Overview

- Outpatient surgery growth has been consistent with technological/clinical advances that reduced hospitalizations and improved patient safety and clinical outcomes.

- Shift in market share between ASC and HOPD has fueled ASC growth, but cost-saving growth slowed after a 6-year freeze.
  - Many ASCs focus on services that are recommended by the U.S. Preventative Services Task Force & Healthy People 2010, such as colonoscopy screening. These services are still under-utilized.

- Government and beneficiary savings on ASC services as compared to the HOPD has never been greater as more patients are served in the lower-cost ASC setting.

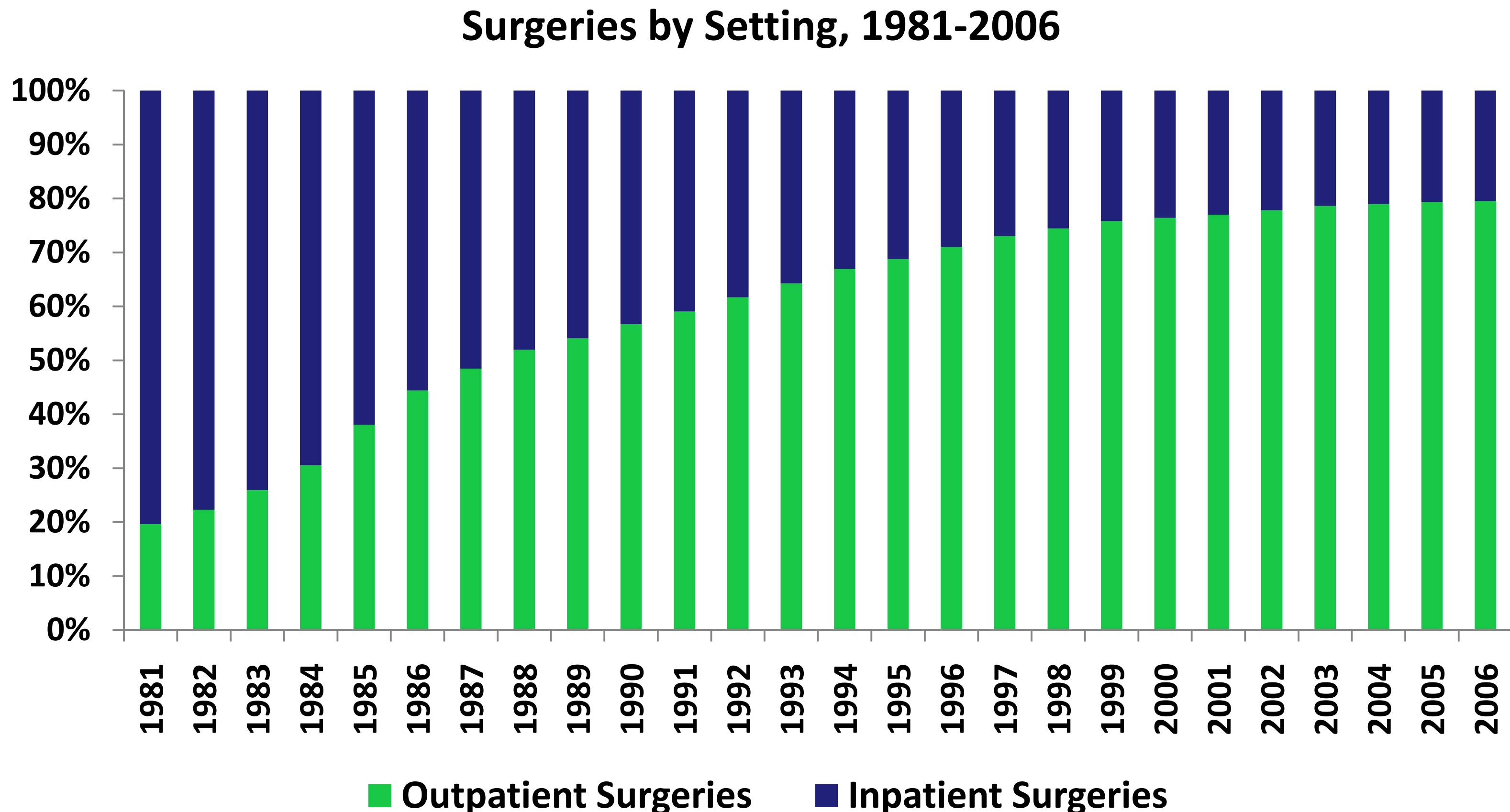
- ASCs approaching a ‘tipping point’ where Medicare rates are unsustainable and services will be forced to return to the HOPD where the rate is 72% higher.

ASCs promote quality and savings

- **ASCs are an integral component of U.S. healthcare delivery system**
  - 40% of outpatient surgeries performed in ASCs
  - Patient access through over 5,100 facilities in nearly every state
- **ASCs provide high quality care**
  - Superior patient outcomes
  - Low infection rates
  - Comprehensive regulatory standards
  - 92% patient satisfaction
- **ASCs are committed to transparency**
  - Independently developed quality measures recognized by NQF
  - Initiated reporting of aggregate quality data at www.ascquality.org
- **ASCs offer the government enormous savings opportunities**
  - 56% savings to beneficiaries; 41% savings to Medicare
  - Shifting 50% of eligible outpatient procedures from hospitals to ASCs would save Medicare an additional $2.3 billion

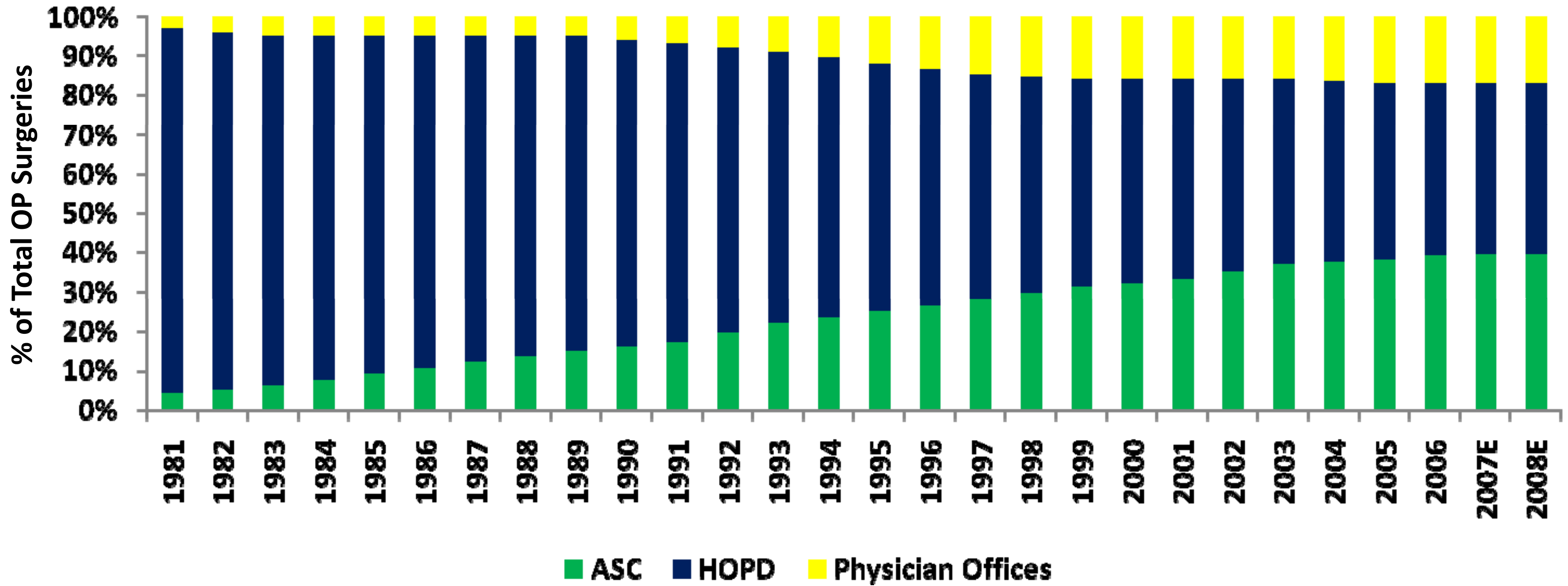
Growth of outpatient surgery over time

The volume of outpatient surgery has grown at a predictable rate, consistent with technological advances and clinical guidelines.



Note: Average annual percent change in total surgery volume 1981-2006 was 3.8%

OP Surgeries in ASC vs. HOPD

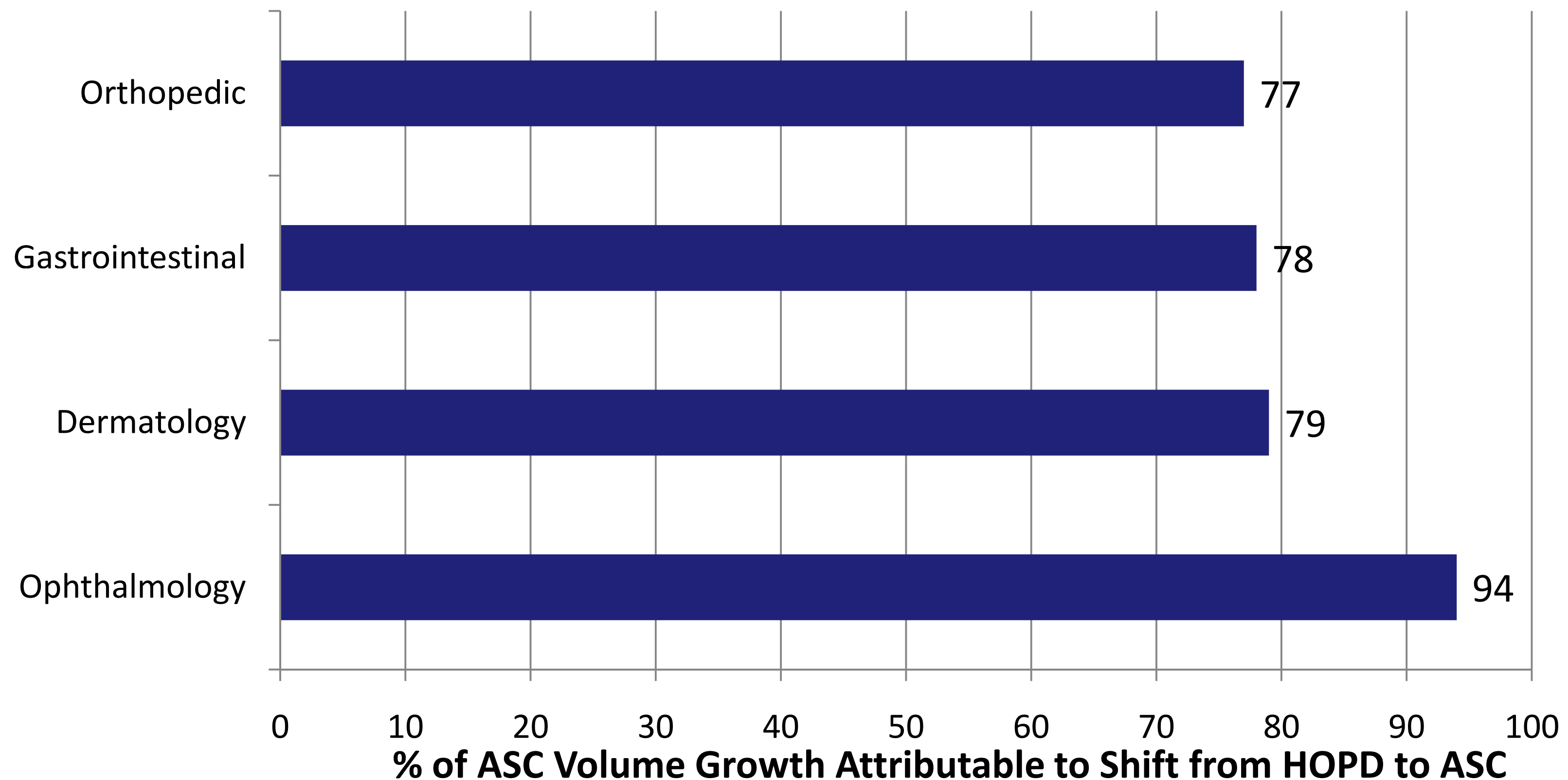


1980s	1990s	2000 - today
• Medicare approves ASCs in '82, several years after JAMA and commercial payers endorsed ASCs • Limited to early adopters	• Increasing comfort level of physicians and anesthesiologists • Influx of colonoscopies and cataract surgeries • Increased use of physician offices due to payer pressures	• Trends slowing and will depend on pressure from payers to accelerate the shift from HOPD

Sources: AHA 2008 Trends Affecting Hospitals and Health Systems, Verispan Profiling Data, BRP Analysis.

Site of service for outpatient surgery has shifted from HOPD to ASC

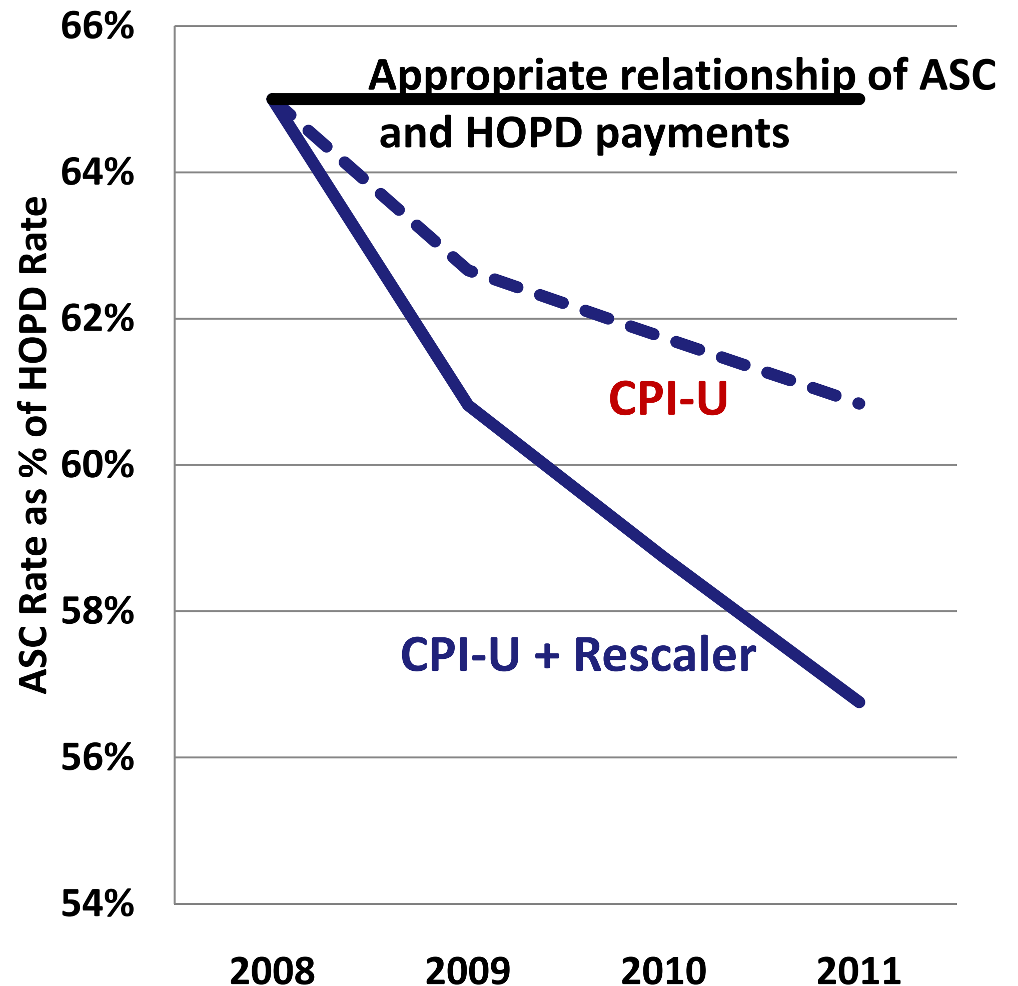
Recent KNG Health study: 70% of growth in ASCs from 2000 to 2007 is the result of moving procedures from HOPDs into the less expensive ASC setting



Note: Pain Management services, a relatively new field, grew substantially in physician, HOPD, and ASC settings from 2000-2007. As a result, little migration is observed.

Without protections in health reform, underlying problems are exacerbated

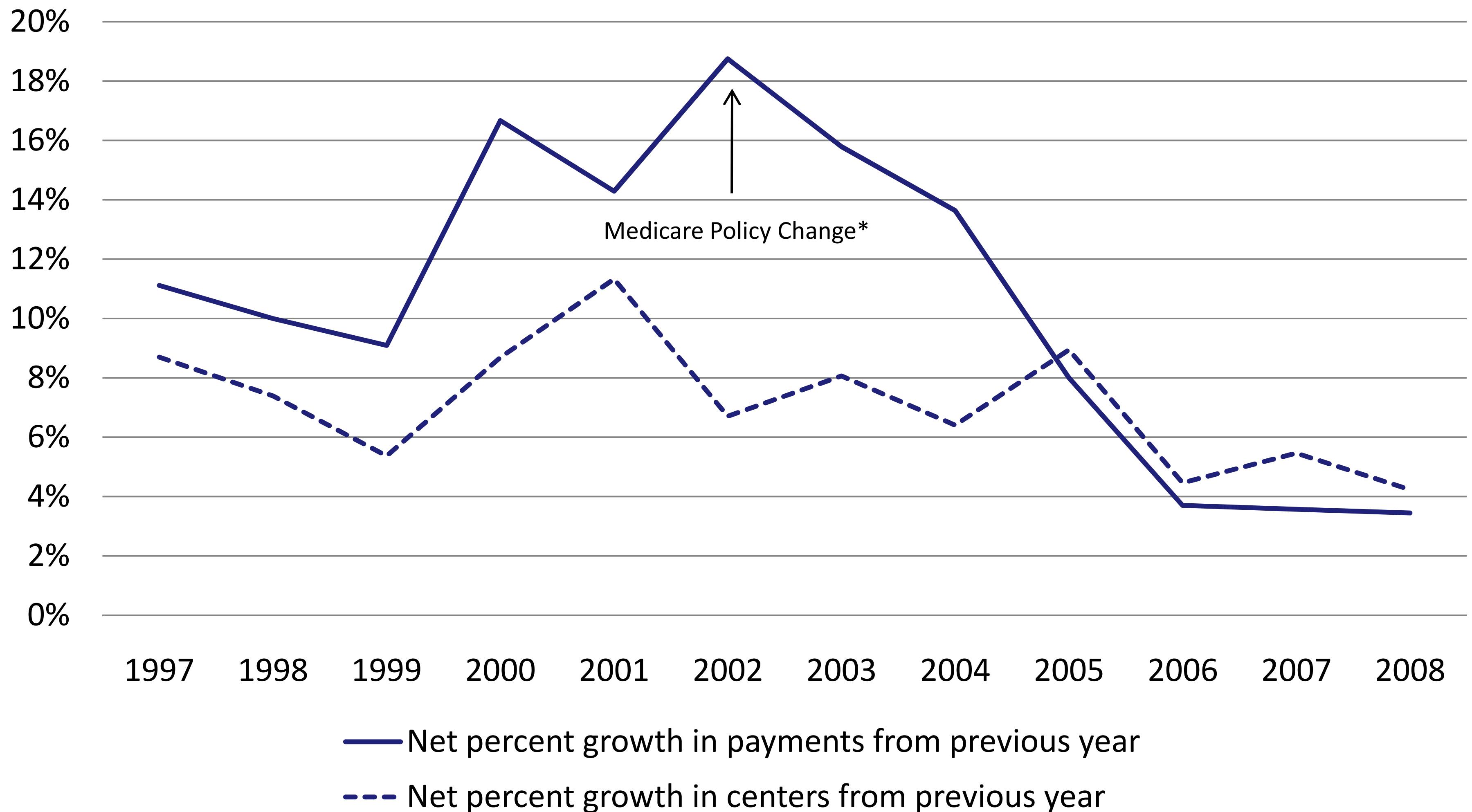
- Two payment policies cause ASC and HOPD rates to diverge
  - The HOPD update, the market basket, is consistently larger than the ASC update, the Consumer Price Index.
  - A second budget neutrality adjustment ("rescaler") of ASC weights erodes relationship to HOPD rate.
- Reform bill prevents OPPS update from being negative as a result of the productivity adjustment; the same is not true for ASCs and rates could further diverge.



Substantial beneficiary savings in the ASC

HCPCS	Description	2010 ASC Copay	2010 HOPD Copay	Difference in beneficiary liability
66984	Cataract surg w/iol, 1 stage	$192.49	$495.96	61%
43239	Upper gi endoscopy, biopsy	$73.89	$143.38	48%
45378	Diagnostic colonoscopy	$76.05	$186.06	59%
45380	Colonoscopy and biopsy	$76.05	$186.06	59%
45385	Lesion removal colonoscopy	$76.05	$186.06	59%
66821	After cataract laser surgery	$46.81	$104.31	55%
64483	Inj foramen epidural l/s	$59.20	$97.09	39%
66982	Cataract surgery, complex	$192.49	$495.96	61%
45384	Lesion remove colonoscopy	$76.05	$186.06	59%
29881	Knee arthroscopy	$209.92	$403.36	48%
63650	Implant neuroelectrodes	$699.19	$885.85	21%
29827	Arthroscop rotator cuff repr	$327.64	$804.74	59%

ASC growth has decelerated, some centers closing



* - In July 2001, Medicare expanded coverage for screening colonoscopies
Sources: MedPAC Data Book, multiple years.

ASCs represent a low-cost solution in health care reform

- The trend from inpatient to HOPD to ASC is positive for consumers and payors.
  - Decreased cost for patient and payor
  - Decreased risk of healthcare associated infections, consistent with less time in healthcare setting
  - Decreased loss of worker productivity

- However, the migration of services is in jeopardy of halting or even reversing if confidence in the regulations and rates erode.

- Health care reform should promote use of the lowest cost, most clinically appropriate site of care.

Support ASC provisions in Senate Finance

- Productivity reduction provision effective in 2011
  - 2010 implementation (House position) will result in negative update after 6-year rate freeze and cuts for most common procedures
  - Permit a positive update for ASCs in 2010, as advocated by MedPAC

- No requirement for ASC cost reports
  - CMS says cost reports are unnecessary and burdensome to industry and agency.

“Consistent with the GAO findings, CMS is using the OPPS as the basis for the ASC payment system, which provides for an annual revision of the ASC payment rates under the budget neutral ASC payment system. In addition, we noted that under the methodology of the revised ASC payment system, we do not utilize ASC cost information to set and revise the payment rates for ASCs but, instead, rely on the relativity of hospital outpatient costs developed for the OPPS, consistent with the recommendation of the GAO. Furthermore, we explained that we have never required ASCs to routinely submit cost data and expressed our concern that a new Medicare requirement for ASCs to do so could be administratively burdensome for ASCs.”
CMS-1414-FC, Final rule for CY2010 rates

Summary

- ASCs approaching a ‘tipping point’ where Medicare rates & regulatory environment are unsustainable; returning services to the HOPD will result in Medicare cost increase of 72%.
- Every time a Medicare beneficiary chooses and ASC for their surgery, taxpayers and the patient save at least 42 percent.
- ASCs want to be part of the solution to bending the cost curve by providing a low-cost alternative to surgery in the HOPD.
- As the site of more than 40% of outpatient surgery, a stable and reliable Medicare payment structure for ASCs is essential to ensure the viability of the ASC setting.
- ASCs support the Senate reform bill provision that would defer implementation of the productivity adjustment until 2011, providing ASCs an update in 2010 after a 6-year rate freeze.