



High Point Regional Health System

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Received by the
CON Section

02 MAY 2011 04 : 15

May 2, 2011

Mr. Craig Smith, Chief
DHSR – Certificate of Need Section
2704 Mail Service Center
Raleigh, North Carolina, 27699-2704

Dear Mr. Smith:

Please find attached comments submitted by High Point Regional Health System. These comments are in reference to Project I.D. # G-8657-11, Triad Surgery Center, LLC and Moses Cone Health System's application for the development of a freestanding ambulatory surgical center in Guilford County.

Please do not hesitate to contact me at (336) 878-6095 if I can be of any assistance or if there are further questions.

Sincerely,

A handwritten signature in cursive script that reads "Molly D. Jordan".

Molly D. Jordan
Planning

**Comments in Opposition from High Point Regional Health System
Regarding Triad Surgery Center, LLC and Moses Cone Health System
Application for the Development of
An Ambulatory Surgery Center
in Guilford County
Submitted March 15, 2011
Project I.D. # G-8657-11**

In accordance with N.C. Gen. Stat. §131E-185(a1)(1), High Point Regional Health System (HPRHS) submits the following comments regarding the CON Application of Triad Surgery Center, LLC and Moses Cone Health System (Applicants) for the development of an ambulatory surgery center (ASC) in Guilford County (Project I.D. # G-8657-11).

I. Background

The Applicants propose to develop an ASC to be located on the campus of MedCenter High Point. Moses Cone Health System proposes to relocate two (2) existing shared operating rooms from Wesley Long Community Hospital and one (1) existing outpatient operating room from Wesley Long Surgery Center to a new, freestanding multispecialty ASC.

II. CON Review Criteria

The following comments are based on the CON Review Criteria (N.C. Gen. Stat. §131E-183). While some comments apply to more than one Criterion, they are discussed under the most relevant review Criterion and referenced in others to which they apply.

Criterion (1)

The proposed project shall be consistent with applicable policies and need determinations in the State Medical Facilities Plan, the need determination of which constitutes a determinative limitation on the provision of any health service, health service facility, health service facility beds, dialysis stations, operating rooms, or home health offices that may be approved.

The Applicants are non-conforming to Criterion (1) because, as discussed in Criterion (3) below, the Applicants failed to adequately support a quantitative and qualitative need for the project at the proposed location.

Criterion 3

The application shall identify the population to be served by the proposed project, and shall demonstrate the need that this population has for the services proposed, and the extent to which all residents of the area, in particular, low income persons, racial and ethnic minorities, women, handicapped persons, the elderly, and other underserved groups are likely to have access to the services provided.

The proposed project is non-conforming to Criterion (3) because the Applicants failed to appropriately demonstrate a need for the proposed project. Further, the Applicants failed to adequately demonstrate that all residents will have access to the services provided.

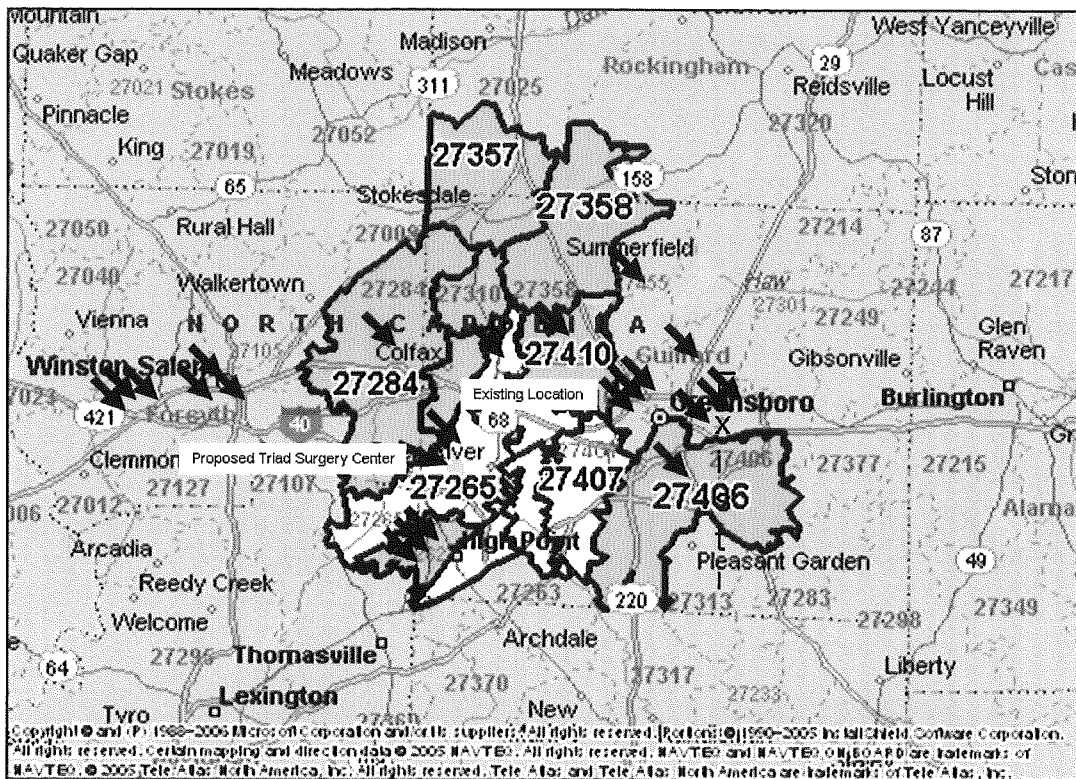
Failure to Appropriately Identify the Population to be Served

The Applicants indicate that they are proposing to serve patients in a proposed primary and secondary service area based on the current patient origin experience at MedCenter High Point. MedCenter High Point is an ambulatory care center with an emergency department, a diagnostic imaging center, laboratory services, and rehabilitation. In particular, the Applicants focus on the patient origin experience for the emergency department as support for its patient origin. There is no basis to support the Applicants' assertion that the patient origin for an emergency department will be the same as it is for an ambulatory surgery center. Patients choose a particular emergency department based on proximity and wait times. Patients are generally directed to a certain ambulatory surgery center based on where their surgeon has privileges and where the surgeon chooses to schedule a surgery. As a result, the Applicants have failed to appropriately identify the population they propose to serve.

Failure to Appropriately Demonstrate Need

The map provided as Exhibit I on the next page delineates the Zip Codes which the Applicants included in the primary and secondary service area. Also indicated on the map is the proposed location of Triad Surgery Center as well as the other providers offering ambulatory surgery in the area.

Exhibit I: Map of Proposed Service Area and Location of Triad Surgery Center



According to the Applicants, the proposed site was selected, in part, to provide services in a “...more conveniently located, accessible location.” (See CON Application, page 14). However, when viewed on a map, it appears that the existing location is actually more centrally located in the Applicants defined service area than the proposed new location.

The approximate location of the providers (both current and CON approved) of ambulatory surgical services are indicated by the black arrows on the map in Exhibit I. There are currently 20 providers of ambulatory surgery services in Guilford and Forsyth Counties. Further, two additional providers have been granted CONs to develop facilities. High Point’s Premier Surgery Center is one of these facilities. According to Mapquest, the proposed facility will be less than two miles from Premier Surgery Center. It is unreasonable to expect that locating a second multispecialty ambulatory surgery center within a few blocks will not negatively impact the utilization of Premier Surgery Center. The proposed ASC clearly constitutes an unnecessary duplication of services.

In addition, the Applicants indicate that the alleged unmet need results, in part from “growing patient demand for convenient, accessible ambulatory surgical services.” (See CON Application, page 35). However, the Applicants fail to document any alleged “patient demand.” In addition, as mentioned herein above, ample ambulatory surgical services exist in close proximity to the proposed location.

It is significant to note that Premier Surgery Center plans to have an open medical staff policy upon opening. As such, the physicians who indicated in their letters of support that they are already performing surgeries on patients located in the proposed service area could just as easily perform these procedures at Premier Surgery Center (See CON Application, Exhibit 14).

The Applicants also refer to an opportunity to develop a “one-stop shop” for ambulatory care at Moses Cone MedCenter High Point for existing Moses Cone patients who live in the proposed service area (See CON Application, page 47). Again, as previously stated herein above, the Applicants demonstrate no link that would indicate that patients will seek treatment at the proposed site based on geographic factors alone. Further, with the abundance of capacity of existing providers, there is no basis for a need for a “one-stop shop.”

Table 1 below provides an overview of the current providers of ambulatory surgical services in area. It is important to note that there appears to be an abundance of operating rooms in the area.

Table 1: Current Operating Room Inventory in Forsyth and Guilford Counties									
Facility	Cases		Surgical Hours ¹			Operating Rooms			Occupancy
	Inpatient	Ambulatory	Inpatient	Ambulatory	Total	Adjusted #	Calculated Need ²	Excess / (Deficit)	
Forsyth Medical Center	12,764	12,697	38,292	19,046	57,338	38			80.6%
Medical Park Hospital	605	10,836	1,815	16,254	18,069	7			137.9%
North Carolina Baptist Hospitals	12,658	20,655	37,974	30,983	68,957	38			96.9%
Plastic Surgery Center of North Carolina	-	194	-	291	291	3			5.2%
Subtotal Forsyth County	26,027	44,382	78,081	66,573	144,654	86	77	9	89.9%
Carolina Birth Center	-	426	-	639	639	1			34.1%
Greensboro Specialty Surgery Center	-	2,437	-	3,656	3,656	3			65.1%
Surgical Center of Greensboro	-	11,072	-	16,608	16,608	13			68.2%
High Point Regional Health System	3,192	3,047	9,576	4,571	14,147	10			75.6%
High Point Surgery Center	-	4,814	-	7,221	7,221	6			64.3%
Kindred Hospital - Greensboro	228	4	684	6	690	1			36.9%
Moses Cone Health System	13,430	17,878	40,290	26,817	67,107	51			70.3%
Piedmont Surgical Center	-	881	-	1,322	1,322	2			35.3%
Premier Surgery Center (CON approved) ³	-	-	-	-	-	2			0.0%
Surgical Eye Center	-	3,606	-	5,409	5,409	4			72.2%
Subtotal Guilford County	16,850	44,165	50,550	66,248	116,798	93	62	31	67.1%
Total Forsyth and Guilford Facilities	42,877	88,547	128,631	132,821	261,452	179	140	39	78.0%

Sources: 2011 Licence Renewal applications and NC SMFP.
¹Surgical Hours: Inpatient cases were multiplied by 3.0 hours to calculate total inpatient surgical hours. Ambulatory cases were multiplied by 1.5 hours to calculate total ambulatory hours.
²Calculated need for ORs was calculated by dividing the total surgical hours for the county by 1,872, per SMFP guidelines. Numbers may not add due to rounding.
³This facility is not yet operational.

Table 2 below depicts the projected impact of the Triad Surgery Center on Moses Cone Health System (MCHS) facilities as presented in the Triad Surgery Center CON Application on Exhibit 11, Table I. It is critical to note that Moses Cone Surgery Center, a facility that is already underutilized (48.3% in FY 2010 per Table J of the CON Application), is projected to experience the greatest impact from the development of the new facility. In fact, after the proposed facility becomes operational, utilization for Moses Cone Surgery Center is expected to drop to 39.0%. This translates into adequate utilization of only 3 of its 8 licensed operating rooms.

MCHS Facility	% of Total	FY 2013	FY 2014	FY 2015
The Moses Cone Memorial Hospital	18.3%	544	559	585
Wesley Long Community Hospital ¹	16.9%	502	515	539
Women's Hospital of Greensboro	8.5%	253	259	271
Moses Cone Surgery Center	37.5%	1,117	1,147	1,200
Wesley Long Surgery Center ²	18.8%	561	576	603
Total	100.0%	2,977	3,056	3,198

Source: Triad Surgery Center CON Application.

Notes:

¹Two existing shared ORs are proposed to be transferred from this facility.

²One existing outpatient OR is proposed to be transferred from this facility.

Projected Payor Mix is Inconsistent with that Reported by Other Providers

Table 3 below provides payor mix information for the providers of ambulatory surgical services in Guilford County, where the proposed ASC will be located. Further, the payor mix information for MCHS has been provided.

Payor Source	Self Pay / Indigent / Charity	Medicare & Medicare Managed Care	Medicaid	Commercial Insurance	Managed Care	Other	Total
A. Triad Surgery Center	5.4%	22.6%	8.1%	0.6%	60.7%	2.6%	100.0%
B. Guilford County Ambulatory Cases	3.8%	38.2%	7.3%	1.5%	44.2%	5.0%	100.0%
Triad Over/(Under) Average (A - B)	1.6%	-15.6%	0.8%	-0.9%	16.5%	-2.4%	
C. Moses Cone Health System	5.0%	39.6%	7.2%	0.4%	44.7%	3.1%	100.0%
Triad Over/(Under) MCHS (A - C)	0.4%	-17.0%	0.9%	0.2%	16.0%	-0.5%	

Source: 2011 Licence Renewal applications.

It is important to note that the Applicants' projected percent of patient cases designated as Medicare is much lower than either the Guilford County overall average for Medicare ambulatory surgery cases (15.6 % lower) or Moses Cone Health System's percentage for Medicare ambulatory surgery cases (17.0% lower).

On page 77 of the application, the Applicants' state, "*Projected payor mix is based on the actual FY 2010 payor mix of the MCHS patients residing in the service area whose surgical case could be shifted to Triad Surgery Center. These current payor mix proportions are assumed to remain unchanged.*" However, the analysis above does not support this assumption and the details to back up this statement are not provided by the Applicants.

This glaring difference in the projected payor mix for Triad Surgery Center when compared to both the payor mixes of Guilford County and MCHS has implications regarding the access that patients will have to the facility. Financial implications related to the payor mix will be discussed under Criterion 5.

Criterion (4)

Where alternative methods of meeting the needs for the proposed project exist, the applicant shall demonstrate that the least costly or most effective approach has been proposed.

The Applicants are non-conforming to Criterion (4) because they failed to propose the most effective approach. As discussed previously under Criterion 3, the Applicants are proposing to build the ASC in a less central location than where the operating rooms are currently located. Further, developing the facility will have a significant negative impact on the Applicants' own facilities, particularly Moses Cone Surgery Center. It would make more sense for the Applicants to instead relocate operating rooms from Wesley Long to Moses Cones' other existing surgery facilities and to serve patients at locales where they are already seeking service and where the cost would be significantly less than building a new facility.

It will also have a negative impact on the CON approved Premier Surgery Center. These factors, taken together, indicate that the Applicants have not demonstrated the most effective approach.

Criterion (5)

Financial and operational projections for the project shall demonstrate the availability of funds for capital and operating needs as well as the immediate and long-term financial feasibility of the proposal, based upon reasonable projections of the costs of and charges for providing health services by the person proposing the service.

The Applicant is non-conforming to Criterion (5). As discussed in the comments associated with Criterion (3), the Applicant did not appropriately project the payor mix. Since the payor mix is clearly flawed, the financial projections cannot be accurate. As a result, the application is not financially feasible.

Criterion (6)

The applicant shall demonstrate that the proposed project will not result in the unnecessary duplication of existing or approved health service capabilities or facilities.

The Applicants are non-conforming to Criterion (6). As discussed in the comments associated with Criterion (3), the Applicants are proposing to build Triad Surgery Center in an area already saturated with these services. In particular, this project will have a negative impact on High Point's facility, since there is a significant overlap between the proposed Triad Surgery Center's primary service area and Premier Surgery Center's primary service area. Of the five zip codes in Premier Surgery Center's primary service area, three of the zip codes (27265, 27282, and 27407) are also included in the proposed Triad Surgery Center's primary service area. An additional three zip codes included in

Premier Surgery Center's total service area (27260, 28262 and 27284) are included in Triad Surgery Center's total service area.

Given that, as discussed under Criterion (3), Premier Surgery Center will have an open medical staff policy, and the surgeons will have the option of performing their surgeries at High Point's facility, the proposed project clearly constitutes a duplication of services.

Criterion (13)

The applicant shall demonstrate the contribution of the proposed service in meeting the health-related needs of the elderly and of members of medically underserved groups, such as medically indigent or low income persons, Medicaid and Medicare recipients, racial and ethnic minorities, women, and handicapped persons, which have traditionally experienced difficulties in obtaining equal access to the proposed services, particularly those needs identified in the State Health Plan as deserving of priority. For the purpose of determining the extent to which the proposed service will be accessible, the applicant shall show:

c. That the elderly and the medically underserved groups identified in this subdivision will be served by the applicant's proposed services and the extent to which each of these groups is expected to utilize the proposed services.

The Applicants are nonconforming with Criterion 13(c) due to the fact that the payor mix is inconsistent with the historical payor mix at Moses Cone for outpatient surgery patients and the Applicants provide no support for their proposed payor mix.