

**Long Term & Behavioral Health Committee  
Agency Report  
Petition to Amend Policy LTC-2: Relocation of Adult Care Home Beds  
Proposed 2018 State Medical Facilities Plan**

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***Petitioner:***

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***Request:***

The Petition requests an amendment to Policy LTC-2: Relocation of Adult Care Home (ACH) beds in the *North Carolina 2018 State Medical Facilities Plan (SMFP)*.

***Background Information:***

Chapter 2 of the *North Carolina 2017 SMFP* describes the purpose and process for submitting petitions to amend the *SMFP* during its development. Petitions may be sent to Healthcare Planning 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.

According to Policy LTC-2, relocations of existing licensed ACH beds are allowed only within the host county and to contiguous counties. Certificate of need applicants proposing to relocate licensed adult care home beds to a contiguous county shall:

1. Demonstrate that the facility losing beds or moving to a contiguous county is currently serving residents of that contiguous county; and
2. Demonstrate that the proposal shall not result in a deficit, or increase an existing deficit in the number of licensed adult care home beds in the county that would be losing adult care

home beds as a result of the proposed project, as reflected in the North Carolina State Medical Facilities Plan in effect at the time the certificate of need review begins; and

3. Demonstrate that the proposal shall not result in a surplus, or increase an existing surplus of licensed adult care home beds in the county that would gain adult care home beds as a result of the proposed project, as reflected in the North Carolina State Medical Facilities Plan in effect at the time the certificate of need review begins.

The current policy requires all facilities to meet each of these three criteria. The petitioner proposes that the original first and second criteria remain while offering new language for the third criterion as stated below:

Demonstrate that a proposal to move licensed adult care home beds from a county with a surplus of beds to a county with a surplus of beds shall meet the following conditions, as reflected in the North Carolina State Medical Facilities Plan in effect at the time the certificate of need review begins:

- a. The county losing beds as a result of the proposal has a surplus greater than or equal to 15 percent of available inventory;
- b. Once beds are moved, percent surplus of available beds for the county losing beds does not fall below 15 percent as a result of the project;
- c. The county receiving licensed adult care beds as a result of a proposal has a surplus of beds less than 15 percent of available inventory;
- d. Once beds are moved, percent surplus of available inventory for the county receiving beds does not exceed 15 percent as a result of the project; and,
- e. Using North Carolina Office of State Budget and Management population data, demonstrate the county receiving beds has a five year forward average population growth rate greater than North Carolina average.

***Analysis/Implications:***

The ACH bed need methodology establishes ACH bed need determinations based on projections of utilization. However, facilities can relocate beds across service areas without a need determination by using Policy LTC-2. This policy guides how licensed beds can be moved from one service area to another to address surpluses and deficits in contiguous counties.

**Application of Proposed Policy Amendment**

The Petition presents analyses to demonstrate implications of the proposed amendment. The Petition includes the percentage of beds in surplus of the available inventory projected for each county (see Attachment A of the Petition). As part of the review, the Agency checked these calculations for accuracy, and they were found to be correct.

The Agency used the most up-to-date data from the NC Office of State Budget and Management to calculate a five year forward average population growth rate (years 2017-2021). Accordingly, a total of 23 counties were found to have a projected growth rate faster than the State's.

Therefore, based on staff's application of the proposed policy, and as shown in Table 1, seven counties would potentially qualify as 'transfer-in' counties and sixteen counties would potentially qualify as 'transfer-out' counties.

**Table 1. Percent Surplus of Available Adult Care Home Bed Inventory**

	Service Areas	% Surplus of Available Adult Care Home Bed Inventory
Transfer-in Counties	Moore	3.50%
	Onslow*	3.65%
	Wake	9.40%
	Mecklenburg	9.41%
	Durham	9.63%
	Orange	9.80%
	Alamance	13.45%
Transfer-out Counties	Johnston	20.51%
	Richmond	21.11%
	Guilford	21.57%
	Lincoln	22.31%
	Person	26.17%
	Hoke	30.64%
	Nash	31.23%
	Cabarrus	31.69%
	Lee	32.82%
	Montgomery	33.33%
	Iredell	35.97%
	Duplin**	36.95%
	Gaston	38.12%
	Scotland	40.29%
	Harnett	44.54%
	Caswell	52.66%

\* Has surplus < 15%, has a higher projected population growth rate than the State and is contiguous to a county with >15% surplus but was not included in the Petition as a transfer-in county

\*\*Has >15% surplus and is contiguous to a transfer-in county but was not included in the Petition as a transfer-out county

The Agency notes that the policy amendment proposed by the Petition includes direction for relocating beds between counties with surpluses but not for relocation of beds from surplus counties to counties with zero bed surplus or with a bed deficit. According to the Petitioner’s calculations of percentage of surplus, thirty-two counties are projected either to have a zero surplus or a bed deficit. If the policy were broadened in scope to include zero-surplus or deficit counties, then an additional seven would qualify as transfer-in counties (see Table 2).

In the proposed policy, transfer-in surplus counties must have a five-year forward average growth rate greater than the State’s. However, it seems reasonable that zero-surplus counties or bed deficit counties should not be required to meet this criteria. Thus, Agency staff conducted a second analysis without this criteria and determined that an additional fifteen counties (for a total of 22 zero-surplus and deficit counties) would qualify as transfer-in counties (see Table 2).

**Table 2. Counties with Zero Surplus or a Deficit of Beds that Qualify as Transfer-in Counties**

<b>Service Areas</b>	<b>% Surplus of Available Adult Care Home Bed Inventory</b>
Chatham*	0.00%
Franklin*	0.00%
Mitchell	-1.25%
Buncombe*	-2.02%
Alleghany	-3.23%
Pamlico	-5.13%
Beaufort	-5.53%
Davidson	-6.01%
Halifax	-6.34%
Stanly	-6.49%
Brunswick*	-7.26%
Perquimans	-8.11%
Wilkes	-8.28%
Union*	-11.41%
Henderson*	-16.45%
Pender*	-17.82%
Carteret	-18.92%
Washington	-28.57%
Alexander	-32.54%
Greene	-33.33%
Camden	-58.33%
Jones	-130.00%

\*Qualify as transfer-in counties because they have surpluses <15%, are contiguous to a transfer-out county, and have a five year forward population growth rate higher than the State’s

The Petition does not include a rationale for excluding these counties. However, moving beds to these counties would be preferable to the proposed amendment, as it would increase patient access, a basic principle in the SMFP.

#### ACH Bed Need Methodology

The need methodology and policies for ACH beds are very similar to that of the previous nursing home (NH) bed need methodology and policies. In recent history, a workgroup modified the projection calculation in the NH bed need methodology (see 2017 SMFP). Among other changes, utilization based on age groups no longer is considered, and county bed use rates, rather than state use rates, now are applied for more accurate projections of NH bed need. The current ACH bed methodology uses some of the same elements that were removed from the former NH bed methodology.

#### ***Agency Recommendation:***

As indicated above, the SMFP defines changes with the potential for a statewide impact as “the addition, deletion, and revision of policies of projection methodologies” (p. 7, 2017 SMFP). The Petitioner’s suggested amendment to Policy LTC-2 only guides relocation of ACH beds from one surplus county to another surplus county. By not including zero surplus or deficit counties in the proposal, the Petition has proffered a policy that appears unnecessarily restrictive in its scope.

Given available information submitted by the March 16, 2017 deadline and in consideration of factors discussed above, the agency recommends denial of the Petitioner’s request to amend Policy LTC-2. Furthermore, the Agency proposes a review of the ACH methodology no earlier than the 2019 SMFP cycle, depending on the available staffing resources. This process will garner input from a broader spectrum of stakeholders, not only on the methodology, but also on Policy LTC-2.