TRINITY

ADVISORY BRIEF

Surgical Procedures Are Moving to Ambulatory Surgical Centers (ASCs) – or Are They?

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Introduction

For decades, surgical procedures were confined to hospitals where patients would be admitted to the inpatient ward for days, and often weeks, for recovery and monitoring. Increasingly, as technology, technique and safety improved, hospitals began to offer outpatient surgery to patients to drive profitability and an improved patient experience.

Most recently, ambulatory surgical centers (ASCs) – standalone, highly efficient same-day operating facilities that are detached from hospitals – have emerged in the United States. ASCs can offer the same quality of surgical care and innovative technologies, often with significantly reduced overhead costs and financial burden on the patient, compared to hospitals. The result is a clear (and well-publicized) movement in surgical procedure volume from the hospital to the ASC setting.

The premise of this brief is not to dispute this market fact, but rather to demonstrate that this macrotrend may or may not be applicable to your business, or at least parts of it.

Through a series of cases studies, we will illustrate how site of service can vary significantly by region and highlight specific procedures that have shifted, or are shifting, to ASCs – and some that are not. By leveraging our real-world data and industry experience, we hope to provide clarity on where surgical procedures are happening in the U.S. and what is driving this movement (or lack thereof).

The goal of this brief is to illustrate how your organization can develop more informed commercial targeting and engagement strategies in ASCs, by utilizing data and objective insights, to maximize product adoption, penetration and revenue.

CASE STUDY 1 | While procedures are indeed moving towards ASCs, the trend is not universal and varies by procedure type.

Over the last five years, procedural care has shifted within the hospital inpatient, hospital outpatient and ASC segments. The procedure groups in CASE STUDY 1 represent a diverse range of specialties and provide an illustrative view of the move towards ASCs. While procedures are indeed increasingly transitioning, the trend is not universal – several procedure groups have experienced noticeable increases in the proportion of procedures performed in ASCs while others have remained flat.

Growth in the proportion of procedures performed in ASCs has not been limited to procedures with room to grow (i.e., procedures with minimal ASC volumes in 2017) – both cataract surgery and colonoscopy have experienced modest growth in the ASC segment, despite a significant proportion of procedures already performed in ASCs. Conversely, procedures such as lumpectomy and inguinal hernia repair have seen minimal growth in the ASC proportion, even with an existing presence.

	2017	2022	Δ 2017-2022
Cataract Surgery	42%	48%	+6%
Hip Replacement	1%	11%	+9%
Knee Replacement	2%	14%	+12%
Colonoscopy	34%	41%	+6%
Inguinal Hernia Repair	13%	14%	+1%
Lumpectomy	11%	13%	+2%
Mastoidectomy	12%	14%	+1%
Cholecystectomy	5%	6%	+1%

Note: Percentage values may not sum exactly due to rounding

FIGURE 1 | % of Procedures Performed in ASCs (2017-2022)

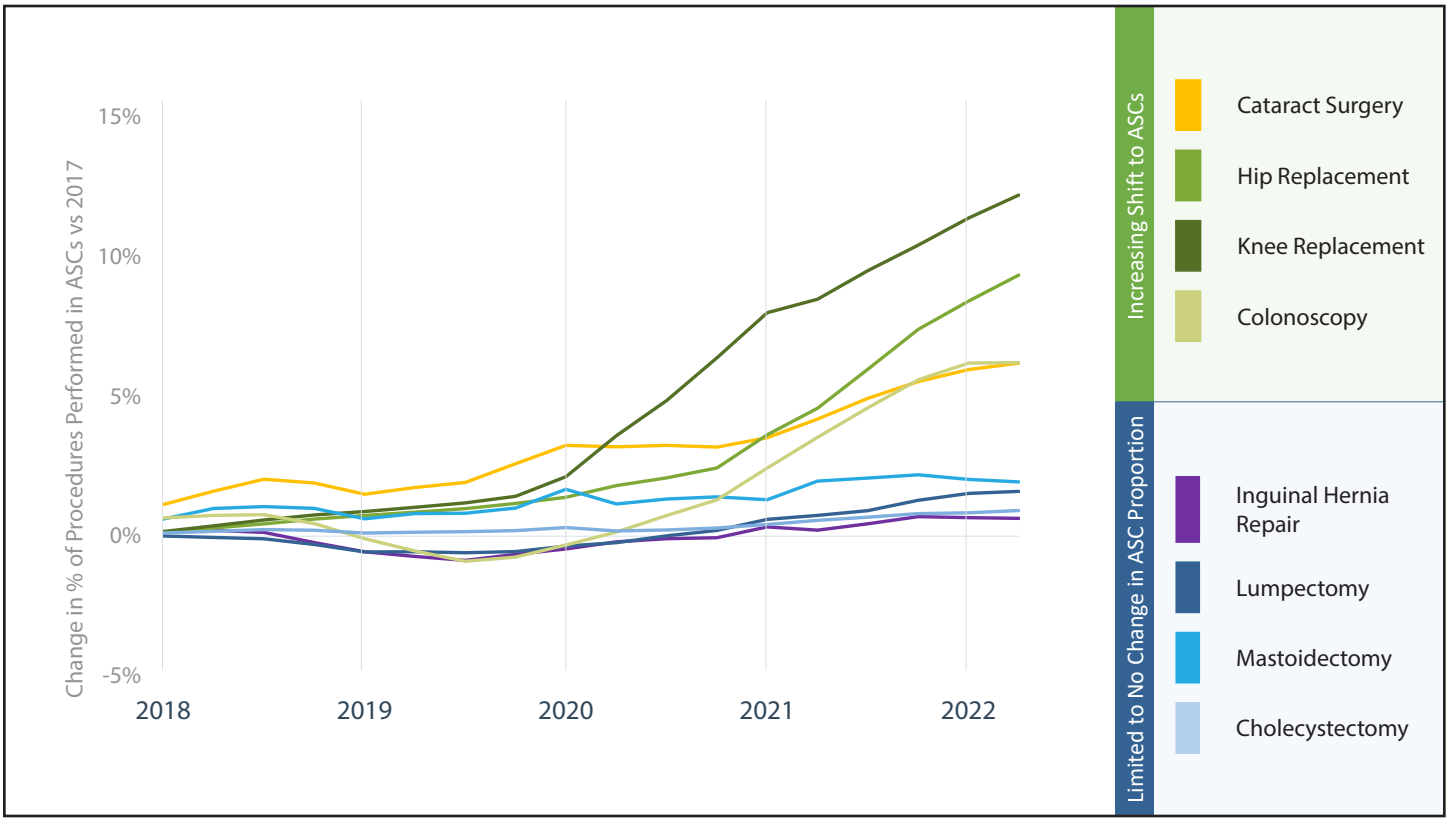

FIGURE 2 | Site of Service Shift to ASCs: Change in Proportion of Procedures Performed in ASCs Relative to 2017 Baseline

While technological enhancements and innovation in procedural technique first enabled several procedures to be performed in an ambulatory setting, lower operating costs, favorable reimbursement and an improved/streamlined patient experience are a few of several drivers that have incentivized the continued push towards ASCs. The degree to which individual procedures are performed in ASCs is ultimately impacted by multiple factors (FIGURE 3).

Not exhaustive.

FIGURE 3 | Factors That Can Impact the Degrees to Which Procedures Are Performed in ASCs

CASE STUDY 2 | For select procedures, market events have catalyzed the move towards ASCs and the COVID-19 pandemic has accelerated existing trends.

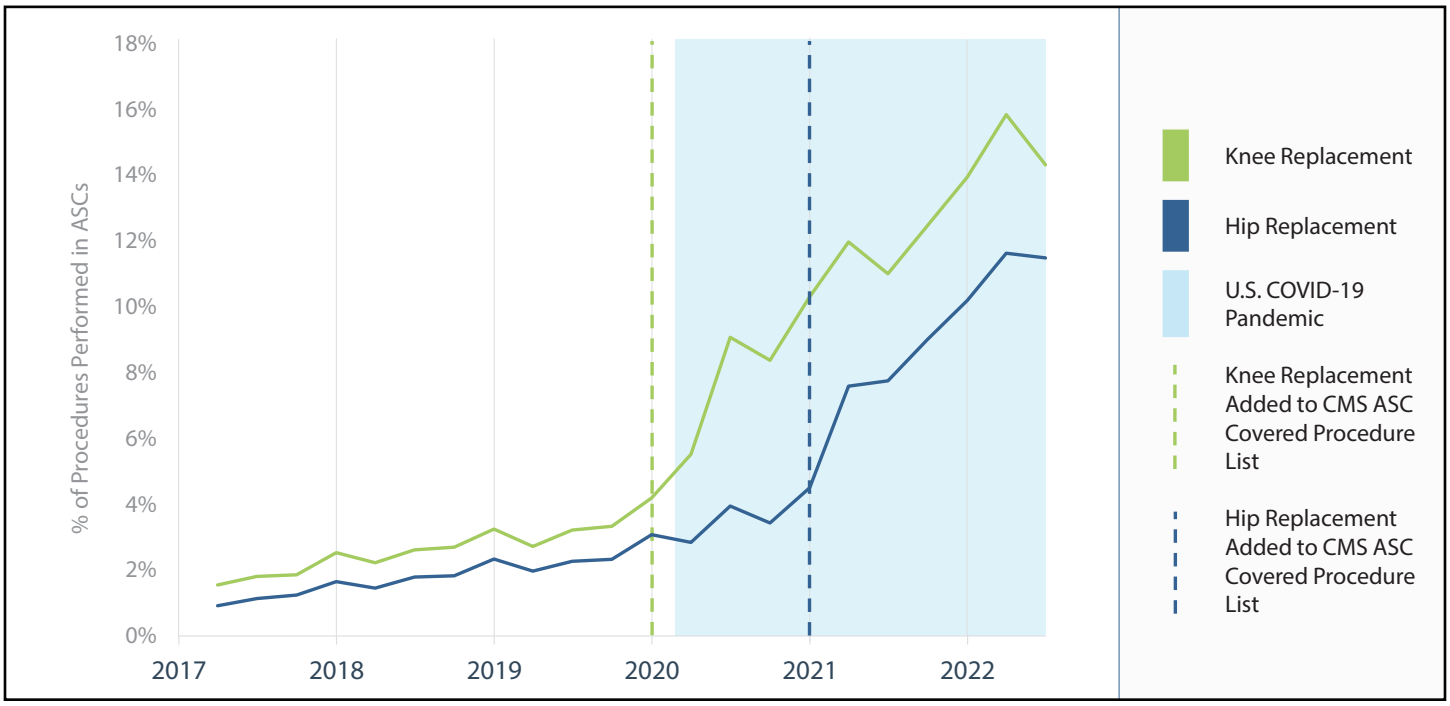

FIGURE 4 | Hip/Knee Replacement in ASCs: % of Hip and Knee Replacement Procedures Performed in ASCs

Hip and knee replacement are two of the most discussed procedures on the topic of ASCs. When overlaying the proportion of each procedure performed in ASCs with key market events, the impact of the COVID-19 pandemic and reimbursement changes can be elucidated.

Prior to 2020, only a small proportion (<5%) of hip and knee replacements were performed in ASCs. Effective January 1st, 2020, CMS added knee replacement to the ASC covered procedure list – after which the proportion of knee replacements performed in ASCs increased roughly five-fold over the next two years.

While the initial increase was driven by reimbursement changes, it was likely accelerated by COVID-19. With the COVID-19 pandemic first meaningfully hitting the U.S. in March 2020, hospitals shut down most operating rooms and diverted resources to COVID-19 patients. While many knee replacements were put on hold indefinitely, some of the deferred volume was picked up by ASCs. The trend is more evident when looking at hip replacement, which was added to the ASC covered procedure list in January 2021. Despite joining the covered procedure list approximately one year after the start of the pandemic, the proportion of hip replacement procedures performed in ASCs roughly doubled over the first nine months of the pandemic.

Through these examples, it is clear that a 'one size fits all' approach is insufficient to effectively target the ASC market.

Procedures such as hip and knee replacement were heavily influenced by specific market events whereas others, such as lumpectomy and cholecystectomy, saw minimal change, even through the height of the COVID-19 pandemic. Ultimately, awareness of upcoming market events, and their anticipated impact across each procedure is a cornerstone of a robust ASC strategy.

CASE STUDY 3 | The distribution of procedures and their shift towards ASCs varies by region.

When looking further into the shift towards ASCs, procedural variation, COVID-19 and policy changes are only a few components of a multifactorial story – site of service trends are also highly state / region dependent.

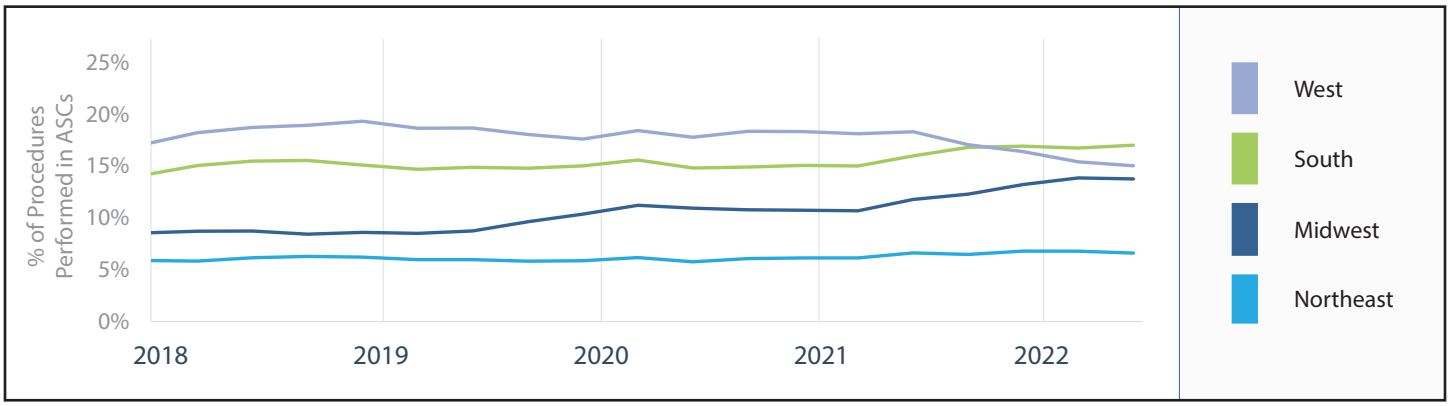

FIGURE 5 | Mastoidectomy in ASCs: % of Mastoidectomy Procedures Performed in ASCs by Region

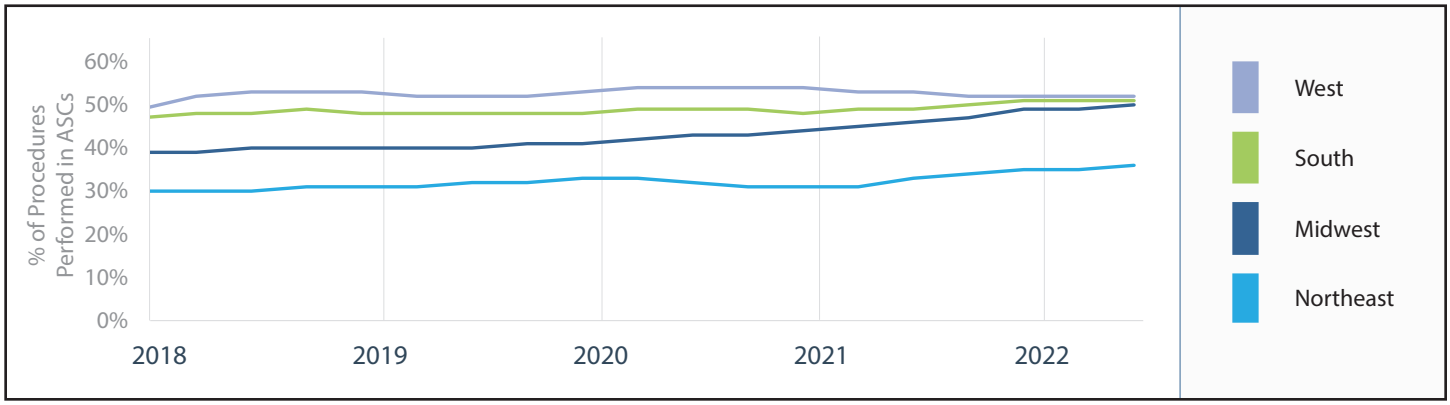

FIGURE 6 | Cataract Surgery in ASCs: % of Cataract Procedures Performed in ASCs by Region

Across almost all procedures (as part of this analysis), the Northeast consistently has the lowest proportion of procedures performed in ASCs with the West or South having the greatest. At the surface, these geographic trends are largely attributable to the number of ASCs per capita in each region with the Northeast having the lowest and the West having the highest (~40% more than the Northeast).

Ultimately, the number of ASCs per region and degree to which procedures are performed in ASCs is heavily impacted by state requirements for accreditation, licensure, and certificate of need as well as local reimbursement rates and how they vary by payer (which can be significant).

Region	Number of ASCs per 1,000,000 People
West	41.5
South	37.2
Midwest	32.2
Northeast	28.9

FIGURE 7 | ASCs Per Capita, by Region

For medical device and equipment manufacturers looking to grow across the country, a detailed understanding of regional site of service trends, facility licensing and reimbursement expectation is critical to expansion plans.

Implications

So, what does this all mean for you? What are some actionable next steps that your organization can take?

Most critically, it is to continue to understand that a 'one size fits all' national strategy on ASC engagement will miss critical nuances that exist across procedures and geographies. An informed commercial targeting effort requires focused real-world data to efficiently deploy resources to maximize product adoption and penetration, or you risk 'boiling the ocean'.

While data is a powerful tool, understanding where the shift in procedures from hospitals to ASCs is occurring is just one piece of the puzzle. Numerous factors impact how your organization should differentially engage with different sites of service to ultimately win in the ambulatory setting, including a detailed understanding of various ASCs.

Factors that impact how your organization should differentially engage with different sites of service:

- Ownership models (e.g., physician-owned, corporate-owned, hospital-owned, joint-venture, etc.) and hospital/health system affiliation
- Key decision-makers and variable role of the surgeon vs administrator
- Customer willingness to pay and reimbursement
- Surgeon and procedure concentration
- Geographic location and proximity to hospitals and other ASCs
- Upcoming national or state policy decisions

Knowledge is power in the changing ASC market landscape.

As this market continues to evolve and grow, those who have the right tools at their disposal to effectively track, segment and engage the market will be successful – and those who do not will be left behind.

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