

High Point Regional Health System opposes the petition proposed by MedCapital Advisers, LLC to remove the limit on new single specialty surgery centers. The following outlines our stance:

Not the Responsibility of the State Health Coordinating Council

The MedCapital Advisers petition is not specific to requesting a change in policy or procedures submitted to the State Health Coordinating Council. Changes to the Certificate of Need process should be a legislative matter and considered under the jurisdiction of the North Carolina State legislature. One of the duties of the SHCC is to determine the number of licensed operating rooms that need to be developed. It is not responsible to govern which procedures may or may not be administered in unlicensed facilities. The North Carolina CON law is what determines the equipment, facilities and services, not the SHCC.

Physician Controlled ASCs

According to a study in the Insurance Journal, “Why Surgeons of Ambulatory Surgical Centers Do More Surgery than Non-Owners,” the average surgeon did 14-22 percent more surgery after becoming an ASC owner. ASCs are more likely to recruit high-volume surgeons. From the study it was determined surgeons are then more likely to become owners. They were able to self refer patients. These physicians are then able to pick and choose the patients they want to see. It is not in the best interest of the state to allow certain physicians to bypass the state’s planning process in order to cherry pick their patient cases.

In recent years, organizations have assessed differences in patients who are treated in hospital outpatient surgery departments (HOPDs) versus ambulatory surgery centers. The outcomes from the studies demonstrate that patients treated in physician-owned facilities as not as severely ill as patients cared for in HOPDs. Additionally, physician-owned facilities are more likely to treat fewer Medicaid patients and patients with less desirable HMO plans. Specifically, a 2003 study was completed in Pennsylvania where ten percent of the population is uninsured and Medicaid patients comprised roughly eleven percent of the population. Higher shares of these Medicaid patients were treated in hospital outpatient departments than in physician-owned ASCs (8 percent versus 1 percent J.R.Gabel et. al., *Where Do I Send Thee? Does Physician-Ownership Affect Referral Patterns to Ambulatory Surgery Centers?*, Health Affairs, 27, no. 3 (March 18, 2008): w165-w174.).

With 1,565,900 uninsured in the State of North Carolina, this study would be transferable to the economics of surgeries performed in hospital outpatient surgical facilities versus ambulatory surgery centers. Deregulating ASCs from the CON process would allow physician-owned ASCs to cater to only the most profitable patients, thereby draining revenue away from full-service

community and critical access hospitals. This revenue is needed to offset the care provided to the indigent and uninsured as well as unprofitable services that specialty facilities do not provide.

Effectiveness of the CON Process

There is convincing data as to the effectiveness of the CON process. According to the South Carolina Department of Health and Environmental Control, the government agency that oversees the CON process for the state, adjusted health care expenditures per employee were nearly one-third less in states with CON programs. Inpatient and outpatient costs were nearly 20% less. Other services were also less expensive. MRI services cost 11-20% more in states that do not have CON programs. Coronary artery bypass grafts cost 20-39% more in states that do not have a CON review process "South Carolina Department of Health and Environmental Control." *S.C. DHEC: Certificate of Need*. N.p., n.d. Web. 20 Mar. 2013.

Areas with more medical facilities and doctors spend more on healthcare services per person. It drives up the cost of labor at the expense of organizations cutting expenses elsewhere. The CON process limits the ability to splinter the provider delivery network which causes staffing shortages; this, in turn, lowers quality and fragments the healthcare support system.

Unnecessary Need For Increased Utilization

Currently, there is not the demand to expand access and volumes for surgical procedures. Deregulating ASCs from the CON process would inhibit the capability to create unneeded operating rooms. There is no similar need to expand access and volumes for surgical procedures. As set forth above, increased utilization of ambulatory surgery facilities may come at the expense of the "marginal" patient who may need the service. North Carolina currently has significant excess capacity in surgery facilities. In Guilford County alone, there are 7 inpatient operating rooms, 42 ambulatory operating rooms, and 47 shared operating rooms. According to a July 2011 U.S. Census Bureau estimate, Guilford County has a population of 495,279 or one operating room per 5,159 people. The state average is 7,300. The CON process is sufficient to meet the demands of the population. The additional facilities would shift the burden to the insured patients and taxpayers as the higher reimbursing procedures would be conducting in the physician owned facilities. An uptick in uncompensated care would prevail in hospital owned facilities. There would be an increase in Medicaid and uninsured procedures.

For all the above reasons, High Point respectfully opposes MedCapital Advisers, LLC's petition.