

Strategic Planning Annual Retreat



Saturday, August 21, 2010



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Welcoming and Opening Remarks (Continued)

- If our visions are all aligned in the right direction for the group, then the individual issues, private nuances of life, and the conflicts all become less.
- I would remind you that all situations have several ways to be interpreted, mostly they differ in the "eye" of the individual....should the individual's "eye" then see the vision that is best for the group, the differences disappear.



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Today's Agenda

Time From	Time To	Topic	Presenter (s)
8:30 AM	8:39 AM	Breakfast: Self-Serve	N/A
8:40 AM	8:49 AM	Welcome and Opening Remarks	Dr. Oswald
8:50 AM	8:59 AM	Mission and Vision Statements	Dr. Oswald / J. Ricchini
9:00 AM	9:14 AM	SWOT Analysis	Dr. Oswald / J. Ricchini
9:15 AM	9:34 AM	CTVS Financials & Trends	J. Ricchini
9:35 AM	10:19 AM	Current Hospitals / Market Presence & Future Opportunities	Dr. Oswald / J. Ricchini
10:20 AM	10:29 AM	Break	N/A
10:30 AM	10:49 AM	Results of CTVS Physician Questionnaires	Dr. Oswald / J. Ricchini
10:50 AM	11:29 AM	Cardiac / Thoracic / Vascular Manpower Needs	Dr. Oswald / J. Ricchini
11:30 AM	12:09 PM	Plans for Slow Down / Retirement	Dr. Oswald / J. Ricchini
12:10 PM	12:24 PM	Working Lunch (Serve Yourself)	N/A
12:25 PM	1:29 PM	CTVS Short-Term Options (1) Do Nothing, (2) Contract / Align, or (3) Sell / Employment	Dr. Oswald / J. Ricchini
1:30 PM	2:09 PM	Marketing and Outreach	Dr. Oswald / J. Ricchini
2:10 PM	2:19 PM	Break	N/A
2:20 PM	2:29 PM	Current & On the Horizon CTVS Projects	Dr. Oswald / J. Ricchini
2:30 PM	3:15 PM	Closing Remarks and Summary Of Plans	Dr. Oswald / J. Ricchini



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Welcoming and Opening Remarks (Continued)

- Our effort today, as individuals in a group, is to "see" our vision of the group. And to "look" for ways to contribute to the group.....not enjoy the benefits of the group.



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Welcoming and Opening Remarks

- "Who here knows the mission statement?"
- A mission statement only eloquently states "what we are doing here"
- When we have these planning sessions we do "plan", but we also wish to realign or even recommit to visions we all have as partners.



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Welcoming and Opening Remarks (Continued)

- When there is commonality of purpose, a shared vision, and understanding of how to complement one another's efforts.
- Individuals do not sacrifice their personal interests to the larger team vision, rather, the shared vision becomes an extension of their personal visions." ---- Senge



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Cardiothoracic and Vascular Surgeons
1010 West 40th Street Before



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Cardiothoracic and Vascular Surgeons

SWOT ANALYSIS



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Cardiothoracic and Vascular Surgeons
Creating the Future of 1010 West 40th Street



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Strengths

- Twenty physician group
- Combined clinical experience of approximately 300 years
- One of the largest independent cardiothoracic & vascular physicians groups in the country
- Solid mixture of late-career, mid-career, and early-career physicians
- Ability for the group to make decisions for the common goal of CTVS
- Quality reputation of all CTVS physicians
- In existence for over 50 years
- Cover most hospitals in the Austin area
- Presence in other markets other than Austin area, such as San Angelo
- Not a lot of personnel turnover
- Have solid relationships with both major systems – St. David's Healthcare / HCA and Seton Family of Hospitals
- A generous vacation allowance for physicians
- Not a lot of local competition in Cardiothoracic or Vascular physician services
- Strong physician referral base
- Utilization of CTVS Physician Extenders allows CTVS physicians to be more efficient in their services

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The **MISSION** of Cardiothoracic and Vascular Surgeons is to continue in its tradition of providing to the people of Central Texas the most comprehensive and progressive cardiac, thoracic and vascular surgical services delivered with compassion, integrity and dignity emphasizing accessibility, dependability, patients' rights and community commitment.

Our **VISION** to provide the most comprehensive and progressive cardiothoracic and vascular surgical services in Central Texas is achieved through a team approach. Around-the-clock coverage is provided by 20 surgeons, and employees of our surgical support staff. The "team" responds to cardiac, thoracic, and vascular emergencies at eleven area hospitals.

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Sample Strength – Hiring the RIGHT Physicians



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Weaknesses

- Cover most hospitals in the Austin area
- The coverage of Central Texas for CTVS is expanding further out with the same number of physicians, such as at Seton Williamson and Seton Hays
- Maintain solid relationships with both systems – St. David's Healthcare / HCA and Seton Family of Hospitals
- Amount of vacation that each physician is allowed
- Low CT volume with a small net loss
- Low vascular lab volume compared to other vascular practices
- Increasing expense of Physician Assistants (PAs)



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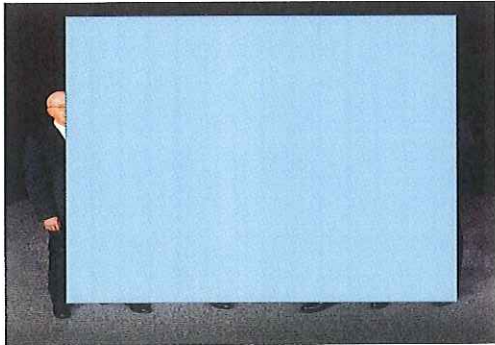
Threats

- Employment by a Health System
- Alignment with a Health System (s)
- Health systems ability to hire competing cardiothoracic & vascular docs
- Health systems ability to hire individual CTVS physicians from the group and ultimately break up CTVS
- Medicare reimbursement reductions
- Private insurance companies / payors to potentially follow Medicare reimbursement reductions
- Private insurance companies / payors making patients more financially responsible for payments to CTVS, which are much harder to collect.
- Potential loss of service contracts with health systems
- Continuous increase in company health insurance costs
- Increase in dependence on technology and its related costs (computers)
- Affect of the sale of Heart Hospital of Austin to HCA / St. David's
- Competition from Austin Heart against VeinSolutions
- The overall potential affect of the Healthcare Reform Bill on CTVS
- Decreasing cardiothoracic volume for CTVS
- Electronic Health Records (EHR)



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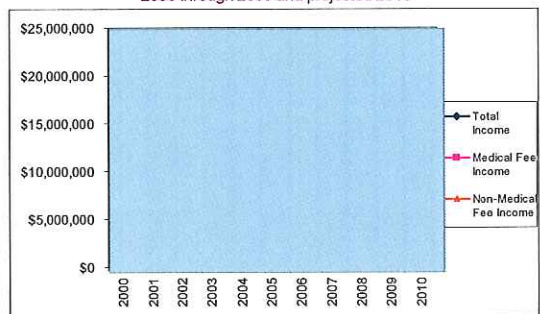
Sample Weakness – Hiring the WRONG Physicians



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CTVS Financials & Trends

(Total, Medical Fee, and Non-Medical Fee Income)
2003 through 2009 and projected 2010



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Opportunities

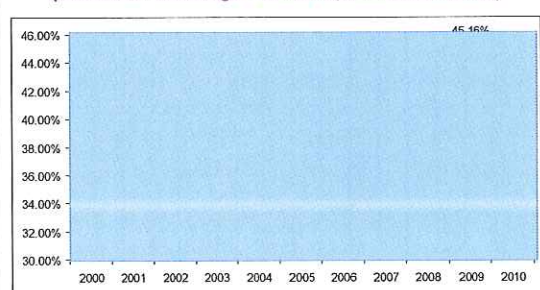
- Reduce overhead expenses
- Ability to serve additional patients based on the continued growing population in Central Texas
- Vascular interventional suite (VIS) / Angio cath suite
- Weak Austin area competition for CTVS
- Obtain a long-term contract with Seton Medical Center – Williamson (similar to Hays like deal)
- Increase number of contracts with St. David's / HCA to be more in-line with Seton
- Employment by a Health System
- Alignment with a Health System (s)
- Lakeway Regional Medical Center opportunity
- Re-establish a relationship with Westlake Medical Center
- Midland / Odessa - Cardiothoracic opportunity
- Bryan College Station
- Killeen, Texas Hospital - LHP Hospital Group (75 bed hospital) – Vascular opportunity
- St. David's Georgetown Hospital – Thoracic
- Cedar Park Regional Medical Center
- Surgical Tech contract with Hays



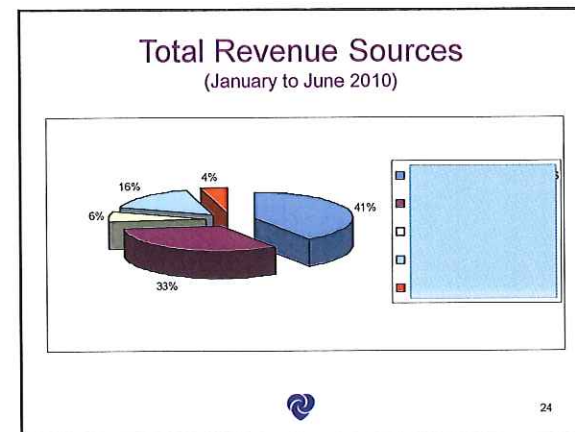
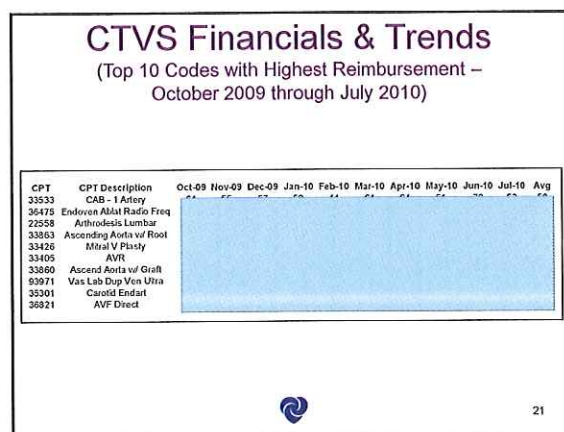
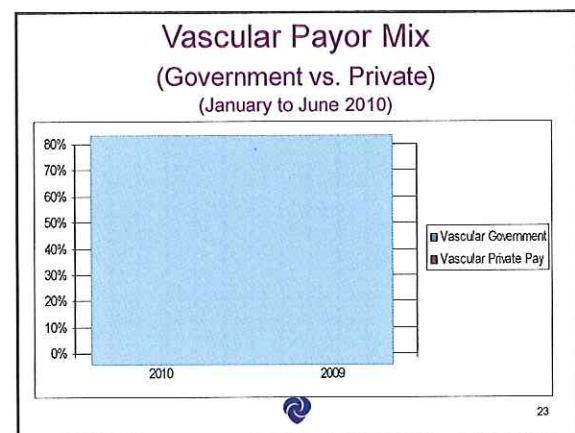
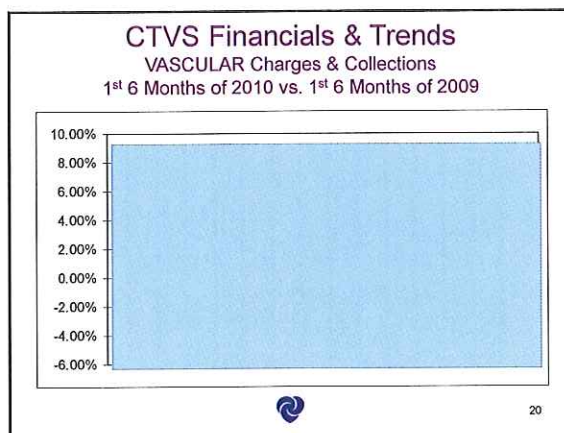
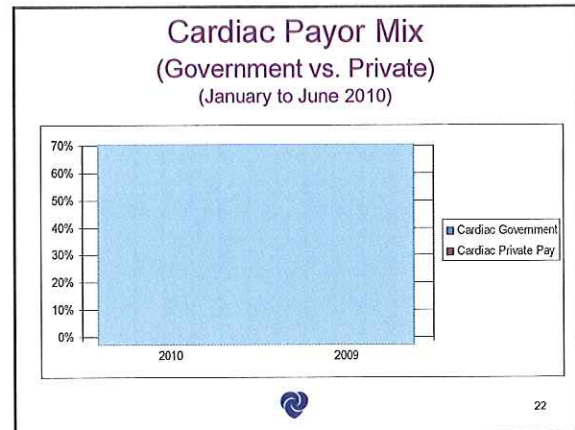
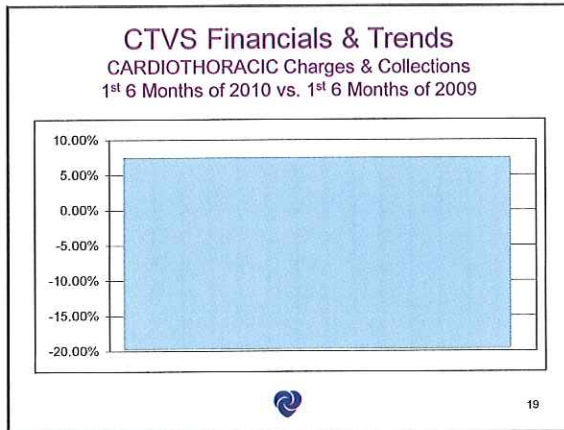
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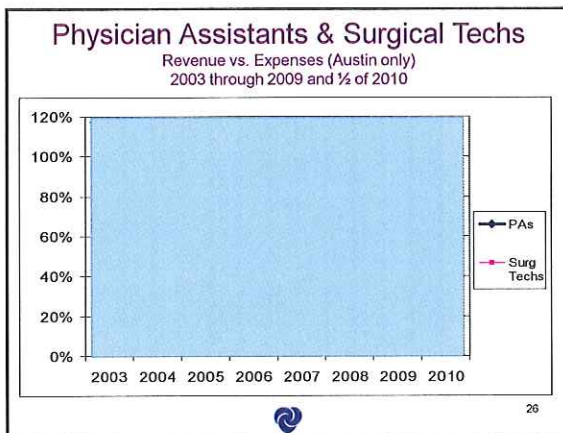
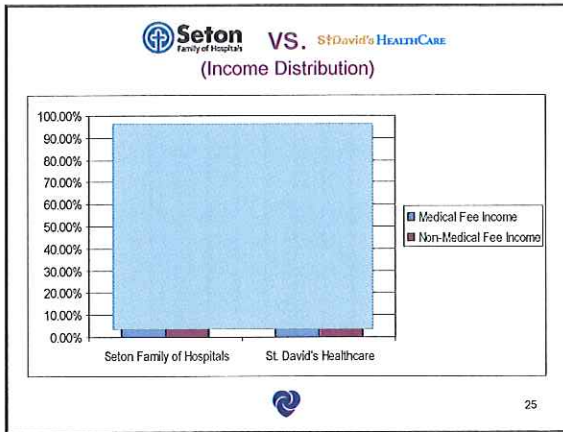
CTVS Financials & Trends

(Overhead Percentage - 2003 through 2009 and ½ of 2010)



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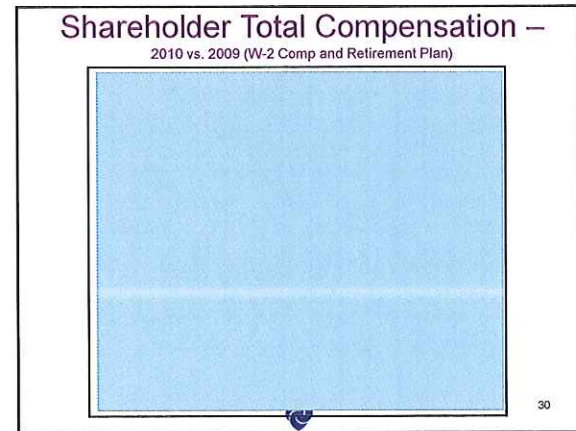
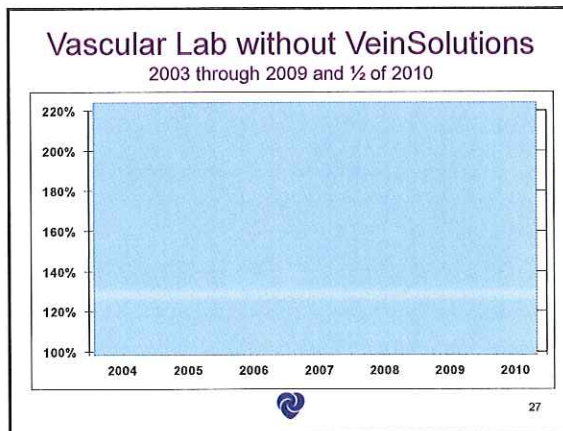


Patience & Eventually Getting it Right

VeinSolutions

- Started in August 2003
- It only took 6 years for CTVS to get VeinSolutions operating "right"

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Current Hospitals / Market Presence & Future Opportunities



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Cardiothoracic and Vascular Surgeons

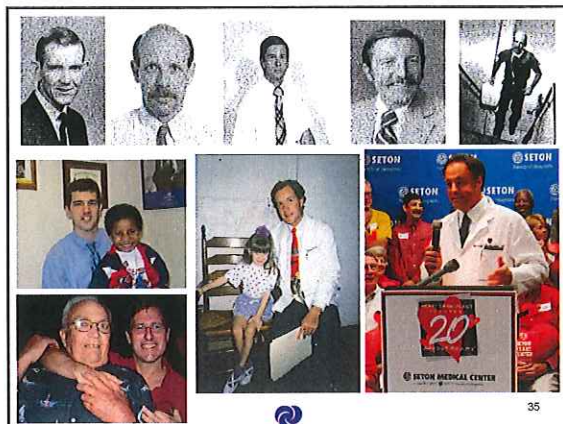


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Central Texas Hospital Data (Based on 2008 Data from the Texas Hospital Association)

- See Handout

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Central Texas Counties at a Glance - 2010

	Bastrop	Hays	Williamson	Travis	Caldwell	Burnet	Llano
Population							
2009 Population	78,367	150,030	356,552	1,001,602	37,036	45,149	16,274
Growth 2000 to 2009	31%	64%	58%	23%	15%	32%	7%
2014 Est Population	85,500	179,807	478,084	1,113,005	39,982		
Growth 2009 to 2014	14%	20%	21%	11%	8%		
Gender							
Male	51%	50%	50%	51%	49%	52%	51%
Female	49%	50%	50%	49%	51%	48%	49%
Race / Ethnicity							
White / Non-Hispanic	60%	61%	60%	51%	47%	78%	89%
Hispanic	29%	32%	21%	33%	44%	17%	8%
African American / Non-Hispanic	6%	4%	6%	5%	7%	2%	1%
Asian / Non-Hispanic	1%	1%	4%	5%	1%	1%	1%
Other / Non-Hispanic	1%	1%	1%	1%	0%	0%	0%
Two or More Races	1%	1%	2%	2%	1%	1%	1%
Age							
Average	36.30	33.00	34.10	35.00	36.30		
Marital Status (age 15 +)							
Married	62%	55%	67%	62%	69%		
Single, never married	20%	33%	20%	34%	24%		
Widowed or divorced	16%	12%	12%	14%	17%		
Education (age 25 +)							
Less than a high school diploma	24%	17%	10%	16%	28%		
High School graduate	31%	24%	22%	17%	35%		
Some college	23%	25%	27%	22%	21%		
Associate Degree	5%	5%	7%	5%	3%		
Bachelor's Degree or more	17%	29%	34%	41%	13%	17%	21%
Households							
Population per household	2.90	3.00	2.50	2.60	3.00	2.53	2.13
Average household income	\$67,767	\$70,507	\$81,028	\$74,321	\$55,571	\$48,321	\$44,370
Owner-occupied	80%	65%	77%	54%	70%	76%	81%
Renter-occupied	20%	34%	23%	46%	30%	22%	19%
Houses with children	36%	30%	40%	30%	37%		
Median home value	\$113,101	\$168,907	\$170,010	\$168,011	\$95,270	\$93,600	\$102,100

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Results of CTVS Physician Questionnaires PROFESSIONAL GOALS

- Maintain / Increase referral patterns
- Perform more endovascular work
- Expand administrative duties
- Increase role in group governance
- Increase work with surgical residents
- More clinical research studies
- Incorporate more minimally invasive techniques into practice for coronary & valve surgery
- Expand aortic surgery including aortic endografting
- Evaluate potential slow down / retirement options
- Become a CTVS shareholder

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Results of CTVS Physician Questionnaires PROFESSIONAL GOALS (Continued)

- Expand back surgery relationships Increase transplant / VAD participation
- Minimally invasive thoracic training
- Develop robotic surgery program at SAMC.
- Increase leadership responsibilities within Seton transplant / VAD system
- Develop robotic CABG and valve programs throughout the city



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Results of CTVS Physician Questionnaires WEAKNESSES (Continued)

- No good strategy for dealing with new small hospitals
- Adherence to old ways of doing things
- Competition from hospitals
- Too spread out
- Too many hospitals in Austin doing cardiac surgery cases, but too few cases.
- Outdated office practices
- No electronic health records (EHR)
- Too centralized



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Results of CTVS Physician Questionnaires STRENGTHS

- Size
- Product line
- Flexibility
- Coverage
- Quality / surgical excellence
- Diversity of physicians
- Good camaraderie between CTVS physicians
- Negotiating strength
- Good relationships with Seton and improving relationship with St. David's
- Great employees with good work ethic
- No competitive physicians internally to CTVS
- CTVS Physicians involved in hospital leadership



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Results of CTVS Physician Questionnaires HOW TO IMPROVE STRENGTHS & ADDRESS WEAKNESSES

- Expand relationships with hospitals.
- Maintain high standards
- Distinguish ourselves from competition through high quality.
- Convince hospitals to consolidate cases at fewer facilities. Too few hearts at some hospitals.
- Take money out of hospital contracts to add to incentive compensation formula
- Obtain a useable EHR to interface with hospitals, scheduling, internet calendars, and satellite offices
- We need a clear direction and professional advice from some experts on maintaining independence & income



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Results of CTVS Physician Questionnaires WEAKNESSES

- Difficult goals for vascular vs. cardiothoracic with changing environment.
- Divisiveness between vascular & cardiac is worse than ever.
- Less of a team approach.
- Lack of long-term financial stability
- Existing incentive compensation plan de-incentivizing shareholders.
- Inability to cut costs
- High overhead
- Competition from the cardiologists and other groups in town.



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Results of CTVS Physician Questionnaires OPPORTUNITIES

- Develop a long-term strategy for Williamson and Hays
- Relationship with cardiologists
- Restructure vascular lab
- Service agreement expansion / revenue stability
- Maintain open communication with all hospitals and significant MD groups.
- Consider coverage for other Williamson County hospitals, including Cedar Park, Georgetown, and Round Rock.



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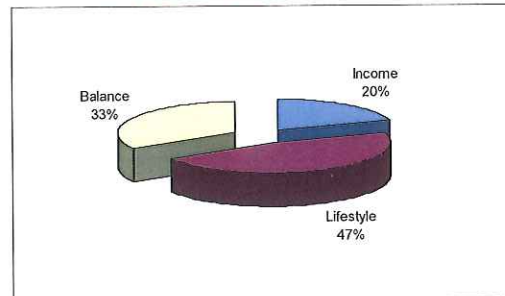
Results of CTVS Physician Questionnaires THREATS

- Overhead expenses / inability to cut costs
- Decreasing revenue
- More cardiothoracic & vascular competition in town now
- Hospitals hiring CTVS physicians
- Possible break-up of CTVS into HCA / Seton / WL fractions
- Lakeway Regional Medical Center bringing in their own surgeons.
- Fragmentation
- Competition from cardiologists and relationships with cardiologists



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Results of CTVS Physician Questionnaires INCOME VS. LIFESTYLE



15 CTVS Physician Sample Size



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Results of CTVS Physician Questionnaires HOW TO ADDRESS OPPORTUNITIES & THREATS

- Physician assistants to be hired by hospitals
- Outsource business office
- Restructure practice to operate with less employees.
- Expand personal relationships with referring physicians
- Do innovative things our competitors are not doing
- Work with Seton & St. David's to expand their programs at the expense of the smaller competitors (Westlake & Lakeway)



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Cardiac / Thoracic / Vascular Manpower Needs

- Cardiothoracic Needs
 - Midland / Odessa
 - Lakeway Regional Medical Center
 - St. David's Georgetown Hospital – Thoracic
 - Bryan College Station
- Vascular Needs
 - Seton Medical Center Williamson
 - VIS
 - Cedar Park Medical Center
 - LHP Hospital Group – Killeen, TX
 - Lakeway Regional Medical Center
- North / South Division
- Do any CTVS physicians plan on retiring in next 3 to 5 years?
- Do we consider hiring any new cardiothoracic or vascular physicians?



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Results of CTVS Physician Questionnaires TOP CTVS STRATEGIC PRIORITIES

- Continue to look for cost cutting measures
- Maintain group solidarity
- Maintain group exposure & coverage at hospitals
- Need a clear plan for next 3 to 5 years
- "Reminders" to hospital administration about how much CTVS brings to the table, such as patient care, community outreach, experience, 24/7 coverage, longevity, etc
- Integrate with academic programs
- Electronic Health Records (EHR)
- Expand on innovative procedures
- Network affiliation agreements
- Lakeway Regional Medical Center



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Cardiac / Thoracic / Vascular Manpower Needs – Lifestyle vs. Income

- CTVS Partners
 - 10 weeks of vacation
 - 5 days of admin time
 - Once a partner obtains the age of 55 or 20 years of service they get an increase to 11 weeks of vacation and still maintain the other week of admin time.
 - Once a partner obtains the age of 65 or 30 years of services they get an increase to 12 weeks of vacation.
- CTVS Employed Physicians
 - 3 Year Partnership Track
 - 1st Year = 6 weeks vacation
 - 2nd year = 7 weeks vacation
 - 3rd year = 8 weeks vacation
 - 4th year = 10 weeks vacation
 - 2 Year Partnership Track
 - 1st Year = 6 weeks vacation
 - 2nd year = 7 weeks vacation
 - 3rd year = 10 weeks vacation



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Cardiac / Thoracic / Vascular Manpower Needs – Lifestyle vs. Income: SLA Group Comparisons

#	Company	Type of Company	Docs	Location	Shareholder Vacation	Employed Physician Vacation
1	North Florida Surgeons	General Surgery Group	27	Jacksonville, FL	3 weeks	3 weeks
2	Muskogean Surgical Associates	General & Vascular	14	Muskogean, MI	3 weeks	3 weeks
3	The Surgical Clinic	General & Vascular	25	Nashville, TN	4 to 6 weeks	4 weeks & 1 week CME
4	Surgical Specialists, P.C.	General & Vascular	20	Bryan MA, PA	4 to 8 weeks	4 weeks & 2 weeks CME
5	North Florida Surgical Associates, P.C.	General Surgery Group	24	Chamblee, GA	3 weeks	3 weeks
6	Cranley Surgical Associates, Inc.	General & Vascular	17	Cincinnati, OH	3 to 6 weeks	4 weeks including CME
7	The Vascular Group	Vascular	16	Albany, NY	6 weeks	6 weeks
8	Surgical Consultants	General & Vascular	15	Edina, MN	12 weeks	4 weeks & 2 weeks CME
9	Premier Surgical Associates	General & Vascular	27	Knoxville, TN	4 to 6 weeks	4 weeks & 1 week CME
10	Association of South Bay Surgeons	General & Vascular	17	Torrance, CA	8 weeks	4 weeks
11	Michigan Vascular	Vascular	9	Flint, MI	8 weeks	



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Plans for Slow Down / Retirement

- Do we need a formal slow down / retirement plan?
- When do we need it?
- How do we set it up for the future?



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CTVS Short-Term / Mid Term Options

1. Do Nothing / Maintain Status Quo
2. Contract / Physician Alignment
3. Sell / Employment



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Cardiothoracic and Vascular Surgeons



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Hospitals / Physician Groups

- Only hospitals that are tightly aligned or integrated with a critical mass of physicians will be able to organize their delivery systems to meet the demands for price, quality, efficiency, and community service from private payers, government and empowered consumers.
- Some independent physicians and physician groups will have a secure niche and survive on their own, but hospitals that lack strong relationships with a critical mass or aligned doctors will not.

Developing a Hospital-Physician Alignment Strategy: Employment is not the only Answer. Barry S. Bader with Bader & Associates (Winter 2008)



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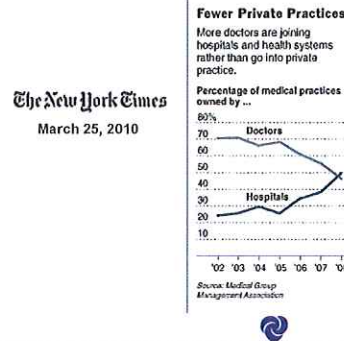
Changes in the Health Care Environment

- Economic security ---- Today, with hospitals and doctors each facing unprecedented economic pressures, hospitals and physicians are rediscovering the benefits of combining forces, gradually in some markets and more rapidly in other markets.
 - Potential decrease in Medicare Allowable (25% - Nov 2010)
- Payment system changes --- Large employers and Medicare are moving toward bundled payments, single price contracting and pay-for-performance, but independent practices lack the capital and infrastructure needed to respond to these opportunities.



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Results of Current Healthcare / Economic Conditions



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Changes in the Health Care Environment (Continued)

- New Physician Expectations ---- Many recently trained physicians are more interested in predictable hours and a guaranteed income than in becoming entrepreneurs in a private practice.
- Retirement Planning --- Some medical practices want to recruit more physicians to meet rising community demand and to replace retiring physicians, but independent physicians are reluctant to risk the capital needed to recruit and support new physicians while they build a practice.



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Results of Current Healthcare / Economic Conditions (continued)

Merritt, Hawkins & Associates, a physician recruiting firm based in Irving, Texas, reported earlier in 2010 that its search assignments for hospital-employed physician positions nearly doubled over a 5-year period from 23% in 2005 to 45% last year. Tommy Bohannon, vice president of hospital-based recruiting, notes, "The shift has been even more pronounced in the last 18 months or so."

MedScape – June 16, 2010



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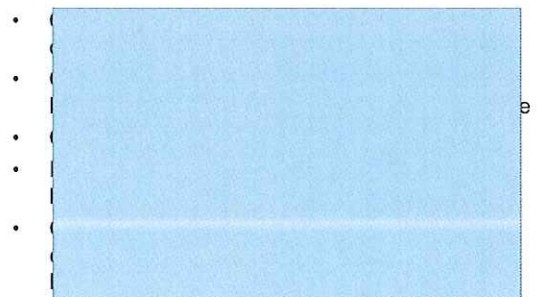
What is different this time around? (vs. early 1990s)

- Hospitals better understand what it takes to run a viable physician practice. They aren't paying inflated prices, and income guarantees have been replaced by physician compensation plans that reward productivity and quality.
- Physician expectations are more realistic.



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1. Do Nothing / Maintain Status Quo



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2. Contract / Physician Alignment – (Advantages)

General Advantages

-

-

-

Salary & Benefits Advantages

-

-

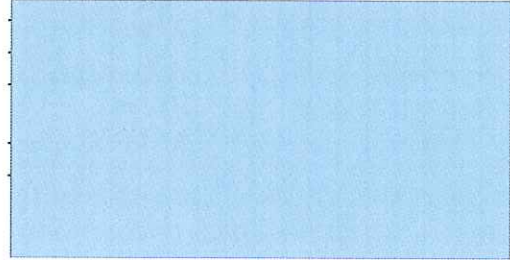
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3. Sell / Employment

Disadvantages



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2. Contract / Physician Alignment

Do we need a consultant?

-

-

-

-

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Marketing & Outreach



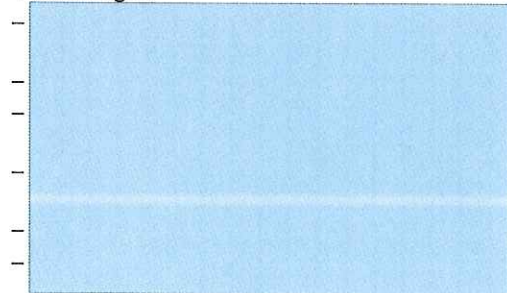
- Is CTVS doing enough outreach?
 - Presentations to physician groups
 - Community talks
 - Trips to other communities
- Should CTVS do more aggressive marketing of CTVS
 - Hyperhidrosis, etc.
- Should CTVS market more to potential patients?
 - Building brand / name recognition



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3. Sell / Employment

Advantages



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Marketing & Outreach – Product Line “Cardiothoracic”

- Minimally Invasive Valve
- Minimally Invasive Coronary
- ELG
- Thoracic Aortic Stenting
- Diagnostic Bronchs
- Transplant
- ECMO
- VAD
- Robotics



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Marketing & Outreach – Product Line “Vascular”

- ELG
- Carotid Stents
- Abdominal Stents
- Endovascular
- Vascular Lab



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Summary of Plans

- Financial (Incentive Compensation Plan, Vas Lab, PAs, Surgical Techs, Overhead, etc)
- Hospitals / Expansion
 - Service contracts
 - New markets
 - Expand existing procedures / perform new procedures
- Income / Lifestyle
- Manpower
- Plans for Slowdown / Retirement
- Short-Term Options
 - Do Nothing, Contract / Align, or Sell / Employment
- Marketing



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Marketing & Outreach – Current Projects

- New photographs of all CTVS Physicians
- Revised CTVS physician biographies
- CTVS web site
- CTVS corporate brochure
- Building signage

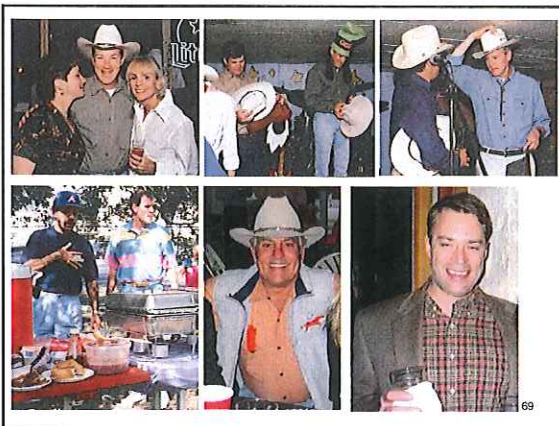


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Closing Remarks



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Closing Remarks (Continued)



Together we can make a difference!!!

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Cardiothoracic and Vascular Surgeons

Dinner

- 7:30pm
- At the Dewan's residence
- 401 Lake Cliff Trail, Austin, Texas
- MapQuest directions are on the back board room serving table



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Cardiothoracic and Vascular Surgeons

Date for 2011 Strategic Planning Annual Retreat

Saturday, August 20, 2011



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