



Highlights of [GAO-07-86](#), a report to congressional committees

# MEDICARE

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

### Why GAO Did This Study

Medicare pays for surgical procedures performed at ambulatory surgical centers (ASC) and hospital outpatient departments through different payment systems. Although they perform a similar set of procedures, no comparison of ASC and hospital outpatient per-procedure costs has been conducted. The Medicare Prescription Drug, Improvement, and Modernization Act of 2003 directed GAO to compare the relative costs of procedures furnished in ASCs to the relative costs of those procedures furnished in hospital outpatient departments, in particular, how accurately the payment groups used in the hospital outpatient prospective payment system (OPPS) reflect the relative costs of procedures performed in ASCs. To do this, GAO collected data from ASCs through a survey. GAO also obtained hospital outpatient data from the Centers for Medicare & Medicaid Services (CMS).

### 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.

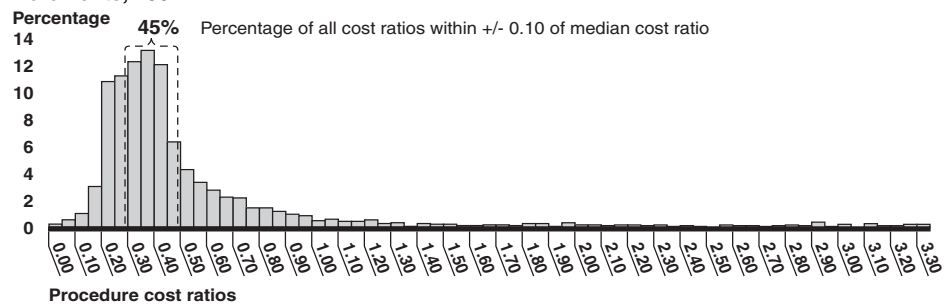
[www.gao.gov/cgi-bin/getrpt?GAO-07-86](http://www.gao.gov/cgi-bin/getrpt?GAO-07-86).

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](mailto:kingk@gao.gov).

### What GAO Found

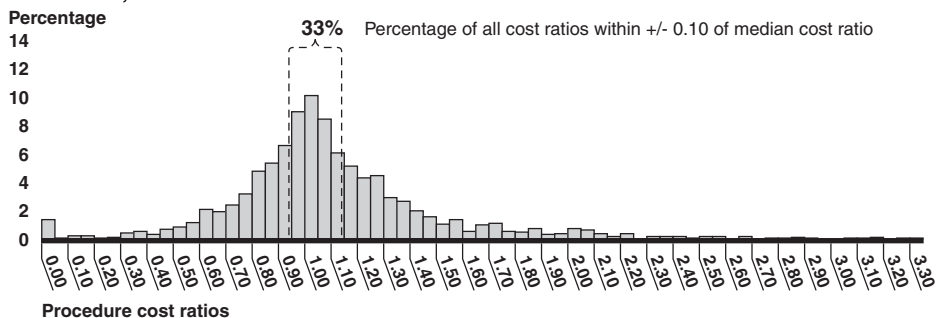
GAO determined that the payment groups in the OPSS, known as ambulatory payment classification (APC) groups, accurately reflect the relative cost of procedures performed in ASCs. GAO calculated the ratio between each procedure's ASC median cost, as determined by GAO's survey, and the median cost of each procedure's corresponding APC group under the OPSS, referred to as the ASC-to-APC cost ratio. GAO also compared the OPSS median costs of those same procedures with the median costs of their APC groups, referred to as the OPSS-to-APC cost ratio. GAO's analysis of the ASC-to-APC and OPSS-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 OPSS-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 OPSS 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.