



# Carolinah HealthCare System

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President & COO

March 23, 2011

Ms. Elizabeth K. Brown, Chief  
Medical Facilities Planning Section  
North Carolina Division of Health Service Regulation  
701 Barbour Drive  
Raleigh, North Carolina 27603

Re: Petition for Changes in Policy AC-3 Filed by Duke, Baptist, Pitt and UNC and Petition  
Filed by Novant Health, Inc.

Dear Ms. Brown:

Carolinah HealthCare System supports the petition filed by Duke University Health System (Duke), Wake Forest Baptist Medical Center (Baptist), Pitt County Memorial Hospital (Pitt) and UNC Hospitals (UNC) to modify Policy AC-3 in the State Medical Facilities Plan (SMFP). Please also note that we oppose the separate petition filed by Novant Health, Inc. (Novant) regarding Policy AC-3.

The reason we support the petition filed by the four academic medical centers (AMCs) is that these institutions play a truly unique role in the healthcare delivery system of North Carolina due to their significant teaching and research missions. In addition, these organizations are continuously developing advanced medical technologies and treatments for the benefit of the State. Policy AC-3 is critically important to the AMCs from a core mission perspective. The improvements recommended in the AMC petition address the criticisms and weaknesses identified in the Novant petition.

The Novant petition is fundamentally at odds with the mission of the AMCs and their unique need for Policy AC-3 in that Novant is basically saying the AMCs do not play a unique role in North Carolina. For example, Novant is proposing that AMCs be required to use the annual special needs petition process (in lieu of Policy AC-3) and their petition states that "If the special

needs petition is granted, the need shall be placed in the next year's SMFP, and anyone may apply to meet the need." There is no dispute that Novant operates two very large hospitals in North Carolina (Forsyth Memorial Hospital and The Presbyterian Hospital) and these two hospitals provide a certain level of tertiary services, but these two hospitals do not currently reflect the common characteristics of AMCs. This is evident when one considers just four simple and comparative factors, as follows (see Attachment for details by hospital):

- ***The AMCs are major teaching and research centers.*** The average number of residency programs and residents among the AMCs is 54 and 609, respectively. Forsyth and Presbyterian do not operate residency programs.
- ***The AMCs serve as major referral centers for the State.*** The average number of counties included in the primary referral regions of the AMCs is 24 while the average number for Forsyth and Presbyterian is seven.
- ***The AMCs provide a different mix of services.*** The AMCs have a much higher concentration of services dedicated to tertiary and quaternary programs (34.7 percent) than do Forsyth and Presbyterian (22.5 percent).
- ***The AMCs provide significantly more care to the elderly and underinsured populations of the State.*** The AMCs provide a much higher concentration of services to the Medicare, Medicaid and uninsured populations than do Forsyth and Presbyterian. Further, Forsyth and Presbyterian have a much higher concentration of managed care/commercially insured patients, as summarized below:
  - Medicare: 34.8 percent vs. 27.5 percent
  - Medicaid: 22.0 percent vs. 20.9 percent
  - Uninsured: 8.3 percent vs. 4.5 percent
  - Managed care/commercial insurance: 34.9 percent vs. 47.2 percent

It should be noted that the four characteristics outlined above should in no way be construed as the primary, or even most important, differences between the AMCs and Novant's two large hospitals. Further, individual characteristics such as these should not be considered in isolation. It is the totality of such indicators that demonstrates the truly unique role of the AMCs in North Carolina and why Policy AC-3 is appropriate in the health planning process for our State.

After reviewing both petitions it appears Novant's primary criticism of Policy AC-3 is that it provides an unfair competitive advantage to the AMCs. It seems that one could also argue just the reverse when considering the substantial payer mix differences between Novant's two large hospitals compared to the AMCs. Clearly, the AMCs provide higher concentrations of care to

Ms. Elizabeth K. Brown

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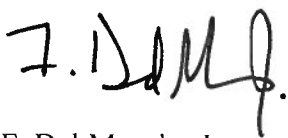
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citizens that are either underinsured or not insured due to their roles as AMCs. This is even more significant when one considers that Policy AC-3 is rarely ever utilized by the AMCs.

In conclusion, we believe North Carolina is fortunate to have a health planning process that provides a sound regulatory framework that promotes healthy competition among providers. We also believe the petition filed by the AMCs enhances the current policy and is congruent with the goals of the State Health Coordinating Council and the State of North Carolina.

Thank you for your time and consideration of these comments.

Sincerely,

A handwritten signature in black ink, appearing to read "F. Del Murphy Jr.", written in a cursive style.

F. Del Murphy Jr.

Vice President – Planning

CHS Management Company

## Attachment Policy AC-3 Petition Comments

**Number of Residency Programs and Residents**

Hospital	Number of Residency Programs	Number of Residents
Duke University Hospital	73	840
Pitt County Memorial Hospital	23	309
UNC Hospitals	64	682
Wake Forest Baptist Medical Center	56	605
Average	54	609
Forsyth Memorial Hospital	-	-
The Presbyterian Hospital	-	-
Totals	-	-

*Note: Accreditation Council for Graduate Medical Education, 2010, academic year 2009-2010.*

**Size of Primary Referral Region - Number of Counties**

Hospital	Total Counties
Duke University Hospital	36
Pitt County Memorial Hospital	16
UNC Hospitals	29
Wake Forest Baptist Medical Center	16
Average	24
Forsyth Memorial Hospital	7
The Presbyterian Hospital	6
Average	7

*Note: Inpatient discharges for calendar year 2009 per Thomson; defined as counties included in top 90 percent of inpatient discharges.*

**Percent of Inpatient Discharges - Tertiary/Quaternary**

Hospital	Tertiary	Quaternary
Duke University Hospital	38.2%	2.3%
Pitt County Memorial Hospital	31.4%	1.8%
UNC Hospitals	31.0%	1.1%
Wake Forest Baptist Medical Center	38.2%	2.2%
Average	34.7%	1.9%
Forsyth Memorial Hospital	19.8%	0.0%
The Presbyterian Hospital	25.2%	0.1%
Average	22.5%	0.1%

*Note: Inpatient discharges for calendar year 2009 per Thomson.*

**Percent of Inpatient Discharges by Payer Class**

Hospital	Managed Care and Commercial	Medicare	Medicaid	Uninsured	Total All Payers
Duke University Hospital	41.1%	34.6%	19.6%	4.7%	100.0%
Pitt County Memorial Hospital	30.5%	39.1%	22.4%	8.0%	100.0%
UNC Hospitals	29.0%	29.7%	28.1%	13.2%	100.0%
Wake Forest Baptist Medical Center	39.0%	35.8%	17.7%	7.5%	100.0%
Totals	34.9%	34.8%	22.0%	8.3%	100.0%
Forsyth Memorial Hospital	48.4%	27.5%	20.1%	4.0%	100.0%
The Presbyterian Hospital	45.6%	27.5%	21.9%	5.1%	100.0%
Totals	47.2%	27.9%	20.9%	4.5%	100.0%

*Note: Inpatient discharges for calendar year 2009 per Thomson.*