Outpatient urological surgery costs significantly less when performed in physician offices, ACCs

October 22 2012

More and more outpatient surgical procedures are being done at nonhospital-based facilities such as freestanding ambulatory surgical centers and physician offices, instead of at hospital-based outpatient departments. A new study comparing the cost to Medicare of 22 urological surgical procedures performed in each setting has found that ambulatory surgery centers and physician offices are less costly than hospitals. The results are published in the December issue of *The Journal of Urology*.

"Our findings indicate that for comparable procedures, hospitals were associated with significantly higher payments than ambulatory surgical centers and the physician office," says lead investigator John M. Hollingsworth, MD, Department of Urology, Dow Division of Health Services Research and Center for Healthcare Outcomes & Policy, University of Michigan, Ann Arbor. "In fact, offloading 50% of the procedures from hospitals to ambulatory surgery centers would save the Medicare program nearly $66 million annually."

Investigators examined national Medicare claims from 1998 to 2006, identifying elderly patients who underwent one of 22 common outpatient urological procedures. They measured all relevant payments made within 30 days of the procedure to capture any costs that may have resulted from postoperative complications and unexpected hospitalizations. They assessed the extent to which hospital payments, professional services,

and facility payments vary by the ambulatory care setting where a procedure is performed.

The authors found that 88% of the procedures examined were performed at an ambulatory surgical center or physician office. Ambulatory surgical centers and physician offices were less costly than hospitals for all but two of the procedures. For instance, average adjusted total payments for urodynamic procedures performed at ambulatory surgical centers were less than a third of those done in hospitals. Compared to hospitals, office based prostate biopsies were nearly 75% less costly. While physician offices tended to be more cost-efficient than ambulatory surgical centers, the difference was not significant. Facility payments tended to be the driver of payment differences.

The average Charlson score, which measures how severely ill a patient is, was lower for patients treated in a nonhospital setting. Dr. Hollingsworth notes that low risk patients may be more likely to be treated in an ambulatory setting, and the results may reflect the lower cost of treating patients who are less seriously ill. While Medicare claims data may not be generalizable to other payers, Dr. Hollingsworth says, "the Medicare program accounts for 19% of total national spending on personal health services, making it the single largest payer in the United States. Therefore, with regard to health care financing, as Medicare goes, so goes the nation."

Dr. Hollingsworth and his colleagues observe that if the cost differences between nonhospital and hospital settings are unjustified, e.g., due to inefficiencies rather than case mix, service, or content, then Medicare might base payment in the future on costs at the least expensive setting. "Alternatively, Medicare may bundle reimbursements to facilities and physicians involved in care around a single outpatient surgical episode into a single payment. The observed variation in facilities payments

suggests opportunities for improvement," they conclude.

More information: "Medicare Payments for Outpatient Urological Surgery by Location of Care," by John M. Hollingsworth, Chris S. Saigal, Julie C. Lai, Rodney L. Dunn, Seth A. Strope, Brent K Hollenbeck, and the Urologic Diseases in America project (DOI: 10.1016/j.juro.2012.08.031). *The Journal of Urology*, Volume 188, Issue 6 (December, 2012).

Provided by Elsevier