

**Alleghany Memorial Hospital**  
**Petition for Adjustment to the Proposed 2024 SMFP**  
**Alleghany County Acute Care Bed Need Determination**  
**July 26, 2023**

**1. Name, Address, Email Address, and Phone Number of Petitioner:**

Alleghany Memorial Hospital  
Kathryn Doby  
Chief Administrative Officer  
Alleghany Health  
233 Doctor's Street  
Sparta, NC 28675  
[kdoby@amhsparta.org](mailto:kdoby@amhsparta.org)  
(336) 372-3276

**2. Statement for the Proposed Adjustment**

Alleghany Memorial Hospital (“AMH”) requests that an adjustment be made to the 2024 State Medical Facilities Plan (“SMFP”) need determination for the addition of three (3) general acute care beds in Alleghany County.

**3. Reasons for the Proposed Adjustment**

Alleghany Memorial Hospital serves as the exclusive acute care facility in Alleghany County, situated in the northwestern region of North Carolina. It shares borders with Virginia to the north, Ashe County to the west, Surry County to the east, and Wilkes County to the south. AMH is one of twenty Critical Access Hospitals (“CAH”) in North Carolina and is presently licensed for three (3) general acute care beds and two (2) shared inpatient and outpatient operating rooms.

In 2019, AMH embarked on a renovation project that initially involved the demolition of a significant portion of its inpatient facilities. Please refer to **Exhibit A** for the corresponding letter exchanged with the CON Section regarding this project. Prior to commencing the renovation, AMH held a license for 41 general acute care beds. In the letter addressed to the Agency, AMH expressed its intention to reduce the licensed bed count to three (3) upon the completion of the project. These three beds were strategically planned to be located near the emergency department to optimize staffing efficiencies.

However, due to unforeseen changes resulting from the COVID pandemic, AMH revised the original renovation plans. As a result, the decision was made not to demolish two buildings, leading to the retention of nine (9) bed spaces of the previously licensed bed capacity of 41. Consequently, at the conclusion of the renovation project, AMH retained a total of 12 physical spaces for licensed acute care beds (the three beds near the emergency department and the nine beds retained through the change in the scope of the renovation project).

With the surges experienced during the COVID pandemic and the physical space for 12 general acute care beds, AMH considered retaining 12 of its 41 acute care bed licenses upon project completion. However, no communication was filed with NC DHSR prior to completion of construction in December 2021. The project was closed-out with NC DHSR and the hospital's licensed bed capacity was reduced to three acute care beds, as indicated in the letter sent to the CON section in **Exhibit A**. Accordingly, AMH is requesting an adjustment of three beds to the need determination for Alleghany County to restore a portion of the bed capacity that was lost when the AMH construction project was closed. This proposed increase will increase the licensed beds located in Alleghany County from three (3) to six (6).

AMH believes that three additional beds in Alleghany County are necessary to support the needs of the community. This is supported by the following facts: an increase in patient days and census at AMH, a rise in the proportion of Alleghany County residents seeking acute care within the county at AMH, a growing and aging population in Alleghany County, the demand for enhanced availability of skilled nursing care in the region, and the imperative to maintain the financial viability and continuous operation of AMH, which serves as the sole acute care hospital in the county.

As demonstrated in the table below, AMH's average daily census in CY 2022 was 2.25, representing a 55% increase over CY 2021. The compound annual growth rate in patient days from CY 2019 to CY 2022 was 8.5%.

**AMH, Patient Days, and Average Daily Census, CY 2019-2022**

|                        | 2019 | 2020 | 2021 | 2022 | Growth:<br>2021 - 2022 | CAGR:<br>2019 - 2022 |
|------------------------|------|------|------|------|------------------------|----------------------|
| Discharges             | 168  | 138  | 143  | 202  | 41.3%                  | 6.3%                 |
| Inpatient Patient Days | 643  | 612  | 529  | 822  | 55.4%                  | 8.5%                 |
| Average Daily Census   | 1.76 | 1.68 | 1.45 | 2.25 | 55.4%                  | 8.5%                 |

Source: HIDI

The 2022 average daily census of 2.25 translates to a bed need of 3.38 at the target occupancy rate for a rural critical access hospital the size of AMH (66.7% target occupancy rate). Unfortunately, with only three licensed beds, AMH will face significant challenges in expanding access beyond the volume achieved in CY 2022. This limited number of licensed beds is unable to accommodate fluxes in patient census throughout a given day and over time causing patients in need of inpatient services to be transferred to other facilities outside of the county or wait in the emergency department for prolonged periods for a bed at AMH to become available.

In addition to the overall growth in inpatient days at Alleghany Memorial Hospital, the hospital has also seen an increase in the number of patients from Alleghany County that are staying within the county for their inpatient care. As illustrated in the table below, the percentage of patients staying in Alleghany County increased from 13.3% in CY 2019 to 16.1% in CY 2022. This is a positive trend in that patients are accessing and utilizing services close to home. However, more beds are needed in Alleghany County to sustain and continue this trend of service to Alleghany County patients.

## Inpatient Discharges by Facility for Patients from Allegheny County, CY 2019-2022

|                                    | Discharges |      |      |      | % of Discharges |       |       |       |
|------------------------------------|------------|------|------|------|-----------------|-------|-------|-------|
|                                    | 2019       | 2020 | 2021 | 2022 | 2019            | 2020  | 2021  | 2022  |
| Hugh Chatham Memorial Hospital     | 295        | 313  | 307  | 238  | 30.3%           | 33.4% | 32.8% | 27.4% |
| Wake Forest Baptist Medical Center | 277        | 214  | 249  | 217  | 28.4%           | 22.9% | 26.6% | 24.9% |
| Allegheny Memorial Hospital        | 130        | 96   | 101  | 140  | 13.3%           | 10.3% | 10.8% | 16.1% |
| Forsyth Medical Center             | 152        | 173  | 131  | 126  | 15.6%           | 18.5% | 14.0% | 14.4% |
| Wilkes Regional Medical Center     | 9          | 17   | 8    | 22   | 0.9%            | 1.8%  | 0.9%  | 2.5%  |

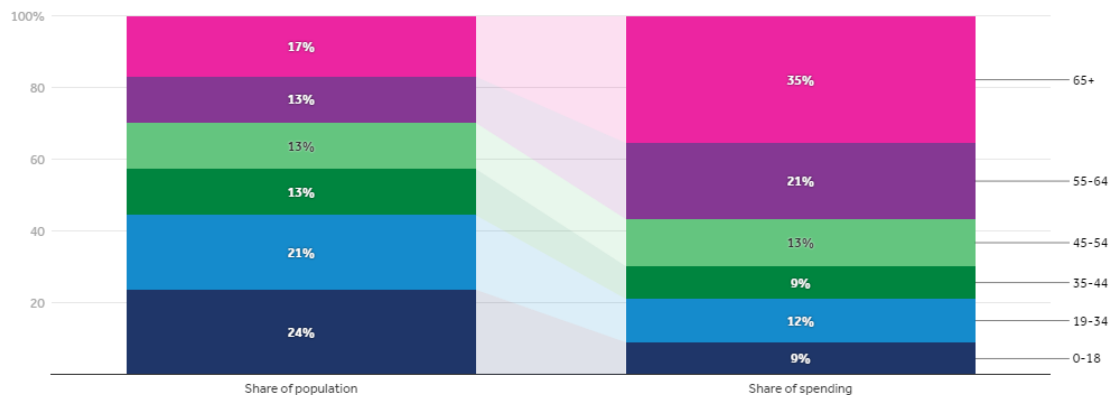
Source: HIDI

The population in Allegheny County is growing and aging. As reported in the 2020 Allegheny County Community Health Needs Assessment (CHNA)<sup>1</sup>, Allegheny County's population increased 3.2% from 2010 to 2020. The community is also aging. In 2020, the average resident was 50.1 years old, an increase of 1.6 years from 2017. The figure below, from the 2020 Allegheny County CHNA, demonstrates the percentage change in overall population and median age from 2017 to 2020.

|            | 2017 CHA   | 2020 CHA | Change        |
|------------|------------|----------|---------------|
| Population | 10,848     | 11,008   | 1.5% increase |
| Median age | 48.5 years | 50.1     | 3.2% increase |

As people age, they are more likely to experience health complications and utilize health services. In fact, people over age 55 account for over 50% of total health spending, despite comprising only 30% of the population<sup>2</sup>. A growing aging population inevitably leads to an increased demand for healthcare.

Share of total health spending by age group, 2019



Source: KFF analysis of 2019 Medical Expenditure Panel Survey data • Get the data • PNG

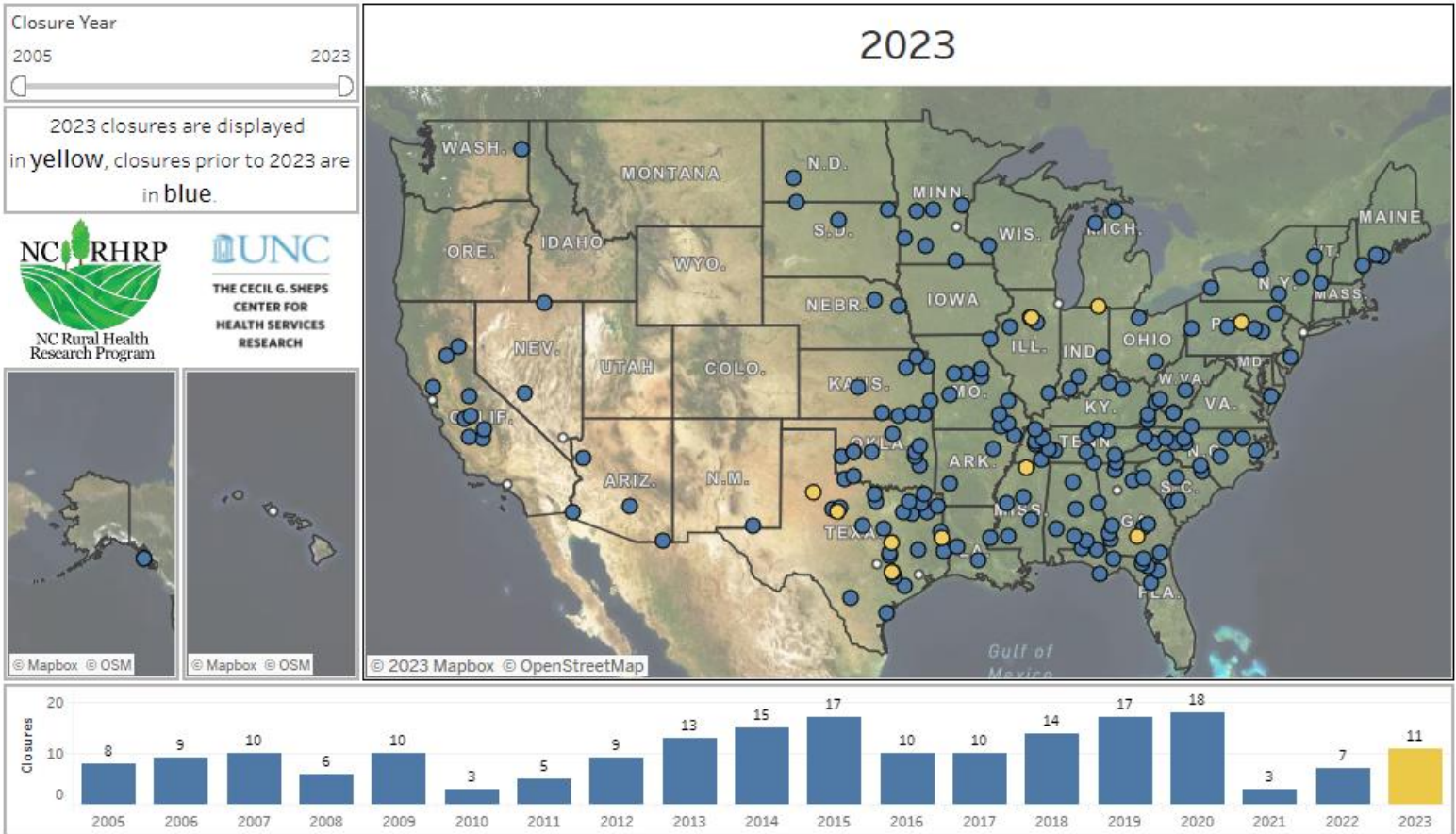
Peterson-KFF  
Health System Tracker

<sup>1</sup> <https://alleghenyhealth.org/wp-content/uploads/2022/08/Allegheny-County-Community-Health-Report-2020.pdf>

<sup>2</sup> <https://www.healthsystemtracker.org/chart-collection/health-expenditures-vary-across-population/>

As a CMS-designated CAH, AMH supports a rural community that has limited access to healthcare services. Recognizing that many rural hospitals are the only health care facility in their community and that their survival is vital to ensure access to health care, the Critical Access Hospital designation was created by congress in 1997. At that time, the US had experienced over 400 rural hospital closures in the 1980s and the early 1990s. While the pace of rural hospital closures has slowed since the implementation of the CAH designation, this trend continues well into the present. The US experienced 11 rural hospital closures in 2023. In all, there have been 195 rural hospital closures since January 2005.

### Rural Hospital Closures, 2005 - 2023



Source: <https://www.shepscenter.unc.edu/programs-projects/rural-health/rural-hospital-closures/>

The CAH designation affords CAHs with several benefits that help to maintain their solvency and avoid undesirable hospital closures. One such benefit is the use of swing beds. A swing bed is a bed that is used to provide either acute or post-acute care that is equivalent to skilled nursing facility (SNF) care. Swing beds give CAHs the flexibility to meet unpredictable demands for acute and SNF care and stabilize the hospital’s census. In addition, the SNF-level services provided in these swing beds are paid based on 101 percent of reasonable cost. As such, swing bed services often contribute to a positive operating margin through their contribution to a stable hospital census and Medicare reimbursement equivalent to the cost-based reimbursement CAHs receive for acute care services. The serves to ensure the continued survival and operation of CAHs.

Alleghany County is home to just one skilled nursing facility, The Alleghany Center. The Alleghany Center has seen a notable growth in patients from FFY 2018 to FFY 2022. As reported in the proposed 2024 SMFP, the occupancy rate of The Alleghany Center, has grown from 74% to 90%.

**Alleghany Center Patients and Occupancy Rate, FFY 2018 - 2022**

|                | FFY 2018 | FFY 2019 | FFY 2020 | FFY 2021 | FFY 2022 |
|----------------|----------|----------|----------|----------|----------|
| Patients       | 67       | 62       | 73       | 76       | 81       |
| Occupancy Rate | 74%      | 69%      | 81%      | 84%      | 90%      |

*Source: 2024 Proposed SMFP*

Swing beds offer an alternative to skilled nursing facilities. Populations in rural areas tend to be older, and swing beds are well-adapted for treating health problems typically seen in aging patients. This petition for a three (3) bed need determination in Alleghany County will increase access for the residents of Alleghany County to both acute and skilled nursing care. It will also help to ensure the financial sustainability of AMH.

**A. Statement of the Adverse Effects on the Population**

This proposal will have no adverse effect on the Alleghany County population. To the contrary, the approval of this petition will create access to acute care and skilled nursing services for patients from Alleghany County. The endorsement letters from the presidents of Hugh Chatham Memorial Hospital, Wilkes Regional Medical Center, and North Carolina Baptist Hospital serve as solid evidence of the strong support from neighboring hospitals for revising the 2024 need determination to include three additional acute care beds in Alleghany County.

**B. Statement of the Alternatives Considered**

AMH considered several alternatives to petitioning for three general acute care beds in Alleghany County. Maintaining the status quo was considered; however, given the need for more acute care and SNF bed capacity in Alleghany County, this alternative was not deemed viable. AMH considered petitioning for all the nine beds it intended to retain at completion of the construction project. However, after close review of several data points, including patient days for patients served at AMH, patient days for all Alleghany County residents at all North Carolina hospitals, and current and projected Alleghany County population, AMH concluded that the bed need in the community was equal to six beds – resulting in a petition for an adjusted need determination for three beds.

**4. The Project Will Not Result in an Unnecessary Duplication of Services**

Approval of this petition will not result in an unnecessary duplication of services. This petition is requesting an adjusted need determination for three beds in Alleghany County. Alleghany County presently has just one acute care hospital with a licensed acute care bed capacity of just three beds. Approval of this petition will increase the inventory of acute care beds in Alleghany from three to six. The increase in inventory of acute care beds will improve access to

both acute and skill nursing care for the residents of Alleghany County while also helping to ensure AMH's continued financial health.

**5. The Project is Consistent with the Three Basic Principles Governing the Development of the SMFP: Safety and Quality, Access and Value**

**A. Safety and Quality**

AMH agrees with the SMFP's recognition of "the importance of systematic and ongoing improvement in the quality of health services". The requested adjusted need determination for three acute care beds in Alleghany County is consistent with this principle. As noted above, the proposed beds will serve both the acute and skilled nursing needs of patients in Alleghany County. AMH is an existing licensed acute care provider that is committed to providing safe and quality care. AMH is the sole acute care hospital in Alleghany County. Adding bed capacity to AMH will improve safety and quality by reducing the need for patients to leave the county for inpatient care. Patients will be able to receive care faster and the continuity of care will be improved.

**B. Access**

AMH also fully supports the principle of "equitable access to timely, clinically appropriate and high-quality health care for all the people of North Carolina." AMH provides high quality inpatient and outpatient services that regularly and routinely serve indigent and medically underserved patients. AMH subsidizes services to indigent and medically underserved patients by adhering to its Financial Assistance Policy. Serving as the sole acute care hospital in Alleghany County, AMH plays a crucial role in facilitating healthcare accessibility within the region. The approval of this petition will greatly improve the availability of acute care and nursing facility beds for patients residing in Alleghany County.

**C. Value**

AMH supports the SMFP's definition of "health care value" as "the maximum health care benefit per dollar expended." In this case, the proposed need determination will further the ability of the health care system to provide greater value to patients and payers. The inclusion of additional acute care beds will facilitate access to acute and skilled nursing services within Alleghany County. This improved accessibility will minimize the need for transfers to alternative acute care facilities, resulting in cost savings for patients and payers. Moreover, the increased bed capacity will expedite the admission process for emergency department patients requiring inpatient care, enabling them to receive prompt treatment at AMH.

**Conclusion**

While AMH generally supports the acute care bed need methodology in the SMFP, in this instance, the methodology is unable to completely articulate the needs of Alleghany County. The existing methodology falls short in capturing the complexities associated with identifying the need for a county with just three (3) acute care beds and fails to account for the unmet and challenging-

to-quantify demand for SNF services in the county. As a result, it is unable to accurately measure the extent of the need.

AMH respectfully requests that the need determination for three (3) additional acute care beds in Alleghany County be included in the 2024 SMFP.



# Exhibit A

March 5, 2019

Ms. Martha Frisone, Chief  
Healthcare Planning and Certificate of Need Section  
Division of Health Service Regulation  
2704 Mail Service Center  
Raleigh, NC 27699-2704

**Re: Alleghany Memorial Hospital (FID # 942935 Lic # H0108) Request for Confirmation of CON Exemption, Hospital Renovations**

Dear Ms. Frisone,

Pursuant to N.C.G.S. § 131E-184(g), Exemptions from Certificate of Need Review, I am writing to request confirmation that the project described below for Alleghany Memorial Hospital (“AMH”) is exempt from review.

AMH intends to substantially renovate its main campus facilities. The planned renovations include the partial demolition of the current inpatient wing and the construction of a new medical office building. Upon completion of the project, AMH’s inpatient beds will be relocated from the current inpatient wing to a location near the emergency department. The new location of the inpatient beds will allow for efficiency of staffing to supports the needs of observation, acute, and emergency department patients. At the completion of the project, the number of licensed general acute care beds at AMH will be reduced from 41 to three (3). In addition, AMH will add three (3) unlicensed observation beds near the emergency department. Please reference **Attachment 1** for an aerial view of AMH’s campus and a conceptual post-renovation campus map.

AMH believes this project is exempt from review, as described below. Pursuant to N.C.G.S. § 131E-184(g):

*“The Department shall exempt from certificate of need review any capital expenditure that exceeds the two million dollar (\$2,000,000) threshold set forth in G.S. 131E-176 (16) b. if all of the following conditions are met:*

- (1) The sole purpose of the capital expenditure is to renovate, replace on the same site, or expand the entirety or a portion of an existing health service facility that is located on the main campus.*

The sole purpose of the proposed renovations to AMH are to renovate and expand a portion of an existing health service facility, AMH. All proposed changes will occur on the AMH main campus.



Pursuant to N.C.G.S. § 131E-176(14n), "*Main campus*" means all of the following for the purposes of G.S. 131E-184 (f) and (g) only:

- a. *The site of the main building from which a licensed health service facility provides clinical patient services and exercises financial and administrative control over the entire facility, including the buildings and grounds adjacent to that main building.*
- b. *Other areas and structures that are not strictly contiguous to the main building but are located within 250 yards of the main building.*

**Attachment 1** includes a campus map of AMH and outlines the locations of the proposed renovations and the office of the President, who is responsible for financial and administrative control over AMH. As illustrated on the map, the proposed renovation is located on the main campus of AMH.

- (2) *The capital expenditure does not result in (i) a change in bed capacity as defined in G.S. 131E-176(5) or (ii) the addition of a health service facility or any other new institutional health service other than that allowed in G.S. 131E-176(16)b.*

The capital expenditure for the proposed renovations to AMH will not result in a change in bed capacity as defined in G.S. 131E-176(5) or in the addition of a health service facility or any other new institutional health service other than that allowed in G.S. 131E-176(16)b. Upon completion of the renovation, three (3) of AMH's 41 licensed general acute care beds will be relocated to a location near the emergency department. AMH will reduce its licensed general acute care bed capacity from 41 to three (3).

N.C.G.S. 131E-176(5) defines change in bed capacity as:

*(i) any relocation of health service facility beds, or dialysis stations from one licensed facility or campus to another, or (ii) any redistribution of health service facility bed capacity among the categories of health service facility bed as defined in G.S. 131E-176(9c), or (iii) any increase in the number of health service facility beds, or dialysis stations in kidney disease treatment centers, including freestanding dialysis units.*

This project does not involve (i) a relocation of health service facility beds from one licensed facility or campus to another, or (ii) a redistribution of health service facility bed capacity among the categories of health service facility beds as defined in G.S. 131E-176(9c), or (iii) an increase in the number of health service facility beds.

The only other possible new institutional health service which could be applicable to this project is major medical equipment (see N.C.G.S. § 131E-176(16)p.), which is defined in N.C.G.S. § 131E-176 (14o) as

*a single unit or single system of components with related functions which is used to provide medical and other health services and which costs more than seven hundred fifty thousand dollars (\$750,000). In determining whether the major medical equipment costs more than seven hundred fifty thousand dollars (\$750,000), the costs of the equipment, studies, surveys, designs, plans, working drawings, specifications, construction, installation, and other activities essential to*

*acquiring and making operational the major medical equipment shall be included. The capital expenditure for the equipment shall be deemed to be the fair market value of the equipment or the cost of the equipment, whichever is greater. Major medical equipment does not include replacement equipment as defined in this section.*


As part of this project, AMH does not intend to purchase any single piece of equipment which costs more than \$750,000, including surveys, designs, plans, working drawings, specifications, construction, installation, and other activities essential to acquiring and making operational the medical equipment for this project.

*(3) The licensed health service facility proposing to incur the capital expenditure shall provide prior written notice to the Department, along with supporting documentation to demonstrate that it meets the exemption criteria of this subsection.*

AMH respectfully requests that the CON Section confirm that, based on the facts stated above as well as the information included in the Attachments, the planned renovations at AMH meet all of the exemption criteria in N.C.G.S. § 131E-184(g).

Please let me know if you have any questions or if additional information is needed.

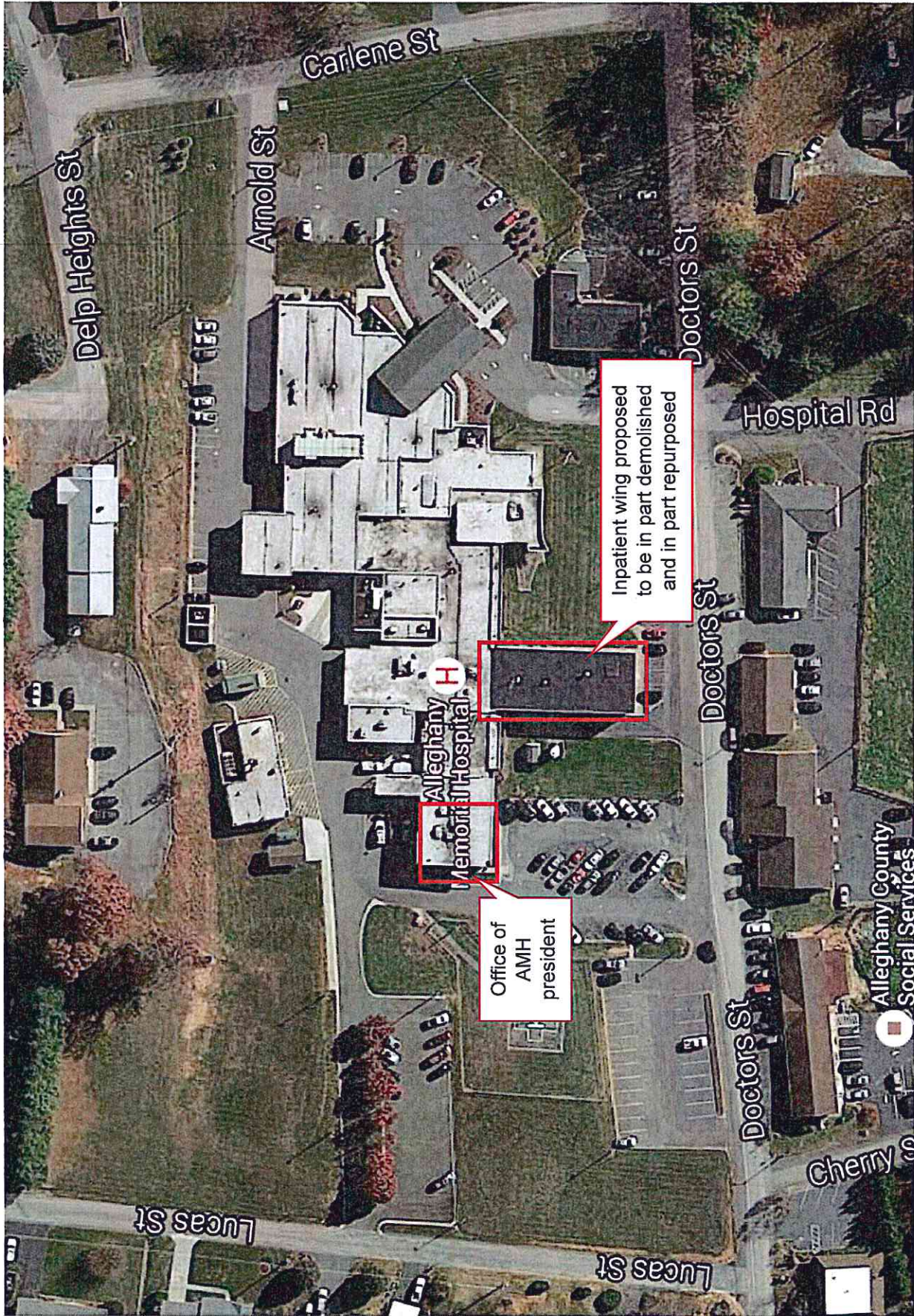
Sincerely,

A handwritten signature in black ink that reads "Craig B James". The signature is written in a cursive style with a long horizontal stroke at the end.

Craig B. James  
President  
Alleghany Memorial Hospital

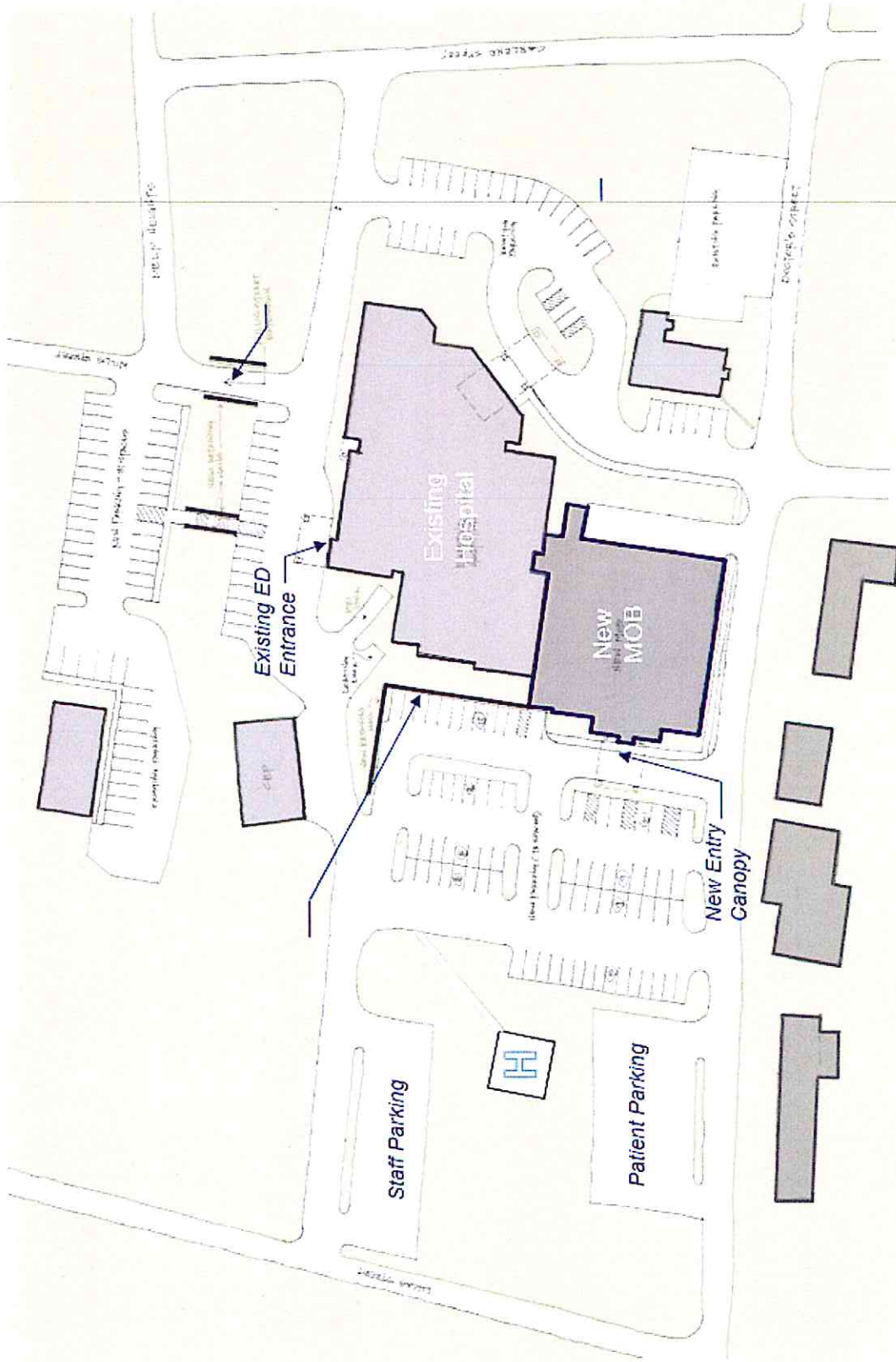


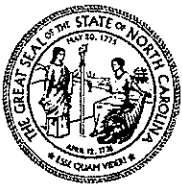
Attachment 1: Aerial Image of AMH Campus





Attachment 1: AMH Conceptual Rendering Post-Renovation





NC DEPARTMENT OF HEALTH AND HUMAN SERVICES

ROY COOPER • Governor
MANDY COHEN, MD, MPH • Secretary
MARK PAYNE • Director, Division of Health Service Regulation

March 14, 2019

Craig B. James
233 Doctors Street
Sparta, NC 28675

Exempt from Review

Record #: 2897
Facility Name: Alleghany Memorial Hospital
FID #: 942935
Business Name: Alleghany County Memorial Hospital, Inc.
Business #: 58
Project Description: Renovate the inpatient wing and construct a new medical office building on the main campus
County: Alleghany

Dear Mr. James:

The Healthcare Planning and Certificate of Need Section, Division of Health Service Regulation (Agency), determined that based on your letter of & (date), the above referenced proposal is exempt from certificate of need review in accordance with N.C. Gen. Stat. §131E-184(g). Therefore, you may proceed to offer, develop or establish the above referenced project without a certificate of need.

However, you need to contact the Agency's Construction and the Acute and Home Care Licensure and Certification Sections to determine if they have any requirements for development of the proposed project.

It should be noted that this determination is binding only for the facts represented by you. Consequently, if changes are made in the project or in the facts provided in your correspondence referenced above, a new determination as to whether a certificate of need is required would need to be made by the Agency. Changes in a project include, but are not limited to: (1) increases in the capital cost; (2) acquisition of medical equipment not included in the original cost estimate; (3) modifications in the design of the project; (4) change in location; and (5) any increase in the number of square feet to be constructed.

If you have any questions concerning this matter, please feel free to contact this office.

Sincerely,

[Signature of Ena Lightbourne]

Ena Lightbourne
Project Analyst

[Signature of Martha J. Frisone]

Martha J. Frisone
Chief, Healthcare Planning and
Certificate of Need Section

cc: Construction Section, DHSR
Acute and Home Care Licensure and Certification Section, DHSR
Melinda Boyette, Administrative Assistant, Healthcare Planning, DHSR

NC DEPARTMENT OF HEALTH AND HUMAN SERVICES • DIVISION OF HEALTH SERVICE REGULATION
HEALTHCARE PLANNING AND CERTIFICATE OF NEED SECTION

LOCATION: 809 Ruggles Drive, Edgerton Building, Raleigh, NC 27603
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