

Cost control leads list of strategies related to healthcare reform

When the Affordable Care Act (ACA) was signed into law, many ambulatory surgery center (ASC) leaders viewed it with optimism because it requires everyone to have health insurance unless they choose to pay a penalty. "We thought this would be a very positive thing because we would see an increase in insured patients and an increase in volume because patients could afford to get the care they needed," says Martha Colen, MBA, BSN, CASC, administrator of the multi-specialty Virginia Beach Ambulatory Surgery Center, Virginia Beach, Virginia, which performs about 3,000 cases a year.

Although case volume has indeed risen in many geographic regions, it has dropped in others. In addition, Colen and other ASC leaders find that achieving full reimbursement can be difficult, particularly for patients who purchased low-premium, high-deductible (as much as \$5,000 a year or even higher) plans.

"What's being sold is an affordable health care plan, but it's not really affordable," Colen says. "It's misleading."

Newly insured patients are particularly vulnerable because they are unfamiliar with how insurance works, and younger people too often end up putting their credit scores at risk because they cannot pay costs they incur under high-deductible policies. Virginia doesn't have a health exchange, but Colen has seen commercial insurers offering low-premium, high-deductible plans.

An upside of the ACA, however, has been a renewed focus on quality outcomes, which plays to the strengths of ASCs. "There's always a sense of nervousness if volume decreases because of high-deductible plans," says Colleen Heeter, MBA, BSN, RN, vice president of operations at Surgical Care Affiliates, Deerfield, Illinois. "On the flip side, there is excitement because the ACA is focusing on access to care, better outcomes, and lower costs, and ASCs have done that for years." Heeter oversees ASCs and surgical hospitals in Oklahoma, Texas, and Idaho.

OR Manager spoke with Colen, Heeter, and other ASC leaders around the country to learn what actions they have taken in response to the ACA. In addition, ASC leaders who participated in the annual OR Manager Salary/Career Survey are also acutely aware of the need to respond to the ACA, as indicated by their responses to an open-ended question on the topic (sidebar, p 30).

Some respondents said they plan to "be more cost-effective," "increase case volume," and "better process insurance verification." One respondent reported the ASC had stopped accepting Medicaid patients. Another said, "We are trying to work with our surgeons and patients, and everyone is seeing higher deductibles. People are deciding more and more to delay or not to have elective surgery."

Getting paid and containing costs were common themes voiced by survey respondents and those interviewed.

ASC responses to the Affordable Care Act

One question posed in this year's OR Manager Salary/Career Survey was: "Based on your understanding of the Affordable Care Act, what changes do you intend to make this year in your ASC's operation?" More than 80 ASC leaders responded, and although several managers answered "none," most of those who shared their plans focused on cost savings:

- Be more cost-effective, control inventory levels, and reduce overtime.
- Continue to look at ways to cut costs without compromising patient safety.
- Continue to operate with a very lean and efficient budget.
- Focus on supply costs and staffing.
- Improve control of supplies, and watch staffing hours more closely.
- Coordinate choices of implants and other supplies.
- Look for cheaper vendors; shop for more economical implants.

ASC leaders are also thinking about revenue and reimbursement:

- Attempt to stay or contract with insurance companies to be in network.
 - Communicate better with our referring surgical offices.
 - Increase case volume.
 - Increase hours to add capacity for moving outpatient cases from the hospital main OR suite.
- Several comments related specifically to payments, such as:
- Collect deductibles and copays up front.
 - Implement tighter controls in getting up-front payments of deductibles and copays.
 - Increase insurance verification.
 - Increase financial agreements with patients for payment plans.
 - Work to have a better collections department, including prescreening of benefits.
 - More closely monitor patient insurance plans in order to collect copays and deductibles and ensure the patient has coverage.

One ASC created a central business office to discuss financial obligations of patients and attempt to secure payment before procedures.

Payment before service

Higher deductibles have prompted ASC leaders to focus on presurgery assessment of insurance coverage and to collect at least part of the fees that patients will be responsible for before they enter the OR.

That's business as usual for Tracy Hoeft-Hoffman, MSN, MBA, RN, CASC, administrator for Fremont Health Surgery Center, a multispecialty ASC in Fremont, Nebraska, that performs 3,600 cases a year in its three ORs and procedure room. "We've always checked [patients'] insurance ahead of time," she says. "We give patients a cost estimate as to what their share is and have them bring it in," she says.

Heeter agrees that ASCs have always been mindful of collections. "We've tightened our belts in verification [of insurance], although we've always done a good job on that side. We always want to have cash up front at the time of surgery," she says.

"We used to just collect copayments, but now we collect part of the deductible," Colen says, adding, "You need to have a frank discussion with the patient before surgery."

Of course, it's important to have that discussion without driving patients away. That's why Colen relies on the business office associate to talk with patients about the financial aspects of their care. The associate also sends a letter notifying the patient of his or her financial responsibility, and nurses remind patients during the preoperative call that on the day of surgery they need to bring a means of payment.

Prompt claim filing has become even more important under the ACA. "Our claims go out right away, but we don't always get paid because the patient hasn't paid the deductible," Colen says.

Obtaining authorization doesn't guarantee payment, even when patients are insured, because people typically have 90 days after enrollment to pay their premium. If the sur-

gery is done, and then the patient doesn't pay the premium, some insurance companies may ask the ASC to return the money. Even if the insurance company doesn't approach the ASC, the surgery center may be unable to collect money from the patient. "You can go to collections, but if they don't have it, they don't have it," Colen says.

Many ASCs have had to work with more insurance providers since the ACA went into effect. "There are so many more payers with the federal exchanges, so we have to be more detailed," Heeter says.

"Evaluate your financial policies as they relate to collecting before surgery and know what your insurance contracts allow you to do," Colen advises other ACS leaders. "By not collecting the deductible, you have basically given the patient a gift."

Creative cost cutting

Not all ASCs are seeing an increase in cases in response to the ACA. Hoeft-Hoffman has seen a 15% reduction in volume over the past year, which she attributes to higher insurance deductibles. "We do elective cases, so people will put surgery off a bit longer; they are hesitant," she says.

Hoeft-Hoffman has not filled two open positions, and she is considering the use of per-diem nurses: "You aren't paying them unless they work, and we might need them only one or two days a week."

No matter what the surgical volume, cost containment is key. "Labor productivity and supply cost are the two areas you can truly affect," Heeter says. "We are monitoring how we flex staffing to adjust to volume changes and negotiating with vendors to get the best price."

She suggests ASC leaders partner with a group purchasing organization to obtain economy of scale. (To learn more about group purchasing organizations, see *OR Manager*, December 2013, p 23.)

Managing inventory is a key strategy for addressing costs. "We work very hard on our inventory," says Cindy Armistead, RN, administrator of Campbell Clinic Surgery Centers in Germantown, Tennessee. "It doesn't vary quarter to quarter more than \$2,000. I don't want anything on the shelf that won't turn in 30 days." Armistead manages two centers, each with four ORs; about 8,000 cases are performed annually in both centers.

Hoeft-Hoffman says her team recently outsourced coding because it was less expensive than doing it internally. Next, they are looking at the most cost-efficient method for transcription. "It's a reality that you have to be cost-effective," she says, noting that many ASCs are delaying capital purchases.

Colen adds that ASCs also run into problems because some insurers only pay for the procedure and not for implants or devices. For example, the device used for a balloon sinuplasty adds \$1,200 to \$1,500 to the cost of a procedure, but one insurance company won't pay for the device.

Seeking opportunities

Armistead has seen an increase in volume in response to the ACA, with more inpatient procedures shifting to the outpatient setting, which has created new opportunities. Total hips and knees were added to the procedures performed at her two centers about a year ago, and Armistead says she is working with payers to be able to increase the number of those procedures.

"One of the most difficult things has been dealing with the insurers," she says. One reason for the difficulty is that the Centers for Medicare & Medicaid Services (CMS) doesn't reimburse for these procedures when they are performed in the ASC.

"Most insurers base rates on CMS, so there wasn't a template in this case," Armistead says. Instead, she had to negotiate with each insurer to create what she

terms a “hybrid bundled payment approach.” The payment is all-inclusive for facility costs, including physical therapy, but does not include surgeon fees, anesthesia costs, or home health services.

Armistead says that the hip and knee replacement patients have done well in the ASC setting. “They tend to be fairly active and want to get back to their activity levels, so they are very motivated.”

Heeter says that thinking strategically is also important in identifying opportunities related to the ACA. “We’re looking at partnerships with health systems and health plans to market the cost savings that can be gained by moving selected surgeries into the ASC.”

Here to stay

The ACA isn’t going anywhere any time soon. According to a July 2014 Kaiser Health Tracking Poll, 53% of Americans have an unfavorable view of the ACA, but most want Congress to improve the law (60%) rather than repeal and replace it (35%).

Armistead sees an additional benefit in the form of patients’ enhanced knowledge. “Consumers are getting more and more educated about costs, and I see that trend continuing.” ❖

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Reference

Kaiser Health Tracking Poll. Share of Americans with an unfavorable view of the Affordable Care Act rises in July; majority continues to want Congress to improve, not repeal, the law. Aug. 1, 2014. News release. <http://kff.org/health-reform/press-release/share-of-americans-with-an-unfavorable-view-of-the-affordable-care-act-rises-in-july-majority-continues-to-want-congress-to-improve-not-repeal-the-law>.

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