

Long Term and Behavioral Health Committee
Agency Report
Petition for an Adjusted Need Determination to Add 36 Nursing Home Beds
in Cabarrus County in the 2022 State Medical Facilities Plan

Petitioner:

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Request:

The PruittHealth, Inc. (“Pruitt” or “Petitioner”) requests an adjusted need determination for 36 Nursing Home beds in the Cabarrus County service area in the *2022 State Medical Facilities Plan* (SMFP or “Plan”) as a result of the impact of the COVID-19 pandemic.

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 SMFP annual planning process and timeline allow for submission of petitions requesting adjustments to need projections in the summer. Any person may 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.

The standard Nursing Home (NH) bed methodology projects the need determination five years beyond the current reporting year. NH need methodology is calculated by: (1) multiplying the county bed use rates by each county’s corresponding projected civilian population (in thousands) for the projection year to calculate the projected bed utilization; and (2) dividing each county’s projected bed utilization by a 95% vacancy factor. For each county, the planning inventory is determined based on the number of licensed beds adjusted for CON-approved/license-pending beds, beds available in prior Plans that have not been CON-approved, and exclusions from the county’s inventory, if any. For each county, the projected bed utilization with applied vacancy factor is subtracted from the planning inventory. The result is the county’s surplus or deficit. If a county projects a deficit of beds, an adjusted occupancy rate of 90% will trigger a need

determination in the county. The number of beds to be allocated is determined by the amount of the deficit and is rounded to the nearest whole number. Using the standard need methodology, the Proposed 2022 SMFP shows that Cabarrus County has a projected surplus of 160 NH beds for 2025. All NH beds in Cabarrus County are located in nursing home facilities.

Pruitt Health has submitted a petition for an adjusted need determination of 36 NH beds in the Cabarrus County Service Area, based on the impact of COVID-19 and the future need of NH beds.

Analysis/Implications:

The Petitioner currently operates a 70-bed facility in Cabarrus County. In 2010, Pruitt received a CON to relocate 51 NH beds from FirstHealth Moore Regional Hospital - Richmond (“Richmond”) to a new facility in Richmond County; this enterprise was pursuant to a partnership agreement with the hospital. In 2013, Pruitt then determined that they no longer needed beds in Richmond County, and received a “transfer for good cause” agreement from CON to relocate the beds to another county. This agreement removed the hospital from the arrangement. Unbeknownst to Pruitt, the hospital then delicensed its NH beds.

Until 2021, the surplus and deficits in the various counties were not such that Pruitt could have relocated beds to another county to develop a new facility or add beds to one of its existing facilities. Pursuant to Policy NH-6 and utilization in the 2021 SMFP, Pruitt could have relocated beds to its facility in Cabarrus County, because the county had a bed deficit. However, Pruitt missed the CON deadline to relocate NH beds to another county. They contacted the Agency to find out whether an exception or alternative was possible. During this process, the Agency informed them that there were no beds to relocate because the hospital had delicensed them in 2013. Their only option would be to file a summer petition for an adjusted need determination in Cabarrus County.

Although a relocation would have been possible based on the 2021 SMFP, COVID-19 reduced the 2020 utilization such that Cabarrus would not have a deficit. Thus, relocation under NH-6 would not be possible in 2022. Cabarrus County’s 36-bed deficit in the 2021 SMFP shifted to a 160-bed surplus during the COVID-19 pandemic.

During the COVID-19 pandemic, NH facilities statewide experienced decreases in utilization. Reportedly, due to the nature of COVID-19, patients and their families avoided congregate care settings, which resulted in patients being removed from facilities or not entering the facilities for new care. Also, patients were unable to undergo elective surgeries, some of which may have required temporary care in a NH following the procedure. Prior to COVID-19, Cabarrus County was experiencing a growth in the number of patients in NH. However, during the initial COVID-19 year (2020), there was a 19.81% drop in patients being served. The impact of COVID-19 also contributed to a five-year Compound Annual Growth Rate (CAGR) of -3.25% (see Table 1).

Table 1: Cabarrus County Nursing Home Patients and Bed Rates, Data Years 2016 – 2020

	2016	2017	2018	2019	2020	Total Percent Change	CAGR
Number of Patients	582	572	591	636	510		
Annual Percent Change		-1.72%	3.32%	7.61%	-19.81%	-12.37%	-3.25%

Source: Proposed 2022 SMFP

On the other hand, utilization remained high in Cabarrus County. According to the methodology, the threshold to obtain a need determination is 90% occupancy. Even with a drop in patients in 2020, Cabarrus County maintained 80% occupancy. It is unknown how long the pandemic will affect NH utilization. It is reasonable to project that, absent the pandemic, Cabarrus County NH utilization would continue to grow. In addition, it is reasonable to consider figures from the 2021 SMFP to support the notion that Cabarrus County may have had a deficit of NH beds in the absence of COVID-19.

Pruitt also cites population growth as a rationale for the current Petition. Cabarrus County has an 8.10% annual population growth rate (see Table 2). Census data from the NC Office of State Budget and Management projects that the 65 and older population in Cabarrus County will increase 18.02% from 2021 – 2025. In comparison, projected population growth in the county overall is 7.81% during the same period. In terms of its effects on nursing homes, the population growth may increase utilization to a greater degree in the coming five years than in the past five years.

Table 2: Annual County Population Totals, Years 2016 - 2020

County	2016	2018	2018	2019	2020	Total Percent Change	CAGR
Cabarrus	200,595	205,473	209,303	212,917	216,841	8.10%	1.97%

Source: State Medical Facilities Plan

Agency Recommendation:

The Agency supports the standard methodology for NH beds. However, in consideration of the above, the Agency recognizes that the impact of COVID-19, utilization and population will support the development of 36 NH beds. Given available information submitted by the August 11, 2021 deadline date for comments on petitions and comments, and in consideration of factors discussed above, the Agency recommends approval of the petition to add 36 NH beds in the Cabarrus County service area in the final 2022 SMFP.