ASCs: Advancing Market Forces Require IT Solutions to Help Drive Performance and Profitability
ASCs provide surgical care at an affordable cost, but more and increasingly complex procedures call for the use of proper IT technology to enable quality and profitability.

Growing steadily since 1990, when the number of outpatient surgeries surpassed inpatient surgeries, ASC procedure volume stands at about 25 million annually, up from 23 million in 2007. This volume is handled by more than 5,300 CMS-certified ASCs, a number which now rivals the number of hospitals in the U.S.

ASC volume grew by 23.7% compared to 4.3% for hospitals from 2008 to 2012, despite the phased entrance of an outpatient prospective payment system which limits CMS payments to ASCs. This growth and volume trend may accelerate for some ASCs if efforts to reduce hospital outpatient department payment rates for ambulatory surgical center-approved procedures to ambulatory surgical center payment rates come to fruition. By reducing ambulatory procedure payment rates, the OIG estimates $15 billion could be saved by 2017. While CMS currently pays surgery centers, on average, about 56% of what it pays hospitals for the same surgical procedures, many ASCs have become recognized as easier-access, lower-risk, and lower-cost alternatives to hospitals for outpatient surgeries.

ASCs handle more complex procedures.

Changes in healthcare technology and clinical practice have expanded the capability of surgical procedures in ambulatory settings. New and enhanced surgical technology and adapted techniques (e.g., fiber optics, laser, and endoscopy—including arthroscopy) have resulted in minimizing tissue trauma and associated recovery times. Alternative anesthesia has also reduced recovery time and the need for overnight stays.

Both CMS and commercial payers are driving new volume from hospitals to ASCs by allowing reimbursement for complex procedures such as total knee replacements and some total hip replacements in the outpatient surgery setting. In addition to CMS and commercial payers driving new ASC volume, healthcare purchasers, (e.g., large self-funded employers) and patients with high-deductible plans are also increasingly sensitive to the cost and quality equation—an equation that ASCs can benefit from as they are proven partners for delivering high-quality, lower-cost care.

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Laura Stander
Perioperative Software Systems Manager
University of South Florida Health

3 “Procedures Take Less Time,” 765.

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Research indicates that today’s ASC goals reflect market dynamics.

In 2014, GE Healthcare conducted primary research with 50 ASC clinical, IT, and finance leaders around the U.S. and found that the primary goals of ASCs include:

- Increasing productivity (61%)
- Increasing procedure volume (57%)
- Reducing costs (57%)
- Improving private/government payer compliance (33%)

**Increasing ASC productivity**

ASCs optimize productivity by focusing on several areas including physician and staff utilization, as well as OR suite and supply resources. ASCs attempt to ensure that available ORs have sufficient cases for all physicians in the practice and that all rooms are used appropriately during operating hours. ASCs also work to ensure that physicians operate at their optimal levels by measuring relative complexities of cases and times per case. While gross productivity measures (e.g., case volume and revenue) are routinely used, relatively sophisticated centers utilize both internal and external benchmarks to achieve continuous improvement.

ASC procedure volume and complexity increase

From 2006 through 2010, [CMS found that] the volume of [ASC] services per beneficiary grew by an average annual rate of 5.7%. Estimated outpatient surgical volume in hospitals from 2014 to 2021 is expected to range from 8% to 16% annually. ASC surgical growth is likely to continue to outpace hospital outpatient surgical growth, which will require investment.

Technological advances and market consolidation have led to ASCs performing more complex cases. As larger health systems acquire physician-owned ASCs, competition for referrals will increase while systems strive to keep their patients within their networks. ASCs are supporting more complex cases including major spine, total hip, platelet, and plasma therapy cases. To remain viable, ASCs have learned they need to manage both the reimbursement and cost sides of each case type.

With flattening revenues, ASCs focus on costs

Although ASC volume will continue to increase, flattening reimbursements, market consolidation, and PPACA compliance will drive up costs, putting the spotlight on cost reduction. To ensure that costs are as far below reimbursement as possible, thus maximizing profit, successful ASCs have begun to analyze data to manage costs per case in four key areas: Pre-op, anesthesia, OR, and PACU.

Important and manageable costs include staffing, scheduling, supply chain, and software. Efficiency gains can be made in room scheduling, reducing delayed start times, and sluggish room turnover.

Materials management costs include controlling disposables, reusable equipment and instruments, pharmacy and anesthesia. Standardizing and regularly updating surgeon preference cards in software can reduce waste. Surprisingly, materials management methods still include many paper processes. A Provista survey shows that more than half of ASCs use paper records and spreadsheets, while just under half use inventory management software and about one in five ASCs uses a distributor-provided system.

Simply making workflows electronic can significantly increase efficiency in many cases. An *Annals of Internal Medicine* study states that EHRs have been shown to reduce cost in ambulatory settings by 3%.

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10 Medpac, 2013, 106.
11 “Procedures Take Less Time,” 768.
ASCs can improve payer compliance

The healthcare industry is witnessing the continuation of many efforts to ensure the high quality of care and drive down cost. In 2012, CMS established a Quality Reporting Program that aims to reduce payments for poor performance, though CMS currently cannot enforce payment reductions to ASCs. However, the writing seems to be on the wall that ASCs will not be immune to value-based payment and pay-for-performance pressures—requiring a full suite of capabilities for quality and cost data.

Even before value-based payments may fully hit, ASCs currently need to enhance reporting and revenue cycle reporting. A RemitData study shows denials of claims in surgical centers in 10 states exceed 10% and that more than one quarter of claims submitted by surgical centers in New York and Georgia are denied. Increased denials lengthen A/R cycles, reducing available cash. Additionally, denials beg the need for correct first-time documentation.

To counter payer pressure, ASCs must know data better than insurance companies to leverage during payer negotiations. ASCs that have a firm grasp of the center’s data and benchmarks will be at an advantage when negotiating better rates with payers.

GE Healthcare primary research reveals IT adoption gap at ASCs.

GE Healthcare’s study of ASCs and small hospitals shows that 47% of ASCs do not use IT systems for surgery management and/or anesthesia, compared to approximately 34% of small hospitals. About 18% of ASCs have surgery management IT systems, while 29% of ASCs have both an electronic system for surgery management and anesthesia. In the survey, 65% of ASCs indicated plans to purchase a new surgery management IT system, and 57% plan to purchase an AIMS in the next 18 months. Advances in IT software development are leading to integrated solutions that can fulfill an ASC’s needs in clinical, anesthesia, practice management, and revenue cycle areas.

Survey of IT System Use in 50 ASCs


18 L. Dyrda, “8 Steps to Elevate.”
Meeting ASC needs now and in the future.

ASCs face regulatory, market, and competitive pressures that necessitate improvements in workflow, efficiency, and productivity to achieve the goals of managing cost while maximizing reimbursement. To battle market pressures, ASCs now face a much higher bar for performance (e.g., performing more complex procedures) than had existed previously.

Improving productivity and efficiency

Scheduling surgical procedures in ways that optimize operating room efficiency is important to controlling costs, predominantly by using data to help predict future workload, by establishing best practices for scheduling, and by analyzing reasons for delays. Well-functioning ASCs utilize benchmarks for start time delays per OR day, procedure cancellation rate, turnover times, excess staffing costs, and other important variables. Data from a WiseOR, Inc., study show that while some delays may seem more annoying for staff, (i.e., first-case starts), late OR finish times may be due to other delays that in reality consume more time, such as when actual procedure time exceeds scheduled time or when blocks of time are idle.

Enhancing profitability

IT systems provide ASCs with tremendous amounts of financial data. With access to these statistics, the ASC can better perform detailed case costing and analysis; identify historical patterns; benchmark data; and optimize scheduling of patients, surgeons, rooms, staff, equipment, and anesthesia personnel. IT systems can aid in managing variable costs in inventory and pharmacy supplies related to surgical preference lists by surgeon and by procedure.

While IT systems can lead to better patient flow, better resource utilization, and enhanced revenue cycle efficiencies, the beauty of these systems is that ASCs can understand both the revenue and cost sides of each type of case in each specialty by provider. Laura Stander, Perioperative Software Systems Manager at the University of South Florida Health, states, “We utilize cost per case analysis (with staff time and inventory usage) data to stop or reduce cases performed at a loss to the ASC and to identify physicians who are performing profitable cases.” With these analyses, ASCs can learn both the reimbursement and cost sides of procedures to determine which of the complex procedures are also the most profitable.

The value of interoperability

Streamlining clinical workflows is an essential first step for ASCs. System interoperability, combined with continuous improvement processes, will help centers rise above competitors. In integrated IT systems, clinicians and staff enter data only once and can see data in real time. IT systems help ensure that needed information is in one place and can be accessed from anywhere in the system. Interoperable electronic perioperative, clinical documentation, and business systems add value by enabling the merging and analysis of data on clinical and financial variables that reveal costs by procedure for every procedure.

A comprehensive ASC solution.

While previous research has explained that the day would come when surgeons and anesthesia providers would need to adopt IT systems that can interact with EHRs, the quickly changing ASC marketplace is turning the suggestion of interoperable healthcare IT solutions into an imperative. A previously referenced GE Healthcare study of ASCs shows that 47% have no IT system for surgery management and anesthesia and that they are relatively IT-poor compared to hospitals.

In the new value-based healthcare environment, enhanced care outcomes at a lowest cost will grow increasingly important. Payers will favor providers that give patients enhanced outcomes for the least cost. To succeed in this increasingly competitive market, ASCs will need to optimize technology to create workflow efficiencies and to analyze the data that gives the true revenue and cost for each procedure for each specialty. These analyses will arm ASCs with profit potential by equipping them with more and better quality data that can be used internally to improve procedure mix and externally to negotiate with payers who will favor ASCs delivering high-quality care in the most cost-effective way.

20 Pash et al. (2014) 517-527.
21 Pash et al. (2014) 517-527.
24 Pash et al. (2014) 517-527.
25 Springman, 2011.
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