



Advising the Congress on Medicare issues

Ambulatory surgical centers: Assessment of payment adequacy

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Ambulatory surgical centers (ASCs)

- ASC: Distinct entity that exists to furnish surgical services not requiring an inpatient stay
- Have their own prospective payment system, linked to outpatient PPS
- 91% have some degree of physician ownership (ASCA 2008)
- Medicare payments are about 20% of total ASC revenue (MGMA 2006)

Benefits of ASCs over HOPDs

- More convenient for patients
 - More convenient locations
 - Schedule surgery more quickly
 - Shorter waiting times
- Lower beneficiary cost sharing
- More convenient for physicians
 - Customized surgical environments
 - Specialized staffing

Concerns about ASCs

- Patient selection
 - Less complex patients than HOPDs (RAND 2006)
 - Type of insurance; low Medicaid in ASCs (MGMA 2006)
- Capacity has grown rapidly, may lead to higher surgery volume

Recent history of ASC payment system

- ASC payments have not had positive update since 2003; positive update required by law in 2010
- ASC payment system substantially revised in 2008
 - 32% increase in number of covered procedures
 - Payment rates based on relative weights from outpatient PPS
 - Separate payments for many ancillary services that used to be packaged

Revised system reduces payment rates for most frequently provided procedures

- 20 procedures (out of 3,400) account for 74 percent of ASC service volume
- Revised payment system reduced payment rates for 19 of these procedures
- Concentrated in ophthalmology, gastroenterology, and pain management (e.g. back injections)
- ASCs that specialize in one of these areas have lower Medicare payment per service

But, revised payment system may present new opportunities

- 86% of all covered procedures have higher rates under revised system
- 32% increase in number of procedures covered by ASC payment system
- Separate payment for some ancillaries
- Deutsche Bank survey: ASCs view rates under revised system as positive
- Market analysts: Earnings per share for publicly-traded ASCs increased by more than 10% in 2008

ASCs have lower rates than main competitor: HOPDs

- Among all procedures provided in ASCs, average ASC rate as percent of average HOPD rate: 63% in 2008, 59% in 2009
- Research suggests that lower rates in ASCs are appropriate; ASCs have lower costs (MedPAC, GAO)
- It is not clear how much lower ASC payments should be relative to HOPDs; ASCs do not submit cost data.

Evidence of payment adequacy: access to care has been increasing

Avg annual increase, 2002-2007

ASCs

Percent increase, volume per beneficiary	9.8%
Percent increase, number benes served	7.5%
Number ASCs	266
Percent increase, number ASCs	6.7%

HOPDs

Percent increase, surgeries per bene	1.3%
Percent increase, all services per bene	3.5%

Medicare spending on ASC services has also increased

- Spending per FFS beneficiary grew at an average of 8.4 percent per year during 2002-2007
- CMS projects continued growth, from \$2.9 billion in 2007 to \$3.9 billion in 2009

Key information not available: cost and quality data

- ASCs do not submit cost or quality data to CMS
- However, these data are important for
 - Evaluating the adequacy of Medicare payments to ASCs
 - Allowing payments to be based on quality