



CENTER FOR HEALTH AND SAFETY IN THE WORKPLACE
A Study by the RAND Institute for Civil Justice and RAND Health

OMFS Allowances for Ambulatory Surgery Facility Fees

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OMFS for Ambulatory Surgery Facility Services

- Implemented in 2004 for ambulatory surgery provided in hospitals and freestanding ambulatory surgery clinics (ASCs)
- Applies only to facility fees for surgical procedures
- Ties maximum allowance to 1.2 times Medicare rate for hospital outpatient surgery
 - Medicare rates for ASC services were outdated in 2004 when OMFS was extended to ambulatory surgery
 - Starting in 2008, Medicare pays ASCs:
 - Rates vary by type of procedure
 - % of hospital rate for most procedures
 - Physician fee schedule amount for office-based procedures
 - 2010 rates are about 40 percent lower than rate paid to hospitals for same procedure

Issue: Should the OMFS Be Revised to Incorporate the Medicare ASC Fee Schedule?

- Current OMFS allowance is based on hospital costs
 - Creates inappropriate incentives to shift care from hospitals and physician offices to ASCs
 - Results in unnecessary medical expenditures
- Medicare's ASC fee schedule provides incentives to provide care in the appropriate setting
 - Payment levels for services requiring a surgical facility reflect cost differences between hospitals and ASCs
 - Payment for office-based procedures tied to resources required to provide services in physician office
- Adopting 1.2 times Medicare fee schedule would reduce OMFS allowances about \$70 million
 - Could be higher if significant volume in non-licensed ASCs
 - Could be lower if services shift to hospitals

Adverse Impact on Access Is Unlikely

- Allowances would provide reasonable return with 1.2 multiplier
 - MedPAC determined Medicare beneficiaries have adequate access
- Higher proportion of WC ambulatory surgery is performed in ASCs
 - 69.4 percent vs. 41.0 percent for non-WC patients age 18-64
- Surgeons prefer to provide services in ASCs
 - Faster patient turnover times
 - Higher patient care revenues
- Higher multiplier could be used during transition or permanently if needed for access



RAND References

Wynn, Barbara O. *Regulatory Actions that Could Reduce Unnecessary Medical Expenses Under California's Workers' Compensation Program* WR-690-CHSW 2009.

Wynn, Barbara O and Beth Ann Griffin. *Ambulatory Surgery Facility Services Provided To California's Injured Workers*, WR-635-CHSWC, 2009.

Wynn, Barbara O., Lee Hilborne, Peter Hussey, Elizabeth Sloss and Erin Murphy. *Medicare Payment Differentials Across Ambulatory Settings* WR-602-ASPE 2008.

Allowance for Ambulatory Surgery Has Three Components and 1.2 Multiplier

