

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 8-K

**CURRENT REPORT
Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): August 17, 2021

Surgery Partners, Inc.

(Exact Name of Registrant as Specified in Charter)

Delaware
(State or Other Jurisdiction
of Incorporation)

001-37576
(Commission File Number)

47-3620923
(IRS Employer
Identification No.)

**310 Seven Springs Way, Suite 500
Brentwood, Tennessee 37027**
(Address of Principal Executive Offices) (Zip Code)

(615) 234-5900
(Registrant's Telephone Number, Including Area Code)

Not Applicable
(Former Name or Former Address, If Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$0.01 per share	SGRY	The Nasdaq Global Select Market

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 7.01 Regulation FD Disclosure.

Over the course of the next several weeks, Surgery Partners, Inc. (the “Company”) management intends to meet with investors and analysts to provide an update on the strategy and execution of the Company. During these meetings, management may discuss information contained in the Company’s updated Investor Presentation, dated August 2021, a copy of which is furnished as Exhibit 99.1 to this Current Report on Form 8-K. Beginning on August 17, 2021, a copy of the Investor Presentation can also be found in the Investors section of the Company’s website at www.surgerypartners.com.

The information in this Current Report and in the accompanying exhibit is being furnished and shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934 (the “Exchange Act”) or otherwise subject to the liabilities under that Section and shall not be deemed to be incorporated by reference into any filing of the Registrant under the Securities Act of 1933, as amended, or the Exchange Act.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

<u>Exhibit No.</u>	<u>Description</u>
99.1	Investor Presentation, dated August 2021
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: August 17, 2021

Surgery Partners, Inc.

By: /s/ Thomas F. Cowhey

Name: Thomas F. Cowhey

Title: Executive Vice President and Chief Financial Officer

SURGERY PARTNERS

Investor Presentation – August 2021





Legal Disclaimer

Forward-Looking Statements

Statements contained in this presentation, other than statements of historical fact, are forward-looking statements. In some cases, you can identify forward-looking statements by terms such as "may," "will," "should," "could," "would," "expects," "plans," "anticipates," "believes," "estimates," "projects," "predicts," "potential," or the negative of those terms, and similar expressions and comparable terminology intended to identify forward-looking statements. These forward-looking statements include, without limitation, statements regarding the anticipated timing and strength of the opportunities available to Surgery Partners, Inc. and its subsidiaries (the "Company"), as well as the future financial position of the Company, including financial targets, business strategy, plans and objectives for future operations and future operating results and cash flows. These statements are subject to risks and uncertainties, including, without limitation: the duration and severity of the COVID-19 outbreak in the United States and the regions in which we operate; the impact to the state and local economies of prolonged restrictions as a result of the pandemic generally; our ability to respond nimbly to challenging economic conditions; the unpredictability of our case volume both in the current environment and if and when restrictions are eased; our ability to preserve or raise sufficient funds to continue operations throughout this period of uncertainty; the impact of our cost-cutting measures on our future performance; our ability to cause distributions from our subsidiaries; the responsiveness of our payors, including Medicaid and Medicare, to the challenging operating conditions; our ability to execute on our operational and strategic initiatives; the timing and impact of our portfolio optimization efforts; our ability to continue to improve same-facility volume and revenue growth on the timeline anticipated, if at all; our ability to successfully integrate acquisitions; the anticipated impact and timing of our ongoing efficiency efforts, as well as our ongoing procurement and revenue cycle efforts; the impact of adverse weather conditions and other events outside of our control; and the risks and uncertainties set forth under the heading "Risk Factors" in our 2020 Annual Report on Form 10-K and our Quarterly Reports on Form 10-Q for the quarters ended March 31, 2021 and June 30, 2021 and discussed from time to time in our reports filed with the Securities and Exchange Commission (the "SEC"). You should read the Company's filings with the SEC, available at www.sec.gov, for a discussion of these and other risks and uncertainties. The forward-looking statements contained in this presentation speak only as of the date of the presentation, and the Company undertakes no obligation to update or revise any forward-looking statements for any reason, except as required by law. The business of the Company is subject to substantial risks and uncertainties, including those referenced above. Investors, potential investors, and others should give careful consideration to these risks and uncertainties and should not place considerable reliance on the forward-looking statements contained in this presentation.

Data and Information Contained in this Presentation

This presentation also contains market research, estimates and forecasts, which are inherently subject to uncertainties and actual events or circumstances may differ materially from events and circumstances reflected in this information. Certain data in this presentation was obtained from various external sources, and neither the Company nor its affiliates, advisers or representatives has verified such data with independent sources. Accordingly, neither the Company nor any of its affiliates, advisers or representatives makes any representations as to the accuracy or completeness of that data or has any obligation to update such data after the date of this presentation. Such data involves risks and uncertainties and is subject to change based on various factors. The trademarks included herein are the property of the owners thereof and are used for reference purposes only. Such use should not be construed as an endorsement of the products or services of such owners.

Non-GAAP Financial Measures

This presentation contains certain non-GAAP financial measures. A "non-GAAP financial measure" is defined as a numerical measure of a company's financial performance that excludes or includes amounts so as to be different than the most directly comparable measure calculated and presented in accordance with GAAP in the statements of income, balance sheets or statements of cash flow of the company. We present non-GAAP financial measures when we believe that the additional information is useful and meaningful to investors. Non-GAAP financial measures do not have any standardized meaning and are therefore unlikely to be comparable to similar measures presented by other companies. The presentation of non-GAAP financial measures is not intended to be a substitute for, and should not be considered in isolation from, the financial measures reported in accordance with GAAP. Reconciliations of these non-GAAP measures are included in our filings with the SEC and on slide 45.



Surgery Partners Introduction

✚ Surgery Partners is the Leading Independent Surgery Center Operator...



31 States



117 Ambulatory
Surgery Centers



17 Short-Stay
Surgical Hospitals

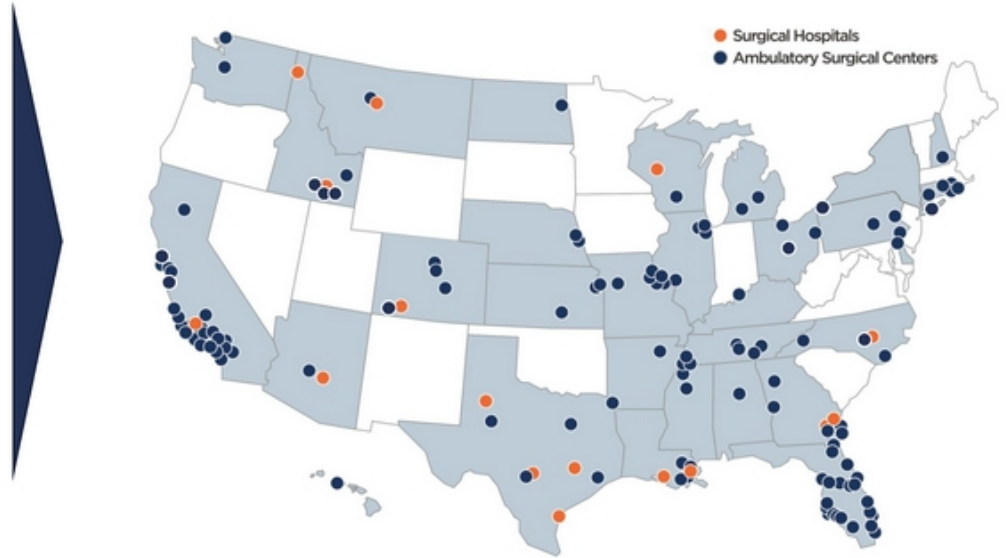


4,400+
Affiliated
Physicians



600,000+
Annual Patients



~\$2,117 million Q2 2021 TTM Revenues⁽¹⁾ **~\$301 million** Q2 2021 TTM AEBITDA⁽²⁾



[1] June 30, 2021 trailing 12 month net revenues of \$2,117M
 [2] June 30, 2021 trailing 12 month Adjusted EBITDA. See page 45 for reconciliation to the comparable GAAP measure
 Note: Q2 2021 SEC reported ASC count of 106 based on Tax Identification Number



...And is the Only Opportunity to Invest Directly in a Pure-Play of National Size and Scale

	Surgical Facility Revenue ⁽¹⁾		Parent Company	Number of Surgical Facilities ⁽²⁾	Specialty Focus
	Revenue	% of Total			
 SURGERY PARTNERS	\$2.1B	95%+	Public Only Pure-Play Surgery Center Operator	134	<ul style="list-style-type: none"> MSK, Cardiovascular, Ophthalmology & GI
 AMSURG	\$1.3B	~15%	Private Division of Envision	250+	<ul style="list-style-type: none"> Gastrointestinal
 SCA Surgical Care Affiliates	\$2.5B+	~1%	Division of UHG	250+	<ul style="list-style-type: none"> MSK & Cardiovascular
 HCA Hospital Corporation of America	NA	NA	Division of HCA	140+	<ul style="list-style-type: none"> NA
 United Surgical Partners INTERNATIONAL	\$2.5B	~15%	Division of Tenet	341	<ul style="list-style-type: none"> MSK

(1) Surgery Partners data reflects 6/30/21 LTM net revenues of \$2.117M. Envision based on LTM 6/30/2018 data, SCA revenues based on CFO.com article 5/15/2019 and Tenet based on 6/30/21 LTM net revenue pro forma for SCD acquisition per 2Q 2021 earnings press release.
 (2) Reflects latest available data from company websites; Tenet data is pro forma for SCD acquisition based on 2Q 2021 earnings press release.
 Note: Based on most recent publicly available data



We Have a Diversified Mix, Focused on High Value-Add Specialties, Supported by an Aging Population...

Surgery Partners' Case Mix



Over 50% of Net Revenue From Musculoskeletal Procedures



...And are Positioned to Pursue the \$150B+ Total Addressable Market (TAM)

\$150B+ Total Addressable Market



Purpose-built, Veteran Management Team



Focused on High Growth Specialties



Superior Clinical Quality and Customer Experience



Independent, Trusted Partner of Choice



Scalable Platform



Targeting Long-Term Double-Digit Growth



Surgery Partners Investment Highlights



Surgery Partners Investment Highlights

1 *Large Market Opportunity Supported by Multiple Macro Growth Drivers and Aligned with the Mega Trend: High Quality, Low Cost Care in Specialized Settings*

2 *Industry Leader Focused on Higher Growth, Higher Acuity Specialties*

3 *Exceptional Clinical Quality Coupled with Superior Patient & Physician Experience*

4 *Proven M&A Platform Results in Highly Consistent, Highly Accretive Acquisition Driven Growth*

5 *Uniquely Positioned to Enable Value-Based Surgical Care in a Profitable and Predictable Model*

6 *Multiple Drivers of Long-Term Growth and Margin Enhancement*



1

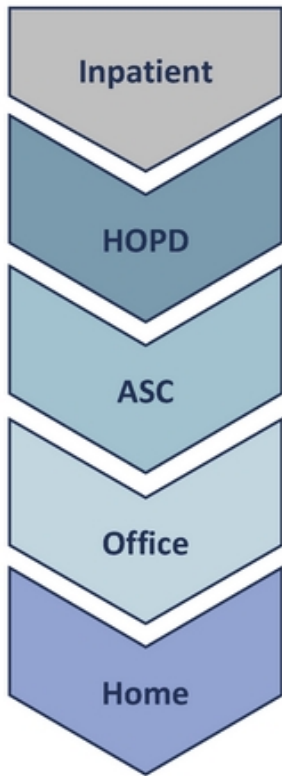
Over \$150B Total Addressable Market (TAM)



Several near and long-term catalysts to capture this opportunity



1 TAM: Over \$90B Outpatient Surgical Market and ~\$60B of Cases Migrating to Outpatient



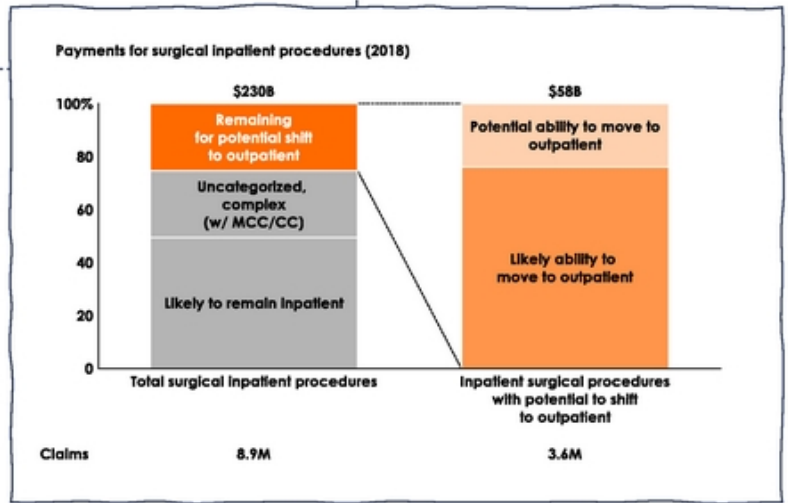
Annual Revenue (US) Annual Volume Growth

\$500B+ \$230B surgery	-2%
\$470B+ \$55B+ surgery	2%
\$35B+ surgery	6%

~\$60B Incremental Shift of Inpatient Surgical Cases to the Outpatient Setting

\$550B+

\$100B+



Source: Bain & Co, McKinsey, Advisory Board, Sg2, AMA, Avanza, OECD, CMS, Management estimates
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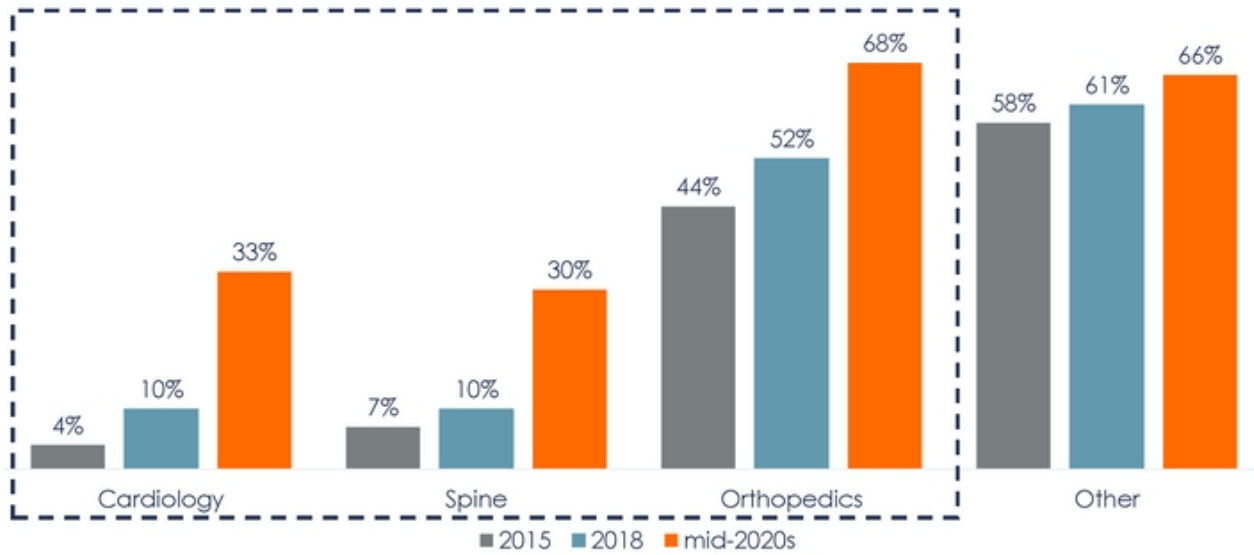


1

Increasing Number of Procedures Projected to Migrate to Lower Cost Settings

Migration of Orthopedic, Spine and Cardio procedures will fuel rapid ASC growth

Percentage of procedures performed in ASCs



Recent CMS guidance reaffirms joint and cardio market opportunity



2

Our Leading Musculoskeletal & Cardio Platform is Well Positioned to Capture this Opportunity

Musculoskeletal

- \$3 billion** Annual savings by shifting 50% of joint cases to ASCs⁽¹⁾
- 15%+** Surgery Partners' historic orthopedic case growth
- 14** Robots added in 2020 and 2021, bringing total to 34
- 80%+** Surgery Partners' facilities perform MSK procedures

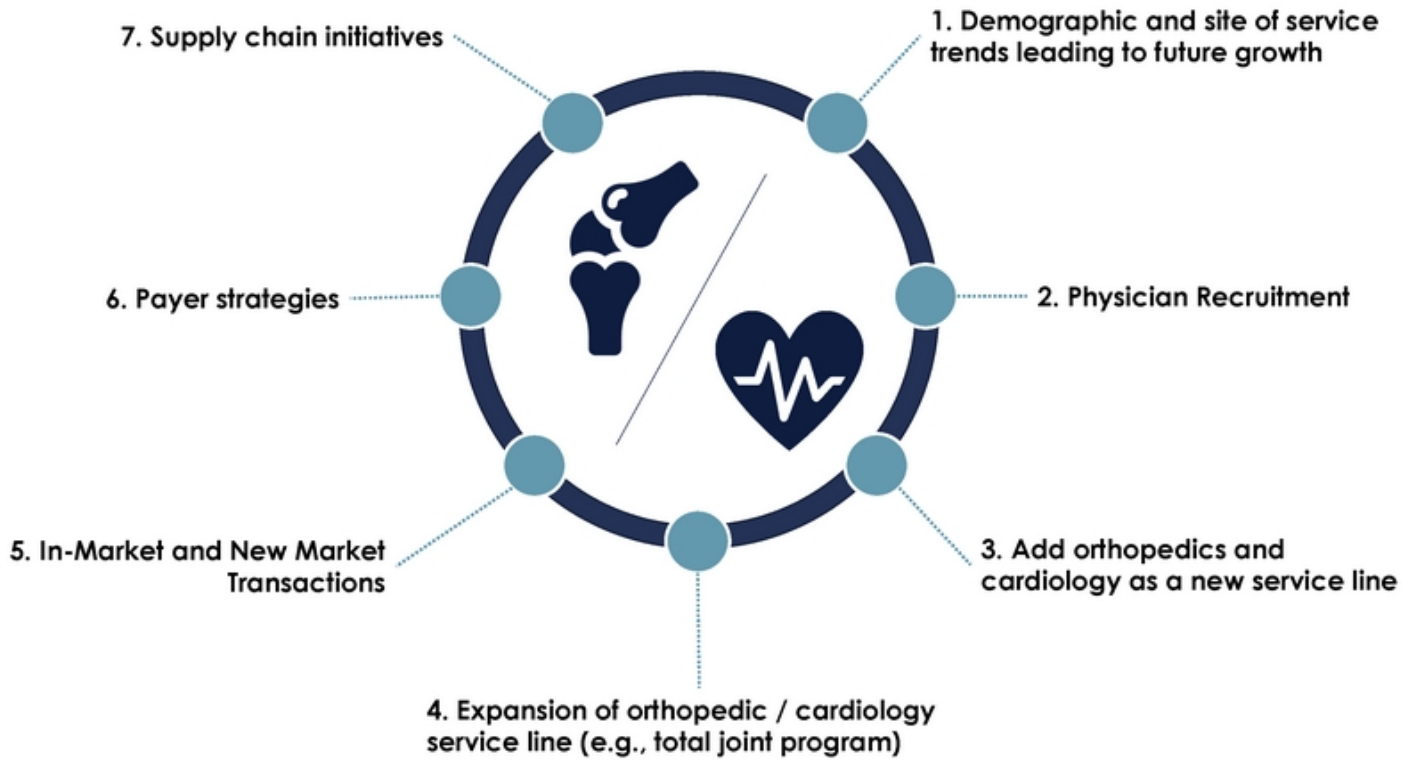
Cardio

- 17** Cardiac catheterization procedures approved in 2019
- 6** PCI procedures approved in 2020
- 15%+** Surgery Partners' historic cardio case growth
- 60%+** Surgery Partners' facilities with potential for Cardio



2

Differentiated and Highly Capital Efficient Approach to Growing and Enhancing Orthopedics & Cardiology...

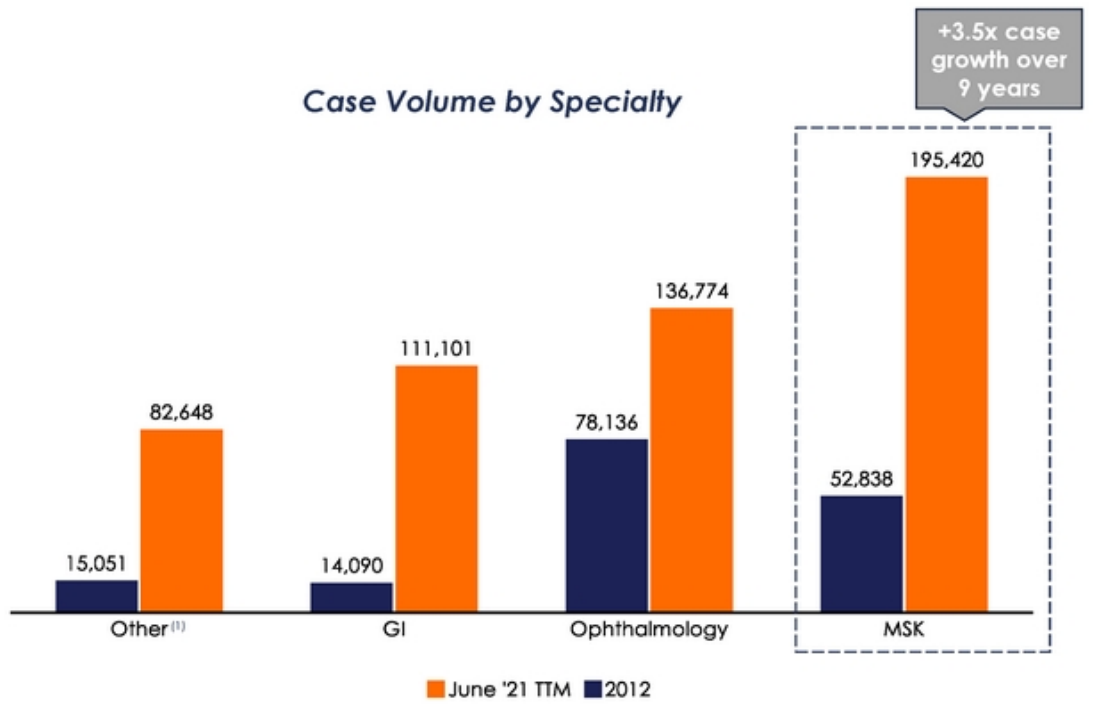




2 ...Driving Strong Case and Revenue Growth...

Case Volume by Specialty

- ✓ Net Revenue CAGR of **+30%** from 2012 to 2019
- ✓ Case mix aligned with **higher acuity**





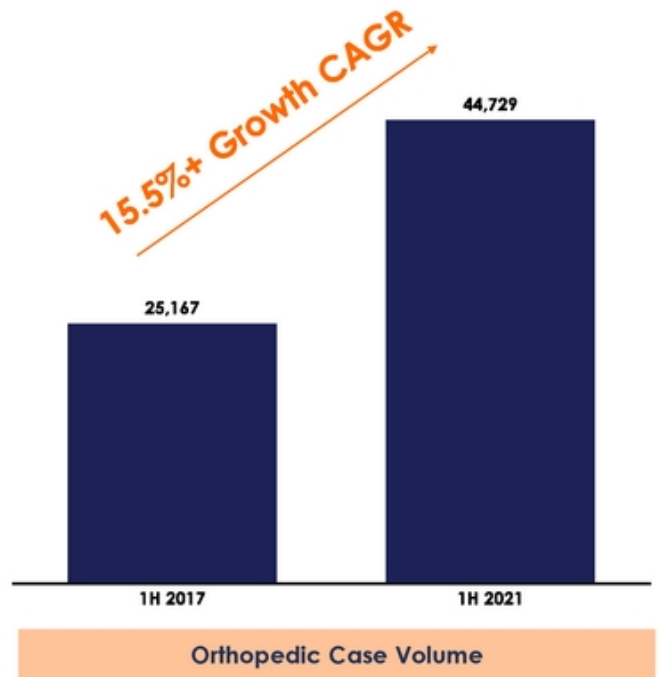
2 ...And 15%+ Orthopedic Service Line Volume Growth

 **95** Locations⁽¹⁾

 **90k+** Orthopedic Procedures Annually

 **650+** Orthopedic Physicians

 **144%+** Joint Case Growth at ASCs⁽²⁾

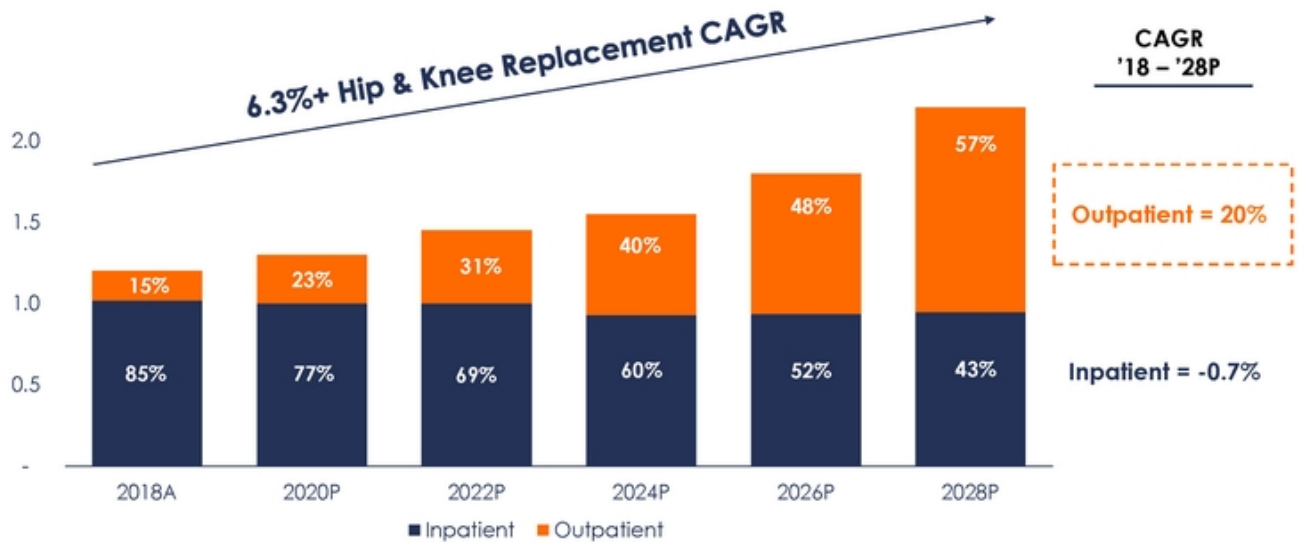




2 Considerable Growth Ahead for Joint Replacements

Inpatient and Outpatient Hip & Knee Replacement Forecast

Volume (millions)



Outpatient volume expected to increase over 1 million cases and to comprise over 50% of total knee & hip volume

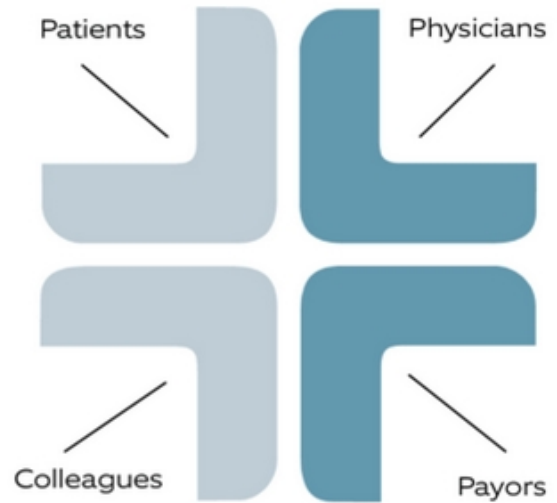


3

We Focus on What Matters Most: Clinical Quality and Patient Experience

OUR MISSION

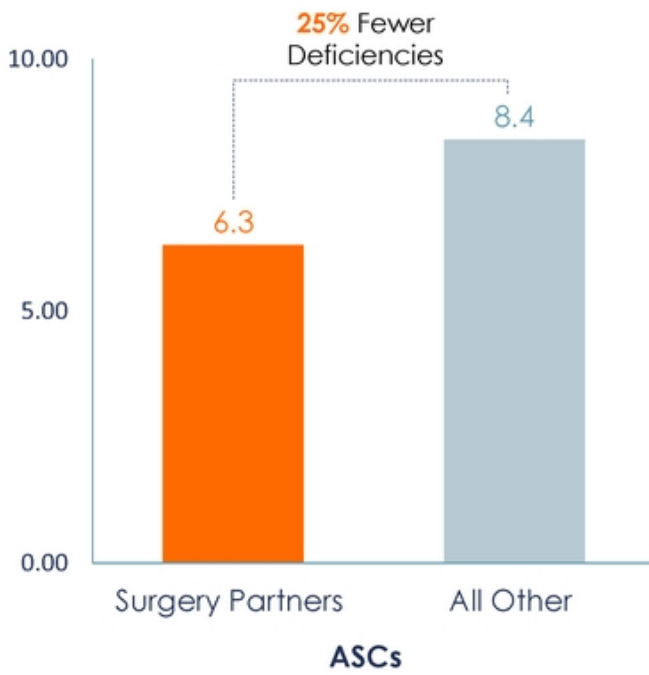
ENHANCING PATIENT
QUALITY OF LIFE
THROUGH PARTNERSHIP



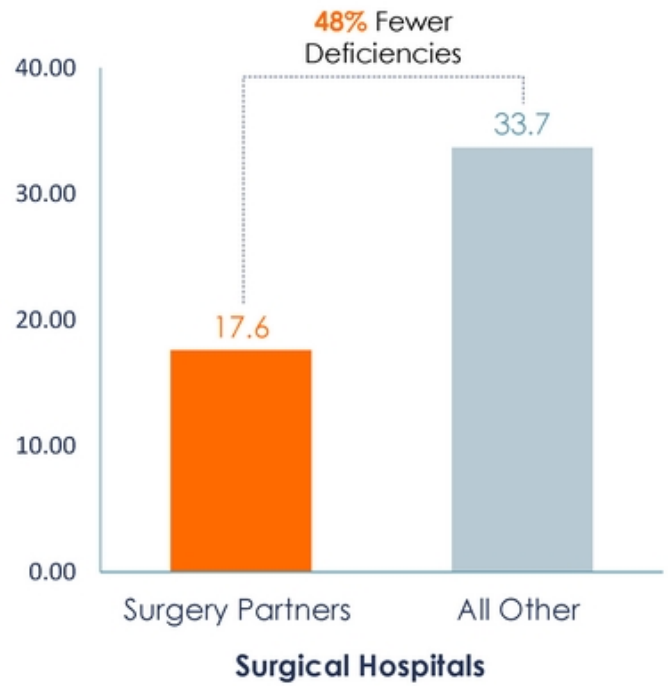


3 We Hold Ourselves to the Highest Standards...

Average Deficiencies per Survey⁽¹⁾



Average Deficiencies per Survey⁽²⁾



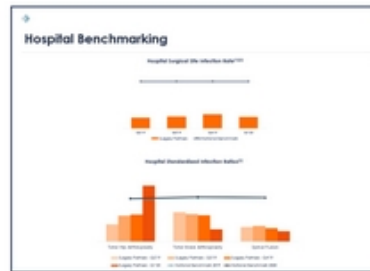
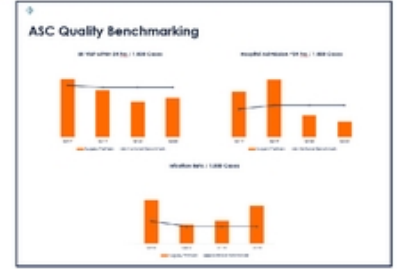


3 ...And Regularly Report and Benchmark Our Performance to Emphasize our Culture of Safety...

Sample Metrics

- ✓ Patient burns
- ✓ Patient falls
- ✓ Wrong site procedures
- ✓ Hospital transfers
- ✓ Surgical site infections rate
- ✓ ER visits within 24 hours of discharge
- ✓ Hospital admissions within 24 hours of discharge
- ✓ Normothermia rate upon arrival to the PACU
- ✓ Unplanned anterior vitrectomy rate
- ✓ Toxic anterior segment syndrome (TASS) rate

Sample Reporting





3 ...With A Proven Record of Exceptional Clinical Care...

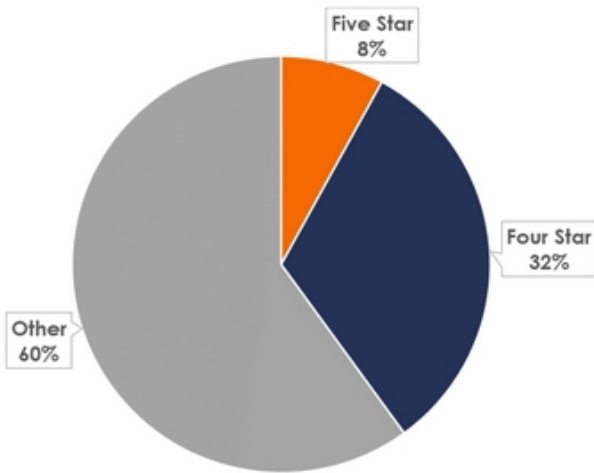




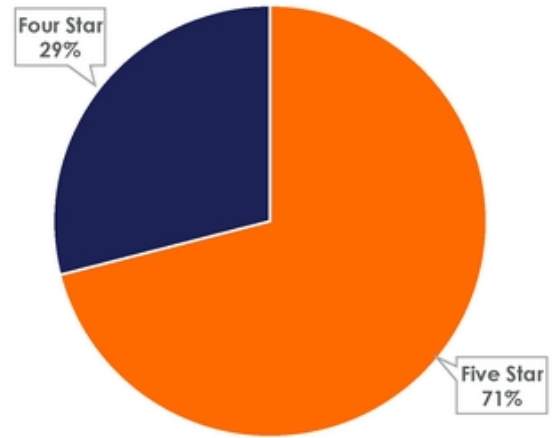
3

...And Clinical Efficacy that Results in a Better Patient Experience

Nationwide Hospitals



Surgery Partners⁽¹⁾



Best-in-Class Patient Experience



3 We Focus on Patient Experience...



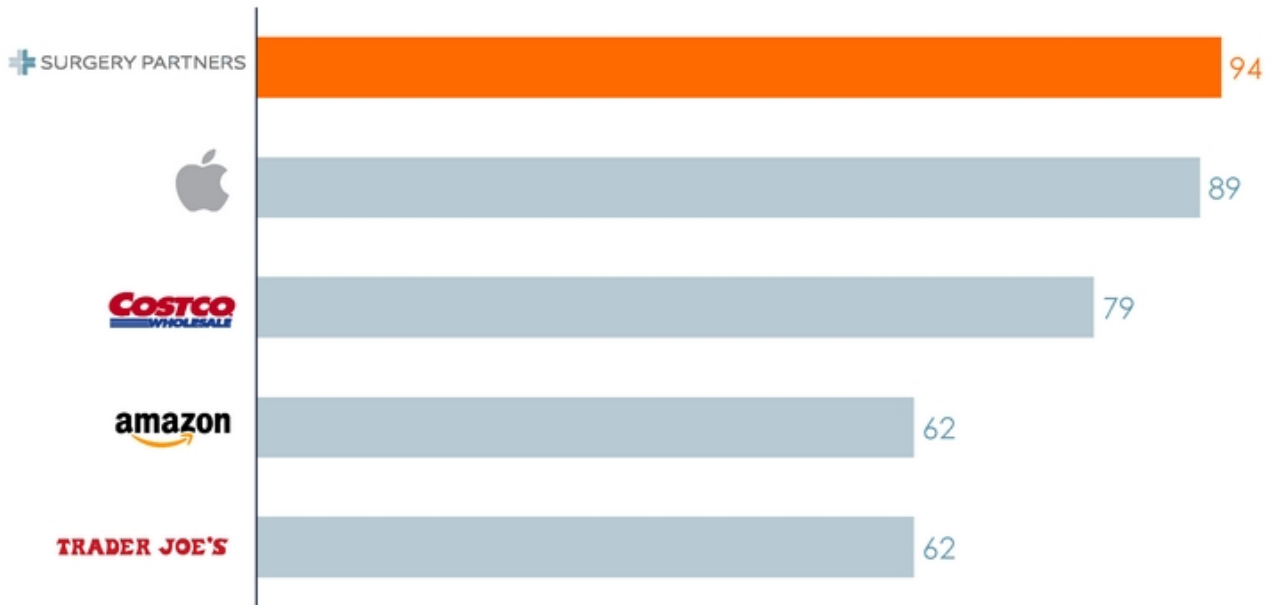
-  Cleanliness and comfort
-  Communication on insurance and financial responsibility
-  Exceptional administrative and clinical staff
-  Kept informed and procedure explanations
-  Patient experience and registration workflow



3

...Which has Resulted in a Best-in-Class Patient Net Promoter Score

Patient Net Promoter Score





3 We Align Ourselves with our Physician Partners...

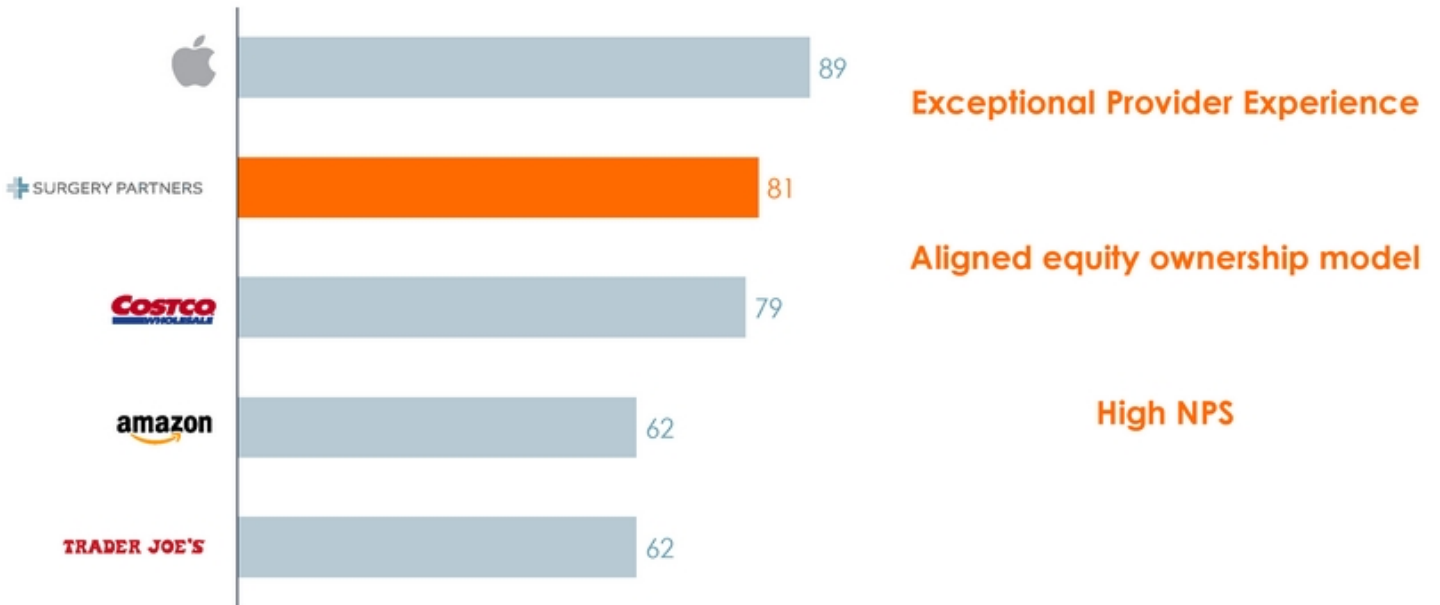


We have a tailored approach to partnership and physician engagement



3 ...Which Results in Highly Satisfied Physicians...

Physician Net Promoter Score





3

...And Strong Physician Engagement and Retention

BETTER PARTNERS. BETTER CARE.

We are focused on physicians. Through decades of experience, we have observed that an outstanding patient experience begins with an outstanding physician relationship. Everyone wins when physicians have what they need to do their best work and can exercise autonomy within their place of work.



Equity partnership model with physicians aligns interest and ensures long-term commitment to deliver high quality, low cost surgical care.

We proudly boast **95%+ partner retention⁽¹⁾**, and the findings from our most recent Net Promoter Score, the national ranking system used to measure satisfaction, nearly max out the upper end of the NPS scale.



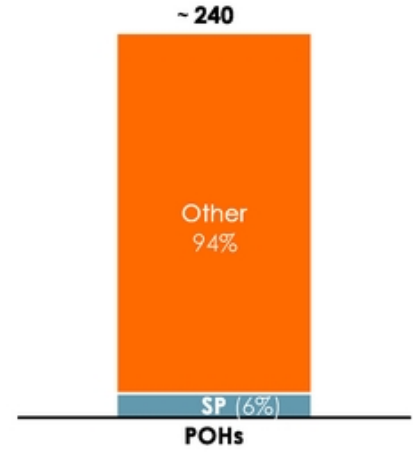
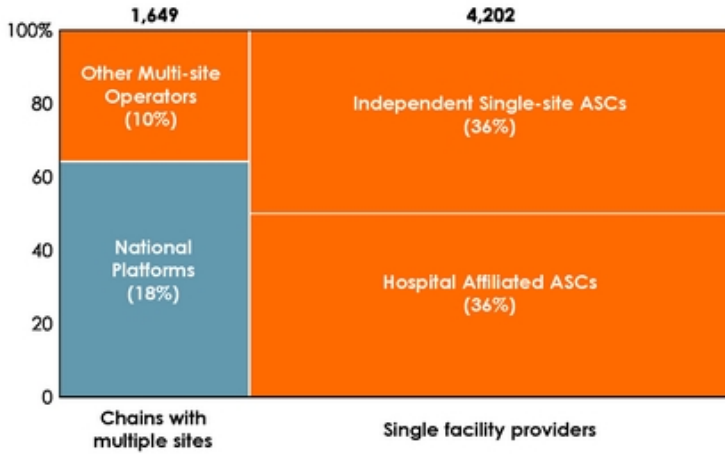
4 We Operate in a Highly Fragmented Market...

Number of ASCs in the U.S.

Number of POHs in U.S.

US Ambulatory Surgery Centers (2020)

Total = 5,851 ASCs

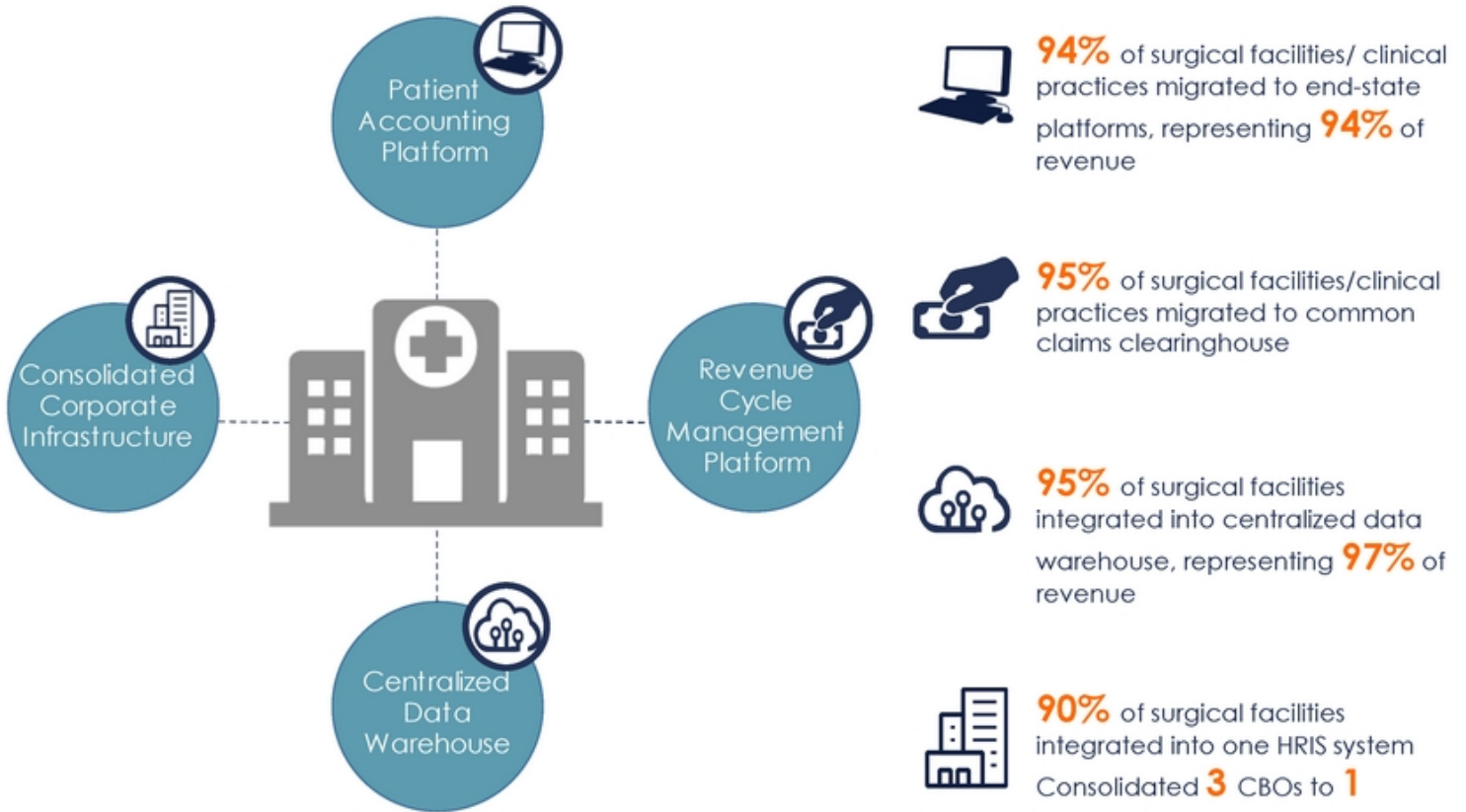


Total Addressable Market: ~\$90B+ Current and ~\$60B+ Incremental To Come



4

...That Can Uniquely Benefit From an Integrated Pure-Play Platform...





4

...With a Proven Track Record of Delivering Organic Synergies While Enhancing Patient Experience

Managed Care

- Enhanced centralized team with seasoned executives
- Continuing to enhance our health plan value proposition through higher acuity service line expansions and growing regional presence/depth
- Piloting enterprise-wide contract management system

Revenue Cycle

- Enhanced centralized team with seasoned executives
- Restructured shared service center
- Investing in denials management and coding technologies



Supply Chain

- Enhanced centralized team with seasoned executives
- Migrated to one company-wide GPO
- Rationalizing implant vendors to secure best deals
- Investing in tools and processes to enhance compliance

Recruiting

- Enhanced centralized team with seasoned executives
- Invested in data to better understand key physicians in target markets
- Launched innovative marketing programs
- Selected investments to enhance attractiveness of facilities (e.g., robotics)

Data / Analytics

- Invested in centralized data warehouse
- Migrating disparate systems to end-state platforms



4

We Focused on Short-Stay Surgical and are Re-Accelerating the Pace of Capital Deployment...

Closed or Sold

2018: Divested over ~\$100M in annualized revenues

2020: Closed Lab (3Q), sold selected Anesthesia assets (3Q) and Optical GPO (4Q)

Acquisitions

2018: ~\$105M in 10 Transactions

2019: ~\$35M in 7 Transactions

2020: ~\$160M in 10 Transactions

Transaction Highlights

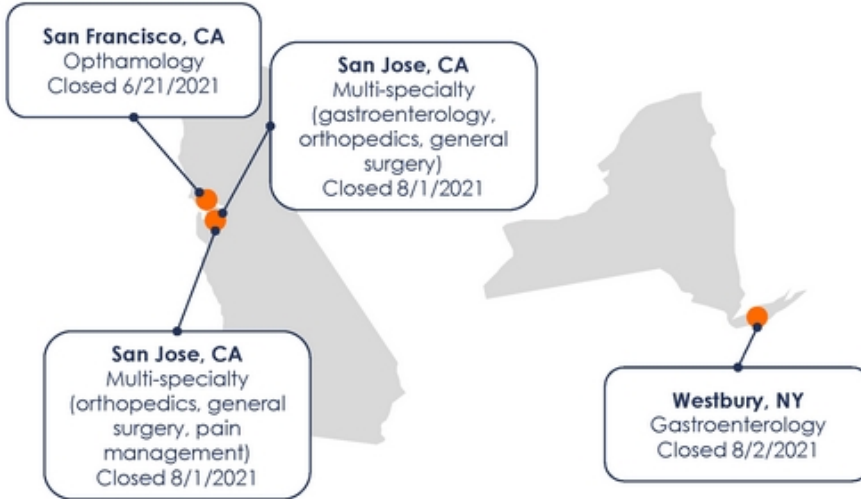
- Refocused portfolio on growing short-stay surgical assets
- 7 transactions to enhance presence and footprint in Idaho
- 4 transactions to enhance presence in Southern California market, including
 - ✓ Bakersfield Heart Hospital (Oct 2020)
 - ✓ GI-focused ASC (Dec 2020)
- Average multiple paid of ~7x since 2018



4

YTD 2021, We Have Closed Over \$100 Million of Acquisitions..

2021 Select Acquisitions



Over \$100m of capital deployed year-to-date

Average year one deal multiple: less than 7.5x

\$200+ million of executed LOIs at attractive multiples

Surgery Partners has accelerated the pace of accretive add-on M&A in 2021



4

...With a Strong Pipeline of Near-Term Opportunities Under LOI

Selected Pipeline Opportunities					
Opportunity	Status	Type	Geography	Specialty	Target Closing
A	Under LOI	ASC	Northeast	GI	3Q21
B	Under LOI	Surgical Hospital / Practice	Central	Orthopedics	2H21
C	Under LOI	ASC	Central	Orthopedic	2H21
D	Under LOI	ASC / Practice	Southeast	Orthopedics	2H21
E	Under LOI	ASC	Southeast	Orthopedics	2H21
F	Under LOI	ASC	Northeast	Orthopedics	1H22
G	Offer Submitted	ASC	Southeast	Orthopedics	1H22
H	De Novo	ASC	Southeast	Orthopedics	1H22
Value of Transactions in Pipeline					~\$200m+

Attractive pipeline of near-term opportunities with over \$200 million transactions under letter of intent

Average Deal multiple of ~7.5x based on current pipeline

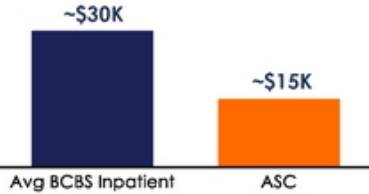


5 Uniquely Positioned to Enable Value-Based Surgical Care



National footprint of outpatient surgical facilities

Total Joint Replacement Price

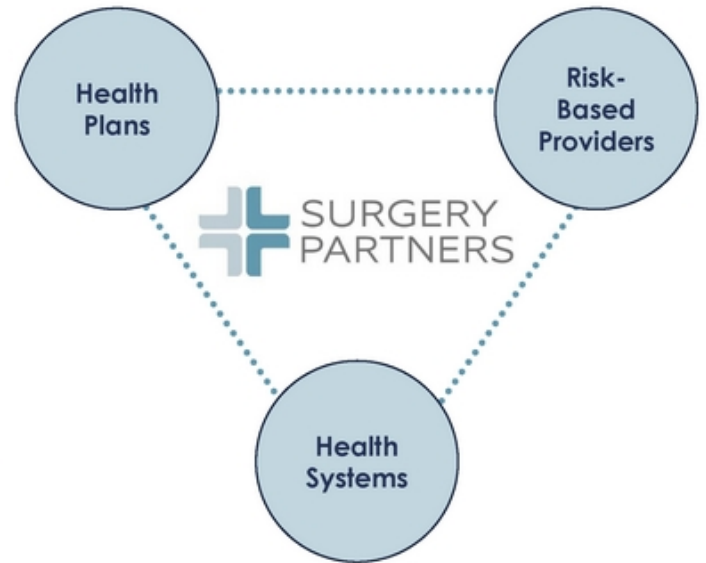


Meaningful site of service savings⁽¹⁾

94%
Patient NPS

Quality outcomes and exceptional patient satisfaction

Partner to Enable Value-Based Care



Well-Positioned for Profitable and Predictable Value-Based Growth



6 A Dynamic Growth Model



Mid-teens AEBITDA growth target with Capital Deployment

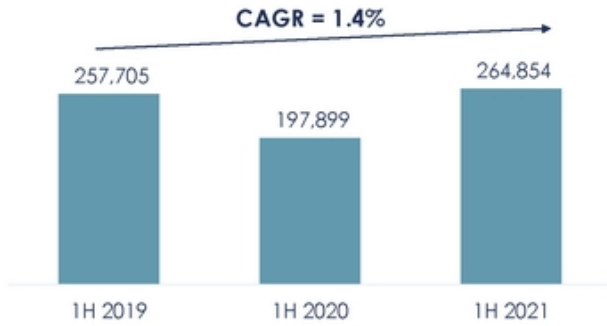


Surgery Partners Financial Overview



First Half 2021 Financial Highlights

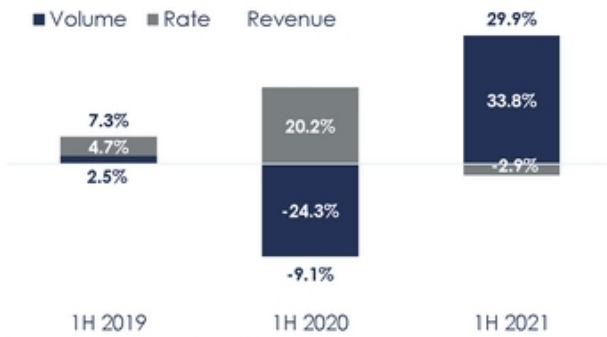
Surgical Cases



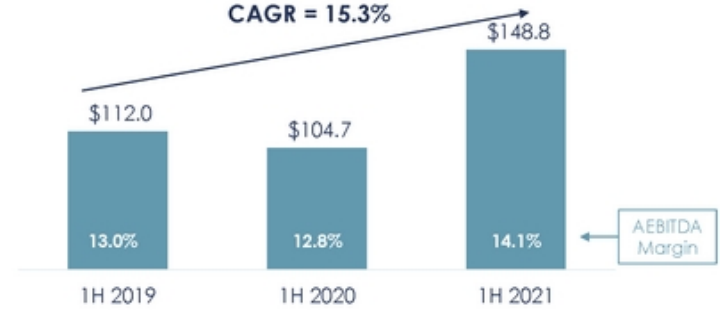
Net Revenue (\$m)



Same-Facility Growth



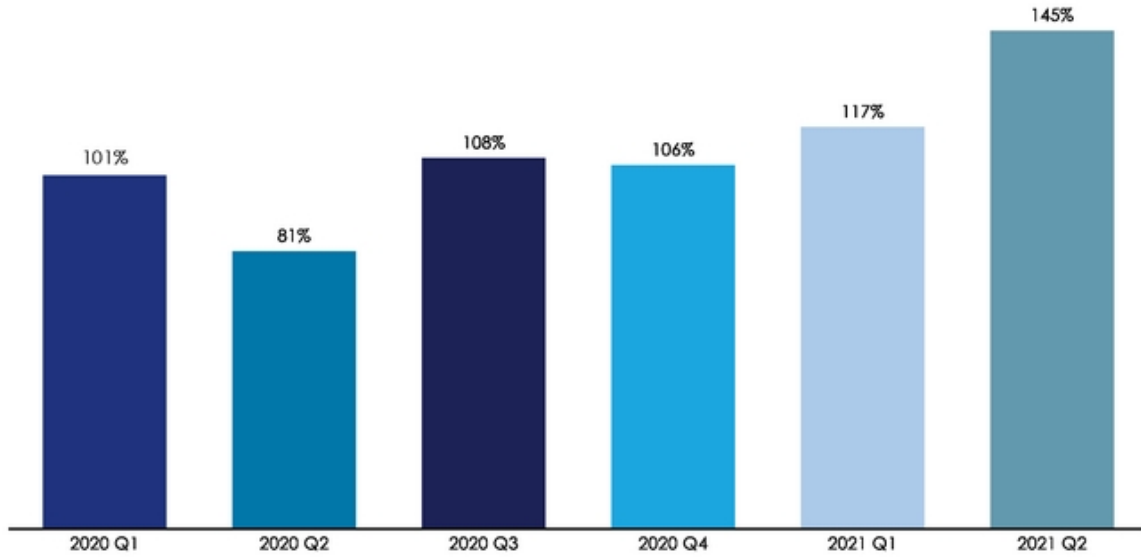
AEBITDA (\$m)





Business has Remained Resilient Through Covid Impact

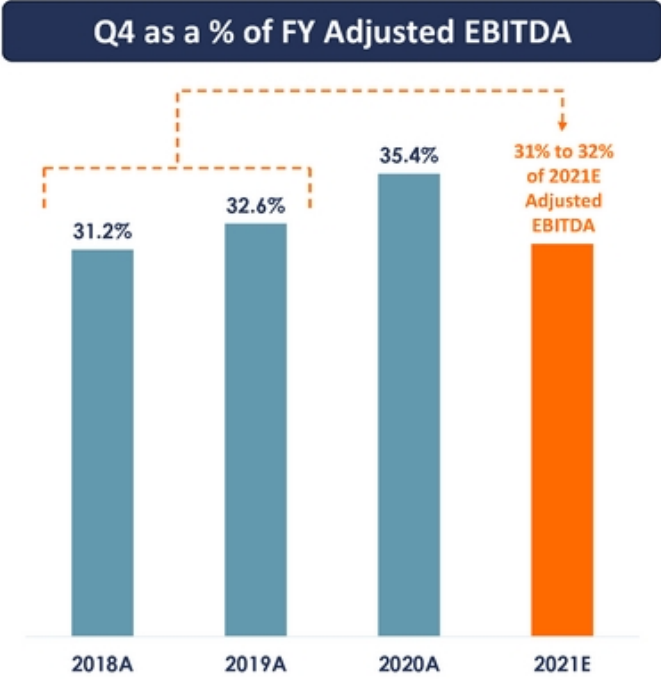
Same Facility Net Revenue (% of PY)





2021 Outlook

- Projected Revenue growth of 18% to 20% over 2020, with a bias towards the high end of the range
- Adjusted EBITDA projected to be at least \$325M
 - Recent acquisitions projected to contribute ~\$5M to 2021 performance
 - Continuing to monitor COVID outbreaks in selected geographies
- 4Q21 Projected to be over 30% of full-year Adjusted EBITDA, consistent with historical experience pre-COVID
 - Seasonally strong quarter, contributing 31% to 32% of AEBITDA pre-COVID (see right)
 - Recent acquisitions will have a full quarterly run-rate impact in 4Q21
 - Idaho Falls Community Hospital expected to contribute mid-single digit millions of Adjusted EBITDA in 4Q21



2021E Adjusted EBITDA projected to exceed \$325M; over 30% of Adjusted EBITDA occurring in 4Q21



Long-term Financial Targets

Organic AEBITDA Growth Target	Double Digit	<ul style="list-style-type: none">Same-facility revenue growth of 7.6% in 2019; 2020 pre-COVID same-facility growth of 9.4%⁽¹⁾; first half 2021 same-facility revenue growth of 29.9%Industry tailwinds in MSK and Cardio (16%+ p.a. MSK case volume growth from 1H 2017 – 1H 2021; 144% total joint growth 1H 2021)Existing de novos expected to drive \$30M+ million AEBITDA Growth
Target Acquisition Spend	\$200mm Annually	<ul style="list-style-type: none">Highly fragmented industry with over 4,200 facilities as potential consolidation targetsOver \$300 million deployed 2018-20 at an average multiple of 7xOver \$100 million of deals closed year-to-date; Active pipeline of transactions of over \$200 million at ~7.5x multiple
Total Co AEBITDA Growth Target	Mid-teens	<ul style="list-style-type: none">Leading independent franchise to support rapid consolidation at attractive multiplesPlatform asset allows for rapid integration and synergy realizationContinued operating leverage on lean corporate infrastructure
Leverage Target	5.0 – 6.0x	<ul style="list-style-type: none">Growth of core business expected to improve leverage over timeMultiple opportunities to enhance cash flow through balance sheet management and capital markets



Surgery Partners Investment Highlights

- | | | |
|---|--|---|
| 1 Large Market Opportunity Supported by Multiple Macro Growth Drivers and Aligned with the Mega Trend: High Quality, Low Cost Care in Specialized Settings | | \$150B Total Addressable Market
\$60B of Inpatient Cases Migrating to Outpatient |
| 2 Industry Leader Focused on Higher Growth, Higher Acuity Specialties | | 7.5%+ Industry-leading Same Facility Growth
80% Facilities Performing of MSK |
| 3 Exceptional Clinical Quality Coupled with Superior Patient & Physician Experience | | 100% of Surgical Hospitals Rated 4 / 5 Stars by CMS |
| 4 Proven M&A Platform Results in Highly Consistent, Highly Accretive Acquisition Driven Growth | | Deployed over \$100M YTD on M&A
Over \$200M under LOI at ~7.5x |
| 5 Uniquely Positioned to Enable Value-Based Surgical Care in a Profitable and Predictable Model | | ~50% lower cost compared to cases done in hospitals |
| 6 Multiple Drivers of Long-Term Growth and Margin Enhancement | | Mid-teens Target AEBITDA Growth, Including M&A |

Only Way to Invest Directly in a Pure-Play Surgery Center Operator



Appendix



2022 Preliminary Medicare OPPS/ASC Payment System



- **+2.3%** aggregate increase for ASC rates
- **+2.3%** aggregate increase for hospital outpatient rates
- Reinstatement of the Inpatient Only List (IPO)
- Removal of 258 procedures from the ASC Covered Procedures List (ASC CPL) originally added for the 2021 payment year

Favorable rate increases for ASCs and hospital outpatient



CMS Reaffirmed Total Joints and Cardio are Appropriate in ASCs

Reaffirmed Total
Knee and Hip
Procedures Growth
in ASCs

- ...we expect that the volume of THA and TKA procedures will continue to increase in HOPDs, and that significant numbers of Medicare beneficiaries 65 and older will potentially undergo these procedures in the outpatient setting in future years [page 563]
- ...we expect that THA and TKA procedures will increasingly be performed in ASCs and that the volume of these procedures on Medicare beneficiaries 65 and older will also increase in ASCs in future years [page 638]

Expected Minor
Near-term Impact
to HOPD / ASCs

- ...131 of the 298 codes removed from the IPO list in last year's final rule appeared on either zero or one OPPS claims and 269 of the 298 codes appeared on fewer than 100 claims [page 356]
- Based on our internal review of preliminary claims submitted to Medicare, we do not believe that ASCs have been furnishing the majority of the 267 procedures finalized in 2021 [page 462]

Continued
Movement to ASCs

- ... We expect that we would continue to expand the ASC CPL in future years under our proposed revised criteria as the practice of medicine and medical technology continue to evolve [page 462]

Reaffirmed Total Knees and Hips (TKA/THA) and 23 Cardio procedures remain open to ASCs for Medicare patients



Reconciliation to Adjusted EBITDA

The following table reconciles Adjusted EBITDA to Income before income taxes, the most directly comparable GAAP financial measure (unaudited):

(in millions)	TTM	Six Months Ended June 30,		
	6/30/2021	2021	2020	2019
Income (loss) before income taxes	\$ 26.4	\$ 17.1	\$ (28.1)	\$ 14.3
Plus (minus):				
Net income attributable to non-controlling interests	(137.2)	(67.5)	(47.7)	(51.5)
Depreciation and amortization	100.5	50.9	45.2	37.9
Interest expense, net	212.2	106.7	96.3	88.4
Equity-based compensation expense	15.6	9.3	6.9	4.9
Transaction, integration and acquisition costs ⁽¹⁾	36.3	20.8	22.7	11.5
Impairment charges	33.5	-	-	-
Loss on disposals and deconsolidations, net	(0.6)	0.1	6.4	(7.6)
Litigation settlement and other litigation costs ⁽²⁾	4.4	1.8	3.8	-
Loss on debt extinguishment	9.6	9.6	-	11.7
Tax receivable agreement expense	-	-	-	2.4
Gain on escrow release ⁽³⁾	-	-	(0.8)	-
Total Adjustments	274.3	131.7	132.8	97.7
Adjusted EBITDA	\$ 300.7	\$ 148.8	\$ 104.7	\$ 112.0

[1] For the trailing twelve months ended June 30, 2021, this amount includes transaction and integration costs of \$27.3 million, and further includes start-up costs related to a de novo surgical hospital of \$9.0 million. For the six months ended June 30, 2021, this amount includes transaction and integration costs of \$14.5 million, and further includes start-up costs related to a de novo surgical hospital of \$6.3 million. For the six months ended June 30, 2020, this amount includes transaction and integration costs of \$10.4 million, and further includes start-up costs related to a de novo surgical hospital of \$12.3 million. For the six months ended June 30, 2019, this amount includes transaction and integration costs of \$8.2 million, and further includes other acquisition costs and start-up costs related to a de novo surgical hospital of \$3.3 million.

[2] For the trailing twelve months ended June 30, 2021, this amount includes other litigation costs of \$4.4 million. For the six months ended June 30, 2021, this amount includes other litigation costs of \$1.8 million. For the six months ended June 30, 2020, this amount includes litigation settlement costs of \$1.2 million and other litigation costs of \$2.6 million.

[3] Included in other income in the condensed consolidated statement of operations for the six months ended June 30, 2020.