

**Petition to the State Health Coordinating Council
Regarding the 2012 State Medical Facilities Plan**

August 1, 2011

Petitioner:

J. Arthur Doshier Memorial Hospital
924 North Howe Street
Southport, NC 28461-3099
Telephone: (910) 457-3800

Contact:

Edgar Haywood, III
924 North Howe Street
Southport, NC 28461-3099
Telephone: (910) 457-3800

DFS Health Planning
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AUG 01 2011
Medical Facilities
Planning Section

**PETITION
STATEMENT OF REQUESTED ADJUSTMENT**

J. Arthur Doshier Memorial Hospital (Doshier), requests an adjustment to the nursing care bed need determinations in the *Proposed 2012 State Medical Facilities Plan (SMFP)*.

In Chapter 10, Table 10C should be revised to show a need for 14 nursing care beds in Brunswick County.

**Table 10C: Nursing Care Bed Need Determinations
(Scheduled for Certificate of Need Review Commencing in 2012)**

County	HSA	Number of New Nursing Care Beds Needed	CON Application Due Date	CON Beginning Review Date
Brunswick	V	14	TBD	TBD

REASONS FOR THE PROPOSED ADJUSTMENT

Overview

J. Arthur Doshier Memorial Hospital's fifty (50) hospital nursing care beds are operating at virtual capacity today and have a waiting list.

J. Arthur Doshier Memorial Hospital is a Critical Access Hospital and one of five operating nursing care facilities in Brunswick County. Almost all of its nursing care residents (97 percent) are Brunswick County residents. Today, the hospital is licensed for 36 acute care beds, 50 nursing home care beds and 14 adult care home beds. On September 30, 2010, virtually all, 49 of the 50, nursing care beds were full. The 14 adult care beds had two occupants. The same is true in July 2011. Doshier accepted 10 of these beds in exchange for surrendering 10 approved nursing care bed to settle another company's appeal of the state's decision to award Doshier 60 nursing home beds in 1996. The other company subsequently decided not to build its project and the 10 nursing home beds taken from Doshier in the settlement were never built.

Currently, Doshier has a nursing home waiting list of 40 to 50 people. Doshier's nursing home beds fill within 48 hours of a vacancy occurring. By contrast, Doshier's adult care home beds were completely vacant on July 20, 2011.

J. Arthur Doshier Memorial Hospital could make a significant impact on the nursing care bed deficit, as well as on the imbalance of adult care capacity in the Brunswick County health care delivery system, if the *Proposed 2012 State Medical Facilities Plan (SMFP)* showed a need for 14 nursing home beds.

The nursing home methodology in the *Proposed 2012 State Medical Facilities Plan (SMFP)* is based on need three years out, 2015. All evidence indicates that unmet need for nursing home care beds in Brunswick County will sustain into 2015 and beyond. The methodology in the *Proposed 2012 SMFP* actually calculates a deficit of 96 nursing care beds in Brunswick County for 2015, even with a placeholder for an as yet unopened facility, Autumn at Brunswick Plantation. Yet, the *Proposed 2012 SMFP* shows no need for more nursing care beds in Brunswick County. The *2011 SMFP* calculates a deficit of 38 beds in 2014, but also shows no need.

Asking residents of Brunswick County to wait longer to get nursing home access is unreasonable and unnecessary, especially when a very cost effective solution is available now and could be on line in late 2012.

Brunswick County Population Growth

Brunswick County's population is growing. Even with adjustments for the recession slowdown, the North Carolina Office of Budget and Management predicts that Brunswick County's population will increase at a compound average growth rate of 2.52 percent a year over the next five years. This makes Brunswick County the sixth fastest growing county in North Carolina¹. The population, age 65 and over, will increase at a compound average growth rate of 5.08 percent a year over the next five years, adding about 6,762 people to this age group. This sustained growth will increase the demand for nursing care beds in Brunswick County.

Projected Annual County Population Totals, 2011-2016

County	Jul-11	Jul-12	Jul-13	Jul-14	Jul-15	Jul-16	CAGR*
Brunswick	111,127	114,078	117,027	119,977	122,926	125,876	-
% Change	-	2.66	2.59	2.52	2.46	2.40	2.52

*CAGR= Compounded Annual Growth Rate

Projected Annual County Population Totals: Age 65 and Over

County	July 2011	July 2016	CAGR*
Brunswick	24,041	30,803	-
% of Population	21.28%	23.70%	5.08

Source: NC Office of State Budget and Management, 2011

http://www.osbm.state.nc.us/ncosbm/facts_and_figures/socioeconomic_data/population_estimates/demog/countytotals_2010_2019.html

State Plan Methodology

The *Proposed 2012 SMFP* nursing care bed methodology is conservative. It requires that all nursing home beds in the county be at 90 percent occupancy before the *SMFP* shows need for new beds. As a result, it masks the real need in Brunswick County. The methodology calculates a shortage of 96 nursing care beds for Brunswick County in 2015, but no need is determined, because the nursing care bed average occupancy for the entire Brunswick County is less than 90 percent. Two facilities stay at low utilization because of reputation issues. One new home, Autumn at Brunswick Plantation, received CON approval in 2007. However, this facility has yet to begin construction because of financing issues. It is not scheduled for operation until August 15, 2012². Together, these factors keep the average Brunswick occupancy below the target.

¹ North Carolina Office of State Budget and Management, 2011

² Certificate of Need Progress Report Form, O-8005-07 (attached)

It is unfair to force residents to use facilities that are of lesser quality. Anecdotally, the hospital discharge planner regularly works with families who cobble together home care and relative care, often at great personal cost, while they wait for an acceptable nursing home bed to come available.

Additionally, data from licensure reports indicate that a significant number of Brunswick County residents go out of county for nursing home beds; a total of 288 Brunswick county residents reside in nursing care facilities in surrounding counties (Columbus, Pender, and New Hanover). This significant emigration of patients to surrounding counties causes an unnecessary strain on Brunswick County residents, which could be mitigated by additional nursing care beds in their own county. Even with the future opening of the new nursing care facility in Brunswick County, residents of Southport would have to travel over an hour to reach the Autumn at Brunswick Plantation nursing care facility located in Calabash, near the South Carolina state border.

Dosher Opportunity at No Capital Cost

J. Arthur Dosher Memorial Hospital can bring 14 beds on line immediately upon CON approval. Its adult care home beds are built to nursing care bed specifications. Therefore, a conversion of the adult care home beds to nursing care beds would have no capital costs and involve no delay.

This interim solution in the *2012 SMFP* would also offer the county an opportunity to accrue sufficient beds in a subsequent *SMFP* to support a new provider.

STATEMENT OF ADVERSE EFFECTS ON PROVIDERS AND CONSUMERS OF NOT MAKING THE REQUESTED CHANGE

Not making the change adversely affects Brunswick County, Smithville Township, and J. Arthur Dosher Memorial Hospital.

Keeping beds in the approved configuration at Dosher is not reasonable. Patients are waiting for nursing care beds that cannot be supplied and unneeded adult care home beds remain unused.

As a result, many people in Brunswick County will not get the full benefit of nursing care beds that they clearly need. Because J. Arthur Dosher Memorial Hospital is subsidized by a hospital tax that is paid by residents of the Smithville Township, failure to make the change will not only deprive people of clearly needed nursing home services, it will add a tax burden, because the hospital must maintain the beds whether or not they are full.

Times have changed. When Doshier opened the 14 beds more than ten years ago, they were full. Doshier served a unique niche, providing a location for people who wanted couple accommodations. The past decade brought new adult care only homes that offer far more spacious accommodations and amenities for couples; and J. Arthur Doshier Memorial Hospital's adult care bed demand virtually disappeared. Data from licensure reports indicate that Brunswick County adult care home facilities have an average occupancy rate of 62 percent. This low utilization of adult care beds in Brunswick County shows that there is plenty of space available to any resident needing adult care.

Brunswick County Adult Care Bed Occupancy on 9/30/2010

Total # of Adult Care Home Residents	Total # of Licensed Adult Care Home Beds	Current Occupancy Rate
207	335	62%

Source: Adult Care Home Licensure Renewals, 2011

**STATEMENT OF ALTERNATIVES TO THE REQUESTED CHANGE
CONSIDERED AND REJECTED**

Doshier leadership considered several alternatives to this request.

Do Nothing. With J. Arthur Doshier Memorial Hospital nursing care beds consistently full and a waiting list with as many people as beds, doing nothing will unnecessarily extend the shortage of quality Brunswick County nursing care beds.

Status Quo. Waiting until some future *SMFP* calculates a need and meets other tests, would unreasonably delay access and extend operating loss on unneeded adult care beds. A nursing home bed need exists today as demonstrated by the sustained waiting list. The 14 adult care beds are too few to operate efficiently in this setting.

Request all 96 beds. Although the Plan methodology need calculation supports this alternative, and the sustained nursing home waiting list at Doshier would support more than 14 additional nursing home beds, Doshier rejects this alternative. The unopened Autumn Care at Brunswick Plantation will absorb some of the waiting list in the next year or two. Moreover, adding 96 beds would most likely cause the state to approve a whole new nursing home. The ideal nursing home size, according to the *SMFP* is 90 beds. When the 2007 *SMFP* included 70 beds for Brunswick County, Doshier requested 14 beds and other providers offered to build new facilities that contained all 70 beds. The CON Section found that Doshier's 14 beds were a less responsive alternative.

Ultimately, Brunswick County will need another nursing home. With two nursing homes in Southport, locating a third there would not likely rank well in a comparative review. Hence, a new home would probably be placed elsewhere and not likely address the bed shortage in Southport, or in southeast Brunswick County. Finally, such a solution would not address the current nursing home bed shortage. For a new facility, the lag time between publication of the *SMFP* and actual opening of beds is about three or four years.

By adding 14 beds in the *2012 SMFP*, the State Health Coordinating Council could almost immediately improve Brunswick County nursing home access and reduce the operating drain on a critical access hospital and its tax payers. Doshier would apply to address the demonstrated need in the Southport area, by the end of 2012. The 14 beds and the soon to be opened Autumn facility would then test how much additional unmet nursing home bed need sustains in Brunswick County.

This is important because statewide demand for nursing beds has dropped over the past four years, as noted in the use rates from State Medical Facilities Plans.

Five-Year Average Nursing Home Bed Days per 1,000 Residents

Age Group	Five Year Period Ending			
	2007	2008	2009	2010
Under 65	0.61	0.58	0.58	0.58
65-74	9.96	9.87	8.75	8.55
74-84	37.65	35.54	33.56	30.89
85+	118.38	114.09	110.07	107.55

Source: State Medical Facilities Plans 2008 through Proposed 2012

Adding just 14 beds in the *2012 Plan* would give the state a chance to see if the use rates stabilize.

Recommended Solution. Approve a special need determination in the *2012 SMFP* for 14 nursing care beds in Brunswick County. Approval of the beds will have at least one applicant and give J. Arthur Doshier Memorial Hospital the chance to meet local demand with available unused capacity.

EVIDENCE OF NON-DUPLICATION OF SERVICES

This requested change will cause no duplication of services.

J. Arthur Doshier Memorial Hospital is one of two hospitals in Brunswick County, and the only hospital that operates nursing care beds. The hospital has demonstrated that future utilization of the proposed additional nursing care beds is supported by a sustained waiting list for the current beds, as well as population growth in Brunswick County. On average, 48 to 50 people are waiting for these beds today. Available alternatives in the county are not acceptable to county residents.

Furthermore, according to the *Proposed 2012 SMFP*, in 2015, there will be a projected deficit of 96 nursing care beds in Brunswick County. As such, even if 14 new nursing care beds are allowed in Brunswick County, there will still be a calculated deficit of 82 nursing care beds.

EVIDENCE OF N.C. STATE MEDICAL FACILITES PLAN BASIC GOVERNING PRINCIPLES

Safety and Quality

Medicare provides a Five Star Quality Rating system for nursing care facilities in the United States. Of the five nursing care facilities in Brunswick County, J. Arthur Doshier Memorial Hospital was the only facility to receive a five star rating in all four categories: Overall Rating, Health Inspection, Nursing Home Staffing, and Quality Measures. Similarly, U.S. News and World Report reported that J. Arthur Doshier Memorial Hospital was the only nursing care facility in the entire state of North Carolina to receive a five star rating in all four categories³. Additionally, J. Arthur Doshier Memorial Hospital achieved deficiency-free quality surveys for the last two years, according to the North Carolina Division of Health Service Regulation. The high level of quality that this facility demonstrates is a testament to its commitment to safety and quality to the Brunswick County community.

2011 Star Quality Rating (Max = 5 Stars)

Facility	Overall Rating	Health Inspection	Nursing Home Staffing	Quality Measures*	Occupancy Rate
J. Arthur Doshier Memorial Hospital	★★★★★	★★★★★	★★★★★	★★★★★	98%

Source: 2011 Nursing Home Comparison, Medicare.gov

* This information is self-reported by the nursing home and comes from data that nursing homes routinely collect on all residents at specified times. Only a subset of the nineteen quality measures were used to calculate the quality measure rating.

³ U.S. News and World Report: Best Nursing Homes in North Carolina, 2011

Access

J. Arthur Doshier Memorial Hospital welcomes residents of Brunswick County regardless of payor class, race, color, sex, socioeconomic status, religion or disability. Its room charges are at the average for the county, \$173.33 for a private room, and lower than nursing homes with available beds in New Hanover County. Compared to the nursing home located across the street, a significantly higher proportion of Doshier's nursing home days are covered by Medicaid (62 percent compared to 55 percent, according to 2011 NC Licensure Renewal data).

With 21 percent of the Brunswick County population over the age of 65, it is important to maintain good access to nursing home beds. Nursing homes serve both chronic care long stay patients and short term rehabilitation patients. With more nursing care beds, J. Arthur Doshier Memorial Hospital will be able to keep up with the demand of a rapidly growing elderly population that needs both types of care.

A special need for 14 beds in Brunswick County in the *2012 SMFP* will reduce the calculated deficit to 82 beds in 2015. It will immediately address a current deficit in nursing home care beds in the county and reduce the waiting list at Doshier.

Value

Because it has existing adult care beds built to nursing care bed specifications and included as a unit in a licensed nursing home on the hospital campus, J. Arthur Doshier Memorial Hospital would not require any additional capital cost to address this need. Moreover, with a waiting list for nursing care beds and low demand for adult care beds, the county would maximize use of existing resources for the health benefit of the community. Giving Doshier the opportunity to apply for a CON to convert unused and unneeded adult care home beds to much needed nursing care beds is a high value solution.

Residents of the Smithville Township, who are taxed to support the Critical Access hospital, would realize the significant cost savings associated with full beds. Doshier estimates the annual savings could be at least \$500,000.

More nursing home beds at Doshier will also provide significant health care delivery system cost savings. About 25 percent of Doshier nursing home residents are short-stay, using the nursing home rather than the hospital for post surgical recovery. Nonetheless, Medicare days represent only three percent of the total. This means that local residents who are under 65, or covered by a private retirement insurance plan, and who are paying out of pocket deductibles and coinsurance on their private coverage are moving out of expensive hospital stay into less expensive nursing home beds. The nursing home is designed and organized for a therapeutic regimen that builds strength and readies a person to return home.

CONCLUSION

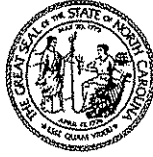
J. Arthur Doshier Memorial Hospital has demonstrated Brunswick County's need for 14 more nursing care beds before 2015. The hospital has also shown that its own current demand for nursing home beds will expand as the older population increases. A conversion will not add capital cost. Delaying the conversion would deprive patients of care and make inefficient use of an existing resource.

Doshier respectfully request that the *2012 SMFP* be amended to show a special need for 14 additional nursing home beds in Brunswick County.

Attachment: CON Progress Report, O-8005-07 (Autumn Care of Brunswick Plantation)

Attachment

CON Progress Report, O-8005-07
(*Autumn Care of Brunswick Plantation*)



North Carolina Department of Health and Human Services
Division of Health Service Regulation
Certificate of Need Section
2704 Mail Service Center • Raleigh, North Carolina 27699-2704

Beverly Eaves Perdue, Governor
Lanier M. Cansler, Secretary

www.ncdhhs.gov/dhsr

Craig R. Smith, Section Chief
Phone: 919-855-3873
Fax: 919-733-8139

April 4, 2011

Douglas C. Suddreth
Vice President of Development
Autumn Corporation
P.O. Box 1579
Morganton, NC 28680

RE: Acknowledgment of Receipt of Progress Report/ Project I.D. #O-8005-07/ Autumn Corporation d/b/a Autumn at Brunswick Plantation/ Develop a new 100-bed nursing facility in Ash by relocating 30 nursing facility beds from Autumn Care Shallotte and 70 beds in 2007/ State Medical Facilities Plan/ Brunswick County
FID #070820

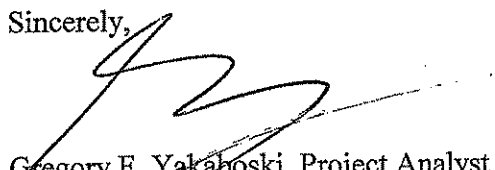
Dear Mr. Suddreth:

Thank you for your recent progress report on the above referenced project. Your next progress report will be due August 8, 2011.

Please contact the Certificate of Need Section office if you have any additional delays or unexpected expenditures. Please do not hesitate to contact me if you have any questions regarding this project.

Please refer to the Project I.D. # and Facility I.D. # (FID) in all correspondence.

Sincerely,


Gregory F. Yakaboski, Project Analyst
Certificate of Need Section

GFY:mw

Attachment



**CERTIFICATE OF NEED
PROGRESS REPORT FORM**

19 NOV 2010 11 : 13

County: **Brunswick County** Date of Progress Report: **11/19/2010**
 Facility: **Autumn Care of Brunswick Plantation** Facility I.D. #: **070820**
 Project I.D. #: **O-8005-07** Effective Date of Certificate: **05/29/08**
 Project Description: **Develop a new 100 bed NF in Brunswick County consisting of 70 new beds and 30 beds relocated from Autumn Care of Shallotte.**

A. Status of the Project – Describe the current status of the project. If the project is not going to be developed exactly as proposed in the certificate of need application, describe all differences between the project as proposed in the application and the project as currently proposed. Such changes include, but are not limited to, changes in the: 1) design of the facility; 2) number or type of beds to be developed; 3) medical equipment to be acquired; 4) proposed charges; and 5) capital cost of the project. (See the Capital Cost Section of this form for additional questions regarding changes in the total capital cost of the project). **Site has been rezoned and purchased. Design phase is complete. Development schedule is based on available financing. Preliminary discussions indicate financing available for construction starting in Summer/Fall 2011.**

B. Timetable

1. Complete the following. The first column must include the timetable dates found on the certificate of need. If the CON Section has authorized an extension of the timetable in writing, you may substitute the dates from that letter.

	Projected Completion Date (from the Certificate of Need) Month/Day/Year	Revised Timetable Month/Day/Year
Obtained Funds for the Project	October 15, 2008	July 1, 2011
Approval of Final Drawings and Specifications	January 05, 2009	July 1, 2011
Acquisition of land/facility	September 30, 2008	Feb, 2009
Construction Contract Executed	February 09, 2009	Aug, 2011
25% completion of construction	October 01, 2009	Nov, 2011
50% completion of construction	January 16, 2010	Feb, 2012
75% completion of construction	May 3, 2010	May, 2012
Completion of construction	September 1, 2010	Aug, 2012
Ordering of medical equipment	_____	_____
Operation of medical equipment	_____	_____
Occupancy/offering of services	October 1, 2010	Aug 15, 2012
Licensure	October 1, 2010	Aug 20, 2012
Certification	October 10, 2010	Aug 30, 2012

2. If the project is experiencing significant delays in development:
 a. explain the reasons for the delay; and
Revised timetable is the result of unprecedented changes in the economy resulting from a near collapse of the financial industry. BB&T, Autumn's lead bank has however remained strong financially and still anticipates handling the permanent and construction loan. These conditions combined with federal oversight of the banking industry have led to a more cautious approach. Delays are based on other Autumn projects under development and financing availability. Autumn's purchase of site and development of A&E plans demonstrates progress and commitment.

b. provide a revised timetable for the CON Section to consider.

See revised timetable above

C. **Medical Equipment Projects** – If the project involves the acquisition of any of the following equipment: 1) major medical equipment as defined in NCGS §131E-176(14f); 2) the specific equipment listed in NCGS §131-176(16); 3) equipment that creates an oncology treatment center as defined in NCGS §131-176(18a); or 4) equipment that creates a diagnostic center as defined in NCGS §131E-176(7a), provide the following information for each piece or unit of equipment. **N/A**

- a. Manufacturer
- b. Model
- c. Serial Number
- d. Date acquired

D. Capital Expenditure

- 1. Complete the following table.
 - a. Include all capital costs that have been paid to date as well as those that the applicant(s) are legally obligated to pay.
 - b. If you have not already done so, provide copies of the executed construction contracts, including the one for architect and engineering services, and all final purchase orders for medical equipment costing more than \$10,000/unit.
 - c. If the project involves renovation or construction, provide copies of the Contractors Application for Payment [AIA G702] with Schedule of Values [AIA G703].

	Capital Expense Since Last Report	Total Cumulative Capital Expenditure
Site Costs		
Purchase price of land*	_____	1,890,000
Closing costs	_____	7,443
Legal Fees	_____	_____
Site preparation costs	_____	_____
Landscaping	_____	_____
Other site costs (identify)	_____	_____
Subtotal Site Costs	_____	1,897,443
Construction Costs		
Construction Contract	_____	_____
Miscellaneous Costs		
Moveable Equipment	_____	_____
Fixed Equipment	_____	_____
Furniture	_____	_____
Consultant Fees	_____	_____
Financing Costs	_____	_____
Interest during Construction (Land)	16,450	16,450
Other Misc. Costs (identify) A&E	34,500	129,700
Subtotal Misc. Cost	<u>50,950</u>	<u>146,150</u>
Total Capital Cost of the Project	50,950	2,043,593

See attached closing statement on site.

2. As of the date of this progress report, what is your best estimate of the total actual capital cost of the project? **\$9,249,000.** **Delays are not anticipated to materially affect capital cost. Construction costs are lower based in economic conditions reflected in recent favorable bids involving recent Nursing Home projects.**
3. Will the total actual capital cost of the project exceed 115% of the approved capital expenditure on the certificate of need? If yes, explain the reasons for the difference. **No.**

E. **CERTIFICATION** – The undersigned hereby certifies that the responses to the questions in this progress report and the attached documents are correct to the best of his or her knowledge and belief.

Signature of Officer:

Name and Title of Responsible Officer

Telephone Number of Responsible Officer


Douglas C. Suddreth, Vice President of Development
828-433-7585

Effective date: 8/16/04