

Georgia's Approach To Outpatient Surgery Regulation

Andrew King, Acumen Healthcare
Dr. Stan Plavin, Ambulatory Anesthesia
of Atlanta

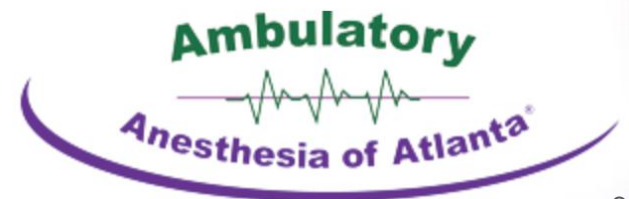
Andrew King, Acumen Healthcare

- The knowledge, experience, and resources necessary to develop and operate a high-quality, doctor/patient/customer-focused and successful ASC
- Extensive experience in developing / managing over 150 ASC's across 20 states (including North Carolina)
- Thorough understanding of ASC sales / ownership structures
- Expert at compliance with the appropriate federal & state laws / regulations

Dr. Stan Plavin, President

Our Mission

To be a group of highly-qualified, highly-respected, in-demand professionals who provide excellent, safe patient care through dedicated teamwork, continuous education and mutual respect.



Similarities

Georgia

- 9,919,945 population
- Bachelor Degree 27.5%
- HS Graduates 84%
- Per Capita Income \$25,383
- 150 Counties
- 24 Counties Population Over 100,000

North Carolina

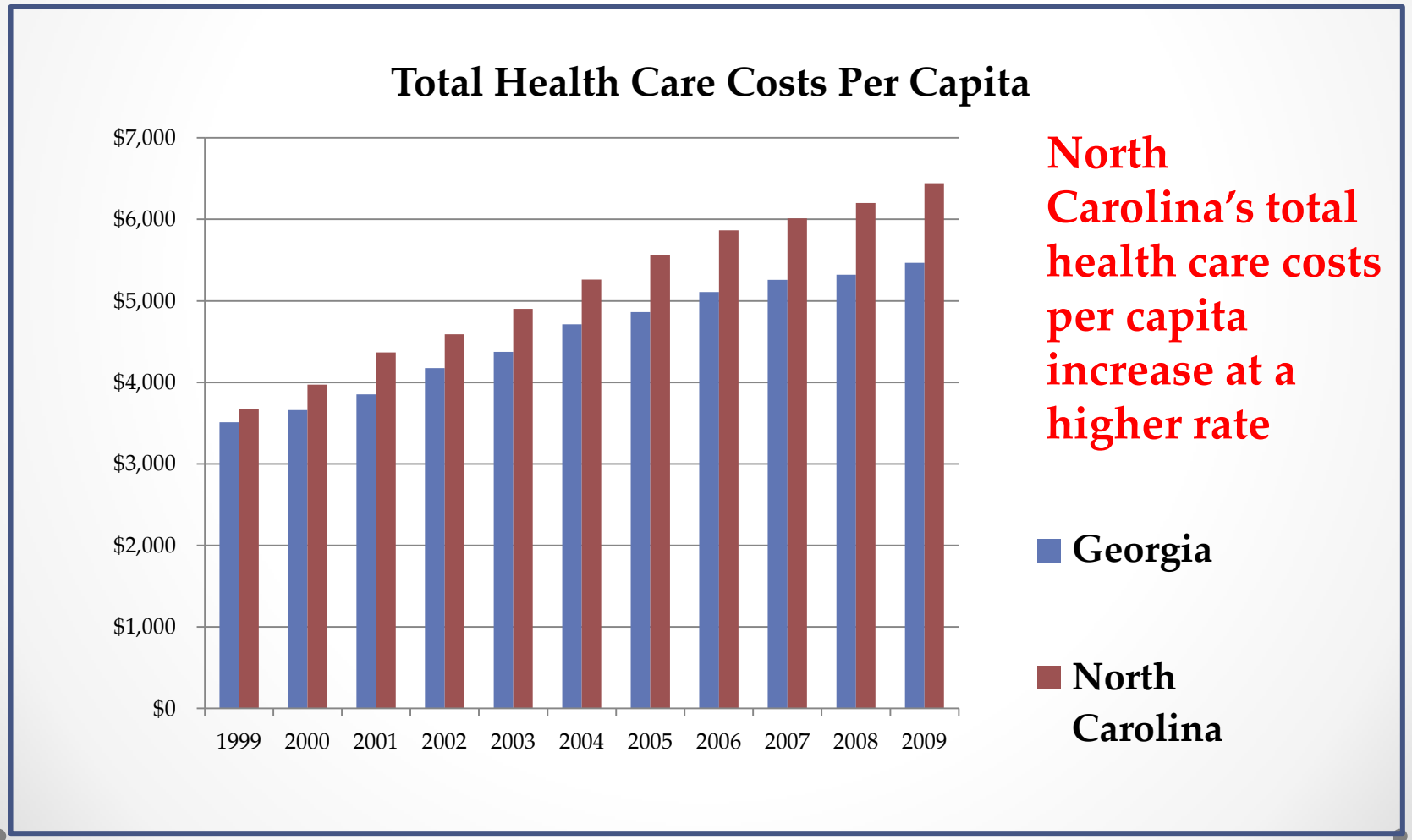
- 9,752,073 population
- Bachelor Degree 26.5%
- HS Graduates 84.1%
- Per Capita Income \$25,256
- 100 Counties
- 25 Counties Population Over 100,000

There Are Important Differences
Between GA and NC

Less Restrictive CON Law in GA Means Greater ASC Access and Increased Competition

Numbers of Facilities in 2013	# Acute Care Hospitals	# ASCs
Georgia	145	341
North Carolina	111	110

Increased Competition Has Resulted in GA Healthcare Costs Being 15% Lower Than NC



The 2012 Medicare Facility Rates are 43% Lower Than Hospital Reimbursement Rates

Types of Surgical Procedures	2012 Medicare Facility Reimbursement Rates	
	National Average Hospital Rates	National Average ASC rates
Cataract and lens procedures	\$1,667	\$953
Tonsil and adenoid procedures	\$1,743	\$1,005
Hernia / hydrocel procedures	\$2,304	\$1,329
Level 1 foot procedures	\$1,546	\$892
Arthroscopy knee	\$2,075	\$1,197
Carpel tunnel	\$1,316	\$759
Incise finger tendon sheath	\$1,158	\$668
Cystoscopy	\$474	\$273
Lower back epidural	\$522	\$301

Source: Centers for Medicare and Medicaid Services

Outpatient Surgery In Georgia

Basic Terms For Georgia

- Single Specialty Outpatient Surgery Center
- Ambulatory Surgery Center
- Department of Community Health
- Division of Health Planning
- Letter of Non Review (LNR)



Procedures

- Cardiovascular
- Dermatology
- Gastroenterology
- General Surgery
- Neurosurgery
- OBGYN
- Ophthalmology
- Orthopaedic
- Otolaryngology
- Pain Management
- Plastic Surgery
- Urology

Legislative and Regulatory History

- 1984 New regulation - only hospital ASCs
- 1987 New regulation - allowed physician office ASCs
 - No need criteria
 - Enabled Medicare reimbursement
- HB508 in 1991 rewrote CON laws for all facilities
 - Provided some control over expenditures
 - Leveled the playing field for all providers
 - Hospitals played re-designation game

HB508 ASC Provisions

- New category hospital-based multi-specialty
- Freestanding multi-specialty no capitol cost limit
- Freestanding limited-purposes no capital cost limit
- Physician owned limited-purpose \$1MM with escalation

Over 35,000 County Population Requirement

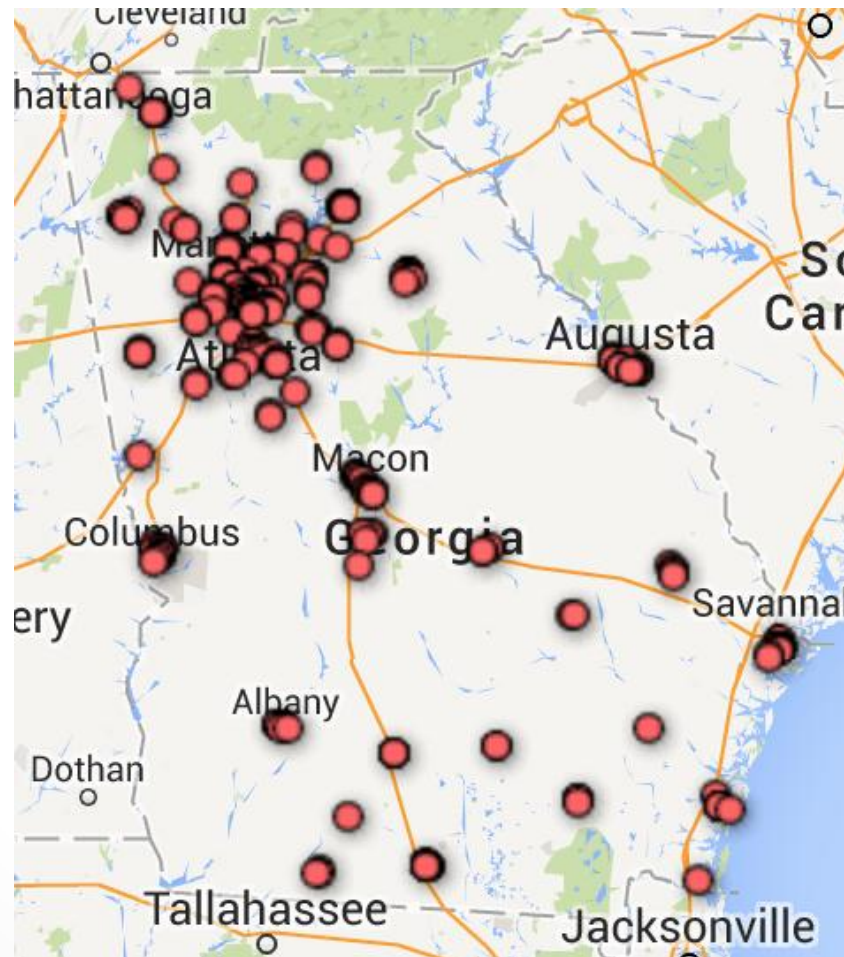
In 2008 SB433 Corrected ASC Law for Physician Owned Facilities

- Exemption from LNR for some single specialties for General Surgery
- Exemption from cost capitol caps for certain physician-owned ASCs
- Increased cap to \$2.5 MM for applicable ASCs
- Promoted joint hospital/physician ASCs with \$5MM capitol cost limit
- 2% or 4% charity care requirement depending on if serving Medicaid patients (hospitals have 3% requirement and benefit of reimbursement fund)

What Has Happened Since 1991

- Now 341 ASC's owned by physicians, hospitals, joint-partnership and for profits
- Substantial cost savings for patients (In GA 2011 Medicare alone save \$22MM just for cataract surgery)
- Increased patient choice and accessibility to care
- More competition brought down pricing
- Income tax, sales tax and property tax being collected on majority of these facilities

ASCs Concentrated in Urban Areas



Quality Is Important
...

Oversight of ASC's

- License from Community Health requires inspections minimum every two years
- Medicare inspects facilities
- Most facilities seek accreditation which also requires inspections

What Hospitals Said About the Legislation

- Physicians will cherry pick patients
- Quality will not be as good
- It will hurt hospital profits
- Some hospitals will close

**Some Georgia hospitals have
net losses for many reasons**

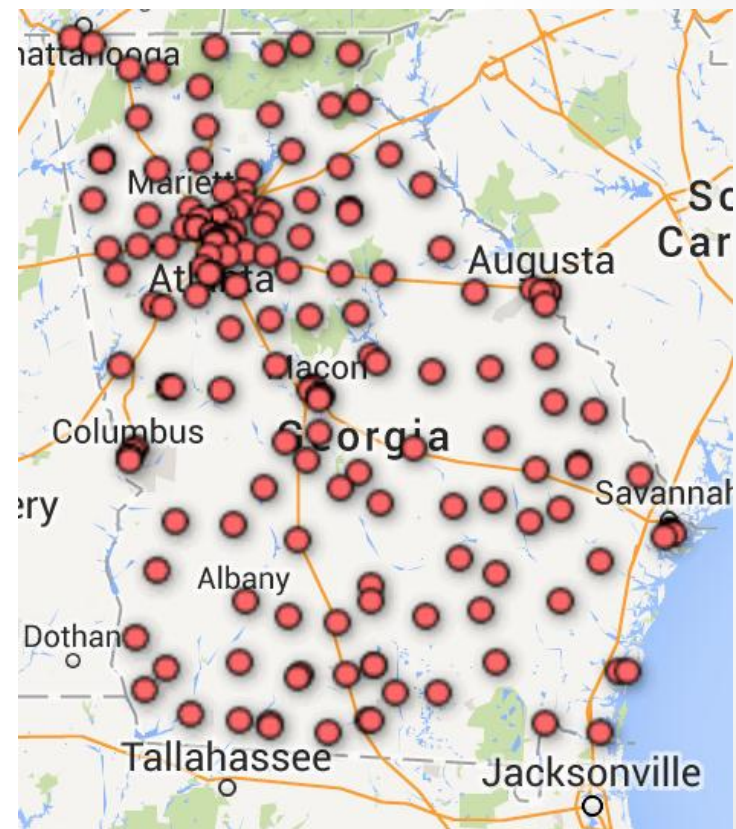
...

Issue Affecting Hospital Profitability

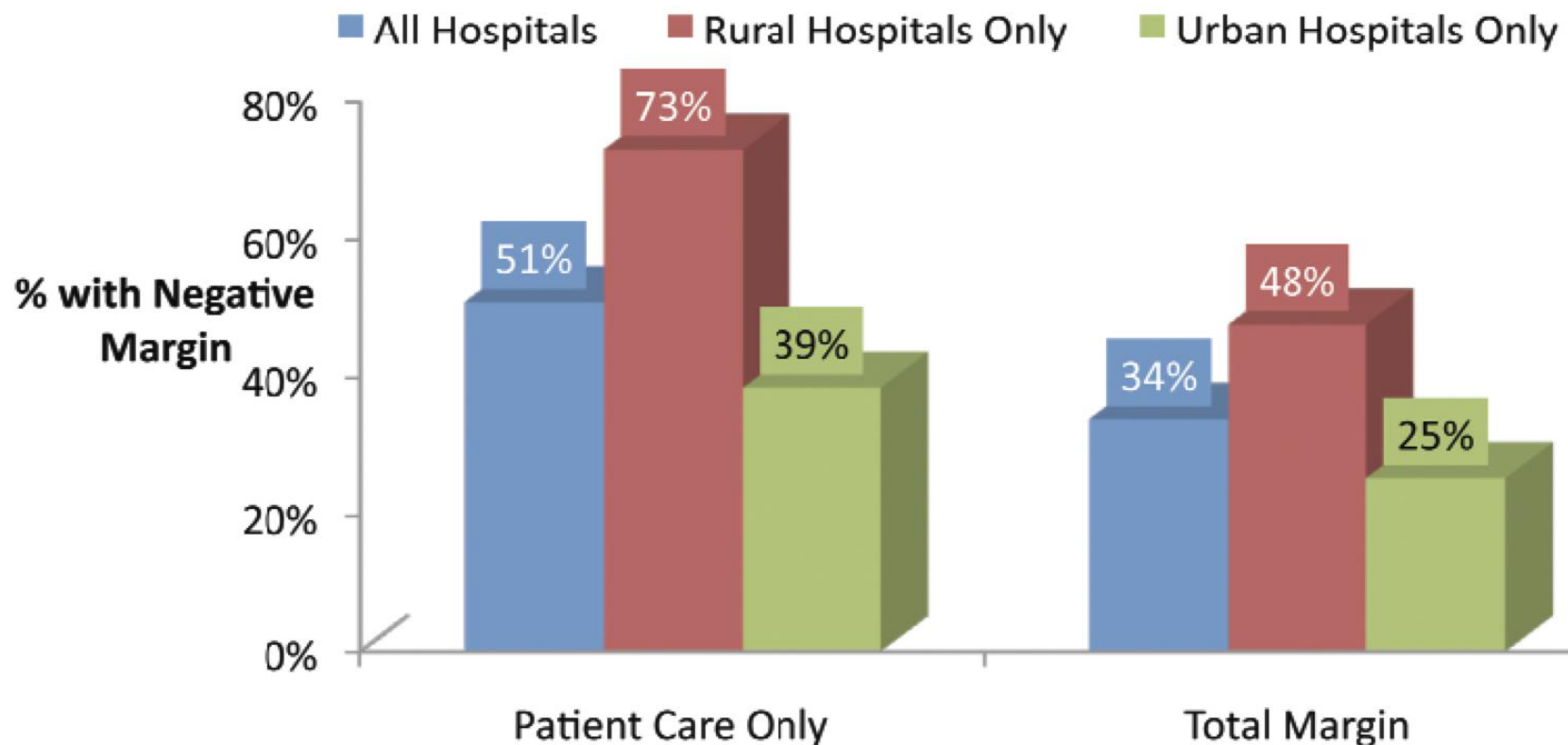
Competition

- 184 hospitals create intense competition in the urban areas
- Majority small rural counties have a hospital with 55% showing net losses
- ASC's mostly in urban areas

Locations of Hospitals



2010 Percentage of Hospitals with Negative Margins



Some Other Reasons

- Low Medicare and Medicaid reimbursements compared to costs
- ACA cost cutting measures implemented in 2010
- Georgia did not participate in Medicaid Expansion
- Aggressive capital expansion and purchasing physician practices

Market Demands

- Patients want the ease of an ASC
- Patients want the economic benefit of an ASC – lower co-pay, deductible, less out of pocket
- Patients want to rest and heal at home
- Patients do not want to expose themselves to “sick” patients at the hospital
- More procedures will be moving to ASC's

ASCs Meet GA's #1 Goal

...

“To ensure that Georgia citizens have access to cost-effective, efficient, and quality ambulatory services.”

Georgia State Health Plan