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Converting an HOPD to an ASC

What to know about renovating an existing space **BY JULIE HAMBERIS, RN**

Increasing numbers of hospitals intend to expand their investments in ASCs going forward, according to a 2020 survey of senior healthcare executives conducted by Avanza Healthcare Strategies. These hospitals use a few ways to grow the number of ASCs in their portfolio. One of those ways is exploring whether to convert existing hospital outpatient departments (HOPDs) to ASCs.

Conversion can deliver significant benefits over building a new facility. The hospital and any potential physician partners can eliminate significant capital expenses, including those associated with researching and purchasing real estate, design and construction. The time to market for a renovation tends to be faster than for a new build. Finally, the HOPD is likely already in a good location for patients, surgeons, staff and vendors.

The process of converting an HOPD to an ASC might seem like a straightforward and cost-effective way to open an ASC. Since the facility is already being used by surgeons to perform outpatient surgical procedures, the conventional wisdom would say that a conversion is as simple as a few operational adjustments and a new sign on the door.

It is not that easy, however, and such a mentality can be risky. Oversights that occur from rushing to complete the conversion without fully understanding the process can stall the project, add significant expense or, ultimately, cause the loss of any potential time or cost savings.

Key Conversion Considerations

An existing HOPD will often require operational and licensing changes and facility renovations to account for the unique requirements of an ASC. Federal regulators and accreditation organizations consider HOPDs and ASCs to be different types of facilities. While there is overlap with HOPDs, ASCs have their own sets of life safety guidelines and accreditation standards.

One of the first steps the hospital and physician partners should take before proceeding with an HOPD-to-ASC conversion is to bring in a life safety expert with ASC knowledge and experience. This consultant will determine what will need to occur to get the space compliant with ASC life safety requirements. Various regulatory bodies and their requirements must all be considered when assessing whether an HOPD can and should be converted to an ASC. Some that should be taken into account are Facility Guidelines Institute (FGI) standards, Centers for Medicare & Medicaid Services' Conditions for Coverage and state-specific regulations, including evaluation of any state-required certificate of need process (identified in some states as "certificate of public need" or "determination of need").

Depending on the year the existing space was constructed, the work required to bring the HOPD up to the current guidelines and building occupancy requirements might prove so difficult and expensive that they might serve as a deterrent to pursuing the conversion.

Other Factors to Address

Hospital and physician partners should be prepared for the recommended life safety assessments to find certain issues they might find surprising and potentially expensive to address. For example, some of the engineering and mechanical services used by the HOPD can be carried over to the ASC, usually with a written agreement that the ASC's owners will pay fair market value to the

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hospital for those services. A different set of services, however, must be dedicated to the ASC. ASCs need certain firewall separations that might not have been considered when building the HOPD. A life safety expert should be able to identify what can and cannot be shared between a hospital and an ASC.

Engagement of and buy-in into the conversion by surgeons should not be overlooked, particularly if the reason for the flip from an HOPD to an ASC is to offer a joint-venture relationship between the hospital and surgeons. A frustration often expressed by surgeons involved in such projects is that their opinion on the facility design and related costs were not wholly considered or appreciated.

The financial projections for the HOPD conversion must include all renovation expenses, which should be continually updated as more definitive costs are determined. Renovation decisions are often made without a strong understanding of the work required. Once costs are fully calculated and disclosed, everyone involved has "sticker shock." To build a facility that can truly be a lower cost venue for surgery, which is the point of many HOPD-to-ASC conversions, maintaining the renovation costs at the lowest cost possible will allow the center to open poised in an environment favorable for financial success.

The specific location of the HOPD must be assessed to ensure it will work as an ASC. Existing hospital outpatient buildings and/or occupied medical office buildings will often contain ORs or procedure rooms in desirable locations for ambulatory surgery. However, they may be deep within a building and require navigation past other departments. Understand that to renovate such a space might require contractors to enter the building during off hours or non-peak times, which can extend renovations and cost.

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Then, there is the matter of the space's square footage. Since HOPDs tend to be designed by hospital architects, there is often space that would be considered excessive for the converted ASC. As part of the assessment of the space, opportunities to scale back the footprint while still maintaining compliance should be considered. Lowering the square footage to the minimal amount necessary—while still permitting future projected growth—is critical to achieving the cost-effective, cost-efficient design that helps make ASCs successful.

If they can be accomplished without blowing the budget, renovations and an accompanying redesign represent a great opportunity to build in operational efficiencies that might not have been considered when the HOPD was originally designed and built.

Conversion Due Diligence

Exploring whether to convert an HOPD to an ASC will often be a good idea, but a hospital and its physician partners must understand that the facility might not allow for the conversion. Even if the conversion is possible, it can be as costly as or even more expensive than a new build.

It is important to have someone who understands ASC regulations at all levels—local, state federal and accrediting bodies—as well as ASC engineering and construction experts assess the facility and determine how much it will cost and how long it will take to convert the facility. This will help greatly reduce the likelihood of significant surprises down the road.

Some of the risks associated with not involving these experts early in the conversion consideration process are

- Construction renovation budget may significantly impact the financial viability of the ASC.
- Renovation could take longer than a new build. This is especially important if surgeons have other opportunities for ASC investment.
- Patients may feel displaced by navigating construction zones while experiencing an already anxiety-producing surgical encounter.

Opening an ASC that is the result of a renovated HOPD will take the same thought, planning and early engagement with experienced facilities teams as building an ASC from the ground up. Leveraging a multi-faceted team approach that involves ASC experts plus hospital and surgeon representatives should allow the new ASC to best position itself to ensure optimum patient outcomes, a lower cost site for ambulatory surgery and a strong return on investment for the reduced reimbursement ASC environment. «

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