

ASC FOCUS

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2024

*What ASCs need to know
to drive success*

ASCA
Ambulatory Surgery
Center Association

Trends to Watch in



What ASCs need to know to drive success

Industry experts weigh in on what to expect this year and how to make the best of the circumstances.

Know your ASC's Value Proposition

From partnerships to portfolio management. **BY CHAD GIESE AND TONY GUTH**

The ASC continues to solidify its role as a cost-effective and efficient asset in the face of emerging payer models. Those payer models include an expanding list of reimbursable procedures from the Centers for Medicare & Medicaid Services (CMS), surgical shift pressure from insurance providers, uncon-

ventional disruptors such as private equity (PE) investors and prominent national corporations, and the continual advancement of clinical innovations and technology.

As developments progress, it becomes crucial for ASC operators to grasp several key insights. First, shifts in ASC ownership trends stemming

from PE investments can quickly change the competitive landscape, reshaping the dynamic among established ASCs, physician groups and health systems seeking to broaden their footprint in this domain. Second, ASC operators should understand the value proposition of their businesses as they partner with, or are approached

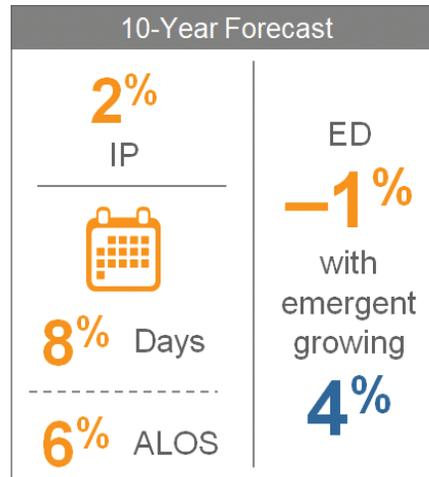
by, hospitals seeking to alleviate hospital-based pressures through an ASC expansion. Lastly, as procedures continue to shift toward ASCs and away from hospital outpatient departments (HOPD), it is essential to take a data-driven portfolio approach to your ASC growth opportunities.

ASC Ownership Trends

Most ASCs are physician owned but that appears to be changing. According to Avanza Healthcare Strategies, physicians owned 100 percent of only 60 percent of ASCs in 2022, down from 64 percent in 2020. This trend is likely to continue as corporate entities, such as PE firms, look to invest in this space. Physician-corporate-owned ASCs saw a significant 9 percent increase over that same two-year period, 2020 to 2022, growing from just 4 percent to 13 percent of ASCs.

The ownership dynamic has significant implications for ASC operators. The increase in corporate and hospital involvement demonstrates that bigger healthcare organizations are becoming more active in ambulatory surgery. This change could quickly lead to more competition for existing ASCs in some markets, but it also opens opportunities for partnerships with interested stakeholders.

If the opportunity to build an ASC in your market has passed, consider an alternative by exploring partnerships instead. Establishing arrangements with hospitals, for example, might help ASCs gain access to resources, patient referrals, clinical support and enhanced brand recognition, and it can help open doors to mutually beneficial growth prospects. PE firms might provide other benefits, such as access to capital for market expansion or technology investments. Understanding your needs and market opportunities will help to focus your outreach and effectively negotiate terms within these partnerships.



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The Value Proposition of Partnering with an Existing ASC

Hospitals are looking to offer ASCs as another access point for care delivery and one quick way for them to do that is by teaming up with existing ASC operators. Existing ASCs have a strong value proposition to support a hospital's core business of managing high-acuity care by drawing low-acuity patients from the hospital campus, focusing on total cost of care and strengthening payer mix.

ASCs can help hospitals alleviate capacity constraints. Many hospitals already are busy, and they do not expect the pressure to ease up in the future (see the growth projections in the 10-Year Forecast table above). As patient acuity and complexity continue to rise, Sg2 projects inpatient discharges to grow 2 percent in the next 10 years with a 6 percent increase in average length of stay resulting in an 8 percent increase in total IP bed days and a 6 percent increase in

average length of stay. Further stressing the hospital campus is the increase in high-acuity emergent volumes (+4 percent) in the emergency department, despite overall emergency department volumes softening (-1 percent) over the next decade. As the patient acuity mix changes inside hospitals, health systems are looking for ways to capture surgical volume; ASCs demonstrated their ability to do this during the COVID-19 pandemic when they helped hospitals catch up on lower acuity, elective surgeries.

ASCs play a role in reducing the total cost of care. The cost-effectiveness of ASCs is a compelling incentive for health systems to integrate them into their networks, especially as more systems are moving away from fee-for-service and toward value-based care. Blue Cross Blue Shield recently highlighted the payment differences between ASC and HOPD sites for select procedures and found that the difference can be significant; for diagnostic colonoscopy, for example, costs were 58 percent higher in the HOPD than in the ASC. The analysis concluded that payers that implement site-neutral payments can realize substantial savings. The ASC's value proposition in this cost-reduction environment is clear.

Enhanced negotiations with payers make an ASC strategy a valuable tool for hospitals to mitigate payer mix erosion, a challenge that has emerged with the aging population and shifting landscape of elective surgeries. We have seen a notable migration of elective surgical procedures away from the hospital toward more efficient and cost-effective ASCs. This movement leaves hospitals in a vulnerable position, as a decline in high-reimbursement surgical cases can significantly impact their financial health. It also increases their interest in ASCs as a care delivery and access channel. By collaborating with ASCs, hospitals can better manage their payer mix. This strategic partnership allows hos-

Factors Converge to Further Propel Site Shifts

ONGOING FACTORS

PROVIDERS

- Pandemic-era capacity constraints and labor shortages
- Decreased LOS and improved outcomes for procedures enabled by evolving surgical techniques and technology adoption
- Heightened physician acceptance of same-day discharges

PAYERS

- Ongoing removal of specific procedures from the CMS Inpatient Only list
- Growing disincentives from commercial payers for IP or HOPD care
- Increasingly strict administrative policies or policyholder provisions (eg, prior authorization, patient cost sharing)

PATIENTS

- Desire for site alternatives driven by COVID-19 infection concerns and limited IP access
- Benefit design site-of-care restrictions and higher out-of-pocket costs
- Consumer-centric site proliferation fueled by new entrants and private equity

LOS = length of stay | IP = inpatient | HOPD = hospital outpatient department



pitals to retain a portion of elective surgeries, helping to stabilize their revenue streams and maintain financial viability in an evolving health-care ecosystem.

New Growth, New Procedure Portfolio

Taking a data-driven approach to building or expanding your procedure portfolio might help to ensure you are setting your ASC up for long-term success. The list of ASC reimbursable procedures continues to slowly grow and expand into other specialty areas, so knowing what is right for your ASC will depend on multiple factors to maximize your portfolio. Thinking through these factors will help to set your ASC strategy up for near-term and long-term success in your market.

Patient Demographics and Complexity

- Is the patient population for this procedure growing, stagnating or shrinking, older or younger, high-acuity or low-acuity?

Physician Dynamics

- Are independent physicians increasingly performing these procedures at lower-acuity sites?
- How comfortable are physicians with ASC shifts for higher-acuity procedures?

Competition

- Who is interested in entering the market? Health systems or PE?
- Are volumes being captured by a new market entrant?

Payer Pressure

- Are payer contracts or enrollee benefit designs incentivizing a shift or shuffle?
- Are value-based payment arrangements emerging to accelerate site shifts?

Many of the trends we have been discussing have been playing out in the cardiovascular (CV) space in recent years. Physician groups, health systems and PE firms are each looking to CV for growth and market differentiation. While an opportunity might exist, one thing we know for sure is that success is highly market dependent. A complex combination of forces, including fed-

eral and local regulations, workforce, patient population and the current market landscape, must be assessed to understand if this shift aligns with and is supported by patient and physician demand. A broad portfolio across CV sub-specialties might be needed to ensure success as procedures under consideration include everything from electrophysiology and interventional cardiology to vascular procedures.

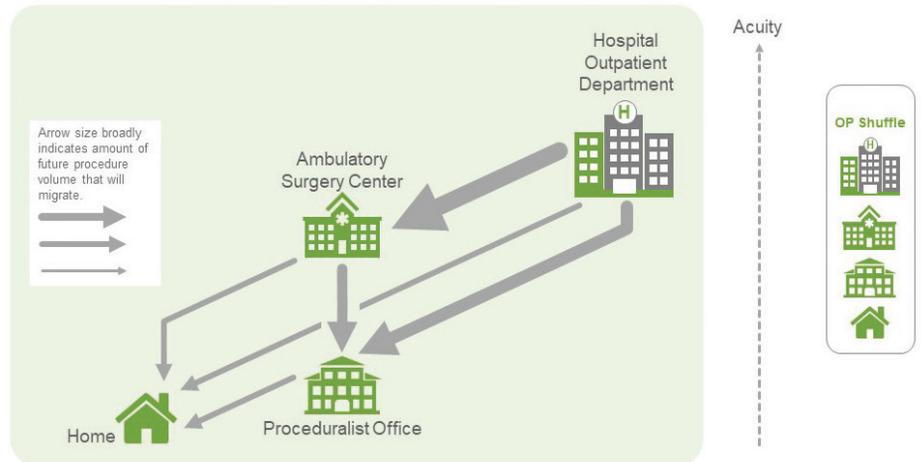
In addition, understanding the pace of shift will give insights into future strategy. For example, in the orthopedics space, the shift of procedures to ASCs varies widely by state. An Sg2 analysis of commercial claims found that in leading states more than 50 percent of elective hip replacements in commercially insured patients are occurring in ASCs. Other states, like Massachusetts, are lagging behind with only 3 percent of elective hip surgeries occurring in ASCs in 2022. Massachusetts is home to only 59 licensed ASCs and is among the states with the fewest ASCs per capita.

As payer support, technological advances and care redesign enable care to be delivered in lower-acuity and lower-cost settings, the opportunity to shift procedures to the ambulatory setting will continue. Take a multipronged approach to assessing partnership opportunities, clearly articulate your value proposition to the market and optimize your portfolio to capture growth. «



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Look Across Ambulatory Facility Types for Volume Shift Opportunities



OP Shuffle, as used in this illustration, refers to the various outpatient and ambulatory settings where patients can have surgery and surgery-like procedures. HOPD = hospital outpatient department. Sources: Impact of Change®, 2023; HCUP National Inpatient Sample (NIS); Proprietary Sg2 All-Payer Claims Data Set, 2021; The following 2021 CMS Limited Data Sets (LDS): Carrier, Denominator, Home Health Agency, Hospice, Outpatient, Skilled Nursing Facility; Claritas Pop-Facts®, 2023; Sg2 Analysis, 2023.