

## AMBULATORY SURGICAL CARE GROWTH

### ASC Surgical Volumes Grow in 46 of 50 Largest Markets while Hospitals Lose Share

BOSTON, MA – February 2, 2018 – A study of surgical procedures in the Top 50 largest U.S. Markets by Franklin Trust Ratings identified shifting of hospital-based outpatient surgical care to freestanding ambulatory surgery centers (ASCs). In the Top 50 Markets, 16 million outpatient surgical procedures are performed at 894 hospitals and 1,575 ASCs. The Top Markets cover a population of 49 million.

More than 35.8 million outpatient surgical procedures are performed annually in hospital-based outpatient departments (HOPD) and in freestanding ASCs nationwide. Increasingly, more complex cases are shifting from hospitals to freestanding settings due to advancements in technology and consumer/payer demand for lower cost options. In late 2017, the CMS removed a traditionally profitable procedure (total knee replacement) from the *hospital inpatient-only* list. This and other changes enable the migration for procedures to hospital outpatient departments; paving the way eventually for further migration to ASCs.

The latest analysis, based upon the newest all-payer national data, builds upon previous observations published in [Disruption in the Surgical Care Marketplace: The ASC Conundrum. \(Aug 2017\)](#)

#### The latest analysis on new trends reveals the following:

- Overall, ASCs saw total surgical procedure volumes increase by 22.9% nationally,
- In twenty of the Top 50 Markets ASC growth more than doubled their share from 2015 to 2016,
- Memphis (most) and Cleveland (least) maintained their 1<sup>st</sup> and 50<sup>th</sup> place positions respectively for ASC share.
- The median ASC market share of the Top 50 Markets increased from 53% to 63% in one year,
- The largest percentage growth nationally occurred in Nervous System, Cardiovascular, Musculoskeletal and Genitourinary service lines,
- Gastrointestinal procedures, the largest service line nationally by volume increased by 19.4%,
- Eye procedures, traditionally the second largest service line by procedure volume increased by 2.8%,
- Early and mid-stage markets (ASC market share less than 60%) now account for 38% of the Top 50 Markets,
- Advanced stage markets (ASC market share more than 60%) now account for 62% of the Top 50 Markets.

EDITORIAL NOTE: Franklin will provide further analysis for reporters and editors upon request.

COMMENTARY: Quotable and on background.

*“Migrating routine care from hospitals can allow hospital operators to focus on more complex and severe case-loads, eliminate inefficiencies for when more serious care interrupts operating room priorities and better manage throughput costs associated with patient flow and surgical suite turnaround logistics. Ultimately patient ambulation and recovery benefits from the most efficient process.”*

*“We’re seeing the symptoms of a changing marketplace nationally,” said John Morrow, managing director of Franklin Trust Ratings. “As payment reforms collide with consumer sentiment, and technology pushes outpatient care to new limits, lower-priced settings are disrupting traditional care models. Hospitals and ASC operators need to understand the market stage and transitions taking place in their service line markets as they mature,” he added.*

*“As the shift to lower cost and more convenient care is pressured by high-deductible health plans, increasing health costs and payer preferences, including that of Medicare coverage, markets across the country are evolving to alternative care models that are pushing patients away from higher cost options.”*

*“Providers participating in value-based payment models or those with at-risk populations will benefit from steering predictable and safe care to more efficient settings.”*

*“Hospital operators that have invested in ASCs, joint ventures and the like are better able to transition surgical market volumes from the HOPD to ASC setting without losing control of patient loyalty.”*

*“Technology, patient profiling and patient flow technologies are enabling the movement of lower-severity cases into streamlined and efficient components of care delivery, leaving the more complex and risky cases for hospital-based operators.”*

*“The majority of care that can be moved to a lower cost setting is routine and poses little risk of harm or safety to patients in that setting. In fact, some of the earliest clinical studies pointed to the efficiencies and improved outcomes in centers of excellence...and we see the same potential in these outpatient service lines.”*

**Franklin:BI™** - tracks the financial, operational and qualitative performance of providers across multiple settings: physicians, group practices, ASCs, hospitals and systems, urgent and convenient care centers. The Franklin:BI tool organizes these metrics in a comparative and competitive context across alternative settings of care, thus allowing users to study important strategy questions including the evolution of outpatient surgical care, at the market level.

### **About Franklin Trust Ratings, LLC**

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