

**Acute Care Services Committee
Agency Report
Adjusted Need Petition to Remove Need Determination
For Acute Care Beds in Moore County in the
2019 State Medical Facilities Plan**

Petitioner:

FirstHealth Moore Regional Hospital
155 Memorial Drive
Pinehurst, NC 28374

Contact:

Amy Graham
Vice President – Strategy and Innovation
910-715-1981
agraham@firsthealth.org

Request:

FirstHealth Moore Regional Hospital (FMRH) requests that the *2019 State Medical Facilities Plan* remove the need determination for acute care beds in Moore County.

Background Information:

Chapter Two of the State Medical Facilities Plan (SMFP) provides that “[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 annual planning process and timeline allow for submission of 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.

The standard methodology for projecting acute care bed need 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 projected four years (projection year) 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 calculations then use target occupancy factors to adjust the projected midnight average daily census for the projection year, which increases 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 for each hospital or owner in the service area.

FMRH is the only licensed acute care hospital in Moore County. The *Proposed 2019 SMFP* includes a need determination for 31 beds, but no need for operating rooms (OR). For a CON applicant to propose a new hospital, it is necessary to have a need for both beds and ORs. Therefore, FMRH would be the only applicant eligible to apply for the 31 beds.

Analysis/Implications:

The standard methodology resulted in a need determination for 31 acute care beds in Moore County in the *Proposed 2019 SMFP*. The Petitioner cites several reasons that it is not prudent to have a need determination for additional beds at this time. First, on May 25, 2018, FMRH received a CON to develop 22 acute care beds, pursuant to a need determination in the *2018 SMFP*. Second, the Petitioner reports that since early 2017, FMRH has operated at less than 80 percent capacity. In addition, FMRH has experienced a 3.7 percent decrease in average length of stay during this period, and has had a 2.4 percent decrease in admissions.

As discussed above, the methodology projects bed need using a four-year average annual growth rate in days of care. In its CON application for the 22-bed need, the Petitioner reported using current growth trends, and calculated that the additional beds could meet the projected growth for 2023 and still be below 80% occupancy: projected days of care for 2023 = 103,260; licensed beds = 337 current + 22 new = 359:

$$\left(\frac{103,260}{365}\right) \div 359 = 78.88\%$$

Inclusion of 31 new beds (for a total of 390 beds) reduces projected occupancy to 72.5%.

$$\left(\frac{103,260}{365}\right) \div 390 = 72.58\%$$

The days of care that FMRH reported to Truven increased by almost 6% between the 2016 and 2017 reporting years. This one-year increase is higher than FMRH normally experiences. The typical one-year increase over the past five reporting years is closer to 3.5%. Therefore, the decreases the Petitioner reported since about April 2017 are not necessarily unexpected, and thus may represent a spike in utilization rather than the beginning of a trend.

Agency Recommendation:

The Petition notes that removal of the need comports with the basic principles of the SMFP. Specifically, it is not financially prudent to expend significant resources that the hospital's projections do not support and that would lead to unnecessary capacity. However, it is not necessary for the need determination to be removed to accomplish the Petitioner's goal. Since FMRH is the only eligible CON applicant, they could simply not apply for the 31 beds. The SHCC has removed need determinations under similar circumstances in other service areas, though. The agency supports the standard methodology for acute care beds. Given available information submitted by the deadline and in consideration of factors discussed above, the agency recommends approval of the petition.