Ambulatory Surgery Centers

Time to be proactive in down economy

Like their hospital and physician practice counterparts, ambulatory surgery centers (ASCs) are feeling a financial pinch. Or are they? So far, the effects of the recession have manifested in different ways for ASCs, and hard data on nationwide trends are hard to find.

“It’s too early to tell,” Cathy Head, RN, MHA, CASC, says in reply to a question about the effects on outpatient volumes. She is administrator of Evansville (Indiana) Surgery Center. Procedure volumes remain steady so far at Evansville, located in a suburban area in southern Indiana, but Head sees growing evidence of tightening of health care budgets.

“There is still a need for elective procedures,” Head says. “I am more concerned about the effect of the unemployment rate in our community. If people are not working, they still need health care. We’re seeing more bad debt and more charity care.”

The story is the same at Shoreline Surgery Center, Guilford, Connecticut. Surgical services manager Elizabeth Casey, RN, says volume actually increased since the ASC reorganized under a management company, but she does not believe that experience is typical.

Recession’s hurting everybody

The southern part of Connecticut, where Guilford is located, is home to executives who commute to New York’s financial district or Hartford’s insurance and banking centers.

“A lot of affluent people tend to have elective procedures done, especially cosmetic, and they are now faced with the loss of income,” she says. “Even if they keep their jobs, they are still seeing their stocks go down.”

From the South, in Springdale, Arkansas, Sonia Bates reports an equally cloudy scenario. Bates is treatment plan coordinator at MaxSurge Healthcare Solutions, a combination ASC and medical clinic.

“We don’t have numbers yet,” she says, but in general, business “has decreased tremendously. Many patients are not doing elective procedures.”

The clinic side of the facility has already let some employees go, and the ASC is contemplating the same move if the downturn continues. “The recession’s hurting everybody,” Bates says.

While some ASCs may consider selling the business or merging with hospitals, that is not an option for MaxSurge, which specializes in oral and cosmetic surgery, which are not typical hospital service lines.

From elective to emergency

In a research paper released in February, “The Current Recession and US Hospitals,” Thomson Reu- ters reported that at least within hospitals, outpatient procedure volumes did not decrease through December 2008. While
Colonoscopy volumes varied from month to month before falling off in November, the volumes for 4 other common procedures remained flat all year: knee arthroscopy, cardiac catheterization, cardiovascular stress test, and cataract surgery.

Where hospital outpatient volumes did decline, Thomson Reuters attributes the drop to patients choosing “nonhospital sites” and concluded there had been no overall drop in elective surgery as of that date.

Another industry expert foresees a different scenario. Jody Hatcher is president of the group purchasing organization Novation, Irving, Texas, which counts ASCs among its members. In an interview with the online supplier newsletter StratCenter.com, Hatcher says many people who put off elective surgery now will end up in the emergency room, meaning outpatient services will lose volume to their acute-care neighbors.

“What’s happening,” Hatcher says, “is that as people lose their insurance, rather than getting care earlier from their primary care provider, they are now waiting until it’s more severe and they’re walking in to the ER.

“As you have more and more uninsured, you have a greater number of hospital walk-ins. And any elective procedures are also negatively impacted by coverage levels, as well as people just holding off if and when they can; this affects nonacute sites.”

Health care adds jobs

According to the Bureau of Labor Statistics, health care remains one of few bright spots in the national employment picture. Unlike most industries, health care added jobs in February, including 16,000 in ambulatory health care, which includes ASCs. One of those, in fact, was Evansville, which hired an OR nurse and instrument technician.

No current employment surveys appear to focus on ASCs specifically. The ASC Association, Alexandria, Virginia, does not track patient volumes and has conducted no formal survey of how the recession is affecting its members. Spokeswoman Kay Tucker says individual reports vary, with some ASCs losing business while others see no change for now. “It’s too soon to see consistent results,” Tucker says.

Impact varies by specialty

One reason for the inconsistent effect may be that ASCs vary by specialty and ownership. Cosmetic surgery, for example, has seen volumes decline dramatically. In January, the American Academy of Cosmetic Surgery reported that 79% of its members said the recession has affected their practices, and average procedure volume declined by one-third as patients turned to creams and other noninvasive treatments.

Also declining are bariatric surgery and radiology. Casey says Shoreline’s radiology volumes are down by about 300 cases since a year ago. “People put off their mammograms if they’ve lost their insurance.”

Evansville recently added bariatric surgery, and Head says she expects declines in the future, “but so far, it’s doing well.”

In any case, Evansville is in a good strategic position to weather the recession because of the range of specialties it includes: orthopedics, ophthalmology, ear, nose and throat, general surgery, gynecology, and urology.

Its ownership, shared by a physician group and Deaconess Hospital, requires the center to treat patients with government insurance such as Medicare and Medicaid or with no insurance. Reimbursements are slow and declining, and payments are late or missed.
“You see your accounts receivable aging, as people take more time to pay. We try to collect up front, but that is not always possible,” Head says.

**It’s time to be proactive**

Even if right now the recession seems to be happening to someone else, no ASC can afford to be complacent. As hospitals show, health care is no longer recession-proof.

Head recommends preparing for the future by working harder than ever to reduce costs, standardize on supplies, and maintain fee collections. Financial analysis will show which volume trends are cyclical (such as surgeons’ annual spring vacations) and which are warnings of economic distress.

“Financial analysis is more important than ever,” Head says. “If you are not financially healthy, then you’ll get into trouble.”

Watching the news for signs of local economic trends, such as mass layoffs, are also tools of analysis. Capital investments may have to wait, and vacant positions go unfilled.

“Be proactive,” Head warns. “You can’t just sit back and wait for the next shoe to drop.”

—Paula DeJohn