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**PETITION FOR AN ADJUSTED NEED DETERMINATION TO
INCLUDE THE NEW HANOVER & BRUNSWICK COUNTY
SERVICE AREA IN THE 2010 SMFP SINGLE SPECIALTY
AMBULATORY SURGERY DEMONSTRATION PROJECT**

Petitioner:

Atlantic Orthopedics, PA
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To:

Medical Facilities Planning Section
Division of Health Service Regulation
2714 Mail Service Center
Raleigh, NC 27699-2714

Requested Change

Atlantic Orthopedics, P.A. (Atlantic) seeks an adjusted need determination, specifically to include the New Hanover and Brunswick County service area in the Single Specialty Ambulatory Surgery Demonstration Project in the 2010 State Medical Facilities Plan (SMFP).

Reasons Supporting Requested Change:

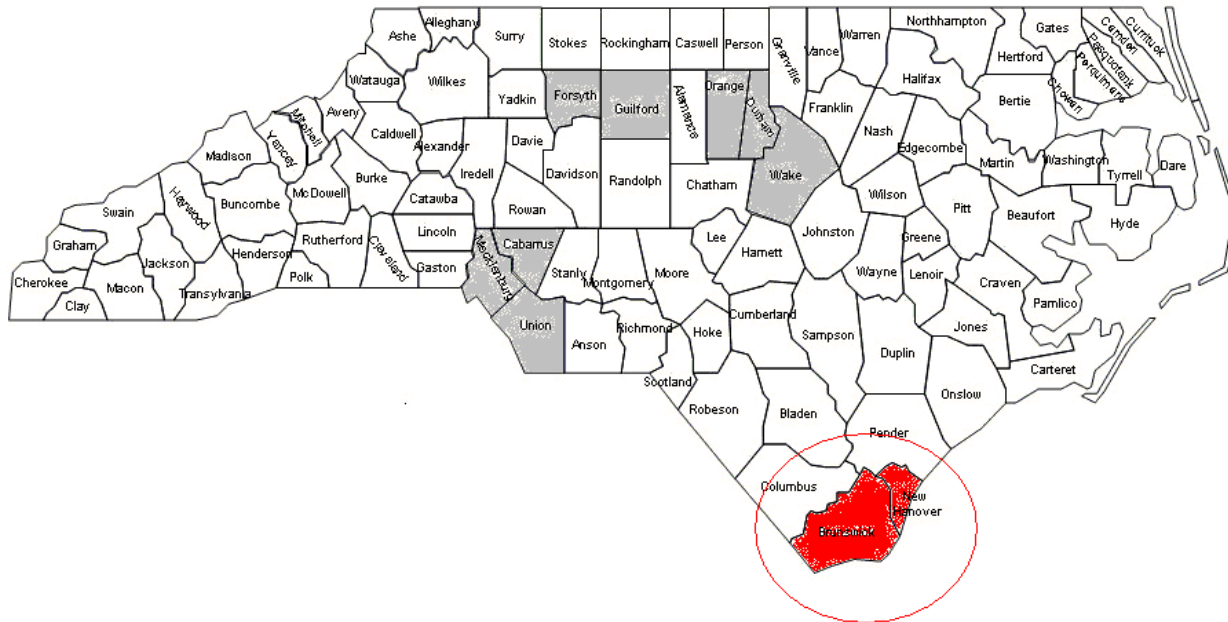
- The service areas currently included in the Proposed 2010 SMFP demonstration project geographically exclude eastern North Carolina.
- New Hanover County is the ninth most populous county in the State and supports numerous operating rooms and ambulatory surgery providers.
- New Hanover County is the fourth most densely-populated county in North Carolina.
- The New Hanover/Brunswick County service area is growing faster than several of the counties currently included in the proposed single-specialty demonstration project.
- The New Hanover/Brunswick County service has a comparatively higher ratio of population per ambulatory/shared operating room than the service areas currently included in the demonstration project.
- New Hanover County has a greater ambulatory surgical utilization rate per 1000 population than any of the counties currently included in the demonstration project.
- The New Hanover/Brunswick County service area does not currently host any single-specialty Ambulatory Surgery Centers (ASC) and is, thus, a unique opportunity for the demonstration project.
- The New Hanover/Brunswick County service area affords the unique opportunity to evaluate the efficacy of the demonstration project in a middle-sized population market.

Approval of this petition will enable any eligible applicant the opportunity to submit a competitive Certificate of Need application proposing the best plan for a Single Specialty Ambulatory Surgery Demonstration Project in the New Hanover/Brunswick County service area.

The detailed rationale for this adjusted need determination is described on the following pages.

Geography

Currently, the proposed single-specialty ASC demonstration project does not identify a project site in Eastern North Carolina. The following map reflects the uneven geographic distribution of the proposed service areas currently included in the demonstration project, and the location of the proposed additional site service area, i.e. Brunswick and New Hanover counties.



Currently, the demonstration project identifies two service areas in the western half of North Carolina (i.e. HSA's I, II, III); however there is only one service area included in the eastern half (i.e. HSA's IV, V, VI). Furthermore, the Wake/Orange/Durham service area truly represents the central portion of North Carolina, and a true Eastern North Carolina service area is lacking.

In previous demonstration projects, the SHCC has evenly distributed need determinations throughout the state. For example, the 2008 SMFP Fixed Multi-position MRI Scanner Demonstration Project identified one need determination in the western half of the state (HSA's I, II, III) and one need determination in the eastern half of the state (HSA's IV, V, VI). In order to effectively evaluate the efficacy of the proposed demonstration project, the project sites should be distributed appropriately and evenly throughout the state.

In addition, Atlantic recognizes there is a specific demographic and qualitative data that further support the need for a single-specialty ASC demonstration project in the New Hanover/Brunswick County service area.

Population

New Hanover County is the ninth most populous county in North Carolina with 199,351 estimated residents in 2009. This is only 649 residents fewer than the 200,000 resident benchmark used for selecting service areas for the proposed single-specialty ASC demonstration project. Furthermore, according to the North Carolina Office of State Budget and Management, New Hanover County **will exceed 200,000 residents by 2010**. As the demonstration project will be included in the 2010 SMFP, and actual project implementation will occur within two years from the date of issuance of the certificate of need (i.e., approximately 2011 or 2012), New Hanover County will have ample population to satisfy the population criteria identified by the demonstration project. The following provides population estimates from the North Carolina Office of State Budget and Management.

New Hanover & Brunswick County Population Projections

	2009	2010	2011	2012	2013	2014
New Hanover	199,351	203,417	207,439	211,463	215,486	219,508
Brunswick	108,419	112,038	115,568	119,099	122,630	126,161

Source: North Carolina Office of State Budget & Management

The New Hanover/Brunswick County service area is also projected to increase at a rate of 2.5% annually. This projected population growth is more than double that of the Triad service area (Guilford, Forsyth) and comparable to that of the Charlotte-Area (Mecklenburg, Union, Cabarrus) and Triangle (Orange, Wake, Durham) service areas. Brunswick County is also the third fastest growing county in North Carolina with a population growth rate of 3.3% annually.

According to the US Census Bureau, New Hanover County is the third densest population center by county in North Carolina with 1,005.2 people per square mile. The table below shows the population densities for the counties in the proposed service areas for the single-specialty ASC demonstration project.

2008 Population Density of Proposed Service Area Counties

County	Population per Square Mile
Mecklenburg	1,700.1
Wake	1,038.2
New Hanover	1,005.2
Durham	918.7
Forsyth	840.4
Guilford	730.7
Cabarrus	466.4
Orange	318.2
Union	306.0

Source: US Census Bureau

The population projections provided by the State coupled with population density data provided by the US Census Bureau are evidence that the New Hanover/Brunswick County service area is consistent with criteria basic principle and rationale utilized by the Single Specialty Ambulatory Surgery Work Group for selecting demonstration project service areas. Specifically, the criteria and rationale state, “locating facilities in high population areas with a large number of operating rooms and existing ambulatory surgery providers prevents the facilities from harming hospitals in rural areas, which need revenue from surgical services to offset losses from other necessary services such as emergency department services.” The New Hanover/Brunswick County service area is indeed a high population area, and it also has existing ambulatory surgery providers. Thus, it is reasonable and appropriate to include the New Hanover/Brunswick County service area in the 2010 SMFP demonstration project.

It is important to note that the three service areas currently included in the Single Specialty ASC Demonstration Project are all large-sized, metropolitan population markets. While it is clear that the proposed New Hanover/Brunswick County service area hosts sufficient population to serve as a demonstration project service area, it is not a metropolitan market. Thus, a New Hanover/Brunswick County service area would afford the unique opportunity to evaluate the efficacy of a single-specialty ASC in a middle-sized population market. The following narrative provide additional evidence that the New Hanover/Brunswick County service area has additional resources, beyond population, that further substantiate its inclusion in the 2010 SMFP demonstration project.

Medical Resources

It is important to consider the medical resources of the proposed New Hanover/Brunswick County service area to ensure a single-specialty ASC demonstration project will not have an adverse effect on the existing hospitals or other healthcare providers.

New Hanover County has extensive medical resources. According to the 2007 NC Health Professions Data Book, New Hanover County has 32.3 physicians per 10,000 people. This is the fourth highest concentration of physicians among the counties in the currently proposed service areas. Please refer to the following table.

Physician Density of Proposed Service Area Counties

County	Physicians per 10,000 People
Orange	89.1
Durham	65.8
Forsyth	40.5
New Hanover	32.3
Mecklenburg	26.6
Guilford	24.2
Cabarrus	23.2
Wake	22.8
Union	7.6
North Carolina	20.8

Source: 2007 NC Health Professions Data Book

According to the 2009 State Medical Facilities Plan and State population data, the New Hanover/Brunswick County service area also has the second highest ratio of population per shared/ambulatory operating room of the proposed service areas. The chart below shows the population per operating room ratios for the New Hanover/Brunswick County service area as well as the service areas currently included in the demonstration project.

2009 Population per Ambulatory/Shared Operating Rooms

Service Area	2009 Pop	Amb/Shared ORs	Population per Amb/Shared OR
Charlotte-Area	1,296,859	174	7,453.2
New Hanover/Brunswick	307,770	43	7,157.4
Triangle	1,293,301	187	6,916.0
Triad	825,275	166	4,971.5

Source: 2009 SMFP, NC Office of State Budget & Management

The comparatively high ratio of population per ambulatory/shared operating room in the New Hanover/Brunswick County service area could imply that there is a greater need for additional ambulatory operating rooms in the New Hanover/Brunswick County service area compared to in the Triangle or Triad service area. It is also evidence that a Single Specialty ASC will not have a negative impact on existing operating rooms. This further merits the inclusion of the proposed service area in the 2010 SMFP demonstration project.

Existing Operating Rooms & Ambulatory Surgery Centers

The New Hanover/Brunswick County service area is a suitable and appropriate site for the 2010 SMFP demonstration project based on the current inventory of ambulatory/shared operating rooms and the use of ambulatory surgery in the service area. Based on the Proposed 2010 SMFP, there are currently 43 existing or approved shared/ambulatory operating rooms in New Hanover and Brunswick counties¹, including three licensed ambulatory surgery centers. This inventory is comparable to the demonstration project criteria of 50 total ambulatory/shared operating rooms.

Furthermore, based on population estimates and FY2008 ambulatory surgery utilization, the 2008 ambulatory surgery use rate for New Hanover County is 151.3 surgeries per 1,000 people² [29,450/(194,588/1,000)]. This is substantially higher than any of the other counties included in the demonstration project. The second highest is Durham County with 127.9 ambulatory surgeries per 1,000 people [33,192/(259,426/1,000)]. Additionally, the ambulatory surgery use rate

¹ 43 = 16 ambulatory ORs + 25 shared ORs + 2 approved ambulatory ORs per Project ID# O-7671-06

² Based on 2008 population provided by NC Office of State Budget and Management and FY2008 Ambulatory Surgery Cases provided in Proposed 2010 SMFP.

for the entire New Hanover/Brunswick County service area is 112.0 surgeries per 1000 people, which is the highest of all the service areas currently included in the Single Specialty ASC demonstration project. Please refer to the following table for ambulatory surgery utilization rates by service area.

2008 Ambulatory Surgeries per 1,000 People by Service Area

Service Area	2008 Population	Ambulatory Surgery Cases	Ambulatory Surgery Use Rate
New Hanover/Brunswick	298,672	33,443	112.0
Triad	813,161	91,017	111.9
Triangle	1,255,730	109,371	87.1
Charlotte-Area	1,255,567	107,006	85.2

Source: 2009 SMFP, NC Office of State Budget & Management

The comparatively high use of ambulatory surgery in the New Hanover/Brunswick County service area is further evidence that a Single Specialty ASC would be well utilized, and the proposed service area is an ideal site for the demonstration project.

Atlantic Orthopaedics, P.A.

Atlantic Orthopedics, P.A., located in Wilmington (New Hanover County) is one of the largest general and sub-specialty orthopedic medicine groups in the Southeast. Atlantic offers orthopedic treatments for the neck, back & spine, shoulder, elbow, hand, hip, knee, ankle & foot, joint replacement & revision, Sports Medicine, arthritis and pain management, and pediatric care.

Orthopedic surgery is the foundation of Atlantic. Last year, Atlantic physicians performed over 5,700 outpatient surgical procedures. Patients receive one-on-one attention and personalized care to ensure a comfortable experience and even reduce recovery time. This commitment to quality and personalized care sets Atlantic physicians apart from other providers in the Southeast.

Atlantic Orthopedic also has a proud history of extending services to medically underserved patients, especially self-pay and Medicaid patients. We share the State's view that quality healthcare services should be available to all patients, especially the medically underserved. Atlantic's current payor mix includes 9.42% of Medicaid and self-pay patients. This exceeds the ASC demonstration project's

benchmark of at least 7% and is an indication that all patients, regardless of ability to pay, will be well served by a single specialty ASC demonstration project in the New Hanover/Brunswick County service area.

No Unnecessary Duplication of Services

Atlantic Orthopedics has established that the New Hanover/Brunswick County service area currently supports three multi-specialty ambulatory surgery centers but has no access to a single specialty ASC. Therefore, the SHCC's decision to include a single specialty additional demonstration project in the New Hanover/Brunswick County service area would not result in any unnecessary duplication of services. The SHCC has also determined a need in the State for several single-specialty Ambulatory Surgery Centers as demonstration projects. All of the currently proposed service areas (Charlotte-Area, Triad, and Triangle) already have existing single-specialty ASC's. It is clear that the patients of New Hanover and Brunswick counties would benefit from increased access to an additional ASC, especially a single-specialty ASC as described in the demonstration project.

Adverse Effects of No Adjustment to the Need Determination

Should this petition not be granted, an excellent opportunity to determine the efficacy of the single-specialty ASC demonstration project in a unique medical environment would be missed. North Carolina is capable of supporting more than three single-specialty ASC demonstration projects. It would be beneficial to include an additional service area that will diversify the healthcare markets being evaluated in this demonstration project. As described previously, the New Hanover/Brunswick County service area would provide the unique opportunity to evaluate the efficacy of a single-specialty ASC in a middle-sized population market.

As described in this petition, the New Hanover/Brunswick service area boasts the population and medical infrastructure necessary to effectively evaluate the success of the demonstration project. It is also unique because it does not currently host a single-specialty ASC. The other service areas in the proposed demonstration project already support single-specialty ASC's. Inclusion of the New Hanover/Brunswick County service area would be a valuable asset in determining the efficacy of single-specialty ambulatory surgical centers in the North Carolina healthcare marketplace.

Quality, Access & Value

The requested adjustment is consistent with the three Basic Principles Governing the Development of the SMFP: Safety and Quality, Access and Value.

If this petition is approved, access will be greatly enhanced as a single-specialty ambulatory surgery center demonstration project will be available in Eastern North Carolina. Surgical procedures will be more readily available outside of a hospital-setting, and in a facility dedicated to one surgical specialty, thereby greatly increasing convenience and comfort to patients. Patients will have a new option for surgical care.

Approval of this petition will also enhance the safety and quality of surgical services in the proposed service area. The demonstration project's focus on single-specialty surgery will enable the physicians and their clinical and support staff to become extremely focused and efficient in providing care. This will have a direct and positive effect on the clinical quality of services provided. The anticipated high volume of surgical cases is likely to increase the quality of care delivered each day, based on the well-established linkage between procedure volumes and physician and staff technical proficiencies. As a result, quality of care will continuously improve as facility staff hone their clinical skills and training through higher utilization and repetition.

The rising cost of healthcare services continues to cause concern among many constituencies in North Carolina. The operational efficiencies of a single-specialty ambulatory surgical center will enable providers to offer lower costs. A single-specialty ambulatory surgery setting allows healthcare providers to operate more efficiently with lower costs than other types of health care facilities. Approval of this petition will greatly benefit patients in terms of healthcare costs and value.

Conclusion:

In summary, Atlantic Orthopedics, PA seeks an adjusted need determination to include the New Hanover/Brunswick County service area in the 2010 SMFP Single Specialty Ambulatory Surgery Demonstration Project.

Atlantic feels that the requested adjustment is justified based on the following factors:

- The service areas currently included in the proposed 2010 SMFP demonstration project geographically exclude eastern North Carolina.
- New Hanover County is the ninth most populous county in the State and supports numerous operating rooms and ambulatory surgery providers.
- New Hanover County is the fourth most densely-populated county in North Carolina
- The New Hanover/Brunswick County service area is growing faster than several of the counties in the proposed single-specialty demonstration project.
- The New Hanover/Brunswick County service has a comparatively higher ratio of population per ambulatory/shared operating room than the service areas currently included in the demonstration project.
- New Hanover County has a greater ambulatory surgical utilization rate per 1000 population than any of the counties currently included in the proposed single-specialty demonstration project
- The New Hanover/Brunswick County service area does not currently host any single-specialty Ambulatory Surgery Centers (ASC) and is, thus, a unique opportunity for the demonstration project.
- The New Hanover/Brunswick County service area affords the unique opportunity to evaluate the efficacy of the demonstration project in a middle-sized population market.