

**Acute Care Services Committee  
Agency Report  
Adjusted Need Petition for  
Ambulatory Surgical Facility Demonstration Project  
Proposed 2016 State Medical Facilities Plan**

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***Petitioner:***

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***Request:***

The petition requests that *North Carolina 2016 State Medical Facilities Plan (SMFP)* support a demonstration project for a “single specialty, two operating room, ambulatory surgical facility in the Buncombe-Madison-Yancey” County service area.

***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, 2014, 2015* and *2016 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. Triangle Orthopaedics Surgery Center was licensed on February 25, 2013. The third demonstration project, University Surgery Center, LLC (d/b/a Mallard Creek Surgery Center) was licensed on May 1, 2014.

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

According to the Single Specialty Ambulatory Surgery Demonstration Project Work Group charge, the goal was to “[d]evelop a plan to evaluate and test the concept of single specialty 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 require 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 2016 SMFP*. Table 6D (*2011 SMFP, 2013 SMFP, 2014 SMFP, 2015 SMFP and Proposed 2016 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, it determined that Piedmont Outpatient Surgery Center had not demonstrated substantial compliance with the project criteria, because this facility had not submitted utilization and payment data to the statewide data processor. This situation has since been rectified. The second year evaluation for Piedmont Outpatient Surgery Center and the first year evaluation for Triangle Orthopaedics Surgery Center were presented at the Acute Care Services Committee meeting on September 17, 2014. The third year evaluation for Piedmont Outpatient Surgery Center, the second year evaluation for Triangle Orthopaedics Surgery Center and the first year evaluation for Mallard Creek Surgery Center will be presented at the Acute Care Services Committee meeting on September 8, 2015. As more annual evaluation data becomes available, each site 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 for the demonstration project.

In 2009, Blue Ridge Bone and Joint Clinic petitioned the SHCC to add Buncombe County as another Single Specialty Ambulatory Surgery Facility Demonstration Project site. Subsequently, Blue Ridge Bone and Joint submitted similar petitions to the SHCC in 2010, 2011, 2012, 2013 and 2014. 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 that 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” set forth in the *2010 SMFP* (Table 6D).

The petition presented data to support the cost efficiency of procedures performed in the ASC, 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 difference in acuity levels between patients in hospitals and patients in ASC facilities. To estimate the actual cost savings, further analysis would need to include account patient profiles and disease severity.

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 that, “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 43 ambulatory and shared operating rooms. Hence, the service area does not meet the established criterion 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 the August 14, 2015 deadline and in consideration of the factors discussed above, the Agency recommends that the petition be denied.