

**Acute Care Committee Agency Report
Adjusted Need Petition
for the Cumberland County Acute Care Bed Service Area
in the 2021 State Medical Facilities Plan**

Petitioner:

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Request:

Cape Fear Valley Health System (CFVHS) requests that the need determination for the Cumberland County acute care bed service area be decreased from 53 beds to zero in the *2021 State Medical Facilities Plan (SMFP)*.

Background Information:

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....” It should be noted that any person might 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.

Several steps are included in the acute care bed need methodology. In one step of the methodology, projected inpatient days of care (DOC) are calculated for the projection year. To do this, the percentage change in inpatient DOC over the previous five reporting years is used to determine each County’s Growth Rate Multiplier (CGRM). When the CGRM is negative, the inpatient DOC for the reporting year is the same as the projected DOC for the facility. When the CGRM is positive, it is compounded for four years of growth and multiplied by the current year’s reported

inpatient DOC to determine projected DOC. The projected DOC is divided by 365.25 and adjusted by an occupancy factor to project the number of beds needed.

Next, steps are undertaken to determine the number of beds, if any, needed in a service area. First, it is determined whether a single hospital or a group of hospitals under common ownership in the service area has a deficit of beds that equal at least 20 beds or 10% of the single hospital's or group of hospital's planning inventory. Next, the deficits of all single hospitals and group of hospitals are added together. From that number, need determinations from prior SMFPs for which CONs have not been issued are subtracted. If this difference is at least 20 beds, or 10% of the planning inventory of a single hospital, or 10% of the inventory of a group of hospitals under common ownership, then the need determination is equal to the difference.

Cape Fear Valley Medical Center (Cape Fear Valley) is currently the only hospital owned by CFVHS in the Cumberland County service area, and it is the sole hospital in Cumberland County. However, CFVHS owns two additional hospitals in adjacent counties: Betsy Johnson Hospital, with 131 licensed acute care beds in the Harnett County service area; and Cape Fear Valley Hoke Hospital (Cape Fear Valley – Hoke), with 41 licensed beds in the Hoke County service area.

Cape Fear Valley has 524 licensed acute care beds, and CFVHS has received CON-approval to open a new campus in northern Cumberland County with 65 beds. Once all projects are complete, CFVHS will have a licensed total of 589 acute care beds on two campuses in Cumberland County. These 65 beds are accounted for in the *Proposed 2021 SMFP* which also shows a need determination for 53 acute care beds in the Cumberland County service area.

Analysis/Implications:

By January 2018, Cape Fear Valley had incrementally licensed 34 additional acute care beds over three years. The CGRM shown in the *Proposed 2021 SMFP* reflects the growth in inpatient acute DOC during data reporting years 2016 – 2018 that occurred as a result of the additional beds. However, according to the Petitioners, the CGRM does not appropriately reflect the current and expected growth patterns in DOC. As illustrated in the petition, after having a negative CGRM for three years, Cumberland is now experiencing a 200% spike in this factor. Yet, for data year 2020, Cape Fear Valley expects to report 6.6% fewer DOC compared to the previous year. The Petitioners cite several factors that are causing, and they believe will sustain, reductions in utilization at Cape Fear Valley. These include CFVHS's implementation of strategies that reduce average length of stay and readmissions and its practice of referring patients to the hospitals in Harnett and Hoke Counties when appropriate.

Also, Cape Fear Valley has acutely felt the impact of the COVID-19 pandemic. For example, a part of the facility's response was to reduce surgical procedures significantly. An additional consequence of the pandemic has been significant drops in inpatient admissions from the emergency department. Together, the effect is decreased utilization of existing beds. Further, reduced volume of services due to the pandemic has created financial strain for the health system. Thus, as asserted by the Petitioners, the expenditures to finalize the development of the new campus and a loss in capital from depressed revenue make the expansion of 53 additional beds untenable. The Agency also notes that the development of the 65-bed campus in northern Cumberland County will increase capacity for the service area.

The Agency examined how adjusting the need in Cumberland County in the *2021 SMFP* can be expected to impact subsequent need determinations. Using the standard need methodology and the 2020 DOC the Petitioners projected, the service area would be expected to have a surplus in the *2022 SMFP*, even if the current need determination were removed (see Table).

Table. Expected Surplus/Deficit, Cumberland County Service Area in the 2022 SMFP

License Number	Facility Name	Licensed Acute Care Beds	Adj. for CONs/ Previous Need	Inpatient Days of Care	County Growth Rate Multiplier	Projected Days of Care	Projected 2024 Average Daily Census (ADC)	Projected 2024 Deficit or Surplus (surplus shows as a "-.")	2024 Need Determination
H0233	Cape Fear Valley Medical Center	524	65	160,535	1.0053	163,982	449	575	-14

As noted above, CFVHS refers some of its patients to Betsy Johnson and Cape Fear Valley-Hoke. One potential concern is that removing the need determination in Cumberland could burden facilities in Hoke or Harnett Counties. As noted in the petition, both CFVHS hospitals have been operating at under 40% occupancy for the last three years. Also, Betsy Johnson, the sole hospital in Harnett County, shows a surplus of 34 beds in the *Proposed 2021 SMFP*. Like the current situation in Cumberland County, Hoke County has experienced a spike in its CGRM that is not congruent with its current utilization. Therefore, over the last two years, when Hoke County has shown a need for acute care beds in the SMFP, the hospital in Hoke County has requested and the SHCC has voted to remove the need determination. In sum, there appears to be sufficient capacity to allow the shifting of patients among CFVHS’s hospitals in the region even if the Petitioner has underestimated Cape Fear Valley’s (Cumberland) future utilization.

Agency Recommendation:

The Petitioner has requested an adjusted need determination of zero acute care beds in the Cumberland County service area. Based on estimates of DOC for 2020 provided by the Petitioner, it is reasonable to believe that the standard need methodology will show a surplus in this service area in the *2022 SMFP* if the current need were adjusted to zero. Further, removing the need would not create strains in capacities in adjacent service areas. Thus, given available information and comments submitted by the August 12, 2020 deadline, and in consideration of factors discussed above, the Agency recommends approval of the petition to adjust the need for the Cumberland County service area to zero in the *2021 SMFP*.