

**Long Term and Behavioral Health Committee
Agency Report
Petition to Revise the Adult Care Home Bed Methodology
in the 2023 State Medical Facilities Plan**

Petitioner:

ALG Senior LLC
P.O. Box 26255
Winston-Salem, NC 27114

Contact:

Francisco T. Morales
Chief Legal Officer
(919) 353-2059
fm@algsenior.com

Request:

ALG Senior LLC (ALG) requests an adjustment of the Adult Care Home (ACH) need methodology in the *2023 State Medical Facilities Plan* (SMFP or the “Plan”) due to the difficulty of projecting future needs when there is a significant temporary change in utilization.

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 SMFP annual planning process and timeline allow for the submission of Spring petitions to the State Health Coordinating Council (SHCC) requesting changes to policies and methodologies in the Plan.

The standard ACH bed methodology projects the need determination five years beyond the current reporting year. The ACH need methodology is calculated by: (1) multiplying the county bed use rates by each county’s corresponding projected civilian population (in thousands) for the projection year to calculate the projected bed utilization; and (2) dividing each county’s projected bed utilization by a 95% vacancy factor. For each county, the planning inventory is determined based on the number of licensed beds adjusted for CON-approved/license-pending beds, beds available in prior Plans that have not been CON-approved, and exclusions from the county’s inventory, if any. For each county, the projected bed utilization with applied vacancy factor is subtracted from the planning inventory. The result is the county’s surplus or deficit. If a county projects a deficit of beds, an adjusted occupancy rate of 80% will trigger a need determination in the county. The number of beds to be allocated is determined by the amount of the deficit and is rounded to the nearest whole number.

ALG has submitted a petition requesting either: 1) a temporary adjustment in the ACH need methodology based on the impact of COVID-19 on safety and quality of care; or 2) a permanent adjustment in the ACH need methodology because it fails to adequately capture needs for ACH beds now and in the future.

Analysis/Implications:

During the COVID-19 pandemic, ACH facilities experienced decreases in utilization statewide. Facilities also experienced difficulties maintaining staffing and obtaining supplies due to complications affecting the supply chain, which resulted in challenges in resident care. Facilities continue to take proactive measures to ensure access to care and the safety of residents during the pendency of the pandemic.

The data received for the 2022 SMFP (from the 2020 reporting year) yielded a significant decrease in the number of ACH bed need determinations generated from the ACH methodology. While COVID-19 may have contributed to this result, the number of ACH residents has been decreasing since 2016. The bed rates used to calculate need determinations also declined, but this decline did not always translate into fewer needs. The total bed rate began declining in 2016. Over the past 5 years the bed use rate has declined by 14.86% (see Table 1).

Table 1: Adult Care Home Statewide Totals, Years 2016 - 2020

	2016	2017	2018	2019	2020	Total Percent Change
Residents	29,854	29,523	27,374	27,737	26,491	-11.26
Bed Rate	2.9388	2.8739	2.8239	2.6395	2.5021	-14.86
Need Determinations	140	240*	410	320	10	

Source: 2018 - 2022 State Medical Facilities Plans

* First year of revised methodology

Although the decline in utilization from 2019 to 2020 is not as large as from 2017 to 2018, the need determinations in the 2022 SMFP were substantially fewer than in recent years. Likely due to COVID-19, the need determinations were dramatically lower in the 2022 SMFP than previously. Agency staff agree that it is appropriate to remove the 2020 utilization data from the need determination calculations for all years affected. The need projections include utilization data from the current and four immediately prior reporting years. For the 2023 SMFP, the years normally would be 2017, 2018, 2019, 2020, and 2021. Healthcare Planning staff intends to propose to the Long-Term and Behavioral Health Committee that the 2023 SMFP instead use 2016, 2017, 2018, 2019, and 2021 (skipping 2020). Similarly, future SMFPs should also exclude the 2020 reporting year until that data is no longer used in need projections (i.e., eliminate 2020 data through the 2026 SMFP).

The Petitioner requests either a temporary or permanent adjustment to the methodology. The Petitioner states that the current methodology fails to capture actual need now and into the future, primarily because the methodology does not adequately consider population growth nor the long-term effects of COVID-19. It is the Agency’s position that the methodology should not be altered

due to a temporary situation in the absence of substantial evidence that the effects are long-term. The Petition did not provide such evidence, nor does the Agency have such evidence.

The Agency also is not inclined to make permanent adjustments to the methodology at this time. The ACH methodology was redesigned in 2018 and first appeared in the 2019 SMFP. This process involved input from members of the public, staff, and the SHCC. An important component of the Healthcare Planning staff's analysis was the use of data from prior years to examine how well the methodology predicted actual ACH bed utilization. The analysis demonstrated that removal of consideration of age groups led to better prediction of actual utilization. Other changes increased the likelihood of ACH bed need determinations. Table 1 shows that the new methodology did, in fact, increase needs.

Agency Recommendation:

The Agency supports the standard methodology for ACH beds. However, data does not support the Petitioner's claim that significant temporary changes in utilization can cause difficulty when projecting future bed needs. Given available information submitted by the March 16, 2022 deadline, and in consideration of factors discussed above, the Agency recommends denial of the petition to adjust the Adult Care Home need methodology in the 2023 SMFP.