

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: Cape Fear Valley Health System Petition for a Change in the Growth Rates Utilized in the New Operating Room Need Methodology Included in the Proposed 2018 State Medical Facilities Plan

I. Petitioner

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II. Requested Change

Cape Fear Valley Health System (CFVHS) requests a change in the New Operating Room Need Methodology included in Chapter 6 of the Proposed 2018 State Medical Facilities Plan (SMFP). CFVHS acknowledges that Petitions submitted during the Summer Public Hearing Process are routinely for Adjusted Need Determinations and not for changes in statewide methodologies. However, since substantive changes to the Operating Room methodology were incorporated into the North Carolina Proposed 2018 State Medical Facilities Plan CFVHS hopes the SHCC will consider this Petition, which addresses an unintended consequence of the new methodology.

The OR Need Methodology utilizes negative population growth to project future volume. CFVHS believes this step in the methodology should be changed to hold volume constant instead of projecting decreased surgical cases. The current methodology penalizes surgical providers experiencing growth in surgical services even while population in the market is decreasing. For example, both CFVMC and Highsmith Rainey have experienced positive growth in surgical services. Some of this volume is due to CFVMC recapturing surgical market share that previously had left the county. Using a negative population growth to project future utilization results in decreased surgical projections which is unreasonable in a market where

surgical growth is positive. Further the use of negative population growth is not consistent with the Acute Care Bed Need Methodology which holds volumes constant when a service area has negative inpatient growth.

One of the most substantive changes made in the OR Need Methodology in the Proposed 2018 SMFP is the change made to calculate operating room deficits and surpluses separately for each health system. In doing so, the SHCC recognizes the unique attributes of surgical facilities and their utilization. This change is consistent with the Acute Care Bed Need Methodology which also plans need for additional acute care beds calculating acute care bed deficits and surpluses separately for each health system.

CFVHS requests that the projected growth rate for surgical cases be held constant when the population growth is negative. This change would make the OR Need Methodology's treatment of a negative growth rate consistent with the Acute Care Bed Need Methodology's treatment of a negative growth rate.

III. Reasons for Proposed Adjustment

Utilization of the operating rooms at CFVMC and Highsmith Rainey has fluctuated up and down during the last several years as surgical capacity and volumes shifted to CFV Hoke which opened in 2015, and several renovation projects in surgical services at CFVMC. Overall utilization has increased from 2015 to 2017 as shown in the following table.

CFVHS – Cumberland County Surgical Growth

Inpatient	2015	2016	2017 (9 Months Annualized)
CFVMC	6,352	6,380	6,608
Highsmith	152	135	91
CFVHS Combined	6,504	6,515	6,699
Annual Growth		0.2%	2.8%
Outpatient	2015	2016	2017 (9 Months Annualized)
CFVMC	5,755	5,402	5,435
Highsmith	2,741	2600	3415
Total	8,496	8,002	8,850
Annual Growth		-5.8%	10.6%

As shown in the previous table, CFVHS annualized surgical data in Cumberland County for the first nine months in FFY 2017 shows an inpatient growth rate of 2.8% and an outpatient growth rate of 10.6%. Projecting negative growth in the annual SMFP planning process is incorrect and unreasonable.

Further, surgical providers, such as CFVMC provide care to residents of many counties. Patient origin for surgical services at CFVMC and Highsmith Rainey and projected population growth for the CFVMC service area is positive as shown in the following table.

CFVHS – Cumberland County Surgical Service Area Population Growth

Combined	Percent	Population Growth					CAGR
		2016	2017	2018	2019	2020	
Cumberland	69.4%	35,011	35,012	35,011	35,011	35,009	0.00%
Bladen	2.2%	327,820	327,021	326,456	326,057	325,775	-0.16%
Harnett	6.8%	128,597	129,996	131,395	132,791	134,189	1.07%
Hoke	4.4%	52,833	54,161	55,660	57,229	58,774	2.70%
Robeson	8.0%	133,117	132,859	132,601	132,343	132,087	-0.19%
Sampson	4.8%	63,993	63,994	63,993	63,993	63,992	0.00%
Other	4.6%						
Six County Area		741,371	743,043	745,116	747,424	749,826	0.28%

Source: LRAs; NCOSBM

As shown in the previous table, even though Cumberland County growth is flat, or negative, as reflected in the Proposed 2018 SMFP, the region serviced by CFVHS is growing. Therefore, projecting a negative growth rate negatively impacts the projected utilization and subsequently the need for operating rooms in Cumberland County.

IV. Statement of Adverse Effects on the Population if the Adjustment is Not Made

Again, it is important to realize that the proposed adjustment will not result impact many surgical providers across North Carolina. However, in counties where hospitals and surgical providers are recapturing market share, or experiencing increasing in surgical use rates, using negative population growth rates results in penalizing the providers with positive surgical growth. This in turn, negatively impacts the projected utilization and subsequently the need for operating rooms in North Carolina counties with positive surgical growth in spite of a diminishing population base.

V. Options for Operating Room Development in Cumberland County

A. Maintain the Status Quo

Maintaining the status quo negatively impacts the projected utilization and subsequently the need for operating rooms in North Carolina counties with positive surgical growth in spite of a diminishing population base.

B. Use a Different Growth Rate Metric

The OR Methodology Work Group tested using surgical growth rates and determined that use of the population growth was a better metric for future surgical utilization projections. CFVHS does not disagree with the Work Group's analysis. CFVHS believes that the impact of using negative growth rates was not fully vetted for counties with positive surgical growth and negative population growth. Therefore, CFVHS is requesting the proposed change in the OR Need Methodology.

VI. Duplication of Health Resources

Therefore, the proposed adjustment would not result in a duplication of existing services.

VII. Consistency with SMFP Basic Principles

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

A. Safety and Quality Basic Principle

The State of North Carolina recognizes the importance of systematic and ongoing improvement in the quality of health services. 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 for patients. As a result of the Affordable Care Act, quality, transparency and accountability in community hospitals is more important than ever. In the future payment will be based upon quality measures and community hospitals are moving rapidly to assure high quality, cost effective care. The proposed change does not impact negatively the safety and quality basic principle.

B. 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 those 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 change would positively impact access to surgical services in counties with positive surgical growth and negative population growth. Surgical projections would not be understated and additional operating rooms will be identified as needed.

C. 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 proposed change does not impact negatively the value basic principle.

VIII. Conclusion

The proposed adjustment will correct what CFVHS believes is an unintended consequence of the substantive changes in the SMFP OR Need Methodology. CFVHS requests that the projected growth rate for surgical cases be held constant when the population growth is negative. This change would make the OR Need Methodology's treatment of a negative growth rate consistent with the Acute Care Bed Need Methodology's treatment of a negative growth rate.