

# CALIFORNIA HEALTH CARE ALMANAC



## Ambulatory Surgery Centers: Big Business, Little Data

JUNE 2013

# Introduction

As medical care continues to shift from inpatient to outpatient settings, many Californians are using freestanding ambulatory or “same-day” surgery centers\* for a wide variety of procedures such as colonoscopies, arthroscopies, eye procedures, and more. There are at least 1,603 operating rooms in 754 freestanding surgery centers in the state, according to the latest data available.

However, little else is known about the freestanding ambulatory surgery centers (ASCs) operating in California. Most of these facilities are for-profit entities, with a significant number owned by physicians. The Medical Board of California, which oversees physician-owned facilities, does not collect data for public reporting.

This report looks at the most recent data on the supply, utilization, accreditation, and finances of freestanding ASCs in California, as well as trends from 2003 to 2010.

**KEY FINDINGS INCLUDE:**

- The number of surgeries reported to state regulators dropped from 1,167,583 in 2007 to 120,155 in 2010 after a court ruled that physician-owned ASCs would no longer be licensed by the California Department of Public Health or required to report data to the Office of Statewide Health Planning and Development (OSHPD). Oversight of these ASCs was shifted to the state medical board, which does not track the number of surgeries performed in doctor-owned ASCs.
- In 2010, the federal government, which does not require detailed reporting from ASCs, indicated there were 754 ASCs operating in California. However, only 56 reported data to OSHPD, down from 495 in 2007.
- Nearly 98% of California ASCs are investor-owned. Among reporting facilities, operating margins were healthy in every year from 2003 to 2010.
- Private insurers pay for almost half of encounters at ASCs, and Medicare covers close to one-third.

\*To operate in California, an ASC must be one of the following: (1) certified to participate in the Medicare program; (2) licensed under the Department of Public Health or its successor; or (3) accredited by an accreditation agency approved by the Medical Board of California.

Note: Ambulatory surgery centers are referred to as outpatient settings by the Medical Board of California and as surgical clinics by the California Department of Public Health.

## Ambulatory Surgery Centers

Overview

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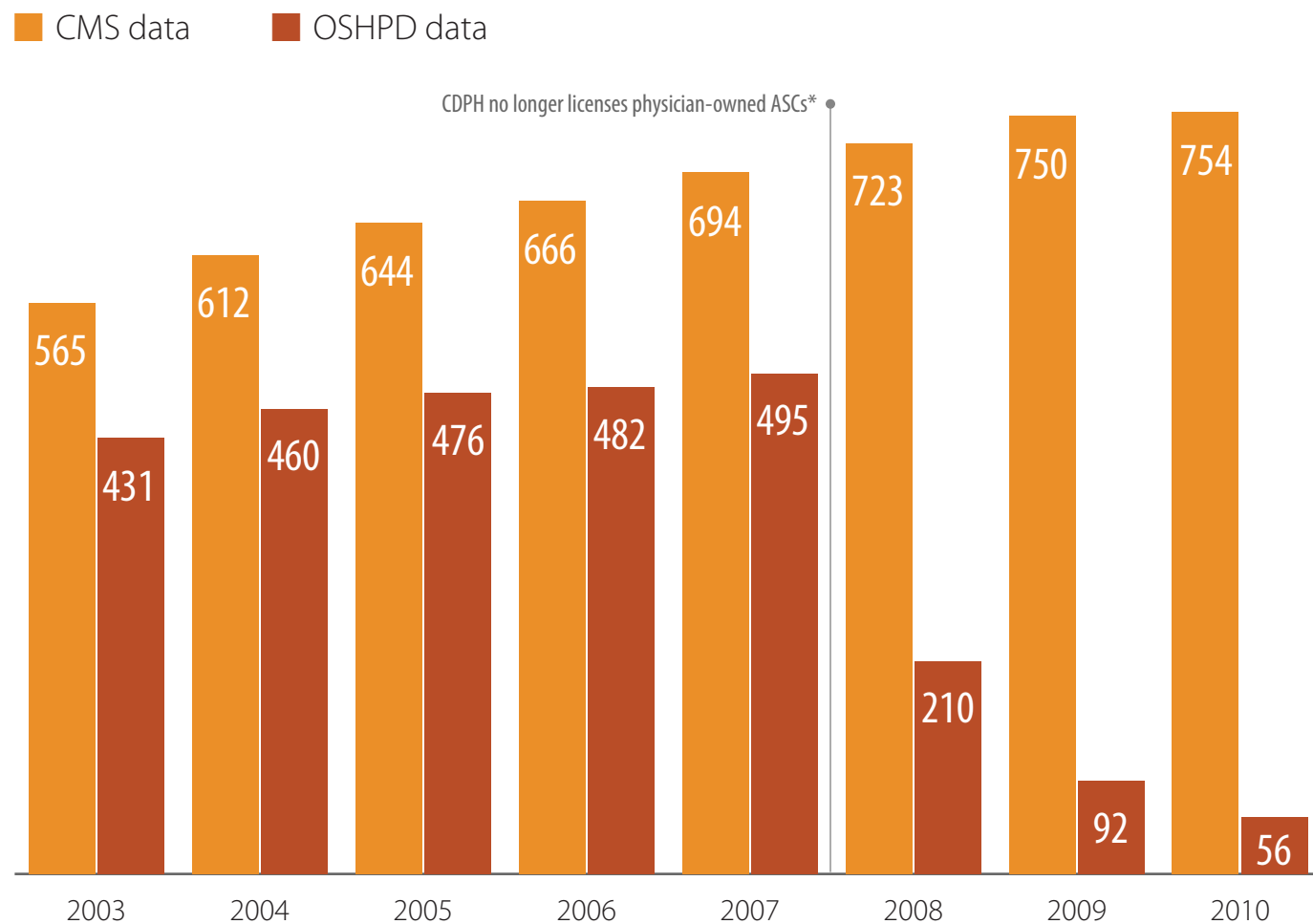
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# Freestanding ASC Facilities, by Data Source

## California, 2003 to 2010



\*The September 2007 *Capen v. Shewry* decision was interpreted to mean that ASCs with physician owners come under the oversight of the Medical Board of California, not the California Department of Public Health (CDPH), thereby removing any requirement for these ASCs to report data to the Office of Statewide Health Planning and Development (OSHPD).

Note: The difference between CMS and OSHPD data prior to the Capen decision is likely due to the lack of reported data on facilities in which the only physicians providing services were the owners.

Sources: Centers for Medicare & Medicaid Services (CMS), Provider of Services (POS) Data File, 2010; OSHPD, Specialty Care Clinics Annual Utilization Data, 2003–2010.

### Ambulatory Surgery Centers

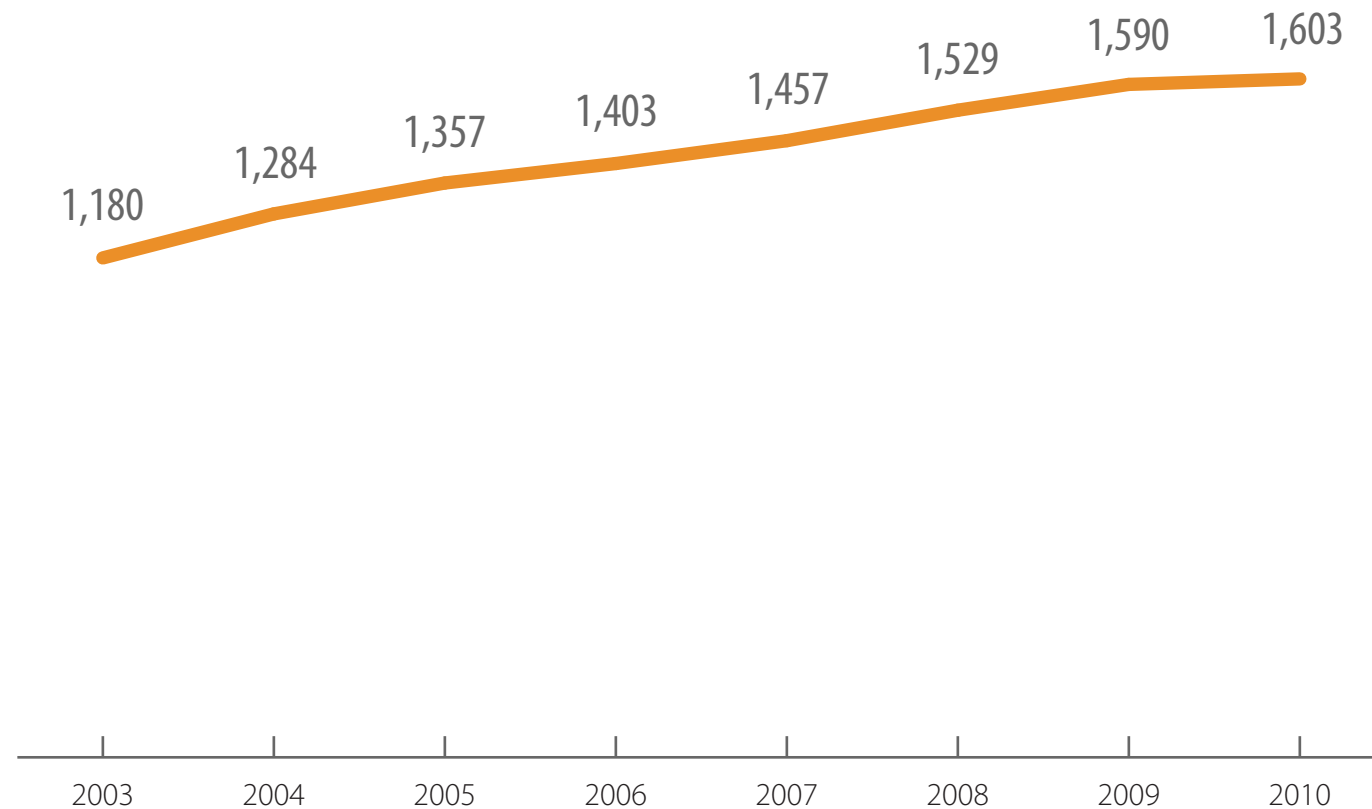
#### Supply and Capacity

According to CMS data, the number of freestanding ambulatory surgery centers in California grew by almost 200 between 2003 and 2010, reflecting the movement of surgical procedures from inpatient to outpatient settings. However, a 2007 legal decision removed any requirement for physician-owned ASCs in California to report data to OSHPD, resulting in a rapid drop-off in the numbers of licensed ASCs reporting — to only 56 in 2010.

# Operating Rooms in Freestanding ASCs

California, 2003 to 2010

MEDICARE-APPROVED FACILITIES



## Ambulatory Surgery Centers

Supply and Capacity

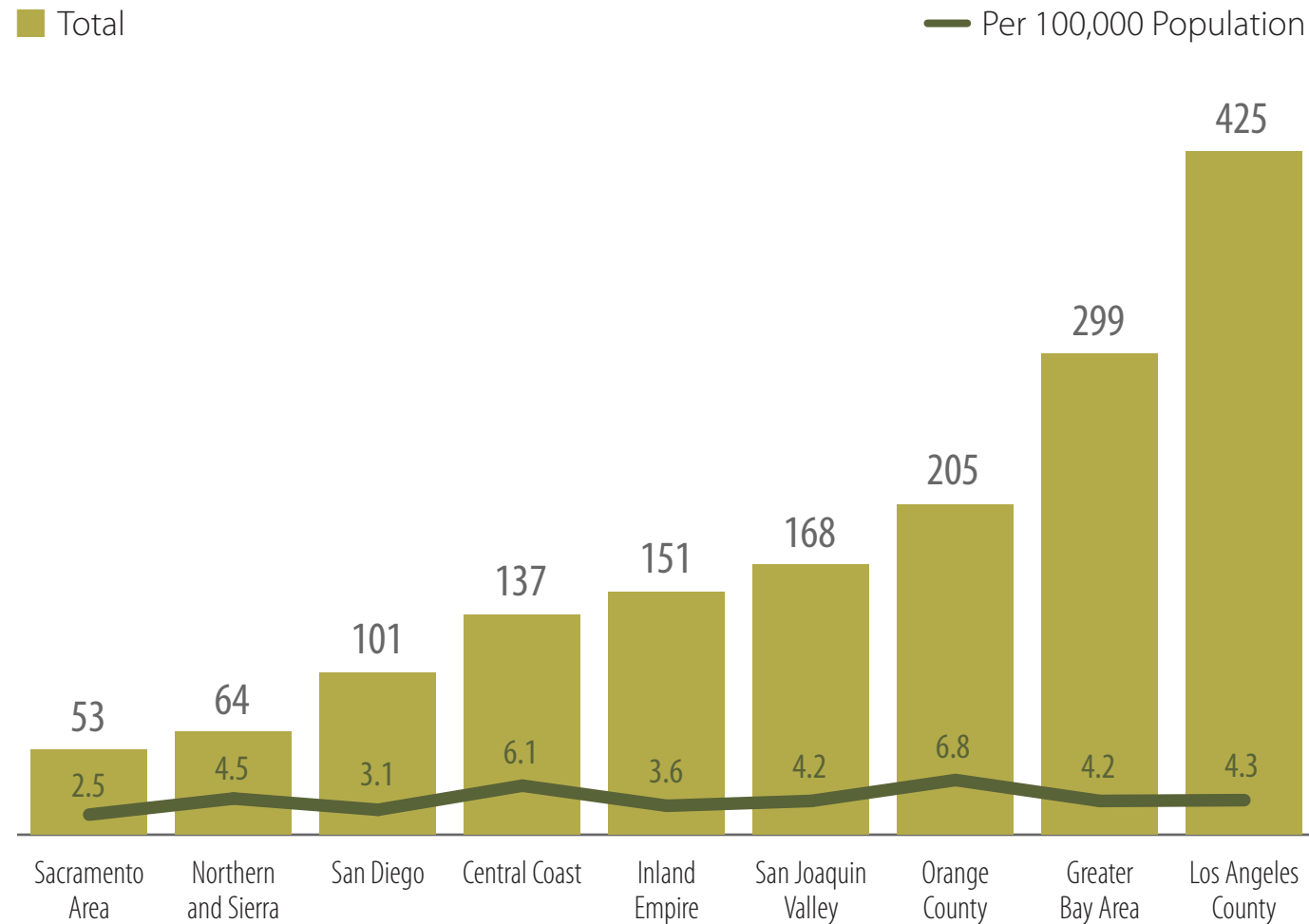
Growth in ASC operating rooms has been similar to that of ASC facilities, according to CMS data, increasing 36% from 2003 to 2010.

Source: Centers for Medicare & Medicaid Services (CMS), Provider of Services (POS) Data File, 2010.

# Operating Rooms in Freestanding ASCs, by Region

## California, 2010

### MEDICARE-APPROVED FACILITIES



Note: See Appendix for a list of counties within each region.

Source: Centers for Medicare & Medicaid Services (CMS), Provider of Services (POS) Data File, 2010.

### Ambulatory Surgery Centers

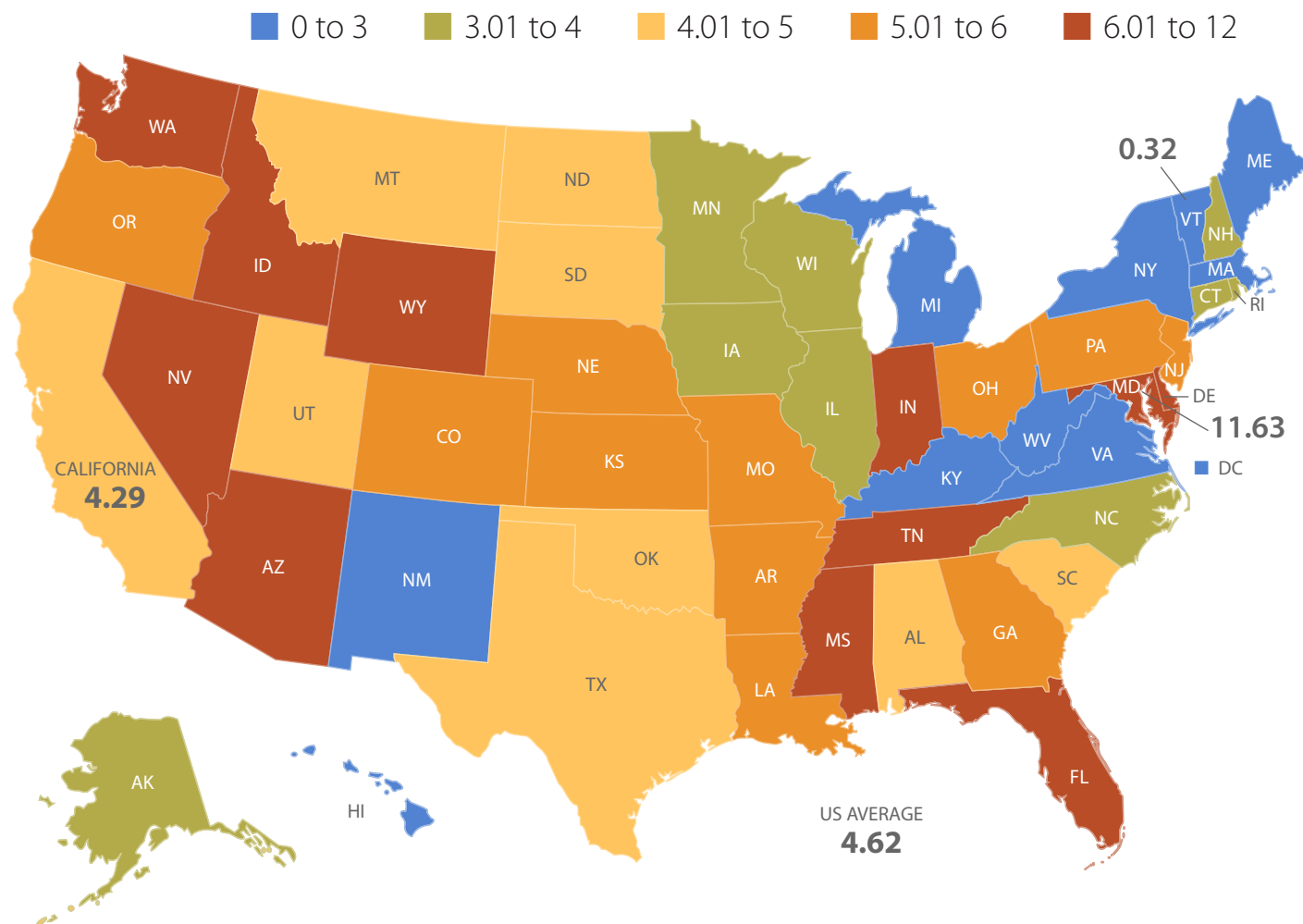
#### Supply and Capacity

While Los Angeles County has significantly more operating rooms in ASCs than other California regions, Orange County has the highest number of ORs per population, and the Sacramento Area has the lowest.

# Operating Rooms in Freestanding ASCs, by State

## United States, 2010

MEDICARE-APPROVED FACILITIES PER 100,000 POPULATION



### Ambulatory Surgery Centers

Supply and Capacity

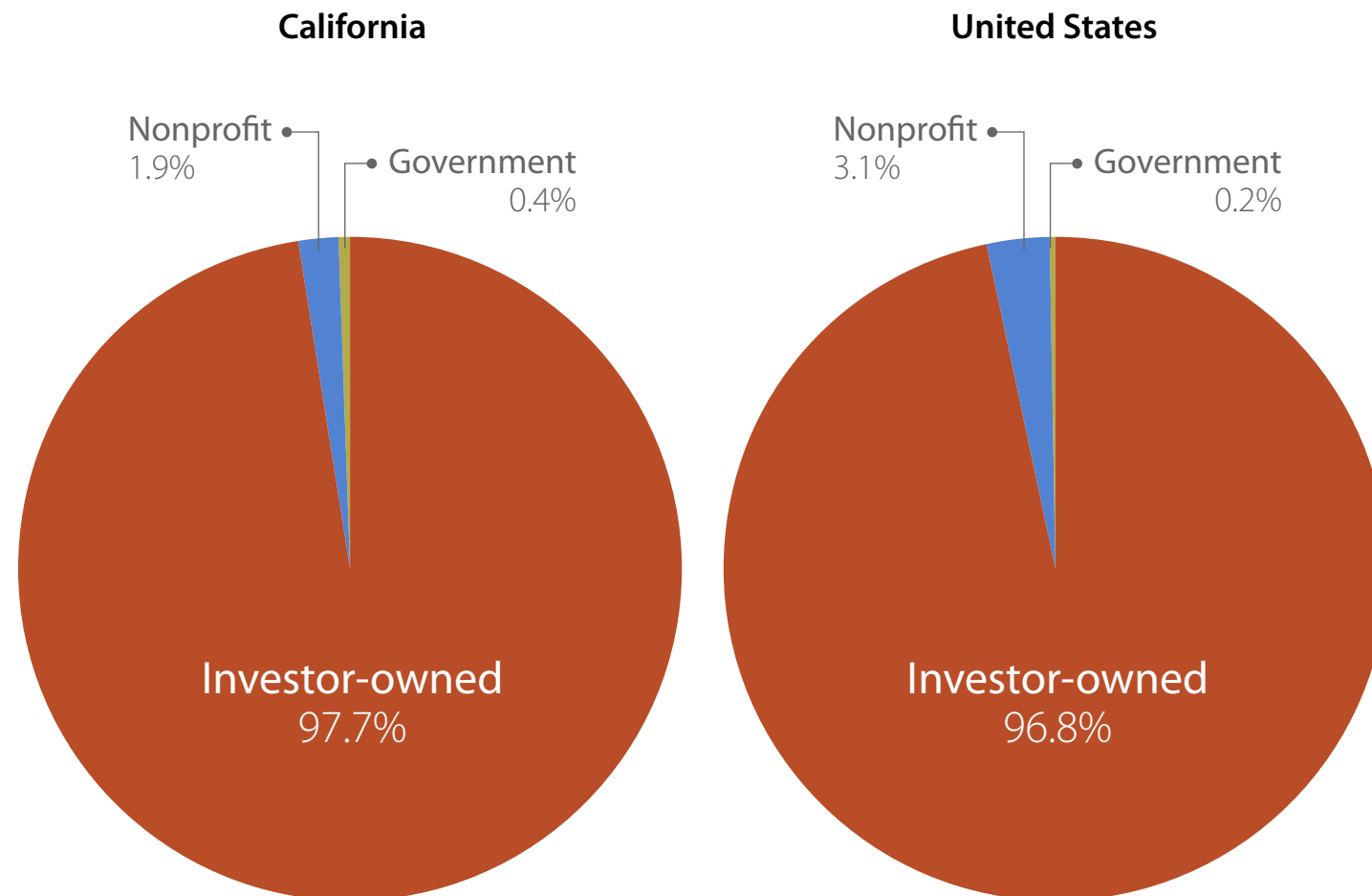
In 2010, California had slightly fewer ASC operating rooms per 100,000 population compared to the US average, and falls in the middle of all states.

Source: Centers for Medicare & Medicaid Services (CMS), Provider of Services (POS) Data File, 2010.

# Freestanding ASC Facilities, by Ownership

California vs. United States, 2010

MEDICARE-APPROVED FACILITIES



Note: Segments may not add to 100% due to rounding.

Source: Centers for Medicare & Medicaid Services (CMS), Provider of Services (POS) Data File, 2010.

## Ambulatory Surgery Centers

Supply and Capacity

The vast majority of ambulatory surgery centers in both California and the nation are investor-owned.

Only 2% of ASCs in California and 3% in the nation are nonprofit.

# Freestanding ASC Facilities, by Accrediting Organization California, 2013

Accreditation Association for Ambulatory Health Care

435

American Association for Accreditation of Ambulatory Surgery Facilities

282

Institute for Medical Quality

104

The Joint Commission

49

## Ambulatory Surgery Centers

Supply and Capacity

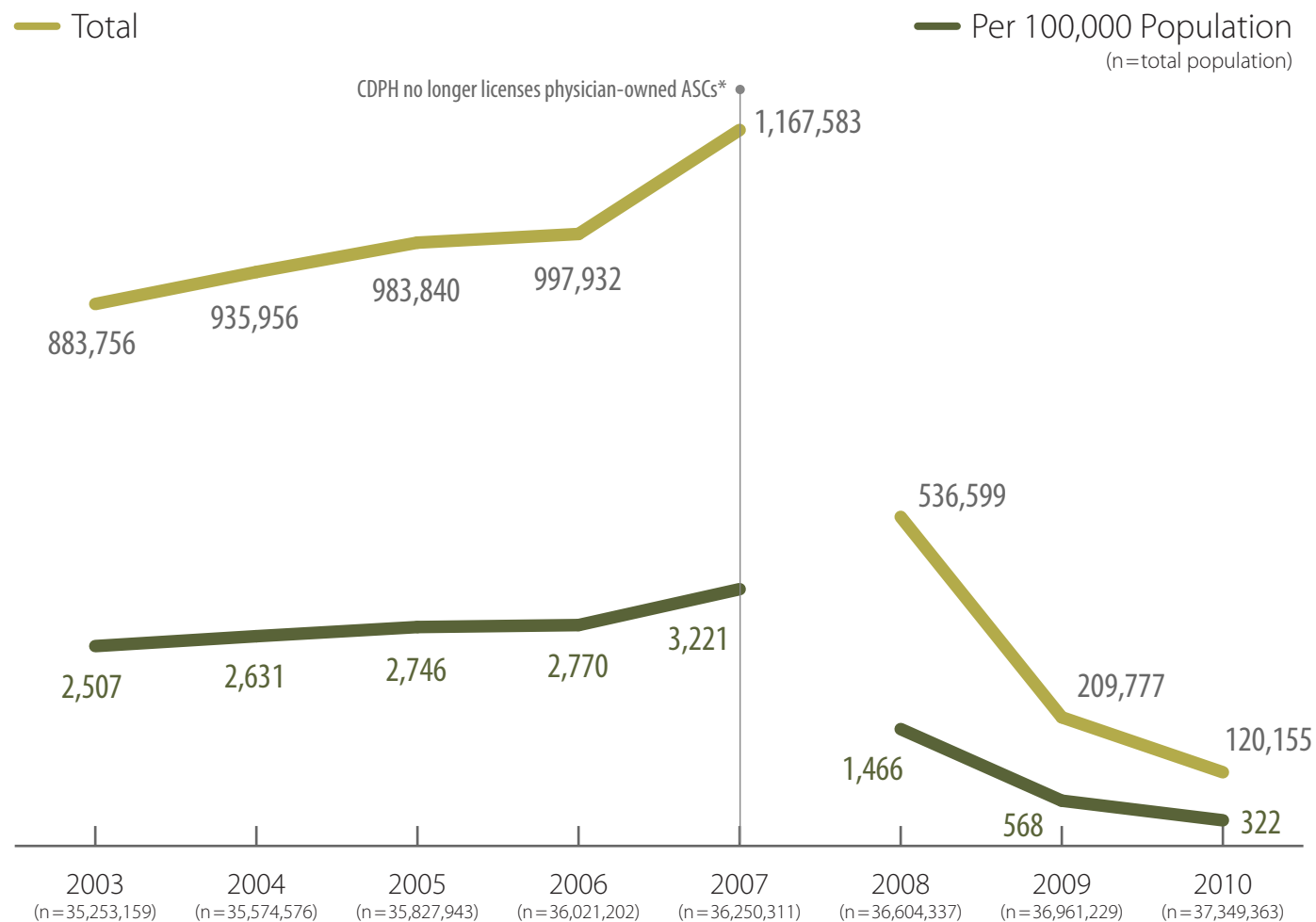
The Medical Board of California currently has four agencies approved for accrediting ASCs.

The largest source of accreditation is the Accreditation Association for Ambulatory Health Care.

Sources: Accreditation Association for Ambulatory Health Care, Inc., [www.aaahc.org](http://www.aaahc.org), accessed 5/17/13. American Association for Accreditation of Ambulatory Surgery Facilities, Inc., data provided 6/5/13. Institute for Medical Quality, data provided 6/7/13. The Joint Commission, [www.jointcommission.org](http://www.jointcommission.org), accessed 5/17/13.

# Reported Surgeries in Freestanding ASCs

## California, 2003 to 2010



\*The September 2007 *Capen v. Shewry* decision was interpreted to mean that ASCs with physician owners come under the oversight of the Medical Board of California, not the California Department of Public Health (CDPH), thereby removing any requirement for these ASCs to report data to the Office of Statewide Health Planning and Development (OSHPD).

Note: Represents facilities reporting data and operating in current year.

Source: OSHPD, Specialty Care Clinics Annual Utilization Data, 2003–2010.

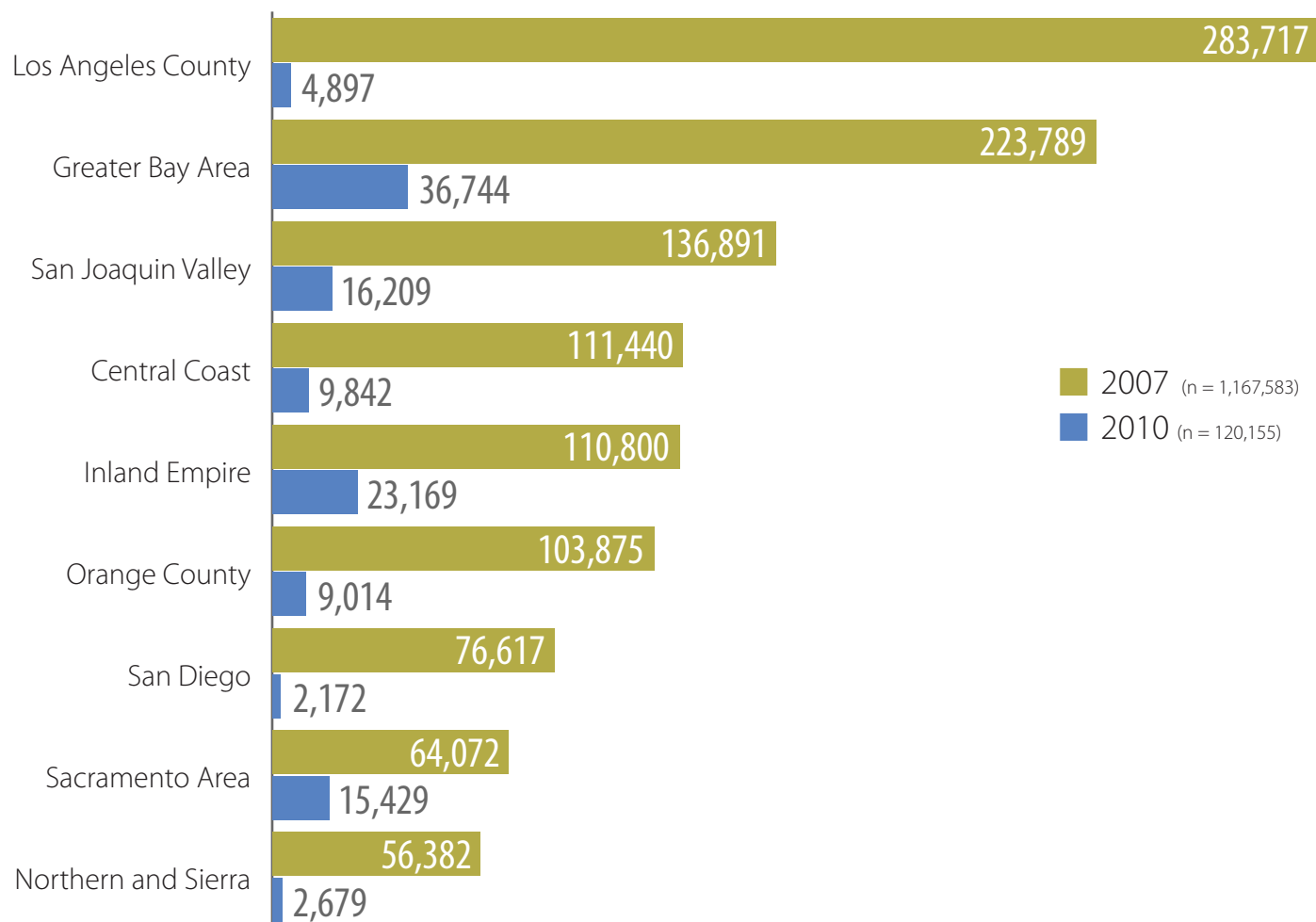
### Ambulatory Surgery Centers

#### Use of Services

The number of reported ASC surgeries in California increased by over 30% from 2003 to 2007, growing much faster than the population. In the years after 2007, when reporting requirements changed, the available data may not give an accurate reflection of what was happening in the state.

# Reported Surgeries in Freestanding ASCs, by Region

## California, 2007 and 2010



### Ambulatory Surgery Centers

#### Use of Services

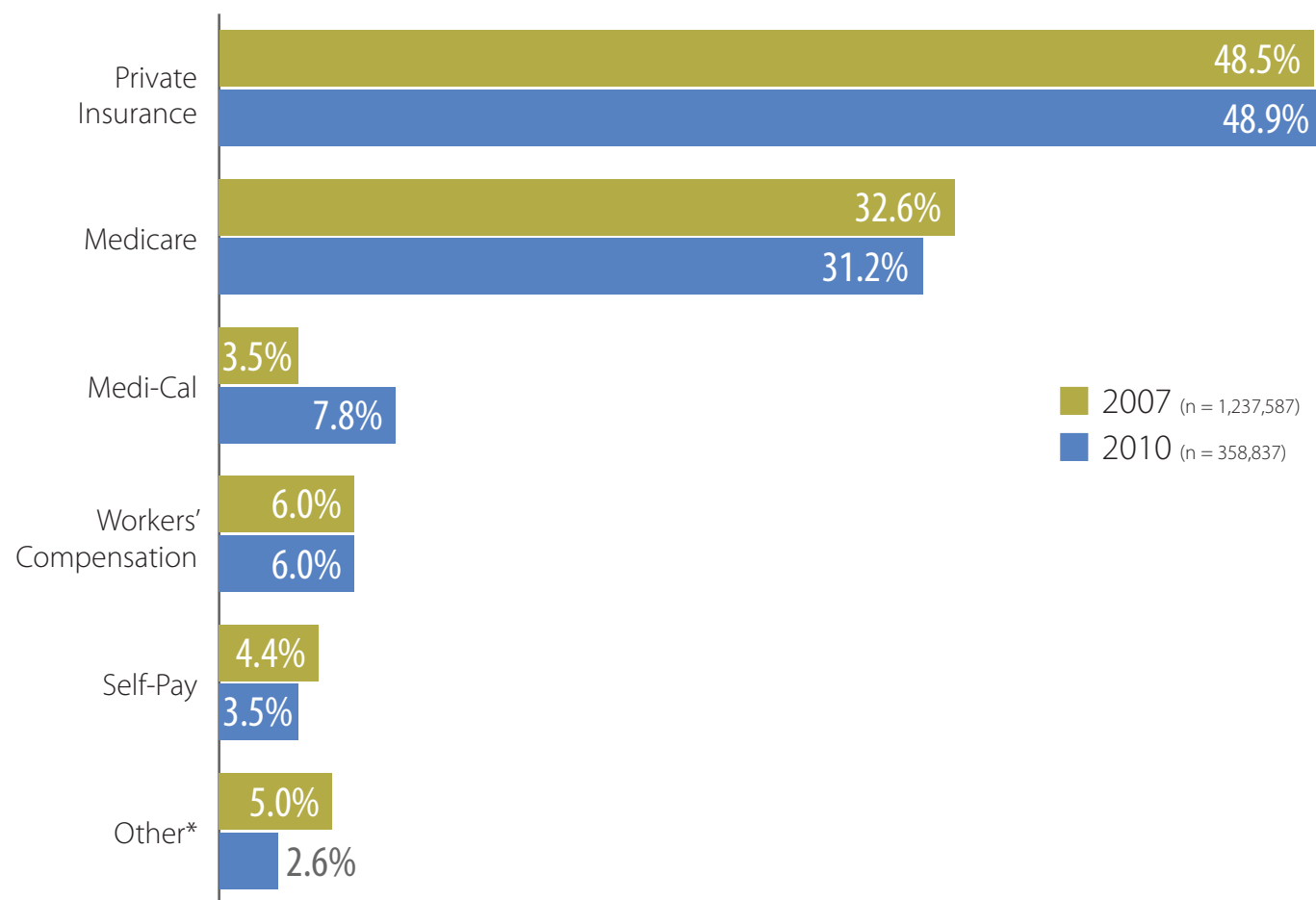
The number of ASC surgeries reported to OSHPD dropped sharply in all California regions after the reporting requirement stopped in 2007. Los Angeles County experienced the largest decrease.

Notes: Represents facilities reporting data and operating in current year. The September 2007 *Capen v. Shewry* decision was interpreted to mean that ASCs with physician owners come under the oversight of the Medical Board of California, not the California Department of Public Health (CDPH), thereby removing any requirement for these ASCs to report data to the Office of Statewide Health Planning and Development (OSHPD). See Appendix for a list of counties within each region.

Source: OSHPD, Specialty Care Clinics Annual Utilization Data, 2007 and 2010.

# Reported Encounters in Freestanding ASCs, by Payer

## California, 2007 and 2010



\*Other includes other non-federal programs, automobile medical, disability, CHAMPUS, Veterans Affairs, and other.

Notes: Represents facilities reporting data and operating in current year. The September 2007 *Capen v. Shewry* decision was interpreted to mean that ASCs with physician owners come under the oversight of the Medical Board of California, not the California Department of Public Health (CDPH), thereby removing any requirement for these ASCs to report data to the Office of Statewide Health Planning and Development (OSHPD).

Source: OSHPD, Emergency Department and Ambulatory Surgery Data, 2007 and 2010.

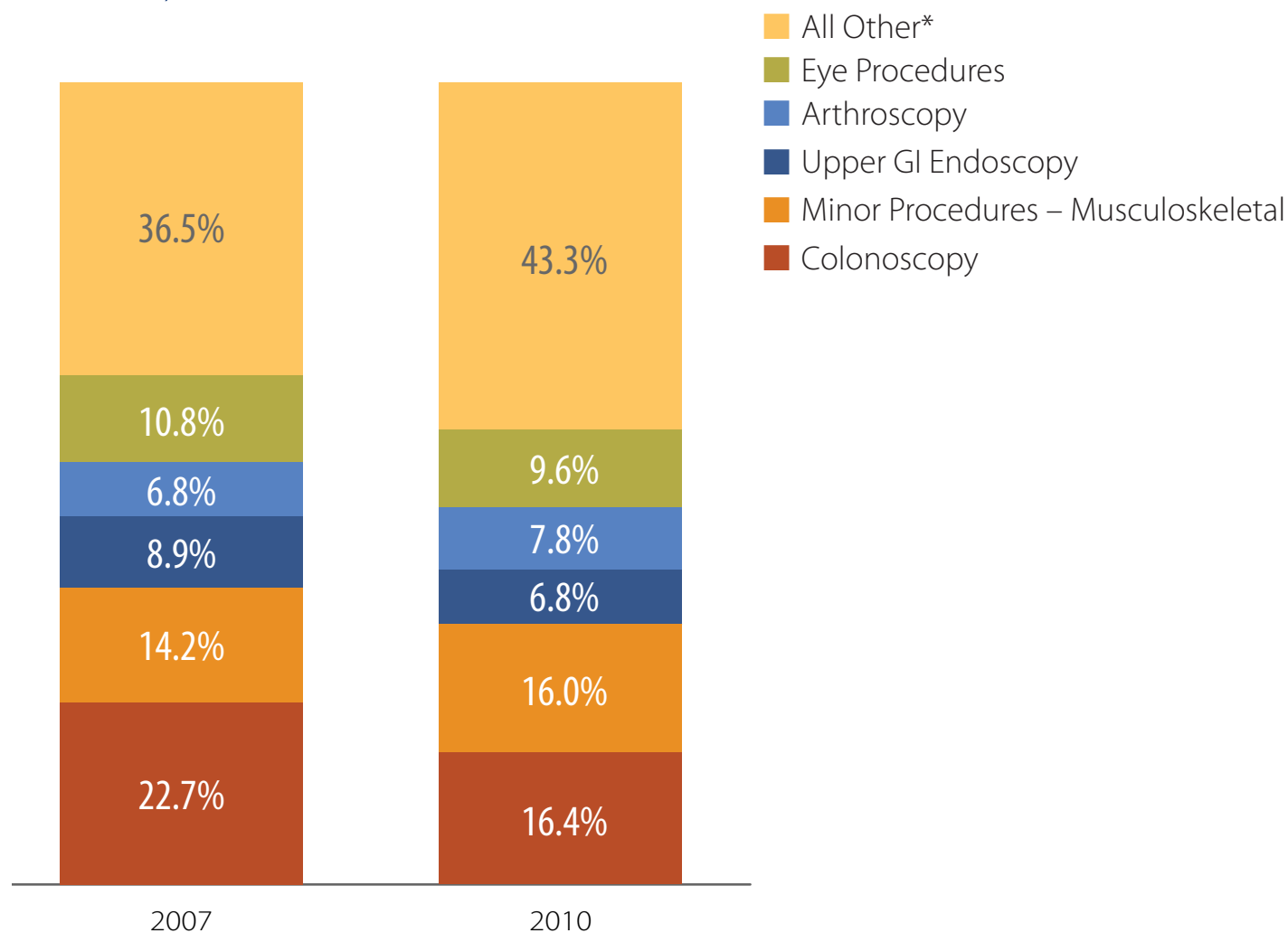
### Ambulatory Surgery Centers

#### Use of Services

Private insurers are the dominant payer for ASC care in California, representing nearly 50% of encounters, with Medicare covering over 30%. The percentages have not changed significantly despite the reporting decline.

# Reported Procedures by Category, Freestanding ASCs

## California, 2007 and 2010



\*All Other\* includes carpal tunnel surgery, removal of lesions, and many other types of ambulatory procedures.

Notes: Represents facilities reporting data and operating in current year. The September 2007 *Capen v. Shewry* decision was interpreted to mean that ASCs with physician owners come under the oversight of the Medical Board of California, not the California Department of Public Health (CDPH), thereby removing any requirement for these ASCs to report data to the Office of Statewide Health Planning and Development (OSHPD). The figures on this page are based on the Berenson-Eggers Type of Service (BETOS) codes. Segments may not add to 100% due to rounding.

Source: Office of Statewide Health Planning and Development (OSHPD), Emergency Department and Ambulatory Surgery Data, 2007 and 2010.

### Ambulatory Surgery Centers

#### Use of Services

The top five procedure categories reported to OSHPD by California's ASCs in 2010 accounted for nearly 60% of all ASC procedures. In 2007 and 2010, colonoscopies were the most common procedures.

# CMS Quality Indicators for ASCs, United States, 2013

## Ambulatory Surgery Centers

### Use of Services

Recently, CMS implemented a pay-for-reporting quality program that requires ASCs to report data on standardized measures in order to receive the full annual update to their ASC payment rate, beginning with 2015 payments.

MEASURE	DESCRIPTION	CMS PAYMENTS AFFECTED
Patient burn	Patients experiencing any burns (including electrosurgical, electrical, chemical, thermal) prior to discharge	2015–2016
Patient fall	Patients experiencing a fall within confines of ASC prior to discharge	2015–2016
Wrong site, wrong side, wrong patient, wrong implant	Patients experiencing wrong site, side, patient, procedure, or implant in the ASC	2015–2016
Hospital transfer/admission	Patients requiring hospital transfer or admission upon discharge from ASC	2015–2016
Prophylactic IV antibiotic timing	Patients who received IV antibiotic for prevention of surgical site infection on time	2015–2016
Safe surgery checklist	ASC uses checklist that includes safe surgery practices during three critical periods: prior to anesthesia administration; prior to skin incision; and from closure of incision to patient leaving OR	2015–2016
Volume data on selected ASC surgical procedures	ASCs provide aggregate count of selected surgical procedures in 34 procedure categories, including GI endoscopy procedures, joint arthroscopy, and cataract procedures	2015–2016
Flu vaccine coverage among health care personnel	Detail on measure is forthcoming	2016

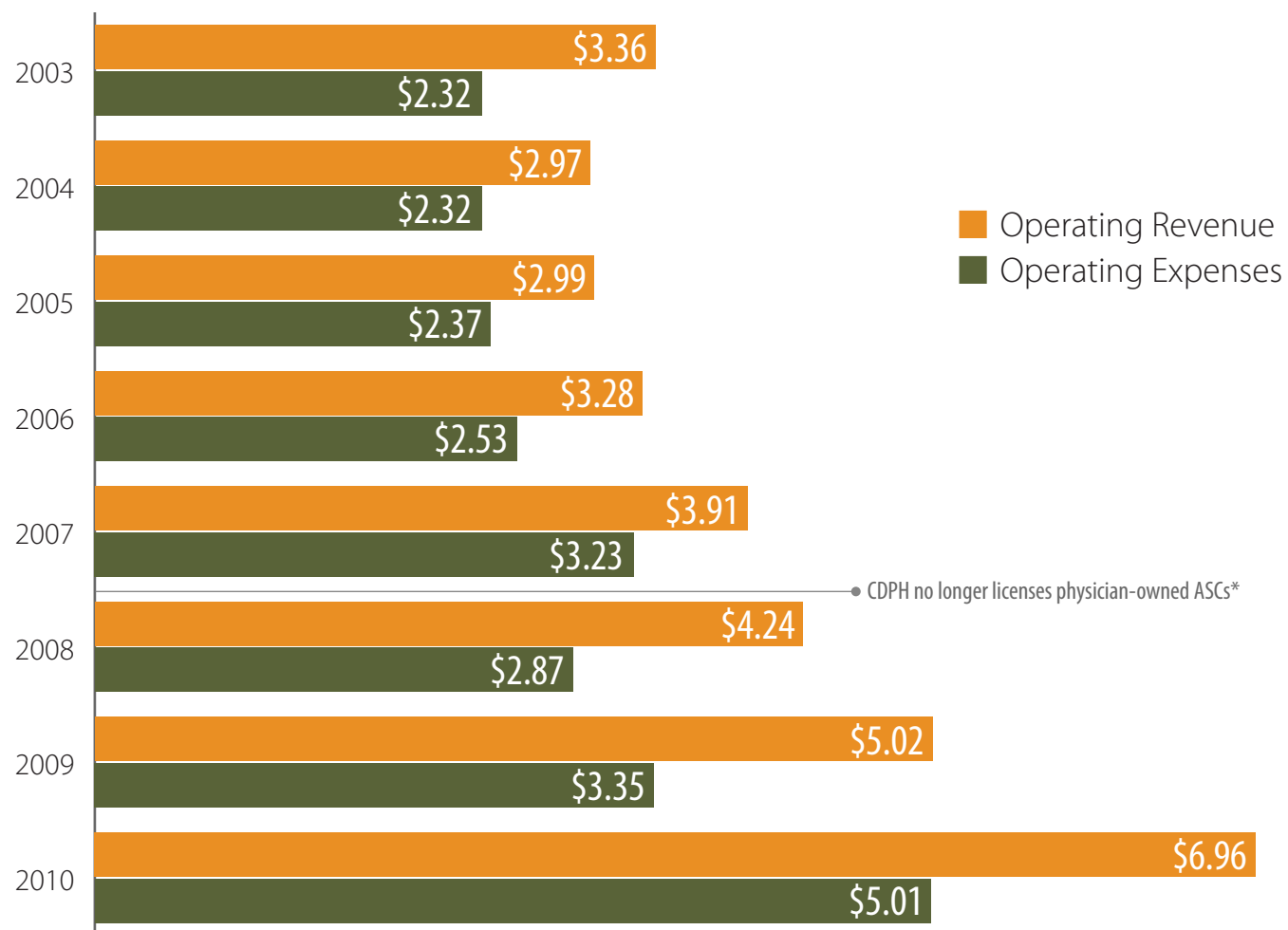
Note: Payments affected are for calendar year. Reporting requirements begin January 1, 2013 for first five measures. ASCs begin reporting July 1, 2013 for the two structural measures (based on performance from January through December 2012). The final measure reporting begins October 1, 2014.

Source: Centers for Medicare & Medicaid Services, *Ambulatory Surgical Center Quality Reporting Program: Quality Measures Specifications Manual*, Version 2.0, December 2012.

# Freestanding ASC Operating Revenue and Expenses

## California, 2003 to 2010

AVERAGE PER FACILITY (IN MILLIONS)



\*The September 2007 *Capen v. Shewry* decision was interpreted to mean that ASCs with physician owners come under the oversight of the Medical Board of California, not the California Department of Public Health (CDPH), thereby removing any requirement for these ASCs to report data to the Office of Statewide Health Planning and Development (OSHPD).

Note: Represents facilities reporting data and operating in current year.

Source: OSHPD, Specialty Care Clinics Annual Utilization Data, 2003–2010.

### Ambulatory Surgery Centers

#### Finances

Revenue at ASCs reporting to OSHPD exceeded operating expenses in every year from 2003 to 2010. The data for 2008, 2009, and 2010 are based on a smaller set of reporting facilities than the earlier figures.

# Operating Margin, Freestanding ASCs

## California, 2003 to 2010



\*The September 2007 *Capen v. Shewry* decision was interpreted to mean that ASCs with physician owners come under the oversight of the Medical Board of California, not the California Department of Public Health (CDPH), thereby removing any requirement for these ASCs to report data to the Office of Statewide Health Planning and Development (OSHPD).

Note: Represents facilities reporting data and operating in current year.

Source: OSHPD, Specialty Care Clinics Annual Utilization Data, 2003–2010.

### Ambulatory Surgery Centers

#### Finances

California ASCs reporting to OSHPD have enjoyed a healthy overall operating margin in each year from 2003 to 2010. The average operating margin was higher for the ASCs that reported following the change in reporting rules. The 2007 data are based on 451 ASCs, while the 2010 data represent only 52.

## Methodology

This report summarizes information about ambulatory surgery centers from three sources: specialty clinic databases from the California Office of Statewide Health Planning and Development (OSHPD); the Medicare Provider of Service (POS) files; and the OSHPD encounter information from Emergency Department and Ambulatory Surgery database.

**1. OSHPD specialty clinic databases.** Specialty clinics designated to have a “surgical” license type were accessed. These files should include a large number of freestanding ASCs in California, but not those affiliated with hospitals. Facilities in which the owning physician(s) are the only physician(s) that practice at the facility are not included. The files do include non-hospital facilities licensed by the Department of Public Health, in which physicians who are not owners can operate.

For these facilities, data are reported from annual utilization reports filed by facilities that operated in part of the year. (This is between 85% and 95% of the total number of facilities that appear in the data in a given year.) The reports include information about the number of operating rooms, number of unique patients seen, number of patient encounters, and number of surgeries each year. Also included are revenues, costs, margins, and other financial indicators, as well as the geographic location of each facility.

After 2007 the annual utilization data were significantly affected by the court decision in *Capen v. Shewry*. OSHPD reports that this decision “essentially held that an ASC that is wholly or partially owned by physicians cannot be licensed by the California Department of Public Health. This license was the basis of OSHPD’s authority to collect the annual utilization report.” Therefore, the Department of Public Health stopped licensing affected facilities, and the number of facilities providing annual utilization reports dropped dramatically in subsequent years. OSHPD reports that by 2010 more than 400 facilities had been delicensed.

**2. Medicare provider of service (POS) files.** These databases contain information about facilities that are approved to provide services to Medicare recipients. Facilities designated as “Ambulatory Surgery Centers”

(category 15) were selected, and within this group the focus was on facilities designated as “freestanding,” which generally excludes those associated with hospitals. For each facility, the data include information about the number of operating rooms, accreditation, geographic location, and whether the facility is for-profit, nonprofit, or government-owned.

The POS files are cumulative and include facilities that have ever been among the providers of services for Medicare recipients, even if they are no longer in operation. For most analyses, the 2010 POS file was used; the focus was on facilities that reported operating in each year of analysis based on reported operating begin and end dates.

Unlike the OSHPD facility annual utilization data, the POS files typically include freestanding facilities in which the owning physician(s) are the only physician(s) to operate. For example, the POS data for 2005 reported 644 freestanding facilities in California, while the OSHPD data reported 432. It is likely that this difference is associated with the fact that the POS data include some facilities where only owning physician(s) operate.

The POS data are not affected by the *Capen v. Shewry* decision, and so may provide a more reliable source of information than OSHPD facility data for tracking trends over time in key variables, although they do not report as much detailed information as the OSHPD facility data. The POS files also contain data on ASCs throughout the country, allowing cross-state comparisons that are not possible with OSHPD data.

**3. OSHPD encounter data from emergency department and ambulatory surgery files.** These files contain ASC information reported to OSHPD about each encounter, including patient demographics (age and sex), expected source of payment, and procedures provided. Data from the annual publicly reported ASC files were used, and procedures at facilities with license type “C” indicating freestanding (not hospital) facilities were selected. These data were affected by the 2007 *Capen v. Shewry* decision, after which the number of encounters for which information is reported declined significantly.

### AUTHOR

Statistical analyses underlying this report were conducted by Laurence Baker, PhD, professor of health research and policy at Stanford University.

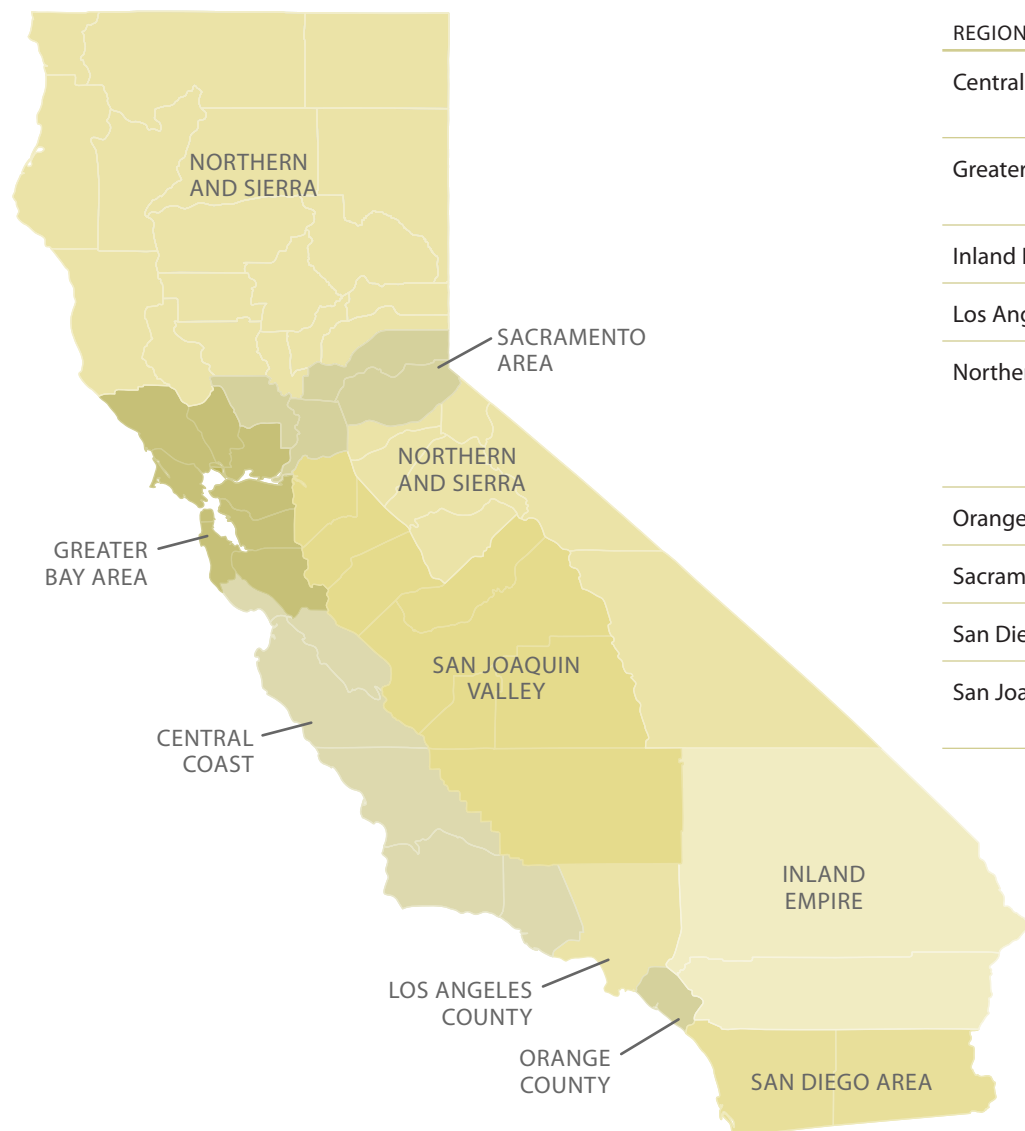
### FOR MORE INFORMATION



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# Appendix: California Counties Included in Regions



REGION	COUNTIES
Central Coast	Monterey, San Benito, San Luis Obispo, Santa Barbara, Santa Cruz, Ventura
Greater Bay Area	Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Solano, Sonoma
Inland Empire	Riverside, San Bernardino
Los Angeles County	Los Angeles
Northern and Sierra	Alpine, Amador, Butte, Calaveras, Colusa, Del Norte, Glenn, Humboldt, Inyo, Lake, Lassen, Mariposa, Mendocino, Modoc, Mono, Nevada, Plumas, Shasta, Sierra, Siskiyou, Sutter, Tehama, Trinity, Tuolumne, Yuba
Orange County	Orange
Sacramento Area	El Dorado, Placer, Sacramento, Yolo
San Diego Area	Imperial, San Diego
San Joaquin Valley	Fresno, Kern, Kings, Madera, Merced, San Joaquin, Stanislaus, Tulare