
Acute Care Services Committee

Recommendations to the North Carolina State Health Coordinating Council

October 4, 2017

The Acute Care Services (ACS) Committee met once after the June Council meeting, on September 12, 2017.

Following is an overview of the Committee's recommendations for Acute Care Services, Chapters 5-8, of the *2018 State Medical Facilities Plan (SMFP)*. For all chapters, inventories have been updated to reflect any changes, and data tables include placeholders where applicable. All inventories and need determinations are subject to change.

Chapter 5: Acute Care Hospital Beds

One petition was received for this chapter.

Petition: UNC Hospitals

- **Request:** UNC Hospitals requests removal of the need determination in the *2018 SMFP* for 36 acute care beds in Orange County. The Agency received no letters or comments.
- **Committee Recommendation:** After incorporation of the refreshed Truven data, Orange County no longer has a need for acute care beds. Therefore, the Committee recommends denial of the petition because it is moot.

Data Discrepancy Report

Staff compared Truven Health Analytics data for 2016 to data from the License Renewal Applications. The Committee originally reviewed a list of 19 hospitals with acute days of care discrepancies between the two data sources that exceed

plus-or-minus five percent. Healthcare Planning received the resubmitted Truven data from the Cecil G. Sheps Center in August. After the data had been refreshed, the report now includes 9 hospitals that have a greater than a five percent discrepancy. The changes in Truven data for those facilities with discrepancies do not affect need determinations.

Data Updates

Based on data and information currently available, application of the methodology results in the following draft need determinations at this time:

- Mecklenburg County, 50 Acute Care Beds
- Moore County, 22 Acute Care Beds

Chapter 6: Operating Rooms

Eight petitions were received for this chapter and were discussed by the Committee.

Petition 1: OrthoCarolina

- **Request:** OrthoCarolina requests two changes to the requirements of the Single Specialty Ambulatory Surgery Demonstration Project: (1) reduction of the charity care (self-pay and Medicaid) requirement from 7% of total revenue to 5%; and (2) exclusion of the revenue from procedures that do not yet have a Medicare allowable amount or are not currently ambulatory surgery center-approved by Medicare from the denominator of the charity care percentage calculation. The Agency received three comments: one in opposition, one mixed, and one in favor.
- **Committee Recommendation:** When the demonstration project was approved for the 2010 SMFP, neither the SHCC nor the Agency foresaw a situation in which a Medicare allowable amount would not be available for all surgeries performed. This situation, however, has become more common as commercial insurers have covered more complex surgeries in ambulatory surgery centers that heretofore had been covered only in

hospitals. Therefore, the Committee recommends approval of the exclusion of revenue from procedures that do not yet have a Medicare allowable amount from the calculation of the charity care percentage. When Medicare establishes allowable reimbursement amounts, the revenue for these procedures will be included in the calculations. This change applies to all demonstration sites. Because this change will, by definition, result in a higher percentage of revenue attributable to charity care (self-pay and Medicaid), the Committee recommends denial of the request to reduce the requirement from 7% to 5%.

In addition, based on internal Agency discussions, as well as discussions with the demonstration sites and the Committee, it became clear that the original reporting instructions in the 2010 SMFP needed to be altered. The Committee, therefore, recommends altering the instructions provided to the demonstration sites such that they use revenue earned rather than revenue collected in the calculation of the percentage of revenue attributable to self-pay and Medicaid.

Petition 2: Cape Fear Valley Medical Center

- **Request:** Cape Fear Valley Medical Center requests an adjustment to the operating room methodology such that the projected growth rate for surgical cases be held constant when population growth is negative. The Agency received one letter of support.
- **Committee Recommendation:** The OR Workgroup discussed making this change during the development of the new methodology, because it would make the OR methodology more similar to the acute care bed methodology. This change makes no difference in OR surpluses for about 85% of facilities, and a negligible difference in the remainder. As such, it is very unlikely to make a difference in OR need determinations. Therefore, the Committee recommends approval of the petition.

Petition 3: Wake Forest Baptist Health

- **Request:** Wake Forest Baptist Health requests a reduction in the need determination for ORs in Forsyth County from six to four. The Agency received one neutral comment and one letter in opposition.
- **Committee Recommendation:** Chronically underutilized facilities are excluded from the calculations in the methodology. Forsyth County has a unique situation in that the Wake Forest Ambulatory Ventures, LLC (which is 80% owned by Wake Forest University Health Sciences) received a CON to relocate ORs from a chronically underutilized facility to a new location to develop a new facility. In doing so, the CON application was required to show that these ORs would meet established performance requirements. That is, they would cease to be underutilized once licensed. Therefore, the Committee concurs with the Agency recommendation that underutilized ORs in such situations be included in the inventory as though they were not underutilized. This clarification to the methodology results in a reduction of the OR need in Forsyth County from six to four.

In addition, the Agency brought to the Committee a recommendation regarding a situation unforeseen during the deliberations of the OR Methodology Workgroup. If, for example, ORs to be relocated from a hospital to a new entity in another health system are removed from the hospital's inventory upon issuance of the CON, it is possible that this can generate a need in the service area, because doing so would reduce the health system's inventory. This result does not reflect the intent of the methodology. The Agency requests and the Committee agrees that Chapter 6 of the SMFP should include language such that ORs to be relocated will be removed from the original facility's inventory when they are licensed in the new facility. Staff will draft language for my review and approval in preparation for the Final 2018 SMFP.

Petition 4: Duke University Health System

- **Request:** This request was in the form of a comment. Duke University Health System submitted a comment regarding the definition of "health

system” as used in the OR methodology. The Agency received no other comments or letters.

- **Committee Recommendation:** Duke raised an issue regarding the meaning of “ownership” as used in the OR methodology by pointing out that it did not actually own Duke Regional Hospital, but rather leased it. Internal discussions in the Agency had considered similar issues and planned to recommend changes to the definition of “health system” in the OR methodology. The Committee concurs with the Agency recommendation to clarify the definition of health system to include leased facilities and to describe more clearly when a joint venture should be included in a health system.

Petition 5: Wilmington Health

- **Request:** Wilmington Health petitioned for an adjusted need determination for two ORs in Onslow County. This petition was withdrawn in August, so no action was taken.

Petition 6: Graystone Ophthalmology Associates

- **Request:** Graystone Ophthalmology Associates requests an adjusted need determination for one operating room in Catawba County. Nineteen documents were submitted in support of the petition. Among these, 12 were from physicians in the practice. One letter was submitted in opposition to the petition.
- **Committee Recommendation:** Graystone submitted a similar petition last year, but the Committee and SHCC recommended denial. An important reason for the denial was that Catawba County had substantial excess OR capacity based on the methodology, and the petitioner did not demonstrate that they had tried to access it. The current petition shows that, during 2017, Graystone made significant efforts in this area, but none were successful. In addition, Graystone is substantially increasing its surgical staff, and thus increasing its surgical hours. Therefore, the

Committee agrees with the Agency's recommendation to approve the petition for an adjusted need determination for one OR in Catawba County.

Petition 7: Cape Fear Valley Medical Center

- **Request:** Cape Fear Valley Medical Center requests an adjusted need determination for one OR in Cumberland County. The Agency received two comments regarding the petition. One was from Cape Fear Valley Medical Center in favor of the petition. The other was opposed.
- **Committee Recommendation:** Cape Fear Valley Medical Center has an agreement with the Jerry M. Wallace School of Osteopathic Medicine at Campbell University to train surgical and OB/GYN residents. The first class of four residents started in July. By 2022, Cape Fear expects to have 20 surgical residents and 16 OB/GYN residents. Using estimated case times based on experiences at other teaching hospitals in North Carolina, the hospital is projected to need one additional OR. Therefore, the Committee agrees with the Agency recommendation to approve the petition, with the stipulation that the *2018 SMFP* include an adjusted need determination for one OR in Cumberland County to be used for the training of surgical residents in inpatient and outpatient procedures.

Petition 8: Azura Vascular Care

- **Request:** Fresenius Vascular Care, d/b/a Azura Vascular Care, and four other petitioners request an adjusted need determination for a demonstration project to develop two operating rooms in each of the six Health Service Areas statewide. These ORs would be located in single-specialty vascular access ambulatory surgical facilities, and would provide a full range of vascular access services necessary for end-stage renal disease patients. The Agency received 62 letters of support for this petition. Three comments recommending denial were also received, but one was withdrawn. One of the comments considered to be in opposition actually favored the idea of a demonstration project, but expressed objections to most of the petitioners' proposals such that it was considered by the Agency to effectively be in opposition to the petition.

- **Committee Recommendation:** Under new Medicare rules regarding bundled payments, many procedures currently performed in physician offices will be reimbursed at a much lower rate unless they are performed in licensed operating rooms. Azura argues that vascular access physician practices will no longer be financially viable under these new rules. While the Agency recognized the challenges that physician offices face, there are important questions still to be answered. In addition, the establishment of a demonstration project requires opportunities for stakeholder and public input before approval. As such, sufficient time does not exist for proper consideration of the proposed demonstration project for the *2018 SMFP*. The Committee acknowledged the need to examine this issue further, but agreed with the Agency that it is premature to move forward with a demonstration project at this time. Early in 2018, I will work with the Agency on the appropriate next steps. The Committee concurs with the Agency's recommendation to deny the petition.

Data Updates

Based on data and information currently available, application of the methodology results in the following draft need determinations at this time:

- Buncombe County, 2 ORs
- Durham County, 4 ORs
- Forsyth County, 6 ORs
- Mecklenburg County, 6 ORs
- Orange County, 6 ORs
- Wake County, 6 ORs

Chapter 7: Other Acute Care Services

There were no petitions or comments related to this chapter. Based on data and information currently available, application of the methodology results in no draft need determinations at this time.

Chapter 8: Inpatient Rehabilitation

One petition was received for this chapter.

Petition: Novant Health and HealthSouth Corporation

- **Request:** Novant Health and HealthSouth Corporation request an adjusted need determination for 50 inpatient rehabilitation beds in Health Service Area III. The Agency received 93 letters of support and two comments in opposition to this petition.
- **Committee Recommendation:** The Petitioners pointed out that the methodology did not trigger a need determination for the Proposed 2018 SMFP because it does not round fractional utilization percentages. Had it done so, there would have been a need for eight inpatient rehabilitation beds. The Agency acknowledged that Novant's stroke center may increase the number of patients, but the analysis showed that this increase is likely to have only a minimal impact on bed need. Also, HSA III has excess capacity outside of Mecklenburg County in a Novant facility in Rowan County with ten rehabilitation beds. The Committee concurs with the Agency recommendation to approve an amended request to the Petition to show a need for eight inpatient rehabilitation beds in HSA III in the 2018 SMFP.

Data Updates

Based on data and information currently available, application of the methodology results in no draft need determinations at this time.

Recommendations Related to All Chapters

The Committee recommends to the State Health Coordinating Council approval of Chapters 5 through 8, Acute Care Facilities and Services, with the understanding that staff is authorized to continue making necessary updates to the narratives, tables, and need determinations as indicated.