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An aerial photograph of a dense, green forest with a winding road visible through the trees. Three vertical grey bars are overlaid on the image, serving as a background for the title text.

2016 ASC Industry Year in Review: 10 Key Takeaways

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As we start the new year, it is worthwhile to examine trends and developments that helped shape the ASC industry in 2016. These trends and developments will most likely set the tone for 2017 and beyond.

Key industry takeaways identified by leadership at PINNACLE III, a national ASC development and management company, include renewed focus on the migration of inpatient surgical care to outpatient settings and a surprising abundance of de novo development.

While momentum for alternative payment models stalled, the impact of implant reimbursement and increased patient financial responsibility dominated operational discussions. Challenges presented by nursing shortages, increased regulatory compliance, and the demand for more data continued to be hot topics.

Garnering insights from these areas of focus is important given the prominent role ASCs perform in the delivery of affordable quality care.



Here are 10 key takeaways from 2016 for ASCs to know.

1. De novo development on the rise. A significant development in 2016 — and one that was a surprise — was the renewed interest from physicians in building new ASCs, says PINNACLE III's President/CEO, Robert Carrera.

"De novo development is surging forward," he says. "We saw more of it from physicians in 2016 than we did in previous years, both from single practices and groups of physicians banding together. Much of the buzz these past few years has centered around consolidation. While we've certainly seen some of that, we did not anticipate the amount of de novo development we encountered in 2016. We expect that trend to carry over into 2017."

This is in part due to the continued focus on patient satisfaction. Expansive urban areas, like New York City, are primed for new ASCs. Their high traffic, fast-paced environments have created a desire for localized health care. ASCs, with their emphasis on low-cost, high-quality care, are being sought out by the diverse communities in these markets.

2. Hospitals with greater interest. Physicians are not alone when it comes to increased interest in building new ASCs. Hospitals and health systems are also eager to pursue these opportunities, says PINNACLE III's Principal Partner, Richard DeHart.

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More health systems are including ASC development in their strategic plans," he says. "In the past few years, this activity tapered off. Renewed interest has resulted in several new ASCs on our docket for 2017 with health systems as partners."

Many hospitals and health systems are considering building ASCs in new geographic areas, Carrera adds. "They are evaluating new markets or taking another look at markets where they would like to increase their involvement. More systems have determined they now need an outpatient strategy, whereas in the past they may have delayed pursuing this approach."

Entering into joint ventures with physician groups is one way to accomplish outpatient strategy goals. Joint ventures offer many benefits to health systems including, but not limited to, increased physician loyalty and satisfaction, decreased physician defections, new physician recruitment opportunities, and cost savings from shared capital.



3. Increased outpatient migration. “Both existing and new ASCs are positioned to benefit from the increased movement of care from inpatient to outpatient settings,” Carrera says. “That migration has been occurring for quite some time. This shift is happening in all markets, even those where it was not formerly commonplace. We anticipate migration growth as physicians, staff, and payors become more familiar and comfortable with performing a variety of procedures safely in the ambulatory setting.”

Some of the areas experiencing the most significant shifts are higher acuity spine and vascular procedures. Total joint procedures, which PINNACLE III’s ASCs have performed for many years, are also increasingly leaving the acute-care setting, says DeHart.

“Total joints remain a major focus for us,” he adds. “We continue to develop that arena in select marketplaces. We are also targeting spine. Advancements in this sector have come a long way in the past couple of years and will continue to evolve. These types of higher acuity procedures will become more prevalent in the ASC environment going forward.”

Kelli McMahan, RN, CASC, PINNACLE III’s Vice President of Operations, notes patient volume increased in PINNACLE III’s ASCs in 2016. “In most cases, volume rose without adding new physicians or new procedures. Rather, the growth we observed was typically the result of our existing physicians performing more of their procedures in the ASC.”

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4. Alternative payment model momentum stalls. Despite significant buzz around alternative payment models for ASCs, 2016 was not the year where they came to fruition, Carrera says.

“Going into 2016, it seemed like bundled pricing was going to be big, but rather than continue to build up the steam we saw in 2015, it pulled back,” he says. “Payors were not able to effectively administer the bundled pricing model.”

One reason for this pull back could be questions regarding whether or not bundled pricing has proven to be a true cost savings for patients. Once all the caveats are listed for what is included and not included in the bundle, it is hard to see a clear price reduction. Further, the desire to be more transparent is revealing underlying complexities to health care costs which may end up frustrating patients rather than appeasing them. While there is an increased focus on price transparency, it will be interesting to see if bundled pricing can be executed in a way that results in true cost savings, maximizes clarity, and increases patient satisfaction. With bundled pricing growing in the hospital setting due to CMS’ Comprehensive Care for Joint Replacement (CJR) model, and the proliferation of brokers trying to sell bundles to self-insured employers and individuals, alternative payment models may still be on the horizon for ASCs, DeHart says. “With the growing movement toward pushing higher acuity volume into outpatient settings, creative strategies such as bundled payments may eventually be used by ASCs to bring that volume into facilities.”



5. More attention on implants. PINNACLE III has focused on implants and their usage for many years. In 2016, payors started to pay much closer attention to them as well, Carrera says.

"There is significant discussion about implant bundling from payors who want to shift more of the responsibility for implants onto facilities. This has placed increased emphasis on reducing and controlling implant costs requiring an even greater focus than in the past."

He continues, "Physician groups and governing boards are now driving the discussions on limiting the types of implants made available for use in ASCs for their physician utilizers. Identifying how to retain implant-intensive cases without further reducing their profitability is essential for many centers."

6. Continued focus on patient responsibility. As more of the financial responsibility for receiving care has shifted from payors to patients, ASCs have needed to adjust their focus as well, Carrera says.

"We are emphasizing the importance of appropriately collecting deductibles and co-payments from patients upfront," he says. "Since 2013, so much of that first dollar coverage has shifted from the payor to the patient. That trend didn't subside in 2016, and may have actually picked up momentum."

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Carrera says the increase in patient responsibility has extended to new markets. "In some markets, such as rural areas, where the 'old' 80/20 insurance plans with lower deductibles were the norm, higher deductible plans have moved in and become the new standard. This has forced health systems and physicians' offices to focus more on the patient responsibility portion of collections."

Fortunately, discussions about responsibility with patients are becoming easier now that patients are more aware of their coverage, McMahan says. "They generally have a better idea about their insurance than they used to. We are seeing a decrease in the number of patients who pass you their insurance card without really knowing anything about their coverage. Patients with high deductibles tend to be more aware of their financial responsibility."

7. Nursing shortages present challenges. [According to Bureau of Labor Statistics projections, there will be more than 1 million jobs for registered nurses by 2022.](#)¹ While the Wall Street Journal recently reported that "National numbers show a stable nurse workforce in recent years, with . . . enough new graduates to offset retirees," the shortage is still being felt by many ASCs, McMahan says.

"ASCs used to be able to entice nurses away from the hospital. However, that is becoming more difficult and creates some staffing challenges in ASCs," she says. "Hospitals seem to be working harder to keep their staff, especially those with seniority, by offering higher pay and/or better benefits. Their efforts appear to be targeted on retaining nurses who are in high demand, specifically those with experience in the operating room."

Carrera says the nursing shortage is an issue not likely to go away any time soon. "It will continue to be a challenge to find experienced nurses in markets around the country."

¹ "Economic News Release: Table 8." U.S. Dept. of Labor. <https://www.bls.gov/news.release/ecopro.t08.htm> Accessed December 22, 2016.



8. No rest on regulatory compliance. Since ASCs are in a highly-regulated industry, it is imperative to stay abreast of new rules and changes in regulations, DeHart says. That remained true in 2016. The most significant law that took effect in 2016 was the Emergency Preparedness Requirements for Medicare and Medicaid Participating Providers and Suppliers. This rule includes a number of new requirements for ASCs to ensure adequate planning for natural and man-made disasters, including better coordination with hospitals along with federal, state, and local governments.

Other changes in 2016 include a new regulation that requires ASCs to inform non-English speaking patients that translation services are available. This notice must be posted in 15 different languages at each facility. Additional measures were added by the Centers for Medicare & Medicaid Services (CMS) for surgery centers to better track patient outcomes.

“It is a big challenge to keep up with all of the new regulatory information and ensure each of our facilities meet regulations,” says DeHart. “It is our job as an organization to make sure our administrators are well equipped to keep their ASCs in compliance.” DeHart

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says he sympathizes with freestanding ASCs that lack extra management support. “Those facilities are challenged even more because regulatory information can be easily overlooked or not fully understood, which can create compliance issues.”

9. Demand for more data. In the past few months, Carrera says PINNACLE III has seen its hospital partners requesting a significant amount of data. “As a result, we have challenged our management information system providers to help meet these demands and make data mining easier and more efficient,” he says. “We expect we will need to make more of these requests going forward.”

The data requested by hospitals often center around consumer and patient engagement, which are statistics ASCs may not have concerned themselves with much in the past, Carrera says. “We may have been insulated from these types of requests, but not any longer. Pulling demographic data, then relating it back to CPT codes and other areas of population management, has generally been foreign to the industry. We are spending more time trying to determine the best ways to gather, retrieve, and deliver meaningful data.”

10. New technologies bring opportunities — and questions. As has been the case for a number of years, 2016 brought new technologies with big promises about improving the provision of care. Whether they are right for ASCs is a big question without an obvious answer, McMahan says.

“We are being bombarded by the technical world with offers of solutions that sound really promising, such as the ability to text information to patients including their pre-op instructions and medication alerts; send electronic appointment reminders; and conduct satisfaction surveys on mobile phones,” she says. “I understand the younger generation’s desires to have that functionality.”

“However,” she continues, “I do have concerns about HIPAA compliance and protecting the data — and there is a lot of it — that we would be passing back and forth. It is difficult to identify items that may be acceptable today but may not be okay tomorrow. New technologies are on our radar, but identifying those that are the right fit for our ASCs is not entirely clear just yet.”



Eyes on 2017

While there were significant developments, advancements, and improvements in the ASC industry in 2016, some of the activity may have been tempered.

"From my perspective, 2016 was a transitional year for ASCs," DeHart says. "A significant amount of time was spent focusing on the election and anticipating its impact on the future. Everyone was waiting for much of that activity to finish."

Now that it has, DeHart says he is looking forward to what could be another great year for ASCs. "We may see even more activity in the industry in 2017. Surgery centers are certainly well-positioned to be the low-cost, high-quality provider of choice for an increasing number of patients."

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