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## **Acute Care Services Committee**

Recommendations to the North Carolina State Health Coordinating Council

October 2, 2019

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The Acute Care Services Committee met once after the August Council meeting, on September 17.

Following is an overview of the Committee's recommendations for Acute Care Services, Chapters 5-9, of the *2020 SMFP*. 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**

The Agency received no petitions for this chapter.

#### ***Data Discrepancy Report***

Staff compared IBM Watson Health Analytics data for 2018 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 refreshed IBM Watson Health data from the Cecil G. Sheps Center in August. Now that the data has been refreshed, the report includes 15 hospitals that have a greater than five percent discrepancy. Refreshing the data caused no changes in need determinations.

#### ***Service Area Merger***

G.S. 131E-77(e1) allows an owner to put hospitals in two adjacent counties on the same license when a hospital has closed within the past three years, it was the only hospital in the county, and it is owned by a hospital in an adjacent county.

Duke LifePoint (DLP) now owns Maria Parham Hospital in the Vance/Warren Service Area. DLP leases the closed Franklin Medical Center from Franklin County. DLP has now combined these two hospitals under the Maria Parham license. For this reason, the committee voted to combine the Vance/Franklin/Warren Acute Care Bed and OR service areas. The Committee plans to revisit this issue in the Spring to discuss whether to propose a statewide policy.

**A motion was made and seconded to remove this item from the report and table the issue until March 2020.**

### ***Data Updates***

Data updates resulted in no changes to need determinations since the publication of the Proposed Plan. Application of the methodology continues to result in need determinations for a total of 319 acute care beds. They are

- 68 in Forsyth County
- 64 in Gaston County
- 126 in Mecklenburg County
- 25 in Moore County
- 36 in New Hanover County

### **Chapter 6: Operating Rooms**

The Agency received two petitions for this chapter.

***Petition:*** **Novant Brunswick Medical Center** petitioned for an adjusted need determination for two ORs in the Brunswick County Service Area. There were 17 letters of support submitted with the petition. The Agency received two letters in opposition to the petition.

- **Committee Recommendation:** The Proposed 2020 SMFP shows a deficit of 0.22 ORs, resulting in no need determination for additional ORs. The Petitioner asserted that the case times used to determine need for the

2019 SMFP and the Proposed 2020 SMFP were incorrect. The Agency's analysis found that the calculations were correct and confirmed that Brunswick County has no need for additional ORs according to the standard need methodology. The petitioners also argued for a need for more ORs due to Brunswick County's large and fast-growing older population and concluded that the addition of two ORs will not duplicate services. The Agency found that the Brunswick County 65-and-older population is proportionately larger than the State's and is growing at a slightly faster rate than the State overall. The Agency also noted that a new OR that should become operational in March 2020 might absorb some, but not all, of the increasing surgical volume in Brunswick County. Finally, data on migration patterns indicated that the majority of Brunswick County residents in need of surgical services leave the County to access them. The Agency recommended denial of the petition for two ORs and instead recommended an adjusted need determination for one OR in Brunswick County. The Committee did not concur with this recommendation. Rather, the Committee denied petition in its entirety.

***Petition: The Appalachian Regional Healthcare System*** petitioned to combine Avery and Watauga Counties into a single service area

- **Committee Recommendation:** Charles A. Cannon, Jr. Memorial Hospital in Avery County and Watauga Medical Center in Watauga County are both in the Appalachian Regional Healthcare System. Avery County has a surplus of 1.82 ORs and Watauga County as a surplus of 1.17 ORs in the Proposed 2020 SMFP. The largest proportion of Avery County residents leaving the county for surgical services go to Watauga Medical Center. The Agency reviewed migration patterns between a hypothetical Avery/Watauga Service Area and Alleghany County and between an Avery/Watauga Service Area and Ashe County in order to determine the potential impact on nearby critical access hospitals in Ashe and Alleghany Counties. Migration trends suggested there would be very little impact on surgical volumes in the critical access hospitals in those service areas. The Committee agreed with the Agency's recommendation to approve the petition.

### ***Single Specialty Ambulatory Surgery Demonstration Project***

The 2010 SMFP included a demonstration project for three single specialty ambulatory surgical facilities, with two ORs each. The three demonstration project facilities are:

- Piedmont Outpatient Surgery Center (POSC) in Winston-Salem, an Otolaryngology (ENT) surgery center.
- Triangle Orthopaedics Surgery Center (TOSC) in Raleigh.
- Mallard Creek Surgery Center (MCSC) in Charlotte, an orthopedic surgery center.

The general goal of the evaluation was to test the concept of physician-owned single specialty ambulatory surgical centers in terms of value, access to the uninsured, and quality and safety of care. The Agency was tasked with evaluating the demonstration after all facilities had submitted five annual reports. The last report was submitted earlier this year.

The demonstration sites showed exceptionally high degrees of safety and quality, based on the results of the World Health Organization's Surgical Safety Checklist and the patient outcome measures of wound infection rate, post-operative infections, post-procedure complications, readmissions, and medication errors. The mechanism to measure access to indigent patients proved problematic for some facilities, but in almost every year all facilities reached the goal.

The Agency also looked at how the demonstration facilities compared to multispecialty ambulatory surgical facilities in terms of payer mix (as reported on License Renewal Applications). About one-third of Piedmont Outpatient Surgery Center's patients are on Medicaid or are self-pay/charity patients, compared to about nine percent for multispecialty facilities. This result is not surprising because the facility has a large proportion of pediatric patients. The orthopedic facilities, however, served about half of the proportion of Medicaid patients as multispecialty facilities. That is, about five percent of patients at both Triangle Orthopedics and Mallard Creek were covered by Medicaid. The self-pay/charity proportions were similar between Triangle Orthopedics and the multispecialty

facilities, at just under two percent. However, just over seven percent of Mallard Creek's patients were self-pay/charity care patients.

Given these results, the Agency recommended that the demonstration be concluded and the facilities be included in the SMFP on the same basis as all other ambulatory surgical facilities. The Committee approved this recommendation.

### ***Data Updates***

Based on data and information currently available, application of the methodology results in draft need determinations for 17 operating rooms in the following service areas:

- 2 in Forsyth County
- 12 in Mecklenburg County
- 3 in Wake County

### **Chapter 7: Other Acute Care Services**

The Agency received 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.

### **Chapter 8: Inpatient Rehabilitation**

The Agency received no petitions or comments for this chapter. Based on data and information currently available, application of the methodology results in no draft need determinations.

### **Chapter 9: End Stage Renal Disease Dialysis Facilities**

The Agency received three petitions for this chapter.

**Petition: UNC Hospitals** petitioned for an adjusted need determination for four outpatient dialysis stations in an acute care setting in Orange County.

- **Committee Recommendation:** UNC does not currently have an outpatient dialysis facility. As such, a county need determination would be required. However, county need determinations are rare, and Orange County has no need in the *Proposed 2020 SMFP*. Also, it is unlikely a county need determination will occur anytime soon in Orange County. UNC Hospitals proposed to develop four outpatient dialysis stations to continue to serve patients' emergent needs and later refer them to a dialysis facility in their community. UNC Hospitals currently has only inpatient dialysis stations. To receive reimbursement for outpatient dialysis treatments, the hospital must develop Medicare-certified outpatient dialysis stations. The Committee concurred with the Agency's recommendation for an adjusted need determination for four outpatient dialysis stations located on the campus of an acute care hospital in Orange County. Further, Certificate of Need shall impose a condition requiring the approved applicant to document that they have applied for Medicare certification no later than three years from the effective date on the certificate of need.

**Petition: DaVita** requests creation of Policy ESRD-3 to adjust the need determination in five facilities and as a replacement for the revised methodology approved by the SHCC at its May 29, 2019 meeting.

- **Committee Recommendation:** The Agency received one comment in support of the Petition. The request was for a policy to apply to five specific facilities. However, the policy as described in the petition would apply statewide. The Agency remains committed to the methodology approach for the projection of need for ESRD dialysis stations. Even though this petition did not request adjusted need determinations for any of the five facilities mentioned in the Petition, the Agency assessed their recent growth and utilization and found that one of the facilities qualified for additional stations. The Committee concurred with the Agency's recommendation to deny the petition to create Policy ESRD-3. The

Committee also concurred with the Agency's recommendation to approve an adjusted need determination for up to four additional dialysis stations for Alamance County Dialysis (Alamance County) in the 2020 SMFP.

***Petition: Fresenius Medical Care and its related dialysis facilities in North Carolina*** petitioned to replace the facility need methodology with a policy approach.

- **Committee Recommendation:** The Petitioners expressed concern that the revised methodology would create too many need determinations, thus resulting in duplication of services. Facilities may only apply for the number of stations that they can show can meet the CON performance standards. Historically, facilities have applied for about 30% of the stations calculated to be needed. In addition, only the facility that generates the need may apply to add stations. Therefore, the Agency concluded that duplication of resources or excess capacity is highly unlikely. The Committee agreed with the Agency's recommendation to deny the petition.

### ***Comments Regarding the ESRD Facility Need Methodology***

During the summer, the Agency not only received petitions regarding ESRD, but also received nine comments on this topic from people and organizations. The Agency prepared a report that addressed the main themes of the comments and set out recommendations in response to those comments.

- **Committee Recommendation:** The Agency's review of the comments resulted in four recommendations to the committee. First, the Agency recommended an alteration to the revised methodology that makes it more responsive to the growth and utilization patterns of small dialysis facilities, defined as those with 13 stations or fewer. Two comments from Health Systems Management/Wake Forest Baptist Health described situations in which a facility had significant growth during the first part of the current calendar year. The commenters claimed that this situation illustrated that the methodology fails to meet the needs of patients. The Agency's position throughout the past year of meetings with providers is that they should file

summer petitions when such situations arise. Given that this process is new to the dialysis providers, the Agency chose to treat these two comments as petitions. Application of the standard methodology showed deficits in both facilities. As a result of these comments, the Agency's second recommendation was to approve an adjusted need determination for up to eight dialysis stations at the Statesville Dialysis Center of Wake Forest University (Iredell County). The third recommendation was to approve an adjusted need determination for up to eight dialysis stations at the Mt. Airy Dialysis Center of Wake Forest University (Surry County). The fourth and final Agency recommendation was to review the revised facility need methodology in at least the first year of implementation and report results to the Acute Care Services Committee for consideration of further adjustments. The Committee approved all four Agency recommendations.

### ***Data Updates***

Based on data and information current as of September 5, 2019, application of the county need methodology results in no draft county need determinations. However, application of the facility need methodology results in a need for 885 stations in the 2020 SMFP.

### **Recommendations Related to All Chapters**

The Committee recommends to the State Health Coordinating Council approval of Chapters 5 through 9, Acute Care Facilities and Services, with the understanding that staff is authorized to continue making necessary updates to the narratives, tables, and need determinations. **The Committee's recommendation was amended to exclude the item on the merger of Vance and Franklin County service areas.**