NORTH CAROLINA STATE HEALTH COORDINATING COUNCIL

PETITION FOR ADJUSTMENT TO NEED DETERMINATION IN HSA IV FOR INPATIENT REHABILITATION BEDS

Petitioner Duke University Health System, Inc. hereby submits this petition to adjust the need determination for inpatient rehabilitation beds in HSA IV in the 2012 State Medical Facilities Plan, to provide for a total need of 20 beds.

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Statement of the Proposed Change

Duke proposes that the need for inpatient rehabilitation beds in HSA IV in the 2012 State Medical Facilities Plan be increased from 4 to 20 beds, to reflect the capacity that will be needed in 2013, which is the earliest that beds could reasonably be developed pursuant to a need established in the 2012 Plan.

Reasons for Proposed Change

The existing need determination for HSA IV for only 4 additional beds results from the methodology based on the projected days of care for the year following the latest year of data submitted by providers. Therefore, the draft 2012 Plan reflects the need for projected days of care in 2011, based on 2010 data. In other HSAs, where days of care have not increased significantly and/or where existing providers have significantly more excess capacity, the resulting need determination may be appropriate. In HSA IV, however, the need determination is insufficient to meet the actual projected need in the future. HSA IV has achieved over 80% capacity of the available inpatient rehabilitation beds since 2008, and experienced an average annual growth at a rate of 4.44%. The substantial growth within this region has now resulted in 3 of the 4 providers operating at 79% - 92% capacity in FY 2010, as documented in the draft

2012 Plan. The remaining provider, which had a utilization rate of 61.8%, operates a small 11-bed facility; its ability to take on additional volume is minimal because their available capacity is only an average of 4 beds a day.

Applications will be filed in 2012 to meet any need identified in the 2012 Plan, with a decision issued in late 2012 or even 2013. Even if there is no litigation and the CON is issued immediately, new beds could not be put into service until 2013 at the earliest and potentially not until 2014 or beyond. Based on the projections in the draft Plan, HSA IV will have 55025 projected days of care in 2013. With only 173 beds (including the 14 beds from the 2011 plan and the 4 beds in the draft 2012 Plan), utilization would be at 87.1%, and all rehabilitation facilities would already face capacity constraints. By 2014, the problem will be worse, with 91.0% projected utilization. Therefore, any new services will be insufficient to meet the need, even immediately after development.

	2009	2010	2011	2012	2013	2014
# of Beds Existing/in Plan	155	155	169	173	173	173
Days of Care Capacity	56,575	56,575	61,685	63,145	63,145	63,145
Days Provided/Projected	47,138	48,301	50,446	52,685	55,025	57,468
Utilization (based on number of existing beds and in draft plan)	83.3%	85.4%	81.8%	83.4%	87.1%	91.0%
Beds needed to accommodate Days of Care at 80%	162	169	173	181	189	197

To accommodate the projected days of care in 2013, when beds could reasonably be put into service, HSA IV will need 188.4 beds. By 2014, 196.8 beds will be needed. At present, there are 155 operational beds and 14 incremental beds through the 2011 SMFP, for a total of 169 rehabilitation beds. An increase of the need determination to 20 beds would at least allow providers to meet the projected need in 2013, when their projects could come on line. At the current rate of growth in HSA IV, adding 20 beds would result in 80% utilization within the service area in FY 2013.

No other HSA currently operates at such a high utilization rate, and the state average utilization rate is only 61.5%. Although HSA III has experienced similar growth over the past 4 years, and provided approximately the same number of days of care in 2010 (49712 in HSA III versus 48301 in HSA IV), HSA III has 33 more beds than HSA IV and no facility had utilization above 80%.

	Utilization Rate	Average Annual Growth (2007-10)	2013 Utilization based on 2012 Plan proposed beds*	2013 Need	2014 Utilization based on 2012 proposed beds*	2014 Need
HSA I	40.1%	-3.92%	35.5%	0	34.1%	0
HSA II	55.4%	2.45%	59.6%	0	61.1%	0
HSA III	67.4%	4.37%	76.7%	0	80.0%	0
HSA IV	85.4%	4.44%	87.1%	20	91.0%	28
HSA V	54.5%	-2.91%	49.9%	0	48.5%	0
HSA VI	62.4%	1.53%	65.3%	0	66.3%	0

* Note: Assumes no additional beds in addition to those currently licensed, approved, or proposed.

Adverse effect on providers and consumers without change:

Even assuming immediate development of 14 beds in the 2011 Plan and an additional 4 beds in the 2012 Plan, utilization in 2013 will already be at 87.1% of capacity. Without the change, providers and patients will continue to have significant challenges in finding appropriate rehabilitation treatment.

Without an adjustment allowing more beds to be developed at one time, however, competition, continuity of care and patient choice may also be adversely affected. Based on current growth in HSA IV, it is reasonable to anticipate that a need will be found in the Plan for 4 to 8 beds each year for several years in the future. It is generally not feasible for a new provider to enter the market with a proposal for only 4 beds, so only existing providers will have a realistic opportunity to expand their capacity to meet the incremental increases in the need. Even for those providers, moreover, expanding by bits and pieces cannot be the most efficient and cost-effective way to develop needed services.

Alternatives considered

The only alternative to adjusting the need is to leave the determination as it currently stands, which does not provide sufficient access to services in the Health Service Area.

Evidence that the proposed change would not result in unnecessary duplication of health resources in the area

As set forth above, existing facilities are already highly utilized and patients and providers face difficulties and delays in finding appropriate placements. The proposed change simply would allow a sufficient level of services to be developed for the need projected for 2013, when the beds could first be put into service, rather than limiting the need determination to a level that will already be outdated upon development. If a need determination exists in the 2012 Plan, applications will be filed in 2012, with a decision issued in late 2012 or even 2013. Even if there is no litigation and the CON is issued immediately, new beds could not be put into service until 2013 at the earliest and potentially not until 2014 or beyond. Based on the projections in the draft Plan, HSA IV will have 55025 projected days of care in 2013. With only 173 beds (including the 14 beds from the 2011 plan and the 4 beds in the draft 2012 Plan), utilization

would be at 87.1%, and all rehabilitation facilities would already face capacity constraints. By 2014, the problem will be worse, with 91.0% projected utilization. Therefore, any new services will be insufficient to meet the need, even immediately after development.

Evidence that the requested change is consistent with the Basic Principles of Safety and Quality, Access, and Value

The requested change will improve value by allowing potential providers to pursue cost-effective and efficient expansions of services. It will improve access by ensuring capacity sufficient to meet existing need when the new services are developed, rather than risking the investment in facilities that are insufficient upon opening.