

**PETITION FOR AN ADJUSTMENT TO THE NEED
DETERMINATION FOR HOSPICE HOME CARE OFFICE NEED
FOR DAVIDSON COUNTY**

Petitioner:

Hospice of Davidson County
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DFS Health Planning
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Medical Facilities
PLANNING SECTION

Requested Change:

Hospice of Davison County (HDC) petitions for an adjustment to be made to remove the need determination for one additional hospice home care office in Davidson County in the 2009 State Medical Facilities Plan (SMFP).

Reasons Supporting Requested Change:

Proposed 2009 State Medical Facilities Plan/Identified Need

The Proposed 2009 SMFP shows the need for one additional home care office in Davidson County.

HDC justifies the proposed adjustment to remove this projected need determination based on several factors, including:

- Variability of Davidson County Death Data
- Davidson County Exceptions to Standard Methodology
- Local Capacity of Hospice Services/Unnecessary Duplication
- Cost Effectiveness
- Community Support

The rationale is explained below.

Davidson County Total Deaths Data

The main driver of the SMFP methodology in determining the need for additional hospice home care agencies is the total number of deaths per county. A comparison of historical data from three sources shows a large discrepancy in the total number of deaths for Davidson County, exhibited in the following table.

Davidson County Total Deaths

Source	2005	2006	2007
Death Certificates Issued	1,035	1,028	947
Davidson County Vital Records	1,036	1,024	946
NC Vital Statistics	1,376	1,500	1,511

Sources: Register of Deeds, Davidson County Health Department, 2007, 2008 and Proposed 2009 SMFP

Data from the Davidson County Health Department, Register of Deeds and NC Vital Statistics show the number of deaths that occurred in 2007 range from 946 to 1,511; a difference greater than 500, which greatly affects the percentage of deaths served by hospice in Davidson County for each given year. The wide range of numbers in the data from all three sources raises the question as to which source most accurately reflects the number of deaths in Davidson County. Notably, the data from Davidson County Vital Records and the Register of Deeds both demonstrate an 8% decrease in the number of deaths for Davidson County from the previous year. This is consistent with the decrease in the reported number of deaths served by hospice for 2007 in Davidson County. However, the data from the NC Vital Statistics for 2007 shows 150% higher number of deaths and also shows an increase in the number of deaths between 2006 and 2007, which is not consistent with the demonstrated trend of the other sources. This further highlights the variability of the data and raises uncertainties as to which source most accurately reflects the number of deaths in Davidson County. This discrepancy is one of the many items that HDC will present in letter form to the Hospice Methodology Task Force.

As previously indicated, HDC plans to submit a letter to the Task Force that will include both constructive criticism of the current standard methodology as well

as suggestions for revisions. HDC supports a methodology that will accurately reflect the need and demand for hospice home care services in Davidson County.

Until the Task Force has convened, HDC requests the SHCC adjust the need determination for an additional hospice home care agencies in Davidson County. Taking into consideration the variability in the data regarding deaths in Davidson County, especially since not all of the figures render a need for an additional hospice home care service in Davidson County, according to the current standard methodology.

Davidson County Exceptions to Standard Methodology

The primary reason for this petition to remove the need determination is because the assumptions in the standard, state-wide methodology are not representative of the local experience in Davidson County.

For example, historically, the number of hospice deaths in Davidson County has increased an average of less than 4% per year, as shown in the table below.

**Historical Deaths Served by Hospice
Davidson County**

Year	Hospice Deaths
2003	319
2004	303
2005	373
2006	406
2007	361

Source: 2005, 2006, 2007, 2008 and Proposed 2009 SMFPs

By contrast, the total number of deaths served by hospice for the State has increased an average of 17.8% per year. Given this vast difference in growth rates between the State and Davidson County, it is evident that Davidson County presents an exception to the State trend and data.

Secondly, the following table shows that the percentage of deaths served by hospice in Davidson County in 2007.

**Percentage of Deaths Served by Hospice
Davidson County vs. North Carolina**

	Davidson County	North Carolina*
2007	23.9%	29.4%

*State median percentage of deaths served by hospice, as per the methodology
Source: Proposed 2009 SMFP

As demonstrated in the table above, the percentage of deaths served by hospice in Davidson County is nearly 20% below the North Carolina median. This data further supports an adjustment to the standard methodology because the actual Davidson County experience is much lower than the state median.

In 2007, as a result of an interpretation of the CON law, Liberty Home and Health began offering hospice and home care services in Davidson County. This represents the 10th hospice home care provider agency serving Davidson County. Since then, the number of deaths served by a hospice facility has not increased. Clearly, deaths served by a hospice facility in Davidson County is not restricted due to inadequate access.

Overall, HDC supports the efforts of the State Health Coordinating Council; however, this petition demonstrates that there are special circumstances locally in Davidson County that merit an adjustment to the standard methodology.

HDC feels an appropriate methodology to assess the need for an additional hospice home care agency for Davidson County is to project future year hospice deaths utilizing a three-year compound annual growth rate, based on county historical growth. For Davidson County, this growth rate is 26.0%, which is the three-year compound annual growth rate of Davidson County hospice deaths from 2005 through 2007. This accurately reflects the services existing providers in Davidson County actually render. When this methodology is applied to Davidson County, there is no need for an additional hospice and home care agency. Please refer to the following table.

**Hospice Home Care Office Need Projections
Davidson County**

Column A	Column B	Column C	Column D	Column E	Column F	Column G	Column H	Column I	Column L
County	2006 Deaths	2007 Hospice Deaths	Hospice / Total	2002-06 Death Rate	2010 Population	2010 Projected Deaths	Projected Hospice Deaths	Number of Additional Need	Additional Hospice Office Need
Davidson	1,511	361	26.0%*	9.5	160,114	1,521	396	(35)	0

*Utilizing the 3-year CAGR

Source: 2007, 2008 and Proposed 2009 SMFPs

As further evidence of the reasonableness to adjust the need determination for Davidson County, earlier this year the SHCC, based on an Agency recommendation, agreed to appoint a Hospice Methodology Task Force to meet in early 2009 to fully evaluate the present hospice home care and hospice inpatient bed need methodologies for use in the 2010 SMFP. The Task Force objective would be to recommend to the SHCC changes to improve both methodologies, based on current data trends. Thus, the methodology used in the Proposed 2009 SMFP is likely to be revised in the near future. HDC joins with the Carolina Center for Hospice and End of Life Care and other providers in supporting this Task Force objective. Currently counties, such as Davidson, present an exception to current standard methodology, demonstrating the need for the Task Force review. Therefore, the petitioner requests that rather than apply the results of a methodology that 1) is likely to change in the near term, 2) is not currently conducive to the circumstances unique to Davidson County, and 3) unnecessarily determines a need for an additional hospice home care agency in Davidson County, the Agency forego action in the 2009 SMFP and await the results of the Task Force and the resulting impact in the 2010 SMFP.

Local Capacity of Hospice Services

The proposed need determination is not representative of a lack of availability of hospice home care services in Davidson County. There is no shortage of options for Davidson County residents seeking hospice home care services. As shown on the table below, 10 agencies and offices provided hospice home care to residents of Davidson County in 2007.

Agencies or Offices Serving Residents of Davidson County

Agency or Office	County
Continuum Home Care and Hospice	Onslow
Gordon Hospice House	Iredell
Hospice & Palliative Care Center	Rowan
Hospice & Palliative Care Center	Forsyth
Hospice and Palliative Care of Greensboro	Guilford
Hospice of Davidson County, Inc	Davidson
Hospice of Randolph County, Inc	Randolph
Hospice of the Piedmont, Inc	Guilford
Liberty Home Care and Hospice	Davidson
Rowan Regional Home Health & Hospice	Rowan
Total	10

Source: Proposed 2009 SMFP

There is presently a plethora of options for hospice services available in Davidson County. Furthermore, HDC has never turned any patient away with a terminal diagnosis.

With 10 agencies and offices, Davidson County has more hospice home care agencies and offices serving its residents than many larger counties in North Carolina. For example, two large counties adjacent to Davidson are Forsyth and Guilford. Forsyth County has a population twice that of Davidson County, yet has fewer hospice home care agencies. Guilford County has a population three times that of Davidson County, yet has approximately the same number of hospice home care agencies (11 vs. 10). New Hanover County has a population 21% larger than that of Davidson County, yet has half the number of hospice home care agencies and offices. Even more dramatic is Buncombe County, which is 45% larger than Davidson County, and has only three hospice home care agencies and offices. Yet none of these counties has a need determination in the Proposed 2009 SMFP. In short, an additional provider would simply create further confusion for residents of Davidson County seeking hospice home care services.

This petition was not initiated by fear of competition. Indeed, there is currently a competitive local marketplace. Rather, HDC supports the three Basic Principles governing the SMFP which include: to promote cost-effective approaches, expand health care services to the medically underserved and encourage quality

health care services. These Basic Principles prompted HDC to submit this petition to ensure that need is evaluated in the most effective manner.

With 10 hospice home care agencies and offices, Davidson County currently has more than adequate capacity to accommodate the needs of Davidson County residents. An additional factor for consideration is that HDC, Davidson County's largest provider of hospice home care services, currently has existing capacity, even though it just experienced its highest ever half-year patient census.

HDC currently employs 6.5 FTE nurses and 4.0 FTE social workers. This staffing level means HDC has capacity to support 78 patients. However, the average home care patient count at HDC is 60. Therefore HDC is currently operating at 77% of current capacity, and thus has all resources necessary to immediately take on additional patients as the local demand for hospice home care services increase.

Furthermore, HDC is committed to the growth of its agency to accommodate the needs of residents of Davidson County as demand for hospice home services increase. This commitment is strongly supported by the Board of Directors of the agency. Throughout its history, the HDC Board has consistently shown a willingness to serve the community by authorizing additional staff hiring. The Board of Directors is also investing in a marketing plan targeted at creating greater community awareness of hospice programs. The goal is to educate the public about the benefits for patients and their families.

Recently, the HDC Board demonstrated its commitment to expanding access to hospice services in Davidson County. Specifically, HDC is developing a new hospice home care office, and is constructing Davidson County's first and only hospice inpatient facility. These two projects represent an investment of approximately \$5 million, and are set to open in January 2009. These projects will result in increased visibility for HDC, further leading to a greater awareness of the services provided by the agency to Davidson County residents and referring physicians.

In summary, the determined need for an additional hospice home care agency or office in Davidson County is not the result of a lack of available resources or options. In fact, it is the opposite. Davidson County is over served with 10 hospice agencies and offices, and the county's largest hospice home care agency HDC has available capacity. Therefore this need determination clearly represents an unnecessary duplication of services.

HDC humbly submits that the better option is for the State to build upon its good decision to approve development of HDC's inpatient facility, and allow the resulting improved visibility of HDC hospice services in Davidson County to combine with available capacity to meet the needs of Davidson County residents.

Cost Effectiveness

Addition of another hospice home care office or agency in Davidson County does not represent a cost effective option from either a patient or a provider stand point. As previously stated, currently 10 agencies provide hospice home care services to Davidson County residents.

It is more cost effective to expand the current hospice home care services in Davidson County than to build an entirely new agency. The addition of another hospice home care office or agency would represent a superfluous expenditure resulting in the unnecessary duplication of services in Davidson County.

Start-up of a new hospice home care agency is expensive. For example, the administrative and support staffing structure for a hospice home care agency is approximately \$450,000. This is the cost of foundational staff, including an administrator, clinical management, financial management, one staff nurse, one staff nurse assistant, and a social worker. In addition, a new agency must lease office space and acquire office equipment and other necessary systems and supplies. By contrast, the annual salary of one additional staff nurse is approximately \$60,000. Therefore, it is much more cost effective to expand an existing agency with additional direct care staff to meet increasing demand, rather than to duplicate existing capacity by establishing an entirely new provider. This would only increase the cost of hospice care for consumers and third-party payors. By contrast, if a current provider can distribute its overhead costs by expanding direct care staff and increasing patient volume, the unit cost of care is moderated or even reduced. The benefits of economy of scale are an important consideration in the current healthcare and financial environment. In summary, the addition of a new hospice home care office or agency in Davidson County is the least cost effective alternative.

Community Support

Physician and community support for HDC has been very positive. HDC has consistently received high satisfaction marks by area physicians, as evidenced by the physician satisfaction survey results, submitted in concordance with this petition. HDC received an average score of 4.8 out of 5 on all five criteria. Additionally, all surveyed physicians unanimously agreed they would continue to refer patients to HDC.

HDC also received hundreds of letters from physicians, health care providers, patient family members, and community members who supported the CON project, and who have subsequently expressed their satisfaction and support for the services that HDC provides.

Further evidence of this is HDC's fundraising campaign for the new inpatient home care facility. Despite economic challenges in the county, our project enjoys wide community support, with the public fund-raising campaign achieving its objective in a very short period of time. This demonstrates that expanding the current services provided by HDC is the option that the community supports.

As further evidence, HDC is submitting letters of support for this petition from local healthcare providers and agencies, including key physicians, hospitals, and the Davidson County Health Department.

Adverse Effects of No Adjustment to the Determined Need

Should this petition not be granted, another hospice home care office would enter the already congested market that exists in Davidson County. As previously stated, there are currently 10 agencies providing hospice services to the residents of Davidson County. The myriad of options available at present may unnecessarily confuse hospice patients and their families.

The new agency would not benefit hospice patients and families in Davidson County as current capacity is not lacking, additional capacity may be added, and the start up of a new agency is expensive and not cost effective, and would result in an unnecessary duplication of services.

Conclusion

In summary, Hospice of Davidson County seeks an adjustment to remove the need determination for an additional hospice home care agency located in Davidson County in the 2009 SMFP.

HDC feels that the petition is justified based on the following factors:

- Variability of Davidson County death data.
- HDC's inpatient facility, scheduled to open in January 2009, will allow improved visibility of hospice services in Davidson County and will further increase available capacity to meet the needs of Davidson County residents.
- The methodology which projected a need determination is dated and scheduled for review and revision by the SHCC in 2009.
- The methodology utilized in the Proposed 2009 SMFP is not representative of local experience within Davidson County.
- Davidson County is oversupplied with hospice home care agencies compared to larger North Carolina counties for which there is no need determination in the Proposed 2009 SMFP.
- HDC currently has additional capacity. Further, HDC is committed to growth, as necessary, to meet the future demand for hospice home care services.
- The need determination would result in an unnecessary duplication of hospice home care services.
- Addition of another hospice home care agency or office is not a cost effective alternative.
- HDC's petition has the support of the local physician and medical community.