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Reducing Health Care Costs: Examining How Transparency Can Lower Spending and Empower Patients

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I am honored to testify on the critical issues of price transparency and reducing health care costs. Thank you for the opportunity to represent my ambulatory surgery center (ASC) as well as the Ambulatory Surgery Center Association (ASCA), which represents the interests of the 5,600 Medicare-certified ASCs that provide 15 million outpatient procedures to patients across the country each year.

ASCs like mine are health care facilities that specialize in providing essential surgical and preventive services in an outpatient setting. ASCs have transformed the outpatient experience by offering a convenient, personalized and lower-priced alternative to hospitals.

I am the chief executive office and administrator for the St. George Surgical Center in St. George, Utah. We perform approximately 4,500 procedures on 2,600 patients each year – not only from Utah, but from 36 states and Canadian provinces as well. Our board-certified surgeons specialize in everything from general surgery to total joint replacements. Our commitment to patient safety has resulted in an extremely low 0.037% infection rate, and an exceptional 99.6% patient satisfaction rate.

Since 2013, St. George has offered up-front procedure pricing on its website for more than 220 procedures. We believe that by offering this information, we empower patients with the critical information they need to make the right choices about the care they require.

The demand for price transparency is real. Since posting prices online, our patient base has expanded. For example, we recently served a patient from Montana for a knee ACL reconstruction. After finding our price online, he called to make sure we did not have a typo in the price. The best price he found in Montana was $30,000, just for the hospital fee. Our listed price, which is fully bundled and includes doctor fees, facility fees, and anesthesia is $6,335. We routinely see 60%-80% savings – sometimes higher – over other settings for the same procedures.

ASC Cost Savings and Value

St. George is not an outlier in reducing costs. Nationally, ASCs save Medicare approximately $2.5 billion each year, Medicare beneficiaries $1.5 billion each year[1] and private patients and payers almost $40

[1] Medicare Cost Savings Tied to Ambulatory Surgery Centers, University of California-Berkeley Nicholas C. Petris Center on Health Care Markets and Consumer Welfare, September 2013 available at https://www.advancingsurgicalcare.com/reducinghealthcarecosts/costsavings/medicarecostsavingstiedtoascs

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billion every single year.[2] These savings are generated by procedures performed in the ASC instead of a hospital outpatient department (HOPD). For example, in 2018, the Medicare payment rate for cataract removal in a hospital outpatient department is $1,926.09. In an ASC, the same procedure is reimbursed at $991.95.

Price, however, is only one factor in determining value. Lower prices must be combined with high quality care and a safe patient environment. In addition, patients must be disabused of the notion that higher costs indicate higher quality. As health policy experts will tell you, there is no correlation between cost and quality in terms of health care outcomes.

To that point, across the roughly 23,600 procedures on 13,500 patients performed in St. George Surgical Center since 2013, only five cases have reported infection. Our quality and patient safety rates are so good, in fact, a prominent physician from Salt Lake City recently asked to have staff visit our center to study best practices.

From the national perspective, ASCA was a strong proponent for the requirement enacted in 2014[3] that CMS develop a web portal for Medicare beneficiaries that would allow them to compare their costs for a procedure based upon the sites of service available to them. Since ASC fees for most Medicare procedures are roughly half of HOPDs, this could lead to patient decision-making that would produce significant savings for both them and the Medicare program. Unfortunately, that web portal has not yet been developed.

Quality and Reporting

The ASC community is concerned that, in terms of measuring quality to determine value, there is little uniformity across settings—if patients can choose to get their care from either an ASC or a hospital, shouldn't it be easy for them to compare price, safety and quality metrics in both settings? That is not the way things work now, and we need to address that.

At the federal level, differences between ASC and HOPD reporting systems make it impossible to compare quality and outcomes between the two settings. In fact, only ASCs report on such adverse event measures as patient burns, patient falls, wrong site surgeries and hospital transfers in the Centers for Medicare and Medicaid Services (CMS) Quality Reporting Program. The ASC industry actively lobbied both Congress and CMS to implement this reporting program and works cooperatively with regulators to ensure that meaningful information is collected.

Since the quality reporting program started in 2012, ASCs have been so consistent on these adverse event measures that CMS recently proposed to eliminate them from our reporting system, citing "measure performance among ASCs is so high and unvarying that meaningful distinctions and improvements in performance can no longer be made."[4]

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[2] Healthcare Bluebook and HealthSmart, Commercial Insurance Cost Savings in Ambulatory Surgery Centers (2016) available at https://www.ascassociation.org/HigherLogic/System/DownloadDocumentFile.ashx?DocumentFileKey=829b1dd6-0b5d-9686-e57c-3e2ed4ab42ca&forceDialog=0.

[3] Sec 4011 of the 21st Century Cures Act. Pub. L. 114-255. 130 Stat. 1033. 13 Dec 2016.

[4] 83 FR 37046. CY 2019 Hospital Outpatient Prospective Payment System / Ambulatory Surgical Center Payment System Proposed Rule available at https://www.federalregister.gov/documents/2018/07/31/2018-15958/medicare-program-proposed-changes-to-hospital-outpatient-prospective-payment-and-ambulatory-surgical

That is usually a conclusion that leads a group like ASCA to declare victory and move on. However, we believe these metrics are so elemental in terms of highlighting patient safety, we will ask CMS to keep them. In fact, we want the reporting to be expanded, requiring us to report on adverse events for all patients—not just Medicare patients—and that other sites of service do the same.

Disparities in reporting also exist at the state level. In my home State of Utah, health care facilities are required to report a number of adverse events within 72 hours to the state. Utah is required by regulation to compile the aggregate data and publish a report in March of each year to the Patient Safety Surveillance and Improvement Program Advisory Panel. In comparison, 13 states do not require any adverse event reporting, and some states that collect data do not make it publicly available.

Patient Safety and Outcomes

A growing body of academic research shows that ASCs are achieving equal or better outcomes than other outpatient surgical facilities while saving billions of dollars for both public and private patients and payors.[5]

One recent study[6], published in the Journal of Health Economics, concludes that "ASCs on average provide higher quality care for outpatient procedures than hospitals, and other research indicates that they do so at lower costs than hospitals." The data outlined in this study are risk-adjusted, as the authors state "results indicate that the positive impact of ASCs on patient outcomes accrues even to the highest risk group of patients."

Another study[7], published last year in the Journal of Shoulder and Elbow Surgery, showed that for total shoulder replacements, "no significant differences were found between the ASC and hospital cohorts regarding average age, preoperative American Society of Anesthesiologists score, operative indications or body mass index. No patient required reoperation. There were no hospital admissions from the ASC cohort."

Conclusion

If we are to truly empower patients to get the best value for their health care dollars, both price and quality data must be transparent, meaningful and comparable across all settings where care is available.

Specifically, the ASC community supports the following initiatives to create a more transparent and efficient health care system:

- Medicare and insurers should publicly post information about prices paid or the beneficiaries' out-of-pocket liability for procedures across settings, rather than in the traditional silos of facility type;

[5] https://www.advancingsurgicalcare.com/safetyquality/research

[6] Munnich, Elizabeth L. and Parente, Stephen T. Return to specialization: Evidence from outpatient surgery market. (2018) Journal of Health Economics, (57):147-167 available at https://www.sciencedirect.com/science/article/pii/S0167629617310743

[7] Brolin TJ, et al. Outpatient total shoulder arthroplasty in an ambulatory surgery center is a safe alternative to inpatient total shoulder arthroplasty in a hospital: a matched cohort study. (2017) The Journal of Shoulder and Elbow Surgery, 26(2):204-208 available at https://www.ncbi.nlm.nih.gov/pubmed/27592373

- Patients should be given information on providers in their area, including health outcomes, patient satisfaction, beneficiary cost-sharing and reimbursement to those facilities, in an easy-to-understand manner;
- Disclosed pricing information must be accurate and present the most meaningful comparison for consumer choice. Providers should have the right to appeal and correct any inaccuracies of posted information;
- All health care providers and facilities should publicly disclose, in a user-friendly format, all relevant information about the relative price, quality, safety and efficiency of health care as well as any other information that may impact care decisions, such as financial arrangements and clinical guidelines for treatment;
- Medicare, insurers and other payers should encourage beneficiaries and the physicians who refer patients to use lower-cost settings; and
- Payers should seek innovative methods, such as tiered co-payments, to incentivize patients to seek care in the least costly setting that is appropriate for their treatment.

Thank you again for inviting me to participate in today's hearing, and I look forward to answering the Committee's questions.

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