

Long Term Care/Behavioral Health Committee  
April 23, 2010-Agency Petition Reports for Policies, Methodologies and  
Assumptions of the Proposed 2011 Plan

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**AGENCY REPORT**

**Petitions**

**Petition 1:** Skilled Nursing Facility Need Methodology-Use Rates and 2020 Impact Analysis

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**Petition 1:** North Carolina Health Care Facilities Association. Skilled Nursing Facility Need Methodology-Use Rates, 2020 Impact Analysis, Healthcare Alternatives for the Elderly, Geographic Distribution of Nursing Facility Beds.

**Request:**

Petitioner requests a review of the impact of the *historic use rate element* of the skilled nursing facility bed need methodology and projecting need with adjustments for senior care alternatives outside of skilled nursing facility beds. The petitioner therefore requests the establishment of a work group to review the current need methodology and the off setting of need through senior care alternatives.

**Background Information:**

Chapter 2 of the State Medical Facilities Plan describes the purpose and process for submitting petitions to amend the state medical facilities plan during its development. Petitions can be sent to the Medical Facilities Planning Section twice during the course of plan development. Early in the planning year petitions can be submitted that are related to basic plan policies and methodologies and assumptions that have a statewide effect. *“Changes with the potential for a statewide effect are the addition, deletion, and revision of policies and revision of the projection methodologies.”* The changes recommended by these petitioners is need methodology based. Late in the planning year petitions can be submitted that relate to adjustments to need determination in a proposed state medical facilities plan.

**Analysis of the Petition for Work Group Review of The Skilled Nursing Facility Policies, Methodology, and Assumptions:**

The petitioner is asking for an evaluation of; 1) the appropriateness of the methodology’s historic use rate, 2) the allocation of nursing facility beds where the need is the greatest and 3) the

consideration of modifying the methodology need projections based upon “*other long term health care options available to today’s seniors.*”

In reference to historic use rates, the petitioner states the following;

*“Based on the current need determination methodology, which is essentially a historical ‘use rate’ based on the population in a given county over the ages of 65, 75, and 85, we could see a projected need for 12,000 or more additional beds by 2020.”*

There is an additional use rate used in the methodology that has limited impact, the age group 0-64.

In reference to the appropriateness of the Nursing Home methodology historic use rate; note that by definition, the utilization rate is a widely accepted metric for measuring the percentage of production capacity actually used over a defined period of time. The utilization rate is a standard metric in finance, production, healthcare and numerous other sectors of the economy. The relevancy of the word historic is based upon the defined time period applied; the further back in time the greater the need to define the circumstances and events that make the historic use rates relevant. Therefore it is standard practice when attempting to project further utilization and need to evaluate a retrospective time period of three to five years to have three to four data points to establish a trend line of recent past activity. However, this framework for projecting future Skilled Nursing Bed Need has not been reviewed in more than fifteen years. Given the significant shifting of patient site of care reflected by the tremendous growth in outpatient versus inpatient hospital services, the shift of services from hospitals to physician office settings, and the shift from Skilled Nursing Facilities to Adult Care Homes makes it apparent that market shifts and effecting the site of care.

### **Agency Recommendation:**

Based upon the preceding transitions and other factors the Agency recommends that a Nursing Care Facility Need Methodology Work Group be established for the purposes of 1) evaluation of the accuracy and effectiveness of the Nursing Care Facility Need Methodology, Assumptions and policies, 2) evaluating the appropriate allocation of nursing care facility beds and 3) evaluating and modifying nursing care facility need based upon interpretation of the impact of other long-term health care options currently available and projected to be available.

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**AGENCY REPORT**

**Petitions**

**Petition 2:** Hospice Inpatient Bed Need Capped at 60% of hospice penetration for each county.

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**Petition 2 :** Health Planning Source. Add an additional step to the recently revised hospice inpatient bed need methodology by applying a 60 percent cap for the hospice inpatient bed penetration for each county.

**Request:**

Petitioner requests that the projected hospice admissions, as calculated in the inpatient bed methodology, be capped at a level equivalent to a 60 percent hospice penetration rate for each county. The petitioner believes that this additional step will ensure that the hospice inpatient bed methodology more accurately projects inpatient bed need and also will ensure consistency between the inpatient bed and home care office methodologies.

**Background Information:**

Chapter 2 of the State Medical Facilities Plan describes the purpose and process for submitting petitions to amend the state medical facilities plan during its development. Petitions can be sent to the Medical Facilities Planning Section twice during the course of plan development. Early in the planning year petitions can be submitted that are related to basic plan policies and methodologies that have a statewide effect. *“Changes with the potential for a statewide effect are the addition, deletion, and revision of policies and revision of the projection methodologies.”* The changes recommended by these petitioners is need methodology based. Late in the planning year petitions can be submitted that relate to adjustments to need determination in a proposed state medical facilities plan.

**Analysis of Petition:**

The petitioner states the following:

*“...without the proposed step, the inpatient bed methodology could project admissions beyond what can reasonably be expected in certain counties.”*

The petitioner projects a 60 percent hospice inpatient bed penetration rate for each county. The following table illustrates the number of hospice inpatient beds needed according to the 2006-2010 State Medical Facilities Plans.

**North Carolina Historic and Projected Hospice Inpatient Bed Need ①**

SMFP Year	2006	2007	2008	2009	2010		% Change
Projected Year	2009	2010	2011	2012	2013	CAGR	2009-2013
<b>Bed Need</b>	<b>152</b>	<b>49</b>	<b>117</b>	<b>92</b>	<b>33</b>	<b>-46.50%</b>	<b>-78.00%</b>

The application of a 60 percent cap for hospice inpatient bed penetration appears unnecessary given the declining number of hospice inpatient bed need identified between 2006 and 2010. In addition, such a cap may have the opposite effect of understanding actual need.

**Agency Recommendation:**

The Agency recommends that the petition for capping hospice inpatient market penetration at 60 percent be denied.