Representative William Wainwright
Chairman, North Carolina State Health Coordinating Council
c/o Medical Facilities Planning Section
Division of Health Service Regulation
2714 Mail Service Center
Raleigh, NC 27699-2714

Re: Mission Hospital's Petition for Adjustment to Acute Care Bed Need Determination for 51 Acute Care Beds in Buncombe County, North Carolina.

I. Petitioner

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II. Requested Adjustment

Mission Hospital is submitting this petition for an adjustment to Table 5A: Acute Care Bed Need Projections and Table 5B: Acute Care Bed Need Determinations in the *Proposed 2011 State Medical Facilities Plan (SMFP)* to show a reduction in bed need from **69** acute care beds to **51** acute care beds for Buncombe, Yancey and Madison Counties. The *Proposed 2011 State Medical Facilities Plan* currently identifies a need for **69** additional acute care beds in Buncombe County. This bed need determination was calculated using the new acute care bed need methodology approved by The State Health Coordinating Council (SHCC) during the meeting held May 26, 2010 which utilizes a 78% target planning occupancy rate. The identified acute care bed need for Buncombe County was adjusted to account for the nine acute care beds included in the *2010 SMFP* which currently are the subject of an ongoing CON review with Mission Hospital as the sole applicant. Mission Hospital is asking that that the bed need determination be reduced in Buncombe, Madison, and Yancey counties from 69 acute care beds identified as needed in Table 5A, column K to **51** acute care beds based upon the use of an 80% target planning occupancy rate.

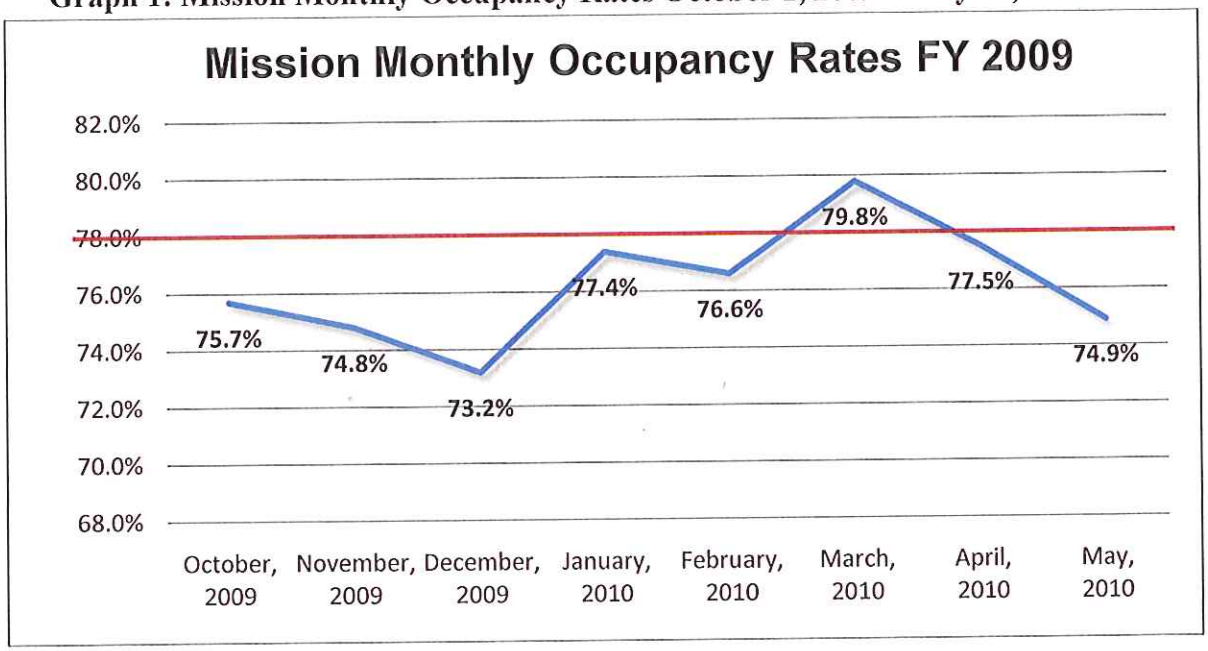
III. Reasons for Proposed Adjustment

1. **Acute Care Utilization at Mission Hospital**
   Mission Hospital is currently licensed for 673 acute inpatient hospital beds based on the 2009 Licensure Renewal Application and has applied for the nine additional licensed acute care beds identified as a need for Buncombe County in the *2010 State Medical*

Facilities Plan. Mission Hospital's average inpatient occupancy rate is 76.8%[1] based upon Thomson data reflected in the *Proposed 2011 SMFP*. While the new acute care bed need methodology utilizes a target planning occupancy rate for hospitals with an average daily census greater than 400 of 78.0%, the Acute Care Work Group recommended that the target occupancy included in Policy AC-5 and in Certificate of Need Acute Care Bed Criteria and Standards remain at 75.2%.

With the addition of nine licensed acute care beds, occupancy rates during the first eight months of FFY 2010 (October 1, 2009 through May 31, 2010) at Mission Hospital was 76.2% and in the first five months of CY 2009 occupancy of the existing 673 plus the proposed 9 acute care beds was 77.2% (Graph 1).

Graph 1: Mission Monthly Occupancy Rates October 1, 2009 – May 31, 2010



Source: Mission Hospital FY10 ADT Data

Mission Hospital uses an 80% target planning occupancy rate for its ongoing internal strategic planning effort. In addition, 80% is commonly used to encourage efficiency of operation and planning in the strategic planning process by acute care hospitals. Mission supports the use of an 80% target planning occupancy rate to determine future acute care bed need in Buncombe County.

Mission Hospital operates the only licensed acute care hospital in Buncombe County and is the tertiary care provider for Western North Carolina. In addition, Mission is the largest provider of inpatient hospital care in its 18 county service area. The average total combined occupancy rate of all hospitals in Mission Hospital's service area is 49.5%

[1] Calculation: (191,139 patient days)/ (365 days per year)=Average Daily Census and 523.8 ADC)/682 Licensed Acute Beds) = 76.8% occupancy

and only two hospitals, Cannon Memorial and Transylvania Hospital, come close to the adjusted targeted occupancy rate of 66.7% for hospitals with an average daily census of < 100 (Table 1).

Table 1: Mission Service Area Hospitals and Occupancy Rates

Hospital	2009 ADC	Care Beds	% Occupancy
Grace	57.1	162	35.2%
Valdese	28.5	131	21.8%
Cannon Memorial	16.4	25	65.6%
Blue Ridge Regional	20.9	46	45.4%
The McDowell Hospital	14.4	65	22.2%
Rutherford Hospital	49.3	129	38.2%
Mission Hospital	509.0	673	75.6%
Park Ridge Hospital	33.0	62	53.2%
Margaret Pardee	68.2	193	35.3%
St. Luke's	10.4	25	41.6%
Transylvania Community	16.2	25	64.8%
Haywood Regional	59.9	153	39.2%
Harris Regional	41.0	86	47.7%
Swain County	4.3	25	17.3%
Angel Community	14.1	25	56.4%
Murphy Medical Center	27.0	57	47.4%
Total	**969.73**	**1,882**	**51.5%**
With 78 additional*		**1,960**	**49.5%**

Source: Proposed 2011 SMFP

** Reflects projected need included in Proposed 2011 SMFP plus nine additional beds in Buncombe County currently under review in the 2010 SMFP.*

2. Healthcare Reform: Impact of Inpatient Hospital Readmissions Penalties

It is not expected that Healthcare reform law concerning readmission rates will have a significant impact on Mission Hospital's utilization. Federal Healthcare reform legislation has established a reduction in payment for preventable readmission days beginning in FY2013. [(1)] The Centers for Medicare and Medicaid Services (CMS) will implement a value-based reimbursement mechanism to reduce Medicare payments for hospitals that experience higher-than-risk-adjusted 30-day readmission rates for preventable readmissions and hospital acquired conditions (HACs). According to CMS, hospitals should not be penalized for any "preventable readmission" which includes any unrelated or unplanned readmission and addresses only those readmissions that could not have possibly been prevented. Beginning FY2013, CMS will be using measures for heart

attack, heart failure, and pneumonia as the basis for this penalty adjustment. [2] The list of conditions will be expanded in FY2015 to include chronic obstructive pulmonary disease and several cardiac and vascular surgical procedures. The number of 30-day readmissions a hospital has in a given year will be assessed and compared to the number of readmissions that are to be expected in any given hospital. Providers in the highest quartile will have all of their inpatient PPS payments reduced by 1 percent. [3] Mission Hospital's readmission rates are below national averages and are in the NC state 75th % quartile, which puts Mission in the top, most favorable quartile (Table 2). These quartiles are developed from the score distribution of all NC hospitals. In addition, Mission Hospital's readmission rates are below the National Average.

Table 2: Select Hospital Risk-Adjusted 30-Day Readmission Rates

Hospital Readmission Rates	Heart Attack	Heart Failure	Pneumonia
Cape Fear Valley Medical Center	19.60%	24.90%	18.60%
CMC- North East	18.70%	22.30%	18.50%
CMC	16.30%	20.90%	17.20%
Duke University Medical Center	23.00%	25.40%	19.40%
Forsyth Medical Center	18.00%	23.30%	17.50%
Grace Hospital	19.00%	24.60%	17.70%
Mission Hospital	16.90%	20.50%	17.10%
Moses Cone	20.10%	22.20%	18.70%
NC Baptist Hospital	22.30%	26.80%	22.30%
New Hanover	18.20%	23.10%	17.30%
Pardee	19.50%	23.20%	16.60%
Park Ridge	19.40%	23.20%	16.90%
Pitt County	19.70%	25.20%	19.40%
Presbyterian Hospital	18.90%	25.50%	21.10%
Rex	19.70%	23.70%	18.00%
UNC Hospitals	21.40%	25.10%	18.40%
WakeMed	21.20%	22.50%	20.20%
National Average	19.90%	24.50%	18.20%

Source: NC Hospital Quality Performance Report. www.nchospitalquality.org

- Hospitals with a score worse than the NC 25th %-ile score/threshold fall in the lowest 4th quartile
- Yellow- Hospitals with a score equal to or better than the 25th %-ile but worse than the 50th fall in the 3rd quartile.

- Green- Hospitals with a score equal to or better than the 50th %-ile but worse than the NC 75th %-ile threshold fall in the 2nd quartile.
- Blue- A score equal to or better than the 75th %-ile puts a hospital in the top, most favorable quartile. [4]

3. **Healthcare Reform: Primary Care Homes and Uninsured**

Due to the impact of providing coverage to the uninsured through Project Access and other Safety Net Systems in Buncombe County, The Patient Protection and Affordable Care Act of 2010 will have little impact on inpatient care provided by Mission Hospital. The Patient Protection and Affordable Care Act of 2010 will cover an additional 30 million people in the United States but will still leave 20 million uninsured. It will take several years for healthcare reform to take full effect. During this time, communities will struggle with patients who will remain uncovered by Medicaid and private insurance. Counties, like Buncombe County, have begun to set up safety nets to deliver a significant level of healthcare to the uninsured, Medicaid, and other vulnerable patients. Core safety net providers typically include public hospitals, community health centers, and local health departments, as well as special service providers such as AIDS and school-based clinics. In some communities, teaching and community hospitals, private physicians, and ambulatory care sites fill the role of core safety net providers.

Buncombe County has set up a program called "Project Access." Project Access, which provides specialist and other services to uninsured patients through a large network of volunteer physicians, is linking community clinics with volunteer specialists and charitable hospital services, to ensure that several thousand low-income, uninsured residents receive good access to a full range of medical services, regardless of citizenship. Each year, Project access serves roughly 3,000 people in some fashion, and averages roughly 1,000 patients at any one time. The county's actual cost from providing services through Project Access appears to be less than half estimated cost of covering the same population by Medicaid since three-fourths of the total value came through services donated by physicians and the hospital. [5].

4. **Revised State Methodology**

The 2010 SMFP bed need methodology was based on a state wide growth rate factor. If the methodology had remained unchanged, the statewide growth factor in the *2011 SMFP* would have been-0.03% and would have resulted in a 2015 projected licensed acute care bed need of 9 beds in Buncombe County (Table 3). The methodology using the statewide growth rate factor became problematic because most hospitals were showing a negative growth rate and did not recognize individual hospital growth.

Table 3: 2011 Acute Care Bed Need Based on 2010 Bed Need Methodology

Facility Name	Licensed AC beds	Adjustments for CONs/ Previous Need	Thomson 2009 Acute Care Days	Six Year Annual Growth Projection 2015	2015 Projected Avg. Daily Census (ADC)	2015 Beds Adjusted for Target Occ. 75.2%	Proj. 2015 Deficit or Surplus	2015 Need Determination– Adj. for 2010 SMFP Need
Statewide -0.03% Annual Growth Rate								
Mission Hospital	673	9	191,139	190,795	523	695	22	13

Source: Acute Care Work Group Handouts from 4.21.10 conference call meeting, Attachment 1

The SHCC Acute Care Bed Need Methodology Work Group began work early in 2009 and was charged with reviewing and amending, as necessary, the existing Acute Care Bed Need Methodology. Mission Hospital was represented on the Work Group. The Work Group made the following recommendations to the SHCC for changes in the Acute Care Bed Need Methodology used in table 5A (Table 4). Mission Hospital represented the only dissenting vote, preferring the use of a more conservative 80% planning target as discussed below. The SHCC approved the Work Group's recommendations and the new methodology was used to determine bed need in the *Proposed 2011 SMFP.*

Table 4: Revised Acute Care Need Methodology Published in the *Proposed 2011 SMFP*

Criterion	Revised Methodology
Data Source	Thomson acute care days only, excluding psychiatric, substance abuse, and rehabilitation days; including outliers and non-NC resident days
Historic Patient Day Growth Rates	5 years of data (2005-2009 for the Proposed 2011 SMFP) and 4 years of trend
Number of Projected Years	4 years
Calculation method for Growth Rate Factors	County growth rate of days defined in data source
Target Occupancy Rates Average Daily Census (ADC) ADC 1-99 ADC 100 – 200 ADC > 200 and ≤ 400 ADC > 400	 66.7% 71.4% 75.2% 78.0%

Source: Acute Care Services Committee Meeting, May 5, 2010.

The average three year growth factor for Buncombe County is 2.87%. This percentage is multiplied by the 2009 Thomson acute care patient days and projected out four years. The new methodology has been published on Table 5A in the *Proposed 2011 SMFP* and shows a

projected 2013 bed need in Buncombe County of 69 beds (Table5). For the *Proposed 2011 SMFP,* the Work Group voted to increase the occupancy rate from 75.2% to 78% for large hospitals due to the fact that large hospitals operate at a more efficient occupancy rate (Table 5).

Table 5: Acute Care Need Methodology published in the *Proposed 2011 SMFP*

Facility Name	Licensed AC beds	Adjustments for CONs/ Previous Need	Thomson 2009 Acute Care Days	Four Year Annual Growth Projection 2013	2013 Projected Avg. Daily Census (ADC)	2013 Beds Adjusted for Target Occ. 78% *1.28	Proj. 2013 Deficit or Surplus	2015 Need Determination Bed Need – Adj. for 2010 SMFP Need
Buncombe County 1.0287 Annual Growth Rate								
Mission Hospital	673	9	191,139	214,024	586	751	78	69

Source: Proposed 2011 SMFP, Table 5A

The Work Group also considered a more conservative approach using an 80% occupancy rate for hospitals with greater than 400 beds, which was the methodology Mission Hospital advocated for as the new revised acute care bed need methodology (Table 6). Total utilization of the 673 acute care beds at Mission currently run at slightly less than 80% occupancy. As with all acute care hospitals utilization by day of the week varies and many days utilization of the existing acute care beds will exceed 80%. However, as hospitals strive to meet the challenges of healthcare reform Mission believes a more conservative target growth rate to be more appropriate for acute care services in Buncombe County.

Table 6: Acute Care Need Methodology Presented at the Acute Care Work Group and Supported by Mission Hospital

Facility Name	Licensed AC beds	Adjustments for CONs/ Previous Need	Thomson 2009 Acute Care Days	Six Year Annual Growth Projection 2013	2013 Projected Avg. Daily Census (ADC)	2013 Beds Adjusted for Target Occ. 80% *1.25	Proj. 2013 Deficit or Surplus	2013 Need Determination Bed Need – Adj. for 2010 SMFP Need
Buncombe County 1.0287 Annual Growth Rate								
Mission Hospital	673	9	191,139	214,024	586	733	60	51

Source: Acute Care Work Group Handouts from 4.21.10 conference call meeting, Attachment 1

As shown in the previous table using an 80% target occupancy rate for Buncombe County results in an acute care bed need of 51 beds in the *2011 SMFP*.

IV. Duplication of Health Resources

Mission Hospital is the only hospital located in Buncombe County and serves as referral center for 18 counties. Because of Mission Hospital's unique situation, there will not be a duplication of services. A duplication of services suggests that there would be an excess of services within the market. The data and the narrative provided demonstrates that there a need in Buncombe County for additional acute care beds.

V. Consistency with SMFP Basic Principles

The petition is consistent with the provisions of the Basic Principles of the State Medical Facilities Plan.

1. **Safety and Quality Basic Principle**
   The State of North Carolina recognizes the importance of systematic and ongoing improvement in the quality of health services. Providing care in a timely manner is a key component of assuring safety and quality care to the citizens of Buncombe County and western North Carolina. Emerging measures of quality address both favorable clinical outcomes and patient satisfaction, while safety measures focus on the elimination of practices that contribute to avoidable injury or death and the adoption of practices that promote and ensure safety. Providing appropriate care in the appropriate setting works to assure quality care. Mission Hospital participates in a variety of nationally recognized metrics addressing these criteria, including programs at both the federal and state levels. Mission has participated in the North Carolina Hospital Quality Performance Report since initiation and has continually improved quality scores since 2007. The proposed adjusted need determination for Buncombe County is consistent with this basic principle as it will result in the availability of care in an appropriate setting in a timelier manner.

2. **Access Basic Principle**
   Equitable access to timely, clinically appropriate and high quality health care for all the people of North Carolina is a foundation principle for the formulation and application of the North Carolina State Medical Facilities Plan. The formulation and implementation of the North Carolina State Medical Facilities Plan seeks to reduce all of these types of barriers to timely and appropriate access. The first priority is to ameliorate economic barriers and the second priority is to mitigate time and distance barriers. The SMFP is developed annually as a mechanism to assure the availability of necessary health care services to a population. The proposed adjustment will improve access to inpatient services for residents of Buncombe and western North Carolina as previously discussed.

Assuring the availability of an acute care inpatient bed promotes access to needed acute care services.

The impact of economic barriers is twofold. First, individuals without insurance, with insufficient insurance, or without sufficient funds to purchase their own healthcare will often require public funding to support access to regulated services. Mission Hospital has long been recognized as the safety net for patients regardless of income or insurance in western North Carolina. As the tertiary provider for western North Carolina, Mission Hospital has no barriers to care for the uninsured and the underinsured.

3. **Value Basic Principle**
   The SHCC defines health care value as maximum health care benefit per dollar expended. Disparity between demand growth and funding constraints for health care services increases the need for affordability and value in health services. Measurement of the cost component of the value equation is often easier than measurement of benefit. Cost per unit of service is an appropriate metric when comparing providers of like services for like populations. The cost basis for some providers such as Mission Hospital, one of the top ten providers of inpatient Medicaid days in North Carolina, may be inflated by disproportionate care to indigent and underfunded patients.

   Measurement of benefit is more challenging. Standardized safety and quality measures, when available, can be important factors in achieving improved value in the provision of health services. Mission Hospital participates in a variety of benchmark programs to compare the use of inpatient and outpatient resources to other large to learn from like hospitals and decrease costs wherever possible.

   In addition, if the proposed bed need adjustment for Buncombe County is approved, Mission Hospital will be in a position to implement the additional beds, if CON approval is received, at very low cost in existing space within the current facility.

VI. Summary

Mission Hospital utilization for FFY 2010 YTD is 76.2% (this is with the nine additional beds currently under CON review, without these nine beds its 77.3%) which is above the 75.2% target occupancy rate used in the SMFP to plan for future acute care bed need. The proposed bed need adjustment for additional acute care beds in Buncombe County is based upon actual historical experience in patient origin, patient discharges, and reasonable assumptions. Mission Hospital uses an 80% target planning occupancy rate for its ongoing internal strategic planning efforts and supports the use of an 80% target planning occupancy rate to determine future acute care bed need in Buncombe County.

The Petitioners request that the State Health Coordinating Council adjust the need determination as requested so that the Mission can continue to meet the increasing health care needs of the

community. Therefore, the Petitioners specifically request a specific adjustment in the *2011 SMFP* approving their request to:

> **Adjust Table 5A: Acute Care Bed Need Projections for Buncombe County to reflect a need for 51 additional acute care beds in Column K. and in Table 5B: Acute Care Bed Need Determinations in the *Proposed 2011 State Medical Facilities Plan (SMFP)* to show an acute care bed need of 51 acute care beds for Buncombe, Yancey and Madison Counties. .**

Thank you for consideration of the Petition.

References:

1. Lubell, J. (2010). Hospitals cry foul. *Modern Healthcare*, *May 31, 2010*.
2. Averill, R, McCullough, E, Hughes, J, Goldfield, N, & Vertrees, J., et al. (2009). Redesigning the Medicare inpatient PPS to reduce payments to hospitals with high readmission rates. *Health Care Financing Review*, *30*(4), 1-15.
3. Mulvany, C. (2010). Healthcare reform: the good, the bad, and the transformational. *Healthcare financial management*, (June), 52-59.
4. NC Hospital Quality Performance Report. http://www.nchospitalquality.org/index.lasso.
5. Hall, M, & Hwang, W. (2010). The Costs and adequacy of safety net access for the uninsured: Buncombe County (Asheville), North Carolina. *White Paper through the Robert Wood Johnson Foundation*. June.