

Long Term and Behavioral Health Committee
Agency Report
Petition for an Adjusted Need Determination to Add 70 Adult Care Home
Beds in Hoke County in the 2022 State Medical Facilities Plan

Petitioner:

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Request:

The ALG Senior LLC (“ALG” or “Petitioner”) requests an adjusted need determination for 70 Adult Care Home beds in the Hoke County service area in the *2022 State Medical Facilities Plan* (SMFP or “Plan”) as a result of the impact of the COVID-19 pandemic.

Background Information:

Chapter Two of the 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 SMFP annual planning process and timeline allow for submission of petitions requesting adjustments to need projections in the summer. Any person may 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 Adult Care Home (ACH) Bed methodology projects the need determination five years beyond the current reporting year. The ACH need methodology 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 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 rate of 80% will trigger a need

determination in the county. 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 2022 SMFP shows that Hoke County has a projected surplus of 27 ACH beds for 2025. ACH beds in Hoke County are located in adult care and nursing home facilities.

ALG has submitted a petition for an adjusted need determination of 70 ACH beds in the Hoke County Service Area, based on the negative impacts of COVID-19 and the future need for ACH beds. Hoke County currently has 173 ACH beds.

Analysis/Implications:

During the COVID-19 pandemic, ACH facilities experienced decreases in utilization statewide. Facilities also experienced difficulties maintaining staffing and obtaining supplies due to complications affecting the supply chain which resulted in challenges in resident care.

The 2021 SMFP shows a need for 80 ACH beds in Hoke County, but no CON applications were issued for these beds. The occupancy rate dropped from 90.11% in the 2021 SMFP to 78.67% in the 2022 SMFP. On the surface, it appears that the COVID-19 pandemic may be responsible for the decrease in occupancy. However, a closer look at the data reveals that other factors caused the decrease in occupancy.

During the 2018 data year (8/1/2017-7/31/2018), Open Arms Retirement Center temporarily closed. It was reopened under new management as of January 1, 2019. The Agency has no information on exactly how long the facility had no residents. The dramatic 94.59% jump in residents served between 2018 – 2019 was largely due to the reopening of this facility (see Table 1). This increase affected the county bed use rate because this step in the methodology uses the average annual change rate in bed use over the past five years. The result was an unusually high bed use rate per 1,000 population in the 2021 SMFP, which contributed to the 2021 need determination. Had Open Arms Retirement Center experienced its typical occupancy in 2018, the 2021 need determination would not likely have occurred.

Table 1 shows an 0.81% overall growth in residents being served over the past five years. Similarly, the five-year Compound Annual Growth Rate (CAGR) of 0.20% supports the notion that utilization of beds in Hoke County is stable (see Table 1).

In summary, the 2021 need determination may have been largely generated by an anomaly in the data, rather than a true need based on increases in utilization. Still, the methodology generated a need, so it was placed in the SMFP. Of note is that until 2021, Hoke County has not had a need determination since at least 2006.

Table 1: Hoke County Adult Care Home Residents and Bed Rates, Data Years 2016 – 2020

Facilities	Beds	Occupancy				
		2016	2017	2018	2019	2020
Autumn Care of Raeford	8	4	1	7	7	7
Open Arms Retirement Center	90	71	69	0	68	59
Wickshire Creeks Crossing	75	49	58	67	69	59
Total Number of Beds/Residents	173	124	128	74	144	125
Annual Percent Change			3.23%	-42.19%	94.59%	-13.19
Total Percent Change	0.81%					
CAGR	0.20%					

Source: 2017-2021 License Renewal Applications, 2018-2021 SMFP, Proposed 2022 SMFP

ALG also cites population growth as a rationale for the current Petition. Presumably, the occupancy is expected to increase partly as a result of population growth. Hoke County’s population grew by 3.50% over the past five years (see Table 2). Census data from the NC Office of State Budget and Management projects that the 65-and-older population in Hoke County will increase 2.48% from 2021 – 2025. In comparison, projected population growth in the county overall is 16.30% during the same period. The population growth, especially in the 65-and-older population would be expected to increase utilization only slightly. These effects of the county population may change if a majority of new admissions come from other counties.

Table 2: Annual County Population Totals, Years 2016 - 2020

County	2016	2018	2018	2019	2020	Total Percent Change	CAGR
Hoke	52,833	53,343	54,923	54,842	54,682	3.50%	0.86%

Source: State Medical Facilities Plan

Agency Recommendation:

The Agency supports the standard methodology for ACH beds. However, data does not support the Petitioner’s claim that the negative impact of COVID-19 is the reason that Hoke County does not need additional beds. Given available information submitted by the August 11, 2021 deadline, and in consideration of factors discussed above, the Agency recommends denial of the petition to add 70 ACH beds in the Hoke County service area in the final 2022 SMFP.