

**Long Term & Behavioral Health Committee
Agency Report
Adjusted Need Petition for
20 Adult Care Home Beds in Stanly County
Proposed 2014 State Medical Facilities Plan**

Petitioner:

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Request:

The petitioner requests an adjusted need determination for 20 adult care home beds in Stanly County in the 2014 Proposed State Medical Facilities Plan.

Background Information:

Chapter 2 of the State Medical Facilities Plan (SMFP) describes the purpose and process for submitting petitions to amend the SMFP during its development. Petitions may be sent to the Medical Facilities Planning Branch twice during the course of plan development. Early in the planning year petitions related to basic SMFP policies and methodologies that have a statewide impact may be submitted. The SMFP defines changes with the potential for a statewide impact as “*the addition, deletion, and revision of policies and revision of the projection methodologies.*”

Later in the planning cycle when need projections are identified in the Proposed SMFP, petitions seeking adjustments to the projected need determination in any service area may be submitted if the petitioner believes the needs of a service area are not fully addressed by the standard methodology.

Adult Care Home (ACH) bed need is determined by calculating the statewide five-year average use rate per 1,000 population for each of five age groups based on data from annual license renewal applications. These use rates, or beds per 1,000 population, are applied to the projected population going forward three years for each service area in North Carolina. The amount of need per service area is then established based on the size of the service area’s projected surplus or deficit when the projected utilization is compared to the inventory of existing and approved

beds and ACH beds in the service area have reached a minimum average occupancy threshold of 85%.

Applying the standard methodology to Stanly County's inventory of ACH beds results in a 13 bed deficit and, using data from 2013 ACH and Nursing Home license renewal applications, an 81% average occupancy rate, which is four percentage points lower than what is required to determine a need for additional ACH beds in Stanly County.

Analysis/Implications

The petition provides four reasons why an additional 20 ACH beds are needed in Stanly County: (1) three facilities are under-utilized and bring the county occupancy rate down; (2) the economic downturn of 2008-2009 has driven the use rates down and is artificially preventing a need determination for Stanly County because these two years are included in the five-year average; (3) the Age 85+ population is increasing in Stanly County and this age group shows an increase in ACH bed utilization; and (4) over 20% of ACH beds occupied in Stanly County are occupied by non-residents of the county, forcing residents in Stanly County to seek beds in other counties.

Impact of under-utilized facilities on occupancy rate. Based on data from 2013 license renewal applications for adult care home beds, three facilities in Stanly County had occupancy rates below the 85% averaged occupancy rate threshold required to generate a need determination in 2012. By the standard methodology, Bethany Woods (70%) and Stanly Manor (70%) were slightly below the threshold while Forrest Oakes (6%) was substantially below the threshold. Between 2008 and 2012, there is no consistent pattern for which facilities had lower occupancy rates (see Table 1). Only Forrest Oakes reported two consecutive years of low occupancy. However, occupancy rates for facilities are generated based on their annual license renewals' one-day census count in the ACH methodology, and errors in enumeration must be taken into account as a consequence of this methodology. For example, by the standard methodology, the 2011 occupancy rate for Forrest Oakes is 0%. However, this 17 bed facility housed 21 residents over the course of that year, meaning that Forrest Oakes' ACH beds were empty the day the census was taken, but were not out of service for the year. The 0% occupancy rate for Forrest Oakes in 2011 was a data artifact generated by the method of calculating occupancy rates for adult care homes (one-day census taken from LRA/capacity).

Table 1. 2008 – 2012 Occupancy Rates for ACH beds in Stanly County

Facility	2012 Occ Rate	2011 Occ Rate	2010 Occ Rate	2009 Occ Rate	2008 Occ Rate
Bethany Woods (N)	70%	100%	80%	100%	100%
Forrest Oaks (N)	6%	0%	90%	100%	100%
Spring Arbor of Albemarle (A)	85%	90%	87%	86%	83%
Stanly Manor (N)	70%	100%	90%	90%	90%
The Taylor House (A)	90%	83%	70%	63%	77%
Trinity Place (Lutheran Home Albermarle) (N)	100%	120%	92%	92%	100%
Woodhaven Court (Albermarle House) (A)	92%	79%	91%	86%	89%
TOTAL	81%	81%	86%	85%	88%

N = Nursing Home with ACH beds
A = Adult Care Home

Source: 2009 – 2013 Adult Care Home and Nursing Home license renewal applications

There is no guidance in the ACH methodology for what constitutes an under-utilized bed. Newly constructed beds are counted in both the inventory and occupancy calculations although they are assumed to take three years after the Plan year to become operational, according to the assumptions for standard methodology in the Proposed 2014 SMFP. Based on data from 2013 license renewal applications for adult care home beds, facilities in seven additional service areas reported a zero census in 2012; thus a 0% occupancy rate was applied, even though these facilities served residents over the span of the reporting year.

Impact of 2008-2009 economic downturn on use rates by age category. The data do not bear out a negative impact as a direct result of the 2008-2009 economic crisis. The general trend for ACH bed use rates in the state has been in an overall decline over the last 10 years. Table 2 shows the 5-year average use rates by age group for the last decade, as reported in annual SMFPs. As the table shows, use rates for the lower age groups have held relatively steady, but rates for the upper age ranges began a pattern of decline prior to the recent economic crisis and have continued this overarching downward trend with small positive increases in 2010 and 2011, but not reaching the rates reported at the beginning of the decade.

Table 2. Annual Statewide Use Rates for 2003 – 2012

Age Groups	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<35	0.11	0.12	0.12	0.13	0.13	0.12	0.13	0.12	0.16	0.12
35-64	1.65	1.67	1.67	1.69	1.69	1.65	1.69	1.54	1.91	1.64
65-74	7.81	7.72	7.64	7.56	7.38	6.51	5.74	5.91	6.40	6.02
75-84	25.94	25.85	25.25	24.91	24.58	23.14	18.45	21.05	21.14	20.73
>=85	83.32	83.70	82.61	81.75	82.96	82.18	59.93	78.95	80.35	75.68

Source: 2005 – 2013 SMFPs and Proposed 2014 SMFP

Impact of increasing population of elderly and high bed utilization rates. The petition asserts that ACH bed use is increasing in the 85 and above age group and that this age group is expected to increase by over 500 persons in Stanly County by 2017. However, data drawn from 2009-2013 Adult Care Home and Nursing Home license renewal applications for Stanly County show that the number of ACH residents has not increased between 2008 (n=94) and 2012 (n=90), and, as previously stated, the utilization rates for this age group have not increased, but decreased. Furthermore, while the North Carolina Office of State Budget and Management’s (OSBM) population count for this age group has increased each year (as shown in Table 3), these projections reflect only a 96 person increase in this age category by 2017 in Stanly County, from 1,149 persons in 2012 to 1,245 persons in 2017. It should also be noted that increases in population are factored into the standard methodology’s projections for ACH bed need.

Table 3. 2008 – 2012 Statewide Use Rates for ACH Beds in North Carolina

Age Group	2008			2009			2010			2011			2012		
	Patients	Pop	Use Rate	Patients	Pop	Use Rate	Patients	Pop	Use Rate	Patients	Pop	Use Rate	Patients	Pop	Use Rate
Totals	529	4,252,785	0.124	563	4,416,404	0.127	510	4,417,215	0.115	687	4,439,708	0.155	371	4,468,021	0.083
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35-64	6,198	3,748,596	1.653	6,393	3,776,921	1.693	5,907	3,848,220	1.535	7,394	3,876,526	1.907	5,548	3,884,728	1.428
65-74	4,111	631,948	6.505	3,756	654,261	5.741	4,165	704,549	5.912	4,695	734,015	6.396	4,377	780,213	5.610
75-84	8,549	369,415	23.142	7,091	384,354	18.449	8,254	392,093	21.051	8,459	400,116	21.141	8,113	405,805	19.992
>=85	11,417	138,935	82.175	9,030	150,670	59.932	11,884	150,529	78.948	12,520	155,820	80.349	12,353	159,887	77.261

* Use rates are per 1,000.

Source: 2010 – 2013 SMFPs and Proposed 2014 SMFP

Impact of Patient Origin. Because the ACH methodology does not account for patient origin, this data is not collected on license renewal applications for residents living in adult care home facilities. It is, however, collected for nursing home residents who occupy ACH beds in those facilities. According to data drawn from 2013 Adult Care Home and Nursing Home license renewal applications, Stanly County had 188 ACH bed occupants in 2012: 31% (n = 58) of these were housed in nursing homes. It can not be inferred that this 31% of ACH bed occupants in nursing home facilities is representative of all ACH bed occupants in Stanly County or that the same geographical distribution is true for both groups. However, within this subset of occupants in nursing home facilities in 2012, 79.31% originated from Stanly County (n = 46). Five of the twelve ACH bed residents in nursing homes in Stanly County were from contiguous counties

while seven were from more distant counties. During this same year, 10 Stanly County residents occupied ACH beds in nursing homes in other counties, almost all of which are contiguous to Stanly County. It is unknown whether these residents chose a bed in another county based on proximity to residence, family members or other reasons of preference.

Review of Methodology. Although the standard methodology shows a deficit of 13 ACH beds in Stanly County, the petition asserts that the true deficit is 20 beds. In order to assess whether there is a need not identified by the standard methodology, the agency conducted a comparison between the statewide use rates and county-specific use rates calculated using utilization data drawn from 2009-2013 Adult Care Home and Nursing Home license renewal applications and OSBM population data. Table 4 compares the 5-year use rates for Stanly County to the statewide rates used in the Proposed 2014 SMFP. As shown in Table 4, use patterns in Stanly County are below the statewide average for every age group. Projecting for bed need in 2017 using these county-specific use rates results in an ACH bed surplus of 23 ACH beds in Stanly County, indicating that the standard methodology is not under-projecting need for ACH beds in this county. The county-specific use rate and the statewide use rate both show that there is no need for additional ACH beds in Stanly County.

Table 4. Comparison of County-Specific and 5 Year Use Rates for 2014

Age Groups	County	State	Difference
<35	0.00	0.12	-0.12
35-64	0.79	1.64	-0.85
65-74	6.49	6.02	0.47
75-84	19.96	20.73	-0.77
>=85	65.30	75.68	-10.38

Source: 2013 Adult Care Home and Nursing Home license renewal applications and Proposed 2014 SMFP

Agency Recommendation:

The petitioner requests an adjusted need determination for 20 adult care home beds in Stanly County in the Proposed 2014 SMFP. The agency supports the state health planning process identified in the Proposed 2014 SMFP and approved by the Governor. The standard methodology has consistently identified that there is no need for new ACH beds in Stanly County, and a review of data specific to Stanly County supports the appropriateness of the outcome generated by applying the standard methodology.

Given the available information and comments submitted by the August 16, 2013, deadline and in consideration of factors discussed above, the agency recommends denial of this petition.