



MARIA PARHAM
MEDICAL CENTER

A Duke LifePoint Hospital

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May 31, 2012

Mr. Craig Smith, Chief
Ms Tanya Rupp, Analyst
Certificate of Need Section
Division of Health Service Regulation
2704 Mail Service Center
Raleigh, NC 27699-2704

RE: Comments on Certificate of Need application filed by: Wake Endoscopy Center, LLC to develop an ambulatory surgical center with two gastrointestinal procedure rooms / Wake County / Project ID # J-8822-12

Dear Mr. Smith and Ms Rupp:

On behalf of DLP Maria Parham Medical Center, LLC thank you for the opportunity to comment on the above referenced application by Wake Endoscopy Center, LLC (WEC) for a Certificate of Need for a new licensed ambulatory surgical center with two gastrointestinal procedure rooms to be located in Wake Forest. This decision will have a major impact on Maria Parham. Hence, I trust that you will take these comments into consideration during your review. Because of its importance, I also ask that you hold a public hearing on this project.

Generally, you would not expect a service proposed for Wake Forest to have a major impact on a hospital located in Henderson. However, we have noted that the proposed freestanding endoscopy center will depend heavily on referrals from the two gastroenterologists who perform all but a handful of the 2,356 outpatient GI procedures done at Maria Parham.

In Exhibit 17, the application contains five letters of support for a freestanding GI endoscopy center in Wake Forest. Two of these are from the only GI physicians practicing at our rural hospital, Paul Hagan, MD and Mark Dubinski, MD Together they are proposing to perform 1500 procedures at the proposed Wake Forest site; Dr Hagan, 500 and Dr. Dubinski , 1000.. Both letters indicate that the proposed facility would provide "needed access to GI endoscopy for residents of Vance County." The letters mention "trends of third party payers" and "incentives to patients to seek endoscopy services at freestanding facilities."

In evaluating a Certificate of Need application, I understand that you must consider the Statutory Criteria in GS 131E-183. On at least two of these, we believe the application falls short.

Criterion 3

3. *The applicant shall identify the population to be served by the proposed project, and shall demonstrate the need that this population has for the services proposed, and the extent to which all residents of the area, and, in particular, low income persons, racial and ethnic minorities, women, handicapped persons, the elderly, and other underserved groups are likely to have access to the services proposed.*

The application makes no mention of the need in Vance County. It further misleads by showing patient origin only from Wake and Franklin County. Yet, the letters from two physicians indicate plans to bring patients from Vance County to Wake Forest. Maria Parham not only has two licensed GI endoscopy rooms, we also have capability in our operating rooms to provide GI endoscopy services. Our surgical facilities are state of the art, having just been renovated with a major capital project that was completed in 2005. We are also troubled by an application that proposes that only 1.5 percent of revenue will be charity and bad debt and 3 percent will be Medicaid. This suggests that our physicians intend to bring Medicare and commercial patients to Wake Forest.

The application seems unaware of the provisions in the Accountable Care Act that provide that as of January 2011, Medicare has no copayment for screening colonoscopies and that as of that same date, any new insurance plan may not charge a copayment or subject screening colonoscopies to a deductible. In fact, the "trends" have changed.

Maria Parham has traditionally maintained a generous charity policy. No patient in need of care is denied care on the basis of ability to pay. This same policy remains in effect under our new ownership.

Criterion 18(a)

(18a) The applicant shall demonstrate the expected effects of the proposed services on competition in the proposed service area, including how any enhanced competition will have a positive impact upon the cost effectiveness, quality, and access to the services proposed; and in the case of applications for services where competition between providers will not have a favorable impact on cost effectiveness, quality, and access to the services proposed, the applicant shall demonstrate that its application is for a service on which competition will not have a favorable impact.

Shifting 1500 procedures from Maria Parham to Wake Forest will provide competition. It will have a negative effect on cost effectiveness of our rural hospital. It will take us from a facility that operates efficiently to one that we will struggle to staff every day. With only 850 outpatient procedures, we will have little efficiency in a 5-day a week service. Our inpatients account for 500 additional procedures. However, even adding the two, the total procedures remaining at the hospital will not be enough to meet the state's minimum performance standard for one room (1500 procedures per NCAC 10A, 3903(b)) the lower volume will challenge our capacity to maintain staff quality because repetition is a great sustainer of skills. As noted above, the proposed facility does not intend to serve Medicaid and charity care in any significant amounts. At Maria Parham, approximately 20 percent of our patients are covered by Medicaid and charity care is increasing annually due to the poor local economy.

With regard to geographic access, it is not convenient. The facility is 30 miles away. In daily traffic, this can mean an hour of travel or more for residents of our service area.

Without the 1500 procedures from Vance County, the proposed facility would be marginally viable (1500 times



average revenue per procedure of \$590 equals \$522,150, which is almost the entire operating margin proposed in the third year of the project (\$540,037)). Similarly, if these physicians direct patients away from Maria Parham, the impact on our viability will be harmful. If Maria Parham loses that much revenue will not be offset by lower cost. As a hospital, we will still be required to staff our endoscopy program every day. We will have little reduction in cost, only the variable supply and anesthesia medication cost will be reduced. This is a case where competition will not have a favorable impact. Freestanding endoscopy capacity exists in Wake Forest today. The proponents are not operating an existing facility in Wake Forest. They propose to build new capacity.

For these reasons, we respectfully request that you disapprove this application. Please do not hesitate to call me should you have questions,

Regards,

Robert Singletary,
CEO