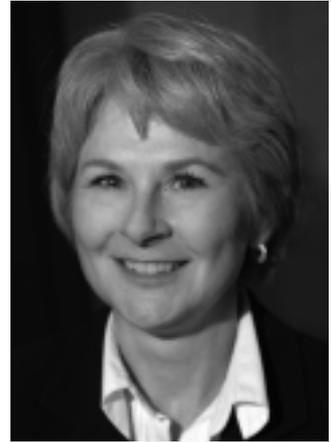


From the CEO

The Shift to Ambulatory Surgery Settings

By Barbara Baldwin, M.P.H.,
Chief Executive Officer



The shift of many surgical procedures from the hospital to ambulatory surgery centers* has accelerated over the past few years and has reached the point where, across the country, more than half of all procedures are done in an outpatient setting. Many factors account for this. Technological advances, plus faster and safer anesthetics, have enabled more lengthy and risky procedures to be done outside the hospital. In addition, the Medicare program developed a schedule of ambulatory facility payments that created financial incentives for owners of these facilities. Medicare also assembled a list of procedures that, if performed in the hospital instead of an outpatient setting, financially penalize the physician. These incentives, including exemption from the Stark self-referral laws, have spurred physician entrepreneurs to build or invest in ASCs.

The U.S. Department of Health and Human Services has affirmed its intentions to expand Medicare's ASC procedures list over the next two years. In December 2005, HHS Secretary Michael O. Leavitt sent a letter to Senator Mike Crapo noting that "I intend for the ASC list to be updated by July 1, 2007, as required by law." In addition, he noted that "I intend to propose to include all outpatient surgical procedures (except those that the Department finds would pose a *significant* (emphasis added) safety risk when performed in an ASC, or would require an overnight stay) on the ASC list." That change would take effect in 2008.

ASCs under the Medicare Modernization Act

The enabling legislation, titled the Ambulatory Surgical Center Medicare Payment Modernization Act, H.R. 4042, was introduced by Representative Wally Herger (R-CA) with its companion bill S. 1884 by Senator Mike Crapo (R-ID) in late 2005. One of its provisions would link ambulatory surgery centers and hospital surgery centers, pegging ASC reimbursements at 75 percent of Hospital Outpatient Department payments. Additionally, the new bill would

* Medicare defines an ambulatory surgery center (ASC) as a provider that operates exclusively for the purpose of furnishing outpatient surgical services to patients.

From the CEO (cont'd)

change the approach where, instead of approving procedures one at a time, a list of procedures that *cannot* be done in ASCs will be compiled and all other procedures would be allowed.

While the intended changes would greatly benefit ASCs, of more immediate concern is the current budget reconciliation language that would make payment “reductions” in procedures now paid at higher rates in ASCs than in hospital outpatient departments effective January 2007. Other provisions would freeze physician fees in 2006 and exclude pay-for-performance (P4P) requirements at this time.

What’s in it for the Patients?

The national ASC organizations are strongly supporting efforts to expand the number of procedures that can be done in ambulatory centers. “Expansion of the services which surgery centers can offer to program beneficiaries is a win-win for the government and the Medicare patient,” stated American Association of Ambulatory Surgery Centers executive director Craig Jeffries.

The win-win for patients is that co-payments are usually lower than in hospitals and ASCs tend to be more customer-oriented than hospitals, frequently scoring high in patient satisfaction due partly to shorter wait times, efficiency and specialization. Patient safety is well addressed, and nearly all ASCs are accredited by a national accreditation body to ensure appropriate physical plant, equipment, and management. Convenience plays a role too, as their size allows for locations that hospitals are hard-pressed to match.

California Trends

The data below illustrate the shift of surgical procedures taking place in free-standing facilities in California. The numbers are taken from reports by the Office of Statewide Health Planning and Development, which collects myriad data on all licensed health facilities in California, including financial, demographic and utilization information.

	2004	% of total	2003	% of total	2002	% of total
Hospital Inpatient Procedures	893,914	30	919,348	31	909,022	32.4
Hospital Outpatient Procedures	1,133,313	38.2	1,171,569	39.4	1,137,752	40.5
ASC Procedures	935,956	31.6	883,756	29.7	761,904	27
Total Procedures	2,963,183		2,974,673		2,808,678	

From the CEO (cont'd)

In 2004, nearly 70 percent of all procedures were performed in an outpatient setting. Conservative estimates predict that very soon at least 75 percent will be done on an outpatient basis. With freestanding facilities steadily increasing their percentage of procedures, we are sure to hear greater outcries from hospitals that are dependent on a large share of the outpatient surgery market to maintain their bottom lines.

The trend also has implications for anesthesiologists practicing exclusively in hospital settings. Groups that limit their practices exclusively to a hospital can find themselves with little negotiating power against demands to contract with all plans contracted by the hospital, or other unacceptable requirements. The issue of anesthesiologist investment in ASCs is well-covered in Phillip Goldberg's article, "Anesthesiologist Investment in Surgery Centers," on pages 15-18 of this issue.

CSA - Abbott Laboratories Resident Research Competition

The CSA-Abbott Laboratories Resident Research Competition will be held on Saturday, May 20, 2006, during the CSA Annual Meeting held at the Rancho Las Palmas Marriott Resort and Spa in Rancho Mirage, California, May 18-21, 2006. Three competition winners will receive the CSA-Abbott Laboratories Resident Research Awards: first prize \$1,500, second prize \$1,000 and third prize \$500.

A panel of judges will evaluate the California presentations made at the 43rd Annual Western Anesthesia Residents Conference (WARC) and will select six to eight papers from the California institutions for presentation at the 2006 CSA Annual Meeting. The entries will be judged on the basis of scientific merit and the quality of the presentation.