

Acute Care Services Committee
April 8, 2009

Agency Report

OR Petition 1: Affordable Health Care Facilities, LLC

OR Petition 2: Southern Surgical Center, LLC

2010 Proposed State Medical Facilities Plan

Petitioners:

OR Petition 1:

Affordable Health Care Facilities, LLC

944 19th Avenue NW

Hickory, North Carolina 28601

(828) 310-9333

bob@medcapllc.com

OR Petition 2:

Paul L. Burroughs III, MD

Southern Surgical Center, LLC

3410 Executive Drive

Raleigh, NC 27609

919-872-5296

Requests:

Both petitioners request approval of a pilot demonstration project for ambulatory surgery centers. A table summarizing each of the projects is provided on pages three and four of this report.

Background Information:

Chapter 2 of the Plan allows petitioners early each calendar year to recommend changes that may have a statewide effect. According to the Plan, “Changes with the potential for a statewide effect are the addition, deletion, and revision of policies and revision of the projection methodologies.” The change recommended by these petitioners is a methodology revision that would have a statewide effect.

The current operating room need projection methodology was first used in the 2004 North Carolina State Medical Facilities Plan. Since that time, much interest has been shown in the methodology and the consequences of its application, as evidenced by the operating room petitions filed annually since 2004 and the continued discussions of the methodology during Acute Care Services Committee and State Health Coordinating Council (SHCC) meetings. The most recent response by the SHCC to this interest was the convening of a Single Specialty Ambulatory Surgery Work Group, which has met three times during 2008 and 2009. The Single Specialty Ambulatory Surgery Work Group’s charge is shown below:

“Upon the recommendation of the Acute Care Services Committee and as approved by the vote of the State Health Coordinating Council, a single specialty ambulatory surgery workgroup has

been appointed by the Chairman. The workgroup consists of members of the Acute Care Services Committee, the SHCC, and staff. The committee is charged to do the following:

- Develop a plan to evaluate and test the concept of single specialty ambulatory surgery centers in North Carolina
- Formulate recommendations regarding the number of sites and potential geographic locations for pilot projects
- Identify measures that can be used to evaluate the success of the pilot projects, to include measures of value, access to the uninsured, and quality and safety of care
- Recommend how the test sites will be held accountable and responsible in the event they are unsuccessful in meeting target guidelines

The workgroup will present its recommendations to the Acute Care Services Committee by April 30, 2009 for consideration and referral to the SHCC for inclusion in the Proposed 2010 State Medical Facilities Plan.”

Analysis/Implications:

The table on the following pages summarizes each of the petitions.

<i>Petitioner: Southern Surgical Center</i>	<i>Petitioner: Affordable Health Care Facilities</i>
Facility Characteristics	
Six sites proposed in the following counties: Mecklenburg, Forsyth, Guilford, Wake, Pitt, and New Hanover	No limit on number or location of sites, as long as the following criteria are met: <ul style="list-style-type: none"> • Counties with a population of at least 85,000 and one hospital; or • Counties with a population of at least 125,000 and two or more hospitals.
Two ORs and two procedure rooms per site.	At least 2 operating rooms per site.
Single specialty or multispecialty ORs.	Single specialty ORs only.
Case/Procedure Volume	
<ul style="list-style-type: none"> • Documentation of existing historical surgical case volumes of at least 2,000 cases • Letters of support from surgeons who have completed these cases. • Exclude hospital letters of support 	Must project at least 1,000 procedures per operating room.
Indigent Care	
Seven percent of facility's cash receipts are from self-pay, charity/indigent, and Medicaid patients.	<ul style="list-style-type: none"> • At least 5% of total patient load charity or indigent care (less than \$200 per service in reimbursement). • Upon annual facility licensure renewal, if the 5% charity/indigent care threshold has not been met, the facility must pay into a DHSR managed state facility fund up to 5% of the facility's average reimbursement to reach the threshold.
Quality and Safety, Access, Value	
State provide a specific outline of what data are to be reported. Each site should follow the same research protocol and follow the same data points.	<ul style="list-style-type: none"> • Each facility shall develop a series of safety and quality metrics as part of application. These metrics will vary by medical specialty. • All facilities will work with the DHSR and other organizations to develop a standardized patient satisfaction survey and reporting mechanism. • All facilities also must detail how clinical safety and quality performance and patient satisfaction will be reported. • The ASCs must agree through affidavit to meet all state licensure, accreditation, and Medicare certification requirements in the pilot demonstration application.
Not addressed	<ul style="list-style-type: none"> • Facilities must prove through the collection of patient EOB statements and other data sources, including hospital financial reports, that facility charges to private payers in the target counties are excessive and consistently exceed 350% of prevailing Medicare reimbursement for the services that the applicant facility will provide before receiving a CON.

<i>Petitioner: Southern Surgical Center</i>	<i>Petitioner: Affordable Health Care Facilities</i>
	<ul style="list-style-type: none"> • Facilities agree not to charge more than 300% of prevailing Medicare reimbursement for the first two (2) years of operation. • Facilities agree to publish a list of their charges by CPT code, procedure, or service and file a report each year with the DHSR with these charges upon licensure renewal • Facilities agree to provide each consumer with an individual financial review of his/her expected out of pocket cost for the respective payer prior to performing any procedure or service
Miscellaneous	
The ASC cannot be sold to a hospital corporation, unless the ASC billing rates can be maintained, or unless laws are passed that make an owner ineligible for continued ownership.	Not addressed.
No exclusive provider contracts with third party payers for any of the services provided.	Not addressed.
Sites must bill as free standing Ambulatory Surgery Centers	Not addressed.
Award CONs to existing community providers	Not addressed.
Not addressed.	ASC physicians must commit to continued “call” coverage at area hospitals.
Not addressed.	<ul style="list-style-type: none"> • Expand the work group beyond the current membership or at least formally request input from nationally recognized industry leaders and researchers. • Invite the leadership of the State Employees of North Carolina Association (“SEANC”) specifically be invited to take part in the Single Specialty Ambulatory Surgery Work Group meetings and to provide input.
Not addressed.	Each ASC pilot demonstration facility must have a total capital cost of less than \$1.25 million per operating room in order to be eligible to apply for a pilot demonstration

The Agency appreciates submission of innovative ideas, such as the ideas included in the petitions that are the subject of this report. However, given that a Single Specialty Ambulatory Surgery Work Group is currently in the process of developing a demonstration project, the Agency believes that it would be imprudent at this time to recommend approval of any additional ambulatory surgery demonstration projects. Based on the progress and the preliminary recommendations made by the work group to date, the Agency is confident that the demonstration project, as developed by the work group, will be carefully constructed and consistent with the revised Basic Principles governing the development of the State Medical Facilities Plan.

Agency Recommendation:

In consideration of the above, the Agency recommends denial of both the petitions. The Agency also recommends development of the Single Specialty Ambulatory Surgery Work Group demonstration project.