



Project # 222234-C Atlantic Surgery Center

Program: Diagnostic and Treatment Center County: Suffolk
Purpose: Construction Acknowledged: December 23, 2022

Executive Summary

Description

Atlantic SC, LLC d/b/a Atlantic Surgery Center, currently certified as a single-specialty Article 28 freestanding ambulatory surgery center (FASC) specializing in gastroenterology services, requests approval to add a second single specialty for pain management and install a C-Arm machine. The facility has been operating at 1145 Montauk Highway, West Islip (Suffolk County) since April 2022.

Dr. Nitin Mariwalla is the owner/operator of the Atlantic Surgery Center and serves as its Medical Director. Dr. Mariwalla, a neurosurgeon with a medical practice in West Islip, and Dr. Raymond Baule will perform the pain management services at the facility. Both physicians are board-certified and have admitting privileges at Good Samaritan Hospital Medical Center, where the applicant has a Transfer and Affiliation Agreement for backup and emergency services. Good Samaritan Hospital Center is located 0.4 miles from the proposed facility.

OPCHSM Recommendation

Contingent Approval

Need Summary

The applicant projects 1,098 pain management procedures in Year One and 1,331 in Year Three with 12.02% Medicaid and 1.95% Charity Care in the third year.

Program Summary

Based on the results of this review, a favorable recommendation can be made regarding the facility's current compliance pursuant to 2802-(3)(e) of the New York State Public Health Law.

Financial Summary

Total project costs of \$135,229 will be funded from equity.

Table with 3 columns: Budget, Year One (2023), Year Three (2025). Rows include Revenues, Expenses, and Net Income.

Recommendations

Health Systems Agency

There will be no HSA recommendation for this project.

Office of Primary Care and Health Systems Management

Approval contingent upon:

1. Submission of a check for the amount enumerated in the approval letter, payable to the New York State Department of Health. Public Health Law Section 2802.7 states that all construction applications requiring review by the Public Health and Health Planning Council shall pay an additional fee of fifty-five hundredths of one percent of the total capital value of the project, exclusive of CON fees. [PMU]
2. Submission of a signed agreement with an outside, independent entity satisfactory to the Department to provide annual reports to DOH. Reports are due no later than April 1st for the prior year and are to be based upon the calendar year. Submission of annual reports will begin after the first full or, if greater or equal to six months after the date of certification, partial year of operation. Reports should include:
 - a. Data displaying actual utilization including procedures;
 - b. Data displaying the breakdown of visits by payor source;
 - c. Data displaying the number of patients who needed follow-up care in a hospital within seven days after ambulatory surgery;
 - d. Data displaying the number of emergency transfers to a hospital;
 - e. Data displaying the percentage of charity care provided;
 - f. The number of nosocomial infections recorded during the year reported;
 - g. A list of all efforts made to secure charity cases; and
 - h. A description of the progress of contract negotiations with Medicaid managed care plans. [RNR]

Approval conditional upon:

1. This project must be completed by **one year from the date of the recommendation letter**, including all pre-opening processes, if applicable. Failure to complete the project by this date may constitute an abandonment of the project by the applicant and the expiration of the approval. It is the responsibility of the applicant to request prior approval for any extensions to the project approval expiration date. [PMU]
2. The submission of annual reports to the Department as prescribed by the related contingency, each year, for the duration of the limited life approval of the facility. [RNR]
3. The submission of Final Construction Documents, as described in BAER Drawing Submission Guidelines DSG-05, is required prior to the applicant's start of construction. [AER]

Council Action Date

April 18, 2023

Need Analysis

Background and Analysis

The center was approved under CON 191212 and began operations in April 2022, providing gastroenterology surgery services in five procedure rooms. The primary service area is Suffolk County. The population of Suffolk County in 2021 was 1,526,344, according to the latest US Census data population estimates, and is projected to decrease to 1,492,157 by 2028. According to Data USA, in 2020, 95.8% of the population of Suffolk County had health coverage as follows:

Employer Plans	58.3%
Medicaid	11.6%
Medicare	13.0%
Non-Group Plans	12.4%
Military or VA	0.501%

The applicant projects 1,098 pain management procedures in Year One and 1,331 in Year Three. These projections are based on the current practices of participating surgeons. The applicant has also been approached by physicians currently performing pain management procedures in hospitals who would like to bring them to Atlantic Surgery Center. The table below shows the projected payor source utilization for Years One and Three for just the pain management procedures.

Payor	Year One		Year Three	
	Volume	%	Volume	%
Commercial FFS	330	30.05%	399	29.98%
Commercial MC	198	18.03%	240	18.03%
Medicare FFS	330	30.05%	399	29.98%
Medicare MC	55	5.01%	67	5.03%
Medicaid FFS	22	2.00%	27	2.03%
Medicaid MC	110	10.02%	133	10.00%
Private Pay	33	3.01%	40	3.00%
Charity Care	20	1.83%	26	1.95%

The applicant anticipates their projections from their original CON for gastroenterology procedures to remain (7,500 gastroenterology procedures in Year One and 10,352 in Year Three).

The center is current with its SPARCS reporting through December 2022.

PrecisionCare Surgery Center, a single-specialty ASC providing orthopedic procedures, is also requesting to add pain management at its location (222270 on this agenda). This center opened in April 2021 and is 26.2 miles and 35 minutes away from Atlantic Surgery Center.

The table below shows the number of patient visits for relevant ASCs within Suffolk County for 2019 through 2021. 2020 visits were significantly impacted by the COVID-19 pandemic.

Specialty Type	Facility Name	Patient Visits		
		2019	2020	2021
Gastroenterology/ Pain Management	Advanced Surgery Center of Long Island	8,447	6,287	8,932
Gastroenterology	Digestive Health Center of Huntington	4,038	3,489	4,591
Gastroenterology	Great South Bay Endoscopy Center	6,720	5,305	7,056
Gastroenterology	Island Digestive Health Center	6,964	4,672	6,142
Gastroenterology	Island Endoscopy Center	11,757	7,020	8,286
Multi	Long Island Ambulatory Surgery Center	14,642	9,270	12,057
Multi	Melville Surgery Center	5,917	4,611	4,273
Gastroenterology/ Pain Management	North Fork Surgery Center (opened 2/14/20)	N/A	1,298	2,968
Multi	North Shore Surgi-Center	7,226	6,364	6,215
Gastroenterology	Northeast Endoscopy (opened 7/14/21) ¹	N/A	N/A	0
Multi	Port Jefferson ASC ¹	2,570	3,037	0
Multi	Progressive Surgery Center	2,886	1,510	2,092
Multi	South Shore Surgery Center	4,828	3,389	3,856
Multi	Suffolk Surgery Center	5,724	3,655	3,953
Multi	Center for Advanced Spine & Joint Surgery (opened 8/30/21) ¹	N/A	N/A	0
Total Visits		81,719	50,907	70,421

¹ No data located for 2021

The center has Medicaid Managed Care contracts with the following: Affinity Health, Health First PHSP, Health Insurance Plan of Greater NY, Neighborhood Health Provider, NYS Catholic Health, and United Healthcare of NY. The center will work collaboratively with local Federally Qualified Health Centers such as Hudson River Healthcare-Wyandanon, Long Island Select Healthcare, and Damian Family Health Care Centers to provide services to the under-insured in their service area.

Conclusion

Approval of this project will enhance access to pain management surgery services for the residents of Suffolk County.

Program Analysis

Project Proposal

Atlantic SC, LLC d/b/a Atlantic Surgery Center, an existing single specialty gastroenterology Ambulatory Surgery Center (ASC) located at 1145 Montauk Highway in West Islip (Suffolk County), seeks approval for the addition of a second single specialty for the provision of pain management and addition of a C-arm.

The Applicant reports that since the proposed ASC filed for initial licensure in 2019, his practice of pain medicine has increased the overall utilization and need to provide pain medicine services has increased. Also, several other physicians have approached the Applicant to provide pain management services because they feel hospitals are understaffed and patients prefer an ASC setting.

Staffing is expected to be increased by 2.00 FTEs at Year One and 2.00 FTEs at Year Three of the completed project.

Additionally, the staff from the Division of Certification & Surveillance reviewed the ten-year surveillance history of all associated facilities. Sources of information included the files, records, and reports found in the Department of Health. Included in the review were the results of any incident and/or complaint investigations, independent professional reviews, and/or comprehensive/focused inspections. The review found that any citations were properly corrected with appropriate remedial action.

Compliance with Applicable Codes, Rules, and Regulations

The medical staff will continue to ensure that the procedures performed at the facility conform to generally accepted standards of practice and that privileges granted are within the physician's scope of practice and expertise. The Facility's admissions policy includes anti-discrimination provisions regarding age, race, creed, color, national origin, marital status, sex, sexual orientation, religion, disability, or source of payment. All procedures are performed in accordance with all applicable federal and state codes, rules, and regulations.

Conclusion

Based on the results of this review, a favorable recommendation can be made regarding the facility's current compliance pursuant to 2802-(3)(e) of the New York State Public Health Law.

Financial Analysis

Total Project Costs and Financing

Total project costs for construction, fit-out, and the acquisition of moveable equipment are estimated at \$135,229, distributed as follows:

Architect/Engineering Fees	\$7,500
Other Fees	\$25,000
Movable Equipment	\$100,000
CON Application Fee	\$2,000
Additional CON Processing Fee	<u>\$729</u>
Total Project Cost	\$135,229

The applicant will fund the project through equity.

BFA Attachment A presents the applicant's personal Net Worth Statement, which indicates sufficient liquid resources exist to fund the equity requirement for project costs.

Operating Budget

The applicant has submitted their first (2023) and third (2025) year operating budget for the pain management services only, in 2023 dollars, summarized below:

Revenues:	<u>Year One (2023)</u>		<u>Year Three (2025)</u>	
	<u>Per</u>		<u>Per</u>	
	<u>Procedure</u>	<u>Revenues</u>	<u>Procedure</u>	<u>Revenues</u>
Commercial FFS	\$ 675.91	\$223,049	\$676.41	\$269,889
Commercial MC	644.50	116,010		\$140,372
Medicare FFS	\$482.79	\$159,321	\$483.15	\$192,778
Medicare MC	\$470.13	\$25,857	\$466.97	\$31,287
Medicaid FFS	470.14	\$10,343	\$463.52	\$12,515
Medicaid MC	\$482.79	53,107	\$483.15	\$64,259
Private Pay	\$468.73	15,468	\$467.90	\$18,716
Bad Debt		(\$12,063)		(\$14,595)
Total Revenues		\$591,092		\$715,221
Expenses:				
Operating Expense	\$449.73	\$493,802	\$408.05	\$543,117
Capital Expense	<u>\$10.71</u>	<u>\$11,761</u>	<u>\$8.84</u>	<u>\$11,761</u>
Total Expense:	<u>\$460.44</u>	<u>\$505,563</u>	<u>\$416.89</u>	<u>\$554,878</u>
Net Income:		<u>\$85,529</u>		<u>\$160,343</u>
Total Procedures		1,098		1,331

Utilization by payor sources for the pain management services only is anticipated as follows:

Payor	<u>Year One (2023)</u>		<u>Year Three (2025)</u>	
	<u>Volume</u>	<u>%</u>	<u>Volume</u>	<u>%</u>
Commercial FFS	330	30.05%	399	29.98%
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The following assumptions were considered for the operating budget:

- Volume is based on the historical experience of pain management cases of the two physicians that will be performing procedures at the FASC. These two physicians, Dr. Mariwalla and Dr. Baule, have provided a letter of intent to perform pain management services at Atlantic Surgery Center.
- Medicare and Medicaid revenues are based on the 2022 CMS fee schedule. Commercial FFS revenues are based on 140% of the 2022 CMS Fee schedule, and Commercial MC revenues are based on 125% of the CMS fee schedule.
- Expenses are based on similar ambulatory surgery centers of similar size as well as the experience to date of the existing FASC.

Capability and Feasibility

Total project costs of \$135,229 will be funded by the applicant's equity. As shown in BFA Attachment A, the applicant's personal Net Worth Statement indicates sufficient liquid resources to fund the equity requirement for project costs.

Working capital requirements are estimated at \$92,480 based on two months of third-year expenses. The applicant will fund the working capital needs from equity. The summary of the member's Net Worth Statement in BFA Attachment A indicates sufficient funds for the required working capital.

BFA Attachment B is the 4/1/2022 - 12/31/2022 internal financial statements for Atlantic SC, LLC d/b/a Atlantic Surgery Center. The facility has generated a negative working capital position of \$3,226,196 and a positive net asset position of \$235,233 and generated a net loss of \$364,840 for the period. The loss is due to the FASC receiving its operating certificate in April 2022 but not being approved for enrollment in the NYS Medicaid Program until January 23, 2023, which limited the applicant's ability to bill and collect revenue.

Conclusion

The applicant has demonstrated the capability to proceed in a financially feasible manner.

Attachments

BHFP Attachment	Map
BFA Attachment A	Net Worth Statement of the Proposed Member of Atlantic SC, LLC d/b/a Atlantic Surgery Center
BFA Attachment B	4/1/2022-12/31/2022 Internal Financial Statements for Atlantic SC, LLC d/b/a Atlantic Surgery Center