Acute Care Services Committee
Agency Report
Petition to the
Proposed 2016 State Medical Facilities Plan

Petitioner:
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Request:
The petitioner requests that the SHCC review "its methodology for calculating operating rooms needed in the SMFP and change the standard methodology used to calculate OR capacity."

Background Information:
Chapter 2 of the State Medical Facilities Plan (SMFP) describes the purpose and process for submitting petitions to amend the SMFP during its development. Petitions may be sent to Healthcare Planning twice during the course of plan development. Early in the planning year petitions related to basic SMFP policies and methodologies that have a statewide impact may be submitted. The SMFP defines changes with the potential for a statewide impact as "the addition, deletion, and revision of policies or projection methodologies" (p.7, 2015 SMFP).

Analysis/Implications:
In addition to a general examination of the OR methodology, the petition appears to favor using two different need determination methodologies, one for hospital-based ORs and one for free-standing ambulatory surgery centers. The major themes of the petition are: (1) the claim that the methodology protects hospital owners from the expansion of free-standing ambulatory surgical centers; (2) the petitioner's assumption that general state population growth yields concomitant growth in the number of surgical patients; and (3) the methodology's lack of consideration of "dormant" and underutilized ORs.

The petition first recommends accepting applications for new ORs only "from those who do not demonstrate an ownership surplus of ORs…." The designation of entities eligible to apply for Certificates of Need (CON) is outside the purview of the SHCC.

The second focus of the petition addresses the increase in the state population. To incorporate population change over time, the methodology uses official county population estimates from the Office of State Budget and Management (OSBM). Specifically, the methodology calculates the population change from the year for which data is collected to the year for which need is determined. For ORs, need is determined four years beyond the year for which data is collected. For example, the 2015 *SMFP* includes utilization data for 2013, and projects OR need for 2017. It is important to note that the population figures used in the methodology are those available at the time of data analysis. The OSBM revises population estimates periodically. Therefore, current 2013 and 2017 population estimates may not be identical to estimates published in 2014 (when data analysis was completed for the 2015 SMFP). The relationship between general population growth and its possible effect on the number of surgical patients is complex and multi-faceted. Such an examination is outside the scope of the Healthcare Planning and Certificate of Need Section's planning process.

Finally, the petition states that the methodology "does not consider how many of the current 262 surplus ORs are dormant or underutilized." The methodology takes into account chronically underutilized facilities. Data is not available on the utilization of specific ORs within a facility. The meaning of "dormant OR" is not clear from the petition, but presumably such an OR would have performed no procedures during at least the previous year.

To estimate the total number of surgery hours, the methodology weights inpatient surgical procedures at 3.0 hours and outpatient procedures at 1.5 hours for all licensed ORs (in both hospitals and ambulatory surgery centers). When ascertaining the number of facilities in the planning inventory, calculations exclude chronically underutilized facilities, unless all facilities in a service area are underutilized. A chronically underutilized facility is defined as one with less than 40% utilization over the past two fiscal years. (By definition, need determinations likewise exclude licensed facilities that performed no procedures over the previous two fiscal years.) Procedures performed in chronically underutilized facilities are included in the need determination calculations, however. In other words, the need determination methodology gives service areas "credit" for the number of procedures performed in underutilized facilities, but considers the number of ORs in such facilities be zero.

The petition also expresses concern regarding the retention of some of the ORs in the inventory that have an approved CON but have not yet been licensed. An OR for which a CON has been issued remains in the inventory unless the CON is relinquished; under state law, CONs do not expire. As such, this process is not under the purview of the SHCC, and, therefore, cannot be reflected in the methodology.

The SHCC has addressed the OR methodology on several occasions. In 2007, the SHCC formed a workgroup. It recommended that underutilized ORs in service areas with more than one facility be excluded from the calculation of need determinations. This recommendation was approved and was implemented beginning with the 2008 SMFP.

This workgroup also recommended the development of utilization assumptions based on facility-specific data. These changes were incorporated into the 2009 SMFP. This change accounts for the number of ORs in a facility when determining need. In general, the need determination thresholds

are more modest for smaller facilities than larger facilities. Specifically, a need is determined when a facility with more than 10 ORs has a projected deficit of .50 or greater; when a facility with 6 to 10 ORs has a projected deficit of .30 or greater; and when a facility with less than 6 ORs has a projected deficit of .20 or greater.

In late 2008, the SHCC formed the Single Specialty OR workgroup to "evaluate and test the concept of single special ambulatory surgery centers" (revised Workgroup charge, 11/10/08). The outcome of the workgroup is the Single Specialty Ambulatory Surgery Demonstration Project. This project is ongoing. Annual reports provide evidence regarding the progress of the three selected demonstration sites in complying with the criteria for participation in the project. Final data will be available after the facilities have been in operation for five years. The first facility was licensed in 2012, and the last was licensed in 2014.

Agency Recommendation:

The Agency recognizes that ambulatory surgery centers have characteristics different from those of hospitals, which may warrant examination. The Single-Specialty Ambulatory Surgery Center Demonstration Project uses a data-driven procedure to assess their feasibility and effectiveness. Final results are not yet available for this project. In the interim, the SHCC has been hesitant to alter the OR methodology, pending receipt of final evaluation results.

Given available information submitted by the March 20, 2015 deadline, and in consideration of factors discussed above, the agency recommends denial of this petition. The Agency supports the standard methodology for OR need determinations. The Agency, however, acknowledges that since the last general OR methodology review was in 2007-2008, the SHCC may choose to undertake a new review.