2027 Iowa Certificate of Need (CON) Application

Instructions: 1. Complete all the sections below.2. Provide concise, evidence-based responses, with supporting documentation or data as needed.3. Reference Iowa Code 135.63, as needed, to complete the application.4. Upload additional documentation, as needed.

Primary Contact
Alissa Smith

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Dorsey & Whitney LLP

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Facility Name
Orthopedic Ambulatory Surgery Center ("ASC")—New Facility

Facility Type
Ambulatory Surgical Center

Facility Address
4.5 acres of land between Highway, 141 and SE Destination Drive, North of SE 11th St., Grimes, Iowa 50111

Project Title
Orthopedic Ambulatory Surgery Center ("ASC")—New Facility

Proposed Project
Orthopedic Ambulatory Surgery Center ("ASC")—New Facility

Total Project Cost
30,200,000

Equipment Cost
8,000,000

Project Type
New Facility

Is this project application for a Nursing Facility?
No

Project Start Date
10/1/2026

Project End Date
5/31/2028

1. Applicant and Facility Overview

a. Project Purpose and Objectives:
This new ASC will focus on growth and efficiency of spine and total joint procedures. The new facility will be lower cost than existing outpatient hospital surgery services available in the community. The new ASC's

service area will be a 100 mile radius of Des Moines (approximately 1.5 million people). In addition, the facility plans to serve residents from rural Iowa where consistent orthopedic surgery services are not currently available. As of 2024, approximately one million Iowans are over age 50. Ten percent of these residents will require a total knee replacement and eleven percent will require a total hip replacement in their lifetime. The need for access for these joint surgeries will increase over the next decade as this population ages.

By 2030, knee replacements are expected to increase by 673% and hip replacements by 174% (APTA Orthopedics/Pub Med/NIH). There is a shortage of outpatient surgery space in central Iowa due to the recent spike in geriatric trauma combined with a crisis of provider access in rural Iowa. The ASC spaces currently available to physicians from DMOS are full. There are no additional outpatient operating room blocks available for current DMOS physicians or new physicians who are recruited.

b. Relationship to Long-Range Development Plan:
The new ASC's strategic plan centers on a start to finish musculoskeletal management system. This system creates easy access to highly trained orthopedic specialists, facilitating care at the right time and the right place. Such care provides for greater accuracy of diagnosis, increased patient experience and decreased cost. The new facility's pathway includes a collaboration with DMOS physicians to provide:

1. Virtual care from home 24/7
2. Walk in options at multiple Urgent Injury and Physical Therapy locations across central Iowa.
3. Access to DMOS physicians via 24/7 online scheduling
4. Dedicated nurse case managers specific to the joint program that clear potential surgical patients for same day procedures.
5. Post-operatively, physical therapy, DME, and interventional physiatry will be available.

There is not sufficient outpatient surgery capacity to support the anticipated increase in joint surgery volumes. The construction of this proposed ASC will allow appropriate cases to be shifted from already overcrowded hospitals to an outpatient setting, which will help open up needed inpatient beds for those patients that require them.

c. Description of Proposed Service/Program:
The new ASC is proposing to provide the following outpatient surgery services:

1. Joints—total knee, hip, and shoulder arthroplasty
2. Spine—discectomy, fusions, ALIF, TLIF, pain stimulators, decompressions

Scope:
1. All codes that have been approved by CMS for site of surgery in an ASC.
2. All patients who meet the criteria for outpatient joint surgery and outpatient spine surgery.

Intended Outcome:
1. Provide the best possible patient experiences and outcomes.
2. Provide transparent pricing and lower costs for outpatient surgery patients.

d. Target Population: Specify geographic and demographic areas.
The proposed ASC's target population is those patients within a two-hour (or 100 mile) radius of Des Moines who require a total knee, hip or shoulder and any patient with cervical, thoracic or lumbar pain that qualifies for same day joint surgery. The total population in this area is approximately 1.5 million. The proposed ASC will be enrolled in Medicare, Medicaid and will be credentialed with commercial payers.

e. Relation to Existing Provider Network: Summarize relationship with other health care providers/services in the region.

The proposed ASC will be a joint venture entity owned in part by physicians from DMOS. The DMOS physicians currently partner with UnityPoint Health Des Moines to provide orthopedic services ranging from trauma to elective procedures. In addition, DMOS physicians partner with direct primary care physicians in Central Iowa to offer timely, expert orthopedic care. The DMOS physicians also provide services in collaboration with Grinnell Regional Hospital and Knoxville Hospitals and Clinics to provide orthopedic care in these rural settings.

f. Funding Sources and Financial Resources: Identify and document sources of funding and financial viability.
It is anticipated that the funding for the proposed ASC will come from a contribution of cash investment and financing. An initial verbal agreement has been reached with Nicolet National Bank to finance the debt portion of the project.

Current # of Beds (if changing)

Current bed type (if changing)

Requested # of Beds (if changing)

Requested bed type (if changing)

Document Upload

2. Community Need and Service Gaps

a. Description of Need:
Physicians from DMOS have an ownership interest in two existing ASCs in the community. These existing ASCs cannot accommodate the current patient need in Central Iowa. Currently, block utilization for total joints at both locations is above 75%. In addition, UnityPoint Health Des Moines has a critical bed shortage as evidenced by extended wait times in their emergency rooms, holds on post operative patients in the recovery room waiting for inpatient beds, and cancellations of elective procedures. An increase in outpatient surgical capacity for orthopedic procedures will provide for increased patient access and reduced wait times for orthopedic evaluations, management, and surgeries. It has been determined that the cost to expand at either of the two existing ASC sites is significantly higher than the cost to construct a new ASC from the ground up.

b. Assessment of Existing Services and Gaps:
Iowans are getting older, and the population of Central Iowa is growing. The current orthopedic outpatient surgery capacity existing in the community is not sufficient to manage the patients in need of orthopedic procedures. The blocks of outpatient surgery space available for DMOS physicians are full. There are no additional surgery blocks available for current DMOS physicians or any new physicians who are recruited.

c. Alternatives Analysis:
Four alternatives to constructing a new ambulatory surgery center were considered. These included the following:

1. Expansion of existing ASC locations
2. Creation of a same day joint program at one of the UnityPoint Health—Des Moines facilities—space, lack of current processes and staffing did not make this a viable solution.
3. Moving approved procedures to clinic procedure space— this would be more costly and would be the appropriate site of service for a very limited number of procedures.
4. Increase hours of operation at current ASCs—overtime FTE expense and patient experiences would both be negative.

d. Accessibility Considerations:
The current proposed center is five minutes off Interstate 35/80 (Rider Corner) and via Highway 141.

Public transportation is offered to this location, and convenient parking will be available close to the door.

e. Community Input/Support:
See letters of support

Document Upload (if needed)

f. Non-discriminatory Access:
The proposed ASC services will be available to all patients regardless of payor source.

3. Impact on Existing Providers

a. Impact Assessment:
Central Iowa is unique in that there are only two primary hospital systems and two large orthopedic groups serving each. Projected volumes for both total joints and spine procedures report an unbalanced system with more patients than available providers. By shifting appropriate cases away from the outpatient hospital setting, we are creating more capacity at those hospital facilities to manage critically ill and injured patients. Additional state-of-the-art outpatient operating rooms will enhance the ability of DMOS to recruit new physicians. New surgeons prefer to utilize swing rooms, and the lack of operating room space does not allow for the establishment of these swing rooms to accommodate new physicians. There is a projected shortage of up to 86,000 physicians across all specialties. Iowa is hit particularly hard due to low Medicare/Medicaid rates. This makes it difficult to recruit new surgeons. By having a specialized ASC to address the needs of the aging population, Central Iowa will become more attractive to new orthopedic surgeons.

b. Community and Economic Impact: Broader system effect and value-added to the community.
A specialized ASC creates opportunities for efficiency and expense reduction. By creating a center that specializes in Total Joint and Spine procedures, the proposed ASC will address the projected volume orthopedic of need in the next ten years with a process to mitigate cost, improve patient experience, and maximize quality of service.

c. Efficiency in Use of Resources: Shared/cooperative arrangements to maximize efficiency.
Under the Clinically Integrated Network, we have negotiated favorable rates with facilities, anesthesia, implant companies and DME providers. The primary strategy is to use the volume of the business to create savings with the provider. This will be passed along to the patients in the form of a direct price that is not impacted by unnecessary administrative costs.

4. Financial and Operational Feasibility

a. Financial Projections and Feasibility:
See attached.

Document Upload (3-year budget projections)
Orthopedic_ASC_5yr_Projection_With_Interest.xlsx

b. Staffing and Operations:
See attached.

c. Short and Long-term Viability:
The current supply of physicians at DMOS and the demand projections for these services both align with the need for the proposed ASC. As more surgery cases move off the inpatient only list from CMS, more will move to ASCs which will further substantiate the need for this proposed facility. In addition, DMOS has a need to continue recruiting high quality orthopedic surgeons. A new ASC will assist in this recruitment effort by creating a more functional location for surgeons to practice and a more accessible environment

for our patients.

5. Community and Economic Impact

a. Community Engagement:
The proposed ASC will accept all payor types. The anticipated payor mix is:

1. Medicare/Medicaid—34%
2. Commercial—50%
3. Self-pay—10%

b. Resource Availability:
The proposed ASC will expand existing lines of service, refine surgical processes, and increase staffing to match this expansion.

c. Organizational Relationships:
DMOS has existing relationships with DMU and the University of Iowa for MD, DO, PT, OT and PA programs. This proposed ASC will create greater educational opportunities as an extension of our current clinical offerings.

6. Project Planning

a. Project Timeline:
The ASC anticipates signing the construction contract upon CON approval The construction timeline is approximately 18 months after construction begins. The ASC plans to be open for patient care by October of 2028.

b. Innovative Components:
The proposed ASC will be the only total joint/spine focused outpatient surgical facility in Iowa. This will allow efficiencies with throughput that will enhance the patient experience. The planned ASC will have pre-operative optimization, post-operative pain control, and post-operative recovery in the form of traditional and digital pathways. There are also planned value-based care pay structures, including bundles for direct to employer and self-pay strategies.

c. Regulatory Compliance:
The proposed ASC will seek AAAHC facility certification as well as AAAHC total joint certification. The ASC's Chief Compliance Office and the facility Director will conduct annual review to confirm compliance with Medicare conditions of participation and AAAHC requirements.

7. Special Criteria for Specific Services:

a. Alternative Consideration (135.63(2)"a"):
Prior to proposing the construction of a new ASC, the feasibility of expanding one or both of DMOS's affiliated ASCs was considered. The expansion of either of the two existing ASCs was deemed to be cost prohibitive.

1. AMPSC-DMOS—considered expanding by two additional ORs to allow for space to perform same day total joints and spine procedures. This would require significant renovations, including moving existing walls.
2. OOSC—considered adding one additional OR. This facility was constructed in 2000 and was not designed for same day total joints. It was determined that significant work would need to be done on the roof structure and PACU space making this option cost prohibitive.

b. Utilization of Similar Facilities (135.63(2)"b"):
Current facilities in central Iowa are built for multispecialty orthopedics. The ability to convert any of these existing facilities would be cost prohibitive due to the extensive changes necessary to create the most efficient total joint and spine procedure flow.

c. Construction/Modernization (135.63(2)"c"):
Possible modernization and expansion of existing owned ASCs was considered. It was determined that this option would be more costly and would not be as efficient and accessible for patients.

d. Access Concerns (135.63(2)"d"):
The current wait times for total joint and spine cases are up to eight weeks. UnityPoint Health—Des Moines has requested DMOS physicians limit the number of total joint cases that require an overnight stay because the hospitals currently have limited capacity for critically ill and trauma case patients. UnityPoint pre- operative and post-operative areas are not designed for a same day total joint and spine program. There will be longer wait times and decreased access if the proposed ASC is not constructed.

e. UIHC Special Role (135.63(3)):
n/a

Signature

Additional Supporting Documents Upload
31. Staffing and Operations- final.docx

Staffing.pdf

Floor Plans and Mock Up.pdf

Letters of Support.pdf