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Petition to the State Health Coordinating Council to Amend Policy LTC-2: Relocation of Adult Care Home Beds *2018 State Medical Facilities Plan*

March 1, 2017

Petitioner:		***Contact:***	
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STATEMENT OF REQUESTED ADJUSTMENT

Singh Development, LLC requests the following change to the *2018 State Medical Facilities Plan (SMFP)* to enhance the redistribution of adult care home beds. This request is to amend Policy LTC-2: Relocation of Adult Care Home Beds, to the following:

Policy LTC-2: Relocation of Adult Care Home Beds

Relocations of existing licensed adult care home beds are allowed only within the host county and contiguous counties. Certificate of need applicants proposing to relocate licensed adult care home beds to a contiguous county shall:

1. Demonstrate that the facility losing beds or moving to a contiguous county is currently serving residents of that contiguous county; and
2. Demonstrate that the proposal shall not result in a deficit, or increase an existing deficit in the number of licensed adult care home beds in a county that would be losing adult care home beds as a result of the proposed project, as reflected in the North Carolina State Medical Facilities Plan in effect at the time of the certificate of need review begins, or
3. Demonstrate that a proposal to move licensed adult care home beds from a county with a surplus of beds to a county with a surplus of beds shall meet the following conditions, as reflected in the North Carolina State Medical Facilities Plan in effect at the time of the certificate of need review begins:
    a. The county losing beds as a result of the proposal has a surplus greater than or equal to 15 percent of available inventory;
    b. Once beds are moved, percent surplus of available beds for the county losing beds does not fall below 15 percent as a result of the project;
    c. The county receiving licensed adult care beds as a result of a proposal has a surplus of beds less than 15 percent of available inventory;
    d. Once beds are moved, percent surplus of available inventory for the county receiving beds does not exceed 15 percent as a result of the project; and,
    e. Using North Carolina Office of State Budget and Management population data, demonstrate the county receiving beds has a five year forward average population growth rate greater than North Carolina average.

REASONS FOR THE PROPOSED ADJUSTMENT

Introduction

Today, 68 of the 100 North Carolina counties have a surplus of adult care home (ACH) beds and, in 39 counties, the surplus exceeds 15 percent of the county's available inventory. See Attachment A. Currently, there is no policy to permit relocation of ACH beds from a surplus county to a county that has even a *small* surplus. A county can only add ACH beds if; (1) there is a need determination in the SMFP, which only occurs once all ACH facilities in a county are at 100 percent occupancy, or (2) the county has a deficit or if beds are relocated under the current conditions of Policy LTC-2. Standard methodology and current policy conditions hinder growth in counties with even a small surplus, when they may be surrounded by surplus counties. Conversely, fast growing counties are unable to develop inventory in time to meet market demand. This request is to encourage redistribution of ACH beds to counties where they will be needed and that can sustain growth, while protecting a reasonable surplus in counties losing beds.

Standard Methodology and Policy Limitations

As mentioned, standard ACH bed methodology assumes 100 percent occupancy of all available beds within a county. A need determination is triggered *only* if every single bed in a county will be full, in the target year, which is operationally difficult for an ACH facility. Additionally, by the time a need determination is triggered in the Plan, the process to develop the beds can take several years. This can be troublesome for fast growing counties, because it can ultimately limit ACH bed access. Moreover, under current policy, ACH beds can only be transferred across a contiguous county line. Policy LTC-2 requires the facility losing beds to be currently serving residents in the gaining county, a surplus of beds in the losing county, and a deficit of beds in the gaining county. This means ACH beds cannot be transferred from a surplus county to a county with even a *one bed* surplus. In contrast, standard nursing home bed methodology assumes 90 percent occupancy and nursing home beds can be relocated from one side of the state to the other under Policy NH-6. In addition, proposals to move nursing home beds from one county to another do not require the facility to be serving residents of the gaining county. Therefore, the Plan's nursing home bed methodology and relocation policy are more conducive to efficient statewide bed distribution than the Plan's ACH approach.

A 100 percent occupancy is operationally unrealistic for ACH facilities. An ACH facility operating at 85 percent can accommodate patient turnover which, in turn, improves accessibility. A facility occupancy of 85 percent is supported by performance standard 10A NCAC 14 C Section .1102(d), which requires any new ACH facility to be at 85 percent occupancy by year two of operation. This performance standard aligns with an operationally efficient facility occupancy and is the foundation for the 15 percent threshold in the proposed policy.

Limiting the number of ACH beds in the state inventory, requires a solution that would make no change in the statewide inventory of ACH beds but would permit the redistribution of ACH beds from "over-bedded" counties to where they are needed and where they can sustain. The requested amendment to Policy LTC-2 provides such a resolution. The proposed amendment to Policy LTC-2 sets conditions for redistributing beds from a surplus county to a surplus county.

Proposed Redistribution Parameters Explained

The proposed amendment to Policy LTC-2 includes three parameters; (1) an upper threshold of 15 percent surplus of available inventory that qualifies transfer-out counties and limits excessive loss, (2) a lower threshold of 15 percent surplus of available inventory that qualifies transfer-in counties and protects from excessive gain, and (3) a sustainability factor that assures existing facilities of the sustainability of transferred beds, while limiting the number of redistribution scenarios. Performance standard 10A NCAC 14 C Section .1102(d) supports the 15 percent upper and lower threshold (100 percent – 15 percent = 85 percent). To put this in context, Tables 1 and 2 provide a sample relocation scenario.

Table 1: Relocation Scenario under Amended Policy *LTC-2: Transfer-Out County*

Transfer-out County	ACH Bed Inventory	ACH County Bed Need	ACH Bed Surplus	% Surplus of Avail. Inventory	Beds Moved	New ACH Bed Inventory	Surplus after Beds Moved	% Surplus of Avail. Inventory after Beds Moved
	a	b	c	d	e	f	g	h
County X	554	326	228	41.1%	100	454	128	28.2%

Notes:

a. ACH Bed inventory in current SMFP
b. ACH Bed need in current SMFP
c. a - b
d. c / a
e. Number of beds proposed to relocate by project, transfer out
f. a - e
g. c - e
h. g / f

Table 2: Relocation Scenario under Amended Policy *LTC-2: Transfer-In County*

Transfer-In County	ACH Bed Inventory	ACH County Bed Need	ACH Bed Surplus	% Surplus of Avail. Inventory	Beds Gained	New ACH Bed Inventory	Surplus after Beds Gained	% Surplus of Avail. Inventory after Beds Gained
	a	b	c	d	e	f	g	h
County Y	2,892	2,647	245	8.5%	100	2,992	345	11.5%

Notes:

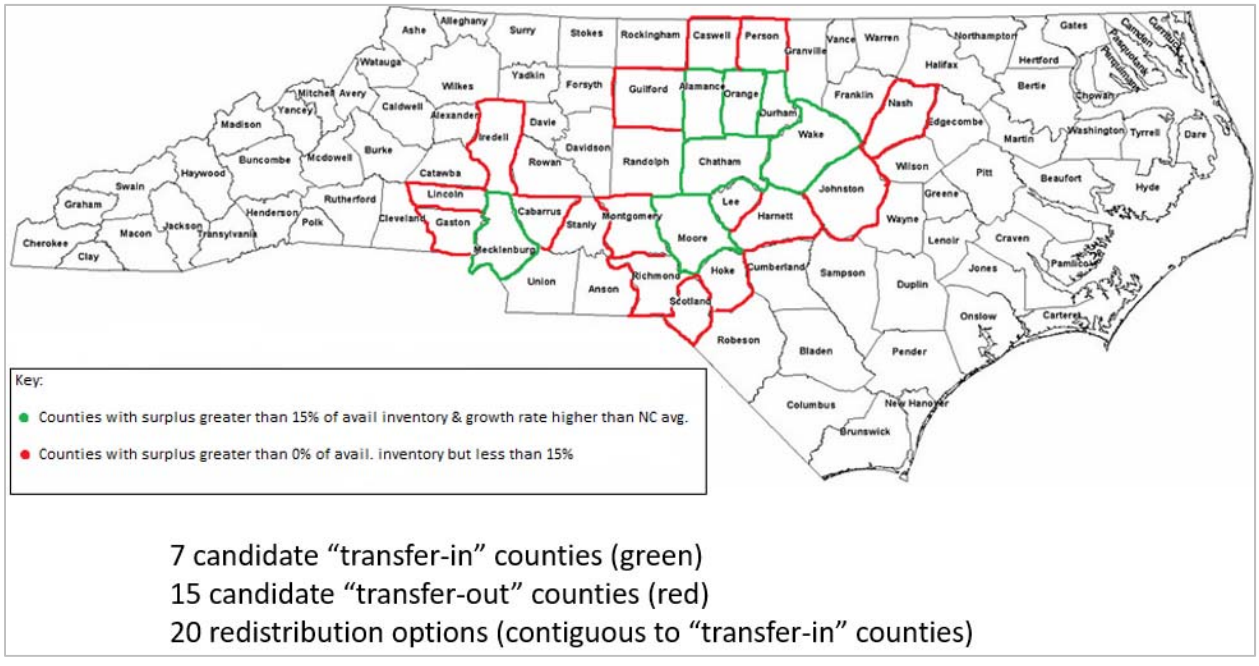
a. ACH Bed inventory in current SMFP
b. ACH Bed need in current SMFP
c. a - b
d. c / a
e. Number of beds proposed to relocate by project, transfer in
f. a + e
g. c + e
h. g / f

In this scenario, County X is the county losing beds (transfer-out county) and County Y is the county gaining beds (transfer-in county). For this to be an approvable scenario, County X and County Y must be contiguous and the facility losing beds must currently serve residents of County Y. If County X has 554 beds and a surplus of 228 beds, it has a 41.1 percent surplus of available inventory (228/554 = .411 or 41.1%). Transferring 100 beds from County X to County Y would cause County X's percent surplus of available inventory to decrease from 41 percent to 28 percent (128/454 = 0.28 or 28 percent). If County Y gains 100 beds, it's percent surplus of available inventory increases from 8.5 percent (245/2,892 = .085 or 8.5 percent) to 11.5 percent (345/2,992 = .115 or 11.5 percent). This would be an approvable redistribution because the county losing beds meets the minimum 15 percent retained surplus threshold and the county gaining beds meets the maximum 15 percent gained surplus threshold.

This redistribution would allow counties with a large surplus to transfer beds to a neighboring county that is growing at a rate faster than the state and whose population would ultimately benefit from increased access. Circling back to the example, one can see that, if County X is surrounded by counties that have a surplus of beds, those surplus beds in County X have no avenue for redistribution. County X will remain "over-bedded" barring any policy amendment.

Available inventory and projected needed vary year to year, Figure 1 below provides possible redistribution scenarios under the proposed conditions, according to data from Table 11B of the *2017 SMFP.*

Figure 1: Potential Relocation Scenario According to "Table 11B" Data,
2017 State Medical Facilities Plan



Counties fully circled in green are candidates for gaining beds and those circled in red are counties that could transfer beds out. Using *2017 SMFP* data, we found seven counties that qualify to gain beds (green) and 15 that qualify to transfer (red), for a total of 20 redistribution options. This illustration would vary from year to year, but it shows, according to *2017 SMFP* data, the policy would have a minimal statewide impact, but enough to encourage redistribution.

STATEMENT OF ADVERSE EFFECTS ON PROVIDERS AND CONSUMERS IF THE ADJUSTMENT IS NOT MADE

The adverse effect if this adjustment is not made is occurring in both "over-bedded" counties and fast-growing counties that are unable to develop inventory in time to meet market demand.

Counties with a large surplus of ACH beds run the risk of facility closures as the market distributes across the surplus county; as well as forcing some facilities to close due to financial instability as a result of an inadequate number of residents. Facility closure will limit access and decrease competition. Likewise, in "over-bedded" counties, facilities are unlikely to risk the capital required to replace or renovate a facility, because it may not fill to the occupancy required to repay the debt. Transferring beds to a county that can absorb them improves the facility's chance of meeting occupancy requirements. Quality will improve because new facilities must meet all current building codes.

Under current plan conditions, a fast-growing county with a small surplus cannot develop inventory in time to absorb the population growth. The small surplus will not generate bed need in the Plan. Even if the county is surrounded by counties with surpluses, Policy LTC-2 prohibits moving beds to the county. For example, according to the 2017 SMFP (2020 Projections), Wake County has a surplus of ACH beds. Wake will not likely show a need before the 2020 SMFP (2023 projections), if then -- six more years. Mecklenburg County is in a similar situation.

Restricting supply of ACH beds ripples through the economy when workers cannot find nearby replacement facilities for older or disabled relatives.

STATEMENT OF ALTERNATIVES CONSIDERED AND FOUND NOT FEASIBLE

The following alternatives were considered during the development of this request:

1. **Change the methodology by adding an occupancy factor, minimum of 90 percent** (See *SMFP* nursing methodology). Changing the *SMFP* methodology would have a statewide effect, it would not address the maldistribution of ACH beds, and would increase the statewide ACH bed inventory. For these reasons, this alternative was rejected.
2. **Amend LTC-2 to permit transfer of ACH beds from a surplus county to a county with a small surplus.** Changing the policy would have a statewide effect; it would address the maldistribution of beds, and would not increase the statewide ACH bed inventory. For these reasons, and those discussed above, this was found to be the most appropriate alternative.

Selecting to amend Policy LTC-2 led to several considerations of the upper and lower boundaries as well as a sustainability factor.

First, the petitioner considered varying the upper threshold. A high upper boundary limits the number of transfer-out counties and a low upper boundary increases the number of transfer-out counties. According to data from Table 11B of the *2017 SMFP,* at 55 percent, no counties could transfer, at 30 percent only 28, and at 15 percent 39 counties could transfer. Performance standard 10A NCAC 14 C

Section .1102(d) provides justification for selecting 15 percent. Moreover, there was only an 11-county difference between a 30-and-15 percent threshold.

Next, the petitioner considered varying the lower threshold. A high lower boundary increases the number of transfer-in counties and a low lower boundary limits the number of transfer-in counties. According to data from Table 11B of the *2017 SMFP,* at 15 percent, 29 counties could transfer beds in, at 10 percent only 20, and at 5 percent, 10 counties could transfer. Performance standard 10A NCAC 14 C Section .1102(d) provides justification for selecting 15 percent. Furthermore, there was only a 9-county difference between 10-and-15 percent.

Lastly, the petitioner considered two variations of a sustainability factor; a five-and-three year forward average growth rate higher than North Carolina average. A five-year forward average growth rate was chosen over a three-year average growth rate because of the time it takes to apply for, develop, and construct ACH beds.

The North Carolina average benchmark maintains consistency with the rest of the methodology.

EVIDENCE OF NON-DUPLICATION OF SERVICES

As noted in the earlier discussion, redistributing beds, rather than adding new beds would keep the state inventory constant and would not duplicate statewide inventory. Transferring from a county where the surplus is 15 percent of the inventory to an adjacent county that has access problems will avoid duplication.

EVIDENCE OF CONSISTENCY WITH NORTH CAROLINA STATE MEDICAL FACILITIES PLAN

Basic Governing Principles

Safety and Quality

This basic principle notes:

> "*…priority should be given to safety, followed by clinical outcomes, followed by satisfaction.*
>
> *"…As experience with the application of quality and safety metrics grows, the SHCC should regularly review policies and need methodologies and revise them as needed to address any persistent and significant deficiencies in safety and quality in a particular service area*."

Revisions to SMFP need methodologies take years. This proposed policy amendment would not increase statewide ACH bed inventory and it would re-balance beds without hurting patient satisfaction. A

newer facility and more access choices should improve satisfaction for counties that qualify to transfer beds in. Maintaining minima would protect patient choice.

Access

This basic principle notes:

> "*…The first priority is to ameliorate economic barriers and the second priority is to mitigate time and distance barriers.*
>
> *"…The SHCC planning process will promote access to an appropriate spectrum of health services at a local level, whenever feasible under prevailing quality and value standards."*

This petition clearly promotes access to a service needed by the elderly population of a community. Acceptance of this proposal would enhance access by permitting the redistribution of beds within the state. This proposal will not result in an increase in state adult care bed inventory. It will increase access for the transfer-in county.

Establishing a floor for a county losing beds protects reasonable access for that county's residents. A floor of 15 percent above projected need will protect occupancy at 85 percent, a reasonable target capacity for an assisted living facilities.

Value

This basic principle notes:

> *"The SHCC defines health care value as the maximum health care benefit per dollar expended.*
>
> *"…Cost per unit of service is an appropriate metric…*
>
> *" …At the same time overutilization of more costly and/or highly specialized low-volume services without evidence-based medical indication may contribute to escalating health costs without commensurate population-based health benefit."*

This petition clearly identifies the value-added by promoting access to ACH services. A 15 percent upper and lower threshold protects competition and access in transfer-in and transfer-out counties.

CONCLUSION

The proposed changes are consistent with and support the Basic Principles that govern the *SMFP*.

ATTACHMENTS:

Table: Percent Surplus of Available Adult Care Bed Inventory, All 100 NC Counties ..... A

Attachment A
Singh Development, LLC
Petition for Amendment to Policy LTC-2
March 1, 2017

Percent Surplus of Available Adult Care Home Bed Inventory, All 100 NC Counties

No.	Service Areas	Available Adult Care Home Bed Inventory	Surplus/"-"= Deficit	% Surplus of Available Adult Care Home Bed Inventory
1	Northampton	242	131	54.13%
2	Caswell	207	109	52.66%
3	Pasquotank	266	128	48.12%
4	Harnett	678	302	44.54%
5	Rutherford	518	230	44.40%
6	McDowell	350	155	44.29%
7	Rowan	903	399	44.19%
8	Martin	182	77	42.31%
9	Wayne	745	301	40.40%
10	Scotland	206	83	40.29%
11	Forsyth	2232	882	39.52%
12	Hertford	173	68	39.31%
13	Gates	80	31	38.75%
14	Gaston	1170	446	38.12%
15	Duplin	387	143	36.95%
16	Chowan	120	44	36.67%
17	Iredell	934	336	35.97%
18	Stokes	300	103	34.33%
19	Montgomery	180	60	33.33%
20	Surry	460	153	33.26%
21	Lee	323	106	32.82%
22	Robeson	579	189	32.64%
23	Wilson	466	151	32.40%
24	Cabarrus	934	296	31.69%
25	Nash	522	163	31.23%
26	Craven	611	188	30.77%
27	Hoke	173	53	30.64%
28	Edgecombe	312	94	30.13%
29	Lenoir	327	88	26.91%
30	Person	214	56	26.17%
31	Lincoln	381	85	22.31%
32	Vance	218	48	22.02%
33	Guilford	2327	502	21.57%
34	Richmond	199	42	21.11%
35	Catawba	723	151	20.89%
36	Johnston	707	145	20.51%
37	New Hanover	1096	206	18.80%
38	Yadkin	189	34	17.99%
39	Bertie	105	17	16.19%
40	Pitt	603	89	14.76%
41	Granville	251	37	14.74%
42	Avery	100	14	14.00%
43	Alamance	751	101	13.45%
44	Sampson	282	37	13.12%
45	Davie	212	26	12.26%
46	Cleveland	423	50	11.82%
47	Burke	415	45	10.84%

Percent Surplus of Available Adult Care Home Bed Inventory, All 100 NC Counties

No.	Service Areas	Available Adult Care Home Bed Inventory	Surplus/"-"= Deficit	% Surplus of Available Adult Care Home Bed Inventory
48	Anson	113	12	10.62%
49	Hyde/Tyrrell	50	5	10.00%
50	Orange	490	48	9.80%
51	Durham	1007	97	9.63%
52	Mecklenburg	3305	311	9.41%
53	Wake	3286	309	9.40%
54	Rockingham	419	33	7.88%
55	Caldwell	349	26	7.45%
56	Randolph	583	42	7.20%
57	Cherokee	174	11	6.32%
58	Yancey	99	5	5.05%
59	Warren	116	5	4.31%
60	Onslow	438	16	3.65%
61	Columbus	225	8	3.56%
62	Moore	629	22	3.50%
63	Clay	70	2	2.86%
64	Bladen	150	3	2.00%
65	Polk	146	2	1.37%
66	Currituck	90	1	1.11%
67	Cumberland	912	10	1.10%
68	Chatham	427	0	0.00%
69	Franklin	240	0	0.00%
70	Mitchell	80	-1	-1.25%
71	Buncombe	1140	-23	-2.02%
72	Alleghany	62	-2	-3.23%
73	Haywood	323	-15	-4.64%
74	Pamlico	78	-4	-5.13%
75	Beaufort	217	-12	-5.53%
76	Davidson	582	-35	-6.01%
77	Halifax	205	-13	-6.34%
78	Stanly	231	-15	-6.49%
79	Brunswick	661	-48	-7.26%
80	Perquimans	74	-6	-8.11%
81	Wilkes	290	-24	-8.28%
82	Watauga	176	-18	-10.23%
83	Union	596	-68	-11.41%
84	Henderson	602	-99	-16.45%
85	Pender	202	-36	-17.82%
86	Madison	89	-16	-17.98%
87	Swain	50	-9	-18.00%
88	Carteret	296	-56	-18.92%
89	Jackson	145	-29	-20.00%

Percent Surplus of Available Adult Care Home Bed Inventory, All 100 NC Counties

No.	Service Areas	Available Adult Care Home Bed Inventory	Surplus/"-"= Deficit	% Surplus of Available Adult Care Home Bed Inventory
90	Ashe	115	-30	-26.09%
91	Macon	178	-47	-26.40%
92	Washington	49	-14	-28.57%
93	Dare	120	-35	-29.17%
94	Alexander	126	-41	-32.54%
95	Greene	57	-19	-33.33%
96	Camden	24	-14	-58.33%
97	Transylvania	134	-119	-88.81%
98	Graham	23	-24	-104.35%
99	Jones	20	-26	-130.00%

Source: Table 11B, 2017 SMFP

Highlight counties red where surplus **exceeds** the available inventory by 15 percent

Highlight counties green where surplus **is less** than available invetory by 15 percent but greater than zero