

**Acute Care Committee
Agency Report
Petition for an Adjusted Need Determination for
50 Inpatient Rehabilitation Beds in HSA III
2018 State Medical Facilities Plan**

Petitioner:

J. Kevin Griffin
Senior Vice President Financial Planning and Analysis
Novant Health, Inc.
108 Providence Road
Charlotte, NC 28307
704-384-4182
lkgriffin@novanthealth.org

David Klementz
Chief Strategy and Development Officer
HealthSouth Corporation
3660 Grandview Parkway, Suite 200
Birmingham, AL 35243
205-970-5722
David.Klementz@healthsouth.com

Contact:

Nancy Bres Martin
NBM Health Planning Associates
PO Box 14605
Research Triangle Park, NC 27709
919-544-5007 or 919-801-0199
bresmartin@NBMHealthPlanning.com

Request:

Novant Health, Inc. and HealthSouth Corporation request an adjusted need determination for 50 inpatient rehabilitation beds in Health Service Area (HSA) III in the *North Carolina Proposed 2018 State Medical Facilities Plan (Proposed 2018 SMFP)*.

Background Information:

Chapter Two of the *Proposed 2018 SMFP* allows for “[a]nyone who finds that the North Carolina State Medical Facilities Plan policies or methodologies, or the results of their application, are inappropriate may petition for changes or revisions. Such petitions are of two general types: those requesting changes in basic policies and methodologies, and those requesting adjustments to the need projections.” The *SMFP* annual planning process and timeline

allow for submission of petitions for changes to policies and methodologies in the spring and petitions requesting adjustments to need projections in the summer. It should be noted that any person might submit a certificate of need (CON) application for a need determination in the Plan. The CON review could be competitive and there is no guarantee that the petitioner would be the approved applicant.

Need for inpatient rehabilitation beds is determined when the average occupancy rate in an HSA is 80% or higher during the two fiscal years prior to developing the NC Proposed SMFP. The number of beds needed is decided by (1) calculating the HSA's three-year average annual growth rate for inpatient rehabilitation days of care using the four most recent years of HSA data, (2) calculating the projected days of care in the HSA by multiplying the HSA's most recent year's days of care by the three-year average annual rate of change calculated in Step 1, then adding this to the HSA's most recent year's days of care and (3) determining how many additional beds are needed in the HSA such that the utilization rate for the sum of the HSA's total planning inventory and the additional beds is 80%.

Analysis/Implications:

The Petitioner presented several points to support the 50 bed adjusted need determination in the service area including: out-of-state patient migration into HSA III, the population-to-bed ratio, and the recent certification by The Joint Commission (TJC) of Novant Presbyterian Hospital as a Comprehensive Stroke Center.

The Agency does not have access to patient migration data for inpatient rehabilitation beds. Based on the data presented in the Petition, it does appear the beds in HSA III have had higher in-migration than other health service areas. This is to be expected based on the geographical location of Mecklenburg County since it borders South Carolina. It would be fair to assume that HSA III has some out migration as well. Health South has a 50-bed inpatient rehabilitation hospital in Rock Hill, SC just over the state border. Data on the Joint Annual Report from the SC Department of Health and Environmental Control shows this facility is well utilized with an occupancy rate of 82.22% in the last reporting year, suggesting that it may serve patients originally from the HSA III service area.

As noted in the petition, the bed-to-population ratio in HSA III is one of the highest. However, a review of the 'Table 8A Inventory and Utilization of Inpatient Rehabilitation Beds' shows that HSA I, the third highest bed-to-population ratio in the State according to the Petition, has the lowest occupancy rate at 45.1%. For this reason, this particular measure may not accurately reflect the need in the service area.

Finally, the Petitioner discussed an increase in the occupancy of the inpatient rehabilitation beds by stroke patients due to the recent certification of the Petitioner, Novant Presbyterian Hospital, as a Comprehensive Stroke Center. This is the highest certification provided by TJC for stroke care. In addition, to the Petitioner, there are two other hospitals in NC with this designation: UNC Hospitals (UNC) and Wake Forest Baptist Medical Center (WFBMC). Information on the TJC website shows that UNC became certified in early 2017, too recent to review the data. WFBMC became certified in May of 2015. A review of their most recent data indicates there was a slight increase in the days of care for inpatient rehabilitation beds in 2015 to 2016 from

9,502 to 10,403. The difference is 901 days of care which divided by 365 days translates to an annual increase in use of 2.5 beds.

The Agency believes the conditions the Petitioner notes regarding in-migration, the bed-to-population ratio and Novant Presbyterian Hospital’s certification as a Comprehensive Stroke Center could have an influence on the utilization of inpatient rehabilitation beds in HSA III. However, as described above, it is not clear to the Agency that increases in utilization will support an adjusted need for 50 beds.

Occupancy Rates and Bed Need Determination

Historically, the occupancy of inpatient rehabilitation beds in HSA III has been fairly high. According to ‘Table 8A: Inventory and Utilization of Inpatient Rehabilitation Beds’ in the *Proposed 2018 SMFP*, this service area has an inventory of 202 beds in 6 facilities. In the most recent data year, four of the facilities had a greater than 80% occupancy. There is one facility, Novant Health Rowan Regional Medical Center, which had the lowest occupancy in the HSA III at 47.3%.

As noted in the Petition, despite high occupancy in the service area, a need has not been triggered. In 2014, HSA III’s inpatient rehabilitation beds had a reported occupancy rate of 79.5%. In 2015, the occupancy rate, at 82.1%, was above the threshold. In 2016, the occupancy rate was 79.5%. The Agency notes that the standard need methodology does not address rounding and agrees with the Petitioner that it is reasonable to round the rate in 2016 to 80%. Therefore, for two consecutive years, HSA III will have met the 80% threshold as required by the methodology. The Agency ran the standard methodology which generated a need for 8 beds (see Table).

Table. Inpatient Rehabilitation Bed Need Determination, HSA III

| Total Planning Inventory | Days of Care | | | | Methodology | | | | |
|--------------------------|--------------|--------|--------|--------|--|------------------------|-----------------------|-------------------------|------------------------|
| | 2013 | 2014 | 2015 | 2016 | Step 1 | Step 2 | Step 3 | | |
| | | | | | HSA Average Annual Growth Rate 2012-2015 | Projected Days of Care | Projected Beds Needed | Beds Needed, (adjusted) | Additional Beds Needed |
| 202 | 52,173 | 58,583 | 60,520 | 58,810 | 0.04255652 | 61,312.75 | 167.52 | 209.4 | 7.4 |

Agency Recommendation:

The Agency supports the methodology for inpatient rehabilitation bed need determination. According to the Agency’s view, it is appropriate to round the occupancy rate in HSA III such that it has reached the threshold for determining need. In-migration of patients from nearby South Carolina and increases in stroke patients may have some impact on occupancy, but the effect on bed need, to the extent that 50 beds are needed, is not clear. Based on the standard need methodology, eight (8) beds are needed.

Given the available information submitted by the August 10, 2017 deadline date for comments

on petitions and comments, and in consideration of the factors discussed above, the agency recommends approving an amendment to the Petitioners' request to show a need for eight (8) inpatient rehabilitation beds in the *2018 SMFP*.