August 31, 2020

COMMENTS IN OPPOSITION FROM NOVANT HEALTH, INC.

Regarding Wake Forest Baptist Health's CON Application for 68 Acute Care Beds Filed July 15, 2020:

Wake Forest Baptist Health (NCBH) Project I.D. #G-11915-20: Develop 68 additional acute care beds, for a total of 874 acute care beds (including the four Burn ICU Beds previously approved in Project ID # G-8842-12, which are not yet licensed and operational) in its existing licensed hospital facility in Forsyth County. Total project cost is $6,814,444.

Executive Summary

These comments respond to the NCBH Application for 68 acute care beds. Novant Health is filing separate comments on the NCBH Application for two operating rooms. The 2020 SMFP shows a need for 68 acute care beds in Forsyth County. Wake Forest Baptist Health applied for all 68 acute care beds. Novant Health applied for 20 additional acute care beds at Novant Health Forsyth Medical Center (NH Forsyth) in Project I.D. #G-11907-20. These comments analyze the NCBH acute care bed application and compare it to the NH Forsyth acute care bed application.

These comments show the NCBH application is non-conforming with CON Review Criteria (1), (3), (4), (5), (6), and (18a). The Agency cannot approve a non-conforming application. Novant Health respectfully urges the Agency to approve the NH Forsyth Application and deny the NCBH Application. If the Agency finds the NCBH Application conforming, Novant Health respectfully urges the Agency to find the most effective alternative to be approval of the NH Forsyth Application for 20 beds and partial approval of the NCBH Application for 48 beds.

Criterion (1) and Policy GEN-3

Criterion (1): NCGS § 131E-183(a)(1): The proposed project shall be consistent with applicable policies and need determinations in the State Medical Facilities Plan, the need determination of which constitutes a determinative limitation on any health service, health service facility, health service facility beds, dialysis stations, or home health offices that may be approved.

The Agency should find the NCBH Application non-conforming to Criterion (1) based of its lack of consistency with applicable polices, including Policy GEN-3. Policy GEN-3: Basic Principles, states:

> *A certificate of need applicant applying to develop or offer a new institutional health service for which there is a need determination in the North Carolina State Medical Facilities Plan shall demonstrate how the project will promote safety and quality in the delivery of health care services while promoting equitable access and maximizing healthcare value for resources expended. A certificate of need applicant shall document its plans for providing access to services for patients with limited financial resources and*

> *demonstrate the availability of capacity to provide these services. A certificate of need applicant shall also document how its projected volumes incorporate these concepts in meeting the need identified in the State Medical Facilities Plan as well as addressing the needs of all residents in the proposed service area.*

The Agency should find the NCBH Application non-conforming to Policy GEN-3 because NCBH did not demonstrate the need the population proposed to be served has for the proposed project. The discussion of need under Criterion (3) is incorporated by reference. NCBH also did not adequately demonstrate that the proposal would not result in an unnecessary duplication of existing or approved services in the service area. The discussion of unnecessary duplication under Criterion (6) is incorporated by reference.

NCBH argued it was entitled to the 68 beds because it "generated" the need for 68 acute care beds in the 2020 SMFP.[1] This argument is contrary to North Carolina law and Agency policy. The role of the SMFP in the CON process is to set the upper limit on the new assets the Agency may approve in a review. It does not prove "need" for an application by any provider or health system. Each application must prove, through reasonable and adequately supported assumptions, it conforms to the CON criteria and performance standards and is more effective than other applications with which it is competitively reviewed. The NCBH Application failed to do so. NCBH is not entitled to any beds based on its belief that it generated the need.

Nor should NCBH be given any special consideration because it is an academic medical center. This is not a Policy AC-3 application, so NCBH should be treated the same as NH Forsyth. To justify its need, NCBH relied on unsupported growth assumptions to project future utilization. NCBH has not adequately demonstrated the need to develop 68 new acute care beds in Forsyth County and therefore does not adequately demonstrate how its projected volumes incorporate the concept of maximum value for resources expended.

The Agency is not required to award all 68 beds the SMFP allows. Approval of the NH Forsyth Application is the proper outcome. If the Agency finds the NCBH Application conforming and approvable, the Agency should approve the NH Forsyth Application for 20 beds and the NCBH Application for a maximum of 48 beds.

For the above-stated reasons, plus any additional reasons the Agency may discern, the NCBH Application is non-conforming with Criterion (1) and should be denied.

Criterion (3)

Criterion (3): NCGS § 131E-183(a)(3): The applicant shall identify the population to be served by the proposed project, and shall demonstrate the need that this population has for the services proposed and the extent to which all residents of the service area, and, in particular, low income persons, racial

[1] NCBH Application, Page 33

and ethnic minorities, women, handicapped persons, the elderly, and other underserved groups likely to have access to the services proposed.

The NCBH Application is nonconforming with Criterion (3) because:

1. The NCBH Application did not adequately demonstrate that projected utilization is based on reasonable and adequately supported assumptions; and
2. The NCBH Application did not adequately explain why the population to be served needs the services proposed

NCBH relied on its past acute care utilization as the basis to demonstrate the need for the proposed project and for the reasonableness of its projected acute care patient days. These bullet points summarize the assertions in the NCBH Application which NH Forsyth contests:

- Demonstration of Need
  - "The need for additional inpatient acute care bed capacity **is founded on** NCBH's history of inpatient bed utilization increases."[2] (emphasis added)
  - "The need for the proposed project is based on and supported by… 2020 SMFP need determination for 68 additional acute care beds in Forsyth County, and specifically, which was generated by North Carolina Baptist Hospital's utilization."[3]
- Reasonableness of Utilization Projections
  - "In total, NCBH's methodology for projecting acute care bed utilization results in a compound annual growth rate of 1.20% from FY2020 to FY2026. This projected overall growth rate is less than the 1, 2 and 3-year admissions CAGRs (respectively, 5.79%, 3.67%, and 2.01%) for NCBH."[4]
  - "NCBH considers these interim year bed utilization projections to be reasonable and conservative, considering… [t]he historical acute care bed days of care increase at North Carolina Baptist Hospital."[5]
  - "As NCBH is currently operating in excess of 80% occupancy and achieved annual incremental growth over the past five years, it is entirely reasonable to project that NCBH will continue to experience annual incremental growth upon completion of the proposed project."[6]
  - "NCBH expects its utilization to grow in the future due to the same factors that have contributed to its historical growth."[7]

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[2] NCBH Application, Page 116
[3] NCBH Application, Page 33
[4] NCBH Application, Page 118
[5] NCBH Application, Page 117
[6] NCBH Application, Page 118
[7] NCBH Application, Page 50

The Agency will find the NCBH Application repeatedly misrepresented and overstated its past acute care growth rate. These errors make its utilization projections and demonstration of need unreasonable and unreliable. The NCBH Application also failed to explain the primary reason for its recent past growth because doing so would make clear to the Agency that the growth was substantially due to a one-time shift of obstetric patients and not a continuing growth trend. This factor makes the utilization projections unreasonable and without adequate support.

Past Acute Care Utilization in the Application

NCBH shows its past acute care discharges and patient days in four places in its application:

Page 48 Acute Care Days of Care (FY 2015 – FY 2019):

NCBH Annual Statistics

	FY2015	FY2016	FY2017	FY2018	FY2019
IP DOC	220,088	224,214	223,776	232,345	226,388
ED visits	108,945	109,796	104,730	100,576	100,680
Observation patients	8,034	8,989	9,807	9,291	9,176
IP Surgical Cases	14,214	14,534	14,392	14,460	14,271

Source: 2016-2020 NCBH hospital license renewal applications

Page 49 Acute Care Admissions and Days of Care (FY 2017 – FY 2019):

NCBH Annual Acute Care Bed Occupancy, FY2017 – FY2019

NCBH	FY2017	FY2018	FY2019
Acute Care Admissions	36,773	36,318	36,896
IP DOC	223,776	232,345	226,388
ADC	613	636	620
Licensed Acute Care Beds	802	802	802
% Occupancy	**76.4%**	**79.3%**	**77.3%**

Source: 2018-2020 NCBH hospital license renewal applications

Page 116 Acute Care Admissions and Days of Care (FY 2017 – FY 2020 Annualized):

North Carolina Baptist Hospital
Historical Acute Care Bed Utilization, FY2017 – FY2020

NCBH	FY2017	FY2018	FY2019	FY2020*
Acute Care Admissions	36,773	36,318	36,896	39,031
IP DOC	223,776	232,345	226,388	235,127
% Occupancy	**76.4%**	**79.3%**	**77.3%**	**80.3%**
ALOS	**6.09**	**6.40**	**6.14**	**6.02**

Source: NCBH License Renewal Applications, NCBH internal data
*FY2020 based on actual July 2019 – March 2020 acute care admissions and days of care, annualized for 12 months. NCBH did not use data beyond March due to anomalous impact of COVID-19 pandemic.

Section Q Form C Acute Care Admissions and Days of Care (FY 2019 – FY 2020 Annualized):

Form C Utilization -- NCBH for Each Service Component Proposed in the Application Criterion (3)	Prior Full Fiscal Year From (07/01/2018) To (06/30/2019)	Interim* Full Fiscal Year From (07/01/2019) To (06/30/2020)
Acute Care Beds		
# of Beds	802	802
# of Admissions	36,896	39,031
# of Patient Days	226,388	235,127

In the North Carolina CON application form, the term "fiscal year" (FY) means "the 12-month period used by the applicant to report financial results."[8] NCBH's fiscal year (FY) is July 1 – June 30.[9] The Application identified admissions and patient days for all past time periods in the Application as "FY." This included the period on Form C labeled "07/01/2018 – 06/30/2019." The labels are incorrect. As the excerpts from NCBH's 2016 – 2020 LRAs in Attachment 1 to these comments show, the acute care admissions reported in the Application are for periods from October 1 through September 30 of each year.[10] The periods are the federal fiscal years (FFY) and not July 1 through June 30, the NCBH FYs. In the Application, only the annualized 2020 internal data is for the NCBH FY ending June 30. As discussed below, the confusion of

[8] North Carolina CON Application Definitions
[9] NCBH Application, Page 30, NCBH Application, Exhibit F.2 Audited Financial Statements, NCBH Application Section Q Form C projected Fiscal Years.
[10] The NCBH acute care days in the application labeled "FY" also match LRA time periods for "FFY".

fiscal year definitions in the Application has a major impact on the reasonableness and reliability of the utilization projections.

The NCBH Application states on page 116:

> *…for interim project years FY2021 through FY2023, NCBH reasonably projects acute care bed inpatient volumes will increase at 1.61 %, which is 80% of the 3-year historical acute care bed admissions CAGR of 2.01 %.*

The statement is incorrect because the growth rate calculation erroneously mixed the periods. The admissions CAGR of 2.01% is actually the CAGR from October 1, 2016 (FFY 2017) to June 30, 2020 (FY 2020 Annualized). The NCBH Application did not show the actual number of NCBH acute care admissions and patient days for its corporate FYs, except for the annualized FY 2020. This error makes it impossible for the Agency to calculate NCBH's real acute care admissions CAGR for corporate FY 2017 – FY 2020 from information in the Application to evaluate the reasonableness of NCBH's growth assumptions. Mislabeled data should not be deemed adequate support for a projection.

NH Forsyth estimated the corporate FY admissions based on the data available in the application and publicly available LRAs. The table below shifts admissions from the FFYs in the NCBH LRAs to NCBH FY admissions.

NCBH	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2017-2020 CAGR**	**80% of CAGR**
"FY" Acute Care Admissions from the Application/LRA [1]	38,225*	38,321*	36,773	36,318	36,896	39,031^	2.01%	1.61%
Annual Growth		0.3%	-4.0%	-1.2%	1.6%	5.8% †		
Estimated Correct FY Acute Care Admissions [2]		38,297	37,160	36,432	36,752	39,031^	1.65%	1.32%
Annual Growth			-3.0%	-2.0%	0.9%	6.2%		

*[1] NCBH Application, Page 116: FFY Data mislabeled as FY Data for all years except 2020. * NCBH 2016 – 2017 LRAs.*
[2] FY = (FFY – 1) x.25 + (FFY) x.75 (For example FY 2017 = (FFY2016 x.25) +(FFY2017 x .75))
^ NCBH FY 2020 Annualized Admissions from NCBH Application
†Growth from FFY 2019 to NCBH FY 2020

By erroneously mixing federal and corporate fiscal year periods, the NCBH Application appears to have:

- Understated acute care admissions in FY 2017
- Understated acute care admission decline in FY 2018
- Overstated acute care admission growth in FY 2019
- Double counted July 1, 2019 – September 1, 2019 growth in both FY 2019 and FY 2020.
- Understated acute care admission growth in FY 2020

- Overstated acute care admission FY 2017 – FY 2020 CAGR, which was the basis for NCBH's growth rate and utilization projections.

These errors had a material effect on the projections and make them unreasonable and unreliable.

The NCBH Application argues, "The need for additional inpatient acute care bed capacity is founded on NCBH's history of inpatient bed utilization increases."[11] History shows, on a consistent FFY basis or on a consistent FY basis, NCBH's acute care admissions have been flat or declining. Only once (FY 2020 Annualized) was the annual admissions growth rate at or above the 1.61 percent growth rate NCBH used to project acute care admissions through FY 2023.

The NCBH Application argues because it "achieved annual incremental growth over the past five years, it is entirely reasonable to project that NCBH will continue to experience annual incremental growth upon completion of the proposed project.[12] Dictionary.com defines "incremental" as "increasing or adding on, especially in a regular series."[13] Whether on a FFY basis or FY basis, NCBH had no "incremental" growth in acute care admissions over the past five years. The Application did not show the 4 percent decline in acute care admissions in from FFY 2016 to FFY 2017. For both FFYs and FYs, the acute care admissions declined from 2016 to 2019. The CAGR is only positive when including the estimated FY 2020 admissions.

The NCBH Application relied on the erroneous FFY 2017 – FY 2020 CAGR for its utilization projections. However erroneous, that three-year CAGR includes two years of little to no growth and one year of significant growth. Acute care admissions to NCBH were mostly flat from FFY 2017 to FFY 2019, with a CAGR of only 0.16%. The Application made the error worse by double-counting the third calendar quarter of 2019, July 1, 2019 – September 30, 2019, in both its FY 2019 and FY 2020 admissions. When the time periods are corrected to NCBH FYs, FY 2017-2019 acute care admissions <u>declined</u> at a CAGR of -0.6 percent. Acute care admissions grew only from FY 2018 to FY 2019 and from FY 2019 to FY 2020 Annualized with an increase of 2,280 admissions. However, the estimated FY 2019 acute care admissions are overstated because the growth in FFY 2019 is distributed evenly among the quarters when, as discussed below, the growth in FFY 2019 actually occurred in the 4th quarter.

The NCBH Application did not discuss the decline in admissions from FY 2017 to FY 2018, or the increase in admissions from FY 2019 to FY 2020 Annualized. Doing so would have required admitting the one-year increase was a one-time step function and not a trend. The one-time increase in acute care admissions in FY 2020 was due to NCBH expanding obstetrics services in July 2019, the first month of NCBH's FY 2020. As the July 1, 2019 – September 30, 2019 quarter is when the one-time shift in obstetric patients occurred, double-counting this calendar quarter made projections based on past data even less reliable.

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[11] NCBH Application, Page 116
[12] NCBH Application, Page 118
[13] https://www.dictionary.com/browse/incremental

The NH Forsyth utilization assumptions and methodology dedicated three pages to explaining and quantifying the shift of obstetrics and NICU patients from NH Forsyth to NCBH in the past and future.[14] Notably absent from the NCBH Application's utilization assumptions and methodology is any meaningful discussion of the one-time obstetrics shift and how it was factored into the utilization projections. The NCBH Application mentions obstetrics volume exactly once in the entire application and then only in relation to case mix and average length of stay:

> *In addition, NCBH recently expanded an existing service - obstetrics - at the medical center, and is now delivering 225-250 babies each month. As the only children's hospital in the region, NCBH is still receiving a large number of referrals and transfers to the facility for NICU, and the increased activity of the birth center has necessitated additional allocation of space to ante and post-partum facilities, as well as a recently expanded NICU.[15]*

NCBH reported fewer than 30 deliveries per year for many years on its LRAs. In FFY 2019, which includes the first three months the new women's center was open, NCBH reported 481 deliveries.[16] Assuming no more than 30 of these occurred before the women's center opened based on prior years, NCBH delivered about 451 more babies in the first three months of its FY 2020 than in prior years. Assuming NCBH delivered 225 – 250 babies per month for the remainder of the NCBH FY as it said, this was between 2,468 and 2,693 deliveries, or acute care obstetrics admissions in FY 2020.

NCBH Deliveries

FFY 2016	FFY 2017	FFY 2018	FFY 2019	NCBH FY 2020
8	22	30	481	2,476 - 2,701*

Source: NCBH License Renewal Applications. Data for years ending September 30.

** NCBH FY is July – June. (July - Sept = 451) + (Oct - Jun = 225 - 250 per month x 9 months = 2,025 - 2,250). FY 2019 Total = 2,476 - 2,701.*

The additional obstetrics admissions account for more admissions than the increase of 2,135 admissions in all acute care admissions the Application erroneously showed for FY 2020, or for the 2,280 admissions NH Forsyth estimated for a corrected FY 2019 - FY 2020 period (see above). In either calculation of FY 2020 growth, all the increase is due to increased deliveries and the obstetric admissions. There is no reason to believe this shift in obstetric admissions will happen again. Further, the data show NCBH non-obstetric acute care admissions probably declined from FY 2019 to FY 2020. This means NCBH had a negative admissions CAGR for all non-obstetric acute care admissions from FY 2017 - FY 2020 annualized.

Inpatient hospital discharge data from IBM Health Watson (IBM) / Truven Analytics show the growth in acute care utilization related to NCBH's expanded obstetrics services and the decline in other acute care services was even more extreme. The expansion of obstetric services affected NICU admissions and

[14] NH Forsyth Application, Form C Assumptions and Methodology
[15] NCBH Application, Page 45
[16] NCBH 2020 LRA

patient days. The table below shows obstetrics and NICU discharges by calendar year (CY) and quarter. After July 1, 2019, obstetrics discharges increased by a factor of 25x to 35x and NICU discharges per quarter more than doubled.

								NCBH FY 2019				Expanded OB		
	CY 2016	CY 2017				CY 2018				CY 2019				CY 2020
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Obstetrics	26	20	19	16	20	12	15	25	31	22	21	567	722	728
NICU	120	128	89	109	118	92	109	141	104	101	114	229	237	273
Total	146	148	108	125	138	104	124	166	135	123	135	796	959	1,001
NCBH FY 2019								559						
NCBH FY 2020 Q1-3												2,756		
NCBH FY 2020 Annualized												3,675		
NCBH FY 2020 Annualized increase over NCBH FY 2019 (3,675 - 559)												3,116		

Source: IBM / Truven. DRGs identified in Attachment 2.[17]
Obstetrics: C-sections, vaginal deliveries, and other antepartum diagnoses.
NICU: Newborns, excluding normal newborns identified by revenue codes of 170-171.

The NCBH Application showed an increase of 578 acute care admissions from FFY 2018 to FFY 2019 (36,896 - 36,318 = 578). The increase in obstetrics and NICU discharges from CY 2019 Q2 to CY 2019 Q3 was 661 (796 - 135 = 661) indicating these services accounted for all the increase in FFY 2019 acute care admissions and more. This means non-obstetric/NICU acute care admissions declined from FFY 2018 to FFY 2019 and from FFY 2019 to FY 2020 annualized. All acute admissions declined from FFY 2017 to FFY 2018.

The table below starts with total acute care admissions from the NCBH Application and subtracts obstetrics and NICU discharges for the same time periods. Even ignoring NCBH's errors of mixing time periods and double counting CY 2019 Q3, the data show all increases in NCBH acute care admissions for the past two years were due to a one time increase due to the expanded obstetric service. Non-obstetric/ NICU admissions are 90+ percent of NCBH's acute care admissions and these admissions show a declining trend of -0.82%.

[17] Attachment 3 shows the number of discharges at NCBH in each DRG.

	FFY 2017	FFY 2018	FFY 2019	FY 2020 Annualized	FFY 2017 – FY 2020 CAGR
NCBH Acute Care Admissions in Application	36,773	36,318	36,896	39,031	2.01%
Growth Rate		*-1.2%*	*1.6%*	*5.8%*	
Obstetrics Discharges	81	72	641	2,689	221.41%
NICU Discharges	446	460	548	985	30.24%
Subtotal OB & NICU Discharges	527	532	1,189	3,675	91.05%
Growth Rate		*0.9%*	*123.5%*	*209.1%*	
Acute Care Admissions without Obstetrics & NICU	36,246	35,786	35,707	35,356	-0.82%
Growth Rate		*-1.3%*	*-0.2%*	*-1.0%*	

Source: NCBH Application, page 116. IBM / Truven Analytics 2016Q4-2020Q1 Discharge Data (FY 2020 Annualized)

Average Length of Stay

NCBH projected an Average Length of Stay of 6.02 based on FY 2020 data:

> *NCBH does not propose to develop new intensive care beds or other new services as part of this project. NCBH thus projects acute care stays based on the current ALOS of 6.02 days. NCBH considers this ALOS to be reasonable and conservative, as it is based on the most recent fiscal year data, and is lower than the four-year average ALOS of 6.16 days.*[18]

The table below shows the ALOS data from the Application. The errors of mixing time periods and double counting a calendar quarter impacts the ALOS calculation. NCBH acknowledges "NCBH has experienced modest variability of average length of stay (ALOS) for acute care patients," but offers no explanation for the variability. With no explanation for the 6 percent decline in ALOS from FY 2018 to FY 2020, there is no reasonable basis to project a future ALOS of 6.02.

North Carolina Baptist Hospital
Historical Acute Care Bed ALOS, FY2017 – FY2020

NCBH	FY2017	FY2018	FY2019	FY2020
ALOS	**6.09**	**6.40**	**6.14**	**6.02**

Source: NCBH License Renewal Applications, NCBH internal data

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[18] NCBH Application, Page 117

To summarize, the utilization projections in the NCBH Application are not reasonable and not adequately supported because:

- The Application misrepresented the time periods of past acute care data
- The Application relied on an unreasonable growth rate of acute care admissions.
    - The growth rate is inaccurate and unreliable because the base year is FFY 2017, not FY 2017, and estimated correct admissions in that year were higher than shown in the application.
    - The Application double counted acute care admissions for Q3 2019 (July 1, 2019 – September 30, 2019) in both "FY 2019" and "FY 2020" admissions and days, exaggerating the increase from "FY 2018" to "FY 2019." This error made it appear NCBH had achieved its projected growth rate in multiple years instead of just one year.
    - When the errors are corrected, the NCBH acute care admission CAGR (1.65 percent) was lower than the CAGR calculated in the Application (2.01 percent).
- The Application failed to provide reasonable support for its growth rate.
    - The Application omitted critical information explaining the source of acute care growth in FY 2020 as a one-time increase in obstetric and NICU admissions.
    - The Application omitted critical information explaining the decline in acute care admissions other than obstetric and NICU admissions.
    - NCBH used "incremental growth over the past five years" as support for its utilization projections, when acute care admissions actually declined from FY 2016 to FY 2019 and acute care days increased at a CAGR of only 0.3 percent from FFY 2016 – FFY 2019 with declines in both FFY 2017 and FFY 2019.
    - The Application gives no reasonable basis for NCBH to expect the one-time growth in FY 2020 obstetric and NICU admissions will be repeated.
    - The Application gives no reasonable basis for NCBH to project increased non-obstetric acute care admissions when the past trend is a steady decline in these admissions.
- The applicant relied on an unsupported ALOS

Other than historical utilization, the NCBH Application Section C.4 argues the proposed project is needed due to these eight factors:[19]

1. 2020 SMFP need determination for 68 additional acute care beds in Forsyth County, and specifically, which was generated by North Carolina Baptist Hospital's utilization,

[19] NCBH Application, Page 33

2. Projected population growth and aging,
3. Economic development in Forsyth County,
4. Forsyth County health status,
5. Increasing intensity of NCBH acute care bed services and average length of stay,
6. Growing utilization at North Carolina academic medical centers,
7. Consistently high utilization of NCBH's inpatient services, including acute care beds, and
8. WFBH strategic growth, specifically planned increases of primary care and specialty physicians.

NCBH argues factors (1), (2), (5), (6), and (8) support its utilization projections. NH Forsyth disagrees with this argument and explains its position below.

Factor 1: 2020 SMFP need determination for 68 additional acute care beds in Forsyth County, and specifically, which was generated by North Carolina Baptist Hospital's utilization

The NCBH Application said:

> *The 2020 SMFP need determination for additional acute care beds in Forsyth County represents just a 4% (68/1,689) increase in acute care bed capacity in the county, and is triggered by utilization of the existing acute care beds at NCBH.*[20]

According to NCBH, based on the standard methodology in the 2020 SMFP, NCBH has a need for an additional 68 acute care beds by 2022. And the need for additional acute care bed capacity in Forsyth County is driven solely by the inpatient utilization at NCBH and not by any other hospital. Based on the 2020 SMFP standard methodology, no other hospital in Forsyth County has a need for additional acute care beds at this time.[21] NCBH argued it was entitled to the 68 beds because it "generated" the need for 68 acute care beds in the 2019 SMFP.[22] This argument is contrary to North Carolina law and Agency policy. The role of the SMFP in the CON process is to set the upper limit on the new assets the Agency may approve in a review. It does not prove "need" for any provider or health system. Each application must prove, through reasonable and adequately supported assumptions it conforms to the CON criteria and performance standards and is more effective than other applications with which it is competitively reviewed. The NCBH Application failed to do so. NCBH is not entitled to any beds based on its argument that it generated the need. The beds are not "reserved" for NCBH; any qualified applicant may apply for them. To justify need in its application, NCBH relied on unsupported growth assumptions to project future utilization. NCBH did not adequately demonstrated the need to develop 68 new acute care beds in Forsyth County and therefore did not adequately demonstrate how its projected volumes incorporate the concept of maximum value for resources expended.

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[20] NCBH Application, Page 34
[21] NCBH Application, Page 35
[22] NCBH Application, Page 33

The Acute Care Bed Need Determination in the 2020 SMFP in Forsyth County is for 68 new acute care beds. The SMFP determined Forsyth County needs these additional beds by FFY 2022. The Agency is not required to award all 68 beds the SMFP allows. Approval of the NH Forsyth Application is the proper outcome. If the Agency finds the NCBH Application conforming and approvable, the Agency should approve the NH Forsyth Application for 20 beds and the NCBH Application for a maximum of 48 beds.

The 2020 SMFP assumes the number of acute care days at all Forsyth County hospitals will increase in direct proportion to the four-year average historical change in Forsyth County acute care bed days over the last five reporting periods, which is 1.98 percent per year. The table below shows the calculation of the Forsyth "County Growth Rate Multiplier" (CGRM) in the 2020 SMFP Acute Care Bed Need Methodology.[23]

2020 SMFP Forsyth County Acute Care Growth Rate Multiplier

	FFY 2014	FFY 2015	FFY 2016	FFY 2017	FFY 2018
Forsyth Acute Care Bed Days	414,908	434,820	434,909	439,997	448,486
Difference from Previous Year		19,912	89	5,088	8,489
Percent Change		4.80%	0.02%	1.17%	1.93%
County Growth Rate Multiplier*					1.0198

** 1 + Four Year Average Percent Change*

Source: Acute Care Days from 2016-2020 SMFPs

NCBH's claim that it generated the need, while irrelevant to the review of the applications, is not completely true. In recent years, the SMFP has under-projected NH's growth in acute care days. The opposite is true for NCBH. The NH CGRM was 1.0254 compared to WFBH's CGRM of 1.0147. NH had three years of growth above 2 percent while WFBH had only one, and that in the oldest period, FFY 2014 – FFY 2015. NH's higher growth rate is due to NH's recruitment of new surgeons to meet the needs of Forsyth County residents and the offering of new services at community hospitals in Forsyth County, which has led to a steady increase in NH's acute care market share.

[23] 2020 State Medical Facilities Plan. Table 5A, page 41.

2020 SMFP NH System - Forsyth County Acute Care Growth Rate Multiplier

	FFY 2014	FFY 2015	FFY 2016	FFY 2017	FFY 2018
NH System - Forsyth County Acute Care Bed Days	197,196	207,721	208,426	212,714	217,868
Difference from Previous Year		10,525	705	4,288	5,154
Percent Change		5.34%	0.34%	2.06%	2.42%
NH County Growth Rate Multiplier *					1.0254

** 1 + Four Year Average Percent Change*

Source: Acute Care Days from 2016-2020 SMFPs

2020 SMFP NCBH Forsyth County Acute Care Growth Rate Multiplier

	FFY 2014	FFY 2015	FFY 2016	FFY 2017	FFY 2018
NCBH Acute Care Bed Days	217,712	227,099	226,483	227,283	230,618
Difference from Previous Year		9,387	-616	800	3,335
Percent Change		4.31%	-0.27%	0.35%	1.47%
NCBH County Growth Rate Multiplier*					1.0147

** 1 + Four Year Average Percent Change*

Source: Acute Care Days from 2016-2020 SMFPs

In May 2020, the 2021 Proposed SMFP Acute Care Bed Need Methodology Table 5A was published, showing acute care bed days for FFY 2019 and the latest CGRM of 1.0127. The tables below show the acute care CGRM for the most recent five reporting periods by health system in Forsyth County. NH's CGRM was 1.0238. The annual growth in NH acute care days in each of the past three years has exceeded the 2020 SMFP Forsyth County CGRM (1.0198 percent). Between FFY2018 and FFY 2019 NH acute care patient days grew 4.7 percent.

The opposite is true for NCBH. NCBH's most recent period of strong growth was FFY 2014 – FFY 2015. For FFY 2015 – FFY2019, the NCBH CRGM declined sharply to 1.002, indicating essentially no growth for the five-year period. Two of the four annual growth rates were negative. NCBH acute care bed days declined between FFY 2018 and FFY 2019 by 0.65 percent. The 2021 SMFP calculated a need for only 38 beds at NCBH in 2023 compared to the 2020 SMFP calculating a need for the 68 in 2022.

Factor 1 does not support the reasonableness of the NCBH utilization projections or demonstration of need.

2021 SMFP Forsyth County Acute Care Growth Rate Multiplier

	FFY 2015	FFY 2016	FFY 2017	FFY 2018	FFY 2019
Forsyth Acute Care Bed Days	434,820	434,909	439,997	448,486	457,223
Difference from Previous Year		89	5,088	8,489	8,737
Percent Change		0.02%	1.17%	1.93%	1.95%
Forsyth County Growth Rate Multiplier*					1.0127

2021 SMFP NH Forsyth County Acute Care Growth Rate Multiplier

	FFY 2015	FFY 2016	FFY 2017	FFY 2018	FFY 2019
NH Forsyth Acute Care Bed Days	207,721	208,426	212,714	217,868	228,111
Difference from Previous Year		705	4,288	5,154	10,243
Percent Change		0.34%	2.06%	2.42%	4.70%
NH Forsyth County Growth Rate Multiplier*					1.0238

2021 SMFP NCBH Forsyth County Acute Care Growth Rate Multiplier

	FFY 2015	FFY 2016	FFY 2017	FFY 2018	FFY 2019
NCBH Acute Care Bed Days	227,099	226,483	227,283	230,618	229,112
Difference from Previous Year		-616	800	3,335	-1,506
Percent Change		-0.27%	0.35%	1.47%	-0.65%
NCBH County Growth Rate Multiplier*					1.002

** 1 + Four Year Average Percent Change*

Source: Acute Care Days from 2017-2020 SMFPs, 2021 Draft SMFP Table 5A

Factor 2: Projected population growth and aging

The NCBH Application says the growth and aging of its service area population supports the reasonableness of its utilization projections. However, the table below shows the past and projected population growth of the NCBH service area for 2015 – 2019 and for 2019 – 2023. In the past period, the total population grew 3.2 percent. In the future period, total population is projected to grow by 3.2 percent. The 65+ population grew 12.6 percent in the past period and is projected to grow 11.5 percent in the future period.

PSA and SSA Total Population Estimates 2015 - 2019

NCBH Service Area	2019	2020	2021	2022	2023	% Change 2015-2019
Primary Service Area	1,399,671	1,416,382	1,429,043	1,443,599	1,457,069	4.1%
Secondary Service Area	916,636	921,805	926,036	929,779	934,438	1.9%
PSA + SSA	2,316,307	2,338,187	2,355,079	2,373,378	2,391,507	3.2%

PSA and SSA Total Population Projections 2019 - 2023

NCBH Service Area	2019	2020	2021	2022	2023	% Change 2019-2023
Primary Service Area	1,457,069	1,471,068	1,485,435	1,500,122	1,515,073	4.0%
Secondary Service Area	934,438	938,779	943,164	947,645	952,264	1.9%
PSA + SSA	2,391,507	2,409,847	2,428,599	2,447,767	2,467,337	3.2%

PSA and SSA 65+ Population Estimates 2015 - 2019

Service Area	2015	2016	2017	2018	2019	% Change 2015-2019
Primary Service Area	214,071	220,961	227,930	235,429	242,711	13.4%
Secondary Service Area	159,754	164,239	168,851	173,563	178,043	11.4%
PSA + SSA	373,825	385,200	396,781	408,992	420,754	12.6%

PSA and SSA 65+ Population Projections 2019 - 2023

Service Area	2015	2016	2017	2018	2019	% Change 2019-2023
Primary Service Area	242,711	250,102	257,623	265,315	273,121	12.5%
Secondary Service Area	178,043	182,555	187,178	191,662	196,014	10.1%
PSA + SSA	420,754	432,657	444,801	456,977	469,135	11.5%

Source: North Carolina State Office of Budget and Management, 2019 Vintage Population Projections Sex and Single Years of Age (2000-2039).

From FFY 2015 – FFY 2019, NCBH acute care admissions declined 3.5 percent and acute care patient days grew only 0.9 percent.[24] Patient days only grew because ALOS increased, which NCBH does not project will happen again. NCBH's acute care admissions and patient days have not kept pace with the growth of the total population or the 65+ population during the past five years. There is no reasonable basis to assume its acute care admissions and patient days will increase any more in the next five years due to population increases than they did in the past five years.

NCBH	FFY 2015	FFY 2016	FFY 2017	FFY 2018	FFY 2019	% Change 2015-2019
Admissions	38,225	38,321	36,773	36,318	36,896	-3.5%
NCBH Acute Care Bed Days	227,099	226,483	227,283	230,618	229,112	0.9%

Source: NCBH LRA Admissions, SMFP Acute Care Bed Days

[24] 229,112 – 227,099 = 2,013 /227,099 = 0.009

As shown in the above comments, all NCBH's FY 2020 growth is due to the expansion of obstetrics and NICU. There is no evidence this one-time shift of acute care patients will be repeated. NCBH projected 4.9 percent growth of acute care admissions and patient days from FY 2020 to FY 2023 and 7.4 percent from FY 2020 – FY 2026. If population is the main driver of NCBH's growth in admissions, and its 2020 – 2026 growth has the same relationship to population growth it had in the past period, it is reasonable to expect NCBH's admissions will decline. If the past relationship of service area population growth to growth in NCBH patient days remains constant, Factor 2, projected growth and aging of the population, does not support NCBH's utilization projections or demonstration of need.

NCBH Projections	FY 2020	FY 2023	% Change FY 2020 - FY 2023	FY2026	% Change FY 2020 - FY 2026
Acute Care Admissions	39,031	40,940	4.9%	41,934	7.4%
IP DOC	235,127	246,629	4.9%	252,618	7.4%

Source: NCBH Application, Form C

Factor 3: Economic development in Forsyth County

The NCBH Application discusses the Chamber of Commerce's outlook on future employment growth in Forsyth County and surrounding areas. Economic development brings people to an area and people generate demand for health services. The only relevance this factor has to utilization projections is if there is information on economic development indicating the state population projections are too low. The Application cites no document that claims the state population projections need to be increased because of any new or expanded employment expected in the NCBH service area in 2019 – 2023. Therefore, the information in the Application under Factor 3 provides no support for the NCBH utilization projections or demonstration of need.

Factor 4: Forsyth County health status

The NCBH Application cites Forsyth County health status as a factor supporting its utilization projections. It cites 1) access to care, 2) chronic disease management, and 3) maternal and child health priority health needs. The Application provides no information that these health needs indicate a need for 68 acute care beds at NCBH. All three health needs relate to better primary and preventative care to keep people out of acute care inpatient beds. A successful population health initiative would decrease, not increase, utilization of acute care beds. Factor 4 does not support the NCBH utilization projections or demonstration of need.

Factor 5: Increasing intensity of NCBH acute care bed services and average length of stay

NCBH says increasing case mix index (CMI) is leading to an increase in average length of stay (ALOS) and an increase in acute care patient days:

Evidence of this increasing inpatient clinical complexity is also found in the average length of stay (ALOS) of NCBH acute care bed patients. As shown on the table below, the acute care bed ALOS at NCBH has increased nearly 5% over the past five years, from 5.74 days in FY2015 to 6.02 days in FY2020 YTD. Based in part on the increasing CMI, NCBH anticipates this trend will continue in the coming decade, resulting in increased demands on the hospital's acute care bed capacity.

NCBH Acute Care Bed ALOS

NCBH	FY2015	FY2016	FY2017	FY2018	FY2019	YTD FY2020	% change
ALOS	5.74	5.85	6.09	6.40	6.14	6.02	4.9%

Source: NCBH Application, Page 46

All the growth in NCBH patient days is in obstetric and NICU patients beginning in July 2019. Non-obstetric related admissions and patient days declined. The CMI data on page 46 of the Application ends on June 30, 2019, the day before the one-time shift in obstetric and NICU patients began. When NCBH shows its FY 2020 all payor CMI, it is reasonably certain it will be substantially lower than the FY 2019 CMI. NCBH gave no reason to expect any substantial increase in Medicare CMI. NCBH did not quantify the effect it expected a rising CMI to have on its future patient days. The NCBH CMI for 2020 and after provides no support for its utilization projection or demonstration of need.

The YTD FY2020 ALOS on page 46 of the Application shows the effect of the obstetric and NICU shift on ALOS for a partial year. With obstetric and NICU admissions increasing and other acute care admissions decreasing, ALOS for all of 2020 is reasonably certain to fall rather than increase. NCBH projects a constant ALOS of 6.02 through the third project year. If its ALOS does decline, its patient day projection is unreasonable and unreliable. A reasonable projection of ALOS provides no support for the NCBH utilization projections or demonstration of need.

Factor 6: Growing utilization at North Carolina academic medical centers

NCBH claims the need for the proposed project is based on and supported by growing utilization at North Carolina academic medical centers (AMCs).

affiliations. At North Carolina community hospitals, acute care bed inpatient days of care increased by 1.20% since 2015. By comparison, as shown on the table below, the inpatient days of care at North Carolina's five academic medical centers has risen by 1.86%, or 55% greater than the growth rate for non-academic medical centers.

Comparison of Utilization at North Carolina Hospitals
Inpatient Days of Care Comparison, FY2015-FY2019

	Inpatient Days of Care					
Hospitals	**2015**	**2016**	**2017**	**2018**	**2019**	**CAGR**
AMCs	1,250,438	1,241,670	1,333,205	1,306,105	1,346,239	*1.86%*
All others	3,114,449	3,100,729	3,092,396	3,183,248	3,266,154	*1.20%*
Combined	4,364,887	4,342,399	4,425,601	4,489,353	4,612,393	*1.39%*

Source: 2017-Proposed 2021 SMFPs

Source: NCBH Application, Page 47

The table in the NCBH application shows the subtotal for all AMCs. General statements about AMCs do not fit NCBH. The table below shows total acute care days and growth rates for each AMC. NCBH's patient days grew by 0.9 percent from 2015 to 2019. The other North Carolina AMCs increased patient days by 9.2 percent, or 10x the growth at NCBH. All the other AMCs increased patient days by over 8.0 percent. The general growth experience of North Carolina AMCs provides no support for the NCBH utilization projections or demonstration of need. Moreover, this is not a Policy AC-3 application, so NCBH's status as an AMC does not deserve any special consideration here.

North Carolina Academic Medical Center Acute Care Days by Facility

	2015	**2016**	**2017**	**2018**	**2019**	**CAGR**
NCBH	227,099	226,483	227,283	230,618	229,112	0.22%
Duke University Hospital	272,459	273,128	281,338	291,095	295,221	2.03%
UNC Hospital	229,915	230,339	233,539	240,129	249,002	2.01%
Vidant Medical Center	223,798	211,051	218,817	232,926	251,042	2.91%
Carolinas Medical Center	297,167	300,669	307,039	311,337	321,862	2.02%
NC AMCs	1,250,438	1,241,670	1,268,016	1,306,105	1,346,239	1.86%
AMCs Excluding NCBH	*1,023,339*	*1,015,187*	*1,040,733*	*1,075,487*	*1,117,127*	*2.22%*

Source: Source: 2017-Proposed 2021 SMFPs. Note: The chart above includes the correct totals for AMCs. It appears NCBH erred by including 65,189 acute care days from Duke Regional Hospital in its AMC total for 2017

NCBH tries to argue it should receive 68 acute care beds because the scope of services it provides is substantially larger than the scope of services NH Forsyth provides. NCBH states,

> *NCBH is unique in that it is one of five academic medical centers (AMC) in North Carolina, and the only AMC in western North Carolina. AMCs provide distinctive services and benefits to the communities they serve. As illustrated in Section C. 1, NCBH offers a fully [sic] array of inpatient services in various specialty and many subspecialties. In addition, NCBH is unique in that it is one of six Level 1 Trauma Centers and one of two American Burn Association (ABA) Verified Burn Centers in North Carolina. As the only Level I trauma center and quaternary academic medical center in the region, only NCBH can meet the unique needs of NCBH patients. The services provided by NCBH cannot be replicated by any other hospital facility in Forsyth County.*[25]

The difference in the scope of acute care services NCBH and NH Forsyth County Hospitals provide should not be given any weight by the Agency. The table below shows that in FFY 2019, of the patients in 761 MS-DRGs either hospital served, NCBH only served 608 patients in MS-DRGs NH Forsyth County Hospitals did not see in that year. These patients were only 1.6 percent of NCBH's total acute care discharges in FFY 2019. The claim that the services provided by NCBH cannot be replicated by any other hospital in Forsyth County is untrue for 98.4 percent of NCBH's patients.

FFY Acute Care Discharges by MS-DRG (Excluding Burns)

	NH Forsyth County		NCBH	
	MS-DRGs	**Discharges**	**MS-DRGs**	**Discharges**
NH Forsyth County and NCBH Saw	678	41,758	678	36,628
Only NH Forsyth County saw	18	89		
Only NCBH saw			42	608
DRGs Unseen	65		41	
Total	761	41,847	761	37,236

NH Forsyth County and NCBH Saw	89.1%	99.8%	89.1%	98.4%
Only NH Forsyth County saw	2.4%	0.2%		
Only NCBH saw			5.5%	1.6%
DRGs Unseen	8.5%		5.4%	

Source: IBM Health Watson (formerly Truven), limited to acute care discharges using Sheps Center's methodology

Factor 7: Consistently high utilization of NCBH's impatient services, including acute care beds

NCBH's past and present utilization do not support the need for 68 additional acute care beds. Its annualized FY 2020 patient days of 235,127 supports a need for no more than 19 beds at the SMFP's target occupancy factor of 1.28 for NCBH. The table below shows the calculation. The table also shows with its acute care patent days, NCBH could add at most 48 beds and meet the acute care bed performance standard of 75.2 percent occupancy.

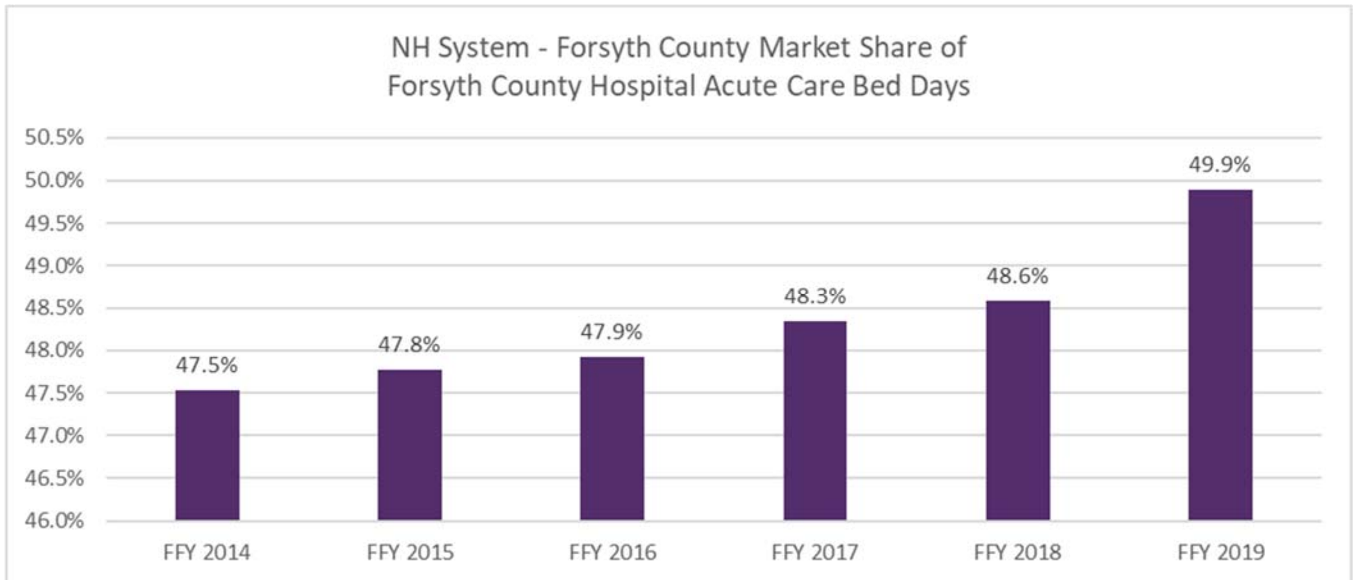
[25] NCBH Application, Page 77

NCBH	FY2020
FY 2020 Acute Care Days	235,127
ADC	644.18
Target Occupancy Factor	1.28
Target Bed Need	824.55
Licensed/ Approved Beds	806
Surplus (-) / Deficit	19
Occupancy Rate	79.9%
Licensed/ Approved Beds + 48	854
Occupancy Rate	75.4%

Source: NCBH Application, Page 116

FY 2020 acute care patient days is the relevant benchmark because the NCBH Application provides no basis for the Agency to find that NCBH's acute care patient days will increase from FY 2020 to FY 2026.

- Except for the one-time shift of obstetric and NICU patient in FY2020, NCBH acute care admissions and patient days have steadily declined from 2015 to 2020. NCBH has not demonstrated in its application that the growth in acute care utilization due to expanded obstetrics will be repeated in the future. Given the unexplained continual decline in admissions in recent years for the 90+ percent of patients that account for other acute care admissions, there is no basis in the application to project any growth.
- NCBH projected its ALOS to remain constant, despite an unexplained two-year declining trend in ALOS.
- NCBH acute care days have not grown as its service area population has grown and aged.
- NCBH has not leveraged its status as an Academic Medical Center to increase its utilization.
- Because the growth in admissions has been obstetric and lower-intensity NICU admissions, NCBH's case mix index and average length of stay has fallen and may fall further.
- As the NH Forsyth Application explained, NH Forsyth has recruited specialists for a complex mother/baby program to reduce the need to transfer obstetric and NICU patients to NCBH
- As the chart below shows, NH Forsyth has steadily increased its market share for the past six years through improving and expanding programs and recruiting new physicians to the community. There is no opportunity for NCBH to repeat the shift of obstetric and NICU patient days.



Source: SMFP Forsyth County Acute Care Bed Days

Factor 8: NCBH strategic growth, specifically planned increases of primary care and specialty physicians

NCBH has had a medical staff development plan and a strategic growth plan for many years. NCBH has recruited more physicians to its medical staff. The Application does not explain how future plans will be more successful than current plans in arresting the decline in non-obstetric acute care patient days or causing increases. Simply having plans does not support the NCBH utilization projections or demonstration of need.

Criterion (3) Conclusion

The NCBH Application lacks support to reasonably project **any** growth in acute care days or discharges, and there is evidence in the comments above to reasonably expect future declines in acute care patients and days at NCBH. However, if the Agency gives NCBH the benefit of the doubt that utilization will not decrease, based on FY 2020 Annualized acute care days:

- NCBH can only demonstrate a need for 19 beds when applying the target occupancy factor of 1.28 from the 2020 SMFP to FY 2020 acute care days.
- The maximum number of beds NCBH could be awarded and still meet the 75.2% occupancy rate for the acute care performance standard is 48.

For the above-stated reasons, plus any additional reasons the Agency may discern, the NCBH Application is non-conforming with Criterion (3) and should be denied.

Criterion (4)

Criterion (4) NCGS § 131E-185(a)(4)*: Where alternative methods of meeting the needs for the proposed project exist, the applicant shall demonstrate that the least costly or most effective alternative has been proposed.*

NCBH does not adequately demonstrate adding 68 beds is the most effective alternative to meet the need based on the following:

- The applicant does not adequately demonstrate the need the population proposed to be served has for the proposed project. The discussion regarding need found in Criterion (3) is incorporated herein by reference.
- The applicant does not adequately demonstrate that projected utilization is based on reasonable and adequately supported assumptions. The discussion regarding projected utilization found in Criterion (3) is incorporated herein by reference.
- The applicant does not adequately demonstrate that the proposal would not result in an unnecessary duplication of existing or approved services in the service area. The discussion regarding unnecessary duplication found in Criterion (6) is incorporated herein by reference.
- The application is not conforming to all statutory and regulatory review criteria. An application that cannot be approved cannot be the most effective alternative.

For the above-stated reasons, plus any additional reasons the Agency may discern, the NCBH Application is non-conforming with Criterion (4) and should be denied.

Criterion (5)

Criterion (5) NCGS § 131E-185(a)(5): *Financial and operational projections for the project shall demonstrate the availability of funds for capital and operating needs as well as the immediate and long-term financial feasibility of the proposal, based upon reasonable projections of the costs of and charges for providing health services by the person proposing the service.*

The Application did not demonstrate need for the 68 acute care beds at NCBH. The assumptions used by the applicant in preparation of the pro forma financial statements are not reasonable and adequately supported because projected utilization is questionable. The discussion regarding projected utilization found in Criterion (3) is incorporated herein by reference. Therefore, since projected revenues and expenses are based at least in part on projected utilization, projected revenues and expenses are also unreasonable and not adequately supported.

Further, the Application did not provide adequate explanations of the financial assumptions, which make it impossible for the Agency or a competing applicant to determine the financial feasibility of the project.

Gross Charges, Payor Mix, and Adjustments to Revenue

The application did not explain how gross charges, payor mix or adjustments to revenue were determined. The application assumed the payor mix remains constant throughout the projection, which means NCBH does not account for any a higher percentage of Medicaid patients due to the obstetric expansion. This impact would also cause the contractual adjustments to change as a percentage of gross charges, instead of remaining constant throughout the projections.

Comparing the net revenue and gross charge per patient day show NCBH to have higher costs than NH Forsyth. NCBH's project year 1 per patient day gross charge of $16,099 and net revenue of $4,035 are much higher than NH Forsyth's project year 1 per patient day gross charge of $9,136 and net revenue of $2,786. It is expected that an academic medical center would have slightly higher costs, but not unreasonably so as is the case for NCBH.

Operating Cost

The Application did not explain how expenses were determined. Instead of allocating expenses to the predetermined CON categories, nearly all expenses are lumped together and included in an 'Other' category.

NCBH did not explain how these expenses were derived. There is no detail behind 'purchased services' and 'other.' This makes the financial statements impossible to review for reasonableness. There is no way to determine if the Application includes all incremental operating expenses for 68 additional acute care beds.

The few explanations offered involve conflicting assumptions. While the staff salaries increase 4 percent year over year, an expense category labeled 'Indirect Salaries/Benefits Expenses' only grows at a 3.0 percent rate.

For the above-stated reasons, plus any additional reasons the Agency may discern, the NCBH Application is non-conforming with Criterion (5) and should be denied.

Criterion (6)

Criterion (6) NCGS § 131E-185(a)(6): ***The applicant shall demonstrate that the proposed project will not result in unnecessary duplication of existing or approved health service capabilities or facilities.***

In Section G, pages 76-77, the applicant states the proposed project will not result in unnecessary duplication of existing or approved services or facilities because the 2020 SMFP shows a need for 68 additional acute care beds in Forsyth County and NCBH "generated" that need. NCBH is not entitled to any beds based on its argument it generated the need. NCBH does not adequately demonstrate that projected utilization is based on reasonable and adequately supported assumptions. The discussion regarding projected utilization found in Criterion (3) is incorporated herein by reference.

NCBH has not provided adequate support for its argument that its acute care patient days will increase by project year 3. At its current volume it needs 19 new beds to operate at the target occupancy factor of 1.28 in the SMFP. If more than 19 beds were awarded, the excess would be an unnecessary duplication of NCBH acute care beds. NCBH did not adequately demonstrate that an award of 68 beds would not result in an unnecessary duplication of existing or approved services in the service area.

The discussion regarding academic medical centers found in Criterion (3) is incorporated herein by reference.

For the above-stated reasons, plus any additional reasons the Agency may discern, the NCBH Application is non-conforming with Criterion (6) and should be denied

Criterion (18a)

Criterion (18a) NCGS § 131E-185(a)(18a): ***The applicant shall demonstrate the expected effects of the proposed services on competition in the proposed service area, including how any enhanced competition will have a positive impact upon the cost effectiveness, quality, and access to the services proposed; and in the case of applications for services where competition between providers will not have a favorable impact on cost-effectiveness, quality, and access to the services proposed, the applicant shall demonstrate that its application is for a service on which competition will not have a favorable impact.***

The Application does not identify services on which competition would have a favorable impact. The NCBH Application does not show NCBH needs additional acute care beds to effectively compete for patients. It does not show how the award of 68 acute care beds would improve the cost-effectiveness, quality, or access to services for acute care services.

NCBH does not adequately demonstrate the need the population proposed to be served has for the proposed project. The discussion regarding need found in Criterion (3) is incorporated herein by reference.

- NCBH does not adequately demonstrate that projected utilization is based on reasonable and adequately supported assumptions. The discussion regarding projected utilization found in Criterion (3) is incorporated herein by reference.
- NCBH does not adequately demonstrate that the proposal would not result in an unnecessary duplication of existing or approved services in the service area. The discussion regarding unnecessary duplication found in Criterion (6) is incorporated herein by reference.

For the above-stated reasons, plus any additional reasons the Agency may discern, the NCBH Application is non-conforming with Criterion (18a) and should be denied.

Conclusion

Pursuant to G.S. 131E-183(a)(1) and the 2020 SMFP, no more than 68 acute care beds may be approved for Forsyth County in this review. Because the applications in this review collectively propose to develop 88 additional acute care beds in Forsyth County, all applications cannot be approved for the total number of beds proposed. The bed application submitted by NH Forsyth is conforming to all applicable statutory and regulatory review criteria. The NCBH Application is not conforming to all applicable statutory and regulatory review criteria. An application that is not conforming to all applicable statutory and regulatory review criteria cannot be approved.

The NCBH Application lacks support to reasonably project **any** growth in acute care days or discharges, and there is evidence in the comments above to reasonably expect future declines in acute care patients and days at NCBH. However, if the Agency gives NCBH the benefit of the doubt that utilization will not decrease, based on FY 2020 Annualized acute care days:

- NCBH can only demonstrate a need for 19 beds when applying the target occupancy factor of 1.28 from the 2020 SMFP.
- The maximum number of beds NCBH could be awarded and still meet the 75.2% occupancy rate for the acute care performance standard is 48.

Attachment 1

Excerpts from NCBH 2016 – 2020 LRAs

2020 Renewal Application for Hospital:
North Carolina Baptist Hospital

License No: H0011
Facility ID: 943495

All responses should pertain to **October 1, 2018 through September 30, 2019**.

Facility Data

A. Reporting Period. All responses should pertain to the period **October 1, 2018 to September 30, 2019.**

B. General Information. (Please fill in any blanks and make changes where necessary.)

For B and C, submit one record for the licensed hospital. **<u>DO NOT</u> SUBMIT SEPARATE RECORDS FOR EACH CAMPUS.**

1. Admissions to Licensed Acute Care Beds: **include only admissions to beds in category D-1 (a – q) on page 6; exclude responses in categories D-2 – D-8 on page 6; exclude normal newborn bassinets; exclude swing bed admissions.**	36,896

2019 Renewal Application for Hospital:
North Carolina Baptist Hospital

License No: **H0011**
Facility ID: **943495**

All responses should pertain to **October 1, 2017 through September 30, 2018**.

Facility Data

A. Reporting Period. All responses should pertain to the period **October 1, 2017 to September 30, 2018.**

B. General Information. (Please fill in any blanks and make changes where necessary.)

For B and C, submit one record for the licensed hospital. **<u>DO NOT</u> SUBMIT SEPARATE RECORDS FOR EACH CAMPUS.**

1. Admissions to Licensed Acute Care Beds: **include only admissions to beds in category D-1 (a – q) on page 6; exclude responses in categories D-2 – D-8 on page 6; exclude normal newborn bassinets; exclude swing bed admissions.**	36,318

2018 Renewal Application for Hospital:
North Carolina Baptist Hospital

License No: H0011
Facility ID: 943495

All responses should pertain to October 1, 2016 through September 30, 2017.

Facility Data

A. **Reporting Period.** All responses should pertain to the period **October 1, 2016 to September 30, 2017.**

B. **General Information.** (Please fill in any blanks and make changes where necessary.)

For B and C, submit one record for the licensed hospital. **DO NOT SUBMIT SEPARATE RECORDS FOR EACH CAMPUS.**

1. Admissions to Licensed Acute Care Beds: **include only admissions to beds in category D-1 (a – q) on page 6; exclude responses in categories D-2 – D-8 on page 6; exclude normal newborn bassinets; exclude swing bed admissions.**	34,773

2017 Renewal Application for H al:
North Carolina Baptist Hospital

License No: H0011
Facility ID: 943495

All responses should pertain to October 1, 2015 through September 30, 2016.

Facility Data

A. **Reporting Period** All responses should pertain to the period **October 1, 2015 to September 30, 2016.**

B. **General Information** (Please fill in any blanks and make changes where necessary.)

a. Admissions to Licensed Acute Care Beds: **include responses to "a – q" on page 6; exclude responses to "2-9" on page 6; and exclude normal newborn bassinets.**	38,321

2016 Renewal Application for Hospital:
North Carolina Baptist Hospital

License No: **H0011**
Facility ID: **943495**

All responses should pertain to **October 1, 2014 through September 30, 2015**.

Facility Data

A. **Reporting Period** All responses should pertain to the period **October 1, 2014 to September 30, 2015.**

B. **General Information** (Please fill in any blanks and make changes where necessary.)

a. Admissions to Licensed Acute Care Beds: **include responses to "a – q" on page 6; exclude responses to "2-9" on page 6; and exclude normal newborn bassinets.**	38,335

Attachment 2

DRG	Category [1]	DRG Description
789	Newborn	Neonates, Died or Transferred To Another Acute Care Facility
790	Newborn	Extreme Immaturity or Respiratory Distress Syndrome, Neonate
791	Newborn	Prematurity w Major Problems
792	Newborn	Prematurity w/o Major Problems
793	Newborn	Full Term Neonate w Major Problems
794	Newborn	Neonate w Other Significant Problems
795	Newborn	Normal Newborn
765	Obstetrics	Cesarean Section w CC/MCC
766	Obstetrics	Cesarean Section w/o CC/MCC
767	Obstetrics	Vaginal Delivery w Sterilization &/Or D&C
768	Obstetrics	Vaginal Delivery w O.R. Proc Except Steril &/Or D&C
769	Obstetrics	Postpartum & Post Abortion Diagnoses w O.R. Procedure
770	Obstetrics	Abortion w D&C, Aspiration Curettage or Hysterotomy
774	Obstetrics	Vaginal Delivery w Complicating Diagnoses
775	Obstetrics	Vaginal Delivery w/o Complicating Diagnoses
776	Obstetrics	Postpartum & Post Abortion Diagnoses w/o O.R. Procedure
777	Obstetrics	Ectopic Pregnancy
778	Obstetrics	Threatened Abortion
779	Obstetrics	Abortion w/o D&C
780	Obstetrics	False Labor
781	Obstetrics	Other Antepartum Diagnoses w Medical Complications
782	Obstetrics	Other Antepartum Diagnoses w/o Medical Complications
783	Obstetrics	Cesarean Section w Sterilization w MCC
784	Obstetrics	Cesarean Section w Sterilization w CC
785	Obstetrics	Cesarean Section w Sterilization w/o CC/MCC
786	Obstetrics	Cesarean Section w/o Sterilization w MCC
787	Obstetrics	Cesarean Section w/o Sterilization w CC
788	Obstetrics	Cesarean Section w/o Sterilization w/o CC/MCC
796	Obstetrics	Vaginal Delivery w Sterilization/D&C w MCC
797	Obstetrics	Vaginal Delivery w Sterilization/D&C w CC
798	Obstetrics	Vaginal Delivery w Sterilization/D&C Wo CC/MCC
805	Obstetrics	Vaginal Delivery w/o Sterilization/D&C w MCC
806	Obstetrics	Vaginal Delivery w/o Sterilization/D&C w CC
807	Obstetrics	Vaginal Delivery w/o Sterilization/D&C w/o CC/MCC
817	Obstetrics	Other Antepartum Diagnoses w O.R. Procedure w MCC
818	Obstetrics	Other Antepartum Diagnoses w O.R. Procedure w CC
819	Obstetrics	Other Antepartum Diagnoses w O.R. Procedure w/o CC/MCC

DRG	Category [1]	DRG Description
831	Obstetrics	Other Antepartum Diagnoses w/o O.R. Procedure w MCC
832	Obstetrics	Other Antepartum Diagnoses w/o O.R. Procedure w CC
833	Obstetrics	Other Antepartum Diagnoses w/o O.R. Procedure w/o CC/MCC

[1] The Newborn category includes all possible newborn DRGs. Normal newborns were identified by the presence of revenue codes 170 and 171 on the hospital record, not DRG, and removed from all acute care calculations per the Sheps Center's methodology which was included in Exhibit C-2 of the NH Forsyth Bed Application.

Attachment 3

NCBH Acute Care NICU and OB Discharges by Calendar Year and Quarter

								NCBH FY 2019				Expanded OB		
	CY 2016	CY 2017				CY 2018				CY 2019				CY 2020
MS-DRG	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**
NICU														
789	3	2	4	9	7	5	6	1	5	6	5	10	6	9
790	32	27	21	25	29	23	21	30	17	16	21	44	78	75
791	13	11	9	10	19	4	9	12	9	9	14	45	31	38
792	9	9	3	12	8	4	12	7	13	11	8	29	24	31
793	35	46	36	24	31	40	38	56	39	37	45	49	55	76
794	21	28	15	24	21	15	20	29	18	13	20	42	37	33
795	7	5	1	5	3	1	3	6	3	9	1	10	6	11
NICU Total	120	128	89	109	118	92	109	141	104	101	114	229	237	273
Obstetrics														
765	3	1	4	5	3	3	3	3						
766			1		2	1	1	1						
767		1			1									
768												12	14	17
769		2		3	2	2	1	6		1	4	3	4	4
770	1	2				1							1	3
774	2	3		1		1								
775		1	1	1	1		1	3						
776	5	7	3	2	5	1	3	2	10	4	3	16	22	22
777														
779	1							1	1	1	1	3	1	
781	13	3	10	4	6	3	6	7						
782	1							2						
783									1			7	12	12
784									1	3	1	20	11	14
785									1	2	1	18	30	21
786									2	1		18	27	32
787												37	52	48
788									1		1	53	96	74
796													2	
797												4	4	3
798												11	10	13
805												29	23	32

								NCBH FY 2019				Expanded OB		
	CY 2016	CY 2017				CY 2018				CY 2019				CY 2020
MS-DRG	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**
806									2			65	75	82
807											1	192	261	268
817									2		2		1	1
818									1		1	2	2	
819										2	1	3	5	2
831									4	2	2	11	13	17
832									2	1	3	35	23	31
833									3	5		28	33	32
OB Total	26	20	19	16	20	12	15	25	31	22	21	567	722	728
OB+NICU	146	148	108	125	138	104	124	166	135	123	135	796	959	1,001

Source: IBM/Truven Analytics. Novant Health adopts the methodology for counting acute care patient days for the SMFP from The Cecil G. Sheps Center for Health Services Research at the University of North Carolina at Chapel Hill (The Sheps Center). The Sheps Center's methodology was included in the NH Forsyth Acute Care Bed Application as Exhibit C-2. The Sheps Center calculates patient days, but not discharges. Novant Health counts each patient record with one or more acute care patient days as an acute care discharge. Normal newborns (DRG 795) are only counted as acute care patients if the discharge record had days in the NICU and therefore the patient days in the NICU would be counted in the SMFP acute care bed days total. Newborns with all days in a normal baby bassinet (rev code 170/171) are not counted as acute care patients and are excluded from the table above.

Note: CMS announced changes to DRG Coding for OB/GYN that took effect in FFY 2019. DRGs 777, 778, and 780 were deleted. The following DRGs were changed.

Previous DRG	Service	New DRG	New DRG Title
765	Cesarean Section w CC/MCC	783 784 786 787	Cesarean Section W Sterilization W MCC Cesarean Section W Sterilization W CC Cesarean Section W/O Sterilization W MCC Cesarean Section W/O Sterilization W CC
766	Cesarean Section W/O CC/MCC	785 788	Cesarean Section W Sterilization W/O CC/MCC Cesarean Section W/O Sterilization W/O CC/MCC
767	Vaginal Delivery W Sterilization &/OR D&C	796 767 798	Vaginal Delivery W Sterilization/ D&C W MCC Vaginal Delivery W Sterilization/ D&C W CC Vaginal Delivery W Sterilization/ D&C WO CC/MCC
774	Vaginal Delivery W Complicating Diagnoses	805 806	Vaginal Delivery W/O Sterilization/ D&C W MCC Vaginal Delivery W/O Sterilization/ D&C W CC
775	Vaginal Delivery W/O Complicating Diagnosis	807	Vaginal Delivery W/O Sterilization/ D&C W/O CC/MCC
781	Other Antepartum Diagnoses W Medical Complications	817 818 831 832	Other Antepartum Diagnosis W O.R. Procedure W MCC Other Antepartum Diagnosis W O.R. Procedure W CC Other Antepartum Diagnosis W/O O.R. Procedure W MCC Other Antepartum Diagnosis W/O O.R. Procedure W CC

Previous DRG	Service	New DRG	New DRG Title
782	Other Antepartum Diagnosis W O.R. Medical Complications	819 833	Other Antepartum Diagnosis W O.R. Procedure W/O CC/MCC Other Antepartum Diagnosis W/O O.R. Procedure W/O CC/MCC