

**Acute Care Committee Agency Report
Adjusted Need Petition
for the Buncombe/Graham/Madison/Yancey County
Acute Care Bed Service Area
in the 2023 State Medical Facilities Plan**

Petitioner:

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Request:

Margaret R. Pardee Memorial Hospital requests that the 31-acute care bed need determination for the Buncombe/Graham/Madison/Yancey County (“Buncombe”) acute care bed service area be removed in the *2023 State Medical Facilities Plan (SMFP or “Plan”)*.

Background Information:

Chapter Two of the SMFP notes that during the summer, the Agency accepts petitions that “involve requests for adjustments to need determinations in the Proposed SMFP. Petitioners may submit a written petition requesting an adjustment to the need determination in the Proposed SMFP if they believe that special attributes of a service area or institution give rise to resource requirements that differ from those provided by the standard methodologies and policies.” It should be noted that any person might submit a certificate of need (CON) application for a need determination in the Plan. The CON review could be competitive and there is no guarantee that the petitioner would be the approved applicant.

Several steps are included in the acute care bed need methodology. Steps 1 and 2 of the *Proposed 2023 SMFP* describe the process to determine the inventory and days of care. A recent change to this step of the methodology removes Level II, III, and IV neonatal intensive care unit (NICU) beds and days of care from the need methodology. In Step 3 of the methodology, projected inpatient days of care (DOC) are calculated for the projection year. To do this, the methodology typically requires calculating the percentage change in inpatient DOC over the previous five reporting years to determine each service area’s growth rate multiplier (GRM). When the GRM is negative, the inpatient DOC for the reporting year is the same as the projected DOC for the facility. When the GRM is positive, it is compounded for four years of growth and multiplied by the current

year's reported inpatient DOC to determine projected DOC. The projected DOC is divided by 365.25 and adjusted by an occupancy factor to project the number of beds needed.

Normally, Step 3 would indicate use of the DOC data from FY 2017 – 2021 to calculate each GRM for the *2023 SMFP*. However, because of the COVID-19 pandemic's continued impact on projection calculations, the State Health Coordinating Council (SHCC) has approved the use of DOC reported over the five fiscal years pre-pandemic for the *2023 SMFP*. In other words, rather than calculate the GRM based on FY 2017 – 2021 utilization, the *Proposed 2023 SMFP* used each service area's DOC for FY 2015 – 2019. In the *Proposed 2023 SMFP*, the GRM in the Buncombe County service area is 1.0157.

As is typical, the next steps are undertaken to determine the number of beds, if any, that are needed in a service area. First, it is determined whether a single hospital or a group of hospitals under common ownership in the service area has a deficit of beds that equal at least 20 beds or 10% of the single hospital's or group of hospital's planning inventory. Next, the deficits of all single hospitals and group of hospitals are added together. From that number, need determinations from prior SMFPs for which CONs have not been issued are subtracted. If this difference is at least 20 beds, or 10% of the planning inventory of a single hospital, or 10% of the inventory of a group of hospitals under common ownership, then the need determination is equal to the difference.

Mission Hospital, which is operated by HCA Healthcare, is the only hospital in the Buncombe service area, and it has 682 licensed acute care beds (excluding 51 NICU beds). There are also 67 beds for which a need determination has been established but a CON has not yet been issued. Three hospitals have submitted CON applications for these beds. All 749 beds are accounted for in the *Proposed 2023 SMFP*, which also shows a need determination for 31 acute care beds in the Buncombe County service area.

Analysis/Implications:

One basis of the petition is that the adjustment made in response to COVID does not capture the true need in Buncombe County. The Petitioners note that, while the GRM is adjusted, the methodology in the *Proposed 2023 SMFP* does not adjust which DOC are used as a starting point for projected DOC. According to the Petitioners, using 2021 DOC is not appropriate for the Buncombe service area because it is influenced by large spikes in DOCs and ALOS that are not representative of historical utilization trends. Agency staff have confirmed that the increases from FY 2020 to 2021 were not typical of the service area pre-pandemic (See Table 1). Note that even though the methodology now excludes Level II-IV NICU beds, discharge data is reported as a total for the facility rather than by category on the License Renewal Applications (LRAs). Thus, calculation of ALOS in Table 1 requires use of facility DOC that are also inclusive of NICU DOC.

Table 1. Mission Hospital Utilization, FY 2015 – 2021

	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
DOC*	183,905	188,214	189,146	193,482	195,732	199,290	222,951
DOC Annual Change Rate		2.3%	0.5%	2.3%	1.2%	1.8%	11.9%
Discharges**	38,015	38,418	39,242	39,665	42,902	40,386	40,970
ALOS	4.84	4.90	4.82	4.88	4.56	4.93	5.44
ALOS Annual Change Rate		1.3%	-1.6%	1.2%	-6.5%	8.2%	10.3%

* Source: The Hospital Industry Data Institute; DOC include Level II, III and IV NICU services

** Discharge data provided on 2016 - 2022 License Renewal Applications (LRA) includes Level II, III and IV NICU services

Also, most hospitals with an ADC similar to Mission’s (ADC >400) experienced a decrease in DOC between FY 2019 and 2020. However, what is believed to be a temporary “bounce-back” in DOC occurred for almost all of these hospitals in FY 2021. On average, DOC for the group of hospitals with an ADC >400 increased by 8%. Mission is an outlier among this group with an increase of 13%.

In an additional analysis, Agency staff reviewed population growth trends (See Table 2). With the exception of an apparent spike in the census for the Buncombe service area from FY 2020 to 2021, this area’s population growth has been similar to that of the State overall. Further, Buncombe’s population projections indicate its rate of growth will continue to be similar to that of the State over the next three years.

Table 2. Buncombe Service Area and North Carolina Population Growth

	Buncombe/ Graham/ Madison/Yancey Service Area	State
Population Average Annual Growth Rate, FY 2016 - 2019	0.80%	1.10%
Population Average Annual Growth Rate, FY 2020 - 2021	1.45%	0.21%
Projected Population Average Annual Growth Rate, FY 2022 - 2025	1.00%	1.01%

Source: North Carolina Office of State Budget and Management

Given that Mission experienced such large increases in DOC from FY 2020 to FY 2021, it is an anomaly in terms of DOC growth when compared to similar hospitals. Also, if Buncombe’s population growth is not expected to rise above normal levels, it is important to understand what the need determination in the 2023 SMFP might have been if trends in utilization had not been

interrupted. Agency staff first examined need determination calculations by interpolating DOC for FY 2020 and 2021 based on Mission’s average annual growth rate in DOC of 1.57% from FY 2016 – 2019 (See Table 3). In this scenario, the GRM is calculated based on DOC growth between FY 2017 – 2019 and the interpolated FY 2020 and 2021 DOC. As shown in Table 4, Buncombe would show a surplus of 55 beds in the 2023 SMFP.

Table 3. Mission Hospital Days of Care, Excluding NICU DOC

	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
DOC*	173,123	176,897	178,093	181,469	185,349	208,998
DOC Annual Change Rate		2.2%	0.7%	1.9%	2.1%	12.8%
	Average Annual Change Rate, FY 2016 - 2019				1.57%	

* Source: The Hospital Industry Data Institute; DOC exclude Level II, III and IV NICU services.

Table 4. Buncombe Service Area Need Determination

Facility Name	Licensed Beds	CON Adj	DOC	GRM	2025 Projected DOC	2025 Projected ADC	2025 Projected Beds Needed	Projected 2025 Surplus (-) or Deficit
Mission	682	0	187,205	1.0143	198,122	542	694	12
2022 SMFP Need Determination	0	67	0	1.0143	0	0	0	-67
								-55

In a second analysis of need, Agency staff used Mission’s greatest ALOS since FY 2015 but before FY 2020 (ALOS = 4.9; see Table 1) to interpolate DOC for FY 2020 and 2021. Again, the GRM was based on DOC growth between FY 2017 – 2019 and the interpolated FY 2020 and 2021 DOC. In this instance, Buncombe has a 64-bed surplus (See Table 5).

Table 5. Buncombe Service Area Need Determination

Facility Name	Licensed Beds	CON Adj	DOC	GRM	2025 Projected DOC	2025 Projected ADC	2025 Projected Beds Needed	Projected 2025 Surplus (-) or Deficit
Mission	682	0	185,897	1.0125	195,364	535	685	3
2022 SMFP Need Determination	0	67	0	1.0125	0	0	0	-67
								-64

As part of their argument, the Petitioners present an analysis of services they label as “appropriate for community facilities” to assert that much of patient outmigration from service areas surrounding Buncombe to Mission is unwarranted because there are community hospitals equipped to serve them. The Agency does not have access to DOC data by DRG codes that would allow us to evaluate this claim.

Agency Recommendation:

Based on utilization and population trends before the COVID-19 pandemic shutdown, the Buncombe service area did not exhibit growth that suggests a projected need for additional beds. Further, Buncombe’s spike in utilization of acute care beds is relatively large, an outlier compared to similar hospitals, and believed to be temporary; it is reasonable that such a substantial and sudden increase should not impact Buncombe’s need determination. Thus, given available information and comments submitted by the August 10, 2022 deadline, and in consideration of factors discussed above, the Agency recommends approval of the petition to remove the need determination for 31 acute care beds in the Buncombe service area in the *2023 SMFP*.