BUSINESS CONSULT

TESSA KERBY
Senior Consultant, ECG Management Consultants
MICHAEL MCCLAIN, MS, PA

The Increasingly Compelling Case for an Ambulatory Surgery Center Strategy in Cardiovascular Care

As patient care continues its transition to the outpatient setting, ambulatory surgery centers (ASCs) have quickly grown in popularity as a high-quality, cost-effective alternative to hospital-based outpatient (HOPD) care. In turn, the number and types of services offered in the ASC setting have significantly expanded. A once narrow scope of procedures has given way to a diverse range of services by numerous specialties, including cardiology. Additionally, specialties that have not traditionally considered or adapted to the ASC setting are taking notice. For example, gynecology, spine, and total joint replacement cases have migrated away from hospital setting and are now routinely performed in ASCs.

The use of ASCs is not foreign to cardiologists and cardiovascular service lines. Traditionally, cardiac services in the ASC setting have been mainly diagnostic in nature. However, cardiology is currently one of the specialties with providers actively identifying and expanding the type and scope of procedures they can perform in the ambulatory environment. Recently, some interventional procedures have been included among ASC-appropriate services, such as: pacemaker placements, pacer wire/batter changes, PCATH (cardiac and vascular), cath with stent placements, and low-risk ablation cases.

In addition to being safe in an ASC setting, many of these properly screened, lower-risk cases can be performed with significant cost savings. In our experience we've observed decreasing patient and payor payments by 30% or more. For certain cases with payments that exceed $100,000 in charges, the business opportunity for cardiologists and the savings it represents is understandably attractive to payors and employer groups. From a logistical perspective, shifting cases from hospital operating rooms to ASCs frees up scarce OR space to better accommodate higher-acuity cases and mitigates disruptions when procedures take longer than expected to complete. As a result, developing a new ASC as a venue for cardiac services may represent a viable long-term strategy for physicians hoping to retain profits in light of decreasing reimbursement, and for payors aiming to reduce unnecessary costs.

Despite the financial and practical benefits, barriers remain for groups seeking to create an ASC. Most notably, reimbursement and credentialing can be challenging barriers to overcome. Medicare, which frequently serves as a benchmark for commercial reimbursement rates, does not reimburse for many of the most common interventional cardiac and vascular procedures in the ASC setting, therefore leaving payors and providers without a baseline point to start reimbursement negotiations. The second hurdle is credentialing. ASCs are required to meet specific facility requirements, and many payors, including Medicare, will not reimburse for ASC procedures unless the facility is fully credited as such. Additionally, conforming to the specific requirements defined in government ASC standards can be both costly and time consuming.

Clearly there are pros and cons for CV provider groups contemplating an ASC strategy. In an attempt to help simplify the argument for or against such a strategy, here are the major advantages and disadvantages:

Advantages	Disadvantages
Higher reimbursement. An ASC provides the opportunity to perform procedures that are accompanied by reimbursement structures that can rival those currently offered in the hospital setting.	**Conversion Costs.** ASCs must be constructed to meet specific building codes and standards. Converting an existing space or building a new space to these standards can be costly.
Diversified revenue stream. Owning an ASC space can help diversify a revenue stream by allowing complementary practices, such as interventional radiology or vascular surgeons, to practice in concert with other cardiac services.	**Payor Negotiations.** Complex negotiations, driven by varied payment systems, the medical community, and medical directors. Each market can vary in terms of acceptance of the ASC concept and comfort with the clinical aspects of care.
Recruiting. An ASC can be attractive to potential physician candidates, as it can support physician interests in practicing more broadly and performing a greater variety of procedures than a traditional medical office space allows.	**Time.** The time needed to construct an ASC and the time to negotiate with a payor are important considerations. Similar negotiations in other hospital-based specialties moving to the ASC model indicate the process can take 18-24 months.
Stability. Market stability can be achieved by building an ASC as a 'center' of specialty care, elevating the status in the community and position in contracting negotiations.	**Future Uncertainty.** Evolving payment methodologies by payors requires constant oversight of payment policy changes that could dramatically affect future reimbursement.

A final variable to consider is the local hospital relationship with physicians and market position. Many hospitals support the ASC strategy, if it can help them free-up crowded OR schedules for the higher acuity, higher margin cases. Physician groups with local hospital support are likely to have an easier time establishing an ASC in the community. Other hospitals, particularly single-hospital communities with less local competition, may elect to react to ASCs by negotiating with the payor to obtain increases on other services to compensate for their losses. Regardless, it is important to understand the hospital-physician dynamics before committing to an ASC strategy.

While significant challenges exist to establishing and operating an ASC, the benefits related to flexibility, diversified revenue, stability, and attractiveness to new recruits increasingly outweigh the disadvantages of this strategy. As payment methodologies continue to evolve, so too must strategies and settings for delivering care, and ASC strategies are becoming increasingly compelling.

For more information, contact Tessa at *tkerby@ecgmc.com*.