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Insight Surgical Hospital makes mark in Warren

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Neurosurgeon Jawad Shah felt acquiring the former Michigan Surgical Hospital in Warren, an existing 20-bed for-profit hospital, could be a wise investment because it could generate revenue for his Insight Institute for Neurosurgery & Neuroscience while offering lower prices to patients than larger, full-service hospitals in the market.

Physician-owned hospitals are hard to come by since the Affordable Care Act in 2010 placed a moratorium on physicians building new hospitals and limited expansion of existing hospitals. Regulators and some experts have argued that because physician owners self-refer patients to their own facilities it often results in cherry-picking of healthier and wealthier patients, leaving the majority of complex and indigent care to safety-net hospitals.

But Shah said owning a hospital gives him a place to treat patients and better control of quality and outcomes.

"We have very strong relationships with the big hospitals that I very much enjoy and partner with. That will continue," Shah said. "The surgical hospital is a new opportunity for us. We can have the most sophisticated surgery equipment in the world for our patients. That's what we want to do."

On Dec. 7, 2018, Shah found out National Surgical Partners, a Chicago-based hospital chain, planned to shut down the small ambulatory surgical hospital, located in Warren at 21230 Dequindre Road, and lay off its 75 employees. There are approximately 84 non-provider employees, 48 physicians on the medical staff plus another 30 contracted nurses.

"We found out about it that day and about 10 business days later we made an offer, closed on it, had the keys and began to operate it," said Atif Bawahab, Insight Surgical Hospital's CEO.

The hospital offers a variety of services, including neurosurgery, orthopedics, interventional pain management, podiatry, gastroenterology, pulmonology and vascular medicine. It plans on offering bariatric services this year, Bawahab said.

"The hospital was not solvent for at least five years on paper, but they had extremely rich owners," Shah said. "When we came in and took it over, it was a losing institution. They took all of the (accounts receivables) out of it and didn't maintain it properly."

Shah said the financial turnaround was quick. "We were starting from zero and we ended up taking it over on Dec. 14 (2018), and by Dec. 31st it was profitable," he said.

Before Insight acquired Michigan Surgical in 2018, the hospital reported an operating loss of \$2.86 million on net patient revenue of \$16.2 million, according to Medicare cost reports provided by American Hospital Directory.

While financial numbers for 2019 have not been finalized, Insight projects to exceed 2018 revenue and post a profit for 2019. "We're (Insight) exponentially stronger financially by that acquisition," Shah said.

But the financial turnaround wasn't because Shah and his neurosurgeon and orthopedic surgeon associates self-referred more patients to the hospital and increased volume.

"We were able to retain the physicians who were there and we brought in our own. It was because (the former hospital owners) paid high costs for different supplies, instruments and implants," Shah said.

For example, Shah said the previous owners spent \$30,000 each for an implant device for back fusion surgery called "lateral lumbar interbody fusion." Insight bought same implant from a different manufacturer for \$4,000, he said.

"It's literally the same device. Nobody is going to tell me that \$30,000 is going to do better for the patient than the exact same device for \$4,000," Shah said. "This is ridiculous. Now all of a sudden we're saving \$27,000 in a single procedure. You can see how we can flip it around like pretty quick."

Insight Surgical Hospital has three surgical suites, one procedure room, 20 inpatient or observation beds with a 75 percent occupancy rate and a 1:4 nurse to patient ratio, officials said. It was opened in 1973 as Kern Hospital. The name was changed to Southeast Michigan Surgical Hospital in 2003, later shortened in 2013 to Michigan Surgical Hospital.

Bawahab said there were challenges to taking over a hospital, primarily because the hospital physical plant needed upgrading and new medical equipment was needed. About \$5 million was spent on upgrades and new equipment over the past year, he said.

Adam Roberts, Insight's director of facilities, said many mechanical repairs were needed on the hospital. The boiler and generators needed replacing, along with new flooring and paint. "I don't know how they functioned without the boiler," he said.

Bawahab said Insight needed to move fast to keep the hospital license active after the closure and before it closed on the deal. "We didn't have much time for due diligence. We felt we needed to move on it because it is something we always wanted," he said.

Since it has owned the surgical hospital, Insight has increased patient satisfaction scores across the board compared with its previous owner. For example, the federally reported Hospital Consumer Assessment of Healthcare Providers and Systems, or HCAHPS, scores showed 100 percent of respondents would recommend the hospital to their family in 2019, when Insight owned the hospital, compared with 75 percent recommendation in 2018 under the previous owner. The survey is given to adults 48 hours after discharge on a random basis.

Insight plans to build out a multi-specialty clinic adjacent to the hospital with about 15-20 examination rooms, pharmacy, laboratory, physical and occupational therapy services. The \$5 million-\$10 million project is expected to be completed this summer, Bawahab said.

Inline Play

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