OPHTHALMOLOGY IN THE ASC: CURRENT TRENDS AND ISSUES

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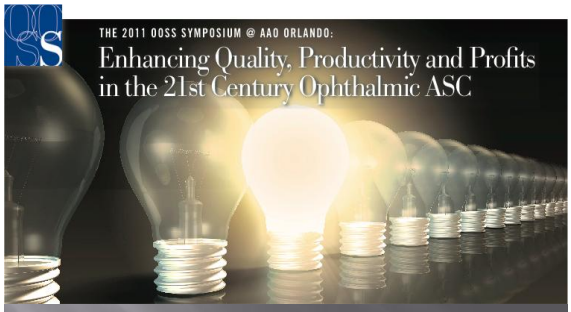


Welcome to Our First OOSS Symposium
Saturday, October 22, 2011

THE 2011 OOSS SYMPOSIUM @ AAO ORLANDO:
Enhancing Quality, Productivity and Profits in the 21st Century Ophthalmic ASC

Our Program…

- *Market Trends Impacting the Ophthalmic ASC*
- *Politics, Policy and Personalities*
- *Pesky Medicare Conditions of Coverage*
- *Quality Reporting – A New Frontier*
- *Vitreoretinal Surgery – Care, Access and Profits*
- *EHR Incentives and Challenges*
- *ASC Benchmarking – Peaks & Perks*

ASC Payment Reform of 2008: Where We Are Today

- HOPD and ASC rates are linked
- ASC list expanded to include virtually all ophthalmic services
- ASCs now are provided annual inflation updates
- ASC rates recalibrated annually
- ASCs receive same payments as HOPDs for innovative drugs and devices

ASC Payment Reform/2008: The PROBLEM!

- ASC percentage of HOPD is declining due to CMS application of budget neutrality reductions – secondary rescaling
  - 62% of HOPD in 2008; 59% in 2009; 56% in 2011% and going down, down, down
- ASCs receive CPI-U update rather than the Hospital Market Basket, *minus the productivity adjustment* (1.4% in 2012, 1.6% in 2011).

Proposed ASC 2012 Payment Rule – Rates for Ophthalmic Services

CPT	DESCRIPTION	2011	2012 Proposed, w CPI-U less productivity adj.
66984	Cataract	$951	$952.83
66821	YAG	217	221.39
67904	Repair Eyelid	775	805.66
66170	Glauc. Surg.	933	1,002.38
67040	Laser, Retina	1,586	1,639.56
65755	Corneal Tran	1,508	1,526.33
67036	Vitrectomy	1,586	1,639.56

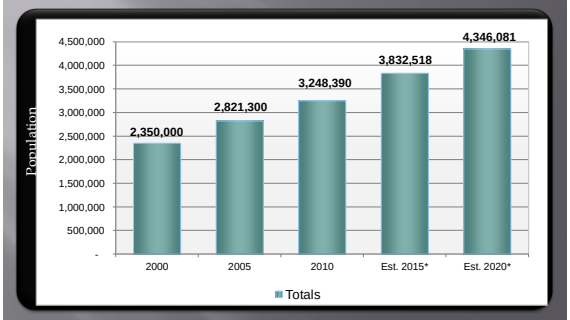
ASC Rule – Quality Reporting

- **What We Know:**
  - Proposed Measures for 2012
    - Falls
    - Wrong site, wrong side, implant, etc
    - Hospital transfer
    - Burns
    - Hair Removal
    - Prophylactic IV antibiotic timing
    - Selection prophylactic antibiotic

Ophthalmic ASC Market Drivers

- Growth on cataract volume
- Growth in volume attributable to new technology
  - Premium IOLs
  - Femtosecond lasers
- Integration of vitreoretinal surgery into ASC
- Hospital acquisitions of ophthalmic ASCs
- Emergence of ACOs

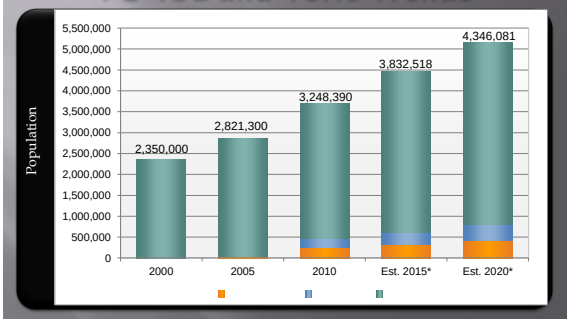
Growth in Cataract Volume



** Estimated based on a utilization rate of 3.5 per 1,000 for the population under age 65 and a utilization rate of 61 per 1,000 for the population age 65 and older.*

Source: Data per Market Scope, Ophthalmic Market Perspectives.

Cataract Growth in Comparison to PC-IOL and Toric Trends



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Assessing the Economic Viability of Femtosecond Laser

Assumptions

Laser Acquisition Costs	
	$550,000
Cost of Laser and Other Related Equipment	35,000
Build Out Cost (if applicable)	**$585,000**
Total Capital Cost	60
	6%
	$11,310
Amortization Period (number of months for financing the laser)	
Annual Interest Rate	
Monthly Loan Payment	$450
OR if Leasing, Complete Below	25
Monthly Lease Payment (1)	50
	$525

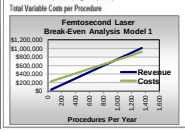
Variable Costs per Procedure	
	$135,716
Per Use Fee/Disposables	40,000
Other Supply Costs (if applicable)	10,000
Other Variable Expenses (surgeon specific)	14,000
Total Variable Costs per Procedure	10,000
	$209,716

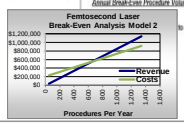
Patient Fee per Procedure

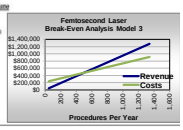
Enter the "upcharge" fee to the patient for use of the laser. Different scenarios can be analyzed by entering various fee amounts in the shaded cells below.

	$750 Model 1 $525	$850 Model 2 $525	$950 Model 3 $525
Patient Fee per Procedure	**$225**	**$325**	**$425**
Total Variable Costs per Procedure	**$209,716**	**$209,716**	**$209,716**
Gross Margin per Procedure			
	932	**645**	**493**
Total Annual Fixed Costs			

Annual Break-Even Procedure Volume







Integration of Vitreoretinal Surgery into the ASC

- Factors to Consider
  - **Reimbursement rates** – substantially increased and still going up -- $1,639 Medicare, privates typically 120% Med.
  - **Cost** -- $200-300k to equip; $300-600 in supplies/case

Integration of Vitreoretinal Surgery into the ASC

Factors to Consider:

- FINDING THE RIGHT SURGEON
  - Values efficiency
  - Understands economics
  - ASC-friendly (surgically confident)
  - Open to new technology

New Medicare ASC Conditions for Coverage (CfC's)

- Effective May 18, 2009, new Medicare ASC certification regulations apply
- Perfect storm on horizon – surveys by:
  - State licensure bodies
  - States conducting Medicare surveys
  - States conducting "validation" surveys determining whether facilities really comply with new federal standards
- Trouble spots for ophthalmic ASCs

The CfC's: Surveyors Focus on Ophthalmic ASC's

- Laser Procedures
  - Credentialing
  - Documentation
  - Staffing
  - Physical space
  - Infection Control
- Physician Documentation
  - H&P
  - Pre-surgical update note
  - Discharge note

The CfC's: Surveyors Focus on Ophthalmic ASC's (cont.)

- Medication Safety
  - Sterile field labeling
  - Administration by licensed personnel
  - Physician orders
  - Single-dose
    - Single-use devices and supplies, too
- Compounding

The CfC's: Surveyors Focus on Ophthalmic ASC's (cont.)

- Instrument Decontamination and Sterilization
  - Transportation
  - Sterilization
  - Reprocessing of SUDs
- Universal Protocol
  - Surgical site ID
  - Marking of site by surgeon
  - Time Out