

## Health Care Facilities

## Final 2024 ASC rate solid, publics above average

Government Regulations

## Final rate update of 3.1%, publics +80-190bps above

CMS (Centers for Medicare and Medicaid Services) released their final CY24 Ambulatory Surgery Center (ASC) rule, which calls for a solid net rate update of +3.1%, above the proposed +2.8% but below the +3.8% rate finalized for FY23. Based on case mix, we estimate SGRY would see a rate 190bps above the industry, followed by 180bps above for THC and 80bps above for UNH. See Exhibit 1.

## CMS adds 37 procedures to CPL

CMS finalized the addition of 37 surgical procedures (vs 26 proposed) to the ASC covered procedure list (CPL), a positive for the shift to ASCs.

## Industry update of +3.1%, below 2023

ASCs will see a market basket increase of +3.3% (30bps above the proposal). This is then reduced by a -0.2% productivity adjustment (in line with the proposal but better than -0.3% in 2023). The net rate update of +3.1% is above the +2.8% proposed but below the +3.8% CMS finalized for FY23.

## SGRY rate update +5.0%, above other public players

Ophthalmology (24% of cases), gastrointestinal (24%), and pain management and Ortho (35%) represent the majority of SGRY's surgical volume. Based on this mix, we estimate SGRY will see an avg +5.0% rate, 190bps above the industry. This is 10bps below the +5.1% final rate SGRY saw in 2023.

## THC's USPI rate +4.9%, 40bps below its 2023 update

THC's USPI case mix is diversified, with Ortho representing 36% of case mix, Digestive 34% and Eye 11%. USPI will see an avg +4.9% update, above the industry update, but below the +5.3% update it saw in 2023.

## UNH's Surgical Care rate +3.9%, 100bps below FY23

Surgical Care Affiliates or SCAI (owned by UNH) case mix is diversified, with Ortho representing 31% of case mix, General Surgery 42%, Eye 14%, and GI 13%. Ortho will see a rate increase of 1%, Eye 8%, and GI 9%. On average, SCAI will see a +3.9% update, below the +4.9% it saw in FY23, but 80bps above the industry rate.

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## Key Terms:

**ASC** = Ambulatory Surgery Center  
**CMS** = Centers for Medicare & Medicaid Services  
**CPL** = Covered Procedure List  
**GI** = Gastrointestinal  
**IPO List** = Inpatient Only List  
**SCAI** = Surgical Care Affiliates (UNH)  
**SGRY** = Surgery Partners  
**THC** = Tenet Healthcare  
**UNH** = UnitedHealth Group  
**USPI** = United Surgical Partners Intl (THC)

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**Exhibit 1: Final FY 2024 Ambulatory Surgery Center Payment Update**

SGRY is positioned to see the best rate update from this final reg, while we estimate SCAI would see the lowest rate

<b>Surgical specialty</b>	<b>Estimated CY2023 ASC payments (in millions)</b>	<b>Estimated CY2024 percent change (final)</b>	<b>Estimated CY2023 percent change (final)</b>	<b>SCAI exposure (% ASC revenue)</b>	<b>SGRY exposure (% ASC cases)</b>	<b>USPI exposure (% ASC cases)</b>
Total	\$6,309	3%	4%	--	--	--
Eye and ocular adnexa	\$1,880	8%	3%	14%	24%	11%
Nervous system	\$1,274	-11%	4%	--	--	--
Digestive system	\$937	9%	5%	13%	24%	34%
Musculoskeletal system	\$1,188	1%	7%	31%	35%	36%
Genitourinary system	\$225	8%	4%	--	--	--
Other*				42%	16%	19%
<b>Weighted average – 2024 update</b>				<b>3.9%</b>	<b>5.0%</b>	<b>4.9%</b>
Final CY2023				4.9%	5.1%	5.3%
<b>Difference CY2024 final vs CY2023 final</b>				<b>-1.1%</b>	<b>-0.1%</b>	<b>-0.4%</b>

Source: CMS, BofA Global Research

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