

# DATA ON THE EDGE

## POSITION TO WIN IN AMBULATORY SURGERY CENTER STRATEGY

The procedural shift toward outpatient settings has been underway for some time, and the trend is expected to continue. A key concern for hospital executives is the relocation of outpatient procedures from within hospital walls to ambulatory facilities. Many hospitals are striving to keep pace with independent physician groups that dominate the ambulatory surgery landscape. At the same time, new market disrupters have been entering this space, intensifying competition. As more surgeries are performed in freestanding ambulatory surgery centers (ASCs), hospitals are increasingly exploring partnerships and joint ventures to mitigate the risk of losing market share. However, this shift is not consistent across all markets or specialties.

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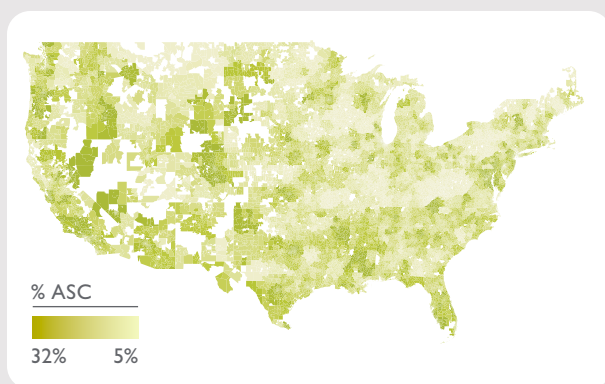
To learn more, check out Vizient data resources on [page 5](#).

Where should hospital leaders focus their efforts? The persistent debate is that moving too quickly could result in cannibalizing existing volumes and profit margins, while moving too slowly could allow competitors to gain a significant advantage. New data provide valuable insights into national trends and local dynamics, offering guidance on how to achieve the right balance.

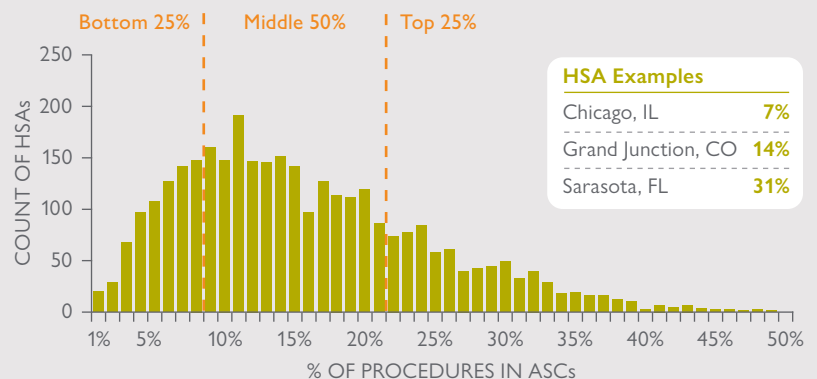
### The Uneven Shift Toward Ambulatory Surgery

#### Where Is Your Market on the Distribution Curve? How Does Your Organization Compare to Others?

Procedures in ASC by Hospital Service Area, 2024



DISTRIBUTION OF HSAs



**Note:** Analysis excludes 0–17 age group. 2024 OP volumes include two procedure groups: procedures—major and endoscopy, and the diagnostic catheterization procedure. 2024 IP volumes include two procedure groups: major therapeutic and minor therapeutic, and the brain biopsy and diagnostic catheterization procedures. HSA = hospital service area.

**Sources:** Impact of Change®, 2024; HCUP National Inpatient Sample (NIS). Healthcare Cost and Utilization Project (HCUP) 2019. Agency for Healthcare Research and Quality, Rockville, MD; Proprietary Sg2 All-Payer Claims Data Set, 2022; The following 2022 CMS Limited Data Sets (LDS): Carrier, Denominator, Home Health Agency, Hospice, Outpatient, Skilled Nursing Facility; Claritas Pop-Facts®, 2024; Sg2 Analysis, 2024.

ASC adoption varies across the country, with some markets embracing the shift faster than others. While one out of ten hospital service areas has seen over 29% of total procedural volumes move to ASCs, half show volume movement below 14%. This uneven adoption reflects the complexity hospital leaders face as they navigate the shift toward outpatient surgical care. It is critical for leaders to understand where their local market stands in this transition, how to position their system’s strategy and what strategically aligned action they should take to preserve volume amidst competitive shifts.

Factors contributing to this geographical variation include state regulations, physician alignment and entrepreneurial activity, population growth, payer and provider consolidation, and competition from private equity and large management companies, among others. A market on the right tail of the distribution in the graph, for instance, is more likely to be a high-growth market in a state with no Certificate of Need (CON) laws that also has aggressive disrupters and independent physician groups.

The map shown above is a current snapshot of ASC adoption and will shift as these dynamic factors continue to evolve. For example, ASC expansion can be expected when CON regulations are lifted in North Carolina, South Carolina, Tennessee and Georgia.

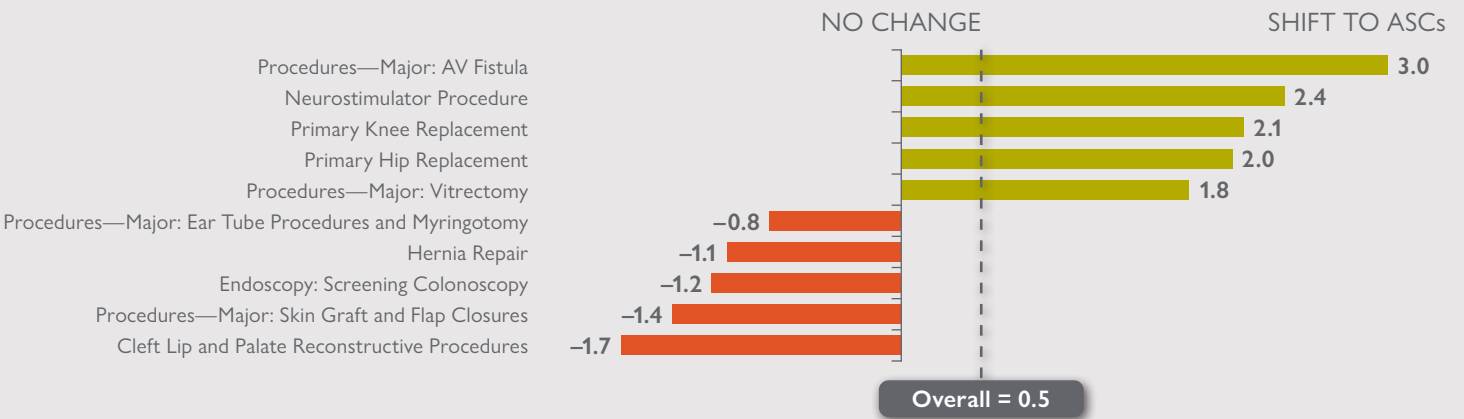
### The Shift of Ambulatory Procedures

Geographic variation is only part of the story. Equally important is understanding which specific procedures are moving to ASCs. In 2023, 20% of all surgeries were performed in ASCs, up just half a percentage point from 2021. Some procedures saw larger shifts while some were shifted back to hospital settings. The graph below highlights the top procedures shifting in and out of ASCs.

- Between 2021 and 2023, AV fistula procedures saw the biggest movement into the ASC setting, with its ASC share rising from 18% to 21%, a three-point increase. These patients are at the heart of complex chronic care, closely monitored by the government, and these procedures are likely to continue shifting to lower-cost settings such as ASCs and office-based practices.
- Knee and hip replacements also experienced a significant increase in their rate of movement to ASCs, reinforcing the trend of orthopedics moving not just to outpatient status but out of hospitals entirely. Prioritizing an ASC strategy is crucial, as accepting lower revenue is preferable to losing these high-value patients altogether. Orthopedic cases are among the top revenue drivers shifting to ASCs. Some commercial payers are providing higher reimbursement for hip and knee procedures performed at ASCs to incentivize the shift, but these higher reimbursement rates likely will not last long.
- Neurostimulator procedures saw growth in ASC share, likely influenced by policies such as CMS’s prior authorization requirements for hospital outpatient department (HOPD) cases for spinal neurostimulation.
- Some procedures saw slight declines in ASC share, moving out of the ASC setting. Hernia repair, for example, may be shifting back to hospitals as surgeons increasingly favor robotic surgery, which is more commonly available in hospital-based facilities.

### What Procedures Have Moved In (and Out) of ASCs Recently?

Procedures Shifting to ASCs, Percentage Point Shifts, 2021–2023



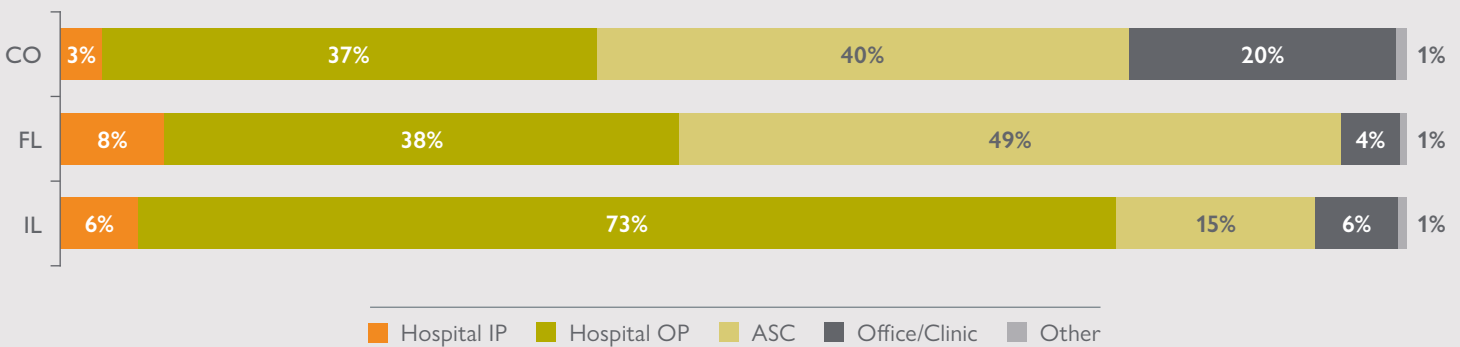
**Note:** Analysis excludes 0–17 age group. AV = arteriovenous. **Sources:** Impact of Change®, 2024; HCUP National Inpatient Sample (NIS). Healthcare Cost and Utilization Project (HCUP) 2019. Agency for Healthcare Research and Quality, Rockville, MD; Proprietary Sg2 All-Payer Claims Data Set, 2022; The following 2022 CMS Limited Data Sets (LDS): Carrier, Denominator, Home Health Agency, Hospice, Outpatient, Skilled Nursing Facility; Claritas Pop-Facts®, 2024; Sg2 Analysis, 2024.

## Geographic and Specialty Variation: A GI Endoscopy Story

Nationally, GI endoscopy is the most common ASC procedure group. But, the bar graph below shows how state-level regulations, local market dynamics, and the role of disrupters and multistate ASC operators can heavily influence ASC adoption.

- CON laws inhibit ASC growth in Illinois, likely driving 73% of GI endoscopy procedures to be performed in hospital OP settings. Although ASCs represented a smaller share of volume compared to the non-CON states of Colorado and Florida, the top ASC by volume in Illinois was GI Alliance, a national player. This underscores the importance of watching the disrupter trend across the US.
- Colorado is not a CON state. Notably, only 37% of all GI endoscopy procedures were performed in the HOPD setting in this state, far below the 73% share in Illinois. Interestingly, 20% of the procedures were completed in office settings. This is in part due to the shift into the office-based setting driven by Kaiser Permanente, one of the larger practitioner groups for GI endoscopy in Colorado.
- As a non-CON state with no singular dominating organization, Florida is a highly fragmented state with a diverse group of ASCs performing a large share of GI endoscopy procedures. However, many of these organizations belong to groups with multiple ASCs operating in Florida. For example, Gastro Health, a Florida-based medical group that operates ASCs in multiple states, had a 10% share of all GI endoscopy procedures that were performed in ASCs in 2023.

GI Endoscopy Volume by Site of Care, Select States, 2023



**Note:** Analysis excludes 0–17 age group. Percentages may not add to 100% due to rounding. GI endoscopy includes endoscopy for gastroenterology service line, endoscopy: colonoscopy, endoscopy: endoscopic ultrasound—GI, endoscopy: endoscopic retrograde cholangiopancreatography, endoscopy: screening colonoscopy, endoscopy: upper GI endoscopy. Includes all service line groups. Based on professional claims and place of service code. Limited to where the practitioner specialty is gastroenterology, general surgery, colorectal surgery, emergency department or primary care. GI = gastrointestinal. **Sources:** Proprietary Sg2 All-Payer Claims Data Set; IQVIA; Sg2 Analytics, 2024.

## Why It Matters

Across all sites of care, Sg2 projects national outpatient surgery rates to grow by 19% and inpatient surgery rates by 3% between 2024 and 2034. New data offer health system leaders insight into the evolving ambulatory surgery landscape. ASCs could surpass the 19% outpatient forecast if they draw volume from other care settings. Ultimately, ASC growth will depend on market, competition and strategy.

- **Improve ambulatory surgery operational efficiency.** Investment in ASCs will continue to accelerate, driven by projected procedural growth and the superior operational efficiencies ASCs offer when optimized, especially compared to HOPDs. This efficiency not only enhances performance but also contributes to higher physician satisfaction. Delivering a more holistic view on ASC performance is key to sustained growth and improved financial performance, and it requires effective integration of clinical, operational and strategic insights to improve care across the continuum.
- **Develop ASC strategy** to address these questions: How does the organization proactively align with surgeons who perform predominantly ambulatory procedures? Does the organization want to keep pace or proactively anticipate the future of surgery? Is the organization better positioned to prioritize tertiary and quaternary cases in the hospital? The time is now to be decisive and intentional about approach and strategy for ambulatory surgery. No strategy is not an option.

- **Assess market dynamics.** Organizations must understand where their market is placed in the distribution graph on page 1 when compared to other HSAs in their region. Will the placement shift further to the right as more procedures migrate to ASCs and away from the hospital? What procedures and specialties are next in line?
- **Evaluate procedure profitability.** Reimbursement and margins should be assessed for HOPD vs hospital-owned or -managed ASCs. Strategies for managing cost per case such as standardized contracting, vendor/implant standardization, product utilization and operational solutions should be considered to lower costs.
- **Understand the competitive landscape.** As ambulatory procedures continue to move outside of the hospital, the market share of procedural volumes across different sites of care will shift rapidly. Despite heightened scrutiny from federal and state policymakers on private equity's dealmaking in the ASC space, the activity will not likely slow down. Investigating disrupter activity, including that of national ASC operators, as part of a continuous environmental assessment is a must.

**Sources:** Dartmouth Atlas Project. Research methods. Accessed October 2024; Wallace C. How CON reform affects ASCs. *Becker's ASC Review*. September 30, 2024; Newitt P. Could private equity scrutiny stifle ASC development? *Becker's ASC Review*. October 7, 2024; Impact of Change®, 2024; HCUP National Inpatient Sample (NIS). Healthcare Cost and Utilization Project (HCUP) 2019. Agency for Healthcare Research and Quality, Rockville, MD; Proprietary Sg2 All-Payer Claims Data Set, 2022; The following 2022 CMS Limited Data Sets (LDS): Carrier, Denominator, Home Health Agency, Hospice, Outpatient, Skilled Nursing Facility; Claritas Pop-Facts®, 2024; Sg2 Analysis, 2024.

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*To speak with one of our experts about ambulatory strategy, ASC strategy, the Sg2 Share of Care™ analytic tool or the Vizient Ambulatory Strategy Center Dashboard, email [membercenter@sg2.com](mailto:membercenter@sg2.com).*

# POWERED BY VIZIENT DATA AND DIGITAL PLATFORM

This report's analysis leverages the following proprietary data and analytics assets.

**Sg2 Intelligence** is a diverse team of subject matter experts and thought leaders who represent specialties ranging from clinical service lines to enterprise strategy. The team develops strategy-specific content in the form of editorial reports, including the Data on the Edge series, and perspective-based analytics, such as the Impact of Change® forecast.

**Sg2's Share of CARE™** analytic tool helps members strategically access their market position across all IP and OP sites of care and optimize service distribution to effectively compete for clinical demand and maximize their care footprint.

**Sg2's Impact of Change®** model forecasts demand for health care services over the next decade, examining the cumulative effects and interdependencies of key impact factors driving change in utilization. Using both disease-based and DRG-based analyses, the forecast provides a comprehensive picture of how patients will access inpatient and outpatient services along the continuum of care.

**Vizient Ambulatory Surgery Center (ASC) Insights** are advancing to support holistic cost and quality performance improvement across the full care continuum. Leverage new ASC insights in Procedural Analytics and engage in Vizient's comprehensive Data and Digital portfolio to access exclusive, future dashboard views through an AI-enabled platform experience. Expand the scope and efficiency of care site comparisons and external peer benchmarking to tackle the complexities of site shift, including total cost management, capacity management, resource utilization and population health. Compare ASC cohorts and make every minute count evaluating procedure and room time duration. Improve ambulatory financial performance by informing sourcing and total cost reduction strategies. Increase surgical access and identify opportunities for volume or procedure growth to meet demand and improve value.

The Vizient Data on the Edge series team includes Brianna Motley; Catherine Maji; Eric Lam; Alyssa Harris; Madeleine McDowell, MD, FAAP; Jen Goff; Kerstin Liebner; Arati Kurani; and Sg2 Creative Services.