WakeMed

WakeMed Health & Hospitals

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March 18, 2016

***VIA ELECTRONIC MAIL***

Christopher Ullrich, M.D., Chairman
North Carolina State Health Coordinating Council
c/o Division of Health Service Regulation
Healthcare Planning and Certificate of Need Section
2704 Mail Service Center
Raleigh, NC 27699-2704

**Re: Comments Opposing Petition Filed by UNC REX Healthcare to Modify the Fixed Cardiac Catheterization Need Determination Methodology**

Dear Dr. Ullrich and Members of the State Health Coordinating Council:

WakeMed appreciates the opportunity to comment on the petition filed by UNC REX Healthcare (Rex) to modify the Cardiac Catheterization Need Determination Methodology for the 2017 State Medical Facilities Plan (SMFP). For the reasons outlined below, WakeMed believes this petition should be denied.

The Rex petition is essentially the same petition as the one it filed in Spring 2014, in that it seeks modification to Steps 5 and 6 in the Cardiac Catheterization Need Determination Methodology. Doing so would apply the threshold for additional cardiac catheterization equipment to each hospital within a service area, rather than to the overall service area.

This request is at best premature, and at worst may never be needed. Cardiac catheterization volume trends are declining statewide, and this petition would unnecessarily modify a statewide methodology to solve an alleged problem in Wake County.

**Proposed Modification Would Only Benefit Rex Healthcare**

Petitions filed during the Spring for consideration for the next year's SMFP are typically reserved for requests that involve changes in policies or methodologies that will have a statewide effect, which the SHCC and its committees have the opportunity to consider during the planning year. Upon closer analysis of Rex's proposed modifications to the Fixed Cardiac Catheterization Need Determination Methodology, it becomes apparent that Rex would be the only provider likely to benefit from the changes. In fact, on Petition page 13, Rex all but admits that it would be the

state's sole beneficiary. If adopted as proposed, Rex's modifications of the Fixed Cardiac Catheterization Need Determination Methodology would preclude all providers in Wake County, except Rex, from even applying for additional cardiac catheterization equipment. Rex notes that the proposed change would impact, at most, only six counties statewide, bringing into question why a methodology change is warranted. It would be poor health planning to modify a statewide methodology to accommodate one provider.

**Utilization of Cardiac Catheterization Equipment in Wake County**

Mirroring a trend that is occurring across the state, cardiac catheterization volumes at Wake County hospitals have declined since 2010, even as the total inventory of cardiac catheterization equipment in the county has increased. Please see the following table, which clearly shows that Rex's recent increase in volume has been at the expense of other providers in the county.

**Table 1**
**Diagnostic-Equivalent Cardiac Catheterization Volumes at Wake County Hospitals**
**2010-2015**

| Facility | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | Percent Change 2010-15 | CAGR 2010-15 |
|---|---|---|---|---|---|---|---|---|
| Duke Raleigh Hospital | 967 | 701 | 366 | 447 | 393 | 463 | -52.1% | -13.7% |
| Rex Hospital | 3,002 | 3,132 | 3,875 | 5,029 | 6,006 | 6,934 | 131.0% | 18.2% |
| WakeMed Cary Hospital | 382 | 325 | 282 | 222 | 223 | 205 | -46.3% | -11.7% |
| WakeMed Raleigh Campus | 12,618 | 12,130 | 10,535 | 8,570 | 8,172 | 7,567 | -40.0% | -9.7% |
| **Total Cases All Hospitals** | **16,969** | **16,288** | **15,058** | **14,268** | **14,794** | **15,168** | **-10.6%** | **-2.2%** |
| Change from Previous Year | -- | -4.0% | -7.6% | -5.2% | 3.7% | 2.5% | | |
| Fixed Cardiac Cath Units in Service | 15 | 15 | 16 | 17 | 17 | 17 | | |
| Diag. Equiv. Cases per Unit | 1,131.3 | 1,085.9 | 941.1 | 839.3 | 870.2 | 892.3 | | |
| Cardiac Cath Units Needed | 14.1 | 13.6 | 12.5 | 11.9 | 12.3 | 12.6 | | |
| Surplus/(Deficit) Units | 1 | 1 | 3 | 5 | 5 | 4 | | |
| | | | | | | | | |
| **Total Cases Excluding Rex** | **13,967** | **13,156** | **11,183** | **9,239** | **8,788** | **8,235** | **-41.0%** | **-10.0%** |
| Change from Previous Year | -- | -5.8% | -15.0% | -17.4% | -4.9% | -6.3% | | |
| Fixed Cardiac Cath Units in Service | 12 | 12 | 12 | 13 | 13 | 13 | | |
| Diag. Equiv. Cases per Unit | 1,163.9 | 1,096.3 | 931.9 | 710.7 | 676.0 | 633.4 | | |
| Cardiac Cath Units Needed | 11.6 | 11.0 | 9.3 | 7.7 | 7.3 | 6.9 | | |
| Surplus/(Deficit) Units | 0 | 1 | 3 | 5 | 6 | 6 | | |

Source: Hospital License Renewal Applications on file at DHSR

While overall diagnostic-equivalent cardiac catheterization volume at Wake County hospitals increased 2.5 percent from 2014-15, the utilization at the non-Rex facilities' *declined* 6.3%. Since 2010, when cardiac catheterization volume in Wake County peaked, diagnostic-equivalent utilization has declined 10.6% overall, or approximately 2.2% per year. At facilities *excluding* Rex, this overall decline has been 41%, or 10% per year. Even with Rex's increase in volume, Wake County still has an overall surplus of 4 units of fixed cardiac catheterization equipment. Approving additional cardiac catheterization capacity, which is the ultimate goal of this petition, will do nothing to address this surplus.

**Recommendation from the SHCC Following Rex's Most Recent Petition**

At its October 7, 2015 meeting, the SHCC voted to deny prior Rex's petition, filed in Summer 2015, requesting an adjusted need determination for one unit of fixed cardiac catheterization equipment in the Wake County service area in the 2016 SMFP. In its deliberations, SHCC members discussed at length the surplus of fixed cardiac catheterization equipment in Wake County, and how best to address the situation. The Council encouraged leaders at the Wake County hospitals to enter into a dialogue regarding more effective use of the county's cardiac catheterization equipment, rather than to continue to add capacity.

WakeMed has reached out to Rex Healthcare to begin those discussions, and Rex has responded with interest. Both organizations have subsequently met to begin exploring opportunities to begin working together on a variety of options. WakeMed is committed to working with Rex to develop a mutually beneficial solution that utilizes current capacity for cardiac catheterization equipment as defined in the State Medical Facilities Plan. Approval of Rex's petition now would only undermine these ongoing negotiations.

WakeMed disagrees with Rex's assertion that the SHCC overstepped its authority by suggesting that leaders of the acute care hospitals in Wake County discuss options for addressing the matter of cardiac catheterization volume imbalance. The SHCC denied Rex's petition, but offered an alternative that would allow the parties affected the opportunity to work out a potential solution.

Rex states on page 3 that "...opponents have attempted to politicize the petition process, providing some SHCC members with incorrect information that has surfaced in the SHCC meetings." However, no examples of alleged misinformation were provided.

**Rex Seeking State Remedy for a Problem of its Own Creation**

To the extent that Rex Healthcare has a problem with cardiac catheterization capacity is entirely self-inflicted. No one other than Rex and NCHV determined that physicians in the group would no longer work at WakeMed facilities as they had previously done. The effect of this change in practice patterns has resulted in a corresponding shift in cardiac catheterization volume trends for WakeMed and Rex. At the time UNC Health Care acquired NCHV (then known as Wake Heart & Vascular), both Rex and NCHV knew that Rex had four cardiac catheterization labs, and knew that Wake County had a surplus of five units of fixed cardiac catheterization equipment. By opting to practice exclusively at Rex, both Rex and NCHV created the imbalance that they now seek to remedy through the petition process.

Given the distribution of cardiology practices and acute care hospitals within Wake County – Rex Healthcare is located within 10 road miles and less than 15 minutes' driving time from Duke Raleigh Hospital, WakeMed Cary Hospital, and WakeMed Raleigh Campus -- the notion that patients in need of cardiac catheterization cannot receive care in a timely manner is unfounded.

**Physician Reimbursement Not a Proxy for Lowest Cost Provider**

In its analysis, Rex points out the inequities that supposedly exist in physician reimbursement for cardiac catheterization procedures among physicians practicing in Wake County, by highlighting

information excerpted from the Blue Cross Blue Shield of North Carolina (BCBSNC) "Estimate Your Health Care Costs" web site. The information obtained from this site appears to show that North Carolina Heart & Vascular physicians associated with Rex Healthcare are reimbursed less for left

heart cardiac catheterization than physicians who are affiliated with Duke Raleigh Hospital and WakeMed. Rex posits that lower physician reimbursement is a proxy for lower cost, when in reality it is only one factor in calculating total cost. In addition to the fact that examples are provided for only one procedure at one payer, other caveats exist with this data:

- It is not clear whether the data is adjusted for severity;
- The data does not include cost for the facility;
- The data does not list the number of cases by facility or physician in the compare group;
- The time period for the data is not known;
- The tool does not explain what the payment numbers mean, where they come from, or how they can be used.

WakeMed also accessed the BCBSNC "Estimate Your Health Care Costs" web site, and compared facility costs for several other cardiac-related procedures for hospitals located within 25 miles of Raleigh[1]. See the tables below.

**Table 2A: Cardiac angioplasty w/ drug eluting stent**

| Facility | Blue Value Plan Cost | Blue Options Plan, Blue Advantage Plan Cost |
|---|---|---|
| WakeMed Raleigh Campus | $18,467 | $25,213 |
| Duke University Hospital | -- | $23,306 |
| Rex Hospital | $35,993 | $45,370 |

**Table 2B: Perc cardiovasc proc w/o coronary artery stent**

| Facility | Blue Value Plan Cost | Blue Options Plan, Blue Advantage Plan Cost |
|---|---|---|
| UNC Hospitals | $23,371 | $28,954 |
| WakeMed Raleigh Campus | $24,383 | $31,126 |
| Duke University Hospital | -- | $29,413 |

[1] Source: BCBSNC web site: http://www.bcbsnc.com/content/providersearch/index.htm#/, information last updated 7/25/2016, accessed 3/15/2016.

**Table 2C: Major cardiovasc procedures**

| Facility | Blue Value Plan Cost | Blue Options Plan, Blue Advantage Plan Cost |
|---|---|---|
| WakeMed Raleigh Campus | $24,048 | $30,781 |
| Duke Raleigh Hospital | -- | $25,279 |
| Rex Hospital | $34,572 | $42,501 |
| UNC Hospitals | $41,051 | $50,219 |
| Duke University Hospital | -- | $61,828 |

WakeMed also accessed the "myHealthcare Cost Estimator" web site for United Healthcare[2], and found facility cost comparisons for two procedures performed using cardiac catheterization equipment shown below.

**Table 2D: Cardiac catheterization - diagnostic**

| Facility | Average Facility Cost |
|---|---|
| Rex Hospital | $12,373 |
| Duke Raleigh Hospital | $13,590 |
| WakeMed Raleigh Campus | $15,488 |
| WakeMed Cary Hospital | $15,488 |

**Table 2E: Coronary angioplasty with placement of drug-eluting stent**

| Facility | Average Facility Cost |
|---|---|
| WakeMed Raleigh Campus | $30,639 |
| Rex Hospital | $34,784 |

For the procedures listed above, a number of different facilities have the lowest facility cost, depending on the payer. The purpose of this comparison is not to highlight the lowest-cost or highest-cost facilities, but rather to illustrate that differences in costs exist for medical procedures across payers, and even among a single payer's products. Data from hospital cost reports shows that WakeMed is the value leader in Wake County (see Attachment 1). Rex's position, that were it granted additional cardiac catheterization equipment that the cost of care for these procedures would be lowered, is not supported by the payer data.

**Supply of Cardiologists and Practice Patterns**

On Petition page 10, Rex describes the potential downsides that it believes would occur if physicians at North Carolina Heart & Vascular Associates opt to extend their practice privileges to other facilities in Wake County. Rex believes, among other things, that NCHV physicians could not be as efficient, as "extra time and effort would be required to transition from one culture of care to another". This is an unusual statement, given that NCHV physicians practiced at *all four* of the acute care hospitals in Wake County that offer fixed cardiac catheterization services as recently as

[2] Source: United Healthcare web site, www.myuhc.com, for facilities located in Wake County, NC, accessed 3/15/2016.

2014. It is within the realm of possibility that, should NCHV physicians obtain privileges at WakeMed Raleigh and WakeMed Cary, they could help develop standardized care protocols that could be applicable across facilities, which would be beneficial to cardiac catheterization patients at both Rex and WakeMed. The statement is doubly perplexing because NCHV physicians already have practice privileges at hospitals in Granville, Johnston, Sampson, Wake, Wayne and Wilson Counties[3].

Later on page 10, Rex expresses concern that, should NCHV physicians obtain privileges at WakeMed, that their doing so would create "a surplus of cardiologists at WakeMed - while creating a deficit of cardiologists at Rex and other hospitals throughout the region". This statement would leave the reader to believe that a hospital can only have a certain number of physicians on staff in a given medical specialty. In reality, there is no upper limit for the number of physicians that can be on a hospital's medical staff. Moreover, physicians may be members of the medical staff at more than one facility. Thus, Rex's statement is without merit.

**No Positive Effects on Safety and Quality, Access or Value**

Table 9W in the 2016 SMFP shows Wake County with a surplus of 5 units of fixed cardiac catheterization equipment. Rex's petition seeks to add to this surplus by modifying the need methodology to make it easier for Rex to acquire additional cardiac catheterization equipment. Doing so would only serve to duplicate existing resources. Approval of the petition would not result in any tangible improvements in safety and quality, access or value.

Safety and Quality

Rex discusses the need to ensure safety and quality for cardiac catheterization services, yet the emergency patients described on pages 22-23 who may require emergency treatment upon arrival at the hospital, can be accommodated into the daily schedule. High-volume cardiac catheterization programs make scheduling allowances to handle emergency cases that may present, just as their counterparts in the operating room suite must sometimes make adjustments for emergencies.

Delays that result from emergencies happen occasionally in all busy cardiac catheterization programs where late-day procedures are scheduled; the patient would likely need an overnight stay regardless of whether there was a delay. Because Rex provided no statistical or even anecdotal information to quantify the extent to which this is a problem, it is impossible to assess whether this is a present or potential issue. There is no way to determine from the petition whether Rex has an unusually high number of delays or how often they cause scheduling problems for patients. Adding cardiac catheterization capacity will not obviate the occurrence of emergent patients requiring cardiac catheterization.

Rex also asserts that "if patients and physicians are forced to access care at another facility which as available capacity, they may encounter disruptions in the continuity of care." This is not true.

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[3] Source: North Carolina Heart & Vascular Associates web site: http://ncheartvascular.com/hospitals/, accessed 3/15/2016.

Physicians in many specialties split their practices between more than one hospital for many reasons, including resource availability (e.g., beds, operating rooms), patient preference, and payer network requirements, without disruptions or reduction in quality of care.

Access

Despite Rex's assertions, the petition contained no data or anecdotal evidence to support the position that access to cardiac catheterization equipment would be enhanced in Wake County if it were approved. Given the surplus of fixed cardiac catheterization equipment that currently exists in Wake County, the Rex petition is more about the desire to continue to shift volume between hospitals than about improving access for patients. Wake County's 17 units of fixed cardiac catheterization equipment are located at four acute care hospitals, spread across the county but linked via Interstate 440 and U.S. Highway 1.

Value

Rex believes that its petition promotes value, but in an era where population health management, cost containment and accountable care are being actively promoted, continued development of excess capacity in a service area does little to promote value. In addition, Rex is not consistently the lowest-cost facility for cardiac catheterization procedures in Wake County, as evidenced by examples provided above under the heading "Physician Reimbursement Not a Proxy for Lowest Cost Provider."

**Approval of Petition Would Have Adverse Effects**

The Rex petition represents an unnecessary modification to a need methodology that has served the State well in its current iteration. According to Rex on page 19, "[a] provider could operate above the utilization standards indefinitely and not be able to acquire additional capacity, if another provider in its community was sufficiently underutilized." Rex further contends that filing a petition for an adjusted need determination "would, at best, result in a one-time allocation and would fail to address the problematic aspects of the current methodology" and "would not address potential issues in other counties or issues that arise in future years" (page 20). These are precisely the circumstances that are typically addressed by petitions for adjusted need determination.

If approved, the Rex petition could set a precedent in the form of inequity with "haves" and "have-nots" – essentially, providers with lower utilization would likely never generate sufficient volume to create a need determination of their own, and they would not be eligible to apply for the need determinations generated by other providers. The obvious by-product of this change would perpetuate underutilization of existing equipment and unnecessary duplication of resources within a service area.

The reality is that, given the trend of declining fixed cardiac catheterization equipment utilization locally and nationally, Rex's petition is unnecessary. Modification of the need methodology would have no discernable impact on cost, quality or value. Physicians can and do perform procedures in more than one facility in a service area.

*WakeMed*
*Comments Regarding Spring 2016 Petition by UNC REX Healthcare Proposing Modification of Fixed Cardiac Catheterization Equipment Need Methodology*

**Summary**

The Rex petition provided very little new, relevant information that would recommend its approval. Wake County continues to experience a large surplus in fixed cardiac catheterization equipment. Approval of the Rex petition would only serve to exacerbate this surplus by paving the way for unnecessary duplication. Changes in the Fixed Cardiac Catheterization Equipment Need Methodology would have a statewide impact, yet Rex would be the only facility to benefit from the change. This alone is not a sufficient reason to modify an SMFP methodology.

The information provided regarding physician reimbursement is not compelling enough to prove that approval of the Rex petition would improve value for cardiac catheterization services. Examples obtained by WakeMed demonstrate that there is no *clear* low-cost provider for cardiac catheterization in Wake County.

Rex did not prove that its affiliated cardiologists could not extend their practice privileges to other hospitals in Wake County to perform a portion of their diagnostic and interventional cardiac catheterization cases on existing equipment. Doing so would encourage utilization of existing equipment, preclude unnecessary duplication, and enhance collaboration between facilities. To that end, the fact that negotiations between Rex and WakeMed have begun is an encouraging sign that such collaboration could become reality.

In conclusion, given the information provided above, WakeMed encourages the Technology & Equipment Committee and full SHCC to deny the Rex petition.

Thank you for your attention to this matter. If you have questions or require additional information, please call Stan Taylor at 919-350-8108.

Very respectfully,

Donald R. Gintzig
President & CEO

ATTACHMENT 1

Comparison of Total Operating Revenue Per Adjusted Discharge at WakeMed and Rex
for the periods stated

| Total Operating Revenue Per Adjusted Discharge | YTD FY 2016 | Actual FY 2015 | Actual FY 2014 |
|---|---|---|---|
| Rex | $ 15,493 | $ 14,505 | $ 12,647 |
| WakeMed | $ 12,234 | $ 11,898 | $ 11,839 |
| Difference | 27% | 22% | 7% |

| Increase Per Year | 2016 vs 2015 | 2015 vs 2014 | Total |
|---|---|---|---|
| Rex | 6.8% | 14.7% | 21.5% |
| WakeMed | 2.8% | 0.5% | 3.3% |
| Difference | 4.0% | 14.2% | 18.2% |

The data stated above from Rex was obtained from publicly reported financial information and Medicare Cost Report data.

Rex's FY 2016 data is based upon their six months ending 12/31/2015 and WakeMed's FY 2016 data is based upon its projected year-end results.