

# A Policy-Relevant Picture of California’s Ambulatory Surgery Centers

**F**ree-standing ambulatory surgery centers (ASCs) that offer same-day surgical procedures are becoming an increasingly important part of the health care infrastructure. ASCs have proliferated in the United States over the past 20 years: from 336 registered facilities in 1985 to 4,707 in 2006. Nationally, about 95 percent of ASCs are for-profit, and many are physician-owned.

Although ASCs offer more-convenient and cheaper services than hospital outpatient surgery departments, their explosive growth is generating concerns for policymakers. These concerns are particularly salient in California, where ASC growth mirrors the national trend: The 253 registered facilities in 1996 nearly doubled to 482 ten years later.

The California state legislature, during its 2007–2008 session, considered three bills that would change the way the state’s ASCs are regulated.<sup>1</sup> Although these bills were not enacted, the issue of regulation is expected to come up again in the future. To provide policymakers with needed data, the California Healthcare Foundation asked the RAND Corporation to examine how ASCs compare with hospital outpatient surgery departments in California and how the state compares with other states in regulating ASCs. This Research Brief summarizes the findings of the RAND study.

<sup>1</sup> Assembly Bill 1574, Assembly Bill 2968, and Senate Bill 1454, each from the 2007–2008 legislative session. AB 1574 was eventually passed but vetoed by Governor Schwarzenegger on September 27, 2008; AB 2968 was vetoed on September 28, 2008; and SB 1454 was not passed by the Senate.

## Abstract

Ambulatory surgery centers (ASCs) have proliferated in the United States over the past 20 years. Their explosive growth concerns policymakers, especially in California, where ASC growth mirrors the national trend. RAND researchers examined how ASCs compare with hospital outpatient surgery departments in California and how California compares with other states in regulating ASCs.

## California’s Dual-Track Licensing System for ASCs

California is distinctive in licensing ASCs under a dual-track system:

- Physician-owned ASCs are regulated by the Medical Board as “outpatient settings.”
- Non-physician-owned ASCs are regulated by the Department of Public Health as “surgical clinics.”

## California’s ASCs Versus Hospital Outpatient Surgery Departments

RAND researchers assembled and analyzed a linked database of information covering 2005 and 2006 utilization and patient encounter data for both California ASCs and hospital outpatient surgery departments, with which ASCs compete. Key findings are highlighted below.

**Patient Population.** There were no large differences in race, sex, and ethnicity. However,

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Headquarters Campus  
 1776 Main Street  
 P.O. Box 2138  
 Santa Monica, California  
 90407-2138  
 TEL 310.393.0411  
 FAX 310.393.4818

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Vogt WB and Romley JA, *California Ambulatory Surgery Centers: A Comparative Statistical and Regulatory Description*, Santa Monica, Calif.: RAND Corporation, TR-757-CAHF, 2009 ([http://www.rand.org/pubs/technical\\_reports/TR757/](http://www.rand.org/pubs/technical_reports/TR757/)).

- Hospitals treat a younger patient population.
- ASCs serve a higher-income and more-generously-insured population.

**Procedures.** The top six outpatient procedures are the same for ASCs and hospitals: three colonoscopy procedures, diagnostic endoscopy, cataract surgery, and pain management (spinal injection). However,

- Hospitals perform a more diverse mix of procedures.
- ASCs tend to specialize in eye surgery, gastrointestinal procedures, pain management, and arthroscopy.
- ASCs do more pain management and cosmetic procedures.
- ASCs perform a lower overall volume of surgeries.
- ASCs generally achieve higher volume on those procedures in which they specialize.

### ASC Regulation: California Versus Other States and Medicare

RAND researchers compared California's current approach

to regulation with the approaches adopted by the 14 next-largest states and Medicare. These findings are summarized in the accompanying table.

### Suggestions for Future ASC Policy Research

- *Address quality issues.* The differences in patterns of volume and procedure specialization between ASCs and hospital outpatient surgery departments, as well as different regulatory strategies, could have implications for quality.
- *Examine geographic and population variations.* The notable differences in income and insurance status of ASC and hospital outpatient surgery patients warrant a closer examination of how the geographical distribution of these facilities vary, and how this affects their respective patient populations.
- *Analyze competition.* ASCs and hospital outpatient departments compete, and this competition affects the distribution of patients among facilities. ■

### How California Compares with Other States and Medicare on ASC Regulation

<i>All states license ASCs, but requirements vary.</i>				<i>Quality regulation varies by state.</i>		
	<b>Inspection frequency</b>	<b>Is prior notice for inspection required?</b>	<b>Is accreditation related to licensing?</b>	<b>Implement quality-assessment or improvement programs?</b>	<b>Report encounter data to regulators?</b>	<b>Report quality indicators to regulators?</b>
CA outpatient	As needed	Yes	Satisfies	No	No	No
CA surgical	As needed	No	No	No	Yes	No
Florida	Annually	No	Facilitates	Yes	Yes	Yes
Georgia	1–4 years	No <sup>a</sup>	Required	No	No	Yes
Illinois	As needed	No <sup>a</sup>	No	No	Yes	Yes
Indiana	Annually	No	No	Yes	No	Yes
Massachusetts	As needed	No	No	Yes	No	Yes
Michigan	By incident	No	Required	Yes	No	No
New Jersey	As needed	No	Required	Yes	No	No
New York	By incident	No	Required	Yes	Yes	Yes
North Carolina	As needed	No	Satisfies	Yes	No	No
Ohio	As needed	No	Facilitates	Yes	No	Yes
Pennsylvania	As needed	No	No	No	No	Yes
Texas	As needed	No <sup>a</sup>	Facilitates	Yes	No	Yes
Virginia	As needed	No	No	No	Yes	No
Washington	18 months	No	Facilitates	Yes	No	Yes
Medicare	Initially	No	Satisfies	Yes	Yes	No

<sup>a</sup> Prior notice not required, but timing must be reasonable.

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