



## California's Ambulatory Surgery Centers: A Black Box of Care

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FEBRUARY 2018

# Introduction

Many surgeries are performed in freestanding, or “same-day,” ambulatory surgery centers (ASCs). The number of freestanding ASCs in California has increased dramatically over the past 11 years. However, due to a legal decision that removed reporting requirements for ASCs in the state, little is known about the volume of procedures, type of procedures, and financial operation of the vast majority of these facilities.

This report looks at the most recent data on the supply, use, quality, and finances of freestanding ASCs in California, as well as trends from 2005 to 2016.

### KEY FINDINGS INCLUDE:

- From 2005 to 2016, the number of Medicare-approved freestanding ASCs increased by 26%, from 626 to 791, while the number of operating rooms (ORs) in these facilities increased even more, from 1,311 to 1,905 (45%). In 2016, California had slightly fewer freestanding ASC ORs per 100,000 population than the average state.
- Despite the decline in the number of facilities and surgeries reported to the Office of Statewide Planning and Development (OSHPD), the number of surgeries per facility remained relatively stable, around 2,500.
- Among freestanding ASCs that reported data to OSHPD, private insurance was the dominant payer, representing 41% of ASC encounters while Medi-Cal covered one-third.
- In 2017, the Centers for Medicare & Medicaid Services (CMS) started publicly reporting quality measures for ASCs. In the first set of measures reported, California performed similarly to the national average.

## Ambulatory Surgery Centers

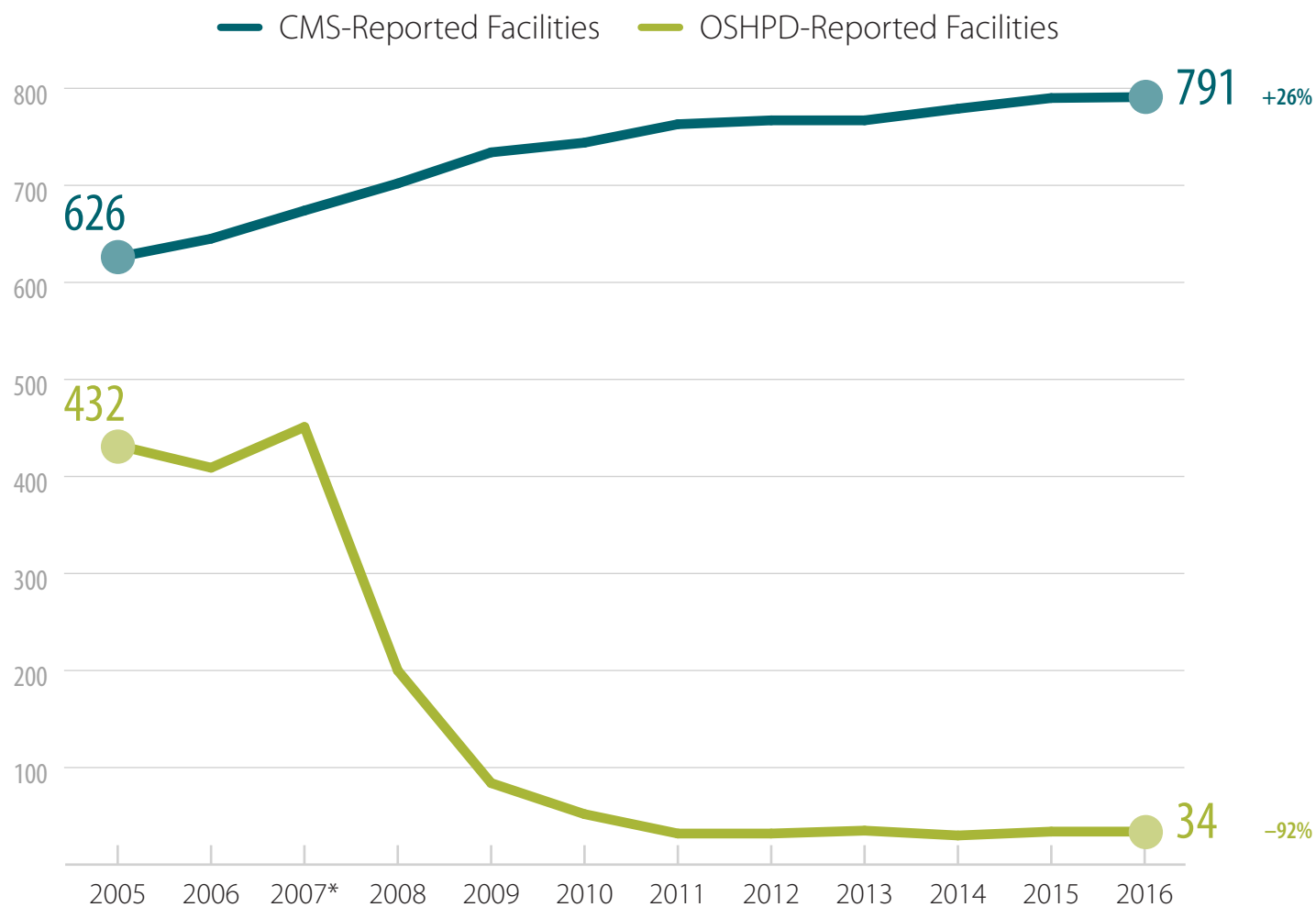
### Overview

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# Freestanding ASCs, by Data Source

## California, 2005 to 2016



\*The September 2007 *Capen v. Shewry* decision was interpreted to mean that ASCs with physician owners come under the oversight of the Medical Board of California, not the California Department of Public Health (CDPH), thereby removing any requirement for these ASCs to report data to OSHPD.

Notes: Represents facilities operating and reporting data in the current year. The difference between Centers for Medicare & Medicaid Services (CMS) and California's Office of Statewide Health Planning and Development (OSHPD) data prior to the Capen decision is likely due to the lack of reported data on facilities in which the only physicians providing services were the owners.

Sources: "Provider of Services Current Files," CMS, 2005-2016, [www.cms.gov](http://www.cms.gov); "Specialty Care Clinics Annual Utilization Data," OSHPD, 2005-2016, [www.oshpd.ca.gov](http://www.oshpd.ca.gov).

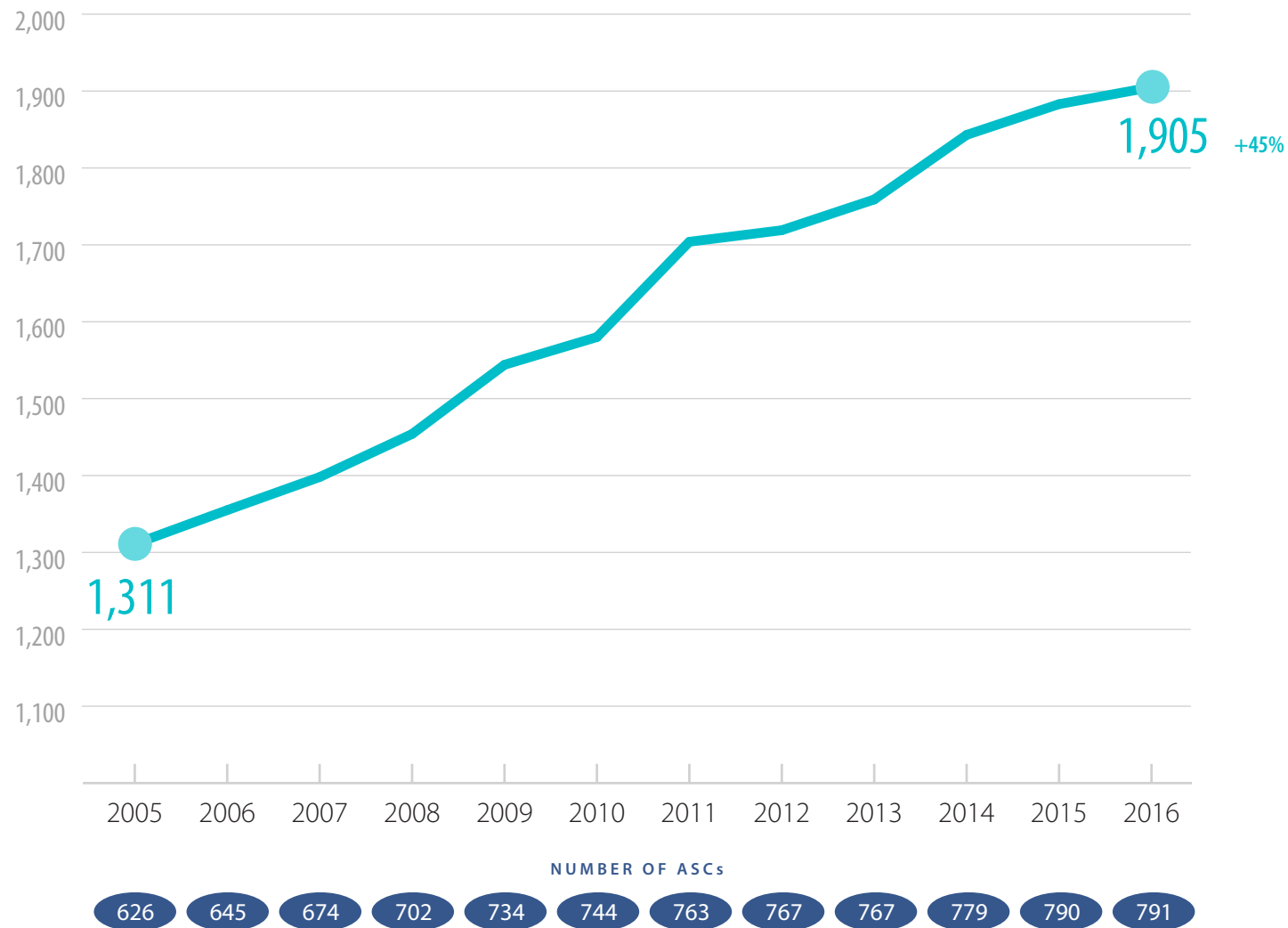
### Ambulatory Surgery Centers

#### Overview

According to CMS data, there was a 26% increase in the number of freestanding ambulatory surgery centers (ASCs) between 2005 and 2016, reflecting the continued movement of surgical procedures from inpatient to outpatient settings. A 2007 legal decision removed any requirement for physician-owned ASCs in California to report data to OSHPD, resulting in a rapid drop-off in the number of licensed ASCs reporting — only 34 in 2016.

# Operating Rooms in Freestanding ASCs

California, 2005 to 2016



## Ambulatory Surgery Centers

Operating Rooms

Between 2005 and 2016, the number of ASC operating rooms increased by 45%, compared to a 26% growth in ASC facilities.

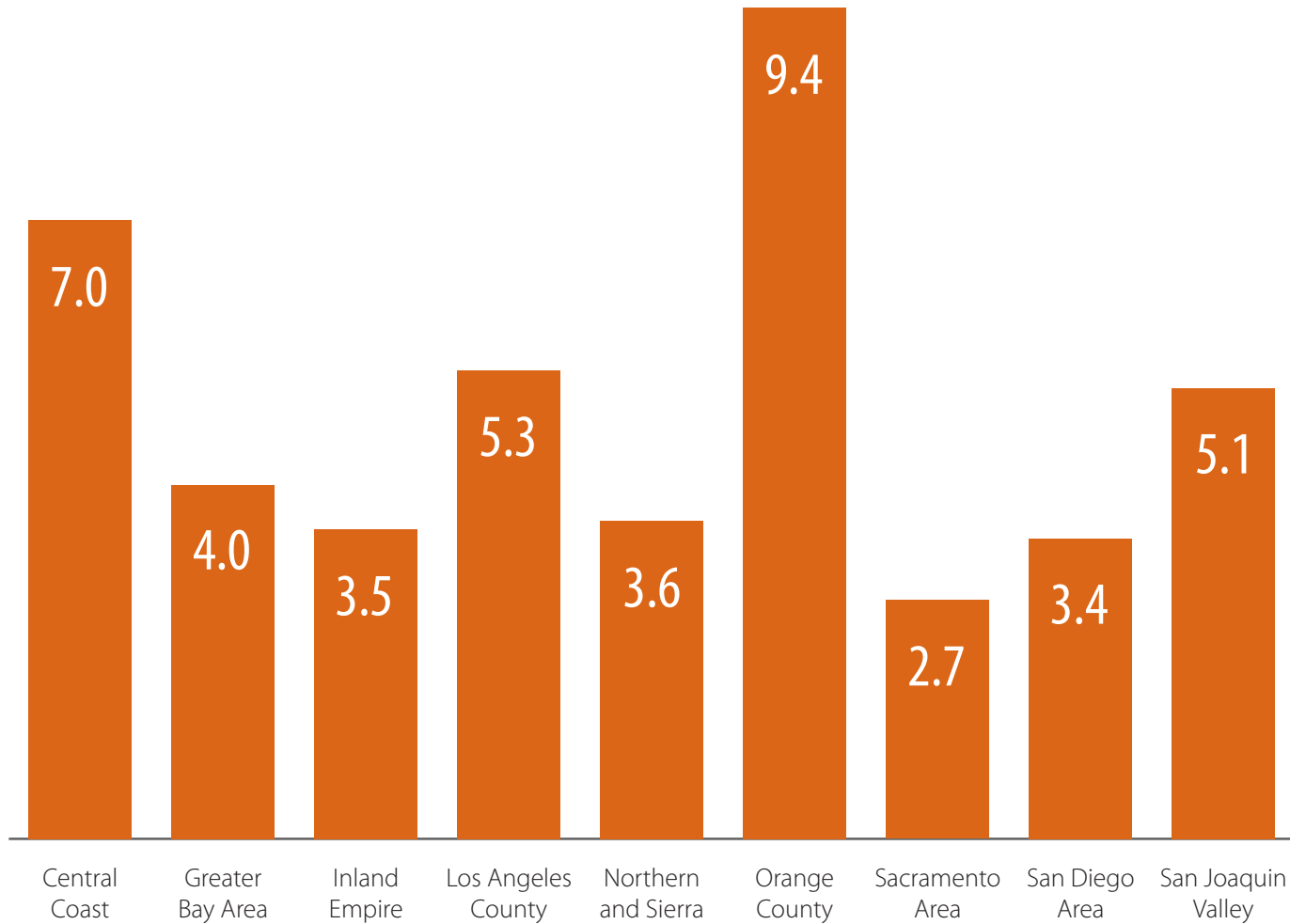
Note: Represents Medicare-approved facilities.

Source: "Provider of Services Current Files," Centers for Medicare & Medicaid Services (CMS), 2005-2016, [www.cms.gov](http://www.cms.gov).

# Operating Rooms in Freestanding ASCs, by Region

## California, 2016

PER 100,000 POPULATION



Notes: Represents Medicare-approved facilities. See appendix for a list of counties within each region.

Sources: "Provider of Services Current Files," Centers for Medicare & Medicaid Services (CMS), 2016, [www.cms.gov](http://www.cms.gov); *Annual Estimates of the Resident Population for the United States, Regions, States, and Puerto Rico: April 1, 2010 to July 1, 2016 (NST-EST2016-01)*, US Census Bureau, [www.census.gov](http://www.census.gov).

### Ambulatory Surgery Centers

#### Operating Rooms

Orange County had the highest number of ambulatory surgery center operating rooms per 100,000 population, while the Sacramento area had the lowest.

# Freestanding ASCs and Operating Rooms, by Region

## California, 2010 and 2016

	FACILITIES			OPERATING ROOMS		
	2010	2016	CHANGE	2010	2016	CHANGE
Central Coast	73	73	0	142	164	22
Greater Bay Area	114	115	1	298	305	7
Inland Empire	65	70	5	141	158	17
Los Angeles County	226	261	35	420	537	117
Northern and Sierra	32	22	-10	61	51	-10
Orange County	93	98	5	204	298	94
Sacramento Area	22	23	1	53	62	9
San Diego	39	45	6	96	118	22
San Joaquin Valley	80	84	4	165	212	47
<b>Total</b>	<b>744</b>	<b>791</b>	<b>47</b>	<b>1,580</b>	<b>1,905</b>	<b>325</b>

### Ambulatory Surgery Centers

#### Operating Rooms

Since 2010, all regions except Northern and Sierra have seen an increase in the number of ASC facilities and operating rooms. Los Angeles County saw the greatest increase in this period — an additional 35 facilities and 117 operating rooms.

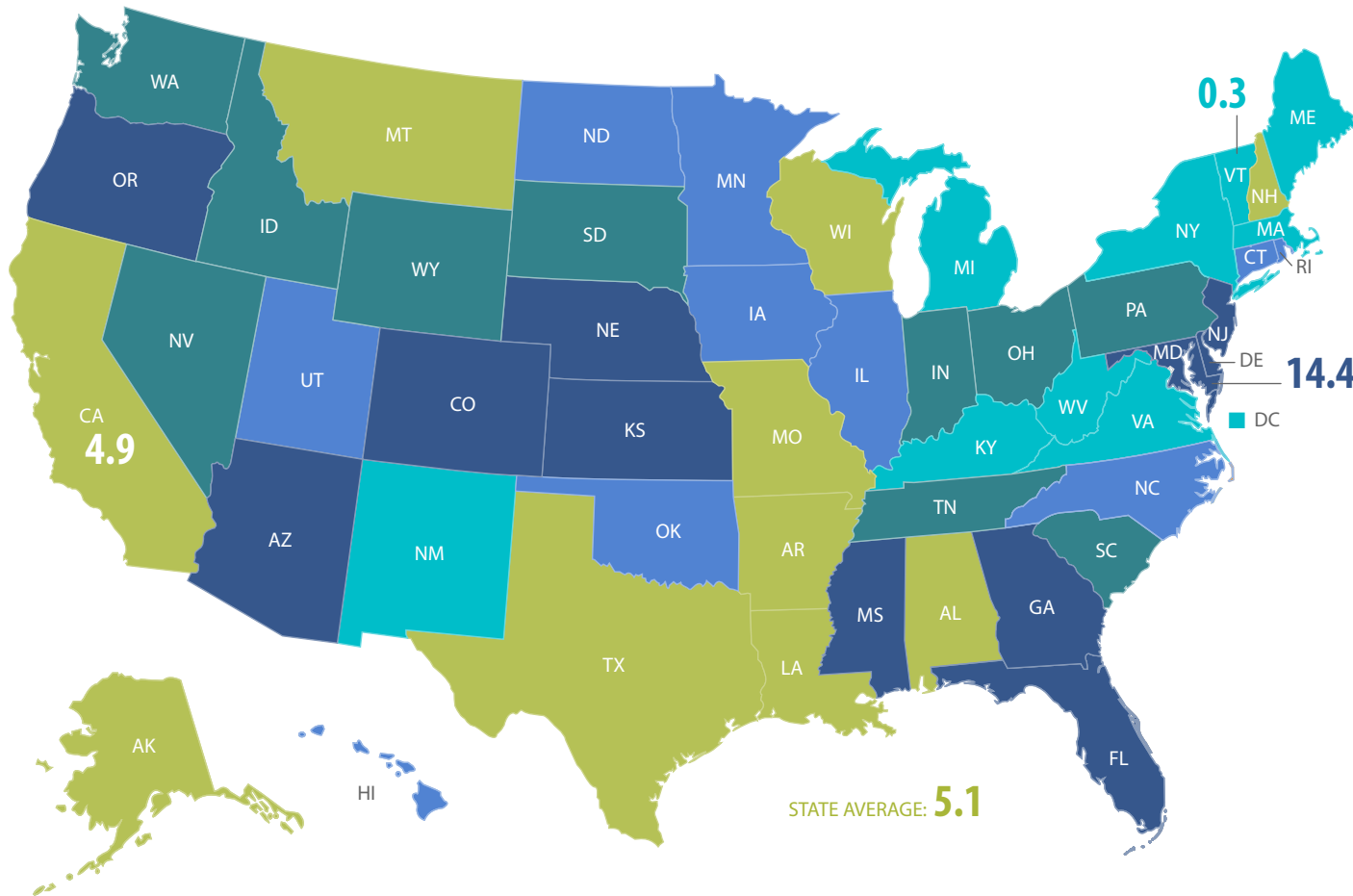
Notes: Represents Medicare-approved facilities. See appendix for a list of counties within each region.

Source: "Provider of Services Current Files," Centers for Medicare & Medicaid Services (CMS), 2010 and 2016, [www.cms.gov](http://www.cms.gov).

# Operating Rooms in Freestanding ASCs, by State

## United States, 2016

PER 100,000 POPULATION



Note: Represents Medicare-approved facilities.

Sources: "Provider of Services Current Files," Centers for Medicare & Medicaid Services (CMS), 2016, [www.cms.gov](http://www.cms.gov). Annual Estimates of the Resident Population for the United States, Regions, States, and Puerto Rico: April 1, 2010 to July 1, 2016 (NST-EST2016-01), US Census Bureau, [www.census.gov](http://www.census.gov).

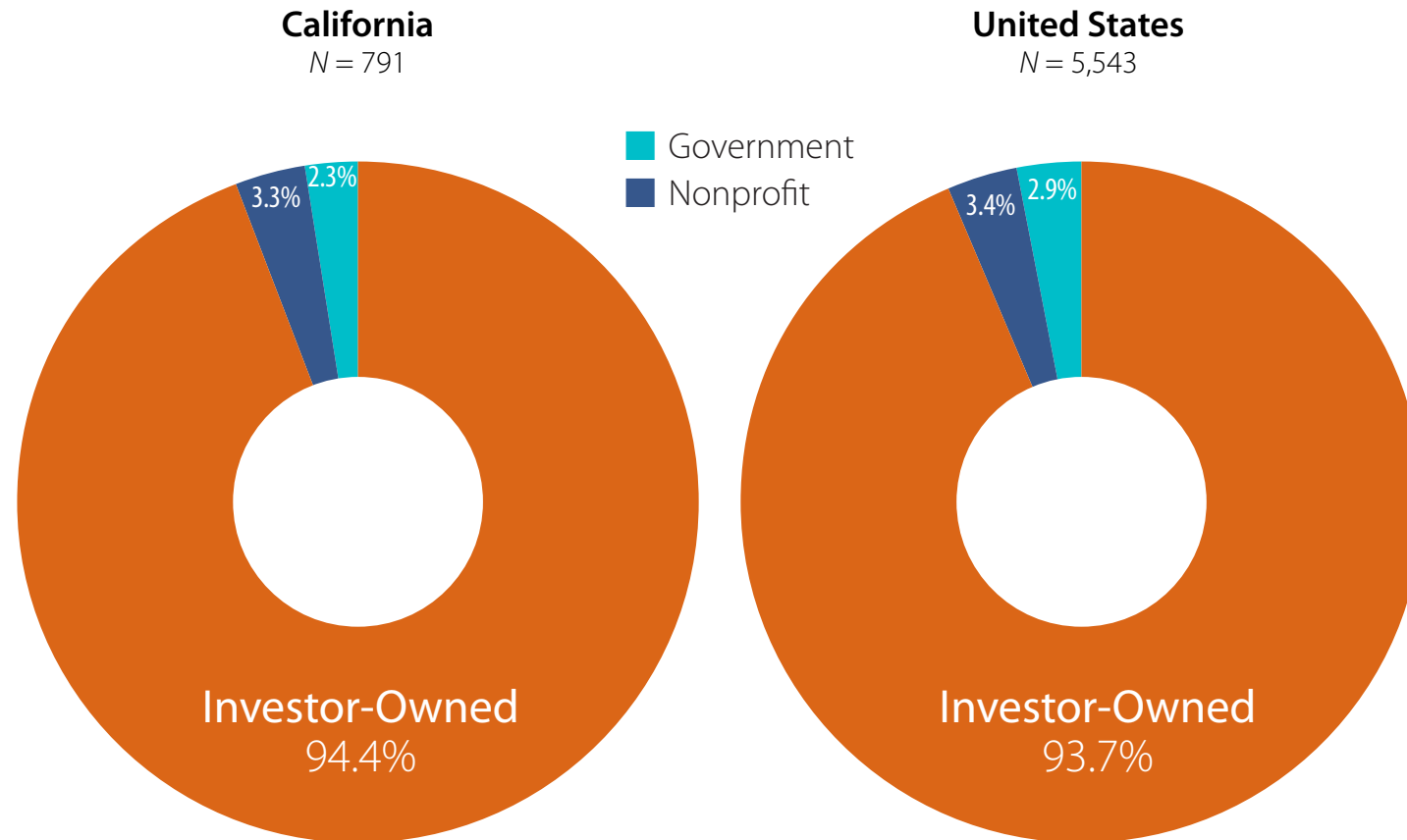
### Ambulatory Surgery Centers

#### Operating Rooms

In 2016, California had slightly fewer freestanding ASC operating rooms per 100,000 population than the average state.

# Freestanding ASC Facilities, by Ownership

California vs. United States, 2016



## Ambulatory Surgery Centers

Facility Ownership

The vast majority of freestanding ambulatory surgery centers in California and the United States were investor-owned. Many of these investor-owned ASCs were owned by physicians. Only 3% of ASCs in California and the US were nonprofit, and an additional 2% in California and 3% in the US were owned by the government.

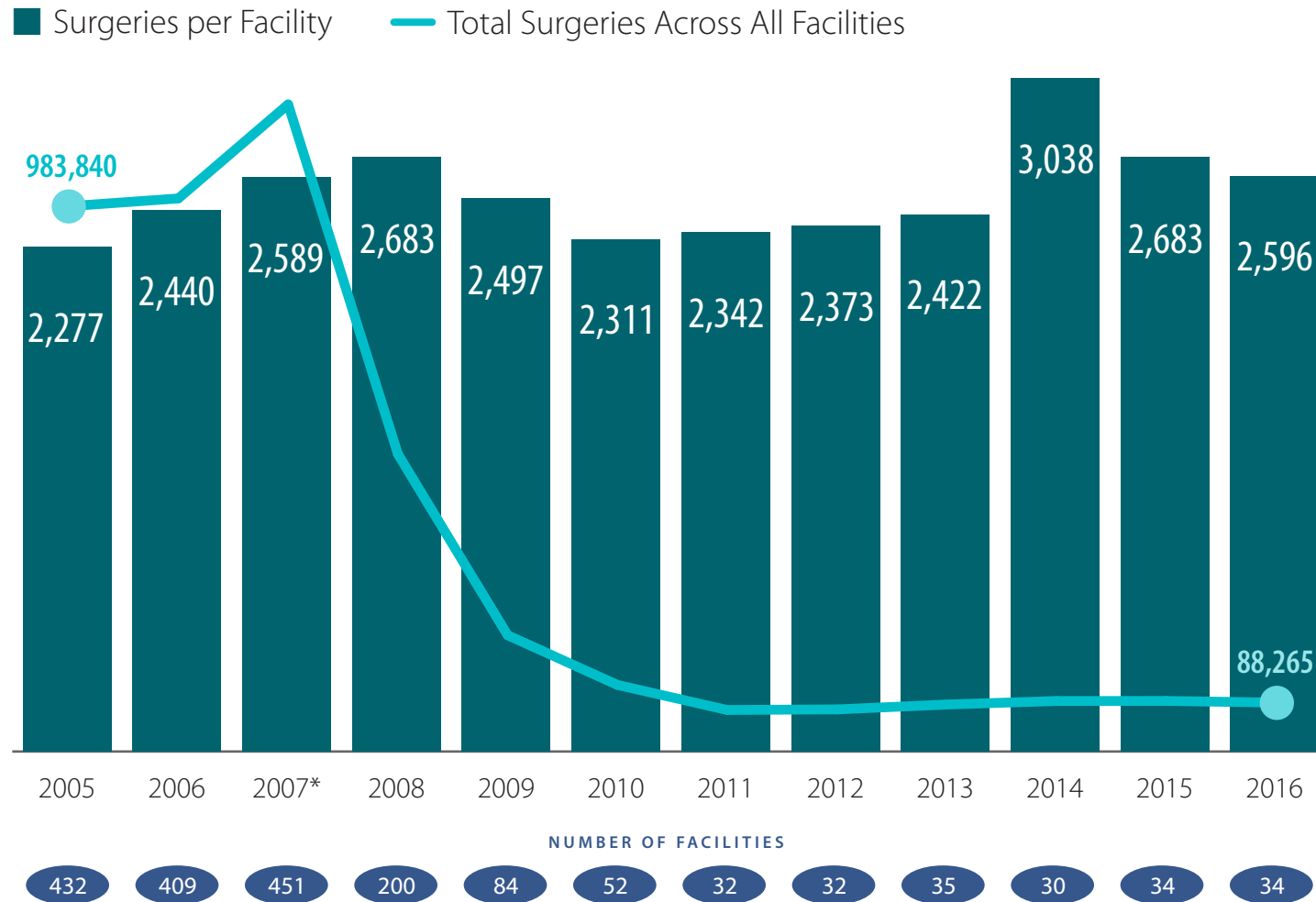
Note: Represents Medicare-approved facilities.

Source: "Provider of Services Current Files," Centers for Medicare & Medicaid Services (CMS), 2016, [www.cms.gov](http://www.cms.gov).



# Reported Surgeries in Freestanding ASCs

California, 2005 to 2016



## Ambulatory Surgery Centers

### Reported Surgeries

Since fewer facilities have been required to report these data since 2007, the number of reported surgeries in freestanding ambulatory surgery centers has declined. The number of surgeries per reporting facility, however, has remained relatively stable.

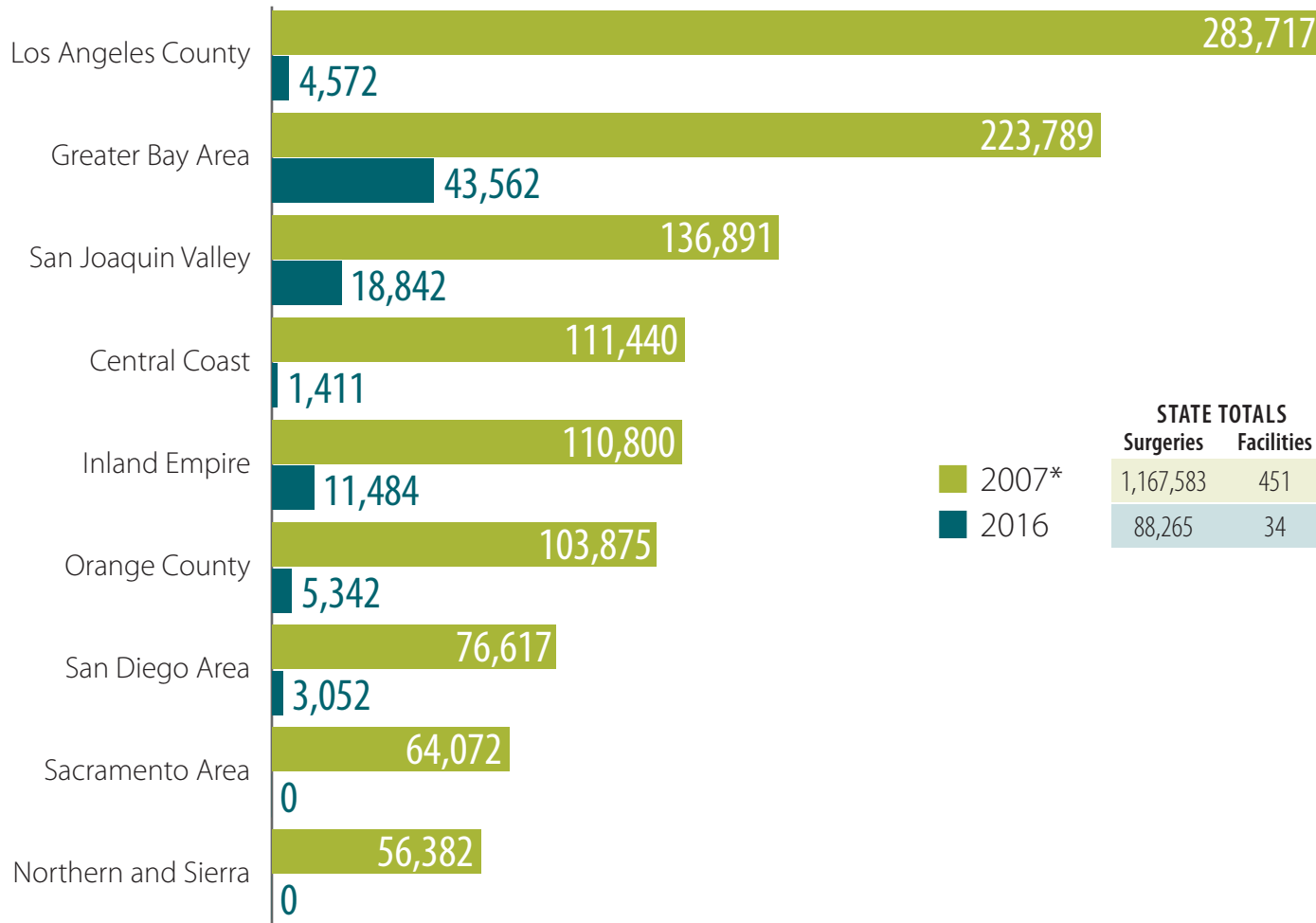
\*The September 2007 *Capen v. Shewry* decision was interpreted to mean that ASCs with physician owners come under the oversight of the Medical Board of California, not the California Department of Public Health (CDPH), thereby removing any requirement for these ASCs to report data to California's Office of Statewide Health Planning and Development (OSHPD).

Note: Represents facilities reporting data to OSHPD and operating in current year.

Sources: "Specialty Care Clinics Annual Utilization Data," OSHPD, 2005-2016, [www.oshpd.ca.gov](http://www.oshpd.ca.gov). *Annual Estimates of the Resident Population for the United States, Regions, States, and Puerto Rico: April 1, 2010 to July 1, 2016 (NST-EST2016-01)*, US Census Bureau, [www.census.gov](http://www.census.gov).

# Reported Surgeries in Freestanding ASCs, by Region

California, 2007 and 2016



STATE TOTALS	
Surgeries	Facilities
1,167,583	451
88,265	34

## Ambulatory Surgery Centers

### Reported Surgeries

The number of reported ASC surgeries dropped sharply in all California regions after the reporting requirements changed in 2007. In 2016, two California regions — Sacramento Area and Northern and Sierra — reported no surgeries.

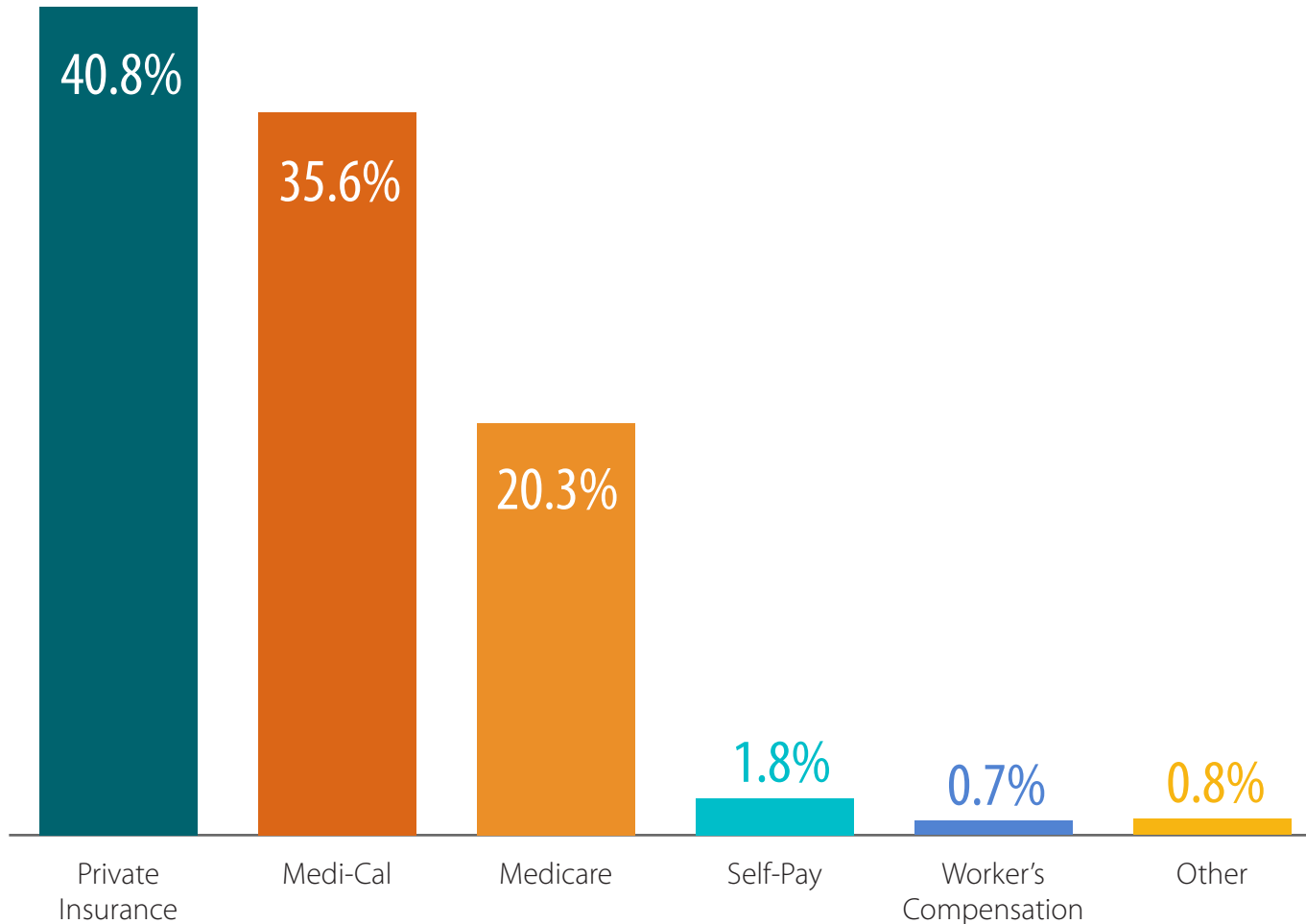
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Notes: Represents facilities reporting data to OSHPD and operating in current year. See appendix for a list of counties within each region.

Source: "Specialty Care Clinics Annual Utilization Data," OSHPD, 2007 and 2016, [www.oshpd.ca.gov](http://www.oshpd.ca.gov).

# Reported Encounters in Freestanding ASCs, by Payer California, 2015

N = 91,857



Notes: Represents facilities reporting data to OSHPD and operating in current year. An *encounter* is a face-to-face contact between an outpatient and a provider who has primary responsibility for assessing and treating the patient, during which at least one ambulatory surgery procedure is performed. *Other* includes other nonfederal programs, automobile medical, disability, CHAMPUS, Veterans Affairs, and other.

Source: "Ambulatory Surgery Encounter Data," Office of Statewide Health Planning and Development (OSHPD), 2015, [www.oshpd.ca.gov](http://www.oshpd.ca.gov).

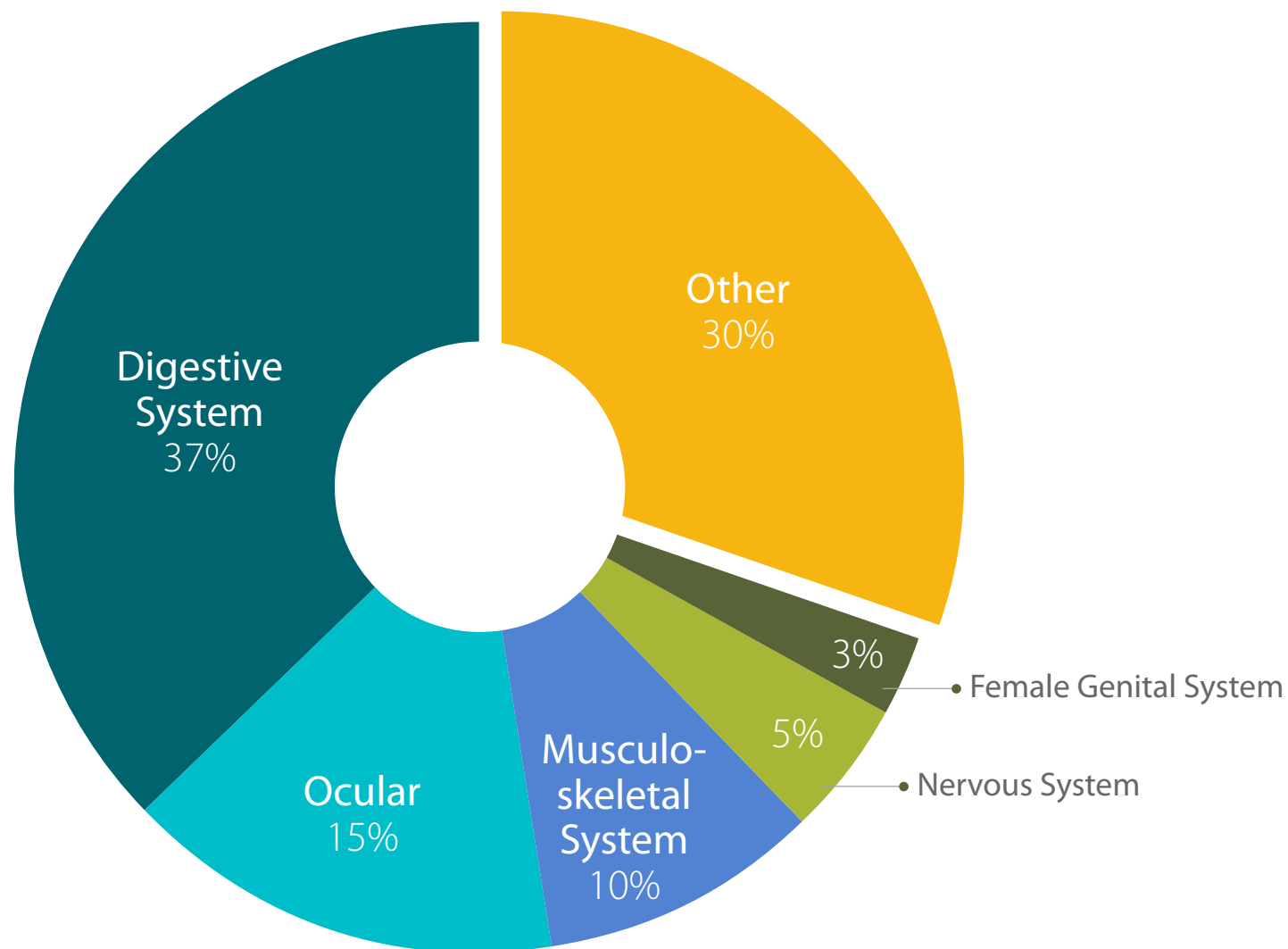
## Ambulatory Surgery Centers

### Reported Encounters

In 2015, public payers represented over half of all reported encounters at ASCs, with Medi-Cal covering over one-third of those encounters. Private insurers were the dominant payer, representing 41% of encounters.

# Reported Encounters in Freestanding ASCs, by Category

## California, 2016



### Ambulatory Surgery Centers

#### Reported Encounters

A variety of procedures are handled at ambulatory surgery centers and are reported to OSHPD. In 2016, surgery for the digestive system was the most-reported procedure category in California ASCs, making up over one-third of all reported encounters.

Notes: An *encounter* is a face-to-face contact between an outpatient and a provider who has primary responsibility for assessing and treating the patient, during which at least one ambulatory surgery procedure is performed. *Other* includes integumentary system surgery, urinary system surgery, respiratory system surgery, anesthesia, radiology, and other procedures.

Source: "Ambulatory Surgery Encounter Data," Office of Statewide Health Planning and Development (OSHPD), 2016, [www.oshpd.ca.gov](http://www.oshpd.ca.gov).

# CMS Quality Indicators for ASCs

## United States, 2017

	DESCRIPTION	YEAR INITIATED
<b>Patient Burn</b>	Patients experiencing any burns (including electrosurgical, electrical, chemical, thermal) prior to discharge.	2014
<b>Patient Fall</b>	Patients experiencing a fall within confines of ASC prior to discharge.	2014
<b>Wrong Site, Wrong Side, Wrong Patient, Wrong Implant</b>	Patients experiencing wrong site, side, patient, procedure, or implant in the ASC.	2014
<b>Hospital Transfer/Admission</b>	Patients requiring hospital transfer or admission upon discharge from ASC.	2014
<b>Prophylactic IV Antibiotic Timing</b>	Patients who received IV antibiotic for prevention of surgical site infection on time.	2014
<b>Safe Surgery Checklist</b>	ASC uses checklist that includes safe surgery practices during three critical periods: prior to anesthesia administration, prior to skin incision, and from closure of incision to patient leaving OR.	2015
<b>Volume Data on Selected ASC Surgical Procedures</b>	ASCs provide aggregate count of selected surgical procedures in 34 procedure categories, including GI endoscopy procedures, joint arthroscopy, and cataract procedures.	2015
<b>Flu Vaccine Coverage Among Health Care Personnel</b>	ASCs report vaccination data for employees on payroll, licensed independent practitioners, and students, trainees, and volunteers age 18 and older.	2016
<b>Normal Colonoscopy Follow-Up Interval</b>	Patients age 50 to 75 receiving a screening colonoscopy without biopsy or polypectomy with documented recommended follow-up of at least 10 years for repeat colonoscopy.	2017
<b>Colonoscopy Interval for Patients with History of Colonic Polyps</b>	Patients 18 and older receiving surveillance colonoscopy with history of prior colonic polyp(s) in previous colonoscopy findings, who had a follow-up interval of three or more years since their last colonoscopy.	2017
<b>Cataract Surgery Improvement in Visual Function*</b>	Patients 18 and older who had cataract surgery and had improvement in visual function achieved within 90 days following surgery.	2017
<b>Seven-Day Risk-Standardized Hospital Visit Rate After Outpatient Colonoscopy</b>	An estimate of facility-level rate of risk-standardized, all-cause, unplanned hospital visits within seven days of an outpatient colonoscopy among Medicare fee-for-service patients 65 and older.	2018

\*ASCs had the option to voluntarily submit data for 2017 payment determination.

Sources: "ASC Quality Reporting," Centers for Medicare & Medicaid Services (CMS), last modified December 8, 2016, [www.cms.gov](http://www.cms.gov); "Ambulatory Surgical Center Quality Reporting Specifications Manual, version 6.0a," QualityNet, [www.qualitynet.org](http://www.qualitynet.org).

## Ambulatory Surgery Centers

### Quality

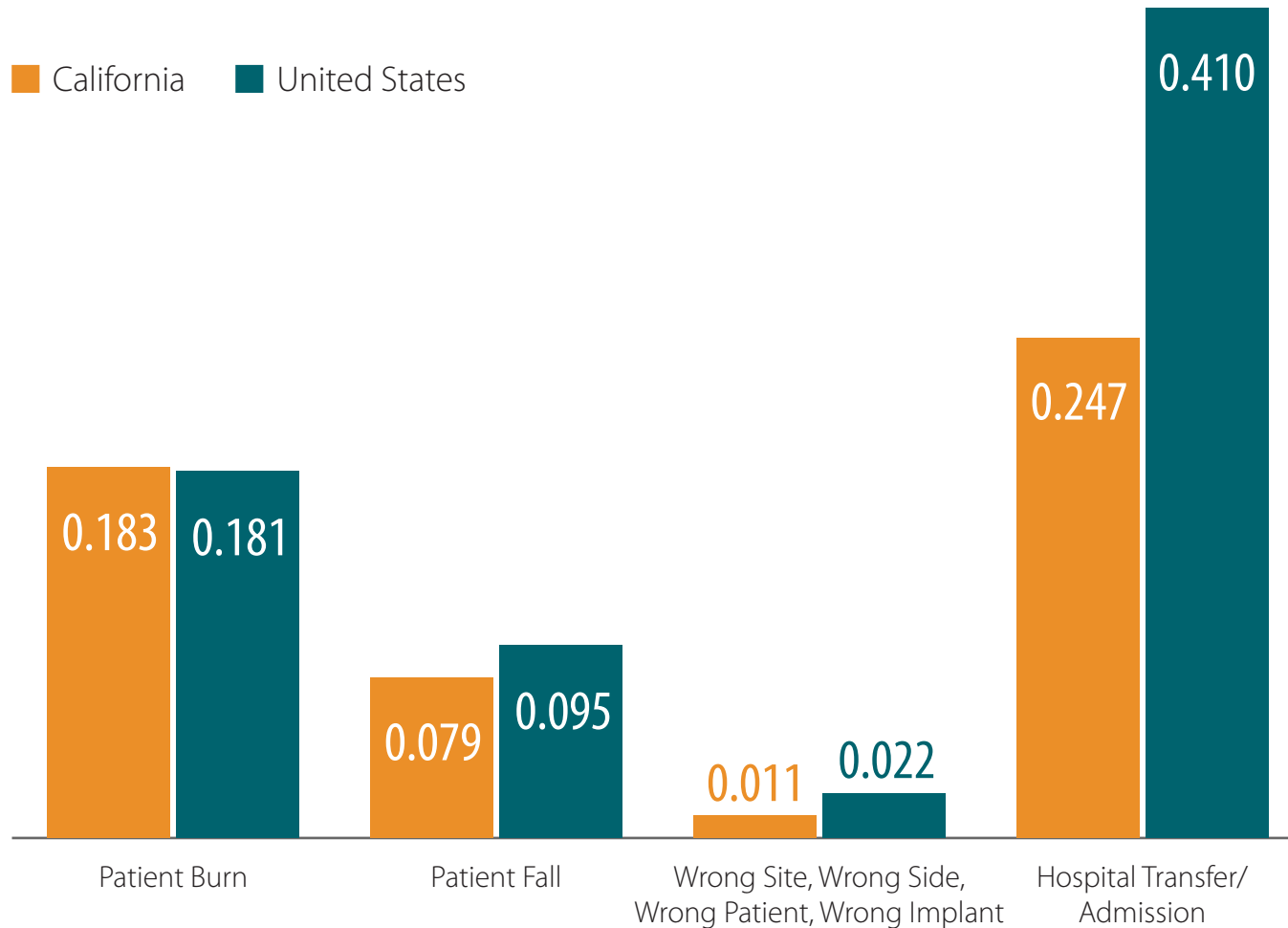
CMS operates a pay-for-reporting quality program that requires ASCs to report data on standardized measures in order to receive the full annual update to their ASC payment rate. The program began in 2014 with five measures and has expanded to 12 for the 2018 payment determinations.

# ASC Quality Performance

## California vs. United States, 2015

RATE PER 1,000 PATIENTS

California United States



Notes: Lower rates indicate higher-quality performance. For details on measure specifications, see page 13.

Source: "Ambulatory Surgical Center Quality Reporting Program," Centers for Medicare & Medicaid Services (CMS), [www.medicare.gov](http://www.medicare.gov).

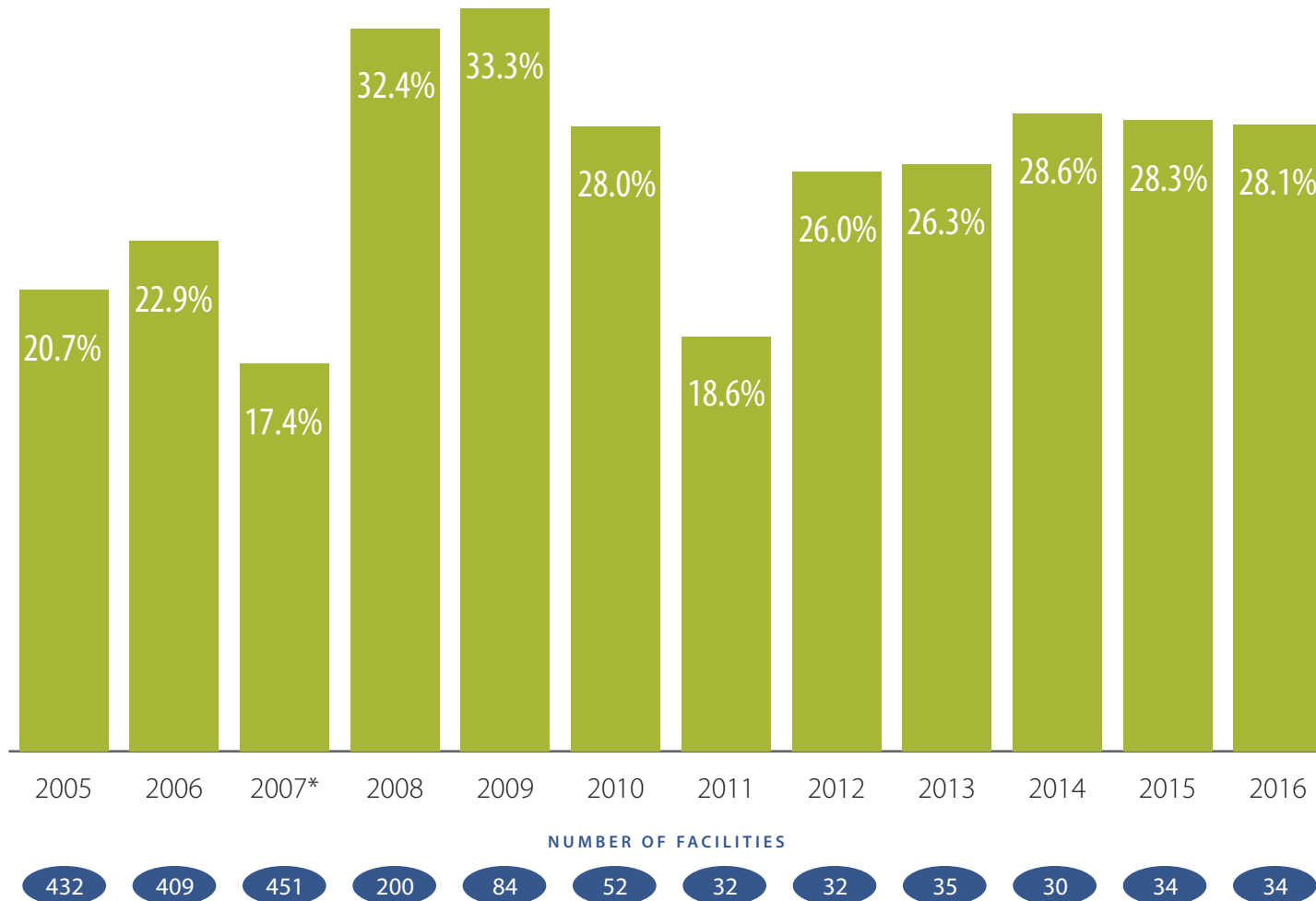
### Ambulatory Surgery Centers

Quality

In 2017, CMS started publicly reporting ASC performance on quality measures. On four measures related to poor patient health outcomes, scores were low (indicating higher-quality performance) in California and the US. Other quality measures that CMS reports include use of safe surgery checklists, facility volume for select ASC procedures, and flu vaccination coverage among health care personnel.

# Operating Margin, Freestanding ASCs

California, 2005 to 2016



## Ambulatory Surgery Centers

Financial Analysis

California ASCs reporting to OSHPD have enjoyed a healthy overall operating margin in each year from 2005 to 2016, with margins exceeding 20% in all but two years.

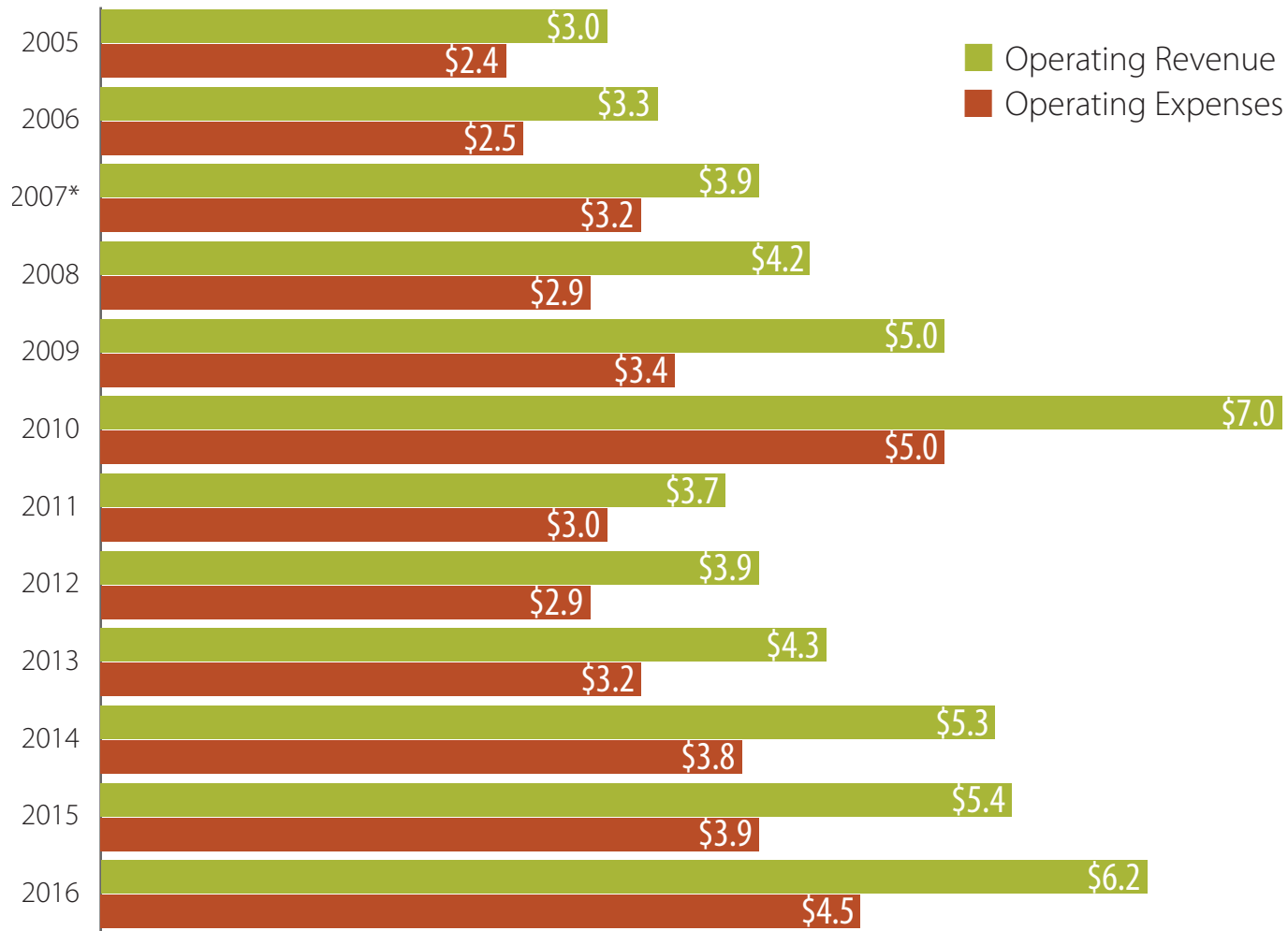
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Note: Represents facilities reporting data to OSHPD and operating in current year.

Source: "Specialty Care Clinics Annual Utilization Data," OSHPD, 2005-2016, [www.oshpd.ca.gov](http://www.oshpd.ca.gov).

# Operating Revenues and Expenses, Freestanding ASCs California, 2005 to 2016

AVERAGE PER FACILITY (IN MILLIONS)



Revenue at ASCs reporting to OSHPD exceeded operating expenses in every year from 2005 to 2016. The data for 2008 through 2016 are based on a much smaller set of reporting facilities than previous years.

\*The September 2007 *Capen v. Shewry* decision was interpreted to mean that ASCs with physician owners come under the oversight of the Medical Board of California, not the California Department of Public Health, thereby removing any requirement for these ASCs to report data to the Office of Statewide Health Planning and Development (OSHPD).  
Source: "Specialty Care Clinics Annual Utilization Data," OSHPD, 2005-2016, [www.oshpd.ca.gov](http://www.oshpd.ca.gov).



# Methodology

This report summarizes information about ambulatory surgery centers (ASCs) from three sources:

**1) Medicare provider of service (POS) files.** These files contain information about facilities that are approved to provide services to Medicare recipients. Facilities designated as “ambulatory surgery centers” (category 15) were selected, and within this group the focus was on facilities designated as “freestanding,” which generally excludes those associated with hospitals. For each facility, the data include information about the number of operating rooms, accreditation, geographic location, and whether the facility is for-profit, nonprofit, or government-owned.

The POS files are cumulative and include facilities that have ever been among the providers of services for Medicare recipients, even if they are no longer in operation. The base set of facilities studied were those that appeared in the 2016 POS file, and each facility was included for the years between its initial Medicare participation date and 2016 (or the date it stopped operating). Data on attributes of facilities that may vary by year, such as the number of ORs in operation, were drawn from the POS file for the given year. The POS files typically include freestanding facilities in which the owning physician(s) are the only physician(s) to operate, so the POS data may report more facilities than the OSHPD data.

While the OSHPD data report more detailed information than the POS data, the POS data are not affected by the *Capen v. Shewry* decision, and so provide a much more reliable source of information for tracking trends over time in key variables. The POS files also contain data on ASCs throughout the country, allowing for cross-state comparisons.

**2) California Office of Statewide Health Planning and Development (OSHPD) specialty clinic annual utilization reports.**

Data from annual utilization reports filed by freestanding facilities with a surgical clinic license were assessed. OSHPD did not collect data on facilities in which the owning physician(s) were the only physician(s) that practiced at the facility. To be included in the analysis for a given year, facilities had to be in operation for at least part of the year.

The reports include information about the number of operating rooms, unique patients, patient encounters by service type, and surgeries performed. Also included are revenues, expenses, and other financial indicators.

**3) OSHPD ambulatory surgery encounter data.** These files contain summaries of information reported to OSHPD about each ASC encounter, including patient demographics (age and sex), expected source of payment, and types of procedures performed. Data on procedures at facilities with a clinic license type indicating freestanding facilities were selected.

The 2007 court decision in *Capen v. Shewry* significantly affected the amount of data available on surgery centers from OSHPD. OSHPD reports that this decision essentially held that an ASC that is wholly or partially owned by physicians cannot be licensed by the California Department of Public Health. This license was the basis of OSHPD’s authority to collect the data. Therefore, the number of facilities providing data dropped dramatically in subsequent years. OSHPD reports that by 2010 more than 400 facilities had been delicensed.

Sources: “Specialty Care Clinics Annual Utilization Data,” OSHPD, [www.oshpd.ca.gov](http://www.oshpd.ca.gov); “Provider of Services Current Files,” Centers for Medicare and Medicaid Services (CMS), [www.cms.gov](http://www.cms.gov); “2015 Ambulatory Surgery Pivot Profile,” OSHPD, [www.oshpd.ca.gov](http://www.oshpd.ca.gov).

## Ambulatory Surgery Centers

### ABOUT THIS SERIES

The California Health Care Almanac is an online clearinghouse for data and analysis examining the state’s health care system. It focuses on issues of quality, affordability, insurance coverage and the uninsured, and the financial health of the system with the goal of supporting thoughtful planning and effective decisionmaking. Learn more at [www.chcf.org/almanac](http://www.chcf.org/almanac).

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# Appendix: California Counties Included in Regions



REGION	COUNTIES
Central Coast	Monterey, San Benito, San Luis Obispo, Santa Barbara, Santa Cruz, Ventura
Greater Bay Area	Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Solano, Sonoma
Inland Empire	Riverside, San Bernardino
Los Angeles County	Los Angeles
Northern and Sierra	Alpine, Amador, Butte, Calaveras, Colusa, Del Norte, Glenn, Humboldt, Inyo, Lake, Lassen, Mariposa, Mendocino, Modoc, Mono, Nevada, Plumas, Shasta, Sierra, Siskiyou, Sutter, Tehama, Trinity, Tuolumne, Yuba
Orange County	Orange
Sacramento Area	El Dorado, Placer, Sacramento, Yolo
San Diego Area	Imperial, San Diego
San Joaquin Valley	Fresno, Kern, Kings, Madera, Merced, San Joaquin, Stanislaus, Tulare