

# Agency Report

## Town of Holly Springs

### Adjusted Need Determination Petition

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#### *AC Bed Petitioner 4:*

Town of Holly Springs

128 South Main Street

Holly Springs, NC 27540

(919) 552-6221

Attn: Carl Dean, Town Manager, Holly Springs

Dick Sears, Mayor, Holly Springs

#### *Request*

The Town of Holly Springs requests a need determination for 42 new acute care beds in Wake County to be identified in Column K of Table 5A: Acute Care Bed Need Projections and in Table 5B: Acute Care Bed Need Determinations of the Proposed 2010 State Medical Facilities Plan (SMFP).

#### *Background Information*

The standard methodology for projecting 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 Reuters 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 in total inpatient days for the State over the past four years (i.e., three intervals of change). 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

For the Proposed 2010 State Medical Facilities Plan (SMFP), the statewide three year average growth rate is .02%. The growth rate data used for the Proposed 2010 SMFP is shown below.

**Total In-state Days from North Carolina Acute Care Hospitals, 1996-2008**

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	4,480,926	0.18%		1.52%	02-04
2003	4,576,550	2.13%		1.58%	03-05
2004	4,679,727	2.25%		0.47%	04-06
2005	4,695,848	0.34%		0.01%	05-07
2006	4,639,819	-1.19%		0.02%	06-08
2007	4,680,021	0.87%			
2008	4,698,342	0.39%			

Source: North Carolina Hospital Discharge Database, Thomson. Fiscal Years 1996-2008

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 2006-2008, 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 1997-2008 between a high of 2.74% (1999-2000) and a low of -1.19% (2005 to 2006). In response to concerns raised in petitions filed last year about the low statewide growth rate, the State Health Coordinating Council convened an Acute Care Bed Need Methodology Work Group and charged the work group with the following:

1. To evaluate the present bed methodology with respect to the impact that uneven growth in days in acute care hospitals throughout the state has on the methodology.
2. To develop recommendations which can effectively and fairly address the growth disparities and which will be consistent with the present methodologies in the 2009 SMFP.

The Acute Care Bed Need Methodology Work Group met on February 23, 2009 and accomplished part One of its charge. However, the work group decided to table part Two of its charge since the consensus was that, given the state of the economy, it was not a good time to be changing the methodology such that need for 700 or 800 beds would be generated statewide. The work group will reconvene this Fall and will work on developing recommendations for the 2011 SMFP.

*Wake County Acute Care Bed Data*

Table 1 below summarizes Wake County Acute Care Bed Need determinations published in the State Medical Facilities Plans (SMFP) since 2004, the year the current Acute Care Bed Need methodology was implemented.

Table 1: Wake County Acute Care Bed Need Determinations

<i>Year of SMFP</i>	<i>Number of Beds</i>
2004	102
2005	45
2006	0
2007	Adjusted Need Determination to <b>delete</b> 48 beds, which were determined by the standard methodology as needed.
2008	41
2009	*18
2010	0
<i>Total</i>	<i>206</i>

\*(Adjusted Need Determination for 18 additional beds to be designated as licensed neonatal beds only.)

The data presented in Table 2, from the 2010 Proposed SMFP, show that Wake County has an inventory of 1,282 licensed acute care beds and Certificate of Need Adjustments for 127 additional acute care beds.

Table 2: 2010 SMFP Wake County Acute Care Bed Inventory

<b>Hospital/SMFP Need Determination</b>	<b>Licensed Acute Care Beds</b>	<b>CON Adjustments</b>
Duke Health Raleigh Hospital	186	0
Rex Hospital	425	8
WakeMed Cary Hospital	156	0
WakeMed Raleigh Campus	515	60
<i>WakeMed Totals</i>	671	60
2008 SMFP Need Determination		41
2009 SMFP Need Determination (to be designated as neonatal beds only)		18
<b>Totals</b>	<b>1,282</b>	<b>127</b>

Analysis of occupancy rates for Wake County hospitals from 2005-2008 reveals that for 2007 and 2008, only WakeMed Raleigh was operating above its target occupancy rate.

Table 3: Wake County Hospitals' Occupancy Rates

<b>Hospital</b>	<b>2005 Data</b>	<b>2006 Data</b>	<b>2007 Data</b>	<b>2008 Data</b>	<b>Target Occupancy</b>
Duke Health Raleigh Hospital	42%	33%	34%	34%	71.4%
Rex Hospital	67%	71%	72%	69%	75.2%
WakeMed Cary Hospital	82%	85%	64%	68%	71.4%
WakeMed Raleigh Campus	85%	88%	93%	94%	75.2%

Whereas WakeMed Raleigh is operating above its target occupancy rate, the hospital holds a CON to develop 60 additional acute care beds (See Table 2). Therefore, a plan is in place to alleviate WakeMed Raleigh's high occupancy rate.

*Existing and Approved Nearby Healthcare Facilities*

Review of the geographical area near Holly Springs shows several nearby existing healthcare facilities, including WakeMed Cary Hospital, WakeMed Apex Healthplex, Rex Healthcare of Cary, and Rex Surgery Center of Cary. All these facilities are within approximately 15 miles of Holly Springs. Additionally, several new healthcare facilities near Holly Springs have been approved for development. These facilities include Rex Healthcare of Holly Springs, WakeMed Apex Day Surgery Center, and Clayton Medical Center.

*Healthcare Survey*

Included in the petition as Exhibit 8 are the final results of a 2007 Healthcare Survey, made available from the Town of Holly Spring's website. The medical services listed on page 3 of the survey include Pediatrician, Wellness Center, Rehabilitation, Emergency Room, Outpatient, Diagnostics, Mental Health, MRI, Lab work, Orthopedics, ENT, Vision, OB/GYN, Plastic Surgery and Dermatologist. Pages 4 and 5 of the survey show the responses to the question, "What other services, not in the lists above, would you like to see available nearby?" There were 62 responses to the question and "hospital" was included in five of the 62 responses.

*Agency Recommendation*

The Agency recognizes that Wake County is growing and that there are concerns about the growth rate used to project acute care bed need. However, in consideration of the above, the Agency recommends denial of the petition. The Agency supports the Acute Care Bed Need Methodology Work Group and does not believe that an adjusted need determination for Wake County is necessary at this time given that the work group will be reconvening this Fall. As an alternative to requesting acute care beds, Holly Springs may wish to consider applying for a CON for a free standing emergency room or pursue constructing an urgent care center.