

## Ambulatory Surgery Centers: Still a Growth Trend, But Nuanced

### Introduction

The shift in care from hospitals to outpatient surgery centers and ambulatory surgery centers in the U.S. has been going on since the early 1970s, with spikes and snags resulting from economic shifts. In current post-pandemic geopolitical, and inflationary times, the momentum is expected to increase, experts say. But regional nuances prevail.



### ASCs by the Numbers

Let's play "guess the decade." Jumpsuits. Disco music. The first ambulatory surgery center (ASC) opens.<sup>1</sup> If you guessed the 1970s, you are correct. Now let's fast forward to 2023. With COVID pandemic waters receding in the U.S., ASCs can expect to see notable growth. Currently, more than half of all procedures are performed in ASCs, which grew from 6,109 facilities last year to 6,223 in 2023. Procedural volume growth of 12% is estimated in the next five years, and 22% growth is forecasted within a decade, according to Sg2's 2023 Impact of Change Forecast Highlights.<sup>2</sup>

# ASCs: Still a Growth Trend, But Nuanced

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## Appeal to Patients

Ideally, patients stand to realize benefits with the proliferation of ASCs, according to Corinne Janetski, Director of Marketing, Imaging for Surgical Solutions at Olympus. For example, “travel may be reduced for certain types of treatment.” And during COVID, “Patients who felt anxiety about a hospital visit during an outbreak would feel at ease going to a smaller and more controlled setting,” she adds. “There is also the aspect of the less-expensive impact on patients’ deductibles. ASCs can offer comparable procedures to hospitals, but at lower costs because of less overhead and other cost factors.”

A report from UnitedHealth Group found a 58% decrease in cost for procedures from colonoscopies to cataract removals in its analysis of hospital outpatient departments (HOPDs) versus ASCs, a savings of more than \$680 per procedure for consumers.<sup>3</sup>

## High-volume, Elective Procedures

At ASCs it’s all about high-volume, specific procedures that are elective in nature. Top procedures from 2023 include<sup>4</sup>:

- Ophthalmology
- Esophagogastroduodenoscopy (upper endoscopy exam/biopsy)
- Colonoscopy (screening/polyp removal)
- IV antibiotics for surgical site infections

Minor shifts in procedural focus in ASCs are the result of reimbursement trends and regional market dynamics. “While the ASC case mix will continue to be heavy on gastroenterology and ophthalmology, we expect a continued increase in cases shifting from hospitals for services like orthopedics,” said Tony Guth, Senior Consulting Director of Intelligence at Sg2. “In select markets, there may be a rise in cardiac cases moving to ASCs, driven in part by private equity firms seizing opportunities to collaborate with independent cardiology groups,” he told *ASC Focus*.<sup>5</sup>

## Post-COVID Pivot

In April 2020, the Centers for Medicare and Medicaid Services (CMS) issued recommendations<sup>6</sup> to postpone nonessential procedures, leaving ASCs to seek out ways to make up lost revenue. But as ASCs move into rebound mode, Janetski says they will need to be able to finance new equipment and consider how to add new procedures while remaining profitable.

During the COVID outbreak Olympus created a task force focused on the growth of ASCs for the emerging healthcare landscape. Two important components included flexible financing to address new and emerging market conditions, and robust service and repair to support a dynamic product portfolio, with an eye to payer trends. These factors remain crucial for success today.

# ASCs: Still a Growth Trend, But Nuanced

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## Suppliers as Lenders

ASCs can benefit from working with companies that offer flexible funding options to minimize the impact of equipment purchases and a rebuilding of revenue streams. Brooks Bishop, VP of Financial Services for Olympus, discussed how captive financing and leasing may help an ASC achieve its financial and equipment upgrade goals.

“With captive financing, you finance your equipment directly through the supplier,” Bishop explained. For example, “Olympus Financial Services™ offers flexibility in the ways you can pay for and use our products.” Leasing is also an important financial and technology consideration for an ASC, said Bishop. “Facilities that lease through Olympus Financial Services have access to our latest technologies.” Balancing the percentage of existing equipment with new equipment options could be a way to “stay ahead of the technology curve,” he suggested.

Financing on a Cost-Per-Procedure™ CPP basis is another consideration. “CPP is ideal for customers with changing needs and fluctuating volumes of procedures,” Bishop noted. “This model is designed to help balance out costs over long periods of time, provide predictable margins, and to help improve cash flow management.”

Olympus’ flexible financing can also be an effective asset management tool, according to Bishop. “We can help you keep costs predictable over long periods of time, keep your equipment operating as effectively as it did at the beginning of your lease term, and help you design a road map of where you should go next with your technology.” Ideally, the ASC and the supplier should align on equipment performance and cost containment goals, he concluded.

## Service and Repair Considerations

The right financing is only half of the operational success story, according to Manish Singh, Vice President of Service Delivery at Olympus. Considerations include how equipment is supported and serviced, as well as loaner access options, Singh noted. He offered some questions ASCs should ask a potential service contract provider:

- Is service being performed by the original equipment manufacturer using repair parts and materials that are compatible with your equipment?
- How about field service support: Is there expertise specific to endoscopy support, for example?
- Does your service provider work with you to provide training on proper care and handling of equipment to reduce damage and repairs?
- What does your service provider do to maximize uptime?
  - Does the company offer loaner equipment, and if so, how large is the inventory?
  - Is there preventative maintenance offered for applicable products?
  - Is there an online portal for on-demand status checks on service and repair?

“Having your products ready for use when your clinical team needs them can be the difference between delivering or delaying patient care,” Singh remarked.

# ASCs: Still a Growth Trend, But Nuanced

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## Product Portfolio Offerings

To anticipate demands, Janetski said that ASCs should consider standardizing capital equipment that can be leveraged across multiple specialties. She suggested things like imaging platforms, which can support endoscopy, surgical, gynecology, and urology. “Surgical platforms with the potential to expand to meet procedural demand could help the ASC to pivot as dynamics shift, and could help to attract talent,” she offered.

## An Eye to Payer Trends

A portfolio that is supported by reimbursable procedures is also a smart bet for ASCs. The Centers for Medicare & Medicaid Services released the 2023 final payment rule for ASCs and HOPDs, impacting 3,500 hospitals and 6,000 ASCs.<sup>7</sup> According to the rule, ASCs will get an effective update of 3.8%, which is aligned with a productivity-adjusted hospital market basket update for the interim 5-year period CY 2019 - CY 2023. The update applies to ASCs meeting relevant quality reporting requirements.<sup>7</sup>

Many ASC stakeholders closely follow policy surrounding the CMS Inpatient Only (IPO) list, a list of procedures it considers complex and high risk. In CY 2021 CMS finalized a policy to eliminate the IPO over a three-year period, but received pushback from patient safety advocates. CMS announced changes to the IPO list in January 2023 for CY 2023. It removed 11 procedures (many of these are maxillofacial procedures) and added eight new ones, six of which are hernia-related procedures.<sup>8</sup>

## Regional Nuances and ASCs

Because ASCs are regulated by both federal and state agencies, regional trends vary across the U.S. For example, experts are closely watching the impact of a repealed Certificate of Need (CON) Program in South Carolina, one of 35 states that—until recently—required special permissions to expand or build a new facility. In CON states, requests are allowed to be appealed by any competitor, a requirement criticized by many as limiting access to care and competition. The repeal rollout in South Carolina began July 1, 2023, and is fully effective January 1, 2027. The impact on ASC expansion is top of mind for stakeholders in this region.<sup>9,10</sup>

According to Sg2’s Guth, other regional market factors include how physicians are aligned with a market, pressures from payers to move procedures to cheaper sites, and the size and growth of the market and level of competition, he told *ASC Focus*.

## ASCs a Win-win

Overall, the trend toward ASC growth and increased procedures is considered beneficial to the healthcare industry and patients to increase access to care and keep costs sustainable. Finding partners in the field who can support this platform of care delivery is key to achieving goals in support of this structure, which, as with fashion and music, has seen a lot of nuances since the 1970s.

# ASCs: Still a Growth Trend, But Nuanced

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## Contact Information

For more information about Olympus and how we can partner with ASCs, please visit us at: [Ambulatory Surgical Centers — Olympus America — Medical](#).

## References

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