

Written Testimony of Dr. Richard Fichman

Submitted to the Finance, Revenue and Bonding Committee

**In Reference to Raised House Bill 5493**

**An Act Phasing Out The Ambulatory Surgical Center Tax**

March 9, 2016

Good afternoon Chairman Fonfara, Chairman Berger, Ranking and distinguished members of the Finance, Revenue and Bonding Committee.

Thank you for the opportunity to provide testimony in favor of raised House Bill 5493.

Approximately seventeen years ago it became apparent to me that the only way I could acquire the technology necessary to perform surgeries most effectively and with the best care and convenience to patients, was to build an ambulatory surgery center (ASC). That way I could have the appropriate oversight to operate prudently and cost effectively while providing superior patient care.

By way of background, ASCs were developed in the 1970s in order to shift procedures from a high cost, inpatient setting, to an ASC, which would be reimbursed on a more modest scale, thereby reducing the costs of care. For example, cataract surgery could be most appropriately performed at an ASC, and in 2015 the vast majority of cataract surgeries were done in such Centers. In contrast, hospitals charge approximately twice as much as an ASC. Accordingly, if an ASC is 100% hospital owned, it can be reimbursed twice as much for the same procedure while it has overhead equivalent to the ASC structure rather than the hospital.

As the graphs I have provided demonstrate, the profits for hospital-owned centers are exponentially higher because they have double the revenue, as they can legally charge more (double), despite the fact that their actual costs are similar to non-hospital-owned ASCs.

The graphs provided also show that a private ASC may struggle to become moderately profitable until it reaches \$1,000,000 in revenue, and that does not account for the costs related to acquiring new technology. During two of the past five years my business has suffered losses. If the ASC tax was in effect during this time, my business would have paid tens of thousands of dollars in taxes despite such losses. As a result, I am reluctant to reinvest in my business (acquire new technology) because of the tax, although the ability to have superior technology and provide the best patient care effectively was the very reason I opened the center.

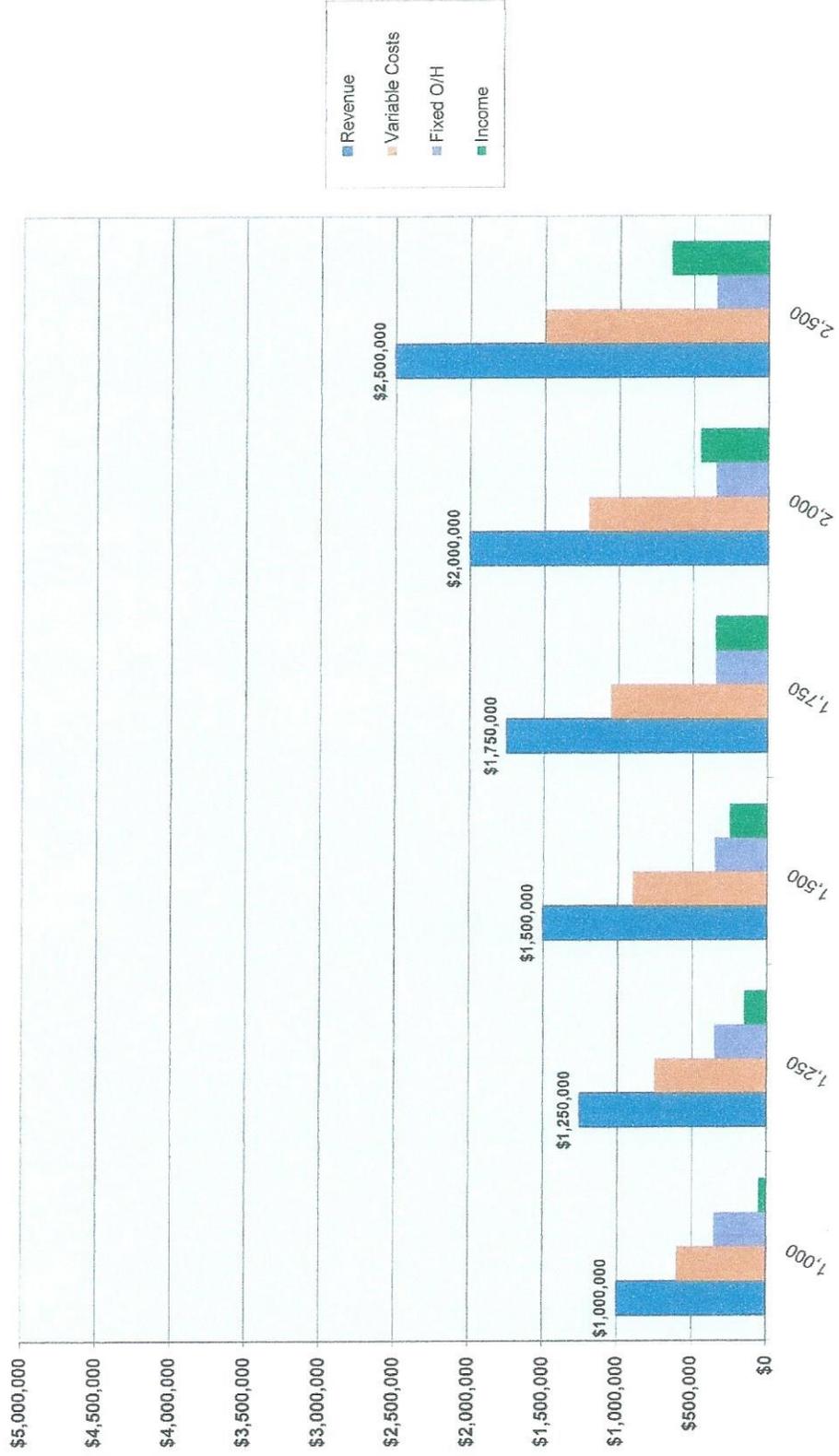
At the time of the passage of the ASC tax-related legislation, I was in negotiations to add several physicians to my center. For the first time in my career, I began to think it was a bad idea to grow. It would cost \$1 million for infrastructure, and we would be paying twice as much in gross tax. Although six or seven high paying jobs would have been created, and patients would gain access to our superior technology and care, the tax made it unwise to expand.

I urge you to rescind the tax as it has an extremely negative effect on small single specialty centers and likely will force such centers to close or sell to hospitals, raising prices for patients with large deductibles and potentially reducing care.

Sincerely,

Dr. Richard Fichman

**INDEPENDENT ASC**  
**Revenue, Variable Costs, Fixed O/H & Income**  
**Cataract Surgery**  
**1,000 to 2,500 Cases**  
*(For Illustration Purposes Only)*



Note: Revenue is based on an independent ASC receiving an estimated \$1,000 per case.

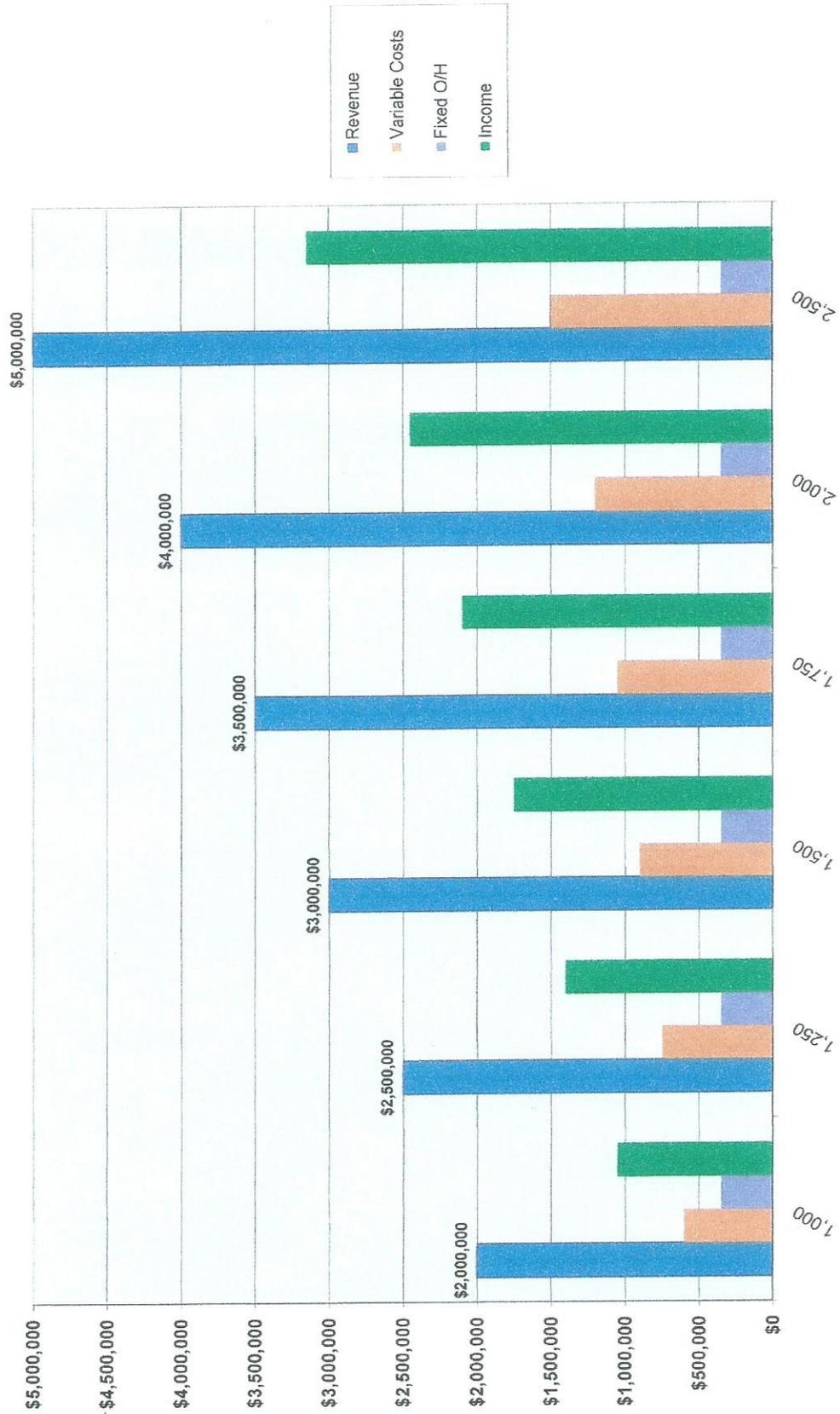
# HOSPITAL

Revenue, Variable Costs, Fixed O/H & Income

Cataract Surgery

1,000 to 2,500 Cases

(For Illustration Purposes Only)



NOTE: Revenue is based on a hospital receiving an estimated \$2,000 per case.

# HOSPITAL VS. INDEPENDENT ASC

Income Comparison

Cataract Surgery

1,000 to 2,500 Cases

(For Illustration Purposes Only)

