

RAC Surgery Center, LLC
Comments in Opposition to
Certificate of Need Applications to Add ORs in
Wake County
September 1, 2018 CON Review Cycle

Introduction

The 2018 Statement Medical Facilities Plan ("2018 SMFP") recognized a need for six operating rooms ("ORs") in Wake County. Nine applicants have filed Certificate of Need ("CON") applications for ambulatory surgery centers ("ASCs") in response to the identified need including Project I.D. J-011551-18 - RAC Surgery Center, LLC ("RAC"). The other eight applicants include:

- J-011554-18 UNC Health Care Panther Creek Ambulatory Surgery Center ("UNC Panther Creek")
- J-011553-18 Rex Surgery Center of Garner, LLC ("Rex – Garner")
- J-011555-18 Rex Hospital, Inc. ("Rex")
- J-011558-18 Duke Raleigh Hospital ("DRAH")
- J-011557-18 Green Level Ambulatory Surgical Center, Inc. ("Green Level ASC")
- J-011561-18 OrthoNC ASC, Inc. ("OrthoNC")
- J-011565-18 WakeMed Surgery Center-Cary, LLC ("WakeMed Surgery– Cary")
- J-011564-18 WakeMed Surgery Center-North Raleigh, LLC ("WakeMed Surgery – North Raleigh")

Each of the above projects proposes to implement the proposed ORs in different ways as follows:

RAC Surgery Center, LLC

RAC is unique among the applicants for ORs in Wake County in that it represents the only new and innovative model for healthcare delivery in an ASC setting. All other applicants represent extensions of existing hospital services or single-specialty physician practices for which there are numerous choices in Wake County. As an ASC, RAC will change the paradigm of care for a unique, large, and growing base of patients with ESRD, for which there is no other coordinated system of care in which they can receive the percutaneous and surgical services needed to maintain their ongoing schedule of dialysis. It is estimated that RAC currently services nearly 17 percent of North Carolina's entire ESRD patient population, with ESRD annual growth rate in the state estimated at 4.3 percent. ESRD patients have typically received their vascular access care in a very fragmented and costly delivery model, through a combination of physician

practice-based procedures, expensive emergency department visits, and hospital inpatient and outpatient surgery procedures. RAC will be able to very cost-effectively provide all an ESRD or late stage CKD patient's vascular access needs in one location; from vein mapping and surgical planning, to venography and access creation, to fistula maturation and access maintenance, (thru thrombectomy, angioplasty and stenting). In so doing, RAC will raise the level of the clinical care of an increasing patient population with very specific needs. The ESRD patients to be served by RAC are unusual from an ambulatory surgery perspective because their access care tends to be chronic in nature, as opposed to episodic, and patients will typically receive multiple percutaneous and surgical procedures per year, each year during their ongoing dialysis treatment. They are also unique due to the urgent/semi-emergent nature of their procedures, often required to be performed the same day in order to maintain vascular access and continue routine dialysis treatment. None of the existing hospitals or ambulatory surgery options in Wake County are currently focused on or designed to meet the specific vascular access needs of this population. As shown below, none of the OR projects proposed by the eight other applicants in this batching cycle will address the needs identified by RAC. RAC and its Azura Vascular Care ("AVC") affiliate have fully documented the demands of this population. Further, RAC and AVC have shown the benefits of raising the level of care for vascular access procedures to licensed ASCs, and better coordination of care through focused, dedicated ASCs. This is a trend that is occurring nationally and RAC proposes to be the first center of its kind in central North Carolina.

UNC Health Care Panther Creek Ambulatory Surgery Center

UNC Panther Creek is one of three concurrent and complimentary applications submitted by UNC Health System—the owner and operator of UNC Hospitals and the parent company of Rex Healthcare, Inc. The applicant is identified as University of North Carolina Hospitals at Chapel Hill. The new ASC will be called UNC Health Care Panther Creek Ambulatory Surgery Center. The UNC Panther Creek application proposes to develop a freestanding, multi-specialty ASC with two operating rooms and two procedure rooms on the campus of REX Healthcare of Panther Creek in Cary, NC. The REX Healthcare of Panther Creek is an outpatient care center currently under development and due to open in October 2019. UNC Panther Creek proposes to offer otolaryngology (ENT) surgery, general surgery, and plastic surgery services.

Rex Surgery Center of Garner, LLC

Rex – Garner is a new legal entity that is wholly owned by Rex Hospital, Inc. It is the second of three concurrent and complimentary applications submitted by UNC Health System—the owner and operator of UNC Hospitals and the parent company of Rex Healthcare, Inc. Rex – Garner proposed to develop two operating rooms and two procedures room in a new free standing ASC in close proximity to the existing REX Healthcare of Garner campus in Garner, NC. Rex –

Garner proposes to offer otolaryngology (ENT) surgery, general surgery, and orthopaedic surgery services.

Rex Hospital, Inc.

Rex Hospital Inc. is the last of the three concurrent and complimentary applications submitted by UNC Health System and Rex Healthcare, Inc. The application proposes to develop two additional operating rooms at UNC REX Hospital for inpatient and outpatient surgical services. UNC REX was approved to develop a new 50-bed hospital in Holly Springs, NC called UNC REX Holly Springs Hospital. The new facility is expected to become operational in December 2020. As a part of this project, UNC REX has decided to move three of its existing 25 operating rooms on its main campus to the new Holly Springs Campus. Rex Hospital contends that it is already facing capacity constraints. As such, the proposed project is an effort to replace the operating room capacity on the main campus that will be lost due to the pending relocation of the three operating rooms to UNC REX Holly Springs Hospital.

Duke Raleigh Hospital

DRAH proposed to develop two additional shared ORs to its already existing inventory of 15 ORs for a total of 17 ORs to accommodate its growing patient volumes. DRAH proposes to focus on general inpatient and outpatient surgical procedures.

Green Level Ambulatory Surgery Center, Inc.

Concurrent to the DRAH CON application, Duke University Health System (“DUHS”) also submitted a separate, complementary CON application to develop a new ASC in Wake County with four ORs and four procedure rooms—Green Level ASC. Green Level ASC is a new facility that will be housed within a newly constructed medical office building in Cary, NC, approximately 25 miles west of Duke Raleigh Hospital. The new ASC proposes to be a multi-specialty surgery center offering the following surgical specialties:

- General Surgery
- Gynecology
- Ophthalmology
- Orthopaedics
- Otolaryngology
- Neurosurgery
- Plastic
- Urology
- Vascular

OrthoNC ASC, Inc.

OrthoNC is a new legal entity applying for one OR and one procedure room as a new single-specialty ASC to provide orthopaedic surgeries in the OR and orthopaedic and pain management procedures in the procedure room. OrthoNC will be owned by a group of physicians from the Orthopaedic Specialists of North Carolina practice based in Raleigh and will be managed by Healthcare Management Associates. Surgeries performed in the OR include rotator cuff repairs, carpal tunnel surgeries, shoulder arthroscopies, arthroscopic knee surgeries, ACL reconstructions, fracture repairs, and various other bone and joint surgeries. Procedures performed in the procedure rooms include epidural blocks and injections, joint injections, and joint aspirations.

WakeMed Surgery Center-Cary, LLC

WakeMed Surgery – Cary is a new legal entity that proposes to construct a new, freestanding multi-specialty ASC with two ORs and two procedure rooms in Cary, NC. The proposed project is a joint venture between WakeMed and Compass Surgical Partners, LLC. The facility will be operated by WakeMed Surgery – Cary and managed by Compass. WakeMed Surgery – Cary is one of two applications submitted by the WakeMed and Compass joint venture in response to the need determination published in the 2018 SMFP. The new facility will be housed in a medical office building to be constructed on Ashville Avenue in Cary approximately a quarter of a mile from WakeMed Cary Hospital.

WakeMed Surgery – Cary specified that it would provide the following surgical specialties:

- Orthopaedic
- Spine
- Gynecology
- Urology
- General
- Colorectal
- Bariatric
- Breast
- Ophthalmology
- Plastic

WakeMed Surgery Center-North Raleigh, LLC

WakeMed Surgery – North Raleigh is a new legal entity that proposes a second freestanding multispecialty ASC with two ORs and two procedure rooms in North Raleigh, NC. It is the second of two applications filed by a joint venture between WakeMed and Compass Surgical Partners, LLC. WakeMed, the co-applicant for the proposed project, will construct and own the building in which the proposed ASC will be housed. The facility will be located on the campus of WakeMed North Hospital in Raleigh. WakeMed Surgery – North Raleigh will upfit and equip the constructed space and will operate the facility. Compass will manage the facility.

WakeMed – North Raleigh specific that it would provide the following surgical specialties:

- General
- Orthopaedic
- Gynecology
- Urology
- Ophthalmology
- Plastic/Cosmetic
- Pain Management

Summary of Proposed ORs and Procedure Rooms

The following table summarizes the proposed ORs and procedure rooms for all applicants and the intent of patients that will be served. This summary further confirms the unique nature of the proposed RAC ASC. Most applicant proposal an expansion of the services currently offered by their hospital system. RAC proposes a new an innovate ASC focused on meeting and elevating care to a unique patient population and expanding the continuum of care offered to ERSD patients in central North Carolina.

Applicant/System	ORs Proposed	Procedure Rooms Proposed	Intent of Patients to be Served
RAC Surgery Center	1	2	ESRD/Vascular patients not historically served existing Wake County hospitals or ASCs
OrthoNC ASC	1	1	Single-specialty Orthopedic ASC
UNC Panther Creek	2	2	Multi-specialty Outpatient Campus
Rex – Garner	2	2	Multi-specialty Outpatient Campus
Rex Hospital	2	2	Multi-specialty Hospital Shared ORs
TOTAL UNC/REX Affiliates	6	6	
DRAH	2	0	Multi-specialty Hospital Shared ORs
Green Level ASC	4	4	Multi-specialty New ASC
TOTAL DUHS Affiliates	6	6	
WakeMed Surgery – North Raleigh	2	2	Multispecialty – New ASC
WakeMed Surgery – Cary	2	2	Multispecialty – New ASC
TOTAL WAKEMED Affiliates	4	4	

Comparative Factors

Project Cost and Cost per OR

In terms of capital cost and cost per OR the two hospital expansion projects are the lowest in capital costs; however, as hospital-based projects this must be balanced with typically higher charges, costs to patients and payors and cost of care. RAC is the most cost effective ambulatory surgery project among the applicants and third lowest overall.

Applicant	Capital Expenditure	Operating Rooms	Cost per Room
Rex Hospital	\$ 789,000	2	\$ 394,500
Duke Raleigh Hospital	\$ 2,000,000	2	\$ 1,000,000
RAC Surgery Center, LLC	\$ 2,000,000	1	\$ 2,000,000
OrthoNC ASC	\$ 3,895,599	1	\$ 3,895,599
WakeMed Surgery Center-Cary	\$ 8,598,738	2	\$ 4,299,369
WakeMed Surgery Center-North Raleigh	\$ 11,315,130	2	\$ 5,657,565
Rex Surgery Center of Garner	\$ 16,163,394	2	\$ 8,081,697
UNC Panther Creek Ambulatory Surgery Center	\$ 16,622,994	2	\$ 8,311,497
Green Level Ambulatory Surgical Center	\$ 34,300,000	4	\$ 8,575,000

Financial Accessibility

In terms of financial accessibility, RAC projects to provide the highest combined percentage of patients in the Medicare, Medicaid, and Charity Care payor categories. This high level of financial accessibility is important for the chronic patient population that RAC proposes to serve. RAC should receive favorable consideration based on its projected level of financial accessibility.

Applicant	Medicare %	Medicaid %	Charity Care %	Total
RAC Surgery Center, LLC	56.9%	6.1%	2.4%	65.4%
Rex Hospital	50.7%	3.3%	2.3%	56.3%
Duke Raleigh Hospital (Outpatient)	46.5%	3.9%	1.4%	51.8%
Green Level Ambulatory Surgical Center	42.9%	5.1%	1.7%	49.7%
Rex Surgery Center of Garner	29.6%	6.0%	3.4%	39.0%
OrthoNC ASC	25.0%	6.0%	4.0%	35.0%
UNC Health Care Panther Creek Ambulatory Surgery Center	13.2%	13.2%	3.9%	30.3%
WakeMed Surgery Center-North Raleigh	14.5%	8.4%	1.6%	24.5%
WakeMed Surgery Center-Cary	17.1%	4.1%	3.0%	24.2%

While there are several other factors that can be compared among the projects, some are not meaningful such as charges because no patients or payors actually pay charges. Further, the wide variety of types of procedure proposed to be performed by various applicant renders such a comparison meaningless.

Most important from a comparative factor is the type of patients to be served and whether each applicant contributes to the range of surgical options available to Wake County residents. Only RAC provides a new and innovative type of surgery center focused on serving a one of Wake County and central North Carolina’s most vulnerable populations.

Conclusion

None of the proposed projects discussed above address the needs that RAC ASC identifies in its application for ESRD patients. RAC ASC is seeking one OR and one procedure room to provide services specifically to the growing ESRD patient population. This patient population is vulnerable and requires coordinated, specialized care. Many of the other applications propose to provide services that are currently already offered in the service area by one provider or another.

On the contrary, ESRD patients are unique. They require coordinated care under the supervision of a nephrologist and a team of individuals who understand how to manage not only the renal

disease itself but also the multiple co-morbidities that all too often caused the ESRD. This is not a patient population that can be adequately cared for in a multispecialty setting. These patients require unique, individualized ESRD-focused care. RAC ASC proposes to provide vascular access procedures performed by the same team that manages the patients' overall ESRD care. The location of the vascular access procedures is just minutes from the location of where these patients receive their dialysis treatment. Essentially, an ESRD patient could have their vascular access procedure and conveniently report immediately for their dialysis treatment.

The ESRD patient population brings new volume that is currently not offered in the ASC setting in Wake County. Further, no other applicant specifically proposes to provide these specialized vascular access services to ESRD patients. RAC Surgery Center, LLC contends that its proposed project for an ASC with one OR and two procedure rooms should be approved in order to ensure that ESRD patients in Wake County have access to the services they need and that no other applicant proposes to serve.