



Vermont Association of  
Hospitals and Health Systems

# Interested Party Presentation in Certificate of Need Hearing for the Green Mountain Surgery Center

April 13, 2017



# Agenda of Witnesses

1. Jeffrey Tieman, MA, President and Chief Executive Officer, Vermont Association of Hospitals and Health Systems
  - *VAHHS' position on the proposed ambulatory surgical center*
2. James Medendorp, MA, Vice President, Strategic and Financial Planning Practice, Kaufman Hall & Associates (an expert witness)
  - *Kaufman Hall's report on operating and procedure room ("OR and PR") capacity in Vermont*
3. Walter Morrissey, MD, Managing Director, Strategic and Financial Planning Practice, Kaufman Hall & Associates (an expert witness; available by phone)
  - *Kaufman Hall's report on OR and PR capacity in Vermont*
4. Chris Oliver, MHA, Vice President, Clinical Services, University of Vermont Medical Center
  - *The University of Vermont Medical Center's OR and PR scheduling processes and capacity*
5. Michael Del Trecco, Senior Vice President, Finance and Operations, Vermont Association of Hospitals and Health Systems
  - *The financial impact of the ambulatory surgical center*
  - *Health reform efforts and the ambulatory surgical center*



# Overview

- Vermont is nationally recognized as a successful health care system
  - Recently ranked #1 health care system in nation
  - High quality
  - Non-profit: invested in community and population health
- Vermont is a highly regulated health care system
  - Unparalleled scrutiny and management of hospital budgets
  - Regulatory structure has helped control cost growth



# Oversight & Regulation

- The Green Mountain Surgery Center (“GMSC”) would not be regulated by:
  - The Green Mountain Care Board
  - The Vermont Department of Health
- The GMSC would not be licensed by the State.
- The GMSC would not be subject to:
  - Hospital budget review
  - Adverse event reporting
  - Provider tax assessment



# Level Competition

- Competition works in many areas of the country, but Vermont has chosen a regulatory framework to lower costs and optimize quality across the health care system.
- Competition is not level when one health care provider is not subject to the same rules the others are
- The GMSC can choose to:
  - Provide only profitable services
  - Selectively accept patients
  - Avoid hospital regulation



# Why We Oppose the GMSC...

- Vermont has chosen careful regulation. The GMSC would be outside this structure
- There is no need in our system for a surgical center. Existing capacity provided by the hospitals is sufficient to meet demand
- A new, for-profit facility does not fit Vermont's collaborative framework and would harm hospitals
- The GMSC is inconsistent with health reform efforts
- Hospitals are accountable to Vermonters. The GMSC would be accountable to investors
- The CON criteria are not met by this application



# **The Green Mountain Surgery Center (GMSC): Need Assessment Summary**

Testimony of James Medendorp, MA and Walter Morrissey, MD

April 13, 2017

# Summary of Findings

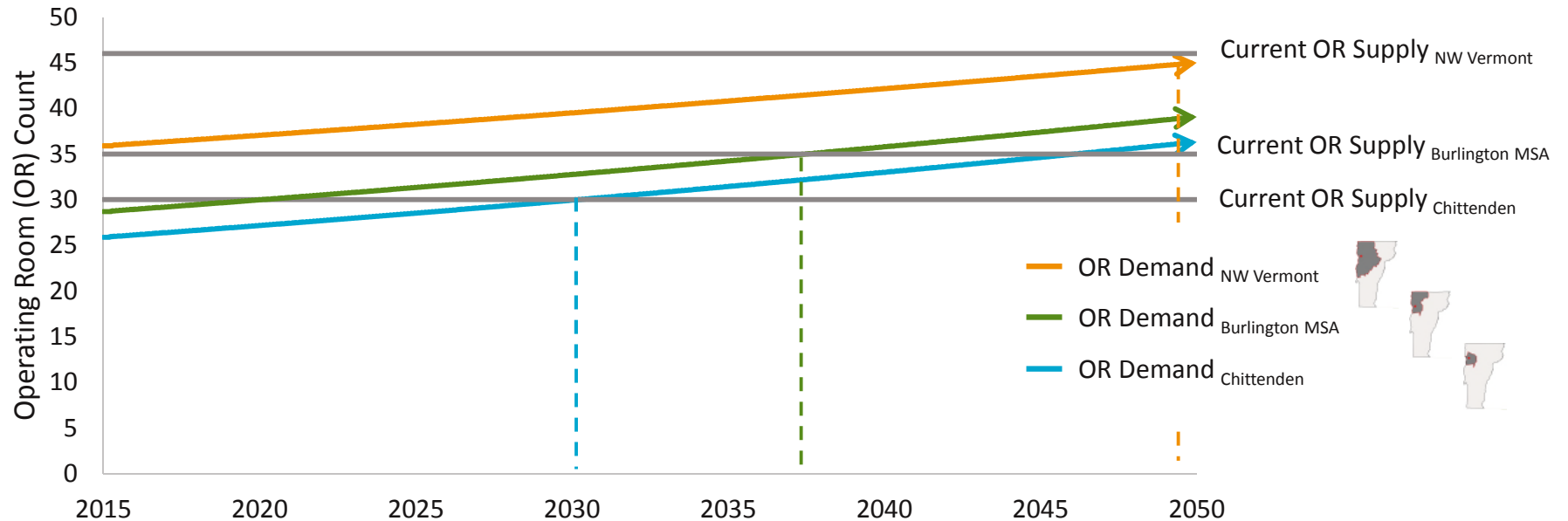
- There is available operating room and procedure room capacity in Northwest Vermont today based on current utilization rates
- Population growth in the region is expected to be relatively stagnant, growing <0.5% annually in Chittenden County
- Surgical usage rate trends applied to a relatively stagnant population suggest that the demand for inpatient surgeries is decreasing over time while the demand for outpatient surgeries is increasing over time
- Surgical migration trends suggest that there is relatively little out-migration for patients that originate in Chittenden County compared to patients that originate from outside of Chittenden County



# Summary of Findings (cont.)

## OR Demand Projections v. Current Supply

By market definition



- Current OR supply is more than adequate to meet projected demand for the foreseeable future, regardless of market definition
- As the market definition expands, the longevity of current supply meeting demand lengthens past 2050 assuming efficient utilization

**Note:** Current OR Supply is based on the number of operating rooms at VAHHS member hospitals in Addison County, Chittenden County, Franklin County, Grand Isle County, Lamoille County and Washington County

# Assumptions

- Operating room need is based on the following assumptions:
  - Surgical demand projections subject to population growth trends, inpatient- and outpatient-surgical usage rate trends, average surgical case time
  - Surgical supply projections based on holding the current available operating room capacity constant

# Summary of Implications

- The construction of two additional operating rooms in Chittenden County would result in an oversupply of operating rooms in the market in the near term, which would lead to an increase in price for all other service lines to cover potential losses
- The cost implications of an oversupply of operating room space across the local healthcare economy contradicts a movement toward value-based care
- Technological innovation and changing practice patterns could limit the need for operating room or procedure room space for some service lines identified by GMSC
- Patient access is a function of available operating space and available physician supply, among other factors. Increasing available operating space without addressing physician supply shortages will not resolve patient access issues.

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# University of Vermont Medical Center Surgical Capacity

Chris Oliver, Vice President, Clinical Services

## Facilities

- 22 Operating Rooms
  - 17 on Main Campus
  - 5 on Fanny Allen Campus
- 7 Procedure Rooms
  - 5 on Main Campus
  - 2 on Fanny Allen Campus
- 8 Endoscopy Rooms

## Volumes

- 20,000 surgeries per year
- 13,000 endoscopies per year



# Utilization

- Ideal *utilization* rate of 75%
  - Staffed and Open
  - Sufficient pre- and post-op rooms and staff
  - Current Utilization:
    - 74% (Main Campus ORs)
    - 63% (Fanny Allen Campus ORs)
    - 71% (Endoscopy Rooms)
    - 41% (Procedure Rooms)
- Room to accommodate all urgent, emergent and elective cases
  - Reduced Fanny Allen capacity to maintain 75% utilization rate



# Capacity

- We have the ability to expand the OR hours available for utilization:
  - Increase hours of operation
  - Ample staff to accommodate additional volume
- Procedure rooms have numerous open blocks per month with no requests to fill them
- Endoscopy suite is available every Monday from 7:30AM until 12:00PM
- Every day there is staffed OR time that goes unused



# Block Management

- Our surgical facilities are a community resource
- 154 surgeons use UVM Medical Center ORs
  - 22% independent physicians
- Reserved “block times”
  - Specified days and set periods of time
  - Independent and employed physicians have equal access, managed by OR Steering and Operations committees
- Surgeons schedule patients within their block times
  - Scheduling is at the surgeon’s convenience
- There is “open” OR time every day





# Michael Del Trecco

*Senior Vice President of Finance and Operations*

- Services Offered
- System Costs: Hydraulics of Contribution Margin
- Green Mountain Surgery Center Ownership Structure
- Health Care Reform



# Services Offered

- Hospitals, including physicians and support staff, provide ASCs with back-up coverage for unforeseen complications.
  - ASC service mix tends to be lower acuity and for patients with commercial insurance (MedPac Report on Ambulatory Surgical Centers Services, March 2015).
- Hospitals operate 24/7, 365 days and take all patients regardless of circumstance.



# Impact on System Costs

- Hydraulics of Contribution Margin (cheaper for some is not cheaper for the system)
- As services with higher profitability (e.g., orthopedic services) are skimmed, the ability to cover fixed costs becomes more difficult.
  - Impact - Increase costs to consumers
  - Impact - Jeopardize mission of our not-for-profit health care system
- “When there is excess capacity in other industries ... stockholders generally bear the cost, and consumers win. But in health care, it is the consumer who can suffer from higher cost and lower quality of care.” (Health Affairs, Volume 24, Chapter 3, May, 2005)



# Green Mountain Surgery Center Ownership Structure

- Conflict of interest: Physician ownership in for-profit setting
  - Highly controversial to refer patients to a facility that is owned by physician shareholders.
- For-profit vs. Not-for-profit → Investor-owned is significantly different than mission-based, not-for-profit organization.



# Health Care Reform

## ASCs are inconsistent with Vermont's health care reform efforts

- Not part of the community care delivery system
- Primary goal of a for-profit provider is to increase shareholder wealth, not invest in reform
- No requirement that ASC conduct or participate in Community Health Needs Assessment
- Misaligned incentives for Vermont health care delivery system
  - Fee-for-Service vs. fixed payment for value and quality



# CON Criteria Not Met

- A CON shall not be issued if even one of the statutory criteria listed in 18 V.S.A. § 9437 is not met.
- The GMSC fails to meet 4 of the 7 criteria.
- Criteria Not Met:
  - The GMSC will not serve the PUBLIC GOOD:
    - Inconsistent with health care reform initiatives
    - Does not help meet the needs of medically underserved
    - Does not facilitate the implementation of the Blueprint
    - Impedes the effective integration and coordination of health care services
  - There is no identifiable, existing or reasonably anticipated NEED.
  - The project does not improve QUALITY of health care in the state or provide greater ACCESS to health care for Vermont's residents.
  - Given its impact on the Vermont health care system, the COST of project is unreasonable.



# Proposal for Multispecialty ASC is Contrary to Public Policy

It is declared to be the public policy of this state that the general welfare and protection of the lives, health, and property of the people of this state require that all new health care projects be offered or developed in a manner which *avoids unnecessary duplication and contains or reduces increases in the cost of delivering services, while at the same time maintaining and improving the quality of and access to health care services, and promoting rational allocation of health care resources in the state;* and that the need, cost, type, level, quality, and feasibility of providing any new health care project be subject to review and assessment prior to any offering or development.

Health Facility Planning, *Policy and Purpose*, 18 V.S.A. § 9431

