



**Charleston Area
Medical Center**

November 20, 2008

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Dayle D. Stepp
Director, Certificate Of Need
West Virginia Health Care Authority
100 Dee Drive
Charleston, West Virginia 25311

Dear Mr. Stepp:

I am writing on behalf of Charleston Area Medical Center ("CAMC") to provide comments on the issue of whether Ambulatory Surgery Centers ("ASCs") should remain on the list of reviewable health services. CAMC supports the position that ambulatory surgery centers should continue to be a listed reviewable service regardless of their cost.

Across the nation, more than half of all acute-care hospitals in the United States do not make a profit treating patients and are insolvent or at risk of becoming insolvent, according to a study conducted by restructuring firm Alvarez & Marsal. The study found that 2,044 of the 3,861 hospitals did not earn a profit on patient care, while another 744 hospitals had an EBITDA margin of less than 4%, meaning hospitals earned less than what they needed to fund daily operations and basic capital expenditures such as facility repairs. Commenting on the findings, a New Jersey bankruptcy lawyer interviewed by the Wall Street Journal reported that the rise of freestanding ambulatory surgery and imaging centers has resulted in large income losses for hospitals, threatening hospitals' financial stability.

Nationally, the adverse impact of physician-owned limited-service hospitals, ambulatory surgery centers and diagnostic imaging is a major issue. West Virginia hospitals, payors, and patients have not felt the impact other states are experiencing due to the CON program.

The American Hospital Association produced an ISSUE Paper on May 6, 2007 entitled *Ensuring Fair Marketplace Conditions for Providers: A look at physician self-referral, ASC's, physician relationships and health plan consolidation* that reports:

Although a congressional moratorium and subsequent Department of Health and Human Services administrative action from late 2003 to mid-2006 generally held physician-owned hospitals in check, their growth is once again on the rise. Many public and private studies conducted during the moratorium found that physician-owned, limited-service hospitals:

Dayle D. Stepp
November 20, 2008
Page Two

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- Reduce patient access to specialty and trauma care at community hospitals;
- Damage the financial health of full-service hospitals and lead to cutbacks in services;
- Reduce efficiency of full-service hospitals that must maintain stand-by capacity for emergencies, even as they lose elective cases;
- Increase utilization rates and costs;
- Are not more efficient and do not provide better quality;
- Use physician-owners to steer patients;
- Provide limited or no emergency services;
- Raise patient safety concerns regarding the ability to respond to the emergency needs of patients that may arise during the routine course of care;
- Make exceptionally high profits; and
- Cherry-pick the most profitable patients by:
 - avoiding low-income populations, both uninsured and Medicaid;
 - offering the most profitable services; and
 - serving less sick patients within case types.

Kaveh Safavi, M.D., J.D. from the Center for Healthcare Improvement at Thomson Reuters identifies the following key emerging trends in healthcare in *By the Numbers 2008: Emerging Trends in Healthcare Services*:

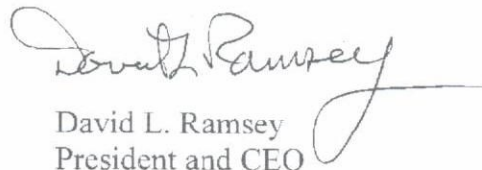
- Outpatient revenues are extremely important to hospitals. Most hospitals rely on outpatient services from commercially insured patients to provide the majority of their profitability, often greater than 75% of the entire operating margin.
- Approximately 64% of outpatient revenue is from patients with commercial insurance.

Dayle D. Stepp
November 20, 2008
Page Three

- Only commercially insured patients generate a positive margin – in the 30% range for key procedures. In many markets, hospitals face increasing competition from non-hospital providers as they selectively target the commercially insured for the same reason. As a result hospitals see growth in outpatient services volume, but no corresponding growth in operating revenues.

CAMC supports the Authority's continued review of all ASC applications. Many of the problems and issues listed above are less detrimental for West Virginia hospitals today because the standards have prevented a proliferation of ASCs and other physician-owned health care facilities.

Sincerely,

A handwritten signature in cursive script, appearing to read "David L. Ramsey". The signature is written in black ink and is positioned above the printed name and title.

David L. Ramsey
President and CEO