

# Agency Report

## Mission Hospital

### Adjusted Need Determination Petition

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#### *AC Bed Petitioner 3:*

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#### *Request*

Mission Hospital requests an adjustment in Table 5A: Acute Care Bed Need Projections in the Proposed 2010 State Medical Facilities Plan for nine new acute care beds in Buncombe County.

#### *Background Information*

The standard methodology for projecting need for acute care beds is based on the total number of acute inpatient days of care provided by each hospital, as obtained from the Thomson Reuters database by the Cecil G. Sheps Center for Health Services Research. The number of days of care is advanced by six years based on a growth rate representing the average annual historical percentage change in total inpatient days for the State over the past four years (i.e., three intervals of change). The projected midnight average daily census for the target year is then adjusted by target occupancy factors, which increase as the Average Daily Census increases. Surpluses or Deficits are determined by comparing the projected bed need to the current inventory of licensed plus pending acute care beds.

In deference to the standard methodology, Chapter 2 of the Plan allows persons to petition for an adjusted need determination in consideration of "...unique or special attributes of a particular geographic area or institution..." if they believe their needs are not appropriately addressed by the standard methodology.

Analysis/Implications

For the Proposed 2010 State Medical Facilities Plan (SMFP), the statewide three year average growth rate is .02%. The growth rate data used for the Proposed 2010 SMFP is shown below.

**Total In-state Days from North Carolina Acute Care Hospitals, 1996-2008**

Year	Days	Annual Growth Rate		3-year Average Growth Rate	
1996	4,373,602				
1997	4,344,434	-0.67%		-0.52%	97-99
1998	4,342,032	-0.06%		0.61%	98-00
1999	4,305,125	-0.85%		1.01%	99-01
2000	4,423,151	2.74%		1.35%	00-02
2001	4,472,918	1.13%		1.15%	01-03
2002	4,480,926	0.18%		1.52%	02-04
2003	4,576,550	2.13%		1.58%	03-05
2004	4,679,727	2.25%		0.47%	04-06
2005	4,695,848	0.34%		0.01%	05-07
2006	4,639,819	-1.19%		0.02%	06-08
2007	4,680,021	0.87%			
2008	4,698,342	0.39%			

Source: North Carolina Hospital Discharge Database, Thomson. Fiscal Years 1996-2008

Notes: Includes all days from NC residents in NC acute care hospitals.

Excludes all days from out-of-state residents in NC acute care hospitals.

\*Excludes DRG 391 (normal newborns).

Excludes days from psychiatric, substance abuse and rehabilitation hospitals.

Excludes outliers.

\*For 2006-2008, newborns are excluded based on actual bed instead of DRG when bed data is available.

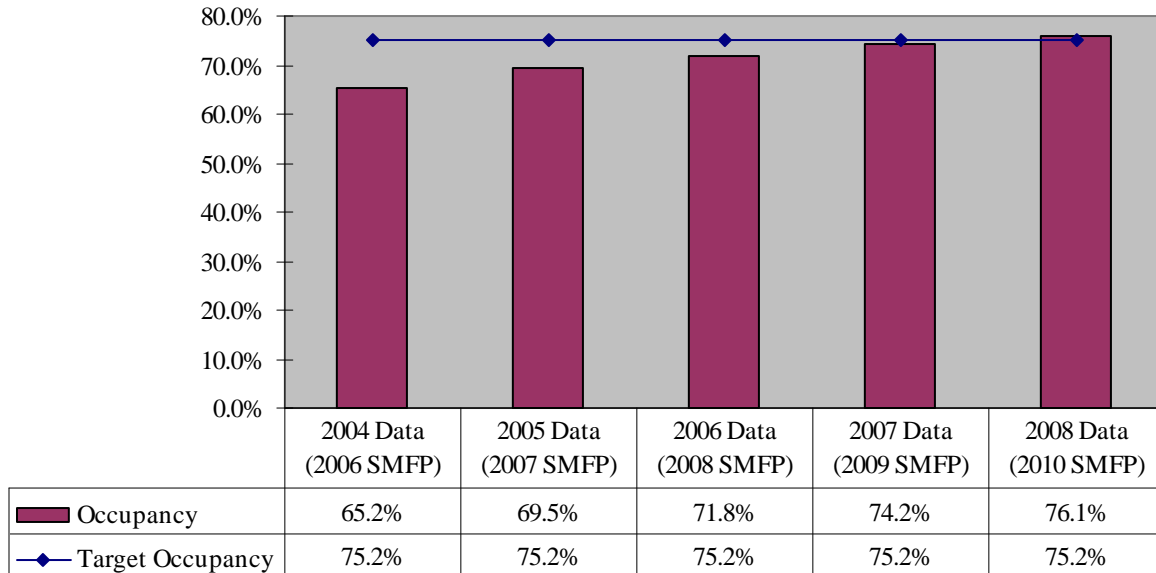
As the above table shows, annual statewide growth rates have varied from 1997-2008 between a high of 2.74% (1999-2000) and a low of -1.19% (2005 to 2006). In response to concerns raised in petitions filed last year about the low statewide growth rate, the State Health Coordinating Council convened an Acute Care Bed Need Methodology Work Group and charged the work group with the following:

1. To evaluate the present bed methodology with respect to the impact that uneven growth in days in acute care hospitals throughout the state has on the methodology.
2. To develop recommendations which can effectively and fairly address the growth disparities and which will be consistent with the present methodologies in the 2009 SMFP.

The Acute Care Bed Need Methodology Work Group met on February 23, 2009 and accomplished part One of its charge. However, the work group decided to table part Two of its charge since the consensus was that, given the state of the economy, it was not a good time to be changing the methodology such that need for 700 or 800 beds would be generated statewide. The work group will reconvene this Fall and will work on developing recommendations for the 2011 SMFP.

Review of the petition and the data related to the petition reveal that the combination of factors shown below makes Mission Hospital unique.

1. It is the only hospital in its service area (Buncombe, Madison, Yancey Multi-county Service Area).
2. Its occupancy rate has been increasing annually since Data Year 2004.



3. For year 2008, it was operating above its target occupancy rate of 75.2%, as the above graph shows.
4. Application of the standard methodology to 2008 data results in a deficit of nine acute care beds for the service area.

The only other hospital in the State that is similar to Mission Hospitals when evaluated on the above four criteria is University of North Carolina (UNC) Hospitals. Specifically, UNC Hospitals is the only hospital in its service area, its occupancy rate has been increasing annually since 2004, it was operating above its target occupancy rate for 2008 and it showed a projected deficit of 36 acute care beds in the 2010 Proposed SMFP.

Because UNC Hospital’s deficit meets the criteria for Step 8b of the Acute Care Bed Need methodology, the 2010 Proposed Plan shows a need for 36 beds for the Orange-Caswell Acute care Bed Multi-county Service Area. Step 8b is shown below:

*“When the deficit of total acute care beds in the service area for an owner (regardless of number of hospitals owned) equals or exceeds 20 beds or 10% of the inventory of acute care beds for that owner, the deficits of all owners in the service area will be summed to determine the number of acute care beds needed in the service area.”*

Mission Hospital's projected deficit of nine beds shown in the 2010 SMFP does not meet the criteria for Step 8b. Therefore, Mission Hospital's acute care bed need in the 2010 SMFP is zero.

The Agency supports Step 8b of the Acute Care Bed Need methodology and recognizes that Memorial Mission does not meet the criteria for this step. However, Memorial Mission states that, "if the proposed bed need adjustment for Buncombe County is approved, Mission Hospital will be in a position to implement the additional beds, if CON approval is received, at very low cost in existing space within the current facility."

Agency Recommendation

The Agency supports the standard methodology and the Acute Care Bed Need Methodology Work Group. However, in consideration of the above, the Agency has determined that Memorial Mission has demonstrated its "...unique or special attributes", which "are not appropriately addressed by the standard methodology." The Agency recommends approval of Memorial Mission's petition for nine additional acute care beds in the Buncombe, Madison, Yancey Multi-county Service Area in the 2010 SMFP.