The proliferation of free-standing ambulatory surgery centers in recent years has sometimes created tension between these new facilities and acute care hospitals. Most of these surgery centers are physician owned, in whole or in part, and physician investors are encouraged to steer patients to their surgery center for qualified procedures that might otherwise have been performed in the acute care hospital where the physician is on staff. This is not just a matter of the surgeon’s financial self-interest. Federal regulations actually encourage procedures at the surgery centers by providing fraud and abuse protection to a physician who performs enough procedures at the surgery center so it is considered an extension of the physician’s practice. (42 C.F.R. §1001.952(r).) Many surgery centers require their surgeon investors to perform enough cases to comply with the regulatory safe harbor as a condition of retaining their investment. Generally, to fit within the fraud and abuse safe harbor, the surgeon must perform at least one-third of his or her outpatient procedures at the surgery center. Although compliance with the safe harbor is not required to comply with the federal fraud and abuse statute, many surgery centers adopt the safe harbor as mandatory for their investors, with the result of increasing utilization at the facility.

By necessity, surgeons bring their healthier patients to the surgery center and leave their sicker patients at the hospital. By choice, the better reimbursing cases are often performed in the surgery center, and the lower paying cases are left at the hospital. As patients are leaving the hospital and moving to the surgery center, anesthesiologists are following them. It is not uncommon for some anesthesiologists to practice principally or exclusively at a surgery center. This exodus of patients and anesthesiologists has created problems for other anesthesiologists who continue to practice principally or exclusively at acute care hospitals. In addition to being left with most (or all) of the lowest reimbursing Medi-Cal patients and many (or most) of the sicker patients, the pool of anesthesiologists available to provide on call services at the hospital has dwindled. This situation is unlikely to change to any significant degree in the immediate future. Medicare, the largest payer in the country, will continue to encourage surgeons to take patients to the surgery centers whenever possible.
because the cost to the Medicare program is less than it is for the same procedure on an inpatient basis or even in the outpatient surgery department of an acute care hospital.

The anesthesiologist’s decision to practice at a surgery center is usually not a decision to chase greater financial rewards. Although there are typically fewer of the lowest reimbursing Medi-Cal patients at surgery centers, there are not necessarily fewer Medicare patients. Medi-Cal payment is generally lower—and sometimes substantially lower—than payment from commercial payers across all medical specialties. By contrast, the differential between Medicare and commercial payment for most medical specialties and for facility fees collected by the surgery center is not nearly as significant as it is in anesthesia. Accordingly, Medicare patients are not eschewed by most surgery centers in the same way as Medi-Cal patients.

Although the average unit payment of an anesthesiologist working exclusively at a surgery center is usually greater than it is for the hospital-based anesthesiologist, it is not always substantially greater. The financial support provided to the anesthesiologist by the surgery center is likely to be less than financial support provided by the hospital. Surgery centers are more likely to cater to surgeons’ schedules and are not always as efficient in scheduling, so the anesthesiologist at the surgery center may generate fewer units on a full-time equivalency basis than the hospital-based anesthesiologist. Anesthesia services at the surgery center often include discharging patients after all surgeons have left and providing other uncompensated services for the convenience of the surgeons and the surgery center. The ultimate result is that the full-time anesthesiologist at the surgery center does not necessarily have a greater income than a full-time anesthesiologist at the hospital. However, other aspects of the surgery center practice may make it more attractive. The most significant is that the anesthesiologist at the surgery center is likely to have no call obligation whatsoever.

As more patients and anesthesiologists are going to the surgery center, the hospital’s anesthesia department call requirements have not diminished. Hospitals are asking, and even insisting, on deeper and wider call arrangements for a variety of reasons. Many hospitals have separate on call anesthesiologists for obstetrics, cardiac, and sometimes pediatrics in addition to the general operating room coverage. Sometimes the call is two or more deep. Anesthesiologists at the hospital are required to provide more on call services on an individual basis and are receiving less patient and third-party payer payment for their services, all while caring for a sicker pool of patients. Even more disturbing to many hospital-based anesthesiologists is the requirement to run rooms later to accommodate surgeons who have spent most of the day at
the surgery center and want to operate on their sicker patients at the hospital at the end of the day.

In my experience, the problem of the expanding hospital anesthesia department call burden is addressed in two ways: cooperation and compensation.

By “compensation,” I mean payments from the hospital to the anesthesiologist or anesthesia group in recognition of the heavier call burden. Hospitals can help themselves in dealing with the problem by reducing the depth and breadth of call. To the extent that there are only two anesthesiologists on call each night as opposed to four or five, the individual call burden among those in the call pool is reduced significantly. However, hospitals very often want a depth and breadth of call to ensure all EMTALA obligations are met or exceeded. They often want a dedicated obstetrical anesthesiologist on call to be more accommodating to patients and obstetricians. If the hospital has a cardiac program, a cardiac-qualified anesthesiologist also has to be available.

The burden of call and the appropriate compensation for assuming that burden is often viewed differently by hospital administration and the anesthesiologists who provide the service. Hospital administrators should understand that anesthesia call is always the most burdensome of any medical specialty. Anytime the orthopedist, neurosurgeon or general surgeon on call has to come into the hospital to do a case in the middle of the night, the anesthesiologist has to come in as well.

Hospitals often will point to the lowest financial support provided at other facilities in the area as the appropriate compensation for call. What one hospital is paying for call (or any other services) is rarely indicative of the appropriate compensation at another hospital. Compensation paid by a hospital to an anesthesia group depends upon many things, including the scope of operating room staffing, medical director services, and the depth and breadth of call. However, the most significant factor in hospital compensation to anesthesiologists may be the level of payment the group receives from third-party payers. The hospital that has fewer Medicare and Medi-Cal patients and more high-paying commercial patients may have to pay substantially less for anesthesia services than a neighboring facility with a high Medicare and Medi-Cal census. Ultimately, the combined revenue from the hospital, patients and payers is compared to the scope and volume of services required on an individual and collective basis to determine what contribution from the hospital will be sufficient to recruit and retain enough anesthesiologists to provide the required services. The call burden holds a special status in this analysis. If one anesthesia group trying to recruit a candidate offers the same compensation and benefits as another group, but the first group requires twice as much call as the second group, they are not really comparable.
By “cooperation” I mean addressing the individual call burden at the hospital by expanding the pool of anesthesiologists taking call. At many hospitals this is not a problem because few, if any, of the anesthesiologists on staff practice exclusively at a surgery center. (Why else would they have privileges at the hospital?) Where the same anesthesia group covers the hospital and the surgery center, cooperation among the group members can eliminate the disproportionate call burden problem altogether. Where one group of anesthesiologists is working at the hospital and a completely separate and independent group covers the surgery center, cooperation among anesthesiologists is not always possible. Sometimes an anesthesiologist working principally at the surgery center will maintain privileges at the hospital and occasionally provide elective anesthesia or even call services. If the surgery center anesthesiologist is asked to take an equal amount of the call burden, the anesthesiologist may resign his or her medical staff privileges at the hospital altogether. Although surgery centers may need to have an agreement with the local acute care hospital for patients that require an emergency transfer, anesthesiologists practicing at the surgery center are not required to maintain privileges at the hospital.

Recently, many hospitals have adopted a new strategy in the struggle with surgery centers. Hospitals are investing in the freestanding surgery centers with physicians. In the case of tax-exempt hospitals, physician investors will often be told the hospital has to obtain a majority ownership in the surgery center. Although this is a practical as opposed to a legal requirement, it has recently become more common for tax-exempt hospitals to be majority owners of freestanding ambulatory surgery centers with referring physicians holding a minority interest. Where the hospital is the majority owner and thus in control of the freestanding ambulatory surgery center, it is in a much better position to put pressure on the anesthesia group practicing at the surgery center to share the anesthesia call burden at the hospital. To the extent expanding the anesthesia call pool reduces the cost of anesthesia call coverage to the hospital, it is in the best interest of the hospital to pursue such a strategy. In the absence of hospital control of the surgery center, the anesthesia group at the hospital is unlikely to secure cooperation from the surgery center anesthesia group.

1 I typically advise my surgeon clients investing in surgery centers that they do not want a hospital investor that will account for absolutely no patient referrals. I am sometimes told it is better to have the hospital as your partner than your competitor. In some cases, the hospitals have been able to secure better facility fees for the free-standing ambulatory surgery center than might otherwise have been the case without the hospital investor.
It is obvious that ambulatory surgery centers are not going away any time soon. It is equally obvious that hospitals equipped to provide services to sicker patients undergoing more complicated and longer surgical procedures will continue to exist as well. If the two competing facilities mean hospital-based anesthesiologists are taking greater anesthesia call burdens, they need to be compensated for those services in some fashion. If the hospital cannot lessen that burden by expanding the pool of available anesthesiologists, it needs to be educated as to the value and cost of the anesthesia call services. I suggest the best measure of adequate compensation for call is determined by what the anesthesiologists practicing principally or exclusively at the surgery center will insist on in order to cover night or weekend calls at the hospital. What these anesthesiologists demand gives a much clearer picture of adequate compensation for call coverage.

2006-2007 GASPAC Honor Roll

By William E. Barnaby III, Esq.
CSA Legislative Advocate

The CSA members listed in the GASPAC Honor Roll deserve profound thanks for investing in the betterment of their profession and quality patient care. Their contributions have been made at a time when healthcare is at a critical juncture.

Healthcare is a front-burner issue at both the state and national level. Governor Schwarzenegger’s wide-ranging health “reform” proposals have generated spirited discussion here in California. Similarly, the U.S. Congress is actively examining a host of festering healthcare concerns.

The future direction of healthcare will be decided through the political process. To some, that may not be the optimum way of determining public policy. But it is futile to think that politics can somehow be removed from important decision making in a democracy. Nor is it likely that money will be removed from political campaigns in a country founded on free speech and free enterprise.

The Greater Anesthesia Service Political Action Committee plays a vital role in giving CSA a voice in Sacramento and a “seat at the table” where important government decisions are made. GASPAC’s visibility
emphasizes CSA’s insistence on being an active participant in California public policy development.

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