

Inpatient Rehabilitation

Agency Report:

Inpatient Rehabilitation Petition: Rowan Regional Medical
Center

AGENCY REPORT

Inpatient Rehabilitation Beds Petition: Rowan Regional Medical Center

Petitioners

Novant Health, Inc.
2085 Frontis Plaza Blvd
Winston-Salem, North Carolina 27103

Rowan Regional Medical Center, Inc. ("RRMC")
612 Mocksville Ave
Salisbury, North Carolina 28144

Request

Novant and Rowan Regional Medical Center petition the State Health Coordinating Council ("SHCC") to adjust the need determination in the Draft 2009 State Medical Facilities Plan ("SMFP") to include ten (10) inpatient rehabilitation beds at the Elizabeth C. Stanback Rehabilitation Unit ("Stanback Rehab") at RRMC in Rowan County.

Background Information

For specific background related to the ten inpatient rehabilitation beds at Stanback Rehab, the following text is quoted from the "Declaratory Ruling for Novant Health, Inc., Rowan Health Services Corporation and Rowan Regional Medical Center, Inc. Project I.D. No. F-4791-93", issued by Jeff Horton, Acting Director, Division of Health Service Regulation, on August 21, 2008:

"Effective October 29, 1998, a CON was issued to "The Charlotte-Mecklenburg Hospital Authority, d/b/a Carolinas Healthcare System and Mercy Hospital, Inc. (a wholly owned subsidiary of CHS), (collectively referred to as "CHS") for Project ID No. F-4791-93 (the "Project CON"). The physical location was Mercy Hospital in Charlotte or Rowan Regional Medical Center in Salisbury. The Scope was defined as:

CHS shall develop no more than ten inpatient rehabilitation beds at either Mercy Hospital ("Mercy") or Rowan Regional Medical Center ("Rowan"). In the event the project is developed at Rowan and is required to be licensed and certified as part of Rowan, the CON shall be transferred to Rowan for good cause for the duration of the Management Contract with CHS. However, upon termination of the above mentioned Management Contract, this CON shall authorize development of the ten inpatient rehabilitation beds at Mercy.

The Project CON was issued pursuant to a Settlement Agreement dated 23 September 1998 among Novant, CHS, the Agency, and several other parties. The Settlement Agreement resolved a contested case appeal concerning inpatient rehabilitation beds in Health Service Area III ("HSA III").

On 21 December 1998, RRMC and CHS entered into a Management Agreement respecting the development, management and operation of the rehabilitation beds authorized by the Project CON. The Management Agreement states in a recital: "This Agreement is subject to and limited by the Certificate of Need ("CON") issued by [the Agency] to CMHA

and Mercy Hospital, Inc. ("Mercy") for Project I.D. No. F-4791-93 for ten (10) inpatient rehabilitation beds (the "Rehabilitation Beds")."

Paragraph 8 of the Management Agreement between CHS and RMMC states:

CON Rights. The Agency granted the Rehabilitation CON to CMHA. Pursuant to the Rehabilitation CON, CMHA agrees to transfer that CON to Rowan during the term of this Agreement. However, upon expiration of this Agreement for any reason (including termination for cause under Paragraph 19 of this Agreement), CMHA shall be entitled to remove the Rehabilitation Beds from Rowan and CMHA shall retain all CON rights to such beds. If, for any reason during the term of this Agreement, a CON is no longer required to operate the Rehabilitation Beds, and such CON requirement remains absent for a period of at least twelve (12) months, the parties acknowledge and agree that CMHA will have no further right or interest in the Rehabilitation Beds and all ownership rights and interests with respect to the beds will lie solely in Rowan.

The rehabilitation unit opened at RMMC, with CHS providing management services pursuant to the Management Agreement. The beds were licensed under RMMC's hospital license.

The Management Agreement contains a termination clause. Petitioners contend in the Request:

Under Paragraph 19(c) of the Management Agreement between RMMC and CMHA "CMHA may elect to terminate this Agreement without prior notice if ... any change occurs in the ownership or control of [RMMC] ... which effects a transfer of a controlling interest in [RMMC]." Petitioners contend that the agreement of which Novant became the sole member of RHSC did not effect any change in the ownership or control of RMMC which would trigger this provision. Nevertheless, by its letter dated 28 April 2008, CMHA formally notified RMMC of its intent to terminate the Management Agreement pursuant to the above quoted portion of Paragraph 19(c), effective 30 June 2008. Petitioners intend to contest that action in the appropriate Court.

(footnote omitted)

CHS's description of the termination is set out in the Comments submitted on its behalf: By letter dated April 28, 2008 from Dennis Phillips to RMMC's Charles Elliott, CHS terminated the Rehab Bed Management Agreement, effective June 30, 2008. . . . By letter from Dennis Phillips to Lee Hoffman dated July 29, 2008, CHS notified the Agency that CHS had terminated the Rehab Bed Management Agreement at RMMC, and that CHS is now developing the Rehab Beds at Mercy pursuant to the Rehab Bed CON."

The conclusion of the Declaratory Ruling is as follows, "RMMC may not continue to operate the rehabilitation beds without a CON and it cannot remain licensed to operate the beds without meeting licensure requirements, including the requirement for a CON."

Analysis/Implications

The Agency notes the following:

- Regarding the Inpatient Rehabilitation Bed Need Projection Methodology in the annual State Medical Facilities Plan, the methodology is based on overall average utilization by the six Health Service Areas (HSAs). In order to be eligible for additional inpatient rehabilitation beds, the standard methodology requires an HSA to achieve "...an overall average, annual occupancy rate of 80% or above during the two fiscal years prior to developing the Proposed State Medical Facilities Plan" (*emphasis added*). No Health Service Area has achieved this level of average utilization in recent years.
- Inventory of and utilization rates for inpatient rehabilitation beds located in HSA III are shown in the following table (from the Proposed 2009 North Carolina State Medical Facilities Plan):

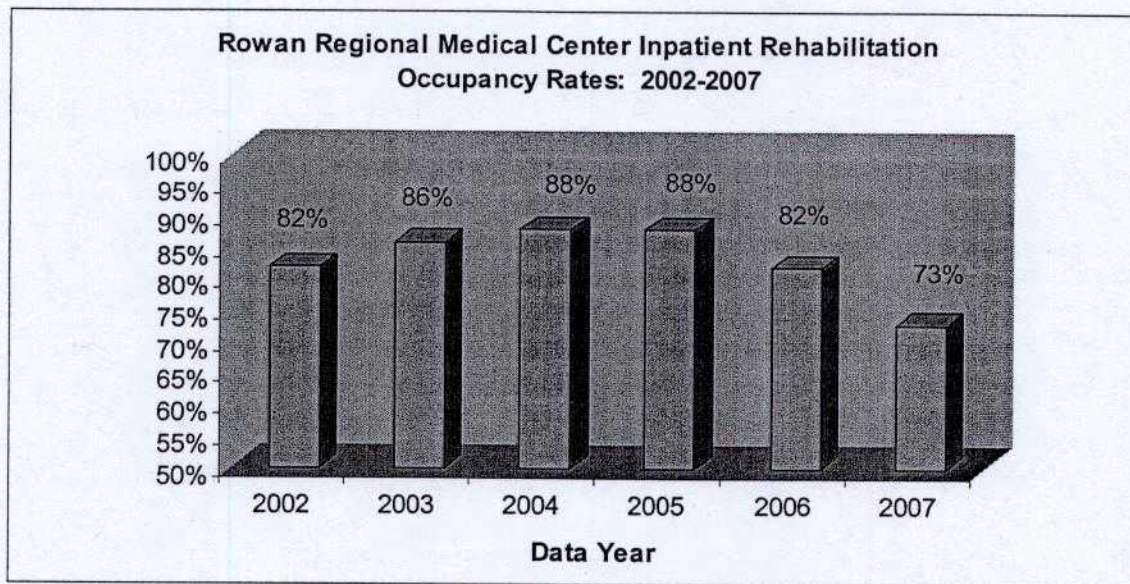
Facility	Inventory				Days of Care		Average Annual Utilization Rate	
	Current	CON Issued / Pending Development	Pending Review or Appeal	Total Planning Inventory	2005-2006	2006-2007	2006	2007
Rowan Regional Medical Center	10	0	0	10	2,995	2,665	82.1%	73.0%
Stanly Regional Medical Center	10	0	0	10	1,237	743	33.9%	20.4%
Carolinas Rehabilitation Hospital	172	-53	0	119	41,927	40,315	66.8%	64.2%
CMC-Levine Children's Hospital	0	13	0	13	0	0	0.0%	0.0%
Carolinas Rehabilitation Hospital Gaston County	0	40	0	40	0	0	0.0%	0.0%
	192	0	0	192	46,159	43,723	65.9%	62.4%

- On July 15, 2008, CHS, with Stanly Regional Medical Center, filed a CON application to develop a separately licensed 40-bed inpatient rehabilitation facility in Concord by relocating 10 existing beds from Carolinas Rehabilitation Hospital at CMC, 20 existing beds from Carolinas Rehabilitation Hospital at CMC-Mercy, and 10 existing beds from Stanly Regional Medical Center.

- As part of this analysis, the Agency requested from the petitioner Inpatient Rehabilitation patient origin data for Rowan Regional Medical Center summarized in the table below (original data submitted by Candace Friel with Nelson and Mullins is attached to the petition).

CASES COUNTY	Year				
	2003	2004	2005	2006	2007
Rowan	70.41%	71.43%	73.09%	74.62%	67.32%
Cabarrus	14.61%	10.62%	14.91%	11.36%	19.84%
Davidson	7.12%	4.76%	2.55%	4.17%	3.89%
Iredell	2.25%	4.76%	2.91%	4.55%	2.33%
Davie	1.87%	2.93%	2.91%	1.89%	2.33%
Out of State	1.12%	1.83%	1.09%	1.14%	0.78%
Stanly	0.37%	1.10%	1.09%	0.38%	0.78%
Mecklenburg	0.75%	0.73%	0.73%	0.38%	0.78%
Forsyth	0.00%	0.00%	0.36%	0.00%	0.39%
Unknown	0.75%	0.00%	0.00%	0.00%	0.00%
Guilford	0.37%	0.37%	0.00%	0.00%	0.00%
Lee	0.00%	0.00%	0.00%	0.38%	0.00%
Mitchell	0.00%	0.00%	0.00%	0.38%	0.00%
New Hanover	0.00%	0.00%	0.00%	0.00%	0.39%
Perquimans	0.00%	0.37%	0.00%	0.00%	0.00%
Randolph	0.00%	0.00%	0.00%	0.38%	0.00%
Richmond	0.00%	0.00%	0.00%	0.00%	0.39%
Rockingham	0.37%	0.00%	0.00%	0.00%	0.00%
Caldwell	0.00%	0.37%	0.00%	0.00%	0.00%
Rutherford	0.00%	0.37%	0.00%	0.00%	0.00%
Catawba	0.00%	0.00%	0.00%	0.00%	0.39%
Surry	0.00%	0.00%	0.00%	0.00%	0.39%
Wilkes	0.00%	0.00%	0.00%	0.38%	0.00%
Yadkin	0.00%	0.00%	0.36%	0.00%	0.00%
Lenoir	0.00%	0.37%	0.00%	0.00%	0.00%
Grand Total	100.00%	100.00%	100.00%	100.00%	100.00%

The table on page 4 above shows that every year from 2003-2007, 25% to 33% of the inpatient rehabilitation patients treated at Rowan Regional Medical Center were not residents of Rowan County. Additionally, inpatient rehabilitation occupancy rates at Rowan Regional Medical Center have been declining since 2005, as shown in the graph below (data from the 2004-2009 State Medical Facilities Plans).



Based on the data shown in the above tables and graph, it appears to the Agency that patients treated at Stanback Rehab could reasonably be treated in other existing inpatient rehabilitation facilities located in HSA III which are operating below 80% of capacity. Also, approval of the petition would result in identifying a need for ten additional inpatient rehabilitation beds in HSA III. However, the Agency has not found compelling evidence in support of the need for ten additional inpatient rehabilitation beds for HSA III.

Agency Recommendation

In consideration of the above and in support of the standard methodology for determining need for Inpatient Rehabilitation Beds, the Agency recommends denial of the petition.