MEDPAC

Advising the Congress on Medicare issues

Ambulatory surgical centers: A primer

Dan Zabinski

September 8, 2023

Ambulatory surgical centers

- Purpose is to provide outpatient surgical procedures that do not require an overnight stay
- Medicare coverage of ASCs began in 1982 under Part B
- Before 2008, ASC payment system had over 2,500 services but only 9 payment categories
  - Consequently, each payment category had many services
  - All services in the same payment category had the same payment rate; likely that some services were overpaid while others were underpaid

Note: ASC (ambulatory surgical center).

CMS implemented a new payment system in 2008

- CMS substantially increased number of covered services
  - Most were surgical procedures
  - Some were imaging services, which was new
- The new system also covered:
  - Brachytherapy sources
  - Pass-through and non-pass-through drugs separately payable under the outpatient prospective payment system (OPPS), the payment system for most services provided in HOPDs
  - Medical devices with pass-through status under the OPPS

Note: HOPD (hospital outpatient department).

ASC payment rates are based on OPPS payment rates

- ASC payments: (Relative weight) x (ASC conversion factor)
- For most ASC services, CMS uses OPPS relative weights (but not OPPS conversion factor)
  - Exception: 'Office-based' procedures; volume in physician offices is greater than volume in ASCs
  - Payment rates for these procedures are the lesser of the standard ASC rate or the nonfacility practice expense from the PFS

Note: ASC (ambulatory surgical center), OPPS (outpatient prospective payment system), PFS (physician fee schedule).

Comprehensive APCs are causing a growing disparity between ASC system and OPPS

- Comprehensive APCs (C-APCs):
  - Apply to complex services in OPPS
  - All items on same claim form a single payment
  - Cannot be used in ASC billing system
- C-APCs have become more prevalent in OPPS
  - From 2016 to 2021, number of C-APCs increased from 35 to 79; OPPS spending increased from $14.2 billion to $26.5 billion
  - Because C-APCs are becoming more prevalent in OPPS and cannot be used in ASC system, there is a growing disparity between systems

Note: APC (ambulatory payment classification), ASC (ambulatory surgical center), OPPS (outpatient prospective payment system).

ASCs focus on a narrow set of procedures

- ASC system covers more than 3,600 surgical procedures; 57 services comprise 75% of Medicare revenue
- Highest-revenue services include cataract removal, GI procedures, neurostimulator insertion, pain management, and joint replacement
- Revenue from knee and hip replacement has risen rapidly
- Industry stakeholders predict that cardiology will increase rapidly
  - Number of ASCs specializing in cardiology rose from 13 in 2016 to 118 in 2021

Note: ASC (ambulatory surgical center), GI (gastrointestinal).

ASC volume, number of ASCs, and Medicare revenue have grown

	Avg annual pct change, 2016-2021
Volume per FFS beneficiary	0.7%
Medicare certified ASCs	2.0%
Number of operating rooms	1.9%
Medicare payments per FFS beneficiary	8.1%

Note: ASC (ambulatory surgical center), FFS (fee for service).
Source: MedPAC analysis of Medicare claims and Provider of Services file from CMS, 2016-2021.

ASCs do not submit cost data

- ASCs are the only facilities that do not submit Medicare cost data
  - ASCs are small facilities, but other small facilities (RHCs, HHAs, hospice) submit cost data
- Without cost data:
  - Commission cannot make fully informed assessments of payment adequacy for ASCs
  - CMS cannot create payment rates that accurately reflect ASCs' costs
  - CMS cannot create an ASC market basket that could be used to update ASC payment rates
- The Commission has frequently recommended that the Secretary should require ASCs to submit cost data

Note: ASC (ambulatory surgical center), RHC (rural health clinic), HHA (home health agency).

Shift of procedures from HOPDs to ASCs could benefit Medicare, beneficiaries, and providers

- Medicare (and taxpayers): Payment rates for the same procedures are lower in ASCs
- Beneficiaries: Lower cost sharing in ASCs; less 'nonoperative' time in ASCs (relative to HOPDs)
  - Lower Medicare spending and beneficiary cost sharing could be partially offset if shift to ASCs increases volume of procedures
- Providers:
  - Customize surgical environment and specialized staff; more procedures in same amount of time compared with HOPDs
  - Physician owners of ASCs can receive a share of the ASC facility payments

Note: HOPD (hospital outpatient department), ASC (ambulatory surgical center).

Opportunities exist for procedures to shift from HOPDs to ASCs

- In 2021, among 20 highest volume ASC procedures, HOPD volume was also high (79% of ASC volume)
- Surgical procedures have shifted from HOPDs to ASCs, but the shift has been slow
  - Among 30 highest-volume ASC procedures in 2016, cumulative growth in volume from 2016 to 2021 was 1.5% in ASCs and -3.4% in HOPDs

Note: HOPD (hospital outpatient department), ASC (ambulatory surgical center).

Factors that might be limiting shift of procedures from HOPDs to ASCs

- Limited ASC presence in rural areas
- Limited ASC presence in areas with high social risk factors
- Restrictive certificate of need (CON) laws in some states
- ASCs focus on a narrow range of surgical procedures; HOPDs provide a more diverse set of procedures
- Growing number of physicians employed by hospitals rather than in independent practice

Note: HOPD (hospital outpatient department), ASC (ambulatory surgical center).

ASCs have much stronger presence in urban areas than rural areas

	Rural-urban continuum code (RUCC)	Number of ASCs per 100,000 residents
Urban	1 (most urban)	1.9
	2	2.0
	3	2.3
Nonurban	4	1.3
	5	2.2
	6	0.3
	7	0.7
	8	0.2
	9 (most rural)	0.0

Note: ASC (ambulatory surgical center).
Source: MedPAC analysis of Medicare claims and Provider of Services file from CMS, 2021.

ASC presence declines as social risk factors increase

Range of ADI scores	Number of ASCs per 100,000 Part B beneficiaries
1-10 (lowest social risk)	15.5
11-20	13.3
21-30	12.5
31-40	11.4
41-50	10.1
51-60	9.1
61-70	8.8
71-80	5.5
81-90	4.1
91-100 (highest social risk)	1.7

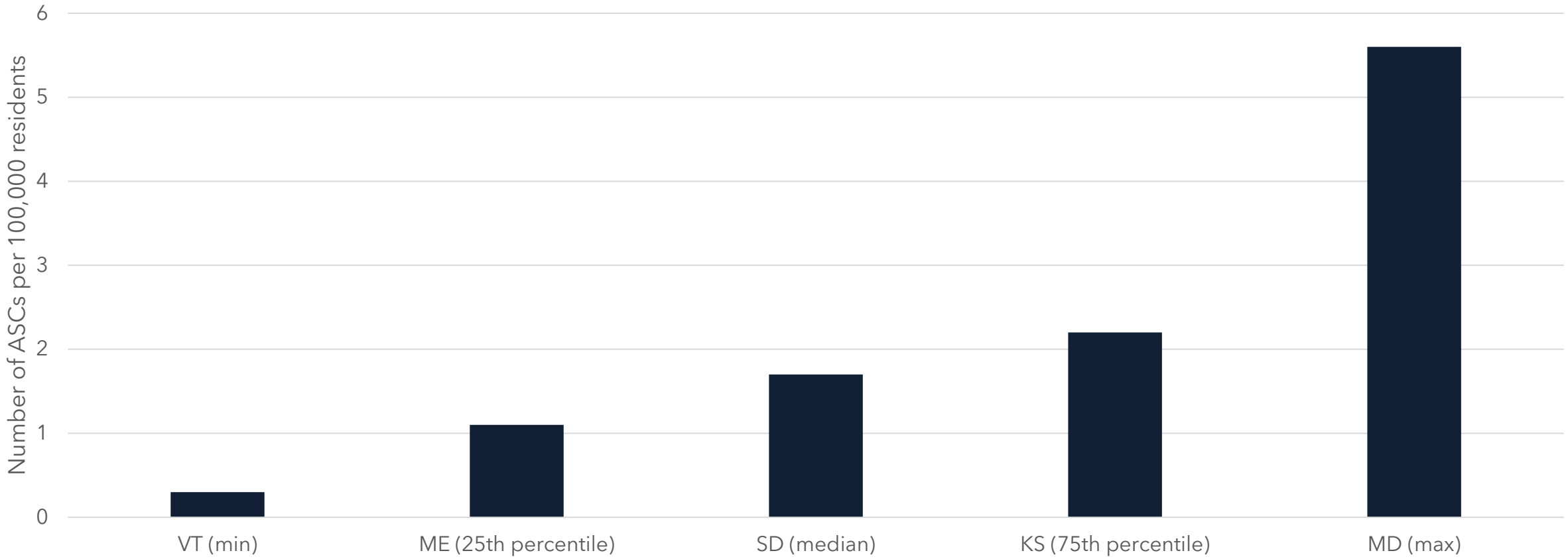
Note: ASC (ambulatory surgical center), ADI (area deprivation index). Part B beneficiaries include for fee for service and Medicare Advantage.
Source: MedPAC analysis of Provider of Services file from CMS, 2021, and area deprivation index from the University of Wisconsin.

ASCs provide a narrower range of surgical procedures than HOPDs

- For both ASCs and HOPDs, we determined how many surgical procedures comprise 75% of total surgical volume
  - For ASCs, 29 surgical procedures
  - For HOPDs, 134 surgical procedures
- Payment rate inaccuracies could contribute to the narrow focus of ASCs
  - ASC payment rates are derived from HOPD costs
  - Unlikely that HOPD costs accurately reflect ASC costs
  - Hence, likely that ASCs are relatively overpaid for some services, underpaid for others

Note: ASC (ambulatory surgical center), HOPD (hospital outpatient department).

Number of ASCs varies among states



Note: ASC (ambulatory surgical center), VT (Vermont), ME (Maine), SD (South Dakota), KS (Kansas), MD (Maryland).
Source: MedPAC analysis of Provider of Services file from CMS, 2021 and Common Medicare Enrollment File.

Why does ASC concentration vary by state?

- Certificate-of-need (CON) laws affect ASCs per capita
  - The nine states with the lowest number of ASCs per capita have CON laws
  - CON laws vary; Nevada has a less restrictive CON law and 9th highest ASCs per capita
- Share of residents who are rural dwelling matters
  - New Mexico has no CON law but is very rural; has 10th lowest number of ASCs per capita
- Maryland is unique; most ASCs per capita (by far), has a CON law; likely due to hospital global budgets

Note: ASC (ambulatory surgical center).

More physicians are choosing hospital employment, fewer choosing private practice

- From 2012 to 2022:
  - Share of physicians working as employees increased from 42% to 50% (Kane 2023)
  - Share of physicians working in practices wholly owned by physicians declined from 60% to 47%
- As more physicians become hospital employees, fewer are available to provide surgical procedures in freestanding ASCs; this shift can limit the growth of ASCs

Note: ASC (ambulatory surgical center).
Source: Kane, C. 2023. *Policy research perspectives: Recent changes in physician practice arrangements: Shifts away from private practice and towards larger practice size continue through 2022*. Chicago, IL: American Medical Association.

Concern about shift from HOPDs to ASCs: Quality data are limited

- Currently, measures in ASC quality program provide limited assessment of ASC performance on surgical outcomes
  - System has some measures on outcomes in some specialties (GI, orthopedics, urology)
  - System lacks measures for important specialties (ophthalmology and pain management)
- Over the next few years, CMS will add 10 measures to ASC quality reporting program
  - CMS should add more measures on clinical outcomes such as rate of surgical site infections and patient improvement after joint replacement

Note: HOPD (hospital outpatient department), ASC (ambulatory surgical center), GI (gastrointestinal).

Structure of ASC ownership is changing

- In 2021, 95% of ASCs had some physician ownership
  - However, only 52% of ASCs were fully owned by physicians
  - Other ASCs had some ownership combination such as physicians with hospitals or physicians with corporate entities
- Ownership of ASCs by corporate entities is rising
  - From 2017 to 2022, the share of ASCs that had some ownership by corporate entities increased from 18.6% to 20.8% (Hawkins et al., 2023)
  - The ownership of ASCs by corporate entities is expected to increase

Note: ASC (ambulatory surgical center).
Source: Hawkins, J., R. Mendez, and C. Park. 2023. ASCs in 2022: A year in review. Dallas, TX: VMG Health.

Discussion

- Questions/comments on presentation
- Thoughts on benefits and drawbacks of surgical procedures migrating from HOPDs to ASCs
- Should Medicare policy be used to encourage procedures to shift from HOPDs to ASCs?

Note: HOPD (hospital outpatient department), ASC (ambulatory surgical center).

MEDPAC

Advising the Congress on Medicare issues

Medicare Payment Advisory Commission

www.medpac.gov

@medicarepayment