



Advising the Congress on Medicare issues

Assessing payment adequacy: Ambulatory surgical centers (ASCs)

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Important facts regarding ASCs

- Medicare payments in 2008 = \$3.1 billion
- Beneficiaries served in 2008 = 3.3 million
- 90% have some degree of physician ownership
- Payment system substantially revised in 2008
- ASCs will receive a payment update of 1.2 percent in 2010 (full CPI-U)

Measures of payment adequacy

- Access and supply
- Access to capital
- Medicare payments
- No cost or quality data

Access to and supply of ASC services have been increasing

	Avg increase, 2003-2007	Increase, 2007-2008
Percent increase, FFS beneficiaries served	6.4%	2.8%
Percent increase, volume per beneficiary	10.2%	10.5%
Number of ASCs	286	183
Percent increase, number of ASCs	6.7%	3.7%

ASCs less likely to treat Medicaid patients than hospital outpatient department

- MGMA survey (2005): 4% of average ASC's patients had Medicaid, 87% had Medicare or commercial insurance
- Pennsylvania data (2008): Medicaid patients accounted for 3.4% of procedures in ASCs, 10.4% in outpatient departments
- Study by Gabel et al. (2008): Pennsylvania physicians more likely to refer Medicare and commercial patients to ASCs than Medicaid patients

Comparing the mix of Medicare patients in ASCs and HOPDs, 2008

Characteristic	% of ASC patients	% of HOPD patients
Medicaid status		
Not Medicaid	87.4%	78.7%
Medicaid	12.6	21.3
Race/ethnicity		
White	89.3	85.4
African American	6.4	9.7
Other	4.3	4.9
Age		
Under 65	13.2	20.3
65 to 84	79.5	69.1
85 or older	7.4	10.6

Note: ASC (ambulatory surgical center), HOPD (hospital outpatient department).
 Source: MedPAC analysis of 5 percent standard analytic claims files, 2008.

Access to capital has been at least adequate

- Capital is required to establish new ASCs
- Number of ASCs grew at an annual rate of 6.7% over 2003-2007
- Growth slowed to 3.7% in 2008
- Downturn in capital markets and economy reduced access to capital
- Downturn unrelated to Medicare payments

Strong growth in Medicare payments

- Over 2003-2007, payments per FFS beneficiary increased 8.0% per year
- Payments per FFS beneficiary increased 9.7% in 2008 over 2007
- Services newly covered in 2008 accounted for 2.9 percentage points of increase

Surgical services may be migrating from HOPDs to ASCs

- Possible benefits
 - Efficiencies for patients and physicians
 - Lower program spending and beneficiary cost sharing per service
- Possible concern:
 - ASC growth may result in greater volume of outpatient surgical procedures; could increase program spending

Cost and quality data not available

- ASCs do not submit cost or quality data to CMS
- These data are important for
 - Determining the adequacy of Medicare payments to ASCs
 - Allowing payments to be based on quality
 - Evaluating ASC market basket

Summary

- Access to ASC services has been improving
 - Increase in number of beneficiaries served
 - Increase in volume per FFS beneficiary
 - Increase in number of ASCs
- Access to capital has been at least adequate
- Lack cost and quality data