

Acute Care Services Committee
Agency Report for
Policy AC-3 Language in the
2012 State Medical Facilities Plan

Agency Recommendation:

Attached to this document is clarifying and additional language for Policy AC-3: Exemption from Plan Provisions for Certain Academic Medical Center Teaching Hospital Projects. The language is presented to address issues raised recently about the need for clarification regarding items in Policy AC-3. The Agency appreciates the work of the Policy AC-3 Committee of the North Carolina Hospital Association Board of Directors that led the efforts to develop this language. The Agency has reviewed the language and is in full support of including the language in the North Carolina Proposed 2012 State Medical Facilities Plan. The language, with additions shaded in gray, follows a memo from the North Carolina Hospital Association (NCHA).

From: Mike Vicario [mailto:mvicario@ncha.org]
Sent: Friday, September 02, 2011 3:05 PM
To: Brown, Elizabeth; Keene, Jim; Potter, Carol
Cc: Linwood Jones; John Young
Subject: Policy AC-3

On August 23 we met with you and other representatives of The Division of Health Service Regulation to discuss the Policy AC-3 proposal that NCHA submitted during the public comment period. At the meeting Division representatives proposed several modifications to the wording of the Policy, including an alternative to the third paragraph of Section C. The Division indicated that the changes were not intended to modify the policy, but to ensure compatibility with existing laws, regulations and agency policy, and to facilitate the agency's administration of the policy.

We've shared those proposed modifications (see attached) with the members of the NCHA Board's Policy AC-3 Committee, which includes representatives from Novant Health, Inc., North Carolina Baptist Hospital, UNC Hospitals at Chapel Hill, and Pitt County Memorial Hospital, Inc., and with The Duke University Health System, Inc. They each found the modifications to be acceptable.

We thank the Division of Health Service Regulation and the State Health Coordinating Council for its review of the NCHA Policy AC-3 alternative.

Please feel free to contact me or Linwood if you have any questions.

Recommended Revisions for Policy AC-3

A. Projects for which certificates of need are sought by academic medical center teaching hospitals may qualify for exemption from the need determinations of this document. The Medical Facilities Planning Section shall designate as an Academic Medical Center Teaching Hospital any facility whose application for such designation demonstrates the following characteristics of the hospital:

1. Serves as a primary teaching site for a school of medicine and at least one other health professional school, providing undergraduate, graduate and postgraduate education.
2. Houses extensive basic medical science and clinical research programs, patients and equipment.
3. Serves the treatment needs of patients from a broad geographic area through multiple medical specialties.

B. Exemption from the provisions of need determinations of the North Carolina State Medical Facilities Plan shall be granted to projects submitted by Academic Medical Center Teaching Hospitals designated prior to January 1, 1990 provided the projects are necessary to meet one of the following unique academic medical needs:

1. Necessary to complement a specified and approved expansion of the number or types of students, residents or faculty that are specifically required for an expansion of students or residents, as certified by the head of the relevant associated professional school; the applicant shall provide documentation that the project is consistent with any relevant standards, recommendations, or guidance from specialty education accrediting bodies, or
2. With respect to the acquisition of equipment, is necessary to accommodate the recruitment or retention of a full-time faculty member who will devote a majority of his or her time to the combined activities of teaching (including teaching within the clinical setting), research, administrative or other academic responsibilities within the academic medical center teaching hospital or medical school, or
3. Necessary to accommodate patients, staff or equipment for a specified and approved expansion of research activities, as certified by the head of the entity sponsoring the research; and including, to the extent applicable, documentation pertaining to grants, funding, accrediting or other requirements, and any proposed clinical application of the asset; or
4. Necessary to accommodate changes in requirements of specialty education accrediting bodies, as evidenced by copies of documents issued by such bodies.

C. A project submitted by an Academic Medical Center Teaching Hospital under this Policy that meets one of the above conditions shall demonstrate that the Academic Medical Center Teaching Hospital's teaching or research need for the proposed project cannot be achieved effectively at any non-Academic Medical Center Teaching Hospital provider which currently

offers and has capacity within the service for which the exemption is requested and which is within 20 miles of the Academic Medical Center Teaching Hospital.

The AMC Teaching Hospital shall include in its application an analysis of the cost, benefits and feasibility of engaging that provider in a collaborative effort that achieves the academic goals of the project as compared with the CON application proposal. The AMC shall also provide a summary of a

discussion or documentation of its attempt to engage the provider in discussion regarding its analysis and conclusions.

The AMC teaching hospital shall include in its application a discussion of any similar assets within 20 miles that are under the control of the applicant or the associated professional school and the feasibility of using those assets to meet the unique teaching or research needs of the AMC.

D. For each of the first five years of operation the approved applicant shall submit to the CON Section a detailed description of how the project achieves the academic requirements of the appropriate Section(s) of Policy AC-3 Section B as proposed in the CON application.

E. Applicants who are approved for Policy AC-3 projects after January 1, 2012 shall report those Policy AC-3 assets (including beds, operating rooms and equipment) on the appropriate annual license renewal application or registration form for the asset. The information to be reported for the Policy AC-3 assets shall include: (1) inventory or number of units of AC-3 CON approved assets (including all beds, operating rooms and equipment); (2) the annual volume of days, cases or procedures performed for the reporting year on the Policy AC-3 approved asset; and (3) the patient origin by county. Neither the assets under (1) above nor the utilization from (2) above shall be used in the annual SMFP need determination formulas, but both the assets and the utilization will be available for informational purposes to users of the SMFP.

F. This policy does not apply to a proposed project or the portion thereof that is based solely upon the inability of the SMFP methodology to accurately project need for the proposed service(s), due to documented differences in patient treatment times that are attributed to education or research components in the delivery of patient care or to differences in patient acuity or case mix that are related to the applicant's academic mission. However, the applicant may submit a petition pursuant to the SMFP Petitions for Adjustments to Need Determinations process to meet that need or portion thereof.

G. Policy AC-3 projects are required to materially comply with representations made in the CON application regarding academic based need. If an asset originally developed or acquired pursuant to Policy AC-3 is no longer used for research and/or teaching, the AMC shall surrender the certificate of need.