

**Acute Care Services Committee  
Agency Report  
Adjusted Need Petition for  
Ambulatory Surgical Facility Demonstration Project  
Proposed 2014 State Medical Facilities Plan**

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***Petitioner:***

Blue Ridge Bone & Joint Clinic  
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***Contact:***

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***Request:***

The petition requests the North Carolina 2014 State Medical Facilities Plan (SMFP) include a demonstration project for a single specialty, two operating room, ambulatory surgical facility in the Buncombe-Madison-Yancey service area.

***Background Information:***

Chapter Two of the North Carolina State Medical Facilities Plan (SMFP) allows persons to petition for an adjusted need determination if they believe their needs are not appropriately addressed by the standard methodology. Blue Ridge Bone and Joint Clinic requests “a demonstration project for a single, specialty, two operating room, ambulatory surgical facility in Buncombe County... that is consistent with the [State Health Coordinating Council] SHCC approval of such demonstration projects as proposed in the 2010 and referred and updated in the 2011, 2012, and 2013 NC SMFPs.”

In the fall of 2008, the SHCC’s Single Specialty Ambulatory Surgery work group met and drafted recommendations for a demonstration project in order “to evaluate and test the concept of single specialty ambulatory surgery centers in North Carolina.” The workgroup, following the SMFP’s basic principles, developed criteria for the locations of each of the demonstration sites that required that “at least one county in each of the groups of counties has a current population greater than or equal to 200,000 and more than 50 total ambulatory/shared operating rooms and at least 1 separately licensed Ambulatory Surgery Center” (Table 6D, SMFP 2010). On May 27, 2009, the SHCC approved plans for the demonstration project, limiting the number to three sites. The 2010 SMFP outlined specific criteria for the three demonstration project facilities.

To date, certificates of need have been awarded to (1) Piedmont Outpatient Surgery Center LLC and Stratford Executive Associates LLC to develop a single-specialty ENT ambulatory surgical facility (ASC) in the Triad area; (2) Triangle Orthopaedics Surgery Center to develop a single specialty (orthopaedic) ASC in the Triangle Area; and (3) University Surgery Center, LLC, to develop a single specialty (orthopaedic) ambulatory surgery center (ASC) in the Charlotte area. Piedmont Outpatient Surgery Center received its license effective February 6, 2012. On May 29, 2013, the SHCC received

the first annual agency evaluation summary based on this facility's report to the Agency as outlined in the criteria. Triangle Orthopaedics Surgery Center was licensed on February 25, 2013. However, had not been in operation long enough to provide evaluation data to the SHCC. The third site has not been licensed and is in the process of being developed.

### *Analysis/Implications*

According to the Single Specialty Ambulatory Surgery Demonstration Project Work Group charge, the goal was to "Develop a plan to evaluate and test the concept of single special ambulatory surgery centers in North Carolina" (Work Group Charge, 2009). Additionally, this model was designed to include measures "of value, access to the uninsured, and quality and safety of care" that are aligned with the basic principles of the SMFP. As stated in the 2010 SMFP, each facility will provide "annual reports to the Agency showing the facility's compliance with the project criteria." Additional criteria requires the Agency to "perform an evaluation of each facility at the end of the first calendar year the facility is in operation and will perform an annual evaluation of each facility thereafter" (Table 6D, SMFP 2010). Only two of the three facilities, Piedmont Outpatient Surgery Center and Triangle Orthopaedics Surgery Center, have been licensed. The Agency was able to evaluate the report provided by this facility and reported the first year's evaluation findings to the SHCC on May 29, 2013.

Three demonstration project sites were approved by the SHCC in the 2010 SMFP, and no demonstration projects were added in subsequent SMFPs, or in the 2014 Proposed SMFP. Table 6D (2011 SMFP, 2013 SMFP, and Proposed 2014 SMFP) and Table 6C (2012 SMFP) are inventory tables, providing information about the status of the three demonstration sites. The inventory table is not an update of the decision; instead, it is an accounting of the implementation of the decision made in 2009 for the 2010 SMFP.

In 2009, Blue Ridge Bone and Joint Clinic petitioned the SHCC to add Buncombe County as another Single Specialty Ambulatory Surgery Facility Demonstration Project. Furthermore, similar petitions were submitted by Blue Ridge Bone and Joint to the SHCC in 2010, 2011 and 2012. The SHCC denied all of these petitions, citing the SHCC's initial decision to limit the demonstration project to three, in order to "evaluate each facility after each facility has been in operation for five years." Additionally, the SHCC stated it would only consider expansion beyond the three original demonstration projects if the Agency determines that the demonstration facilities are "meeting or exceeding all criteria" as set forth in the 2010 SMFP (Table 6D, SMFP 2010).

All three demonstration projects have been awarded certificates of need. Two have been licensed and one has provided the first annual report. The third project, as previously discussed, continues to be under development. In the Agency's first annual evaluation of Piedmont Outpatient Surgery Center, it was determined they had not demonstrated substantial compliance with the project criteria. This facility had not submitted utilization and payment data to the statewide data processor. However, this has been rectified. In early 2014, it is anticipated that both licensed facilities will be submitting information in order for the Agency to perform the annual evaluation. As more annual evaluation data becomes available, each will be monitored to assess effectiveness related to access, value, safety and quality for a five-year period, in keeping with the SHCC's previously expressed timeline and criteria.

The petition posits that "increased choice can enhance opportunities for patients and physicians to be focused on quality, access and cost efficiencies." Data was presented in the petition to support the cost efficiency of procedures performed in the ASC as compared to those performed in hospitals for both Medicaid and the State Health Plan; differences in costs per case in 2012 were \$160.99 and \$2030.55,

respectively. The initial analysis reveals the possibility of monetary savings. However, further analysis would need to be performed in order to take into account patient profiles and disease severity such that actual cost savings could be accurately assessed. Different acuity levels of patients in hospitals as compared to ASC facilities make further data analysis challenging.

***Agency Recommendation:***

The SHCC has consistently decided not to allow any additional Single Specialty Ambulatory Surgery Demonstration Projects for a service area with a projected surplus before the project data regarding impact of the model can be received and evaluated. Given the information and comments received by 8/16/2013, the Agency recommends that the petition be denied.