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PETITION

Petition to the North Carolina State Health Coordinating Council to Remove Need Determination for Seven Hospice Inpatient Beds in Wake County from the Proposed 2017 State Medical Facilities Plan

Submitted by:

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Requested Change

Transitions LifeCare (TL) requests the need determination for an additional seven hospice inpatient beds in Wake County be removed from the Proposed 2017 State Medical Facilities Plan (SMFP). TL is supportive of the current need methodology for hospice inpatient beds in the SMFP, and we are not proposing any changes to the methodology. TL is requesting the need determination for Wake County be removed for 2017.

Background

The current hospice inpatient bed methodology was included in the 2016 SMFP after extensive effort by a hospice inpatient bed methodology work group and Division of Health Service Regulation (DHSR) staff. The change from the prior methodology was the modification of Step 7 to reflect a two-year trailing average statewide inpatient utilization rate.

The recent modification to the hospice inpatient bed methodology was appropriate to reflect the most current North Carolina statewide hospice inpatient utilization. However, as this petition will describe, TL notes there are circumstances specific to Wake County that justify the request to remove the need determination for seven hospice inpatient beds from the 2017 SMFP.

Reasons for the Requested Change

1. Wake County hospice inpatient utilization is lower compared to the statewide utilization rate
2. TL will complete development of its approved 10 hospice inpatient beds in 2017, thereby expanding access to hospice inpatient beds for Wake County residents

Hospice Inpatient Utilization Rate

As described previously, a two-year trailing average inpatient utilization rate is used in Step 7 of the hospice inpatient bed methodology. Wake County has historically exhibited a comparatively lower hospice inpatient utilization rate compare to the statewide average. The following tables compare the FY2014-FY2015 two-year trailing average inpatient utilization rates for Wake County and North Carolina.

Wake County 2-Yr Trailing Average Inpatient Utilization Rate

Year	General Inpatient Days of Care ¹	County Total Days of Care	2-Year Trailing Average IP Utilization Rate
FY2014	5,487	183,765	2.66%
FY2015	4,908	206,567	
Total	10,395	390,332	

Source: FY2014 & FY2015 Data from Hospice License Renewal Data Supplements

North Carolina 2-Yr Trailing Average Inpatient Utilization Rate

Year	General Inpatient Days of Care	County Total Days of Care	2-Year Trailing Average IP Utilization Rate
FY2014	115,438	3,056,017	3.78%
FY2015	124,030	3,271,947	
Total	239,468	6,327,964	

Source: FY2014 & FY2015 Data from Hospice License Renewal Data Supplements

¹ General inpatient (GIP) days of care includes all GIP days of care as reported by North Carolina hospice providers in their respective hospice data supplements, regardless of whether the care was provided in a hospice inpatient facility, acute care hospital, or skilled nursing facility; thus, GIP days of care are higher compared to the hospice inpatient days of care reported in Table 13D (2) of the SMFP. For information purposes, GIP care can be provided in more than one setting as appropriate to patient need. GIP care is for pain control or symptom management provided in an inpatient facility that cannot be managed in other settings.

Wake County's FY2014-FY2015 two-year trailing average inpatient utilization rate is 28% lower compared to the statewide inpatient utilization rate during the same time period. Additionally, Wake County's hospice inpatient utilization rate has decreased in recent years, as shown in the following table.

Wake County 2-Yr Trailing Average Inpatient Utilization Rate

Year	General Inpatient Days of Care	County Total Days of Care	2-Yr Trailing Average IP Utilization Rate FY13-FY14	2-Yr Trailing Average IP Utilization Rate FY14-FY15
FY2013	4,946	181,054	2.86%	2.66%
FY2014	5,487	183,765		
FY2015	4,908	206,567		

Source: FY2013-FY2015 Data from Hospice License Renewal Data Supplements

The lower hospice inpatient utilization rate can be partially attributed to local access to high acuity acute care providers. Local residents have access to three major hospital systems with five acute care hospitals in Wake County. In addition, Wake County residents have access to two academic medical centers in adjacent Durham and Orange counties, respectively. Many high acuity patients are too fragile to be transferred from local hospitals to TL's hospice inpatient facility.

Application of the statewide two-year trailing average inpatient utilization rate results in unreasonable projected hospice inpatient days of care during 2020. For example, the Proposed 2017 SMFP standard hospice inpatient bed methodology projects 9,633 hospice inpatient days of care in Wake County during FY2020 (see Table 13C, Column I, page 368 of Proposed 2016 SMFP). This represents a compound annual growth rate of 14.5% each year between 2015 and 2020.

**Hospice Inpatient Days of Care - Wake County
FY2015 Actual vs. FY2020 Projected in Proposed 2017 SMFP**

Wake County	Actual	Projected Via Proposed 2017 SMFP	5-YR CAGR
	FY2015	FY2020	
Hospice Inpatient Days of Care	4,908	9,663	14.5%

Source: FY2015 Data from Hospice License Renewal Data Supplements, Proposed 2017 SMFP

A projected annual growth rate of 14.5% is unrealistic for a county that has historically experienced a comparatively lower hospice inpatient utilization than the statewide average.

Given the decreasing inpatient utilization rate and local access to high acuity acute care services in Wake County, it is unlikely that hospice inpatient utilization patterns and levels will change substantially in the near term. Therefore, it is unrealistic to assume such a high growth of hospice inpatient days of care in Wake County.

Approved Hospice Inpatient Beds

Even more importantly, Wake County will soon have expanded access to hospice inpatient services. TL is currently in development of a facility expansion project, which will increase the GIP bed total at our Cary facility from 14 to 24. In May 2010, TL was issued a Certificate of Need to develop 10 additional hospice inpatient beds pursuant to CON Project I.D. #J-8452-09. TL has remained committed to developing the approved hospice inpatient beds and has filed timely CON Progress Reports with the DHSR Healthcare Planning and Certificate of Need Section. Because TL's facility is located on state-owned land, additional approvals for construction are required by the North Carolina Department of Insurance, the Office of State Construction, and the North Carolina Department of Health and Human Services – Division of Health Service Regulation. As of its June 2016 CON Progress Report, TL has received approval from the aforementioned entities and is awaiting approval of construction documents from the Town of Cary. TL anticipates construction of the 10-bed facility addition will begin late summer or early fall of 2016.

Once construction is completed next year, TL's hospice inpatient bed capacity will increase by 71%, to 24 beds. Hospice inpatient facilities are expensive to construct and to operate. Therefore, it is essential to demonstrate that all hospice inpatient beds approved for development are fully utilized before additional beds are determined to be needed by the standard methodology. Additional time is needed to digest these soon-to-be-operational beds and to observe their utilization level.

Though TL's hospice inpatient occupancy rate during FY2015 was 94.5%, TL has not maintained a waitlist for inpatient beds. When the additional 10 hospice inpatient beds come online later next year, TL's inpatient occupancy rate will effectively drop well below the 85% threshold. Thus, the existing and approved inventory provides sufficient access in the near term for Wake County residents. Therefore, the need determination for 7 additional hospice inpatient beds is premature, and it is most reasonable to remove the need determination for seven additional beds, because it will have no negative impact on access to hospice inpatient services for Wake County residents, which are being expanded right now anyway.

Impact of Request/Implications if Petition is Not Approved

As outlined above, approval of this petition as proposed will result in an adjusted need for zero hospice inpatient bed scanners in Wake County.

If this petition is not approved, the development of an additional fixed hospice inpatient bed scanner in Wake County would result in unnecessary duplication of services and potentially underutilized beds. It is also possible that interested parties could undergo the expense to

prepare and file CON applications only to have their applications denied because the utilization projections were not deemed reasonable when compared to historical growth rates.

Adverse Effects on Population

For all the reasons discussed previously, the existing inventory of operational and previously approved hospice inpatient beds in Wake County is adequate to meet the current and near-term demand for hospice inpatient services. The proposed elimination of a need determination for seven additional hospice inpatient beds in Wake County will therefore not result in any adverse effects on either providers or consumers of health services in Wake County.

However, if the need determination is not eliminated from the 2017 SMFP, the result will be unnecessary and costly duplication of hospice inpatient bed capacity in Wake County in the near-term. Such development would be contrary to the Basic Principles of the State Medical Facilities Plan, specifically the Value Basic Principle. Construction of any inpatient health care venue, including hospice inpatient beds, is expensive, and should only be pursued and permitted when the need for additional inpatient capacity is clear. Such is not the case for hospice inpatient beds in Wake County. Addition of the seven beds, beyond the 14 existing and 10 previously approved and developing beds, would result in underutilization of all the beds, which would have significant negative financial implications for the bed operators.

Alternatives Considered

Only two alternatives exist. The first is the status quo, with Transitions LifeCare not commenting on the Proposed 2017 SMFP need determination for additional beds in Wake County. This alternative is not optimal, given the significant concerns about unnecessary and costly duplication of services, as expressed in this petition.

The second alternative is to submit a petition to provide relevant and current information to the attention and consideration of the Long-term and Behavioral Health Committee, and ultimately the SHCC. Transitions chose this second alternative based on the unique circumstances in Wake County that warrant a closer and detailed analysis of the need determination for additional hospice inpatient beds in Wake County. The fact that 10 hospice inpatient beds will soon be developed and added to the Wake County inventory makes further addition of seven beds completely unnecessary in the near term.

Impact of Proposed Changes on Unnecessary Duplication

The proposed changes will prevent unnecessary duplication of services by avoiding the addition of seven additional hospice inpatient beds to Wake County. The Proposed 2017 SMFP need determination would hastily and unnecessarily increase the number of hospice inpatient beds in the community. As described previously, TL will soon begin construction of its 10-

bed facility addition. Therefore, Wake County residents will have access to additional hospice inpatient beds during the next year. The Proposed 2017 SMFP would determine a need for seven more hospice inpatient beds, nearly doubling the number of new hospice inpatient beds in Wake County (14 operational + 10 approved + 7 in Proposed 2017 SMFP). Additional time is needed to digest the soon-to-be-operational beds and observe their utilization before additional beds are determined to be needed. Therefore, it is prudent to remove the need determination for seven additional beds from the Proposed 2017 SMFP.

Proposal's Consistency with the Basic Principles of the SMFP

The requested change is consistent with the three Basic Principles governing the development of the SMFP, which are:

1. Safety and Quality

TL fully supports the State's recognition of "the importance of systematic and ongoing improvement in the quality of health services", as stated in the Proposed 2017 SMFP. The requested elimination of a need determination for seven additional hospice inpatient beds in Wake County is consistent with this foundational principle. Improvements in quality of services are furthered when healthcare providers can focus and expend funds prudently for safety and quality of existing inventory. TL has a focused quality/performance improvement program dedicated to ongoing quality assessment and improvement in order to provide high quality, cost-effective healthcare that enhances clinical effectiveness and meets the needs of all hospice patients. TL's quality plan identifies important aspects of care and clinical processes, which are then measured on a continuous basis. Approval of this petition will promote safety and quality because it will enable TL's existing and approved hospice inpatient resources to be fully developed and utilized before additional hospice inpatient beds are developed. The financial stability associated with well utilized inpatient beds enables the rigorous quality plan that TL has in place.

2. Access

TL also fully supports the State's foundational principle of "equitable access to timely, clinically appropriate and high quality health care for all the people of North Carolina". TL has a policy to provide all services to all patients regardless of income, racial/ethnic origin, gender, physical or mental conditions, age, ability to pay or any other factor that would classify a patient as underserved. TL does not discriminate based on race, ethnicity, creed, color, age, religion, national origin, handicap, or ability to pay. As previously stated, TL is currently actively engaged in development of a 10-bed expansion of its hospice inpatient facility in Cary. Although our existing 14 beds are utilized at a high level of occupancy, this facility expansion of 71% more beds will provide in the near term the appropriate access to inpatient services, for all persons in need of hospice inpatient care in the local community. The petition is consistent with this principle of access because the existing and previously approved 24 hospice inpatient beds in Wake County are sufficient to meet the near-term needs of the population of Wake County. Approval of this petition will not result in a reduction of hospice inpatient beds or services at TL, which are in the process of being expanded. All existing and planned bed

inventory and services in Wake County will remain intact.

3. Value

TL fully supports the State's definition of "health care value" as "the maximum health care benefit per dollar expended". In the case of this petition to eliminate the need determination for additional hospice inpatient beds, health care value means recognizing the importance of not expending dollars when health care benefits are maximized through efficient use of the existing and previously approved hospice inpatient bed inventory in Wake County. Addition of the seven beds, beyond the 14 existing and 10 previously approved and developing beds, would result in underutilization of all the beds. Health care value will not be maximized by permitting a costly additional hospice inpatient facility to be developed when it is not justified and when it will have negative financial implications on existing operations. Using existing and approved resources will maximize value and help control costs.

Conclusion

Transitions LifeCare supports the State Health Coordinating Council, the State Medical Facilities Plan hospice inpatient bed methodology, and the SHCC and DHSR planning objectives. However, TL believes there are unique circumstances in Wake County that warrant a closer and detailed analysis of the need determination for additional hospice inpatient beds in Wake County. As a result, as outlined by the reasons included in this petition, Transitions requests that the need determination for seven additional hospice inpatient beds in Wake County be eliminated, resulting in a need determination of no additional hospice inpatient beds in Wake County in the 2017 SMFP.

