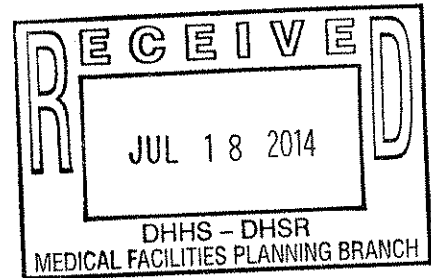


Cape Fear Valley Health System
Request for an Adjustment to the Acute Care Bed Need Determination
in the Cumberland/Hoke Service Area, North Carolina
Proposed 2015 SMFP Public Hearing Presentation

I. Introduction

Nancy Bres Martin
NBM Health Planning Associates
For:

Sandy Godwin
Executive Director of Corporate Planning
Cape Fear Valley Health System
P.O. Box 2000
Fayetteville, NC 28302-2000
stgodwin@capefearvalley.com



Good Afternoon, I am Nancy Bres Martin with NBM Health Planning Associates, here today representing Cape Fear Valley Health System. I am here today to discuss the bed need identified in the Proposed 2015 State Medical Facilities Plan for Cumberland County, and to ask the SHHC to decrease the need to zero in the Final 2015 SMFP. We believe that no new acute care beds are needed in Cumberland Co.

II. Background

Cumberland County has experienced significant growth in population since 2005 and Cape Fear Valley Medical Center inpatient acute care days have experienced significant growth as a result of that population growth. As you may know, this growth was directly related the Federal Base Realignment and Closure Act (BRAC) which resulted in the relocation of a significant number of our armed forces and their families to Fort Bragg in Fayetteville. Cumberland County was fortunate to be on the positive end of BRAC and as a result, utilization of acute care beds at Cape Fear Valley Medical Center has been very high for the last nine years.

Since 2005
Cape Fear ^{has} opened 96 new acute care beds, 90 of which were open in 2008 and has 106 new acute care beds under development, 41 at a new hospital in Hoke County, Hoke

Community Medical Center, which will open early in 2015, and 65 at a new hospital in northern Cumberland County, Cape Fear Valley North, which is scheduled to open the next year in 2016. In addition, in 2010 Cape Fear Valley received permission from the Division of Health Services Regulation to open 49 temporary acute care beds in March 2011.

As a result of opening 90 new acute care beds at Cape Fear Valley in 2008, and 49 new temporary acute care beds in 2011, Cape Fear Valley experienced two spike year growth rates: a 6.0% growth rate from 2007-2008 and a 10.1% growth rate from 2010-2011. As a result of these spikes in utilization, which were related to meeting pent up demand in the community and opening new beds, the annual State Medical Facilities Plan has included a need for additional inpatient acute care bed for Cumberland County since the 2011 State Medical Facilities Plan.

The 2011 State Medical Facilities Plan included the 6.0% spike year only and identified a need for 65 new acute care beds. This need resulted in the new 65 bed hospital under development in northern Cumberland County.

The 2012 State Medical Facilities Plan included a 28 acute care bed need determination due to the inclusion of the 6.0% spike in the average annual growth rate used to project acute care beds in the Acute Care Bed Need Methodology.

In the Proposed 2013 State Medical Facilities Plan acute care bed need in Cumberland County jumped significantly to a 119 acute care bed need determination due to the inclusion of both the 6.0% spike growth rate from 2007-2008 and the 10.1% spike growth rate from 2010-2011 in the average annual growth rate used to project acute care beds in the Acute Care Bed Need Methodology. At this point, Cape Fear Valley questioned whether this many additional acute care beds were needed and completed extensive planning and analysis to determine if the beds were needed in the community. As a result of the detailed planning, Cape Fear Valley petitioned to remove the spike and reduce the bed need to zero. Several factors influenced this decision. Growth in inpatient acute care days at Cape Fear Valley had slowed to a rate less than 2.0%

annually but the SMFP included a 5.65% growth rate; and the huge population growth projected as a result of BRAC had not materialized. The CFVMC Service Area continues to grow but at a rate considerably slower than originally projected by the BRAC Impact Analysis projected for the service area. In 2012, the SHCC agreed that the bed need was overstated and the spike was removed from the equation to calculate the acute care bed need for Cumberland County. This resulted in decreasing the bed need from 119 to 53 additional acute care beds. Subsequently, Governor Beverly Perdue elected to zero out the bed need for Cumberland County which resulted in no additional acute care beds for Cumberland County in the 2013 State Medical Facilities Plan.

The Proposed 2014 State Medical Facilities Plan resulted in a bed need of 126 additional acute care beds in Cumberland County due to the inclusion of the 10.1% spike in the average annual growth rate used to project acute care beds in the Acute Care Bed Need Methodology. Cape Fear Valley again petitioned to remove the spike in growth rate and reduce the bed need. In addition, the projected impact of the new Hoke Community Medical Center was taken into consideration in the CFVHS Petition as residents of Hoke County are expected to seek hospital services locally when the new hospital opens. The SHCC agreed and the 10.1% spike was removed from the equation to calculate bed need for Cumberland County and 41 beds were subtracted from the bed need to address the impact of the new Hoke Community Hospital decreasing the bed need from 126 to 34 additional acute care beds which were included in the 2014 State Medical Facilities Plan for Cumberland County.

III. Requested Adjustment

The Proposed 2015 State Medical Facilities Plan Acute Care Bed Need Methodology has resulted in a bed need of 82 additional acute care beds in Cumberland County in Table 5B due to the inclusion of the 10.1% spike in the methodology the four year average growth rate ^{is} ~~was~~ 3.13%. ^{in the draft SMFP} The average growth rate without the spike is around 1%. Cape Fear Valley is again petitioning to remove the spike and reduce the bed need to zero when the impact of Hoke Community Medical Center is taken into consideration, as it was last year. Cape Fear Valley will be submitting a Petition on July 30th to remove the

spike growth year and to adjust the resulting bed need to address the 41 beds opening in Hoke County next year decreasing the bed need from 82 to zero acute care beds included in the 2015 State Medical Facilities Plan for Cumberland County.

IV. Reasons for Proposed Adjustment

There are a number of reasons for our request, many of which are the same as our requests in previous years.

1. Cumberland County has experienced significant population growth during the last ten years, however, the population growth essentially has flattened in the last couple of years and in fact the growth was not as large as originally projected associated with the BRAC.
2. As you may be aware, the Fayetteville News recently reported that Fort Bragg could lose 16,000 military and civilian jobs in the next six years under a new projection of the impact of the shrinking defense budget as a result of an Army review of possible force structure realignments and cuts made necessary by a shrinking defense budget.
3. Average growth in inpatient days at CFVMC has been significant, 3.13% as reflected in the proposed plan. However this growth includes the 10.1% spike growth year when CFVMC opened temporary licensed acute care beds.
4. Without the “peak” utilization year of 10.1% the five year growth rate for this year’s SMFP would be about 1%.
5. Actual growth in patient days at CFVMC in the last two years has flattened. As a result, the five year growth trend is small, 1% to 2% annually which is not accounted for in the acute care bed need methodology.
6. CFVMC has opened 96 new acute care beds and has CON approval to add 65 more acute care beds in Cumberland County to meet the population growth. In addition, CFVHS will be opening a 41 bed acute care hospital in Hoke County in 2014; these are all new acute care beds.

7. These 106 acute care beds are under development to serve patients currently receiving care in the Cumberland County Service Area at CFVMC and the development of these hospitals will impact utilization at CFVMC.
8. The CFVHS 41 acute care beds under development in Hoke County were justified based upon inpatient utilization by residents of Hoke County and SW Cumberland County at CFVMC. We expect this volume to shift to Hoke County when our hospital opens next year. When Governor Perdue established Hoke County as a separate service area in 2013, the 41 acute care beds were shifted to Hoke County. However, the 11,524 patient days at CFVMC, which were the basis for the development of Hoke Community Medical Center, were not shifted. Those days remain in the calculation of need for acute care beds in Cumberland County, resulting in overstating the acute care need projections in the *Proposed 2015 SMFP*.
9. The impact of healthcare reform is still unknown. Changes included in The Patient Protection and Affordable Care Act of 2010 include requiring primary care homes, expanding insurance coverage for the uninsured, and developing payment penalties for hospital readmissions, to mention just a few items which are still being developed, the impact of which remains unknown.

V. Conclusion

Cape Fear Valley Health System believes that decreasing the 82 acute care bed need for Cumberland County to a zero acute care bed need in the *2015 SMFP* is the most reasonable health planning option at this time.

Thank you for the opportunity to present this information. Cape Fear Valley Health System will be submitting a formal Petition for An Adjustment to the Bed Need Determination in Cumberland County on July 30, 2013. We appreciate your time and effort in reviewing our Petition and hopefully approving it.

Thank you and I would be happy to answer any questions.