PDA

2016 Cameron Street
Suite 210
P.O. Box 12844
Raleigh, NC 27605
PH: 919.754.0303
FX: 919.754.0328
www.pdaconsultants.com

DELIVERED VIA EMAIL

August 9, 2018

Sandra Greene, PhD
Chair, Acute Care Services Committee
State Health Coordinating Council

Amy Craddock, PhD
Assistant Chief, Healthcare Planning
Healthcare Planning and Certificate of Need Section
NC Division of Health Service Regulation
2704 Mail Service Center
Raleigh, NC 27699

RE: Comments on Comments Submitted by Mission Health on the 2019 State Medical Facilities Plan Operating Room Methodology.

Dear Dr. Greene and Dr. Craddock,

In general, we agree with the comments filed by Mission Health. Two make particularly good sense.

Comment:

> *"While there is no inherent or immediate concern with calculating deficits and surpluses for each individual health system, the lack of the methodology to net out or reconcile the total for the defined service area, by definition, does not establish a true need for that service area… If enacted, this methodology could have a multiplying impact, in that facilities that currently show a surplus of ORs will likely see deterioration in utilization of existing asset due to duplicative services entering the service area. Those existing facilities will therefore struggle to ever get to a point where they are able to demonstrate effective utilization of their current resources."*

Response:

The standard operating room ("OR") methodology no longer considers surplus capacity in a service area. However, the State Medical Facilities Plan ("SMFP") needs a limiting factor. In service areas with multiple facilities and/or health systems, the entity generating need by the standard methodology may not be awarded a Certificate of Need ("CON") for those operating rooms. If it is not, the same facility or health system will likely produce a need of the same size or larger the following year. Because it is inherently difficult to predict who will receive an operating room CON in response to an SMFP need, the methodology needs a limitation factor. One option -- recognizing surplus capacity in that service area – was eliminated by the new methodology.

Another option is to make allowance for the time it takes to bring a new OR online and thus account for the impact that OR has on case distribution in the service area.

Consider this example under the current methodology: a service area with two facilities and a need for two ORs. Facility A has a deficit of two ORs and Facility B has a surplus of two ORs.

- According to the Proposed 2019 SMFP OR Methodology, this service area would show a need for two ORs because deficits and surpluses are not reconciled within a service area.
- Assume at the end of the CON process, neither facility is awarded the two ORs. Instead, a new facility, Facility C, is awarded the two ORs.
- The following year, Facility C has no cases, because it is under construction. The situations at Facilities A and B remain unchanged. According to the 2019 SMFP OR Methodology, this service area would show need for two more ORs.
- If the CON were not yet awarded, Table 6B of SMFP would show a two-OR placeholder, which would bring the service area need to zero (2 – 2 = 0).

Clearly, a placeholder for new facilities would improve the current situation.

Comment:

"…we believe the proposal in 2019 to remove the upper cap is not good public policy because of the risk of duplication of services and increase unnecessary healthcare spending"

Response:

Competition is important .The challenge is to balance competition and viability. Establishing a maximum number of ORs that can be awarded in a given year will prevent oversaturation in a service area. It typically takes two to three years for a facility to realize optimum volume and efficiency. The more ORs added to a service area, the longer it could take to absorb the new capacity. Overloading a service area too quickly, could cause lower utilization in existing and new facilities. It could work out over time, but the interim impact of excess capacity may be detrimental.

A cap of ten new ORs in a service area over a two-year period would likely make more sense. A cap of six, in combination with a step in the methodology to treat new awards as placeholders for at least two years, would also work.

We encourage the SHCC and the Agency to consider our comments as they relate to those submitted by Mission Health. Should you have any questions, please do not hesitate to contact us.

Sincerely,

Nancy M. Lane
President
PDA, Inc.
kivey@pda-inc.net