

### **OVERVIEW**

After careful analysis of the ESRD Modeling Tool presented by the State Agency, outside analysis of SDR data, and extensive review of ESRD policies and methodologies, and rules, the following comments were generated:

1. The Agency's model does not accurately compare the data applicable to the same SMFP.
2. When manipulated the Agency's model generates exaggerated facility needs that cannot be proven in total by any facility and **are not viable** due to the growth rate required to prove the need for the additional stations.
3. Annual data reporting creates a "**GAP**" that can harm providers' ability to meet patient needs.
4. Annual filing for needs furthers the "**GAP**" created by annual reporting and can harm providers' ability to meet patient needs.

### **CONCLUSIONS**

1. Semi-annual reporting and multiple facility need filing opportunities with some limitations can allow for ESRD data publication in an SMFP along with preserving providers' ability to meet patient needs.
2. Methodology corrections will be required.

### **ADDITIONAL CONCERNS**

1. What methodology will the Agency propose to determine future county needs, surpluses, and deficits?
2. How will the Agency's County Need Methodology impact providers' ability to meet individual facility needs?

**SUPPORTING DATA TO OVERVIEW**

1. The data comparison in the Agency's model does not depict a comparison of data that would be published in the same SMFP.

The **Agency's model** compares the following station-generating reports:

3 – SDRs		Annual Data
<b>SDR</b>	<b>Data End Date</b>	Spanning 12/31/2015 – 12/31/2016
January 2017	6/30/2016	
July 2017	12/31/2016	
January 2018	6/30/2017	

For the **2018 SMFP** the following station-generating reports are applicable:

2 – SDRs for 2018		Annual Data
<b>January 2018</b>	6/30/2017	Spanning 1/1/2016 – 12/31/2016
<b>July 2018</b>	12/31/2017	

When the **correct** two **2018 SDRs<sup>1</sup>** are compared with the Annual Data applicable to publication in a **2018 SMFP**, the results are quite different than those rendered by the Agency's model.

Agency's Plan			
Plans	3 SDRs	Annual	Difference (Annual minus 3 SDRs)
Descriptions	January 2017 July 2017 January 2018	1/1/2016 - 12/31/2016	
Stations	1343	468	
Revised Agency's Plan			
Need Limitations	SDR Model	Agency's Model	Difference (Annual minus applicable SDR's)
	January 2018 SDR 1/1/2017 - 6/30/2017  July 2018 SDR 7/1/2017 - 12/31/2017	1/1/2016 - 12/31/2016	
No Max Need	1079	468	<b>-611</b>
10-Station Max	888	468	<b>-420</b>

The model above assumes a 1% utilization rate required to apply for additional stations (versus the 80%, now) and a maximum of 10 stations per calculated facility need.

<sup>1</sup> It is important to note that in no comparison are previously generated stations removed from the SDR station count. Given the July SDR includes the number of "Total Stations," which reflects any pending or approved CON applications, there was no reason to additionally constrain the SDR's facility need calculations by applying the removal of 10 stations from a previous need or all stations from a previous need.

**Analysis:**

The Agency’s model cannot generate as many stations as the SDR when the data is aligned correctly for the 2018 SMFP – even when the utilization rate required to file is removed.

**Conclusion:**

**The SDR is a better measure of facility need than the Agency’s proposed model.**

2. Testing of the Agency’s model with the correction in data alignment is discussed below:
  - a. It has been suggested that by lowering the “**Utilization Threshold**” (the utilization rate by which future station need is determined) an annual model could match or even outperform the potential station needs generated by the SDRs:

Agency's Plan			
Plans	3 SDRs	Annual	Difference (Annual minus 3 SDRs)
Descriptions	January 2017 July 2017 January 2018	1/1/2016 - 12/31/2016	
Stations	1343	1052	
Revised Agency's Plan			
Need Limitations	SDR Model	Agency's Model	Difference (Annual minus applicable SDR's)
	January 2018 SDR 1/1/2017 - 6/30/2017  July 2018 SDR 7/1/2017 - 12/31/2017	1/1/2016 - 12/31/2016	
No Max Need	1079	1052	-27
10-Station Max	888	1052	164

The model above assumes a 1% utilization rate required to apply for additional stations (versus the 80%, now), a maximum of 10 stations per calculated facility need, and a threshold utilization rate of 65% or 2.6 Patients Per Station.

It is important to note, the SDR model maintains the 80% threshold utilization rate at 3.2 Patients per Station in the comparison, above.

**Analysis:**

Lowering the threshold utilization generates more stations in the Agency’s model. However, they are needs that are **not viable** (**cannot be proven.**)

- Exaggerated need: **facility need >/= 36% of total facility stations**
- Total facilities reporting an Exaggerated Need: **43 Facilities**
- Average size of facilities with exaggerated needs: **19-station facility**
- Average annual needed stations: **48% of existing or 9 new stations**
- At 80% future utilization – **facility must prove additional 28 patients**
- At 65% future utilization – **facility must prove additional 23 patients**

The facility census future growth rate required to meet the need can be measured like this:

Facility's Current Utilization Rate	Utilization Threshold	Station Need	Additional Pts Required to Prove Need	Existing Stations	Existing Patients	Required Growth Rate to Prove Stations	Total Patient Population
80%	65%	9	23.4	19	61	38%	84.2
90%	65%	9	23.4	19	68	34%	91.8
100%	65%	9	23.4	19	76	31%	99.4

- On average, **16% facility growth year-over-year** would be necessary to prove a full **9-station need** at a **19-station facility** using a **65% utilization** threshold or 2.6 PPS.
- The five year average annual change rate for the **entire state of North Carolina** is calculated to be **3.74%**.
- Out of 100 North Carolina counties, only four (**4**) counties have **five-year average annual change rates > 15%** in the **January 2019 SDR**.
  - Caswell – 17.2% with a total of 53 patients
  - Gates – 49.5% with a total of 8 patients
  - Mitchell – 18.9% with a total of 15 patients
  - Pamlico – 20.6% with a total of 27 patients

**Conclusion: Lowering the threshold utilization rate generates station needs that are of no value to providers because they cannot be proven in a CON application.**

Wake Forest Comments regarding the ESRD Modeling Tool presented by the State Agency to replace the SDR in the State Medical Facilities Plan

b. It has been suggested that increasing the maximum number of stations for which one could apply from 10 stations to 20 stations could make annual data reporting work:

Agency's Plan			
Plans	3 SDRs	Annual	Difference (Annual minus 3 SDRs)
Descriptions	January 2017 July 2017 January 2018	1/1/2016 - 12/31/2016	
Stations	1343	1375	
Revised Agency's Plan			
Need Limitations	SDR Model	Agency's Model	Difference (Annual minus applicable SDR's)
	January 2018 SDR 1/1/2017 - 6/30/2017  July 2018 SDR 7/1/2017 - 12/31/2017	1/1/2016 - 12/31/2016	
No Max Need	1079	1375	296
10-Station Max	888	1375	487

*The model above assumes a 1% utilization rate required to apply for additional stations (versus the 80%, now), a maximum of 20 stations per calculated facility need under the Agency's model, and a threshold utilization rate of 65% or 2.6 Patients Per Station.*

It is important to note, the SDR model maintains the 80% threshold utilization rate at 3.2 Patients per Station in the comparison, above.

**Analysis:**

Lowering the threshold utilization generates more stations in the Agency's model. However, they are needs that are **not viable** (**cannot be proven.**)

- Exaggerated need: **facility need >= 60% of total facility stations**
- Total Facilities reporting an Exaggerated Need: **24 Facilities**
- Average size of facilities with exaggerated needs: **31-station facility**
- Average annual needed stations: **60% of existing or 16 new stations**
- At 80% future utilization – **facility must prove additional 52 patients**
- At 65% future utilization – **facility must prove additional 42 patients**

The facility census future growth rate required to meet the need can be measured like this:

Wake Forest Comments regarding the ESRD Modeling Tool presented by the State Agency to replace the SDR in the State Medical Facilities Plan

Facility's Current Utilization Rate	Utilization Threshold	Station Need	Additional Pts Required to Prove Need	Existing Stations	Existing Patients	Required Growth Rate to Prove Stations	Total Patient Population
80%	65%	16	41.6	31	99	42%	140.8
90%	65%	16	41.6	31	112	37%	153.2
100%	65%	16	41.6	31	124	34%	165.6

- On average, 17% facility growth year-over-year would be necessary to prove a full 16-station need at a 31-station facility using a 65% utilization threshold or 2.6 PPS.
- The five year average annual change rate for the entire state of North Carolina is calculated to be 3.74%.
- Out of 100 North Carolina counties, only four (**4**) counties have five-year average annual change rates > 17% in the January 2019 SDR.
  - Caswell – 17.2% with a total of 53 patients
  - Gates – 49.5% with a total of 8 patients
  - Mitchell – 18.9% with a total of 15 patients
  - Pamlico – 20.6% with a total of 27 patients

**Conclusion:** Increasing the maximum allowable stations from **10 stations to 20 stations** generates excessive needs that **are of no value to providers** because they cannot be proven in a CON application.

**Additional Concerns:**

3. Annual reporting creates a **"GAP"** or **"DISCONNECT"** in a provider's ability to add stations when needed:
  - New facilities not in existence as of the reporting date may be limited in their ability to add stations for 23 – 36 months due to annual reporting. *(Currently 12 – 18 months under the SDR system.)*

**Facilities Potentially Harmed Could Be:**

- Transfer of stations within a county to create a new location
- New facilities in new counties

Wake Forest Comments regarding the ESRD Modeling Tool presented by the State Agency to replace the SDR in the State Medical Facilities Plan

- Any “required” utilization rate could harm existing providers if they fail to meet that standard when data is reported, but exceed it prior to the next reporting data end date. The lag time could be 23 – 36 months during which facility utilization can exceed 100% and remain there for an extended period of time.

*(Currently 12 – 18 months under the SDR system.)*

**Conclusion:**

**No trigger utilization rate** eliminates this potential problem, but also **de-values the data reported**. Semi-annual data reporting is necessary to prevent or reduce the **“GAP.”**

4. Annual filing for need creates a **“GAP”** or **“DISCONNECT”** in a provider’s ability to add stations when needed:

- Publication of a “trigger” utilization rate (*the utilization rate at which a provider must operate and have published in the SMFP to qualify to apply for additional stations*) does not mean a provider can prove the calculated need by a singular filing deadline as explained, in 1 and 2, above.
- Staggering of singular filing deadlines could harm providers who are located in HSA’s that might allow filing later during the year as well as those that would allow filing earlier in the year. Any delay in a provider’s ability to file for needed stations can cause a strain on already limited facility personnel resources.

**Conclusion:**

**Multiple filing opportunities** eliminates this potential problem, and may result in less CON’s filed at a single time. **Semi-annual data reporting coupled with multiple filing opportunities per six-month cycle (limit of 1 per facility per six-month cycle)** will go a long way to eliminate the **“GAP”** problem of annual reporting while offering an opportunity to publish ESRD data within the SMFP.