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MEDICAL FACILITIES
PLANNING SECTION

Representative William Wainright
Chairman, North Carolina State Health Coordinating Council
c/o Medical Facilities Planning Section
Division of Health Service Regulation
2714 Mail Service Center
Raleigh, NC 27699-2714

**Re: Pitt County Memorial Hospital's Petition for Adjustment to Acute Care Bed Need
Determination for 97 Acute Care Inpatient Beds in Pitt/Greene/Hyde Counties, North
Carolina**

I. Petitioner

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II. Requested Adjustment

Pitt County Memorial Hospital (PCMH) is submitting this petition for an adjustment to Table 5A: Acute Care Bed Need Projections and Table 5B: Acute Care Bed Need Determinations in the *Proposed 2012 State Medical Facilities Plan (SMFP)* to show a reduction in bed need from 97 acute care beds to 65 acute care beds for the Pitt/Greene/Hyde County service area.

III. Reasons for the Proposed Adjustment

In the *Proposed 2012 SMFP*, Step 4 of the acute care bed need methodology calculates the projected inpatient days of care in Federal Fiscal Year 2014 as follows:

- a. For each county, determine the total annual number of acute inpatient days of care provided in North Carolina acute care hospitals during each of the last five federal fiscal years based on data provided by the Sheps Center.
- b. For each county, calculate the difference in the number of acute inpatient days of care provided from year to year.
- c. For each county, for each of the last four years, determine the percentage change from the previous year by dividing the calculated difference in acute inpatient days by the total number of acute inpatient days provided during the previous year. (Example: (YR 2010 – YR 2009) / YR 2009; etc.)

(Column G)

- d. For each county, total the annual percentages of change and divide by four to determine the average annual historical percentage change for each county. For positive annual percentages of change, add 1 and this becomes the County Growth Rate Multiplier. For negative annual percentages of change, subtract 1. If the County Growth Rate Multiplier

is negative, Thomson Reuters 2010 Acute Care Days are carried forward unchanged to Column H.

- e. For each county with a positive County Growth Rate Multiplier, calculate the compounded growth factor projected for the next four years by using the average annual historical percentage change (from d. above) in the first year and compounding the change each year thereafter at the same rate.

(Column H)

- f. For each hospital, multiply the acute inpatient days of care from Column F by the compounded county growth factor to project the number of acute inpatient days of care to be provided in Federal Fiscal Year 2014 at each hospital.

A PCMH has determined a unique event occurred at the hospital in FY2010 that is directly impacting Step 4(c) of the bed need methodology and generating a "County Growth Rate Multiplier" higher than anticipated in Step 4(d). Specifically,

- From FY06 through FY10, PCMH added 116 new acute care inpatient beds through approved CON projects Q-7075-04 for 49 new beds, Q-7430-05 for 42 new beds, and Q-7748-06 for 25 new beds. The 116 new beds represented an 18.8% increase in the number of acute care inpatient beds at the hospital, going from 618 in FY05 to 734 in FY10.
- PCMH only opened 10 of the beds in FY06 and 6 more in FY07.
- From January 2009 through October 2009, PCMH open the remaining 100 beds in a phased approach by opening the new East Carolina Heart Institute (ECHI) bed tower, completing renovations/refurbishments to older bed towers, and completing a bed reallocation/realignment initiative.
- FY2010 was the first full year of operation of the 100 new acute care inpatient beds at PCMH.
- Prior to opening the new beds, PCMH was operating its existing acute care beds at 89% occupancy. As a result, the hospital was not able to fully meet the transfer and admission requests from community hospitals and providers in our region (HSA VI). Once the beds were opened, PCMH had the capacity to meet the demand from the region and, as a result, experienced a significant increase in acute care admissions (6.0%) and patient days (6.5%).
- The 6.5% percent increase in acute care patient days was a direct result of being able to meet the pent-up demand. However, this increase is included in Step 4(d) in determining the Pitt/Greene/Hyde "County Growth Rate Multiplier" of 1.0354. The growth rate for this service area is one of the highest in the State and far exceeds other faster growing areas such as Durham County (1.0104), Guilford County (-1.0014), Mecklenburg County (1.0199), Orange County (1.0262), and Wake County (1.0172).

- The “County Growth Rate Multiplier” of 1.0354 is then used to project a need for 97 additional inpatient beds in the service area. Figure 1 below shows how the “County Growth Rate Multiplier” was calculated and applied to determine bed need for the Pitt/Greene/Hyde service area in the 2012 SMFP.

Figure 1: Current Bed Need Determination in Proposed 2012 SMFP

	Step 4(a) Acute IP Days of Care (Last 5 Years)	Step 4(b) Calculate Difference in IP Days	Step 4(c) Calculate Percent Change	Step 4(d) Calculate County Growth Rate Multiplier
FY06	189,924			
FY07	196,651	6,727	3.5%	Average → 1.0354
FY08	197,218	567	0.3%	
FY09	204,768	7,550	3.8%	
FY10	218,049	13,281	6.5%	

A	B	C	D	E	F	G	H	I	J	K	L
Service Area	License Number	Facility Name	Licensed Acute Care Beds	Adjust. for CONs/ Previous Need	Thomson Reuters 2010 Acute Care Days	County Growth Rate Multiplier	4 Years Growth Using County Growth Rate (=2010 Days, if negative growth)	2014 Projected Average Daily Census (ADC)	2014 Beds Adjusted for Target Occupancy	Projected 2014 Deficit or Surplus ("-.")	2014 Need Determination
Pitt/Greene/Hyde			-	48	-	1.0354	-	-	-	-48	
Pitt	H0104	Pitt County Memorial Hospital, Inc.	734	-	218,049	1.0354	250,566	686	879	145	
Pitt/Greene/Hyde Total			734	48							97

PCMH believes the 6.5% change in acute care days from FY09-10 is due to a one-time, unique event and is inconsistent with historical growth trends. Therefore, PCMH believes the “County Growth Rate Multiplier” applied to the Pitt/Greene/Hyde service area is not representative of future growth. As a result, PCMH also believes the bed need determination in the 2012 SMFP is overstated.

To address this issue, PCMH is proposing to adjust the need determination by reducing the need identified in Table 5A: Acute Care Bed Need Projections and Table 5B: Acute Care Bed Need Determinations from 97 acute care beds to 65 acute care beds for the Pitt/Greene/Hyde service area. Specifically, PCMH is petitioning to:

- Exclude the FY09-10 percent change from Step 4(d) of the bed need methodology for the Pitt/Greene/Hyde service area only, and instead,
- Calculate the “County Growth Rate Multiplier” based on the percent change for the four year time period from FY06-09 only.

This would result in a reduction in the “County Growth Rate Multiplier” from 1.0354 to 1.0255 and a reduction in the 2014 acute care bed need determination from 97 to 65. PCMH believes the proposed adjustment more accurately represents the projected growth in inpatient days and inpatient acute care bed need. In fact, PCMH projects, based on 3 quarters of actual data, FY11 acute care days will be approximately 224,000, which is 2.72% over FY10 and supports the proposed lower growth rate of 2.55%. See Figure 2 below for more detail.

Figure 2: Proposed Adjustment to Bed Need Determination in Proposed 2012 SMF

	Step 4(a) Acute IP Days of Care (Last 5 Years)	Step 4(b) Calculate Difference in IP Days	Step 4(c) Calculate Percent Change	Step 4(d) Calculate County Growth Rate Multiplier
FY06	189,924			
FY07	196,651	6,727	3.5%	Average → 1.0255
FY08	197,218	567	0.3%	
FY09	204,768	7,550	3.8%	
FY10	218,049	13,281	8.5%	

A	B	C	D	E	F	G	H	I	J	K	L
Service Area	License Number	Facility Name	Licensed Acute Care Beds	Adjust. for CONs/ Previous Need	Thomson Reuters 2010 Acute Care Days	County Growth Rate Multiplier	4 Years Growth Using County Growth Rate (=2010 Days, if negative growth)	2014 Projected Average Daily Census (ADC)	2014 Beds Adjusted for Target Occupancy	Projected 2014 Deficit or Surplus ("-")	2014 Need Determination
Pitt/Greene/Hyde			-	48	-	1.0255	-	-	-	-48	
Pitt	H0104	Pitt County Memorial Hospital, Inc.	734	-	218,049	1.0255	241,182	661	847	113	
Pitt/Greene/Hyde Total			734	48							65

IV. Evidence Petition Would Not Result In Unnecessary Duplication of Health Resources

PCMH is the only hospital in the Pitt/Greene/Hyde service area and serves as the tertiary referral center for a 29 county area in eastern North Carolina. Because of PCMH’s unique situation, there will not be a duplication of services. A duplication suggests that there would be an excess of services in the market. This petition proposes to reduce an identified need that resulted from a unique event, thus eliminating any unnecessary duplication of health care resources, specifically acute care inpatient beds. PCMH believes not adjusting the need determination would result in unnecessary duplication.

V. Evidence Petition Is Consistent With The SMFP Basic Principles

Safety and Quality Basic Principle

The State of North Carolina recognizes the importance of systematic and ongoing improvement in the quality of health services. Providing care in a timely manner is a key component of assuring safety and quality care to the residents of Pitt, Greene, and Hyde Counties, along with the other residents of HSA VI PCMH serves in its roles as a regional referral center. Emerging measures of quality address both favorable clinical outcomes and patient satisfaction, while safety measures focus on the elimination of practices that contribute to avoidable injury or death and the adoption of practices that promote and ensure safety. Providing appropriate care in the appropriate environment assures quality care. The proposed adjusted need determination for the Pitt/Greene/Hyde service area is consistent with this basic principle as it will result in the timely availability of acute inpatient care in an appropriate setting without duplication of services.

Access Basic Principle

Equitable access to timely, clinically appropriate and high quality health care for all the people of North Carolina is a foundational principle for the formulation and application of the North Carolina State Medical Facilities Plan (SMFP). The formulation and implementation of the North Carolina SMFP seeks to reduce all types of barriers to timely and appropriate access by assuring the availability of necessary health services to a population, particular the medically underserved.

PCMH believes this petition is consistent with this principle. In its role as the regional referral center for a large, poor, rural, medically underserved population, PCMH fully realizes the importance of maintaining adequate capacity to ensure access to care for all people. PCMH strives to develop and grow an appropriate mix of services and resources to meet the healthcare needs of HSA VI. PCMH believes acute care inpatient beds are needed in the Pitt/Greene/Hyde service area to maintain adequate capacity for future utilization. However, as stated above, PCMH also believes 97 new acute care inpatient beds as identified in the *2012 SMFP* exceeds what is necessary to achieve this goal. A lesser number of acute care inpatient beds as proposed above will allow a provider to provide appropriate access and meet the health care needs of all the people in this region without unnecessary duplication of resources.

Value Basic Principle

The SHCC defines health care value as maximum health care benefit per dollar expended. Disparity between demand growth and funding constraints for health care services increases the need for affordability and value in health services. Maximizing the health benefit for the entire population of North Carolina that is achieved by expenditures for services regulated by the State Medical Facilities Plan is a key principle in the formulation and implementation of SHCC recommendations for the SMFP.

Measurement of the cost component of the value equation is often easier than measurement of benefit. Cost per unit of service is an appropriate metric when comparing providers of like services for like populations. In this case, PCMH weighed the cost benefit of the need for 97 acute care inpatient beds as identified in the *2012 SMFP* versus an adjusted need for 65 acute care inpatient beds as proposed above. Since PCMH is the only hospital in the Pitt/Greene/Hyde service area and the hospital's current facility will not support additional beds without new construction, any provider awarded new beds in this service area, PCMH or another new provider, would have to build a new bed tower. The nationally accepted estimate for the construction of a new bed tower is \$1M per bed. At this rate, 97 new beds as identified in the *2012 SMFP* would cost an estimated \$97M in capital to construct. Conversely, 65 new beds as proposed above would cost an estimated \$65M in capital costs, a difference of \$32M. PCMH believes the \$32M difference can be better used to develop and enhance other health care services needed in the region. PCMH does not believe investing \$32M in acute care beds maximizes health care benefit per dollar expended, especially when the need for the beds was generated from a one-time, isolated, and unique event. Therefore, PCMH believes the petition is consistent with and helps promote this principle.

VI. Summary

The Petitioners request that the State Health Coordinating Council adjust the need determination as requested so that the *2012 SMFP* accurately reflects the number of acute care inpatient beds needed for the Pitt/Greene/Hyde County service area. Therefore, the Petitioners specifically request to adjust the *2012 SMFP* as follows:

- 1. Adjust Table 5A: Acute Care Bed Need Projections for Pitt County and the Pitt/Greene/Hyde service area to reflect a “County Growth Rate Multiplier” of 1.0255 in Column G and a 2014 need determination of 65 in Column L.**
- 2. Adjust Table 5B: Acute Care Bed Need Determination to show an acute care bed need of 65 acute care beds for the Pitt/Greene/Hyde service area.**

Thank you for your consideration of this Petition.