

**Acute Care Committee Agency Report  
Adjusted Need Petition  
for One Operating Room in the Catawba County Service Area  
in the 2024 State Medical Facilities Plan**

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**Petitioner:**

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**Request:**

Graystone Eye Surgery Center, LLC (“Graystone” or GES) requests an adjusted need determination for one operating room (OR) in the Catawba County service area in the *2024 State Medical Facilities Plan (SMFP)*.

**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.

The OR need methodology consists of several steps to calculate the number of ORs needed in each service area. Step 3 outlines the standard hours for ORs according to facility type (see Table 1).

**Table 1. Standard Hours for Operating Rooms**

Facility Type	Standard Hours per Operating Room per Year
Academic Medical Center Teaching Hospitals	1,950
Hospitals reporting more than 40,000 surgical hours	1,950
Hospitals reporting 15,000 to 40,000 surgical hours	1,755
Hospitals reporting less than 15,000 surgical hours	1,500
Separately licensed ambulatory surgical facilities that perform at least 50 percent of their procedures in either ophthalmology or otolaryngology, or a combination of the two specialties	1,312
All separately licensed ambulatory surgical facilities not in Group 5	1,312

Source: *Proposed 2024 SMFP*

Another part of the methodology uses population and case times to project the number of ORs needed. In Step 4, a growth factor for each service area is calculated and then multiplied by the surgical hours for each facility in the service area to project surgical hours for the projection year. The growth factor is determined by the service area’s population during the reporting year and the projected population for the service area during the projection year. The service area’s growth factor is multiplied by the surgical hours for each facility in the service area to project surgical hours for the projection year and the number of ORs needed for the projected surgical volume.

As explained in Step 5 of the methodology, a service area’s deficit or surplus is determined by the difference in the planning inventory for each health system and the projected surgical ORs required. The OR methodology projects the need for inpatient and outpatient surgical services two years beyond the current *SMFP*. Therefore, the OR need determinations in the *2024 SMFP* will reflect the number of ORs that are required in 2026.

Ten of Catawba County’s 39 ORs are ambulatory surgical ORs. Two ambulatory surgical centers (ASCs) - Viewmont Surgery Center and GESC – each operate three ambulatory ORs. Frye Regional Medical Center (Frye Regional) operates four ambulatory ORs. This facility also operates 15 shared ORs. Catawba Valley Medical Center (Catawba Valley) does not operate any ambulatory ORs; rather, it has 12 shared ORs. The *Proposed 2024 SMFP* shows a total projected 17.20 OR surplus for the Catawba County service area. Need projections and determinations are not distinguished by type of OR.

Graystone notes its 2010, 2016, and 2017 petitions which highlighted the facility’s high ambulatory surgical utilization in contrast with low OR utilization at Frye Regional. Two of the ORs at Graystone are due to adjusted need determinations requested in their 2010 and 2017 petitions.

**Analysis/Implications:**

The Petitioner is correct that the Catawba County service area is not likely to have an OR need determination based on the standard OR need methodology in the foreseeable future due to the underutilization of Frye Regional’s ORs. The current OR need methodology was implemented in the *2018 SMFP*. According to each subsequent *SMFP*, Frye Regional has had a surplus of at least 11 total ORs. Frye Regional’s *2023 Hospital LRA* indicates that it performed 3,150 ambulatory

surgical cases, or 63% of its ambulatory OR availability. The Agency notes that some of the enumerated ambulatory cases reported by Frye Regional might have been performed in any of its 15 shared ORs, which would indicate an even lower utilization of its ambulatory ORs. Of the three petitions GESC has submitted, only the 2016 petition was unsuccessful. In response to that petition, SHCC members suggested that the Petitioner pursue a strategy to use existing hospital operating rooms to address the ASC’s capacity constraints. In the current petition, Graystone notes that they have since taken that advice. GESC reports that these recent attempts to find ways to utilize ORs at Catawba Valley where there currently is a projected 2.68 OR surplus – and at Frye Regional, where there is now a projected 14.82 OR surplus – have been unsuccessful. According to the Petitioner, LifePoint, the owner of Frye Regional, was unable to identify a strategy to share or transfer its ORs, and the leadership Catawba Valley believes its OR utilization to be too high to share or transfer any of them with GESC. Also, the Petitioner states both the leadership of Frye Regional and Catawba Valley are in support of increased OR capacity at GESC.

The petition explicates why GESC needs an additional OR despite the surplus in its service area. The Petitioner notes that most GESC patients are aged 65 or older and that this segment of the population is expected to grow over the next year through 2026 – the year for which surgical OR need is projected in the current *SMFP*. As shown in Table 2, Agency staff have additionally found that over the last five years, the 65+ population in Catawba County has grown at a faster rate than the state overall. This trend is also projected to continue for the next three years, although that growth may slow down.

**Table 2. Population Cohort 65+ Growth Rates**

	<b>Average Annual Growth Rate (2017-2022)</b>	<b>Projected Average Annual Growth Rate (2023-2026)</b>
Catawba County	3.42%	2.95%
North Carolina	2.86%	2.86%

Source: Office of State Management and Budget

Additionally, GESC’s surgical cases and surgical case hours have grown at a rate higher than that of any other facility in Catawba County that provides ambulatory surgical services over the last five years. Notably, Frye Regional has experienced negative growth in both cases and hours (Table 3).

**Table 3. Average Annual Growth Rates, 2017 - 2022**

	<b>Outpatient Surgical Cases</b>	<b>Outpatient Surgical Hours</b>
Catawba Valley Medical Center	4.4%	4.7%
Frye Regional medical Center	-4.5%	-9.5%
Graystone Eye Surgery Center	7.3%	9.4%
Viewmont Surgery Center	2.4%	6.4%
Growth Rates for All Catawba County ASCs	5.7%	1.0%
Growth Rates for All Catawba County Hospitals	0.8%	8.0%
Growth Rates for Catawba County Service Area	3.3%	-1.9%

Source: 2018 - 2023 Hospital LRAs

Both increased Catawba County resident utilization and in-migration of residents from surrounding counties are purported to impact GESC's surgical volume. Data reported on GESC's Hospital LRAs confirm that between 2017 – 2022, the percentage of Catawba County residents receiving surgical services at GESC grew annually at an average rate of 6.3%. Similarly, during the same time period, the number of surgical patients residing outside of Catawba County that sought services at GESC grew, on average, 5.9% annually.

On its 2023 Hospital LRA, GESC reported all their cases were ophthalmology surgical procedures. As noted above, one aspect of the methodology is the assumption that one OR in a separately licensed ambulatory surgical center that has such a case profile can be available for up to 1,312 standard hours per year. According to the *Proposed 2024 SMFP*, the average ambulatory case time for licensed ambulatory surgical center ORs during the 2022 data year was 0.67 hours. Thus, one OR could be available for up to 1,958 cases, and four ORs could accommodate 7,832 cases in a year. Graystone performed 8,881 surgical cases during the 2022 data year. This 4.1% increase from the previous year's cases is consistent with GESC's growth in cases since 2017, as noted in Table 2. This suggests Graystone's total volume is sufficient to support an additional OR.

**Agency Recommendation:**

Graystone Eye Surgery Center has requested that the *2024 SMFP* show an adjusted need determination for one operating room in the Catawba County service area. The Agency supports the standard methodology for operating rooms as presented in the *Proposed 2024 Plan*. However, 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 to include an adjusted need determination for one OR in Catawba County in the *2024 SMFP*.