



August 31, 2020

Ena Lightbourne, Project Analyst
Health Planning and Certificate of Need Section
Division of Health Service Regulation
North Carolina Department of Health and Human Services
809 Ruggles Drive
Raleigh, North Carolina 27603

RE: Comments on Forsyth County Acute Care Bed CON Applications

Dear Ms. Lightbourne:

Enclosed please find comments prepared by North Carolina Baptist Hospital regarding the competing CON application by Novant Health Forsyth Medical Center to develop new acute care beds in Forsyth County, pursuant to the bed need identified in the *2020 State Medical Facilities Plan*. Thank you for the opportunity to submit these comments for consideration regarding this important community need.

If you have any questions about the information presented here, please feel free to contact me at 336.716.1275.

Sincerely,

Jena Folger

Jena Folger
Vice President, Network Growth, Strategy & Business Development

**COMMENTS ABOUT COMPETING CERTIFICATE OF NEED APPLICATION
FORSYTH COUNTY ACUTE CARE BEDS**

**Submitted by North Carolina Baptist Hospital
August 31, 2020**

Two applicants submitted Certificate of Need (CON) applications in response to the need identified in the *2020 State Medical Facilities Plan (SMFP)* for 68 additional acute care beds in Forsyth County; North Carolina Baptist Hospital (NCBH) and Novant Health Forsyth Medical Center (NHFMC). In accordance with N.C.G.S. §131E-185(a.1)(1), this document includes comments relating to the representations made by NHFMC, and a discussion about whether the material in its application complies with the relevant review criteria, plans, and standards. These comments also address the determination of which of the two competing proposals represents the best choice for the community for development of additional acute care beds in Forsyth County.

Key issues for the Healthcare Planning and Certificate of Need Section to consider in making the decision include which project reasonably demonstrates the need for the proposed acute care beds, which project does not represent unnecessary duplication of existing services, and which represents the most effective alternative for development of the need-determined beds.

Based on the following comments, it is clear that Novant Health's application should be denied.

General Comments

The 2020 SMFP identifies a need for 68 additional acute care beds in Forsyth County. Based on the standard methodology in the 2020 SMFP, NCBH has a need for an additional 68 acute care beds by 2022. The need for additional acute care bed capacity in Forsyth County is driven solely by the inpatient utilization at NCBH in relation to its current bed capacity, and not by any other Forsyth County hospital. Based on the 2020 SMFP standard methodology, no other hospital in Forsyth County has a need for additional acute care beds at this time. In fact, Novant Health facilities in Forsyth County demonstrate a surplus of beds, as shown on Table 5A of the 2020 SMFP (reproduced below).

*North Carolina Baptist Hospital Written Comments
2020 Forsyth County Acute Care Beds*

Table 5A: Acute Care Bed Need Projections

2018 Utilization Data from IBM Watson Health compiled by the Cecil B. Sheps Center for Health Services Research
Target Occupancy Rates: ADC 1-99: 66.7%, ADC 100-200: 71.4%, ADC > 200 and <=400: 75.2%, ADC >400: 78%
Target Occupancy Factors: ADC 1-99: 1.50, ADC 100-200: 1.40, ADC > 200 and <=400: 1.33, ADC >400: 1.28

A	B	C	D	E	F	G	H	I	J	K	L
Service Area	License Number	Facility Name	Licensed Acute Care Beds	Adjustments for CONS/ Previous Need	Inpatient Days of Care	County Growth Rate Multiplier	Projected Days of Care	2022 Projected Average Daily Census (ADC)	2022 Beds Adjusted for Target Occupancy	Projected 2022 Deficit or Surplus (surplus shows as a "-")	2022 Need Determination
Davidson	H0112	Novant Health Thomasville Medical Center	101	0	12,667	1.0509	15,450	42	63	-38	
Davidson Total			195	0							0
Davie	H0171	Davie Medical Center	50	0	2,992	1.1174	4,664	13	19	-31	
Davie Total			50	0							0
Duplin	H0166	Vidant Duplin Hospital**	56	0	10,158	1.0884	14,255	39	59	3	
Duplin Total			56	0							0
Durham	H0233	Duke Regional Hospital	316	0	63,361	1.0177	67,954	186	260	-56	
Durham	H0015	Duke University Hospital***	924	124	291,095	1.0177	312,198	855	1,094	-46	
Duke University Health System Total			1,240	124	354,456		380,152	1,041	1,355	-9	
Durham	H0075	North Carolina Specialty Hospital	18	6	2,969	1.0177	3,184	9	13	-11	
Durham/Caswell Total			1,258	130							0
Edgecombe	H0258	Vidant Edgecombe Hospital	101	0	14,435	1.0212	15,697	43	64	-37	
Edgecombe Total			101	0							0
Forsyth	H0209	Novant Health Forsyth Medical Center††††	865	0	215,058	1.0198	232,601	637	815	-50	
Forsyth	H0229	Novant Health Medical Park Hospital	22	0	2,810	1.0198	3,039	8	12	-10	
Novant Health Total			887	0	217,868		235,640	645	828	-59	
Forsyth	H0011	North Carolina Baptist Hospital	802	-4	230,618	1.0198	249,430	683	874	68	
Forsyth Total			1,689	-4							68
Gaston		2019 Acute Care Bed Need Determination	0	33		1.0626	0	0	0	-33	
Gaston	H0105	CaroMont Regional Medical Center	372	0	101,011	1.0626	128,762	353	469	97	
Gaston Total			372	33							64
Granville	H0098	Granville Health System	62	0	7,160	-1.0367	7,160	20	29	-33	
Granville Total			62	0							0
Guilford	H0159	Cone Health**	777	-23	178,636	1.0044	181,765	498	637	-117	
Guilford	H0052	High Point Regional Health	307	0	55,319	1.0044	56,288	154	216	-91	
Guilford Total			1,084	-23							0
Halifax	H0230	Halifax Regional Medical Center	184	0	20,123	1.0019	20,276	56	83	-101	

Projections based on four-year average county-specific growth rates, compounded annually over the next four years. Acute Care Days data from 2014, 2015, 2016, 2017 and 2018 were used to generate four-year growth rate.
(ADC= Average Daily Census)

Acute Care Bed Need & Capacity

The need determination for additional acute care beds in Forsyth County is a rare opportunity; it has been more than a decade since the last such need determination in the county. Rarely does the Agency award additional acute care beds to a provider that has a surplus of beds, an important consideration given that Novant Health shows a large surplus of 59 acute care beds, and given that acute care bed need determinations in Forsyth County are relatively infrequent compared to other populous urban North Carolina counties.

In the 2020 SMFP, NCBH is the facility that generated the need for additional acute care beds based on the increasing number of patients who choose NCBH for their care, and in consideration of the inadequate bed capacity at the hospital. Moreover, the acute care bed need at NCBH has increased over time. Conversely, Novant Health has had a substantial surplus of acute care beds over this same time period, even as its system in

Forsyth County developed additional general acute care bed capacity (42 long-term acute care beds were reconverted back to general acute care beds and added to NHFMC’s license, effective 12/13/2017). The chart below shows, over a five-year period, the Forsyth County acute care bed deficits and surpluses generated respectively by NCBH and Novant Health. The increase in NCBH’s acute care bed deficits stands in sharp contrast with Novant Health’s consistent annual surpluses of acute care beds.

Forsyth County Hospital Acute Care Bed Deficit or Surplus

	2014	2015	2016	2017	2018
Novant Health	(151)	(106)	(95)	(85)	(59)
NCBH	(39)	-	7	4	68

Source: 2016-2020 SMFPs
surplus shown as
negative

The inadequate supply of acute care beds at NCBH to meet the needs of patients who choose NCBH for their care negatively impacts all aspects of hospital operations, in particular, the ability to timely admit emergency patients, and to be most responsive, for example, to the COVID-19 pandemic. The growing deficit of acute care beds in the annual SMFPs is clear evidence that demand for NCBH hospital services in Forsyth County is strong, and that NCBH needs additional capacity as proposed in its application; otherwise, bed capacity constraints will continue to challenge NCBH’s ability to provide patient care to those in need.

By comparison, Novant Health has consistently operated with surplus acute care bed capacity. As shown in the following table, Novant Health’s Forsyth-System hospitals have annually operated at a much lower acute care bed occupancy rate (ranging between 10 and 14% lower) than has NCBH. By comparison, NCBH has annually operated at approximately 78 percent of its existing and approved capacity, which equates to the highest target occupancy rate for acute care beds, as specified in the 2020 SMFP.

Forsyth County Acute Care Bed Utilization

	2014	2015	2016	2017	2018	2019
Novant Health Days	197,196	207,721	208,426	212,714	217,868	228,111
ADC	540	569	571	583	597	625
Existing/Approved Beds	845	845	845	845	887	887
Occupancy	63.9%	67.3%	67.6%	69.0%	67.3%	70.5%

NCBH Days	217,712	227,099	226,483	227,283	230,618	229,112
ADC	596	622	621	623	632	628
Existing/Approved Beds	802	806	806	806	806	806
Occupancy	74.4%	77.2%	77.0%	77.3%	78.4%	77.9%

Source: 2016-2020 SMFPs, Proposed 2021 SMFP

Comparative Analysis

The Agency typically performs a comparative analysis when evaluating applications in a competitive batch review. The purpose is to help identify the proposal that would bring the greatest overall benefit to the community. The following table summarizes 12 objective metrics that the Agency should use for comparing the two applications in this Forsyth County acute care bed batch review.

Forsyth County Acute Care Bed Batch Review Application Comparative Analysis

Metrics		
Comparative	NCBH	NHFMC
Enhance Competitive Balance	Yes	No
Improve Geographic Access	No change	No change
Meeting Need for Additional Acute Care Beds	78.4% acute care bed occupancy rate last FY	67.3% acute care bed occupancy rate last FY
Demonstration of MD Support	209	56
Operational Date	9/7/2022	7/1/2023
Patient Access to Designated Trauma Center and Broadest Range of Medical & Surgical Specialties	designated trauma center; broader range of diagnostic categories; more clinically complex cases	not a designated trauma center
PY3 Net Revenue/Patient Day	\$4,076	\$2,870
PY3 Operating Expense/Patient Day	\$2,760	\$2,587
Self-Pay/Charity Care %	5.90%	5.60%
Medicare %	46.00%	59.60%
Medicaid %	23.60%	11.50%
Capital Cost per Additional Bed	\$100,212	\$528,687

*North Carolina Baptist Hospital Written Comments
2020 Forsyth County Acute Care Beds*

Rankings		
Comparative	NCBH	NHFMC
Enhance Competitive Balance	1	2
Improve Geographic Access	1	1
Meeting Need for Additional Acute Care Beds	1	2
Demonstration of MD Support	1	2
Operational Date	1	2
Patient Access to Designated Trauma Center and Broadest Range of Medical & Surgical Specialties	1	2
PY3 Net Revenue/Patient Day	1	1
PY3 Operating Expense/Patient Day	1	1
Self-Pay/Charity Care %	1	2
Medicare %	2	1
Medicaid %	1	2
Capital Cost per Additional Bed	1	2
Average	1.08	1.67
Total	13	20

Based on this comparative analysis, which shows NCBH ranks more favorably (lower average) on the head-to-head comparison, and considering that 1) NCBH's bed deficit generated the SMFP need, and 2) the NCBH application conforms to the Review Criteria and best achieves the Basic Principles of the 2020 SMFP (Policy GEN-3), NCBH represents the only effective alternative for development of the need-determined acute care beds in Forsyth County.

Enhance Competitive Balance in Marketplace

As shown in Table 5A of the 2020 SMFP, the acute care hospitals in Forsyth County currently have a total of 1,693 licensed and approved acute care beds. The following table shows that NCBH has only 47.6% of the total beds, while Novant Health has 52.4%.

Forsyth County Current Acute Care Bed Distribution

Provider	Licensed/Approved Acute Care Beds	% of County Total
NCBH	806	47.6%
NH	887	52.4%
Total	1,693	100.0%

Source: 2020 SMFP

Previous Agency reviews have included a “competition” comparative factor which found any applicant with fewer acute care beds more effective than applicants with a greater number of beds. From a public benefit perspective, the comparatively most effective option is to award the 68 need-determined beds to NCBH to bring the competitive balance within Forsyth County into greater alignment, as exemplified in the following table.

Forsyth County Most Beneficial Acute Care Bed Distribution

Provider	Licensed/Approved Acute Care Beds	% of County Total
NCBH	874	49.6%
NH	887	50.4%
Total	1,761	100.0%

Source: 2020 SMFP, with approval of NCBH application

Meeting the Need for Additional Acute Care Beds

The 2020 SMFP includes tiered target occupancy rates for acute care beds based on average daily census. Specifically, for hospitals with an average daily census of more than 400 inpatients, the target occupancy rate is 78.0%. According to the 2020 SMFP, in FY2018, both NCBH and NHFMC had an average daily census of more than 400. Thus, the target occupancy rate for each licensed hospital is 78.0.

As shown below, Table 5A of the 2020 SMFP indicates that Forsyth County is projected to have a deficit of 68 acute care beds in 2022. As previously described, NCBH is projected to have a deficit of 68 beds, Novant Health Forsyth Medical Center (NHFMC) is projected to have a surplus of 50 beds, and Novant Health Medical Park Hospital is projected to have a surplus of 10 beds.

2020 SMFP, Table 5A Acute Care Bed Need Projections

Facility Name	Licensed Acute Care Beds	2018 Acute Care Days	Projected 2022 Acute Care Days	2022 Projected ADC	2022 Adjusted for Target Occupancy	Projected 2022 Deficit or (Surplus)
Novant Health Forsyth MC	865	215,058	232,601	637	815	-50
Novant Health MPH	22	2,810	3,039	8	12	-10
Novant Health Total	887	217,868	235,640	645	828	-59
North Carolina Baptist Hospital	806*	230,618	249,430	683	874	68

*Includes four beds previously approved but not yet operational.

Source: 2020 SMFP

As shown in the table, of the two competing applicants that propose to add acute care beds, NCBH is the only one projected to have a deficit (68 beds) in 2022 (per the 2020 SMFP). NHFMC is projected to have a surplus of 50 beds by 2022, with a combined surplus of 59 beds for the Novant Health Forsyth-System.

It behooves the Agency to evaluate the degree to which the capacity of the applicants with existing facilities represented a surplus or deficit, as compared to need based on patient demand. Such an evaluation of need is necessary to determine the degree to which applicants that are existing facilities may have surplus capacity, as avoiding excess capacity is a foundational finding of the North Carolina CON statute. The Certificate of Need Statutory Findings of Fact 4 and 6 state:

4) *“That the proliferation of unnecessary health service facilities results in costly duplication and underuse of facilities, with the availability of excess capacity leading to unnecessary use of expensive resources and overutilization of health care services.”*

6) *“That excess capacity of health service facilities places an enormous economic burden on the public who pay for the construction and operation of these facilities as patients, health insurance subscribers, health plan contributors, and taxpayers.”*

See § 131E-175. Findings of Fact on page 459 of the 2020 SMFP.

As stated in the statute, excess capacity leads to unnecessary use of expensive resources, overutilization of healthcare services, and an economic burden on the public.

Demonstration of Physician Support

NCBH included 209 letters of support from physicians, and NHFMC included 56 physician letters of support. Therefore, with regard to physician support, the NCBH application is the most effective alternative.

Operational Date

Upon CON approval by the Agency, and as shown in Section P of its application, NCBH would develop its additional beds in four stages, with some beds online as early as January 2021, and all 68 beds operational by September 2022. NHFMC projects its 20-bed project will be complete by October 2023, more than one year later.

With regard to meeting a need for additional beds, the application submitted by NCBH is the most effective alternative because a) NCBH is the only applicant projected to have a deficit of acute care beds (68 beds) by 2022 and b) NCBH will develop the acute care beds earlier than NHFMC, such that the 68 beds will be available to service area residents in 2021 and in 2022.

Patient Access to Broader Range of Services

NCBH is one of five academic medical centers (NCBH, Duke University Hospital, UNC Hospital, Vidant Medical Center, & Carolinas Medical Center) in North Carolina. Academic medical centers are widely recognized as vital components of the American health care system, generally differentiated from their community hospital peers by

their tripartite mission of clinical care, education, and research. Community hospitals fill a complementary role, serving as the primary sites for health care in most communities.

Academic medical centers such as NCBH are committed to serving all members of the community. As stated in the NCBH application, although AMCs constitute only six percent of all hospitals in the United States, they provide 22% of services to Medicare beneficiaries, 28% of all Medicaid care, and 41% of all hospital-based charity care. Also of specific note, with the Agency's 2018 approval for NCBH to deliver low-risk pregnancies (in addition to the high-risk pregnancies that NCBH has always performed), practically all Forsyth County Medicaid newborn deliveries are now performed at NCBH and not at Novant Health Forsyth Medical Center.

Comparing AMCs and the other hospital facilities is important to consider for the Forsyth County acute care bed need determination, especially as inpatient care becomes more complex in the future. In addition, NCBH's volume has featured an increasing case mix index reflecting the specialized tertiary and quaternary nature of its services. The patient population at NCBH continues to become more complex, as simpler procedures and management move increasingly to the outpatient setting. The NCBH patients found on adult inpatient units are older and more ill than even just a few years ago. In addition, NCBH recently expanded an existing service – obstetrics – at the medical center, and is now delivering 225-250 babies each month. As the only children's hospital in the region, NCBH is still receiving a large number of referrals and transfers to the facility for NICU, and the increased activity of the birth center has necessitated additional allocation of space to ante- and post-partum facilities, as well as a recently expanded NICU.

As described in its application, NCBH's Case Mix Index (CMI) increased by 5.5% between FY2015 and FY2019 for all payors, and 3.4% for Medicare. NCBH's CMI (2.12 in FY2019) is higher than that of NHFMC (1.76 in FY2019)¹, which reflects the higher diversity, clinical complexity, and resource-intensive case load needs of the patients at NCBH.

Additional intermediate and routine acute care beds across existing service lines are needed to accommodate NCBH's growing number of complex acute care patients as they step down to lower levels of care. In order to accommodate this increasing inpatient complexity, in addition to the continued growth of admissions and inpatient days of care, NCBH needs the requested beds in this CON application. Therefore, NCBH is the more effective alternative in terms of improving patient access to a more specialized and complex care.

¹ Page 37, NHFMC CON application

Access for Medically Underserved

Self-Pay/Charity & Medicaid

A key factor in considering the relative accessibility of the alternative proposals is the extent to which each applicant expands access to the medically underserved, particularly self-pay/indigent/charity patients and Medicaid recipients. Generally, the application proposing to serve the higher percent of total patients who are self-pay and Medicaid patients is the more effective alternative with regard to this comparative factor. The table below summarizes the projected self-pay and Medicaid payor mixes for the competing applicants.

Projected Self-Pay/Charity & Medicaid Payor Mixes, PY3

Payor Type	NCBH	NHFMC
Self-pay/ charity/indigent	5.9%	4.9%
Medicaid	23.6%	11.7%
Combined	29.5%	16.6%

Source: CON Applications

As shown in the table above, NCBH projects the highest combined payor mix for self-pay/charity care/indigent and Medicaid patients.

Projected Charity Care

The following table shows projected charity care during the third full fiscal year following project completion for each facility. Generally, the application projecting to provide the most charity care is the more effective alternative with regard to this comparative factor.

Projected Charity Care, PY3

Applicant	Projected Total Charity Care	Charity Care per Patient	% of Net Revenue
NCBH	\$236,205,122	\$935	22.7%
NHFMC	\$63,382,098	\$283	9.6%

Source: CON Applications, Form F.2

As shown in the table above, NCBH projects the most charity care in dollars, the highest charity care per patient, and the highest charity care as a percent of net revenue. Therefore, the application submitted by NCBH is the more effective alternative with regard to access to charity care, and the application submitted by NHFMC is a less effective alternative.

As indicated in these tables, in terms of access for the medically underserved self-pay/indigent and Medicaid populations, NCBH’s proposal represents the most effective alternative, as NCBH projects to serve a greater percentage of both self-pay/charity/indigent patients and Medicaid recipients, as well as a far greater amount of charity care per patient.

Medicare

Both applicants project to serve a substantial Medicare percentage, as shown on the table below.

Projected Medicare Payor Mix, PY3

Payor Type	NCBH	NHFMC
Medicare	46.0%	59.6%

Source: CON Applications

In summary, NCBH’s proposal for service to self-pay/charity/indigent, Medicaid and Medicare recipients will provide the best and most appealing projection of access for medically underserved patients of the competing proposals. NCBH most effectively

satisfies the access requirement of Policy GEN-3, and therefore the NCBH application is the most effective alternative with respect to access.

Maximize Healthcare Value

Average Net Revenue & Average Operating Cost per Patient Day

A typical issue the Agency considers when evaluating the competing applications is the extent to which each proposed project represents a cost-effective alternative for development of additional acute care beds. In the current healthcare marketplace, where cost of care is a major concern with payors and consumers, the projected average net revenue and average operating cost per patient day are important measures of healthcare value. Please see the following tables.

Projected Average Net Revenue per Patient Day

Project Year	NCBH	NHFMC
1	\$4,035	\$2,786
2	\$4,076	\$2,870
3	\$4,116	\$2,956

Source: CON Applications

Projected Average Operating Expense per Patient Day

Project Year	NCBH	NHFMC
1	\$2,688	\$2,504
2	\$2,760	\$2,587
3	\$2,835	\$2,654

Source: CON Applications

Generally, the application proposing the lowest average net revenue and lowest average operating expense is the more effective alternative with regard to this comparative factor. However, differences in the facilities and the breadth and complexity of acute care services proposed by each of the facilities (as previously

discussed regarding the case mix index at each facility) may impact the averages shown in the table above. Thus, the result of this analysis is inconclusive. NCBH notes, nonetheless, that given its higher case mix, NCBH projects an average operating expense that is comparable to that of NHFMC, which speaks to the efficiency and cost effectiveness of NCBH's clinical operations.

Capital Cost per Additional Bed

This comparative analysis demonstrates NCBH's commitment to efficient allocation of capital resources. NCBH's proposal to add 68 beds is much less expensive than NHFMC's proposal to add just 20 beds, as shown in the following table.

Capital Cost per Additional Bed

	NCBH	NHFMC
Capital Cost	\$6,814,444	\$10,573,743
Additional Beds	68	20
Cost/Bed	\$100,212	\$528,687

Source: CON Applications

Clearly, NCBH most effectively satisfies the value requirement of Policy GEN-3, and is a comparatively superior application.

Specific comments regarding the NHFMC application

Comments specific to Criterion 3

NHFMC does not demonstrate the need it has for additional acute care beds. As indicated in its Form C found in Section Q, NHFMC’s occupancy rate during FY2018 was only 67.3%, which is well below the SMFP target occupancy rate of 78.0% for hospitals with an ADC exceeding 400.

In addition, NHFMC has several significant flaws in the specific assumptions it used to project acute care bed utilization. Every applicant must make assumptions in developing projections of future utilization, and is generally free to do so as it wishes. However, in the case of its CON application, NHFMC used several key assumptions, each of which was overly aggressive and unrealistic, and all of which combined NHFMC needed in order to generate the rosy scenario portrayed in its application. Each faulty assumption is discussed in turn below.

NH Forsyth Women’s Health Services Acute Care Patients

NHFMC’s assumption that NH Forsyth will have 55% of the total women’s health discharges at the two Forsyth facilities through the third project year is not reasonable and is not supported. In Table 4 on page 113 of its application, NHFMC shows that by December 2019 NCBH’s market share had increased to 42%. This is a substantial market penetration considering that NCBH just opened its low-risk obstetrics service in July 2019. Therefore, 55% is not a realistic assumption for this competitive marketplace; even a still generous 50% share is more realistic over the long term. Please see the following table which shows the impact on Table 6 of a 50% assumption instead of NHFMC’s unreasonable 55% share.

**Table 6
Projected NH Forsyth Women’s Health Services Acute Care Patients**

	2020	2021	2022	2023	2024	2025	2026
Combined Discharges	8,139	8,229	8,320	8,412	8,505	8,599	8,694
NHF share	50%	50%	50%	50%	50%	50%	50%
NHF Discharges	4,070	4,115	4,160	4,206	4,253	4,300	4,347
ALOS	3.01	3.01	3.01	3.01	3.01	3.01	3.01
NHF Women's DOC	12,249	12,385	12,522	12,660	12,800	12,941	13,084

Based upon 50% market share instead of 55%, NH Forsyth’s projected 2026 women’s health days of care is 13,084, or 9.1% lower than the application projection of 14,394 days of care. For these reasons, NCHS’s projected women’s health days of care is not supported.

NH Forsyth Average Length of Stay

NHFMC’s assumption that its average length of stay (ALOS) will be 6.35 every year through 2026 is unreasonable and is not supported by the applicant’s historical experience. On page 116, Table 9 of its application, NHFMC shows the following ALOS for the four most recent years.

**Table 9
Historical NH Forsyth Unaffected Acute Care Services**

	2016	2017	2018	2019
NHFMC ALOS	6.11	6.02	6.12	6.35

Source: NHFMC CON application

NHFMC documented its historical average length of stay in the application, but then ignored it when developing its bed utilization projection. As shown above, the 2019 ALOS is substantially higher than any of the previous three years. Therefore, it is unreasonable to assume that 6.35 ALOS going forward for seven more years of projections. Rather, a more realistic assumption would have been to take NHFMC’s four-year average, which is 6.15 days.² Please see the following table which shows the impact on NHFMC’s Table 10 of an historically supported 6.15 ALOS assumption instead of the unreasonable 6.35 ALOS.

**Table 10
Projected NH Forsyth Unaffected Acute Care Patients**

	2020	2021	2022	2023	2024	2025	2026
Discharges	27,997	28,725	29,472	30,238	31,024	31,831	32,659
ALOS	6.15	6.15	6.15	6.15	6.15	6.15	6.15
DOC	172,182	176,659	181,253	185,964	190,798	195,761	200,853

² (6.11 + 6.02 + 6.12 + 6.35)/4

Based upon a 6.15 ALOS instead of 6.35, NH Forsyth’s projected 2026 unaffected acute days of care is 200,853, or 6,532 days lower than the application projection of 207,385 days of care. For these reasons, NCHS’s projected unaffected acute care bed days of care is not supported. NHFMC’s projected annual ALOS of 6.35 is an assumption that was essential for NHFMC to manufacture its goal of adding 20 acute care beds; however, the applicant failed to demonstrate the projected days of care are based on reasonable and supported assumptions. Therefore, the application is non-conforming to Review Criterion 3.

NH Kernersville Acute Care Utilization

NHFMC’s assumption that the growth rate for acute care discharges at NH Kernersville will increase 5.9% annually through the third project year is unrealistic and is not supported. On page 118 of its application NHFMC claims that 7.9% is a reasonable basis for a projection of future demand at the facility, but that it reduced this to 5.9% to show “an extremely conservative and unrealistically low demand projection”. In healthcare planning, a 5.9% annual acute care service growth rate for seven consecutive years is generally considered to be neither extremely conservative nor unrealistically low. In fact, acute care discharges at NH Kernersville increased less than 1% (0.57%) from 2018 to 2019, as shown in Table 12 on page 117 of NHFMC’s application, stark evidence that 5.9% is not a reasonable assumption for that facility, and certainly not in a competitive marketplace. For purposes of illustration, even generously assuming a 5.9% growth rate in 2020, and then decreasing that by 10% each year through 2026, projected NH Kernersville annual days of care are significantly lower. Please see the following table which shows the substantive impact on Table 13 of a moderated (but still unreasonably high discharge growth rate) assumption instead of the implausible annual 5.9%.

**Table 13
NH Kernersville Projected Acute Care Discharges and Days**

	2020	2021	2022	2023	2024	2025	2026
Discharges	3,339	3,516	3,684	3,843	3,992	4,131	4,260
Growth Rate	5.9%	5.3%	4.8%	4.3%	3.9%	3.5%	3.1%
ALOS	3.46	3.46	3.46	3.46	3.46	3.46	3.46
KMC DOC	11,553	12,166	12,748	13,296	13,811	14,292	14,740

Based upon a steadily declining growth rate ranging from 5.9% to 3.1% instead of 5.9% each year, NH Forsyth’s projected 2026 KMC days of care is 14,740, or 9.6% lower than the application projection of 16,297 days of care. For these reasons, NCHS’s projected KMC days of care is not supported.

NH Clemmons Acute Care Utilization

NHFMC’s assumption that the growth rate for acute care discharges at NH Clemmons will increase 5.6% annually through the third project year is not reasonable and is not supported. As previously stated with regard to the Kernersville methodology, a 5.6% annual acute care service growth rate for seven consecutive years is similarly unrealistically aggressive for a competitive marketplace. For purposes of illustration, even generously assuming a 5.6% growth rate in 2020, and then declining by 10% each year through 2026, the projected NH Clemmons days of care are significantly lower. Please see the following table which shows the substantive impact on Table 16 of a moderated (but still unreasonably high discharge growth rate) discharge growth rate assumption instead of the unwarranted annual 5.6%.

**Table 16
Projected NH Clemmons Acute Care Patients and Days**

	2020	2021	2022	2023	2024	2025	2026
Discharges	2,523	2,650	2,770	2,883	2,989	3,088	3,180
Growth Rate	5.6%	5.0%	4.5%	4.1%	3.7%	3.3%	3.0%
ALOS	1.96	1.96	1.96	1.96	1.96	1.96	1.96
CMC DOC	4,945	5,194	5,429	5,651	5,859	6,052	6,233

Based upon a steadily declining growth rate ranging from 5.6% to 3.0% instead of 5.6% each year, NH Forsyth’s projected 2026 CMC days of care is 6,233, or 9.1% lower than the application projection of 6,858 days of care. For these reasons, NCHS’s projected CMC days of care is not supported.

NH Medical Park Acute Care Utilization

NHFMC’s assumption that the growth rate for acute care discharges at NH Medical Park will increase 0.5% annually through the third project year is arbitrary and is not supported. On page 121 of its application, NHFMC shows that acute care discharges at NH Medical Park Hospital steadily decreased at a compound annual growth rate of -2.8% from CY2016 through CY2019. Days of care decreased at an even faster rate (-8.6%) during this same time period, as shown in Table 18. There is simply no reasonable basis for assuming that this steady historical decline will immediately convert into a positive discharge growth rate, beginning in CY2020 and continuing for seven consecutive years. Even generously assuming a -2.8% growth rate in 2020 (consistent with the most recent 3-year CAGR), and then reducing by 10% each year through 2026, the projected NH Medical Park Hospital days of care are substantively

lower than calculated in the NHFMC application. Please see the following table which shows the impact on Table 19 of a more realistic discharge growth rate assumption instead of the wishful annual 0.5%.

**Table 19
Projected NH Medical Park Hospital Acute Care Patients and Days**

	2020	2021	2022	2023	2024	2025	2026
Discharges	812	791	773	757	744	731	720
Growth Rate	-2.8%	-2.5%	-2.3%	-2.0%	-1.8%	-1.7%	-1.5%
ALOS	3.01	3.01	3.01	3.01	3.01	3.01	3.01
MPH DOC	2,443	2,381	2,327	2,280	2,238	2,201	2,168

Based upon historically more realistic growth rates ranging from -2.8% to -1.5% instead of 0.5% each year, NH Forsyth’s projected 2026 MPH days of care is 2,168, or 16.7% lower than the application projection of 2,603 days of care. For these reasons, NCHS’s projected MPH days of care is not supported.

Overall Impact on Projected NH Forsyth System Need

NHFMC needed each of these unreasonable assumptions, as detailed above, in its Form C methodology in order to construct its desired demonstration of need for an additional 20 acute care beds. Please see the following table which shows the impact on Table 20 of more realistic assumptions for projecting NH Forsyth system growth.

**Table 20
Projected NH System – Forsyth County Acute Care Bed Need (All Facilities)
2020 SMFP Target Occupancy Factors by License**

	NHFMC	NHKMC	NHCMC	NHF Total	NHMPH	NH System- Forsyth
2026 Acute Care Days	226,273	14,740	6,233	247,246	2,168	249,414
ADC	619.9	40.4	17.1	677.4	5.9	683.3
Target Occupancy Factor	1.28	1.28	1.28	1.28	1.5	
Beds Needed	794	52	22	867	9	876
Licensed Beds	765	50	50	865	22	887
Surplus(-)/Deficit(+)	29	2	(28)	2	(13)	(11)

Reflects more reasonable days of care based on discussion in previous narrative. Note that for sake of argument, NCBH did not adjust NHFMC’s projected joint replacement days of care of 2,217 nor the projected NICU days of care of 10,119 for CY2026, which also factor into the Table 20 total acute care days.

Based upon all the considerations (in the prior discussions) regarding NHFMC’s various growth assumptions, rather than demonstrating “need” for 26 additional acute care beds in the NH System – Forsyth County, Novant Health more realistically projects to continue to have a surplus of acute care beds in Forsyth County in CY2026. As shown above, NH Forsyth’s projected 2026 total days of care is 249,414, or 10,459 fewer days of care than the application’s projection of 259,873 days of care. This results in a system bed need of 876, or 11 fewer beds than Novant Health already has licensed in Forsyth County. For these reasons, NCHS’s projected Forsyth County acute care days of care is not supported, and NHFMC’s application is not conforming to Criterion 3, and should be denied.

Comments specific to Criterion 4

NHFMC failed to demonstrate that its proposal represents the least costly or most effective alternative, and is not conforming to Review Criterion 4. As described previously, NHFMC does not demonstrate that projected acute care utilization is based on reasonable and supported assumptions. Therefore, because the application does not demonstrate need for the proposed services, it cannot be an effective alternative, and the application is thus not conforming to Criterion 4.

Comments specific to Criterion 5

Because NHFMC did not reasonably demonstrate the need for the proposed bed addition (see Criterion 3), and its projected acute care bed days of care are faulty, NHFMC did not demonstrate the financial feasibility of the proposal, and the NHFMC application is therefore non-conforming to Review Criterion 5.

Comments specific to Criterion 6

NHFMC failed to demonstrate the need it claims to increase its acute care bed capacity by 20 beds. As indicated in its Form C, Section Q, NHFMC's occupancy rate during CY2016 was only 67.3%, which is well below the SMFP target occupancy rate of 78% for hospitals with an ADC greater than 400. As described in the comments related to Criterion 3, NHFMC failed to demonstrate in its application that the new acute care beds it proposes to develop are needed. Therefore, the NHFMC application does not demonstrate that it is not unnecessarily duplicative of existing health service capabilities and facilities, and is non-conforming to Review Criterion 6.

Comments specific to Criterion 18a

As the NHFMC application is non-conforming with Criteria (3), (4), (5), and (6), it should also be found non-conforming with Criterion (18a). NHFMC did not reasonably demonstrate the need the population projected to be served has for its proposed project, and did not adequately demonstrate that its proposal would not result in the unnecessary duplication of services in Forsyth County. NHFMC did not adequately demonstrated the financial feasibility of the proposal. Thus, the proposed NHFMC project will not have a positive impact on competition.

Comments specific to Section .3800 – Criteria and Standards for Acute Care Beds

NHFMC's projected utilization does not conform to 10A NCAC 14C .3803. As previously described, NHFMC has several significant flaws in the specific assumptions it used to project acute care bed utilization. NCHS's projected Forsyth County acute care days of care is not supported, and NHFMC's application is not conforming to the Acute Care Beds Performance Standards, and should be denied.

CONCLUSION

For all of the foregoing reasons, the NHFMC application should be disapproved. It fails to satisfy multiple CON review criteria and the acute care bed administrative rules, and it is also comparatively inferior to the NCBH application. The NCBH application should be approved because it satisfies all the applicable CON review criteria and is comparatively superior to the NHFMC application.