

**Acute Care Committee Agency Report
Adjusted Need Petition
for the Mecklenburg County Acute Care Bed Service Area
in the 2022 State Medical Facilities Plan**

Petitioner:

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Request:

Novant Health requests that the acute bed need in the *2022 State Medical Facilities Plan (SMFP or "Plan")* Mecklenburg County be adjusted to reflect the acute days of care reported for Novant Health Mint Hill Medical Center ("Mint Hill") on its 2021 License Renewal Application (LRA).

Background Information:

Chapter Two of the *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 annual planning process and timeline allow for submission of petitions requesting adjustments to need projections during the comment period for the proposed *SMFP* in the summer. This includes petitions for adjustments based on a belief that "unique or special attributes of a particular geographic area or institution give rise to resource requirements that differ from those provided by application of the standard planning procedures and policies..." 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.

Due to the impacts of COVID-19, the State Health Coordinating Committee (SHCC) approved an adjustment to the calculation of projected acute inpatient bed days of care (DOC) for the Acute Care Bed Need Methodology in the *2022 SMFP*. Accordingly, each facility's 2020 DOC were adjusted by using calculations that included the facility's number of DOC for the months of March, April, May and June during the years of 2017, 2018 and 2019 (Steps 2 – 3, p. 35, *2022 SMFP*). However, as the Petitioner notes, Mint Hill began operating in October 1, 2018. An adjusted 2020 DOC for Mint Hill could not be calculated due to a lack of data for March, April, May and June during 2017 and 2018.

Steps 4 and 5 of the need methodology (2022 SMFP, pp. 35- 36) describe the calculation of each Service Area (or County) Growth Rate Multiplier (GRM). The GRM is based on bed utilization over the previous four years. It is used to project the service area's bed utilization that is, in turn, applied to project the service area's bed surplus or deficit four years beyond the current reporting year.

The Mecklenburg County service area has two health systems – Atrium Health and Novant Health, which owns Mint Hill. As described in Step 10 of the methodology, in the case of hospitals in a county under the same ownership, the surpluses and deficits of each hospital under common ownership are summed to determine the health system's surplus or deficit. If the deficit of any two or more health systems exceeds 20 or more beds or 10% of the planning inventory for the respective health system, they are summed together. From this total are deducted the number of beds from previous years' need determinations for which CONs have not yet been issued.

The Mecklenburg County service area shows a GRM of 1.0353 and a need determination for 67 acute care beds in the *Proposed 2022 SMFP*. The Petitioner made the request based on this need determination because it is not reflective of Mint Hill's reported 2020 DOC.

Analysis/Implications:

The Petitioner has requested use of the DOC data Mint Hill reported on their 2021 LRA. Due to a reporting anomaly that occurred while the State was in transition from the former statewide data processor to HIDI, the *2020 SMFP* used the 6,618 DOC that Mint Hill reported on their LRA for the 2019 data year (October 1, 2018 – September 30, 2019). However, to perform calculations more consistent with the need methodology and with more robust data, the Agency uses the DOC reported to HIDI in the analyses below.

There have been changes to the need determination calculation in Mecklenburg County since the publication of the Proposed Plan. All North Carolina hospitals submit their DOC data to the statewide data processor, the Hospital Industry Data Institute (HIDI), twice a year. This process allows facilities to correct or “refresh” their DOC data as necessary. Hospitals in the Novant Health System in Mecklenburg reported 2.89% fewer DOC with the refreshed data submission. Also, per Policy GEN-1 in the *SMFP*, 10 acute care beds from a previous need determination were not awarded and have been reallocated by taking the beds out of Mecklenburg's planning inventory. When the calculations include these changes, the Mecklenburg County service area's GRM and need determination also change. For the 2020 data year, Mint Hill's refreshed DOC reported to HIDI was 7,530. Table 1 summarizes the changes when Mint Hill's DOC are included and when they are not included in the calculations. The result of a need determination of 96 beds is referred to as “the revised need determination” in the discussion below.

Table 1. Mecklenburg County Service Area GRM and Acute Care Bed Need Determination Revision, 2020 Data Reporting Year

	Novant Health Projected Deficit	Service Area GRM	Service Area Need Determination
With refreshed data, with reallocated beds, and without Mint Hill's unadjusted 2020 DOC *	-22.9	1.0331	30
With refreshed data, with reallocated beds, and with Mint Hill's unadjusted 2020 DOC **	23.0	1.0360	96

* Table 5A, Proposed 2022 SMFP

** Table 5A, Draft 9/14/2021

Step 5 of the need methodology determines the average GRM by calculating an average of the annual changes in DOC over the previous five years for all facilities in the service area. Large changes in a service area's GRM, and consequently, in the service area's need projections, can result when a facility's DOC are added to the GRM calculation. As shown in Table 1, including Mint Hill's DOC as reported to HIDI in the calculation results in an increased GRM of 1.0360. Also, a need determination for 96 beds in the service area is 66 beds greater than when Mint Hill's DOC are not included. However, Mint Hill's 7,530 DOC are equivalent to an average daily census (ADC) of only 20.6.

The discrepancy between the ADC for Mint Hill and a need determination of an additional 66 beds suggests that an adjustment to the need methodology calculations is warranted. The petition does not include a proposal for any specific calculation adjustments. The Agency staff examined the GRM to determine how it might be revised such that the addition of Mint Hill's DOC would both result in a projected ADC that aligns better with its ADC of the current reporting year and appropriately influences the projected deficits and surpluses of both health systems. The Agency finds it reasonable to apply Mecklenburg's GRM absent the influence of Mint Hill's DOC. As shown in Table 2, when this GRM is applied, the addition of Mint Hill's DOC has less impact on Novant's deficit and Atrium Health's bed deficit remains unchanged. Accordingly, as compared to the revised need determination, the resulting need determination decreases by 31 beds, to a total of 65 beds.

Table 2. Comparisons of Facility, Health System and Service Area Outcomes

	Mint Hill DOC	Service Area GRM	Mint Hill Projected 2024 ADC	Mint Hill 2024 Projected Beds Needed*	Mint Hill Bed Surplus	Novant Health System Bed Surplus (-) / Deficit (+)	Atrium Health System Bed Deficit	Service Area Bed Need
Revised Need Determination	0	1.0331	0.0	0.0	-36.0	-22.9	176	30
Addition of DOC	7,530	1.0360	23.7	35.6	-0.4	23.0	196	96
Addition of DOC with Agency Adjustment	7,530	1.0331	23.5	35.2	-0.8	12.3	176	65

*The number of projected beds need is computed under the methodology's assumption that Mint Hill's target occupancy is 66.7%

Agency Recommendation:

Due to a lack of the data needed to calculate an adjusted number of acute days of care for 2020, Novant Mint Hill Hospital's 2020 DOC were not included in the need determination for Mecklenburg County in the *Proposed 2022 SMFP*. Novant Health has requested that the 2020 DOC that Novant Mint Hill reported on its License Renewal Application be applied to the need calculation. To be more consistent with need methodology in the *2022 SMFP*, the Agency instead has used the DOC reported to HIDI in this Agency Report. Since the publication of the *Proposed 2022 SMFP*, Mecklenburg County's service area need calculation has been revised to include updated DOC data from HIDI and changes to its planning inventory. Accordingly, the revised need determination for Mecklenburg is for 96 acute care beds. The Agency finds that adjusting the growth rate multiplier avoids large increases in health system bed deficits that occur when Mint Hill's DOC are added to the need determination calculations. Thus, given available information and comments submitted by the August 11, 2021 deadline, and in consideration of factors discussed above, the Agency recommends denial of the petition. Rather, the Agency recommends adjusting Mecklenburg's need determination using the strategy described above and illustrated in Table 2. The result is an adjusted need determination for 31 fewer beds for a total need determination of 65 acute care beds in the Mecklenburg County service area.