

# The changing landscape

In order to manage the growth of independent ambulatory surgery facilities (ASF) throughout Michigan, Blue Cross Blue Shield of Michigan (BCBSM) created Evidence of Need (EON) standards for ASFs participating with BCBSM.

However, BCBSM recently revised its standards for new and recertifying ASFs, creating a little more flexibility and making more ASFs eligible for participation with BCBSM.

As part of its application for an ASF to become a participating provider, BCBSM originally created a two-step process. The first step is for the ASF to demonstrate Evidence of Need (EON) from BCBSM by completing an "EON attestation," showing that the ASF can sustain need for the surgical procedures it provides in its area. Then, after the ASF has obtained its EON from BCBSM, then the applying facility may submit a full application for review.

In March 2008, BCBSM revised the EON requirements for applying and recertifying ASFs. So here's a summary of the revised requirements that ASFs must keep in mind as they attempt to become and maintain their participating provider status with BCBSM.

According to the new BCBSM EON requirements, an ASF located within a rural county must have a minimum of one operating room, while ASFs in nonrural counties must have a minimum of two operating rooms

## Business of Medicine

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Under the old EON requirements, there were different operating room requirements for single-specialty ASFs and multi-specialty ASFs. Now, the minimum for all rural ASFs, regardless of the number of specialties offered, is one operating room, and the minimum for all nonrural ASFs is two operating rooms.

Old requirements also made mandatory that the ASF demonstrate a specific number of surgical cases per room per year or surgical hours per year. However, BCBSM now states that an ASF must be "in compliance with the state of Michigan's Certificate of Need standard."

Currently, in accordance with Michi-

gan's CON standards, BCBSM requires that an ASF accommodate a minimum of 1,128 cases per operating room per year. Thus, if Michigan's CON standards for an ASF are modified, then the participating provider standards would also be modified and the ASF must meet the new standards to continue to be a participating provider with BCBSM.

In addition, when applying for participation, an ASF must report at least four months of surgical case volumes per operating room to demonstrate they can meet the minimum volume requirements. Previously, BCBSM required a reporting period of six months for each operating

## *Blue Cross Blue Shield's new evidence of need requirements for participating ambulatory surgical facilities*

room. More ASFs may be eligible for participation if they can meet the volume requirements over a four-month period instead of a six-month period.

In addition, new applicants may be eligible for an adjustment to the EON minimum volume requirement. The adjustment is based upon BCBSM's market share in Michigan and is applied only if the facility has not provided services to BCBSM members.

The calculation of BCBSM market share, which is used to determine minimum volume expectation for ASFs applying for participation, has been changed from using overall outpatient charges to using outpatient surgery charges. This results in a market-share adjustment of 30 percent in the lower peninsula, and 40 percent in the upper peninsula.

If this adjustment is applicable to a particular ASF, then the minimum volume requirements set forth above may be reduced, again, making more ASFs eligible for participation with BCBSM.

The EON requirements continue to allow for an ASF to temporarily disable an operating room, so that the facility can meet the volume minimum set forth above.

For example, if an ASF in a nonrural county with three operating rooms has a volume of 2,600 cases for the three rooms, the ASF could temporarily disable one of the operating rooms, meaning that the two remaining operating rooms could each accommodate 1,300 cases per year, meeting BCBSM's minimum volume requirement for each operating room. The ASF must attest to BCBSM that the operating room is disabled, with all gasses capped or with valves turned off, and all operating lights removed.

However, a facility that has temporarily disabled an operating room to meet the volume requirement is expected to meet the full volume standard for all licensed rooms, including any disabled operating rooms, before the ASF's next recertification period, which, as set forth below, occurs approximately every three years.

Moreover, if a provider can still not meet the minimum volume requirements, the ASF can still delicense one or more of the operating rooms to meet BCBSM's volume requirement.

An ASF participating with BCBSM will be recertified approximately every three years. Previously, BCBSM would review an ASF's participation every other year. Upon recertification, participating facilities will fall into one of three categories:

- The ASF meets the full volume requirement for at least one of the calendar years between recertification periods. These ASFs will maintain their participation with BCBSM.
- The ASF meets 80 percent of the volume requirements for a least one of the calendar years between recertification periods. These ASFs will be given a conditional participation extension and must meet the full-volume requirement in at least one of the calendar years before the next recertification periods. The grace period for these ASFs has been extended from two years to three years by BCBSM.
- ASFs that do not meet at least 80 percent of the volume requirements in any of the calendar years between recertification. These ASFs will lose their participation with 60 days notice.

The changes noted above to the EON requirements have been reflected in the BCBSM's ASF application for BCBSM participation as well as the BCBSM ASF Participation Agreement.

Initially, BCBSM established strict EON standards. These EON barriers prevented many ASFs from participating with BCBSM and deprived ASFs of a substantial source of revenue. However, the revised EON requirements provide more flexibility and greater access for participation for ASFs with BCBSM.

In light of these revisions to the EON requirements, many ASFs may now be eligible to become participating providers with BCBSM. Further, current providers with BCBSM may want to revise their strategies for meeting BCBSM's new EON requirements.