



# Green Mountain Surgery Center

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Routine Outpatient Surgical Care  
*in the right setting, at the right time,  
for the right price*

# Green Mtn Surgery Center Key Stats:

- Project Cost: \$1.8 M
- Location: Colchester (Greater Burlington)
- Initial procedure types: GI, Ob/Gyn, Pain Management, General Surgery, Orthopedics
- Size: 12,879 ft
- Operating Rooms: 2, Procedure Rooms: 4
- Number of Physicians Planning to Utilize GMSC: 16 Vermont-licensed independent physicians (members of HealthFirst)



# Surgery Centers provide a superior patient experience at lower cost

- Smaller environment based out in the community, improved access, shorter wait times for patients
- Routine, predictable procedures and more specialized nursing staff ensure ORs/PRs run on time
- Charges for procedures will be about half of hospital rates for Medicare/Medicaid and Commercial



# Vermonters do not have suitable access to high-quality, low-cost surgery centers

- 1 single specialty Eye Surgery Center in South Burlington
- VT ranks 50 out of 50 states in procedures per capita done in surgery centers
- 5,000 – 6,000 surgery centers nationwide
- 125 in New England; 23 in New Hampshire, 17 in Maine
- States with population less than 1 million have 16 ASCs each, on average



# Green Mountain Surgery Center will serve all Vermonters

- 1) Financial projections assume 12% Medicaid Cases and 2% Charity Care cases
- 2) Strict non-discrimination language as part of subscription/ownership documents and operating agreement
- 3) Quality Improvement Committee with Peer Review function for case appropriateness
- 4) Anticipated regular reporting to GMCB on Free Care/ Charity Care and Medicaid amounts
- 5) Reviewed and matched language from charity care policies at local hospitals for GMSC's charity care policy



# GMSC helps Vermont meet key goals of the Health Reform Plan

There are 14 principles for health care reform (VSA § 9371), GMSC helps Vermont achieve its goals for at least 7 of them:

- (1) The state of Vermont must ensure universal access to and coverage for high-quality, medically necessary health services for all Vermonters. **Systemic barriers, such as cost, must not prevent people from accessing necessary health care. All Vermonters must receive affordable and appropriate health care at the appropriate time in the appropriate setting.**
- (2) Overall health care costs must be contained and growth in health care spending in Vermont must balance the health care needs of the population **with the ability to pay for such care.**
- (5) Every Vermonter should be able to **choose his or her health care providers.**



# GMSC helps Vermont meet key goals of the Health Reform Plan

(6) Vermonters should be aware of the costs of the health services they receive. Costs should be transparent and easy to understand.

(9) Vermont's health delivery system must seek **continuous improvement of health care quality and safety** and of the health of the population and promote healthy lifestyles.

(10) Vermont's health care system must include mechanisms for containing all system costs and eliminating unnecessary expenditures, including by reducing administrative costs and by **reducing costs that do not contribute to efficient, high-quality health services or improve health outcomes**. Efforts to reduce overall health care costs should identify sources of excess cost growth.

(13) Vermont's health care system must operate as a **partnership between consumers, employers, health care professionals**, hospitals, and the state and federal government.



# Basis For Utilization Projections

## GREEN MOUNTAIN SURGERY CENTER PROJECTED CASES BY SPECIALTY

Specialty	Year 1	Year 2	Year 3	Year 4
GI	3,150	3,636	3,672	3,709
OB/GYN	579	668	675	681
ORTHO	284	327	330	334
PAIN MGT	847	978	988	998
GENERAL SURGERY	273	315	318	321
<b>TOTAL BY SPECIALTY</b>	<b>5,132</b>	<b>5,924</b>	<b>5,983</b>	<b>6,043</b>

- The projections are based on actual historical outpatient case volume performed by the physicians who have expressed interest in the project; collected through a standardized survey issued initially in summer 2014
- Annual case growth of 1%, an estimate typically used for ASC financial modeling

Note : Application at page 28





# Utilization Projections Relative to Number of PRs and ORs

- By year 4, Green Mountain Surgery Center estimates total volume of ~6,000 cases; ~4,000 will be performed in Procedure Rooms and ~2,000 in Operating Rooms
  - Generally speaking, GI cases are “non-invasive” and will be performed in procedure rooms (Estimated 3,709 GI cases by Year 4)
  - Most of the procedures from the other initial specialties (OB/GYN, Ortho, Pain Mgmt, and Gen Surgery) will be performed in the Operating Rooms, however a minority of these cases will use PRs (Estimated 2,334 cases by Year 4)
- ASC Benchmarking Data from Avanza Strategies and VMG Health (which regularly collects benchmarking data from a panel of over 200 operational ASCs), show a range of approx. 700 – 1200 cases performed annually in ORs and 900 – 1400 cases performed annually in PRs

*Note : VMG Health Intellimarker Multi-Specialty ASC Studies (2012 & 2016), Avanza ASC Operational Benchmarks (2014)*



# GMSC Pricing Philosophy

- The price for the service and “cost” for the payer or patient should be the same --> 1 rate
- GMSC does not plan to have a “charge master” or “price list”
- We will seek to simplify so that actual reimbursement amounts = prices = costs to payers and patients
- We plan to offer price transparency tools for patients on our website so patients will know in advance how much they or their insurance will be billed



# Medicare Overall Cost Savings

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	TOTAL (4 YEARS)
PROJECTED MEDICARE REVENUE	\$2,221,818	\$2,604,440	\$2,668,195	\$2,736,866	\$10,231,319
ADJUSTMENT FACTOR (ASC as % HOPD)	56.00%	56.00%	56.00%	56.00%	56.00%
HOPD REVENUE	\$3,967,532	\$4,650,786	\$4,764,634	\$4,887,261	\$18,270,213
ASC MEDICARE SAVINGS	\$1,745,714	\$2,046,346	\$2,096,439	\$2,150,395	\$8,038,894

Medicare will save \$2M per year



# Commercial Overall Cost Savings

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	TOTAL (4 YEARS)
PROJECTED COMMERCIAL REVENUE	\$2,435,229	\$2,852,448	\$2,925,109	\$2,998,647	\$11,211,433
ADJUSTMENT FACTOR (ASC as % HOPD)	50.00%	50.00%	50.00%	50.00%	50.00%
HOPD NET REVENUE	\$4,870,458	\$5,704,896	\$5,850,218	\$5,997,294	\$22,422,866
ASC COMMERCIAL SAVINGS	\$2,435,229	\$2,852,448	\$2,925,109	\$2,998,647	\$11,211,433

Commercial Payers will save \$3M per year



# Medicaid Overall Cost Savings

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	TOTAL (4 YEARS)
<b>PROJECTED MEDICAID REVENUE</b>	\$566,720	\$664,074	\$681,023	\$697,878	\$2,609,695
<b>ADJUSTMENT FACTOR (ASC as % HOPD)*</b>	56.00%	56.00%	56.00%	56.00%	56.00%
<b>HOPD REVENUE</b>	\$1,012,000	\$1,185,846	\$1,216,113	\$1,246,211	\$4,660,170
<b>ASC MEDICAID SAVINGS</b>	\$445,280	\$521,772	\$535,090	\$548,333	\$2,050,475

Medicaid will save \$500K per year

Note : \* We assume Medicare cost ratio of 56% for VT Medicaid



# GMSC will improve the Quality of Care on a patient & system wide basis

- 7 national peer-reviewed studies from 1999-2014 show ASCs have equal to (4) or better (3) quality outcomes than HOPDs, using outcome markers of adverse events, same-day ER admissions, and complications from surgery
- Patient-Satisfaction scores are also better in ASCs according to the same peer-reviewed literature, MedPac, and MVP Healthcare per their letter of support
- Since 2012, ASCs have been required to report quality measures to Medicare or face penalties, just like hospitals
  - 10 measures including burns, falls, and hospital transfer rate
  - Scores for each ASC are reported publicly on CMS websites since 2014



# GMSC is on track to raise targeted debt and equity by fall 2017

- Initial Equity Raised prior to application: \$240,000
- Total Equity Raised to date: \$291,000
  - Additional Equity Target: \$841,838 from current and new investors
  - Timeline: June – September 2017
- Loan to be secured from commercial bank in amount of: \$680,000
  - Timeline: Summer 2017
  - A pre-approval letter secured from one local bank; have had talks with two additional local interested lenders over the past few months
  - Loan will be secured as soon as CON is approved (please note: interest rates are rising)



# Breakdown of Costs Allocated for EMR

<b>Facilities/Equipment Costs:</b>	<b>Year 1</b>
Building Lease	\$489,402
<b>Equipment Leases</b>	<b>\$638,843</b>
Total Facilities Expenses	\$1,128,245
<b>Administrative Expenses:</b>	
Legal and Accounting	\$15,000
Insurance - D&O	\$40,000
Marketing and PR	\$5,000
Telephone and Communications	\$12,000
Office Supplies and Expenses	\$41,054
Transcription	\$35,922
Equipment Maintenance	\$10,000
<b>Computer Expenses</b>	<b>\$24,000</b>
Mgt/Billing Fee	\$584,871
<b>Miscellaneous Expenses</b>	<b>\$36,000</b>
Total Administrative Expenses	\$803,847

- Approximately \$200K capitalized lease for EMR contained in 'Equipment Lease' line item in Income Statement
  - AmKai Solutions quote provided to the Board on July 15, 2016. Cost estimate: \$111,000 plus \$23,000 annual maintenance, subscription and support. Components: Amkai Office, Amkai Charts
  - \$30,000 in laptop hardware also in 'Equipment Lease'
- \$20K for EMR Hardware Professional Services Implementation also contained in 'Equipment Lease' line item in Income Statement
- \$24K for Local IT and EMR Support included in 'Computer Expenses' on Income Statement
- Additional Hardware & Software, not quoted, but included in 'Miscellaneous Expenses' on Income Statement


















# GMSC's EMR Policies and Plans Are Consistent with VT's HIT Plan Principles

- GMSC has made clear in the Application (p 72), and in response to questions, its intention to submit data on surgical outcomes to the Vermont Program for Quality in Healthcare (VPQHC). The goals of VPQHC's Statewide Surgical Services Collaborative are to improve surgical outcomes, enhance patient safety and reduce costs.
  - GMSC's participation in VPQHC will “(1) support the effective, efficient, statewide use of electronic health information in patient care, health care policymaking, clinical research, health care financing, and continuous quality improvements” ” *HIT Plan b(1)*
- GMSC has 12 draft policies that will be adopted to ensure best practice use of the EMR
  - These policies will “(8) address issues related to data ownership, governance, and confidentiality and security of patient information” *HIT Plan b(8)*



# GMSC Will Have Extensive EMR Policies in Place to Ensure Best Use

## GMSC EMR Policies Table of Contents

 MR- 34 Standing Orders Procedure.doc
 MR-02 Medical Record Philosophy (1).doc
 MR-04 Medical Record Confidentiality(1) .doc
 MR-06 Medical Record Content.doc
 MR-08 Preparation & Documentation of Medical Record.doc
 MR-14 Completion of Medical Record.doc
 MR-16 Delinquent Medical Records (1).doc
 MR-18 Retrieval of Medical Record Charts.doc
 MR-20 Outpatient Coding.doc
 MR-22 Maintaining Medical Records.doc
 MR-26 Medical Record Review (1).doc
 MR-28 Release of Medical Information clean copy.doc
 Security Overview for Surgery Centers.docx

*Note : Draft policies submitted to the board today*



# GMSC's Plans Consistent with VT HIT Plan's focus on *Integration*

- According to 18 VSA 9351, the HIT Plan “(a) shall include the implementation of an integrated electronic health information infrastructure for the sharing of electronic health information...”
- A major reason the proposed EMR to be used at the GMSC (AmkaiSolutions) was selected is because integration and interoperability are part of the vendor's core philosophy
  - Amkai's parent company Surgical Information Systems is a member of the CommonWell Health Alliance whose members represent two-thirds of the acute care EHR market, and more than one-third of the ambulatory care EHR market.
  - CommonWell is a non-profit trade association whose mission is “creating and executing a vendor-neutral platform that breaks down the technological and process barriers that currently inhibit effective health data exchange. And we are committed to defining and promoting a national infrastructure with common standards and policies.”  
<http://www.commonwellalliance.org/about/>



# How will GMSC Participate in the All Payer Model and ACOs?

- GMSC will not employ any physicians
- GMSC will not have any “attributed patients” in any ACO program. Primary Care providers with attributed patients play the central role in ACOs responsible for most care coordination and quality measure performance
- However, GMSC will play an active role collaborating with ACOs, sharing data, and adopting best practice care coordination protocols



# GMSC Will Participate in ACOs as an Affiliated Provider and Partner

- Board of ACTD has reviewed provider participation agreements of ACOs currently operating in Vermont and intends to sign them
- Responsibilities of affiliate participants include:
  - Data sharing
  - Care coordination
  - Supporting the primary care medical home



# GMSC Will Help ACOs Meet Health Spending Targets

- Reduced payments by insurers for the same amount of outpatient procedures, offered at the same or higher quality, will reduce expenditures and help Vermont meet expenditure targets in the APM Agreement with CMS
- **Timely** access and shorter waiting times due to ASC additional capacity and efficiency will **improve** ACO Quality Performance Scores
  - Patient satisfactions scores (MSSP Measure ACO-4 Access to Specialists) and colorectal cancer screening scores (MSSP ACO-19) in the Preventive Care Domain
- It is up to the ACOs to decide how to reduce hospital “global budgets” if some outpatient procedure volume shifts out of the hospital to the ASC
  - ACOs will have to adjust global budgets for changes in market share among hospitals *anyway* so they will have mechanisms for adjusting hospital budgets



# How will GMSC Impact Overall Costs of Health Care in Vermont?

- GMSC will lower overall costs by providing equal quality services, at lower cost. This is the definition of VALUE
- Those who claim GMSC will *raise* overall costs point to the ‘Sacred Cows’
  - ‘Sacred Cow’ : A firmly held mainstream belief that is considered to be true without independent verification.



# The 'Sacred Cows'

1. Providing ER Services is not profitable for hospitals
2. Treating Medicaid patients is not profitable for hospitals
3. Most hospital costs are fixed costs





# Recent independent studies suggest that the truth could be different

1. Providing ER Services can be profitable for hospitals, especially post Patient Protection and Affordable Care Act (ACA)
  - *Emergency Department Profits Are Likely To Continue As The Affordable Care Act Expands Coverage* (Health Affairs. 2014 May; 33(5): 792–799.)
2. Treating Medicaid patients is profitable for hospitals when all the extra public subsidies that hospitals receive are accounted for
  - *Contrary to Popular Belief, Medicaid Admissions Are Often Profitable Because of Additional Medicare Payments* (Jeffrey Stensland, et al, Health Affairs. 2016 December)
3. Upwards of 95% of what health care managers think of as fixed costs are actually under their control and not really fixed
  - *The Big Idea: How to Solve the Cost Crisis in Health Care* (Robert S Kaplan, Michael E Porter, Harvard Business Review September 2011)

