MASSACHUSETTS HEALTH POLICY COMMISSION

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HPC DATAPOINTS

Trends in Ambulatory Surgical Centers in Massachusetts

INTRODUCTION

Ambulatory surgical centers (ASCs) are freestanding facilities that provide surgeries and other procedures to patients who do not require an overnight stay. ASCs provide low-risk procedures that are otherwise typically performed in a hospital outpatient department (HOPD) or, for some minor procedures, in a physician office setting. Some ASCs specialize in procedures for a single specialty (such as ophthalmology), while others are multi-specialty.

In Massachusetts and the U.S. overall, most ASCs are for-profit entities, and the majority have partial or complete physician ownership. Both commercial insurers and public programs (Medicare and Medicaid) typically pay substantially lower prices for procedures performed in ASCs compared to the same procedures performed in a HOPD. In addition to lower overall prices, ASCs may offer patients more convenient locations, shorter wait times, and potentially lower cost sharing. Available evidence suggests that safety and quality metrics at ASCs are comparable to and in some cases better than those in HOPDs, including the rates of adverse events, although many studies caveat the need to appropriately select patients for surgery at ASCs based on the complexity of the case.[1] Notably, Massachusetts has among the fewest number of ASCs per capita among all states.

ASCs provide **low-risk** procedures that are otherwise typically performed in a **HOPD**

This issue of the HPC's DataPoints series analyzes the ASC landscape in Massachusetts including the location and services provided by ASCs, utilization among commercial and MassHealth patients, and prices in ASCs compared to HOPDs, as well as the regulatory context that has shaped the ASC industry in the Commonwealth. This is a printable version of DataPoints. The online version features interactive graphics that show additional information, and is available on the HPC's website.

ASC INDUSTRY IN MASSACHUSETTS

In 2023, there were 58 ASCs licensed by the Massachusetts Department of Public Health (DPH). Of these, 54 are also certified as ASCs by the Centers for Medicare & Medicaid Services (CMS), which enables them to receive Medicare payment.[2] These 54 facilities have a total of 160 operating rooms. About 90% are for-profit entities.[3] Most have partial or complete physician ownership, including joint ventures between physicians and hospitals and / or management companies.[4] The Massachusetts ASC industry reflects national trends, as 95% of ASCs in the U.S. are for-profit and most have partial or complete physician ownership. Payments to ASCs have two components: a payment to the facility (facility fee) and a payment for professional services. Under the physician ownership model, a physician owner earns income from both the facility and professional payments. Notably, ASCs are exempt from the federal physician self-referral laws ("Stark Law"), allowing surgeons to refer patients to an ASC in which they have an ownership stake.

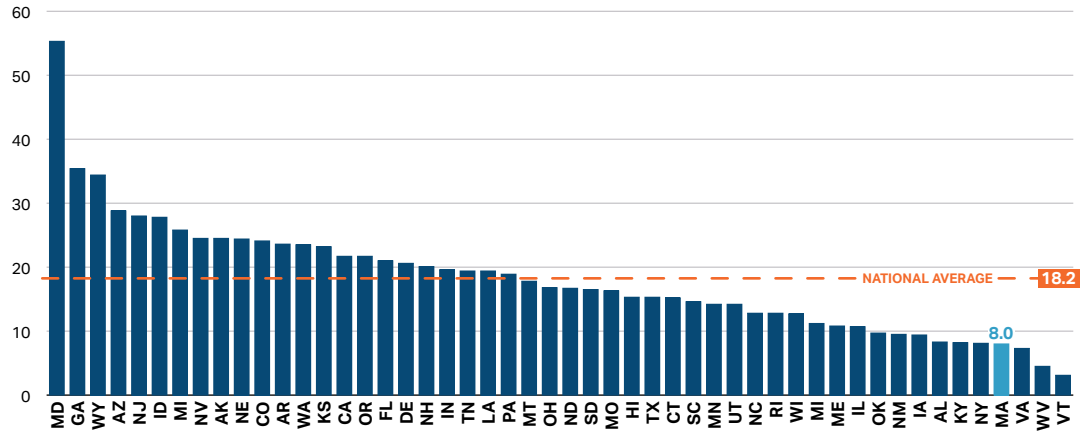
Most ASCs are **for-profit** entities, and the majority have partial or complete **physician ownership**

SUPPLY OF ASC SERVICES IN MASSACHUSETTS

Massachusetts has the fourth fewest ASCs per capita among all states, at eight ASCs per million population compared to a national average of 18. Likewise, Massachusetts has 23 ASC operating rooms per million population compared to the national average of 56. The Medicare Payment Advisory Commission (MedPAC) notes that the primary driver of variation by state in ASC volume is determination of need (DoN) laws, highlighting that states with DoN laws tend to have fewer ASCs than states that do not. The regulatory history in Massachusetts is discussed further below.

Massachusetts has the **fourth fewest** ASCs per capita among all states, reflecting the state's regulatory history

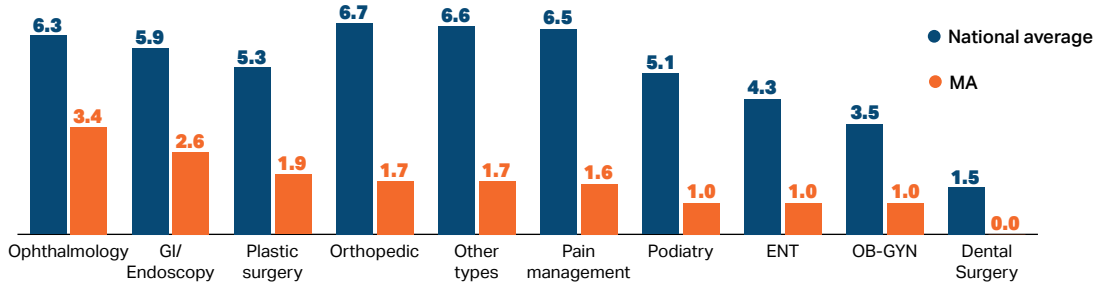
Number of ASCs per one million population, by U.S. state, 2023



SOURCE: HPC analysis of CMS Provider of Services file Q2 2023 and Census population statistics, 2022

Massachusetts has fewer ASCs per capita than the national average across all major ASC specialties, although the relative difference varies by specialty. In particular, ophthalmology is the most common ASC specialty in Massachusetts, but the fourth most common nationally, resulting in the smallest differential with the national rate per capita. On the other hand, one of the largest differentials is for orthopedic services, which is the most common ASC specialty nationally, but the fifth most common in Massachusetts.

Number of ASCs that provide a given service type per one million population, Massachusetts and U.S., 2023



NOTE: ASCs that provide services in multiple specialties are counted in each relevant specialty bar.
SOURCE: HPC analysis of CMS Provider of Services file Q2 2023, and Census population statistics, 2022

REGULATORY ENVIRONMENT / VOLUME OVER TIME

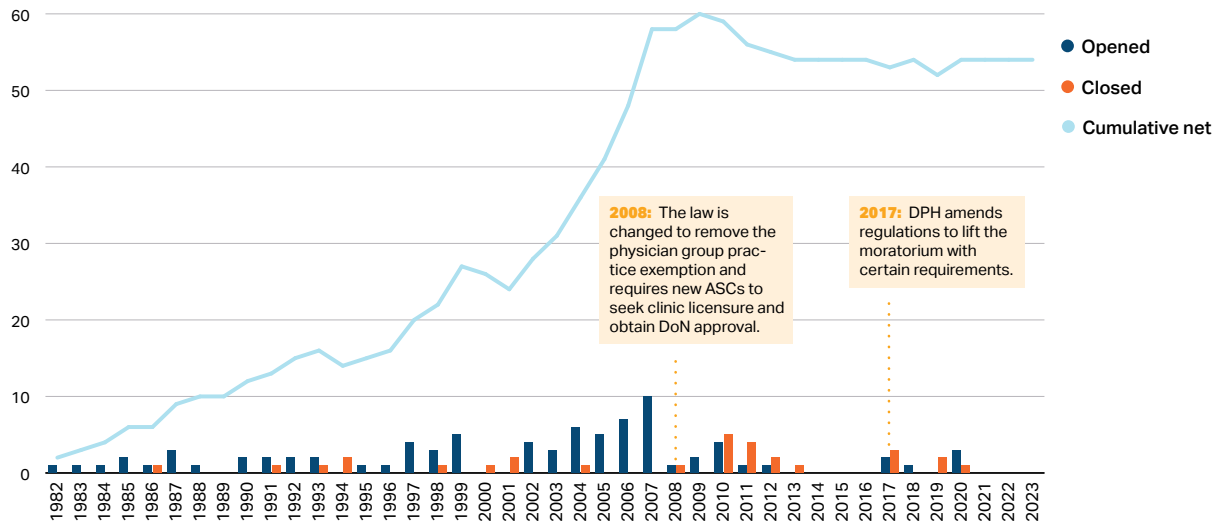
The relatively low number of ASCs in Massachusetts reflects the state's regulatory history, which has governed the licensure and process for approval for opening new ASCs over the past decades. DPH regulations in the early 1980s limited the number of ASC licenses to a few pilot projects in select geographic areas. In 1994, DPH expanded the number of additional ASCs allowed, although ASCs could not open in the primary market area of geographically isolated hospitals.[5] Importantly, ASCs could open and operate under a physician group practice exemption from clinic licensure regulations, including regulations that required approval under the Determination of Need (DoN) program. Under that exemption, a medical practice that was both wholly-owned and controlled by physicians associated with the practice was exempt from the licensure and DoN requirements.

The number of ASCs that opened in Massachusetts increased steadily until 2008, when the law was changed to remove the physician group practice exemption for physician-owned ASCs and instead required new ASCs to seek clinic licensure and obtain DoN approval, effectively resulting in a moratorium on new ASCs.[6] In 2017, DPH amended its regulation to lift the moratorium with certain requirements: 1) an ASC must have an affiliation with an HPC-certified accountable care organization (ACO); and 2) if an

Current **regulatory** requirements effectively result in the need for **hospital approval** of most new ASCs

ASC planned to open within the primary service area of an independent hospital, the hospital must grant approval. Since most ACOs in Massachusetts are operated by or affiliated with hospital systems, both of these requirements effectively result in the need for hospital approval of most new ASCs. Hospitals may be reluctant to grant such approval since ASCs often compete with HOPDs for patient volume.

Number of ASCs opened and closed by year and cumulative trend, 1982-2023



NOTES: Massachusetts Department of Public Health, Determination of Need Guidelines for Freestanding Ambulatory Surgery Centers (Nov. 15, 1994); Massachusetts Department of Public Health, Memo to Interested Parties from Joan Gorga, Director, Determination of Need Program, Re: Licensure of Ambulatory Surgical Centers and Determination of Need (DoN) (June 25, 2009); 105 CMR 100.715(B)(2), available at: https://www.mass.gov/doc/105-cmr-100-determination-of-need/download

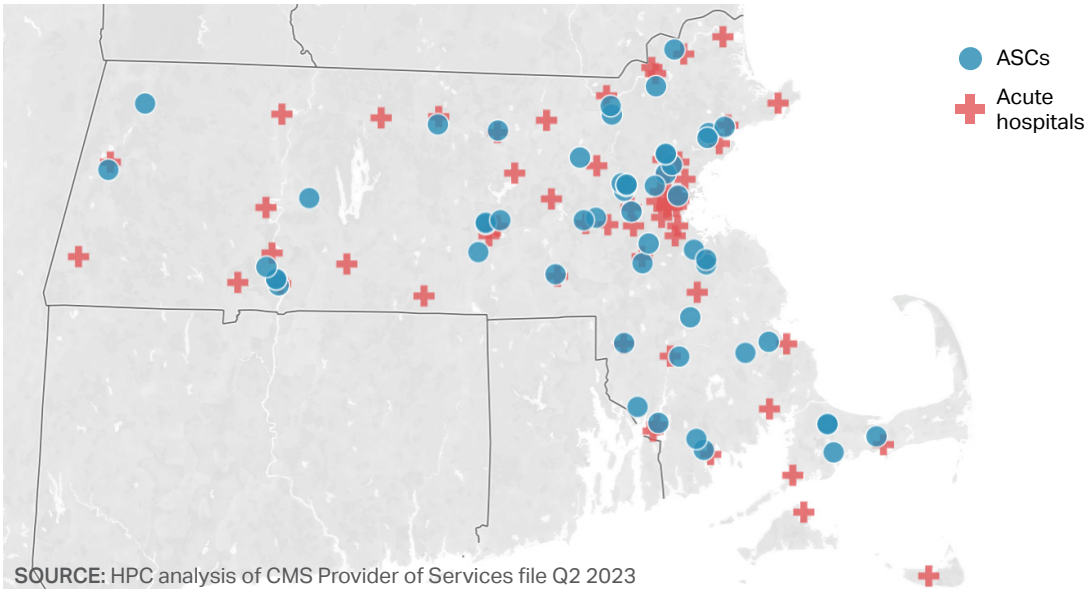
SOURCE: HPC analysis of CMS Provider of Services file Q2 2023

SPECIALTY AND LOCATION

ASC locations in Massachusetts generally follow the geographic **distribution** of acute care hospitals and are mostly located in or around **population centers**

ASC locations in Massachusetts generally follow the geographic distribution of acute care hospitals and are mostly located in or around population centers. The proximity to acute care hospitals may reflect the previous DPH regulation regulatory requirement (from 1994) that ASCs cannot be located more than 15 minutes travel time from an acute care hospital.[4] This requirement is no longer in effect. It is notable, however, that only one ASC is located in the city of Boston.

Acute care hospitals and ambulatory surgical centers, 2023

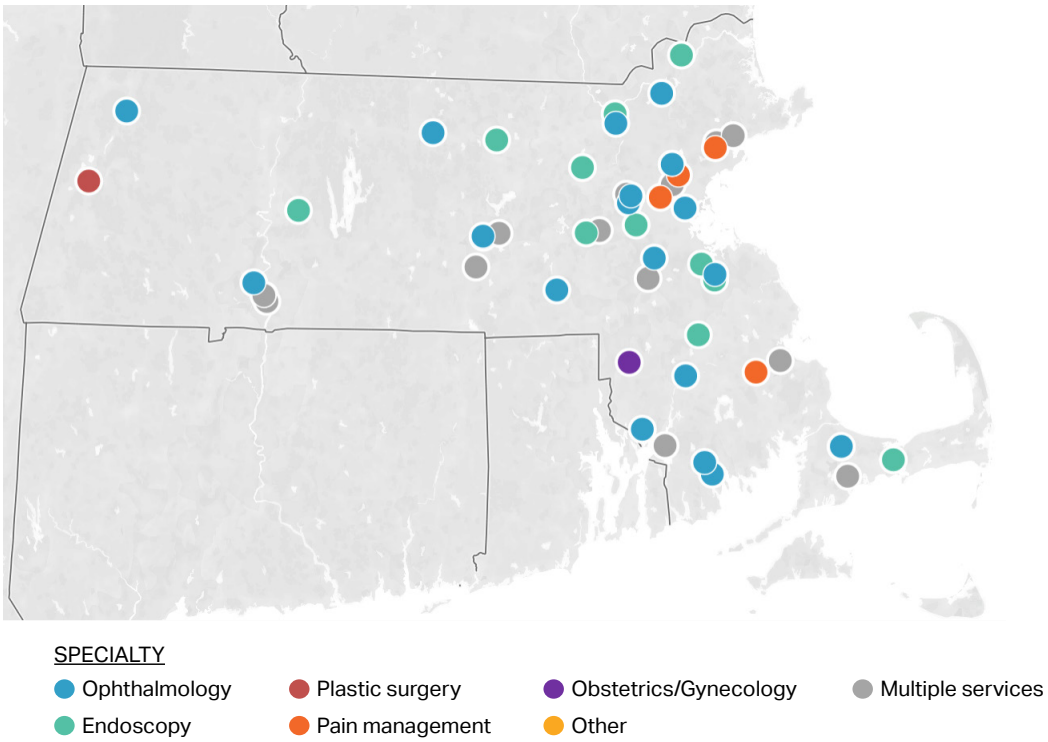


SOURCE: HPC analysis of CMS Provider of Services file Q2 2023

Ophthalmology is by far the most common clinical specialty of ASCs in Massachusetts, both among ASCs that have a single clinical specialty and those that have multiple specialties. Endoscopy services (including colonoscopy) are also common among single specialty ASCs. Many ASCs provide multiple services, such as orthopedics, plastic surgery, and pain management.

Ophthalmology and **endoscopy** are the most common clinical specialties of ASCs in Massachusetts

Ambulatory surgical centers in Massachusetts by specialty, 2023



	Single-specialty ASCs	Total ASCs providing service
Ophthalmology	18	24
GI/ Endoscopy	12	18
Orthopedic	0	12
Plastic surgery	1	12
Pain management	4	11
Obstetrics/ Gynecology	1	7
Podiatry	0	7
Ear, Nose, & Throat	0	6
Other	1	11
Total ASCs	**37**	**54**

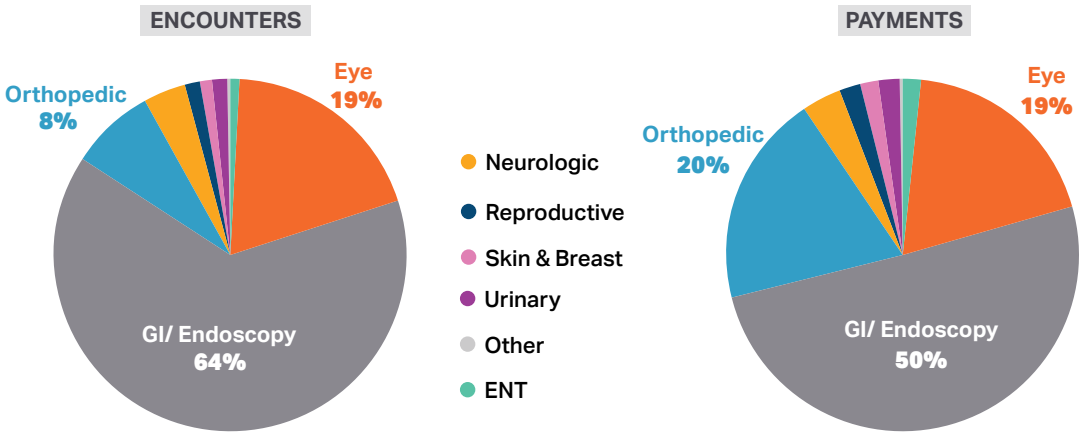
SOURCE: HPC analysis of CMS Provider of Services file Q2 2023

Many ASCs provide **multiple services**, such as orthopedics, plastic surgery, and pain management

GI /Endoscopy services have the largest share of ASC **encounters and payments** among commercially-insured patients

Although ophthalmology services are provided by the largest number of ASCs in Massachusetts, gastrointestinal services (mostly including endoscopies and colonoscopies) constitute the largest share of encounters and payments received by ASCs in the commercially-insured population.

Distribution of commercial encounters versus payment at ASCs, 2021



NOTES: Encounter includes all services delivered on the same day as surgery at ASC. Payments include all payments for the counters (i.e. ASC facility, surgeon, anesthesiologist, lab and pathology fees). Commercial analysis includes six payers.
SOURCE: HPC analysis of Center for Health Information and Analysis All-Payer Claims Database v2021, 2021

Orthopedic surgeries represent a disproportionate share of payments

In 2021, gastrointestinal services represented 64% of commercial encounters by volume and 50% of commercial payments. Orthopedic surgeries, such as meniscus repair and joint replacement, are relatively expensive procedures and represent a disproportionate share of payments, accounting for 8% of volume, compared to 20% of payments. Neurological surgeries and procedures such as carpal tunnel surgery, laminectomy, or epidurals for back pain comprise 4% of encounters and payments in the commercial population. The remaining types of surgeries comprise 2% or less of both encounters and payments for commercial patients at ASCs (ASC services not covered by insurance such as cosmetic plastic surgery are not reflected in this chart).

For public payers such as MassHealth, the distribution of ASC services across service lines is similar: gastrointestinal, orthopedic, and eye surgeries constitute more than three quarters of procedures and payments for the MassHealth population.

PRICES

Prices for services performed in ASCs are generally **far lower** than in HOPDs across commercial insurers, MassHealth, and Medicare

Prices for services performed in ASCs are generally far lower than in HOPDs across commercial insurers, MassHealth, and Medicare.[7] In the commercial population, total prices for the common surgeries examined ranged from 27% to 57% lower in ASCs than HOPDs in 2021.[8]

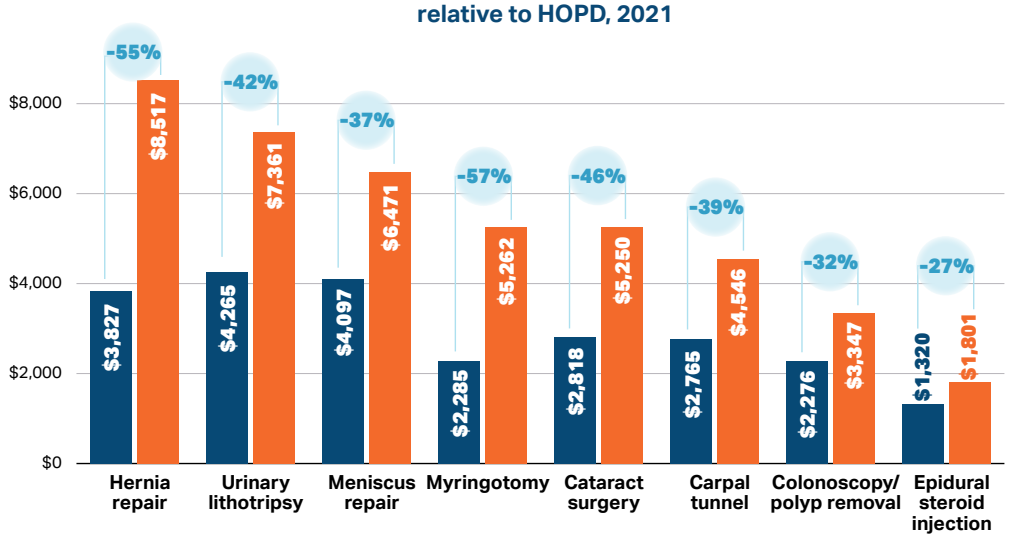
Most of the difference in total price is due to lower facility payments in ASCs; professional payments are generally similar between ASCs and HOPDs. Some of the price differences may also reflect differential billing for ancillary services such as separate recovery room charges, which are sometimes billed as part of HOPD encounters but not typically for ASC encounters.

Commercial prices for the common surgeries ranged from **27% to 57% lower** in ASCs than HOPDs

Lower ASC prices typically result in **lower patient cost sharing** for commercially-insured patients

Lower ASC prices typically result in lower patient cost sharing for commercially-insured patients. For example, the average cost sharing for a colonoscopy with polyp removal was roughly 12% lower in ASCs, while cost sharing for cataract surgery was 7% lower in ASCs than in HOPDs.

Commercial price for common surgeries in ASCs and HOPDs and % ASC payment relative to HOPD, 2021

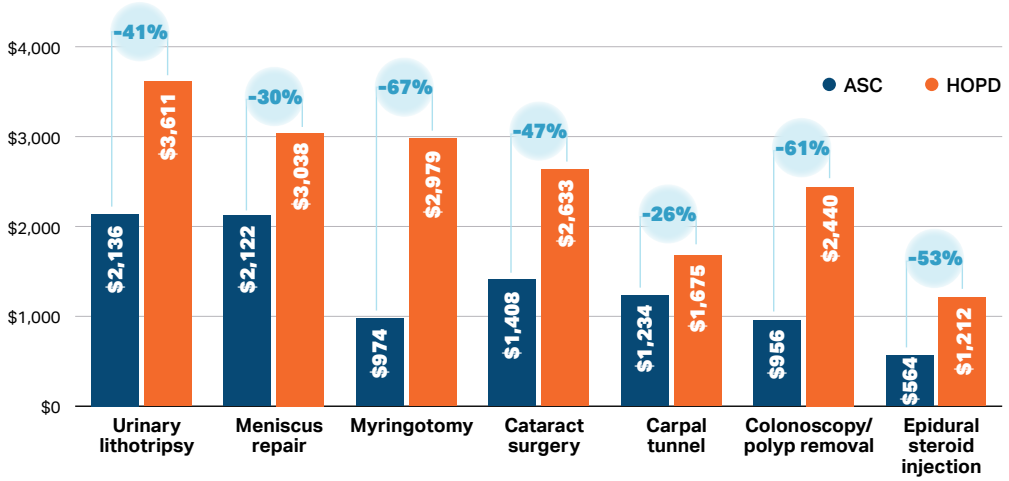


NOTE: Selected surgeries represent a variety of types of procedures conducted at ASCs among the top 50 surgeries by spending in the commercial population. The price of the surgical encounter includes payments for all services provided on the same day as the main surgical procedure, including anesthesia, labs, pathology, or additional surgical codes. The main surgery procedure codes are: 45385, 64721, 29881, 52356, 49505, 63650, 66984, 69436

SOURCE: HPC analysis of Center for Health Information and Analysis All-Payer Claims Database v2021, 2021

MassHealth prices are also generally far lower in ASCs than in HOPDs. Since MassHealth pays the same rate for professional services in ASCs and HOPDs, the difference in total price comes from lower facility prices in ASCs, similar to the commercial market. MassHealth patients pay minimal cost sharing regardless of setting.

MassHealth price for common surgeries in ASCs and HOPDs and % ASC payment relative to HOPD, 2021



NOTE: Hernia repair surgery did not have sufficient sample size in MassHealth population (<11). The price of the surgical encounter includes payments for all services provided on the same day as the main surgical procedure, including anesthesia, labs, pathology, or additional surgical codes. The main surgery procedure codes are: 45385, 64721, 29881, 52356, 49505, 63650, 66984, 69436.

SOURCE: HPC analysis of Center for Health Information and Analysis All-Payer Claims Database v2021, 2021

The **majority** of ASC-eligible procedures are performed in HOPDs for commercial and MassHealth patients; for most procedures, **MassHealth** patients had a substantially smaller share performed in ASCs than commercial patients

The Massachusetts Health Policy Commission (HPC) is an independent state agency charged with monitoring health care spending growth in Massachusetts and providing data-driven policy recommendations regarding health care delivery and payment system reform. The HPC's mission is to advance a more transparent, accountable, and equitable health care system through its independent policy leadership and innovative investment programs.

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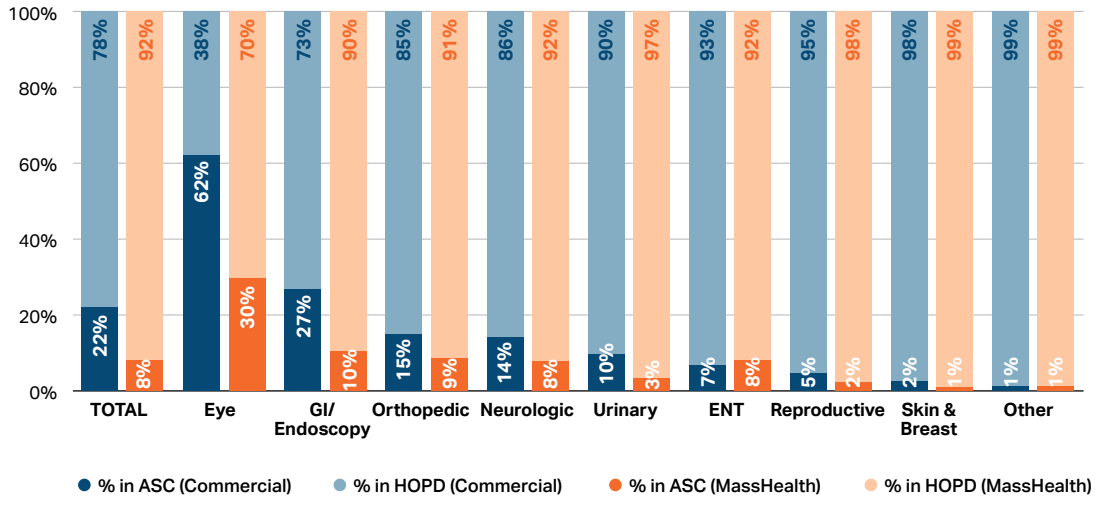
UTILIZATION TRENDS IN ASCS AND HOPDS

The HPC analyzed the setting of care for procedures routinely performed in both ASCs and HOPDs, among commercial and MassHealth patients. The vast majority of these procedures were performed in HOPDs for both patient groups. Eye surgeries in commercial patients were the only exception among the procedures studied, with 62% of such surgeries performed in ASCs.

For most procedures, MassHealth patients had a substantially smaller share performed in ASCs than commercial patients. For example, commercial patients had 27% of GI procedures performed in an ASC (versus a HOPD), while MassHealth patients had 10% of such procedures performed in an ASC. Potential drivers of the difference could include provider referral patterns, location accessibility (e.g., if a car is needed to access an ASC versus a HOPD), and patient time or ability required to research options. These differences have implications for health care spending and patient access to care.

Proportion of ASC-eligible surgeries performed in ASCs, out of total surgeries performed in ASCs and HOPDs, for MassHealth verus commercially-insured patients, 2021



NOTES: Share performed at ASC expressed as an ASC proportion of ASC and HOPD combined. The HPC defined "ASC-eligible" as services within a given category (CCS) limited by the maximum complexity service provided in an ASC. Offices provide a small share of eye surgeries and minor GI procedures (such as endoscopies). The HPC excluded procedures that occurred in an office or other sites from this analysis because these surgeries are often lower complexity compared to similar surgeries at ASCs.

SOURCE: HPC analysis of Center for Health Information and Analysis All-Payer Claims Database v2021, 2021

CONCLUSION

Massachusetts has one of the lowest number of ASCs per capita among all states, likely due to historical regulatory barriers to entry. Compared to HOPDs, ASCs have lower prices for the same services and may offer more convenience and lower cost sharing for commercial patients. ASCs are less frequently utilized by MassHealth patients than commercial patients. More research is needed to understand and address drivers of this difference.

Endnotes

1 For example, a recent study by Munnich and Parente concluded that procedures performed in ASCs reduced the probability of post-operative inpatient admissions and ER visits relative to HOPDs.

2 Based on HPC analysis of CMS Provider of Services File, Q2 2023. In addition to the 54 ASCs listed in the CMS provider dataset, DPH lists 4 additional facilities, 3 of which appear to be joint ventures with hospital systems, and 1 of which is an abortion clinic. Medicare covers abortion services only in limited cases.

3 HPC analysis of CMS Provider of Services File, Q2 2023.

4 Communication with the Massachusetts Association of Ambulatory Surgical Centers.

5 Massachusetts Department of Public Health, Determination of Need Guidelines for Freestanding Ambulatory Surgery Centers (Nov. 15, 1994)

6 Massachusetts Department of Public Health, Memo to Interested Parties from Joan Gorga, Director, Determination of Need Program, Re: Licensure of Ambulatory Surgical Centers and Determination of Need (DoN) (June 25, 2009)

7 The total price of the surgical encounter includes fees billed by both the facility and professionals, capturing not only the cost of the primary surgical procedure but also anesthesiology, labs and other ancillary procedures conducted during the encounter.

8 One exception to this pattern was observed prices for hip and knee joint replacement surgeries, which were similar for ASCs and HOPDs. However, the sample size of comparable surgeries was not large enough for stable estimates.