PETITION

Petition for Special Need Adjustment for Inpatient Hospice Beds

PETITIONER

Caldwell Hospice and Palliative Care
902 Kirkwood Street, NW
Lenoir, NC 28645

Cathy Swanson, Chief Executive Officer
(828)754-0101
cswanson@caldwellhospice.org

STATEMENT OF REQUESTED ADJUSTMENT

Caldwell Hospice and Palliative Care ("Caldwell Hospice") respectfully petitions the State Health Coordinating Council to create in the *2015 SMFP* an adjusted need determination of three (3) inpatient hospice beds for Caldwell County.

BACKGROUND

Caldwell Hospice and Palliative Care operates a successful Medicare-certified hospice agency as well as two separately licensed hospice facilities in Caldwell County. Caldwell Hospice has been providing end-of-life care to residents of Caldwell and surrounding counties since 1982. In 1989, Caldwell Hospice opened North Carolina's first freestanding hospice patient care unit in Kirkwood, which still operates today as the William E. Stevens, Jr. Patient Care Unit as a licensed combination inpatient and residential hospice facility with four inpatient beds and two residential beds. In 2010, Caldwell Hospice opened a second freestanding hospice facility in Hudson, Forlines Patient Care Unit, also a licensed combination inpatient and residential facility with five inpatient beds and seven residential beds.

REASON FOR THE REQUESTED ADJUSTMENT

1. <u>Caldwell Hospice's historical experience indicates an increasing need for inpatient beds.</u>

Caldwell Hospice operates a total of nine inpatient hospice beds between its two facilities and is facing a growing need to serve additional hospice patients with acute inpatient needs. Since the time that its inpatient hospice beds began operation, Caldwell Hospice has experienced increasing acuity levels among its hospice facility patients. As such, its inpatient beds consistently operate at high occupancy rates, ranging from 94 percent to 98 percent in the last three full fiscal years. Utilization of Caldwell Hospice's nine inpatient beds in FY 2011 (the first full year of operation of its second hospice facility in August 2010) and in FY 2014 is provided in the table below.

	*FY 2011**	*Year-to-Date FY 2014***	*FY 2014^*	*FY 2011 – FY 2014 CAGR*
Inpatient Days of Care	2,581	2,504	2,732	1.9%
Inpatient Deaths	188	237	259	11.2%

Source: Caldwell Hospice and Palliative Care license renewal applications (2011) and internal data (2014)
*The five inpatient beds at Forlines opened on August 12, 2010 and thus were operational for only 256 days of the reporting period. The four inpatient beds at Stevens were closed for renovation from August 12, 2012 through November 28, 2010 and thus were operational for only 323 days of the reporting period (note: Caldwell Hospice operates and reports licensure data on a July through June fiscal year).
**Includes data from July 1, 2013 through May 31, 2014
^FY 2014 volumes are annualized based on actual data for July 1, 2013 through May 31, 2014

These data clearly indicate significant growth in demand for inpatient beds. The average daily census of Caldwell Hospice's nine inpatient beds is projected to be 7.5 in FY 2014 based on annualized volume statistics. Given the nature of averages, this means that on any given day the census could be nine, and on another day five. Caldwell Hospice's inpatient beds are often fully occupied when a new direct admit patient is referred to one of its facilities for inpatient care. Of the 558 admissions to its facilities during year-to-date FY 2014 (July 2013 through May 2014), Caldwell Hospice has admitted 107 patients directly from a hospital facility to one of its two inpatient units for inpatient acute care. Without adequate inpatient hospice bed capacity, these patients would have been diverted to skilled nursing or other long-term care facilities or remained in the hospital at a much higher cost of care.

Caldwell Hospice also frequently experiences times when the needs of a residential patient in one of its facilities escalate to the point of requiring inpatient acute care when no inpatient bed is available. Currently, when this happens, Caldwell Hospice maintains the patient in a residential bed, as the only means of providing for the patient in the most appropriate setting. Under these circumstances, the patient is medically managed at the appropriate inpatient level of care and receives the same level of nursing and physician services as any other inpatient hospice patient would. The only difference is that Caldwell Hospice cannot bill at the inpatient level of care for those patients and receives only routine home care reimbursement, thus creating a financial strain for the agency. In FY 2013, Caldwell Hospice had a total of seven patients who died in a residential bed while waiting for an inpatient bed to become available. In total, patients waited in residential beds for a total of 90 patient days before moving to an inpatient bed or dying (in the case of the seven patients mentioned above). During those 90 patient days, these patients were receiving the inpatient level of care, but Caldwell Hospice could only report and bill for them at the residential level of care. During year-to-date FY 2014 (July 2013 through May 2014), Caldwell Hospice has had two patients die in residential beds while waiting for inpatient bed availability. In the last 11 months, patients (including the two who died in a residential bed) waited in residential beds for

a total of 112 days before moving to an inpatient bed or dying, all the while receiving the inpatient level of care.

The result of this is that during the last two fiscal years, Caldwell Hospice's reported inpatient days of care have been artificially lowered by 90 days and 112 days respectively. In other words, in FY 2014, 112 days of care were reported as residential days of care despite the fact that the patients were receiving the inpatient level of care and would have been reported as inpatient days of care had sufficient inpatient bed capacity been available. Adjusting Caldwell Hospice's FY 2014 inpatient days of care accordingly results in the following adjusted growth rate from FY 2011 to FY 2014.

	*FY 2011**	*Adjusted Year-to-Date FY 2014***	*Adjusted FY 2014^*	*FY 2011 – FY 2014 CAGR*
Days of Care	2,581	2,616	2,854	3.4%

Source: Caldwell Hospice and Palliative Care license renewal applications (2011) and internal data (2014)
*The five inpatient beds at Forlines opened on August 12, 2010 and thus were operational for only 256 days of the reporting period. The four inpatient beds at Stevens were closed for renovation from August 12, 2012 through November 28, 2010 and thus were operational for only 323 days of the reporting period (note: Caldwell Hospice operates and reports licensure data on a July through June fiscal year).
**Includes 2,504 reported inpatient days from July 1, 2013 through May 31, 2014 plus 112 days that were reported as residential.
^FY 2014 volumes are annualized based on adjusted days of care from July 1, 2013 through May 31, 2014

When no other alternative exists, when an inpatient hospice bed is not available in either facility, Caldwell Hospice refers the patient to its local hospital, Caldwell Memorial Hospital, where the patient is admitted to an inpatient bed in an acute care setting until a bed at one of Caldwell Hospice's facilities becomes available. These patients are therefore cared for in a less appropriate and more costly setting and are unable to realize the benefits of an inpatient hospice facility at the time they needed it most, with some patients never being able to experience it at all. One example of Caldwell Hospice's inability to provide an inpatient bed when needed is as follows, as told directly by the loved one of a patient who was unable to be admitted to a bed before death.

- Joe developed stomach cancer in the Spring. He became a Caldwell Hospice patient shortly thereafter due to his rapid decline and ineffective chemotherapy along with other complications such as blood clots to his legs. We knew that that Thanksgiving would be his last due to his increased weakness, poor appetite, and decreased mobility. Joe was 76 years old at the time and his wife was 74 and had health issues of her own; however, the brunt of the caregiving was on her. On Thanksgiving Day, with the whole family present, it was decided to see if Joe could be admitted to the Hospice House, as inpatient status at first for symptom management and then possibly moved to the residential level of care so his wife

> could "just be a wife and not his caregiver" during his final days. However, at the time all the beds in both facilities were full with a waiting list. Each day we called his homecare nurse and/or social worker to see if we could get him in but unfortunately he died on December 4th, at home in his bed. This has had a devastating effect on his wife. The family feels like the whole event would have been less traumatic if he could have gotten a bed in Caldwell Hospice's facility.

Arguably, patients and their families would be more comfortable in the loving environment of a hospice facility rather than in an acute care setting, whether it be the patient's final days, for episodic symptom control and pain management, or for respite care.

2. Caldwell Hospice has sufficient volume to support at least 12 inpatient hospice beds.

As previously stated, Caldwell Hospice currently operates nine (9) inpatient hospice beds and is seeking to apply for three (3) additional inpatient hospice beds for a total of 12 inpatient beds. Caldwell Hospice provides a significant level of service to its community and is the primary provider of hospice care to patients in Caldwell County, providing for 467 of the 485 (96 percent) total hospice deaths in Caldwell County in FY 2013.[1] Further, in the last three full fiscal years, the occupancy of Caldwell Hospice's inpatient beds has ranged from 94 percent to 98 percent.

The *Proposed 2015 SMFP* has determined that there is a surplus of one inpatient hospice bed in Caldwell County. This determination is based on the standard methodology used by the Medical Facilities Planning Section of the Division of Health Service Regulation. The standard methodology calculates need projections based on current average length of stay applied to projected hospice admissions to derive projected hospice days of care, and then inpatient days of care. While Caldwell Hospice does not oppose the general application of the standard methodology, it does believe that the standard methodology fails to account for the unique circumstances experienced by Caldwell Hospice, as previously described in this petition.

Specifically, as previously discussed, Caldwell Hospice has on numerous occasions over the last two years held patients in residential beds while waiting for an inpatient bed to become available; as such the days of care for those patients were reported as residential while in fact the patients were receiving the inpatient level of care and would have been reported and billed as such if an inpatient bed had been available. Absent any increase in inpatient bed capacity, Caldwell Hospice expects this trend to continue and given the pent-up demand for inpatient hospice beds, believes it is reasonable to assume that its inpatient bed days of care will continue to grow at the compound annual growth rate in inpatient days from FY 2011 through FY 2014 after being adjusted to include the 112 days of inpatient care that were provided in FY 2014 but reported under the residential level of care due to a lack of inpatient beds. Applying this growth rate of 3.4 percent per

[1] Source: *Proposed 2015 SMFP*

year, Caldwell Hospice projects the following inpatient days of care for its inpatient beds through the next five years.

Fiscal Year	*Inpatient Days of Care*
FY 2015	2,951
FY 2016	3,052
FY 2017	3,155
FY 2018	3,263
FY 2019	3,374
CAGR*	3.4%

*Compound annual growth rate

The table below shows the number of beds that would be needed to accommodate the projected days of care assuming the beds operate at 85 percent occupancy (consistent with the *SMFP* methodology).

Fiscal Year	*Inpatient Days of Care*	*Number of Beds Needed at 85% Occupancy (per SMFP Methodology)**
FY 2015	2,951	10
FY 2016	3,052	10
FY 2017	3,155	10
FY 2018	3,263	11
FY 2019	3,374	11

*Inpatient days of care / 365 days per year / 85% occupancy

As clearly indicated above, Caldwell Hospice believes that it can reasonably and conservatively support at least 11 inpatient beds based on the *SMFP* methodology's application of an 85 percent occupancy target applied to its projected inpatient days of care. However, it should also be noted that Caldwell Hospice has recently expanded its services to Watauga, Ashe, and Avery counties as of February 2014. This expanded service area has already increased demand for inpatient beds at Caldwell Hospice's facilities. Specifically, five patients from this expanded service area have been admitted to one of Caldwell Hospice's facilities just since February. Because there is no access to freestanding hospice facilities in any of these counties, Caldwell Hospice believes that its expanded service to meet the hospice needs of residents of Watauga, Ashe, and Avery counties will continue to have a significant impact on its demand for inpatient beds. As such, Caldwell Hospice believes it prudent to plan not only simply based on its current utilization trends and conservative growth assumptions, but to be proactive in its planned inpatient bed capacity expansion by developing three additional inpatient beds to ensure that sufficient capacity is developed and that the expanded capacity is not already too little as soon as it is developed. Clearly, if the *2015 SMFP* includes a special need determination for three additional inpatient hospice beds in Caldwell County, Caldwell Hospice or any other applicant will be required through the Certificate of

Need process to adequately and reasonably demonstrate the quantitative need for three additional beds in order to obtain Certificate of Need approval. Approving this petition for a special need determination of three inpatient beds in Caldwell County in no way guarantees development of the beds; in fact, development of the beds will depend on rigorous review of demonstration of need by the Certificate of Need Section. However, not approving this petition for a three-bed special need determination will prevent Caldwell Hospice from having such an opportunity even if by such time a clear and compelling need exists for three beds and it is clear that development of only two beds will be inadequate to meet demand. Further, for operational and staffing purposes, the development of three additional beds represents a more effective alternative.

Therefore, in order to most effectively meet projected need and to serve the best interests of its existing and future patients, Caldwell Hospice is requesting a special need determination for three inpatient beds in the *2015 SMFP*, which would allow it to seek Certificate of Need approval to expand its existing nine-bed inventory to provide needed additional capacity.

3. Existing alternatives to the special needs adjustment are less effective and more costly.

Caldwell Hospice operates, in two freestanding facilities, a total of nine inpatient beds. Thus, patients in Caldwell County do have some access to freestanding inpatient hospice care. However, as discussed above, on numerous occasions, patients have experienced delays in gaining admission to one of Caldwell Hospice's inpatient beds, thus requiring several patients to be maintained in a residential bed, to be admitted to an acute care bed at one of the local acute care hospitals, or to simply forgo inpatient hospice facility care at all and die at home, all while waiting for an inpatient hospice bed to become available. If utilization increases as projected, more and more patients will be forced into alternative treatment locations, including hospitals and nursing homes. Since Caldwell Hospice is the only provider of freestanding inpatient hospice services in the county, options are limited. The only local alternative to an adjusted need determination for patients who require inpatient hospice care, when Caldwell Hospice's beds are full, is admission to an acute care hospital or to a nursing facility.

Caldwell County has one acute care hospital, Caldwell Memorial Hospital, and four nursing facilities. None of these facilities, however, have inpatient hospice beds and thus are generally not as effective in providing the care needed by hospice patients. Care provided to hospice patients outside a hospice facility is generally fragmented and the hospice home care staff is constantly challenged to orient, train, and educate the staff of the institutional inpatient provider. The non-hospice staff, while not specifically trained in hospice care, is required to care for hospice patients as well as acute care patients. As a result, they must transition moment to moment between two extremes in treatment philosophies – the aggressive, curative care for the acute care patient and the palliative and comfort management care of the hospice patient -- one treatment focusing on wellness and healing; the other focusing on death and dying. Inevitably, the result is

a departure from the hospice philosophy of care and a less than ideal end-of-life experience for dying patients and their loved ones.

Freestanding inpatient hospice care is a much better option for hospice patients who need more acute symptom control or pain management and more intensive nursing care than can be effectively provided in a home or residential setting. Some advantages to such a facility include:

- Hospice principles and practices are the primary focus of care as the unit is not physically or programmatically attached to any other facility.
- The inpatient unit is designed to be a non-clinical, homelike atmosphere.
- The agency's cost reflects only those costs required to support the needs of hospice patients, not the high technology equipment and services required for an acute care setting.
- Hospice maintains control to ensure that only hospice-appropriate services are provided.
- Patients are served by an interdisciplinary team, with staffing that reflects the needs of both patients and families.
- The facility and its staff make provisions for teaching caregiver skills to family members so they can participate in the care and support of the patient while in the facility.
- Continuity between home care and facility-based care is consistent with the overall hospice interdisciplinary team plan of care.

It should be noted that Catawba Regional Hospice operates two freestanding hospice facilities in neighboring Catawba County with a total of 17 inpatient hospice beds, and Burke Hospice and Palliative Care operates an existing facility with eight inpatient hospice beds in neighboring Burke County. However, those existing facilities are on average a 30 minute to one hour drive for Caldwell County residents, which can pose a significant challenge for family and friends, particularly the elderly, who wish to visit their loved one in the hospice facility on a frequent basis. Further, neither Catawba Regional Hospice nor Burke Hospice and Palliative Care serves a significant number of Caldwell County patients. Specifically, as reported in the Proposed *2015 SMFP*, in FY 2013, Catawba Regional Hospice and Burke Hospice and Palliative Care served only seven and five Caldwell County hospice deaths respectively, out of a total of 485 deaths. In other words, together, they accounted for only two percent of total Caldwell County hospice deaths while Caldwell Hospice provided for 96 percent of all Caldwell County deaths indicating that most Caldwell County hospice patients do not seek care outside of the county.

4. <u>The six-bed minimum should not be applied in Caldwell County</u>

Caldwell Hospice believes that the minimum threshold of six beds for an allocation of inpatient hospice beds should not apply to its agency or to the Caldwell County community for the following reasons.

Caldwell Hospice currently operates two freestanding facilities with a total of nine inpatient beds. Thus, unlike other counties without existing inpatient hospice facilities, the expansion of Caldwell Hospice's existing inpatient capacity with the addition of three inpatient beds does not elicit concerns regarding financial viability that arise when a new facility must be constructed. Furthermore, the Certificate of Need process will require Caldwell Hospice to prove the financial feasibility of the proposed project.

Caldwell Hospice currently enjoys a reputation of being a provider of high quality inpatient hospice care in Caldwell County. Thus, the community of patients and providers is familiar with the existing services and will support the expansion resulting in three additional inpatient hospice beds. After 25 years of providing inpatient hospice care in the community, Caldwell County's general and medical communities understand hospice inpatient care. Hospice inpatient care is an integrated part of the healthcare continuum in Caldwell County. Given its status in the community, Caldwell Hospice will have no challenges receiving the referrals necessary to support the additional inpatient beds, thus eliminating the need for a six-bed threshold for allocation in Caldwell County. Further, it is unlikely that another provider would be interested in developing a second freestanding hospice facility in Caldwell County, and thus interested in pursuing an allocation of six beds, given that Caldwell Hospice cares for 96 percent of all hospice patients in the county.

ADVERSE EFFECTS IF PETITION IS NOT APPROVED

The alternative to the changes requested in this petition is to maintain status quo and continue to operate nine inpatient beds. However, if the petition is not approved, Caldwell Hospice will continue to be limited in its ability to meet the needs of its patients and families. Hospice patients needing inpatient care when Caldwell Hospice's nine inpatient hospice beds are occupied will have to be admitted to an acute care hospital or a nursing facility, which is a less effective alternative for the reasons presented in this petition. These patients will either face dying in a hospital or nursing facility, or will have to endure the inconvenience of being transferred from a hospital or nursing facility if and when an inpatient hospice bed becomes available. These patients will receive care in a less appropriate and more costly acute care setting.

ALTERNATIVES CONSIDERED

Only one viable alternative to the proposal in this petition exists – to maintain the status quo. To maintain the status quo would continue to force patients in need of an inpatient hospice bed into less appropriate and more costly acute care settings and would not meet the increasing demand for inpatient bed capacity as evidenced by the statistics presented in this petition demonstrating the frequency with which patients appropriate for inpatient care have been held in a residential bed due to the lack of an available inpatient bed over the last two years. Please see the full discussion of #3 under the heading: "Reasons for Requested Adjustment" beginning on page 6 of this petition.

EVIDENCE THAT THE PROPOSED CHANGE WOULD NOT RESULT IN UNNECESSARY DUPLICATION

As previously discussed, Caldwell Hospice can support more than the nine inpatient beds that it currently operates. Further, no other inpatient hospice beds exist in Caldwell County. As previously discussed, Catawba Regional Hospice and Burke Hospice and Palliative Care each operate existing inpatient hospice facilities in neighboring Catawba County and Burke County respectively. Neither Catawba Regional Hospice nor Burke Hospice and Palliative Care provides a significant level of service to Caldwell County hospice patients as previously demonstrated. This, coupled with the fact that Caldwell Hospice provided 96 percent of the Caldwell County hospice utilization in FY 2013, indicates that Caldwell County residents do not typically seek hospice care from out-of-county providers.

However, to demonstrate that the addition of three inpatient beds to Caldwell Hospice's inpatient bed capacity would not result in a duplication of inpatient services provided by Catawba Regional Hospice or Burke Hospice and Palliative Care in their inpatient hospice facilities, Caldwell Hospice adjusted its projected inpatient utilization as follows. In FY 2013, Catawba County residents and Burke County residents accounted for only 2.5 percent of the days of care provided in its two freestanding facilities. As such, to account for the possibility that some of Caldwell Hospice's patients might choose admission to Catawba Regional Hospice's or Burke Hospice and Palliative Care's facilities, Caldwell Hospice conservatively reduced its projected inpatient days by 2.5 percent per year, to exclude any potential Catawba and Burke County patients from the projections. The results, as well as the impact on Caldwell Hospice's projected inpatient bed need, are shown in the table below.

	FY 2015	*FY 2016*	*FY 2017*	*FY 2018*	*FY 2019*
Inpatient Days of Care					
Total Inpatient Days	2,951	3,052	3,155	3,263	3,374
Inpatient Days Excluding Catawba and Burke County Days	2,876	2,974	3,076	3,180	3,289
Number of Inpatient Beds Needed at 85% Occupancy (per SMFP Methodology)					
Inpatient Beds Needed	10	10	10	11	11
Inpatient Beds Needed Excluding Catawba and Burke County Days	9	10	10	10	11

Clearly, even if 100 percent of Caldwell Hospice's existing Catawba and Burke County facility patients were to choose to transfer their care to Catawba Regional Hospice or Burke Hospice and Palliative Care for an inpatient admission, Caldwell Hospice could still support 11 inpatient hospice beds. Based on its experience, Caldwell Hospice believes such a scenario to be extremely unlikely. Caldwell Hospice has historically provided inpatient care to Catawba and Burke County patients in its two inpatient facilities, and certainly expects to continue to do so. In fact, in FY 2013, Caldwell Hospice cared for a total of 12 inpatient hospice deaths in its two facilities.

Based on its belief in its need for at least 12 inpatient beds in the future as well as its expectation that it will continue to experience additional utilization growth due to its recent expansion into Watauga, Ashe, and Avery counties, developing three additional inpatient beds is the best alternative and as demonstrated above, also will not result in unnecessary duplication of health resources in the area.

EVIDENCE OF CONSISTENCY WITH THE THREE BASIC PRINCIPLES

Caldwell Hospice believes the petition is consistent with the three basic principles: quality and safety, access and value.

As previously discussed, Caldwell Hospice is known in its community and beyond for providing high quality and compassionate end-of-life care through its home care agency and in its existing hospice facilities. When an inpatient bed is not available at one of its existing facilities, patients must be admitted to the hospital or a nursing home. As explained in this petition, care provided to hospice patients outside a hospice facility is generally fragmented and the hospice home care staff is constantly challenged to orient, train, and educate the staff of the institutional inpatient provider. The non-hospice staff, while not specifically trained in hospice care, is required to care for hospice patients as well as acute care patients. As a result, they must transition moment to moment between two extremes in treatment philosophies – the aggressive, curative care for the acute care patient and the palliative and comfort management care of the hospice patient -- one treatment focusing on wellness and healing; the other focusing on death and dying. Inevitably, the result is a departure from the hospice philosophy of care and a less than ideal end-of-life experience for dying patients and their loved ones. The quality of hospice care can be significantly enhanced in a hospice facility setting rather than an acute care setting. As such, the proposal presented in this petition would allow Caldwell Hospice to develop sufficient access to inpatient hospice care in Caldwell County, thereby creating a quality inpatient experience for more patients. Further, the necessary provision of inpatient hospice care in an acute care setting when no inpatient hospice bed is available not only requires patients to be cared for in a less appropriate setting, but also represents a more costly means of providing end-of-life care. Finally, because Caldwell Hospice already operates two successful freestanding hospice facilities, increasing its inpatient bed capacity can be done without having to duplicate existing support and ancillary space that is already sufficiently available. As such, Caldwell Hospice can develop the three additional beds in the most cost-effective manner possible for increasing needed inpatient hospice capacity in Caldwell County.

CONCLUSION

Caldwell Hospice believes that the proposed petition is needed to ensure that the end-of-life care needs of Caldwell County residents are appropriately and adequately met. In closing, Caldwell Hospice respectfully requests that the Agency favorably consider its petition for three inpatient hospice beds in Caldwell County in order to allow it to meet the known need for at least two additional beds and at the same time allowing it the

opportunity to apply for Certificate of Need approval for up to three additional beds in order to ensure that with continued agency growth, it is not at risk of developing insufficient inpatient bed capacity to meet expected higher demand. However, Caldwell Hospice also respectfully requests that the Agency consider as an alternative, recommending approval for at least two additional inpatient hospice beds in Caldwell County based on Caldwell Hospice's demonstrated ability to utilize at least 11 inpatient hospice beds based on current volumes with very conservative growth rate assumptions.

Thank you for your consideration.