MEDICARE
Payment for Ambulatory Surgical Centers Should Be Based on the Hospital Outpatient Payment System

What GAO Found

GAO determined that the payment groups in the OPPS, known as ambulatory payment classification (APC) groups, accurately reflect the relative cost of procedures performed in ASCs. GAO calculated the ratio between each procedure’s ASC median cost, as determined by GAO’s survey, and the median cost of each procedure’s corresponding APC group under the OPPS, referred to as the ASC-to-APC cost ratio. GAO also compared the OPPS median costs of those same procedures with the median costs of their APC groups, referred to as the OPPS-to-APC cost ratio. GAO’s analysis of the ASC-to-APC and OPPS-to-APC cost ratios showed that 45 percent of all procedures in the analysis fell within a 0.10 point range of the ASC-to-APC median cost ratio, and 33 percent of procedures fell within a 0.10 point range of the OPPS-to-APC median cost ratio. These similar patterns of distribution around the median show that the APC groups reflect the relative costs of procedures provided by ASCs as well as they reflect the relative costs of procedures provided in hospital outpatient departments and can be used as the basis for the ASC payment system. GAO’s analysis also identified differences in the cost of procedures in the two settings. The median cost ratio among all ASC procedures was 0.39 and when weighted by Medicare claims volume was 0.84. The median cost ratio for OPPS procedures was 1.04. Thus, the cost of procedures in ASCs is substantially lower than the corresponding cost in hospital outpatient departments.

ASC Procedure Median Cost to APC Median Cost Ratios, Distributed by Percentage in 0.05 Increments, 2004

Source: GAO analysis of ASC survey and Medicare data.

OPPS Procedure Median Cost to APC Median Cost Ratios, Distributed by Percentage in 0.05 Increments, 2004

Source: GAO analysis of Medicare data.

What GAO Recommends

The Administrator of CMS should implement a payment system for procedures performed in ASCs based on the OPPS, taking into account the lower relative costs of procedures performed in ASCs compared to hospital outpatient departments. CMS stated that GAO’s recommendation is consistent with its August 2006 proposed revisions to the ASC payment system.


To view the full product, including the scope and methodology, click on the link above. For more information, contact Kathleen King at (202) 512-7119 or kingk@gao.gov.