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## Acute Care Services Committee

### Recommendations to the North Carolina State Health Coordinating Council

September 28, 2022

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The Acute Care Services Committee held its final meeting of the year on September 13. The following is an overview of the Committee's recommendations for Acute Care Services, Chapters 5-9, of the *2023 SMFP*.

#### **Chapter 5: Acute Care Hospital Beds**

The Agency received five petitions for this chapter.

**Margaret R. Pardee Memorial Hospital** petitioned to remove the need for 31 acute care beds in the Buncombe/Graham/Madison/Yancey County (Buncombe) service area in the *2023 SMFP*. The Agency received one comment in opposition to the petition. The need determination methodology used in the *Proposed 2023 Plan* adjusts the growth rate multiplier by using the five years of growth in days of care that occurred just before the COVID-19 pandemic. It also uses FY 2021 days of care to project days for the projection year. The Petitioner asserted that using 2021 days of care to calculate need for the Buncombe service area is not appropriate because during 2021, Mission Hospital experienced large spikes in days of care and average length of stay. This is likely due to a "bounce back" in utilization between FY 2020 and 2021 that was seen in similar hospitals statewide and is believed to be temporary. The Agency was able to confirm that Buncombe's increase in days of care was not typical of the service area pre-pandemic, and it was much larger than what was experienced at similar hospitals. In terms of population growth, the service area is expected to grow at a rate that was typical pre-pandemic and is on-par with the State's overall growth rate. Agency staff analyses demonstrated that had utilization trends not been interrupted, need calculations likely would have shown a surplus of beds in the Proposed Plan. The Agency recommended approving the Petition, and the Committee concurred.

**Cape Fear Valley Health System** requested an adjusted need determination for 20 acute care beds in the *2023 SMFP* in the Cumberland County service area. The Agency received no comments received regarding this petition. There was no need determination for Cumberland County in the Proposed *2023 SMFP*. The acute care bed need methodology calculations use the days of care that each facility reports to HIDI. According to the Petitioner, the reason a need was not detected is because Cape Fear Valley Medical Center reported 4,787 fewer days of care to HIDI than on their License Renewal Application. A subset of 2,767 days of care reported to HIDI are "unknown" days of care, which are excluded in the need determination methodology calculations. The Petitioner asserted that these unknown days of care are included in the LRA data and should be considered in the calculations. The Petitioner did not offer a resolution for

reducing the number of unknown days of care in future reporting to HIDI. However, as the Petitioner points out, Cape Fear Valley Medical Center has consistently experienced high utilization of its acute care beds. According to Agency estimates of projected utilization, this will continue at a level above the facility's target occupancy through 2025. The Agency recommended approving the petition, and the Committee agreed.

**Cape Fear Valley Health System** and **FirstHealth of the Carolinas** requested removal of the need for 54 acute care beds in the Hoke County acute care bed service area in the *2023 SMFP*. The Agency did not receive any comments regarding this petition. Previously, the SHCC voted to remove the need determinations for Hoke County in the 2020 and 2021 *SMFPs*. Hoke's first hospital opened in 2013 and its second hospital opened in 2015. Ramp ups in utilization lead to large spikes in days of care. As a result, the calculation of Hoke's growth rate multiplier in those Plans projected utilization at levels that were unreasonable for the service area. The same artifact of the calculations is occurring as we prepare the *2023 SMFP*. The growth rate multiplier that was used in the *Proposed Plan* is based on days of care between 2015 – 2019, and this includes the span of time during which Hoke experienced a spike in its growth rate multiplier that is not congruent with its current utilization. Agency staff reviewed the data and found that acute care bed utilization in Hoke is consistently low. Both hospitals in Hoke remain well below their target occupancies; overall utilization for acute care beds in the service area has not reached levels above 41%. The Committee agreed with the Agency recommendation to approve the Petition.

**UNC Health Johnston** submitted a petition to include an adjusted need determination for 24 acute care beds in Johnston County in the *2023 SMFP*. The Agency did not receive any comments regarding this petition. UNC Health Johnston, the only hospital in Johnston County, implemented a program to reduce average length of stay in 2015. Fluctuations in average length of stay and days of care were correlated; after notable decreases in both over two years, levels increased substantially in 2019. The need determination methodology for the *Proposed 2023 SMFP* uses an adjusted growth rate multiplier that is based on days of care during 2015 – 2019. Therefore, the changes in days of care during that time frame impact the need determination, and according to the Petitioner, the methodology will not appropriately assess the need for acute care beds in Johnston. Agency staff estimate that the Johnston service area would have had a surplus of beds if the program to reduce average length of stay had not been implemented. Additionally, UNC Health Johnston's utilization has remained below its target occupancy over the last six years, including in 2021 when it had a spike in days of care. In other words, utilization data do not indicate a strain on bed capacity within the service area. The Agency recommended denial of the petition and the Committee agreed.

### **Data Updates**

Data updates since the publication of the Proposed Plan resulted in a few changes to need determinations. Application of the methodology currently results in need determinations for a total of 488 acute care beds. They are:

- 7 in Anson
- 31 in Buncombe/Graham/Madison/Yancey
- 65 in Cabarrus
- 6 in Duplin
- 48 in Gaston
- 54 in Hoke
- 164 in Mecklenburg County
- 25 in New Hanover
- 23 in Scotland
- 21 in Union
- 44 in Wake

Note that due to a data adjustment since the Acute Care Services Committee meeting, there is no longer a need determination for the Durham/Caswell/Warren service area. Also note that SHCC approval of this Committee's recommendations on Petitions for adjusted need determinations would remove the needs from Buncombe and Hoke and add a need determination for 20 beds in Cumberland. This would result in need determinations for a final total of 423 acute care beds.

### **Chapter 6: Operating Rooms**

The Agency received three petitions for this chapter.

***Carolina Vascular Care*** requested a special need determination for one single specialty ambulatory surgical center (ASC) with one OR dedicated to vascular access in Nash County. The Agency received 12 letters in support of the petition and one in opposition. The primary rationale for this Petition is the reduction in Medicare reimbursement rates in physician-office-based laboratories (OBL). The Petitioner and others report that dialysis patients need between two and four such interventions in a typical year. In 2017, the Centers for Medicare and Medicaid Services (CMS) began making substantial changes to the reimbursement rates for the six dialysis VA procedures. Since then, OBL reimbursement rates have remained relatively stable for most procedures. However, rates for the two procedures with the highest reimbursements have decreased by 20% and 17%, respectively. Reimbursement for the same procedures in ASCs increased by 39% and 16%, respectively. Several sources have reported that over 20% of OBLs have closed nationally or converted to ASCs due to the reimbursement reductions. The Petitioners stressed that closure of OBLs would result in dialysis patients receiving routine VA services in hospitals. Not only is this more expensive, but research shows that outcomes tend to be poorer than when services are performed in an OBL or ASC. As a result of the reimbursement changes, the Agency recognizes that OBLs may be at financial risk. However, it does not seem efficient to rely on ad hoc petitions to address these issues. Rather, the Agency recommended

denial of the Petition and approval of one dedicated VA OR in each of the six Health Service Areas in the state. The ORs may be located in a new or existing ASC or in a hospital outpatient department. The Acute Care Services Committee voted to approve the Agency's recommendation.

**EmergoOrtho** requested an adjusted need determination for two operating rooms (ORs) in the Johnston County service area in the 2023 SMFP. The Agency did not receive any comments regarding this petition. The Petitioner stated that the existing eight ORs operated by UNC Johnston Health are not enough to support Johnston County's fast-growing population. According to the Agency's review of the service area's historical and projected growth, Johnston's population has grown at a higher rate compared to the State overall, and the total population is expected to grow at double the rate of the State over the next five years. Also, pre-COVID, Johnston's outpatient surgical cases grew at a faster rate than the county's population. This suggests that in this instance, Johnston's population growth factor used in the need determination methodology calculations only partially demonstrates the need there. A second issue raised by the Petitioner is the outmigration of Johnston residents for surgical services. The data show that each year since FY 2015, at least 10,000 surgical cases are performed on Johnston residents outside Johnston County. By comparison, a minimum of 1,596 inpatient cases or 2,385 outpatient cases annually would support two ORs, depending on the type of facility operating the ORs. The Agency recommended approval of this Petition and the Committee agreed.

**Vidant Medical Center** requested a special need determination for three ORs in the Pitt/Green/Hyde/Tyrrell (Pitt) service area in the 2023 SMFP. The Agency did not receive any comments related to this petition. This request is related to Vidant's summer 2021 petition for an adjusted need determination for one OR in Pitt. The 2021 petition was submitted by Vidant because there was an error in the way their new operative management system reported FY 2017 and 2018 average case times. These errors triggered adjustments in the facility's case times which, in turn, impacted the need determination. Consequently, the request for an adjusted need for one OR in Pitt was approved, and Agency staff included the need determination for 1 OR in the 2022 SMFP. However, because the case time data was not adjusted for future calculations, the potential for future SMFPs to be affected remained. In fact, the Agency confirmed that adjustments to case times may be required in the future. Without correction need determinations through the development of the 2024 SMFP may be suppressed. The Agency also agreed that if the inpatient case time reported on the 2022 LRA is used rather than the final case time in the OR need determination methodology calculation for the 2023 SMFP, the result is a need for three ORs in the service area. The Agency reiterates that it rarely recommends changes to data in Plans that the Governor has already approved. However, given the combination of the extenuating circumstances presented by the COVID pandemic and the reverberating effects of inaccurate case time data, the Agency determined that an exception might be warranted. If the Agency makes the adjustment to the case time data as proposed, further adjustments to the case times or calculations related to erroneously reported data on the 2018 and 2019 LRAs will not be

necessary or considered. The Agency recommended approving the Petition, and the Committee concurred.

### ***Dental Single Specialty Ambulatory Surgery Demonstration Project***

The 2016 SMFP included a demonstration project to examine the feasibility of single-specialty ambulatory surgical facilities dedicated to dental and oral surgery. There are four facilities across the state designed to serve patients requiring sedation for dental and oral surgical procedures. Each one has two ORs. The facilities are:

- Valleygate Dental Surgery Center of Fayetteville
- Valleygate Dental Surgery Center of the Triad, in Greensboro
- Valleygate Dental Surgery Center of Charlotte
- Surgical Center for Dental Professionals, in Raleigh

This is Valleygate Surgery Center of Charlotte's second full year of operation. The remaining facilities have completed the project requirements and submitted their third and final annual reports.

Before this demonstration project, dental and oral surgeries, especially for Medicaid patients, often were performed in hospitals, which carried high costs and scheduling challenges. An important goal of the demonstration is to show that ambulatory surgical facilities can serve patients more cost-effectively than hospitals and in a more appropriate surgical setting. In particular, the facilities needed to demonstrate that they can serve patients from underserved segments of the population. A primary requirement of the demonstration is that at least of 3% of the patients served each year must be charity care and at least 30% must be Medicaid recipients. Generally, facilities met these payer mix goals. The proportion of charity care patients ranged from 2.5% to 7.6% and the percentage of Medicaid patients ranged from 74.3% to 85.6%.

### ***Data Updates***

Based on data and information currently available, application of the methodology results in no draft need determinations for operating rooms in any service area. However, SHCC approval of this Committee's recommendations on Petitions for adjusted need determinations would create a need for six ORs in each of the HSAs in the State, two ORs in the Johnston County service area, and three ORs in the Pitt/Greene/Hyde/Tyrrell service area, for a total of 11 ORs.

### **Chapter 7: Other Acute Care Services**

The Agency received no petitions or comments for this chapter. Based on data and information currently available, application of the methodology results in no draft need determinations.

## **Chapter 8: Inpatient Rehabilitation**

The Agency received no petitions or comments for this chapter. Based on data and information currently available, application of the methodology results in no draft need determinations.

## **Chapter 9: End Stage Renal Disease Dialysis Facilities**

The Agency received one petition for this chapter.

**Liberty Healthcare and Rehabilitation** requested a pilot demonstration project of six outpatient dialysis stations in Mecklenburg County to be located at the Royal Park nursing home facility. The Agency received five comments in opposition to this petition. Petitioner sought a special need determination that fell outside both standard methodologies. Liberty stated the development of an outpatient dialysis facility at a nursing home meets the Basic Principles outlined in the SMFP by making dialysis services more accessible to nursing home patients and encouraging home dialysis. The Petitioner also stated that the proposed project would facilitate the provision of dialysis services at times that do not interfere with patient's scheduled treatments, therapies, rehabilitation, meals, medication and family visits. The Petition made the point that having a dialysis facility at a nursing home alleviates the burden of transporting nursing home patients to existing dialysis facilities. Comments expressed doubts that a nursing home facility could manage and provide quality dialysis in the same manner as an outpatient dialysis facility. It appears that the commenters assume that "regular" nursing home staff would be providing dialysis services. Conversely, the Centers for Medicare & Medicaid Services (CMS) established specific requirements for the provision of dialysis to nursing home patients in the community and in nursing facilities. In addition, dialysis services must be provided through a written agreement between the nursing home and an ESRD facility. The CMS State Operations Manual outlines the requirements and provides guidance for mitigating risk for residents receiving dialysis treatment in a nursing home facility. A dialysis facility at a nursing home must meet all the same qualifications and certifications requirements as a dialysis facility in the community. The Agency recognized that dialysis patients in nursing homes are typically fragile. Therefore, it is reasonable that dialysis should be provided in a manner that is most appropriate to their healthcare needs. Providing dialysis in the nursing home facility is a viable option to achieve this goal. The SHCC has acknowledged these notions in previous discussions. The Petition requested a "pilot demonstration" project. Demonstration projects in the SMFP test the delivery and viability of unique approaches to health services. Dialysis is provided successfully in nursing home in other states. For these reasons, neither a formal pilot study nor a demonstration project is needed. The Committee agreed with the Agency recommendation to deny the Petition and to approve a county need determination for six outpatient dialysis stations at a nursing home facility in Mecklenburg County with stipulations.

### ***Data Updates***

There are no county need determinations. Application of the facility need methodology results in a need for 389 stations across 70 facilities. However, this could change as staff continue to refresh data for the final SMFP until the September 30 data cut-off date.

### **Recommendations Related to All Chapters**

The Committee recommends that the State Health Coordinating Council approve Chapters 5 through 9, Acute Care Facilities and Services, with the understanding that staff is authorized to continue making necessary updates to the narratives, tables, and need determinations.