Georgia’s Approach To Outpatient Surgery Regulation

Andrew King, Acumen Healthcare
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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

<table>
<thead>
<tr>
<th>Georgia</th>
<th>North Carolina</th>
</tr>
</thead>
<tbody>
<tr>
<td>9,919,945 population</td>
<td>9,752,073 population</td>
</tr>
<tr>
<td>Bachelor Degree 27.5%</td>
<td>Bachelor Degree 26.5%</td>
</tr>
<tr>
<td>HS Graduates 84%</td>
<td>HS Graduates 84.1%</td>
</tr>
<tr>
<td>Per Capita Income $25,383</td>
<td>Per Capita Income $25,256</td>
</tr>
<tr>
<td>150 Counties</td>
<td>100 Counties</td>
</tr>
<tr>
<td>24 Counties Population</td>
<td>25 Counties Population</td>
</tr>
<tr>
<td>Over 100,000</td>
<td>Over 100,000</td>
</tr>
</tbody>
</table>
There Are Important Differences Between GA and NC
**Less Restrictive CON Law in GA Means Greater ASC Access and Increased Competition**

<table>
<thead>
<tr>
<th>Numbers of Facilities in 2013</th>
<th># Acute Care Hospitals</th>
<th># ASCs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Georgia</td>
<td>145</td>
<td>341</td>
</tr>
<tr>
<td>North Carolina</td>
<td>111</td>
<td>110</td>
</tr>
</tbody>
</table>
Increased Competition Has Resulted in GA Healthcare Costs Being 15% Lower Than NC

North Carolina’s total health care costs per capita increase at a higher rate

- Georgia
- North Carolina

Total Health Care Costs Per Capita

<table>
<thead>
<tr>
<th>Year</th>
<th>Georgia</th>
<th>North Carolina</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>$4,000</td>
<td>$5,000</td>
</tr>
<tr>
<td>2001</td>
<td>$4,200</td>
<td>$5,300</td>
</tr>
<tr>
<td>2002</td>
<td>$4,400</td>
<td>$5,500</td>
</tr>
<tr>
<td>2003</td>
<td>$4,600</td>
<td>$5,700</td>
</tr>
<tr>
<td>2004</td>
<td>$4,800</td>
<td>$5,900</td>
</tr>
<tr>
<td>2005</td>
<td>$5,000</td>
<td>$6,100</td>
</tr>
<tr>
<td>2006</td>
<td>$5,200</td>
<td>$6,300</td>
</tr>
<tr>
<td>2007</td>
<td>$5,400</td>
<td>$6,500</td>
</tr>
<tr>
<td>2008</td>
<td>$5,600</td>
<td>$6,700</td>
</tr>
<tr>
<td>2009</td>
<td>$5,800</td>
<td>$6,900</td>
</tr>
</tbody>
</table>
### The 2012 Medicare Facility Rates are 43% Lower Than Hospital Reimbursement Rates

<table>
<thead>
<tr>
<th>Types of Surgical Procedures</th>
<th>2012 Medicare Facility Reimbursement Rates</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>National Average Hospital Rates</td>
</tr>
<tr>
<td>Cataract and lens procedures</td>
<td>$1,667</td>
</tr>
<tr>
<td>Tonsil and adenoid procedures</td>
<td>$1,743</td>
</tr>
<tr>
<td>Hernia / hydrocel procedures</td>
<td>$2,304</td>
</tr>
<tr>
<td>Level 1 foot procedures</td>
<td>$1,546</td>
</tr>
<tr>
<td>Arthroscopy knee</td>
<td>$2,075</td>
</tr>
<tr>
<td>Carpel tunnel</td>
<td>$1,316</td>
</tr>
<tr>
<td>Incise finger tendon sheath</td>
<td>$1,158</td>
</tr>
<tr>
<td>Cystoscopy</td>
<td>$474</td>
</tr>
<tr>
<td>Lower back epidural</td>
<td>$522</td>
</tr>
</tbody>
</table>

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
  o No need criteria
  o Enabled Medicare reimbursement

• HB508 in 1991 rewrote CON laws for all facilities
  o Provided some control over expenditures
  o Leveled the playing field for all providers
  o Hospitals played re-designation game
New category hospital-based multi-specialty

Freestanding multi-specialty no capital 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

- 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

- 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)
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
2010 Percentage of Hospitals with Negative Margins

- All Hospitals: 51% for Patient Care Only, 34% for Total Margin
- Rural Hospitals Only: 73% for Patient Care Only, 48% for Total Margin
- Urban Hospitals Only: 39% for Patient Care Only, 25% for Total Margin
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