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Chair, Acute Care Services Committee
State Health Coordinating Council

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NC Division of Health Service Regulation
2704 Mail Service Center
Raleigh, NC 27699

RE: Comments on Chapter 6: Operating Room Methodology for *2019 State Medical Facilities Plan*

Dear Dr. Greene and Dr. Craddock,

Thank you for the opportunity to submit comments on the operating room methodology in Chapter 6 of the *2019 State Medical Facilities Plan* ("SMFP"). We appreciate the time and effort invested by members of staff, the State Health Coordinating Council, and volunteers. We understand that consistency with applicable policies and methodologies is one goal; another is enhanced distribution of and access to operating room ("OR") services throughout the state. We recognize that this is the second year in which the newly adopted methodology has been in effect, and, while we support it overall, we have found that it also has produced several results that are not in the best interests of the state.

Overview

The methodology includes the following assumption:

> *In the Proposed 2019 State Medical Facilities Plan, when a need is calculated, the minimum need determination for operating rooms is set to two, after rounding. In the 2018 SMFP, the maximum operating room need determination in a service area in a single year did not exceed six, regardless of deficit calculated.* ***The Agency determined that it was not necessary to set a maximum number of needs in the Proposed 2019 SMFP.****–p. 51*

Our analysis has determined this assumption, and the methodology that considers only facilities and systems that have deficits while excluding those with surpluses, may have adverse effects on OR markets around the state, making no allowance for market adjustment subsequent to CON awards. The following paragraphs outline our analysis of those adverse effects.

Reasons for Adjustment

To ensure that the OR methodology continues to meet the SMFP's Basic Governing Principles of safety and quality, access, and value, we ask the State Health Coordinating Council ("SHCC") and the Agency to consider the following:

1. Data in the methodology lag the SMFP date by two years.
2. The methodology does not count surpluses within a service area; it counts only deficits. *Not counting the surpluses is creating more ORs than originally intended.*
3. Frequently, it is the hospitals within a service area and not the freestanding facilities that generate the need. However, in many cases, *hospitals and hospital systems have not been winning the Certificates of Need* ("CON").
4. When the CON is not awarded to the facility that generated the need, *because the methodology does not consider surpluses, the SMFP repeats and expands the prior year's deficit in the service area.* Consider a hospital that generates a need for 10 operating rooms but wins no CON this year. Next year, the CON award to other facilities will not be counted and the impact will not have changed the market. Therefore, next year there will be another 10 operating rooms in the SMFP. New Hanover is such an example. The hospital system generates a need for 10.36 rooms. Four ORs were awarded in 2018, but not to the hospital system. So, according to the methodology, the 2019 SMFP will again show a need for 10 operating rooms in New Hanover County.
5. Because the methodology has no factor to adjust for procedures that may shift from one facility or system to another, *deficits based on past history may be overstated.*

Potential Adverse Effects if the Adjustment Is Not Made

- The impact of loading operating rooms into high volume urban areas affects both the urban / metro county and counties around it.
- Increasing supply in the larger metro areas in the state makes the job of recruiting to the peripheral markets much more difficult. These peripheral areas do not likely need more operating rooms; they need more surgeons to use the supply they have.
- When the urban / metro counties have excess capacity, block times are plentiful and surgeons have fewer reasons to consider practicing in peripheral markets.

Alternatives

We considered several possible alternatives prior to completing these comments including:

1. **Wait and see how several years of the methodology plays out.** Though theoretically understandable, the result could be a maldistribution that will hurt recruitment efforts of providers in peripheral communities and possibly stress all providers.
2. **Count all deficits in the methodology.** This would be more like the prior OR methodology and other methodologies in the Plan.

3. **Recognize all deficits in systems, including underutilized facilities.** This would be reasonable because systems can rebalance their own allocations.

4. **Put a cap in the assumption by choosing an alternative for the following wording. Replace the last sentence:**

   In the Proposed 2019 State Medical Facilities Plan, when a need is calculated, the minimum need determination for operating rooms is set to two, after rounding. In the 2018 SMFP, the maximum operating room need determination in a service area in a single year did not exceed six, regardless of deficit calculated. **The Agency determined that it was not necessary to set a maximum number of needs in the Proposed 2019 SMFP.**

   (a.) After review of the 2018 data, the Agency determined that a continuation cap of 6 operating rooms per year per service area regardless of deficit calculated was necessary.

   Or

   (b.) After review of the 2018 data, the Agency determined that a cumulative cap of 10 operating rooms over a three-year period per service area regardless of deficit calculated was necessary.

   Or

   (c.) After review of the 2018 data, the Agency determined that a permanent cap of 6 operating rooms per year per service area regardless of deficit calculated was necessary; and, that regardless of the awardee, all operating rooms awarded as a result of a need in the plan should be counted as placeholders for three years or until licensed, whichever is earliest.

Recommendation

We believe that Alternative 3 and 4(c.) would benefit all entities across the state. This approach will still have an undesired impact on peripheral markets, but it will reduce unnecessary duplication and better align with the Basic Principles of the Plan.

We encourage the SHCC and the Agency to consider our recommendations: Should you have any questions, please do not hesitate to contact us.

Sincerely,

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