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MEDICAL FACILITIES
PLANNING SECTION

August 28, 2008

Ms. Victoria McClanahan, Planner
Medical Facilities Planning Section
Division of Health Service Regulation
701 Barbour Dr.
Raleigh, NC 27603

RE: Novant Health, Inc. Comments on Carolinas Medical Center-Union Petition for Adjusted Need Determination for 25 New Acute Care Beds in Union County Filed August 1, 2008

Dear Ms. McClanahan:

We appreciate the opportunity to comment on the above-referenced petition, which requests an adjusted need determination in the *2009 Proposed State Medical Facilities Plan (Proposed 2009 SMFP)* for 25 new acute beds in Union County. The petitioner, Carolinas Medical Center-Union (CMC-Union) operates the only licensed acute care hospital in Union County. CMC Union is licensed for 157 acute inpatient beds and 70 skilled nursing beds. Based on the data in CMC-Union's 2008 Hospital Licensure Renewal Application, the average inpatient occupancy rate for CMC-Union during FFY 2007 was 66%¹, compared to the state's target occupancy rate of 71.4% for hospitals with an Average Daily Census of 100-200.

Currently, the *Proposed 2009 SMFP* identifies a **16 bed surplus** in Union County. Likewise, the *2008 State Medical Facilities Plan* identifies a **16 bed surplus** in Union County. And the *2007 SMFP* identified a **17 bed surplus** in Union County. Furthermore, the *2006 SMFP* identified a **19 bed surplus** in Union County. In addition, the *2005 SMFP* identified a **17 bed surplus** in Union County. The *2004 SMFP* also identified a **23-bed surplus** in Union County at CMC-Union. Again, CMC-Union is the only acute care hospital in Union County. Over the past six years, the state's bed need formula clearly suggests that 10% to 15%² of CMC-Union's existing inpatient beds are surplus licensed acute care beds. Based on the state's own data and county-level bed need method, it is quite premature for CMC-Union to be seeking an adjusted bed need determination to add 25 new acute beds in the *Proposed 2009 SMFP*, when considered in the context of six continuous years of Union County bed surpluses identified in the annual State Medical Facilities Plans. Twenty-five new acute beds at CMC-Union would represent an increase in 26% increase in inpatient bed capacity (25 proposed beds/157 existing licensed beds) and simply is not reasonable in the face of the sustained 6-year trend of bed surpluses at the only hospital in Union County. The Agency typically always requires that a hospital provider put to

¹ Calculation: (37,839 patient days)/(365 days per year) = 103.7 Average Daily Census and (103.7 ADC)/(157 Licensed Acute Beds) = 66% occupancy

² Calculation: (23 surplus beds)/(157 CMC-Union licensed beds) = 15% and (16 surplus beds)/(157 CMC-Union licensed beds) = 10%

the best and most productive use the provider's existing licensed acute beds prior to seeking additional new acute beds³. CMC-Union has not demonstrated that it has accomplished or considered this prior to filing its petition for an adjusted bed need determination of 25 beds.

**Summary of SMFP Union County Bed Surpluses
At CMC-Union and CMC-Union Inpatient Occupancy**

SMFP	Data Year	SMFP Patient Day Avg Growth Rate	CMC-Union Acute Bed Surplus*	CMC-Union Licensed Acute Beds	% Surplus Beds CMC Union	CMC Union Acute Inpt Days**	CMC Union Avg Daily Inpt Census	CMC Union Inpt Occupancy Rate	SMFP Target Inpt Occ Rate
2009	FFY 07	0.01%	16	157	10%	36,629	100.4	63.9%	71.4%
2008	FFY 06	0.47%	16	157	10%	33,398	91.5	58.3%	66.7%
2007	FFY 05	1.58%	17	157	11%	31,000	84.9	54.1%	66.7%
2006	FFY 04	1.52%	19	157	12%	30,584	83.8	53.4%	66.7%
2005	FFY 03	1.15%	17	157	11%	31,746	87.0	55.4%	66.7%
2004	FFY 02	1.35%	23	157	15%	30,041	82.3	52.4%	66.7%

*Note: according to annual SMFPs, Acute Bed Chapter 5, Table 5A, "Acute Bed Need Projections"

Source: Annual SMFPs, Acute Bed Chapter 5, Table 5A

Note: ADC calculated as: (CMC-Union Acute Inpt Days)/(365 days Per Year)

Note: CMC-Union Occupancy Rate calculated as (ADC)/(CMC-Union 157 Licensed Beds)

Source: Target Occupancy Rate in SMFP, Chapter 5 is 66.7% for ADC < 100 and 71.4% for ADC 100-200

As the table above clearly illustrates, at no point in the past six years has CMC-Union been close to the state's required target inpatient occupancy rate. In addition, under the SMFP bed need method there has been a bed surplus in Union County of 16 to 23 beds for six straight years. CMC-Union's growth in annual acute inpatient days has been erratic, with increases in some years and decreases in other years and range from -3.7% to 9.7%. CMC-Union's patient day growth must also be considered in light of approximately 100 new acute beds that have been approved for its sister hospital, CMC-Pineville, nearby in southern Mecklenburg County. These factors combined make this the wrong time for a new acute bed need in Union County. This is discussed in more detail below.

CMC-Union is clearly not a "county or facility whose circumstances position them as outliers of a statewide approach," as erroneously suggested in the CMC-Union adjusted bed need petition. While according to CMC-Union's petition, CMC-Union's compound annual growth rate of acute care patient days was 6.2% from 2004 - 2007, the annual SMFPs covering those years still showed Union County bed surpluses at CMC-Union of 23 of 157 beds, 17 of 157 beds, 19 of 157 beds, and 16 of 157 beds.

Furthermore, CMC-Union's petition for the addition of 25 new acute beds in Union County neglects to place its request in the proper context of other providers that serve the health needs of Union County residents. Many of Union County's referring physicians send inpatients to nearby hospitals in southern Mecklenburg County for care, because their patients live closer to the

³ See e.g., the Agency decisions in the following approved projects: Forsyth Medical Center North Pavilion CON application (relocation of 114 licensed acute beds from MPH to FMC—Project I.D.# G-7011-04); Presbyterian Hospital F-Wing CON application (relocation of 76 existing acute beds from POH to TPH—Project I.D. # F-7386-05); and Presbyterian Hospital Mint Hill (relocation of 50 beds from POH to PHMH—Project I.D. # F-7648-06).

southern Mecklenburg County hospitals than to the hospital in Union County. An expansion of inpatient capacity at CMC-Union, the only existing acute care hospital in Union County, would needlessly duplicate inpatient capacity, where inpatients and their referring physicians are continuing to choose hospitals in southern Mecklenburg County. These hospitals include CMC-Union's sister hospital, CMC-Pineville, and Presbyterian Hospital Matthews. CMC-Pineville serves a significant number of Union County residents, 1400-1500 annually or 10 % of its inpatient admissions⁴ and CMC-Pineville defines its primary service area to include Union County⁵. CMC-Pineville has been approved, through a series of CON applications⁶, the most recent of which is February 28, 2008, to expand from 109 to 206 acute inpatient beds, from 7 to 10 ORs, from 1 to 2 C-Section ORs, from 1 to 3 cardiac cath labs, and from 0 to 2 heart-lung bypass units, all based on the relocation of assets from other existing Carolinas Medical Center facilities in Mecklenburg County. Much of the growth used to justify these CON Applications is related to Union County residents in closer proximity to CMC-Pineville than CMC-Union. In particular, if CMC-Union were to file a CON application to add those 25 beds at its hospital in Monroe or at its recently approved Healthplex (with ORs, ED, and imaging) in Waxhaw⁷, these scenarios would undoubtedly cannibalize some of the Union County inpatient days that CMC-Pineville used in its CON application to justify the addition of 97 beds (206 beds proposed – 109 beds approved) at CMC-Pineville. Presbyterian Hospital Matthews (PHM) inpatient origin from the PHM Annual Hospital Licensure Renewal Application shows that over one-third of its inpatient admissions are Union County residents⁸. These existing hospital facilities are readily accessible for the majority of Union County residents and referring physicians, referral patterns are well-established and satisfactory, and the county line is simply not a barrier to travel to these hospitals, as the road connectivity is good.

⁴ Based on Patient Origin Tables at pages 76 & 92 in the CMC-Pineville CON Application Project I.D. # F-7979-07

⁵ CMC Pineville CON application for Project I.D. # F-7979-08, at pages 88-91.

⁶ See CMC-Pineville CON application for Project I.D. # F-7313-05 (relocation of beds from CMC-Mercy to CMC-Pineville) and CMC Pineville CON application for Project I.D. # F-7979-08 (CMC-Pineville new bed tower; relocation of 50 beds from CMC-Mercy & 36 beds from CMC-University to CMC-Pineville; relocation of 2 heart lung bypass units and 2 cardiac cath labs from CMC-Mercy to CMC-Pineville; and relocation of 2 ORs from CMC-Randolph to CMC-Pineville).

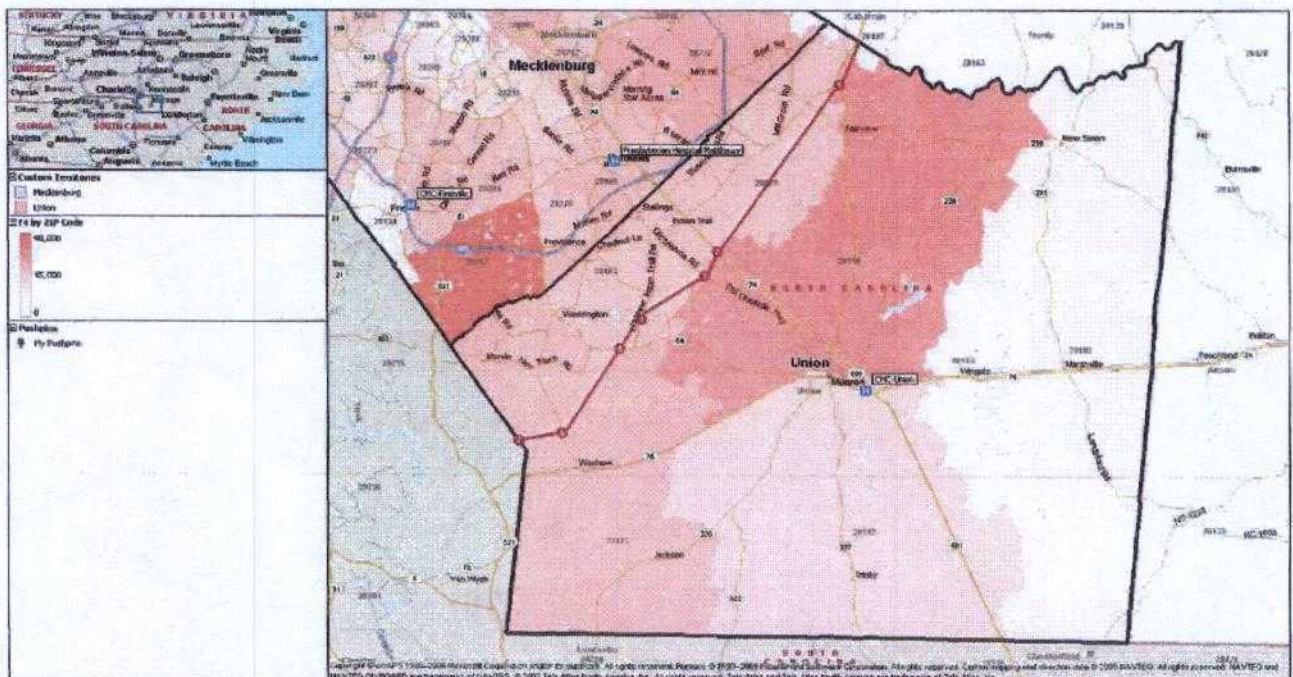
⁷ CMC-Union Waxhaw Healthplex approved by CON settlement based on CMC-Union Project I.D. #s F-8046-08 and F-7706-06.

⁸ 2008 PHM LRA Patient Origin Table for Acute Care Inpatient Services: (2658 Union County Inpatients at PHM)/(7305 Total Inpatients at PHM) = 36%; 2007 PHM LRA Patient Origin Table for Acute Care Inpatient Services: (2464 Union County Inpatients at PHM)/(6807 Total Inpatients at PHM) = 36%.

Mileage Table: From Locations in Union County to CMC-Union and Hospitals in Southern Mecklenburg County

Point	Locations in Northern Union County (near the Union-Mecklenburg County Line)	CMC-Union		CMC-Pineville		Presbyterian Hospital Matthews	
		Miles	Minutes	Miles	Minutes	Miles	Minutes
1	Hwy 601 and Old Dutch Road (North Union County)	14.5	19	25.5	28	14.5	19
2	Hwy 74 and Wesley Chapel Stouts Rd (between Indian Trail & Monroe, Union County)	9.2	12	18.1	19	6.7	10
3	Wesley Chapel Stouts Rd and Old Monroe Rd	10.5	14	17.5	21	7.9	12
4	Waxhaw Indian Trail Rd and Beulah Church Rd	10.9	20	14.4	20	9.7	16
5	Monroe Weddington Rd near Lester Davis Dr	11.4	19	13.9	19	14.3	19
6	Providence Rd and Pine Oak Rd (North Waxhaw, Union County)	15.4	26	15.8	21	16.1	22
7	Kensington Dr at SC/Union County Border	17.4	33	15.7	23	17.8	28

All mapped points are illustrated on the following map. The map illustrates the areas of Union County closer to CMC-Pineville and Presbyterian Hospital Matthews. The parts of Union County above (north of) the burgundy line on the map are closer to CMC-Pineville and Presbyterian Hospital Matthews than to the CMC-Union hospital. The area above the burgundy line on the map represents three of the most populous zip codes in Union County (Indian Trail, Weddington, and Waxhaw).



**Zip Population Table: Union County
2008 & Projected 2013**

Zip	Town	2008	Percent of Total County 2008	2013	Percent of Total County 2013
28079	Indian Trail	28924	15.0%	37476	15.9%
28104	Weddington	28926	15.0%	36742	15.6%
28173*	Waxhaw	32775	17.0%	42311	18.0%
Subtotal Three Zips Closer to Mecklenburg County		90625	47.1%	116529	49.5%
Union County Population - NC State Demographics		192,452		235,507	

*Note: Most of the population in zip code 28173 is concentrated in the northern half of the zip code, closer to Mecklenburg County.

This population table confirms that almost 50% of the Union County population is concentrated in the northern portion of Union County, close to the border with Mecklenburg County. Thus, it is reasonable that there would be patients who currently seek and will continue to seek inpatient care at the readily accessible hospitals in Pineville and Matthews.

Prior to filing this petition for an adjusted need determination, CMC-Union has failed to consider and to exhaust other options available to it. First, pursuant to 10A NCAC.13B.3111, CMC-Union can seek petition the DHSR Division of Licensure and Certification for a temporary increase of up to 10% of its existing licensed acute beds for 60 days. If granted, this would permit CMC-Union to operate 16 additional licensed beds for up to 60 days to address inpatient census spikes. CMC-Downtown has used this technique successfully, as has Presbyterian Hospital Huntersville. Second, CMC-Union failed to take into consideration the significant, CON-approved increase acute beds at nearby facilities in southern Mecklenburg County. CMC-Union's sister hospital, CMC-Pineville is located nearby in southern Mecklenburg County and has CON approval to increase its licensed inpatient bed capacity by almost 100 beds, from 109 to 206 acute inpatient beds. In addition, Presbyterian Hospital Matthews, which is even closer to Union County, is currently seeking the state's approval to add 15 new acute beds to its compliment of 102 existing acute inpatient beds, by quickly and inexpensively placing those 15 beds in existing bedrooms at PHM⁹. Third, the state's own data in the SMFP Bed Need Chapter and CMC-Union's own acute inpatient occupancy rate, which is well below the state's target inpatient occupancy rate do not support CMC-Union's request for 25 new acute beds, which would be a 16% increase in inpatient bed capacity at CMC-Union. Fourth, CMC-Union failed to take into consideration that the *Proposed 2009 SMFP* includes a need for at least 30 new acute beds in a contiguous county, Mecklenburg County. Many Union residents have established patterns of traveling out of Union County to Mecklenburg County for work, healthcare, and shopping, and entertainment. Since Union residents travel to hospitals in southern Mecklenburg County for their care, more beds at CMC-Union would be a duplication of existing and CON-approved bed capacity in southern Mecklenburg County and would potentially disrupt existing doctor-patient relationships and established, well-functioning referral relationships

Finally, CMC-Union's petition can be distinguished from the other petitions seeking adjusted need determinations for acute beds in the *Proposed 2009 SMFP*. In the urban counties of

⁹ See Project I.D. # F-8132.

Forsyth and Mecklenburg, individual hospital facilities showed the need for new acute beds, as well as current acute annual inpatient days that exceeded the projected 2013 inpatient days in the *Proposed 2009 SMFP*. The CMC-Union petition for an adjusted bed need in Union County is made with a six year history of bed surpluses at CMC-Union as identified in the State Medical Facilities Plans from 2004 through proposed 2009. Unlike the other bed petitions, CMC-Union does not share in its petition any CMC-Union annual inpatient days that are more current than the 12 months ended September 30, 2007¹⁰. Thus, it is not possible to discern if CMC-Union's patient days for the most recent 12-month period, would or would not exceed the projected patient days in the *Proposed 2009 SMFP*.

For the reasons articulated above, the CMC-Union petition for an adjusted need determination of 25 acute beds in Union County in the *Proposed 2009 SMFP* is both premature and unjustified when considered in the context described above. CMC's petition for an adjusted bed need determination in Union County should be denied.

Thank you for your consideration of Novant Health's comment opposing CMC-Union's petition for an adjusted need determination for 25 new acute beds in Union County. The petition is premature and should be denied.

Sincerely,



Barbara L. Freedy, Director
Certificate of Need
Novant Health, Inc.

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¹⁰ See CMC-Union petition at page 4, second paragraph.