

**Acute Care Services Committee  
Agency Report  
Adjusted Need Petition for  
Ambulatory Surgical Facility Demonstration Project  
Proposed 2015 State Medical Facilities Plan**

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***Petitioner:***

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***Request:***

The petition requests the North Carolina 2015 State Medical Facilities Plan (SMFP) include support of a demonstration project for a single specialty, two operating room, ambulatory surgical facility in the Buncombe, Madison, Yancey (Buncombe County) Counties.

***Background Information:***

Chapter Two of the SMFP allows persons to petition for an adjusted need determination if they believe their needs are not appropriately addressed by the standard methodology. Blue Ridge Bone and Joint Clinic requests “a demonstration project for a single, specialty, two operating room, ambulatory surgical facility in Buncombe County [that] is consistent with the [State Health Coordinating Council] SHCC approval of such demonstration projects as proposed in the 2010 and referenced and updated in the 2011, 2012, 2013 and 2014 NC SMFPs.”

In the fall of 2008, the SHCC’s Single Specialty Ambulatory Surgery work group met and drafted recommendations for a demonstration project in order “to evaluate and test the concept of single specialty ambulatory surgery centers in North Carolina.” The workgroup, following the SMFP’s basic principles, developed criteria for the locations of each of the demonstration sites that required that “at least one county in each of the groups of counties has a current population greater than or equal to 200,000 and more than 50 total ambulatory/shared operating rooms and at least 1 separately licensed Ambulatory Surgery Center” (Table 6D, 2010 SMFP). On May 27, 2009, the SHCC approved plans for the demonstration project, limiting the number to three sites. The 2010 SMFP outlined specific criteria for the three demonstration project facilities.

Certificates of need were awarded to (1) Piedmont Outpatient Surgery Center LLC and Stratford Executive Associates LLC to develop a single-specialty ENT ambulatory surgical facility (ASC) in the Triad area; (2) Triangle Orthopaedics Surgery Center to develop a single specialty (orthopaedic) ASC in the Triangle Area; and (3) University Surgery Center, LLC, to develop a single specialty (orthopaedic) ambulatory surgery center (ASC) in the Charlotte area. Piedmont Outpatient Surgery

Center received its license effective February 6, 2012. On May 29, 2013, the SHCC received the first annual agency evaluation summary based on this facility's report to the Agency as outlined in the criteria. Triangle Orthopaedics Surgery Center was licensed on February 25, 2013. However, it had not been in operation long enough to provide evaluation data to the SHCC until this year. The third demonstration project, University Surgery Center, LLC (d/b/a Mallard Creek Surgery Center) was licensed as of May 1, 2014.

### ***Analysis/Implications***

According to the Single Specialty Ambulatory Surgery Demonstration Project Work Group charge, the goal was to "Develop a plan to evaluate and test the concept of single special ambulatory surgery centers in North Carolina" (Work Group Charge, 2009). Additionally, this model was designed to include measures "of value, access to the uninsured, and quality and safety of care" that are aligned with the basic principles of the SMFP. As stated in the 2010 SMFP, each facility will provide "annual reports to the Agency showing the facility's compliance with the project criteria." Additional criteria requires the Agency to "perform an evaluation of each facility at the end of the first calendar year the facility is in operation and will perform an annual evaluation of each facility thereafter" (Table 6D, 2010 SMFP).

Three demonstration project sites were approved by the SHCC in the 2010 SMFP, and no demonstration projects were added in subsequent SMFPs, or in the Proposed 2015 SMFP. Table 6D (2011 SMFP, 2013 SMFP, 2014 SMFP and Proposed 2015 SMFP) and Table 6C (2012 SMFP) are inventory tables, providing information about the status of the three demonstration sites. The inventory table is not an update of the decision; instead, it is an accounting of the implementation of the decision made in 2009 for the 2010 SMFP.

All three demonstration projects have been awarded certificates of need and are licensed. In the Agency's first annual evaluation of Piedmont Outpatient Surgery Center, it was determined they had not demonstrated substantial compliance with the project criteria. This facility had not submitted utilization and payment data to the statewide data processor. However, this has been rectified. The second year evaluation for Piedmont Outpatient Surgery Center and the first year evaluation for the Triangle Orthopaedics Surgery Center will be presented at the Acute Care Services Committee meeting on September 17, 2014. The first annual evaluation for the third demonstration project is not expected until next year. As more annual evaluation data becomes available, each will be monitored to assess effectiveness related to access, value, safety and quality for a five-year period, in keeping with the SHCC's previously expressed timeline and criteria.

In 2009, Blue Ridge Bone and Joint Clinic petitioned the SHCC to add Buncombe County as another Single Specialty Ambulatory Surgery Facility Demonstration Project. Furthermore, similar petitions were submitted by Blue Ridge Bone and Joint to the SHCC in 2010, 2011, 2012 and 2013. The SHCC denied all of these petitions, citing the SHCC's initial decision to limit the demonstration project to three, in order to "evaluate each facility after each facility has been in operation for five years." Additionally, the SHCC stated it would only consider expansion beyond the three original demonstration projects if the Agency determines that the demonstration facilities are "meeting or exceeding all criteria" as set forth in the 2010 SMFP (Table 6D, SMFP 2010).

Furthermore, data was presented in the petition to support the cost efficiency of procedures performed in the ASC as compared to those performed in hospitals for both Medicaid and the State Health Plan;

differences in costs per case in 2012 were \$160.99 and \$2,030.55, respectively. This data does not take into account the different acuity levels of patients in hospitals as compared to ASC facilities. Further analysis would need to be performed in order to take into account patient profiles and disease severity such that actual cost savings could be accurately assessed.

Finally, the SHCC developed specific criteria for choosing the demonstration project service areas. Table 6D (2010 SMFP) reads, “At least one county in each of the groups of counties has a current population greater than or equal to 200,000 and more than 50 total ambulatory/shared operating rooms and at least [one] separately licensed Ambulatory Surgery Center.” The SHCC’s reasoning was, “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”. Buncombe County meets the population requirement and does have at least one separately licensed ASC. However, the service area has a total inventory of 45 ambulatory and shared operating rooms, two which are excluded from the methodology in projecting operating room need due to underutilization. Hence, the service area does not meet the established criteria of having greater than 50 ambulatory/shared operating rooms.

***Agency Recommendation:***

The SHCC has consistently decided not to allow any additional Single Specialty Ambulatory Surgery Demonstration Projects for a service area with a projected surplus before the project data regarding impact of the model can be received and evaluated. In addition, the Buncombe/Madison/Yancey service area does not meet all of the criteria set for by the SHCC for these special demonstration projects. Given the information and comments received by August 15, 2014, the Agency recommends that the petition be denied.