



The evolving landscape of ASCs: adapting to financial challenges and embracing collaboration

The 1970s and '80s witnessed an increase in ambulatory surgery centers (ASC) creating a cost-effective and efficient alternative to traditional hospital surgeries, providing new opportunities for anesthesia practices. These centers offered new benefits such as a mix of insurance payments, no on-call requirements and more predictable surgical schedules.

With more than 9,000¹ ASCs across the U.S., outpatient surgery volumes are expected to grow 15% by 2027² indicating new ASCs are still on trend.

But with an aging population and surgeons moving complex cases to ASCs, some previously enjoyed benefits are diminishing.

A higher percentage of government insurance payers, lead to longer surgical cases and reduced operating room utilization. Additionally, the need for anesthesia providers has skyrocketed with GasWork.com reporting a 96% increase in demand for anesthesiologists and an 80% increase for certified registered nurse anesthetists since 2020.³ These factors create financial challenges for anesthesia practices that serve ASCs. **The table here illustrates a deteriorating payer mix in a sample ASC.**

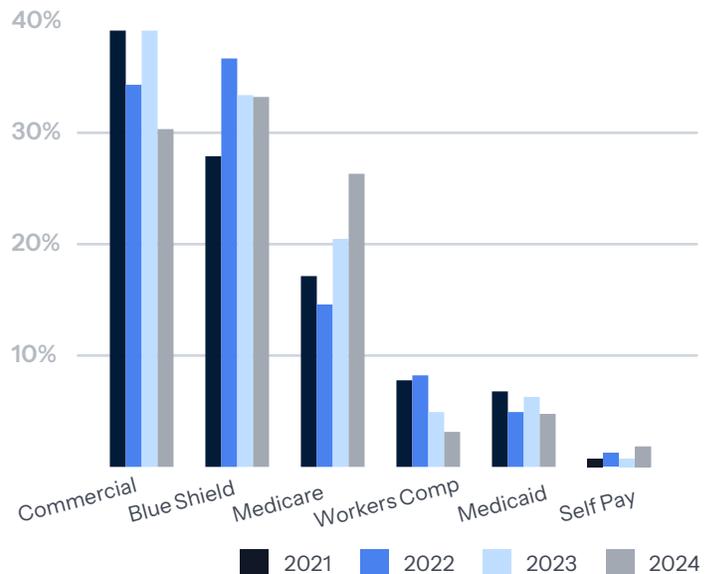
*Graph presents data from an internal, blinded client study.



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Sample ASC Anesthesia Payor Mix Trend*



Current ASC challenges

Since the pandemic, anesthesia provider costs, the structure of the ASC needs to be adjusted. Many providers seek fewer working hours and avoid on-call requirements for a better work/life balance, contributing to a shrinking workforce. What once was a profitable venture for anesthesia groups in ASCs has become increasingly challenging.

We have found anesthesia groups need either financial support or changes in coverage schedules to continue providing services at ASCs.

When assessing ASC feasibility with anesthesia groups, business lines, revenue and costs for each site need to be considered. We notice groups often evaluate their profitability on a consolidated basis, rather than recognizing the individual financial performance of each site, leading to poorer performing service sites subsidized by more profitable locations—ultimately threatening the group’s long-term financial sustainability.

A step-by-step methodology

1. **Create an anesthesia staffing model** for ASC coverage requests.
2. **Assign fair market value (FMV)** to each provider type based on regional market trends, work hours, paid time off and coverage hours.
3. **Calculate reasonable revenue projections** based on case types and payer mix for the ASC, including bad debt allowances.
4. **Factor in billing fees and other operating expenses.**
5. **Prepare a financial pro forma** to determine margin versus shortfall for each ASC.
6. **Evaluate room utilization and efficiency** by day and time.
7. **Propose alternative scheduling patterns** to maximize revenue while reducing staffing costs.

Sample ASC Annual Anesthesia Services Profit/Loss Analysis

	Current	FMV	FMV w/ Staffing Efficiency
NET REVENUE	\$3,500,000	\$3,500,000	\$3,500,000
MD - FTEs	5 People	5 People	4 People
MD - Compensation & Benefits	\$441,600	\$603,750	\$603,750
RNA - FTEs	12 People	12 People	10 People
CRNA - Compensation & Benefits	\$315,500	\$330,500	\$330,500
TOTAL DIRECT EXPENSES	\$5,994,000	\$6,984,750	\$5,720,000
TOTAL INDIRECT EXPENSES (Overhead expenses & admin)	\$350,000	\$350,000	\$350,000
TOTAL EXPENSES	\$6,344,000	\$7,334,750	\$6,070,000
NET INCOME (LOSS)	-(\$2,844,000)	-(\$3,834,750)	-(\$2,570,000)

Note: The numbers used in the model are for illustration purposes only and are not recommendations from Coronis Health.

Adjusting support strategies

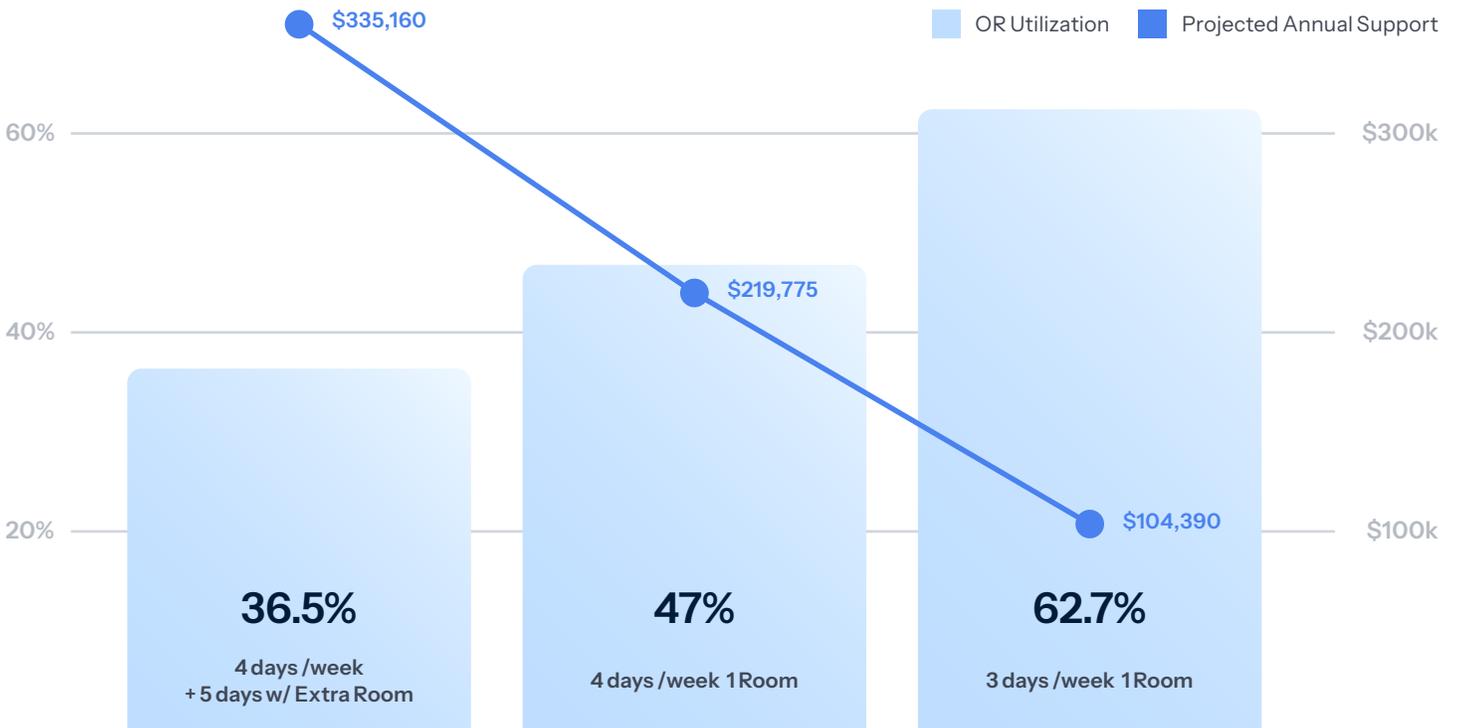
Since anesthesia practices can't control volumes, payer mixes or rising provider costs, our team has adjusted how we structure ASC support. We recommend a cost-plus model or a room-guarantee model where the ASC must cover the costs of providing services, adjusted for actual cash collections.

This approach encourages the ASC to schedule efficiently and maximize room utilization, con-

taining anesthesia costs and aligning them with revenue generation. As provider costs increase or as the ASC expands coverage, the anesthesia group is protected from additional shortfalls. See the table to see how changes in coverage can contain costs while maintaining capacity and reducing anesthesia service costs.

ASC profitability and collaboration

Sample ASC Annual Anesthesia Services Profit/Loss Analysis*



*Graph presents data from an internal, blinded client study.

When managed effectively, ASCs can yield high profit margins within the industry average standards at 25%.⁴ As trends shift toward ASCs needing to subsidize anesthesia services, it is crucial for ASC leadership, surgeons and anesthesia providers to work together.

The Coronis Health team fosters this partnership because greater alignment leads to better support for the overall success of the venture, ensuring long-term sustainability and growth for all involved.

ASCs don't fail from lack of volume—they fail from operational misalignment. **That's why we start with real data, not assumptions.**

Our team of experienced anesthesia-exclusive executive talent provides analysis and support so our clients can enjoy beneficial ASC subsidy arrangements.

Citations:

1. Person (2023) How many ambulatory surgery centers are in the U.S.?, Definitive Healthcare. Available at: <https://www.definitivehc.com/blog/how-many-ascs-are-in-the-us>
2. Newitt, P. (no date) ASCS to see 25% Surgery Volume Growth by 2032: 5 stats, Becker's ASC Review. Available at: <https://www.beckersasc.com/asc-news/ascs-to-see-25-surgery-volume-growth-by-2032-5-stats.html>
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4. Team, T.A. (no date) 7 critical ambulatory surgery center financial benchmarks your accountant should know, The Amblitel Blog. Available at: <https://blog.amblitel.com/7-critical-ambulatory-surgery-center-financial-benchmarks-your-accountant-should-know>

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