc, Neurosurg, OncSurg, Ophthalmology, Ortho Peds, Ortho Trauma, Plastics, Podiatry, Radiology, Surgical Critical Care, Thoracic Surgery
- 3. Attractive Payor Mix cutoff was the 40th percentile of commercial reimbursement by specialty

Results Also Guided Service Opportunities Per Market And Revealed Competitor Offerings

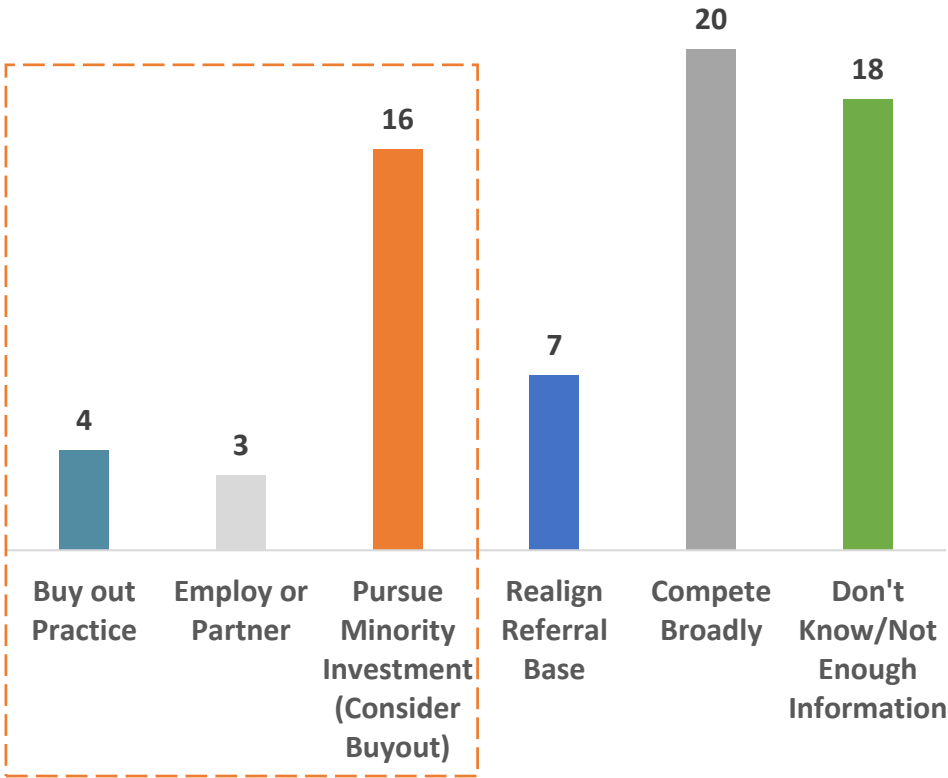
Distribution of Target Physicians by Market



ECH Assessed Target Physicians' Career Stage, Partnership Interest, Contracts, And Referrals To Further Refine Target List Physicians

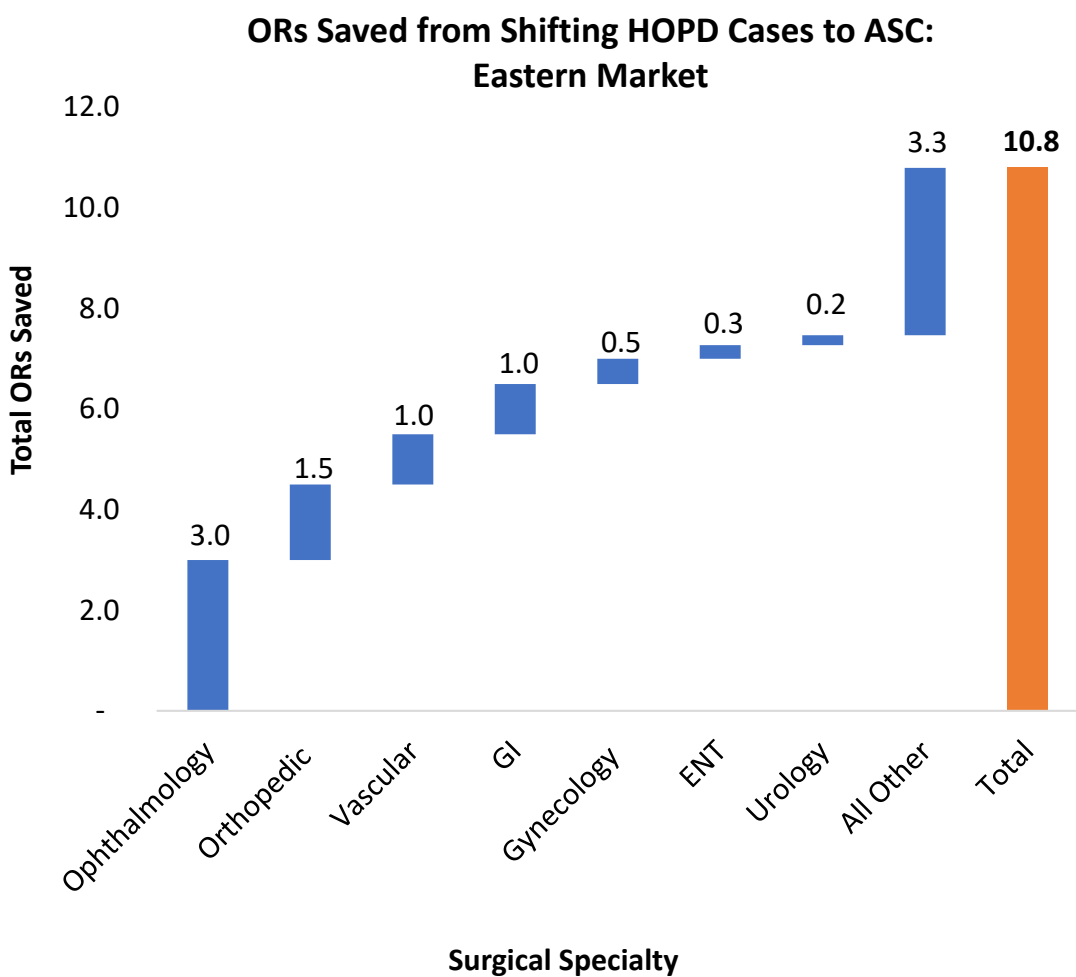
Provider Segment	Career Position	Partnership Interest	Physician Partner?	Referral Source Concentration
Buy Out Practice	Late	High	Yes	High/Low
Employ or Partner	Early	High	No	High/Low
Pursue Minority Investment (Consider buyout)	Early	High	Yes	High/Low
Partner to transition patient relationships	Late	High	No	High/Low
Realign Referral Base	Early/Late	Low	Yes/No	High
Compete Broadly	Early/Late	Low	Yes/No	Low

Results of Physician Liaison Research
(# of Target Physicians)



Case Study: El Camino's Physician Liaison Team Served As An Excellent Resource During This Phase of the Analysis

Market, Physician, And Competitor Analyses Informed Efficiency Opportunities, Facility Strategy, And Proforma Development



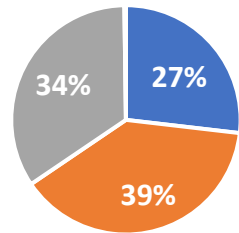
Note: Cases shifted meet the case time criteria by surgical specialty with ASA level of 1 or 2

Facility Overview	Year 1	Year 2	Year 3	Year 4	Year 5
Combined Services (\$000s)	2026	2027	2028	2029	2030
Net Revenues	\$ 23,209	\$ 33,622	\$ 40,623	\$ 41,842	\$ 43,097
Operating Expenses					
Employee Salaries & Wages	4,201	5,672	6,498	6,726	6,961
Employee Benefits & Taxes	838	1,132	1,297	1,343	1,390
Medical Supplies	5,120	7,509	9,139	9,458	9,789
Other Medical Costs	737	1,064	1,286	1,327	1,369
Gen & Administrative	4,245	5,081	5,685	5,884	6,090
Equipment Maintenance	316	603	637	661	684
Occupancy Costs	7,510	7,735	7,967	8,206	8,452
Total Operating Expenses	\$ 22,967	\$ 28,796	\$ 32,510	\$ 33,604	\$ 34,735
EBITDA	\$ 242	\$ 4,826	\$ 8,114	\$ 8,238	\$ 8,363
Interest Expense	1,640	1,511	1,372	1,222	1,060
Depreciation & Amortization	3,143	3,143	3,143	3,143	3,143
Net Income	\$ (4,541)	\$ 172	\$ 3,599	\$ 3,873	\$ 4,160
EBITDA Margin	1.0%	14.4%	20.0%	19.7%	19.4%
Net Income Margin	-19.6%	0.5%	8.9%	9.3%	9.7%

M&A Analysis Started With Assessments Of Target Providers Who Expressed Interest In Partnership From Prior Physician Research

Facility A	
Service Line	Case Mix
GI	87%
Pain Medicine	12%
Other	1%

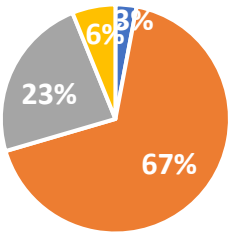
Payor Mix



■ Medicare Advantage
■ Medicare Traditional
■ Commercial

Facility B	
Service Line	Case Mix
Orthopedics	45%
GI	29%
Pain Medicine	23%

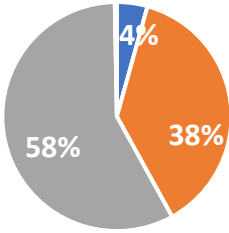
Payor Mix



■ Medicare Advantage
■ Medicare Traditional
■ Commercial

Facility C	
Service Line	Case Mix
GI	90%
Pain Medicine	8%
Other	2%

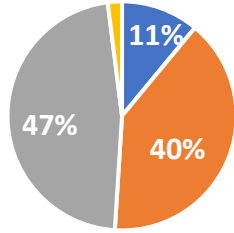
Payor Mix



■ Medicare Advantage
■ Medicare Traditional
■ Commercial

Facility D	
Service Line	Case Mix
Ortho	78%
Pain Medicine	16%
Other	6%

Payor Mix

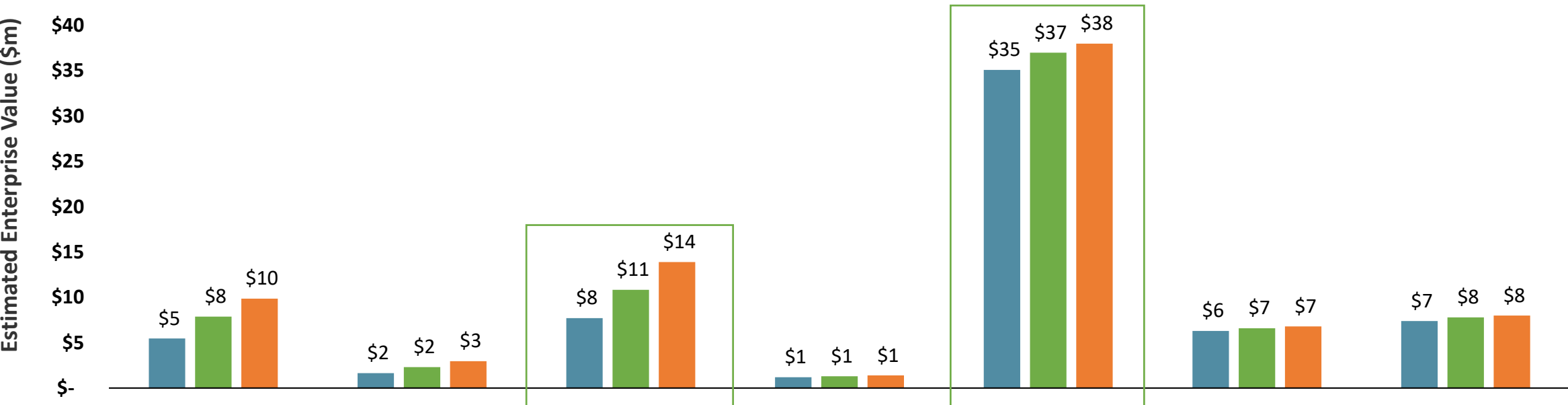


■ Medicare Advantage
■ Medicare Traditional
■ Commercial
■ Medicaid

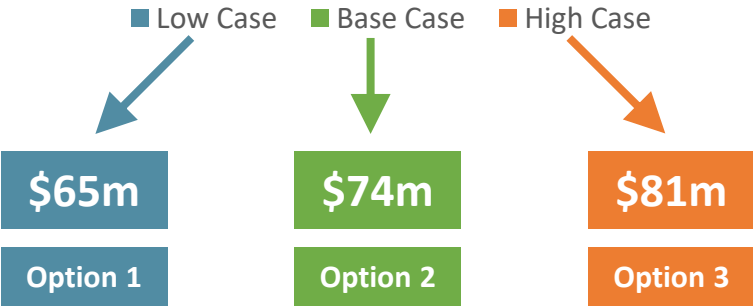
ECH Estimated Enterprise Value Of Interested Facilities to Inform Potential Total Investment

Tip: Perform sensitivity analyses to determine low, base and high case scenarios

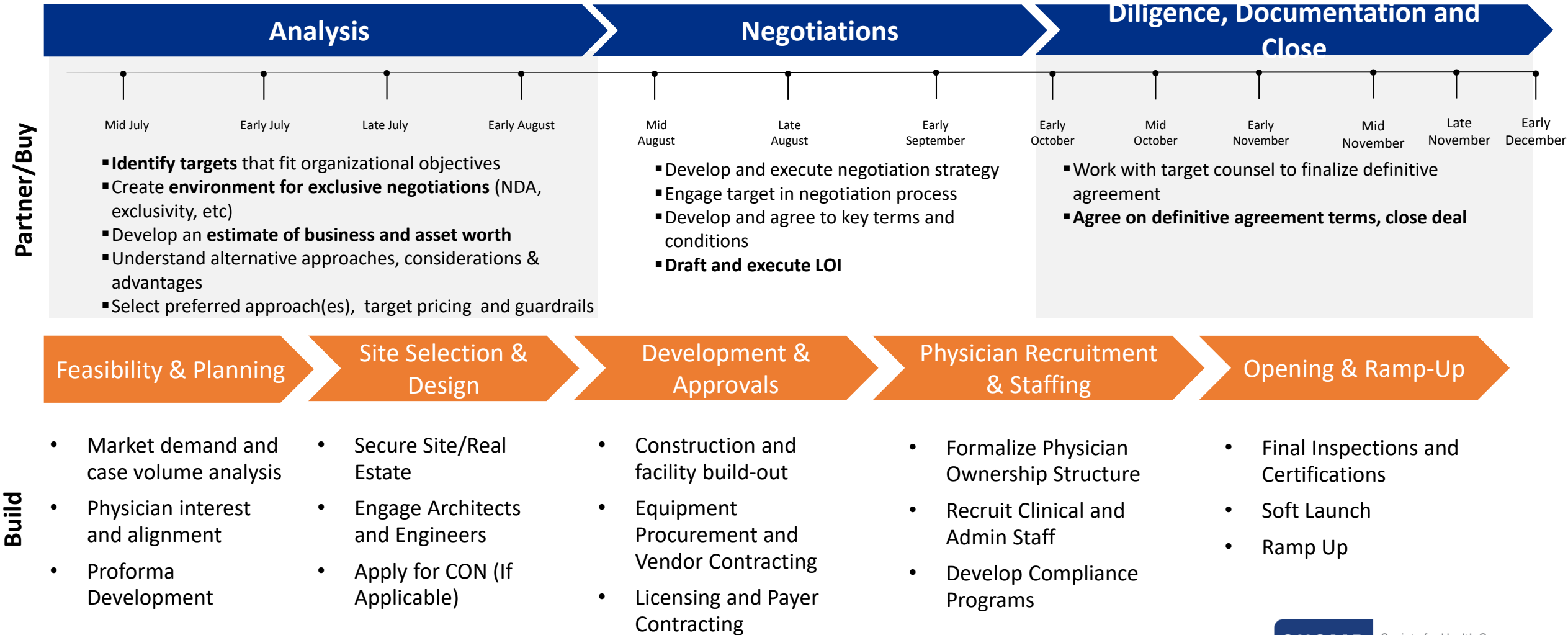
Preliminary Estimate of Enterprise Value (\$m)



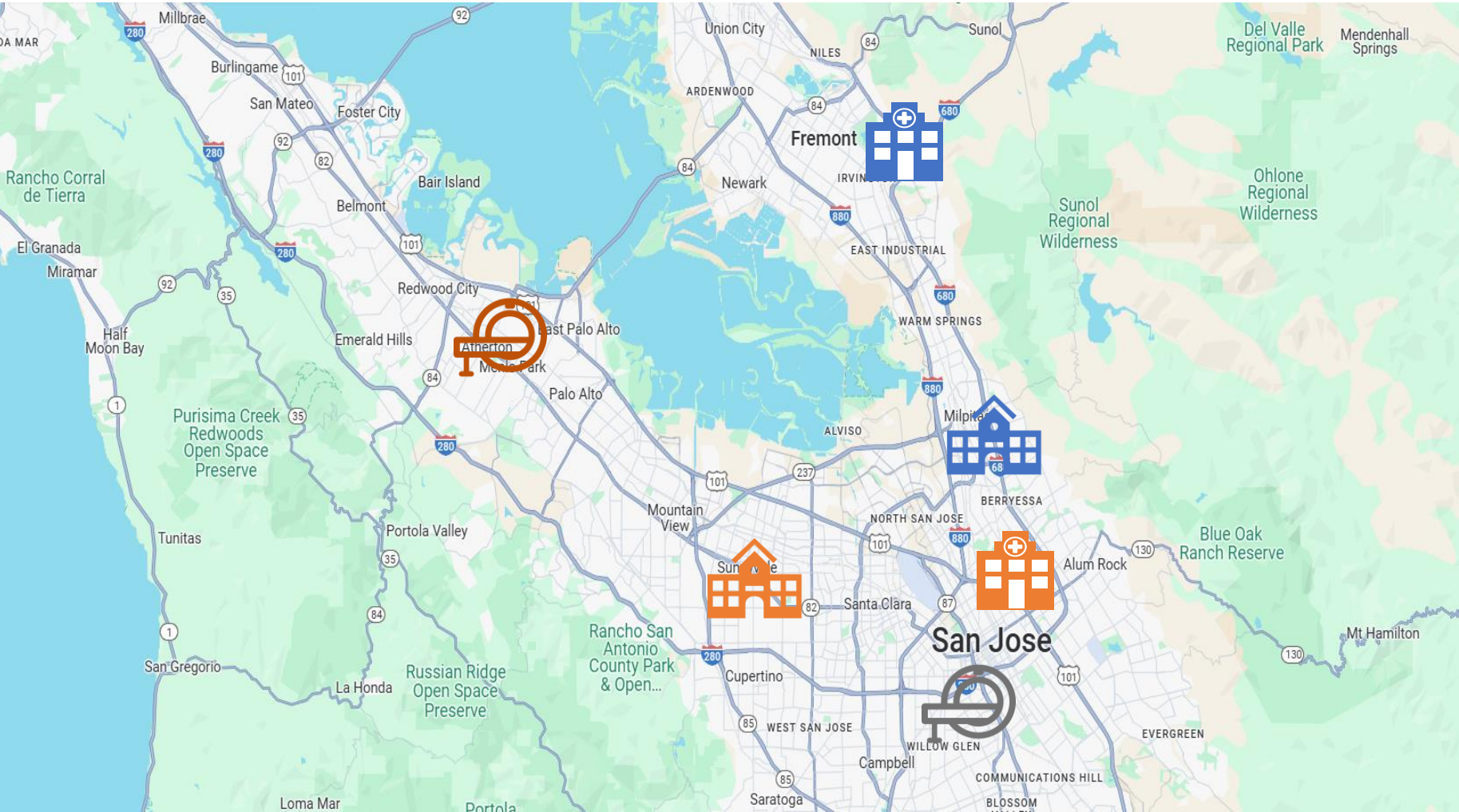
Sales Price Estimate by Target Practice/Facility - Client Confidential



Our Strategy Combined Build, Partner, And Buy Approaches, Each Requiring Unique Next Steps



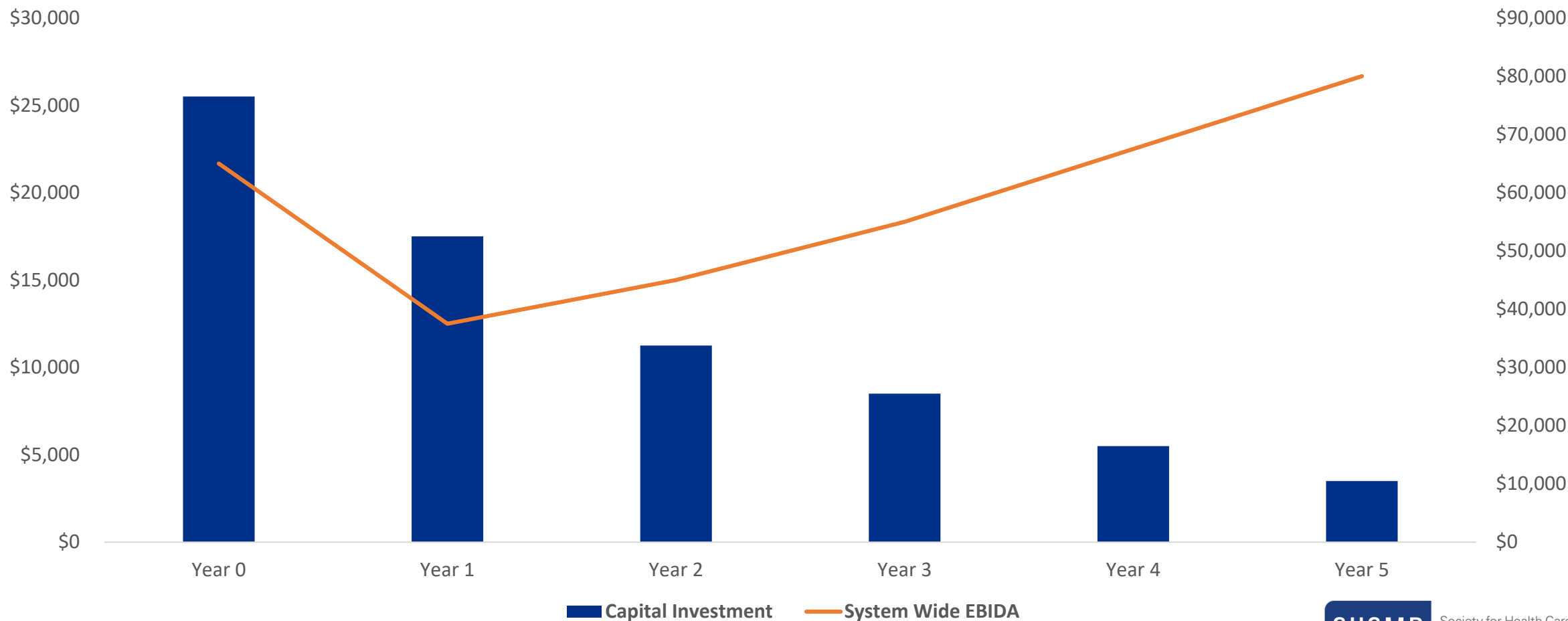
The Final Ambulatory Strategy Distributed Services Across the Service Area with a Facility Types and Make/Buy Approaches



Facility	Icon
Multidisciplinary Imaging	
ASC	
Big Box	
Decision	Key
Buy	
Partner	
Build	

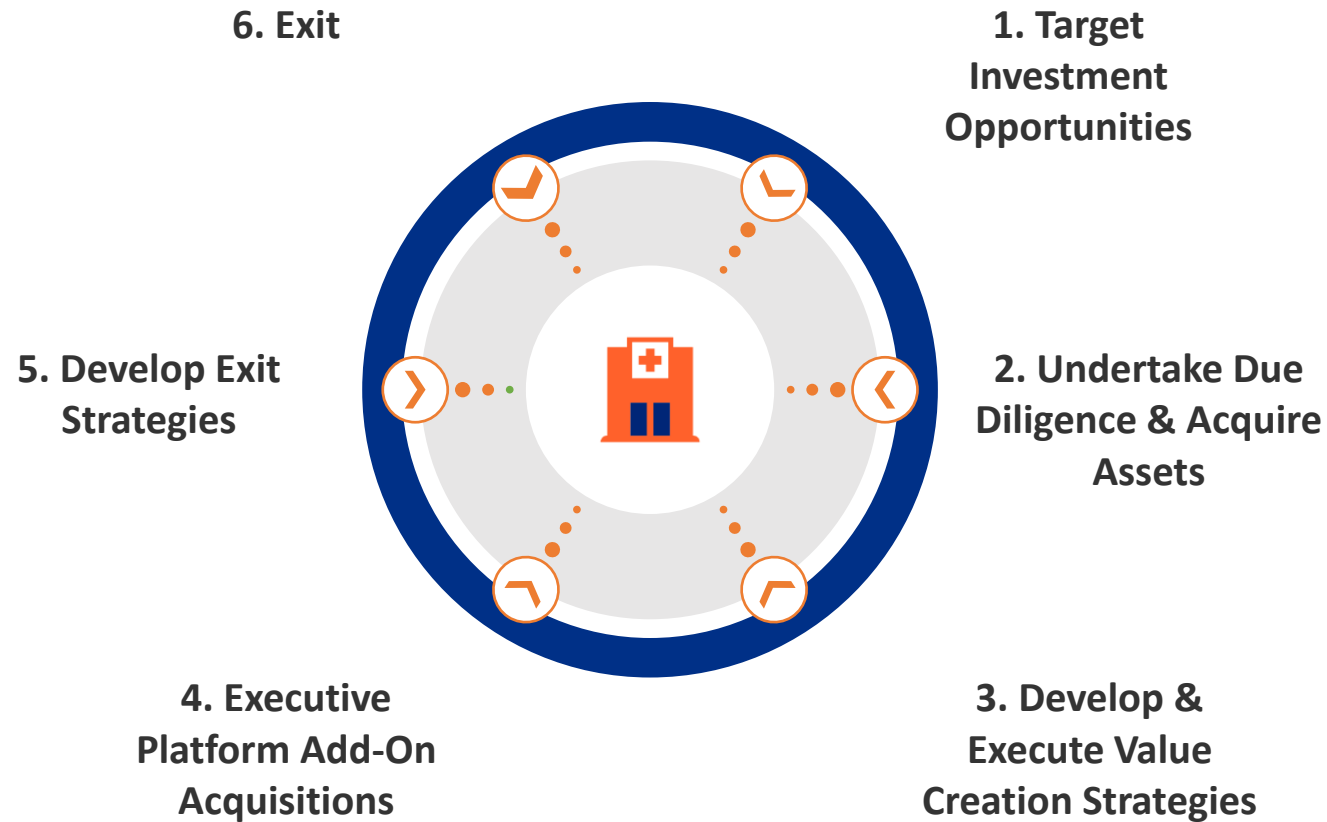
Ambulatory Investment Will Lead To Short-Term Margin Compression But Yield Long Term System EBIDA Growth

Ambulatory Investment Affect on System-Wide EBIDA



Comprehensive Plan Positions Health Systems For When PE Assets Are For Sale

Private Equity Lifecycle



Ascension

AMSURG

Strategic Context:

- In June of 2025, Ascension acquired AMSURG for \$3.9b
- The acquisition adds 250 ASCs across 34 states, increasing Ascension's ASC network from 58 to 300+
- AMSURG was under the KKR umbrella until FY23

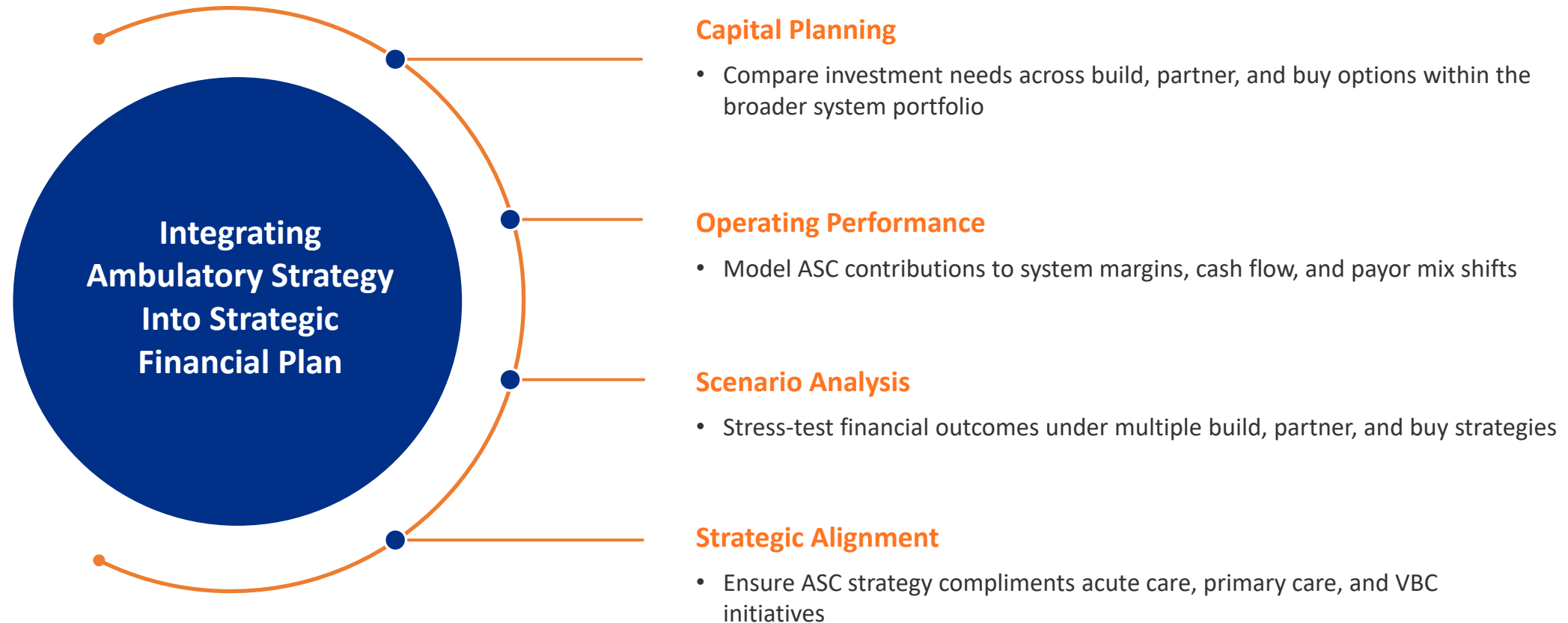
Strategic Rationale

- Ascension is now a top-tier competitor in the ASC space, rivalling major players like Tenet's United Surgical Partners International (USPI) and Surgery Partners
- Ascension intends to uphold AMSURG's physician-led JV model, preserving physician leadership in governance and local care delivery



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Integrating Your Ambulatory Strategy Into Your System's Financial Planning Optimizes Capital Allocation and Strategic Alignment



Key Take-Aways and Action Steps

- Key Takeaways

- Success in ambulatory strategy depends on aligning build, buy, or partner decisions with organizational priorities and market needs
- Financial, operational, and cultural considerations must be evaluated holistically to ensure sustainability
- Using a disciplined decision making framework helps reduce risk and sharpen long-term strategy

- Action Steps:

- **Conduct a readiness assessment:** evaluate internal capabilities, financial strength, and cultural alignment before pursuing any path
- **Map market opportunities:** analyze demand, competition, and potential partners to identify the most strategic growth levers
- **Establish a governance framework:** create a process for evaluating and approving ambulatory initiatives, ensuring executive alignment and accountability



Questions?

Please be sure to complete the session evaluation on the mobile app!

Speaker Biographies



Andreu “A. J.” Reall, Vice President of Strategy, El Camino Health

A. J. Reall is responsible for strategy development and execution, including new business planning and development, strategic intelligence, corporate mergers and acquisitions, and organizational transformation. Mr. Reall has a broad experience base - immediately prior to El Camino Health, he worked in Academic Medical Center leadership in strategy and strategic operations. Prior to his pivot into healthcare, Mr. Reall worked in industry, ranging from consulting to strategic operations.

Mr. Reall received his Bachelor of Science degree in Business Management, with a Strategy specialty from Brigham Young University. He completed a dual degree program at the University of Utah, receiving Master of Business Administration and Master of Healthcare Administration degrees.



Speaker Biographies



Jeff Kilpatrick, Partner, The Innova Group

Jeff has over 20 years of experience as a trusted senior consulting advisor and health system executive for leading healthcare systems nationally. Throughout his career, he has guided health systems to develop strategies, partnerships, grow patient care volume, transform delivery models, increase access, and improve clinician alignment.

Prior to joining The Innova Group Jeff was a Managing Director at Kaufman Hall. In this capacity he focused on strategic planning, service line planning, and innovative partnerships. Prior to Kaufman Hall, Jeff worked with a variety of health systems ranging from Northwestern Medicine, Loyola University Medical Center to Children's Healthcare of Atlanta.

Jeff holds a BA in Political Science from the University of North Carolina at Chapel Hill and an MBA/MPP from the University of Michigan's Stephen M. Ross School of Business and The Gerald R. Ford School of Public Policy.

