



## Carolinan Medical Center Union

### *Petition for an Adjusted Need Determination for 25 Acute Care Beds in Union County*

**Submitted by:**

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PLANNING SECTION

Carolinan Medical Center-Union ("CMC-Union") is a not-for profit hospital located in Monroe, North Carolina. CMC-Union is currently licensed to operate 157 acute care beds and is the only hospital located in Union County.

#### ***Requested Adjustment***

CMC-Union requests an adjusted need determination in the 2009 *State Medical Facilities Plan (SMFP)* for 25 additional acute care beds in Union County.

#### ***Reason for Proposed Adjustment***

CMC-Union believes that the current methodology used to determine the need for additional acute care beds in the *SMFP* has served as a sound methodology during its tenure. Regardless of future modifications to the methodology that might be warranted, it is a statewide methodology. As a consequence, there are counties and facilities whose circumstances position them as outliers of a statewide approach.

The *SMFP* specifically contemplates such circumstances in its provision for petitions for adjusted need determinations. Page 11 of the *Proposed 2009 SMFP* states, "people who believe 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 may submit a written petition requesting an adjustment to be made to the need determination given in the Proposed *SMFP*."

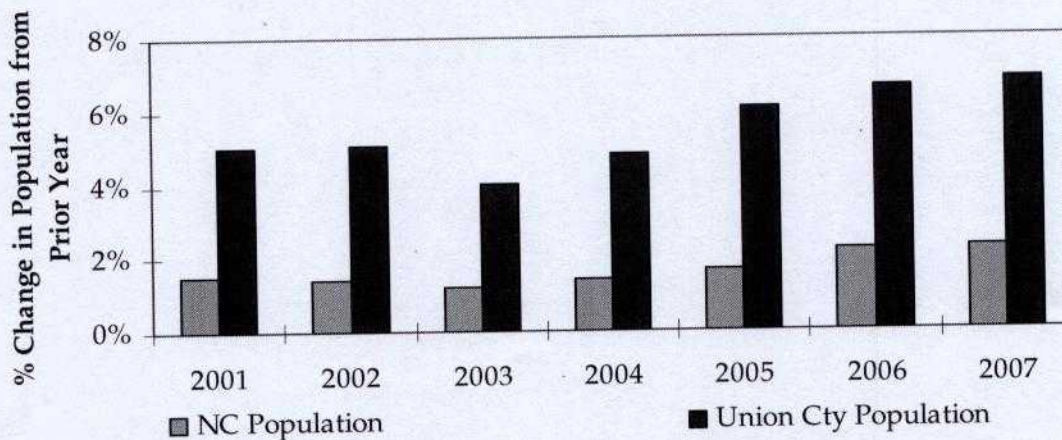
CMC-Union believes that no community illustrates this more than Union County. Two primary factors unique to CMC-Union demonstrate the immediate need for additional acute care beds in Union County:

- CMC-Union’s compound annual growth rate of acute care patient days from 2004 to 2007 was 6.2 percent, *which is six hundred times higher than the 0.1 percent statewide growth factor* used in the statewide methodology in the *Proposed 2009 SMFP*.
- Union County population has been and will continue to experience the highest growth of all North Carolina counties. This growth – a major driver of the high growth in acute care days at CMC-Union – is projected to experience a compound annual growth of 4.4 percent per year through 2013, *more than four hundred times the statewide growth factor used in the standard methodology*.

Union County has and will continue to experience the highest population growth in North Carolina. According to the North Carolina Office of State Budget and Management (“NC OSBM”), Union County had an estimated 182,380 residents in 2007 – a 6.9 percent increase compared to 2006. This increase was unusually high compared to the population growth observed in most counties, and three times the statewide percent increase of 2.3 percent during the same period.

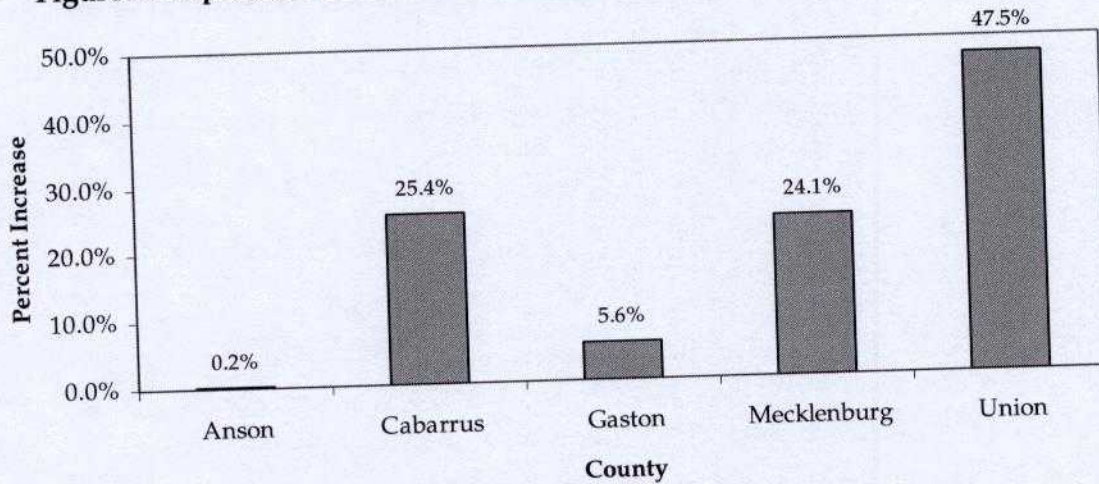
Figure 1 shows North Carolina’s annual population growth rate which ranged from 1.2 to 2.3 percent between 2001 and 2007. During the same period, the population in Union County rose at a rate at least three times higher than that of the state each year.

**Figure 1: Annual Percent Change in Population**



Although the entire region is experiencing significant growth, the increase in Union County outpaces all others in the Charlotte-Concord-Gastonia metropolitan statistical area as well. Between 2000 and 2007, the population in Union County grew by 48 percent, which was almost twice the rate of Mecklenburg and Cabarrus counties as shown in Figure 2.

**Figure 2: Population Growth in Charlotte-Gastonia-Concord MSA (2000 to 2007)**



In fact, since 2000, Union County's population growth has been the highest among all counties in North Carolina. NC OSBM population estimates confirm a population boom in Union County that has long been an outlier compared to other North Carolina counties and the statewide average. More importantly, NC OSBM projects through 2020 that Union County will continue to be the fastest growing county in North Carolina. See Figure 3.

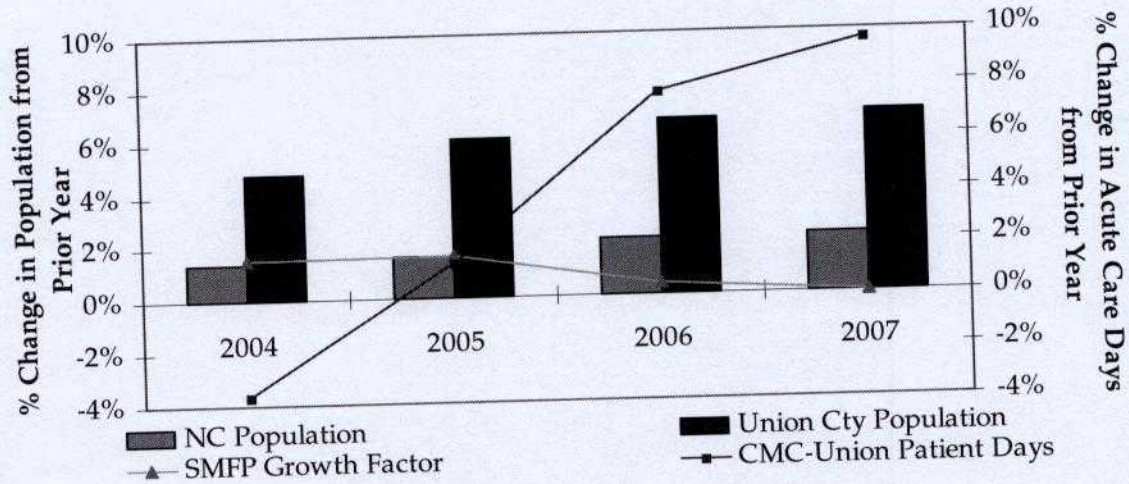
**Figure 3: North Carolina Top 5 Growth Counties**

2000-2006		2006-2012		2012-2020	
County	% Growth	County	% Growth	County	% Growth
Union	35.95%	Union	21.44%	Union	25.51%
Camden	35.18%	Hoke	19.25%	Hoke	23.16%
Currituck	30.60%	Wake	18.82%	Johnston	22.76%
Brunswick	26.72%	Johnston	18.69%	Wake	22.56%
Hoke	25.84%	Currituck	17.94%	Currituck	20.33%
North Carolina	9.71%	North Carolina	9.07%	North Carolina	11.55%

Source: North Carolina Office of State Budget and Management.

Concurrent with the growth in population, CMC-Union has observed an increase in utilization that mirrors the same outlier position when compared to the statewide percent increase in acute care patient days. Figure 4 illustrates the wide disparity between North Carolina average growth rates compared to Union County rates.

Figure 4: Comparison of Annual Growth Rates



Since 2004, CMC-Union's growth in patient days has outpaced the growth in Union County population, the North Carolina population, and *SMFP* growth factor used to project acute care patient days across the state. As a result of the standard methodology's application of the lowest of these four growth rates to a county and facility with the two highest growth rates, the standard methodology fails to reliably estimate the need for acute care beds in Union County.

In fact, CMC-Union's current acute care utilization already exceeds the number of patient days the *SMFP* projected for CMC-Union in 2012. The 2008 *SMFP* projected 34,351 patient days at CMC-Union in 2012, based on the application of the 0.47 percent annual growth factor to CMC-Union's 2006 patient days of 33,398. CMC-Union's actual patient days *in 2007* were 36,629, surpassing this projection *for 2012* by seven percent.

Although the *Proposed 2009 SMFP* methodology incorporates the increase of more than 3,000 patient days at CMC-Union from 2006 to 2007 (a ten percent increase in one year), it projects an increase of *only 22 days from 2007 to 2013* at CMC-Union.

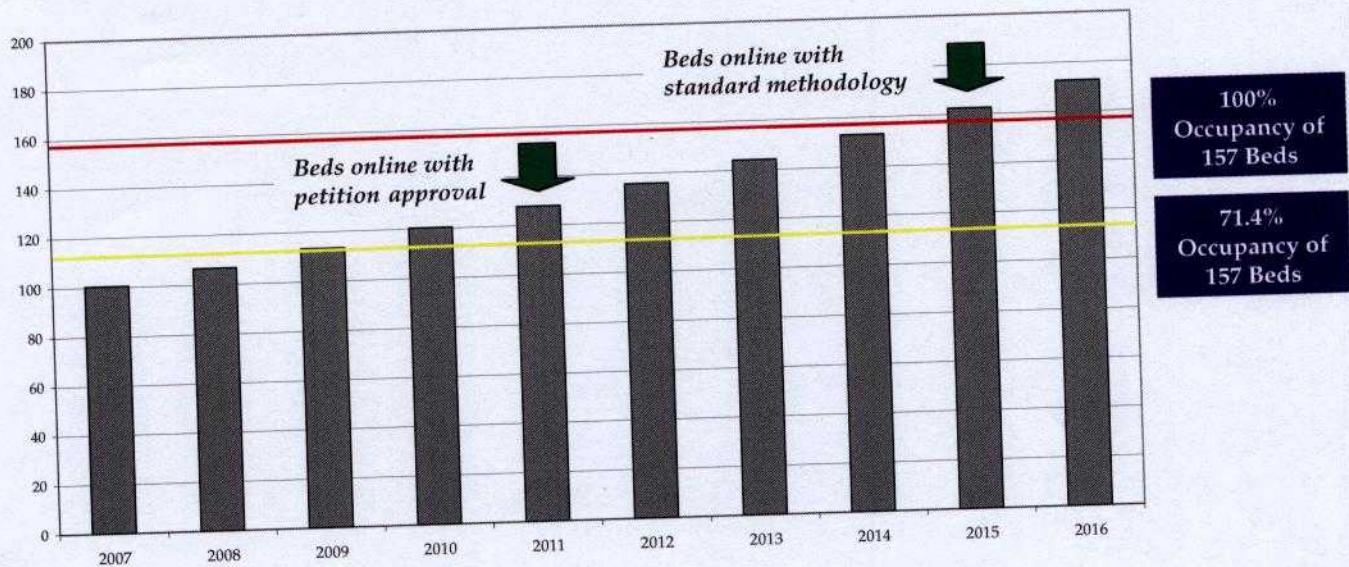
It will take many years before the current *SMFP* methodology eventually allocates additional acute care beds to Union County. However, CMC-Union believes it has a unique need that is not captured in the *SMFP* methodology for two reasons.

First, as discussed above, CMC-Union has an extraordinary growth rate that significantly outpaces the growth factor used in the *SMFP* methodology. Even though the *SMFP* methodology is adjusted each year for CMC-Union's actual patient days, the data is two years old by the time the *SMFP* becomes effective, and the methodology still projects growth at a statewide rate, not Union County's actual rate, which is much higher than the statewide average. Thus, by the time the data are updated, CMC-Union's patient days have already grown beyond the four-year projection horizon in that year's *SMFP*.

Second, the *SMFP* statewide growth factors have decreased consecutively from 1.58 percent in 2007 to 0.47 percent in 2008 and 0.01 percent in 2009 – a downward trend that is directly opposite the rapid growth of CMC-Union’s acute care days and its population. Without intervention from the SHCC, the divergence will continue to grossly underestimate the actual need in Union County.

To further demonstrate the immediate need for these beds, CMC-Union compared its growth in patient days for the next several years based on its actual compound annual growth rate from 2004 to 2007 (6.2 percent) to the projection in the applicable *SMFP*, using the statewide growth rate from the *Proposed 2009 SMFP* (0.01 percent). The results of the analysis show that although the standard methodology would eventually result in an allocation of additional acute care beds in Union County, the allocation would not occur until the 2013 *SMFP* (five years from now). Assuming that the new beds would take a minimum of two years to obtain CON approval and become operational, CMC-Union’s demand would reach 100 percent occupancy of its existing bed complement before 2015. With the approval of this petition and additional beds coming online in 2011 or 2012, CMC-Union will still be operating well above target occupancy before the new beds are available.

**Figure 5: Projected Application of SMFP Methodology**



Since occupancy levels are based on midnight census and the average occupancy for the year, CMC-Union would clearly be operating well-above its capacity, particularly during times of higher than average census. If CMC-Union were to simply wait for the *SMFP* acute care bed need projections to “catch up” with its utilization, the hospital would not have sufficient time to develop the beds it needs to serve its patient population.

Figure 6 compares bed need using two different growth rates – the statewide average used in the standard methodology and the growth rate of the Union County population.

The standard methodology projects a bed surplus of 16 in 2013, while the use of the population growth rate projects a deficit of 25 beds. If CMC-Union continues to grow at historical growth rates, the bed deficit in 2013 would be even higher, as CMC-Union's days have grown by more than the county's population during the last two years.

**Figure 6: Application of Growth Factor Alternatives**

<i>Growth Factor Methodology</i>	<i>Annual Growth Factor</i>	<i>Licensed AC Beds</i>	<i>Adjustments for CONs and Previous Need</i>	<i>2007 Acute Care Days</i>	<i>6 Years' Growth</i>	<i>2013 Projected ADC</i>	<i>2013 Beds Adjusted for Target Occupancy</i>	<i>Projected 2013 Deficit or Surplus (-)</i>
2009 SMFP	0.01%	157	0	36,629	36,651	100	141	-16
Union Population CAGR 07-13	4.4%	157	0	36,629	47,427	130	182	25

***Impact of Request***

CMC-Union is requesting an adjusted need determination for the 25 beds indicated as needed by the application of Union County's population growth factor to the standard methodology.

Union County has special and unique factors that give rise to demand that is not captured under the current need methodology. Union County has topped the rankings in North Carolina with respect to population growth since 2000 and is projected to continue at least through 2020. In addition to the population statistics, there are other indicators of population growth in Union County. For example, in 2005, Union County was home to 59,917 housing units, which reflected an increase of 22 percent since 2001. In addition, Union County currently ranks first in the state with respect to the percentage of new housing structures.

County leaders also believe that this growth is projected to continue at least at its current pace. There has been an expansion in the recreational industry in Union County, with arts/entertainment/recreation activities increasing by 96 percent since 2001.<sup>1</sup> In addition, the county has made significant capital investments in public school development in response to a 6.5 percent annual increase in student enrollment over the past five years. In fact, with respect to total county capital investments in 2005-2006, 82 percent was allocated toward projected school construction costs.<sup>2</sup>

As other infrastructure within the county is being expanded to accommodate the population growth, it is critical that health care resources, particularly acute care bed capacity, keep pace. Currently, as shown above, existing acute care capacity is not sufficient to handle the projected growth.

<sup>1</sup> "Fitch Rates Union County, NC Series 2006 COPs 'AA'", Business Wire, Sept. 2006.

<sup>2</sup> Ibid.

*Summary*

It is abundantly clear that the proposed special need adjustment sought by the petition merits approval in order for Union County residents to have sufficient access to acute care inpatient beds.

We appreciate your careful consideration of this petition. Thank you.