

**Acute Care Services Committee
Agency Report
Adjusted Need Petition for
Two Operating Rooms in New Hanover County
Proposed 2015 State Medical Facilities Plan**

Petitioner:

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Request:

Wilmington Health, PLLC respectfully petitions the State Health Coordinating Council to create an adjusted need determination for two additional operating rooms in New Hanover County in the 2015 State Medical Facilities Plan.

Background Information:

The Operating Room (OR) need methodology consists of several steps, which result in the number of ORs needed in OR service areas. The methodology uses a projected number of surgical hours, calculated by multiplying an estimate of surgery hours for inpatient and ambulatory cases for the previous year (data year) by the projected population change between the data year and the target year (four years from the data year). The number of operating rooms required by the target year is the result of dividing the projected number of surgical hours for the target year by 1,872 hours, which is the standard number of hours per OR per year based on assumptions used in the NC State Medical Facilities Plan (SMFP). The final methodology step, the number of additional ORs needed, is determined by subtracting the projected total number of required ORs from the current OR inventory, less excluded ORs, and adjusting any deficit depending on the number of existing ORs in the service area.

In deference to the standard methodology, Chapter Two of the North Carolina 2015 Proposed SMFP allows persons to petition for an adjusted need determination if they believe their needs are not appropriately addressed by the standard methodology. The petition discusses several special circumstances in New Hanover County justifying the submission of an adjusted need determination for two ORs. The most salient reasons outlined in this petition include: the need under the standard methodology, high utilization, and the increasing population.

Analysis/Implications:

The application of the standard methodology in the Proposed 2015 SMFP plan shows a deficit of 0.45 ORs in New Hanover County for 2017 as shown in Table 1 below. Step 5 of the methodology does speak specifically to rounding. It reads:

For each operating room service area with more than 10 operating rooms and a projected deficit of 0.50 or greater, the “Operating Room Need Determination” is equal to the “Projected Operating Room Deficit” rounded to the next whole number. (In this step, fractions of 0.50 or greater are rounded to the next highest whole number.) For each operating room service area with more than 10 operating rooms and a projected deficit that is less than 0.50 or in which there is a projected surplus, the Operating Room Need Determination is zero.

Thus, even with a 0.45 deficit, according to the methodology, the need determination would still be zero based on a rounding down of the deficit. However, this is just five hundredths from the calculation needed to generate a need determination for one operating room in this service area.

Table 1: Projected Operating Room Surplus/Deficit for New Hanover County for 2017										
Fiscal Year	Inpatient Cases	Inpatient Hours (Cases x 3.0)	Ambulatory Cases	Ambulatory Hours (Cases x 1.5)	Total Hours*	Growth Factor 2013-2017 (Population Change Rate)	2017 Projected Surgical Hours (Total Hours x Growth Factor)	Projected ORs needed in 2017	Total Inventory of ORs	OR Surplus or Deficit
2013	9,506	28,518	29,139	43,709	72,226	7.42%	77586.32	41.45	41	0.45

*Data in this column is reported as in the SMFP. Totals may not calculate exactly due to rounding.

Proposed 2015 SMFP

The petition also discusses the OR utilization rate in New Hanover County. It states operating rooms in this service area are very well utilized. An analysis of the data does support this assertion. Utilization rates of the operating rooms in New Hanover County show higher than 90% OR utilization in all but one year in the last five years as shown in Table 2 below.

Table 2: New Hanover County Operating Room Utilization, 2009 to 2013								
Fiscal Year	Inpatient Cases	Inpatient Hours (Cases x 3.0)	Ambulatory Cases	Ambulatory Hours (Cases x 1.5)	Total Hours*	Total Inventory of ORs	Number of ORS Needed (Total Hours /1872 Hours Per Year)	Utilization Percentage
2009	9,661	28,983	28,485	42,728	71,711	41	38.31	93.43%
2010	9,194	27,582	29,174	43,761	71,343	41	38.11	92.95%
2011	9,320	27,960	29,451	44,177	72,136	41	38.53	93.99%
2012	9,003	27,009	24,932	37,398	64,407	41	34.41	83.92%
2013	9,506	28,518	29,139	43,709	72,226	41	38.58	94.10%

*Data in this column is reported as in the SMFP. Totals may not calculate exactly due to rounding.

2011-2014 SMFPs; Proposed 2015 SMFP

The Proposed 2105 SMFP indicates there are a total inventory of 41 ORs in New Hanover County. A review of the 2007-2014 SMFPs and the Proposed 2015 SMFP, shows there have

been at least two ORs in every annual plan that are CON approved and included in the inventory, but are still in the process of being developed. A Declaratory Ruling from the Division of Health Service Regulation (DHSR) issued on July 12, 2012 succinctly states the history of these two ORs, “[o]n October 11, 2007, the CON Section awarded SDSC New Hanover a CON to develop a two-room ambulatory surgery center as set forth in Project I.D. No. O-7671-06 (the ‘Project’). Novant is the parent company of SDSC New Hanover, and has not yet developed the Project.” The Declaratory Ruling allowed New Hanover Regional Medical Center to acquire SDSC New Hanover from the parent company, Novant Health, Inc. Thus, transferring this project to a new entity. As of the last progress report received by the CON section in June 2014, the project is approximately 50 percent complete.

The inventory reflects the two aforementioned operating rooms as part of the *Total Inventory of ORs* that is calculated in the SMFP Table 6B. If the two rooms were removed from the inventory, utilization rates would be higher than currently shown in Table 2. The delayed development of these two ORs has had the unintended consequence of artificially suppressing the need in the county.

In order to understand the impact the delayed development has had on the need determinations in New Hanover County, additional analysis is needed. Table 3 below calculates the annual OR Surplus/Deficit in New Hanover County from 2009 to 2013. However, instead of using the total inventory of 41 ORs it excludes the two undeveloped ORs and uses 39, the number of developed ORs. This breakdown shows there would have been a need for at least one operating room or more in every plan, except for the 2014 NC SMFP (FY 2012).

Table 3: Operating Room Surplus/Deficit in New Hanover County Using Developed Operating Rooms, 2009 to 2013						
Fiscal Year	Total Hours	Growth Factor	Projected Surgical Hours (Total Hours x Growth Factor)	Projected ORs Needed	Developed ORs	OR Surplus or Deficit
2009	71,711	4.31%	74,801.74	39.96	39	0.96
2010	71,343	4.17%	74,318.00	39.70	39	0.70
2011	72,136	6.68%	76,954.68	41.11	39	2.11
2012	64,407	7.28%	69,095.83	36.91	39	-2.09
2013	72,226	7.42%	77,585.17	41.45	39	2.45

2011-2014 SMFPs; Proposed 2015 SMFP

Another point discussed in the petition is the impact of population changes on the potential for OR need. The petition argues that population changes in New Hanover County have shown and will continue to show an increase. Data from the Office of State Budget and Management (OSBM) shown in Table 4 demonstrates that the rate of change for every two years from 2010 to 2018 does indicate consistent rates of change above 3% for New Hanover County.

Table 4: Total Population for New Hanover County and Rate of Change, 2010-2018					
	2010	2012	2014	2016	2018
New Hanover County Population	203,299	209,915	217,844	225,780	233,718
Rate of Change	N/A	3.25%	3.78%	3.64%	3.52%

Furthermore, the rates of change for New Hanover County are higher than the statewide rates as seen in Table 5. This indicates the county can anticipate a faster growth rate as compared to the rest of the state. With consistent continued growth, it is expected there will be an increase in demand on OR health services.

Table 5: Total Statewide Population and Rate of Change, 2010-2018					
	2010	2012	2014	2016	2018
Statewide Population	9,574,477	9,762,822	9,956,488	10,156,537	10,360,693
Rate of Change	N/A	1.97%	1.98%	2.01%	2.01%

Agency Recommendation:

The agency supports the standard methodology for ORs. However, the extenuating factors of the standard methodology showing a deficit in New Hanover County that is five hundredths from a need determination, the delay in the development of two ORs, and expected increases in population are valid consideration. Given available information and comments submitted by the August 15, 2014 deadline, and in consideration of factors discussed above, the agency recommends approval of this petition.