

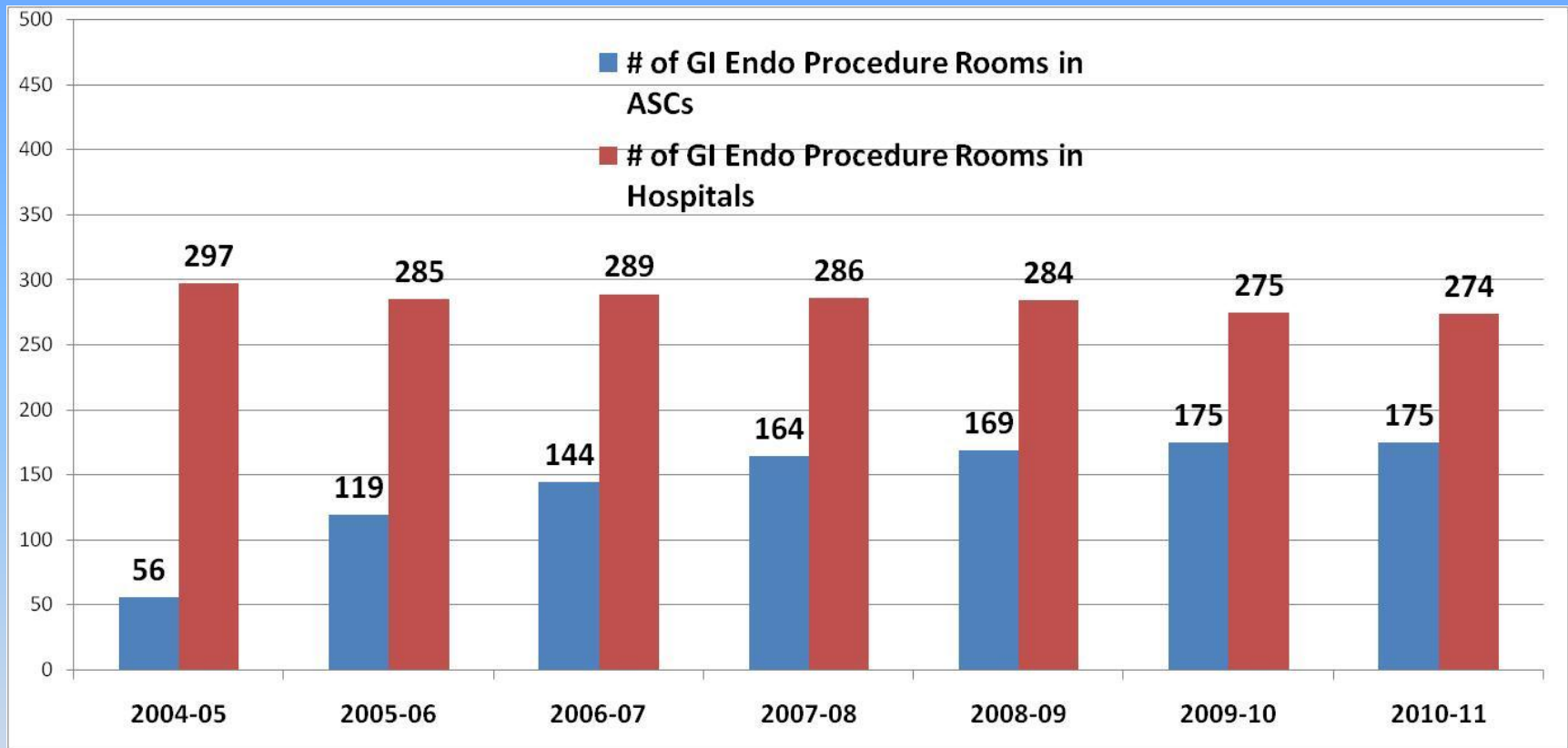
2005 Change in CON Law for GI Endoscopy Procedure Rooms

Cost Savings and Justification for Changes to CON Law to Allow Single-Specialty Ambulatory Surgery Centers

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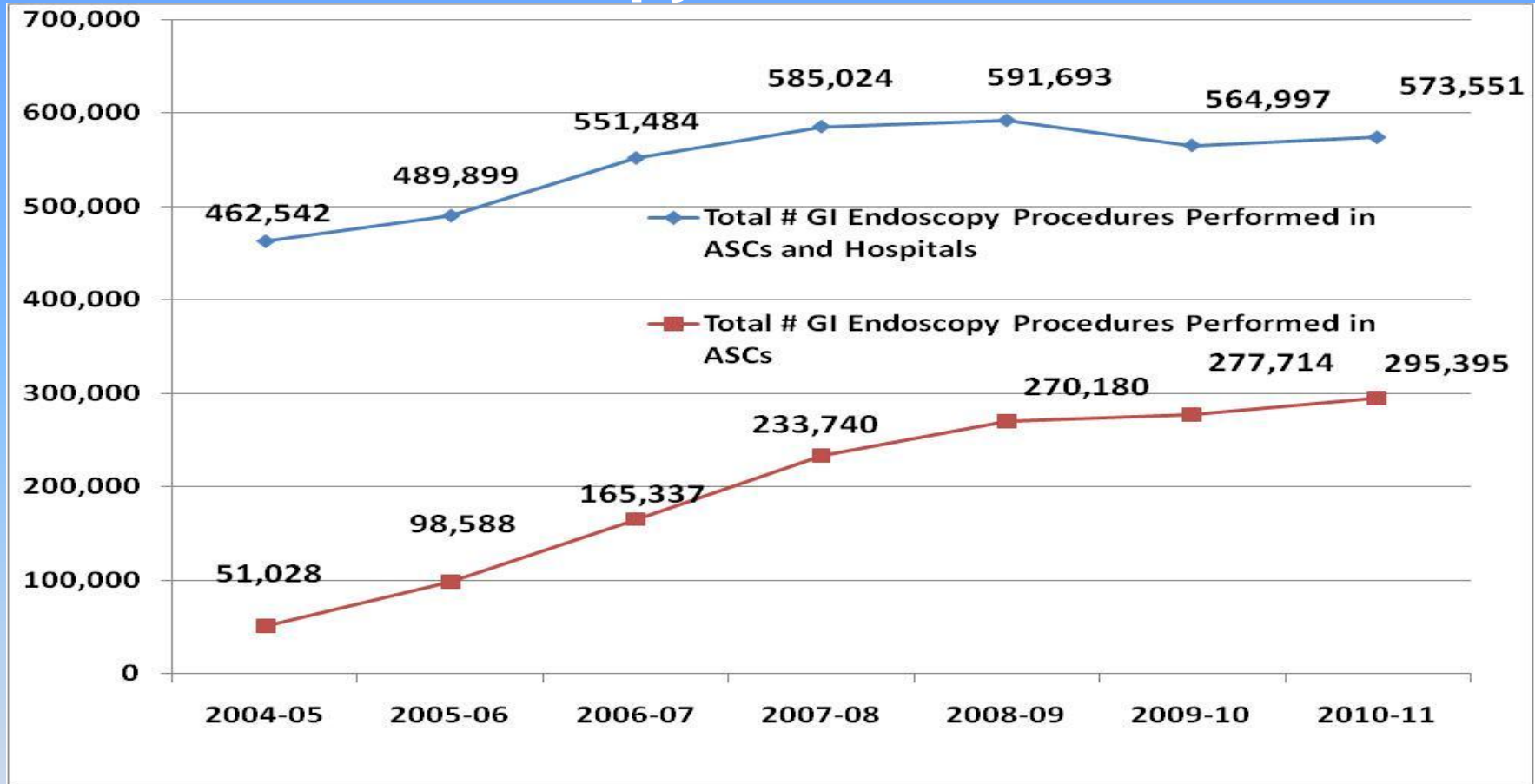
North Carolina Orthopaedic Association

2005 Change in CON Law for GI Endoscopy Procedure Rooms



During the six years following the 2005 change in the CON law, 47 new ASC facilities were developed. GI endoscopy procedure rooms in ASCs increased from 56 to 175.

GI Endoscopy Procedure Volumes



Total utilization for GI endoscopy procedures increased by 28 percent over the four years following the change in the CON law. Some of this increase is “normal growth” due to the aging population. Utilization declined in the most recent two years, due to the downturn in the economy.

Total savings related to the shift from hospitals to ASCs far exceeded the increase in expenditures for facility reimbursement.

The total net savings over 6 years is estimated at \$224,605,748.

Calculate Additional Endoscopy Volumes and Facility Reimbursements that Resulted from Additional Endoscopic ASCs Following the 2005 Change in CON Law

	A	B	C	D
North Carolina	Normal Expected Growth Due to Population Growth and Aging (3.0% Annual Increase for Population Over 45 years)	Actual Utilization for ASCs and Hospitals	Additional Procedures Attributed to ASCs (B minus A)	Reimbursement of Additional ASC Procedures Based on \$445 per Procedure for Facility Fees (C times \$445)
2004-05	462,542	462,542	0	
2005-06	476,418	489,899	13,481	\$ 5,998,929
2006-07	490,711	551,484	60,773	\$ 27,044,071
2007-08	505,432	585,024	79,592	\$ 35,418,381
2008-09	520,595	591,693	71,098	\$ 31,638,567
2009-10	536,213	564,997	28,784	\$ 12,808,903
2011-12	552,299	573,551	21,252	\$ 9,456,990
	3,544,211	3,819,190	274,979	\$ 122,365,841

Even without the change in the CON law in 2005, growth in GI endoscopy would occur due to population growth and aging. Between 2000 and 2010 the NC population over 45 years of age had a compound annual growth rate of over 3 percent.

Increased availability of endoscopy procedure rooms in ASCs supported greater access, higher efficiency and increased physician productivity.

Calculate Cost Savings for Endoscopy Procedures Performed in ASCs instead of Hospitals

	A	B	C	D
North Carolina	Actual Procedures Performed in ASCs	Procedures Shifted to ASCs from Hospitals (75% Estimate X A)*	Average Cost Savings Per Procedure (Facility Rates Only)**	Total Estimated Savings for ASC Procedures All Payors + Patients
2004-05	51,028	0	NA	NA
2005-06	98,588	73,941	345	\$25,509,645
2006-07	165,337	124,003	345	\$42,780,949
2007-08	233,740	175,305	345	\$60,480,225
2008-09	270,180	202,635	345	\$69,909,075
2009-10	277,714	208,286	345	\$71,858,498
2011-12	295,394	221,546	345	\$76,433,198
	1,391,981	1,005,715		\$346,971,589

* On average, 75 percent of the volume growth in colonoscopy and endoscopic GI procedures was due to a shift in site of service. From "An Analysis of Recent Growth of Ambulatory Surgery Centers" by KNG Consulting.

** Average savings per endoscopy procedure are estimated based on a broad range of endoscopy procedures with ASC paid 56% of the rates paid to hospitals.

Operating room capacity in North Carolina is dominated by hospitals even though the majority of surgical cases are ambulatory.

Distribution of North Carolina Operating Rooms

Licensed Ambulatory Surgical Centers

Total ASC Capacity 152 11.4%

Licensed Hospitals

C-Section ORs 90

Inpatient ORs 159

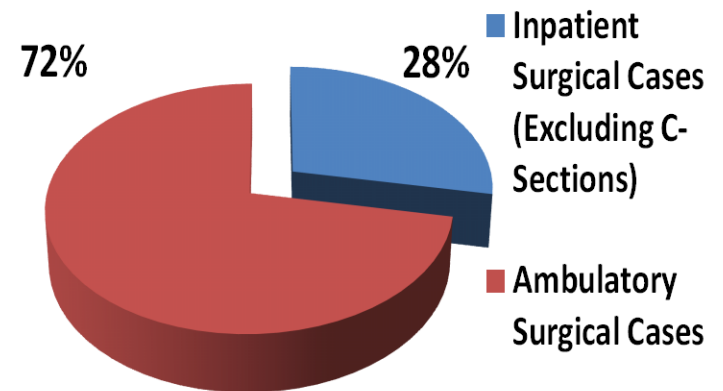
Shared ORs 884

Ambulatory Operating Rooms 138

Total Hospital OR Capacity 1,181 88.6%

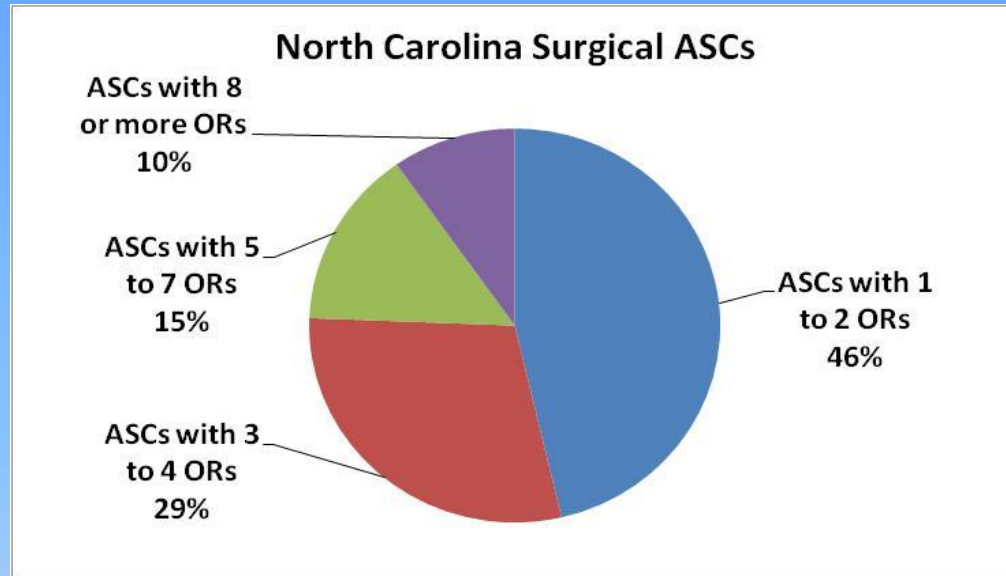
Total ASC and Hospital 1,333 100%

2011 Surgical Cases in NC Licensed Operating Rooms



Surgical cases performed in ASC's are reimbursed at 56% of the rates paid to hospitals for the same procedures.

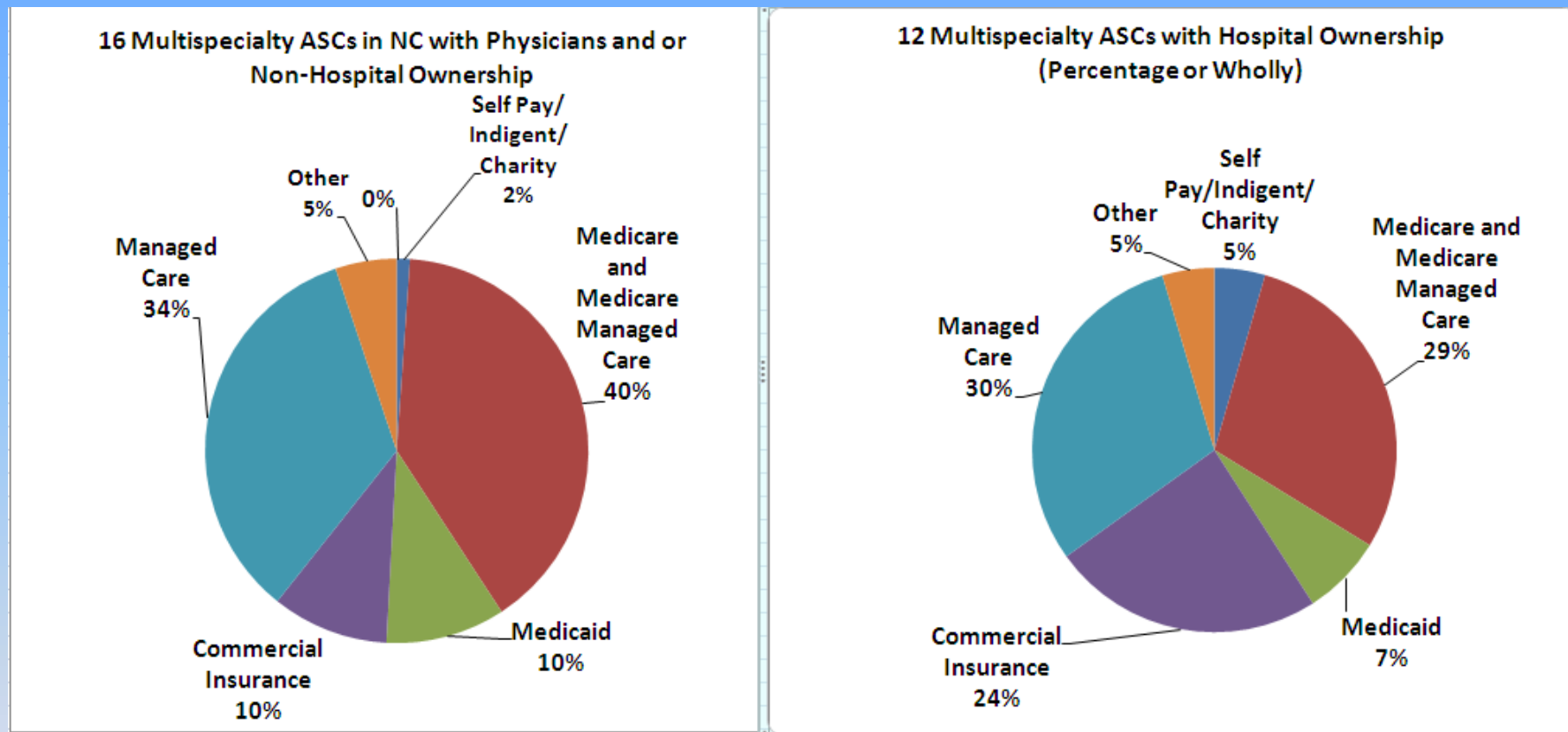
Types of Existing and Approved Ambulatory Surgical Facilities



2012 Licensed Surgical ASCs (Excludes ASCs Having Only GI Endoscopy Rooms)	Totals ASCs	Multi-specialty ASCs	Ophthalmic ASCs	Obstetrics ASCs	Plastic ASCs	Orthopaedic ASCs	ENT ASC
ASCs with Physician Ownership w/o Hospitals	30	16	8	4	2	0	0
ASCs with Hospital Ownership (wholly or percentage)	12	12	0	0	0	0	0
Totals	42	28	8	4	2	0	0
ASC Facilities in Development	13	9	0	0	0	3	1

Comparison of Percentages of Cases by Payor Category for Multispecialty ASCs

Physician Owned as compared to Hospital Owned



Physician owned multispecialty ASCs serve higher percentages of Medicaid and Medicare patients.

Multispecialty ASCs owned by hospitals provide higher Commercial Insurance and Self Pay / Indigent / Charity.

2011 Procedure Volumes and Top Physician Specialties on ASC Medical Staff

Highest Procedure Volumes by Specialty Performed in NC Surgical ASCs

Ophthalmology	57,345
Orthopaedics	32,134
Otolaryngology	24,381
General Surgery	8,597
Obstetrics and GYN	6,626
Plastic Surgery	2,746

Highest Volumes of Non-Surgical Procedures Performed in NC Surgical ASCs

Pain Management	20,760
Yag Lasers	5,563

Top 6 Physician Specialties on ASC Medical Staff (This is not a measure of physician ownership)

Anesthesia	294
Orthopaedic Surgeon	338
Gynecologist	244
Ophtalmologist	246
Otolaryngologist	182
General Surgeons	178

North Carolinians Have Limited Access to ASCs

	2012 North Carolina	2010 US Totals
Total Licensed ASCs (Surgical and Endoscopy)	96	5,316
Population	9,781,022	308,745,538
ASCs per 100,000 Population	0.98	1.72

States	CON Status	2012 Licensed ASCs	2012 Population	ASCs per 100,000 Population
Virginia	CON Required	51	8,001,024	0.64
North Carolina	CON Required	96	9,781,022	0.98
South Carolina	CON Required	75	4,625,364	1.62
Tennessee	CON Required	162	6,346,105	2.55
Georgia	Exemptions for Single Specialty and JV ASC with \$ Thresholds	333	9,687,653	3.44
Florida	No CON required for ASC	422	18,801,310	2.24

Rationale for Changing CON Law to Allow CON Applications for Single-Specialty ASCs

Ambulatory surgical centers (ASCs) provide tremendous cost savings to patients, insurance companies and government payors

Proposals can be submitted by physicians, hospital-owned physician groups or other legal entities including joint ventures

This change will increase competition and patient access

ASCs will be required to provide specific levels of care to Medicaid and Charity patients and to provide annual reports

This change in the CON law will support the future recruitment of physician specialists to North Carolina

This change will increase investment in facilities, create jobs and expand the tax base