

**Acute Care Committee Agency Report
Adjusted Need Petition
for the Hoke County Acute Care Bed Service Area
in the 2023 State Medical Facilities Plan**

Petitioner 1:

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Request:

Cape Fear Valley Health System (CFVHS) and FirstHealth of the Carolinas (FirstHealth) request that the 54-acute care bed need determination for the Hoke County acute care bed service area be removed in the *2023 State Medical Facilities Plan (SMFP or “Plan”)*.

Background Information:

Chapter Two of the SMFP notes that during the summer, the Agency accepts petitions that “involve requests for adjustments to need determinations in the Proposed SMFP. Petitioners may submit a written petition requesting an adjustment to the need determination in the Proposed SMFP if they believe that special attributes of a service area or institution give rise to resource requirements that differ from those provided by the standard methodologies 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. As described in the *Proposed 2023 SMFP*, in Step 3 projected inpatient days of care (DOC) are calculated for the projection year. To do this, the methodology typically requires calculating the percentage change in inpatient DOC over the previous five reporting years to determine each service area's growth rate multiplier (GRM). When the GRM is negative, the inpatient DOC for the reporting year is the same as the projected DOC for the facility. When the GRM 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.

Normally, Step 3 would indicate use of the DOC data from FY 2017 – 2021 to calculate each GRM for the *2023 SMFP*. However, because of the COVID-19 pandemic's continued impact on projection calculations, the State Health Coordinating Council (SHCC) has approved the use of DOC reported over the five fiscal years pre-pandemic for the *2023 SMFP*. In other words, rather than calculate the GRM based on FY 2017 – 2021 utilization, in the *Proposed 2023 SMFP*, each service area's DOC for FY 2015 – 2019 was applied instead. In the *Proposed 2023 SMFP*, Hoke County's GRM is 1.4045.

As is typical, the next steps determine the number of beds, if any, that are 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.

Two hospitals operate a total of 49 licensed acute care beds in the Hoke County service area. Cape Fear Valley Hoke Hospital (CFV-Hoke), which is owned by CFVHS, has 41 licensed beds. FirstHealth Moore Regional Hospital – Hoke Campus (FHM-Hoke), which is owned by FirstHealth, is currently licensed for 8 beds. In 2015, FHM-Hoke received CON approval for additional 28 beds, but these beds have not yet been developed. All 77 beds are accounted for in the *Proposed 2023 SMFP* which also shows a need determination for 54 acute care beds in the Hoke County service area.

Analysis/Implications:

The *2020 SMFP* demonstrates a mathematical anomaly that occurred in Hoke County. The GRMs listed in the *2020 Plan* were based on DOC reported for during FY 2014 – 2018. Hoke County had no hospitals until late 2013, when FHM-Hoke licensed 8 acute care beds. In early 2015, CFV-Hoke licensed 41 beds. As shown in Table 1, soon after CFV-Hoke began operating, reported DOC for Hoke County had more than doubled. By the time both hospitals had been in operation for a full year (i.e., by the end of FY 2016), DOC increased by another 143%. The impact of this extreme growth was a GRM that did not represent utilization trends on which projected growth in

Hoke could be reasonably based. Thus, the SHCC voted to remove the calculated need for 117 beds in Hoke County for the *2020 SMFP*.

A similar instance occurred in the *2021 SMFP*. The Acute Care Bed Need Methodology calculations in the *2021 SMFP* were based on DOC reported for FY 2015 – 2019. For Hoke County, the resulting acute care bed need was 26 beds. Because the GRM and calculated bed need continued to be impacted by extreme growth trends, the SHCC again voted to remove the need for Hoke.

Table 1: Annual Growth Rate in Days of Care, Hoke County, FY 2014 -2021.

FY	Acute Care DOC	Annual Growth Rate
2014	783	
2015	2,082	166%
2016	5,062	143%
2017	4,574	-10%
2018	4,873	7%
2019	5,933	22%
2020, adjusted	4,986	-16%
2020, reported	3,995	-33%
2021	7,257	82%

For the *2022 SMFP*, DOC for FY 2016 – 2020 were used to calculate the GRM. Due to the impact of the COVID-19 pandemic on utilization, the DOC of care for FY 2020 were adjusted. Table 1 shows that Hoke County’s adjusted DOC for FY 2020 was greater in comparison to the reported DOC. Nonetheless, the calculated annual growth rate indicates a slowing in utilization, and a surplus would have been calculated despite use of the adjusted DOC. In sum, the calculated need determination for no acute care beds in Hoke County in the *2022 SMFP* appears aligned with current and expected utilization.

As described above, Hoke County’s 54 acute care bed need in the *Proposed 2023 SMFP*, is based on an adjusted GRM that is based on FY 2015 – 2019 DOC – a span of time during which Hoke experienced a spike in its GRM that is not congruent with its current utilization. As noted by both Petitioners, acute care bed utilization in Hoke County is consistently low; target occupancy rates at either hospital have never been reached. Agency staff reviewed the utilization of licensed beds, noting that FY 2016 was the first full year all the currently licensed beds were licensed (see Table 2).

Table 2. Utilization of Licensed Acute Care Beds in Hoke County, FY 2014 – 2021.

	Licensed Beds	FY							
		2014	2015	2016	2017	2018	2019	2020	2021
FHM- Hoke* DOC	8	783	1,021	1,280	1,560	1,855	1,724	1,289	1,332
FMH-Hoke utilization		26.8%	34.9%	43.8%	53.4%	63.5%	59.0%	44.1%	45.6%
CFV-Hoke** DOC	41		1,061	3,782	3,014	3,018	4,209	2,706	5,925
CFV-Hoke utilization		7.1%	25.3%	20.1%	20.2%	28.1%	18.1%	39.6%	
Total DOC	49	783	2,082	5,062	4,574	4,873	5,933	3,995	7,257
Total utilization		26.8%	11.6%	28.3%	25.6%	27.2%	33.2%	22.3%	40.5%

* Eight acute care beds were licensed October 2013.

**41 acute care beds were licensed March 2015.

Agency Recommendation:

The Petitioners have requested an adjusted need determination of zero acute care beds in the Hoke County service area in the *2023 SMFP*. Based on utilization patterns, it is apparent that Hoke’s GRM does not appropriately reflect the current and expected growth patterns in DOC. Thus, given available information and comments submitted by the August 10, 2022 deadline, and in consideration of factors discussed above, the Agency recommends approval of both petitions to remove the need determination for the Hoke County service area in the *2023 SMFP*.