

**STAFF REPORT TO THE PUBLIC HEALTH COUNCIL
FOR A DETERMINATION OF NEED**

Applicant Name	AmSurg BMC, LLC
Applicant Address	251 Little Falls Drive, Wilmington, DE
Filing Date	October 31, 2019
Type of DoN Application	Transfer of Ownership
Total Value	\$6,169,990.00
Project Number	19102312-TO
Ten Taxpayer Group (TTG)	None
Community Health Initiative (CHI)	Exempt
Staff Recommendation	Approval with Conditions
Public Health Council	March 11, 2020

Project Summary and Regulatory Review

AmSurg BMC, LLC (Applicant) is a newly formed joint venture between AmSurg and Baystate Medical Center. The Applicant submitted an application for a Proposed Transfer of Ownership to acquire ownership interest in Pioneer Valley Surgicenter, LLC, an existing licensed ambulatory surgery center located at 3550 Main Street, Springfield, MA. The total value for the Proposed Transfer of Ownership is \$6,169,990.00.

This DoN application falls within the definition of Transfer of Ownership, which are reviewed under the DoN regulation 105 CMR 100.000. The Department must determine that need exists for a Proposed Project, on the basis of material in the record, where the Applicant makes a clear and convincing demonstration that the Proposed Project meets each Determination of Need Factor set forth within 105 CMR 100.210. A Determination of Need Application for a Transfer of Ownership is only subject to Factors 1, 2, 3, and 4 of the DoN regulation. This staff report addresses each of the four factors set forth in the regulation.

Table of Contents

Background: AmSurg BMC, LLC and Pioneer Valley Surgicenter, LLC and Related Entities	3
Patient Panel.....	6
Patient Information (FY 2018).....	6
Factor 1a: Patient Panel Need	9
Factor 1: b) Public health value, improved health outcomes and quality of life; assurances of health equity	12
Factor 1: c) Efficiency, Continuity of Care, Coordination of Care	15
Factor 1: d) Consultation	16
Factor 1: e) Evidence of Sound Community Engagement through the Patient Panel	16
Factor 1: f) Competition on price, TME, and other measures of health care spending.....	17
Description of proposed measures, suggested Conditions, FACTOR 1.....	17
Factor 2: Cost containment, Improved Public Health Outcomes and Delivery System Transformation.....	18
Description of proposed measures, suggested Conditions, FACTOR 2.....	20
Factor 3: Relevant Licensure/Oversight Compliance.....	20
Factor 4: Demonstration of Sufficient Funds as Supported by an Independent CPA Analysis	20
Conditions	22
Attachment 1: Required Measures for Annual Reporting and Related Conditions.....	23

Background: AmSurg BMC, LLC and Pioneer Valley Surgicenter, LLC and Related Entities and Application Overview

The Applicant is AmSurg BMC, LLC (AmSurg BMC), a newly formed joint venture¹ between Baystate Medical Center, Inc. (BMC) and AmSurg Holdings, Inc. (AmSurg). AmSurg BMC was founded for the sole purpose of acquiring an ownership interest in an existing Ambulatory Surgery Center (ASC), Pioneer Valley Surgicenter, LLC (PVSC). The Applicant is proposing to acquire the 61% ownership interest in PVSC currently owned by AmSurg.

OVERVIEW of OWNERSHIP TRANSFER

Entity	Role in current PVSC Ownership	Role in Proposed PVSC Ownership
Physician Owners	39%	39%
Baystate Medical Center, Inc. (BMC)	--	--
Am Surg	61%	--
AmSurg BMC, LLC (new joint venture owned by BMC (51%) and AmSurg (49%).	--	61% (BMC 31% and AmSurg 30%)

The following entities are relevant to the current application:

- **BMC is a 734-bed acute care teaching hospital** located in Springfield, MA.² BMC is a level 1 Trauma Center and a level 2 Pediatric Trauma Center. BMC is affiliated with the University of Massachusetts Medical School. In FY17, BMC has 42,010 inpatient discharges, 153,158 emergency department visits, and 436,700 outpatient visits.^a In FY17, 62% of community discharges in Springfield were treated at BMC.^b
BMC serves as the flagship hospital for Baystate Health, Inc. (Baystate), a non-profit integrated health care system providing care primarily in central and western Massachusetts.^{3,c} Baystate Health had 10% of all acute care hospital discharges in Massachusetts in FY17.^d Baystate has a 50% controlling interest in Baycare Health Partners, Inc. (BHP), an HPC-certified ACO⁴, inclusive of Pioneer Valley Accountable Care, LLC. (PVAC) and Baystate Health Care Alliance, LLC (BHCA).^{5,e}
- **AmSurg develops, acquires, and manages physician practice-based ASCs and specialty physician networks.**^f AmSurg ASCs provide a narrow range of high volume, lower-risk surgical procedures, generally in a single specialty, and in the last five to ten years has expanded into multispecialty centers.^g
- **Pioneer Valley Surgicenter (PVSC)** is a freestanding licensed ambulatory surgery center⁶ located in Springfield, MA, currently owned by AmSurg and individual physicians⁷ as noted above. PVSC

¹ Jointly owned by BMC (51%) and AmSurg (49%).

² Baystate Medical Center: 734 licensed beds: Medical/Surgical (473), Intensive Care Unit (32), Coronary Care Unit (30), Pediatric Service (45), Pediatric Intensive Care Unit (7), Obstetric Services (64), Neonatal Intensive Care Unit (33), Special Care Nursery (22), Psychiatric Service (28).

³ Baystate's facilities include Baystate Medical Center, Baystate Children's Hospital, three community hospitals (Baystate Franklin Medical Center, Baystate Noble Hospital, and Baystate Wing Hospital), Baystate Medical Practices, Health New England, home care and hospice services, and comprehensive regional laboratory and diagnostic services.

⁴ BHP manages Medicare (Next Generation ACO) and MassHealth (Be Healthy Partnership).

⁵ Greater Springfield Independent Practice Association also has a 50% controlling interest in Baycare Health Partners.

⁶ DoN Regulation defines freestanding ambulatory surgery center as an ambulatory surgery center licensed as a Clinic. PVSC is currently licensed as a Clinic and will continue to be licensed as a Clinic if the Proposed Transfer of Ownership is approved.

⁷ Physician Owners: Western Mass Gastroenterology Associates; Ear, Nose & Throat Surgeons of Western New England; and Western New England Hand Surgeons.

provides gastroenterology (GI)⁸, otolaryngology⁹, and orthopedic¹⁰ surgical procedures. PVSC has a total of six operating/procedure rooms. Surgeries at PVSC are currently performed by physician groups who maintain block schedules at BMC and PVSC and schedule patients for surgical services accordingly.¹¹

Application Overview

Through the proposed transfer, the Applicant proposes to provide additional patients access to receive their GI, ear, nose and throat, and hand surgeries at its existing ambulatory surgical center¹². This will serve as an efficient, lower cost and high quality alternative for these surgeries (as compared to outpatient surgeries at BMC). The Applicant's surgical services will also a) be better integrated with BMC and the larger Baystate system and b) facilitate optimal management of BMC's ACO contracted patients, leading to improve health outcomes and quality of life for these patients.

⁸ GI Procedures: Colonoscopy, Flexible Sigmoidoscopy, and Upper Endoscopy.

⁹ Otolaryngology Procedures: Ethmoidectomy, Laryngoscopy, Removal of Tonsils and Adenoids, Endoscopic Sinus Surgery, Repair Eardrum Structures, and Tympanostomy.

¹⁰ Orthopedic Procedures: Endoscopic Carpal Tunnel Release; Tendon Release of Finger, Hand, Palm and Forearm Tendons; and Palm and Finger Tendon Release.

¹¹ Typically, referrals are made through the patient's PCP to the specialist and in some cases patients self-refer.

¹² PVSC currently offers surgical space to Western Mass. Gastroenterology Associates (Western MA GI Associate), Ear, Nose and Throat Surgeons of Western New England (ENT Surgeons of WNE), and Western New England Hand Surgeons (WNE Hand Surgeons), as well as certain independent physicians. The proposed transfer will open surgical space to Baystate Medical Practices (BMP)

OVERVIEW of OWNERSHIP TRANSFER AND FACTOR REVIEW¹³

Description	What's Needed to Meet Factor 1: Demonstration of need; improved health outcomes and quality of life; assurances of health equity; continuity and coordination of care; evidence of community engagement; and competition on recognized measures of health care spending.	What's Needed to Meet Factor 2: Demonstration of cost containment, improved public health outcomes, and delivery system transformation	Factors 3 and 4 ¹⁴
	<i>Staff Report finds</i>		
	MEETS w/ CONDITIONS	MEETS w/ CONDITIONS	MEETS
<p>The Applicant, a newly formed joint venture between Baystate Medical Center, Inc. (BMC) and AmSurg Holdings, Inc. (AmSurg), is acquiring an ownership interest in an existing Ambulatory Surgery Center, Pioneer Valley Surgicenter, LLC (PVSC).</p> <p>The Applicant proposes to provide more patients access to receive particular surgeries at PVSC, which will serve as a lower cost alternative for outpatient surgery than those performed at BMC. The Applicant's services will also be better integrated with BMC systems, leading to improved health outcomes and quality of life for these patients.</p>	<ul style="list-style-type: none"> • Report on the shift in scheduling surgical procedures at BMC to PVSC and any resulting reduction of such procedures at BMC; • Report on progress in reduction of wait times for surgical procedures at both PVSC and BMC; • Report on PVSC's timely communications with patients' primary care providers before and after surgery, including reporting on procedures to share patient data across electronic health records systems • Report on other standard outcome measures revised from the Applicant's proposed list, including Patient Reported Outcomes and other quality measures, including those related to follow up intervals for colonoscopies 	<ul style="list-style-type: none"> • Report on other standard outcome measures revised from the Applicant's proposed list, including Patient Reported Outcomes and other quality measures, including those related to follow up intervals for colonoscopies 	✓

¹³ A Determination of Need Application for a Transfer of Ownership pursuant to 105 CMR 100.735 is exempt from the Determination of Need Factors (5) and (6), unless otherwise specified.

¹⁴ 3: Sufficient evidence of compliance and good standing with federal, state, and local laws and regulations

4: Sufficient documentation of the availability of sufficient funds for capital and ongoing operating costs necessary to support the Project without negative impacts or consequences to the Applicant's existing Patient Panel

Patient Panel¹⁵

The Applicant is a newly formed joint venture and does not have its own Patient Panel. The Applicant relied on Patient Panel data from BMC and PVSC to determine need for the Proposed Transfer of Ownership.

- BMC serves a large and diverse Patient Panel over the 36-month period covering Fiscal Year (FY) 16-18¹⁶ with 191,673 unique patients in FY16, 194,283 unique patients in FY17 and 201,718 unique patients in FY18. The number of patients utilizing BMC's services in the 3-year period remained relatively the same from FY16-FY17 and increased 4.0% from FY17-FY18. BMC has seen an increase in the percent of patients in the total patient population that are 65 and older (19.9%-22.0% of the total patient population).
- PVSC Patient Panel for the 36-month period covering Calendar Years (CY)¹⁷ 16-18 included 3,184 patients in the second half of CY16¹⁸, 7,016 patients received services in CY17, and 7,046 patients received services in CY18.

Patient Information (2017-18)

The Applicant provided demographic and historical utilization data of

- BMC patients;
- BMC GI, ENT and hand surgery patients (BMC HOPD surgery patients); and
- PVSC GI, ENT, and hand surgery patients (PVSC patients)

Table 1 presents patient information for these patients during FY18 for BMC patients and during CY18 for BMC HOPD and PVSC patients. This "snapshot" provides important comparison information; staff notes the following observations about these data below:

¹⁵ As defined in 105 CMR 100.100, Patient Panel is the total of the individual patients regardless of payer, including those patients seen within an emergency department(s) if applicable, seen over the course of the most recent complete 36-month period by the Applicant or Holder.

¹⁶ The Fiscal year is October 1 – September 30. The Applicant states that while preliminary data is available for FY19, annual comparisons are calculated using data for FY16-18 as the FY19 data is only for October 1, 2018 – June 30, 2019 and is subject to change over time.

¹⁷ PVSC operates on a Calendar Year. BMC GI, ENT, and hand surgery data was also provided on a Calendar Year to align with the data provided at BMC since this same subset of patients are the focus of the Application. BMC operates on a fiscal year, so the Patient Panel data provided are according to BMC's fiscal year.

¹⁸ The Applicant states that in CY16, there was a system conversion and a technology overhaul. This resulted in a change in how data is collected. Accordingly, the CY16 data reported here is for the second half of the year only. Annualization of the available CY16 data and comparison of such annualized CY16 data to the CY17-18 data suggests modest increases in patient volume during this time period.

Table 1: Overview of BMC, BMC HOPD Surgery Patients and PVSC Patients, 2017-2018¹⁹

	BMC Patients (FY18)	BMC HOPD Surgery Patients (GI, ENT, and hand surgery) (CY18)	PVSC GI, ENT, and Hand Surgery Patients (CY18)
Total Unique Patients	201,718	12,420	7,046
Gender			
Male	41.3%	47.3%	50.4%
Female	58.7%	52.7%	49.6%
Age			
0-18	22%	4.8%	10.2%
19-64	56%	68%	52.5%
65+	22%	27.2%	37.3%
Race/Ethnicity^{20,21}			
White	58%	68.6%	
Black/African American	9%	6.9%	
Asian	1.5%	1.3%	
Hispanic/Latino	27.1%	20.6%	
American Indian/Alaska Native	0.1%	0.1%	
Other/Unknown	4.3%	2.6%	
Patient Origin²²			
85% of BMC's patients are from 20 communities	Springfield 34.9% Chicopee 9% West Springfield 5.2%	Springfield 29.6% Chicopee 9.3% West Springfield 5.2%	Springfield 19.8% Chicopee 7.8% Ludlow 6.5
86% of BMC's GI, ENT, and hand surgery patients are from 20 communities	Westfield 4.4% Holyoke 4.2% Ludlow 3.5% Agawam 2.7% E.Longmeadow 2.6% Longmeadow 2.4% Wilbraham 2.2%	Westfield 4.8% Ludlow 4.1% Holyoke 3.9% E. Longmeadow 3.5% Longmeadow 3.4% Wilbraham 3.1% Agawam 3.1%	Longmeadow 6.3% West Springfield 6.2% Westfield 5.9% E. Longmeadow 5.4% Wilbraham 4.7% Agawam 4.3% Feeding Hills 4.0%
87% of PVSC's patients are from 20 communities			

¹⁹ As mentioned above, BMC operates on a Fiscal Year and PVSC operates on a Calendar year, and the Applicant provided BMC HOPD surgery patient data on a CY so that it corresponds with PVSC surgery patient data. The Applicant provided BMC Patient Panel data for the 36-month period covering Fiscal Years 16-18 and provided three years of patient population data for each of BMC HOPD Surgery patients and PVSC Surgery patients for Calendar Years 16-18.

Table 1 presents patient information for the Applicant (BMC), for BMC surgery patients and for PVSC GI, ENT, and hand surgery patients, since acquisition of PVSC is the focus of DoN Application for 2017-18. This "snapshot" provides important comparison information over 2017-18, but does not include the entire Patient Panel over the required 36-month period. Table 1 allows for comparisons to be made across these different groups of patients based on the most recent periods available.

²⁰ Based on self-reporting

²¹ The missing data in the Patient Panel chart is manually collected in each patient's file. Because this information is not centrally collected, it would be time and resource intensive to respond accurately to DPH request for this information. PVSC plans to track the data electronically in order to comply with future reporting requirements.

²² Represents top ten communities from which patients originate.

Table 2: Payer Mix

	BMC Patients (FY18)	BMC HOPD Surgery Patients (GI, ENT, and hand surgery) (CY18)	PVSC Patients (CY18)
Payer-Mix			
Commercial	36.59%	46.2%	58.29%
PPO/Indemnity	18.29%	29.5%	--
HMO/POS	18.30%	16.8%	--
MassHealth	15.95%	5.8%	6.57%
Managed Medicaid	15.93%	12.0%	4.30%
Commercial Medicare	7.51%	11.9%	2.78%
Medicare FFS	18.74%	21.0%	24.74%
All Other	5.28%	3.2%	3.32%

Table 3: APM Contract Percentages

	BMC Patients (FY18)	BMC HOPD Surgery Patients (GI, ENT, and hand surgery) (CY18)	PVSC Patients (CY18)
APM Contracts			
ACO and APM Contracts	17.6%	28.9%	6.6%
Non-ACO and APM Contracts	82.4%	71.1%	93.4%

Staff notes the following observations about the data above:

- **Age** – The 18-64 age cohort comprises the majority (>50%) of BMC, BMC surgery, and PVSC patients.
 - **Age of surgical patients** - Older adults (ages 65+) make up slightly higher percentage (37%) of PVSC patients compared to BMC surgery patients (27%).
- **Race/Ethnicity** – The majority of BMC (58%) and BMC surgery patients (68.6%) are White. Twenty seven percent of BMC patients and 20% of BMC surgery patients identified as Hispanic/Latino.
- **Patient Origin** – Patient origin is similar across the three sites with most coming from Springfield.
- **Payer Mix** – BMC qualifies as a high public payer (HPP) hospital.²³ Of the three groups of patients, PVSC has the highest percentage of Commercial payers (58.29%) and BMC (31.88%) has the highest percentage of Medicaid payers. There appear to be lower percentage of MassHealth/Managed Medicaid as payers at both BMC HOPD and PVSC than at BMC overall. Medicare percentages are relatively equal across BMC HOPD, PVSC and BMC.
- **ACO and Managed Care Contracts** - There is a higher percentage of ACO and APM contracts among BMC HOPD surgery patients (28.9%) than BMC patients (17.6%) and PVSC patients (6.6%).

²³ Public payer mix of 63% or greater. Public payers include Medicare, Medicaid, and other government payers, including the Health Safety Net.

Factor 1a: Patient Panel Need

In this section, we assess if the Applicant has sufficiently addressed Patient Panel need for AmSurg BMC's acquisition of ownership in PVSC.

Through the proposed Transfer of Ownership, the Applicant proposes to provide additional patients access to receive their GI, ear, nose and throat, and hand surgeries at its existing ambulatory surgical center²⁴. This Applicant states this access will serve as an efficient, lower cost and high quality alternative for these surgeries (as compared to outpatient surgeries at BMC).

Patient Panel Need

The Applicant attributes Patient Panel need for outpatient surgery in the ambulatory setting to three factors:

- a) A need for more convenient, cost-effective, efficient surgical services, available to more patients;
- b) A need to reduce wait times for outpatient surgeries; and
- c) A growing need for surgical procedures overall and in particular among the aging population.

a) Address the need for appropriate outpatient surgical services in a more efficient, cost-effective setting, making it available to more patients. Three surgical practices currently provide the vast majority of their outpatient GI, ENT, and hand surgeries at the Hospital Outpatient Department (HOPD) at BMC, as does Baystate Medical Practices (BMP) physicians. With the Proposed project, the Applicant plans that BMP physicians will also gain privileges at PVSC, which they do not currently have. The Applicant proposes to allow all of these practices to schedule more of these surgeries at PVSC, about 1 mile away from the hospital.

The Applicant points to the growing trend over the past 40 years towards outpatient surgery which is attributed to medical and technological advancements that allowed more procedures to be handled in the ambulatory setting, the convenience and ease of accessing these facilities, as well as changes in payment arrangements²⁵ which have allowed for more procedures to be done more cost-effectively in the outpatient setting.^{h,i,j} Advances in the administration of anesthesia and analgesics, along with the development and expansion of many minimally invasive or non-invasive procedures across many specialties has resulted in growth in the number and type of lower acuity procedures appropriate for ambulatory surgery.²⁶

PVSC already provides three surgical practices access to perform GI, ENT, and hand surgical services. Some ENT procedures have already been moved from BMC to PVSC over the past few years: the Applicant reported 16.1% increase in ENT cases performed by the group at PVSC from 2016-2018 and a 14.9% decline in ENT cases at BMC over the same period.

BMC reviewed its historical volume for certain lower-acuity and less invasive procedures provided over the last three years (that are also provided at PVSC) and found that more than 38,000 patients (13,437 in CY16, in 12,304 CY17, and 12,420 in CY18) may have been eligible to have their surgical procedure performed at an ASC. According to the Applicant, 86% of these

²⁴ PVSC currently offers surgical space to Western Mass. Gastroenterology Associates (Western MA GI Associate), Ear, Nose and Throat Surgeons of Western New England (ENT Surgeons of WNE), and Western New England Hand Surgeons (WNE Hand Surgeons), as well as certain independent physicians. The proposed transfer will open surgical space to Baystate Medical Practices (BMP)

²⁵ More recently, freestanding ASCs receive a percentage of HOPDs reimbursement.

²⁶ At the same time, Centers for Medicare and Medicaid Services (CMS) has approved Medicare reimbursement for ambulatory surgery performed either at Hospital Outpatient Departments (HOPDs) and ambulatory surgery centers (ASCs).

patients originate from the greater Springfield region. The Applicant states that of the total 12,420 patients who received GI, ENT, and/or hand surgery services at BMC in CY18, 78% were GI surgical patients, 8% were ENT surgical patients, and 14% were hand surgical patients. The Applicant estimates that 90% of historical GI surgical activity and 50% of historical ENT and hand surgery cases at BMC could be performed in a freestanding ASC setting.

As shown in Table 4 below, the Applicant outlined the historical outpatient GI, ENT, and hand surgery volume for BMC and PVSC (for the five most common CPT codes). These data show how outpatient surgical volume is likely to change under the proposed joint venture.

In CY18, BMC had a total of 12,420 GI, ENT, and Hand surgery patients and PVSC had a total of 7,046 GI, ENT, and Hand surgery patients. The Applicant estimated that PVSC has the capacity to add approximately 4,000 more patients and that this will result in approximately 5,000 procedures.^{27,28} The Applicant states that while the decision of where to have the surgery ultimately rests with the individual physician and patient, it anticipates that the Proposed Project will result in an increase in utilization at PVSC and a decrease in utilization at BMC for appropriate surgeries.

Table 4: Overall number of procedures by type and procedure²⁹, CY18

	GI Surgeries	ENT surgeries	Hand Surgeries
BMC			
Patients	9,680	953	1,787
Number of Procedures	13,739	1,513	4,220
Most Common Procedures	Colonoscopies and EGDs	<ol style="list-style-type: none"> 1. Tympanostomy 2. Tonsillectomy and adenoidectomy < age 12 3. Cochlear Implant 	<ol style="list-style-type: none"> 1. Arthroplasty, interposition, intercarpal or carpometacarpal joints 2. Tendon transplantation or transfer, flexor or extensor, forearm and/or wrist 3. Tenolysis, flexor tendon; palm or finger
PVSC			
Patients	5,783	1,050	377
Number of Procedures	6,784	1,694	591
Most Common Procedures	Colonoscopies and EGDs	<ol style="list-style-type: none"> 1. Tympanostomy; 2. Adenoidectomy < age 12 3. Removal of Tonsils 	<ol style="list-style-type: none"> 1. Release palm and finger tendon 2. Neuroplasty and/or transposition, median nerve at carpal tunnel 3. Removal of tissue for graft

The Applicant seeks to promote utilization of the ASC setting for appropriate patients as a high-quality, lower-cost alternative to outpatient surgery performed in a HOPD. Surgeons from the three practices that perform surgeries at both BMC and PVSC determine scheduling between the two locations based on the block schedules they maintain. The Proposed Transfer of Ownership will allow better alignment of these schedules at both locations; this will improve

²⁷ The Applicant estimates 3,400-3,600 GI cases per year, and 200-300 ENT and hand surgery cases each per year.

²⁸ Staff notes that page 3 of the CPA report states that the estimated maximum capacity of procedures to be performed at this facility [PVSC] is approximately 15,000 per year.

²⁹ Data for procedures is CPT codes billed. Some of the codes are used more than once per surgical encounter in particular in hand surgery where multiple fingers/joints in the hands are repaired in the same surgical encounter.

flexibility for the specialists and their patients and enhance the ability to perform services as appropriate at PVSC.

b) A need to reduce surgical wait times in the HOPD

At BMC, wait times are 30 days for GI surgery, 2-3 weeks for ENT surgery, and 2 weeks for hand surgery. In contrast, current wait times at PVSC range from 1-3 weeks, depending on the surgeon. The Applicant notes that shifting surgeries to PVSC will increase capacity at BMC for other types of surgeries, which will allow for more timely access to surgical care at BMC. Aligning the schedules will allow surgeons from the four practices to offer the patient the first available appointment across the two settings. The Applicant cited a report showing that ASCs are more efficient than HOPDs and can perform more procedures per day; the Applicant expects that shifting more procedures to PVSC will not negatively impact its wait times.^k

c) A growing need for surgical procedures, especially among older patients, who may also benefit from surgeries in the ASC setting

The Applicant projects growth among patients older than 65 with underlying GI, ENT and hand conditions requiring surgery, and cited a number of studies documenting this growth, particularly at ASCs.^{l,m} The Applicant also pointed to studies showing that orthopedic conditions also increase with age and suggest that older age is correlated a number of conditions that lead to age-related orthopedic issues. It asserts that these patients would benefit from care in an ASC setting.

The Applicant also outlined population projections from UMass Donahue Institute, which support an increasing aging population in Massachusetts: the population is expected to increase by 11.8% from 2010 to 2035 with significant population growth attributable to individuals age 50 and older.ⁿ Further, from 2015 to 2035 the state's 65 and older population is projected to increase at a higher rate compared to all other age groups, and will represent a quarter of the state's population by 2035.^o BMC and PVSC are located in the Lower Pioneer Valley; population projections also indicate that by 2035, the 65 and older age cohort will comprise 23% of the region's population compared with 14% in 2010.^p As noted above, adults age 65 and older comprise 22% of the BMC patients and 27% of the BMC surgical patients. According to the Applicant, the projected population growth will lead to growth in volume of lower acuity surgical procedures that can take place in the outpatient ASC setting.

Analysis

The Applicant outlined current volume and existing wait times for BMC and PVSC surgery patients and outlined the benefits of providing outpatient surgery in an ASC setting. Staff finds that the Applicant demonstrated sufficient need by its Patient Panel through health data related to the prevalence of diseases and health risk factors that may lead to surgery within the communities served, and an aging population at risk for certain conditions that are consistent across the GI, ENT and orthopedic (hand) specialties. For example, age is a leading risk factor for musculoskeletal conditions likely to require surgery;^{q,r,s,t} endoscopy procedures are most often performed on older adults to diagnose and treat GI disorders.^{u,v}

Nationally, advances in the administration of anesthesia and analgesics, along with the development and expansion of many minimally invasive or non-invasive procedures across many specialties,^{30,w} have resulted in growth in the number and type of lower acuity procedures appropriate for

³⁰ The Centers for Medicare and Medicaid Services (CMS) approved Medicare reimbursement for ambulatory surgery performed both at Hospital Outpatient Departments (HOPDs) and ambulatory surgery centers (ASCs).

ambulatory surgery and approved by CMS for reimbursement. ASC surgical volume in 46 of the 50 largest markets in the U.S. grew 10% from 2015 to 2016 and gastrointestinal procedure volume increased 19.4% from 2015 to 2016.^x Over the next decade, forecasts suggest that outpatient volumes will increase by 15% and inpatient discharges will decrease by 2%.^y The Proposed Project will address the shift to PVSC BMC has already begun to experience, and that is well-documented as a national trend^{z,aa}. This trend is likely to continue due to advances in technology and changes in reimbursement structures as discussed in subsequent factors.

In order to further demonstrate that the Proposed Transfer of Ownership is addressing Patient Panel need through a) the appropriate shift of particular surgeries to a freestanding ASC setting; b) reducing wait times, and the c) ability of the proposed transaction to provide an alternative location for these surgeries, staff recommends the following Conditions:

- Report on the shift of these surgical procedures at BMC to PVSC and any resulting reduction of such procedures at BMC; and
- Report on wait times for these surgical procedures at both PVSC and BMC, as a part of the revised list provided by Applicant

These are fully described under Conditions at the end of this report.

Factor 1: b) Public health value, improved health outcomes and quality of life; assurances of health equity

The Applicant asserts that the Proposed Transfer of Ownership will enable it to meet a growing need for outpatient GI, ENT, and hand surgery services for clinically appropriate patients. By providing access to these surgical services in the ambulatory surgery setting, the Applicant asserts that health outcomes will be addressed in a number of ways:

- **Contributing to improved outcomes across the three surgical specialties.** The Applicant cited studies indicating that surgical procedures performed in ASCs are associated with reduced mortality, morbidity, and hospital admission rates, and that patients also experience shorter surgery and recovery times; the Applicant notes that these studies also show the benefits extend to vulnerable (to highest-risk Medicare) patients.^{bb,cc,dd,ee} Rates of revisit to the hospital one week post-surgery are lower for ASC patients and infection rates for procedures performed in ASCs are half that for the same procedures performed in the hospital setting.^{ff} PVSC will be better integrated with BMC systems and facilitate optimal management of BMC's ACO contracted patients, leading to improved health outcomes and quality of life for these patients.
- **Improved patient experience.** Provision of care in the ASC setting is associated with enhanced convenience and satisfaction for patients. Convenient locations that are easier to navigate than hospital structures, easier scheduling of procedures, shorter wait times, improved accessibility to physicians, and high-quality care.^{gg,hh,ii,jj} These qualities may be particularly relevant for patients age 65 and over, who find the freestanding ASC experience less complicated and easier to access. In response to staff inquiry on PVSC's preoperative programming, the Applicant notes that PVSC provides patients with a brochure containing preoperative instructions and PVSC contacts patients by phone before the date of the surgery. The Applicant states that because PVSC is accredited by the Massachusetts Association of Ambulatory Surgery Centers (MAASC) and the national Ambulatory Surgery Center Association (ASCA) it maintains high standards of quality care, including for its preoperative education programming.

Analysis

Staff concurs that the Proposed Transfer of Ownership will expand access to outpatient care in the ASC setting that has been shown to support improved patient outcomes, quality of life, and satisfaction.^{kk,ll} For example:

- Hand and wrist surgeries performed at ASCs tend to be safe, cost-effective, and result in high quality outcomes;^{mm,nn}
- Tonsillectomies are one of the most common ambulatory surgical procedures in the United States, with high quality outcomes;^{oo} and
- Colonoscopies—one of the most common procedures at PVSC and BMC HOPD—are used to screen for colon cancer; screening and rescreening at recommended intervals can provide both diagnoses at an early, curable stage or prevention, through removal of precancerous polyps. Increasing timely access to colonoscopy is likely to improve health outcomes and quality of life for patients.

However, staff notes that no information was provided about screening/rescreening rates for those undergoing colonoscopies; maintaining and improving such rates are critical for high quality care and are a part of ASC quality guidelines. Moreover, age limits on screening is important; while about 90% of new colon cancer cases occur in individuals age 50 and over,^{pp,qq} the U.S. Preventive Task Force Services (USPSTF) states that screening for people aged 76 to 86 should be selectively offered.^{rr} In order to ensure that ASC addresses appropriate screening rates and rescreening rates, staff recommends reporting on appropriate follow up intervals as a part of the revised set of quality reporting measures proposed, detailed in Attachment 1.

Health Equity and Social Determinants of Health (SDOH)

PVSC has supported the adoption of Culturally and Linguistically Appropriate Service (CLAS) standards^{ss}, and listed the following strategies to demonstrate compliance with the standards and ongoing commitment to cultural, linguistic, and health equity:

- Diversity training for staff;
- Policies in place related to diversity including Anti-Harassment and Anti-Discrimination, Disability Accommodation, and hiring and employment; and
- Collection of patient demographic data which is used to inform delivery of interpretation and translation services.

Interpretation and Translation Services

The Applicant notes that in Springfield, where 20% of PVSC's patients originate, 43.8% of the city's population is Hispanic or Latino, 38.1% of the city's individuals report speaking a language other than English, and 32.8% of these individuals are Spanish-speaking.^{tt}

PVSC offers access to interpreter and translation services via Language Services Associates at no cost to limited-English speaking and hearing-impaired patients. Services are available 24 hours/day, 7 days/week both in person and over the phone, and offer patients access to qualified interpreters skilled in 200+ languages including American Sign Language. PVSC offers documents in both English and Spanish and also employs several bilingual staff members. Services are available at the time of surgery. The Applicant states the type of services available on the day of the surgery (e.g., in person v. phone) depends on the patient's preferred language, the patient's preferred type of service, and the patient's needs. If it is determined that an in-person interpreter is best based on these factors, PVSC's staff works to ensure that an interpreter is on-site the day of surgery. Following the

transaction, PVSC will continue to provide these services with an understanding of patients' cultural health beliefs and practices and preferred languages.

Social Determinants of Health (SDoH) Screening

The Applicant notes that the populations in the BMC and PVSC service area experience barriers to accessing affordable, quality care. Citing the BMC 2016 Community Health Needs Assessment (CHNA), the Applicant lists the following number of social determinants that impact the physical and mental well-being of the population.³¹

The Applicant states that it will augment PVSC's pre-operative process to align with BMC's. In response to staff inquiry, the Applicant noted the following features and outcomes of SDoH screening:

- BMC uses a tool they call the "Green Sheet" for SDoH screening for BMC surgical patients in ACOs/managed risk plans and non-ACO/managed risk plans
 - Staff conducts a Pre-Op Assessment Evaluation (PAE) via phone.³² The assessment is reviewed again with the patient during an in-person pre-operative appointment.
 - When needs are identified during the PAE process or at the pre-operative appointment, a social worker either assists the patient directly or refers the patient back to his or her PCP for additional follow-up and linkages to community-based support.

PVSC's preoperative process will parallel BMC's "Green Sheet/PAE" process. At PVSC, when a need is identified, staff will notify the admitting physicians who will then refer the patient back to his/her PCP or to the appropriate state agency or community-based organization.

Further, specialists on both BMC and PVSC's staff will have access to BMC's EHR clinical information system (CIS) and the Applicant asserts that this will allow access to any SDoH screening results in the system on a pre-operative basis and support management of any SDoH issues. The Applicant explained processes for addressing a patient's SDoH needs if a patient presents one on the day of surgery and has not been previously screened.

Access to Care

As noted in Table 1 above, the percentage of patients with MassHealth/Managed Medicaid is much lower among those receiving GI, ENT, and Hand surgery procedures at BMC's HOPD or PVSC when compared to BMC overall. In response to follow up questions, the Applicant provided a list of the physicians that maintain block schedules at both PVSC and BMC and states that all physicians "are on the medical staff at both BMC and PVSC and that 100% of these providers participate in MassHealth."

Analysis

Staff finds that through a review of CLAS initiatives, including language access, and SDoH screening, the Applicant has sufficiently outlined, at a high level, a case for improved health outcomes and has provided reasonable assurances of health equity and access to care. Further, the

³¹ Socioeconomic status, education and employment opportunities, housing and transportation needs, social protective factors, food security, and health literacy and language barriers.

³² PAE questions are relevant to a surgical appointment and can include issues related to health, safety at home, transportation, flights of stairs, mental health, and substance abuse.

Applicant has described how PVSC patients are screened for SDoH and how linkages to social services organizations are created.

Factor 1: c) Efficiency, Continuity of Care, Coordination of Care

In addition to earlier diagnosis, improved access for patients, and anticipated greater patient/family satisfaction, the Applicant outlined evidence around efficiency in the ambulatory surgery setting. The freestanding ASC model is centered on uniformity of procedures performed within a scheduled block of time. ASCs focus on performing a narrow set of medical specialties and surgical procedures in a limited number of medical specialties, providing care for patients with lower-acuity and less risk of complications. Generally, one surgeon works with the same clinical team for the entire block of time performing multiple, very similar types of procedures. The team develops a specialized skill-set and works in a facility designed and equipped to meet the specific needs of ambulatory surgical patients, which, the Applicant says, generates efficiencies and cost-savings due to reduced procedure times as compared to a similar procedure performed in a HOPD.^{uu,vv} ASCs only accommodate routine procedures, so there is less likelihood of schedule disruptions that would occur in a hospital outpatient department, which handle a wide range of procedures. As a result of these efficiencies, more procedures can be performed within the same period of time with fewer disruptions for more acute in-and out-patient cases, than can be scheduled in a HOPD.

Surgeons will have access to BMC's EHR clinical information system (CIS) when performing surgery at BMC and will have access on a "read only" basis at their offices and at PVSC. It is PVSC's policy for patients to receive a post-operative call from a nurse the day after surgery, and that translation services are available for the phone call. During the call, inquiries are made about pain, mobility, medication, diet, nausea and vomiting, and problems with ambulation or dressing, and patient questions and concerns are addressed. All patients have access to follow-up calls with the physician on an as-needed basis. The CIS also provides access to SDoH screening results. The Applicant states that PVSC and the local surgeons will be able to benefit from BMC's community partnerships, including community health workers and health navigators that will work with patients to receive comprehensive care that addresses their cultural, economic and language needs.

The Applicant points to evidence in the literature which suggests access to integrated health information technology systems directly impacts health outcomes through reducing fragmentation and improving coordination among care providers.^{ww,xx} The Applicant described its intention to participate in the Pioneer Valley Information Exchange (PVIX), which allows patients and health care providers to access and securely share patient data from separate electronic health records through a "One Patient, One Record" platform. This would allow patients receiving care at the ASC to authorize other providers – both in and outside of the Baystate System – to access their PVSC medical records. PVSC will continue its current practice of communicating results of any procedures with the referring physician or other appropriate physician via fax until integration with PVIX is established.

Through the Proposed Transfer of Ownership, the Applicant will pursue the goals of improving care delivery, cost containment and population health through greater collaboration among the providers and improved coordination of care. The proposed transaction will bring PVSC within the Baystate system which will allow PVSC to serve as a setting for BMC to manage ACO patients. The Applicant states that Baystate will accomplish this through providing ACO patients with physician/hospital cooperation, further clinical integration and medical management services.

Analysis

Staff concurs that ASCs can be a more efficient setting for performed the aforementioned surgeries. Further, the EHR system will support continuity and coordination of care for surgical patients. Studies show that integrated health information technology systems directly affect health outcomes, as access to a single, integrated health record improves care coordination, can reduce errors, improve patient safety, and thus lead to better patient outcomes.^{yy,zz}

In order to completely address Factor 1c and further demonstrate continued efforts to support continuity and coordination of care, staff recommends a Condition on reporting on PVSC's timely communications with patients' primary care providers before and after surgery, including reporting on PVSC current procedures to share patient data across electronic health records systems. This is fully described under Conditions at the end of this report.

Factor 1: d) Consultation

The Applicant has provided evidence of consultation, both prior to and after the Filing Date, with all government agencies that have licensure, certification, or other regulatory oversight, which has been done and will not be addressed further in this report.

Factor 1: e) Evidence of Sound Community Engagement through the Patient Panel

The Department's Guideline^{aaa} for community engagement defines "community" as the Patient Panel, and requires that at minimum, the Applicant must "consult" with groups representative of the Applicant's Patient Panel. Regulations state that efforts in such consultation should consist of engaging "community coalitions statistically representative of the Patient Panel."^{bbb}

In order to meet this requirement, the Applicant states that it sought to engage the Patient Panel, family members, community members and local stakeholders that may be impacted by the Proposed Transfer of Ownership. The Applicant detailed the various initiatives employed during the engagement process to provide evidence of community engagements efforts.

The Applicant determined that the BMC Adult Patient and Family Advisory Council (PFAC) was an appropriate forum for engagement because the proposed transaction will directly impact BMC patients and families, and because of the goals of the BMC PFAC.

BMC presented the Proposed Transfer of Ownership at its Adult PFAC meeting in September 2019.³³ Information about the proposed transaction was provided, including an overview of the transaction, details on AmSurg and PVSC, and information on how the alignment of BMC with AmSurg and PVSC will provide increased access to lower-cost, same-day outpatient surgical services for appropriate patients with GI, ENT and hand surgery needs. Ten individuals attended the meeting - nine were PFAC members. PFAC members discussed the benefits of receiving care in an ASC setting. Feedback from the meeting was positive, with PFAC members supportive of the proposed transaction.

The Applicant sought to engage PVSC patients because they will benefit from PVSC's integration with BMC after project implementation. The Applicant's partners worked with PVSC's individual

³³ BMC's PFAC consists of 2 staff members and 11 patient or family member advisors. Applicant outlined recruitment process for PFAC members.

physician owners to inform their patients in the greater Springfield community about the Proposed Transfer of Ownership. In October, PVSC hosted an open forum at the ASC regarding the proposed transaction. The forum was publicized at PVSC's individual physicians' practices to provide patients with notice of the forum and inform them of the opportunity to discuss the proposed transaction. No members of the public attended.

Analysis

Staff reviewed the information on the Applicant's community engagement and finds that the Applicant has met the minimum required community engagement standard of *Consult* in the planning phase of the Proposed Transfer of Ownership.

Factor 1: f) Competition on price, total medical expenses (TME), costs and other measures of health care spending

The Applicant asserts that through the Project, it will continue to compete based on price, TME, costs and other measures of health care spending through providing a lower-cost alternative for BMC patients to receive their outpatient surgeries. Improving access to outpatient surgery in the ASC setting, where the surgeries performed are more efficient and less expensive, is likely to not impact TME or the cost of services. The Applicant notes that the benefits of shifting surgeries from the HOPD setting to the ASC setting mentioned above can result in lower provider and payer costs and lower out of pocket expenses for patients, leading to a reduction in TME. The Applicant points to reports showing that Medicare procedures performed in the ASC setting are less expensive than when they are performed in the hospital, and that shifting eligible procedures from the HOPD to ASC setting could result in cost savings to Medicare and to commercial payers.^{ccc,ddd,eee}

Analysis

It has been well-established that outpatient surgeries performed in the ASC setting can be a lower-cost alternative to the same surgeries performed in the HOPD and several studies detailed the cost savings associated with performing surgeries in the ASC setting.^{fff,ggg,hhh} Staff finds that with approval of recommended conditions, on balance, the requirement that the proposed transaction will likely compete on the basis of price, TME provider costs, and other measures of health care spending has been met.

Description of proposed measures, suggested Conditions, FACTOR 1

As a result of information provided by the Applicant and additional analysis, staff finds that with the Conditions outlined below, the Applicant has demonstrated that the Proposed Transfer of Ownership has met Factors 1(a-f). Staff recommends the following Conditions, fully described under Conditions at the end of this report:

1. Report on the shift in scheduling surgical procedures at BMC to PVSC and any resulting reduction of such procedures at BMC;
2. Report on progress in reduction of wait times for surgical procedures at both PVSC and BMC; and
3. Track and provide evidence of PVSC's timely communications with patients' primary care providers before and after surgery, including reporting on PVSC current procedures to share patient data across electronic health records systems.

In addition, the Applicant proposed specific outcome, process and balancing measures to track the impact of the proposed transaction. Staff reviewed the suggested measures and has provided a revised set of standard outcome measures revised from the Applicant's proposed list, including

Patient Reported Outcomes and other quality measures, including those related to follow up intervals for colonoscopies, described fully in Attachment 1. Staff recommends that, in order to completely address Factor 1, all of these reporting measures be required as a Condition of Approval.

Factor 2: Cost containment, Improved Public Health Outcomes and Delivery System Transformation

Cost Containment

The Applicant states that the Proposed Transfer of Ownership seeks to align with the cost containment goals of Massachusetts by providing a lower-cost alternative for outpatient surgeries. The pricing for services at PVSC will remain the same following implementation of the proposed transaction. Specifically, the contracted rates under the Applicant's ownership will be the same as those rates currently utilized by PVSC. ASC rates are substantially lower than hospital-based rates and ASCs are a more cost-effective option for providing high-quality surgical services. Public payers, commercial insurers and patients all benefit from lower prices for services performed in the ASC setting due to lower levels of reimbursement and less coinsurance payments.

Analysis: Cost Containment

A review of the literature shows that outpatient surgery is increasing in the ASC setting. In 2005, 59% of outpatient surgeries were performed in HOPDs and 41% were performed in ASCs, and it is projected that by 2020, 40% of surgeries will be performed in HOPDs and 60% will be performed in ASCs.ⁱⁱⁱ Studies show that payment differentials between ASCs and HOPDs are driving care to take place in the lower-cost ASC setting,ⁱⁱⁱ and surgery provided in the ASC can make the care more cost efficient.^{kkk} Value-based healthcare, where providers are compensated based on health outcomes and health outcomes are measured against the cost of delivery care, is another reason cited for the utilization of the ASC setting for certain surgical procedures/patients.^{lll,mmm} A study investigating ways to improve the value of outpatient (HOPD and ASC) surgical care reported that shifting the site of outpatient surgeries from HOPDs to ASCs is likely to improve value of outpatient surgical care.ⁿⁿⁿ

Cost containment on a statewide level is impacted through pricing, which is a function of what providers charge payers and what payers agree to pay. While payment contracts between individual providers and commercial payers are confidential, those among providers and Medicare and Medicaid are relatively transparent. The Applicant asserts that surgeries performed in the ASC setting are more cost-effective than performing them in the HOPD. The Applicant indicated that patients will be presented with the option of having their surgery in the ASC setting, but there is no indication of how cost will factor into that decision. Since surgeries performed in the ASC setting have been shown to be efficient, cost-effective, and are of equal or higher quality than when they are performed in the HOPD, staff finds that expanding access to outpatient surgery in the ASC setting has the potential to contribute to the Commonwealth's cost containment goals.

As a result of the above analyses, staff believes that the project has the potential to impact healthcare expenditures positively, due to aforementioned reduced reimbursement for these surgical procedures in the ambulatory surgery setting compared to the HOPD where most of these procedures are currently taking place.

Improved Public Health Outcomes

The Applicant has discussed how surgeries performed in the ASC setting can be more efficient, convenient, and cost-effective without compromising the quality of care.

***Analysis:* Public Health Outcomes**

Staff notes lower acuity surgeries performed in an ASC outpatient setting can result in fewer and lower infection rates than hospitals.^{ooo,ppp}

Increasing timely access to colonoscopy in particular is likely to improve public health outcomes, as increases in colorectal screening, and ensuring rescreening is associated with a reduction in colorectal cancers (CRCs) and related sequelae; a recent study found that approximately 550,000 cases of colorectal cancer were prevented over the past 3 decades in the United States.^{qqq} This is particularly relevant to this Application, as colonoscopy is one of the most frequent procedures scheduled at PVSC.

Among important public health outcomes is ensuring CRC screening and rescreening rates at appropriate intervals. Staff notes that while Massachusetts overall has high overall CRC screening rates^{34,rrr}, national data show that there are disparities in screening rates, based on SES, language, and ethnicity.^{sss} For example, adherence to CRC screening guidelines among African Americans is lower than their white counterparts.^{ttt} In order to ensure that public health outcomes are addressed, as a Condition of approval, staff suggests reporting of screening/rescreening rates, including screening for people over age 76, as this may not contribute to improved public health outcomes, already discussed in Factor 1.

Delivery System Transformation

The Applicant appears to address Delivery System Transformation through augmenting PVSC's pre-operative process to align with BMC's, which includes SDoH screening for all patients, as discussed above. In addition, the Applicant will participate in contracts through Baycare Health Partners, Inc. (BHP), an HPC certified ACO.

BMC HOPD Surgery Patients include almost 30% of managed ACO patients, whereas only 6.6% of current PVSC patients include those managed by an ACO. The Proposed Project will bring PVSC within the Baystate system which will allow PVSC to serve as a setting for BMC to manage ACO surgical patients. In response to staff inquiry, the Applicant provided additional information about surgical patients being managed under ACO/APM contracts. The Applicant states that PVSC has entered into contracts for Medicaid ACO business in recent years and asserts that it has resulted in a shift of GI, ENT, and hand surgery patient volume from the hospital setting to PVSC.

The Applicant reported 28.9% of BMC's GI, ENT, and hand surgery patients were managed under APM/ACO contracts in CY18³⁵. PVSC entered into a contract with Health New England's (HNE's)

³⁴ In 2016, ~75% of Massachusetts age-eligible residents had a current colorectal cancer (CRC) screening test (vs. ~67% of the eligible population screened in the United States) and ~78% over age 50 in Massachusetts have ever had a Sigmoidoscopy or Colonoscopy (vs. 70% of the US population (National Cancer Institute, State Cancer Profile)

³⁵ Contract	% of APM/ACO contracts
Blue Cross Alternative Quality Contract (BC AQC)	2.8%
Medicare Next Generation ACO	12.9%
Health New England Medicare Risk	1.8%
Health New England Fully Funded HMO Baycare	5.0%
Health New England Medicaid ACO	6.4%
Total	28.9%

Medicaid ACO, when it entered into contracts for Medicaid ACO business, and it recently entered into a new contract with HNE to accept Medicare and commercial. All patients that are part of these contractual arrangements have access to PVSC (13.2%). BMC currently tracks BC AQC and Medicare Next Generation ACO patients, through knowing the patient's primary care provider. While PVSC does not track member participation for those ACOs, the Applicant stated it is likely that patients managed under those APM/ACO contracts are already being seen by PVSC.

Analysis: Delivery System Transformation

Central to the goal of Delivery System Transformation is the integration of social services and community-based expertise. The Applicant described its SDoH screening processes including how BMC surgery patients are assessed and how referrals are made to outside organizations as well as how PVSC will modify its preoperative processes to align with BMC's. Staff finds the Applicant's SDoH screening has the potential to improve the continuity of care for PVSC surgical patients. In addition, staff finds PVSC's status as a lower-cost setting for outpatient surgery and its Medicaid ACO contracts increase the likelihood that the percentage of MassHealth patients receiving surgical services at PVSC will increase under the joint venture.

Factor 2 Summary

As a result of information provided, staff finds that the Applicant has sufficiently met the requirements of Factor 2.

Factor 3: Relevant Licensure/Oversight Compliance

The Applicant has provided evidence of compliance and good standing with federal, state, and local laws and regulations and will not be addressed further in this report. As a result of information provided by the Applicant, staff finds the Applicant has reasonably met the standards of Factor 3.

Factor 4: Demonstration of Sufficient Funds as Supported by an Independent CPA Analysis

The CPA analysis included a review of numerous documents in order to form an opinion as to the reasonableness³⁶ and feasibility³⁷ of the projections regarding the Proposed Transfer of Ownership including:

- Historical revenue and expenses of PVSC for the twelve months ended July 31, 2019.
- PVSC internal financial statements as of July 31, 2019 and for the years ended December 30, 2016, 2017, and 2018.
- Projected pro-forma revenue and expenses for the five years ending December 31, 2020, 2021, 2022, 2023 and 2024.
- PVSC internal financial and statistical report of procedures performed for the twelve months ended February 28, 2019.
- Historical volume of PVSC procedures performed by physicians for the years ended December 31, 2016, 2017, and 2018.

³⁶ Reasonableness is defined within the context of this report as supportable and proper, given the underlying information.

³⁷ Feasibility is defined as based on the assumptions used, the plan is not likely to result in insufficient funds available for capital and ongoing operating costs necessary to support the proposed project without negative impacts or consequences to the Applicant, its parties, or the patient panel.

- Historical volume of BMC ENT, GI, and orthopedic procedures performed for the years ended December 31, 2016, 2017 and 2018.
- Building rental agreement and rental amendments between 3500 Main Street, LLP ("Lessor") and PVSC as of October 25, 2002, and as amended on December 31, 2010, which extended the lease through December 31, 2028.

The CPA report analyzed the projected operations, including volume of procedures, revenue and expenses for PVSC. A review of the historical results of PVSC and projected results of PVSC following the change in ownership by the Applicant show an overall improvement in the net earnings of PVSC following the change in ownership by the Applicant.

Revenues

The CPA reviewed net operating revenues in the historical and projected financial information and results were reported in relation to the profit and loss reporting based on the number of procedures currently being performed at PVSC. Per a discussion with Management, the CPA reported an estimated capacity of procedures to be performed at PVSC to be 15,000 per year, an estimated volume increase of 5,000 procedures from July 2019 (8,452 procedures) to year 2021 volume (13,318) and an estimation that 1.23 procedures will be performed for every individual case. The CPA examined projected revenue for fiscal years 2020 through 2024 in relation to the historical results for the twelve months ended July 31, 2019 and found the operating revenues to be reasonable.

Expenses

The CPA report notes that expenses, which are based on average cost per procedure, are expected to increase in congruence with anticipated procedures performed. The CPA reviewed (1) salaries, wages and benefits, supplies and drugs, other expenses, facility expenses, and depreciation and amortization. The CPA analyzed projected expenses for fiscal years 2020 through 2024 in relation to historical volume for years ending 2016, 2017, 2018, and 2019 and found them to be reasonable.

Cash flow

Per discussion with AmSurg and BMC, the CPA reported that the two are working on finalizing an agreement whereby AmSurg and BMC will charge the joint venture a management fee amount to not exceed \$250,000 and \$30,000 per year, respectively. The CPA reports that Management fees are not attributed to patients or payers. The Applicant will not require any capital contributions throughout the years of 2020 through 2024.

Capital Expenditure

CPA reported that there will be no requirement for additional capital expenditures for years ending 2020 through 2024.

In conclusion, the CPA reports, "We determined that the projections were not likely to result in insufficient funds available for ongoing operating costs necessary to support the PVSC. Based upon our review of the projections and relevant supporting documentation, we determined the change of ownership by the Applicant and PVSC's continued operating income are reasonable and based upon feasible financial assumptions."

As a result of information provided by the Applicant, staff finds the Applicant has reasonably met the standards of Factor 4.

Factor 5: Assessment of the Proposed Project's Relative Merit

Factor 6: Fulfillment of DPH Community-based Health Initiatives Guideline

Transfer of Ownership Applications are exempt from these factors

Conditions

In order to demonstrate that Proposed Transfer of Ownership will add measurable public health value in terms of improved health outcomes, quality of life, to further demonstrate the need of the Applicant's Patient Panel, and to meet **delivery system transformation related to meeting the needs of ACO patients**, the Holder shall, on a yearly basis:

Unless otherwise noted, "surgical procedures" means the 5 top CPT codes for each (GI, ENT, and hand surgery) performed that reporting year. Such CPT codes shall be provided each reporting year.

1. Report on the shift in scheduling surgical procedures at BMC to PVSC and any resulting reduction of such procedures at BMC.
2. Report on progress in reduction of wait times for surgical procedures at both PVSC and BMC. Holder shall Report on the time interval (in days) from when the case was initiated for scheduling in EPIC, to the next available outpatient surgery appointment, across both sites. Holder shall Report on the following:
 - a) Median number of days between ordering and receipt of surgery
 - b) Any policy changes instituted as a result of Holder's evaluation of increasing days
3. Track and provide evidence of timely communications with patients' primary care providers before and after surgery, including
 - a) how information was communicated
 - b) the timeframes within which such communications took place before or after interactions with patients under the primary care provider's care.Reporting shall include reporting on PVSC current procedures to share patient data across electronic health records systems, including through its membership in PVIX.
4. Report on improvement of measures outlined in Attachment 1.

Attachment 1: Required Measures for Annual Reporting and Related Conditions

The Holder shall provide, in its annual report to the Department, reporting on the following measures. These metrics will become part of the annual reporting on the approved DoN, required pursuant to 105 CMR 100.310(A)(12).

Unless otherwise noted, “surgical procedures” means the 5 top CPT codes for each (GI, ENT, and hand surgery) performed that reporting year. Such CPT codes shall be provided each reporting year.

1. Validated patient-reported outcome measures (PROMs) related to surgical procedures, which must include, at minimum, NEFF 0427: Functional Status Change for Patients with Elbow, Wrist or Hand Impairments – National Quality Strategy Domain: Communication and Care Coordination
2. Unplanned Hospital Visits from all surgical procedures at PVSC, using Centers for Medicare and Medicaid Services (CMS) Hospital Outpatient Quality Reporting Program measure on outpatient surgery (OP-36: Hospital Visits after Hospital Outpatient Surgery)
This shall be reported by age cohorts 0-21 years, 21-64 years and 65+
3. Outpatient and Ambulatory Surgery Community Assessment of Healthcare Providers and Systems (“OAS-CAHPS”) Survey Measures
Holder shall report on the following:
 - a) Any category receiving a “Bottom Box” rating
 - b) Overall patient response rate and a breakdown of respondent rate by race
 - c) Policy changes instituted as a result of Holder’s evaluation of lower ratings
4. All cause Hospital ED visit or admission in the 30 days post procedure
 - a) Holder shall report on rate, using
 - a. Numerator: Number of patients who had an ED visit or hospital admission within 30 days of procedure date in the preceding year;
 - b. Denominator: The number of patients who had any surgical procedure.
 - b) Any policy changes instituted as a result of Holder’s evaluation around trends in hospital ED visit or admissions
5. Appropriate Follow-Up Interval for Normal Colonoscopy in Average Risk Patients (NQF measure 0658)
Holder shall report the total number of patients at PVSC receiving screening colonoscopy and the percentage with the appropriate follow up interval as specified in NQF 0658, by age, race/ethnicity
Rates shall not decrease* from baseline on, for any year

***If rates do not improve, Holder shall report on reasons why and outline plans for improvement.**

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