

## **PREMIER BARIATRIC SURGERY, PLLC**

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April 12, 2021

### **VIA OHS ELECTRONIC PORTAL**

Ms. Jessica Rival  
Healthcare Analyst  
State of Connecticut Office of Health Strategy  
450 Capitol Avenue  
MS#51OHS  
PO Box 340308  
Hartford, CT 06134

**RE:** Certificate of Need Application: Docket Number: 20-32425-CON  
Establishment of an Outpatient Surgical Facility  
Certificate of Need Completeness Letter Dated April 8, 2021

I am writing in response to your April 8, 2021 letter wherein you set forth completeness questions in connection with the above-referenced docket. We are very hopeful that our responses will be sufficiently responsive to your inquiries. For ease of reference, we have included each specific completeness question with our responses.

- 1. Both the application and completeness responses dated March 12, 2021 reference the Applicant's New Jersey based Ambulatory Surgical Center("ASC"). Is this ASC currently operational and serving patients? If so provide:**

#### **Applicant's Response:**

The Applicant's ownership of the New Jersey ambulatory surgery center becomes effective in approximately ninety days from the date of OHS' letter and because the Applicant is making site improvements/renovations, and negotiating rates with payors, the Applicant has not begun to perform surgeries at the location. The Applicant expects to begin performing procedures at such site on or about July, 2021. Once it begins performing surgery at this location, it will take approximately four to eight weeks before becoming fully operational. Accordingly, the Applicant cannot at this time provide the data

requested in a) and b) below.

- a) **surgical volumes by type (including LSG) for the last 3 years; and**
  - b) **quality measures including post-surgical complication rates and infection rates.**
- 2. Identify and describe the cost differences between obtaining surgical services at an ASC vs. a hospital inpatient setting for the proposed surgical procedures. Provide evidence of these differences.**

**Applicant's Response:**

The Applicant does not have access to Connecticut hospital cost/charge data with respect to performing LSG on an inpatient basis. The Applicant has anecdotal information that hospitals in Connecticut typically charge patients and payors approximately twenty to forty percent more for the hospital to perform LSG compared to ambulatory surgery centers. Hence, there is a significant cost savings when LSG is performed in an ASC. See <https://www.ascassociation.org/advancingsurgicalcare/aboutasc/industryoverview/apositive-trend-in-healthcare> an article describing the favorable cost differential for ambulatory surgery centers.

- 3. Provide the projected patient cost by surgical case type for commercially insured patients. Provide a detailed explanation of all assumptions used in the derivation/calculation and explain any increases or decreases that occur between FYs.**

**AVERAGE COST<sup>[1]</sup> OF SERVICE PER COMMERCIALLY INSURED PATIENT**

| Surgical Case Type | Historical* | Projected |         |         |
|--------------------|-------------|-----------|---------|---------|
|                    | FY 2020     | FY 2021   | FY 2022 | FY 2023 |
| LSG                | N/A         |           |         |         |
| Endoscopy          | N/A         |           |         |         |
| Plastic Surgery    | N/A         |           |         |         |
| General Surgery    | N/A         |           |         |         |

\*New Jersey ASC

**[1] Cost is defined as the total dollar amount paid by the insurer plus patient out-of-pocket costs (e.g., deductibles, co-pays)**

**Applicant's Response:**

As stated above, the Applicant has yet to begin its operations at its New Jersey ambulatory surgical center location, and thus, has not yet begun to perform LSG in the New Jersey ambulatory surgical center location. Therefore, it does not have the historical data being requested by OHS. On a prospective basis, the Applicant is not permitted to disclose negotiated rates with payors. Projections are based upon specific contract terms, with rates being either fixed for a set contract term or increased based upon inflationary increases. Applicant can confirm that the costs in general for the above procedure categories is 20-40%

less costly in an ambulatory surgery center than an inpatient setting. Please note that physician reimbursement for professional services does not change based upon the site of service.

- 4. Provide the projected patient cost by surgical case type for self-pay patients. Provide a detailed explanation of all assumptions used in the derivation/calculation and explain any increases or decreases that occur between FYs.**

**Applicant's Response:**

The self-pay fees once negotiated will most likely be the same as a composite of commercial payor reimbursement rates. If the patient qualifies for charity care, the fees will be developed based upon the individual's financial need and status.

**AVERAGE COST<sup>[1]</sup> OF SERVICE PER SELF-PAY PATIENT**

| Surgical Case Type | Historical* | Projected |         |         |
|--------------------|-------------|-----------|---------|---------|
|                    | FY 2020     | FY 2021   | FY 2022 | FY 2023 |
| LSG                |             |           |         |         |
| Endoscopy          |             |           |         |         |
| Plastic Surgery    |             |           |         |         |
| General Surgery    |             |           |         |         |

\*New Jersey ASC

[1] Cost is defined as the total dollar amount paid by the insurer plus patient out-of-pocket costs (e.g., deductibles, co-pays).

- 5. Describe the current status of the discussions with commercial payors who have expressed their intentions to provide coverage for LSG when performed in an ASC.**

**Applicant's Response:**

Please note that managed care companies will typically not negotiate rates until a facility is licensed. Notwithstanding, we can report that we are making excellent progress in our negotiations with payors and that all of the following payors have indicated their desire to cover LSG in an ambulatory surgical center:

- Horizon BCBS is developing a bundled payment for the New Jersey LSG and such rate is being negotiated by the Applicant;
- Cigna is currently negotiating ASC rates for New Jersey with the Applicant;
- United is very interested in having the LSG performed in an ambulatory setting, and already covers LSG in an ambulatory setting in other parts of country;
- Connecticut Department of Social Services' Medical Director has indicated his interest in adopting an LSG ambulatory rate and is currently conducting an internal fiscal analysis before discussing further with the Applicant; and
- Aetna is very interested and the Applicant is in the process of negotiating with them.

While payors will discuss specific rates for the proposed ASC once it is licensed, the rates for the New Jersey ambulatory surgery center will likely serve as a benchmark once established.

We hope that this has been sufficiently responsive to your request. We are eager to move the Application process along. Thank you for your assistance.

Very truly yours,

Shawn Garber, M.D.