

Texas Health Ventures Group (“THVG”)

Joint Venture between Baylor Health Care System and USPI

USPI’s JOINT VENTURE MODEL

USPI is an industry leader in developing and operating ASCs and surgical hospitals. We have found this success and have found a model that works – we champion a joint venture model with leading health systems and physician partners. We currently own & operate 200+ facilities (2/3 with hospital partner). The joint venture model not only benefits USPI, but offers vast benefits for our health system partners as well:

Benefits to Healthcare Systems

- Leverages USPI’s operational expertise and singular focus
- Provides a strategy to promote physician alignment and strategic network capabilities
- Creates capacity for more inpatient business in hospital OR’s
- Provides defensive mechanism to maintain short-stay business
- Provides capital and spreads risk through USPI and physicians’ investment
- Provides an opportunity to expand in new markets at lower capital outlay than a hospital

Benefits to United Surgical Partners

- Provides long-term strategic stability in the market place
- Provides brand, image, reputation and credibility
- Accelerates growth
- Enhances relationships with managed care payors

TEXAS HEALTH VENTURES GROUP

Texas Health Ventures Group (THVG) is a joint venture between Baylor and USPI founded in 1999 to develop a geographically significant surgical facility network in partnership with physicians. The JV started with two BUMC facilities (Baylor Surgicare, Texas Surgery Center) and three USPI facilities (Bedford, DeSoto, Valley View). To date, the JV includes 32 short-stay surgical facilities: 25 ASC’s and 7 short-stay surgical hospitals.

Why did Baylor partner with USPI in developing outpatient surgical strategy?

Baylor, like many of our other health system partners, saw the benefits and knew that they were attainable. With this partnership, both USPI and Baylor are able to:

- **ENHANCE** the efficiency and effectiveness of the outpatient surgery business at Baylor
- **UTILIZE** USPI’s specialized expertise in the acquisition, development and operation of surgical facilities in partnership with local physicians
- **CREATE** a vehicle that effectively enables physician alignment
- **EXPAND** and improve the quality and availability of, and access to, ambulatory, outpatient, and/or lower-acuity surgical services in the communities served by BHCS
- **CREATE** a geographically significant ASC and surgical hospital network, capture market share and enter into new markets at a lower capital outlay.

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THVG was able to come to an agreement on how the JV would work. The joint venture with USPI is 51/49. It is governed by an eight person Board of managers (four Baylor/Four USPI)– each members vote equals ownership interest. A Baylor member must serve as Chairman, and majority rules (except for typical Member reserved powers – i.e. Dissolution, Party to a Merger, Amend Articles, etc.). In addition to the more technical rules for the workings of the joint venture, each THVG facility must operate in a manner that is consistent with Baylor’s tax-exempt status. That means the facilities must: promote health for a broad cross section of the community, adopt Baylor Healthcare System’s charity care policy, provide access to services based on medical necessity, accept and provide access to care for those covered by Medicare and Medicaid, and they must maintain standards of quality patient care that are commensurable with those at BHCS.

THVG has seen huge success in the DFW market, and this is just one example of our Joint Ventures with a Hospital System. Each of our surgical facilities is partnered with local physicians – THVG has over 700 physician partners in 32 facilities, while over 3,100 physicians are credentialed at the facilities. Over 160,000 patients were treated in THVG facilities in 2012. With a JV like this, our patients and physicians feel comfortable and confident with such a successful and high quality brand name associated to the surgical facilities.

THVG ASC's ON AVERAGE

- 15,000 square feet
- 4 Operating Rooms
- 24 full time employees
- 390 patients/month
- 17 physician partners

Benefits to United Surgical Partners

- 42,000 square feet
- 7 operating rooms
- 85 full time employees
- 570 (equivalent) cases/month
- 65 inpatients/month
- Average LOS less than 2 days
- 120 ED visits/month
- 35 physician partners

Baylor Medical Center at Frisco is the largest THVG hospital at 172,000 sf, 14 ORs, 68 beds and 400 FTEs.

Many factors have contributed to the continued success of THVG in the Dallas/Ft. Worth market -- a commitment from both sides to only offer the highest quality of care, consistent messaging with a common vision and mission, proper utilization of the Baylor brand, well-implemented growth strategies, and a singular focus (from USPI) on short-stay surgery. We continue to look for new opportunities within the THVG market, but also with new and existing hospital partners.