

**Acute Care Services Committee
Agency Report
Adjusted Need Petition for
One Operating Room in the Catawba County Service Area
2018 State Medical Facilities Plan**

Petitioner:

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Request:

Graystone Eye Surgery Center requests an adjusted need determination for one additional surgical operating room (OR) in the Catawba County service area in the *2018 State Medical Facilities Plan* (SMFP).

Background Information:

Chapter Two of the *North Carolina Proposed 2018 State Medical Facilities Plan (SMFP)* provides that “[a]nyone who finds that the North Carolina State Medical Facilities Plan policies or methodologies, or the results of their application, are inappropriate may petition for changes or revisions. Such petitions are of two general types: those requesting changes in basic policies and methodologies, and those requesting adjustments to the need projections.” The planning process and time allow for submission of petitions requesting adjusted need determinations in the summer. It should be noted that any person might submit a certificate of need (CON) application for a need determination in the Plan. The CON review could be competitive and there is no guarantee that the petitioner would be the approved applicant.

An OR Methodology Workgroup was convened by the State Health Coordinating Council (SHCC) in 2016-2017 to review and make recommended changes to the OR need methodology. The SHCC approved the recommendations of the Workgroup at the June 7, 2017 meeting. Therefore, the *Proposed 2018 SMFP* reflects the new methodology.

The new methodology consists of several steps to determine the number of ORs needed in each OR service area. The methodology projects the number of surgical hours by first multiplying the average case times reported by each facility by the hours for inpatient and ambulatory cases for

the previous year (data year). This result is then multiplied by the projected population change between the data year and four years beyond the data year (target year). The number of operating rooms required by the target year is the result of dividing the projected number of surgical hours for the target year by the number of hours per OR per year for each facility based on assumptions used in the SMFP, while accounting for outliers. The final step calculates the number of additional ORs needed by subtracting the projected total number of required ORs from the current OR inventory for each health system in the service area. Deficits for all health systems are summed to obtain the need for ORs in the service area.

In 2010, the SHCC approved a petition from Graystone Eye Surgery Center to add one OR. The new OR was licensed in 2012, bringing the inventory to two ORs. In 2016, the Agency recommended approval of Graystone's petition to add one OR, but the petition was denied. Graystone currently has two licensed ORs and two procedure rooms built to OR standards. Catawba County has two acute care hospitals (Catawba Valley Medical Center and Frye Regional Hospital) and one multispecialty ambulatory surgical facility (Viewmont Surgery Center).

Analysis/Implications:

Efforts to Coordinate with Local Hospitals

The Acute Care Committee's discussion of the 2016 petition highlighted the need to attempt to partner with local hospitals to increase Graystone's OR inventory. Since that time, the Petitioner reports having sought several opportunities in this area. In January, the Petitioner met with Catawba Valley Medical Center, but the hospital determined that its ORs were too heavily utilized to consider relocation or any other arrangement. In May, the Petitioner met with Frye Regional Medical Center and proposed purchasing an OR from its inventory. Frye has a total inventory of 21 ORs and a 45% utilization rate in the Proposed 2018 SMFP. The representative from Frye offered to consider the proposal, but Graystone reports that multiple efforts to follow up have gone unanswered.

Revised OR Methodology

The average case time reported by each facility is now one of the primary variables in the new OR need methodology. In order to reduce variation, the new methodology limits the average case time change rate from year-to-year to no more than a 10% increase or decrease. Graystone reported that the average case time listed on the 2016 License Renewal Application was erroneous. The 22-minute average case time referred to cataract procedures only; the overall average case time was 30 minutes. The 2017 LRA showed an average of 30 minutes. The case time used in the Proposed 2018 SMFP was 22 minutes because the case time increase from the 2016 to 2017 LRAs exceeded the 10%. This adjustment calculated a surplus of .25 of an OR. Using the corrected 30-minute case time yielded a deficit of .38 of an OR, which is .12 of an OR (157.5 surgical hours) less than the .50 deficit, the minimum needed for rounding to one OR.

The Petitioner suggests that the methodology's application of the four-year population growth rate in Catawba County "severely understates Graystone's projected ambulatory surgical utilization." The methodology considers the total county population. Graystone proposes that it is more relevant to use the growth in the population aged 65 and older because this group comprises the majority

of their client population. Graystone reports that almost 75% of their procedures are paid by Medicare. This proportion is not unusual among the seven eye surgery centers in the state. Proportions range from 60% to 97%, with a median of 70% and mean of 69%. Given the nature of Graystone’s patient population, the Petitioner proposes using the growth factor for the 65-and-older population and the corrected 30-minute case time to project OR need. Table 6 of the Petition shows that this calculation results in a deficit of .59 of an OR.

Addition of Physicians at Graystone

One new physician joined the practice in August of 2016 and averages 8-10 surgical procedures per week. Another surgeon joined June 30, 2017, and another on July 31, 2017. They are also expected to average 8-10 surgeries per week.

Consideration of new surgical staff represents a proactive approach to meeting future OR needs. The Agency used the new methodology to project OR need for 2021 (2019 SMFP) to assess the impact of the additional physicians (see Table 1). The first new physician will have a full year of service for the 2018 LRA (2019 SMFP), while the other two will have approximately three months of service each. The analysis in Table 1 also yields a need for one OR, but does not change any aspects of the methodology (e.g., consideration of 65+ population only in determining the growth factor).¹

Table 1. Projected OR Need for 2021, Graystone Eye Surgery Center, Excerpt from Table 6B, Proposed 2018 SMFP

F	G	H	I	J	K	L	M	N
Cases	Case Time (in Minutes)	Surgical Hours	Growth Factor	Projected Surgical Hours	Projected Surgical ORs Required in 2021	Adjusted Planning Inventory	Deficit/ (Surplus)	OR Need
7,121	30	3,561	0.71	3,586	2.73	2	0.73	1

Assumptions:

- Cases:
 - 2.6% growth from 2017, reflects average annual growth from 2012-2016 (Table 5 from Petition) = 6,369 cases
 - 8 additional cases per week for new full-year physician, 50 weeks per year = 400 additional cases
 - 16 cases for 2 part-year physicians, 22 weeks per year (approximately 3 months) = 352 additional cases
- Growth Factor:
 - Assume no change from 2018 SMFP

The new methodology requires a health system to generate a deficit of 2 ORs (rounded) to trigger a need determination in the SMFP. Given the total number of ORs in Catawba County, a deficit of 1.5 will round to 2. With a 30-minute average case time, Graystone would need to generate

¹ It appears from the Graystone website that the practice may have lost a physician since submission of the 2016 LRA, so the additional procedures for the one full-year new physician might not be additional; eliminating them from the calculations yields a deficit of .57 ORs in the 2019 SMFP.

approximately 8,000 cases to have a deficit of 1.5 ORs. Current and projected utilization patterns suggest that this could not occur until at least the 2022 *SMFP*. Other health systems in the service area have surpluses and are less likely to generate such a deficit.

The minimum 2 OR deficit requirement is a component of the new methodology that intended to facilitate the development of new facilities. It is scheduled to be reassessed in the 2018 planning cycle. It was not intended to inhibit expansion in smaller facilities experiencing significant growth, such as Graystone Eye Surgery Center.

Agency Recommendation:

The agency supports the new methodology for OR need determination. The methodology stipulates that a service area will not show a need determination until the deficit across all health systems reaches at least two ORs. The addition of six new physicians to the Graystone staff of 10-11 by the end of 2018 represents an approximately 50% increase in a relatively short period of time. Theoretically, new staff could increase the number of surgical procedures by half. Under these circumstances, it may be reasonable to increase the number of ORs incrementally, as the staff increases. The Petitioner has shown that attempts to increase its capacity by utilizing the considerable excess OR capacity in Catawba County have not been successful. Moreover, the excess capacity exists in a hospital; use of the existing ORs would significantly increase costs to the patients and to Medicare.

With these considerations in mind and given available information and comments submitted by the August 10, 2017 deadline date for comments on petitions and comments, and in consideration of factors discussed above, the agency recommends approval of the petition.