

**Ambulatory
Surgery Centers**

Profitable ASCs also provide charity care

John Poisson is on a mission. The executive vice president of Physicians Endoscopy, LLC, is spreading the word that ambulatory surgery centers (ASCs) can be profitable and share their profits with the community by providing charity care or preventive health education.

"Well-run surgery centers are usually quite profitable, and with that success comes a responsibility to give back to the local community," Poisson says.

Physicians Endoscopy, headquartered in Doylestown, Pa, partners with 13 ASCs and has another 5 in development. Many of the centers have a community support initiative to provide free care to poor patients or health education and screening to encourage colorectal cancer awareness.

At the Endoscopy Center of Western New York near Buffalo, the partners set aside 4.2% of profits for charitable care in the first year of operation. In the second year, GI surgeons approached 2 primary care physician practices that serve indigent populations to request that they send patients to the surgery center. The surgeons and staff provide preoperative and postoperative evaluations as well as the procedure at no charge, Poisson says.

"The primary care doctors were taken aback at first," Poisson says. "They said, 'No specialist has ever approached us to provide free care.' The surgeons get such positive feedback from the primary care providers that they are motivated to keep doing it."

At another center in Reading, Pa, the GI surgeons elected not to provide free care at the ASC because many of them staff the local hospital's free GI clinic. Instead, the Berks Center for Digestive Health focuses on community education. Staff work at health fairs and speak on colon cancer awareness at Elks Club or Rotary meetings or on the local cable station.

One year, the center rented the Colossal Colon, a 40-foot long, 4-foot tall model of the human colon that hundreds of people in the community crawled or walked through. "Coco," as it is nicknamed, shows what the colon looks like when it is affected by colorectal cancer, Crohn's disease, diverticulosis, ulcerative colitis, hemorrhoids, and cancerous and noncancerous polyps.

"Besides being the right thing to do, charitable care and health education is terrific PR for the center in the community," Poisson says.

State CON mandates

Physicians Endoscopy centers are located in states in which there are no charity or indigent care mandates. But in some states, providing charity or indigent care is not optional; it is required by the ASC's certificate of need (CON). There are 37 CON states. Of those, approximately 25 regulate ASCs but not all require charity care, says Dean Montgomery, director of the American Health Planning Association.

Montgomery says to date there is no organized effort to quantify the states' requirements for charity care, but he says it typically ranges between 2% to 4% of a center's adjusted gross revenue. He believes surgery centers can and should provide more indigent or charity care.

"Outpatient surgery centers are extraordinarily profitable, so a 3% contribution is not a significant impact compared to the amount hospitals must give to the community," Montgomery says.

The Federated Ambulatory Surgery Association (FASA) conducted a survey in 2006 that showed 83% of its members provide charity care or hardship payment

Tax advantages of charity care

ASCs in Georgia can write off the total billed amount (minus Medicare and Medicaid adjustments) as indigent care. The CON-regulated Surgery Center, LLC, Columbus, Ga, meets its indigent/charity care requirements and achieves significant tax savings.

Open treatment distal radius fracture

2CPT code	Billed amount
25620: Open reduction with external fixation	\$2,808
76000: C-arm	\$4,368
L8699 : Implant	\$5,222
Total charges	\$12,400
Approx ASC costs	\$2,580
Total write off	\$12,400

Cataract surgery

2CPT code	Billed amount
66984 Cataract removal	\$3,200
Total charges	\$3,200
Approx ASC costs	\$600
Total write off	\$3,200

Source: The Surgery Center, LLC, Columbus, Ga.

write-offs. Of the ASCs that provide charity care, 60% provide it at the patient's or surgeon's request.

The survey also showed the majority of ASCs—60%—do not account for charity care in their financial statements, which makes quantifying how much charity care the industry provides challenging, says Kathy Bryant, FASA executive director.

"We think ASCs are providing a lot of charity care, but many ASCs don't keep the information on their books," Bryant says.

She adds that for-profit ASCs contribute to the community through income, property, and sales taxes from which not-for-profit hospitals are exempt.

Georgia requires 3%

In Georgia, a CON state, the state requires 3% of an ASC's adjusted gross revenue (total charges adjusted for losses from bad debt, Medicaid, and Medicare) be provided as charity or indigent care or be paid directly to Georgia's Indigent Care Trust Fund.

"We'd rather the centers provide the care in their local community than write us a check," says Matt Jarrard, health planning data manager for the Georgia Department of Community Health.

Of Georgia's 52 ASCs regulated by certificates of need, 33 hold indigent and charity care commitments. Many single-specialty and all office-based ambulatory surgery facilities do not have charity or indigent care requirements, Jarrard says.

Georgia follows federal poverty level guidelines for indigent care. Indigent care is discounted 100%. To be eligible, the 2006 guidelines state that patients must be at or below the 125% poverty guideline, or their annual income is at or below \$24,000 for a family of 4. (See <http://aspe.hhs.gov/poverty> for current guidelines.)

At The Surgery Center LLC in Columbus, Ga, charity care is provided on a sliding scale of income, based on the federal government's poverty level guidelines,

says Jennifer Winters, business office manager. The maximum discount is 75%, with patients paying 25% of charges.

Less costly to provide care

Winters says that during the first 3 years her multispecialty center operated, it waited for the state's bill, then wrote a check for the required 3% adjusted gross charges. But when the surgeons realized the advantages of providing direct care over a monetary contribution, the center began seeking patient referrals.

"Physicians were hard to get on board at first. They preferred to pay the fine," Winters says. "But once they realized it would cost us less to provide the care based on adjusted gross charges over writing a check out of our revenues, they came on board."

ASCs realize tax advantages when providing charity care. The charity/indigent care amount reported to the state is deductible. "Therefore you are reporting less net income on your income statement," Winters says.

Educating MD offices

After the board at The Surgery Center agreed to provide direct care to patients in need, staff began notifying schedulers at family practice offices and clinics to refer their lower-income patients.

Qualifying patients must complete a 4-page application that documents their income level. "Most of our lower-income patients are used to applying for assistance," Winters says. "Most of them come with the required documentation in hand."

Patients are pleased with the service provided in the ambulatory surgery setting, Winters says. "They are accustomed to waiting all day at a hospital for their surgery. They're surprised they can be in and out of the center so quickly, and they always remark on the compassionate care."

Enforcing compliance

Despite the state regulations, Montgomery of the American Health Planning Association believes CON indigent/charity requirements are not strictly enforced across the states.

Jarrard of Georgia's Department of Community Health says Georgia's facilities are audited only when applying for a CON, but the department is working to review each regulated ASC's annual commitment more proactively.

Winters says many of her ASC colleagues in the state just wait for a bill to come to pay the fine. "Some people just ride the line and hope the state won't ever ask for the money. That's a gamble we'd rather not take," she says.

"Right thing to do"

The "we do it because we have to" approach is the one Poisson hopes to change.

"I believe we need to add a new focus to ambulatory surgery care," he says. "Since the beginning, ASCs have concentrated on profitability and quality; now let's add giving back to the community that supports us."

Poisson recommends that a center begin considering charitable care contributions after it is up and running for about 1 year. "The topic ought to be on the board agenda at the time you're ready to make your first distribution to investors," he says. "It may get voted down the first time, but keep bringing it up until the board sees the merits." ♦

—Leslie Flowers

Leslie Flowers is a freelance writer in Indianapolis.