

**COMMENTS ON GRAYSTONE EYE PETITION FOR AN ADJUSTED NEED
DETERMINATION FOR OPERATING ROOMS IN CATAWBA COUNTY**

Submitted by:

Catawba Valley Medical Center
810 Fairgrove Church Road, SE
Hickory, NC 28601

J. Anthony Rose, FACHE
President and CEO

Contact:

Lisa Hamby
(828)326-3478
lhamby@catawbavalleymc.org

Catawba Valley Medical Center (CVMC) submits the following comments in response to a petition submitted by Graystone Ophthalmology Associates to adjust the need methodology for operating rooms in Catawba County to allow for the development of a third operating room (OR) at Graystone Eye Surgical Center (GESc). As the following comments describe, the petition fails to document any unique or special circumstances resulting in an unmet need for operating rooms in Catawba County. As a result the petition submitted by Graystone Ophthalmology Associates to adjust the need determination for operating rooms in Catawba County should be denied.

The GESc petition presents multiple reasons that the need determination for operating rooms should be adjusted to reflect the need for an additional OR in Catawba County. The information provided in the following comments will address each of these reasons.

Catawba County Ambulatory Surgical Trends

The Graystone petition asserts that the volume of surgeries performed in ambulatory surgery centers in Catawba County is growing at a rapid pace. This statement is not supported by the volumes provided on NC license renewal applications. Based on data provided by Graystone in its petition, volumes at hospitals and free-standing ambulatory surgery providers in Catawba County have both risen and fallen since FY 2011. Of greater significance is the fact that the total volume of ambulatory surgery cases did not rise between FY 2011 and FY 2015. In fact, the number of ambulatory surgery cases in FY 2015 remains below the number of cases reported in FY 2011. See Table 1. These data document the fact that the volume of ambulatory surgery

cases has not increased at a rapid pace as claimed in the Graystone petition. Instead cases have simply shifted from hospitals to ambulatory surgery centers.

Table 1
Catawba County Ambulatory Surgical Case Volume: FY 2011 – 2015

Catawba County Providers	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Graystone Eye Surgery Center	4,999	5,770	6,025	5,924	6,069
Viewmont Surgery Center	2,767	2,327	2,614	2,450	2,905
Frye Regional Medical Center	5,416	4,959	4,748	4,455	4,564
Catawba Valley Medical Center	5,718	5,689	5,021	5,368	5,316
Total	18,900	18,745	18,408	18,197	18,854

Source: Graystone Eye Petition for an Adjusted Need Determination for Operating Rooms in the 2017 State Medical Facilities Plan, page 7.

Although there has been a significant shift of ambulatory surgery cases from hospitals to ambulatory surgery centers (ASCs), the rate of shift has declined in recent years, both locally and on a national level. According to the Medicare Payment Advisory Commission (Medpac), the volume of ambulatory surgical cases performed at hospitals actually increased at a faster rate than those at ASCs between 2010 and 2011 (1.3% at ASCs vs. 3.7% at hospitals).¹ Although the rate of increase slowed somewhat in 2012, the aging of the general population will likely increase the number of ambulatory surgery cases performed in hospital outpatient departments due to the higher risks involved with older patients. The impact of an aging population on the need for ambulatory surgery resources will be discussed in greater detail elsewhere in these comments.

Catawba County Ambulatory Surgical Use Rate

The petitioner asserts that the high utilization of ambulatory surgery resources in Catawba County justifies an adjustment to the need determination for operating rooms. To support this contention the petition quantifies Catawba County’s ambulatory surgical use rates per 1,000 population for FY years 2014 and 2015 at 116.77 and 120.72, respectively². However, it appears that the use rates provided in the petition are incorrectly calculated. Apparently GESC calculated the Catawba County use rate for ambulatory surgery using the number of ambulatory surgery cases reported in the 2016 and Draft 2017 State Medical Facilities Plan (SMFP) for Catawba County. See Exhibit 1. However, the volume reported in the SMFP represents the total volume of ambulatory surgical cases performed at all facilities located in Catawba County that provide ambulatory surgery services (18,854).³ This volume does not represent the volume of ambulatory surgery cases for Catawba County residents only. Therefore the purported “use rate”

¹ Medicare Payment Policy Report to Congress, Medicare Payment Advisory Commission, March 2015, Chapter 5, 128-129.

² Graystone Eye Petition for Adjusted Need Determination for Operating Rooms in the 2017 State Medical Facilities Plan, pages 6-7.

³ Ibid, page 5.

for Catawba County provided by the petitioner is grossly overstated in that it is calculated using the total volume of cases performed at facilities that provide ambulatory surgery in Catawba County, not simply the number of ambulatory surgery cases performed on Catawba County residents.

Using patient origin data provided by the DHSR Healthcare Planning Section, the actual FY 2015 ambulatory surgery use rate for Catawba County was 78.74 per 1,000 population.⁴ See also Exhibit 2. When the number of ambulatory surgery cases reported for Catawba County (12,298) is divided by the Catawba County population (156,182) per 1,000, the resulting use rate is 78.74. The use rate reported in the Graystone petition was 120.72 per 1,000 population.⁵ While it is true that the ambulatory surgery use rate for Catawba County (78.74 per 1,000) exceeds that of the state as a whole (64.91 per 1,000), this does not indicate a need for an additional operating room in Catawba County.

It is incorrect to assume, as does the petitioner, that a high use rate is evidence of an unmet need for ambulatory surgery services. A high use rate for ambulatory surgery services indicates that ambulatory surgery resources are sufficient to accommodate a higher number of cases per capita than many other areas of the state. It could also suggest an overutilization of ambulatory surgery resources in Catawba County. In fact a study published in the journal Health Affairs suggested that physician ownership of ambulatory surgical facilities results in higher surgical volumes than that of non-owners.⁶ This research found that "...the increased surgery use that follows ownership acquisition may be attributable to the financial incentives of the investment."⁷ Thus physician ownership could artificially increase the volume of ambulatory surgery cases by lowering the threshold for surgical intervention. Graystone Eye Surgery Center is a physician-owned ambulatory surgery center. This suggests that the availability of an additional operating room at GESOC could provide a financial incentive for inappropriate overutilization.

Proposed Adjustment Increases Unnecessary Duplication

The proposed 2017 SMFP documents the fact that the supply of ORs in Catawba County exceeds the number needed now and for the foreseeable future. The OR need projections contained in the proposed 2017 SMFP estimate that the supply of ORs exceeds the need for ORs by two (2) rooms through 2019. See Exhibit 3. However, this projection fails to account for either the volume of cases performed or the supply of ORs at Frye Regional Medical Center, one of two acute care hospitals located in Catawba County. The true surplus of operating rooms in Catawba County is actually much higher.

The OR need projections contained in the draft 2017 SMFP exclude both the volume of cases and supply of ORs of Frye Regional Medical Center due to its "chronic underutilization." If the

⁴N.C. DHSR Healthcare Planning Section, FY 2015 Patient Origin Data for Ambulatory Surgery, provided via e-mail, 8/3/16 reports a total of 12,298 ambulatory surgery cases for Catawba County residents in FY 2015.

⁵ Graystone Ophthalmology Associates, Petition for an Adjusted Need Determination for Operating rooms in the 2017 State Medical Facilities Plan, 5-6.

⁶Hollingsworth JM, Ye Z, Strobe SA, Krein SL, Hollenbeck AT and Hollenbeck, BK, Physician-Ownership of Ambulatory Surgery Centers Linked to Higher Volume of Surgeries, Health Affairs 29, No. 4 (2010); 683-689

⁷ Ibid, 688.

volume and capacity of FRMC are included in the need projections for Catawba County, the number of excess ORs rises from two (2) to sixteen (16). See the Table 2. Approving the requested adjustment to Catawba County’s need determination for ORs will only exacerbate the oversupply of ambulatory surgery resources in Catawba County.

Table 2
Catawba County OR Need Projections
(unadjusted for chronically underutilized facilities)

Inpatient Cases	4,362
Inpatient Hours per Case	3.0
Estimated Inpatient Hours	13,086
Outpatient Cases	18,854
Outpatient Hours per Case	1.5
Estimated Outpatient Hours	28,281
IP+OP Estimated Hours	41,367
Growth Factor	0.009
Estimated Hours w/Growth Factor	372.30
Total Estimated Hours	41,739
Total ORs Needed	22.30
Existing ORs	38
Unmet Need/Surplus (-)	-15.70

GESC is Operating Beyond its Capacity

The Graystone petition states that its ambulatory surgery center is operating well in excess of capacity and provides data that shows utilization exceeding 200% since FY 2011. However, the petition also states that the surgical volume at Graystone is projected to increase an additional 3.1% based on year-to-date FY 2016 data. (See page 8.) The petition does not explain how the ASC could be operating at a rate more than double its “practical” capacity, as asserted in the petition, but continue to accommodate increased volume.

It is more likely that the capacity of GESC is actually much higher than that assumed in the SMFP need methodology for operating rooms. The need methodology for operating rooms used in the SMFP assumes that on average ambulatory surgery cases last 1.5 hours. While this is true for many ambulatory surgery cases, ophthalmology cases require significantly less time than, for example, orthopedic cases. According to Graystone’s 2016 Ambulatory Surgical Facility License Renewal Application, the average case time at GESC is 20 minutes. See Exhibit 4. The same document provided days of availability totaling 250 per year and hours of availability per day equal to 8.5. By substituting this data into the OR need methodology, the result indicates that GESC is operating at less than 60% of capacity based on annual availability and average case time. See Table 3. Using data supplied by GESC on its annual license renewal application,

it appears that sufficient capacity exists to accommodate GESc's anticipated growth into the foreseeable future.

**Table 3
 Calculation of GESc Capacity**

Days available per year	250
Average # of hours/day scheduled for use	8.5
Average "case time" in minutes	20
Average "case time" in hours	0.33
Hours available per year per OR	2,125
Number of ORs	2
Total hours available per year	4,250
Total Capacity in Cases	12,879
Capacity @ 80%	10,303
Utilization based on 80% Capacity	58.91%

In-Migration

The Graystone petition asserts that a large volume of patients from counties other than Catawba choose to travel to ambulatory surgery centers in Catawba County for services because no ambulatory surgery centers exist in these counties. While it is true that Catawba County serves as medical hub for counties contiguous to it, the majority of patients traveling to access ambulatory surgery services at Catawba County were treated at hospitals, not ambulatory surgery centers. See Table 4. This runs counter to the argument that patients seek care in Catawba County because no licensed ASCs exist in counties contiguous to Catawba. It should also be noted that Graystone has office locations in Caldwell and Lincoln Counties, counties where the highest percentage of patients travelling to Catawba County were treated at ASCs.

**Table 4
 Percent of Non-Catawba County Residents Treated at ASCs in Catawba County**

County of Patient Residence	Viewmont	Graystone	ASC Volume	Total Amb Surg Pts	% Treated at ASCs
Alexander	245	342	587	1,620	36.23%
Caldwell	428	1,070	1,498	2,929	51.14%
Lincoln	246	485	731	1,488	49.13%
Burke	263	226	489	1,143	42.78%
Total	1,182	2,123	3,305	7,180	46.03%

Source: Graystone Ophthalmology Associates Petition for Adjusted Need Determination for Operating Rooms, 12.

Locating additional operating rooms in Catawba County will do nothing to improve access for patients residing within Catawba County. As previously discussed, existing OR capacity is clearly sufficient to meet current and projected needs for operating rooms. Neither will additional ORs in Catawba County improve access for residents of surrounding counties. Certainly it will do nothing to improve geographic access for those individuals as it forces them to drive longer distances to access ORs. Duplicating existing capacity in Catawba County also exacerbates the financial burdens placed on individuals who must leave their home counties for care in Catawba County.

The Graystone petition contends that additional ORs should be available in Catawba County because Catawba County residents have few financial resources, making it problematic for these persons to travel long distances to access care. Per capita income for Catawba County residents is provided as evidence of Catawba County residents' limited financial resources. However, Catawba County's per capita income, although lower than North Carolina's, is higher than that for all other counties contiguous to Catawba County. See Table 5. Clearly patients in counties contiguous to Catawba face greater financial hurdles to accessing health care services than do Catawba County residents.

Table 5
2014 Per Capita Income by Place of Residence

Place of Residence	Per Capita Income
Alexander	\$32,956
Burke	\$31,827
Caldwell	\$30,091
Catawba	\$36,742
Lincoln	\$35,879
North Carolina	\$39,171

Source: http://data.osbm.state.nc.us/pls/linc/dyn_line_report, accessed 8/15/16.

Impact on An Aging Population

The Graystone petition asserts that the growth of the population aged 65+ is likely to continue to increase the demand for ambulatory surgery services. While it is true that the growth of the population aged 65+ is projected to exceed that of other segments of the population, the poor health conditions of many of these individuals make them unlikely candidates for surgery in free-standing ambulatory surgery centers. The Agency for Research and Quality (AHRQ) estimates that 32% of Medicare patients have high risk medical profiles that make them inappropriate candidates for surgery in ambulatory surgery centers.⁸ Although the number of area residents aged 65+ is growing, this finding suggests that a significant portion of these individuals that

⁸ Office of the Inspector General, U.S. Department of Health and Human Services, Ambulatory Surgical Services Payment Differential in Medicare (A-05-12-0020), April 2014.

require ambulatory surgery will have those cases performed at hospitals due to the greater risk of complications these patients face as a result of their lower health status. Unlike ambulatory surgery centers, hospitals provide round-the-clock care and are staffed to address the higher acuity of these patients.

Alternatives Considered

The petitioner claims that maintaining the status quo is not an option because of the limited access to operating rooms in Catawba County. Clearly the proposed 2017 SMFP documents that an excess number of operating rooms already exist in Catawba County. Data supplied by Graystone Eye Surgery Center on its 2016 License Renewal Application also suggests that excess capacity exists at GESC. These factors indicate that existing OR capacity in Catawba County is more than sufficient to meet the needs of its residents as well as those patients from outside Catawba County who choose to use ambulatory surgical resources in Catawba County.

To avoid the duplication of existing resources in Catawba County, Graystone could choose to schedule cases at hospitals in Catawba County. These providers possess both the expertise and capacity to accommodate additional ophthalmology cases. In fact, hospitals may be a more appropriate setting for a substantial portion of patients aged 65+ due to the higher risks surgery poses for these patients.

The Graystone physicians could also choose to schedule ambulatory surgery cases at hospitals in counties contiguous to Catawba County. Instead these patients are being forced to travel to Catawba County for their ambulatory surgery services. This could pose substantial financial hardships for these individuals.

Performing additional surgeries at area hospitals may also improve access for those without health insurance or the ability to pay. As seen in Table 6, financial accessibility at GESC is severely limited for patients with no health insurance or those with Medicaid coverage. Financial accessibility would not be improved for patients with limited financial resources by expanding ORs at GESC.

**Table 6
 Outpatient Surgery Cases by Payer Class**

OP Surgery Cases	CVMC	% CVMC	FRMC	% FRMC	GESC	% GESC
SP/Charity/Indigent	227	4.3%	102	2.2%	49	0.8%
Medicare	1,774	33.4%	1,565	34.3%	4,661	76.8%
Medicaid	720	13.5%	559	12.2%	71	1.2%
Commercial Insurance	1,773	33.3%	32	0.7%	1,153	19.0%
Managed Care	791	14.9%	2,262	49.6%	0	0.0%
Other	31	0.6%	44	1.0%	135	2.2%
Total	5,316	100.0%	4,564	100.0%	6,069	100.0%

Source: 2016 NC Hospital and Ambulatory Surgery Facility License Renewal Applications.

Another alternative worth further investigation is the possibility of discounting hospital pricing for procedures currently performed at GESC. CVMC is willing to further investigate with representatives of GESC the possibility of offering discounted rates to patients of GESC. This alternative would provide additional capacity for Graystone physicians, better utilize existing OR capacity at CVMC, and benefit patients by providing services at charges below traditional hospital based rates.

Conclusion

Catawba Valley Medical Center appreciates the opportunity to comment on the Graystone petition to adjust the need determination for operating rooms in Catawba County. CVMC is hopeful that the State Health Coordinating Council will carefully consider the comments provided and conclude that no need exists for additional operating rooms in Catawba County. As a result, CVMC is hopeful that the SHCC will deny the Graystone petition and leave the need projections contained in the proposed 2017 SMFP unchanged.