

**Acute Care Committee Agency Report  
Adjusted Need Determination Petition  
for Three Acute Care Beds in the Alleghany County Service Area  
in the 2024 State Medical Facilities Plan**

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***Petitioner:***

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***Contact:***

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***Request:***

Alleghany Memorial Hospital (AMH or “Alleghany Memorial”) requests that the *2024 State Medical Facilities Plan (SMFP or “Plan”)* include a need determination for three additional acute care beds in the Alleghany 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 may 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.

Hospital acute bed days of care (DOC) as reported to the statewide data processor, the Hospital Industry Data Institute (HIDI), and a hospital's average daily census, have an integral role in the acute care bed need methodology. Five years of DOC data are used to calculate a Growth Rate Multiplier for each service area, which in turn, is used to project DOC four years beyond the current reporting year. For example, in the *2024 SMFP*, 2022 DOC are projected for 2026. The projected DOC for each service area is then divided by 365.25. This number is adjusted by an occupancy factor – based on a target occupancy percentage – to project the number of beds needed. A hospital's target occupancy depends on its average daily census (ADC; *Proposed 2024 SMFP*, p. 34).

The Centers for Medicare & Medicaid Services (CMS) designates eligible rural hospitals as critical access hospitals (CAH) if they have fewer than 25 acute care inpatient beds, are located more than 35 miles from the closest hospital, maintain an annual average length of stay (ALOS) of 96 hours

or less for acute care patients, and provide 24/7 emergency services. Hospitals that receive the CAH designation receive benefits including cost-based reimbursement for Medicare services so that they are rendered more financially robust and improve access to healthcare for rural residents.<sup>1</sup> Alleghany Memorial is a CAH. It is the only hospital in Alleghany County, and it currently operates two operating rooms and three acute care beds that also serve as swing beds for skilled nursing care. Alleghany Memorial was originally licensed for 46 acute care beds during a period pre-dating the CON law. In 2006, five of those beds were delicensed. The hospital operated the remaining 41 acute care beds until 2021 when AMH’s leadership elected to delicense 38 of those beds. The need methodology calculations project a very small surplus of acute care beds (0.08 beds), and therefore, there is no need determination for additional acute care beds in Alleghany County in the *Proposed 2024 SMFP*.

***Analysis/Implications:***

Hospital administrators at Wilkes Medical Center and Hugh Chatham Health, which are located in the surrounding Wilkes and Surry counties, offer anecdotal evidence that patients from Alleghany County unnecessarily out-migrate to their facilities for acute care. In fact, patient origin data reported on the Hospital License Renewal Applications indicate that, notwithstanding the height of the COVID pandemic in 2020, Alleghany resident outmigration had been decreasing until 2022 when it rose sharply (Table 1).

**Table 1. Alleghany Resident Outmigration for Acute Care Services**

	Data Year						
	2016	2017	2018	2019	2020	2021	2022
Number of Patients	881	878	863	795	866	853	919
Annual Percent Change		-0.3%	-1.7%	-7.9%	8.9%	-1.5%	7.7%

Source: 2017 – 2023 Patient Origin Reports

This finding correlates with the 2022 DOC data reported to HIDI which shows utilization at AMH has reached 75.8%. This is well over AMH’s target occupancy rate of 66.7% (i.e., AMH has an ADC less than 100). While this is the first time in ten years AMH has reached this level of occupancy, and it is based on the operation of three beds rather than 41, it is notable that the number of DOC provided for 2022 falls between the volume of services provided between 2018 and 2019 (Table 2). Similarly, after a large increase in 2020, the reported ALOS in both 2021 and 2022 were similar to pre-COVID levels. These figures suggest that data will continue to demonstrate utilization above optimal levels for three beds.

<sup>1</sup> Rural Health Information Hub. Critical Access Hospitals (CAHs). 2021, <https://www.ruralhealthinfo.org/topics/critical-access-hospitals>. Accessed 29 August, 2023.

**Table 2. Alleghany Memorial Hospital Acute Care Bed Utilization**

	Data Year									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
DOC*	2,166	2,027	1,752	1,566	1,367	1,133	720	901	483	831
Number of Licensed Beds	41	41	41	41	41	41	41	41	3	3
Utilization	14.5%	13.5%	11.7%	10.5%	9.1%	7.6%	4.8%	6.0%	44.1%	75.8%
Target Occupancy Rate	66.7%	66.7%	66.7%	66.7%	66.7%	66.7%	66.7%	66.7%	66.7%	66.7%
ALOS **	5.66	4.01	3.76	3.44	3.38	3.44	3.38	5.63	3.40	3.76

\* 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)

\*\* Source: 2014 – 2023 Hospital License Renewal Applications

***Agency Recommendation:***

The Petitioner has requested an adjusted need determination for three acute care beds in the Alleghany County service area in the *2024 SMFP*. Increased outmigration of Alleghany residents and high acute care bed utilization suggest reduced access to acute care services. Given the available information and comments submitted by the August 9, 2023 deadline, and in consideration of factors discussed above, the Agency recommends approval of the petition.