



**PETITION FOR AN ADJUSTED NEED DETERMINATION FOR  
OPERATING ROOMS IN THE 2017 STATE MEDICAL  
FACILITIES PLAN**

**Petitioner:**

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**To:**

Healthcare Planning and Certificate of Need Section  
Division of Health Service Regulation  
2704 Mail Service Center  
Raleigh, NC 27699-2704

## **Requested Adjustment**

Graystone Eye Surgery Center, LLC (Graystone) petitions for an adjusted need determination. Specifically, Graystone seeks to include need for one additional surgical operating room (OR) in the Catawba County service area in the 2017 State Medical Facilities Plan (SMFP).

### **Reasons Supporting Requested Adjustment:**

In 2010, Graystone successfully petitioned the State Health Coordinating Council for an adjusted need determination for one additional surgical OR for Catawba County. The Agency concluded that Graystone sufficiently demonstrated unique or special circumstances that warrant an additional operating room in the Catawba County OR service area.

Graystone received CON approval to develop a second surgical OR in 2011. Six years have passed since Graystone last petitioned the SHCC. During that time, Catawba County's ambulatory surgical utilization in dedicated-outpatient ORs has increased significantly. Catawba County again demonstrates unique and special circumstances that warrant an additional operating room in the Catawba County OR service area. This petition is supported by the following rationale:

- Surgical volume performed in ambulatory surgical centers (ASC) is growing at a rapid pace. Forthcoming changes in Medicare payments are likely to contribute to future growth cases performed in low cost, high-quality ASCs.
- Demand for ambulatory surgical services in Catawba County is increasing among local and regional residents, as demonstrated by the county's high ambulatory surgery utilization rate.
- Ambulatory surgical cases have increased in dedicated-outpatient ORs in recent years, while ambulatory surgical cases in hospital-based ORs have decreased.
- There is limited access to dedicated-outpatient ORs in Catawba County.
- Catawba County is a regional hub for ambulatory surgical services, as evidenced by historical ambulatory surgical patient origin.

- The population in Catawba County is continuing to both increase and age.
- Catawba County residents on average have relatively fewer financial resources, and may be limited in traveling long distances to access healthcare services.

Approval of this petition will enable any eligible applicant to submit a competitive Certificate of Need application, proposing their specific plan for developing an additional operating room in the Catawba County service area.

The detailed rationale for this adjusted need determination is described in the remainder of the petition.

## **Ambulatory Surgery**

### *Ambulatory Surgery Centers*

*Surgical volume performed in ambulatory surgical centers (ASC) is growing at a rapid pace. Forthcoming changes in Medicare payments are likely to contribute to future growth cases performed in low cost, high-quality ASCs.*

Technological advancements have enabled a growing range of procedures to be performed safely on an outpatient basis. Faster acting and more effective anesthetics, combined with less invasive techniques have driven this outpatient migration. Procedures that only a few years ago required major incisions, long-acting anesthetics and extended convalescence can now be performed through closed techniques utilizing short-acting anesthetics, and with minimal recovery time. As a result, more and more procedures have been performed safely in a dedicated-outpatient setting.

Nationwide, the number of ASCs continues to grow in response to demand from the key participants in surgical care – patients, physicians and payors. This demand has been made possible by technology, but has been driven by high levels of patient satisfaction, efficient physician practice, high levels of quality and the cost savings that have benefited all. From 2007 through 2011, the number of Medicare-certified ASCs grew by an average annual rate of 2.5 percent. From 2007 through 2011, the volume of services per Medicare beneficiary grew by an average annual rate of 4.6 percent<sup>1</sup>. Ophthalmology is the most common case specialty by

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<sup>1</sup> MedPac Report to the Congress: Medicare Payment Policy – March 2014

volume performed in ASCs, comprising 28 percent of all ASC Medicare procedures<sup>2</sup>.

The Affordable Care Act requires the Secretary of Health and Human Services to develop a plan to implement a value-based purchasing (VBP) program for payments under the Medicare program for ASCs. CMS views VBP as an important step forward in changing how Medicare pays for health care services; moving the program towards rewarding better value, outcomes, and innovations, instead of merely volume. ASCs have long demonstrated their ability to provide high quality care and positive outcomes at a low cost.

In summary, ASCs are a vital component of the healthcare delivery system from quality, access, and cost perspectives. The historical growth of ASC volume is not an anomaly. Upcoming changes in Medicare payments are likely to contribute to future growth cases performed in low cost, high-quality ASCs. Therefore, the requested adjusted need determination for one additional OR in Catawba County will ensure adequate access to surgical services for residents of Catawba County and the Unifour area.

### *Catawba County Ambulatory Surgical Use Rate*

*Catawba County exhibits a higher ambulatory surgical use rate compared to the State as a whole.*

An adjusted need determination to include one operating room is appropriate for the Catawba County service area, based on the high ambulatory surgical use rate within the county. As indicated in Table 1, Catawba County's ambulatory surgical use rate has increased in recent years.

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Ambulatory Surgery Center Association. Ambulatory Surgery Centers: A Positive Trend in Healthcare. 2012<sup>2</sup>

**Table 1**  
**Catawba County Ambulatory Surgical Use Rate (per 1,000 population)**

	<b>FY2014</b>	<b>FY2015</b>
Population	155,830	156,182
Ambulatory Surgery Cases	18,197	18,854
<b>Amb Surg Use Rate</b>	<b>116.77</b>	<b>120.72</b>

Source: 2016 SMFP, Proposed 2016 SMFP, NC Office of State Budget & Management

Using population estimates and ambulatory utilization, the FY2015 ambulatory surgery use rate for Catawba County is 120.72 surgeries per 1,000 people. Indeed, Catawba County's ambulatory surgery use rate increased 3.4% from FY2014 to FY2015.

81% of surgical cases in Catawba County are outpatient. Notably, Catawba County's ambulatory surgery use rate is significantly higher than the FY2015 North Carolina ambulatory surgery use rate of 64.91. And as seen in Table 2 on the following page, Catawba County has the highest ambulatory surgery use rate of all 24 counties in Health Service Area I.

**Table 2**  
**FY2015 Ambulatory Surgeries per 1,000 People by Service Area**

Area	2015 Population	FY2015 Ambulatory Surgical Cases	FY2015 Use rate/1,000
Catawba County	156,182	18,854	120.72
Buncombe County	254,344	28,451	111.86
Jackson County	41,279	3,672	88.96
Henderson County	112,116	9,765	87.10
Macon County	34,851	2,957	84.85
Cleveland County	98,246	8,128	82.73
Cherokee County	27,487	2,058	74.87
Watauga County	53,314	3,892	73.00
Burke County	89,198	6,284	70.45
Haywood County	60,178	3,581	59.51
Transylvania County	33,738	1,915	56.76
Wilkes County	70,000	3,253	46.47
Mitchell County	15,826	590	37.28
Caldwell County	82,391	3,039	36.89
Polk County	20,848	604	28.97
Ashe County	27,482	738	26.85
Rutherford County	67,466	1,455	21.57
Allegheny County	11,159	211	18.91
McDowell County	45,380	795	17.52
Avery County	17,902	196	10.95
Alexander County	38,302	0	0.00
Clay County	10,886	0	0.00
Graham County	8,890	0	0.00
Madison County	21,728	0	0.00
Swain County	14,987	0	0.00
Yancey County	17,915	0	0.00
<b>North Carolina</b>	<b>10,054,722</b>	<b>652,632</b>	<b>64.91</b>

Source: Proposed 2017 SMFP, NC Office of State Budget & Management

The comparatively high use of ambulatory surgery in Catawba County is evidence that one additional operating room in the Catawba County service area will be well utilized, and will improve access to care without unnecessary duplication of existing resources.

### Catawba County Ambulatory Surgical Trends

*Ambulatory surgical cases performed in Catawba County’s ASCs are increasing, while ambulatory surgical cases performed in Catawba County hospitals are decreasing.*

Ambulatory surgical utilization in Catawba County has experienced the greatest increase in dedicated-outpatient settings, i.e., ASCs. Table 3 summarizes ambulatory surgical utilization by site.

**Table 3  
Catawba County Ambulatory Surgical Utilization by Site**

	FY2011	FY2012	FY2013	FY2014	FY2015	4-Yr CAGR
Graystone Eye Surgery Center	4,999	5,770	6,025	5,924	6,069	5.0%
Viewmont Surgery Center	2,767	2,327	2,614	2,450	2,905	1.2%
Frye Regional Medical Center	5,416	4,959	4,748	4,455	4,564	-4.2%
Catawba Valley Medical Center	5,718	5,689	5,021	5,368	5,316	-1.8%

Source: 2013-2016 SMFP, Proposed 2017 SMFP

As shown in Table 3, ambulatory surgical cases performed in hospital-based ORs have steadily declined during recent years. Conversely, the number of ambulatory surgical cases performed in ASCs experienced an overall four-year compound annual growth rate (CAGR) of 3.7%. Notably, Graystone’s surgical volume experienced a 4-year CAGR of 5.0%.

Growth of Catawba County’s ASC case volume can be partially attributed to out-of-pocket patient costs. Patients typically pay less coinsurance for procedures performed in an ASC than for comparable procedures in the hospital setting. For example, a Medicare beneficiary could pay as much as \$496 in coinsurance for a cataract extraction procedure performed in a hospital-based OR, whereas that same beneficiary’s co-payment in the ASC would be only \$195<sup>3</sup>. This is a tangible difference and often a deciding factor for patients when determining where to have their surgery performed.

<sup>3</sup> Ambulatory Surgery Center Association. Ambulatory Surgery Centers: A Positive Trend in Healthcare. 2012

Private insurance companies tend to save similarly, which means employers also incur lower health care costs when employees utilize ASC services. For this reason, both employers and insurers have recently been exploring ways to incentivize the movement of patients and procedures to the ASC setting.

The future growth of ambulatory surgical cases performed in ASCs is now severely limited by the availability of dedicated-outpatient ORs in Catawba County. According to the Proposed 2017 SMFP, only five (5) of Catawba County’s 39 ORs are located in an ASC.

*Catawba County ASC Utilization*

*There is extremely limited capacity in Catawba County ASCs to accommodate current and projected ambulatory surgical volume.*

According to the Proposed 2017 SMFP, 6,069 ambulatory cases were performed at Graystone during FY2015. As described previously, during FY2011-FY2015 Graystone’s surgical volume experienced a 4-year CAGR of 5.0%. See Table 4.

**Table 4  
Graystone Eye Surgery Center OR Utilization**

	FY2011	FY2012	FY2013	FY2014	FY2015	4-Yr CAGR	FY2016*
Graystone Eye Surgery Center	4,999	5,770	6,025	5,924	6,069	5.0%	6,255

\*Annualized based on eight months of data  
Source: 2013-2016 SMFP, Proposed 2017 SMFP

Based on year-to-date FY2016 data, Graystone surgical volume is projected to increase an additional 3.1%. According to the SMFP need methodology for OR utilization, Graystone is operating at **243% capacity**. As seen in Table 5, this is well over 80% of the State’s practical capacity threshold.



**Table 5**  
**Graystone Eye Surgery Center OR Utilization**

<b>Fiscal Year</b>	<b>Ambulatory Cases</b>	<b>Total Estimated Ambulatory Hours Utilized (*1.5 hrs)</b>	<b>OR Utilization (Total/(1872*2))</b>
FY2011	4,999	7,499	200.3%
FY2012	5,770	8,655	231.2%
FY2013	6,025	9,038	241.4%
FY2014	5,924	8,886	237.3%
FY2015	6,069	9,104	243.1%

Source: 2013-2016 SMFP, Proposed 2017 SMFP

OR time is currently limited at Graystone. The capacity constraints are problematic from an operational and patient access perspective. For example, some physicians are booked two months out for surgery. In addition, Graystone has recruited one new physician who will join the practice in August 2016, and three additional physicians who will join the practice during summer 2017. These physicians will certainly contribute to the ongoing need for additional OR capacity at Graystone. Finally, Graystone anticipates greater expansion in the High Country (Watauga, Avery, Ashe counties) with the opening (late August 2016) of its new office building in Boone. Graystone expects many of these patient cases will come to Graystone’s ASC for surgery.

Ophthalmic ambulatory surgery represents the largest volume of all outpatient surgical cases by specialty in Catawba County. As seen in Table 6 on the following page, ophthalmic surgery makes up over 58% of all outpatient surgical cases.

**Table 6**  
**Catawba County**  
**Ambulatory Surgery Case Volume by Specialty, FY2015**

Specialty Area	Total OP Cases	% of Total
Ophthalmology	6,693	35.5%
Orthopedics	3,025	16.0%
General	3,013	16.0%
Otolaryngology	2,387	12.7%
Urology	1,230	6.5%
Gynecology	1,151	6.1%
Oral Surgery	507	2.7%
Plastic Surgery	208	1.1%
Other	174	0.9%
Neurosurgery	356	1.9%
Podiatry	23	0.1%
Cardiothoracic	27	0.1%
Vascular	60	0.3%
<b>Total</b>	<b>18,854</b>	<b>100.0%</b>

Source: 2016 License Renewal Applications

Clearly, an additional surgical OR in the Catawba County service area will be well utilized by residents, and will help relieve strains on medical resources by creating more accessible services.

The second Catawba County surgical facility is Viewmont Surgery Center (Viewmont). As shown in Table 7, from FY2011 to FY2015 ambulatory surgical cases at Viewmont increased a total of 5.0%.

**Table 7**  
**Viewmont Surgery Center OR Utilization**

	FY2011	FY2012	FY2013	FY2014	FY2015	4-Yr CAGR
Viewmont Surgery Center	2,767	2,327	2,614	2,450	2,905	1.2%

Source: 2013-2016 SMFP, Proposed 2016 SMFP

As shown in Table 8, based on the historical growth of ambulatory case volume, it is likely that Viewmont’s operating room utilization will exceed 80% in the near future.

**Table 8**  
**Viewmont Surgery Center OR Capacity**

Fiscal Year	Ambulatory Cases	Total Estimated Ambulatory Hours Utilized (*1.5 hrs)	OR Capacity (Total/(1872*3))
FY2011	2,767	4,151	73.9%
FY2012	2,327	3,491	62.2%
FY2013	2,614	3,921	69.8%
FY2014	2,450	3,675	65.4%
FY2015	2,905	4,358	77.6%

Source: 2013-2016 SMFP, Proposed 2017 SMFP

As described previously, in 2010 Graystone successfully petitioned the SHCC for an adjusted need determination for one additional surgical OR for Catawba County. The 2010 Agency Analysis of Graystone’s petition considered utilization rates for both hospital-based and ASC providers in Catawba County. At that time, Catawba Valley Medical Center’s ORs were utilized at approximately 90%. Frye Regional Medical Center’s OR utilization was not considered because it was (and still is) designated as a chronically underutilized facility. Graystone supports the SMFP planning process, and appreciated the Agency’s previous support of Graystone’s 2010 petition. However, based on the on-going trend of ambulatory surgical utilization in Catawba County ASCs and declining use of hospital-based ORs, Graystone believes it is relevant and appropriate to consider capacity in dedicated-outpatient ORs only. It is likely that hospital-based ORs will continue to exhibit declining utilization based on the demonstrated patient preference for freestanding ASCs in Catawba County.

In summary, the ASCs in Catawba County are well utilized and expect higher demand in the future. Graystone believes one additional operating room is needed in Catawba County to accommodate the current and future demand for ambulatory surgical services. Furthermore, ambulatory surgical patient origin and local demographics support the need for an additional OR in Catawba County.

**In-Migration**

*Catawba County is the medical hub for the western Piedmont region, and exhibits a high percentage of ambulatory surgery in-migration.*

Catawba County is the medical hub for the western Piedmont region. According to patient origin data provided by Healthcare Planning, Catawba County serves many ambulatory surgery patients from the adjacent counties of Alexander, Burke, Caldwell, and Lincoln. Indeed, Graystone serves patients from a broad catchment area, as reflected in the attached letters of support from optometrists from several North Carolina counties.

Tables 9 and 10 summarize the number and percent of patients from each county who travelled to Catawba County for ambulatory surgery, respectively.

**Table 9 - Catawba County Ambulatory Surgery In-Migration  
Number of County Patients Served in Catawba County**

Patient County of Residence	FY2015 Amb Surg Patients Served in Catawba County
Alexander	1,620
Caldwell	2,929
Lincoln	1,488
Burke	1,143
<b>Total</b>	<b>7,180</b>

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

**Table 10 - Catawba County Ambulatory Surgery In-Migration  
% of County Patients Served in Catawba County**

Patient County of Residence	% of County Amb Surg Patients Served in Catawba County, FY2015
Alexander	57.4%
Caldwell	41.0%
Lincoln	25.8%
Burke	21.8%

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

A growing number of patients are leaving their county of residence to seek ambulatory surgical services in Catawba County. In fact, according to the 2015 patient origin report, more Caldwell County patients were served in Catawba County than were served in Caldwell County. This is likely because there is no ASC located in Caldwell County. These patient utilization patterns exemplify the vital role that ASCs serve in the continuum of healthcare services. Moreover, this patient origin data supports Graystone’s request for an adjusted need determination to include one additional OR in Catawba County. In doing so, access may be expanded for not only Catawba County residents, but also residents of adjacent counties with a demonstrated use of Catawba County resources.

**Demographics**

*The rapidly growing population age 65+ will contribute to the ongoing demand for ambulatory surgical services in Catawba County.*

The large increase in ambulatory cases at Graystone Eye Surgery Center from FY2011 to FY2015 can be partially attributed to Catawba County’s rapidly aging population. As seen in Table 11, Catawba County has an older population than

the State as a whole, and this elderly population cohort is projected to increase significantly by 2019<sup>4</sup>.

**Table 11**  
**2016-2019 Projected Population Age 65+**

	2016	% of Total	2019	% of Total
Catawba County	26,210	16.7%	28,134	17.9%
North Carolina	1,558,037	15.3%	1,722,001	16.4%

Source: NC Office of State Budget & Management

The Catawba County population age 65 and older is projected to increase 7.3% by 2019. As shown in Table 12 below, this segment of the population is projected to increase at the highest rate, and is responsible for a great portion of the overall population growth of Catawba County.

**Table 12**  
**Catawba County Population Growth by Age Cohort**

Age Cohort	2016	2019	% Growth	Absolute Growth
0-17	35,065	34,019	-3.0%	-1,046
18-34	32,011	33,325	4.1%	1,314
35-54	42,128	40,227	-4.5%	-1,901
55-64	21,118	21,878	3.6%	760
65+	26,210	28,134	7.3%	1,924
Total	156,532	157,583	0.7%	1,051

Source: NC Office of State Budget & Management

Furthermore, when compared to the 24 other counties in Health Service Area I, Catawba County has the 2<sup>nd</sup> largest overall population, as shown in Table 13 on the following page.

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<sup>4</sup> 2019 is the planning year utilized in the Proposed 2017 SMFP operating room need methodology.

**Table 13**  
**HSA I Projected Population, 2016-2019**

County	2016	2019
Buncombe	257,413	266,618
Catawba	156,532	157,583
Henderson	113,314	116,812
Cleveland	98,532	99,192
Burke	89,198	89,197
Caldwell	82,350	82,250
Wilkes	70,116	70,468
Rutherford	67,359	67,109
Haywood	60,436	61,217
McDowell	45,437	45,574
Jackson	41,516	42,237
Alexander	38,715	39,869
Macon	35,279	36,551
Transylvania	34,047	34,976
Cherokee	27,524	27,622
Ashe	27,507	27,596
Madison	21,875	22,319
Polk	20,955	21,247
Yancey	17,921	17,941
Avery	17,903	17,902
Mitchell	15,894	16,041
Swain	15,142	15,606
Alleghany	11,219	11,399
Clay	10,855	10,963
Graham	8,969	9,163

Source: NC Office of State Budget & Management

It is important to note the growing aging population in Catawba County, because according to the 2006 National Health Statistics Report, the population age 65+ accounted for 32.1% of all ambulatory surgery procedures within the United States.<sup>5</sup> In addition, between 2000 and 2007, 70% of the surgical growth in Medicare services was attributed to ambulatory surgery utilization in ASCs.<sup>6</sup>

<sup>5</sup> National Health Statistics Report: Ambulatory Surgery in the United States, 2006. Revised September 2009.

<sup>6</sup> Ambulatory Surgery Center Association. "Ambulatory Surgery Centers "Pivotal" in Moving Outpatient Surgical Services into Less Expensive, Clinically Appropriate Settings". June 2009.

As the senior population continues to rapidly expand with the aging of the baby boomers and the demand for hospital services generally increases due to the Affordable Care Act, ASCs will become increasingly appealing as an inexpensive and efficient conduit to provide care and meet increasing demand.

In addition to the growing aging population, Catawba County citizens also have relatively fewer financial resources to travel long distances for surgical services. According to the table below, Catawba County's per capita income is only \$23,355. This is 9.6% lower than the North Carolina annual capital income of \$25,608. Limited financial resources, especially to a growing aging population, make geographical access to surgical services more problematic. This, in turn, does not square with the SMFP Basic Principles of equitable access and cost-effective care.

**Table 14**  
**Per capita income in past 12 months (in 2014 dollars), 2010-2014**

	Per Capita Income
Catawba County	\$23,355
North Carolina	\$25,608

Source: US Census Bureau

In summary, as the population of Catawba County continues to increase and age, the need for ambulatory surgical operating rooms will increase as well. An addition of one operating room will clearly help meet the demands of Catawba County's elderly residents, many of whom are restricted by financial means.

### **No Unnecessary Duplication of Services**

The adjusted need determination proposed in this petition will not result in unnecessary duplication of health resources in the area. Graystone has quantitatively established that Catawba County residents will benefit from an additional ambulatory surgical operating room. Chronically underutilized operating rooms at Frye Regional Medical Center are excluded from the need methodology. It is apparent that dedicated-outpatient ORs in Catawba County are approaching or already exceeding 80% capacity; both Viewmont and GESC are well-utilized facilities. It is also clear that demand for ambulatory surgical services is increasing among Catawba County residents. In addition, as demonstrated in the letters of support accompanying this petition, Catawba



County physicians and referring providers recognize the need for expanded access to dedicated outpatient operating rooms, and are supportive of this petition. Thus, an additional operating room will be well supported by the Catawba County service area.

### **Adverse Effects of No Adjustment to the Need Determination**

If this petition is not approved, the need for additional ambulatory surgical operating rooms in Catawba County will remain unmet. As stated previously, Catawba County boasts an aging population that is expected to increase to 17.9% of the total county in 2019. In addition, Catawba County has an extremely high ambulatory use rate, compared to the North Carolina average and that of other western North Carolina counties. A large aging population, coupled with an already existing high ambulatory use rate, will result in well-utilized facilities being limited in their ability to respond to the demand for care from local residents.

Graystone is operating at more than double its practical capacity as demand for ambulatory surgical services continues to increase. Without an adjusted need determination, Graystone Eye Surgery Center would not have an opportunity to seek CON approval for an OR expansion, and would continue to operate above practical capacity, thus remaining limited in its ability to provide local access for outpatient surgical services. The growing demand for outpatient surgical services in Catawba County could be unmet, resulting in county residents having to travel to other counties to receive needed surgical services.

Non-approval of this petition would also have an adverse impact on quality of care. ASCs in general are rated highly by both patients and providers. Patient's benefit from the convenience of on-time appointments, onsite parking, and complaint rates of less than two per thousand cases are not uncommon.<sup>7</sup> Providers are similarly pleased with the control over staff and scheduling, and the potential to leverage this control to create organized processes to improve the quality and efficiency of care.<sup>8</sup>

A third adverse impact would be to value, because patient and total healthcare costs are often lower for care provided in ambulatory surgery centers when compared to other healthcare settings. In this era of increased transparency,

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<sup>7</sup> Outcomes Monitoring Project Report, ASC Association, 2009.

<sup>8</sup> GAO Report to Congressional Committees. "Medicare: Payment for Ambulatory Surgical Centers Should Be Based on the Hospital Outpatient Payment System." GAO-07-86, Nov 2006.

patients will demand a "pay for performance" system. Consumers of healthcare services should be provided with quality and cost information to facilitate informed decision making. A recent Medicare Payment Advisory Commission report states Medicare payment rates for most surgical services are 79% higher in Hospital Outpatient Departments (HOPDs) than in ASCs.

In conclusion, maintaining the status quo would adversely affect access, cost and quality of care for residents of Catawba County who need ambulatory surgical services.

### **Alternatives Considered**

Maintaining the status quo is not an option because the lack of a need determination for an additional operating room in Catawba County limits needed local access to cost-effective outpatient surgery services. As previously stated, GESC is operating at 243% of capacity, and the only other ambulatory surgery center in Catawba County is operating near practical capacity.

A second alternative is to petition for a change of the SMFP's methodology for projecting operating room need. This is not the most effective alternative because the specific circumstances resulting in the lack of ambulatory surgery operating rooms are local to Catawba County, and do not merit a proposed change to the entire OR need methodology that would affect every operating room service area in North Carolina.

The third alternative is to submit this petition for an adjusted need determination for one additional operating room in Catawba County. Graystone Eye has chosen this alternative because it is the most direct and appropriate solution for the need at hand in Catawba County.

### **Safety and Quality, Access & Value**

The requested adjustment is consistent with the SMFP's three Basic Principles, which are:

#### *Safety & Quality*

Health care facilities in the United States, including ambulatory surgery centers, are highly regulated by federal and state entities. The safety and quality of care

offered in ASCs is evaluated by independent observers through three processes: state licensure, Medicare certification and voluntary accreditation.

Graystone Eye Surgery Center is licensed annually by the State of North Carolina, and because it serves Medicare beneficiaries, GESC is also certified by the Medicare program. In order to maintain licensure and certification, GESC complies with governmental safety and quality standards, and GESC must demonstrate compliance with these state and federal standards on an ongoing basis.

In addition to state and federal inspections, many ASCs choose to go through voluntary accreditation by an independent accrediting organization, such as the Joint Commission, the Accreditation Association for Ambulatory Health Care (AAAHC), or the American Association for the Accreditation of Ambulatory Surgery Facilities (AAAASF). GESC is accredited by AAAHC. ASCs must meet specific standards during on-site inspections by these organizations in order to be accredited. All accrediting organizations require an ASC to engage in external benchmarking, which allows the facility to compare its performance to the performance of other ASCs.

An addition of one surgical operating room in an ambulatory care setting will enhance the quality and safety of surgical services in Catawba County. Providers in a single-specialty ASC can achieve higher quality and safety because of the specialization in performing specific medical procedures. Ambulatory surgery centers enhance the quality of patient care by enabling physicians to focus exclusively on a small number of processes in a single setting, and by intensifying quality control processes on the smaller spaces and smaller number of operating rooms. In an ASC setting, services are managed around the experience of the particular patient or disease and result in high quality patient outcomes. In a general hospital setting, however, patients are typically treated by a number of physicians who provide a variety of services. Care in a hospital setting is more likely to be fragmented, uncoordinated, and inefficient. A freestanding ASC enables more consistent staffing, to build a surgical team dedicated to a particular specialty and its procedures and protocols, thereby creating maximum staff efficiency and productivity.<sup>9</sup> Thus, a freestanding ASC provides coordinated, efficient treatments that offer high quality of care.

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<sup>9</sup> Specialty Hospitals, Ambulatory Surgery Centers, And General Hospitals: Charting A Wise Public Policy Course. *Health Affairs*, 24, No. 3 (2005): 868-873

### *Access*

If this petition is approved, access will be improved, as a new surgical operating room will be available to patients in Catawba County. Surgical procedures will be more readily accessible, thereby increasing convenience and for patients. Also, the patient's level of satisfaction will increase when OR capacity increases, which reduces the frequency of scheduling surgical procedures during later hours of the day, which are much less appealing to patients.

### *Value*

The superior cost effectiveness of ambulatory surgery centers also supports this petition for an additional OR in Catawba County. CMS, OIG, HHS and others have published reports highlighting the fact that the cost associated with care for Medicare beneficiaries is less in an ASC compared to hospital-based care. Due to the cost efficiencies of ASCs, the Medicare facility reimbursement rates for ASCs are lower than hospital reimbursement rates. Without the emergence of ASCs as an option for care, health care expenditures would have been tens of billions of dollars higher over the past four decades. On average, the Medicare program and its beneficiaries share in more than \$2.6 billion in savings each year because the program pays significantly less for procedures performed in ASCs when compared to the rates paid to hospitals for the same procedures. Accordingly, patient co-pays are also significantly lower when care is received in an ASC.

If just half of the eligible surgical procedures moved from hospital outpatient departments to ASCs, Medicare would save an additional \$2.5 billion a year or \$25 billion over the next 10 years. Likewise, Medicaid and other insurers benefit from lower prices for services performed in the ASC setting.

Currently, Medicare payment rates for most surgical services are 79% higher in HOPDs than in ASCs.<sup>10</sup> For example, Medicare pays hospitals \$1,766 for performing an outpatient cataract surgery with intraocular lens insertion (the most frequently performed Medicare surgical service in 2014), while paying ASCs only \$976 for performing the same surgery.

In addition, patients typically pay less coinsurance for procedures performed in an ASC than for comparable procedures in the hospital setting. For example, a Medicare beneficiary could pay as much as \$496 in coinsurance for a cataract

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<sup>10</sup> Medicare Payment Advisory Commission: Report to the Congress: Medicare Payment Policy, March 2016.

extraction procedure performed in a HOPD, whereas that same beneficiary's co-payment in the ASC would be only \$195<sup>11</sup>.

Private insurance companies tend to save similarly, which means employers also incur lower health care costs when employees utilize ASC services. For this reason, both employers and insurers have recently been exploring ways to incentivize the movement of patients and procedures to the ASC setting.

The Proposed 2017 State Medical Facilities Plan (SMFP) specifically encourages providers to substitute less expensive services for more expensive services. The Proposed SMFP states:

*"The State supports continued and expanded use of programs which have demonstrated their capacity to reduce both the number and length of hospital admissions, including...b. Increased use of ambulatory surgery."*

Please refer to the third page of Chapter 5 of the Proposed 2017 SMFP. Thus, this project is consistent with the SMFP's basic principles for healthcare planning.

In summary, improved access to high quality and cost-effective ambulatory surgical services will greatly benefit Catawba County residents.

## **Conclusion**

Graystone Eye Surgery Center supports the SHCC and the SMFP planning process. GESC appreciates the SHCC's consideration of this petition, and respectfully requests an adjusted need determination in the 2017 SMFP, to include one additional operating room for Catawba County. Approval of the petition will ensure adequate local access to ambulatory surgical services, and will enhance quality of care and cost effectiveness for local residents in need of outpatient surgery.

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<sup>11</sup> Ambulatory Surgery Center Association. Ambulatory Surgery Centers: A Positive Trend in Healthcare. 2012

