

**Long-Term and Behavioral Health Committee  
Agency Report  
Adjusted Need Petition for  
15 Nursing Facility Beds in Davidson County  
in the 2019 State Medical Facilities Plan**

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***Petitioner:***

Wake Forest Baptist Health  
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***Request:***

The Petitioner requests an adjusted need determination for 15 additional nursing facility beds in Davidson County in the *2019 State Medical Facilities Plan*.

***Background Information:***

Chapter Two of the State Medical Facilities Plan (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.

Nursing home (NH) bed need is calculated by: (1) multiplying the county bed use rates by each county’s corresponding projected civilian population (in thousands) for the projection year to calculate the projected bed utilization; and (2) dividing each county’s projected bed utilization by a 95% vacancy factor. For each county, the planning inventory is determined based on the number of licensed beds adjusted for Certificate of Need (CON) Approved/License Pending beds, beds available in prior Plans that have not been CON-approved, and exclusions from the county’s inventory, if any. For each county, the projected bed utilization with applied vacancy factor is subtracted from the planning inventory. The result is the county’s surplus or deficit. If a county projects a deficit of beds, an adjusted occupancy of 90% will trigger a need. The number of beds to be allocated is determined by the amount of the deficit and is rounded to the nearest

whole number. Using the standard need methodology, the *Proposed 2019 SMFP* shows that Davidson County has a projected surplus of 69 NH beds for 2022. All NH beds in Davidson County are located in nursing home facilities.

***Analysis/Implications:***

The Agency response focuses on three of the Petitioner’s reasons to support the licensing of 15 additional NH beds in Davidson County. They are:

- Davie Medical Center (DMC) can no longer operate swing beds, which had previously allowed it to provide skilled nursing services.
- Wake Forest Baptist participation in Cornerstone Health Enablement Strategic Solutions (CHESS) allows a waiver of the rule requiring a three day stay in an inpatient hospital, acute care hospital, or critical access hospital prior to admission into a NH, provided the NH has a three star rating. However, there is high occupancy in Davidson, Davie and Forsyth County facilities rated at three stars or higher.
- Patients who are medically underserved/medically complex are difficult to place in nursing homes; the need for serving these patients is greater in Davidson County than in Davie County.

While located in Mocksville, DMC provided swing bed services, enabling them to provide either acute or skilled nursing care in the same bed. The center received CON approval to relocate its facility from Mocksville to Bermuda Run, and in 2017, it completed the relocation process. In the *Proposed 2019 SMFP*, one of the basic principles guiding the use of swing beds is that they must “be located in an area of the state not designated as urbanized by the most recent official census.” According to the US Census<sup>1</sup> at the time of CON application review, the site of the facility in Mocksville was not in an urbanized area, but the site in Bermuda Run was. Thus DMC lost its capability to provide the skilled nursing services they had provided through swing beds for approximately 7 – 16 individuals daily over the previous five years.

Wake Forest Baptist Health has joined CHESS, an accountable care organization (ACO) owned partly by North Carolina Baptist Hospital. Part of their strategy to control healthcare costs is to take advantage of the Three-day Skilled Nursing Facility Rule Waiver provided to ACOs by the Centers for Medicare & Medicaid Services’ (CMS) Shared Savings Program. The rule states that Medicare can cover the care of a beneficiary who requires a short-term intensive skilled nursing and/or skilled rehabilitation care in a nursing facility if the patient has had at least a three-day stay in an inpatient hospital. With the rule waiver, qualified Medicare patients are not required to have had the minimum three-day stay and can be placed into the most appropriate level of care more quickly.<sup>2</sup> The Petitioner asserts that this facilitates quality care in a lower-cost setting. One condition of the rule waiver is qualified patients must be discharged to nursing facilities that

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<sup>1</sup> The 2000 US Census was the most recent US Census at the time of review of Davie Medical Center’s Certificate of Need application for relocating its facility.

<sup>2</sup> <https://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/sharedsavingsprogram/Downloads/SNF-Waiver-Guidance.pdf>

“have and maintain an overall rating of three stars or higher under the CMS Five-Star Quality Rating System”.<sup>3</sup>

Although the previous swing beds had been in Davie County, the Petitioner would like to develop the requested beds in Davidson County. The Petitioner believes the additional beds would be better placed in Davidson County rather than Davie County for reasons including Davidson’s high number of difficult-to-place patients, the number of patients in swing beds at DMC who were Davidson County residents, and Davidson County’s proximity to CHES providers and patients. While we are unable to establish support for these claims due to lack of data collected by the Agency, we can confirm higher occupancy rates in nursing facilities in Davidson County with an overall CMS rating of three stars or higher in comparison to Bermuda Village, the facility in Davie County (see Table 1). The Agency also notes that Bermuda Village was granted a Certificate of Need in June 2018 to develop an additional 21 NH beds.

**Table 1. Occupancy Rates for Davie County and Davidson County Three to Five-Star Nursing Home Facilities**

County	Facility	Overall Rating	Planning Inventory*	Total Days of Care	Occupancy Rate
Davidson	Abbotts Creek Center	5	64	22,303	95%
Davidson	Mountain Vista Health Park	5	60	20,198	92%
Davidson	Alston Brook	4	100	33,847	93%
Davidson	Piedmont Crossing	4	69	35,914	86%
Davie	Bermuda Village Retirement Center	3	36	4,377	80%

\*Beds that are not included in the planning inventory or occupancy rate calculations for determining nursing home bed need in the SMFP include beds available only to individuals contracted with a Continuing Care Retirement Community (CCRC beds) and a proportion of beds serving out-of-area patients in facilities that are operated by religious or fraternal organizations. Piedmont Crossing (Davidson County) is a three star facility but a portion of its beds are not included in the above table because it is a CCRC operated by a religious organization with 44 CCRC beds.

Related to the Petitioner’s stated goal of serving medically underserved patients in its Lexington Medical Center, the Agency reviewed nursing care reimbursement data provided by facilities. The data suggests a greater need in Davidson County. Davidson County tends to have higher rate of poverty among its older population than Davie County (see Table 2), although the gap is closing.

**Table 2. Poverty Rates Among Individuals 65 Years and Older**

	2012	2013	2014	2015	2016
<b>Davidson</b>	10.8	10.1	9.7	8.6	8.1
<b>Davie</b>	7.0	7.7	8.0	7.5	7.9

Source: U.S. Census Bureau, 2012 – 2016 American Community Survey 5-Year Estimates, 2012-2016 data, accessed 08/12/2018.

<sup>3</sup> <https://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/sharedsavingsprogram/Downloads/SNF-Waiver-Guidance.pdf>

The Petitioner highlights a need to serve medically complex patients. While the Agency does not collect data on the range of patients that fit the Petitioner’s definition of “medically complex,” nor does it have an established methodology for beds to serve these patients, a 2006 study of mechanical ventilation patient data from the North Carolina Hospital Discharge Database may provide some insight regarding need.<sup>4</sup> This study showed that the incidence of mechanical ventilation grew at a rate of 11% over 7 years, with 314 patients per 100,000 in 2002. If the growth in incidence has remained consistent through 2018, incidence is currently 388 patients per 100,000 residents. The study also showed that the median length of stay (LOS) for ventilator-dependent patients was 9 days. Further, 10.7% of ventilator-dependent patients from acute care hospitals were discharged to nursing homes and 8% were discharged to rehabilitation and long term care hospitals. When these numbers are applied to 2018 population data, 144 nursing beds are needed statewide for ventilator patients alone (see Table 3).

**Table 3. Calculation of Estimated Number of Nursing Beds Needed for Ventilator Patients Statewide**

Projected population, 18 years and older, 2018	Number of ventilator patients based on 388 per 100,000 rate				
8,070,965	31,316				
	Total Estimated Patient Discharges, 2018	NC Discharge Percentages	Estimated Number of Patients Per Discharge Category	Estimated Patient Days (LOS 9)	Estimated Number of Beds
Skilled Nursing Facility	31,316	10.7%	3,351	30,157	83
Rehabilitation and Long Term Care Hospitals	31,316	8.0%	2,505	22,548	62
	Totals		5,856	52,705	144

Source: NC Office of State Budget and Management

There are 90 existing nursing beds available to ventilator patients in NC located in Alexander, Guilford and Forsyth counties. In November of 2016, LifeCare Hospitals of North Carolina in Nash County received a CON to develop 40 nursing care beds that ‘will be limited to patients, who upon admission, have the following conditions/needs: ventilator-dependency; tracheostomies; tracheostomies with bi-level positive airway pressure; bariatric status with tracheostomies; bariatric status over 300 pounds; IV antibiotics administered more than once daily; total parenteral nutrition; complex wounds; dialysis; ventilator dependency and/or tracheostomies combined with dialysis.’ If the total planning inventory of 130 beds available to ventilator dependent patients statewide (90 existing and 40 in development) is subtracted from 144, the result is 14 nursing beds.

**Agency Recommendation:**

Wake Forest Baptist Hospital is requesting an adjusted need determination for 15 NH beds in Davidson County. The Agency supports the standard methodology for determining need for NH

<sup>4</sup> Carson, S. S., Cox, C. E., Holmes, G. M., Howard, A., & Carey, T. S. (2006). The Changing Epidemiology of Mechanical Ventilation: A Population-Based Study. *Journal of Intensive Care Medicine*, 21, 173 – 182.

beds. However, the Agency finds that the requested number of beds does not exceed the estimated need to serve medically-complex patients statewide. It also finds that high occupancy in three-star nursing facilities may impact efforts to provide quality care at lower cost. Given the available information submitted by the August 9, 2018 deadline for comments on petitions and comments, and in consideration of the factors discussed above, the Agency recommends adjusting the need determination in Davidson County to include an additional 15 nursing care beds.