

# ASC Coalition

## Report Details Positive Contribution of ASCs to Health Care Reform Goals

A report by KNG Health Consulting provides evidence that ambulatory surgical centers (ASCs) play a pivotal role in moving services out of hospitals and into less expensive yet clinically appropriate settings. The study findings highlight the role ASCs have played in meeting the growing population needs for essential surgical and cancer screening services. The use of ASCs has likely slowed growth in total Medicare spending for outpatient surgical services because they offer a low-cost alternative to hospital outpatient departments (HOPDs), a goal the ASC industry suggests is consistent with the Administration's health reform priorities.

The health reform objectives articulated by the Congress and the Administration – promoting efficient use of services in the health care system and improving the value of Medicare's spending – are inextricably linked to promoting the use of ASCs for beneficiaries' outpatient surgical needs. The results of this research demonstrate that ASCs have already been a beneficial partner to the Medicare program and its beneficiaries in constraining Medicare spending growth by providing a lower-priced option for outpatient surgical needs. The reforms discussed in Congress should provide further incentives to move additional clinically appropriate surgeries into ASCs at a savings to the beneficiary, Medicare program and U.S. taxpayers.

The ASC Coalition<sup>1</sup> contracted with KNG Health Consulting to identify the factors that have contributed to the growth of ASCs. In addition, the researchers were asked to measure the growth factors and estimate the relative contribution of each factor. In general, the researchers found that most of the growth of the industry between 2000 and 2007 was fueled by the movement of many gastrointestinal (GI) and ophthalmology services into ASCs from hospital outpatient departments.

Beyond demonstrating the role ASCs have played in moving surgical services into less expensive settings, this study disproves two factors critics of the ASC industry have suggested may offset the cost reducing effects of the relatively low Medicare payment rates for ASCs.

First, some ASC critics have suggested that physicians who own ASCs have a financial incentive to perform more surgical services than they would if they could only provide outpatient surgical services in a HOPD. It has also been suggested that the expansion of outpatient surgical capacity in ASCs may lead to a higher overall volume of outpatient surgery.

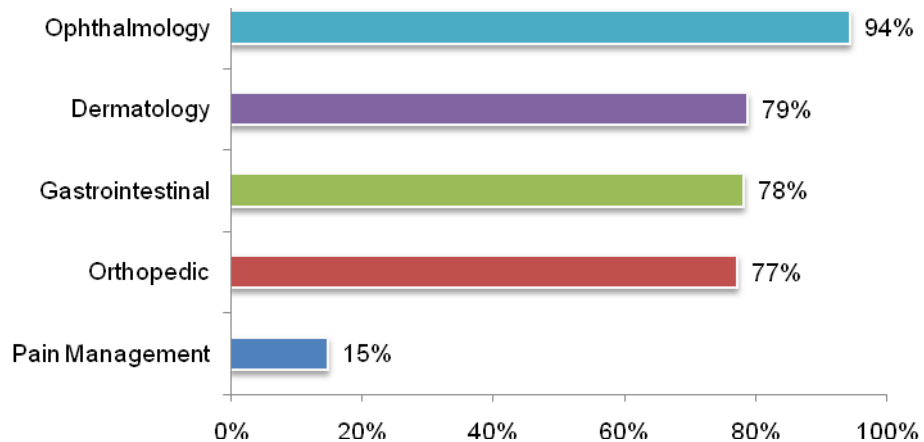
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<sup>1</sup> *The ASC Coalition is a diverse coalition of associations and companies representing all types of ASCs – single- and multi-specialty, physician owned, joint ventures between hospitals and physicians, and joint ventures between physicians and management companies.*

This study found **no statistical evidence that ASCs cause an increase in utilization** of common Medicare procedures like colonoscopies and cataract surgery.

In fact it shows that **70% of the growth in ambulatory surgery centers from 2000 to 2007 is the result of moving procedures from HOPDs into the less expensive ASC setting.**

**Nearly all growth of ophthalmology services in ASCs is attributable to migration from HOPDs, 75% of growth in GI due to migration**



One exception to the migration trend is pain management services. The study noted that significant changes in insurance coverage and advancement in the pain management clinical treatments have evolved in the past 5 to 7 years. Taking these evolutionary events into context, the growth rate for pain management procedures in ASCs is consistent with the growth rate for pain management procedures across all other modalities.

The report also finds that

- Growth in factors completely external to the ASC industry, such as the number of Medicare beneficiaries and disease prevalence help explain the total trend and demonstrate the role of ASCs in meeting demographic challenges for Medicare.
- An increase in the number of necessary and appropriate services per beneficiary is the primary element of spending growth. Most of this growth (70%) is explained by migration of services from the HOPD to the ASC. The remaining 30% is a function of population growth, increased prevention, expanded insurance coverage, and new technologies.
- Much of the growth in ASC spending has been in procedures whose volume increases are relatively slow.

Taken together, the research suggests that public policies promoting the expansion of ASC capacity have helped ensure access to essential surgical and cancer screening services at a savings to the Medicare program and its beneficiaries and should be an important contribution to achieving health care reform goals.

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