

July 30, 2014

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: Cape Fear Valley Health System's Petition for an Adjustment to the Acute Care Bed Need Determination in the *Proposed 2015 SMFP* to Decrease the Need for 82 Acute Care Beds in the Cumberland Service Area to Zero Acute Care Beds in the Cumberland Service Area

I. Petitioner

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II. Requested Adjustment

Cape Fear Valley Health System (CFVHS) is submitting this petition for an adjustment to Table 5B: Acute Care Bed Need Determinations in the *Proposed 2015 State Medical Facilities Plan (SMFP)* to show an adjusted bed need determination for the Cumberland Service Area of **zero** acute care beds.

Currently Table 5B shows a need for **82** acute care beds in the *Proposed 2015 State Medical Facilities Plan*. Cape Fear Valley Health System believes the *Proposed 2015 SMFP* bed need for Cumberland County needs to be further analyzed and decreased to **zero**.

III. Background

Cumberland County has experienced significant growth in population since 2005 and Cape Fear Valley Medical Center (CFVMC) inpatient acute care days experienced significant growth as a result of that population growth. Cape Fear Valley Health System (CFVHS) believes this growth was directly related to the Federal Base Realignment and Closure Act (BRAC) which resulted in the relocation of a significant number of armed forces and their families to Fort Bragg in Fayetteville. Cumberland County was fortunate to be on the positive end of BRAC and as a result, utilization of acute care beds at Cape Fear Valley Medical Center has been very high for the last nine years.

Cape Fear has opened 96 new acute care beds in recent years, 90 of which were open early in 2008 and has 106 new acute care beds under development, 41 at a new hospital in Hoke County, Hoke Community Medical Center, which will open early in 2015, and 65 at a new hospital in northern Cumberland County, Cape Fear Valley North, which is scheduled to open the next year in 2016. In addition, Cape Fear Valley received permission from the Division of Health Services Regulation to open 49 temporary acute care beds in March 2011 due to the high utilization of the existing 490 acute care beds at CFVMC. CFVMC currently operates 539 acute care beds. It is expected that the 49 temporary acute care beds will no longer be needed after the opening and utilization ramp up at of Hoke Community Medical Center.

As a result of opening 90 new acute care beds at Cape Fear Valley in 2008, and 49 new temporary acute care beds in 2011, Cape Fear Valley experienced two spike year growth rates: a 6.0% growth rate from 2007-2008 and a 10.1% growth rate from 2010-2011. As a result of these spikes in utilization, which were directly related to opening new acute care beds to meet pent up demand in the community, the annual State Medical Facilities Plan has included a need for additional inpatient acute care bed for Cumberland County since the 2012 State Medical Facilities Plan.

The 2011 State Medical Facilities Plan included the 6.0% spike year in the average annual growth rate used to project acute care beds in the Acute Care Bed Need Methodology which resulted in a need for 65 new acute care beds in Cumberland County. CFVMC received a CON to develop a new 65 bed hospital in northern Cumberland County as a result of this identified need.

The Proposed 2012 State Medical Facilities Plan included a 28 acute care bed need determination due to the inclusion of the 6.0% spike in the average annual growth rate used to project acute care beds in the Acute Care Bed Need Methodology.

The Proposed 2013 State Medical Facilities Plan included a 119 acute care bed need determination due to the inclusion of both the 6.0% spike growth rate from 2007-2008 and the 10.1% spike growth rate from 2010-2011 in the average annual growth rate used to project acute care beds in the Acute Care Bed Need Methodology. At this point, Cape Fear Valley questioned whether this many additional acute care beds were needed and completed extensive planning and analysis to determine if the beds were needed in the community. As a result of the detailed planning, Cape Fear Valley petitioned to remove the spike and reduce the bed need. Several factors influenced this decision. Growth in inpatient acute care days at Cape Fear Valley had slowed to a rate less than 2.0% annually; and the huge population growth projected as a result of BRAC had not materialized. The CFVMC Service Area continues to grow but at a rate considerably slower than originally projected by the BRAC Impact Analysis prepared for the service area. In 2012, the SHCC agreed that the bed need was overstated and the spike was removed from the equation to calculate the acute care bed need for Cumberland County. This resulted in decreasing the bed need from 119 to 53 additional acute care beds. Subsequently however, Governor Beverly Perdue elected to zero out the bed need for Cumberland County which resulted in no additional acute care beds for Cumberland County in the 2013 State Medical Facilities Plan.

The Proposed 2014 State Medical Facilities Plan resulted in a bed need of 126 additional acute care beds in Cumberland County due to the inclusion of the 10.1% spike in the average annual growth rate used to project acute care beds in the Acute Care Bed Need Methodology. Cape Fear Valley again petitioned to remove the spike in growth rate and reduce the bed need. In addition, the projected impact of the new Hoke Community Medical Center was taken into consideration in the CFVHS Petition as residents of Hoke County are expected to seek hospital services locally when the new hospital opens. In 2012, the SHCC agreed and the 10.1% spike was removed from the equation to calculate bed need for Cumberland County and the 41 beds were subtracted from the bed need to address the impact of the new Hoke Community Hospital decreasing the bed need from 126 to 34 additional acute care beds which were included in the 2014 State Medical Facilities Plan for Cumberland County.

IV. Reasons for Proposed Adjustment

Cumberland County has experienced significant population growth during the last several years. Much of that growth was directly associated with the military and the Base Reassignment that occurred during that time. The population growth essentially has flattened and in fact was not as large as originally projected. Furthermore, there are recent announcements regarding decreasing troops in Fayetteville which will further impact population growth in the region. On June 27, the Fayetteville News reported that Fort Bragg could lose 16,000 military and civilian jobs in the next six years. The projected job loss is attributed to an Army review of possible force structure realignments and cuts driven by a shrinking defense budget. A copy of this news story is included in [Attachment 1](#).

As a result of the recent population growth Cape Fear Valley Medical Center (CFVMC) already has added 96 acute care beds over the last several years, has CON approval to add 65 more acute care beds in northern Cumberland County and has submitted a CON for 34 additional acute care beds, reflected as needed in the *2014 SMFP* at CFVMC in June of this year. In addition, CFVHS will be opening a 41 bed acute care hospital in Hoke County in February 2015; these are all new acute care beds.

CFVMC continues to operate at very high utilization as illustrated in the following table. The opening of the CFV Hoke Community Hospital in 2015 should help relieve the high utilization of licensed and temporary licensed beds at CFVMC. However, even with the additional 41 beds at CFV Hoke Community Hospital, the 65 beds at CFV North, and the proposed addition of 34 acute care beds at CFVMC, utilization of existing licensed bed capacity at CFVMC, with and without the 49 temporary acute care beds and with and without the additional CON approved acute care beds, utilization continues to be high.

**Cape Fear Valley Medical Center
Acute Care Bed Utilization 2010-2013**

SMFP/Truven Data	FFY 2010	FFY 2011	FFY 2012	FFY 2013
Cape Fear Valley Medical Center Patient Days (Includes 490 licensed beds)	154,432	170,143	167,859	169,213
Licensed Beds	490	490	490	490
Utilization of Licensed Beds	86%	95%	94%	95%
Licensed and CON Approved Beds (Includes 490 licensed, 65 at CFV North, 41 beds in Hoke County)	596	596	596	596
Utilization of Licensed and CON Approved Beds	71%	78%	77%	78%
Licensed, CON Approved and CON Proposed Beds (Includes 490 licensed, 65 at CFV North, 41 beds in Hoke County and 34 currently under review)	630	630	630	630
Utilization of Licensed, CON Approved and CON Proposed Beds	67%	74%	73%	74%

Source: SMFP

Calculation of utilization = Patient days / 365 days per year / beds = Percent Utilization

As shown above, even if all of the additional 140 acute care beds approved (106) and under review (34) for CFVHS were operational in 2013, utilization of CFVHS would have been 74% for all 630 licensed, CON approved and CON proposed acute care beds. In fact the 41 beds at CFV Hoke will not be operational until the first quarter of CY 2015; the 65 beds at CFV North will not be operational until the first quarter of CY 2016; and the 34 proposed acute care beds, if approved, will not be available until the first quarter of CY 2017. Furthermore, projected utilization of the total 589 beds in Cumberland County (630 – 41 Hoke County beds = 589) in CY 2019, which is two years further out than the SMFP projections, and the third year after all acute care beds under development are operational, is projected to be 80.4% as reflected on page 35 of the CFVMC CON Application, Project I.D. # M-10294-14, submitted June 16, 2014 to the Certificate of Need Section for review.

Cape Fear Valley Health System is requesting the adjusted bed need determination based upon the following factors.

1. Acute Care Bed Methodology Growth Rate for Cumberland County is Too High

The Acute Care Bed Need Methodology utilizes facility specific growth rates in counties with only one acute care provider. This means that the bed need reflected in the *Proposed 2015 SMFP* was generated solely by CFVMC, since CFVMC is the only acute care provider in the Cumberland County service area.

In FFY 2011, CFVMC began operating the 49 additional temporary licensed beds which have since been utilized on a continuous basis. A temporary licensed bed is a special approval received from the DHSR Licensure Section which allows hospitals to operate

over their licensed acute care capacity when occupancy levels are consistently above 90%. CFVMC has received approval from DHSR continually since March, 2011 for the 49 temporary licensed beds as reflected in **Attachment 2**. As a result of this additional capacity, growth at CFVMC spiked from FFY 2010 to FFY 2011 resulting in a one year growth rate for CFVMC of 10.1% as shown below.

The average growth at CFVMC over the last five years was 3.13% as reflected in the reflected in the *Proposed 2015 SMFP* in Table 5A. However, the average annual growth rate calculation in the *Proposed 2015 SMFP* includes a spike year of 10.1% resulting from the opening of the 49 temporary licensed acute care beds in 2011. Patient days at CFVMC decreased slightly from 2012-2013 and increased slightly in the most recent year, 2012-2013. Actual growth in patient days at CFVMC in the last two years has flattened. As a result, the growth trend since 2011 is much less, 1% to 2% annually, which is not accounted for in the acute care bed need methodology. Further, projected utilization for CY 2014 is expected to reflect a decrease in patient days as reflected in the CON Application submitted by CFVMC in June, 2014.

CFVMC believes the “spike” year skews the average and, as a result, the 3.13% *SMFP* growth rate is overstated. Removing the 10.1% “spike” annual growth rate from the calculation of the *SMFP* growth rate for Cumberland County in Step 4 of the *SMFP* Acute Care Bed Need Methodology results in an “adjusted” 4 Year Growth Rate of 0.78% in Step 4 as shown in the following table.

Cumberland County Adjusted Acute Care Patient Day Four Year Growth Rate

	SMFP/Truven Data						Avg 4 Year Growth Rate - Adjusted to Remove Spike Year
	FFY 2009	FFY 2010	FFY 2011	FFY 2012	FFY 2013	Avg 4 Year Growth Rate	
Cape Fear Valley Medical Center Patient Days	150,096	154,432	170,143	167,859	169,213		
Annual Growth Rate		2.89%	10.17%	-1.34%	0.81%	3.13%	
Annual Growth Rate		2.89%		-1.34%	0.81%		0.78%

Calculating the acute care bed need for Cumberland County using the “adjusted” 4 Year Growth Rate of 0.78% in Step 4 results in an acute care bed need of 24 beds for Cumberland County as shown in the following table.

Cumberland County Acute Care Beds Using “Adjusted” 4 Year Growth Rate

	Licensed Beds	CON Approved Beds	CON Pending Beds	2013 Truven Days	Growth Rate	2017 Projected Days	Projected ADC	Bed Need	Bed Need Deficit
Cumberland Cape Fear Valley Medical Center	490	65	34	169,213	1.0078	174,585	478	613	24

This change is consistent with actions taken by the SHCC regarding previous petitions submitted to decrease acute care bed need. Deleting the “spike” year in calculating the 4 year growth rate decreases the bed need in Cumberland County to 24 acute care beds.

2. Cape Fear Valley Acute Care Beds Under Development

CFVHS currently has 106 new acute care beds under development in Cumberland County and Hoke County and has a CON Application for 34 additional acute care beds in Cumberland County under review.

- 65 approved additional acute care beds in Cumberland County
- 34 additional acute care beds under review for Cumberland County
- 41 approved additional acute care beds in Hoke County

The 65 beds under development and the 34 beds under review in Cumberland County are included in the Cumberland County inventory in the Acute Care Bed Need Methodology. The 41 beds under development by CFVHS in Hoke County **are not included** in the Cumberland County acute care bed inventory in the Acute Care Bed Need Methodology. The CFVHS 41 acute care beds under development in Hoke County were justified based upon inpatient utilization by residents of Hoke County and SW Cumberland County at CFVMC. This volume is expected to shift to Hoke County when the CFVHS hospital opens next year. When Governor Perdue established Hoke County as a separate service area in 2013, the 41 acute care beds were shifted to Hoke County. However, the 11,524 patient days at CFVMC, which were the basis for the development of Hoke Community Medical Center, were not shifted. The days of care which generated the need for Cape Fear Valley’s 41 acute care bed hospital in Hoke County **are included** in the 2013 Truven patient days utilized in the Acute Care Bed Need Methodology to calculate the Cumberland County acute care bed need. As a result, the bed need for Cumberland County needs to be decreased to adjust for this anomaly.

Cape Fear Valley Hoke Community Hospital will open in the first quarter of CY 2015 and patient days will shift from Cape Fear Valley Medical Center to fill the 41 beds at Cape Fear Valley Hoke Community during the first years of operation. Therefore, an adjustment needs to be made to the Cumberland County bed need deficit resulting from the Acute Care Bed Need Methodology to account for this future shift in patient days from Cumberland County to Hoke County.

**Proposed Cumberland County Acute Care Bed Need 2015 SMFP
Adjusted to Remove “Spike” Year Growth Rate and
Impact of CFV Hoke Community Medical Center**

	2017 Bed Need Deficit
Cumberland County - Cape Fear Valley Medical Center	24
CFV Hoke Community Hospital Bed Capacity	- 41
Cumberland County - Cape Fear Valley Medical Center Bed Need in 2015 SMFP	0

CFVHS proposes an adjustment to the acute care bed need for Cumberland County, decreasing the bed need deficit in Table 5B from 82 to 0 acute care beds in the *2015 SMFP*.

The Acute Care Bed Need Methodology in the *2015 SMFP* projects bed need for only four years; using 2013 data, bed need for 2017 is projected. As discussed above, the projected utilization of the total 589 beds in Cumberland County (630– 41 Hoke County beds = 589) in CY 2019, the third year after all acute care beds under development are operational is projected to be 80.4% as reflected on page 35 of the CFVMC CON Application submitted June 16, 2014 to the Certificate of Need Section for review. Projected utilization is greater than the planning target of 78.0%. Further, based upon projected patient days for both CFVMC locations on page 53 of the CON Application, CFVMC projected bed need in CY 2017 is considerably less than the 20 beds¹ required by Step 8. of the Acute Care Bed Need Methodology to reflect a need in the SMFP.

Therefore, this adjusted need petition is consistent with the CFVMC CON Application submitted in June of this year.

3. Patient Protection and Affordable Care Act of 2010

Finally, the impact of healthcare reform is still unknown. Changes included in The Patient Protection and Affordable Care Act of 2010 include requiring primary care homes, expanding insurance coverage for the uninsured, and developing payment penalties for hospital readmissions, to mention just a few items which are still being developed, the impact of which remains unknown. The reduction in patient days at CFVMC experienced in 2014 are related to changes in Medicare regulations and reductions in length of stay associated with changes resulting from the Affordable Care Act. The full impact of the Affordable Care Act on inpatient utilization is still unknown.

¹ From CON Application Project I.D.# M-10294-14 page 53 Row 22 of Projections Table; projected ADC at CFVMC Owen Drive Plus CFV North = 464.1 patients per day in CY 2017. ADC of 464.1/Planning target of 78% = Bed Need of 595 acute care beds. 595 Beds Needed – 589 existing beds = 6 Beds needed.

V. Duplication of Health Resources

Cape Fear Valley Medical Center is the only acute care hospital located in the Cumberland Service Area and serves as referral center for surrounding counties. Because of Cape Fear Valley Medical Center's unique situation, there will not be a duplication of services. A duplication of services suggests that there would be an excess of services within the market. The data and the narrative provided demonstrates that while there is an identified need for additional acute care beds in Cumberland Service Area in the *Proposed 2015 SMFP* there are 168 beds² in the CFVHS Service Area not yet developed and other circumstances in the market which make adjusting the need for 82 additional beds to 0 additional beds in the *Proposed 2015 SMFP* the most reasonable health planning decision.

VI. Consistency with SMFP Basic Principles

The petition is consistent with the provisions of the Basic Principles of the State Medical Facilities Plan.

1. 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 citizens of Cumberland Service Area and western North Carolina. 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 setting works to assure quality care. Cape Fear Valley Medical Center participates in a variety of nationally recognized metrics addressing these criteria, including programs at both the federal and state levels. CFVMC has participated in the North Carolina Hospital Quality Performance Report since initiation and has continually improved quality scores since 2007. The proposed adjusted need determination for Cumberland Service Area is consistent with this basic principle as it will result in continued provision of care in an appropriate setting in a timely manner.

2. Access Basic Principle

Equitable access to timely, clinically appropriate and high quality health care for all the people of North Carolina is a foundation principle for the formulation and application of the North Carolina State Medical Facilities Plan. The formulation and implementation of the North Carolina State Medical Facilities Plan seeks to reduce all of these types of barriers to timely and appropriate access. The first priority is to ameliorate economic barriers and the second priority is to mitigate time and distance barriers. The SMFP is developed annually as a mechanism to assure the availability of necessary health care

² Cumberland County - 65 approved at CFV North; 34 under review at CFVMC Owen Dr = 99 additional beds plus Hoke County – 41 approved at CFVHS HCMC; 28 approved for FH Hoke (under appeal) = 69. Total new acute care beds in CFVMC Service Area = 168 acute care beds under development in these two counties served by CFVMC.

services to a population. The proposed adjustment will not negatively impact access to inpatient services for residents of Cumberland County as previously discussed.

The impact of economic barriers is twofold. First, individuals without insurance, with insufficient insurance, or without sufficient funds to purchase healthcare will often require public funding to support access to regulated services. Cape Fear Valley Medical Center has long been recognized as the safety net for patients regardless of income or insurance in south central North Carolina. As the tertiary provider for south central North Carolina, Cape Fear Valley Medical Center has no barriers to care for the uninsured and the underinsured.

3. 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. 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. The cost basis for some providers such as Cape Fear Valley Medical Center, one of the top ten providers of inpatient Medicaid days in North Carolina, may be inflated by disproportionate care to indigent and underfunded patients.

Measurement of benefit is more challenging. Standardized safety and quality measures, when available, can be important factors in achieving improved value in the provision of health services. Cape Fear Valley Medical Center participates in a variety of benchmark programs to compare the use of inpatient and outpatient resources to other large tertiary hospitals. CFVMC uses this information to improve processes and decrease costs wherever possible.

VII. Summary

For all of these reasons, Cape Fear Valley Health System believes that decreasing the 82 bed need for Cumberland County in the *Proposed 2015 SMFP* to **zero** acute care beds is the most reasonable health planning option at this time. Letters from CFVHS leadership supporting this Petition are included in **Attachment 3**. CFVHS believes that a better understanding of the impact of the beds under development and the impact of health care reform is needed.

The Petitioners request that the State Health Coordinating Council adjust the need determination as requested. Therefore, the Petitioners specifically request a specific adjustment in the *Proposed 2015 SMFP* approving their request to:

Adjust Table 5B: Decrease the Acute Care Bed Need Determinations for Cumberland Service Area from 82 additional acute care to zero acute care beds in the *Proposed 2015 State Medical Facilities Plan (SMFP)*.

Thank you for consideration of the Petition.