FASA Presentation
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I am Carol Beeler, Vice President of Operations for Health Inventures, a company that develops and manages ambulatory surgery centers, known commonly as ASCs. In 1984, I joined the industry as a nurse manager and over the last two decades have moved from a clinical care provider to a manager. Today I oversee 12 surgery centers providing more than 65,000 procedures a year.

I am here today as past president of the Federated Ambulatory Surgery Association or FASA, the nation's largest association of ASCs. FASA is a full-service association - representing the interests of surgery centers, their employees and the physicians who provide services there. Most importantly, we strive to represent the interests of patients who have their surgery performed at an ASC. To enhance the quality of surgery centers, FASA was a founding member of the first ambulatory accrediting body, started the first nationwide benchmarking project and most recently developed a program in which staff who can pass an examination are recognized for their expertise in the operation of surgical centers.

Background- A Picture of the Ambulatory Surgery Center Industry

It is a privilege to share with you some basic information about this industry. Comparatively speaking, the surgicenter industry is quite young. The first multi-specialty ASC opened in Arizona in 1970 after an anesthesiologist heard from his neighbors about how much they were having to pay for relatively minor surgical procedures. That anesthesiologist set out to develop a model of health care delivery that was safe and cost effective, which became the first surgery center. Today there are more than 33 hundred facilities providing services in all 50 states. More than 7,000,000 procedures were performed in 2002. Stated most simply, ASCs are facilities that provide surgery not requiring an overnight hospital stay.

There is a great deal of variety in surgery center organization, structure and services provided. Some are small - with only one operating room; others are quite large - with more than eight operating rooms. The average ASC has three operating rooms. The average annual volume is between 3,000 and 4,000 procedures. Most are locally owned small businesses. FASA data indicate that 61 % have 20 or fewer employees. The industry is almost equally divided between those centers that provide services in only one specialty, called single-specialty ASCs, and those that provide services in many specialties. Half of the services provided in surgery centers last year involved two medical specialties - ophthalmology and gastroenterology. Orthopedics and gynecology are other specialties that make significant use of surgery centers.

Although a few surgery centers are owned by hospitals, physicians have some degree of ownership in most ASCs. Some are totally physician owned. Others physicians are joint venture partners with private or publicly traded companies. Still others are physician/hospital joint ventures. Hospital investors are either for profit or not for profit. In facilities totally owned

by physicians, one physician may have complete ownership or a number of physicians may each own a percentage.

Being an investor is not a prerequisite to performing surgery in a surgery center. In fact most successful ASCs have significant volume of procedures performed by non-investor physicians. Such physicians are attracted to this environment by high quality care, patient satisfaction, convenience, and efficiency.

Like all health care facilities, ASCs and their surgeons are subject to federal, and often state, anti-kickback laws. To encourage physician investment, the Inspector General of HHS established an ASC safe harbor saying "Our regulatory treatment of ASCs recognizes the Department's historical policy of promoting greater utilization of ASCs because of the substantial cost savings to Federal health care programs when procedures are performed in ASCs rather than in more costly hospital inpatient or outpatient facilities."

Ambulatory surgery centers provide a safe environment for the performance of surgery. To receive Medicare payments, the facility must be certified by Medicare. This is based in part on a physical inspection of the premises either by a state surveyor or a private accrediting body. Medicare certification requires compliance with a comprehensive set of standards concerning surgery, staffing, medical equipment, provisions for transfer of a patient to a hospital in case of an emergency and all requirements of state law. Collectively, these requirements are called Conditions of Coverage. Like hospitals, surgery centers are primarily regulated by the states. Many state regulations mirror the Medicare Conditions of Coverage.

Independent of external controls, ASCs have made a concerted effort to enhance those elements of patient safety in order to reassure patients and physicians who may have had some type of trepidation about receiving and providing services at a surgery center. Active physician participation in the ownership and management contributes significantly to the quality of services. Surgery Centers have very low rates of infection, complications and medical errors. Data from liability insurers show ASCs to have a low incidence of claims.

In addition, ASCs increasingly seek accreditation from one or more of five bodies that accredit ambulatory surgery centers such as the Joint Commission and the Accreditation Association for Ambulatory Health Care. These accrediting bodies require that the facility maintain standards that go beyond the requirements of state regulation and the Medicare Conditions of Coverage. Surgery centers continue to seek this additional seal of approval to demonstrate to the public the high quality being delivered.

ASCs-A Part of the Hospital Product Market

In response to the questions posed in this hearing, surgery centers often compete directly with hospitals in the provision of outpatient surgical procedures just as hospitals compete with each other. Many procedures that thirty years ago were so invasive as to require an overnight or a stay of several days in the hospital can now be provided in ASCs. This has come about as a result of the development of new technology and techniques for both the surgery itself and the anesthesia, so that patients can be discharged shortly after surgery.

The outpatient surgery market has three competitors – ambulatory surgery centers, hospitals and physician offices. However, the extent to which the same services are offered in different settings vary greatly. For example, a single-specialty ophthalmology ASC will compete with the hospital outpatient department for this one specialty only. A multi-specialty surgery center will compete with a hospital outpatient department more extensively.

But that is not the complete picture. Surgery centers also compete with hospitals with respect to some procedures that are now performed on an inpatient basis. For example, many hospitals provide rotator cuff repair and laparoscopic removal of the gall bladder as an inpatient service. Throughout the country, surgery centers are having excellent results providing these procedures.

ASCs may face significant barriers to competing on an equal footing with hospitals. Many health insurers will not cover surgical services provided by surgery centers. We are also aware that some hospitals negotiate with managed care companies to discount the price of their inpatient services in return for an exclusive contract for outpatient surgery services.

Economic credentialing, or the use of economic criteria unrelated to quality of care or professional competency in determining an individual's qualifications for initial or continuing medical staff membership or privileges, has been used by some hospitals to deny or restrict medical staff membership or privileges to physicians associated with a competing ASC. Such activity is contrary to the whole purpose of physician credentialing - to assure quality of care.

Finally, state certificate of need laws are intrinsically anticompetitive and have been used by interested parties in a number of states to restrict competition in the outpatient surgery market.

In closing, the ambulatory surgery industry has thrived in the United States because it has provided quality surgical care at a reasonable cost with a commitment to customer service. This success has occurred despite having to overcome significant obstacles. The industry has played an important role in providing incentives to move surgery from an inpatient to an outpatient setting - improving health, increasing patient productivity and saving costs. Surgery centers will be able to continue to compete with hospitals and reduce the aggregate cost of surgical services as long as health care insurers cover their services and as long as insurers do not enter into exclusive contracts for surgical services with one or more hospitals.

Thank you for this opportunity to provide this information. I would be pleased to answer questions.