
Christopher G. Ullrich, MD
Chairman, North Carolina State Health Coordinating Council
c/o Healthcare Planning and Certificate of Need Section
Division of Health Service Regulation
North Carolina Department of Health and Human Services
2704 Mail Service Center
Raleigh, North Carolina 27699-2704

October 27, 2016

RE: Written Comments for Operating Room Methodology Workgroup

Dear Dr. Ullrich:

Graystone Ophthalmology Associates, P.A. (Graystone) appreciates the opportunity to provide comments to the Operating Room Methodology Workgroup. Graystone is 12-physician group based in Hickory, Catawba County, with three additional locations in Lincoln, Caldwell, and Watauga counties. We own and operate a two-OR ambulatory surgery center (ASC) in Hickory, that performs over 6,000 cases annually. We currently employ 175 people, and have qualitatively and proudly served the people of the Catawba Valley for over 47 years.

Because our ASC is operating at 243% of practical capacity, on July 28, 2016, Graystone submitted a petition for an adjusted need determination for one (1) additional operating room in Catawba County in the 2017 State Medical Facilities Plan (SMFP).

On September 6, 2016 Graystone received the Agency Report regarding our petition, which stated "the petition demonstrates that Catawba County's OR utilization patterns may be sufficiently different from the state as a whole to warrant an adjusted need determination" and "the agency recommends approval of the petition".

After the agency staff member presented her report at the September 13, 2016 Acute Care Committee meeting, one committee member stated he had a problem with this recommendation, and opined that Graystone needed to figure out how to use the hospital operating rooms to address the ASC's capacity constraints. Another committee member

followed by erroneously stating "costs run about the same for the hospital and the ASC". However, ASCs and hospitals are paid by CMS on totally different scales, with ASCs reimbursed 52% of what hospital outpatient departments are paid for the same procedures. That leaves the patient with the 20% co-pay of a much larger charge, thus making ASCs much more cost effective than a hospital for these surgical cases. Unfortunately, although we were in attendance at the committee meeting, Graystone was not permitted the opportunity to speak in response, so these misinformed comments went unchallenged. A motion was then called for, and the committee denied the petition.

The result of this denial, and the reason for Graystone submitting these comments to the OR Methodology Workgroup, is that patients in our region will be deprived of timely and cost effective ophthalmic surgical care for no valid reason. Approval of an additional OR in Catawba County, for which we would have submitted a CON application, in no way harms any area hospital because ophthalmic surgery is 99% outpatient, and North Carolina patients are price sensitive when considering outpatient surgery options.

Currently, one of every four Catawba County residents leaves the county to obtain ambulatory surgical services; and this trend will only increase if outpatient surgery providers are unable to increase capacity. North Carolina patients simply will not obtain the majority of their outpatient surgical care at an inpatient facility because it is too expensive. This has nothing to do with physicians needing to collaborate with the hospitals that control OR inventory. This is simply an economic decision patients are making. These patient utilization patterns are not unique to Catawba County. A brief review of some similar-sized counties without ASCs indicates that North Carolina patients are indeed leaving their county of residence to obtain ambulatory surgery in other counties with ASCs.

**Outmigration for Counties Without ASCs**

| County | ASC Located In County | % of Patients Leaving County for Ambulatory Surgery (Outmigration) | Destination for Majority of Outmigration/# of ASC ORs |
|---|---|---|---|
| Johnston | No | 61.3% | Wake County / 16 ASC ORs |
| Nash | No | 42.2% | Wake County / 16 ASC ORs |
| Orange | No | 62.2% | Durham County / 8 ASC ORs |
| Rowan | No | 41.5% | Cabarrus County / 6 ASC ORs |

Source: 2015 Ambulatory Surgery Patient Origin Reports provided by DHSR Healthcare Planning and Certificate of Need Section

There is a negative impact of excessive outmigration from a health planning perspective. Specifically, prolonged outmigration will suppress need for additional ORs in the affected host county. In other words, as long as the majority of Johnston County ambulatory surgical patients are forced to seek surgical services in Wake County, the utilization of Johnston County hospital-based ORs will be suppressed, resulting in a vicious cycle of no need determination for additional ORs when the need is actually present and increasing in Johnston County. In summary, as long as facility reimbursement structures are different, utilization of hospital-based ORs will continue to decline as patients choose to utilize more cost-effective alternatives, such as freestanding ASCs, even if it means having to travel to another county for surgery.

Graystone physicians collaborate with our area hospitals. We pride ourselves in supporting our hospitals. Graystone's board chairman is on the hospital board and another of our physicians is the Chief of Surgery at Catawba Valley Medical Center. We use the hospitals for certain types of surgical procedures. We cover call for the hospitals. Like many physicians, we respect the vital role hospitals serve in the North Carolina healthcare continuum; however, the significant changes that are occurring in the delivery of healthcare have had a direct impact on where patients choose to obtain surgical services.

Graystone supports the Basic Principles of the SMFP, which are Safety/Quality, Access, and Value. We believe that the Operating Room Methodology should be updated to reflect the tremendous revolution that is occurring in healthcare, and to spur meaningful change in planning for healthcare facilities, that will better address the healthcare needs of North Carolina citizens. For example, Graystone would support separate OR methodologies for freestanding ASCs and for hospital-based operating rooms. I urge the members of the Operating Room Methodology Workgroup to consider the vital role that ASCs play for many North Carolina communities, and particularly how ASCs are essential to achieving the SMFP Basic Principles of Safety/Quality, Access and Value.

I thank the SHCC and the Agency staff for the time and effort they have committed for reviewing and updating the SMFP. Thank you for the opportunity to comment, and for your careful consideration of our input. Please contact me directly at 828.304.6701 or swatson@graystone-eye.com if you have any questions or need additional information concerning our comments.

Sincerely,

*Sheree B. Watson*

Sheree B. Watson
Chief Executive Officer