# ASC FOCUS

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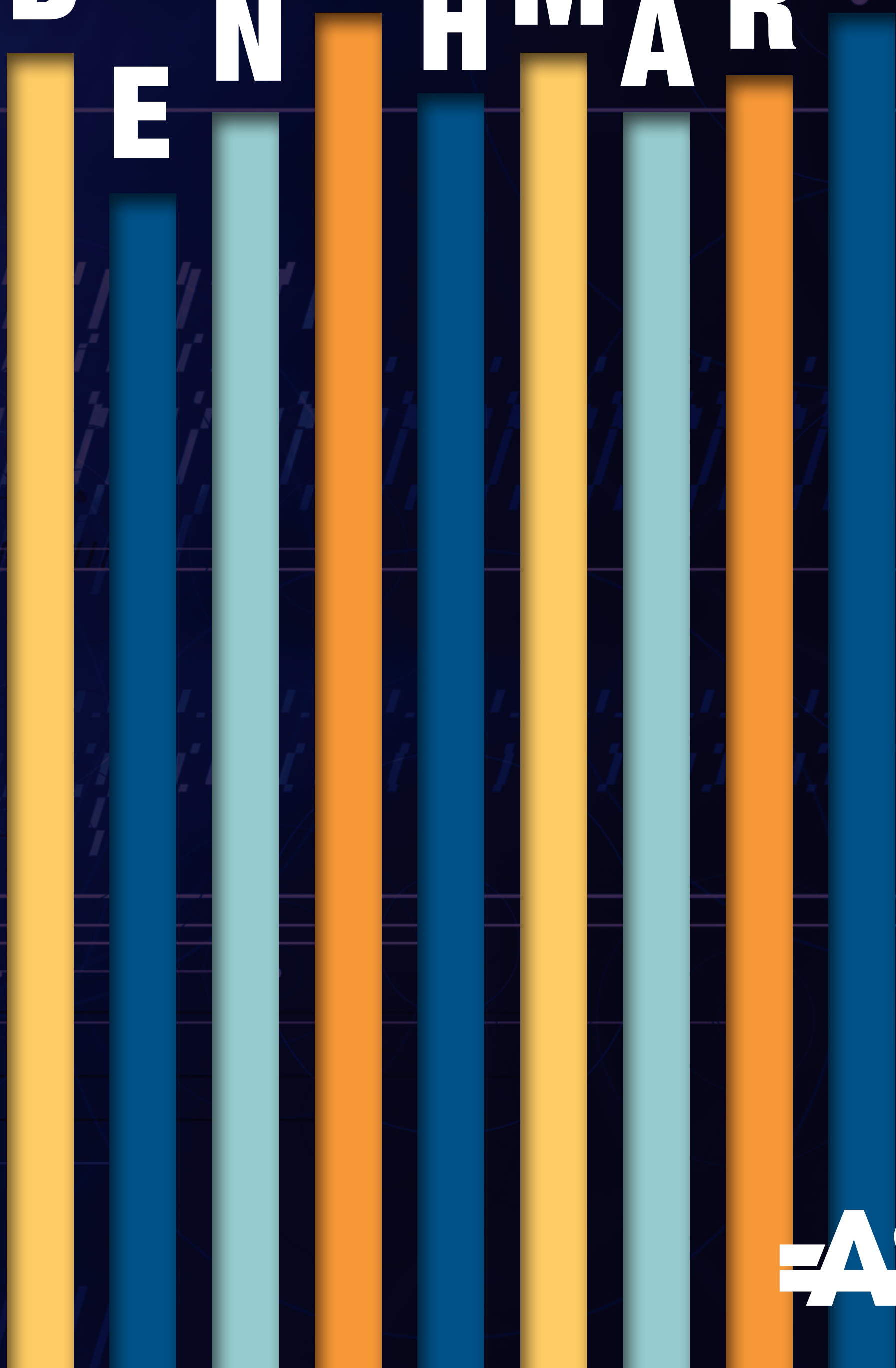

# TO MEET ACCREDITATION REQUIREMENTS, IMPROVE OPERATIONS

*Review Medicare’s interpretive guidelines, state licensure rules and your accreditation organization's standards*

ASCA Ambulatory Surgery Center Association

# Emerging Trends in the Face of the Pandemic

*The virus has enhanced the appeal of ASCs by highlighting their strengths and advantages*

**BY TAYLOR BURNS**

## Impact of Pandemic and Federal Support

Prior to the ongoing coronavirus pandemic, the national ASC market was already experiencing substantial growth due to its placement across two converging trends: the consumerization of healthcare services and the ongoing industry-wide transition from fee-for-service care to value-based care. Advancements in clinical practices and technology have enabled ASCs to safely provide a greater variety of surgical procedures with a consumer-centric focus prioritizing patient experience across each stage of care. These increased capabilities, coupled with a growing Medicare population, have driven a migration of higher-acuity procedures from hospitals to ASCs. Since 2005, the percentage of outpatient procedures performed at ASCs has grown from 32 percent to nearly 60 percent, according to the latest industry data published by Research and Markets. Shortly before the pandemic, Bain & Company projected that ASCs would perform 27 million procedures annually by 2021, achieving a compound annual growth of 5.3 percent over 2015 volumes and 6.4 percent over 2018 volumes.

Beginning in mid-March, the coronavirus pandemic resulted in a near-complete shutdown of the national ASC market. National Medical Billing Services of St. Louis. Missouri, one of the largest ASC revenue cycle management companies in the US, reported that approximately 75 percent of ASC operations were halted within the span of a week. By the end of April, ASC volumes plummeted to 20 percent of pre-pandemic levels. This forced ASC operators to rethink their finances and conserve their cash positions with a combination of newly focused priorities: pursuing receivables more aggressively, accessing additional sources of funding, reducing/deferring non-payroll expenses wherever feasible, and balancing the management of payroll costs with the preservation of employee morale.

Many ASCs were able to secure forgivable loans (provided at least 60 percent went to covering payroll) from the Paycheck Protection Program (PPP) of the *Coronavirus Aid, Relief, and Economic Security Act* signed into law on March 27, 2020. By the end of June 2020, more than 1,700 ASCs had accepted some level of PPP funding, with about two-thirds accepting funds between $150,000 and $350,000 each. The Centers for Medicare & Medicaid Services (CMS) and the US Department of Health & Human Services (HHS) also rolled out a number of initiatives to further assist the industry. These included: $30 billion in Provider Relief Fund grants; up to three months of advance Medicare payments; blanket Stark Law waivers; and the Hospitals Without Walls initiative, which allows ASCs to temporarily function and bill as hospitals.

Notably, the pandemic did not appear to adversely affect patient pay-

The advice and opinions expressed in this column are those of the author and do not represent official Ambulatory Surgery Center Association policy or opinion.

ments—a testament perhaps to the effectiveness of a refocused receivables management. Mnet Health—a revenue cycle management firm that partners with more than 700 ASCs nationwide—reported a 1.6 percent year-over-year patient payment increase in June 2020, attributing the rise to increased patient interest in protecting personal credit scores, patients being more reachable at home and gratitude toward front-line healthcare workers.

As various states began reallowing elective surgeries, Pinnacle notes that many ASCs were able to recover more than half of their pre-pandemic volumes in response to scheduling backlogs by the end of May 2020. By the end of July 2020, the Healthcare Financial Management Association reported that elective surgeries at ASCs had largely returned to their January 2020 levels.

## Renewed Appeal and Expected Growth

Despite its disruptive impact to ASC operations, the coronavirus pandemic has actually served to enhance the appeal of ASCs by further highlighting the strengths and advantages they provide patients, providers and payers. In addition to offering better outcomes at lower costs relative to hospitals, ASCs are now able to better address pandemic-related concerns with cleaner environments via new sanitation guidelines, a stronger sense of safety via new screening protocols and greater scheduling flexibility via extended operating hours.

This enhanced appeal has proven timely as recent policy changes from CMS are already expected to drive more orthopedic, spine and cardiology procedures to ASCs over the next few years. Additionally, according to a McKinsey survey of 500+ physicians conducted six weeks into the pandemic, nearly half of physicians across all specialties are expected to refer more of their patients to ASCs than they did pre-pandemic. Thus, with most ASCs now back at pre-pandemic levels, the ASC market is once again positioned for significant growth.

**Orthopedic trends.** Though ASC-based orthopedic activity is more mature in its development, the growing adoption of robotics along with increased coverage by commercial payers is continuing to drive total joint migration. CMS recently added total hip replacements to the ASC Covered Procedures List (ASC CPL) for 2021 and is also moving to eliminate the Inpatient Only (IPO) list in its entirety over a three-year period, starting with 298 codes in 2021. The majority of these codes are musculoskeletal-related services. Bain & Company projects that by the mid-2020s, ASCs will capture nearly 70 percent of total orthopedic procedures performed annually, up 26 percent from their 2018 levels.

**Spine trends.** Recent growth in ASC-based spine activity has been driven by the migration of high-dollar procedures like joint fusions and disc replacements. Pinnacle research indicates that more than 170 ASCs in the US offer minimally invasive spine surgery with at least 10 spine-focused ASCs launched or announced since the start of the pandemic. CMS removed spine laminectomies from its IPO list in 2020—signaling a future addition to the ASC CPL—and also is eliminating dozens of spine procedures from its IPO list in 2021. As the track record of successful outcomes becomes more widely acknowledged and the use of robotics becomes more prominent, ASC operators can expect to see a greater inflow of high-risk patient populations. Bain & Company projects that by the mid-2020s, ASCs will triple their spine volumes from 2018 and capture 30 percent of total spine procedures performed annually.

**Cardiology trends.** Currently the fastest growing ASC specialty, recent ASC-based cardiology activity has been driven by the migration of cardiac catherization and coronary intervention procedures like angioplasties and stenting. In 2019, CMS requested feedback on a proposed expansion of the ASC CPL to include additional interventional procedures like atherectomy and thrombectomy. Additionally, the Hospitals Without Walls initiative allowed other high-dollar procedures like cardiac ablations to be performed in ASCs. Should outcomes remain positive, cardiac ablations also will likely be added to the ASC CPL in coming years. With the apparent frequency of interventional procedures outpacing diagnostic procedures, the interventional market represents a significant growth opportunity for ASCs. Bain & Company projects that by the mid-2020s, ASCs will grow their cardiology volumes from 2018 by 230 percent and capture a third of total cardiac procedures performed annually.

## Renewed Focus on Effective Strategies

While the pandemic's disruption to ASC operations created financial concerns in the short term, it also provided insight into key best practices. ASCs can best position themselves for continued success by following these strategies.

**Standardizing and strengthening clinical protocols and front-end processes.** Develop clear pre-operative and post-operative protocols. This includes defining the clinical characteristics of the ideal patient profile for a given procedure, maintaining fluency among staff in all elements of training and Quality Assurance/Performance Improvement (QAPI) initiatives, and ensuring accuracy in front-end tasks like scheduling, pre-authorization and verification. During patient selection, highlight the advantages of your facility and provide patients with insight on their financial obligations and best course of action.

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>
> *—Taylor Burns, Pinnacle Healthcare Consulting*

**Securing comprehensive and comprehendible contracts.** From a financial perspective, one of the biggest determinants for an ASC's success is whether it can remain fully positioned underneath the umbrella of its managed care contracts. To ensure costs are being covered, have a thorough understanding of how payer contracts are set up. Prior to negotiation, familiarize yourself with the local market reimbursement rates and be prepared to discuss your technological capabilities, case frequencies, surgeon talent and patient outcomes. During negotiations, clearly define the complexities of a given contract's payment methodology to confirm that the contract terms make financial sense in relation to the procedures they are expected to cover, especially for those that are not yet approved by Medicare for the ASC setting.

**Establishing efficiency in the revenue cycle.** Equally critical from a financial perspective is the ability to manage the revenue cycle efficiently and effectively. The number of future claim denials is often determined by the strength of front-end processes. Ensuring accuracy at the front end will help minimize future denial or collection issues. The proper coding of claims will also safeguard against delays or denials stemming from a misalignment between the coding and the corresponding contracts. Additionally, as the pandemic has demonstrated, the ability to move coding, billing and collection processes offsite can help weather financial fallout from volume disruptions. Maintaining the flexibility to mobilize or outsource these tasks will help ensure continuity to the revenue cycle. The use of interactive data analytics, in the right hands, also can help streamline some of these tasks and provide a comprehensive picture of performance at every stage of the revenue cycle.

**Staying on top of technology trends.** As advancements in technology continue to shift more procedures to the outpatient setting, ASC administrators will want to stay informed of these trends so they can capitalize on long-term growth. Pandemic-related concerns will continue to drive demand for touch-free solutions like contactless payment systems, remote patient monitoring systems and mobile phone applications. Based on a proprietary survey of major ASC administrators and management companies conducted by Pinnacle, ASC administrators noted an increase in mature physicians retiring during the pandemic. To best position themselves for the next generation of surgeons, ASC administrators will want to carefully consider investments in the latest robotics to broaden their access to emerging talent, capture more complex procedures and sustain the brand recognition of their facilities. «

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