

RESPONSE OF ATLANTIC GENERAL HOSPITAL TO REQUEST FOR ADDITIONAL INFORMATION
March 1, 2019

This document is the response from Atlantic General Hospital Corporation to the February 19, 2019 letter from William Chan, Program Manager, with clarification questions to supplement the information submitted by Atlantic General Hospital Corporation (AGH) to support its Certificate of Need Application (Docket No. 18-23-2431) for the establishment and operation of the Atlantic General Surgical Center.

Response to Supplemental Question d.:

	FY15		FY16	
	Cases	Minutes	Cases	Minutes
Inpatient Surgery	1,152	110,895	1,130	87,185
Outpatient Surgery	2,503	137,812	2,584	113,246
Total	3,655	248,707	3,714	200,431

Source: Atlantic General Hospital.

Response to Supplemental Question e.:

The numerical data presented in the tables referenced by Commission staff is influenced by the population growth and age distribution within our population, sensitivity of the size of AGH relative to the number of physicians on our medical staff, and variation in key members of our medical staff as it relates to surgical procedures. According to Claritas data compiled through our market consultant, between 2017 and 2022 the total population in the primary market for AGH will increase by 4.4%, with the proportion of the population aged 65+ increasing from 29% to 32%. This market growth and aging significantly influenced the upward trajectory of our projections, with this population being the higher utilizer of surgical services – particularly for inpatient procedures such as total joint replacement.

Due to the relatively small overall size of the rural community in which AGH serves, and due to the fact that AGH is a relatively small hospital, any change in the number of physicians credentialed to practice at AGH has a significant proportionate impact on the local capacity for services in the community.

While the projected increase in surgical cases we have projected between FY 2018 and FY 2021 is over 46%, the projected actual increase is only slightly more than 2,000 cases, or 500 additional cases per year. To provide you with some perspective, the two busiest general surgeons and orthopedic surgeons, who currently practice at AGH, each perform between 200 and 300 inpatient cases in the Hospital’s operating rooms per year. This is

important because regardless of how large a surgical program becomes, or how rapidly its volumes may grow or decline, its operating room utilization by a single busy surgeon does not vary significantly between large hospitals and smaller hospitals. For a relatively small hospital like AGH, the loss of a single surgeon or gain of one or more surgeons has a significant impact on total surgical volumes in both directions, up and down.

For the future, we are reasonably projecting increases in OR cases attributed to a modest net increase of five additional full-time surgical specialists over the next two fiscal years, and the increased productivity of the current surgeons who practice at AGH. As is discussed below in greater detail, these additional surgeons' future OR case volumes will make up more than half of the projected growth in OR surgical cases at AGH and the ASF between FY 2018 and FY 2021.

According to AGH Medical Staff Bylaws, a specialty is not required to have a fully covered on-call schedule for the Emergency Room unless it has 3 or more credentialed members. Less than 3, physicians are not required to provide more than 10 days of call coverage. Days where AGH does not have credentialed physicians available to cover call, patients who need this care are transferred to another facility for that care, with many of these transfers for inpatient surgical care. During the tourism season in 2017 (FY 2018) AGH documented 12 cases that were transferred out of the Emergency Room for orthopedic care, and the ER physicians stated that they re-routed EMS units with clear orthopedic needs when AGH did not have an orthopedist on call. Key surgical procedure specialties credentialed at AGH are listed below, along with the recommended number of each according to our 2018 Medical Staff Development Plan:

<u>Specialty</u>	<u>Currently Credentialed</u>	<u>Recommended</u>
General Surgery	2	4
Gastroenterology	2	4
Gynecology	3	6
Urology	1	2
Orthopedic Surgery	3	3

Over the past few years, AGH has experienced fluctuations in these specialties that has created nonlinear variation in the procedural volume presented in the Application. Examples of these fluctuations include:

- General Surgery: AGH was operating with 3 general surgeons (allowing a full on-call schedule), until one resigned in August 2014, reducing capacity by 33%. A second general surgeon resigned a year later, further reducing capacity by 67%. AGH credentialed 2 new general surgeons in late 2016, creating a full on-call schedule and rebuilding capacity and volume beginning in 2017. One of these surgeons resigned in

June 2018, again reducing capacity by 33%, which is reflected in the volume. AGH continues recruitment efforts to fully staff the general surgery department.

- Orthopedic Surgery: Similarly, AGH had 3 orthopedic surgeons on staff until December 2017, when one resigned reducing capacity and on-call coverage by 33%. This is reflected in the data in Table F. AGH was successful in replacing the orthopedic surgeon in October 2018, and continued full capacity in orthopedic surgery is considered in the future years, adding an additional orthopedic surgeon in 2021.
- Gastroenterology: In March 2018 one of the 3 gastroenterologists on staff at AGH resigned, reducing capacity by 33%. AGH is actively recruiting a replacement, and successful recruitment is projected for 2020 and utilized for future years' data.
- Urology: AGH did not have one urologist on staff until 2015, and now we have a signed employment agreement for a second urologist joining AGH in July 2019 – increasing capacity and on-call coverage by 100%.

These examples of fluctuations in capacity caused by the turnover or recruitment of a few physicians demonstrate the proportional sensitivity of the volume data to relatively small changes in key physician specialties. This creates historical fluctuations in the volume of surgical cases, but AGH is confident of success in future recruitment and retention activities to support the data provided. As demonstrated in our response to Supplemental Question d. providing further historical data for fiscal years 2015 and 2016, the inpatient surgical cases in 2015 were 1.9% *higher* than the number of inpatient surgical cases in fiscal year 2017. The case numbers as presented are reflective of the actual numbers of cases that are currently a part of the AGH historical trend, and/or have been attested the physicians who perform the services, and/or are projected due to future recruitment and reasonable ramping up of case volumes for physicians who will be new to the community.

Shown below are the projected volumes of inpatient and outpatient surgery for both Atlantic General Hospital and the proposed Atlantic General Surgical Center and the number of full-time surgeons on the AGH medical staff in each Fiscal Year period between FY 2018 and FY 2021. These projections assume the net addition of five practicing surgeons between FY 2018 and FY 2021. AGH did make a downward adjustment in the FY 2020 inpatient cases, from 1,414 cases to 1,207 cases, based upon the updated data now available for actual numbers of cases in FY 2019 (previous data was based upon FY 2019 budget projections versus FY 2019 actual cases through January, 2019).

There are two reasons for this revision: first, the current fiscal year OR surgical case volumes projected at AGH have been lower than expected since September 7, 2018 when the CON Application was submitted. Second, the schedule of recruitment of five new surgeons has been revised to bring them onto the AGH medical staff in FY 2020 and FY 2021. As shown on the chart below, the total number of OR surgical cases/surgeon increases from 232 cases/year in FY

2018 to 269 cases/year in FY 2021. This growth in productivity is entirely reasonable and achievable and consistent with maintaining a full-time practice within those surgical specialties at AGH.

		FY 2018	FY 2019	FY 2020	FY 2021
	Current Surgeons	19	19	19	22
	New Surgeons	0	0	3*	2**
	# of Surgeons	19	19	22	24
	Inpatient OR Cases	988	1,075	1,207	1,442
AGH	Outpatient OR Cases	3,415	4,068	4,149	2,823
	TOTAL OR Cases	4,403	5,143	5,356	4,265
ASF	Outpatient OR Cases	0	0	0	2,191
AGH+ASF	TOTAL OR Cases	4,403	5,143	5,356	6,456
	Total OR Cases/Surgeon	232	271	243	269

* Three surgeons will be added in FY 2020: 1 Urologist, 1 Orthopedic Surgeon, 1 General Surgeon

**Two surgeons will be added in FY 2021: 1 Orthopedic Surgeon, 1 Plastic

Source: Atlantic General Hospital.

The five new surgeons are projected to increase the number of OR surgery cases to be performed by 1,264 cases in FY 2021. This represents 62% of the total projected increase of 2,053 total OR surgical case growth projected between FY 2018 and FY 2021. The balance of the projected growth is projected to be attributed to the 19 current surgeons who will continue to practice at AGH and at the ASF in FY 2021 when it opens.

Additional OR Cases Attributed to All Recruited Surgeons					
	Inpatient OR Cases	0	0	92	275
AGH	Outpatient OR Cases	0	0	142	41
	TOTAL OR Cases	0	0	234	316
ASF	Outpatient OR Cases	0	0	0	948
AGH+ASF	TOTAL OR Cases	0	0	234	1,264

Source: Atlantic General Hospital.

AGH is confident in the assumptions presented in the tables, particularly from an inpatient surgery perspective, due to the future stabilization of emergency on-call coverage for general and orthopedic surgery, and availability of capacity for inpatient elective procedures such as orthopedic total joint replacements. We are also confident the with the addition of five new surgeons, and the first-year of operations of the new Atlantic General Surgical Center, the growth projections of total OR case volumes can reasonably be achieved within the time period between FY 2018 and FY 2021.

Response to Supplemental Question f.:

While physicians identified and attested to cases they would bring to a freestanding ASF if AGH built one in the community, there remain a significant number of cases currently being performed at AGH that would be transferred to the ASF and there would be a significant number of new cases performed by physicians who are currently being recruited. The AGH Medical Staff Development Plan excerpted findings are included here for your reference:

Atlantic General Hospital

Medical Staff Development Plan
Key Findings
November 16, 2018
CONFIDENTIAL

IV. Recommendations
Current Community Physician Needs

Current Need | 34 Physicians

Current need is the identified market deficit at present and does not account for future changes in practice patterns.

<ul style="list-style-type: none"> » Allergy/immunology: 1 » Dermatology: 1 » Endocrinology: 1 » Gastroenterology: 1 » General surgery: 2 » Infectious disease: 1 » Nephrology: 1 » Neurology: 1 » Neurosurgery: 1 » Obstetrics/gynecology: 3 	<ul style="list-style-type: none"> » Otolaryngology: 1 » Pain management: 1 » Pediatric psychiatry: 1 » Physical medicine and rehabilitation: 1 » Plastic surgery: 1 » Primary care:¹ 12 » Psychiatry: 2 » Pulmonology/critical care: 1 » Urology: 1
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¹ Primary care includes family medicine, internal medicine, pediatrics, and urgent care.

Current need reflects shortages in the community at the present time.

Our existing and future staffing and recruitment plan, including the number of physicians who will be performing surgical cases in that fiscal year of recruitment, is as follows:

FY 18 – 19 Physicians

- General Surgery continues to build volume, adding 13 Inpatients and 117 Outpatients year over year. Dr. Heenatigala leaves June, 2018.
- GI remains 14 cases under FY 17, because 1 position has not been filled.
- Urology volume is up 138 cases year over year.

- Orthopedic Surgery decreased 130 Inpatient and 70 Outpatient cases year over year.
- Pain management continues to grow from 550 cases to 875 (325 new cases).

FY 19 – 19 Physicians

- General Surgery continues to build volume, adding 98 Outpatients year over year.
- Pain management continues to grow from 875 cases to 956 cases.
- Orthopedic Surgery increased 83 Inpatient and 121 Outpatient cases year over year. Dr. Hooker’s practice opened in October, 2018.
- Podiatry increased 14 cases (11%) year over year.

FY 20 – 22 Physicians

- 1 additional Urologist FTE is under contract for FY 20.
- 1 GI physician will be added in FY 20.
- 1 General Surgeon will be added in FY 20.

FY 21 – 24 Physicians

- 1 Orthopedic Surgeon will be added in FY 21.
- 1 Plastic Surgeon will be added in FY 21.

FY 22 – 25 Physicians

- 1 ENT surgeon will be added in FY 22.

Currently, physicians are being required to take local patients who require surgical care that can be performed in an ASF to facilities in other communities, since some insurers will not allow those services to be performed in a hospital setting. This is currently disrupting some practice patterns. These cases will come back to the community, when an ASF is available for the services to be performed in the community.

With continued market growth, with the recruitment of new physicians according to our recruitment plan, and with access to an ASF in our community, we are confident that the volume of cases presented in the application will be achieved.

AFFIRMATION

I hereby declare and affirm under the penalties of perjury that the facts stated in these responses to the request for additional information and their Attachments are true and correct to the best of my knowledge, information, and belief.

A handwritten signature in black ink, appearing to read "Michael J. Sullivan".

March 1, 2019

Name and Title

Date