



Carolinus HealthCare System

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August 28, 2008

Ms. Victoria McClanahan, Planner
Medical Facilities Planning Section
North Carolina Division of Health Service Regulation
2714 Mail Service Center
Raleigh, North Carolina 27699-2714

RE: The Petition of Novant Health, Inc. for Adjusted Bed Need Determination in Forsyth and Mecklenburg Counties

Dear Ms. McClanahan:

On behalf of Carolinus HealthCare System (CHS), I am providing the attached comments on the petition filed by Novant Health, Inc. (Novant) for an adjusted bed need determination in Forsyth and Mecklenburg Counties. Our comments are organized to concisely provide the background and context for review of the petition and our specific rationale for denial of the petition.

CHS opposes the petition for an adjusted bed need determination in Mecklenburg and Forsyth Counties based on our reasons outlined in the attached document. As noted in our petition filed on August 1, we believe the current bed need methodology and framework have served the state well and have resulted in a sound methodology over the last five years. We simply believe it is time to reconvene an expert workgroup to consider updates to the methodology and framework.

If you have any questions regarding these comments please do not hesitate to contact us. Thank you for the opportunity to provide these comments.

Sincerely,

F. Del Murphy, Jr.
Vice President

DFS Health Planning
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AUG 28 2008

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Carolinan HealthCare System

Comments in Opposition to the Petition from Novant Health, Inc. for an Adjusted Bed Need Determination in Forsyth and Mecklenburg Counties

August 28, 2008

Carolinan HealthCare System (CHS) is providing comments on the petition filed by Novant Health, Inc. (Novant) for an adjusted bed need determination in Forsyth and Mecklenburg Counties. Our comments are organized to concisely provide the background and context for review of the petition and our specific rationale for denial of the petition.

Background and Context for Review of the Petition

The Novant petition indicates that the total actual annual growth rates in patient days for all hospitals in Health Service Area (HSA) II and HSA III exceeded the statewide growth rates used in the State Medical Facilities Plans (SMFP) for 2007 and 2008. Basically, Novant proposes to use a growth rate based on HSA-level data to project future bed need. CHS agrees with Novant's position that the use of a statewide growth rate to project patient days fails to accurately address the need for additional acute care beds in fast growing urban areas. In fact, CHS included a similar discussion in its petition requesting an expert workgroup be formed to review the existing acute care bed need methodology. ***However, CHS does not believe the approach proposed in the Novant petition is the most appropriate avenue for addressing these issues and recommends the petition be denied for the reasons detailed below.***

Specific Rationale for Denial of the Petition

- The petition filed by Novant does not adequately describe "unique or special attributes" of Mecklenburg and Forsyth Counties that support approval of the petition. In other words, the primary issue or problem cited by Novant for its petition (the application of a statewide growth rate) is not unique to Mecklenburg or Forsyth Counties. As presented in CHS's petition filed on August 1, we believe the issue with the statewide growth rate should be addressed more formally by the State Health Coordinating Council (SHCC) in the form of an expert workgroup, not in the form of a special needs petition sponsored by a single provider. The Novant petition should have been filed in the form of a methodology change proposal and submitted by March 15 as prescribed in the *2008 State Medical Facilities Plan* (see page seven).

- There are several errors in the calculations included in Novant's petition to demonstrate their proposed bed need determination. The Mecklenburg County portion of the table included in the petition contained multiple errors. The first error was the omission of the 50 beds approved for Presbyterian Hospital Mint Hill from the bed need calculation. The second error noted has a much more significant impact on projected bed need. In the second case, the projected patient days were not inflated correctly for 2013. Novant inflated 2007 patient days by 2.02 percent for only one year instead of six years compounded annually per the current state bed need formula. If patient days are correctly inflated for six years the total projected bed need by Novant for Mecklenburg County would be 245. If the beds approved for Mint Hill are included in the bed need calculation the projected bed need for 2013 would be 195. In total, Novant miscalculated bed need by 99 beds or approximately 103 percent (96 versus 195). (Please see Attachment 1). It is important to note a bed need determination of 195 would be nearly double the highest bed need ever generated from the acute care bed need methodology since it was implemented in 2004.
- On page three of its petition Novant referenced a portion of the Certificate of Need (CON) application recently submitted by Carolinas Medical Center (CMC) for 27 acute care beds in Mecklenburg County (Project ID F-8127-08). Novant included this portion of the CMC application as Attachment 4 to its petition. The excerpt of the CMC application was provided as additional evidence that the statewide growth rate understates the need for beds in HSA III. ***Novant's inclusion of only this portion of the CMC application is misleading and could be viewed as support by CHS for Novant's petition.*** Please note that Novant omitted the section immediately following the CMC CON excerpt which highlighted the potential impact of a hospital's average-length-of-stay on bed need determination. On pages 81 to 92 of its CON application CMC demonstrated how Novant facilities (Forsyth Medical Center and Presbyterian Hospital) have the highest case mix adjusted average-lengths-of-stay among large hospitals in North Carolina. In its application, CMC presented an analysis of the impact of adjusting a facility's high ALOS downward to the statewide average to evaluate the impact of a high ALOS on bed need determination. The conclusions from the analysis on page 88 of the CMC application are summarized as follows:

If patient days for all Mecklenburg County hospitals operating above the North Carolina average case mix adjusted ALOS are normalized to the North Carolina average, Presbyterian Hospital's apparent bed deficit in 2012, as shown in the 2008 State Medical Facilities Plan, would actually be reduced to a 54 bed surplus. In addition, Novant's overall bed deficit in Mecklenburg County would be reduced to a surplus of 57 beds (as an adjustment to patient days would also be made to Presbyterian Hospital Matthews).

- Since filing the CMC 27-bed CON application in Mecklenburg County in May, CHS has performed an alternative analysis of ALOS among North Carolina hospitals. CHS conducted a review of each North Carolina hospital's "observed" ALOS to "expected" ALOS (based on Thomson Healthcare's severity adjustment methodology). The methodology developed by Thomson Healthcare adjusts ALOS comparison statistics for severity based on such factors as age, gender, type of hospital, geographic location, secondary diagnosis, among others. Our additional analysis indicates the two largest Novant facilities, Presbyterian Hospital and Forsyth Medical Center, have the highest and fourth highest deviation of "observed" ALOS to "expected" ALOS among all North Carolina hospitals. Furthermore, when these data are plotted on a normal distribution, Presbyterian Hospital's ratio of "observed" to "expected" ALOS is greater than two standard deviations from the mean. Please see Attachment 2. As such, it appears the historical bed need generated by these Novant facilities is being impacted by their relatively high average lengths of stay (not just growth in inpatient admissions).

In conclusion, CHS opposes the petition for an adjusted bed need determination in Mecklenburg and Forsyth Counties based on our reasons outlined above. As noted in our petition filed on August 1, we believe the current bed need methodology and framework have served the state well and have resulted in a sound methodology over the last five years. We simply believe it is time to reconvene an expert workgroup to consider updates to the methodology and framework.

ATTACHMENT 1

Corrected Bed Need Tables

Attachment 1

Current Table from Proposed 2009 SMFP

Projections based on Growth Factor at 0.01% per year for the next six years. Target Occupancy Factors: ADC<100 = 150%, ADC 100-200 = 140%, ADC>200 = 133%

A	B	C	D	E	F	G	H	I	J	K	
Lic. #	Facility Name	County	Licensed AC Beds	Adjustments for CON and Prev. Need	Thomson 2007 Acute Care Days	6 Years Growth at 0.01% Annually	2013 Projected Average Daily Census (ADC)	2013 Beds Adjusted for Target Occ.	Projected 2013 Deficit (Bolted) or Surplus ("")	2013 Need Determination	
H0042	Carolinas Medical Center - Mercy & Pineville	Mecklenburg	294	0	56,294	56,328	154	216	-78		
H0255	Carolinas Medical Center - University	Mecklenburg	130	0	21,378	21,391	59	88	-42		
H0071	Carolinas Medical Center / Ctr. for MH	Mecklenburg	795	0	228,343	228,480	626	833	38		
	<i>Totals for CMC, CMC Mercy Pine & CMC Univ.</i>		424	0					-82		
H0010	Presbyterian Hospital	Mecklenburg	463	76	159,139	159,235	436	580	41		
H0282	Presbyterian Hospital Huntersville	Mecklenburg	50	0	15,993	16,003	44	66	16		
H0270	Presbyterian Hospital Matthews	Mecklenburg	102	0	27,408	27,424	75	113	11		
N/A	Presbyterian Hospital Mint Hill	Mecklenburg	0	50	<i>Utilization for the reporting period shown below with Presb. Orth</i>					-50	
H0251	Presbyterian Orthopaedic Hospital	Mecklenburg	140	-126	12,915	12,923	35	53	39		
	<i>Totals for Presbyterian, Huntersville, Matthews & Ortho.</i>		755	0					57		
	Totals for Mecklenburg County:		1,179	27						30	

Table from Novant Petition

Projections based on Growth Factor at 2.02% per year for the next six years. Target Occupancy Factors: ADC<100 = 150%, ADC 100-200 = 140%, ADC>200 = 133%

A	B	C	D	E	F	G	H	I	J	K	
Lic. #	Facility Name	County	Licensed AC Beds	Adjustments for CON and Prev. Need	Thomson 2007 Acute Care Days	6 Years Growth at 2.02% Annually	2013 Projected Average Daily Census (ADC)	2013 Beds Adjusted for Target Occ.	Projected 2013 Deficit (Bolted) or Surplus ("")	2013 Need Determination	
H0042	Carolinas Medical Center - Mercy & Pineville	Mecklenburg	294	0	56,294	57,432	157	220	-74		
H0255	Carolinas Medical Center - University	Mecklenburg	130	0	21,378	21,810	60	90	-40		
H0071	Carolinas Medical Center / Ctr. for MH	Mecklenburg	795	0	228,343	232,960	638	849	54		
	<i>Totals for CMC, CMC Mercy Pine & CMC Univ.</i>		424	0					-60		
H0010	Presbyterian Hospital	Mecklenburg	463	76	159,139	162,357	445	592	53		
H0282	Presbyterian Hospital Huntersville	Mecklenburg	50	0	15,993	16,316	45	67	17		
H0270	Presbyterian Hospital Matthews	Mecklenburg	102	0	27,408	27,962	77	115	13		
N/A	Presbyterian Hospital Mint Hill	Mecklenburg	0	50	<i>Utilization for the reporting period shown below with Presb. Orth</i>					0	
H0251	Presbyterian Orthopaedic Hospital	Mecklenburg	140	-126	12,915	13,176	36	54	40		
	<i>Totals for Presbyterian, Huntersville, Matthews & Ortho.</i>		755	0					123		
	Totals for Mecklenburg County:		1,179	27						96	

Corrected Novant Table (inflated six years to 2013)

Projections based on Growth Factor at 2.02% per year for the next six years. Target Occupancy Factors: ADC<100 = 150%, ADC 100-200 = 140%, ADC>200 = 133%

A	B	C	D	E	F	G	H	I	J	K	
Lic. #	Facility Name	County	Licensed AC Beds	Adjustments for CON and Prev. Need	Thomson 2007 Acute Care Days	6 Years Growth at 2.02% Annually	2013 Projected Average Daily Census (ADC)	2013 Beds Adjusted for Target Occ.	Projected 2013 Deficit (Bolted) or Surplus ("")	2013 Need Determination	
H0042	Carolinas Medical Center - Mercy & Pineville	Mecklenburg	294	0	56,294	63,478	174	243	-51		
H0255	Carolinas Medical Center - University	Mecklenburg	130	0	21,378	24,106	66	99	-31		
H0071	Carolinas Medical Center / Ctr. for MH	Mecklenburg	795	0	228,343	257,484	705	938	143		
	<i>Totals for CMC, CMC Mercy Pine & CMC Univ.</i>		424	0					62		
H0010	Presbyterian Hospital	Mecklenburg	463	76	159,139	179,448	492	654	115		
H0282	Presbyterian Hospital Huntersville	Mecklenburg	50	0	15,993	18,034	49	74	24		
H0270	Presbyterian Hospital Matthews	Mecklenburg	102	0	27,408	30,906	85	127	25		
N/A	Presbyterian Hospital Mint Hill	Mecklenburg	0	50	<i>Utilization for the reporting period shown below with Presb. Orth</i>					0	
H0251	Presbyterian Orthopaedic Hospital	Mecklenburg	140	-126	12,915	14,563	40	60	46		
	<i>Totals for Presbyterian, Huntersville, Matthews & Ortho.</i>		755	0					210		
	Totals for Mecklenburg County:		1,179	27						245	

Corrected Novant Table (inflated to 2013 and included 50 beds for Presbyterian Mint Hill)

Projections based on Growth Factor at 2.02% per year for the next six years. Target Occupancy Factors: ADC<100 = 150%, ADC 100-200 = 140%, ADC>200 = 133%

A	B	C	D	E	F	G	H	I	J	K	
Lic. #	Facility Name	County	Licensed AC Beds	Adjustments for CON and Prev. Need	Thomson 2007 Acute Care Days	6 Years Growth at 2.02% Annually	2013 Projected Average Daily Census (ADC)	2013 Beds Adjusted for Target Occ.	Projected 2013 Deficit (Bolted) or Surplus ("")	2013 Need Determination	
H0042	Carolinas Medical Center - Mercy & Pineville	Mecklenburg	294	0	56,294	63,478	174	243	-51		
H0255	Carolinas Medical Center - University	Mecklenburg	130	0	21,378	24,106	66	99	-31		
H0071	Carolinas Medical Center / Ctr. for MH	Mecklenburg	795	0	228,343	257,484	705	938	143		
	<i>Totals for CMC, CMC Mercy Pine & CMC Univ.</i>		424	0					62		
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H0270	Presbyterian Hospital Matthews	Mecklenburg	102	0	27,408	30,906	85	127	25		
N/A	Presbyterian Hospital Mint Hill	Mecklenburg	0	50	<i>Utilization for the reporting period shown below with Presb. Orth</i>					-50	
H0251	Presbyterian Orthopaedic Hospital	Mecklenburg	140	-126	12,915	14,563	40	60	46		
	<i>Totals for Presbyterian, Huntersville, Matthews & Ortho.</i>		755	0					160		
	Totals for Mecklenburg County:		1,179	27						195	

ATTACHMENT 2

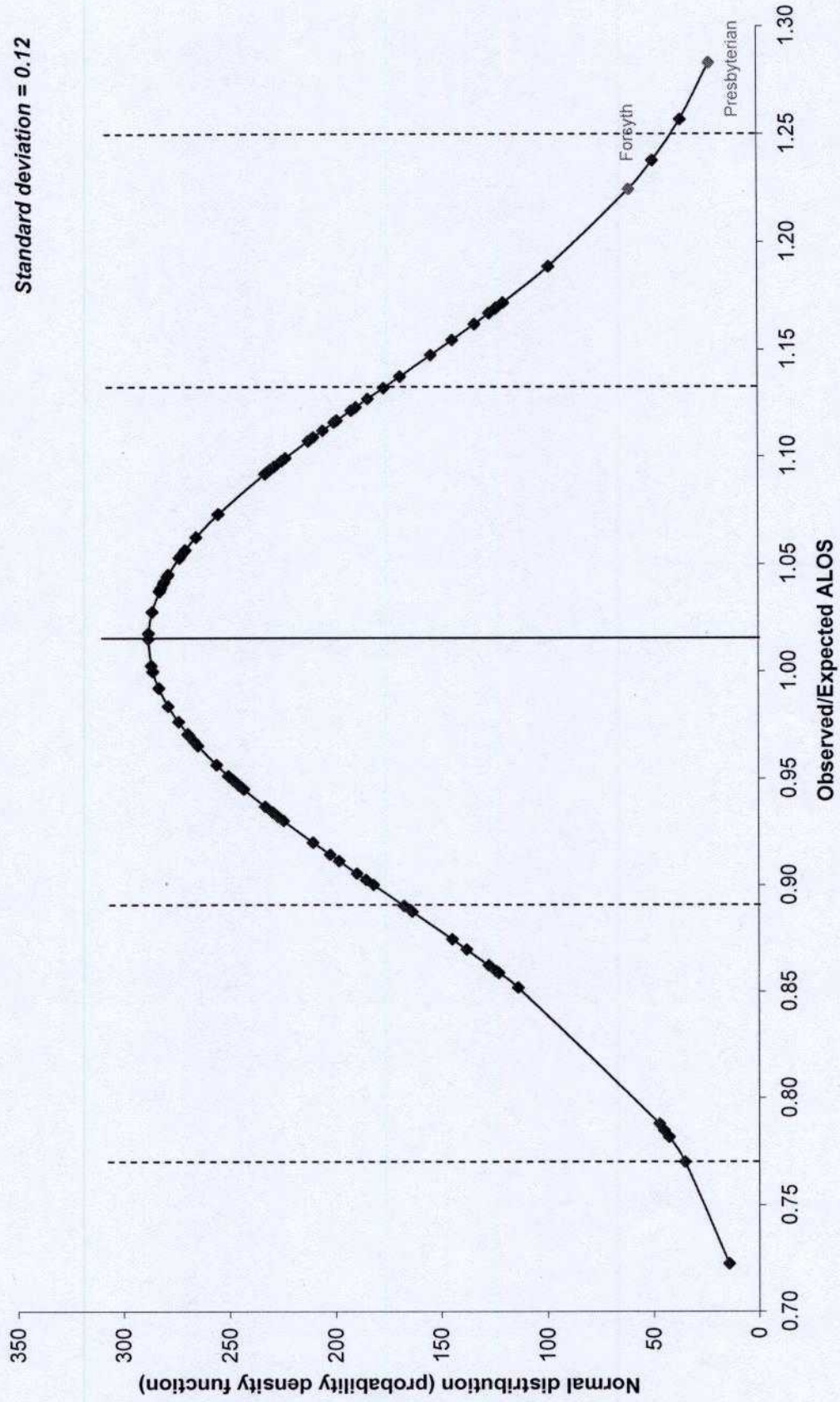
Average Length of Stay Normal Distribution Chart

Attachment 2

Normal Distribution - Observed to Expected ALOS Ratio for NC Hospitals *(Facilities with less than 2,000 annual discharges were excluded from this analysis)*

Mean = 1.01

Standard deviation = 0.12



Source: Thomson FY 2007

Note: Thomson expected ALOS based on factors such as age, gender, type of hospital, geographic location, secondary diagnosis, etc.

Note: ratio = observed/expected ALOS