

**PETITION FOR AN ADJUSTMENT TO A NEED DETERMINATION**

**Petition to Remove the Acute Care Bed Need Determination for Orange County in the  
2018 State Medical Facilities Plan**

**PETITIONER**

UNC Hospitals  
101 Manning Drive  
Chapel Hill, NC 27514

DJ Zerman  
System Director of Regulatory Planning  
(984) 974-1243  
[dj.zerman@unchealth.unc.edu](mailto:dj.zerman@unchealth.unc.edu)

**STATEMENT OF THE PROPOSED CHANGE**

UNC Hospitals (UNCH) respectfully petitions the State Health Coordinating Council (SHCC) to remove the need determination for acute care beds in Orange County in the *2018 State Medical Facilities Plan (SMFP)*. Table 5B in the *Proposed 2018 SMFP* shows a need for 36 additional acute care beds in Orange County; UNCH requests that the need determination be removed and that there would be no need for acute care beds in Orange County in the *2018 SMFP*.

**BACKGROUND**

As the principal teaching hospital for the University of North Carolina at Chapel Hill's School of Medicine, UNCH provides a comprehensive array of healthcare services to the citizens of North Carolina. UNCH first opened in 1952 as the North Carolina Memorial Hospital and has served not only as a patient care-oriented facility, but also as a teaching, research, and community service resource for North Carolina. UNCH is recognized as one of the highest-quality healthcare institutions in the nation, winning multiple awards for its patient safety and quality of care, nursing care, research, and teaching. As North Carolina's only state-owned referral, tertiary and quaternary care center, UNCH accepts any North Carolina citizen requiring treatment.

Over the past few years, as inpatient volume has increased at UNCH, the standard methodology for acute care beds has shown need in multiple years. As presented in the table below, the past three *SMFPs* have shown a combined need for 171 acute care beds in Orange County.

<b>SMFP Year</b>	<b>Acute Care Bed Need Determination</b>
2015	46
2016	84
2017	41
<b>Total</b>	<b>171</b>

**Petition: Acute Care Beds**  
**UNC Hospitals**  
**Page 2 of 4**

While UNCH believes these beds have been needed and more acute care beds will likely be needed in the future, the addition of 171 beds over the past three years is nearly a 25 percent increase in UNCH's licensed bed capacity. This increase in capacity, while solving the need for more beds, creates other unique issues that must be addressed, as described below.

Over the past decade, UNCH has worked to address the need for a long-term solution to the lack of available physical space on a full campus while providing much-needed additional inpatient capacity. As anyone who has visited the Main Campus can attest, the area around the medical center is rather congested with limited space for major expansions. In an effort to continue meeting the need for more inpatient capacity, while also expanding geographic access to services, UNCH developed a second campus in Hillsborough, in northern Orange County, which began providing inpatient care in 2015. While the Hillsborough campus initially began with 68 acute care beds, subsequent projects to add beds resulting from need determinations have received Certificates of Need and are currently under development. These projects will expand the facility to a total of 133 acute care beds. In order to facilitate this growth, the footprint of the Hillsborough hospital is expanding to accommodate a four-story addition. Concurrent with the development of additional beds and space in Hillsborough, the UNCH Main Campus is also adding some acute care beds, largely through the backfill of space vacated as beds and services are relocated. In addition, UNCH is planning to develop a new surgical tower on the Main Campus, which will provide space for some acute care beds to be relocated; however, this project will take several years to complete.

**REASON FOR THE REQUESTED ADJUSTMENT**

UNCH recognizes the continued need for additional acute care beds in Orange County, and, as described above, it has consistently worked to develop additional capacity notwithstanding the lack of space on the Main Campus. However, given the number of additional acute care beds allocated in the past few *SMFPs*, new construction is currently underway in Hillsborough to accommodate some of these beds, and renovations and relocations of beds and services are in process at the Main Campus as well. Due to the nature of the construction and renovations required to accommodate the approved additional acute care beds, the projects will not be complete for another three years, until FY 2021. Even if UNCH applied for and was granted a Certificate of Need for the 36 beds in the *Proposed 2018 SMFP*, they could likely not be developed until the current expansion projects are complete, or until FY 2021 or later. For this reason, UNCH requests that the SHCC remove the 36-bed need in Orange County for 2018, to allow UNCH more time to make progress on developing the additional beds that have already been approved pursuant to previous *SMFPs*.

Approval of the petition and removal of the Orange County acute care bed need for the *2018 SMFP* will not hinder the continued development of additional capacity in the county. As presented in the table below, additional beds will be added to the inventory through 2022, even without the 36-bed need in the *Proposed 2018 SMFP*.

	<i>Description</i>	<i>Main Campus Total Acute Care Beds</i>	<i>Hillsborough Campus Total Acute Care Beds</i>	<i>Total Acute Care Beds- Both Campuses</i>
FY17	Current Licensed Beds	727	72	799
FY18	<u>Main Campus:</u> Add four burn ICU beds and convert 10 unlicensed L&D beds to LDRPs <u>Hillsborough Campus:</u> Convert 11 unlicensed observation spaces to non-specialty med/surg beds	741	83	824
FY19	<u>Main Campus:</u> Add seven Neurosciences ICU beds	748	83	831
FY20	No changes	748	83	831
FY21	<u>Hillsborough Campus:</u> Add 50 non-specialty med/surg beds in new four-story bed wing <u>Main Campus:</u> Add 30 non-specialty med/surg beds	778	133	911
FY22	<u>Main Campus:</u> Add 20 non-specialty med/surg beds	798	133	931

**ADVERSE EFFECTS IF PETITION IS NOT APPROVED**

If the petition is not approved, UNCH will likely apply for the allocated beds. If UNCH receives a Certificate of Need for the additional beds, they will probably not be developed until FY 2021 or beyond. Thus, the primary adverse effect of not approving the petition is the need to apply for a Certificate of Need for a project that will not be implemented for a few years. The impact of the delayed implementation of such a project is the number of changes that could occur before the project is developed. Not only is healthcare a dynamic industry, as the SHCC is well-aware, but other projects or internal changes at UNCH could also impact the plans for developing the additional beds in the intervening years. Such changes could require UNCH to submit additional Certificate of Need applications to change the scope of the project, adding unnecessary cost and complexity.

**ALTERNATIVES CONSIDERED**

The primary alternative UNCH considered was not filing a petition and applying for the beds allocated in the *2018 SMFP*. However, as discussed above, even if that application were approved next year, the additional beds would not be developed until FY 2021 or later. Thus, the additional capacity would not be immediately available, and if the expected growth continues, subsequent *SMFPs* will likely show need for acute care beds in Orange County that could be developed in a similar timeframe as beds allocated in the *2018 SMFP*.

**UNNECESSARY DUPLICATION**

Approval of the petition would not result in unnecessary duplication. On the contrary, the delay in allocating additional acute care beds in Orange County would allow more time for projects

**Petition: Acute Care Beds  
UNC Hospitals  
Page 4 of 4**

currently underway to be developed and would not allocate beds that would likely be undeveloped for a few years.

**BASIC PRINCIPLES**

Safety and Quality

As noted above, UNCH is recognized as one of the highest-quality healthcare institutions in the nation, winning multiple awards for its patient safety and quality of care. The removal of the 36 acute care bed need determination in the *2018 SMFP* will not hinder UNCH's ability to continue providing care in a safe and high quality manner.

Access

Approval of the petition will not hamper access to acute care services in Orange County. As explained above, even if the need determination for 36 acute care beds remained in the *2018 SMFP*, and even if UNCH obtained a Certificate of Need to develop those beds, it would be a few years until they would likely be developed. UNCH is already in the process of developing additional acute care beds; in fact, as shown in Table 5A in the *Proposed 2018 SMFP*, a total of 136 additional acute care beds are under development by UNCH<sup>1</sup>. Access will continue to be expanded as these beds are developed. Further, as North Carolina's only state-owned referral, tertiary and quaternary care center, UNCH accepts any North Carolina citizen requiring treatment and will continue to provide this access if the petition is approved.

Value

UNCH believes that approval of the petition will maximize the value of the healthcare services it provides. By enabling it to continue developing approved acute care bed additions, removing the need determination from the *2018 SMFP* will minimize the potential for changes in the plans to develop the beds during the intervening timeframe, preventing unnecessary costs and further delays.

**CONCLUSION**

UNCH supports the standard methodology for acute care beds. However, in light of the multiple need determinations in the past few years and the need for additional time to make progress in the implementation of those projects before applying for more beds, UNCH believes the removal of the 36-bed need determination for Orange County is a prudent and reasonable request.

---

<sup>1</sup> UNCH recently received a Certificate of Need for the 41 acute care beds in the *2017 SMFP* which are shown as a placeholder in Table 5A. Additionally, since the data for Table 5A was collected, UNCH opened four more acute care beds, resulting in a total licensed capacity of 799 acute care beds and 132 to be developed.