

**Acute Care Services Committee
Agency Report
Adjusted Need Petition to
Decrease the Need for 126 Acute Care Beds
In the Cumberland Service Area to
34 Acute Care Beds in the
Proposed 2014 State Medical Facilities Plan**

Petitioner:

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Request:

Cape Fear Valley Health System (CFVHS) requests an adjustment to Table 5B: Acute Care Bed Need Determinations in the *Proposed 2014 State Medical Facilities Plan* (SMFP) to show an adjusted bed need determination for the Cumberland Service Area of 34 acute care beds if the FirstHealth Hoke Community Hospital opens in 2013 as expected.

Background Information:

The standard methodology for projecting need for acute care beds is based on the total number of acute inpatient days of care provided by each hospital, as obtained from Truven Health Analytics by the Cecil G. Sheps Center for Health Services Research. The number of days of care is advanced by four years based on a growth rate representing the average annual historical percentage change in total inpatient days for each service area over the past five years. The projected midnight average daily census for the target year is then adjusted by target occupancy factors, which increase as the average daily census increases. Surpluses or deficits are determined by comparing the projected bed need to the current inventory of licensed plus pending acute care beds.

Chapter Two of the North Carolina 2014 Proposed SMFP allows persons to petition for an adjusted need determination in consideration of “unique or special attributes of a particular geographic area or institution...” if they believe their needs are not appropriately addressed by the standard methodology. Cape Fear Valley Health System has submitted a petition to reduce the projected number of acute care beds needed from 126 to 34 in the Cumberland service area if the FirstHealth Hoke Community Hospital opens in 2013.

At the October 2012 meeting, in response to a petition by CFVHS, the State Health Coordinating Council (SHCC) voted to recalculate the bed need for the Cumberland-Hoke service area, excluding the two spikes in bed utilization for years 2008 and 2011. Additionally, the SHCC voted to deny the petitioner's request to reduce the bed need to zero and instead, the 2013 SMFP would keep the need determination at the recalculated figure derived once the utilization spikes were removed. In December 2012, former Governor Perdue issued a memorandum approving the 2013 SMFP with the exception that Hoke County become its own service area and determined no need would be shown in the SMFP for Cumberland County until one of the hospitals opened in Hoke County; thus reducing the need to zero in Cumberland County.

The timetable submitted with the certificate of need application by FirstHealth Hoke Community Hospital showed April 1, 2014 as the date of expected occupancy and offering services. Hoke Community Medical Center's certificate of need application estimated a time after April 28, 2014 for offering services. Both hospitals were projecting opening dates after the 2014 SMFP becomes effective on January 1, 2014.

The current petition states FirstHealth Hoke Community Hospital is expected to be opened and licensed in October 2013. In the 2014 Proposed SMFP, Cumberland County shows a need for 126 acute care beds that has been reduced to zero based on the 2013 memorandum from former Governor Perdue. If either approved hospital is licensed in 2013, a need determination for 126 beds in Cumberland County would become available.

Analysis/Implications:

The petition requests to reduce the need in Cumberland County from 126 to 34. This reduced number is arrived at by employing two calculations based on differing justifications. The first reduction is based on precedence from last year. At the October 2012 meeting the SHCC voted to alter the methodology applied to the bed need calculation for the Cumberland service area due to the unusual increases in utilization. Thus, as previously stated, two spikes were removed from the four year growth calculation last year. This petition is requesting that one of the previous spikes be removed from the growth calculation (the other one has aged out of the four year average), thus, again altering the acute care bed methodology. According to the petition this methodology change would result in a need calculation of 75 acute care beds. Any change in methodology requires the approval of the SHCC.

Furthermore, the petition asks that 41 beds be removed from the remaining need. The supporting justification is there is a 41 bed hospital being developed in Hoke County (scheduled to be open in 2014) by CFVHS. Data from this anticipated facility is included in the 2012 Truven Health Analytics data for Cumberland County, and it artificially inflates the acute care bed need in the Cumberland service area.

On December 21, 2012, former Governor Beverly Perdue approved the 2013 State Medical Facilities Plan as recommend by the SHCC, but included the following exception:

“The determination of need in the 2013 State Medical Facilities Plan (SMFP), and subsequent plans for Hoke County and Cumberland County, will reflect no need for acute care bed, operating room, MRI, and cardiac catheterization services until one of the two

approved hospitals in Hoke County is licensed, in order that a more accurate determination can be made regarding the needs of Hoke County residents.

In addition, I determine that the 2013 SMFP, and subsequent plans, should eliminate all references to the Moore-Hoke and Cumberland-Hoke Multi-County Service Areas, and designate that Hoke County shall be a single-county service area for acute care bed, operating room, MRI, and cardiac catheterization need methodologies.”

This amendment not only affected need in the 2013 SMFP, but future plans as the need determination was contingent on the development and licensure of facilities in the Hoke service area, a contiguous service area to the Cumberland County. At the May, 29, 2013 meeting the SHCC was in agreement with adhering to the amendment.

Agency Recommendation:

The Agency supports the acute care bed standard methodology; however, development of currently approved and proposed acute care beds and hospital projects in the Cumberland and Hoke services areas over the next year or two will provide opportunity to determine the actual impact of these new resources on future need for additional beds in these respective service areas. While neither hospital in Hoke County with certificate of need approval has been licensed, per the memorandum by former Governor Perdue, the acute care bed need will remain at zero in the Cumberland service area until that time. Given available information and comments submitted by the August 16, 2013, deadline, and in consideration of factors discussed above, the Agency recommends denial of the petition to reduce the need determination for additional acute care beds from 126 to 34 in the Cumberland service area for the North Carolina 2014 SMFP.