Ambulatory Surgery: National and State Environments and Key Policy Considerations

Presentation to the Public Health Council
New York State Department of Health
January 23, 2009
Presentation Overview

- Market share, geographic and specialty distribution nationwide
- NYS ambulatory surgery center trends
- Literature review - Quality
- Procedures, reimbursement, payor mix by setting in NYS
- Policy considerations
Background:
Ambulatory Surgery Market Share

- 60-70% of all surgeries performed take place in an ambulatory setting (MedPac report to Congress 2004)
- Between 2000-2007 the number of Medicare-certified ASCs nationwide grew by over 60% (MedPac Data Book, June 2008)
- Approximately 5,300 ASCs in all 50 states, provide more than 22 million procedures annually. (Ambulatory Surgery Center Association, 2008)
Penetration:
*ASCs per 100,000 population March 2008

<table>
<thead>
<tr>
<th>Selected neighboring states</th>
<th>Top 5 states</th>
<th>Bottom 5 states</th>
</tr>
</thead>
<tbody>
<tr>
<td>Massachusetts 0.87</td>
<td>Maryland 6.35</td>
<td>Rhode Island 0.66</td>
</tr>
<tr>
<td>New Jersey 2.31</td>
<td>Idaho 3.73</td>
<td>Virginia 0.62</td>
</tr>
<tr>
<td>Pennsylvania 1.78</td>
<td>Wyoming 3.44</td>
<td>West Virginia 0.61</td>
</tr>
<tr>
<td>Connecticut 1.26</td>
<td>Washington 3.42</td>
<td>New York 0.45</td>
</tr>
<tr>
<td>New York 0.45</td>
<td>Delaware 2.89</td>
<td>Vermont 0.00</td>
</tr>
</tbody>
</table>

Source: Ambulatory Surgery Center Association

*Licensure requirements for ASCs vary by State
## Non-Inpatient Surgery Settings in NYS

<table>
<thead>
<tr>
<th>Settings</th>
<th>Licensed and Regulated under PHL Art. 28</th>
<th>National Accreditation Required</th>
<th>SPARCS Reporting</th>
<th>HCRA Pool Payments</th>
<th>Specified Adverse Event Reports</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hospitals</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Hospital X-Clinics</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>ASCs</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Physician Offices</td>
<td>X</td>
<td>X</td>
<td></td>
<td></td>
<td>X</td>
</tr>
</tbody>
</table>

*By 7/14/09*
Ambulatory Surgery Center Types

- Independent
  - A Diagnostic and Treatment Center (D & TC) licensed to provide ambulatory surgery

- Hospital-Based
  - A hospital extension clinic (off-site) licensed to provide ambulatory surgery
Ambulatory Surgery
Need Methodology

- **Before 1998**
  - 1 ASC per 500,000 people

- **Since 1998**
  - No population criterion
  - Financial feasibility over three years
  - Enhance access and availability
Council Action by Year
Acted Upon Under Current Regulations
N=119
Status of Approved ASCs

Approved Under Current Regulations

- Approved: 100
- Open: 71
- Not-Yet-Open: 29
Operating Status
Approved Under Current Regulations

- Open: 71%
- Not-Yet-Open: 29%
Ambulatory Surgery Center Affiliation
Approved Under Current Regulations

- Independent: 73%
- Hospital Sponsored/Affiliated: 27%
Ambulatory Surgery Centers by Specialty
Approved Under Current Regulations

- Multi: 50
- Single: 50
Ambulatory Surgery Centers by Specialty
Approved Under Current Regulations

- Multi: 50
- Gastro/Endo: 25
- Ophthalmic: 15
- Orthopaedic: 7
- Plastic: 2
- OB/GYN: 1
Unsuccessful ASCs
Approved Under Old and Current Regulations

- 4 Disapproved (all post-regulatory change)
- 16 Withdrew CON after approval
  - 3 approved pre-reg change
  - 13 approved post-reg change
- 5 Closed after opening
  - 3 approved pre-reg change
  - 2 approved post-reg change
Open and Likely-to-Open ASCs
Approved Under Old and Current Regulations

☐ Open  103
☐ Not-Yet-Open (approved < 5 years)  15

Total  118
ASC’s per 500,000 Population

- Before 1998 1.0
- 2008 (Open or Likely-to-Open) 3.0
ASC’s Open and Likely to Open by HSA Region

Number of Facilities

HSA Region

Central 13
Finger Lakes 11
Hudson Valley 17
Long Island 18
Northeastern 12
New York City 39
Western 7
ASC’s/500,000 Population by HSA Region

<table>
<thead>
<tr>
<th>HSA Region</th>
<th>ASC per 500,000 Population</th>
</tr>
</thead>
<tbody>
<tr>
<td>Central</td>
<td>4.5</td>
</tr>
<tr>
<td>Finger Lakes</td>
<td>4.6</td>
</tr>
<tr>
<td>Hudson Valley</td>
<td>3.7</td>
</tr>
<tr>
<td>Long Island</td>
<td>3.3</td>
</tr>
<tr>
<td>Northeastern</td>
<td>4</td>
</tr>
<tr>
<td>New York City</td>
<td>2.4</td>
</tr>
<tr>
<td>Western</td>
<td>2.3</td>
</tr>
</tbody>
</table>

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Literature Review: Quality

- Fleisher, L.A. et al., 2007: Compared quality outcomes for ambulatory surgery in hospital-based and freestanding ASCs in New York:
  - Higher comorbidity scores in hospital-based patients in comparison with freestanding ASC patients;
  - Absence of deaths in freestanding ASCs consistent with a smaller number of procedures and lower comorbidity in ASC patients;
  - Developed a risk index to identify most appropriate setting for ambulatory surgery patients.
Quality (cont’d.)

- Chukmaitov, et al., 2007: Compared quality outcomes in ASCs and HOPDs in Florida:
  - Confirms importance of risk-adjustment for comorbidities
  - Neither ASCs or HOPDs performed better overall;
  - Appear to be some differences for unexpected hospitalization for specific procedures when risk adjusted for both primary and secondary diagnosis;
    - For certain procedures HOPD may have an advantage (e.g. colonoscopies).
    - More specialized diagnostic procedures (e.g. spinal injection for myelography) ASCs may have an advantage.
Quality (cont’d.)

- Fleisher, L.A., et al., 2004: Compared inpatient hospitalization and death after outpatient surgery in elderly patients and found:
  - ASCs had the lowest adverse events even after controlling for patients with high risk;
  - Increased risk of hospital admission or death within 7 days of an ambulatory surgery procedure is associated with: more advanced age (85+), prior inpatient admission within the last 6 months, ambulatory surgery procedure at a physician’s office or hospital outpatient department, and invasiveness of surgery;
  - Concluded physicians are properly screening patients and performing outpatient surgery in most appropriate setting given the condition of the patient and the complexity of the procedure.
# Top 10 Ambulatory Surgery Procedures by Facility Setting in New York State

*Source: New York State Department of Health SPARCS Data, 2007*

<table>
<thead>
<tr>
<th>Hospitals and Hospital Extension Clinics</th>
<th>Diagnostic Treatment Centers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Colonoscopy and Biopsy</td>
<td>Lens and Cataract Procedures</td>
</tr>
<tr>
<td>Diagnostic Cardiac Catheterization: Coronary Arteriography</td>
<td>Colonoscopy and Biopsy</td>
</tr>
<tr>
<td>Suture of Skin and Subcutaneous Tissue</td>
<td>Insertion of Catheter or Spinal Stimulator and Injection into Spinal Canal</td>
</tr>
<tr>
<td>Traction; Splints; and Other Wound Care</td>
<td>Upper Gastrointestinal Endoscopy; Biopsy</td>
</tr>
<tr>
<td>Upper Gastrointestinal Endoscopy; Biopsy</td>
<td>Other OR Therapeutic Procedures on Joints</td>
</tr>
<tr>
<td>Other Vascular Catheterization: Not Heart</td>
<td>Abortion (Termination of Pregnancy)</td>
</tr>
<tr>
<td>Lens and Cataract Procedures</td>
<td>Other Therapeutic Procedures on Muscles and Tendons</td>
</tr>
<tr>
<td>Insertion of Catheter or Spinal Stimulator and Injection into Spinal Canal</td>
<td>Excision of Semilunar Cartilage of Knee</td>
</tr>
<tr>
<td>Excision of Skin Lesion</td>
<td>Other Therapeutic Procedures on Eyelids; Conjunctiva; Cornea</td>
</tr>
<tr>
<td>Other OR Therapeutic Procedures on Joints</td>
<td>Bunionectomy or Repair of Toe Deformities</td>
</tr>
</tbody>
</table>
Distribution of Ambulatory Surgery Procedures by Setting

- Diagnostic Treatment Centers: 1.9%
- Hospital Extension Clinics: 10.7%
- Hospitals: 87.4%

Source: New York State Department of Health SPARCS Data, 2007
Distribution of Most Common Procedures by Facility Type

Colonoscopy & Biopsy

- Hospitals: 76.0%
- Diagnostic Treatment Centers: 20.3%
- Hospital Extension Clinics: 3.7%

Lens & Cataract Procedures

- Hospitals: 57.3%
- Diagnostic Treatment Centers: 40.1%
- Hospital Extension Clinics: 2.6%

Source: New York State Department of Health SPARCS Data, 2007
Medicare Reimbursement

- 4-year phase-in beginning 1/1/08 to align ASC rates with the ambulatory payment classification (APC) groups used for hospital outpatient departments (HOPDs).
  - 2008: 75% based on 2007 rate and 25% on new methodology.
  - 2011: Full implementation of new methodology.
  - ASCs to be paid approximately 62% of hospital payment.

- Procedures predominantly performed in a physician’s office: ASC rate is capped at the non-facility practice expense payment under the Physician Fee Schedule.
Medicaid Reimbursement – Hospital-Based Ambulatory Surgery and ASCs

- New APG Methodology for Hospital-Based Ambulatory Surgery and ASCs:
  - Hospital-based ambulatory surgery: Beginning 12/1/08 with full APG reimbursement.
  - Free-standing ASCs: Effective 3/1/09. Four year phase-in using a blend of existing avg. reimbursement and APG pricing.
  - Each procedure assigned to an APG group, which is weighted based on average cost.
  - Final weight for each procedure on the claim is summed and multiplied by the base rate, capital is added.
  - Physician services paid separately. Eff. 1/1/09 will be 50% of Medicare approved amount.
Medicaid Reimbursement - OBS

- Physician fee schedule based on CPT code.
- Eff. 1/1/09, surgery fees will be raised on average to 60% of the Medicare-approved amount.
Payer Mix by Setting
(Expected Principal Reimbursement)

Source: New York State Department of Health SPARCS Data, 2007
Payer Mix by Setting
(Source of Payment)

Source: New York State Department of Health SPARCS Data, 2007
Policy Considerations

- Access
  - Economic
  - Geographic
  - Capacity
- Cost
- Quality
- Consumer preference
- Impact on essential services and safety net providers