NCHCFA
North Carolina Health Care Facilities Association

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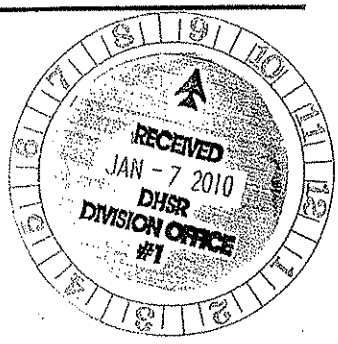
January 6, 2010



The Honorable Lanier Cansler
Secretary
Department of Health and Human Services
2001 Mail Service Center
Raleigh, North Carolina 27699-2001

Dear Secretary Cansler,

The State Health Coordinating Council (SHCC) makes annual determinations of the need for additional skilled nursing facility beds. The basic framework of the methodology used by the SHCC to make the allocations has not changed or undergone review in twenty years or more.

Based on the current need determination methodology, which is essentially a historical "use rate" based on the population in a given county over the ages of 65, 75, and 85, we could see a projected need for 12,000 or more additional beds by 2020. Is this number and our reliance on current use rates appropriate and accurate, will the beds be allocated where the need is the greatest, and are we properly considering in the methodology the long term health care options available for today's seniors? These are some of the issues in need of review before the 2011 State Medical Facilities Plan (SMFP) is finalized.

We are requesting that a small work group be established to review the current need determination methodology and report its findings and recommendations to the SHCC's Long Term and Behavioral Health Committee by March 1, 2010. This should allow ample time for the committee to consider any proposed changes to the nursing home bed need methodology before the 2011 SMFP development process is completed.

I don't anticipate that this will be a complicated or lengthy process. A group of 8-10 people, representing the Long Term and Behavioral Health Committee, staff from the Division of Health Service Regulation, and provider representatives could begin work soon and, barring any unforeseen issues, should be able to meet the SHCC's planning schedule for development of the 2011 SMFP.

I hope you will support the establishment of the work group and charge them with completing the task in a timely fashion. Thank you for your consideration.

Sincerely,

J. Craig Souza
President

cc: Allen Feezor
Jeff Horton

Background - Nursing Facility Methodology - DRAFT

The letter from the Association could be shared with the Chairman of the SHCC and Long-Term and Behavioral Health (LTBH) Committee. Mr. Souza and others may wish to attend the March 3 Council meeting and speak to the need for a work group during the public hearing. If the Council Chair determined it to be appropriate, a work group could be appointed to address the methodology and make recommendations for consideration by the LTBH Committee at the May committee meeting. The target date for development of the recommendations by the work group could be May 1, 2010 (the target date should allow time for the recommendations to be sent to the LTBH Committee prior to their meeting). The LTBH committee meets on May 14, 2010. The committee could make its recommendations for consideration by the Council at the May 26 Council meeting.

If a work group were to be appointed, the Chair may wish to consider the following factors in the appointment of members:
-rural, urban
-for-profit, not-for-profit
-geographic (east, west, piedmont)
-company with multiple facilities
-an entity that has a single facility
-a consumer (possibly the Division of Aging and Adult Services could provide a name)
-CCRC
-provider(s) of alternatives to inpatient care.

Various associations may be contacted to suggest members such as the Association of Non-Profit Homes for the Aging, Health Care Facilities Association and Hospital Association (over 1,800 beds are licensed in hospitals).

Resource people may be requested from DMA, Aging/Adult Services and the Licensure/Certification and CON Sections.

Summary of changes in methodology in SMFPs since 2000.

2000 Plan. – No substantial changes in application of the methodology from that used in the 1999 Plan.
2001 Plan. – No substantial changes in application of the methodology from that used in the 2000 Plan.
2002 Plan - One substantial change was made in application of the methodology from that used in the 2001 Plan. Rather than continue with the practice established in the 1999 Plan of using rates projected forward for 18 months, the rates are projected forward for 30 months.
2003 Plan. – No substantial changes in application of the methodology from that used in the 2002 Plan.
2004 Plan. – Step 4 of the methodology was changed to incorporate occupancy as a factor in making need determinations. There may be a need determination if the average

occupancy of licensed beds in the county, excluding CCRCs, is 90% or greater based on utilization data reported on license renewal applications.
2005 Plan - No substantial changes in application of the methodology from that used in the 2004 Plan.
2006 Plan - No substantial changes in application of the methodology from that used in the 2005 Plan.
2007 Plan - No substantial changes in application of the methodology from that used in the 2006 Plan.
2008 Plan - No substantial changes in application of the methodology from that used in the 2007 Plan.
2009 Plan - No substantial changes in application of the methodology from that used in the 2008 Plan.
2010 Plan - No substantial changes in application of the methodology from that used in the 2009 Plan.

Excerpts of the Nursing Care Facilities chapter of the 2010 Plan regarding the methodology.

Basic Assumptions of the Method

1. The principal determinant of nursing home use is the age of the population; the higher the age, the higher the use.
2. Any advantages to patients that may arise from competition will be fostered by policies which lead to the establishment of new provider institutions. Consequently, whenever feasible, allocations of 90 additional beds or more should be made. It is recognized, however, that such allocations do not always result in new entities.
3. Counties whose deficits represent a high proportion (10 percent or greater) of their total needs (deficit index) and who have an occupancy of licensed beds in the county, excluding continuing care retirement communities, that is 90 percent or greater based on utilization data reported on 2009 License Renewal Applications, should receive need determinations, even though such increments may be of insufficient size to encourage establishment of new facilities.
4. Need should be projected three years beyond the plan year because at least that amount of time is required to bring a needed facility or expansion into service.
5. To the extent that out-of-area patients are served by facilities operated by religious or fraternal organizations, beds so occupied will be excluded from a county's inventory.
6. When substantial blocks of nursing care beds have been converted to care for head injury or ventilator-dependent patients, these beds will be removed from the inventory.

7. One-half of the nursing care beds developed as part of a continuing care retirement community (under Policy NH-2) will be excluded from the inventory.
8. Nursing care beds transferred from state psychiatric hospitals to the community pursuant to Policy NH-5 shall be excluded from the inventory.
9. A goal of the planning process is a reasonable level of parity among citizens in their geographic access to nursing home facilities.
10. The following bed-to-population ratios were derived from combined patient utilization data as reported on 2009 Nursing Home License Renewal Applications and on Nursing Care Supplements to the 2009 Hospital License Renewal Applications, projected forward for 30 months based on trend lines reflecting the previous five years' data by age group.

Age Group	Beds Per 1000 Population
Under 65	0.58
65-74	8.55
75-84	30.89
85 and Over	107.55

Sources of Data

Population Data:

Projected numbers of residents, by county and age group, for 2013 were obtained from the North Carolina Office of State Budget and Management.

Estimated active duty military population numbers were excluded from the "Under 65 age group" for any county with more than 500 active duty military personnel. These estimates were obtained from the "Selected Economic Characteristics" portion of the 2000 Census, under the category of "Employment Status – Armed Forces."

Utilization Data:

Data on utilization of nursing facilities by age groups were compiled from the "2009 Renewal Applications for License to Operate a Nursing Home," combined with data from the "Nursing Care Facility/Unit Beds 2009 Annual Data Supplement to Hospital License Applications," as submitted to the North Carolina Department of Health and Human Services, Division of Health Service Regulation.

Application of the Method

The steps in applying the projection method are as follows:

Step 1: Multiply the adopted age-specific use rates *(see "Assumptions")* by each county's corresponding projected age-specific civilian population *(in thousands)* for the target year *(2013)*.

Step 2: For each county, add the products of the age-specific projections of beds in Step 1. The sum is the county's projected bed utilization.

Step 3: For each county, the "planning inventory" is determined based on 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 derived in Step 2 is subtracted from the "planning inventory." The result is the county's surplus or deficit.

Step 4:

a. For a county with a deficit of 71 to 90 beds, if the average occupancy of licensed beds in the county, excluding continuing care retirement communities, is 90 percent or greater based on utilization data reported on 2009 Renewal Applications, the need determination is 90 beds.

b. For a county with a deficit of 91 or more beds, if the average occupancy of licensed beds in the county, excluding continuing care retirement communities, is 90 percent or greater based on utilization data reported on 2009 Renewal Applications, the need determination is the amount of the deficit rounded* to 10.

c. If any other county's deficit is 10 percent or more of its total projected bed need, and the average occupancy of licensed beds in the county, excluding continuing care retirement communities, is 90 percent or greater based on utilization data reported on 2009 Renewal Applications, the need determination is the amount of the deficit rounded* to 10.

*For purposes of rounding need determinations, numbers greater than 10 and ending in one to four would round to the next lower number divisible by 10, and numbers ending in five to nine would round to the next higher number divisible by 10.

(A nursing care bed's service area is the nursing care bed planning area in which the bed is located. Each of the 100 counties in the State is a separate nursing care bed planning area.)