

# Acute Care Beds

## Agency Report:

- AC Beds Petition 1: Carolinas HealthCare System
  - AC Beds Petition 2: Novant Health
- AC Beds Petition 3: Carolinas Medical Center-Union

## **AGENCY REPORT**

*Acute Care Beds Petition 1:* Carolinas HealthCare System (CHS)

*Acute Care Beds Petition 2:* Novant Health

*Acute Care Beds Petition 3:* Carolinas Medical Center-Union (CMC-Union)

---

### Petitioners

AC Beds Petition 1

F. Del Murphy, Jr.

Vice President

Carolinas HealthCare System

1000 Blythe Boulevard

Charlotte, North Carolina 28203

AC Beds Petition 2

Novant Health, Inc.

Barbara L. Freedy, Director

Certificate of Need

Novant Health, Inc.

2085 Frontis Plaza Blvd.

Winston-Salem, NC 27103

AC Beds Petition 3

Michael J. Lutes

President

Carolinas Medical Center-Union

600 Hospital Drive

Monroe, North Carolina 28112

### Request

AC Beds Petition 1: Carolinas HealthCare System requests that the State Health Coordinating Council (SHCC) form an expert workgroup to review and update the acute care bed need methodology for the 2010 State Medical Facilities Plan (*SMFP*).

AC Beds Petition 2: Novant Health requests an adjusted bed need determination for Mecklenburg and Forsyth Counties based upon the HSA-specific patient day growth rate rather than on the North Carolina statewide average acute inpatient days growth rate of 0.01%.

AC Beds Petition 3: Carolinas Medical Center-Union requests an adjusted need determination in the 2009 State Medical Facilities Plan (*SMFP*) for 25 additional acute care beds in Union County.

### Background Information

The standard methodology which projects need for acute care beds is based on the total number of acute inpatient days of care provided by each hospital, as obtained from the Thomson database by the Cecil G. Sheps Center for Health Services Research. The number of days of care is advanced by six years based on a growth rate representing the average annual historical

percentage change for the State over the past four years (i.e., three intervals of change). For the Proposed 2009 State Medical Facilities Plan (SMFP), the statewide growth rate is .01%. The projected midnight average daily census for the target year is then adjusted by target occupancy factors (which increase as the Average Daily Census increases). Surpluses or Deficits are determined by comparing the projected bed need to the current inventory of licensed plus pending acute care beds.

In deference to the standard methodology, Chapter 2 of the Plan allows persons to petition for an adjusted need determination in consideration of "...unique or special attributes of a particular geographic area or institution..." if they believe their needs are not appropriately addressed by the standard methodology.

Analysis/Implications

Two of the petitions reviewed in this report are requests for adjusted need determinations for acute care beds and the other petition reviewed is a request for formation of a work group to look at the acute care bed need methodology. Although several issues are raised in the petitions, the common theme found in each of the petitions is the current use of a statewide average growth rate to project acute care bed need, which in recent years has been very low.

To provide background, growth rate data used for the Proposed 2009 SMFP is shown below.

Data Year	Plan Year	Days	Annual Growth Rate		3-year Average Growth Rate	
1996		4,373,602				
1997		4,344,434	-0.67%		-0.52%	97-99
1998		4,342,032	-0.06%		0.61%	98-00
1999		4,305,125	-0.85%		1.01%	99-01
2000		4,423,151	2.74%		1.35%	00-02
2001		4,472,918	1.13%		1.15%	01-03
2002	2004	4,480,926	0.18%		1.52%	02-04
2003	2005	4,576,550	2.13%		1.58%	03-05
2004	2006	4,679,727	2.25%	0.47%	04-06	
2005	2007	4,695,848	0.34%	0.01%	05-07	
2006	2008	4,639,819	-1.19%			
2007	2009	4,680,021	0.87%			

Source: North Carolina Hospital Discharge Database, Thomson. Fiscal Years 1996-2007

Notes: Includes all days from NC residents in NC acute care hospitals.

Excludes all days from out-of-state residents in NC acute care hospitals.

\*Excludes DRG 391 (normal newborns).

Excludes days from psychiatric, substance abuse and rehabilitation hospitals.

Excludes outliers.

\*For 2006 and 2007, newborns are excluded based on actual bed instead of DRG when bed data is available.

As the above table shows, annual statewide growth rates have varied from 1997-2007 between a high of 2.74% (1999-2000) and a low of -1.19% (2005 to 2006). The above table also shows the smoothing effect of using a three year average growth rate. In considering the growth rate data, it is noteworthy that the 2010 SMFP will be the last year for which the annual statewide 1.19% decrease in growth will be part of the calculation of the three year average. Thus, beginning with the 2011 SMFP, if the same methodology is used, the growth rate will be calculated from data reported in 2007, 2008 and 2009.

The Agency recognizes the concern expressed by the Petitioners about the low statewide average growth rate used in recent SMFPs and its potential impact on future provision of acute care inpatient services. However the Agency believes that the best approach to the issues raised by the Petitioners is a coordinated, thoughtful, and deliberative approach, involving an in-depth study of the need methodology because the concerns are related to a component of the standard methodology that affects all facilities across the State. Additionally, the petitions include a large volume of information and data, some of which are extremely complex and thus require a careful and detailed review and analysis. Although the Agency has reviewed all the information and data, it has been infeasible for the Agency at this time to thoroughly evaluate and verify all the information and data presented by the petitioners.

Agency Recommendation

In consideration of the above, the Agency makes the following recommendations:

- Approval of the Carolinas HealthCare System petition for recommending formation of a work group with the understanding that it may not be able to begin meeting until early 2009 to ensure adequate Agency resources to staff the work group.
- Denial of the Novant Health and CMC-Union petitions. The Agency believes that it is premature to recommend adjusted need determinations given that recommendations regarding changing the methodology may be made by the above Work Group. If the Committee recommends changing the methodology for the 2010 SMFP, all hospitals, including the petitioners, would be affected. Whereas this remedy would occur later than the petitioners requested, it would occur after deliberate and thorough consideration of all factors and equitable application of any revised methodology to all service areas of the State that may have similar issues.