

**Acute Care Committee  
Agency Report  
Adjusted Need Petition to Combine the  
Watauga County and Avery County Operating Room Service Areas  
in the 2020 State Medical Facilities Plan**

---

***Petitioner:***

Appalachian Regional Healthcare System, Inc.  
336 Deerfield Road  
Boone, NC 28607

***Contact:***

Chuck Mantooth, Chief Executive Officer  
Appalachian Regional Healthcare System  
828-268-9489  
[cmantooth@apprhs.org](mailto:cmantooth@apprhs.org)

***Request:***

Appalachian Regional Healthcare System, Inc. (ARHS) requests “a specific area adjustment such that the Watauga County Operating Room (OR) Service Area be combined with the Avery County OR Service Area...” in the *2020 State Medical Facilities Plan (SMFP)* and subsequent *SMFPs*.

***Background Information:***

Preparation of the State Medical Facilities Plan

Chapter Two of the *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 during the comment period for the proposed *SMFP* in the summer. This includes petitions for adjustments based on a belief that “unique or special attributes of a particular geographic area or institution give rise to resource requirements that differ from those provided by application of the standard planning procedures and policies....”

The standard methodology in the *SMFP* defines a single county OR service area as a county that has at least one licensed facility with 1 or more ORs. A multicounty OR service area is a group of counties that has 1) one or two counties with at least one licensed facility with at least one OR and 2) one or more counties with no licensed facility with at least 1 OR. Multi-county groupings are determined based on surgical patient origin data from the Hospitals License Renewal Applications and the Ambulatory Surgical Facility License Renewal Applications.

### The Jackson/Graham/Swain Multicounty OR Service Area

In 2006, the State Health Coordinating Council (SHCC) supported a petition from Harris Regional Hospital in Jackson County and Swain County Hospital requesting the addition of Swain County to the Jackson-Graham multicounty operating room service area. At the time of the petition, both hospitals were owned by the WestCare Health System. Although Swain County had a hospital, no surgeons practiced in the county. The petition was approved because the SHCC decided there was a need to concentrate services.

### Watauga County and Avery County OR Service Areas

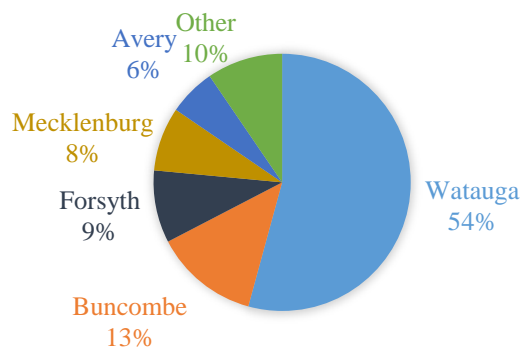
As shown in the *Proposed 2020 SMFP*, Watauga Medical Center (WMC) operates all six operating rooms in Watauga County. According to the OR need methodology, there is a projected surplus of 1.17 rooms in Watauga in 2022. Charles A. Cannon, Jr. Memorial Hospital (CMH), a critical access hospital, operates the only two operating rooms in Avery County. In Avery, there is a projected surplus of 1.82 rooms. Together, these two hospitals form ARHS.

The Petitioners originally requested to merge the Watauga and Avery County OR Service Areas into a multicounty service area in Spring 2019. When the petition was presented in the Spring, the State Health Coordinating Council (SHCC) found that the Petitioners did not seek to introduce a policy or to change the OR methodology in order to achieve their goal, but rather to highlight the specific characteristics of the existing service areas and to propose altering particular service area boundaries. Thus, the SHCC committed to considering the petition during the summer for the *2020 SMFP*. The rationale presented in the current petition is identical to the rationale described in the petition that was submitted in the Spring; petitioners posit that a merger would allow for a better response to OR utilization patterns and staffing demands across those areas.

### ***Analysis/Implications:***

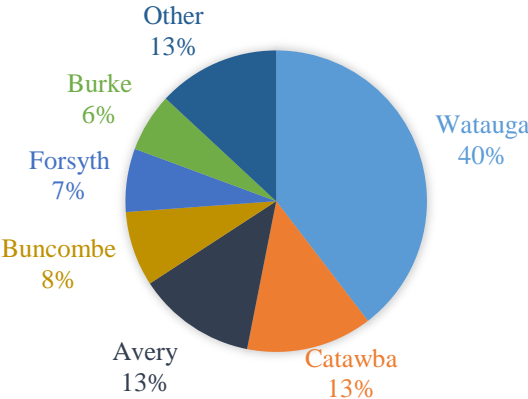
The Petitioners explain that although CMH has two shared ORs, typically the few surgeons who operate there perform general surgery cases. As a result, based on patient origin data, almost 90% of Avery County patients needing surgery leave the county, with WMC as the most popular choice (Figures 1 and 2).

**Figure 1. Counties of Choice for Avery County Residents Seeking Inpatient Surgical Services, 2018**



Source: 2019 Hospital License Renewal Applications

**Figure 2. Counties of Choice for Avery County Residents Seeking Ambulatory Surgical Services, 2018**



Source: 2019 Hospital License Renewal Applications

As shown, in 2018, almost 40% of Avery residents’ ambulatory surgical cases and 54% of inpatient cases were performed at WMC. Also, Avery out-migration to WMC for inpatient surgical services has increased over the last five years (Table 1).

**Table 1. Out-migration to Watauga Medical Center, Percent of Total Avery County Residents Receiving Surgical Services**

	2014	2015	2016	2017	2018
<b>Inpatient Surgeries</b>	26.2%	38.5%	48.0%	51.2%	54.2%
<b>Ambulatory Surgeries</b>	46.8%	50.4%	47.6%	45.3%	39.6%

Source: 2015 – 2019 Hospital License Renewal Applications

The Agency considered whether combining Avery and Watauga would have the potential to lower surgical volumes in critical access hospitals in adjacent OR service areas. Two hospitals are relevant: Alleghany Memorial Hospital in Alleghany County and Ashe Memorial Hospital in Ashe County. The 2020 Proposed SMFP projects a 2022 surplus of 1.08 ORs at Ashe Memorial Hospital and a 1.75 OR surplus at Alleghany Memorial Hospital. Both hospitals have 2 ORs.

At WMC, very few inpatient or ambulatory surgery patients are from Alleghany (Table 2). About 20 percent of WMC’s surgeries of either type are performed on Ashe County patients. At CMH, very few patients undergoing inpatient or ambulatory surgeries are Ashe or Alleghany County residents. In sum, ARHS hospitals’ OR cases are comprised of few Alleghany or Ashe County residents. As shown in Table 3, Ashe Memorial Hospital and Alleghany Memorial Hospital largely serve residents of their respective counties but very few from Watauga or Avery counties. This occurs despite over 70% of Ashe residents and over 88% of Alleghany residents seeking services outside of their respective counties. The Agency concludes that combining Watauga and Avery OR service areas would have little impact on these critical access hospitals.

**Table 2. Patient Origin, Appalachian Regional Healthcare System Operating Rooms**

	<b>Percent of Total Inpatient Surgeries</b>	<b>Percent of Total Ambulatory Surgeries</b>
Watauga Medical Hospital (Watauga County)	21.1%, Ashe	21.5%, Ashe
	1.0%, Alleghany	1.2%, Alleghany
Charles A. Cannon, Jr. Memorial Hospital (Avery County)	0.0%, Ashe	1.3%, Ashe
	0.0%, Alleghany	0.4%, Alleghany

Source: 2019 Hospital License Renewal Applications

**Table 3. Patient Origin, Alleghany and Ashe County Hospital Operating Rooms**

	<b>Percent of Total Inpatient Surgeries</b>	<b>Percent of Total Ambulatory Surgeries</b>
Alleghany Memorial Hospital (Alleghany County)	100.0%, Alleghany	79.8%, Alleghany
	0.0%, Ashe	0.6%, Ashe
	0.0%, Watauga	0.0%, Watauga
	0.0%, Avery	0.0%, Avery
Ashe Memorial Hospital (Ashe County)	89.3%, Ashe	89.2%, Ashe
	5.7%, Alleghany	5.2%, Alleghany
	0.8%, Watauga	1.8%, Watauga
	0.0%, Avery	0.1%, Avery

Source: 2019 Hospital License Renewal Applications

***Agency Recommendation:***

The Petitioner has requested to combine the Watauga and Avery County OR service areas. Based on the data, Watauga Medical Center provides the most surgical services to Avery residents that out-migrate for these services. Also, the data suggest that combining these service areas would not have a negative impact on surrounding critical access hospitals. Thus, given available information and comments submitted by the August 8, 2019 deadline date for comments on petitions and comments, and in consideration of factors discussed above, the Agency recommends approval of the petition to merge the Watauga County and Avery County OR service areas in the 2020 SMFP and subsequent SMFPs.