

**Long-Term and Behavioral Health Committee
Agency Report
Adjusted Need Petition to Reduce the
Hospice Inpatient Bed Need Determination in Wake County
2018 State Medical Facilities Plan**

Petitioner:

Transitions LifeCare
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Contact:

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Request:

Transitions LifeCare (TL) requests the need determination for 14 hospice inpatient beds in Wake County in the *North Carolina Proposed 2018 State Medical Facilities Plan (SMFP)* be reduced to 6 hospice inpatient beds.

Background Information:

The current hospice methodology projects admissions, days of care and need for five years beyond the reporting year; in the *2018 SMFP*, the projections are for 2021. The projected hospice days of care are calculated by multiplying projected hospice admissions by the lower of the statewide median average length of stay or the actual average length of stay for each county. Projected hospice admissions are determined by multiplying the total admissions for the reporting year by the statewide two-year trailing average growth rate for admissions for five years. A two-year trailing average statewide inpatient utilization rate of the total estimated days of care in each county is used as a basis for estimating projected days of care in licensed inpatient hospice facility beds.

The hospice inpatient methodology projects inpatient beds based on 85 percent occupancy and adjusts projected beds for occupancy rates of existing facilities that are not at 85 percent occupancy. The methodology makes single-county determinations when the calculations find that the county deficit is six or more beds.

Chapter Two of the SMFP allows people 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.

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.

TL is requesting the need determination for 14 hospice inpatient beds for Wake County be reduced to six hospice inpatient beds in the *Proposed 2018 SMFP*.

Analysis/Implications:

TL operates the county’s only inpatient hospice facility, the William M. Dunlap Center, comprised of 14 hospice inpatient beds and six residential beds. In reference to the Hospice 2017 Annual Data Supplement to the License Renewal Application information (FY2016), the inpatient facility occupancy rate is 97.25 percent.

Based on application of the standard methodology, the *Proposed 2018 SMFP* identified a need determination for 14 new hospice inpatient beds for Wake County. This calculation is reflected in the excerpt from Table 13C shown below.

Table 1: Year 2021 Hospice Inpatient Bed Need Projections for Wake County - Proposed 2018 SMFP														
Using County-based Two-Year Trailing Average Growth Rate for Hospice Admissions (7.2%) & County-based GIP Utilization Rate (7.5%)														
Column A	Column B	Column C	Column D	Column E	Column F	Column G	Column H	Column I	Column J	Column K	Column L	Column M	Column N	Column O
County	Total Admissions (2016 Data)	Total Days of Care (2016 Data)	ALOS per Admission	Total 2021 Admissions County-based Two-Year Trailing Average Growth Rate (5.3%) for Five Years	2021 Days of Care at County ALOS	2021 Days of Care at Statewide ALOS	Projected 2021 Days of Care for Inpatient Estimates	Projected Inpatient Days	Projected Total Inpatient Beds	Currently Licensed Beds	CON Approved / License Pending / Previous Need Determinations	Adjusted Projected Beds	Existing Facility Occupancy Rate	Deficit / Surplus for Facilities not at 85% Occupancy
Source or Formula	2017 License Data Supplement	2017 License Data Supplement	Col. C / Col. B	Col. B x 5 Years Growth at 4.9 %	Col. D x Col. E	Col. E x Statewide Median ALOS per Admission (74.6)	Lower # of Days of Care between Col. F and Col. G	Col. H x 3.65%	(Col. I/366) /85%	License Inventory		Col. J - (Col. K + Col. L)	2017 Licensure Data Supplement	
Wake	3,410	258,542	75.82	4,333	328,523	323,224	323,224	11,805	38	14	10	14	97.25%	14

Data Source:
Proposed 2018 SMFP
 Hospice Agency 2017 Annual Data Supplement to the License Renewal Application

However, the Petition states that there are, “specific circumstances that justify the request to reduce the Wake County need determination for 14 hospice inpatient beds in the 2018 SMFP to six inpatient beds.”

The primary reason provided by the Petitioner is that Wake County hospice inpatient utilization is lower than the statewide utilization rate. This is an accurate statement. For FY2015-2016 Wake County’s 2-year trailing average inpatient utilization rate was 2.21%, which is slightly smaller than the statewide 2-year trailing average inpatient utilization rate of 3.65%. This utilization rate is calculated by dividing county total admissions by the county total days of care.

The standard methodology for determining the projected need for hospice inpatient beds is comprised of 12-Steps and is multifactorial.

One key component of the methodology is admissions. Hospice admissions have steadily increased over the last 5-years. Wake County’s admissions have increased at a faster rate than the statewide average. Table 2 below shows a 5-year compound annual growth rate of Wake County admissions of 6.2% compared to statewide rate of 3.8%.

Table 2: Wake County Compared to Statewide Admissions						
Admissions	FY2012	FY2013	FY2014	FY2015	FY2016	5-Yr CAGR
Wake County	2,676	2,758	2,876	3,091	3,410	6.2%
North Carolina	39,215	41,067	41,391	44,246	45,537	3.8%

Data Source: 2013 - Proposed 2018 SMFPs

Days of Care (DOC) is another key component of the standard methodology. Wake County has seen a rising trend in the number of DOC in the past 5-years. Wake County’s 5-year rate is more than three times that of the statewide average rate, as depicted in Table 3 below. Wake County’s five-year average annual growth rate for DOC is 10.6% compared to the statewide rate of 3.2%.

Table 3: Wake County Compared to Statewide DOC						
Days Of Care (DOC)	FY2012	FY2013	FY2014	FY2015	FY2016	5-Yr CAGR
Wake County	172,724	181,054	183,765	206,567	258,542	10.6%
North Carolina	2,978,252	2,972,471	3,056,017	3,231,700	3,380,346	3.2%

Data Source: 2013 - Proposed 2018 SMFPs

Wake County is the second most populous county in the State with approximately 1,095,928 residents. Table 4 below shows the difference between Wake County’s 5-year annual average growth rate and the statewide average. It is anticipated that Wake County will continue to add 25,000 residents annually.

Table 4: Wake County Comparison to Statewide Population						
Population	2015	2016	2017	2018	2019	5-Yr CAGR
Wake County	1,007,851	1,024,543	1,044,561	1,064,666	1,095,928	2.1%
North Carolina	10,006,278	10,074,448	10,179,881	10,285,840	10,399,818	1.0%

Data Source: 2013 - Proposed 2018 SMFPs

TL applied for and was granted a certificate of need (CON) (J-8452-09) on May 11, 2010 for 10 additional hospice inpatient beds based on a need determination for Wake County that appeared in the 2009 SMFP. The development of these 10 additional hospice inpatient beds would bring the facility to a total of 24 hospice inpatient beds and 30 total beds overall. However, the additional 10 beds are still under development. Based on a Certificate of Need Progress Report dated June 21, 2017, TL expects the new hospice inpatient beds to be operational by September 2017.

In Step 9, the standard methodology considers the number of licensed hospice inpatient beds, CON approved beds, license pending beds and beds available in previous Plans. This provision in the methodology counts all beds in the inventory and provides time for development. The Petitioner states, “[h]ospice inpatient facilities are expensive to construct and to operate. Therefore, it is essential to demonstrate that all hospice inpatient beds approved for development

are fully utilized before additional beds are determined to be needed by the standard methodology.” This proposed manner of handling CON-approved beds would be a significant departure from how needs are calculated in the current standard hospice inpatient methodology.

The standard hospice inpatient bed methodology identified need determinations for additional hospice inpatient beds in Wake County in both the *Proposed 2017 SMFP* and the *Proposed 2018 SMFP*. TL acknowledged these need determinations and indicated they were due to increased hospice utilization. According to the Petition, 73.14% of hospice admissions in Wake County are made by TL. “TL is responsible for nearly three out of four hospice admissions in Wake County.”

The Agency acknowledges Wake County’s decreasing two-year average inpatient utilization rate as shown in the Petition. However, the two data components that are used in calculating it are both increasing in Wake County. Table 5 below demonstrates the county’s admissions, total days of care and average length of stay days have all steadily increased over the last five fiscal years despite the county’s lower utilization rate.

Table 5: Wake County - Five Year (FY2012-FY2017) Hospice Overview

Year	General Inpatient Days of Care	Admissions	County Total Days of Care
FY2012	5,012	2,676	172,724
FY2013	4,946	2,758	181,054
FY2014	5,487	2,876	183,765
FY2015	4,908	3,091	206,567
FY2016	5,368	3,410	258,542
Source: NC SMFPs, Years 2013 - 2017			

Table 6 below shows the annual change rates for components of the hospice inpatient bed standard methodology for FY2012 through FY2016 for Wake County. The Agency finds the FY2016 annual change rates most noteworthy: General Inpatient Days of Care increased 9.4%, Admissions increased 10.3%, and County Total Days of Care increased 25.2%.

Table 6: Wake County - Review of Annual Change Rates						
Year	FY2012	FY2013	FY2014	FY2015	FY2016	Total Average Change
General Inpatient Days of Care	5,012	4,946	5,487	4,908	5,368	
Annual Change		-1.3%	10.9%	-10.6%	9.4%	2.1%
Admissions	2,676	2,758	2,876	3,091	3,410	
Annual Change		3.1%	4.3%	7.5%	10.3%	6.3%
County Total Days of Care	172,724	181,054	183,765	206,567	258,542	
Annual Change		4.8%	1.5%	12.4%	25.2%	11.0%

Source: 2013 - 2017 Hospice Databases

Finally, Wake County's Average Length of Stay (ALOS) has increased as well. The county's ALOS made a noticeable increase in reported days, from 66.83 days in FY2015 to 75.82 days in FY2016. An increase of 8.99 days.

Table 7: Wake County						
Year	FY2012	FY2013	FY2014	FY2015	FY2016	
Average Length of Stay (ALOS)	64.55	65.65	63.90	66.83	75.82	

Source: 2013 - 2017 Hospice Databases

The ALOS is an important component of the methodology when calculating Projected Inpatient Days. Historically, Wake County has had an ALOS below the State. The methodology chooses between the lower of the projected days of care using the county or State ALOS. This year, Wake County's ALOS has increased considerably and the projected days for the county was calculated using the lower State ALOS.

This growth along with the increase in the number of admissions in Wake County allowed for a calculation of 11,805 Projected Inpatient Days, which as outlined in the petition, is not realistic.

To accurately reflect what is occurring in the county, the Agency recommends projecting 2021 days of care for the inpatient estimate utilizing FY2016 days of care at the FY2015 county average length of stay (ALOS) for Wake County. This will result in a total projected hospice inpatient bed deficit of ten beds as illustrated in Table 8 below.

Table 8 Year 2021 Hospice Inpatient Bed Need Projections for Wake County Using County-based Average Length of Stay (ALOS) per Admission (66.83%)														
Column A	Column B	Column C	Column D	Column E	Column F	Column G	Column H	Column I	Column J	Column K	Column L	Column M	Column N	Column O
County	Total Admissions (2016 Data)	Total Days of Care (2016 Data)	ALOS per Admission (2015 Data)	Total 2021 Admissions County-based Two-Year Trailing Average Growth Rate (4.9%) for Five Years	2021 Days of Care at County ALOS	2021 Days of Care at Statewide ALOS	Projected 2021 Days of Care for Inpatient Estimates	Projected Inpatient Days	Projected Total Inpatient Beds	Currently Licensed Beds	CON Approved / License Pending / Previous Need Determinations	Adjusted Projected Beds	Existing Facility Occupancy Rate	Deficit / Surplus for Facilities not at 85% Occupancy
Source or Formula	2017 License Data Supplement	2017 License Data Supplement	Col. C / Col. B	Col. B x 5 Years Growth at 4.9 %	Col. D x Col. E	Col. E x Statewide Median ALOS per Admission (74.6)	Lower # of Days of Care between Col. F and Col. G	Col. H x 3.65%	(Col. I/366) /85%	License Inventory		Col. J - (Col. K + Col. L)	2017 Licensure Data Supplement	
Wake	3,410	258,542	66.83	4,333	289,574	323,224	289,574	10,569	34	14	10	10	97.25%	10
Data Source: 2015 and 2017 Hospice Databases														

Agency Recommendation:

The Agency supports the standard methodology for hospice inpatient beds as presented in the *Proposed 2018 Plan*. The Agency considered the available information and comments submitted by the August 10, 2017 deadline for comments on petitions and comments and, in consideration of factors discussed above, recommends denying the Petitioner’s request to reduce the need determination to six hospice inpatient beds in Wake County.

Alternatively, the Agency recommends approving a need determination for 10 hospice inpatient beds for Wake County based on the proposed substitution of Wake County’s FY2015 ALOS instead of the FY2016 ALOS.