Insight

Ambulatory Surgical Centers and Medicare

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Ambulatory Surgical Centers (ASCs), also known as outpatient facilities, are a quickly growing health care provider setting. These facilities have all of the same equipment, surgeons, and staff as a hospital operating and recovery room without the restrictive and complex administrative procedures that burden hospitals. ASCs have nearly identical outcomes when compared to hospitals, and their patients even have slightly lower risk of hospital acquired infections due to the specialized nature of the facilities.[1]

In the private market outside Medicare, patients are often encouraged to utilize ASCs rather than hospitals. Insurers promote ASCs because on average, ASCs are 75 percent cheaper than hospitalization.[2] These savings reflect the greater efficiency of ASCs and not simply a difference in case-mix (which is comparable between the two types of facilities).

Under Medicare, however, things are quite different. Medicare has an Inpatient Only List, which contains about 1,700 procedures that must be performed in an inpatient setting (i.e., in a hospital) in order to receive Medicare reimbursement.[3] Many of the procedures on this list are appropriately limited to inpatient procedures, however, a large portion of them are regularly and safely performed in ASCs and should not be excluded. For example, in 2012 the Centers for Medicare and Medicaid Services (CMS) considered removing total knee replacements from the Inpatient Only List, but failed to remove the restrictions in its final rulemaking. This failure of CMS to change its position on the appropriateness of ASC use means Medicare patients receive treatment that is not only significantly more expensive, but markedly different and in some cases in less specialized environments than the treatment they would likely have received if covered by a private insurer.

The availability of ASC care is not the only difference in Medicare coverage. Medicare reimburses ASCs for the exact same procedures at much lower rates than it reimburses hospitals, despite CMS' admission that the market baskets (variables including time, facilities, equipment, staff, and anything else that is necessary) for hospital departments performing surgeries and ASCs are identical.[4] One reason for this difference is that different measures are used for hospitals and ASCs when calculating the rate of inflation. This results in hospitals receiving annual inflation increases 300 percent higher than ASCs. Another reason is "secondary rescaling" (a calculation that reduces ASC payments when volume increases) for ASCs that results in a 67 percent lower reimbursement rate. The aggregate effect of policies like these is that ASCs receive, on average, only a little over half (56 percent) of what hospitals would receive for the same procedure.[5] This huge disparity diminishes the incentive to utilize ASCs and instead perform procedures in a more expensive and riskier hospital setting.

CMS justification for these huge disparities is unclear. Opponents of ASCs argue that their safety has not been demonstrated on an older population. However, it is important to keep in mind that much of the reason it is difficult to show statistically significant data supporting ASC safety amongst this population is that Medicare has a monopoly on providing insurance to seniors, and it refuses to reimburse ASCs for many procedures, and reimburses at dismally low rates for the rest. There simply is no sample group available. This alone should be sufficient justification for CMS to at least implement a pilot program expanding coverage for ASCs to more procedures.

As the senior population continues to rapidly expand with the aging of the baby boomers and the demand for hospital services generally increases due to the Affordable Care Act, ASCs will become increasingly appealing as an inexpensive and efficient conduit to provide care and meet increasing demand. The existing body of evidence shows clearly that for many indications, ASCs are a safe alternative to hospitalization. This is a point that should be emphasized and taken advantage of rather than swept under the rug by the nation's largest provider of health coverage.

[1] Abby Collard, 10 Points on Post-Surgery Infection Rates by ASC Specialty, Beckers Infection Control and Clinical Quality, http://www.beckersasc.com/asc-quality-infection-control/10-points-on-post-surgery-infection-rates-by-asc-specialty.html (Overall infection rate for hospitals is 0.1 percent).

Shelly Magill et al., Multistate Point-Prevalence Survey of Health Care-Associated Infections, 370 N. Engl. J. Med. 1198 (Mar. 27, 2014) http://www.nejm.org/doi/full/10.1056/NEJMoa1306801?query=featured_home& (Overall infection rate in hospitals is 4 percent).

ASGE, Ambulatory Surgical Centers: A Positive Trend in Health Care, http://www.asge.org/uploadedFiles/Members_Only/Practice_Management/Ambulatory%20Surgery%20Centers%20%E
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