

**Acute Care Committee Agency Report
Adjusted Need Petition
for the Cumberland County Acute Care Bed Service Area
in the 2023 State Medical Facilities Plan**

Petitioner:

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Request:

Cape Fear Valley Health System (CFVHS) requests that the *2023 State Medical Facilities Plan (SMFP or "Plan")* include 20 additional acute care beds in the Cumberland County service area.

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 days of care as reported to the statewide data processor the Hospital Industry Data Institute (HIDI) and the inventory as reported on each facility’s License Renewal Application (LRA). 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 Cumberland County service area is 1.0162.

As is typical, the next steps are undertaken to determine the number of beds, if any, 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.

CFVHS operates Cape Fear Valley Medical Center (CFVMC), the only hospital in Cumberland County. CFVMC has 480 licensed acute care beds (excluding 44 neonatal intensive care unit or “NICU” beds). In 2012, the hospital received CON approval for additional 65 beds, but these beds have not yet been developed. In June 2022, CFVMC received approval for another 29 beds from the *2022 SMFP* need determination. All 574 beds are accounted for in the need determination for Cumberland in the *Proposed 2023 SMFP*. While there is an 11-bed deficit for the service area, it does not trigger a need determination. The Agency also notes that whether the acute care bed need methodology was applied 1) with or without NICU beds and 2) with or without an adjusted service area GRM, there was not a calculated need for additional acute care beds in Cumberland.

Analysis/Implications:

The Petitioner points out persistent high utilization of acute care beds in Cumberland. They emphasize that the true need for acute care beds in Cumberland is not detected because of a discrepancy in the reporting of acute care bed DOC. CFVMC reported 4,787 fewer DOC (i.e., the DOC included in the need determination methodology) to HIDI than what they reported on their LRA. This is equivalent to the DOC that would be provided by 13 beds. In the HIDI submission, 2,726 DOC were categorized as “unknown”; unknown DOC are excluded in the need determination methodology calculations. The Petitioner believes these DOC should be considered in the calculations but does not offer a resolution for reducing the number of unknown DOC in future reporting to HIDI.

Nonetheless, the prospect of consistently high acute care bed utilization in Cumberland is concerning. The target occupancy for acute care beds in hospitals with an average daily census (ADC) above 400 is 78.0% (p. 34, *Proposed 2023 SMFP*). Agency staff reviewed utilization based on the DOC CFVMC has reported to the statewide data processor since FY 2016. The lowest utilization rate experienced is 86.2% (see Table 1).

Table 1. Cumberland Service Area’s Historical Utilization, FY 2016 – 2021

	FY					
	2016	2017	2018	2019	2020	2021
DOC*/**	145,633	148,647	153,841	161,033	151,284	156,470
Licensed Beds	457	472	480	480	480	480
Capacity	166,919	172,398	175,320	175,320	175,320	175,320
Utilization	87.2%	86.2%	87.7%	91.9%	86.3%	89.2%

* Excludes Level II, III, IV NICU beds and DOC.

** Source: Data provided to the following statewide data processors: Truven Health Analytics (FY 2014 - 2017), IBM Watson Health (FY 2018 - 2019), and the Hospital Industry Data Institute (FY 2020 - 2021)

To estimate projected utilization, Agency staff projected DOC for FY 2022 – 2025 based on the 3.4% average annual growth rate in DOC during FY 2016 – 2019, before trend in growth was interrupted by COVID. As noted in the Petition, as of March 2022, CFVMC has 500 licensed beds. This analysis assumes a best-case scenario in which CFVMC will have licensed all its CON-approved beds by FY 2025, for a total of 574 beds (i.e., 480 currently licensed and 94 CON-approved). As shown in Table 2, utilization will continue to be above CFVMC’s target occupancy. Also, if the current petition is approved, and capacity in Cumberland is increased to a total of 594, utilization trends suggest levels will continue to be above target occupancy.

Table 2. Cumberland Service Area Projected Utilization, FY 2022 - 2025

	Projected FY 2022	Projected FY 2023	Projected FY 2024	Projected FY 2025	Adjusted Projected FY 2025
DOC*/**	161,757	167,222	172,872	178,713	178,713
Licensed Beds	500	unknown	unknown	574	594
Capacity	182,625			209,654	216,959
Utilization***	88.6%			85.2%	82.4%

* Excludes Level II, III, IV NICU beds and DOC

** Source: Data provided to statewide data processors: Truven Health Analytics (FY 2014 - 2017), IBM Watson Health (FY 2018 - 2019), and the Hospital Industry Data Institute (FY 2020 - 2021)

*** The numbers of beds that will be licensed in FY 2024 or 2025 are not predicted, and therefore, projected utilization cannot be estimated.

Agency Recommendation:

The Petitioners have requested an adjusted need determination for 20 acute care beds in the Cumberland County service area in the 2023 SMFP. Data indicate consistently high utilization of acute care beds at the service area’s sole hospital, CFVMC. This hospital in the process of developing 94 additional acute care beds; however, projections over the next three years indicate on-going capacity constraints, even after the additional beds are licensed. 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 add 20 acute care beds to the need determination for the Cumberland County service area in the 2023 SMFP.