

NORTH CAROLINA STATE HEALTH COORDINATING COUNCIL

**PETITION TO ELIMINATE THE PROPOSED NEED DETERMINATION FOR
54 NEW ACUTE CARE BEDS IN HOKE COUNTY
FROM THE DRAFT 2023 STATE MEDICAL FACILITIES PLAN
JULY 27, 2022**

Petitioner:

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Statement of the Requested Change:

FirstHealth respectfully requests that the State Health Coordinating Council (“SHCC”) eliminate the proposed need determination for 54 new acute care beds in Hoke County from the Draft 2023 State Medical Facilities Plan (“SMFP”). See Table 5B of the Draft 2023 SMFP, p. 45.

Reasons for the Proposed Change:

There are currently 49 licensed acute care beds in Hoke County. These beds are located in two hospitals: FirstHealth Moore Regional Hospital - Hoke Campus (“FirstHealth Hoke”) and Cape Fear Valley – Hoke (“CFV-Hoke”). Both hospitals are new and modern. FirstHealth Hoke opened in October 2013 with eight acute care beds, and CFV-Hoke opened in March 2015 with 41 beds. FirstHealth Hoke is also approved for an additional 28 acute care beds in Project I.D. No. N-8838-12. This would bring the total number of beds at FirstHealth Hoke to 36. When these additional 28 beds are implemented, Hoke County will have 77 acute care beds. If the proposed need determination is left intact, the total number of acute care beds in this predominantly rural county will be 131.

This proposed need determination of 54 new acute care beds presents a major anomaly. Fifty-four is more than the total number of currently licensed acute care beds in Hoke County and more than either Hoke County hospital has now or is approved to have. Adding 54 new beds is a 70% increase in the total planning inventory of 77 acute care beds in the service area. According to page 45 of the draft 2023 SMFP, Hoke County, which has a population of approximately 52,000,¹ ranks third behind Mecklenburg County, which has a population of approximately 1.1 million,² and Cabarrus County, which has a

¹ According to the North Carolina Office of State Budget and Management (“NCOSBM”), Hoke County’s July 2020 estimated population was 52,007. See <https://www.osbm.nc.gov/facts-figures/population-demographics/state-demographer/county-population-estimates>. (visited June 28, 2022).

² According to NCOSBM, Mecklenburg County’s July 2020 estimated population was 1,118,182. See <https://www.osbm.nc.gov/facts-figures/population-demographics/state-demographer/county-population-estimates>. (visited June 28, 2022). Mecklenburg County is home to North Carolina’s largest city, Charlotte, with a

population of 227,304,³ in the total number of beds needed. Thus, a predominantly rural county, Hoke, ranks third behind two predominantly urban counties in bed need. This is extremely unusual.⁴ Perhaps even more unusual is that according to the need determinations in the Draft 2023 SMFP, Wake County, which has a population of 1.1 million, needs ten fewer new acute care beds than Hoke County.⁵ See Table 5B of the Draft 2023 SMFP, p. 45.

For the reasons explained below, no additional acute care beds are needed in Hoke County, and the draft need determination should be removed for 2023.

1. SMFP Data for the Hoke County Hospitals Since Opening

The following charts illustrate capacity at the two hospitals since SMFP data was first reported for them:

FirstHealth Hoke

SMFP Year	Number of Licensed Beds	Surplus/Deficit (- indicates surplus)	Projected Average Daily Census (“ADC”)	Beds Adjusted for Target Occupancy
2016	8	-33	2	3
2017	8	-32	3	4
2018	8	-31	3	5
2019	8	-30	4	6
2020	8	38	49	74
2021	8	-8	18	28
2022	8	-29.5	4	7
2023 (draft)	8	-15	14	21

July 1, 2021 population of 879,709. See <https://www.census.gov/quickfacts/charlottecitynorthcarolina>. (visited June 28, 2022).

³ According to NCSOBM, Cabarrus County’s July 2020 estimated population was 227,304. <https://www.osbm.nc.gov/facts-figures/population-demographics/state-demographer/county-population-estimates>. (visited 6/28/22). Cabarrus County is adjacent to Mecklenburg County, and parts of Cabarrus County are considered to be suburban Charlotte. See <https://ui.charlotte.edu/county/cabarrus-county-introduction>. (visited June 28, 2022).

⁴ According to SMFPs from 2017-2022, no predominantly rural county that is a single county service area for purposes of the acute care bed need determination has shown a need for more acute care beds. Those rural counties having need determinations during this time period are part of multi-county service areas in which a tertiary or higher level facility is located. See, e.g., 2022 acute care bed need determinations for Buncombe/Graham/Madison/Yancey Counties (67 beds); Durham/Caswell Counties (68 beds); 2021 acute care bed need determinations for Durham/Caswell Counties (40 beds); Pitt/Greene/Hyde/Tyrrell Counties (63 beds); 2019 Acute Care Bed Need Determination for Durham/Caswell Counties (34 beds). To the extent that Moore County is regarded as rural, it should be noted that the hospital in Moore County, FirstHealth Moore Regional, is a tertiary level facility. In the Draft 2023 SMFP, there are projected need determinations in several predominantly rural, single-county service areas, including Anson (7 beds), Duplin (6 beds) and Scotland (28 beds). See Table 5B of the Draft 2023 SMFP, p. 45. With a need determination of 54 beds, Hoke County is an outlier among these single county, predominantly rural service areas.

⁵ According to NCSOBM, Wake County’s estimated population as of July 2020 was 1,134,824. <https://www.osbm.nc.gov/facts-figures/population-demographics/state-demographer/county-population-estimates> (visited June 30, 2022).

CFV-Hoke

SMFP Year	Number of Licensed Beds	Surplus/Deficit (- indicates surplus)	Projected Average Daily Census ("ADC")	Beds Adjusted for Target Occupancy
2016	N/A	N/A	N/A	N/A
2017	41	-37	3	4
2018	41	-26	10	15
2019	41	-29	8	12
2020	41	79	80	120
2021	41	26	45	67
2022	41	-26.5	10	15
2023 (draft)	41	54	63	95

FirstHealth Hoke has had excess capacity in every SMFP year for which data is reported except for 2020. CFV-Hoke has had excess capacity in every SMFP year for which data is reported except for SMFP years 2020, 2021 and draft 2023.

2. Hospital Licensure Renewal Data for the Hoke County Hospitals Since Opening

The reported average daily census, inpatient days of care, and resultant occupancy percentages reported by the two hospitals in their Hospital Licensure Renewal Applications ("HLRA") further demonstrate that Hoke County has plenty of acute care beds and does not need more. The data for each hospital is reported separately in the charts below.

FirstHealth Hoke

HLRA Year	Number of Licensed Beds	Number of Licensed Beds Operational	Average Daily Census ("ADC")	IP Days of Care	Bed Days Available	Occupancy Percentage	At Target Occupancy? (66.7%)
2015	8	8	2.5	878	2,920	30%	No
2016	8	8	3.2	1,158	2,920	40%	No
2017	8	8	3.8	1,370	2,920	47%	No
2018	8	8	2.5	1,610	2,920	55%	No
2019	8	8	4.9	1,791	2,920	61%	No
2020	8	8	4.6	1,694	2,920	58%	No
2021	8	8	3.8	1,395	2,920	48%	No
2022	8	8	4.2	1,540	2,920	53%	No

Source: HLRAs 2015-2022

CFV-Hoke

HLRA Year	Number of Licensed Beds	Number of Licensed Beds Operational	Average Daily Census ("ADC")	IP Days of Care	Bed Days Available Based on Total Licensed Beds	Occupancy Percentage Based on Total Licensed Beds	Bed Days Available Based on Operational Beds	Occupancy Percentage Based on Operational Beds	At Target Occupancy? (66.7%)
2016	41	18	5.28	1,083	8,405 ⁶	13%	8,405	13%	No
2017	41	29	10.4	3,810	14,965	25%	10,585	36%	No
2018	41	29	8.2	3,002	14,965	20%	10,585	28%	No
2019	41	29	8.2	2,991	14,965	20%	10,585	28%	No
2020	41	33	11.1	4,057	14,965	27%	12,045	34%	No
2021	41	33	7.6	2,777	14,965	19%	12,045	23%	No
2022	41	41	16.5	6,009	14,965	40%	14,965	40%	No

Source: HLRA 2016-2022

Note: Occupancy is shown in two ways for CFV-Hoke because it did not operate all 41 of its licensed beds in HLRA years 2016-2021.

This data shows that during no year since opening have the acute care beds at either FirstHealth Hoke or CFV-Hoke reached their target occupancy rate of 66.7 percent. Instead, each hospital has had a significant number of acute care beds available for patients, with occupancy rates never exceeding 61 percent for FirstHealth Hoke and 40 percent for CFV-Hoke.

3. Utilization Data for FirstHealth Hoke in FFY 2022

The internal data of FirstHealth Hoke demonstrates that nothing has changed with respect to the utilization of acute care beds since the most recent Hospital Licensure Renewal Applications were filed. Instead, as reflected in the chart below, the occupancy rate of acute care beds at FirstHealth Hoke was a just 40 percent from October 1, 2021 until May 31, 2022. While FirstHealth Hoke does not have access to current data regarding acute care bed utilization at CFV-Hoke, FirstHealth Hoke has no evidence or reason to believe that the occupancy at CFV-Hoke has substantially changed since its last hospital licensure renewal application was filed at the end of last year.

Year	Number of Licensed Beds	Number of Licensed Beds Operational	ADC	IP Days of Care	Bed Days Available	Occupancy Percentage	At Target Occupancy?
FFY 2022	8	8	4.8	1,161	2,920	40%	No

Dates: 10/1/21- 5/31/22

As the foregoing tables illustrate, there has never been a time since either hospital opened that either hospital has been close to target occupancy. Until its 2022 HLRA, CFV-Hoke has had, at most, 33 of its 41 licensed beds in operation. FirstHealth Hoke's 28 bed CON is not yet implemented. Given the historical data, it is highly unlikely that either hospital could reasonably project to meet the acute care bed performance standard in 10A NCAC .3803(a). Thus, a CON application would be found non-conforming with Criterion (3) and the rules. Moreover, the excess capacity in Hoke County almost certainly means

⁶ CFV-Hoke opened on March 9, 2015. Pursuant to the note on page 5 of its 2016 HLRA, 205 days were used to calculate the ADC for the 2016 HLRA. Similarly, 205 days were used to calculate Bed Days Available for the 2016 HLRA.

that a CON application would be found non-conforming under Criterion (6), unnecessary duplication of existing or approved services. There is no need for additional acute care beds in Hoke County.

4. Population Trends

According to NCOSBM, Hoke County's population in 2020 was 52,007⁷. By 2030, the population is expected to increase to 58,032, an increase of 12% over ten years.⁸ While this increase may seem significant, the starting point (52,007) for measuring the percentage increase is modest, and not an accurate determinant of whether additional acute care bed capacity is needed in Hoke County. The more relevant question is whether a population of less than 60,000 needs 131 acute care beds, which is the equivalent of one bed per every 443 in population. The answer is no.

5. The Post-COVID-19 Environment

While hospital utilization declined in 2020 as a result of COVID-19, the foregoing tables show that well before COVID-19, utilization of the available beds in Hoke County was never robust. While a ramp-up period is normal and expected for a new hospital, neither hospital in Hoke County is still in its ramp-up period. FirstHealth Hoke has been open for almost nine years, and CFV-Hoke has been open for more than seven years. The recovery period from COVID-19 has been slow, and the environment in which hospitals operate today is increasingly challenged by factors such as staffing shortages; physician recruiting challenges, especially recruiting specialists to rural communities; rising inflation; rising interest rates; increasing gas prices; supply chain shortages; rising construction costs; and a looming recession. The decision to build more beds is a multi-million dollar decision that will last for decades. Accordingly, hospitals must consider current conditions as they plan for the future. For rural communities especially, the primary goal is maintaining local access to high quality, affordable healthcare. Building excess capacity undermines that goal, because millions of dollars will be spent adding beds that are not needed. This necessarily diverts funds away from addressing challenges facing Hoke County today, such as recruiting and retaining clinical and non-clinical staff⁹ and addressing health problems to keep people from needing to be hospitalized in the first place. Like many rural communities, Hoke County faces high levels of heart disease, stroke, diabetes and other chronic illnesses, so there is a real and urgent need to address these problems, instead of building excess capacity.¹⁰ Hoke County also has a high percentage of people living in poverty.¹¹ Building unnecessary additional inpatient capacity will not address the combined challenges of chronic illnesses and high rates of poverty.

Statement of the Adverse Effects on the Providers or Consumers of Health Services that are Likely to Ensurue if the Change is not Made:

⁷ <https://www.osbm.nc.gov/facts-figures/population-demographics/state-demographer/county-population-estimates>. (visited June 28, 2022).

⁸ <https://www.osbm.nc.gov/facts-figures/population-demographics/state-demographer/countystate-population-projections>. (visited June 28, 2022).

⁹ All of Hoke County is considered a health professional shortage area. See, e.g., <https://www.ruralhealthinfo.org/charts/5?state=NC>. (visited June 30, 2022).

¹⁰ See 2018 Hoke County Community Health Assessment, available at <https://www.hokecounty.net/181/Health-Department> (visited July 25, 2022).

¹¹ About 18% of Hoke County's population lives in poverty. See Hoke County 2019 State of the County Health Report, p. 3, available at <https://www.hokecounty.net/181/Health-Department> (visited July 25, 2022).

If the change is not made, the State of North Carolina will be in the unusual position of encouraging excess capacity in healthcare, which is directly contrary to the purpose of the SMFP. Patients will be harmed because money that should be spent on addressing real and urgent problems, including recruiting and retaining health professionals in a rural area, will be diverted to creating excess capacity.

Statement of Alternatives to the Proposed Change that Were Considered and Found not Feasible:

FirstHealth considered two alternatives: 1) leaving the proposed need determination as is; and 2) petitioning for a number of beds greater than zero but less than 54. Neither alternative is feasible. For the reasons stated in this petition, there is no need for any number of additional beds in Hoke County, and this situation is not expected to change anytime soon. Accordingly, FirstHealth determined that the best course of action is to file a petition seeking to eliminate the need determination in its entirety.

Evidence that the Proposed Change Would Not Result in Unnecessary Duplication of Health Resources in the Area:

This petition is intended to prevent, not create, unnecessary duplication of health resources in the area. As demonstrated above, Hoke County has significant excess acute care bed capacity now. There is no reason to think that this excess capacity will end in the foreseeable future, so there is no reason to add to the excess capacity. Approving this petition eliminates unnecessary duplication of health resources.

Evidence that the Requested Change is Consistent with the Three Basic Principles Governing the Development of the SMFP: Safety and Quality, Access and Value:

This petition is grounded in the three basic principles of safety and quality, access and value. As discussed above, maintaining local access to health care is the priority, so that Hoke County residents can receive most of their health care needs closer to where they live. The two Hoke County hospitals have capacity, within their existing and approved bed inventory, to accommodate even more patients. Building more beds will not solve the inherent problems of recruiting and retaining clinical and non-clinical staff needed to support hospitals in rural communities, so that residents can be assured of local access for decades to come.

FirstHealth has been a long-time advocate for local access to health care in Hoke County. FirstHealth opened the first modern hospital in Hoke County and has invested tens of millions of dollars improving the health of Hoke County residents. FirstHealth's priority is ensuring that local access remains viable for the long term. When utilization of the two hospitals in Hoke County indicates that additional beds are needed, FirstHealth would certainly support a future need determination, but the time for additional beds in Hoke County has not yet arrived. FirstHealth respectfully requests that the SHCC eliminate the proposed need determination for 54 new acute care beds in Hoke County in the Draft 2023 SMFP.