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Ambulatory Surgery Facilities Provider Class Plan

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PROVIDER CLASS

A provider class may include health care facilities or health care professionals who have a contract or reimbursement arrangement with BCBSM to render services to BCBSM's members.

Definition

An ambulatory surgery facility under this provider class plan is a Michigan licensed facility that provides surgery and related care that can be performed without requiring inpatient hospital care. An ambulatory surgery facility excludes the office of a physician or other private practice office.

Scope of Services

Ambulatory surgery facilities can perform surgeries pertaining to the following systems:

- ◆ Integumentary
- ◆ Respiratory
- ◆ Digestive
- ◆ Male genital
- ◆ Nervous
- ◆ Auditory
- ◆ Musculoskeletal
- ◆ Cardiovascular
- ◆ Urinary
- ◆ Female genital
- ◆ Eye/ocular adnexa

P.A. 350 GOALS AND OBJECTIVES

Cost Goal

“Providers will be subject to reimbursement arrangements that will assure a rate of change in the total corporation payment per member to each provider class that is not higher than the compound rate of inflation and real economic growth.” The goal is derived through the following formula:

$$\left(\frac{(100 + I) * (100 + \text{REG})}{100} \right) - 100$$

Where “I” means the arithmetic average of the percentage changes in the implicit price deflator for gross domestic product over the 2 calendar years immediately preceding the year in which the commissioner's determination is being made, and

Where “REG” means the arithmetic average of the percentage changes in the per capita gross domestic product in constant dollars over the 4 calendar years immediately preceding the year in which the commissioner's determination is being made.”

Objectives

- Limit the rate of increase in total payments per member for ambulatory surgery facilities to the compound rate of inflation and real economic growth, as specified in P.A. 350, giving consideration to Michigan and national health care market conditions.
- Provide equitable reimbursement to ambulatory surgery facilities in return for high quality services that are medically necessary.

Access Goal

“There will be an appropriate number of providers throughout this state to assure the availability of certificate-covered health care services to each subscriber.”

Objectives

- Participate with all ambulatory surgery facilities that meet BCBSM’s qualification standards.
- Recognize the unique needs of rural areas by establishing specific operating room minimums for rural ambulatory surgery facilities.
- Make current addresses and telephone numbers of all participating ambulatory surgery facilities available to members.
- Review reimbursement levels periodically and adjust as BCBSM deems necessary.

Quality Of Care Goal

“Providers will meet and abide by reasonable standards of health care quality.”

Objectives

- Apply and monitor providers’ compliance with participation requirements and performance standards.
- Assess member satisfaction with ambulatory surgery facility services.
- Meet with the ambulatory surgery facilities liaison committee at least two times annually to allow facilities the opportunity to discuss with BCBSM such issues as quality of care, medical necessity, administrative concerns, participation standards, etc.
- Regularly provide all participating facilities with information on topics such as changes in payable services, group benefit changes, billing requirements, in addition to general educational materials.

- Maintain and update, as necessary, an appeals process that allows facilities to appeal individual claims disputes or utilization review audits. This process is described in Addendum C of the Ambulatory Surgical Facility Participation Agreement.

BCBSM POLICIES & PROGRAMS

BCBSM maintains a comprehensive set of policies and programs that work toward achieving the provider class plan goals and objectives. These policies and programs are designed to help BCBSM meet the P.A. 350 goals by limiting cost, maintaining accessibility, and ensuring quality of health care services to its members. To that extent, the following policies and programs may, individually or in combination, affect achievement of one or more of the P.A. 350 goals. BCBSM annually reports its performance against the goals and objectives for each provider class plan.

Provider Participation

BCBSM may issue a participating contract that covers all members of a provider class or it may offer a separate and individual contract on a per claim basis, if applicable to the provider class.

Participation Policy

Participation for ambulatory surgery facilities is on a formal basis only; per claim participation is not available. Facility services rendered in a non-participating ambulatory surgery facility are not reimbursed. In order to participate, facilities must meet all of BCBSM's qualification standards.

Qualification Standards

To qualify as a participating ambulatory surgery facility, a facility must initially meet and continue to meet the following requirements:

- Have a physical structure other than the office of a physician, dentist, podiatrist or other private practice office, offering surgical procedures and related services that can be performed without requiring inpatient hospital care.
- Be licensed by the state of Michigan as a Freestanding Surgical Outpatient Facility (FSOF), and meet any requirements of applicable federal law.
- Be accredited as an ambulatory health care facility by at least one national accreditation organization such as the Joint Commission on Accreditation of Healthcare Organizations (JCAHO), the American Osteopathic Association (AOA), or the Accreditation Association for Ambulatory Health Care (AAAHC), or any additional accreditation organization approved by BCBSM.
- Be Medicare certified as an Ambulatory Surgery Center (ASC), or determined by Medicare to be an extension or part of a Medicare certified hospital.

- Provide surgery within at least two of the following body systems for designation as a multi-specialty ASF: integumentary, musculoskeletal, respiratory, cardiovascular, digestive, urinary, male genital, female genital, nervous, eye/ocular adnexa and auditory.
- Provide surgery within only one body system for designation as a single-specialty ASF: integumentary, musculoskeletal, respiratory, cardiovascular, digestive, urinary, male genital, female genital, nervous, eye/ocular adnexa and auditory.
- Maintain a minimum of three operating rooms for a non-rural multi-specialty ASF, and a minimum of two operating rooms for a non-rural single-specialty ASF. For purposes of this plan, an operating room is defined as either: 1) an operating room as designated by the Michigan Department of Community Health (MDCH) on a sterile corridor, or 2) a dedicated endoscopy or cystoscopy room on either a sterile or non-sterile corridor. Non-rural is determined by the United State’s Department of Agriculture’s most recent Rural-Urban Continuum Code. Facilities that have more than the minimum number of operating rooms must still meet all volume requirements described under the Evidence of Necessity standard.
- Maintain a minimum of two operating rooms for a rural multi-specialty ASF, and a minimum of one operating room for a rural single-specialty ASF. For purposes of this plan, an operating room is defined as either: 1) an operating room as designated by the Michigan Department of Community Health (MDCH) on a sterile corridor, or 2) a dedicated endoscopy or cystoscopy room on either a sterile or non-sterile corridor. Rural is determined by the United State’s Department of Agriculture’s most recent Rural-Urban Continuum Code. Facilities located in counties defined by the USDA as “fringe” counties are also designated as rural if BCBSM determines that there is no participating ASF providing similar services within a 30 mile driving distance. Facilities that have more than the minimum number of operating rooms must still meet all volume requirements described under the Evidence of Necessity standard.
- Patients admitted to the ambulatory surgery facility must be under the care of a licensed physician. A physician should be available on-site at all times when a patient is on the facility’s premises.
- Have an organized medical staff, established in accordance with policies and procedures developed by the facility, that is responsible for maintaining proper standards of medical care. Membership on the medical staff must be available to qualified physicians in the community. Criteria for membership on the medical staff will be established and enforced by a credentials evaluation program established by the facility.
- Have a written agreement with at least one acute care general hospital, within a reasonable travel time, as determined by BCBSM, to facilitate prompt transfer of patients requiring hospital care. The written agreement with a hospital shall provide that copies of the facility’s medical records shall be transmitted to the hospital where the patient is transferred.
- Conduct program evaluation, utilization review and peer review to assess the appropriateness, adequacy and effectiveness of the program’s administrative and clinical components applicable

to all patient services in accordance with the requirements of BCBSM and the appropriate accrediting and regulatory agencies.

- Have a governing board that is legally responsible for the total operation of the facility, and for ensuring that quality medical care is provided in a safe environment.
- Financial affairs must be conducted in a manner consistent with prudent fiscal management. Records of its transactions shall be maintained in conformity with generally accepted accounting principles and with BCBSM billing, reporting and reimbursement policies and procedures.
- Meet the Evidence of Necessity minimum volume requirements at the time of initial application, and every other year thereafter, through the recertification process outlined below. Evidence of Necessity requires that a facility operate at a minimum volume of 1200 surgical cases or 1600 hours per operating room per year[Ⓢ].

Participation Process

A nonparticipating facility may apply for formal participation at any time. A two step application process begins when a facility submits a complete BCBSM Evidence of Necessity Attestation reporting its volumes and operating rooms. Upon receiving confirmation that it meets Evidence of Necessity standards, a facility must submit a separate application to demonstrate compliance with all other BCBSM qualification standards.

In the Evidence of Necessity Attestation, facilities that have been operational for one year will be required to submit their most recent twelve months of volume. Applicant facilities that have been operational for less than one year will be allowed to submit their most recent six months volume. If the applicant facility is located in a county where the sum of all hospital and other surgical facilities' inpatient and outpatient surgical, endoscopy and cystoscopy cases exceeds 1200 surgical cases or 1600 hours per operating room per year, the facility will be allowed to submit its most recent three months volume. The data will then be annualized to determine compliance with BCBSM's Evidence of Necessity requirement.

Volume attestations must be signed by the facility owners or officers. The reports must clearly identify the type of room in which cases were performed (e.g., a licensed operating room on a sterile corridor, a dedicated endoscopy or cystoscopy room on either a sterile or non-sterile corridor, or some other non-operating room). Procedures performed in a room not designated as an operating room or dedicated endoscopy or cystoscopy room on the Michigan Department of Community Health's Annual Hospital Statistical Survey will not be counted as part of the facility's overall volume. Facilities must attest that endoscopy or cystoscopy rooms are dedicated to those procedures and not used as general procedure rooms.

[Ⓢ] BCBSM's definition of a "surgical case" and "hours of use" will be the same as that used by the Michigan Department of Community Health. The MDCH currently defines a case as a single visit to an operating room during which one or more surgical procedures are performed. "Hours of use" is defined as the actual time an operating room is used to provide surgical services and excludes set-up and clean-up time.

Although the minimum volume a facility must meet is 1200 surgical cases or 1600 hours per operating room per year[Ⓔ], this standard is adjusted for non-participating facilities to reflect that they have not had access to BCBSM's market share. The adjustment will be the greater of 25 percent of the minimum volume requirements or BCBSM's market share within the state defined Health Service Area (HSA) in which a facility is located. BCBSM will determine market share by comparing overall hospital outpatient charges in the (HSA) to BCBSM hospital outpatient charges, using the most recent available data.

Facilities that provided services to BCBSM members during the period for which they are submitting volume information may not include those cases where BCBSM is the primary payor if they wish to qualify for the BCBSM market share adjustment. If the patient has another carrier or has Medicare as the primary insurer, the case may be included in the volume total even if BCBSM is the secondary or supplemental insurer.

BCBSM will send facilities notification of their Evidence of Necessity status within 30 days of receiving their Evidence of Necessity Attestation. Facilities meeting the Evidence of Necessity standards will be informed that an application should be submitted, if the facility has not already done so, which demonstrates conformance to all other BCBSM qualification standards. The review will commence with the receipt of a complete application and a letter stating whether the facility meets BCBSM's qualification standards will be sent to the facility within 60 days. A facility that fails to meet the Evidence of Necessity or qualification standards will be denied a participation agreement and will receive a letter explaining the reason for the denial.

Reduction of Operating Rooms

In order to meet Evidence of Necessity volume requirements, a nonparticipating facility may choose to temporarily disable or permanently de-license an operating room.

◆ Temporary Disablement of Operating Rooms

A nonparticipating facility may temporarily disable one or more operating rooms to meet the Evidence of Necessity volume requirements. BCBSM will conditionally approve a facility for participation if the facility attests that a room has been temporarily disabled and: 1) the facility meets all qualification standards except the volume requirements at the time of application; 2) the temporary disabling of rooms results in the facility meeting the volume requirements for each room still in use; and 3) the number of rooms still in use meets the operating room minimum. An operating room will be considered temporarily disabled if its gasses are capped or gas valves are turned off and its operating room lights removed. Misrepresentation that an operating room has been disabled will result in termination of the facility's participation agreement. The facility must meet the full volume standard for all licensed rooms (including temporarily disabled rooms) before the facility is subject to re-certification.

[Ⓔ] BCBSM's definition of a "surgical case" and "hours of use" will be the same as that used by the Michigan Department of Community Health. The MDCH currently defines a case as a single visit to an operating room during which one or more surgical procedures are performed. "Hours of use" is defined as the actual time an operating room is used to provide surgical services and excludes set-up and clean-up time.

◆ **De-licensure of Operating Rooms**

A nonparticipating facility that intends to de-license one or more operating rooms to meet the EON volume requirements must notify BCBSM of this intent at the time of its initial application. BCBSM will conditionally approve a facility for participation if: (1) the facility meets all qualification standards except the volume requirements at the time of application; (2) the de-licensing of rooms results in the facility meeting the volume requirements for the remaining number of actively licensed operating rooms. A facility must submit appropriate documentation that a room has been de-licensed within 60 days of BCBSM's conditional approval or the conditional approval will expire and no participation agreement will be in effect.

Operating Room Exchanges

The trading of operating rooms for Evidence of Necessity purposes, in which a hospital closes one or more of its operating rooms in exchange for approval of an ambulatory surgery facility operating room, will not be allowed.

Recertification Process

Ambulatory surgery facilities that have been participating with BCBSM for more than 12 months are required to be recertified. Beginning in the year 2003 and every other year thereafter, a facility must submit to BCBSM, by January 31st, its volume attestation reflecting at least one full calendar year of operations. A facility that does not meet the standard or does not submit its volume attestations will be sent notification by March 1 of each recertification year that it will lose its participation status on May 1 of that same year.

Upon recertification, all participating facilities will fall within one of the following categories:

Category	Result
<ul style="list-style-type: none"> ▪ Meets the full volume requirement (1200 cases or 1600 hours per operating room per year) for at least one of the two calendar years between recertification periods. 	<ul style="list-style-type: none"> ▪ Maintains participation status until the next recertification period.
<ul style="list-style-type: none"> ▪ Meets 90 percent of the volume requirement (1080 cases or 1440 hours per operating room per year) for at least one of the two calendar years between recertification periods. 	<ul style="list-style-type: none"> ▪ Conditional participation extension – must meet full volume requirement in at least one of the two calendar years before the next recertification period.
<ul style="list-style-type: none"> ▪ Does not meet at least 90 percent of the volume requirement in either of the calendar years between recertification. 	<ul style="list-style-type: none"> ▪ Loses participation status on May 1 of the recertification year.

Reduction of Operating Rooms

In order to meet Evidence of Necessity volume requirements at recertification, a participating facility may choose to temporarily disable or permanently de-license an operating room.

◆ Temporary Disablement of Operating Rooms

A currently participating facility may temporarily disable one or more operating rooms to meet the Evidence of Necessity volume requirements. BCBSM will conditionally approve a facility until the next recertification period if the facility attests that a room has been temporarily disabled and: 1) the facility meets all qualification standards except the volume requirements at the time of recertification; 2) the temporary disabling of rooms results in the facility meeting the volume requirements for each room still in use; and 3) the number of rooms still in use meets the operating room minimum. An operating room will be considered temporarily disabled if its gasses are capped or gas valves are turned off and its operating room lights removed. Misrepresentation that an operating room has been disabled will result in termination of the facility's participation agreement. The facility must meet the full volume standard for all licensed rooms (including temporarily disabled rooms) before the next recertification period.

◆ De-licensure of Operating Rooms

A participating facility that intends to de-license one or more operating rooms to meet the Evidence of Necessity volume requirements must notify BCBSM of this intent at the time of recertification. BCBSM will conditionally approve a facility for recertification if: 1) the facility meets all qualification standards except the volume requirements at the time of application; and 2) the de-licensing of rooms results in the facility meeting the volume requirements for the remaining number of actively licensed operating rooms. A facility must submit appropriate documentation that a room has been de-licensed within 60 days of BCBSM's conditional approval. Failure to do so will result in the participation agreement being terminated.

Addition of Operating Rooms

BCBSM participating facilities that add a newly licensed operating room will be given two years from the date the new operating room is opened to reach the required volume minimum for the new operating room. Existing operating rooms must continue to meet established volume minimums. Volumes for new and existing operating rooms must be reported separately on Evidence of Necessity attestations until the new room meets the volume minimum. Once the new room meets volume requirements, all rooms will be recertified together at the next recertification date.

Example:

A facility with two operating rooms was initially approved to participate in 2003. An operating room is added in June 2004. The original two rooms are recertified in 2005. The new room

must meet volume minimums by June 2006. Once it does, the entire facility would be recertified in 2007.

If the new room fails to meet the required volume minimum within the two-year period, the facility must de-license or temporarily disable an operating room or the facility will lose its participation status with 60 days notice.

Operating Room Exchanges

The trading of operating rooms for Evidence of Necessity purposes, in which a hospital closes one or more of its operating rooms in exchange for approval of an ambulatory surgery facility operating room, will not be allowed.

Termination of Contract

Participation shall be terminated by BCBSM with 60 days notice if an ambulatory surgery facility fails to meet minimum volume standards. A designated single-specialty facility that submits claims for services outside of its designated specialty will have its participation agreement terminated with 60 days notice. An ASF that fails to meet any other qualification standard established by BCBSM, and described in Addendum A of the Ambulatory Surgery Facility Participation Agreement, will have its participation agreement terminated. Any facility found to knowingly submit false information or volume data will have its participation agreement immediately terminated.

Termination of the participating agreement may also occur by either BCBSM or the facility under the terms and conditions specified in Article V of the Ambulatory Surgery Facilities Participation Agreement.

Provider Programs

BCBSM strives to ensure the appropriateness and quality of the services delivered to subscribers through a combination of communication, education, and quality assurance programs that oversee and support health care providers.

Utilization Management Initiatives

BCBSM requires that ambulatory surgery facilities develop and implement their own program evaluation, utilization management and peer review programs. These programs must:

- Assess the quality of care provided to patients to ensure that proper services are provided at the proper time by qualified individuals
- Identify, refer, report and follow up on quality of care issues and problems
- Monitor all aspects of patient care delivery

The utilization management and peer review plan must be written and must identify purposes, goals, mechanisms and personnel responsible for all aspects of the plan including:

- Quality, content and completeness of the medical records
- Clinical performance
- Quality and appropriateness of diagnostic and treatment procedures
- Evaluation of tissue specimens
- Medication utilization
- Patient satisfaction
- Quality and appropriateness of anesthesia
- Arrangements for patients requiring hospitalization following ambulatory surgery

Education/Communications

- Participating ambulatory surgery facilities routinely receive the *Record*.
- BCBSM's regional field services representatives provide consulting services and assistance to facility staff.
- BCBSM meets twice annually with the ambulatory surgery facility liaison committee.
- BCBSM maintains and updates as necessary, the *Guide for Participating Ambulatory Surgery Facilities*.
- Provider participation information is available on the BCBSM corporate web page or the Provider Inquiry and Customer Service Inquiry toll-free hotlines.

Performance Monitoring

- Ambulatory surgery facilities are recertified every other year to ensure compliance with Evidence of Necessity standards. Volume attestations are submitted by January 31st of each year.
- Ambulatory surgery facilities are periodically surveyed to ensure they maintain up-to-date compliance with licensing requirements and all other qualification standards.
- Suspected fraudulent activity, reported to BCBSM by providers, subscribers, and BCBSM staff, is referred to Corporate Financial Investigations for further investigation.
- Utilization review audits, when conducted, work to ensure that providers rendered services appropriately and within the scope of members' benefits.
- BCBSM will develop a satisfaction survey to assess member perceptions of the care provided at participating ambulatory surgery facilities.

Reimbursement Policies

BCBSM reimburses participating ambulatory surgical facilities for covered services deemed medically necessary by BCBSM. Determination of medical necessity is described in the attached Ambulatory Surgery Facility Participation Agreement.

Covered Services

Reimbursement for covered services provided in an ambulatory surgery facility covers services directly related to the surgical procedure, including the following items:

- Use of the ambulatory surgery facility including operating, recovery, or other treatment rooms, pre-operative areas, patient preparation areas, post-operative areas used by the patient or offered for use to the patient's relatives in connection with surgical procedures
- Anesthesia services and materials
- EKGs
- Nursing care by, or under the supervision of a registered nurse
- Drugs, biologicals, surgical dressings, supplies, splints and casts directly related to the provision of the surgical procedure
- Oxygen and other therapeutic gases
- Administration of blood
- Skin bank, bone bank and other tissue storage costs for supplies and services for the removal of skin, bone or other tissues, as well as the cost of processing and storage
- Routine laboratory services performed on the day of the surgery and related to the surgery or a concurrent medical condition
- Radiology services necessary to enhance the surgical service when the equipment is owned by the facility and the services are performed on its premises
- Administrative, record keeping and housekeeping items and services

Reimbursement Methods

Payment for outpatient surgical procedures is based on one of the following three reimbursement methods:

- Price-based payment for ambulatory surgical procedures which are not commonly performed in physicians' offices, as determined by BCBSM, is based on a conversion of billed charges to costs, and a BCBSM determined surgical pricing formula.
- Statewide percentage of charges payment for procedures which are not commonly performed in physicians' offices, as determined by BCBSM, and for which BCBSM has insufficient utilization data to establish a reasonable price, is based on the approved charge multiplied by the statewide percentage of charges as determined by BCBSM.
- Nominal price-based payment for surgical procedures predominantly performed in physicians' offices, as determined by BCBSM, is based on 50 percent of the physician practice expense of the BCBSM physician fee for each procedure.

Payment for laboratory and radiology procedures is a price-based system using the technical component of the BCBSM physician fee for each procedure.

Payment for EKGs is based on a statewide percentage of charge payments.

Hold Harmless Provisions

Participating ambulatory surgery facilities agree to accept BCBSM's payment as payment in full for covered services. Member copayments and/or deductibles are subtracted from BCBSM's payment before the facility is reimbursed. Participating facilities hold members harmless from:

- Balance billing, unless the services rendered are not covered services
- Medically unnecessary services, as determined by BCBSM, unless the member acknowledges that BCBSM will not pay for the services and agrees in writing before the services are rendered to assume liability
- Financial obligation for covered services provided but not billed to BCBSM within 12 months under the circumstances specified in the Ambulatory Surgery Facility Participation Agreement

Appeals Process

Participating facilities have the right to appeal BCBSM decisions regarding individual claims disputes and utilization review audit determinations. The complete process is described in Addendum C of the Ambulatory Surgery Facility Participation Agreement.

**AMBULATORY SURGERY FACILITIES PARTICIPATION
AGREEMENT (Attached)**