PETITION FOR AN ADJUSTED NEED DETERMINATION FOR OPERATING ROOMS IN THE 2011 STATE MEDICAL FACILITIES PLAN

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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 in the Catawba County service area in the 2011 State Medical Facilities Plan (SMFP).

Reasons Supporting Requested Adjustment:

- Chronically underutilized operating rooms at Frye Regional Medical Center are preventing a standard need determination for additional surgical operating rooms in Catawba County.
- Several surgical facilities in Catawba County are operating above practical capacity, including Graystone Eye Surgery Center which operates far above practical capacity. These facilities are exhausting their ability to meet the rising demand.
- Demand for ambulatory surgical services in Catawba County is increasing among local and regional residents, as demonstrated by our county's high ambulatory surgery utilization rate.
- 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.

Chronically Underutilized Operating Rooms

In Catawba County, chronically underutilized ORs are preventing a standard need determination for additional surgical operating rooms. According to Step 4 in the methodology for projecting operating room need in the 2011 SMFP, chronically underutilized licensed facilities are defined as licensed facilities operating at less than 40% utilization for the past two fiscal years. While by this definition Catawba County does not have a chronically underutilized facility, it is clear that Frye Regional Medical Center (FRMC) has underutilized operating rooms. This hospital has 21 ORs, an extremely high number for a hospital facility of its size, as the table below demonstrates.

Hospital Licensed Beds & Total Operating Rooms

Hospital Facility	Licensed Acute Care Beds	Total ORs
Frye Regional Medical Center	209	21
Catawba Valley Medical Center	200	12
Cleveland Regional Medical Center	241	6
Lenoir Memorial Hospital	218	9
Rowan Regional Medical Center	223	11
Alamance Regional Medical Center	182	9
Albemarle Hospital	182	8
Halifax Regional Medical Center	184	6
Pardee Memorial Hospital	197	10
Iredell Memorial Hospital	199	10
Duke Raleigh Hospital	186	13

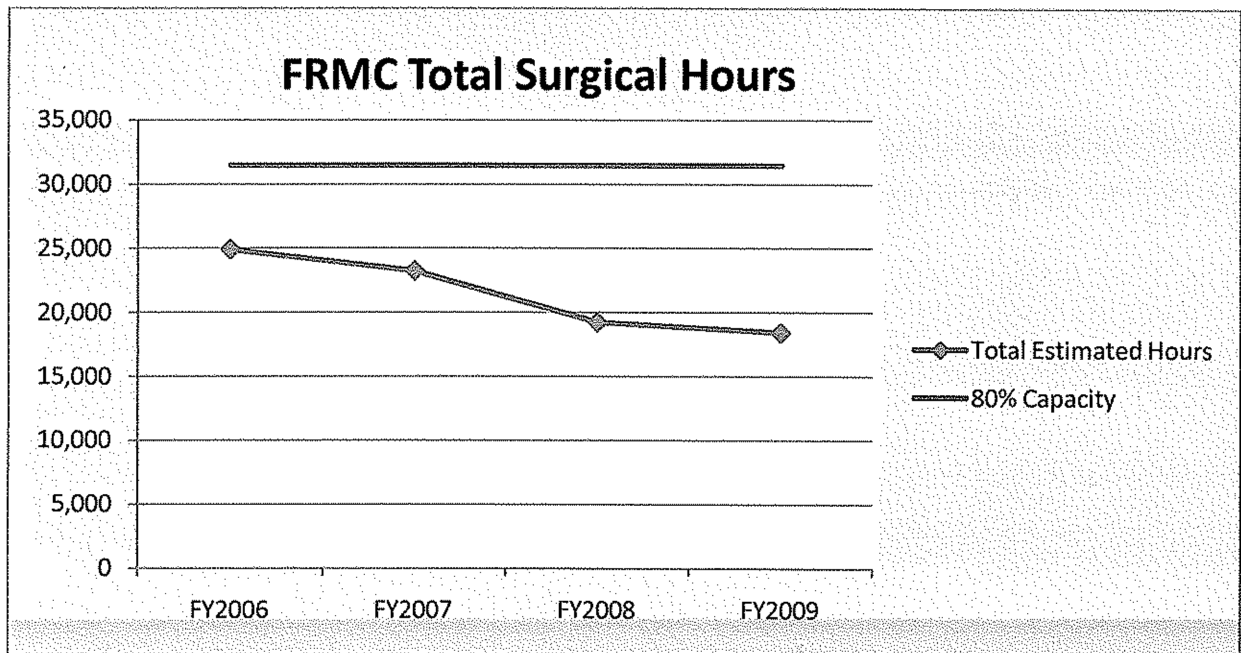
Source: Proposed 2011 SMFP

As seen in the figures on the following page, FRMC is operating far below 80% capacity, and its OR utilization has steadily declined in recent years.

Frye Regional Medical Center OR Utilization

Fiscal Year	IP Cases	IP Hours Utilized (*3 hrs)	Ambulatory Cases	Ambulatory Hours Utilized (*1.5 hrs)	Total Estimated Hours	OR Utilization (Total/(1872*21))
FY2006	3,579	10,737	9,423	14,135	24,872	63. 3%
FY2007	3,611	10,833	8,250	12,375	23,208	59. 0%
FY2008	3,187	9,561	6,424	9,636	19,197	48. 8%
FY2009	3,133	9,399	5,995	8,993	18,392	46. 8%

Source: 2008-20010 SMFP, Proposed 2011 SMFP



Source: 2008-20010 SMFP, Proposed 2011 SMFP

From FY2006 to FY2009, the total estimated surgical hours at FRMC decreased by 26.1%. This decreasing trend of OR utilization at FRMC does not show signs of changing. With continuing declines in utilization of its operating rooms, FRMC

is rapidly approaching the SMFP's benchmark of 40% for chronically underutilized rooms. However, due to the significant current impact of this four-year old trend, the SHCC should give consideration now for an adjusted need determination of one additional operating room in Catawba County.

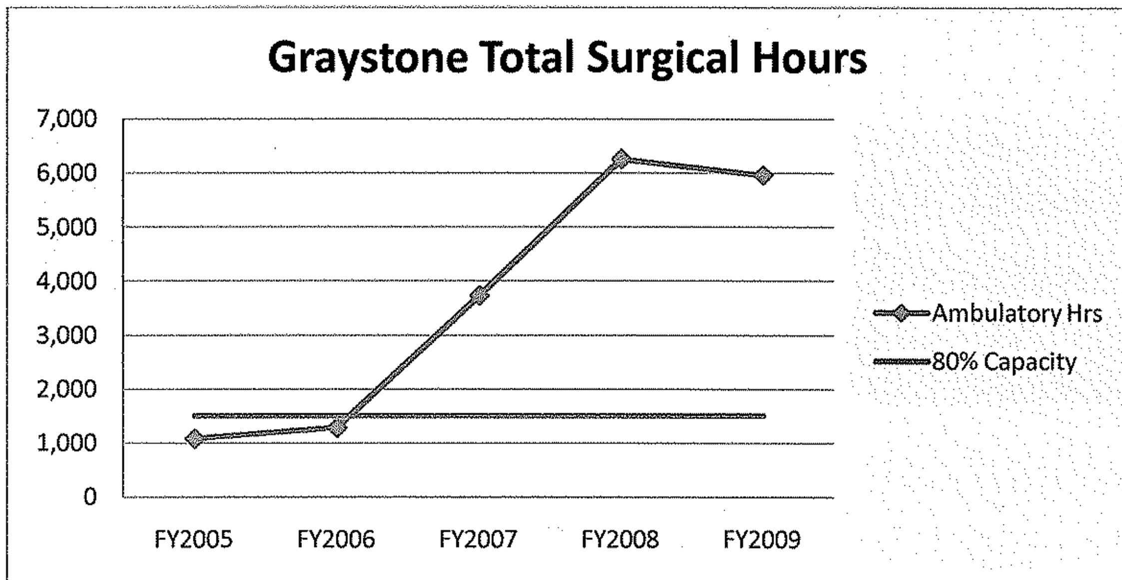
Well-Utilized Surgery Facilities

In comparison with FRMC, both Graystone Eye Surgery Center and Catawba Valley Medical Center (CVMC) are operating above practical capacity. According to the Proposed 2011 SMFP, 3,966 ambulatory cases were performed in Graystone's single ambulatory OR during FY2009. According to the SMFP need methodology for OR utilization, Graystone is operating at **318% capacity**. As seen in the table below, this is well over 80% of the State's practical capacity threshold.

Graystone Eye Surgery Center OR Utilization

Fiscal Year	Ambulatory Cases	Total Estimated Ambulatory Hours Utilized (*1.5 hrs)	OR Utilization (Total/(1872*1))
FY2005	720	1,080	**57. 7%**
FY2006	853	1,280	**68. 3%**
FY2007	2,483	3,725	**199. 0%**
FY2008	4,166	6,249	**333. 8%**
FY2009	3,966	5,949	**317. 8%**

Source: 2007-20010 SMFP, Proposed 2011 SMFP



Source: 2007-20010 SMFP, Proposed 2011 SMFP

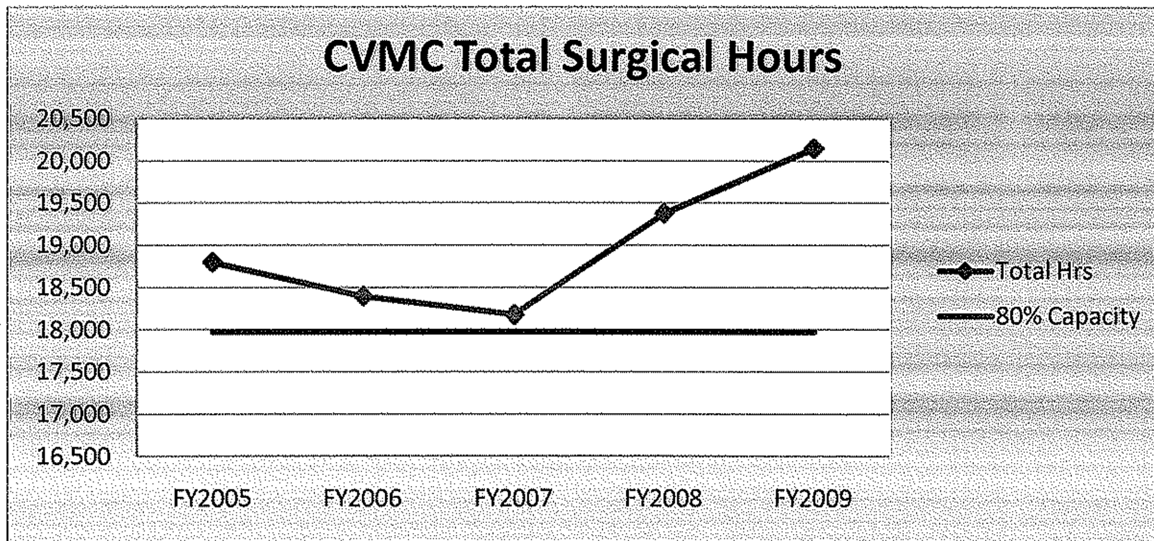
From FY2005 to FY2009 the total estimated ambulatory hours utilized at Graystone increased 451%. Clearly, an additional surgical OR in the Catawba County service area will be well utilized by residents, and will help relieve strains on medical resources by creating more accessible services.

In addition to Graystone, CVMC is also a well-utilized facility, operating above 80% of practical capacity. From FY2005 to FY2009 CVMC increased its total estimated surgical hours, with OR utilization rising to 90%, as seen in the tables below.

Catawba Valley Medical Center OR Utilization

Fiscal Year	IP Cases	IP Hours Utilized (* 3 hrs)	Ambulatory Cases	Ambulatory Hours Utilized (*1.5 hrs)	Total Estimated Hours	OR Utilization (Total/(1872*12))
FY2005	2,636	7,908	7,258	10,887	18,795	**83. 7%**
FY2006	2,514	7,542	7,234	10,851	18,393	**81. 9%**
FY2007	2,643	7,929	6,830	10,245	18,174	**80. 9%**
FY2008	3,108	9,324	6,700	10,050	19,374	**86. 2%**
FY2009	3,882	11,646	5,663	8,495	20,141	**89. 7%**

Source: 2007-20010 SMFP, Proposed 2011 SMFP



Source: 2007-20010 SMFP, Proposed 2011 SMFP

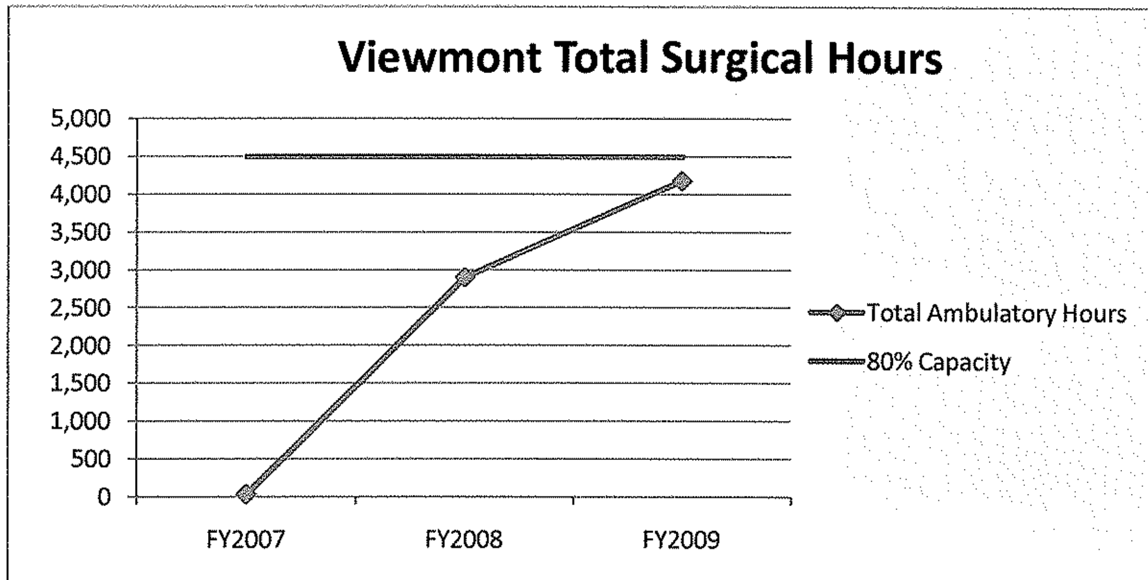
From FY2005 to FY2009 the total estimated ambulatory hours utilized at Catawba Valley Medical Center increased by 7.2%. An adjusted need determination to include one additional surgical OR in the service area will clearly meet the growing demands of Catawba County residents, and will provide more accessible local care.

The remaining Catawba County surgical facility is Viewmont Surgery Center. This is a freestanding ambulatory surgery center that began operation in September 2007 (following CON approval in 2004). Because the facility opened during the last two weeks of FY2007, the limited utilization data from FY2007 is not meaningful. Essentially, Viewmont has only two years of historical data for useful consideration. Yet during this short duration Viewmont is already operating close to the State's practical capacity threshold of 80%. The facility's total ambulatory cases have rapidly increased during these initial two years of operation. As shown in the tables on the following page, the rapid growth of ambulatory case volume forecasts high OR utilization in the near future. It is very likely that Viewmont's operating room utilization will exceed 80% in the near future.

Viewmont Surgery Center OR Capacity

Fiscal Year	Ambulatory Cases	Total Estimated Ambulatory Hours Utilized (*1.5 hrs)	OR Capacity (Total/(1872*3))
FY2007	19	29	0. 5%
FY2008	1,929	2,894	51. 5%
FY2009	2,781	4,172	74. 3%

Source: 2007-20010 SMFP, Proposed 2011 SMFP



Source: 2007-20010 SMFP, Proposed 2011 SMFP

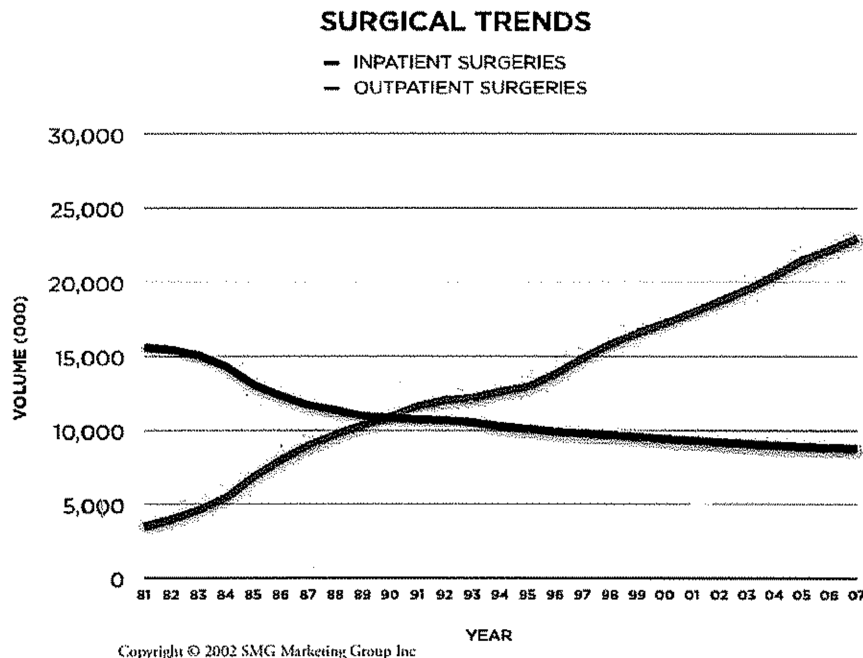
In summary, the surgical healthcare facilities in the Catawba County service area, excluding Frye Regional Medical Center, are well utilized and operating at high capacity, and expect higher demand in the future. It is clear that FRMC's ORs are underutilized, and are preventing a standard need determination in Catawba County, which would reasonably increase patient access to facilities that are currently operating well over capacity.

Ambulatory Surgery Utilization

Ambulatory Surgery Growth

In North Carolina, ambulatory surgery is growing at a steady rate. According to the American Hospital Association (AHA), from 2007 to 2008 (the most recent data available), outpatient surgeries in North Carolina increased 2.4%[1].

According to data gathered by SMG Marketing Group, a national leader in healthcare research, in 1980 fewer than one in five procedures was performed without an overnight stay. By contrast, today four out of every five surgical procedures are performed on an outpatient basis, primarily due to minimally invasive surgical techniques, cost, and patient and surgeon preferences. The following graph illustrates the historical trend of outpatient surgical procedures compared to inpatient surgical procedures.



Technological advancement has enabled a growing range of procedures to be performed safely on an outpatient basis. Faster acting and more effective anesthetics and less invasive techniques, such as arthroscopy, have driven this

[1] 2010 AHA Hospital Statistics

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 medical innovation continues to advance, more and more procedures will be able to be performed safely in the outpatient setting.

Third-party payers have also begun to exert pressures on their subscribers to choose low-cost options for outpatient care. This pressure comes in the form of significantly higher out-of-pocket expenses for patients who choose hospital-based outpatient providers.

The Proposed 2011 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 2011 SMFP. Thus, this project is consistent with the State's mandate.

Ambulatory Surgery Centers

The number of Ambulatory Surgery Centers (ASC) continues to grow in response to demand from the key participants in surgical care - patients, physicians and insurers. 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. The number of Medicare certified ASCs has grown from 2,786 in 1999 to 4,506 in 2005, an increase of 61.7%[2].

Further impetus to future ASC growth has been given by MedPAC[3], which has recommended that the CMS list of approved ASC procedures be expanded. This would allow a broader range of choice for patients and surgeons. Specifically, MedPAC has recommended that the procedures approved for the ASC setting be revised so that ASCs can receive payment for any surgical procedure, with the exception of those surgeries requiring an overnight stay or which pose a significant

[2] "Ambulatory Surgery Centers Positive Trends in Health Care", Ambulatory Surgery Center Association.
[3] Medicare Payment Advisory Commission

safety risk when furnished in an ASC. Adoption of these recommendations would allow Medicare beneficiaries to access an extended range of surgical services – a range of surgical services which is already available to patients with private insurance.

Single-Specialty ASC

The 2010 SMFP includes demonstration projects in three service areas for single-specialty ambulatory surgery centers. During summer 2009, the SHCC denied a petition which proposed to include the Unifour service area in the single-specialty ASC demonstration project. Thus, a demonstration project is not a possibility to the need identified in this petition. The most logical alternative is to include an adjusted need determination for one additional operating room in Catawba County. Addition of just one room to the county inventory is not an unusual scenario. In fact, this would be consistent with the need determinations for a single additional operating room in Rowan and Columbus counties, already included in the Proposed 2011 SMFP.

Graystone believes one additional surgical operating room in a single-specialty ambulatory setting will directly benefit residents of Catawba County. As an established single-specialty ASC, Graystone already provides patients with quality and cost-effective ophthalmologic surgical procedures. Strong demand for a single-specialty ambulatory surgery facility is demonstrated by Graystone's high utilization rate.

Catawba County Ambulatory Surgical Use Rate

An adjusted need determination to include one surgical operating room is appropriate for the Catawba County service area, based on the high ambulatory surgical use rate within the county. Using population estimates and FY2009 ambulatory utilization, the ambulatory surgery use rate for Catawba County is 117.2 surgeries per 1,000 people. Catawba County's ambulatory surgery use rate is significantly higher than the North Carolina average ambulatory surgery use rate of 69.6. And as seen in the table on the following page, Catawba County has the second highest ambulatory surgery use rate of all 24 counties in Health Service Area I.

2009 Ambulatory Surgeries per 1,000 People by Service Area

Service Area	2009 Population	2009 Ambulatory Surgery Cases	2009 Ambulatory Use Rate/1,000
Buncombe County	230,450	28,689	124. 49
Catawba County	157,034	18,405	117. 20
Jackson County	37,999	4,339	114. 19
Henderson County	105,246	9,828	93. 38
Cherokee County	26,798	2,346	87. 54
Cleveland County	98,638	7,810	79. 18
Burke County	89,669	6,986	77. 91
Watauga County	45,384	3,449	76. 00
Transylvania County	31,095	1,940	62. 39
Haywood County	58,043	2,948	50. 79
Mitchell County	15,974	762	47. 70
Macon County	34,480	1,548	44. 90
Wilkes County	67,533	2,646	39. 18
Polk County	19,345	720	37. 22
Caldwell County	80,141	2,894	36. 11
Rutherford County	63,835	2,223	34. 82
McDowell County	44,749	1,288	28. 78
Allegheny County	11,227	292	26. 01
Ashe County	26,498	544	20. 53
Avery County	18,301	317	17. 32
Swain County	13,854	51	3. 68
Alexander County	37,318	0	0. 00
Clay County	10,370	0	0. 00
Graham County	8,327	0	0. 00
Madison County	20,846	0	0. 00
Yancey County	18,554	0	0. 00
North Carolina	9,382,610	653,000	69. 60

Source: 2010 SMFP, NC Office of State Budget & Management

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

Demographics

The large increase in ambulatory cases at Graystone Eye Surgery Center from FY2005 to FY2009 can be partially attributed to Catawba County's rapidly aging population. As seen in the table below, Catawba County has an older population than the State as a whole, and this elderly population cohort is projected to increase in the next four years.

2010-2015 Projected Population Age 65+

	2010	% of Total	2015	% of Total
Catawba County	21,197	13. 3%	24,796	14. 7%
North Carolina	1,218,525	12. 8%	1,431,555	14. 0%

Source: NC Office of State Budget & Management

The Catawba County population age 65 and older is projected to increase 17.0% by 2015. As shown in the table below, this is nearly triple the overall population growth of Catawba County, which is projected to increase by 6.1% by 2015. The increase in the population age 65 and older represents nearly half of the absolute growth projected for Catawba County during the next five years.

Catawba County Growth in Projected Population 65+
2010-2015

	2010	2015	% Growth	Absolute Growth
Catawba County	159,013	168,643	6. 1%	9,630
Population Age 65+	21,197	24,796	17. 0%	3,599

Source: NC Office of State Budget & Management

Furthermore, when compared to the 24 other counties in Health Service Area I, Catawba County has the 2nd largest overall population, and the 5th largest overall

population increase rate for residents 65+, as shown in the tables on the following pages.

HSA I Projected Population
2010-2015

	2010	2015
Buncombe County	233,154	246,102
Catawba County	159,013	168,643
Henderson County	107,264	116,177
Cleveland County	99,150	101,232
Burke County	90,028	91,825
Caldwell County	80,553	82,603
Wilkes County	67,655	68,263
Rutherford County	64,128	65,590
Haywood County	58,368	60,364
Watauga County	45,750	47,581
McDowell County	45,096	46,407
Jackson County	38,535	40,854
Alexander County	37,618	39,111
Macon County	35,192	37,938
Transylvania County	31,371	32,688
Cherokee County	27,334	29,154
Ashe County	26,648	27,761
Madison County	20,984	21,606
Polk County	19,516	20,380
Yancey County	18,649	19,123
Avery County	18,287	18,292
Mitchell County	16,056	16,373
Swain County	14,300	15,114
Allegheny County	11,307	11,698
Clay County	10,732	11,667
Graham County	8,379	8,634

Source: NC Office of State Budget & Management

HSA I Growth in Projected Population 65+
2010-2015

	2010	2015	10-15 CAGR
Clay County	3,004	3,640	3.9%
Watauga County	6,234	7,514	3.8%
Jackson County	6,500	7,771	3.6%
Alexander County	5,475	6,426	3.3%
Catawba County	21,197	24,796	3.2%
Cherokee County	6,793	7,942	3.2%
Buncombe County	37,586	43,260	2.9%
Ashe County	5,540	6,291	2.6%
Caldwell County	12,474	14,105	2.5%
Burke County	14,226	16,058	2.5%
Macon County	8,902	10,044	2.4%
Swain County	2,415	2,718	2.4%
Madison County	3,780	4,250	2.4%
Yancey County	3,926	4,402	2.3%
Allegheny County	2,549	2,849	2.3%
Henderson County	24,766	27,656	2.2%
Cleveland County	14,425	16,058	2.2%
McDowell County	7,304	8,123	2.1%
Transylvania County	8,125	9,031	2.1%
Wilkes County	11,270	12,513	2.1%
Haywood County	12,764	14,028	1.9%
Polk County	4,661	5,086	1.8%
Avery County	3,417	3,724	1.7%
Rutherford County	10,579	11,500	1.7%
Graham County	1,680	1,802	1.4%
Mitchell County	3,373	3,605	1.3%

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. [4] In addition, between 2000 and 2007, 70% of the surgical growth in Medicare services was attributed to ambulatory surgery utilization in ASCs. [5]

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 annual capital income is only $21,932. This is 9.2% lower than the North Carolina annual capital income of $23,941. 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.

2009 Annual Per Capita Income

	CY Per Capita Income	FY Per Capita Income
Catawba County	$21,923	$22,772
North Carolina	$23,941	$25,932

Source: Claritas

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 surgical 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 established that Catawba County residents will benefit from an additional ambulatory surgical operating room. Chronically underutilized operating rooms at Frye Regional Medical Center are impeding a standard need determination

[4] National Health Statistics Report: Ambulatory Surgery in the United States, 2006. Revised September 2009.
[5] Ambulatory Surgery Center Association. "Ambulatory Surgery Centers "Pivotal" in Moving Outpatient Surgical Services into Less Expensive, Clinically Appropriate Settings". June 2009.

and preventing necessary increased access to surgical services for Catawba County residents. It is apparent that all hospitals and ambulatory surgical facilities, excluding Frye Regional Medical Center, are operating near or above 80% capacity and are well-utilized facilities. It is also clear that the demand for ambulatory surgical services is increasing among Catawba County residents. 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, and will continue to increase in the future. As stated previously, Catawba County boasts an aging population that is expected to increase by 17.0% in 2015. 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.

As described in the petition, Frye Regional Medical Center is operating far below 80% capacity. OR utilization is trending downward at Frye Regional Medical Center; and thus the facility will likely become further underutilized over the near term. By contrast, Graystone is operating far above 80% capacity as demand for ambulatory surgical services increases. Without an adjusted need determination, underutilized operating rooms at Frye Regional Medical Center will continue to prevent the addition of needed ambulatory surgical operating rooms in Catawba County. In conclusion, maintaining the status quo is not a viable alternative to accommodate the rapidly aging population and already high demand for ambulatory surgical services.

Safety and Quality, Access & Value

The requested adjustment is consistent with the three Basic Principles governing development of the SMFP: Safety and Quality, Access and Value.

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.

Safety & Quality

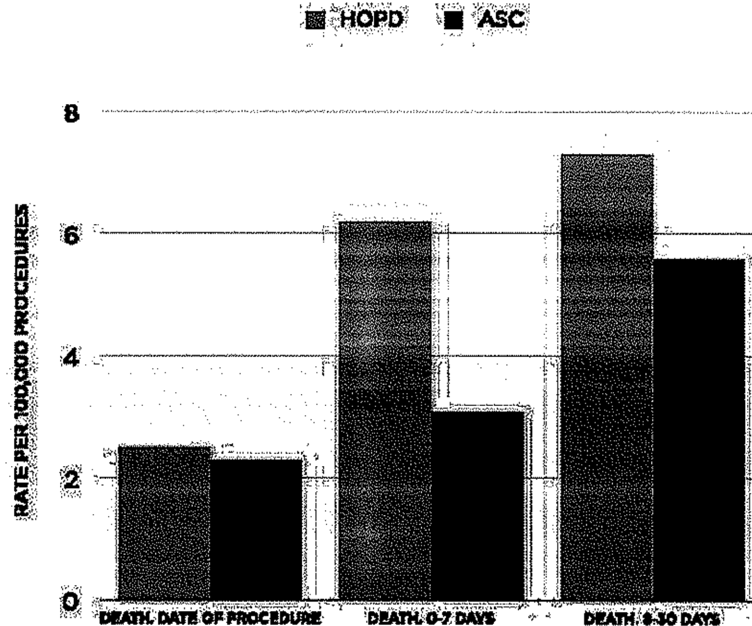
Health care facilities in the United States are highly regulated by federal and state entities. ASCs are not excluded from this oversight. The safety and quality of care offered in ASCs is evaluated by independent observers through three processes: state licensure, Medicare certification and voluntary accreditation.

All ASCs serving Medicare beneficiaries must be certified by the Medicare program. In order to be certified, an ASC must comply with standards developed by the federal government for the specific purpose of ensuring the safety of the patient and the quality of the facility, physicians, staff, services and management of the ASC. The ASC must demonstrate compliance with these Medicare standards initially and on an ongoing basis.

In addition to state and federal inspections, many ASCs choose to go through voluntary accreditation by an independent accrediting organization. Accrediting organizations for ASCs include the Joint Commission, the Accreditation Association for Ambulatory Health Care (AAAHC), the American Association for the Accreditation of Ambulatory Surgery Facilities (AAAASF) and the American Osteopathic Association (AOA). 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.

ASCs consistently perform as well as, if not better than, hospital outpatient departments (HOPD) when quality and safety is examined. A recent study[6] included an examination of the rates of inpatient hospital admission and death in elderly patients following common outpatient surgical procedures in HOPDs and ASCs. Rates of inpatient hospital admission and death were lower in freestanding ASCs as compared to HOPDs. Even after controlling for factors associated with higher-risk patients, ASCs had low adverse outcome rates.

[6] Fleisher LA, Pasternak LR, Herbert R, Anderson GF. Inpatient hospital admission and death after outpatient surgery in elderly patients: importance of patient and system characteristics and location of care. Arch Surg. 2004 Jan;139(1):67-72.



Fleisher LA, Pasternak LR, Herbert R, Anderson GF. Inpatient hospital admission and death after outpatient surgery in elderly patients: importance of patient and system characteristics and location of care. Arch Surg. 2004 Jan;139(1):67-72.

CMS requires ASCs to ensure that patients do not acquire infections during their care. ASCs must establish a program for identifying and preventing infections, maintaining a sanitary environment, and reporting outcomes to appropriate authorities. The program must be one of active surveillance and include specific procedures for prevention, early detection, control, and investigation of infectious and communicable diseases in accordance with the recommendations of the Centers for Disease Control. In fact, ASCs have historically had very low infection rates[7].

A registered nurse trained in the use of emergency equipment and in cardiopulmonary resuscitation must be available whenever a patient is in the ASC. To further protect patient safety, ASCs are also required to have an effective means of transferring patients to a hospital for additional care in the

[7] FASA, FASA Outcomes Monitoring Project, 4th Quarter 200511 Natof HE. Complications associated with ambulatory surgery. JAMA. 1980 Sep 5;244(10):1116-8. 12 Deficit Reduction Act of 2005. 13 MedPAC, Report to the Congress: Medicare Payment Policy, March 2004. 14 MedPAC, Data Book, June 2006.15 Thomson Medstat, MarketScan® Outpatient Claims Data, 2005.

event an emergency occurs. Written guidelines outlining arrangements for ambulance services and transfer of medical information are mandatory. An ASC must have a written transfer agreement with a local hospital. In addition, an ASC cannot grant privileges to a physician unless the physician has those same privileges at a hospital with which the ASC has a transfer agreement. Although these safeguards are in place, hospital admissions as a result of complications following ambulatory surgery in an ASC are rare.[8]

Cost-Effectiveness (Value)

Not only are ASCs focused on ensuring patients have the best surgical experience possible, the care they provide is also more affordable. One of the reasons ASCs have been so successful is that they offer valuable surgical and procedural services at a lower cost when compared to hospital charges for the same services. Medicare payments to ASCs are lower than Medicare payments to HOPDs for comparable services for 100 percent of procedures.

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 extraction procedure performed in a HOPD, whereas that same beneficiary's co-payment in the ASC would be only $195; a Medicare beneficiary could pay as much as $186 in coinsurance for a colonoscopy performed in a HOPD, whereas that same beneficiary's co-payment for the same procedure performed in an ASC would be only $89. By having surgery in the ASC patients may save as much as 61%, or more than $300, compared to their out-of-pocket coinsurance for the same procedure in the hospital[9].

Without the emergence of ASCs as an option for care, health care expenditures would have been billions of dollars higher over the past three decades. Studies have shown the Medicare program would pay approximately $464 million more per year if all procedures performed in an ASC were instead furnished at a hospital. As the number of surgical procedures performed in ASCs grows, the Medicare program may realize even greater savings - and of course Medicare beneficiaries will realize additional out-of-pocket savings as well.

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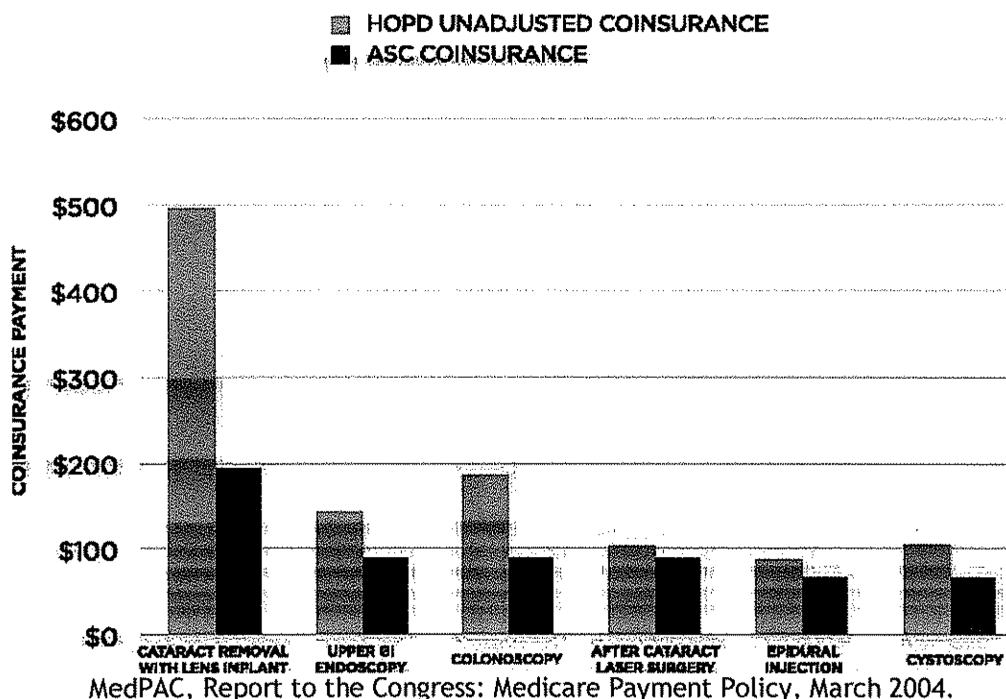
[8] Fleisher LA, Pasternak LR, Herbert R, Anderson GF. Inpatient hospital admission and death after outpatient surgery in elderly patients: importance of patient and system characteristics and location of care. Arch Surg. 2004 Jan;139(1):67-72.
[9] Ambulatory Surgery Center Association. Ambulatory Surgery Centers: A Positive Trend in Healthcare. 2008

MEDICARE COINSURANCE RATES ARE LOWER IN ASCs



MedPAC, Report to the Congress: Medicare Payment Policy, March 2004.

Private insurance companies tend to save similarly, which means employers also incur lower health care costs by utilizing ASC services. Employers and insurers, particularly managed care entities, are driving ASC growth in many areas, because they recognize ASCs are able to deliver consistent, high quality outcomes at a significant savings. This is demonstrated by the reimbursement policies of both the North Carolina Industrial Commission and Blue Cross Blue Shield of North Carolina (BCBSNC). In 2005, the Industrial Commission decided it would pay 95% of the cost of surgical procedures performed in an outpatient setting, and 100% of the cost of those done in an ASC. This demonstrates the Commission's recognition of the high-quality, low-cost services that are provided by an ASC.

Approval of this petition could enable a freestanding ambulatory surgery center to have greater capacity to offer surgical ambulatory services. 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. 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.[10] Thus, a freestanding ASC provides coordinated, efficient treatments that offer high quality of care.

As leaders of the revolution in surgical care who led to the establishment of affordable and safe outpatient surgery, the ASC industry has shown itself to be ahead of the curve in identifying promising avenues for improving the delivery of health care. With the cost of healthcare a major concern in today's society, it is important to promote high-quality, cost-effective options. Hence, the upward trend in popularity and utilization of ACSs. Access to more ambulatory surgical services will greatly benefit Catawba County residents who are already at a disadvantage financially with an average per capita income lower than the North Carolina average.

In summary, with a solid track record of performance in stakeholder satisfaction, safety, quality and cost management, freestanding surgery centers are already embracing the changes that will allow them to continue to play a leading role in raising the standards of performance in the delivery of outpatient surgical services.

Conclusion

In summary, Graystone Eye Surgery Center, LLC seeks an adjusted need determination in the 2011 SMFP, to include one additional operating room for the Catawba County service area.

Graystone justifies the requested adjustment based on the following factors:

- Chronically underutilized operating rooms at Frye Regional Medical Center are preventing a standard need determination for additional surgical operating rooms in Catawba County.
- Several surgical facilities in Catawba County are operating above practical capacity, including Graystone Eye Surgery Center which operates far above practical capacity. These facilities are exhausting their ability to meet the rising demand.

[10] Specialty Hospitals, Ambulatory Surgery Centers, And General Hospitals: Charting A Wise Public Policy Course. *Health Affairs*, 24, No. 3 (2005): 868-873

- Demand for ambulatory surgical services in Catawba County is increasing among local and regional residents, as demonstrated by our county's high ambulatory surgery utilization rate.

- 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.