

ASC MARKET TRENDS REPORT

April 2022

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Stryker Focuses on Ambulatory Surgery Market

Stryker is one of the world's leading medical technology companies that offers innovative products and services in Orthopaedics, Medical and Surgical devices, Neurotechnology and Spine to help make healthcare better for both patients and healthcare professionals.

Procedural volumes, particularly total joints, have been migrating from the hospital outpatient department to ambulatory surgery centers (ASCs). With the potential to provide over \$55 billion annual healthcare cost savings, this shift in site of care is expected to continue beyond the post-pandemic environment.

To meet the unique needs of this emerging customer, Stryker launched an ASC-focused business in 2020. With thousands of unique and clinically proven products spanning more than 20 procedural specialties, a wide range of flexible financial options and teams who understand the ASC landscape, Stryker



Stryker

is committed to delivering tailored solutions and ongoing support for ASCs to achieve their mission and goals.

Building a successful ASC is complex. The dedicated ASC team starts by listening and learning about each ASC's unique challenges and goals to create a tailored solution that fully leverages goal-driven strategies, product solutions and flexible financial planning. ■

Key ASC Benchmarks Released

New industry figures and key benchmarks were released by Avanza Healthcare Strategies in mid-March 2022, and they provide a pulse check on ASC operations and help drive decision-making for OR leaders and industry. Some results were not surprising as the ambulatory surgery community continues to grow and expand its reach into the healthcare marketplace.

The annual ASC growth rate was reported as 2.5% with more than 6,000 Ambulatory Surgery Centers (ASCs) in the United States. The location of these facilities is largely in urban areas, with 93% practicing there, and 16% were cited as "large" or "mega" operations in terms of size with 5 to 7 operating rooms in the facility. More than half – 54% – were cited as "small" with 1 to 2 ORs and 30% were noted as "medium" with 3 to 4 ORs.

The national average of the number of specialties served per ASC is 2.84. The fastest growing ASC specialty is cardiology, and the report noted that the specialties receiving the highest estimated Medicare payment increases in 2022 are cardiology, musculoskeletal and urology.

As the marketplace looks at the specialties moving to ASCs and shifting ownership models, the Avanza report indicates that fully 60% of the nation's ASCs are owned by Physician Only, 17% by Hospital-Physician, 13% by Corporate-Physician, 5% by Corporate Only, 3% by Hospital Only and 2% by Other. For more on ownership trends check out *Outpatient Surgery Magazine's* March cover story [here](#). ■

TREND TO WATCH

Inside the Consolidation of Anesthesia Services

New in 2022, *Outpatient Surgery Magazine* is taking a deep dive into significant trends in the ambulatory space with a special “Trend to Watch” article series in the magazine, appearing in print and online. The editors are talking to ASC leaders across the country and tracking these trends with in-depth reporting that reflects current thinking as well as what is expected to unfold in the future.

First, in the January 2022 issue we reported on virtual reality training of OR staffs (osmag.net/VR). This technology offers education platforms that many experts feel will be the standard training tool of the future. The February issue contained a report on anesthesiology services in outpatient facilities – a vital component to any suc-



cessful ASC business (osmag.net/AnesthesiaTrend). The March issue focused on the independent ASC ownership model (osmag.net/ASCtrend).

The trend that is affecting surgical facilities right now is the increased centralization of anesthesia provider groups as national companies continue to purchase independent facilities. As *Outpatient Surgery Magazine* reports, “Surgical facilities are forced to adjust on the fly as national firms continue to buy up groups of independent providers. The trend is

reflective of an economic system that encourages growth by leveraging economies of scale. Consolidation isn’t the only factor creating an anesthesia crisis at some facilities.

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Top Ten Patient Safety Concerns for 2022

Patient safety is always of concern for healthcare professionals who perform surgeries in ambulatory settings nationwide. A new report issued in March by ECRI outlines the top patient safety concerns for 2022.

Top on the list is staffing shortages, and it doesn’t look like that will end anytime soon. According to the report, “The chaos and understaffing in hospitals and other healthcare settings seen over the last two years could become the new normal for the foreseeable future.”

The top ten patient safety concerns highlighted in ECRI’s report for 2022 include areas of concern that are trending. They include:

1. Staffing shortages
2. COVID-19 effects on healthcare workers’ mental health
3. Bias and racism in addressing patient safety
4. Vaccine coverage gaps and errors
5. Cognitive biases and diagnostic error
6. Non-ventilator healthcare-associated pneumonia
7. Human factors in operationalizing telehealth
8. International supply chain disruptions
9. Products subject to emergency use authorization
10. Telemetry monitoring

ECRI’s Top 10 Patient Safety Concerns for 2022 report provides detailed steps that organizations can take to prevent adverse incidents and is available for download. Visit www.ecri.org. ■

Hip and Knee Surgeries Surge Despite a Pandemic Pause

The American Joint Replacement Registry showed an increase in hip and knee procedures despite a pause in elective surgeries due to the COVID-19 pandemic.

The American Joint Replacement Registry (AJRR), the cornerstone of the American Academy of Orthopaedic Surgeons (AAOS) Registry Program, released its 2021 Annual Report in late November 2021 on hip and knee arthroplasty procedural trends.

Despite the disruption to the delivery of joint replacement care during the initial impact of the pandemic (calculated from March 2020 through May 2020), procedures rebounded to historic averages by June 2020.

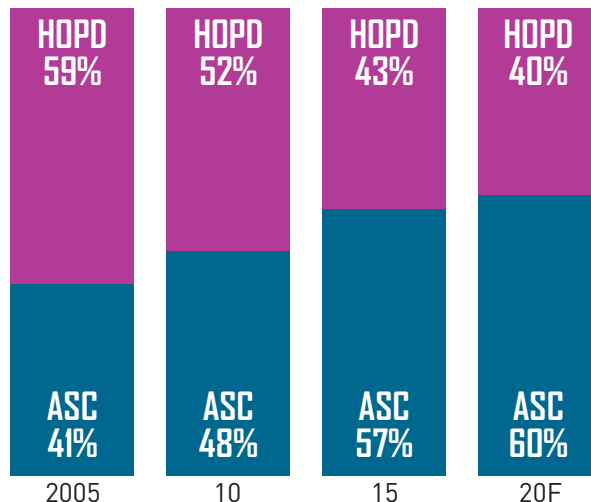
Even with the temporary decline in procedures, the report reveals an overall cumulative procedural volume growth of 18.3% compared to 2019 and includes findings from 2,244,587 hip and knee arthroplasty procedures performed between 2012 and 2020. ■

Growth in Ambulatory Surgery Centers in U.S. Continues Upward Trend

UnitedHealth Group’s recently announced acquisition of Surgical Care Affiliates (SCA) represents the latest signal that the \$30 billion ambulatory surgery center (ASC) segment is moving to the forefront of the rapidly evolving healthcare market. L.E.K. Consulting looked at the various factors favoring further share gains for these types of facilities and what has fueled the market growth.

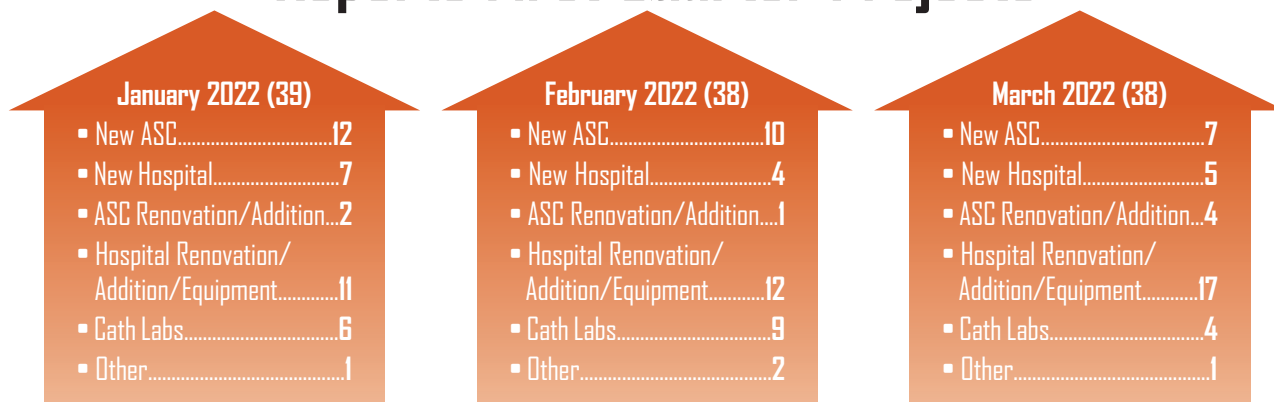
Over the past decade, market growth has been fueled in large part by an increase in the number of surgeries, a general movement toward outpatient settings, and a particular shift of volume away from hospital outpatient departments (HOPDs) toward ASCs (see Figure 1). In 2015, the ASC segment accounted for around 35% of surgeries, representing approximately 10% of surgical care revenue. According to the executive report, “On average, surgeries performed in ASCs cost 60% of what the same procedure would cost in the HOPD setting, as ASCs have lower overhead costs com-

Figure 1: Percent of total OP cases



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New Surgical Construction Bulletin Reports First Quarter Projects



Outpatient Surgery Magazine’s **New Surgical Construction Bulletin (NSCB)** reports daily on the construction and renovation activities in the outpatient community around the country. Some projects are multi-million-dollar investments while others are smaller in scope, but each project announcement provides the important details for NSCB subscribers to make educated decisions about their interest in these new builds and renovations. This database keeps users informed about all 50 states 24/7.

In 2021, NSCB reported a total of 481 new surgical projects over 12 months. They included 204 Hospital

Renovations/Equipment, 196 new Ambulatory Surgery Centers (ASCs), 47 new Hospitals, 31 ASC Renovations/Equipment and 3 Other.

For the first quarter of 2022, activity was busy with a total of 113 projects reported. Each month had virtually the same number of projects announced with January 2022 reporting 39, February noting 38 and March with 38. The types of projects ranged from new hospitals and new ASCs to projects that called for major renovations, additions and equipment as well as Cath Labs. For more information on the New Surgical Construction Bulletin, go to www.surgicalconstruction.com.

Study Says Total Hip Replacements Successful in ASCs

A study of nearly two million joint replacements over an eight-year period found no significantly higher complications in total hip replacements performed in outpatient settings as compared to inpatient procedures. The study of 1.8 million patients treated between 2010 and 2017 by surgeons at the Hospital for Special Surgery (HSS) appeared in the November 2021 edition of *The Journal of Arthroplasty*. The authors sought to compare complication rates between patients who went home hours after their procedures versus those who spent a night or two in the hospital.

The patients, discovered in the PearlDiver Mariner Database, were divided into groups based on which surgery they had and whether it was performed on an inpatient or outpatient basis. Researchers collected data on patient demographics, comorbidities and complications within 90 days of surgery that required readmission to the hospital.

The researchers found that outpatient total hips increased by 11% from 2010 to 2017. The same-day patients were younger and healthier overall, with fewer medical conditions such as diabetes and chronic pulmonary disease. No significant difference in complications requiring readmission to the hospital within 90 days was found between inpatient and outpatient procedures.

Geoffrey Westrich, MD, one of the study's authors, says same-day-discharge joint replacement is safe with appropriate patient selection and additional early post-op monitoring. Patients with heart or lung disease, diabetes or sleep apnea are not good outpatient candidates, nor are smokers or people in their mid-70s or older, he says.

He notes that the migration of TJAs from inpatient to outpatient settings will continue to accelerate because payment bundles from the Centers for Medicare & Medicaid Services (CMS) now incentivize the reduction of nonessen-

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New Research Shows Orthopedic Surgery Saves Money in ASCs Compared to HOPDs

Industry watchers look closely at pricing and cost benefits of surgeries performed in the hospital compared to the same procedures done in ambulatory surgery centers. *ASC Focus*, the ASCA Journal, reported new data online in March confirming that orthopedic surgeries cost less in the ASC than hospital outpatient department (HOPD). In fact, the HOPD charges 26% more for the same procedures.

This trend was reported first in a new research article published in the March 2022 issue of the *Journal of the American Academy of Orthopaedic Surgeons* (JAAOS). Researchers studied common orthopedic procedures during the 2013 and 2018 timeframe, with open carpal tunnel release, lumbar microdiscectomy, ACL reconstruction, knee arthroscopy, arthroscopic cuff repair and bunion repair as the focus of surgeries performed. The researchers noted that commercial ASC utilization increased from 31% across all procedures in



2013 to 34% in 2018.

Furthermore, looking at the average total costs, the study found that these surgical procedures were 26% lower in cost in ASCs for the same procedure compared to HOPDs. The analysis included data about differences in the patient populations such as age, sex and comorbidity. Factoring in the facility fee and surgeon professional payments,

the costs were still lower in the ASC according to the JAAOS study.

The *ASC Focus* authors say, "These findings further confirm ASCs as a low-cost, high-quality site of service for outpatient orthopedic procedures. While certain patients will always be better suited for the hospital setting based on age or comorbidity, ASCA expects that further migration for commonly performed outpatient surgical procedures will continue to occur, not just in the orthopedic specialty but across all surgical specialties." ■

Top Compliance Challenges for Ambulatory Care Organizations

The Joint Commission offers an end-of-year analysis by the ambulatory care team to highlight the most frequently cited standards. According to the report, in 2021 the most challenging ambulatory care standards fell into these three categories: environment of care (EC); infection control (IC); and human resources (HR). Each area was presented to subject matter experts and reviewed to share some insights into how to avoid these common challenges across ASCs.

Presented in a blog on December 20, 2021, the findings to aid ambulatory facilities in meeting these workplace challenges were posted by authors Hermann McKenzie, MBA, CHSP, director of engineering, Standards Interpretation Group; Elizabeth Even, MSN, RN, CEN, Associate Director, Clinical Standards Interpretation Group; and Tiffany Wiksten, MSN, RN-CIC, Associate Director, Standards Interpretation Group.

Fire Emergencies

The Environment of Care is centered around a building's systems and equipment that provide detection, notification and extinguishment of fire conditions. Included in this standard are the devices that signal the fire alarm system to activate and notify first responders to a fire emergency. According to the authors, "Most of these devices (e.g., pull stations, fire and smoke detectors) are typically not maintained by in-house staff. Consequently, the inspection, testing and maintenance (ITM) tasks are contracted. When this is the case, organizations must ensure they set up maintenance intervals that align with National Fire Protection Association (NFPA) code requirements, be it quarterly, semi-annually or annually."

Importantly, one test usually handled by staff is the monthly inspection of fire extinguishers. Additionally, activities related to electrical infrastructure support systems, specifically emergency lights, generators and supplemental electrical power systems, are directly tied to the delivery of patient care.

Infection Control

The Infection Control standard requiring organizations to implement IC activities is commonly cited for failure to implement IC activities or required evidence-based guidance such as Standard Precautions. This standard may

also be cited if organizations fail to follow state or federal regulations, manufacturer's instructions for use (MIFU) and/or processes organizational policies or procedures.

The authors' suggestion is to follow the Infection Prevention & Control Hierarchy to help ensure that the activities the organization implements are compliant with regulations, Centers for Medicare and Medicaid Services (CMS) Conditions for Coverage (CfCs) where applicable, and MIFU. Additionally, leaders need to ensure that all staff for whom the activities apply have received education and training and validate that the activities have been implemented as intended.

The standard meant to help organizations reduce the risk of infections associated with medical equipment, devices and supplies was most commonly cited for failure to ensure that reusable medical devices are

reprocessed as per intended use and MIFU, and for failure to store medical equipment, devices and supplies in a manner to protect them from contamination.

The authors noted, "Today, many organizations are faced with reprocessing complex instruments and devices. It is important to ensure that only manufacturer approved products are used and that all steps of the MIFU are followed for all items undergoing reprocessing, including equipment and accessories."

Staffing Compliance

Under the Human Resources standards, this area has returned as a top cited compliance issue after a hiatus over the last few years. A challenge for many accredited organizations, the authors state, "It requires organizations to grant initial, renewed or revised clinical privileges to individuals who are permitted by law and the organization to practice independently. The decision on who an organization brings in to care for its patients is arguably the most important decision an organization makes."

One tip often shared with organizations is that whenever there is a change in how they bring in providers, they should also evaluate the process approved by leadership to evaluate if changes need to be made to ensure both accreditation and organizational requirements are met. "Many organizations are under the false impression that because the providers they hire are employed elsewhere they do not have to credential." ■

Leaders need to ensure that all staff have received education and training...

Trend to Watch: Inside the Consolidation of Anesthesia Services

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It's a multifactorial issue that's forcing the surgical industry to look at a foundational service in a new light."

The article outlines the challenges and what some ASC leaders are doing to adjust with out-of-the-box solutions as the situation unfolds. ASCs are looking to stay flexible in their communities despite the cost challenges. According to one ASC leader, ASCs are at a disadvantage because hospitals can afford to subsidize anesthesia services, while most ASCs can't.

"That's the problem in a nutshell, and it's not going away quickly," says Dr. Joseph Rodriguez, CRNA, Tri-City Surgery Center, Prescott, Arizona. "Based on information I'm receiving this issue will impact anesthesia care for

the next two to five years." However, looking to strike a balance, he says, "You need the right personnel, compensation and culture. Evaluate those three things, and you'll come up with a good design."

Mary Dale Peterson, MD, FASA, past president of the American Society of Anesthesiologists (ASA) and current chair of ASA's Workforce Task Force, believes national consolidation of anesthesia may have peaked. Currently, says Dr. Peterson, about a quarter of ASA's members work in publicly traded groups, but over half are with small- and medium-sized services or academic practices. The challenges surrounding anesthesiology staffing and costs are ongoing as ASCs work to find the best solutions for this important role. ■

Growth in Ambulatory Surgery Centers in U.S. Continues Upward Trend

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pared with hospitals and thus are reimbursed at a lower rate. The potential for ongoing cost reductions and increased efficiency points to further ASC growth, particularly as value-based care continues to gain traction."

Looking back, the period from 2004 to 2010 saw the largest increase in the number of ASC facilities as growth reached a robust 4% to 5% CAGR, with more modest gains over the ensuing five years (1% to 2% CAGR). During 2010-2015, the number of ASC operating rooms (ORs) increased 2% to 3% per year as new construction increasingly skewed toward larger facilities and existing facilities added OR capacity.

According to L.E.K. Consulting, as the sector matures, its growth is slowing but it is steadily consolidating on two levels. In local markets, 44% of facilities now have three or more ORs, up 5% from 2010. Nationally, leading ASC management companies have consolidated an additional 5% of facilities since 2010 to reach 17% share in 2015, while at the same time being acquired themselves by large healthcare organizations.

ASC volume and per-case net revenue are expected to trend higher over the next five years, growing at approxi-

mately 3% and 3% to 5% per year, respectively. In particular, spine and orthopedic procedures are expected to see substantial growth in ASC share of volume as medical practice advances pave the way for more complex, higher-acuity cases to be handled away from the hospital campus.

While slightly more than 20% of ASCs are currently operated by professional management companies, the majority (nearly 60%) remain physician-owned independents. According to L.E.K. Consulting, "Going forward increased emphasis on value-based care, along with more sophisticated MCO contracting practices, could encourage more standalone practices to join with these management firms. In addition, hospitals are increasingly looking to build or acquire ASCs to extend their footprint."

Predictions for the future include the analysis that top-line growth will remain solid as ASC procedure growth is projected to drive procedure growth of 4% per operating room. An additional factor for growth is the increase of revenue per procedure.

According to L.E.K. Consulting, ASCs are maturing rapidly from a cottage industry to a leading sector in the transformation of healthcare. Expect continued growth and consolidation in the U.S." ■

Study Says Total Hip Replacements Successful in ASCs

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tial hospital-associated costs and lengths of stays.

"Our study aimed to augment the literature on outpatient joint replacement surgery to help orthopedic surgeons and their patients make an informed decision,"

says Dr. Westrich. "Although we found it can be performed safely and efficiently, it's an option, not a requirement. Every patient is different, and individuals and their doctors should make an informed decision based on what makes patients feel most comfortable." ■