Looking Ahead: 10 ASC Trends to Watch in 2017

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We are still in the early months of 2017, but it is already shaping up to be an interesting year in health care — one that is likely to be a mix of uncertainties, challenges, and opportunities.

Fortunately for ASCs, they are well-positioned to thrive in the rapidly changing and evolving marketplace. They may even be able to improve their position by planning for and effectively responding to trends and developments.

The 2017 trends and developments for ASCs identified by PINNACLE III’s leadership team, a national ASC development and management company, include a forecast for strong industry growth, interest in adding new specialties, and continued migration of higher acuity cases to ASCs.

Changes in the relationship between ASCs and payors are impacting reimbursement especially in facilities who do not have strong revenue cycle management solutions. Bundled payment programs and the growing number of self-insured employers continue to create marketing opportunities.

Unfortunately, the continued escalation of the financial responsibility borne by patients presents revenue challenges. And, a rise in cyberattacks has disrupted health care, bringing cybersecurity to the provider forefront.

Finally, educating patients, physicians, health systems, and payors on the value of ASCs remains a top priority. Raising this awareness is crucial to fuel the growth the ASC industry is primed to experience in 2017.

1. Industry Growth. While growth in the ASC industry slowed significantly from 2009 to 2015, PINNACLE III’s Principal Partner, Richard DeHart, is expecting that to change in 2017.

“I think we are going to return to higher levels of growth, perhaps in the range of 8 to 10 percent,” he says. “PINNACLE III’s pipeline is as full as it has ever been in terms of potential projects. In a company that is 18 years old, this speaks volumes about what is happening in the industry.”

Much of the ASC growth DeHart is expecting to see this year will come from health systems.

“Our projects are leaning heavily toward health system campus development,” he says. “We have some joint ventures and physician centers in the works as well, with de novo development activity primarily taking place in the outlying communities around metropolitan areas.”

2. Addition of new specialties. PINNACLE III is experiencing an uptick in interest from physicians serving specialties not yet commonly associated with ASCs, says Trista Sandoval, Director of Business Development & Physician Relations.

“New opportunities with vascular surgeons are occurring primarily because of the increased reimbursement received by ASCs for these procedures in 2016,” she says. “We received inquiries about vascular-only centers last year and expect continued interest throughout this year. The same is true for dental procedures. Existing centers are also looking at adding vascular and dental specialists to their current panel of providers.”

3. Migration of higher acuity cases. A trend picking up steam in the past few years and carrying into 2017 is the increased migration of higher acuity surgical procedures from the inpatient to outpatient setting. This is driven, in part, by medical and technological advances as well as market forces.

“We are going to continue to see that migration,” DeHart says. “We expect to perform more total joint replacement procedures and higher acuity spine cases in our ASCs especially in those facilities with a high concentration of orthopaedic cases.”

Diane Lampron, RN, BSN, CASC, Administrator for one of Pinnacle III’s managed surgery centers, The Surgery Center at Lutheran in Wheat Ridge, Colorado, says her orthopaedic surgeons are eager to expand the types of procedures they are performing in the ASC.

“In addition to performing total knees and hips, they want to expand into total ankles and shoulders,” she says. “We are looking at all high-acuity cases we believe can be brought here safely. Securing implant carve-outs with insurance payors is a significant component of the equation, though. We have to ensure we receive adequate reimbursement for those types of procedures to maintain the viability of our ASC.”

The outpatient migration of procedures can benefit ASCs in other ways, notes Dan Connolly, MHS, ARM, Vice President of Payor Relations & Contracting for PINNACLE III. “When ASCs increase their volume, new economy of scale opportunities arise. Surgery centers gain more leverage to negotiate improved overall reimbursement. Higher acuity cases can also create opportunities to obtain higher margins.”

Here are the 10 ASC development and trends to watch in 2017.

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4. **Payor relationships.** Collecting payment from payors has long been a challenge for ASCs. In some regards, it is becoming more difficult, Connolly says.

“Payors are often remiss or ineffective in addressing claims challenges,” he reports. “They frequently require considerable coaxing from the ASC’s business office and managed care representative to resolve issues. Unfortunately, as ASCs increase their number of high-acuity cases, this problem is likely to take on even greater significance, particularly for procedures involving significant investment for implants.”

With payors more frequently outsourcing claims processing to offshore entities, Connolly says it is taking more experience, expertise, and oversight from the ASC’s business office to collect proper payment in a timely fashion.

“Having an experienced, hardworking revenue cycle management team is vital.”

On a positive note, Connolly indicates payors are increasingly recognizing ASCs as an appropriate, and often optimal, site for their members to undergo procedures. “Moving spine and total joint replacement cases to ASCs is much easier now than it was only a few years ago. Payors are much more willing to negotiate carve-outs for spine and total joints. As a result, ASC leaders can now more easily add these high-acuity cases to their contracts with commercial payors. Doing so provides ASCs an opportunity to increase revenue, gain margin, and, in some instances, improve rates on lower-acuity procedures.”

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5. **Continued exploration of bundled payments.** While some of the buzz concerning bundled payments in ASCs has died down, there is still an opportunity to capitalize on alternative payment models, if approached carefully and effectively, Lampron notes.

“We are working with our hospital partner on creating a bundled payment program,” she says. “The program is focused on total joint procedures with our orthopaedic surgeons that will cater to self-pay patients. We recognize we must clearly define what services are included in our bundled payment package – pre-surgery education, surgery center services, and surgeon, anesthesia, and physical therapy consults, for example.”

Creating public awareness is an additional component of program success. Sandoval indicates consumer searchability is crucial for bundled pricing and alternative payment models.

“If our centers are providing alternative payment options, we need to make their presence known for patients and self-insured employers who are seeking such a choice. One avenue is through an ASC’s website. A broader marketing push may be warranted. With changing markets, our outreach strategies need to be designed to effectively target our desired audience.”

- Trista Sandoval, Director of Business Development & Physician Relations

6. **Growing number of self-insured employers.** Upwards of half of every dollar spent in health care is borne by plan sponsors who carry the risk, Connolly says. “The rise in health care insurance costs has produced a corresponding increase in the number of self-insured employers.”

“This creates an opportunity to cut out the middle man — to work directly with the plan sponsors and develop creative approaches to containing costs that will drive volume to ASCs or, in some cases, keep it there,” he says. “Such approaches can include negotiating bundles, implementing case rates, obtaining discounts for volume arrangements, and/or offering rebate incentives.”

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- Dan Connolly, VP of Payor Relations & Contracting

On the downside, since Employee Retirement Income Security Act of 1974 (ERISA) plans are not governed by state mandates, Connolly notes ASCs may experience challenges including increased variation in benefit design/coverage, less timely payment, and delayed recovery of overpayments. “In addition, there will be opportunities for more third-party entities to situate themselves between the ASC and the payor. With more layers, the potential for inaccurate and delayed payment increases.”

7. **Increasing patient financial responsibility.** The proliferation of high-deductible health plans (HDHPs) has led to greater patient responsibility for the cost of their care.

“Payors and plan sponsors are going to great lengths to make premiums and health insurance coverage affordable. The result is higher co-pays, co-insurance, and deductibles,” Connolly says.

According to recent data published by Kaiser Family Foundation, the vast majority of covered workers have a deductible. More than one in three workers have a deductible of $1,000 or more. Roughly one in six have a deductible of $2,000 or more.

“We do not anticipate patient responsibility decreasing,” Connolly says. “ASCs should plan for growth in this payor classification. In fact, in some of our facilities, patient responsibility has become their largest payor classification.”

The growing number of HDHPs may affect an ASC’s operations in other ways, he notes. “With patients needing to cover more costs, second guessing the need for surgery could occur, which impacts case volume. “It will likely cause a greater shift in ‘seasonality’ for elective surgical volume. Once patients have met their deductible, demand for surgery surges. Currently, the demand tends to be higher at the end of each calendar year. It will also create an increased sensitivity to prices with consumers weighing costs more significantly when choosing their providers.”

As payors and plan sponsors transfer higher portions of the cost of care to consumers, they are also shifting substantial work to an ASC’s front office and billing staff, Connolly says. “Managing patient responsibility creates a substantial challenge for our industry. The increased demands on an ASC’s resources must be addressed through appropriate staffing, training, and development. All associated costs should be considered when negotiating future contracts and reimbursement.”

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1. [http://kff.org/report-section/ehbs-2016-summary-of-findings/]
8. Greater focus on cybersecurity. Cybercriminals continue to target health care providers. As Healthcare IT News reports, “In 2016, the volume of compromised records was not as great as in 2015, but breaches continued to cause operational, financial, and reputational damage to health care organizations . . . in fact, the number of breaches rose . . . A total of 320 breaches involving unsecured protected health information were posted by the U.S. Department of Health and Human Services Office for Civil Rights Breach Portal, an increase of 18.5 percent over 2015.”

With cybercriminals going after patient information, Lampron says her ASC is expanding its data security efforts in 2017.

“We are focused on making sure our network system is secure to minimize the potential for being hacked,” she says. “We recently had our IT vendor conduct an assessment that not only looked at whether we had appropriate network security in place but also made sure it was working properly.”

Lampron says her ASC is planning to perform an IT disaster recovery drill. “Oftentimes, when people talk about doing an IT drill, it occurs on paper. Your IT vendor says they are consistently backing up your system. You go about business as usual ‘knowing’ backups are in place if needed during an emergency. Best practice, however, is to perform a ‘live’ drill that requires the vendor to retrieve the backed-up information, thereby fully demonstrating data can be retrieved in the event of a system crash. The drill also reveals how long it takes to get the system back online.”

9. Social media and online reputation management. By no means a new trend, social media remains an important consideration for ASCs. Sandoval says surgeons at PINNACLE III’s ASCs are taking a greater interest in developing a social media presence and effectively managing their online reputation.

“If ASCs are going to develop a social media presence, they need to first understand who their audience is and the platforms their audience is using,” she says. “Based on that information, it’s wise to launch only one or two different platforms. When you gain a comfort level with these platforms, or ascertain they may not be reaching the target audience, consider bringing on another. Consistency is key to a successful campaign. Post valuable information regularly that speaks to the audience you want to reach.”

Interest in online reputation management is also growing and may end up being more important than a social media presence, Sandoval says. “Many of our ASCs and physicians are interested in reputation management. They recognize consumers are making decisions about where to seek treatment based on the feedback provided by other consumers.”

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-Diane Lampron, Administrator
The Surgery Center at Lutheran

She continues, “Payors are amassing quality and pricing data to help determine where they are going to drive business. Physicians are interested in ensuring their practices, and the facilities they work in, maintain active online reputation management.”


10. Building on what works. ASC professionals know why surgery centers are the most appropriate setting for most surgical procedures. Slowly but surely, health care consumers, payors, businesses, legislators, and other sectors of the health care industry are learning this as well.

“One of our main strategies is to continue to focus on raising awareness of ASCs as a high-quality, low-cost option for care, and doing what we can to drive applicable outpatient cases to our ASCs,” Sandoval says. “That may take the form of helping hospital systems build their own ASCs, educating patients through direct consumer marketing, or reaching out to physicians to build awareness of the ASC setting as a viable option for their procedures.”

Through such efforts, PINNACLE III’s leadership team believes ASCs will thrive in 2017.

Need a partner who understands your ASC needs?
Contact Us.

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