

Viewmont Surgery Center, LLC
Comments in Opposition to the Application Submitted
by Caldwell Memorial Hospital, Inc. and SCSV, LLC
for A New Ambulatory Surgical Facility in Caldwell County
November 26, 2014

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In accordance with N.C.G.S. 131E-185 (1), the following are comments submitted by Viewmont Surgery Center, LLC (“Viewmont”). Viewmont is an existing ambulatory surgical center (“ASC”) located in Catawba County, five miles from the proposed Caldwell Surgery Center. Viewmont is filing comments in opposition to the following application:

- Project I.D. #E-10358-14 Caldwell Surgery Center (“CSC”)

I. Background and Overview

Caldwell Memorial Hospital, Inc. and SCSV, LLC (together hereby referred to as “the Applicants”) submitted an application in March 2014 (E-10261-14) that proposed to establish a new ASC in Granite Falls, NC in the southernmost part of Caldwell County. The Agency denied this application and the Applicants have appealed this decision. During the time in which this appeal is pending, the Applicants have filed a second application (Project #E10358-14) for virtually the same denied project. The second application is materially the same as the first application. Dates and projections have been updated to reflect an updated time frame based on the passing of approximately eight months since the previous filing. The Applicant has also provided additional narrative and methodology to address issues which they found the previous application to be non-conforming with review criteria. However, in the end, the project has not materially changed and the reasons the Agency denied the first application require that for the current application be denied as well.

In this proposal, the Applicants again assert that the proposed Caldwell Surgery Center will fill a void by preventing the outmigration of Caldwell County residents to outpatient surgery providers in other counties. However, the Applicants’ description of this project continues to be misleading. Caldwell Memorial Hospital currently operates a freestanding outpatient surgery center, the Hancock Surgery Center, with three dedicated outpatient operating rooms located in the center of Caldwell County, only 0.6 miles from the hospital in Lenoir, NC. The Applicants’ current project proposes to close these underutilized operating rooms and relocate them to a newly constructed ASC in the southernmost part of the County. The Applicants again fail to explain why these existing operating rooms are underutilized and why the new freestanding ambulatory operating rooms should expect higher utilization outside of physician recruitment.

The proposed ASC does not bring new services or increased access to the residents of Caldwell County. Rather, it relocates an existing ASC from the middle of the County where it is

accessible to all areas of Caldwell County and places it in southern Caldwell County, just minutes from a number of existing outpatient surgery providers in neighboring counties. The underlying basis of the application continues to be flawed and its assumptions are once again questionable. Just like the first application, this project represents a costly and unnecessary duplication of existing services and an ineffective alternative in terms of cost, accessibility, and quality.

The application should be denied based on the following:

- The Applicants claim to expand access with this proposal but instead relocate the only freestanding outpatient surgery center from the middle of the County to the southern part of the County within a few miles of four other existing outpatient surgery providers;
- The data and analysis used to project utilization is unjustified and often conflicting with other data used in the application;
- The Applicants specifically outline how the proposed ASC will take a large number of patients from existing providers in order to meet its projections;
- Based on the current outmigration trends, the Applicants' assumptions regarding the reverse of the migration are questionable. As a result the Applicants will have a difficult time meeting their projections and unlikely that the proposed surgery center will not be financially feasible. If Caldwell Surgery Center does meet these improbable projections, this project will undoubtedly impact existing providers; and
- The application fails to conform with multiple review criteria based on the reasons above and others outlined in this analysis.

II. New Analysis

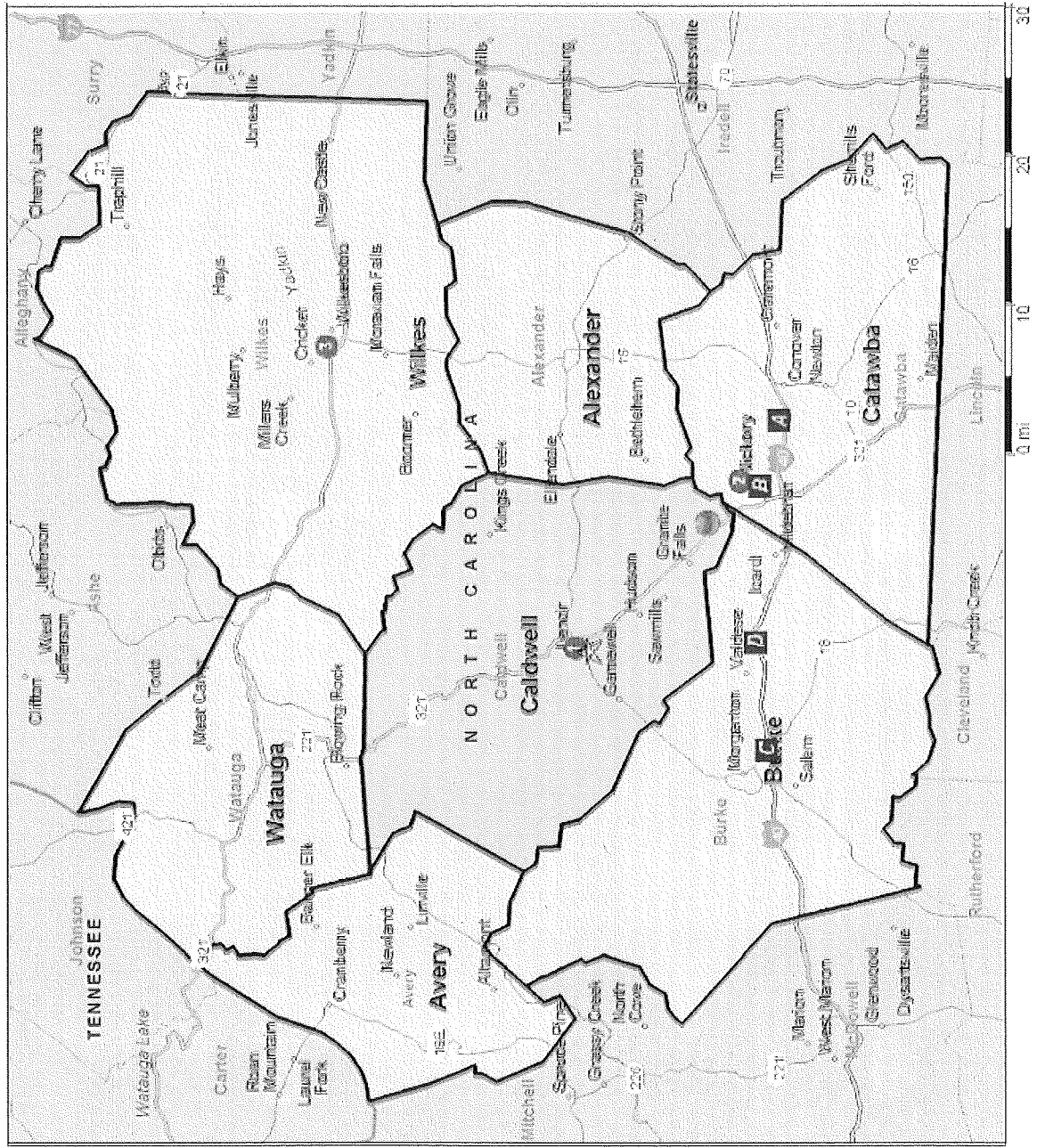
Though this project is materially the same as the project proposed in the Applicants' March 2014 application, additional analysis is provided in the current application in an attempt to justify the project and meet the review criteria. In this analysis, there are several new points and arguments that are made repeatedly throughout the application. These arguments are addressed below.

- 1. The ambulatory surgery use rate for Caldwell County (87.42 per 1,000) is significantly higher than the state average (65.52) and therefore justifies the need for a freestanding ASC in the southern part of the county.**

In fact, the opposite is true. The high use rate for Caldwell County shows that its patients already have significant access to ambulatory surgery options and are using these options. Adding more ambulatory operating rooms in the only area of the county that is proximal to these other options is not justified or logical and unnecessarily duplicated existing services.

The Applicants assert that *“Caldwell residents cannot be said to have greater access to ambulatory surgery services than residents of the state as a whole because there is a great disparity in access between the metropolitan counties and the rural counties (p53).”* However, the same can be said for Caldwell County. Clearly, with a use rate that well exceeds the state average, Caldwell County as a whole is not lacking access to providers of outpatient surgery. However, as the Applicant repeatedly points out, about half of Caldwell’s residents live in the more metropolitan southern region of the county. This part of the county has ample access to outpatient surgery, with five providers proximal to this area. The other half of the residents, residing in the more rural central and northern areas of Caldwell County, will be forced to travel a significant distance outside the county for ambulatory surgery should Caldwell close Hancock Surgery Center and shift half of its hospital-based outpatient caseload to the proposed ASC as shown below in **Exhibit 1**.

Exhibit 1
Map of the Service Area, Existing and Proposed Surgery Providers



- Other ASCs**
- Area Hospitals**
- Providers**
- Service Area**

- 2. “The proposed facility location in Granite Falls is the most effective option to provide balanced and improved access because the majority (51 percent) of the total Caldwell population lives in the southeastern region of the county (p13).”**

The Applicants repeatedly state that 51% of Caldwell County residents live in the southern region of the county. Therefore, the remaining half live in central or northern Caldwell County. With approximately half of the county’s residents not living in the southern part of the county, the continued operation of an ASC in central or northern Caldwell County is much more logical and justified than the Applicants’ proposal to relocate Caldwell County’s only freestanding, ambulatory operating rooms that are currently convenient to the central and northern region of the county to an area of the county which already has robust access to ambulatory surgery and a freestanding provider.

To justify this relocation, the Applicants provide a letter from Caldwell Memorial’s Medical Director of Emergency Care in Exhibit 54 (p454) to document that patients are “delaying medical treatment due to the overall high cost of healthcare.” According to this letter, from Caldwell’s own staff member, patients are delaying care due to costs. The letter **does not mention accessibility or location as a factor in the delay of care**. Therefore, even the Applicants’ own letter does not justify the proposed location of this facility. The only thing that this letter demonstrates is that the cost of care at Caldwell Memorial is high.

- 3. An architectural evaluation of the existing Hancock Surgery Center showed that its renovation and expansion to accommodate the proposed facility would be costly and require shut down for an estimated 10 months. Therefore, the option to build a new facility in the southernmost part of the county is a more acceptable option.**

On pages 86-88 of the application, the Applicants explain why maintaining the status quo, converting the licensure of the existing Hancock Surgery Center, and developing a smaller project are not feasible options. However, the Applicants never analyzed or even addressed the option of building a new freestanding, separately licensed ASC in the central or northern part of the county to serve the parts of the county that are not currently close to the other existing providers of ambulatory surgery in adjacent counties. If Caldwell County truly needs a freestanding, non-hospital licensed ASC as the Applicants assert, locating the proposed ASC in a part of the county that lacks proximal access to existing providers of this service is the justified alternative.

- 4. “Patients in Caldwell County do not have access to a freestanding ambulatory surgery center within their home county (p42).” The proposed project will alleviate the outmigration of Caldwell County patients to providers of outpatient surgery outside of the county.**

This statement, made multiple times in the application (p37, 42, 71), is misleading. Patients in Caldwell County do have access to a freestanding ambulatory surgery center within their home county. Hancock Surgery Center, though licensed under the hospital, is a freestanding ambulatory surgery center not located on the hospital campus. In spite of this, Caldwell's application continuously proposes to remedy the outmigration of Caldwell County ambulatory surgery patients (pp 11, 39, 42, 43) but never explains how this outmigration harms Caldwell County or its residents. Clearly the location of these existing providers is acceptable to Caldwell County patients since their use rate far exceeds the state average. If the location of these providers is not acceptable to Caldwell County residents, why do the Applicants propose to locate Caldwell Surgery Center just minutes away from these existing providers? The only difference to the residents of Caldwell County in terms of location between the proposed surgery center and the existing providers is that Caldwell Surgery Center will sit just inside the Caldwell County line.

5. **On page 52, the Applicants state, "It should not be assumed that patients would be unwilling or unable to drive 10 miles past Caldwell Memorial Hospital to access an ambulatory surgery facility where the charges are substantially less than a hospital."**

As shown in Exhibit 1, it should first be clarified that the distance between the proposed location for CSC and the location of CMH is approximately fourteen miles. The ten miles stated in the application is significantly under-stated according to three different search engines. Despite this error, the underlying point of the statement is true, as a substantial number of Caldwell County residents are even driving past the proposed CSC site to seek care at both hospitals and freestanding ASCs in Burke and Catawba Counties. Though the applicant shows dramatic increases in Caldwell County market share, the market share may not change substantially as a result of the proposed project. According to pages 58 and 66, the proposed project will utilize seven physicians who are already in the area but who are not already in the CMH system. Given that there are five current ambulatory surgery providers in Burke and Catawba counties, this would shift on average only 1.4 providers from each of the five current providers.

The physicians currently practicing at the existing Burke and Catawba County ambulatory surgery providers and their patients who are driving to these providers have made the choice not to utilize CMH or Hancock Surgery Center. If these providers and patients have knowingly chosen not to use CMH facilities and have driven twenty or more miles away from CMH facilities to seek care, why does the applicant think they will change their utilization patterns with the proposed project? This is not explained or addressed in the application.

This project will force patients from the central and northern areas of the county who are already seeking care at CMH and Hancock Surgery Center to drive almost fourteen miles away to get the same care at the proposed facility. So with this project, even more patients from central and northern Caldwell County will have to travel further south for care. Again, building a new freestanding surgery center in the Lenoir area would better serve CMH's existing patient base and give patients seeking care outside the county a reason to stay in-county for these services.

III. Conflicting Information in the Application

Throughout the application, there are a number of discrepancies and analyses that provide conflicting information or conclusions. These discrepancies are outlined in more detail below.

1. The Applicants have discrepancies in the scope of services for the proposed ASC throughout the application.

On application page twelve, paragraph one, the Applicants identify the types of surgical cases to be performed to include "general surgery, vascular and endovascular procedures, GI endoscopy procedures, dialysis access, cancer surgery, hand surgery, orthopedic extremity and joint procedures, spine procedures, otolaryngology procedures, foot and ankle procedures and urology procedures." Later, on the same page, CSC defines its scope of services to include "multiple surgical specialty areas including orthopedics (general and spine), podiatry, general surgery, otolaryngology, urology, and GI endoscopy cases." This second listing does not mention vascular surgery, oncologic surgery, or dialysis access. Further, there is never a surgeon identified to perform oncologic surgeries among those in support of the project or being recruited for this project. There is thus a disconnect in the scope of services intended to be offered. In addition, the cases are not broken down by specialty in the projections or the financial projections to confirm the intended offerings. This renders the Applicants' financial projections suspect, incapable of verification and unreasonable.

2. The proposed location will provide access to multiple low-income and subsidized housing options in Granite falls (p13, 75, 105). Therefore, this project increases financial accessibility to Caldwell County residents.

In order to demonstrate financial accessibility of the project, the Applicants focus on accessibility to several low income housing developments in Granite Falls. They rely on a letter from the Social Services Director for Caldwell County in an effort to demonstrate that the proposed location will increase financial accessibility to Caldwell County. However, this letter does the opposite. It clearly states on its face that while there are multiple low income/subsidized housing options in the Granite Falls and Hudson areas, "low income persons reside throughout most areas of Caldwell County." They are thus not concentrated in this

southeastern region of the county. There is no other quantitative analysis to back up this assertion. In fact, the Applicants continue to project that its payor mix will be identical to that of the ambulatory surgery cases from Caldwell Memorial Hospital in 2013. Because, this project does not improve upon what is already offered in the county in terms of charity care or financial access, it is unnecessary while also being duplicative of existing services from providers in contiguous counties.

The Applicants fail to show that existing providers of ambulatory surgery in the area are not financially accessible to low income residents of Granite Falls and surrounding areas. Indeed, the fact that they are residents of Caldwell County does not preclude them from accessing charity care or facilities with lower charges outside of the county.

4. The Application has major discrepancies in terms of the physicians involved and/or supporting the project. This results in questionable assumptions and projections.

The Applicants state on page 58, "Twelve surgeons currently have medical staff privileges to perform surgery cases at Caldwell Memorial Hospital and Hancock Surgery Center. These surgeons contribute to the current market share position for Caldwell Memorial Hospital and Hancock Surgery Center. None of these twelve physicians are expected to leave or retire during the next five years....Once the Caldwell Surgery Center is operational, these surgeons are expected to perform surgery at the new facility as well as at Caldwell Memorial Hospital." However, the chart on page 66 only identifies eight physicians currently practicing at Caldwell Memorial Hospital that have committed to obtaining privileges and utilizing CSC. If there are indeed four more surgeons unaccounted for in the utilization projections derived from the support letters, the market share for Caldwell Memorial Hospital/Caldwell Surgery Center becomes even higher than projected in the application and further supports Viewmont's assertion that this project will have to pull patients from Caldwell and Burke Counties to support its utilization. In addition, the assumptions chart for future ambulatory surgery at CMH and HSC on page 52 anticipates the retirement of a general surgeon in the next year which conflicts with the statement from page 58. All of these discrepancies make it difficult if not impossible for the Agency to analyze the reasonability of the projected utilization for this project.

3. The market share projections used for CSC appear to be arbitrary and do not tie to the utilization projected by the support letters and physician recruitment plans.

The Applicants provide letters of support from 15 of the participating surgeons. The low end of the utilization estimated in these letters (3,130 cases) is approximately equal to projections used in the Applicants analysis (3,149 cases Year 1). There are between five and nine additional physicians that are anticipated to perform surgeries at CSC at the time of its opening that are not included in the volumes indicated by these letters. The number of additional surgeons is unclear as discussed in Item 3 above. As a result, the market share projected for combined CMH and

CHC throughout the application is actually significantly understated and the project will likely have to draw many more patients from existing providers than is indicated in the application.

IV. Review Criteria for New Institutional Health Services

(1) Consistency with the State Medical Facilities Plan and Policy GEN-4

This project does not directly conflict with a need determination in the SMFP since it does not propose to add operating rooms to Caldwell County. However, this project represents an unnecessary duplication of existing services and is a wasteful use of resources in constructing a new ASC only minutes away from five (5) existing ambulatory surgical providers, several of which are already underutilized. The proposed center thus duplicates services already offered by other existing ASCs in adjacent counties. As outlined in detail below, should it achieve its projected utilization, success can only be achieved at the expense of existing providers. In fact, the application clearly documents and confirms that many of the cases projected will come from existing providers. This project fails to meet many of the review criteria and as a result is not consistent with Criterion (1).

(3) Populations to be Served and Need for the Project

Populations To Be Served

Primary and Secondary Service Area does not align with location for the project

The Applicants identify Caldwell County as the primary service area and project that 89.29 percent of patients will originate from Caldwell County. As shown in the map below, Hancock Surgery Center, the current site for the proposed relocated operating rooms, is centrally located in Lenoir, approximately 0.6 miles from Caldwell Memorial Hospital. It is therefore accessible from all parts of Caldwell County. The proposed ASC location is 13.68 miles away from CMH and 13.65 miles away from the Hancock Surgery Center. This significant distance for relocation will thus radically change the patient draw to the center, which has not been realistically represented by the Applicants.

The proposed site for Caldwell Surgery Center in Granite Falls is more accessible to the southern part of the County and sits at the intersection of the Caldwell, Catawba, and Burke County lines at the far southern point of the county. However, **this area of Caldwell County has five existing providers of outpatient surgery in bordering Burke and Catawba Counties, including one freestanding ASC, within minutes of the proposed surgery center.** Currently, both CMH and Hancock Surgery Center are 18.5 miles from Viewmont Surgery Center. The proposed ASC is 5.23 miles and 11 minutes from Viewmont Surgery Center. While the proposed location may increase access for this area of Caldwell County and for residents of Burke and Catawba Counties, it decreases access to the underserved central and northern areas of Caldwell County and will take

away the option of accessing a freestanding ASC in the central part of the county. If the true intent of this project is to increase access to Caldwell County residents, as stated throughout the application, this proposed location does not achieve that goal.

The Applicants' assumption that 89.29 percent of patients will come from Caldwell County is unrealistic given CMH's current patient origin for ambulatory surgery and the proposed location of the ASC on the border of Burke and Catawba County. On page 62, the Applicants provide a table to identify the patient origin and associated percentages for all ambulatory surgery patients served at CMH and Hancock Surgery Center from October 2012 through September 2013. The graphic shows that 85.78 percent originated from Caldwell County, 4.10 percent originated from Burke County, and 2.3 percent originated from Catawba County. In contrast, the Applicants projection that a higher percentage (89.29 percent) of Caldwell County patients and a lower percentage (3.8 percent) of Burke County patients will utilize the proposed ASC is unrealistic given the change in location. Specifically, the proposed location in Granite falls relocates these ambulatory operating rooms approximately 15 miles closer to Burke County patients and 15 miles away from patients residing in central and northern Caldwell County. As a result, it would be reasonable to expect a higher percentage of patients to originate from Burke and Catawba Counties and a lower percentage to originate from Caldwell County. There is no quantitative evidence or explanation given by the applicant to support these random percentages.

CMH and Hancock Surgery Center are 14-25 miles away from the five local outpatient surgery providers discussed in this section. Caldwell Surgery Center is proposed to be relocated just minutes away from some of these providers. Therefore, it is far more realistic to assume that a greater percentage of patients will come from these adjacent counties. In addition, the physicians that the Applicants state will use the facility include numerous physicians that are currently aligned with hospitals and ASCs in neighboring counties and have offices in neighboring counties. Thus, it is more than likely that these physicians will draw patients from outside of Caldwell County. Physician letters of support included in Exhibit 10 do not identify the counties from which their patients originate or the percentages of patients they typically see from the counties in the service area. This information could have been attained from the physicians involved to support the market share projections but was not included in the letters or the application.

It is also unrealistic to continue to include Wilkes and Watauga Counties in the service area. As shown in the map in **Exhibit 1** above, the projected ASC is moving significantly further away from these counties and residents would have to drive past CMH in many instances to reach the proposed new surgery center.

The Applicants have not adequately defined service area patient origin projections, or the population to be served. As a result, the service area definition is unrealistic and the patient origin

projections are unreasonable. For all of these reasons, the Applicants should be found non-conforming with Criterion (3).

Need for the Project

More Efficient Utilization of Operating Rooms in Central Caldwell County is Needed

CMH is already serving the residents of Caldwell County most appropriately from its Lenoir location. In fact, as shown in **Exhibit 2**, the hospital operating rooms are highly utilized at 99.8% of capacity. However, as demonstrated in **Exhibit 3**, the existing Hancock Surgery Center in Lenoir is severely under-utilized at 15.88% of capacity and could be used to relieve capacity constraints at the hospital. Better utilization of Caldwell Memorial Hospital’s three freestanding outpatient operating rooms which are currently located at Hancock Surgery Center would aid in addressing operating capacity constraints at the hospital. The Applicants do not address why the existing ORs at Hancock Surgery Center are underutilized, even though better utilization of these rooms could relieve capacity issues at the hospital.

Exhibit 2
Caldwell Memorial Hospital is Operating Above Optimal Capacity

Total Shared ORs	4
Hours per Year Scheduled	2,080
Total OR hours available	8,320
2012-2013 Total Inpatient Cases	1,332
Average Time per case (in minutes)	149
Total Inpatient Minutes	198,468
Total Inpatient Hours	3,307.8
2012-2013 Total Outpatient Cases	2,272
Average Time per case (in minutes)	132
Total Outpatient Minutes	299,904
Total Outpatient Hours	4,998.4
Total Surgical Hours	8,306.2
Percent of Capacity	99.83%

Source: 2014 License Renewal Application

Exhibit 3
Hancock Surgery Center is Underutilized

Total ORs	3
Hours per Year Scheduled	1,950
Total OR hours available	5,850
2012-2013 Outpatient Surgical Cases	774
Average Time per case (in minutes)	72
Total Outpatient Minutes	55,728
Total Outpatient Hours	928.8
Percent of Capacity	15.88%

Source: 2014 License Renewal Application

Shifting of the ownership of the ORs associated with the relocation also limits the flexibility of the proposed ASC from balancing the caseload at the hospital. With a new facility in close proximity to and operated by the hospital, CMH could flexibly balance the capacity constraints at the hospital and use centralized scheduling to ensure the efficient scheduling of both facilities. As proposed, the hospital will continue to be highly utilized and CMH will have far less ability to flexibly schedule the hospital-based and freestanding ORs.

Given the Applicants' documentation of the challenges presented in renovating and/or expanding Hancock Surgery Center, outpatient surgery cases would be more appropriately shifted from the hospital to a new surgery center in or nearby Lenoir than to the southern area of the County, which is proximal to five other outpatient surgery providers. Moving the ORs to the extreme southern part of the County will make it even more difficult to use these operating rooms to relieve capacity constraints at CMH. As demonstrated by the hospital's high ambulatory OR utilization, the location in Lenoir is accessible to all areas of the county. If a new surgery center is to be built, the most logical place to put it is close to the hospital which is already robustly serving Caldwell County residents and needs relief from capacity issues at the hospital.

The Applicants' Assumed Reduction of Outmigration is Unrealistic

Stated on page 39 of the application, "The proposed project will reduce outmigration and provide improved access to high quality and more cost effective ambulatory surgery procedures." As shown in the Applicants' table on page 41 of the application, Caldwell Memorial Hospital captured 50 percent of all Caldwell County residents having outpatient surgical procedures performed in hospitals in 2013. Of the remaining ambulatory cases performed in hospitals, 2,205, or 84.4 percent, were performed at the four hospitals in neighboring Burke and Catawba counties just minutes from the proposed site of Caldwell Surgery Center.

According to the chart on page 41 of the application, of the 1,989 Caldwell County residents who traveled outside of the County for outpatient surgery in an ASC setting in 2013, 1,450 or 73 percent of these patients sought care at an eye surgery center. Because Caldwell Surgery Center does not plan to offer eye surgery, these patients are not even relevant to the discussion. The only relevant ASC on the Applicants' list that serves a significant portion of Caldwell County ambulatory surgery patients is Viewmont Surgery Center, located only 11 minutes from the Applicants' proposed site. It is clear that the intent of this project is not to provide increased access to a freestanding surgery center but rather to gain market share from existing providers in Burke and Catawba Counties. Given the ASC's proposed location on the border of Burke and Catawba Counties, the anticipated market shares for these counties, 4.1 percent and 2.4 percent in Year 3, respectively, is significantly understated.

The Caldwell County market share assumptions for the first three years of operation for CSC (38, 42, and 46 percent, respectively) do not remotely correlate or reconcile with the projected utilization tied to the physician support letters. The market share projections used for the ASC thus appear to be an arbitrary number used to make the utilization projections appear more reasonable or to disguise the massive draw from outside counties this project will require based on the projected utilization suggested by the physician letters.

According to the Applicants, "Twelve surgeons currently have medical staff privileges to perform surgery cases at Caldwell Memorial Hospital and Hancock Surgery Center. These surgeons contribute to the current market share position for Caldwell Memorial Hospital and Hancock Surgery Center. None of these twelve physicians are expected to leave or retire during the next five years....Once the Caldwell Surgery Center is operational, these surgeons are expected to perform surgery at the new facility as well as at Caldwell Memorial Hospital (p58)." However, the chart on page 66 only identifies eight physicians currently practicing at Caldwell Memorial Hospital that have committed to obtaining privileges at CMH. Assuming the other four will also perform surgeries at CSC as stated above, their utilization has not been factored in. In addition, the five new potential recruits have not submitted support letters which quantify their projected utilization. In **Exhibit 4** below, the estimated utilization from the fifteen physicians who submitted support letters was used to estimate total utilization for these 24 total physicians that will initially utilize the proposed surgery center.

Because many of the surgeons who submitted support letters gave a range for their projected use, the lower of the range was utilized in **Exhibit 4** below for a conservative estimate. Specifically, on the low end, the fifteen proceduralists estimated a total of 3,130 surgical cases in the first year of operation for an average of 209 cases per surgeon. With 24 total surgeons who will initially use CSC, an estimated 5,008 cases will be performed at CSC in Year 1. Using the Applicants' assumption that 89.1 percent of patients will originate from Caldwell County results in 4,462

Caldwell County cases in Year 1. This is almost double the projected Caldwell County cases used in the applicants' projections. As shown below:

Exhibit 4
Projected Effect on Existing Providers Based on Physician Support Letters

	10/1/11 to 9/30/2012	10/1/12 to 9/30/2013	Projected 2014	Projected 2015	Projected 2016	Projected 2017 (Year 1)
Projected Ambulatory Surgery Cases for Caldwell Population	7,074	7,215	7,258	7,304	7,351	7,400
CMH Ambulatory Market Share	37.12%	36.22%	34.32%	36.69%	36%	19.32%
CMH Ambulatory Surgery Cases	2,626	2,613	2,491	2,680	2,646	1,430
Caldwell Surgery Center Cases	0	0	0	0	0	4,462
Caldwell Surgery Center Market Share	0%	0%	0%	0%	0%	60.30%
Market Share for Ophthalmology Only ASCs	18.60%	20.10%	20%	20%	20%	20%
Cases for Ophthalmology Only ASCs	1,316	1,450	1,452	1,461	1,470	1,480
Expected Caldwell County Market Share for All Other ASCs and Providers	44.28%	43.68%	45.68%	43.31%	44.00%	0.38%
<i>Total Caldwell County Outpatient Surgeries at Other Providers</i>	<i>3,132</i>	<i>3,152</i>	<i>3,315</i>	<i>3,163</i>	<i>3,234</i>	<i>28</i>

Source: Application pages 48, 58, 64, 65

Based on these estimates, Caldwell Memorial Hospital and Caldwell Surgery Center will capture almost all of the Caldwell County ambulatory surgery market in Year One of operation. However, this is not reasonable, logical, or likely. There are several scenarios which are more likely:

1. The supporting physicians have overestimated their projected utilization and Caldwell will not meet its projections or
2. Caldwell Surgery Center will meet these projections but will only do so by taking significant market share from Burke and Catawba County residents.

It is assumed that the 38 percent Caldwell County market share that the applicant uses in its utilization assumptions was established by using the low end of the projections from the fifteen physicians that provided support letters. However, this projected market share completely overlooks the five to nine additional physicians the application has thoroughly documented will also use the facility and which represents up to 37.5 percent of the total surgenons.

Of the physicians documented, it is clear that patient origin estimates are skewed based on the current physician practice locations. On page 74, the Applicants state that Carolina Orthopedic Specialists support the Granite Falls location because it is proximal to its offices throughout the

area. Of the fifteen physicians supporting and utilizing this project, six are from Carolina Orthopedic Specialists. According to the Carolina Orthopedic Specialists website, of those six, four see patients at the Hickory, Morganton, Newton and Boone offices located in Burke, Catawba, and Watauga Counties. Two of these physicians do not see patients at all in Caldwell County. Only two of the six practice exclusively in Caldwell County. Only six of the fifteen total physicians practice exclusively in Caldwell County. Nine see patients in locations outside of Caldwell County, sometimes in multiple other counties. This is shown in **Exhibit 5** below. Clearly, the patient origin for this project is skewed if not misrepresented.

Exhibit 5
Current Practice Locations for Supporting Physicians

Surgeon	Practice	Practice Locations	Practice Outside Lenoir County
Randall P. Bast, MD	Horizon Surgical - General	Lenoir	No
Peter N. Purcell, MD	Horizon Surgical - Vascular	Lenoir	No
Alfred Geissele, MD	Carolina Orthopedics	Hickory and Newton	Yes
James A. Hurt, MD	Carolina Orthopedics	Hickory and Lenoir	Yes
James E. Stanislaw, MD	Carolina Orthopedics	Lenoir	No
Jeffrey P. Keverline, MD	Carolina Orthopedics	Lenoir	No
Matthew D Hannibal, MD	Carolina Orthopedics	Boone and Lenoir	Yes
Jason Norcross, MD	OrthoCarolina	Hickory, Lincolnton, and Taylorsville	Yes
Brian A. Krenzel, MD	OrthoCarolina	Hickory, Hudson, and Lincolnton	Yes
Mark R. McGinnis, MD	OrthoCarolina	Hickory, Hudson, Lincolnton and Taylorsville	Yes
William M. Pekman, MD	OrthoCarolina	Hickory and Hudson	Yes
Jerem C. Johnson, MD	OrthoCarolina	Hickory, Hudson, and Lincolnton	Yes
Ralph Maxy, MD	Carolina Orthopedics	Hickory and Morganton	Yes
Derek Panteil, DPM	Horizon Surgical	Lenoir	No
P. Ross Jenkins, DPM	Horizon Surgical	Lenoir	No

Source: Practice Websites

The Applicants' Utilization Projections are Based on Flawed Logic or Unexplained Data

The Applicants' breakdown of projections and market share assumptions on page 65 of the application are based on vague or unexplained assumptions. Even disregarding the previous discussion of utilization based on physician support letters and only focusing on the Applicants' own market share projections presented on page 65 of the application, it should be noted that the Applicants project to jump from 36 percent of Caldwell County ambulatory cases in 2016 to a combined total of 67 percent in 2019, leaving only a 13 percent Caldwell County market share of non-ophthalmic cases for existing providers. This is a significant and unrealistic increase in three years expected to consist entirely of Caldwell County residents. In fact, CSC projects to serve a greater share of Caldwell County residents in the Granite Falls location just next to the Burke and Catawba County borders than it currently serves in the hospital situated in the center of the county.

The Applicants have stated and demonstrated in the application that it is moving forward with the construction of a medical office building in Granite Falls on the same campus that will house Caldwell Surgery Center. On page 49, the application states, "Furthermore, physicians have the option of establishing new office locations or satellite locations in close proximity to the proposed facility." Assuming some of these surgeons do establish office space at the new MOB located less than five miles from Catawba and Burke Counties, it is logically flawed to assume that the Surgery Center will draw a higher patient volume from Caldwell County and a lower patient volume from Burke and Catawba Counties than the hospital currently does. This overlooks that the new MOB and CSC are as convenient to Burke and Catawba County residents as the existing providers in Burke and Catawba Counties are to southern Caldwell County residents.

According to the chart on page 65, Caldwell Memorial Hospital projects for its Caldwell County ambulatory surgery market share to decrease slightly from 2015 to 2016, just before it projects huge gains when CSC opens in 2017. According to the assumptions for projected utilization presented on page 52, two new general surgeons, a vascular/endovascular surgeon, and a urologist are expected to start in 2015. The table on page 51 of the application shows that CMH and Hancock Surgery Center expect total ambulatory surgery cases to increase from 3,116 in 2015 to 3,302 in 2016. If the market share for Caldwell County is decreasing in spite of overall utilization growth, it would suggest that these additional cases are coming from counties outside of Caldwell. Therefore, the market share assumptions for Caldwell, Burke, and Catawba counties are inconsistent with the data presented.

The Applicants also discuss physician recruitment in order to make these large leaps in utilization feasible. However, this does not flow through the projections. Page 52 of the application presents utilization assumptions by specialty for 2015 and 2016, the two years prior to the opening of Caldwell Surgery Center. These projections show a gain of five new surgeons, or a 41.6 percent increase in CMH surgical staff but only a 7.6 percent increase in ambulatory surgeries in 2015 and a 5.9 percent increase in ambulatory surgeries in 2016. It makes no sense that the five surgeons

would come online in the two years prior to the implementation of the surgery center but the surgical volume would not represent their presence until the surgery center opens.

Furthermore, almost 20 percent of the cases per year documented by these letters come from one provider who projects to perform 800 to 1,000 cases at the surgery center in its first year of operation. For an ambulatory surgery center that operates 250 days per year, a surgeon would have to perform three to four cases per day every day of the year to achieve this projection. It is highly unlikely that one provider can feasibly perform this number of cases in one year, particularly since his website states that he performs “a wide variety of surgeries and operations, mainly focusing on those concerning the abdomen and related organs and structures (www.randalbast.md.com).” This description generally does not represent quicker, high volume types of procedures.

For the Applicants to achieve their projections, they admittedly rely on new physicians redirecting significant case volume from other existing providers. The Applicants themselves project minimal levels of growth in demand for services, so it is clear that the project volumes will come at the expense of other existing providers. Even with the addition of five new Caldwell affiliated surgeons in 2015 and 2016, the dramatic shifts in volumes are expected to occur several years in the future with no significant incremental demand for surgical services in the foreseeable future. The assumptions are illogical at best. Given their unrealistic and incomplete market share assumptions, the Applicants have not demonstrated a reasonably confident level of utilization and need for the project. For this reason, the Applicants should be found non-conforming with Criterion (3).

The Existing Freestanding ASCs in Burke and Catawba Counties are Underutilized and Capacity is Available.

The utilization of freestanding ambulatory surgery operating rooms in Catawba Counties mirrors the utilization of those in Caldwell County. As shown in **Exhibit 6** below, the shared operating rooms at Frye and Catawba Valley Medical Centers are performing well below optimum capacity at 57.8 percent and 66.5 percent, respectively. In addition, the dedicated outpatient operating rooms at Frye Medical Center – Tate Campus (licensed under Frye Medical Center) and those at Viewmont Surgery Center are performing well below capacity at 46.9 percent and 29.3 percent of capacity, respectively. The Applicants thus have not and cannot justify adding three more dedicated outpatient operating rooms just a few miles away. To do so would be the essence of permitting the very unnecessary duplication of health services that the CON laws are designed to prevent.

Exhibit 6

Utilization Capacity for Existing Operating Rooms in Burke and Catawba Counties

	CMC Blue Ridge (Grace and Valdese Combined)	Frye (Main Campus)	Frye (Tate Campus)	Catawba Valley	Viewmont Surgery Center
Total ORs	9	15	4	12	3
Hours per Year Scheduled	2,016	2,080	2,080	2,125	2,080
Total OR hours available	18,144	31,200	8,320	25,500	6240
2012-2013 Total Inpatient Cases	1,519	2,819	N/A	3,412	N/A
Average Time per case (in minutes)	120	238	N/A	210	N/A
Total Inpatient Minutes	182,280	670,922	N/A	716,520	N/A
Total Inpatient Hours	3,038	11,182	N/A	11,942	N/A
2012-2013 Total Outpatient Cases	3,551	3,026	1,722	5,021	2,614
Average Time per case (in minutes)	85	136	136	60	42
Total Outpatient Minutes	301,835	411,536	234,192	301,260	109,788
Total Outpatient Hours	5,031	6,859	3,903	5,021	1,830
Total Surgical Hours	8,069	18,041	3,903	16,963	1,830
Percent of Capacity	44.5%	57.8%	46.9%	66.5%	29.3%

Source: 2014 License Renewal Applications

CMC-Blue Ridge, comprised of Grace and Valdese Hospitals, has nine shared operating rooms in Burke County and operated at 44.5 percent of capacity in 2013. According to the 2014 License Renewal Application, 542, or 15.3 percent of the ambulatory surgery patients served by these facilities were Caldwell County residents. This number of patients is significant both from the standpoint that it is not large enough to be a major factor in the lofty utilization projections submitted for Caldwell Surgery Center, but it is large enough that any loss will be significant to CMC-Blue Ridge. Caldwell Surgery Center's utilization projections are discussed in more detail below.

The Applicants' Utilization and Market Share Projections are Unrealistic and Mask the Impact to the Secondary Service Area

For the Applicants' utilization projections to be achieved, it will have to take a significant share of patients from Burke and Catawba County providers. The Applicants repeatedly state and attempt to

demonstrate that they will achieve their projections from redirecting the outmigration of Caldwell County patients seeking outpatient surgery at ASCs and hospitals outside of the County. However, it is also likely that the Applicants will take Burke and Catawba County residents from these same facilities. The Applicants' intention to redirect these patients is evident from the hospital affiliations of the supporting physicians and by the Applicants' own statements.

Viewmont Surgery Center is the only freestanding ambulatory surgery center that is not under a hospital license that will be affected by this project. Based on the Applicants' exhibit on page 41 of its application, in FYE 2012, Viewmont served 392 Caldwell County patients, five times more than all of the other general/multi-specialty ASCs combined. Viewmont, along with Catawba Valley Medical Center, Frye Medical Center (Main and Tate Campuses), and CMC-Blue Ridge (which is made up of Grace and Valdese Hospitals) will each be adversely affected if CSC achieves its projections.

Exhibit 7 below shows the total projected redirection of Caldwell County ambulatory surgery cases from existing providers in Burke and Catawba Counties based on the market share projections used by the Applicants. It should be noted that the Applicants admit on page 65 that "the volume projections below are more conservative than the number of cases that are projected in the physicians' letters of support."

Exhibit 7
Caldwell County Patient Impact

	Actual		Projected Interim			Project Years		
	FYE 9/30/2012	FYE 9/30/2013	Projected 2014	Projected 2015	Projected 2016	Projected 2017	Projected 2018	Projected 2019
Ambulatory Cases	7,074	7,215	7,258	7,304	7,351	7,400	7,449	7,499
CMH Market Share	37.12%	36.22%	34.32%	36.69%	36.00%	19.32%	20.0%	21.0%
CMH Cases	2,626	2,613	2,491	2,680	2,840	1,429	1,490	1,575
Patient Shift from CMH to CSC						1,429	1,490	1,575
Incremental Cases Captured by CSC						1,383	1,639	1,875
Total Caldwell Patients at CSC						2,812	3,129	3,450
Total CMH & CSC Cases						4,241	4,619	5,025
Total CMH & CSC Market Share						57.3%	62.0%	67.0%
Incremental Market Capture for CMH & CSC						18.66%	22.0%	25.0%
Cases Lost by Existing Providers						(1,383)	(1,639)	(1,875)
Expected Market Share for Ophthalmology	18.6%	20.1%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%
Projected Market Share for all Other Outpatient Surgery Providers	44.2%	43.7%	45.7%	43.3%	44.0%	22.7%	18.0%	13.0%

Source: CON Application Pages 59, 64 and 65

Based on the Applicants' "conservative" projections, in Project Year 3 existing providers will lose 1,875 patients and 25 percent market share to the proposed ASC. Based on the applicants' admission on page 65, this loss is conservative and the actual impact is likely to be much larger. Utilizing the letters of support to project impact for all physicians that will utilize CSC in Year one shows a much greater impact. These projections also assume that half of CMH's outpatient volume will shift to the proposed ASC. This is unrealistic given that the ORs are moving further away from the hospital. It would be much more realistic for CMH to shift volume from the busy hospital ORs to a freestanding ASC in Lenoir which is in close proximity to CMH. In reality, the proposed project is a carefully disguised ploy to capture patients from Caldwell, Catawba, and Burke Counties that use ASC providers and hospital affiliated providers located in Catawba and Burke Counties.

To achieve the conservative projections, the Applicants and CMH combined would have to capture 25 percent incremental market share and over 80 percent of total Caldwell County market share to

meet the projections for both the hospital ORs and the proposed ASC. Both the incremental capture rate and the total market share are unrealistic. Since the Applicants have demonstrated that this utilization is actually understated through its physician support letters and marketing and recruitment plans, it becomes clear that Burke and Catawba market share will be captured to achieve these projections. However, the Applicants have attempted to mask these numbers by utilizing an arbitrary market share percentage to buffer the true impact of what they are proposing.

Using projections based on the estimates indicated in the physicians' support letters and the full 24 physicians anticipated to perform surgeries at CSC results in less than one percent of Caldwell County patients being served by existing providers in Year One of operation. As discussed previously, the physicians' letters of support only account for two thirds of the physicians anticipated to use the facility in Year One of operation. Therefore, should this project achieve the projected utilization indicated by the support letters with the total number of physicians indicated to be a part of this project at Year One, it will be almost numerically impossible to meet these projections with Caldwell County patients and will require patients from Burke and Catawba counties to meet these higher projections.

The Proposed Project will Adversely Impact Existing Surgical Providers

While the Applicants' projected utilization is unclear at best, if the ASC were to achieve its "conservative" projected utilization, its impact on existing providers in Burke and Catawba County including Viewmont Surgery Center would be significant. To clarify the Applicants methodology that was utilized in **Exhibits 7 and 8**, the Applicants project cases based on a market share of the entire Caldwell County pool of ambulatory surgical patients which includes all patients, including the eye surgical cases performed in eye surgery centers. Then, based on historical utilization, they assume that 20 percent of total Caldwell County ambulatory surgery cases will be eye surgery cases that are performed in dedicated eye surgery centers. That market share then remains consistent after the initiation of this project, and based on these two categories of patients no longer being in the pool for other providers, the remaining percentage is allocated to other existing providers.

As shown below in **Exhibit 8**, the five existing providers in Burke and Catawba Counties served 2,319 Caldwell County ambulatory surgical patients in FYE 2013. Utilizing the 0.75% growth rate used by the applicant on page 56 of the application, it can be estimated that these providers would serve approximately 2,425 Caldwell County cases in Year 3 of operation for CSC. Based on the impact projected above, CMH and CSC would divert 77 percent of the existing Caldwell County patients from these facilities. This would have a material adverse impact on existing providers.

Exhibit 8
Impact on Existing Burke and Catawba County Providers

<i>Caldwell County Patients Under Status Quo</i>	Actual FYE 2013	Estimate FYE 2014	Estimate FYE 2015	Estimate FYE 2016	Estimate FYE 2017	Estimate FYE 2018	Estimate FYE 2019
Frye Hospital - Combined	857	863	870	876	883	890	896
Catawba Valley	528	532	536	540	544	548	552
CMC-Blue Ridge	542	546	550	554	558	563	567
Viewmont Surgery Center	392	395	398	401	404	407	410
Total	2,319	2,336	2,354	2,372	2,389	2,407	2,425
Cases Lost by Existing Providers (See Exhibit 4)					1,383	1,639	1,875
Total Remaining Caldwell Cases					1,006	768	550
Percentage of Caldwell Cases Taken From Existing Providers					58%	68%	77%
<i>Remaining Caldwell Patients After Impact</i>	Actual FYE 2013	Estimate FYE 2014	Estimate FYE 2015	Estimate FYE 2016	Estimate FYE 2017	Estimate FYE 2018	Estimate FYE 2019
Frye Hospital - Combined	857	863	870	876	372	284	203
Catawba Valley	528	532	536	540	229	175	125
CMC-Blue Ridge	542	546	550	554	235	180	129
Viewmont Surgery Center	392	395	398	401	170	130	93
<i>Loss of Caldwell County Patient Volume</i>	Actual FYE 2013	Estimate FYE 2014	Estimate FYE 2015	Estimate FYE 2016	Estimate FYE 2017	Estimate FYE 2018	Estimate FYE 2019
Frye Hospital - Combined	0	0	0	0	-511	-606	-693
Catawba Valley	0	0	0	0	-315	-373	-427
CMC-Blue Ridge	0	0	0	0	-323	-383	-438
Viewmont Surgery Center	0	0	0	0	-234	-277	-317

Source: 2014 License Renewal Application

Utilizes 0.75% Growth in Use Rate Used by Applicant on Page 56 of Application

Exhibit 9 demonstrates that just considering the loss of Caldwell County patients alone (not including the reasonable expectation that the new ASC will draw significant additional patient volume from Burke and Catawba Counties), the proposed project will result in more than a 10 percent loss of case volume to Viewmont Surgery Center.

Exhibit 9
Adverse Impact on Viewmont Surgery Center

FYE 2013 Actual Case Volume	2,614
Loss of Caldwell County Volume	-317
Percent Adverse Impact	-12.1%

The true adverse impact to Viewmont Surgery Center will likely be higher. Three of the surgeons (Drs. Hurt, Krenzel, and Pekman) who currently perform surgeries at Viewmont are on the physicians listing on page 66 which estimates they will bring at least 925 cases to Caldwell Surgery Center in Year 1. This would result in a 35 percent negative impact on Viewmont Surgery Center.

If CSC meets the utilization suggested by its letters of support, it will do so at the expense of existing underutilized providers such as Viewmont Surgery Center and Frye Regional Hospital. As such, the Applicants have not demonstrated a need for the project. For this reason, the Applicants should be found non-conforming with Criterion (3).

(3a)The needs of the population will be adequately met by the proposed relocation

The Applicants failed to factor the needs of the population into the proposed location. As demonstrated in Exhibit 1, Caldwell Memorial Hospital's operating rooms are over-utilized. There is a clear need to divert ambulatory surgical cases to its three underutilized ambulatory operating rooms. However, given the hospital's extreme capacity issues, the location in Lenoir is clearly accessible to those who are seeking ambulatory surgery. Therefore, it more justified to build the new surgery center in Lenoir or central Caldwell County than it is to relocate these operating rooms to a newly constructed facility minutes away from five (5) other ambulatory surgery providers in Granite Falls. The southern part of the County has abundant access to freestanding surgical providers in Catawba County and has several hospital based options in Catawba and Burke Counties. The relocation of these rooms to the proposed location will take away any access to a freestanding ASC by the residents of central and northern Caldwell County. In fact, since half of the hospital based surgeries will be diverted to the new surgery center, it will force some patients to travel almost fifteen miles past the hospital to receive care. For those living in northern Caldwell County, this results in significant travel for surgery.

The CON application does not consider what will happen in the event of complications during surgery that result in the need for hospitalization. Given Caldwell Memorial Hospital's affiliation with this project, it is assumed that CSC patients will be transferred to CMH. Unlike Hancock Surgery Center, which is just one-half mile in distance from the hospital, patients at CSC will require a fourteen mile ambulance transport to CMH. Some of the proposed cases for CSC, such as AV grafts for dialysis and other vascular/endovascular cases can be high risk or

complicated and more often necessitate the need for transfer to a hospital for inpatient or even ICU care. Requiring these patients to endure a lengthy transport to emergency or higher level care when a half-mile transport is currently available does not take the needs of the community into consideration in determining the location of the facility.

The Applicants appear to recognize that the new location will cause transportation problems for residents who are not in the Southern part of the county. As a result, on page 100 they identify that CSC will offer travel vouchers to underserved patients as part of this project. Specifically the application states:

- “CSC will provide transportation vouchers for indigent patients and family members that will be funded by the Caldwell Memorial Foundation....;” and
- “A transportation fund will be established to assist low income patients and family members to access CSC and CMH.”

While these vouchers could conceivably address some of the financial hardship associated with increased travel, they still do not address the reality that residents of northern Caldwell County who have just undergone surgery will have to endure up to a 30 or more mile ride home in public transportation when an option that was less than 15 miles away was once more accessible to them.

Because this project actually decreases access to health services for the primary service area the project sets out to serve, the Applicants should be found non-conforming with Criterion (3a).

(4) Least Costly or Most Effective Alternative

This project does not represent the most effective alternative as the Applicants never explore the option of building a new ASC in Lenoir or central Caldwell County instead of Granite Falls.

It has been thoroughly documented in the analysis above that relocating the operating rooms to the southern part of the county that currently has abundant access and options of outpatient surgery providers will not best serve Caldwell County residents. It will also significantly impact the existing providers in the area. Relocating the HSC operating rooms to a new, separately licensed ASC in central Caldwell County is the most effective alternative. Because the Applicants did not explore this option, an analysis or commentary on potential cost benefits cannot be completed with the information presented in the application. It was also not mentioned if alternative sites or existing medical office space were considered instead of buying land and entering into the contract for the development of a new building or if these options were

available in central Caldwell County. Costs are discussed in more detail under Criterion (5) below.

(5) Immediate and Long-term Financial Feasibility

Immediate Financial Feasibility – Project Costs

This project is significantly more costly than it is presented. Caldwell Memorial Hospital and SCSV will enter into a contract with Brackett Flagship Enterprises to develop the ASC and will lease the building from an affiliated entity of the developer. By partnering with a developer, CSC avoids including the construction costs in the capital cost total, though Caldwell Memorial Hospital will purchase and own the land on which CSC is situated. Though the entities forming CSC will not be incurring the bulk of the capital costs associated with constructing the facility, they will incur some costs associated with construction that are not included in the capital cost worksheet. Specifically, the lease term sheet included in Exhibit 3 of the application states, “Tenant is responsible for design and construction of its up-fit including but not limited to the following: interior architectural and engineering fees exceeding \$5.00 per square foot, interior permitting fees, all interior partitions including perimeter drywall and insulation, ceiling, concrete slab if applicable, flooring, electrical, lighting, plumbing, telephone, and HVAC systems.” Notably, these costs were not documented and were not included in the Capital Cost worksheet on page 139 of the application.

In addition, through the lease arrangement, CSC will incur additional operating costs. Just because the entities forming CSC do not directly incur the capital costs at the time of construction does not mean that they do not incur the expense of a large, newly constructed facility over the long term. The lease payment for year one totals \$561,000 and will grow by two percent each year of operation. Given the fifteen year lease term, CSC is guaranteed to incur more than \$8.5 million in lease costs alone during this time. For these reasons, the Applicants have not adequately documented the immediate financial feasibility of the project and should be found non-conforming with Criterion (5).

Long Term Financial Feasibility

In an effort to address the tenuous nature of the long term financial feasibility presented in their first application, the Applicants have increased net revenue per case to 5.5 percent and decreased expenses resulting from a slightly lower case projection. However, the increase in net revenue is not explained. Thus, while the forecasts are improved, the assumptions behind them are not sufficiently explained or documented.

(6) Unnecessary Duplication

The proposed project represents a blatant unnecessary duplication of existing services. The Applicants propose to add outpatient operating rooms to an area of the County with abundant access to existing providers of outpatient surgery. As described in detail above, the project specifically represents an unnecessary duplication of a usable ASC facility (Hancock Surgery Center) and also unnecessarily duplicates the existing ASCs and hospital-based surgical providers in Burke and Catawba Counties, which will be in very close proximity following the proposed relocation. As shown in the map and **Exhibit 10** below, the southern part of Caldwell County currently has accessibility to 43 operating rooms where outpatient surgery is provided.

Exhibit 10
Summary of Available ORs Proximate to the Project

County	Facility	Shared ORs	Dedicated ORs
Burke	Valdese Hospital	9	
Burke	Grace Hospital (included with Valdese)		
Catawba	Frye Regional Medical Center	15	
Catawba	Frye - Tate Campus		4
Catawba	Catawba Valley Medical Center	12	
Catawba	Viewmont Surgery Center		3
Total		36	7

In addition, as detailed under Criteria 3, of these 43 available operating rooms, the seven dedicated outpatient operating rooms are significantly underutilized. This project proposes to place three more dedicated outpatient ORs in close proximity to the seven underutilized outpatient ORs shown above, highlighting again the unfounded proposed location of this project. For all of these reasons, the Applicants should be found non-conforming with Criterion (6).

(13) Meeting the Needs of the Underserved

This project fails to meet the needs of the underserved. In fact, it takes away access currently available to underserved areas of Caldwell County. Hancock Surgery Center's current location meets the needs of the central and northern Caldwell County residents by providing the only access to freestanding outpatient surgery in the area. By moving these operating rooms to the southern part of the County which already has access to an ASC and a number of hospital-based or affiliated outpatient surgery options, the Applicants take away access to a freestanding center from those who live in the central and northern part of the County.

On page 13 of the application, the Applicants use decreased cost of care and increased financial access to justify the project stating: "Caldwell Surgery Center will expand access in terms of hours of service and access by all categories of payors, including charity care patients. The Center will serve high percentages of Medicare, Medicaid and Charity Care/Self Pay patients." However, the Applicants never demonstrate how this will be achieved. In fact, on page 99 of the application, the Applicants fail to answer item VI.2 which requires the Applicants to describe the availability of the existing and proposed service to low income persons, racial and ethnic minorities, women, handicapped persons, elderly, and other underserved persons including the medically indigent, the uninsured, and the underinsured. Instead, the Applicants refer to their business office policies and charity care policies."

On page 104 of the application, the Applicants provide the payor percentages for all categories of payors for Caldwell Memorial Hospital outpatient surgery for the last operating year. On page 105, the Applicants provide the same chart for CSC in its first three years of operation. The two charts are identical. Therefore, the proposed surgery center will not increase financial access to outpatient surgery as the Applicants demonstrate that CSC will have the identical payor mix to the hospital for outpatient surgery services. It is unreasonable to assume that the proposed ASC will serve exactly the same mix of patients that is currently served by the hospital.

As described previously, the Applicants identify that CSC will offer travel vouchers to underserved patients as part of this project for underserved Caldwell County patients. Ironically, the southern region of the county is not underserved. It has multiple options for outpatient surgery. By moving three more operating rooms to this region, it creates a new underserved area in central and northern Caldwell County. While these vouchers may address the financial hardship associated with increased travel for some residents of Caldwell County, it still does not address the reality that residents of northern Caldwell County who have just undergone surgery will have to endure up to a 30 or more mile ride home in public transportation when an option that was less than 15 miles away was once more accessible to them.

The Applicants focus on accessibility to several low income housing developments in Granite Falls to demonstrate financial accessibility of the project. They rely on a letter from the Social Services Director for Caldwell County (Exhibit 45) to demonstrate that the proposed location will increase financial accessibility to Caldwell County. However, this letter does the opposite. It clearly states that while there are multiple low income/subsidized housing options in the Granite Falls and Hudson areas, "low income persons reside throughout most areas of Caldwell County." Low income residents are not concentrated in the southeastern region of the county. There is no other quantitative analysis to back up the assertion that Granite Falls offers increased access to financially underserved residents of Caldwell County. In fact, the Applicants continue to project that its payor mix will be identical to that of the ambulatory surgery cases from Caldwell Memorial Hospital in 2013. Therefore, this project does not improve upon what is already offered in the county in terms of charity care or financial access.

The Applicants fail to show that existing providers of ambulatory surgery in the area are not financially accessible to low income residents of Granite Falls and surrounding areas. The fact that they are residents of Caldwell County does not preclude them from accessing charity care or reduced rates at proximal facilities outside of the county.

For the reasons outlined above, the proposed project does not conform with Criterion 13.

(18a) Positive Competitive Impact Cost Effectiveness, Quality, and Access

As detailed throughout this analysis, the proposed project will not result in a positive competitive impact of any kind. The Applicants openly admit to achieving their proposed utilization at the expense of the existing providers. The impact of this project will not improve cost effectiveness, quality or access. In fact, it will hinder it. The loss of cases will affect the quality achieved by the operation of high volume facilities and will further dilute the dedicated outpatient surgery providers that are already underutilized. The Applicants do not substantiate their claims to improve access from both a payor mix and a geographic standpoint. Finally, the short-term cost and financial projections and assumptions raise questions. As with the other Criteria detailed above which underscore the significant departure from this Criterion, the proposed project does not conform with Criterion 18a.

* * * * Conclusion * * * *

For the foregoing reasons, the proposed project does not conform to multiple review criteria and should be denied. Viewmont Surgery Center respectfully requests that a public hearing be held so the Agency has the opportunity to hear additional comments regarding the proposed Caldwell Surgery Center.