

STAFF REPORT TO THE PUBLIC HEALTH COUNCIL FOR A DETERMINATION OF NEED	
Applicant Name	Atrius Health, Inc.
Applicant Address	275 Grove Street, Suite 2-300 Newton, MA 02466
Filing Date	August 28, 2024
Type of DoN Application	Ambulatory Surgery Center
Total Value	\$20,777,721.00
Project Number	24061110-AS
Ten Taxpayer Groups (TTG)	None
Community Health Initiative (CHI)	\$1,038,886.05
Staff Recommendation	Approval
Public Health Council	January 25, 2025
<p style="text-align: center;"><u>Project Summary and Regulatory Review</u></p> <p>Atrius Health, Inc. (Applicant) submitted an Application for a Notice of Determination of Need (“DoN”) for the development of a freestanding ambulatory surgery center (“ASC”) to be located at 153 Second Avenue, Waltham, Massachusetts, 02451 (“Proposed Project”). The site will be operated by Atrius Health Ambulatory Surgery Center, LLC¹ (“AHASC”). The Applicant will renovate 22,000 gross square feet (GSF) of leased space to accommodate six (6) operating rooms (“ORs”) and associated clinical and administrative spaces. The capital expenditure for the Proposed Project is \$20,777,721.00. The Community Health Initiatives (“CHI”) contribution is \$1,038,886.05.</p> <p>This DoN Application falls within the definition of Ambulatory Surgery, which is 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. This staff report addresses each of the six factors set forth in the regulation.</p>	

¹ To be certified as a Medicare ASC, the Center must be operated by a legal entity that is not certified to participate in the Medicare program under any other provider category. See 42 CFR 416.2.

Background and Application Overview	3
Patient Panel	3
Factor 1: a) Patient Panel Need	6
Factor 1: b) Public health value, improved health outcomes and quality of life; assurances of health equity	11
Factor 1: c) Efficiency, Continuity and Coordination of Care	14
Factor 1: d) Consultation	16
Factor 1: e) Evidence of Sound Community Engagement through the Patient Panel	16
Factor 1: f) Competition on Price, Total Medical Expenses (TME), Costs and Other Measures of Health Care Spending	17
FACTOR 1 Summary Analysis	20
Factor 2: Cost Containment, Improved Public Health Outcomes and Delivery System Transformation	20
Factor 3: Relevant Licensure/Oversight Compliance	22
Factor 4: Demonstration of Sufficient Funds Independent CPA Analysis	22
Factor 5: Relative Merit	24
Factor 6: Community-based Health Initiatives	25
Findings and Recommendations	26
Conditions	26
Appendix 1	27

Background and Application Overview

The Applicant

Atrius Health, Inc. (the “Applicant” or “Atrius Health”) is a physician led non-profit, multi-specialty group practice serving adult and pediatric patients throughout eastern Massachusetts². The Applicant is a Health Policy Commission (“HPC”) Certified Accountable Care Organization (“ACO”); and is a member of the Fallon-Health-Atrius Health Care Collaborative, a MassHealth Accountable Care Organization (“MassHealth ACO”).

The Applicant currently has a management agreement with Atrius MSO, LLC (“Atrius MSO”), which provides Atrius with certain administrative services and non-clinical assets to support Atrius’ medical practice.³

The Proposed Project

This Application is to establish a licensed freestanding ambulatory surgery center (“ASC”) with six (6) operating rooms and associated support space located at 153 Second Avenue, Waltham, Massachusetts, 02451 (the “Proposed Project”). The Proposed Project will be an affiliate of Atrius Health and be operated by Atrius Health Ambulatory Surgery Center, LLC⁴ (“AHASC”) for which clinic licensure will be sought after approval of the Proposed Project.

The proposed ASC will be a multi-specialty clinic, initially offering surgical specialties that are currently performed by Atrius Health surgeons at other sites, including the following: otorhinolaryngology (“ENT”), general surgery, obstetrics and gynecology (“OB/GYN”), orthopedics, and podiatry. By shifting the provision of surgical procedures to the Applicant’s ASC from hospital outpatient departments (“HOPDs”) and unaffiliated ASCs, the Applicant asserts it will be able to offer its value-based care model⁵ for surgical care to its Patient Panel.

Patient Panel⁶

Table 1 includes four calendar years (“CY”), 2020-2023, of the Patient Panel and Surgical patient population for the Applicant.

² Atrius Health, Inc. (“Atrius”) is a Massachusetts Ch. 180 non-profit corporation. The sole member is Dr. Chris Andreoli, the CEO of Atrius Health.

³ Atrius MSO is owned by Collaborative Care Holdings, LLC (“Optum Care”), a subsidiary of Optum, Inc., which in turn is a subsidiary of UnitedHealth Group, Incorporated.

⁴ To be certified as a Medicare ambulatory surgery center, the ASC must be operated by a legal entity that is not certified to participate in the Medicare program under any other provider category. See 42 CFR 416.2.

⁵ The provision of high quality, low-cost care in the right setting.

⁶ 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.

Table 1: Overview of Patient Panels- FY21-FY23

Unique Patients	CY 20	CY 21	CY 22	CY 23	% Change CY 20-23
Atrius Overall	560,698	554,154	550,915	573,888	2.4%
Surgical	12,573	13,162	14,288	15,396	22.0%

The overall Patient Panel grew 2.4% from CY 2020-2023 and as discussed further under Factor 1(a), Need, the surgical patients grew 22% over the same period. During CY 2020 through CY 2022, the Patient Panel had a slight decrease of 1.7% which the Applicant attributes to the impact of COVID-19 and reductions in the number of primary care physicians. From 2021 to 2023, the Applicants' primary care provider full time equivalent ("FTEs") grew by 22.27 FTEs, leading to a total Patient Panel growth of 19,734. This includes the primary care providers that previously worked at Compass Medical and assuming 17,894 of their patients.

Table 2 summarizes elements of the Demographic profile reported; there are year over year fluctuations in the reported data, however no significant trends are noted.

Table 2: Demographic Profile of Patients- CY 20-23

	CY 20	CY 20	CY 21	CY 21	CY 22	CY 22	CY 23	CY 23
UNIQUE PATIENTS	Atrius Overall	Surgical	Atrius Overall	Surgical	Atrius Overall	Surgical	Atrius Overall	Surgical
Age								
0-18	20.8%	6.8%	20.6%	5.5%	20.6%	7.6%	19.7%	9.3%
19 - 64	60.5%	56.0%	60.0%	58.7%	59.8%	55.8%	59.9%	54.4%
65 and over	18.7%	37.2%	19.4%	35.8%	19.5%	36.6%	20.4%	36.4%
Gender								
Female	56.79%	60.46%	56.64%	60.96%	56.48%	59.53%	56.45%	59.76%
Male	43.20%	39.54%	43.36%	39.04%	43.52%	40.47%	43.54%	40.24%
Other	<0.00%	<0.00%	0.00%	<0.00%	<0.00%	<0.00%	0.01%	<0.00%
Race								
Asian	8.6%	3.3%	8.7%	3.7%	9.5%	4.4%	9.2%	4.2%
Black	7.5%	7.1%	7.6%	8.0%	7.9%	7.5%	7.6%	7.6%
Caucasian	66.2%	72.6%	65.1%	71.1%	65.1%	73.8%	65.4%	73.6%
Hispanic	5.1%	3.0%	5.3%	3.8%	5.7%	4.3%	5.9%	4.6%
Native American	0.2%	0.2%	0.2%	0.3%	0.2%	0.3%	0.2%	0.3%
Other	4.0%	10.8%	5.3%	10.1%	3.9%	6.5%	4.7%	4.8%
Declined	8.5%	3.0%	7.8%	3.0%	7.8%	3.3%	7.1%	4.9%

Gender: The mix of female to males for both overall Atrius patients and surgical patients is ~60% to ~40% with less than 0.01% in the "other" category.

Age: The majority of patients are ages 19-64 (Overall Atrius its 59.9% and Surgical its 54.4%). Pediatric patients comprise 19.7% and 9.3% of Overall and Surgical patients respectively. The 65 and over age cohort comprises 20.4% and 36.4% of Overall and Surgical patients respectively.

Race: The Atrius overall and Surgical patient populations predominately self-identify as white with slight year over year growth in patients identifying as populations of color and a decrease in number of patients declining to identify.

Table 3: Patient Origin CY 2023

CY 2023	Atrius Overall	Surgical
County		
Middlesex	35.1%	36.1%
Norfolk	23.5%	22.2%
Suffolk	12.9%	12.1%
Plymouth	10.8%	12.7%
Essex	7.4%	9.9%
Bristol	2.9%	2.3%
Worcester	1.8%	1.7%
Barnstable	1.7%	2.7%
Hampden	0.1%	0.0%
Outside Massachusetts	2.9%	0.0%
All other counties and Unknown	0.9%	0.2%

Patient Origin: Table 3 shows the patient origin information for the Applicant overall and for Surgical Patients. The majority of patients reside in eastern Massachusetts with three counties (Middlesex, Norfolk, and Suffolk) comprising the over 70% of both the overall Patient Panel and surgical patients (71.5%, and 70.4% respectively); the Applicant defines these counties as their Primary Service Area (“PSA”). With the addition of Plymouth, and Essex counties the cumulative percentages are 89.7% of Atrius’ overall Patient Panel, and 93.0% of surgical patients.

Table 4: FY ’23 Payor Mix for Atrius Overall and for Surgical Patients

Payer Type	Overall	Surgery
Medicare Risk	10.3%	33.4%
Medicaid Risk	7.8%	9.9%
Commercial Risk	47.8%	56.7%
Medicare FFS	6.6%	Not Available
Medicaid FFS	0.4%	Not Available
Commercial FFS	27.1%	Not Available

Payor Mix: 66% of the Patient Panel is covered by value- and risk-based arrangements with commercial and government payers (“APMs”). A significant portion 75% of the Patient Panel is insured by commercial payers (with ~48% being risk contracts). The Applicant does not have the data for the fee for service surgical patients in their system⁷ however 43.3% of their surgical APM patients are insured by public payers. (See Table 4)

Factor 1: a) Patient Panel Need

As described in this factor, the Applicant’s decision to add an ASC to its system was based on the Patient Panel’s historical surgical procedure volumes performed in several settings and the need to provide services that are consistent with its value-based care model.

The Applicant attributes need for the Proposed Project to the following:

1. Need to Expand Upon the Limited ASC Supply in Massachusetts
2. Need for Surgical Services Due to Growth in Population Needing Outpatient Procedures (Including the Aging Population)
3. Need to Integrate the ASC services into Atrius Health Continuum of Care.

1. Need to Expand Upon the Limited ASC Supply in Massachusetts

The Applicant cites the Health Policy Commission’s reports from June 2023 and February 2024 which found that Massachusetts has the fourth lowest per capita number of ASCs of all states, and 23 ASC ORs per million population versus a national average of 56.⁸ The Report states that one reason for this shortage is that Massachusetts enacted restrictions on new ASCs from 1971 to 2017.⁹ The lack of ASCs has resulted in the lower risk ASC appropriate surgeries being performed in HOPDs.¹⁰ In 2017, DPH modified the DoN regulations to enable HPC certified ACOs

⁷ The Applicant states “Based on the Applicant’s claims data, the Applicant is only able to provide data for the Surgical Patients under its risk contracts for whom the Applicant receives paid claims information from payers.” DoN Narrative p. 6.

⁸ *HPC DataPoints, Issue 26: Trends in Ambulatory Surgical Centers in Massachusetts*, MASS. HEALTH POLICY COMM. (Hereafter “HPC”) (Feb. 15, 2024) (<https://www.mass.gov/info-details/hpc-datapoints-issue-26>) (updating the June 2023 findings that Massachusetts has the six fewest ASCs per capita among all states), and *HPC Board Meeting 27*, HPC (June 07, 2023) (<https://www.mass.gov/doc/presentation-board-meeting-june-7-2023/download>).

⁹ *Supra*, note 8 HPC Board Meeting; *See also, Proposed Revisions of the Determination of Need Regulations 105 CMR 100.100*, MASS. DPH (Aug. 23, 2016) (available at <https://www.mintz.com/sites/default/files/viewpoints/orig/8/2016/08/Proposed-Revision-Presentation-8.23.16.pdf>); *See also*, JAY YOUMANS, ET AL., FINAL PROPOSED REVISIONS OF 105 CMR 100.00: DETERMINATION OF NEED MEMORANDUM (Jan. 11, 2017) (available at <https://www.mintz.com/sites/default/files/viewpoints/orig/8/2017/01/DPH-Final-PHC-Memo-Determination-of-Need-105-CMR-100.000-FINAL-1-11-17.pdf>).

¹⁰ *Supra*, note 8 HPC Board Meeting.

to establish ASCs in order to incentivize the formation of value-driven and patient-centered care.¹¹

Data provided by the Applicant shows that 12% of Atrius's patients receive their surgeries in an ASC and ~63% of patients receive their surgeries in a HOPD. (See Table 5) The Applicant asserts that the majority of these ~10,000 patients receiving procedures in an HOPD, do not need to be treated in a higher acuity hospital-based setting, and that this reflects the previously cited lack of ASC resources in Massachusetts.

The HPC examined the existing ASC's and the specialties offered in its *Issue 26: Trends in Ambulatory Surgical Centers in Massachusetts* which highlighted the lack of ASC capacity by specialty. Staff notes that among the specialties showing need were ENT, Orthopedics, and OB/GYN, specialties the Applicant intends to provide. For example, HPC found that for ENT, of the ASC-eligible procedures only 8% of Commercial and 7% of MassHealth procedures were performed in an ASC; similarly, for Orthopedic procedures, 15% and 9% respectively of Commercial and MassHealth ASC-eligible procedures were performed in that setting and for Reproductive Health, the percentages were lower, 5% and 2% respectively. As discussed further in Factors 1 and 2, this lack of access to ASCs has implications for cost, quality, equity, and coordination of care.

The Applicant also asserts that another indication of the lack of ASC resources is that the Atrius Health surgeons are often unable to secure operating room time at other ASCs, and instead perform procedures in hospital settings or refer patients to specialists outside Atrius Health. These actions can negatively impact the cost and outcomes of care, since as discussed in Factor 1 (b), (e) and (f), HOPDs cost more, and referrals out of the integrated Atrius network can also result in more fragmented care. With Project Approval, the Applicant states not only will the ASC increase OR capacity in eastern Massachusetts, it will also lower the cost of care for the Patient Panel thereby contributing to the Commonwealth's cost containment goals.

The Applicant states that it selected the Waltham site because of its central location and proximity to major access routes so that it is within a 30-minute drive for over 70% of its patients needing surgery.¹² The Applicant states that currently there are four (4) ASCs in Waltham; two of the ASCs only offer ophthalmology surgery, one only offers fertility services; and the fourth offers orthopedics and podiatry services. (Staff also identified a clinic that performs pain management procedures.) Two additional ambulatory surgery DoN's have been approved but are not yet operational (one is an HOPD); across the two, they will offer spine, orthopedic, podiatry, general surgery, and pain management.¹³ This Proposed Project will offer ENT, OB-GYN, General Surgery, Orthopedic and Podiatry.

¹¹ *Supra*, note 9 FINAL PROPOSED REVISIONS OF 105 CMR 100.00

¹² The Department does not have a need-based methodology for ASCs that is regionally or population based.

¹³ On March 13 2024, the Department approved project number MGB-23120412-AM for the addition of three ORs at Mass General Waltham (52 Second Ave, Waltham) which will result in a total of 13 OR's at that multi-specialty Hospital Outpatient Department (HOPD). In June 2024 the Department approved the expansion of Boston

Table 5: Location of Surgery ¹⁴

Location of Surgery	CY 18	CY 19	CY 20	CY 21	CY 22	CY 23	CY 23 % of total	CY 18-23 % Change	Jan-Mar 2024
ASC	974	1,035	863	1,048	1,584	1,971	12.1%	102.4%	508
OP Hospital	10,212	9,905	7,744	8,735	9,771	10,225	63.0%	0.1%	2,653
Total	11,186	10,940	8,607	9,783	11,355	12,196	75.1%	9.0%	3,161
IP Hospital	4,820	4,386	3,564	2,956	2,432	2,507	15.4%	-48.0%	645
Other ¹⁵	1,292	1,366	1,153	1,276	1,682	1,537	9.5%	19.0%	614
Total	17,298	16,692	13,324	14,015	15,469	16,240	100.0%	-6.1%	4,420

2. Need for Surgical Services Due to Growth in Population Needing Outpatient Procedures- Including the Aging Population

As the demographic information shows the number of the Applicant's unique patients needing surgeries has grown faster (22%) than the overall Patient Panel which has grown just 2.4%. Consistent with national trends, inpatient procedures have shifted to the outpatient setting. Table 5 shows a decline in inpatient surgical procedures from calendar years ("CY") 2018 to 2023 of 2,313 cases (48%). During the same timeframe, overall growth in outpatient procedures was 9%. The Applicant shows a large increase in ASC use from 974 to 1971 procedures (104%).

Table 6 shows the mix of surgical cases by specialty from CY 2018 and 2023. Other than a decline which the Applicant attributes to COVID, over the years there have been minor fluctuations in the volumes by specialty. The annualized January-March 2024 procedure volume of 17,680 places the Applicant on a trajectory to exceed the 2018 volume.

Table 6: Surgical Cases by Specialty¹⁶

Specialty	CY 2018	CY 2019	CY 2020	CY 2021	CY 2022	CY 2023	Jan-Mar 2024
ENT	2,267	2,319	1,517	1,628	2,067	2,475	649
General Surgery	4,576	4,379	3,650	3,715	3,866	4,178	1,157
Orthopedics	7,486	7,026	5,960	6,201	6,827	6,800	1,851
Podiatry	746	757	484	572	556	568	172
OB-GYN	2,223	2,211	1,713	1,899	2,153	2,218	591
Total	17,298	16,692	13,324	14,015	15,469	16,240	4,420

Outpatient Surgical Suites; it provides orthopedic, spine, podiatry, and general surgery and pain management procedures, and is expanding from 3 to 8 ORs.

¹⁴ The Surgical Case data only includes Atrius Health risk patients.

¹⁵ "Other" represents surgical procedures that did not have a facility claim associated with them.

¹⁶ The Surgical Case data only includes Atrius Health risk patients.

The majority of surgical procedures are ordered for patients who are 50 years and older due to the higher incidence of age-related conditions that benefit from such procedures. The largest segment of the Commonwealth's population growth is attributed to residents within the 50+ age cohort.ⁱ The University of Massachusetts Donahue Institute's *Long-Term Population Projects for Massachusetts Regions and Municipalities*, projects the number of residents ages 65 or older that reside in Atrius Health's Primary Service Area¹⁷ will increase 29% from 2020 to 2030. From 2020 through December 2023, the number of Patient Panel patients over the age of 50 grew by 9,463 or 4.3%, while the population under the age of 50 grew by 3,727, or 1.1%. The Applicant's surgical patients over the age of 50 account for 62.4% of surgical patients. (See Table 7). As this number grows the need for ASC-appropriate surgeries will continue to grow. Accordingly, the Applicant asserts the Proposed Project will allow the Applicant to address the needs of its aging Patient Panel through improved access to ASC services.

Table 7: Surgical Patients Under and Over 50 Years of Age

	Total	Under 50	Over 50	50+ % of Total
CY 2020	12,573	4,611	7,962	63.3%
CY 2023	15,396	5,783	9,613	62.4%
Change CY 2020 - 2023	2,823	1,172	1,651	-

3. Need to Integrate the ASC services into Atrius Health Continuum of Care.

In 2022, 56% of the surgical patients covered by risk products received care from surgeons outside of Atrius Health. Since over half of patients are covered under risk contracts where the Applicant is fully responsible for a patient's care, the Applicant has a need to gain control of spending. Generally, cost of care that goes outside the network is not as predictable as when care is delivered within the network.

Additionally, the Applicant asserts that patients leaving the network are more likely to experience more disjointed patient care experiences because often patients must:

1. navigate a different set of providers where they have a time-bound limited, relationship;
2. coordinate medical records sharing among outside providers and their Atrius Health team;
3. undergo repeat diagnostic testing due to inefficient or lack of medical record-sharing; and
4. ensure follow-up with their Atrius Health primary care provider on their own.

As discussed in more detail under factor 1(c) the Proposed ASC will have integrated systems to facilitate continuity of patient care, efficiency, and cost savings across Atrius Health's Patient Panel and physician practice. This will mean that a patient's care team has timely access to

¹⁷ Essex, Middlesex, Norfolk, Plymouth, and Suffolk Counties

identical clinical information, which will reduce the need for additional labs, testing, and other pre-surgical work often required before the surgical procedures are performed at non-Atrius Health facilities.

Projections

Upon staff inquiry, the Applicant further explained their methodology, and justification for six (6) ORs. The Applicant states it reviewed the current mix of appropriate surgical cases for their planned specialties (currently performed at alternative sites) and made assumptions on expected case migration based on eligibility criteria, such as clinical appropriateness and comorbidities.

The Applicant projects that 1,264 cases would migrate from non-Atrius ASC's,¹⁸ 4,242 from HOPD, and 727 from HIPD (total of 6,233) to the Proposed ASC by year 2. It then calculated the estimated number of hours for the types of cases planned (9,984). (See Table 8)

Table 8: Year 2 Projected Volume and Hours

Projected Procedure Volume	Projected Hours Needed
6,233	9,984

The utilization rate of 83%ⁱⁱ in the second year of operation calculates to ~10,000 hours which indicates that 6 ORs are needed to accommodate the projected hours. (See Table 9)

Table 9: ORs Needed to Meet the Projected Volume at 83% Utilization

# ORs	Hours / Day	Capacity / Day Hours	Work Days / Year	Annual Capacity Hours	Utilization 83% Hours
6	8	48	251	12,048	10,000

Based on the projected case volume, the Applicant determined that by year three of the Proposed ASC, it anticipates the case volume will support and maintain six (6) operating rooms.

Table 10. Projected Cases Volume by Year¹⁹

	CY 2026	CY 2027	CY 2028	CY 2029	CY 2030
Projected Cases	3,428	6,233	6,358	6,485	6,615

¹⁸ ASC's not owned by Atrius. Atrius does not own any ASCs.

¹⁹ The timeline is best on current projections. It is expected that AHASC will be opening in the beginning of 2026 and will not be open for the entire calendar. The timeline for opening is dependent on regulatory and permitting being completed within projected timeline.

The Applicant projects that volume of ASC procedures needed will increase year-over-year and estimates that the projected case volume for the Proposed Project will follow a gradual ramp up of cases during the first few years as cases shift from their current sites (HOPDs, hospital inpatient departments, and non-affiliated ASCs) to the Proposed Project. It also projects a modest 2% organic growth due to the demographic shifts and advances in medical technology that will allow more procedures to be safely performed in an outpatient setting. (See Table 10)

Analysis

Based on information provided by the Applicant, Staff calculated the average hours per case (1.6²⁰) and multiplied that by the projected cases to gain total hours. (See Table 11). Starting in FY 2028 (year 3) the utilization rate increases above the Applicants 83% benchmark (10,000 hours), but never exceeds 90%. When asked about the high utilization rates in the projections the Applicant stated that in the future, the Applicant will consider its options for adding capacity as the need arises and that the location has additional space that could be used for ORs.

Table 11: Utilization Rate for Each Year Based on Projections in Table 10

	CY 2026	CY 2027	CY 2028	CY 2029	CY 2030
Projected Cases	3,428	6,233	6,358	6,485	6,615
Projected Hours ²¹	5,485	9,973	10,173	10,376	10,584
Utilization Rate	46%	83%	84%	86%	88%

Staff notes that having available high quality, lower cost sites of care for lower acuity cases will free up surgical capacity for approximately 5,000 cases annually in acute hospital settings for patients with higher acuity who need resources for their care.

The development of technology that enables minimally invasive procedures and advancements in anesthesia have both contributed to increased migration of surgical to outpatient care.ⁱⁱⁱ Anticipated additional advances in medical technology and favorable regulatory treatment by third party payers will increase the number and types of cases that can be performed in an ASC. Center for Medicare Services added 26 new procedures that are separately payable in the ASC setting and in January 2023, and in 2024, 172 procedures were added.²²

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

In this section the Applicant must demonstrate that the Proposed Project adds measurable public health value in terms of improved health outcomes and quality of life for the Applicant's existing patient panel, while providing reasonable assurances of health equity.

²⁰ Table 8 Projected hours needed /total projected cases.

²¹ Cases multiplied by the average hours per case.

²² See Beckers ASC review

In addition to reducing costs by shifting care from HOPDs to ASCs, patient care outcomes in an ASC have been documented to have several quality related advantages relative to services performed in a HOPD. Infection rates for procedures performed in ASCs are significantly lower than that of hospital outpatient departments, and morbidity and mortality following ASC procedures is favorable.^{iv} ASC patients are less likely to revisit the hospital within one-week of surgery compared with those treated in a HOPD.^v Similarly, hospital readmission rates at the 30 and 90 day marks post-surgery are lower for ASC patients compared with patients treated in hospitals.^{vi} Surgeries performed in an ASC are generally shorter and patient recovery time is faster than cases performed in a hospital.^{vii} By only accommodating scheduled procedures, ASCs are not as affected by the schedule disruptions that can occur in a hospital setting. Further, hospital-based operating rooms also must be equipped to accommodate complex cases.^{viii}

The Applicant's ASC will be Medicare certified and accredited by The Joint Commission and the Accreditation Association for Ambulatory Health Care. The applicant states that these enhanced quality outcomes of ASCs will provide positive surgical experience relative to surgeries performed in a hospital setting and provide increased patient convenience.

Public Health Value - Health Equity-Focused

The Applicant states that it is committed to serving a diverse patient population and strives to address the needs of individuals who may be at risk for poor health as a result of financial, cultural, social, and other conditions. It asserts that its historical efforts of advancing health equity described below will be applied to the proposed ASC which will increase access to high quality surgical care for all patients.

Atrius Health's model of care is focused on the individual, regardless of payer source or ability to pay; it has a financial assistance program that works with patients who have difficulty paying for care. Atrius Health participated in Medicaid (MassHealth) as one of the few provider groups in the state in a full-risk arrangement with MassHealth well before the launch of the MassHealth ACO program in 2018. Atrius Health participates as the ACO Partner in the MassHealth ACO plan, Fallon Health - Atrius Health Care Collaborative. Since the launch of the MassHealth ACO program in 2018, the Applicant's MassHealth population has almost doubled; and it has one of the highest rates of voluntary attribution amongst the other ACOs; during the COVID Public Health Emergency ("PHE") it saw a 40% growth in its MassHealth population.²³ With the lift of the PHE and reinstatement of the MassHealth redetermination process there was an 8% decrease in MassHealth population;²⁴ however this is a smaller decrease than what has occurred across the Commonwealth.²⁵ Under the newest MassHealth ACO model, Atrius Health has improved and expanded connections to services addressing health-related social,

²³ Atrius Health MassHealth Monthly Membership Roster, February 2028 - April 2023

²⁴ Atrius Health MassHealth Monthly Membership Roster, April 2023 - May 2024

²⁵ *MassHealth Redetermination Dashboard* (May 2024) <https://www.mass.gov/info-details/masshealth-redetermination-dashboard>

long-term care, behavioral health, and care management needs of its MassHealth patient population.

Additionally, to improve access to and coordinating care for the 65 and over population enrolled in Medicare, Atrius Health participates in Medicare alternative payment models, such as the Medicare Shared Savings Program and Primary Care First.

Building upon this experience, the Proposed ASC will contribute to Atrius Health's efforts to care for fixed income and underserved populations by making outpatient surgeries more accessible and at a lower cost so that patients with significant cost-sharing as part of their health insurance plans will see reduced out-of-pocket expenses. Accordingly, the Proposed ASC will help address inequities in access and cost of care.

This need to increase access via lower costs is supported by the HPC findings from an analysis of the CHIA 2019 Massachusetts Health Insurance Survey, which indicates that among Massachusetts commercially insured patients with lower incomes, 59.3% had trouble accessing care due to cost; and that lower-income residents disproportionately forgo needed care.²⁶

Cultural differences among its Patient Panel and staff are respected and honored through a robust DEI (diversity, equity, and inclusion) program, which provides training to staff on cultural and socioeconomic differences to help address disparities and inequities in patient care. The Applicant works to hire and retain medical staff and leadership that is culturally diverse and will ensure the staff performing surgeries will be trained to provide respectful, compassionate, and empathetic care to all patients consistent with Atrius Health policy and its DEI program. The Applicant's Atrius Health Interpretive Services Department²⁷ provides patients and families interpreter services in 240 spoken languages as well as American Sign Language. These services are coordinated by Atrius Health staff and will be made available for the Proposed ASC.

The Applicant has a Health Equity Steering Committee that is charged with monitoring health disparities and establishing plans to reduce inequities and improving equitable access to services for all Atrius Health patients. The Committee's broad scope includes all services, including those to be provided by the Proposed ASC. The health equity program enacted under the MassHealth ACO program, is focused on reducing health disparities through improving the IT infrastructure for better collection and reporting of race, ethnicity, disability, sexual orientation, and gender identify data; implementation of clinical and non-clinical intervention to address health disparities among patients with disabilities, hypertension and/or diabetes; and establishment of organizational structures to address health equity awareness through diversity, equity, and inclusion training including implicit bias and LGBTQIA+ competency trainings.

To improve care and services for Atrius Health LGBTQIA+ adult patients, in March 2024, Atrius Health launched Pride+ Care, with a program team that includes primary care clinicians,

²⁶ 2021 Annual Health Care Cost Trends Report, HPC (Sep. 2021) (<https://www.mass.gov/doc/2021-health-care-cost-trends-report/download>).

²⁷ It is offered at all sites via free telephonic, video, or in-person interpreter services through a third-party vendor.

behavioral health providers, and a care facilitator that specializes in LGBTQIA+ and gender affirming care. The Pride+ Care program created systemic changes at Atrius by updating care flows to include more affirming language, training all staff at pilot sites in LGBTQIA+ inclusive care practices, and building off of prior EMR enhancements to include sexual orientation and gender identity (SOGI) data collection to ensure communication practices and processes were inclusive and affirming. By linking patients with expert clinicians and offering customized services, the practice aims to elevate engagement, experiences, & health outcomes within the LGBTQIA+ communities.

Atrius Health has instituted Social Needs Screening protocols across its primary care practice. One important benefit of the proposed ASC will be that the results of social needs screening – and all other medical history and information – will be immediately available to clinical staff via an integrated medical record. This means that ASC patient’s social care needs can be seamlessly incorporated into a care plan development. The Applicant states that the social work team also provides assistance arranging transportation for patients that need it and had the resources to accommodate an increase in demand for the services.

Analysis

The Applicant provided a description of its initiatives to improve access and to provide screenings and assistance with SDOH issues that patients may have. Additionally, the Applicant provided several measures to track in order to assess the impact of the Proposed Project which are found in Appendix 1. The Applicant will track and report the measures as part of their annual reporting.

Staff has reviewed and concurs that the Proposed Project will add to public health value in terms of improved access, health outcomes and quality of life and improve health equity for the Patient Panel.

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

In addition to better quality outcomes, ASCs offer greater clinical and operational efficiencies compared to HOPDs²⁸ since they focus on performing a subset of surgical procedures in a limited number of medical specialties, and they provide care for specific categories of lower-acuity surgical cases. This limited scope of care, allows staff to organize services and specialize in those procedures resulting in shorter procedure times, greater efficiencies and lower costs than HOPD settings.^{ix} There is also improved scheduling and shorter wait times as compared to

²⁸ See, *supra* note 8 Board Meeting (ASCs provide comparable care to patients than an HOPD but at a lower price for patients, there is not a variation in quality as there is a variation in price.)

hospitals which experience delays in scheduled procedures when emergency surgeries occur.
x,xi,xii, 29

To achieve operational efficiencies at the Atrius ASC, AHASC will have a management agreement with an experienced national manager of ASC's, Surgical Care Associates, Inc. ("SCA"). (SCA will not have any ownership shares in the ASC.³⁰) SCA will apply its experience to ensure the ASC has cost effective and efficient supply chain processes and achieves economies of scale. There will be quality clinical support with a wide range of reporting, quality assurance, risk management, and benchmarking tools. The ASC will be a purpose-built facility that is designed for building efficiencies such as efficient staff and patient flow, and that is compliant with best practice for infection control.

The Applicant states that care at the ASC will be coordinated with primary and specialty care through an integrated EMR, to facilitate a more effective and efficient patient experience, from referral through discharge. The integrated EMR will facilitate the delivery of efficient and effective care by facilitating communication among the entire care team with note sharing, timely access to the patients' medical record, tests ordered and results, thereby facilitating diagnosis and treatment. The Applicant's surgeons will easily share operative notes and post-operative discharge instructions with the Applicant's primary care physicians so both physicians may track the patient post-discharge. This will improve efficiency and continuity of care by easing coordination of visits to multiple providers. Also, the ASC will fit into the Applicant's "broader clinical eco-system", which includes strong existing clinical integration with several local hospitals and home health services.

As a result of consolidating surgical cases into a single facility, Atrius Health will gain cost savings (described further in Factor 1(f)) through operational efficiencies, and patients will benefit from enhanced care coordination and practice efficiency.

Analysis

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 support better patient outcomes.^{gg} Successful care coordination includes strong communication and effective care plan transitions among providers and the provision of clear and simple information that patients can understand.^{ee} Effective care coordination can improve patient experience, increase patient safety and reduce

²⁹ *Minutes of the Health Policy Commission 3 – 7*, HPC (Jun. 07, 2023) (<https://www.mass.gov/doc/minutes-from-june-7-2023-board-meeting/download>) (there is a need for more ASCs to provide better access to hospital-based care without having to wait for openings at a hospital).

³⁰ SCA was acquired by Optum in 2017 for \$2.3B; SCA Health has [grown](https://www.beckersasc.com/asc-news/optum-vs-tenet-comparison-of-asc-networks.html?utm_campaign=asc&utm_source=website&utm_content=most-read) from owning 186 ASCs in 2019 to 320 in 2023. https://www.beckersasc.com/asc-news/optum-vs-tenet-comparison-of-asc-networks.html?utm_campaign=asc&utm_source=website&utm_content=most-read

medical errors.^{ff} Uniform, integrated IT systems that include scheduling, EHR and patient communication tools, are timesavers which improve efficiencies. Accordingly, staff find that the Proposed Project will create efficiencies through the support of continuity and coordination of care initiatives for the Patient Panel.

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^{xiii} 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."^{xiv}

The Applicant engaged the community to elicit feedback from patients and its physicians regarding the Proposed Project through its Patients and Family Advisory Council (PFAC) and through meetings with various elected officials.

The Proposed Project was presented to the Atrius Health PFAC on November 6, 2023. The presentation included an overview of the ASC and the proposed specialty services. It included a discussion of the implications for patients having surgical services provided locally and internally to Atrius Health, including improved coordination of care and access to high quality, lower-cost surgical services.

Feedback from members of the PFAC was enthusiastic and supportive of the ASC. There was an active discussion where the PFAC members asked questions and provided input and feedback on the Center. Questions focused on the location and accessibility of the Center; the services to be offered at the Center compared to their current sites; which patients could access these services; the integration of the ASC into Atrius Health's model of care; the Proposed Project's implementation time and requirements to open the Center. Members said that they believed that it was consistent with Atrius Health's approach to providing a wide array of services under a single umbrella, that it would enhance convenience for patients and provide benefit to the community.

The Applicant also engaged other local stakeholders including the Mayor of Waltham, Jeanette A. McCarthy, as well as the office of State Senator Michael Barrett and State Representative Thomas Stanley, both of whose districts include the City of Waltham. All were supportive of the Proposed Project.

Analysis

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

Factor 1: f) Competition on Price, Total Medical Expenses (TME), Costs and Other Measures of Health Care Spending

The Applicant asserts that consistent with the HPC's 2024 Report: Trends in ASCs in Massachusetts³¹ and 2023 Cost Trends Report³² and DPH's 2017 changes to the DoN regulation allowing for applicants to file for new or additional ambulatory surgical capacity³³, the Proposed Project will compete based on price, total medical expense ("TME"), provider costs and other recognized measures of health care spending because it will provide a lower cost alternative to higher cost HOPDs for the same surgical procedures.³⁴

The Applicant has a demonstrated commitment to the Commonwealth's cost containment goals. The HPC 2021 Annual Cost Trends Report found the Applicant was one of the lowest spending providers on low-value services³⁵ as compared to its peers.^{36,37} In spring 2023, the HPC also reported that the Applicant was among three provider groups with the lowest unadjusted total medical spending per member per year from 2015-2021.³⁸

³¹ *Supra*, note 8 HPC DataPoints.

³² See, 2023 Annual Health Care Cost Trends Report and Policy Recommendations 28, HPC (Sep. 2023) (<https://www.mass.gov/doc/2023-health-care-cost-trends-report/download>) (finding that most prices for most ambulatory services provided in HOPDs typically exceeded the Medicare-based benchmark, most care delivered in HOPDs can be safely provided in ASCs, and that payments for ASCs are typically lower than for hospitals for the same procedure).

³³ See, *supra* note 9 Youmans; See also, *supra* note 8 HPC DataPoints, at "Regulatory environment."

³⁴ THE MEDICARE PAYMENT ADVISORY COMMISSION, MARCH 2022 REPORT TO THE CONGRESS: MEDICARE PAYMENT POLICY, CHAPTER 5: AMBULATORY SURGICAL CENTER SERVICE 168 (Mar. 15, 2022) (available at <https://www.medpac.gov/document/march-2022-report-to-the-congress-medicare-payment-policy/>) ("evidence suggests that ASCs are a lower-cost setting than HOPDs. Studies that used data from the National Survey of Ambulatory Surgery found that the average length of time for ambulatory surgical visits for Medicare patients was 25 percent to 39 percent shorter in ASCs than in HOPDs, which likely contributes to lower costs in ASCs" (citing Hair et al. 2012, Munnich and Parente 2014)); See also, *supra*, note 8 HPC DataPoints; See also, *infra* note 16.

³⁵ *Id.* At 64 ("Low value care (LVC) refers to medical services recognized by clinicians as not based on evidence and typically unnecessary for any patient, based on research compiled in the Choosing Wisely® recommendations"), and THE MEDICARE PAYMENT ADVISORY COMMISSION, MARCH 2021 REPORT TO THE CONGRESS: MEDICARE PAYMENT POLICY, CHAPTER 3 HOSPITAL INPATIENT AND OUTPATIENT SERVICES 55 (Mar. 15, 2021) (available at <https://www.medpac.gov/document/march-2021-report-to-the-congress-medicare-payment-policy/>).

³⁶ 2021 Annual Health Care Cost Trends Report Chartpack 59, HPC (Sep. 2021) (<https://www.mass.gov/doc/2021-cost-trends-report-chartpack/download>).

³⁷ 2022 Health Care Cost Trends Report and Policy Recommendations 69, HPC (Sep. 2022) (<https://www.mass.gov/doc/2022-cost-trends-report-chartpack/download>).

³⁸ *Supra*, note 8 Board Meeting at 56-57.

The Applicant stresses that a “foundational element” of its ability to control costs while ensuring high quality is the ability to offer a range of services within its own physician practice, thereby minimizing the need to send patients to more expensive hospital-based or hospital-affiliated providers where reimbursement rates and patient cost sharing are higher.³⁹ The Applicant’s system of integrated primary, specialty and ancillary services enables the Applicant’s providers to refer patients within the Applicant’s network, as clinically appropriate, and in accordance with patient preferences, allowing for highly coordinated care in the lowest cost setting possible. This care model forms the foundation for the Applicant’s long and successful history of participating in value- and risk-based arrangements with commercial and government payers (referred to alternative payment arrangements or “APMs”).

The Applicant states that sixty-six percent of the Patient Panel participates in APMs; and under most of these arrangements, the Applicant is fully accountable for all care and treatment rendered to its patients. The Applicant adds that by adding the Proposed Project to the Applicant’s continuum will ensure that it continues to drive value under the APMs and achieve cost savings that will flow back to payors, patients and the Commonwealth.

The Applicant provided its analysis of cost savings from the Proposed Project where it finds that the Proposed Project will generate a significant savings from shifting the site of appropriate surgical cases from higher cost HOPDs and HIPDs to the proposed ASC, which will further lower its TME. In aggregate, the Proposed Project is anticipated to reduce medical expenses by performing cases in a single facility, which will allow Atrius Health to gain operational control and efficiencies, thereby generating cost savings and benefitting patients. Based on the Proposed Project case volume projections in Table 8, by the second year of operations, the Applicant anticipates that 11% of the Surgical Services will be from hospital inpatient setting, 68% of cases from a HOPD, and 20% from other ASCs to the Center. Looking at relative prices on surgical services claims data and the Proposed Project’s anticipated volume, the Applicant has estimated cost savings in the second year of Proposed Project will be \$15.9 million annually, with the vast majority of savings (89% or \$14.1 million) coming from shifting cases from an HOPD to the Center. These cost savings will continue throughout the projection period and will have a positive impact on patients, who will have reduced cost sharing for surgical services at the proposed ASC, and both governmental and commercial payors. The Applicant hopes that the Proposed Project will contribute to the ability to maintain and/or lower insurance premiums and positively contribute to lowering the health cost benchmark for the Commonwealth.

Analysis

Because Medicare reimbursement rates for ASCs are lower than HOPDs, “the cost to Medicare (and the taxpayers who fund the program) is lower when a surgical procedure is performed in an ASC rather than an HOPD ”^{xv} according to the *March 2024 Report to the Congress: Medicare Payment Policy* section concerning ASCs. In Massachusetts, as reported in the Health Policy

³⁹ As demonstrated by the cited HPC reports.

Commission's ("HPC") *DataPoints* focusing on ASC trends⁴⁰, prices in ASCs are generally "far lower" than in HOPDs across commercial insurers, MassHealth, and Medicare; in 2021, they ranged from 27% to 57% lower in ASCs for the commercial population for common surgeries.⁴¹ The HPC attributes these lower prices primarily to lower facility payments in ASCs.

Annual savings to the Medicare program and its beneficiaries increased steadily from \$3.1 billion in 2011 – to \$4.2 billion in 2018;⁴² and a recent study from 2020 projects Medicare savings from 2019 to 2028 of \$73.4 billion, with increases in projected annual savings from \$4.3 billion in 2019 to \$12.2 billion in 2028.⁴³

Studies also address ASC cost savings that are attributable to procedure length.^{xvi} Researchers have found that outpatient procedures in ASCs are substantially faster than HOPDs, and that these shorter procedure times are attributable to operating efficiencies and lead to cost reductions.^{xvii} According to the data, procedures performed in ASCs take, on average, "31.8 fewer minutes than those performed in hospitals – a 25% difference relative to the mean procedure time."^{xviii} Consequently, an ASC will be able to perform more procedures per day than a HOPD with the same number of staff and of operating and recovery rooms.^{xix} Researchers estimate the associated cost savings at \$363 – \$1,000 per outpatient case. On an annual basis, ASCs perform more than 7 million procedures for Medicare beneficiaries requiring same-day procedures and by specializing in specific procedures, ASCs are able to maximize efficiency and quality outcomes for patients^{xx} which lead to cost savings.

As noted earlier, depending on the specialty and payer, currently only a small percentage of eligible procedures are performed in ASC's (ranging from ~2% to ~15%) in Massachusetts according to the HPC.^{xxi} While not quantified, with greater ASC capacity, the potential for cost savings for patients and insurers, public and private are significant.

The addition of ASC services within the Atrius network will allow for better communication and more coordinated care within the Patient Panel. This is better for the patients and better for the financial success of value-based programs by reducing unnecessary repeat testing, inpatient surgeries, readmissions, and the overall cost of care which has been cited within the literature and studied by the HPC, and the percentages are even smaller for MassHealth patients.

Thus, the Project will likely have a positive impact on the Massachusetts healthcare market through the expansion of operating efficiencies, cost reductions in overall care, and ultimately total medical expense (TME).

⁴⁰ HPC Datapoints, *supra* note 8.

⁴¹ *Id.*

⁴² ASCA Medicare Costs Report, *supra* note 42, section on Past Savings (Appendix B – Table 1) ("During the eight-year period from 2011 to 2018, the total FFS Medicare savings generated by ASCs was \$28.7 billion. The savings per year increased from \$3.1 billion in 2011 to \$4.2 billion in 2018."); *see also*, ASCA Report, *supra* note 1 (noting average annual increases of \$2.6 billion per year prior to 2011); *The ASC Cost Differential*, *supra* note 39.

⁴³ ASCA Medicare Costs Report, *supra* note 42, section on Future Savings (Appendix B – Table 2).

FACTOR 1 Summary Analysis

Staff finds that maintaining patients within the Atrius practices allows them to experience lower cost-sharing and avoid administrative inefficiencies associated with external referrals and disruptions to care, and has the potential to improve quality of care, such as shorter recovery times, and lower infection and readmission rates, as cited above in Factor 1(b) public health value of ASCs.

Staff finds that by increasing the supply of operating rooms that serve several specialties, the Proposed Project will reduce wait times and secure access to ASC care for its patients. The changing technology, improvements in anesthesia and surgical techniques have led to increasing numbers of procedures being added to the Medicare ASC eligible list annually making it difficult to predict optimal numbers of ORs. Given that Massachusetts is currently under-resourced with respect to ASC's relative to all but three other states, it is reasonable to consider ASCs as a resource for a larger service area than for example a PCP. The 30-minute drive time that the Applicant used has been a benchmark for outpatient health care services planning policymakers.⁴⁴

As a result of information provided by the Applicant and additional analysis, staff finds that the Applicant has demonstrated the Proposed Project meets Factors 1(a-f).

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

Cost Containment

One of the Commonwealth's primary goals for cost containment is to provide low-cost care without sacrificing high quality.⁴⁵ As discussed in this Application, under Factor 1(f), the Proposed Project will contribute directly and meaningfully to the Commonwealth's cost containment goals by improving the availability and accessibility of lower cost surgical services as an alternative to higher cost, hospital-based services. ASC reimbursement rates are ~48% of the amount paid to HOPDs⁴⁶ suggesting that if half of all eligible surgical procedures were shifted to the ASC from a HOPD, Medicare would save \$2.5 billion annually.⁴⁷ Other citations in Factor 1 show similar savings, including and a recent study from 2020 projects Medicare savings from 2019 to 2028 of \$73.4 billion, with increases in projected annual savings from \$4.3 billion in 2019 to \$12.2 billion in 2028.

⁴⁴ <https://www.mass.gov/info-details/health-care-capacity-interactive-dashboard>

⁴⁵ 2023 Annual Health Care Cost Trends Report and Policy Recommendations 2, HPC (Sep. 2023) (<https://www.mass.gov/doc/2023-health-care-cost-trends-report/download>) ("Policymakers should not settle for a false choice between a high-quality health care system and an affordable one").

⁴⁶ See, Medicare CY 2018 Outpatient Prospective Payment System (OPPS) Final Rule Claims Accounting, CMS (2017) (<https://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/HospitalOutpatientPPS/Downloads/CMS-1678-FC-2018-OPPS-FR-Claims-Accounting.pdf>).

⁴⁷ *Id.*

The Applicant is recognized for its strength in managing TME and minimizing the use of low-value services.⁴⁸ As such, the Applicant states the Proposed Project will help ensure that as a non-hospital health care provider, it continues to deliver timely, connected and coordinated care to its patients in a lower-cost community setting.

Public Health Outcomes

As discussed in Factor 1(a), (b) and elsewhere in the Application, with the additional ASC capacity leading to more timely access, and surgical options within the Atrius physician group, treatment will be better coordinated and result in improved patient experience and public health outcomes. This will address the increasing need for ASC services as more procedures are deemed appropriate for the ASC setting and will particularly benefit the aging population.

Delivery System Transformation

The Applicant states that Atrius Health aims to consistently provide culturally competent care to its entire patient population and that its emphasis on diversity, equity, and inclusion (DEI) guides major decisions made by the organization. Atrius Health patients speak dozens of languages; as noted above, interpreter services are available to make sure that patients fully understand procedures and other components of their care plans.

Atrius Health trains staff regularly to honor and respect patients of all cultural, racial, and ethnic backgrounds, seeking to improve their cultural competence. For example, in 2023 all staff completed implicit bias training. In addition to trainings, Atrius Health offers DEI resources on its Intranet, available to all staff.

The Applicant asserts that it routinely screens for health-related social needs in its pediatric and adult populations; when patients screen positive, they are connected to internal and external resources (e.g., social work; community health worker; community services using the FindHelp community resource directory), including but not limited to those specific to an aging population. For its MassHealth ACO population, Atrius Health has established partnerships with social services organizations including Community Servings, Just Roots, and the Massachusetts Housing Coalition. The screening and care liaison practices will be integrated into the Proposed Project and fully available to all eligible Atrius Health patients.

In addition, Atrius Health has implemented EMR capabilities to capture patient-reported sexual orientation, gender identity, race, ethnicity, and language data more accurately and in greater detail to help better identify and reduce disparities.

Analysis

Staff notes that there are many cited studies documenting the cost savings in the ASC setting. The HPC looked at 8 procedures commonly performed in both HOPDs and ASCs; five are within

⁴⁸ HPC Board Meeting 27, HPC (June 08, 2022) (<https://www.mass.gov/doc/presentation-board-meeting-june-8-2022/download>).

those specialties at the Applicants Proposed ASC.⁴⁹ Prices for commercially insured patient in the ASC setting were substantially less in the ASC than in the HOPD ranging from -57% to -27%. MassHealth prices for the same procedures were significantly lower in both settings but in the ASC setting savings ranged from -67% to -26% depending on the procedure.

Under a risk-based reimbursement model, Atrius Health strives to provide its patients with value-based care, and has structured its model across payers and products to provide quality, cost-effective care while avoiding unnecessary or low-value care;⁵⁰ and is recognized for its achievements by the Health Policy Commission. Adding an ASC to its continuum of non-hospital-based services has the potential to transform the delivery of services through maintaining patients within the network so as to better control cost and service delivery. As a result of information provided, and additional analysis, staff finds that the Proposed Project 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 this Factor 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 Independent CPA Analysis

Under factor 4, the Applicant must demonstrate that it has sufficient funds available for capital and operating costs necessary to support the Proposed Project without negative effects or consequences to the existing Patient Panel. Documentation sufficient to make such findings must be supported by an analysis by an independent CPA.

To arrive at its conclusions, the CPA reviewed the following information:

1. Atrius Waltham ten-year Prospective Financial Schedules, prepared by Management as of May 20, 2024 and associated revenue and expenditure assumptions;
2. An overview of the Proposed Project and associated business case rationale provided by Atrius;
3. CPA Report Guidelines from the Determination of Need Program, dated March 2021;
4. Documentation provided by Atrius related to the source of capital funding for the Proposed Project;

⁴⁹ *Supra* Note 8

⁵⁰ 2021 Annual Health Care Cost Trends Report Chartpack 59, HPC (Sep. 2021) (<https://www.mass.gov/doc/2021-cost-trends-report-chartpack/download>); ⁵⁰ 2022 Health Care Cost Trends Report and Policy Recommendations 69, HPC (Sep. 2022) (<https://www.mass.gov/doc/2022-cost-trends-report-chartpack/download>).

5. Historical financial statements, including the consolidated financial performance of all of United Health Group's subsidiaries, including Atrius Health, Inc., for years ending 2021, 2022, and 2023;
 6. Correspondence with Atrius Management; and
1. Key Financial Metrics.⁵¹

Revenues

The CPA reviewed the underlying assumptions of the Applicant including the payer-mix which it estimates will have a higher public payer percentage than its current patient mix, 66% and 75% respectively. Atrius Management has taken into consideration case type when developing volume and revenue per case estimates.

Net patient service revenue ("NPSR") assumes approximately 4% annual growth and is based on 2% annual growth in both case volume and revenue per case once after year 2. Year one case volume is estimated to be 55 percent of stabilized year two case volume. Year two volumes assume an 83 percent utilization rate of six operating rooms.

The CPA concluded that the projected revenue growth of Atrius Waltham reflects a reasonable estimate of future revenues of the Applicant.

Expenses

The operating expenses in the analysis include salaries and benefits, medical supplies, facility rent, management fees, other operating expenses, and depreciation and amortization.

- Non-Physician Salaries and benefits account for approximately 17 percent of total operating expenses and are assumed to grow at 3 percent annually.⁵²
- Medical supplies account for approximately 48 to 53 percent of total operating expenses throughout the Prospective Period and are assumed to grow at 4.5 percent annually.
- Management fees assumed to be approximately 1.2 to 1.3 percent of NPSR;
- Annual OM fees (back-office systems and processes, including: patient accounting system cost, clinical reporting, risk management/insurance, information technology, and related functions) assumed to increase 3 percent annually;

⁵¹ The Key Metrics fall into three primary categories: profitability, liquidity, and solvency. Profitability metrics are used to assist in the evaluation of management performance in how efficiently resources are utilized. Liquidity metrics, including common ratios such as "days of available cash and investments on hand", measure the quality and adequacy of assets to meet current obligations as they come due. Solvency metrics measure the company's ability to take on and service debt obligations. Additionally, certain metrics can be applicable to multiple categories.

⁵² The ASC bills the third-party payors for facility services, which includes costs associated with the operations of the ASC including, but not limited to, nursing, recovery care, drugs, staffing, equipment, and overhead. Surgeons and anesthesiologists, who perform procedures at the ASC, bill separately for their professional services under the physician fee schedule. The surgeons are employed by the Applicant, Atrius Health, Inc. who is responsible for the physician expenses.

- RBO fee (revenue cycle, billing, collections and coding) expense assumed to be approximately 1.3 percent of NPSR;
- Depreciation and amortization ranges from approximately \$1.7M to \$4.6M annually.
- Facility rent assumed to increase approximately 3 percent annually;
- Insurance assumed to increase 2 percent annually;

The CPA concluded that the forecasted operating expenses are based on reasonable assumptions and are feasible for the Applicant.

Capital Expenditures and Cash Flows

The CPA reviewed documentation highlighting the availability of capital funds to support the Proposed Project and the future cash flows to determine whether sufficient funds would be available to sustain the operation of the Applicant. With capital expenditures included in the projections, days cash on hand would 105 in year two of operations, and increase in subsequent years.

The CPA determined that the prospective capital requirements and resulting impact on the cash flows are reasonable.

Conclusion

The Applicant's financial projections show a positive trajectory of all key financial metrics. Cash surpluses from operations (defined as EBIDA) in each of ten prospective years. Days cash on hand grows throughout the 10-year period with a low cash point of 109 days after year 1 of operations and the cumulative 10-year EBIDA surplus is approximately 21%. Accordingly, the CPA concluded that the projections are based upon reasonable and feasible assumptions, that they are feasible and sustainable and are not likely to have a negative impact on the Atrius patient panel or result in a liquidation of assets of the Applicant.

Analysis

Staff is satisfied with the CPA's analysis of the Proposed Project's projections. As a result of information provided by the Applicant and additional analysis, staff finds that the Applicant has demonstrated that the Proposed Project has met Factor 4.

Factor 5: Relative Merit

The Applicant has provided sufficient evidence that the Proposed Project, on balance, is superior to alternative and substitute methods for meeting the existing Patient Panel needs identified by the Applicant pursuant to 105 CMR 100.210(A)(1). Evaluation of 105 CMR 100.210(A)(5) shall take into account, at a minimum, the quality, efficiency, and capital and operating costs of the Proposed Project relative to potential alternatives or substitutes, including alternative evidence-based strategies and public health interventions.

The Applicant considered two alternatives to the Proposed Project- Maintain Status Quo and explore alternative sites.

Alternative Proposal 1: Maintain the status quo and continue providing outpatient surgeries at local hospitals and/or other ASCs. The Applicant dismissed this alternative because it would not allow the Applicant to meet Patient Panel need for low-cost and high-quality outpatient surgical services in the community.

Quality: Under this alternative, the quality achieved would not change. Atrius physicians would continue to have limitations on securing surgical slots at the local hospitals and other ASC's; and patients would continue to experience wait times and potential more burdensome travel to alternative sites potentially delaying care and impacting quality of life.

Efficiency: This alternative would not result in integration of medical records and therefore, clinical and operational inefficiencies would persist. This option is unfavorable for care coordination, timely scheduling and post-surgical monitoring among the clinical team.

Capital and Operating Expenses: With maintaining the current status quo, there are no capital expenses; however, under this alternative the challenge with ensuring its Patient Panel can obtain the outpatient surgical procedures in a lower-cost ASC setting would persist.

Alternative Proposal 2: Alternative sites evaluation- The Applicant identified and evaluated a number of properties for the proposed ASC in its service area and ruled out properties that were either not ideally located for the Patient Population, or were not appropriately sized for 6 operating rooms, or were more costly to implement. Had another site been appropriate, the quality and efficiency criteria would have been similar to the proposed project with timely access to surgery for patients within a fully integrated system which can improve both efficiency and quality, as discussed under Factor 1(c) and (d). Based on the various properties that the Applicant was able to evaluate, neither the cost nor the size, in terms of allowing for six ORs and associated support space, were appropriate for the Proposed Project.

Analysis

Staff finds that the Applicant has appropriately considered the quality, efficiency, and capital and operating costs of the Proposed Project relative to potential alternatives. As a result of information provided by the Applicant and additional analysis, staff finds the Applicant has reasonably met the standards of Factor 5.

Factor 6: Community-based Health Initiatives

Overall Summary and relevant background and context for this application:

This is a DoN project for a freestanding ASC that is not affiliated with a hospital, and therefore does not require the submission of CHI forms. Atrius Health, Inc. will fulfill Factor 6

requirements by directing their full CHI contribution to the Statewide Community Health and Healthy Aging Funds (CHHAF).

With fulfillment of the below conditions, the Applicant will have demonstrated that the Proposed Project has met Factor 6.

Findings and Recommendations

Based upon a review of the materials submitted, Staff finds that the Applicant has met each DoN Factor for the Proposed Project and recommends that the Department approve this Determination of Need, subject to all applicable Standard and Other Conditions.

Conditions

1. The total required CHI contribution of \$1,038,886.05 will be directed to the Massachusetts Statewide Healthy Aging Fund.
2. To comply with the Holder's obligation to contribute to the Massachusetts Statewide Community Health Funds, the Holder must submit payment to Health Resources in Action (HRiA), the fiscal agent for the CHI Statewide Initiative, in **two installments**.
 - a. The Holder must submit the first installment of \$519,443.03 to HRiA **within 30 days** from the date of the Notice of Approval.
 - b. The Holder must submit the second installment of \$519,443.02 to HRiA **within 12 months** from the date of the Notice of Approval.
3. Payments should be made out to:

Health Resources in Action, Inc. (HRiA)
2 Boylston Street, 4th Floor
Boston, MA 02116
Attn: MACHHAF c/o Bora Toro
DoN project # 24053113-AS
4. The **Holder must promptly notify DPH** (CHI contact staff) when each payment has been made. Please send a PDF image of the check or **confirmation of payment** to DONCHI@Mass.gov and dongrants@hria.org.
5. In addition to the measures provided in Appendix 1, commencing with the approval of this DoN, and continuing for a period of five years after the Proposed Project is complete, the Holder shall provide the following information as part of the annual report required by 105 CMR 100.310(A)(12):
 - a. Surgical procedure volume by Specialty

- b. Payer-mix by specialty for surgical cases.

Appendix 1

The Holder shall provide, in its annual report to the Department the following outcome measures. These metrics will become part of the annual reporting on the approved DoN, required pursuant to 105 CMR 100.310(A)(12). To assess the impact of the Proposed Project, annually the Applicant will evaluate and report the following measures by quarter:

All measures will be reported on an annual basis following the first year of the Proposed Project's implementation. The measures are discussed below:

- 1. Clinical Quality – Surgical Site Infection Rate:** Surgical site infections can be a significant setback to a patient's recovery. Effective surgical infection prevention encompasses systems and processes to reduce risk factors and optimize evidence-based processes of care.
 - a. *Measure:* The Applicant will review Outpatient Procedure Component Surgical Site Infection (OPC-SSI) Ratios, as defined by the CDC's National Healthcare Safety Network (NHSN). OPC-SSI Ratios will be benchmarked against national data on an annual basis.
 - b. *Projections:* The Applicant will provide baseline measures and three years of projections one year following implementation of the Proposed Project.
- 2. Clinical Quality – On-Time Starts:** Ensuring that procedures start on-time is not only important to ensure that a provider is achieving efficiencies, but it also positively contributes to patient satisfaction and outcomes.
 - a. *Measure:* The Applicant will review its percent of On-Time Starts.
 - b. *Projections:* The Applicant will provide baseline measures and three years of projections one year following implementation of the Proposed Project.
- 3. Clinical Quality – Hospital Transfer Rate:**
 - a. *Measure:* The Applicant will review the number of hospital admission transfers per 1,000 ASC admissions, defined and reported by the ASC Quality Collaboration (ASCQC).
 - b. *Projections:* The Applicant will provide baseline measures and three years of projections one year following implementation of the Proposed Project.
- 4. Patient Satisfaction:** The Outpatient & Ambulatory Surgery Community Assessment of Healthcare Providers and Systems (OAS-CAHPS) survey is designed to measure the experience of care for patients who have visited Medicare-certified HOPDs or ASCs for surgery or procedures to inform quality improvement and comparative consumer information about the facility.
 - a. *Measure:* The Center will use the OAS-CAHPS survey to assess patient satisfaction with the Project. The survey will be provided to all eligible patients on an annual basis.

Projections: The Applicant will provide baseline measures and three years of projections one year following implementation of the Proposed Project.

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- ⁱ ELIZABETH DUGAN, PHD, ET AL., HIGHLIGHTS FROM THE MASSACHUSETTS HEALTHY AGING DATA REPORT: COMMUNITY PROFILES 2014 (2014) (available at <https://www.mass.gov/files/documents/2016/07/wb/healthy-aging-data-report.pdf>).
- ⁱⁱ See Becker's ASC Review "Defining 'Full Utilization' of an Ambulatory Surgery Center: Q&A With Jim Scarsella of Anesthesia Staffing Consultants" (February 2011).
- ⁱⁱⁱ *Id.*
- ^{iv} Mark Warner, M.D., et al., *Major Morbidity and Mortality Within 1 Month of Ambulatory Surgery and Anesthesia*, JAMA. 1993;270(12):1437-1441 (Sep. 22, 1993) (<https://jamanetwork.com/journals/jama/article-abstract/408575>). [Major Morbidity and Mortality Within 1 Month of Ambulatory Surgery and Anesthesia | JAMA | JAMA Network](#)
- ^v *Id.*
- ^{vi} Jeffrey Silber, et al., *The Safety of Performing Surgery at Ambulatory Surgery Centers Versus Hospital Outpatient Departments in Older Patients With or Without Multimorbidity*, 61 Med. Care 5 (May 17, 2023) (<https://www.ingentaconnect.com/content/wk/mcar/2023/00000061/00000005/art00010>).
- ^{vii} *The Benefits of Outpatient Surgical Centers*, THE CENTERS FOR ADVANCED ORTHOPAEDICS (Jun. 15, 2017) (<https://www.cfaortho.com/media/news/2017/06/the-benefits-of-outpatient-surgical-centers>).
- ^{viii} Elizabeth Munnich and Stephen T. Parente, *Procedures Take Less Time At Ambulatory Surgery Centers, Keeping Costs Down And Ability To Meet Demand Up*, 33 Health Affairs 5 (May 2014) (available at <https://www.healthaffairs.org/doi/full/10.1377/hlthaff.2013.1281>).
- ^{ix} David Pace, M.D., et al., *Ambulatory surgery centres: a potential solution to a chronic problem*, Can. J. of Surgery E111 – E113 (Mar. 07, 2023) (available at <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC9998099/>).
- ^x See, CH Chiu, et al., *Cancellation of elective operations on the day of intended surgery in a Hong Kong hospital: point prevalence and reasons*, 18 Hong Kong Med. J. 5 (Feb 2012) (available at <https://www.hkmmj.org/system/files/hkmm1202p5.pdf>).
- ^{xi} See, Wei Xue, et al., *Dynamics of Elective Case Cancellation for Inpatient and Outpatient in an Academic Center*, 4 J Anesth. Clin. Res. 314 (May 13, 2013) (available at <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC3839960/>).
- ^{xii} See, Jedidiah Grisel, M.D., and Ellis Arjmand, M.D., *Comparing quality at an ambulatory surgery center and a hospital-based facility: Preliminary findings*, 141 Am. Acad. Of Otolaryngology – Head & Neck Surgery Found. 701 (Sep. 09, 2009) (available at https://bcpsc.yitech.in/wp-content/uploads/2021/01/Grisel_2009.pdf).
- ^{xiii} Community Engagement Standards for Community Health Planning Guideline. <https://www.mass.gov/doc/community-engagement-guidelines-for-community-health-planning-pdf/download>.
- ^{xiv} DoN Regulation 100.210 (A)(1)(e). at <https://www.mass.gov/files/documents/2018/12/31/jud-lib-105cmr100.pdf>.
- ^{xv} See MedPac ASC Report, supra note 2 at p. 298; Ambulatory Surgery Center Association, *Reducing Medicare Costs* (October 2020), [hereinafter "ASCA Medicare Costs Report"], https://www.ascassociation.org/asca/about-ascs/savings/medicare-cost-savings/reducing-medicare-costs?_gl=1*1uyzq16*_ga*MTYxMjE1MzMyMy4xNzExNTQ5NTQw*_ga_5DE4L5HXFY*MTcxMTYzNTM1Ny41LjEuMTcxMTYzNjU2NS40MC4wLjA ("ASCs continue to offer substantial savings to the Medicare program."); see also, *The ASC Cost Differential*, supra note 39.
- ^{xvi} Munnich EL, Parente ST, *Procedures take less time at ambulatory surgery centers, keeping costs down and ability to meet demand up*, *Health Aff (Millwood)* 2014;33:764-9. 10.1377/hlthaff.2013.1281.
- ^{xvii} *Id.*
- ^{xviii} *Id.*
- ^{xix} *Id.*
- ^{xx} *Id.*
- ^{xxi} <https://masshpc.gov/publications/datapoints-series/issue-26-trends-ambulatory-surgical-centers-massachusetts>