TO THE NORTH CAROLINA STATE HEALTH COORDINATING COUNCIL
PETITION REGARDING ADJUSTING THE ACUTE CARE BED NEED
FOR THE PITT/GREENE/HYDE/TYRRELL SERVICE AREA
2022 State Medical Facilities Plan

July 20, 2021

Via Email: DHSR.SMFP.Petitions-Comments@dhhs.nc.gov

1. **Name, address, email address and phone number of Petitioners:**

   Petitioner
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   P.O. Box 6028
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   Pitt County

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2. **Statement of the requested change, citing the need determination in the SMFP for which the change is proposed.**

   Petitioner Pitt County Memorial Hospital d/b/a Vidant Medical Center ("VMC") requests that Table 5A: Acute Care Bed Need Projections for the Pitt/Greene/Hyde/Tyrrell Service Area in the Proposed 2022 State Medical Facilities Plan ("SMFP") be adjusted to show a reduction in bed need from 43 acute care beds to 0 acute care beds for the Pitt/Greene/Hyde County service area (Column L). VMC believes the County Growth Rate Multiplier used to calculate need is significantly overstated and doesn't reflect the true growth in the service area (Column G). Therefore, VMC is requesting an adjustment to the County Growth Rate Multiplier calculated in Step 5, and applied in Step 6, of the methodology to a growth rate more representative of the Pitt/Greene/Hyde/Tyrrell Service Area. Please see question 3 below for additional detail.

3. **Reasons for the proposed change, including:**

   In the Proposed 2022 SMFP, Steps 4 & 5 of the acute care bed need methodology calculates the projected County Growth Rate Multiplier ("CGRM") as follows:

   Step 4: Calculate the projected inpatient days of care (DOC) for each service area for the projection year as follows:

   a. Determine the total number of inpatient DOC during each of the last five reporting years.

b. *Calculate the difference in the number of inpatient DOC provided from year to year.*

c. *For each of the last four reporting years, determine the percentage change from the previous reporting year by dividing the calculated difference in inpatient DOC by the total number of inpatient days provided during the previous reporting year [({current reporting year – previous reporting year} / previous reporting year)].*

Step 5: Determine the Service Area Growth Rate Multiplier (Column G).

For each service area, total the annual percentages of change and divide by four to determine the average annual change rate. For positive change, add 1 to obtain the County Growth Rate Multiplier.

Based on the above methodology, the Pitt/Greene/Hyde/Tyrrell CGRM is being calculated as follows:

Table 1: County Growth Rate Multiplier for the Pitt/Greene/Hyde/Tyrrell Acute Care Service Area

	Step 4.a DOC	Step 4.b Difference	Step 4.c % Change	Step 5 Ave % Change
FY16	211,051			
FY17	218,817	7,766	3.7%	
FY18	232,926	14,109	6.4%	1.0356
FY19	251,394	18,468	7.9%	
FY20	241,836	(9,558)	-3.8%	

Source: 2018-Proposed 2022 SMFP

VMC believes the 1.0356 CGRM calculated in Steps 4 and 5, while mathematically correct, is artificially high based on an anomaly that occurred in FY18 and FY19 that caused the percent increase for those two years to be artificially high. VMC opened its new cancer center in March 2018. This project included opening 65 incrementally new acute care beds. The opening of these incremental beds allowed VMC to realize pent-up demand growth. It's realizing the pent-up demand that caused the unusually high percent increases in FY18 (part year with new beds) and FY19 (first full year with new beds). Based on historical experience, VMC does not believe the higher percent increase in those years is indicative of future growth rates for this service area. Table 2 below shows that since FY09, VMC has added incremental beds 3 times. In each of these cases, VMC has realized significant percent increases in DOC for the year the incremental beds become available and the year after, but the percent increases quickly drop (and even decline) for subsequent years after that. VMC believes this trend will continue to occur, and using the high percent increase in FY18 and FY19 will artificially inflate the CGRM and cause a year over year compounding effect in projecting the DOC four years in the future.

Table 2: VMC Historical Days of Care and Percent Change Compared to Incremental Acute Care Beds Added

	Step 4.a DOC	Step 4.b Difference	Step 4.c % Change	# of New Beds Opened
FY07	196,651			
FY08	197,218	567	0.3%	0
FY09	204,768	7,550	3.8%	100
FY10	218,409	13,641	6.7%	0
FY11	220,959	2,550	1.2%	0
FY12	229,177	8,218	3.7%	14
FY13	234,983	5,806	2.5%	34
FY14	230,555	(4,428)	-1.9%	0
FY15	223,798	(6,757)	-2.9%	0
FY16	211,051	(12,747)	-5.7%	0
FY17	218,817	7,766	3.7%	0
FY18	232,926	14,109	6.4%	65
FY19	251,394	18,468	7.9%	0
FY20	241,836	(9,558)	-3.8%	0

Source: 2009 through Proposed 2022 SMFP

In the Proposed 2022 SMFP, Step 6 of the acute care bed need methodology calculates the projected inpatient days of care in 2024 as follows:

Step 6: Determine the Projected DOC (Column H).

If the County Growth Rate Multiplier is negative, carry forward the inpatient DOC for the reporting year unchanged to Column H. If the County Growth Rate Multiplier is positive, calculate the compounded growth factor projected for the next four reporting years by using the County Growth Rate Multiplier (from Step 5) in the first year and compound the change each year thereafter at the same rate [Inpatient DOC x (County Growth Rate Multiplier)].

Table 3 below shows the projected growth in DOC based on Step 6 of the methodology using the 1.0356 CGRM in the Proposed 2022 SMFP. Using this CGRM yields a four-year compound growth rate of 1.1503 (15.03% increase). This growth rate is almost 4 times higher than the four-year projected rate of population growth for the Pitt/Greene/Hyde/Tyrrell acute care service area (1.0384 or 3.84%). This would imply that population growth alone would not be sufficient to achieve projected DOC, and that most of the projected growth in DOC for this service area would have to come from increased inpatient utilization, increased length of stay and/or significant market share shifts. For the purposes of this petition, VMC is assuming to disregard market share shifts since any projected increases in need due to this shift will inherently cause decreases in need from where the shift occurred. In relation to increased utilization and length of stay, VMC does not believe these increases will occur, and most leading industry experts agree, because the current and future state of healthcare is **reduced** inpatient utilization and length of stay.

VMC believes the lingering effects of COVID, the implementation of Medicaid Managed Care in the State, increased industry focus on population health, care management, and alternative payment models away from traditional fee-for-service all will contribute to flat or declining inpatient utilization, not a four-year, 15% increase.

Table 3: VMC Projected DOC Compared to Service Area Population Growth

	DOC	CGRM	Population	Pop Change	Ave Change
FY20	241,836		213,122		
FY21	250,454	1.0356	214,542	1.0067	1.0095
FY22	259,379	1.0356	216,738	1.0102	
FY23	268,622	1.0356	219,028	1.0106	
FY24	278,195	1.0356	221,301	1.0104	
4 Year Total	36,359	1.1503	8,179	1.0384	

Source: Proposed 2022 SMFP and NC OSBM population projections

Table 4.a below shows the full need calculation from the Proposed 2022 SMFP. Using the high 1.0356 CGRM yields a need for 43 additional acute care beds in the Pitt/Greene/Hyde/Tyrrell acute care service area. **This is in addition to the 85 acute care inpatient beds currently under development, but not operational at VMC** (CON Project ID Q-11027-15). Essentially, using the high CGRM is not simply indicating a need for 43 beds, but is actually indicating a need for 128 incremental acute care inpatient beds beyond what VMC is currently operating today. For the reasons identified above, VMC does not believe the future growth in inpatient utilization in this service area will be sufficient to justify the need for 128 incremental acute care inpatient beds. In fact, Table 4.b below shows that if the CGRM is substituted for the service area's population growth rate in Step 6 of the methodology, the results would yield a **surplus** of 52 beds taking into account the 85 bed place holder. Table 4.c also shows the even if the CGRM is reduced by 50% in Step 6 of the methodology (1.0178), which is still almost 2 times the rate of population growth, the results would still yield a **surplus** of 23 beds taking into account the 85 bed place holder.

Based on the above information, VMC believes the CGRM used to calculate need is significantly overstated and doesn't reflect the true future growth rate in the service area. Therefore, VMC is requesting an adjustment to the CGRM calculated in Step 5 to reflect projected population growth (1.0095), or at minimum a 50% reduction in the calculated CGRM, and the reduced growth rate be applied in Step 6 of the methodology. As a result of the adjustment, VMC also requests that Table 5A: Acute Care Bed Need Projections for the Pitt/Greene/Hyde/Tyrrell Service Area in the Proposed 2022 State Medical Facilities Plan ("SMFP") be adjusted to show a reduction in bed need from 43 acute care beds to 0 acute care beds for the Pitt/Greene/Hyde County service area.

Table 4.a: Acute Care Bed Methodology as Presented in Proposed 2022 SMFP

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	Inpatient Days of Care	County Growth Rate Multiplier	Projected Days of Care	2024 Projected Average Daily Census (ADC)	2024 Beds Adjusted for Target Occupancy	Projected 2024 Deficit or Surplus (surplus shows as a "-")	2024 Need Determin-ation
Pitt	H0104	Vidant Medical Center	847	85	241,836	[redacted]0356	278,194	762	975	43	
Pitt/Greene/Hyde/Tyrrell Total			**847**	**85**							**43**

Table 4.b: Acute Care Bed Methodology Using Population Growth Rate in Place of CGRM

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	Inpatient Days of Care	County Growth Rate Multiplier	Projected Days of Care	2024 Projected Average Daily Census (ADC)	2024 Beds Adjusted for Target Occupancy	Projected 2024 Deficit or Surplus (surplus shows as a "-")	2024 Need Determin-ation
Pitt	H0104	Vidant Medical Center	847	85	241,836	[redacted]0095	251,158	688	880	-52	
Pitt/Greene/Hyde/Tyrrell Total			**847**	**85**							**0**

Table 4.c: Acute Care Bed Methodology Using 50% CGRM

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	Inpatient Days of Care	County Growth Rate Multiplier	Projected Days of Care	2024 Projected Average Daily Census (ADC)	2024 Beds Adjusted for Target Occupancy	Projected 2024 Deficit or Surplus (surplus shows as a "-")	2024 Need Determin-ation
Pitt	H0104	Vidant Medical Center	847	85	241,836	[redacted]0178	259,520	711	909	-23	
Pitt/Greene/Hyde/Tyrrell Total			**847**	**85**							**0**

Source: Proposed 2022 State Medical Facilities Plan

a. **statement of the adverse effects on the providers or consumers of health services that are likely to ensue if the change is not made; and**

This petition proposes to reduce an identified need that mathematically resulted from a one-time event that is not reflective of true future need. If the change is not made and the unneeded beds remain in the 2022 SMFP, it could create a costly duplication of healthcare services in the Pitt/Greene/Hyde/Tyrrell acute care service area.

b. **a statement of alternatives to the proposed change that were considered and found not feasible.**

Because of the response to 3.a above, VMC did not consider leaving the beds in the plan as being a viable alternative.

4. **evidence that the proposed change would not result in unnecessary duplication of health resources in the area; and**

At its core, the need methodologies and calculations in the SMFP are designed to ensure there is no unnecessary duplication of health resources. Making the correction to use a CGRM that is more reflective of the service area more accurately reflects the true need for the Pitt/Greene/Hyde/Tyrrell service area and avoids unnecessary duplication.

5. **evidence that the requested change is consistent with the three Basic Principles governing the development of the SMFP: safety and quality, access, and value (see Chapter 1).**

The major objective of the SMFP is to provide individuals, institutions, state and local government agencies, and community leadership with policies and projections of need to guide local planning for specific health care facilities and services. Development of the plan is governed by three basic principles:

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 residents of Pitt, Greene, Hyde and Tyrrell Counties, along with the other residents of HSA VI VMC 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/Tyrrell 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.

2. 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. 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.

VMC believes this petition is consistent with this principle. In its role as the regional referral center for a large, poor, rural, medically underserved population, VMC fully realizes the importance of maintaining adequate capacity to ensure access to care for all people. VMC strives to develop and grow an appropriate mix of services and resources to meet the healthcare needs of HSA VI. VMC believes acute care inpatient beds are needed in the Pitt/Greene/Hyde/Tyrrell service area to maintain adequate capacity for future utilization. However, as stated above, VMC also believes 43 new acute care inpatient beds as identified in the Proposed 2022 SMFP exceeds what is necessary to achieve this goal, especially with 85 beds currently under development.

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. 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, VMC weighed the cost benefit of the need for 43 acute care inpatient beds as identified in the Proposed 2022 SMFP. Since VMC is the only hospital in the Pitt/Greene/Hyde/Tyrrell 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, VMC or another new provider, would have to build a new bed tower. The nationally accepted estimate for the estimating the construction of a new bed tower is $1.5M per bed. At this rate, 43 new beds as identified in the proposed 2022 SMFP would cost an estimated $64.5M in capital to construct. VMC believes the $64.5M can be better used to develop and enhance other health care services needed in the region. VMC does not believe investing $64.5M in acute care beds maximizes health care benefit per dollar expended, especially when the need for the beds was generated from a one-time event. Therefore, VMC believes the petition is consistent with and helps promote this principle.