Acute Care Services Committee
Agency Report
Adjusted Need Petition for One Additional Operating Room in Richmond County in the 2019 State Medical Facilities Plan

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Petitioner:
Pinehurst Surgical Clinic
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Request:
Pinehurst Surgical Clinic (PSC) requests that the *2019 State Medical Facilities Plan* include a need determination for one additional operating room (OR) in Richmond County.

Background Information:
Chapter Two of the *State Medical Facilities Plan (SMFP)* provides that "[a]nyone who finds that the North Carolina State Medical Facilities Plan policies or methodologies, or the results of their application, are inappropriate may petition for changes or revisions. Such petitions are of two general types: those requesting changes in basic policies and methodologies, and those requesting adjustments to the need projections." The annual planning process and timeline allow for submission of petitions requesting adjustments to need projections in the summer. It should be noted that any person may submit a certificate of need (CON) application for a need determination in the Plan. The CON review could be competitive and there is no guarantee that the petitioner would be the approved applicant.

The need methodology consists of several steps to determine the number of ORs needed in each OR service area. The methodology projects the number of surgical hours by first multiplying the average case times reported by each facility by the hours for inpatient and ambulatory cases for the previous year (reporting year). This result is then multiplied by the projected population change between the reporting year and four years beyond the data year (projection year). The number of operating rooms required in the projection year is the result of dividing the projected number of surgical hours for the projection year by the number of hours per OR per year for each facility based on assumptions used in the SMFP, accounting for outliers. The final step calculates the number of additional ORs needed by subtracting the projected total number of required ORs

from the current OR inventory for each health system in the service area. Deficits for all health systems are summed to obtain the need for ORs in the service area. Underutilized and closed facilities are excluded from the calculations.

The *Proposed 2019 SMFP* shows a surplus of 1.64 ORs in Richmond County. The county has two hospitals and no ambulatory surgical centers/facilities (ASC). FirstHealth Moore Regional Hospital (FMRH)-Richmond has three shared ORs in the planning inventory. FMRH-Hamlet ceased operation in December 2017. As such, its three shared ORs are excluded from the inventory although the hospital remains licensed.

Analysis/Implications:
The Petitioner cites several reasons for the present request: (1) unsuccessful efforts to coordinate care; (2) OR utilization patterns in Richmond County; (3) out-migration of ambulatory surgery patients; and (4) the demand for cost-effective care.

OR Utilization Patterns in Richmond County
The Petitioner correctly notes the trend toward more use of ambulatory surgery compared to inpatient surgery. This trend is experienced nationwide. As such, one would expect a greater need for ambulatory surgery over time. The need determination methodology in the SMFP, however, does not distinguish between inpatient and ambulatory surgery. Rather, it projects OR need using, among other factors, the total number of surgical hours produced by a facility. In general, inpatient cases take substantially longer than ambulatory cases. As such, when inpatient cases in hospitals shift to ambulatory cases, the total surgical hours produced by a facility will decrease. This decrease will, in turn, decrease overall utilization of hospital ORs.

The OR methodology also considers the county population. The population growth factor for Richmond County has been negative since the 2013 reporting year (see Table 1). When the trend toward more ambulatory surgery is coupled with a declining population, the SMFP methodology will not show a need for additional ORs.

Table 1. Population Growth Factors, Reporting Years 2013-2017

	Reporting Year				
	2013	**2014**	**2015**	**2016**	**2017**
Growth Factor	-.23%	-.30%	-.34%	-.54%	-1.67%

Source: 2015 through Proposed 2019 SMFP, Table 6B

If all of the procedures that had been performed at FMRH-Hamlet move to FMRH-Richmond, utilization will increase. Table 2 shows the likely increase in surgical hours, using numbers from the 2018 LRA.

Table 2. Shift of Surgical Procedures from FMRH-Hamlet to FMRH-Richmond

	Inpatient Cases	Inpatient Case Time (in minutes)	Ambulatory Cases	Ambulatory Case Time (in minutes)	Total Surgical Hours
FMRH-Richmond	169	75	1,692	65	2,044
FMRH-Hamlet	42	180	774	90	1,287
Total Cases					3,331

Source: Proposed 2019 SMFP, Table 6B

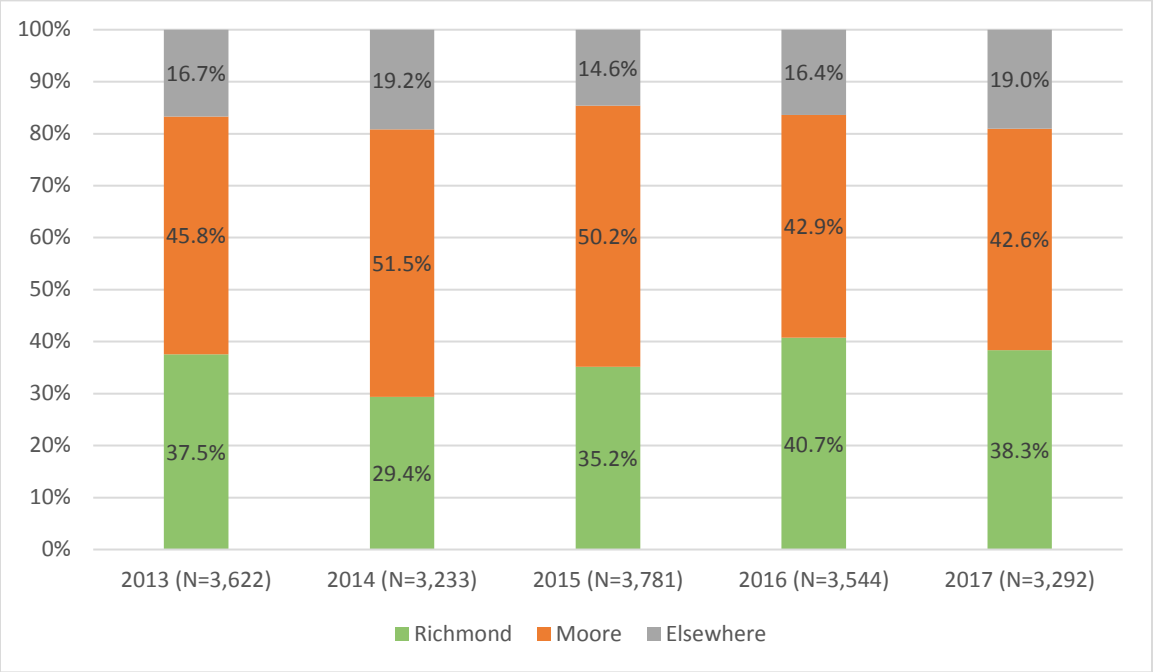
Full OR utilization at FMRH-Richmond hospital is 1,500 hours per OR per year (see *Proposed 2019 SMFP*, Table 6A). The total surgical hours in Table 2 would yield a deficit of 2.22 ORs. FMRH-Richmond currently has three shared ORs in the planning inventory. Therefore, the existing hospital has sufficient capacity and could absorb the cases from the closed hospital.

Out-Migration of Ambulatory Surgery Patients

The Petitioner presents data from PSC showing out-migration patterns to support this claim. As stated in the Petition, this data is not comprehensive. The analysis presented in Figure 1, below, uses patient origin data reported on the ASC and Hospital License Renewal Applications (LRA). The LRAs are comprehensive, in that they cover all hospitals and ASCs in the state. Note that the discussion refers to "patients" or "residents," but the numbers reported are actually for surgical cases. The analysis assumes that patients are unlikely to have surgery more than once in a single year; thus cases and patients are treated as equivalent.

Figure 1 covers the period from October 1, 2013 through September 30, 2017; that is, the data ends before the closure of the hospital in Hamlet. The figure shows that it is common for Richmond County residents to have ambulatory surgery outside their home county. Out-migration of ambulatory surgery patients stayed stable at approximately 62% over this five-year period. However, it is not realistic to expect that all Richmond County residents would have surgery in an ASC in their home county. On average, based on the 2018 ASC and Hospital LRAs, about 56% of ambulatory surgery cases statewide occurred outside the patient's county of residence. By this standard, Richmond County is fairly typical.

Figure 1. Location of Outpatient Surgery Cases for Richmond County Residents, Reporting Years 2013-2017



Source: Ambulatory Surgical Facility and Hospital License Renewal Applications
Note: Percentages may not add to 100% due to rounding.

The Petitioner is correct that if all of Richmond County's residents who went outside the county to receive outpatient surgery in 2017 remained in Richmond County, OR utilization in Richmond County would increase. However, the logic needs to be taken one step farther. If the preference is that patients have surgery in their home county whenever surgical services are available, then those patients who have surgery in Richmond County but who live elsewhere would no longer be considered in utilization statistics.

To examine a scenario of no migration we look at data from the *Proposed 2019 SMFP* (see Table 3). Using the average surgical hours for FMRH-Richmond (from Table 2), these cases would yield 5,361 surgical hours. This number of procedures would require 3.6 ORs. Only in this highly unlikely eventuality does a deficit of ORs exist in Richmond County.

Table 3. Surgical Hours for Residents of Richmond County, 2017

Inpatient Cases	Inpatient Case Time (in minutes)	Ambulatory Cases	Ambulatory Case Time (in minutes)	Total Surgical Hours	ORs (at 1,500 hours per OR)
165	75	3,292	65	5,361	3.6

Source: Proposed 2019 SMFP, Table 6B

Efforts to Coordinate Care

The Petitioner notes that attempts to partner with FirstHealth have been unsuccessful in Richmond County, but does not describe those efforts nor the barriers encountered. However, the Petitioner briefly discusses the possibility that FirstHealth steers patients to its facility in Moore County in an effort to suppress a need in Richmond County. On the other hand, the comment from FirstHealth indicated that physician practice patterns were the key to barriers. Regardless, the Petition did not include sufficient information on which the Agency can base conclusions regarding attempts to coordinate care for patients in Richmond County.

Demand for Cost-Effective Care

The Petitioner cites the high demand for cost-effective care. The SHCC has determined that single-OR ASCs are not cost-effective and are not generally financially viable. The closure of FMRH-Hamlet leaves three vacant ORs that would be more than adequate to serve Richmond County. FMRH could license them in an ASC or choose to partner with PSC or another entity to develop a new ASC.

In keeping with the basic principles of the SMFP, it is questionable whether it is prudent to add capacity in Richmond County. Patient access is not compromised. While there is no ASC in Richmond County, it is not a far distance to an ASC. The major population center of Richmond County is about 30 miles from the major population center of Moore County, for example. In terms of value, it is unclear that the existence of an ASC in Richmond County would change the landscape. In 2017, of the 1,888 Richmond County residents who had ambulatory surgery outside Richmond County, 489 (25.9%) went to PSC and 643 (34.1%) went to FMRH-Moore. These proportions have been relatively stable for several years. Therefore, it appears that the choice of surgery location may not be closely related to cost or convenience.

Agency Recommendation:

The agency supports the standard methodology for ORs. Given available information submitted by the deadline and in consideration of factors discussed above, the agency recommends denial of the petition.