

**Acute Care Services Committee  
Agency Report  
Adjusted Need Determination Petition to  
Reduce the Need Projection of 119 Acute Care Beds to Zero in the  
Cumberland-Hoke Service Area  
Proposed 2013 State Medical Facilities Plan**

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***Petitioner:***

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***Request:***

Cape Fear Valley Health System requests that the need determination in Table 5A: Acute Care Bed Need Projections and Table 5B: Acute Care Bed Need Determinations of the North Carolina Proposed 2013 State Medical Facilities Plan (SMFP) for 119 acute care beds in the Cumberland-Hoke service area be reduced to zero (0) acute care beds.

***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 Truven Health Analytics, formerly known as Thomson Reuters, by the Cecil G. Sheps Center for Health Services Research. The number of days of care is advanced by four years based on a growth rate representing the average annual historical percentage change in total inpatient days for each service area over the past five years. 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.

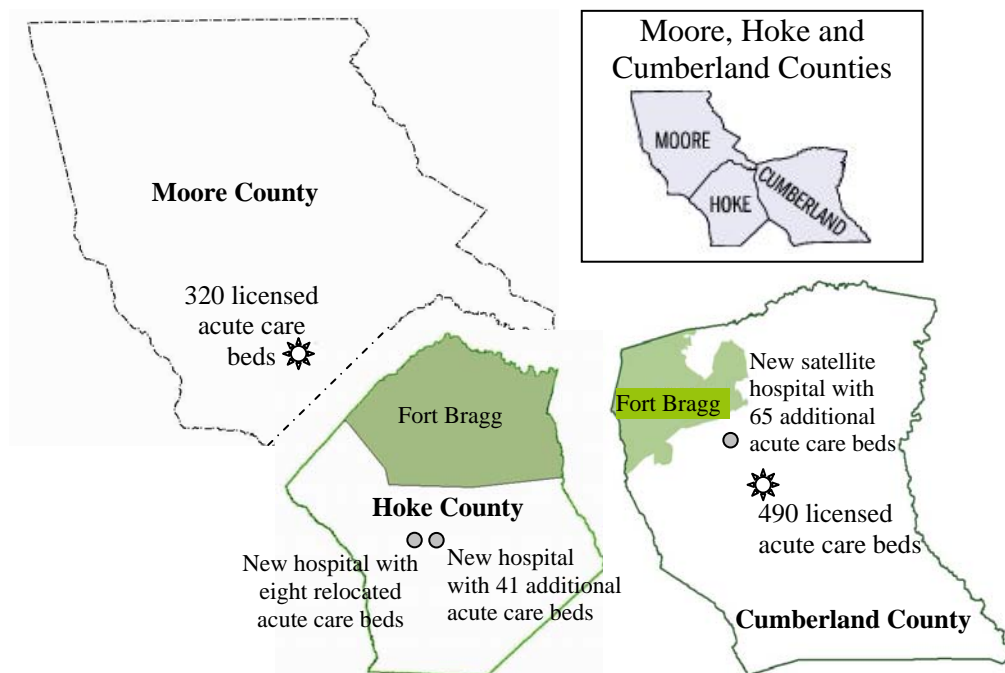
Chapter Two of the North Carolina 2013 Proposed SMFP allows persons to petition for an adjusted need determination in consideration of "...unique or special attributes of a particular geographic area or institution..." if they believe their needs are not appropriately addressed by the standard methodology. Cape Fear Valley Health System has submitted a petition to lower the projected number of beds needed from 119 to zero in the Cumberland-Hoke acute care bed service area. The petitioner presents information about recently high acute care bed utilization rates, increased but leveling off population growth in Hoke and Cumberland counties, and the award of certificates of need (CONs) for additional acute care beds in the Cumberland-Hoke

service area, two new hospitals in Hoke County, and a satellite hospital in northwest Cumberland County near Fort Bragg military base. According to the petitioner, this mix of factors is sufficient to warrant the request to reduce the current need determination for additional acute care beds from 119 to zero in the Cumberland-Hoke service area.

***Analysis/Implications:***

As shown in Chapter Five of the 2013 Proposed SMFP and illustrated in Figure 1 below, currently there are 320 licensed acute care beds in Moore County (a surplus of six beds) and 490 licensed acute care beds in Cumberland County, for a total of 810 for the two counties. Certificates of need have been awarded (1) to develop a new hospital in Raeford (Hoke County) with eight acute care beds relocated from FirstHealth Moore Regional Hospital; (2) to develop a new hospital in eastern Hoke County to include 41 new acute care beds relocated to Raeford from Cumberland County; and (3) to develop a satellite hospital in northern Cumberland County with 65 new acute care beds from the need determination in the 2011 SMFP. When these projects are complete, there will be a total of 916 acute care beds in the three counties. In addition, the 2012 SMFP included a need determination for 28 new acute care beds in the Cumberland-Hoke service area, resulting in a potential total of 944 acute care beds in Moore, Hoke and Cumberland counties, 134 or 14 percent of which, if and when developed, will have come into being during or after 2012. As shown in Figure 1, residents of Hoke County will have access to two new hospitals with a total of 49 acute care beds in their county, along with readily available acute care bed services in both Moore and Cumberland counties.

**Figure 1** (distances and locations on maps are approximate)



For the 2013 Proposed SMFP, the standard methodology resulted in a need determination of 119 new acute care beds for the Cumberland-Hoke service area. As described earlier, the methodology projects need for new beds using the growth in utilization of existing beds. Utilization of Cape Fear Valley Medical Center’s 490 licensed acute care beds and 49 temporary licensed acute care beds, approved in March 2011 and in use through the end of the data reporting period of 9/30/2011, increased partly due to the temporary beds. Need for more than 490 acute care beds is apparent in the Cumberland-Hoke service area. One-hundred six new acute care beds are CON-approved for the service area, plus the 28-bed need determination from the 2012 SMFP. Two new hospitals are CON-approved for Hoke County, as well as a new satellite hospital in Cumberland County. In neighboring Scotland County to the southwest of Hoke County, there are 97 licensed acute care beds at Scotland Memorial Hospital in Laurinburg, which is a surplus of 32 beds, and 21 CON-approved beds not yet developed. Southeastern Regional Medical Center in Robeson County, a different acute care bed service area south of Hoke County, has 292 licensed acute care beds, which is 60 beds more than the service area is projected to need in 2015 (see Table 5A of the 2013 Proposed SMFP).

Concern has been raised about the length of time before another need determination might occur for the Cumberland-Hoke service area should this petition be approved. The SMFP is the Governor’s annual plan, with need determinations calculated each year according to methodologies published in the SMFP. The acute care bed standard methodology is based on the growth rate of acute care bed utilization in a service area averaged over four years, in addition to other data described earlier in this report. Even with the approved and proposed projects for new acute care beds in the Cumberland-Hoke service area, the calculated need for additional acute care beds is likely to extend into future SMFPs. As found in Chapter Five of the 2013 Proposed SMFP, Step One of the acute care bed methodology, a “county lacking a licensed acute care hospital becomes a single county acute care bed service area upon licensure of an acute care hospital in that county.” The timetable submitted by FirstHealth Hoke Community Hospital shows 4/1/2014 as the date of expected occupancy and offering services. Hoke Community Medical Center estimates a time after 4/28/2014 for offering services. Both hospitals are projecting opening dates after the 2014 SMFP becomes effective on January 1, 2014.

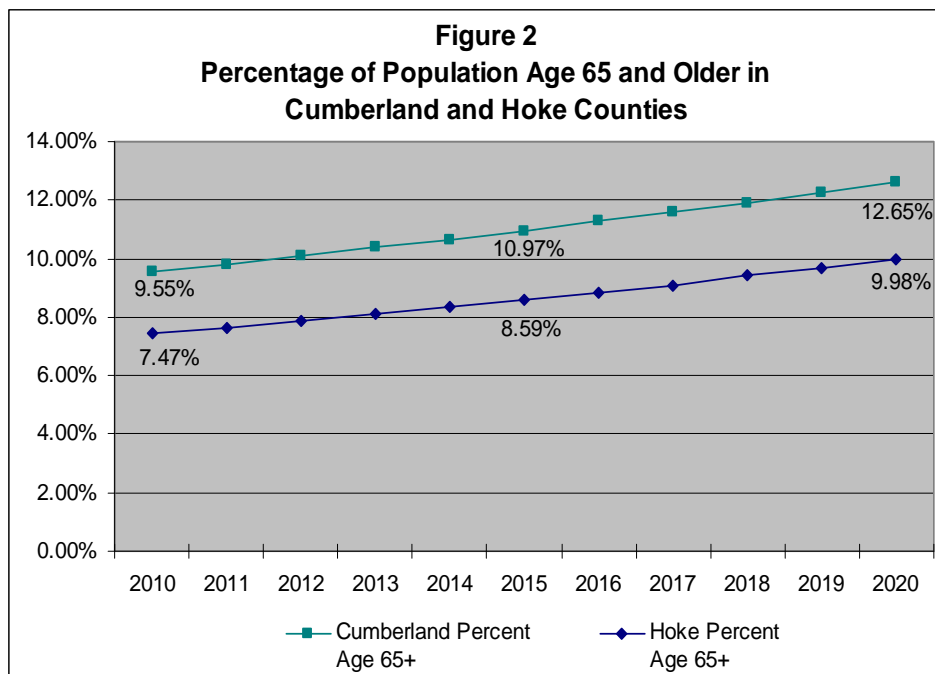
Although the acute care bed methodology does not use population in its calculations, review of predicted population growth in Cumberland and Hoke counties is informative. Data from the NC Office of State Budget and Management (NCOSBM) shows anticipated population growth in the two counties as follows:

	2010	2012	2014	2016	2018	2020	Total Change	Rate of Growth
Cumberland	327,348	330,958	334,892	337,612	339,494	340,797	13,449	4.11%
Hoke	47,606	50,347	52,908	55,471	58,033	60,596	12,990	27.29%

As demonstrated in Table 1 above, the population in Cumberland and Hoke counties is anticipated to grow, and it can’t be ruled out that part of the growth is associated with Fort Bragg military base. The number of people age 65 and older in Cumberland County is projected to

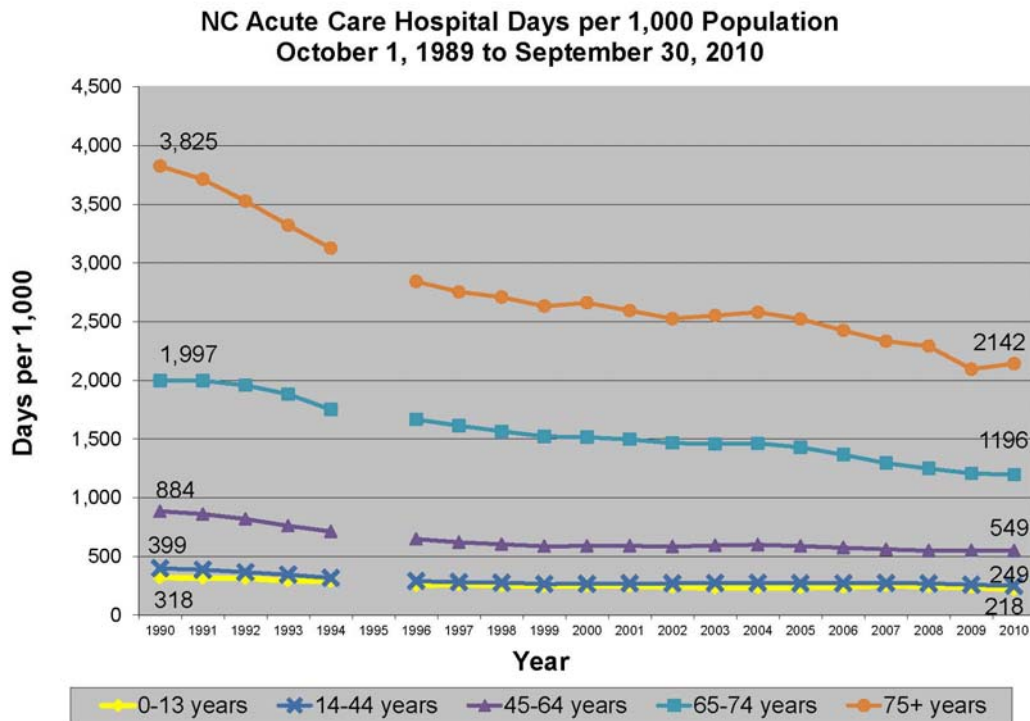
increase from 31,258 to 43,097 and in Hoke County from 3,557 to 6,049 people (see Table 2 below). The percentage of older adults, age 65 and older, estimated for Cumberland County between 2010 and 2020 ranges from 9.55 percent to 12.65 percent, and for Hoke County, from 7.47 percent in 2010 to almost 10 percent in 2020 (Figure 2).

	2010	2012	2014	2016	2018	2020	Total Change	Rate of Growth
Cumberland	31,258	33,363	35,706	38,066	40,410	43,097	11,839	37.88%
Hoke	3,557	3,960	4,421	4,898	5,461	6,049	2,492	70.06%



Although the older adult population is expected to increase in the Cumberland-Hoke acute care bed service area, data provided through the Cecil G. Sheps Center for Health Services Research shows a marked decline in North Carolina acute care hospital days of care over the past 20 years for people ages 65 to 74 (67 percent drop) and for those age 75 and older (78.57 percent drop). See Figure 3 below for more detail. This suggests that the growth in the number of older adults in Cumberland and Hoke counties may not translate into a similar increase in hospital days of care.

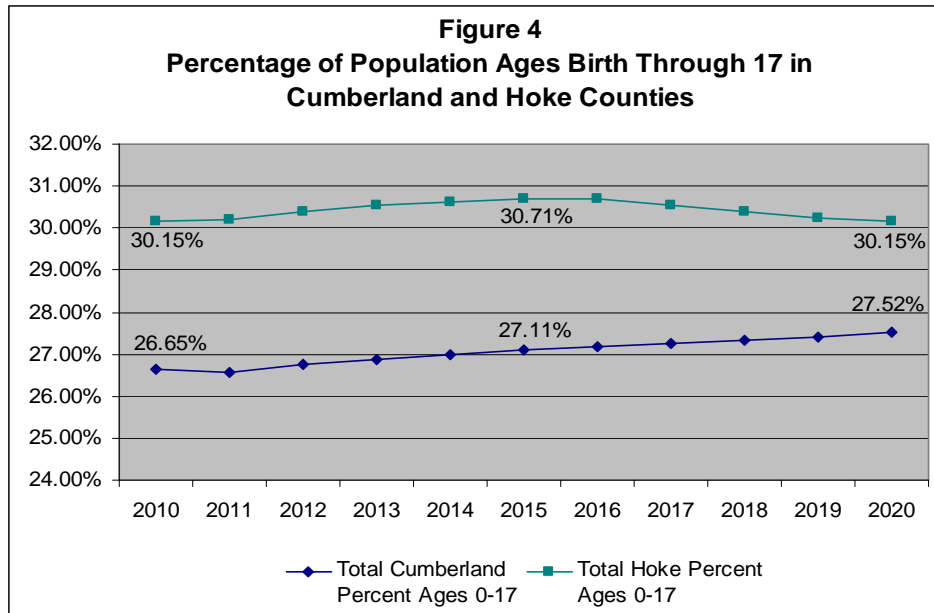
Figure 3



Source: Data from Thomson Reuters and NC Medical Database Commission. Population data from NC Office of State Planning. Psych, Rehab, LTC or Substance Abuse facility discharges deleted. Normal newborns (DRG 795) also deleted. NC residents only.

The projected population for children and adolescents in the two counties shows a lower growth rate than for older adults; however, the percentage of the population age birth through 17 is significant for both counties. With estimates at 30 percent and more, Hoke County consistently ranks as the North Carolina county with the highest percentage of children and adolescents from 2010 to 2019. Table 3 and Figure 4 below provide additional information.

	2010	2012	2014	2016	2018	2020	Total Change	Rate of Growth
Cumberland	87,253	88,502	90,401	91,795	92,772	93,800	6,547	7.50%
Hoke	14,351	15,305	16,208	17,018	17,640	18,268	3,917	27.29%



Although the acute care bed standard methodology does not take into consideration population growth in a service area, the petition and comments submitted about the petition have presented information about population growth rates for Cumberland and Hoke counties. With Fort Bragg military base in Hoke and Cumberland counties, it is informative to know the number of veterans living in the two counties, as well as medical facilities specifically for veterans.. According to the United States Department of Veterans Affairs (VA) National Center for Veterans Analysis and Statistics, an estimated 48,312 veterans (non-active military) lived in Cumberland and Hoke counties in 2011 (data from [http://www.va.gov/vetdata/Veteran\\_Population.asp](http://www.va.gov/vetdata/Veteran_Population.asp) ).

Womack Army Medical Center is located on the Fort Bragg military base; “the 323-bed acute-care center provides services such as family practice, internal medicine, orthopedic surgery and general surgery” (<http://www.smithgroup.com/?id=644>). “Womack Army Medical Center is proud to serve the more than 160,000 eligible beneficiaries in the region, the largest beneficiary population in the Army” (<http://www.wamc.amedd.army.mil/visitors/about/Pages/default.aspx> ). The Fayetteville VA Medical Center is about 10 miles from Fort Bragg, “and is authorized 58 general medical, surgical, and mental health beds” (<http://www.fayettevillenc.va.gov/about/index.asp>). These resources are available to veterans in the area.

The Geographic Distribution of VA Expenditures (GDX) Report, 2012, available at <http://www.va.gov/vetdata/>, includes data about the number of veterans from Cumberland and Hoke counties who used VA Health Care Services over a span of nine years. Table 4 provides numbers served by county of patient origin. This information demonstrates increased use of military health care facilities by veterans, a group of people who may be contributing to increased population growth in Cumberland and Hoke counties.

Table 4 Number of Unique Patients Who Used Veterans Affairs Health Care Services, By Patient Origin										
	2002	2003	2004	2005*	2006*	2007	2008	2009	2010	2011
Cumberland	12,664	12,808	13,306			15,252	15,832	15,901	16,174	16,267
Hoke	651	776	878			1,258	1,419	1,536	1,584	1,683
Total	13,315	13,584	14,184			16,510	17,252	17,437	17,758	17,950

\* Data regarding number of unique patients were not provided for 2005 and 2006.

A further note concerning the standard methodology is when one of the two CON-approved hospitals becomes licensed, Hoke County will begin to generate data about acute care bed utilization. Need for additional beds in the new service area will be calculated using the standard methodology in effect at that time. The current methodology includes incorporation of a graduated target occupancy factor (Step 6 of the methodology) depending on the average daily census of the hospital. This step is designed to level the playing field for smaller hospitals, such as those planned for Hoke County, in meeting need determination thresholds.

***Agency Recommendation:***

In general, the Agency supports the acute care bed standard methodology; however, development of currently approved and proposed acute care beds and hospital projects in the Cumberland-Hoke service area over the next year or two will provide opportunity to determine the actual impact of these new resources on future need for additional beds in the Cumberland-Hoke service area. Given available information and comments submitted by the 8/17/2012 deadline, and in consideration of factors discussed above, the Agency recommends approval of the petition to reduce the need determination for additional acute care beds from 119 to zero in the Cumberland-Hoke service area for the North Carolina 2013 SMFP.