Petition for Operating Room Service Area Adjustment:
Merge Watauga and Avery County Operating Room Service Areas

PETITIONER

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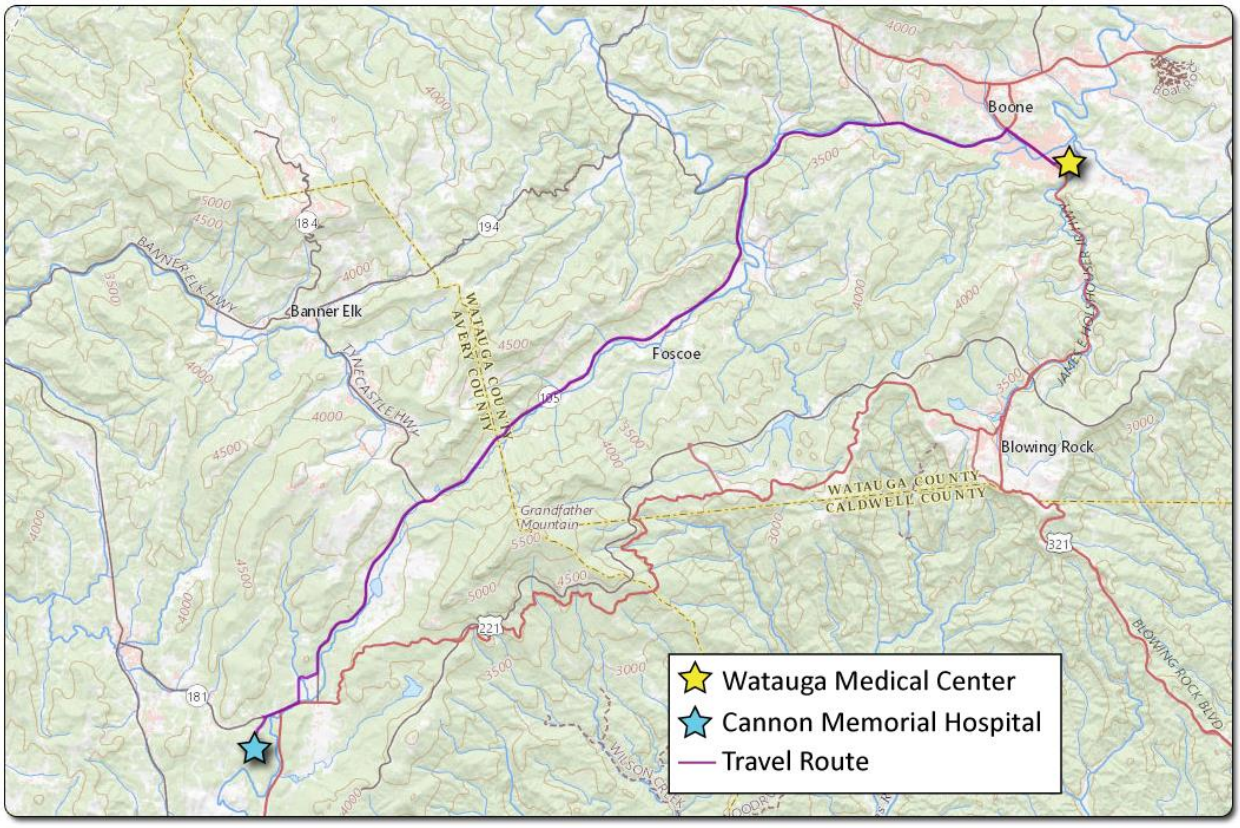
STATEMENT OF REQUESTED ADJUSTMENT

Appalachian Regional Healthcare System (ARHS) respectfully petitions the State Health Coordinating Council (SHCC) to make a specific service area adjustment such that the Watauga County Operating Room (OR) Service Area be merged with the Avery County OR Service Area. Thus, Watauga and Avery counties will become a two-county service area for purposes of determining OR need in the *2020 State Medical Facilities Plan (SMFP)* and the *SMFPs* in subsequent years.

BACKGROUND

Avery and Watauga counties are in a region of western North Carolina referred to as the "High Country" due to its elevation and location in the Appalachian Mountains. The High Country encompasses seven mountainous North Carolina counties, including: Alleghany, Ashe, Avery, Mitchell, Watauga, Wilkes, and Yancey. Newland in Avery County, the highest county seat in the eastern United States, is 3,606 feet above sea level. The town of Boone in Watauga County lies at an elevation of just over 3,300 feet. Grandfather Mountain, whose highest point is 5,946 feet, is mostly in Avery County, but also extends into Watauga County. For comparison, the elevation of Raleigh is 315 feet above sea level, Greensboro is 892, and even the mountain town of Asheville is significantly lower in elevation than either Newland or Boone at 2,134 feet. The elevation of Avery and Watauga counties can create difficulties with travel as a result of unpredictable weather patterns, excess snow and ice and difficult terrain. No interstates pass through this part of the state, which leaves long circuitous highways and back roads as the only options for travel. Highway NC-105 is the main route from Newland to Boone, but as shown in the map below, while these two towns are not separated by a great distance, the primary route between them is over steep roads and through sharp turns that are indicative of this part of North Carolina.

Figure 1: Topographic Map of Boone and Newland



According to data published by the North Carolina Office of State Budget and Management (NC OSBM), Watauga County has approximately three times the population of Avery County, which drives the need for more healthcare services. However, as Table 1 shows below, both counties are experiencing growth.

Table 1: Avery and Watauga County Populations, 2015-2019

County	*2015*	*2016*	*2017*	*2018*	*2019*	*CAGR*
Avery	17,755	17,897	17,953	17,913	17,934	2.3%
Watauga	53,846	55,191	56,418	57,646	58,872	0.3%

Source: NC OSBM

Patients in Avery and Watauga counties were once served by three independent and unique hospitals — Watauga Medical Center (WMC) in Boone, Charles A Cannon, Jr. Memorial Hospital (CMH) in Linville and Blowing Rock Hospital in Blowing Rock. After forming relationships to expand healthcare services to their mountain communities, WMC and CMH joined together in 2004 to form Appalachian Regional Healthcare System (ARHS). To ensure ongoing access to residents of rural Avery County, CMH was designated as a Critical Access Hospital (CAH) in December 2005. In 2007, Blowing Rock Hospital was welcomed to ARHS to provide long-term care options for the aging population in the community. Blowing Rock Hospital transitioned into a post-acute care facility in 2013 in preparation for the transition to The Foley Center at Chestnut Ridge, which opened in January 2017. In addition to these facilities, ARHS also includes a physician practice division, Appalachian Regional Medical Associates (ARMA) which manages over 14 medical practices across the High Country of North Carolina.

As discussed in further detail below, almost *90 percent* of Avery County residents leave the county to seek surgical services. The plurality of Avery County patients leaving the county for surgery travel to WMC for care. Cannon Memorial Hospital in Newland is the only hospital in Avery county and performs only a nominal number of surgery cases annually (278 in FY 2018). In addition, the scope of cases being performed has narrowed to primarily general surgery cases, as reported on CMH's Hospital License Renewal Applications (HLRAs). Due to the small size and critical access status of CMH, few surgeons choose to practice there, and a large majority of patients elect to leave the county to access surgical services. With an overwhelming number of patients leaving their home county to receive surgical services, ARHS believes there needs to be appropriate flexibility to plan for these services. ARHS realizes that as a rural healthcare system, it must be a good steward of its resources, to ensure resources are appropriately utilized and not unnecessarily duplicated, especially in this sparsely populated, mountainous region of North Carolina.

Although WMC and CMH are relatively close in location, due to the unique mountainous terrain and copious amounts of snow experienced throughout half of the year, travel to and from these locations can become difficult, if not dangerous at times. Typically, the High Country can experience snow as early as October and continue through April of the following spring. On average, Boone typically receives 35 inches of snow per year, surpassing the national average of 26 inches. Only one surgeon that performs cases at CMH actually lives in Avery County. All others live in other counties and must commute to Newland to provide care. This commute becomes quite difficult in winter months due to the ice and snow that cannot be quickly and easily cleared from the rural mountain roads. The topography and weather make it difficult to navigate and ensure proper surgeon coverage while keeping the physicians safe during the winter months. While this petition is not proposing any changes in OR need, merging Watauga and Avery County OR service areas will allow ARHS to appropriately plan and locate surgical service resources where they are accessible and can be most effectively utilized year-round.

As an example of how ARHS has responded to community needs in the past, ARHS created the Foley Center to replace Blowing Rock Hospital and consolidate post-acute services in a new home-like facility. ARHS understood that there was a need for a new high-quality long-term care facility in its rural community and planned to appropriately meet the demand of High Country patients, while responsibly ensuring that there was not a surplus of assets. Through the blending of surpluses and deficits for operating rooms that are in the same health system but in different counties, ARHS can continue to be good stewards of its assets and plan for the effective delivery of surgical services.

REASON FOR THE REQUESTED ADJUSTMENT

Demonstrated through the formation of ARHS and its continued commitment to develop effective healthcare access for the rural communities it serves, the leaders of both CMH and WMC, collectively ARHS, are committed to prudent planning in order to allocate critical resources that promote and preserve the health and well-being of its patient population, particularly regarding surgical services in both Avery and Watauga county.

As mentioned, Avery County is home to only one CAH that provides local access to residents. An increasing number of Avery County residents, limited to the resources provided by the only CAH in the county, elect to leave the county for surgery. While CMH plays a vital role at providing access to essential acute care services in the community, ARHS recognizes that under the current methodology, the existence of licensed operating rooms at CMH requires Avery County to be a single county OR service area in the *SMFP* for purposes of projecting OR need. As stated in Step 1 of the Methodology for Projecting Operating

Room Need in Chapter 6 of the *2019 SMFP,* "*Single county operating rooms service area: A county with at least one licensed facility with one or more operating rooms."* While ARHS understands and supports this step in the current methodology, it also believes that for a county like Avery, which has a critical access hospital with low surgical utilization and high outmigration, combining it with another county that provides most of its surgical needs will allow for more prudent planning. According to Step 1a in the *2019 SMFP*, if no licensed surgical facility existed in Avery County, it would be combined with Watauga County to create a multi-county operating room service area. Given the factors discussed above, and in response to patients' clear preference and the important responsibility ARHS bears for the rural communities it serves, ARHS is petitioning to merge Watauga and Avery County into one OR service area to permit appropriate planning across the system, which will enable ARHS to distribute the appropriate resources to locations where they are most effective for the surgical needs of both counties. Please note that ARHS has made no plans regarding any of the operating rooms at either facility; however, as it prepares to begin planning for its surgical services across the system, the proposed change will assist it in better meeting the needs of the patients it serves. In particular, should the outcome of its planning process result in initiatives that could drive need for more operating room capacity in either Avery or Watauga counties, having both counties in the same service area will permit the relocation of operating rooms within the service area to most effectively serve patients, with appropriate Certificate of Need approval.

Moreover, there is precedence for this adjustment. A petition for a similar situation was approved in 2006. Harris Regional Hospital and WestCare Health System, along with Swain County Hospital (the 2006 Petitioners) petitioned to merge the Swain County OR service area with the already combined Jackson and Graham County OR service area. One of the similarities between ARHS's requested adjustment and the approved 2006 petition is that the only hospital in Swain County also carries a CAH designation like CMH; however, Graham and Jackson counties were already combined because Graham County had no licensed facilities with operating rooms. With only one non-CAH in the three-county area, the 2006 Petitioners successfully petitioned to combine Swain, Graham, and Jackson counties into one service area for purposes of calculating OR need determinations in the *SMFP.* See Exhibit 1 for a copy of the 2006 petition. This three-county service area still exists and allows leaders of Harris Regional Hospital and Swain County Hospital (still part of the same system, but now as part of Duke LifePoint) to allocate important resources, like surgical services, where they most effectively serve the patient population. The ability for a rural healthcare system to effectively plan for all of its multi-county service area is not only effective health planning but is necessary to deliver high quality and cost-effective surgical services, while making best use of existing resources. The existence of a similar multicounty service area with more than one county with licensed operating rooms further demonstrates the efficacy of this approach in health planning, particularly for surgical services in rural, mountainous North Carolina.

More recently, the SHCC approved a petition to combine two single-county service areas for adult care home (ACH) beds. In 2012, a petition requested that Hyde and Tyrrell counties be combined for ACH bed planning in the *SMFP*. While some of the bases of the petition and subsequent approval were different than those for ARHS's petition, the common theme is to allow for more prudent planning in rural areas of the state. In particular, the Agency report on that petition noted that "[t]he combined service area would provide the opportunity for residents of both rural counties to have their needs for ACH beds met." Similarly, ARHS believes its proposed petition would provide the opportunity for both Avery and Watauga county residents to have their needs for surgical services met.

The following analysis also supports the adjustment to combine Avery and Watauga counties into one OR service area. According to HLRAs, the number of Avery County residents undergoing surgery is increasing

in all three surgical settings: inpatient, hospital-based outpatient departments (HOPD), and freestanding ambulatory surgery centers, as shown in Table 2 below.

Table 2: Avery County Resident Surgery Cases, 2015 -2017

Surgical Setting	*2015*	*2016*	*2017*	*CAGR**
Inpatient Cases	494	440	496	0.2%
HOPD Cases	1,065	1,194	1,140	3.5%
ASC Cases	186	159	222	9.2%
Total	**1,745**	**1,793**	**1,858**	**3.2%**

Source: Healthcare Planning and CON database
*Compound Annual Growth Rate

From 2015 to 2017, Avery County resident surgery volumes increased by a compound annual growth rate of 3.2 percent. However, as the total number of surgeries performed on Avery County residents increases, fewer are being performed in Avery County, while more are being performed outside of the county, as shown in Table 3 below.

Table 3: Avery County Resident Surgery Volumes

Category	*2015*	*2016*	*2017*	*Difference*
In-County	229	262	200	-29
Out-of-County	1,516	1,531	1,658	142
Total	**1,745**	**1,793**	**1,858**	**113**
% Out-of-County	**87%**	**85%**	**89%**	

Source: HLRAs

As demonstrated in Table 3 above, an increasing number of Avery County residents are leaving the county for surgical services. In 2017, 89 percent of Avery County residents left the county for surgery. The two closest facilities outside Avery County that provide surgical services are Blue Ridge Regional Hospital in Mitchell County and WMC in Watauga County. Both facilities are approximately the same distance from CMH; however, an overwhelming number of Avery County patients are choosing WMC for surgery, likely due to the presence of ARHS in both counties. As shown in Table 4 below, in 2017, of the 1,858 surgeries performed on Avery County residents, 871 surgeries (or 46.9 percent) were performed at WMC.

Table 4: Percent of Total Avery County Surgeries Performed at Watauga Medical Center, 2015 - 2017

Category	*2015*	*2016*	*2017*	*Case Growth*
Total Cases	1,745	1,793	1,858	113
WMC Cases	821	855	871	50
Percent of Total Cases	**47.0%**	**47.7%**	**46.9%**	

Source: HLRAs

Table 5 below shows the top six counties where Avery County residents received surgery in 2017. As shown, Watauga County and specifically WMC was clearly the top choice for Avery County residents, by a significant margin.

Table 5: 2017 Top Six Counties Where Avery County Patients Received Surgery

County	*2017 Surgical Cases*	*Percent of 2017 Total*
Watauga	871	46.9%
Buncombe	201	10.8%
Avery	200	10.8%
Catawba	126	6.8%
Forsyth	114	6.1%
Mecklenburg	112	6.0%
Other Counties*	234	12.6%
Total	**1,858**	**100.0%**

Source: HLRAs

*Other Counties include; Burke, Mitchell, Caldwell, Henderson, Durham, Orange, McDowell, Guilford, Cabarrus, Davie, Gaston, Wake, Wilkes, Davidson, Alamance, Ashe, Brunswick, Cleveland, Iredell, Johnston, New Hanover, Richmond, Rowan, Surry, and Transylvania (listed in descending order)

In addition to these quantitative data, several qualitative factors also support the petition to combine the operating room service areas. As noted above, as a CAH, obtaining sufficient surgeon coverage at CMH is difficult. As of 2019, ARHS has a single combined medical staff for both WMC and CMH. While surgeons are members of the combined medical staff, they are privileged to perform surgery at each hospital separately, and most surgeons maintain privileges at WMC only. As is typical in rural healthcare, the primary challenge for surgeons is the amount of time they must be on call given the relatively low number of surgeons in each specialty. For example, while a urology group in Wake or Mecklenburg County might have 10 or more members, requiring each to be on call three or fewer times per month, ARHS has only three urologists, requiring each to be on call approximately 10 times per month. Adding privileges at a second rural hospital would only increase the call requirements, which most providers are unable or unwilling to do. As a result, WMC has 24/7 call coverage for most specialties, but there is no overnight call at CMH. The sole general surgeon living in Avery County is unable to provide overnight call as there are no other surgeons with which to share coverage. Thus, surgical cases that present at CMH after normal operating hours are typically transferred to WMC.

Another factor is the restrictions pertaining to the level of care that CMH can provide because of its federal CAH designation. As a CAH, CMH is limited in the number of beds it is permitted to operate, and its average length of stay (ALOS) cannot exceed four days. As such, CMH does not operate an ICU and the surgeons performing cases at CMH must be prudent in their planning to perform only those cases that require a minimal level of post-operative care. Cases requiring more intensive nursing or those that might require a longer length of stay cannot be performed at CMH. Further, the lack of surgical coverage at CMH also limits the amount of rounding on patients that can be performed after surgery, which also limits the number of cases that can be performed there.

These data demonstrate a compelling basis for the proposed petition to merge the operating room service areas: patients in Avery County have adequate access to surgical services, demonstrated by growing surgery volume; however, they are choosing to access that care in other counties, namely Watauga. In other words, a portion of the utilization of operating rooms in Watauga County is driven by patients from

Avery County. Moreover, given its low population and the existence of a single critical access hospital, it is unlikely that most of the surgical needs of Avery County residents can be met at facilities within the county. Thus, the most effective method for planning for the surgical needs of patients in both counties is to combine the operating room service areas to enable appropriate allocation of existing and future resources for this patient population. ARHS wishes to be clear, however: it has not considered any plans to reduce services at CMH, including surgery, and intends to continue offering surgery at both hospitals. Approval of the proposed petition would allow for more thoughtful planning for future surgical needs, which continue to exist at both hospitals.

Approval of the proposed petition would also limit the potential for unnecessary duplication that might occur through future need determinations if the counties remain separate service areas, given the patient and physician behavior described above. In particular, a need determination for additional ORs in Watauga County, based in part on the inmigration from Avery County is not efficient health planning, especially when Avery County has a significant surplus of ORs. According to the *2019 SMFP,* Avery County has a surplus OR capacity of 92 percent (1.84 projected surplus / 2.0 existing CMH ORs = 0.92). In contrast, the *2019 SMFP* shows that OR supply in Watauga County is essentially even with projected demand. In the future, if OR utilization in Watauga County increases, either by growth and aging of the Watauga County population, or increased inmigration from Avery County, a need for additional operating rooms could be generated, despite the clear surplus in Avery County. By approving this petition and combining the service areas, the OR methodology would more accurately reflect the overall need in the combined service area, rather than creating need in one county and ignoring the surplus in another, both of which are driven by similar factors. Please note, however, that this petition is not requesting to relocate any operating rooms. ARHS is simply requesting Watauga and Avery be combined into one service area to promote prudent health planning.

In summary, ARHS believes merging Watauga and Avery county into one OR service area for purpose of projecting OR need in the *SMFP* will ultimately benefit the patients of each county and will make best use of existing resources. ARHS fully supports the current OR need methodology in the *SMFP* but believes this unique situation requires special consideration. The growing number of Avery County residents traveling to Watauga County for surgery and the limited amount of resources available to CMH are driving the need for combined planning across both counties. Since both facilities are part of the same health system, combining the counties into one OR service area will add future OR surplus and deficits in the combined service area, more accurately reflecting the overall surplus or deficit of operating rooms, as the current OR methodology combines all facilities in a system to perform the projected OR need calculation. Table 6 below demonstrates how this change would have impacted Table 6B: Projecting Operating Room Need in the 2019 *SMFP.*

Table 6: Example of Table 6B in *SMFP* if Avery and Watauga Counties Were Combined into One OR Service Area

Service Area	*License*	*Facility*	*Projected Surgical ORs Required in 2021*	*Adjusted Planning Inventory*	*Projected OR Deficit/Surplus (Surplus show as a "-")*	*Service Area Need*
Avery	H0037	Charles A. Cannon Memorial Hospital	0.16	2	-1.84	
Watauga	H0077	Watauga Medical Center	5.99	6	-0.01	
Appalachian Regional Healthcare System Total			**6.15**	**8**	**-1.85**	
Avery/Watauga Total						**0**

Source: 2019 *SMFP*

As shown, approval of this petition is not expected to change the need determination for either county. However, if approved, this request will enable better future planning and will allow ARHS to better utilize all of the resources available to the system in an effective manner to deliver high-quality surgical service access to patients in both counties.

As a final matter, in discussions with the Healthcare Planning and Certificate of Need Section staff, it appears somewhat unclear as to whether this petition should be considered in the spring or summer cycle. ARHS is electing to submit this petition in spring based on its discussions with Healthcare Planning staff and because page 7 of the *2019 SMFP* states, "*Anyone who finds that the North Carolina State Medical Facilities Plan policies or methodologies, **or the results of their application**, are inappropriate may petition for changes or revisions*." ARHS is not petitioning for an adjusted need determination for additional ORs; however, it does believe the results of the application of the OR methodology in Chapter 6 of the *SMFP* are inappropriate and require adjustment. While the petition would not result in a statewide change, it would impact more than one service area and therefore might be more suited to a discussion in the spring. Moreover, ARHS considered that it might be prudent, if approved in the spring, to have the *Proposed 2020 SMFP* reflect the results of the combined service area. Therefore, ARHS believes this requested adjustment, which would impact multiple service areas, is better suited for the spring submission cycle as opposed to the summer submission date that is typically more appropriate for adjusted need determinations. However, if the SHCC ultimately determines that it would prefer to review this petition during the summer following the development of the *Proposed 2020 SMFP*, ARHS will work with the Healthcare Planning staff to provide any additional information needed for the review in the summer cycle.

STATEMENT OF THE ADVERSE EFFECTS IF THE PROPOSED CHANGE IS NOT MADE

ARHS believes the potential adverse effects are noted thoroughly in the previous section. While not making the proposed change in service area will not change the number of operating rooms in the area, it would prevent a more comprehensive planning approach for the region, which will consider the needs of patients and providers in both counties. As such, ARHS believes that not approving the petition would ultimately result in less optimal options for patients and providers in the future.

ALTERNATIVES CONSIDERED

One alternative for ARHS is to do nothing. If the adjusted service area petition is not approved, ARHS will be forced to continue planning for surgical services separately, therefore unable to allocate resources to most effectively serve its patient population. This limitation in the planning process may lead to future petitions for adjusted need determinations and/or continued surplus OR capacity in Avery County. Without the ability to allocate resources appropriately, ARHS will struggle to plan effectively for patients across the service area.

Another alternative for ARHS is to petition to combine Avery and Watauga counties into one service area for all healthcare services regulated by the *SMFP*. This would be a robust request to combine both counties into one service area for all planning categories. Currently, however, ARHS does not believe this is necessary, as it believes the issue is primarily limited to surgical services. Further, such requests would require multiple petitions and demand significant resources from the Healthcare Planning staff and the SHCC, which would not be prudent at this time. ARHS believes the primary need is to combine OR service areas.

Finally, another option would be to petition for a special OR need determination to allow ARHS to relocate operating rooms between the two counties. However, even if approved, this option would be a one-time occurrence and would not allow for ongoing planning across the service area. As such, it would be less effective for long-term planning purposes.

Given the discussed alternatives, ARHS believes the requested adjustment is the most appropriate and will ameliorate the need for additional ORs to be added to either county and will allow ARHS to plan more effectively for its rural multi-county service area.

EVIDENCE THAT THE PROPOSED CHANGE WOULD NOT RESULT IN UNNECESSARY DUPLICATION

Combining Avery County and Watauga County into a single operating room service area, would help prevent unnecessary duplication of services. As previously mentioned, a vast majority of Avery County residents are already travelling to WMC for their surgical services. While Watauga County has an approximate balance of ORs (i.e. no surplus or deficit), the growth currently experienced in Watauga County suggests there could be a deficit of capacity in the future. Instead of developing expanded services for residents of Watauga County, the merger of the two single-county service areas would allow ARHS to effectively plan surgical services as appropriate to balance the surplus and deficit and ensure access to its patients.

EVIDENCE OF CONSISTENCY WITH THE THREE BASIC PRINCIPLES

Safety and Quality

Safety and quality are enhanced through combining the two service areas by allowing for more appropriate planning of surgical services. With proper allocation of resources across a single service area, ARHS can provide appropriate access to meet the surgical needs of the community, resulting in higher patient satisfaction. By combining these two counties in one OR service area, ARHS can suitably plan to provide better patient care and continue to foster practices that promote safety and quality.

Access

Combining the Watauga and Avery County OR service areas will allow ARHS to more appropriately plan to ensure future access to surgical services for the patients in its community. Because of the unique geography of both counties, and due to the extreme weather experienced in the mountains, access can become difficult for both patients and physicians alike. With the freedom to plan for the patient population in both counties, ARHS can address these issues and provide services at locations that are more easily accessible for the community and the medically underserved. When services are appropriately allocated, and there is no unnecessary duplication of those services, they become more cost-effective, and access to surgical services is enhanced for patients, particularly the medically underserved. It is evident that many Avery County residents are choosing WMC for their surgical services. The more easily accessible town of Boone and geographic proximity to other healthcare facilities assures continued safe delivery of these services in a timely and accessible manner.

Value

ARHS's requested adjustment also promotes value. Through the merging of Avery and Watauga County OR service areas, ARHS can provide the most value-per-dollar-spent by appropriately planning for surgical services and allocating resources. Combining the two counties will help to ensure there will be no unnecessary duplication of services in either county. This will not only create cost-effective health planning for the system but will also maximize the health benefit for the patients served in the community by increasing affordability.

Appalachian Regional Healthcare System appreciates your careful consideration of this petition. Please let us know if we can assist the Council, its committees, and the staff during the process.

Thank you.

Exhibit 1

PETITION FOR ADJUSTMENT TO NEED DETERMINATION TO ALLOW THE TRANSFER OF 2 OPERATING ROOMS FROM SWAIN TO JACKSON COUNTY

Petitioners:

Harris Regional Hospital
& WestCare Health System
68 Hospital Rd.
Sylva, North Carolina 28779-2795

Swain County Hospital
45 Plateau Street
Bryson City, North Carolina 28713

Sheila Price
(828) 586-7105

I. Requested Change

Harris Regional Hospital, Inc., d/b/a Harris Regional Medical Center ("Harris"), Swain County Hospital, Inc. ("Swain") and WestCare, Inc., d/b/a WestCare Health System ("WestCare"), collectively referred to as the "Petitioners," are petitioning for an adjustment to need in the 2007 State Medical Facilities Plan ("SMFP"), requesting a specific adjustment in the 2007 SMFP approving one of the following two alternatives:

Alternative #1:

An adjustment of need to allow the transfer, subject to CON approval, of the two operating rooms currently located in the Swain County Operating Room Service Area to the Jackson County Operating Room Service Area in order to allow for the most efficient provision of surgical services to Jackson and Swain County residents.

or,

Alternative #2:

A specific service area adjustment such that the Swain County Operating Room Service Area be merged into the Jackson and Graham Counties Operating Room Service Area, thus becoming one, three-county operating room service area for purposes of determining operating room need in the 2007 State Medical Facilities Plan. Any operating room transfers from one provider to another will be subject to CON approval.

It is important to emphasize that neither of these alternative requests attempts to generally alter a basic policy or methodology in the 2007 SMFP. Rather, the request is premised on the very type of "unique or special attributes of a particular geographic area or institution [which] give rise to resource requirements that differ from those provided by application of the standard planning procedures." See 2006 SMFP, p. 9 (defining appropriate circumstances for Petitions for Adjustment to Need Determination). Thus, this is the very type of request which the SMFP contemplates will be considered at this post-public hearing stage of the process.

II. Background Information Regarding Petitioners

WestCare, is a North Carolina nonprofit corporation, which owns Harris and Swain. Harris is a 86-bed acute care facility located in Sylva, Jackson County, North Carolina with five (5)[1] licensed operating rooms. Harris has the only licensed operating rooms in Jackson County. Swain is a 48-bed critical access hospital in Bryson City, Swain County, North Carolina with two (2) licensed operating rooms. Swain has the only licensed operating rooms in Swain County. Thus, WestCare owns all of the operating rooms in Jackson and Swain Counties. Swain, which is approximately 25 miles from Harris, is located at the foot of the Great Smoky Mountains, north of the Nantahala National Forest, and adjacent to the Cherokee Indian Reservation (see Map 1 attached).

III. Reasons for Proposed Adjustment

Underutilized Operating Rooms in Swain County

Surgical procedures are not being performed in Swain's operating rooms because WestCare has been unable to recruit surgeons to Bryson City and Swain County. As noted on page 56 of the draft 2007 SMFP, Swain had no inpatient or ambulatory surgical cases during the annual reporting period ending September 30, 2005, and has performed no surgical cases over the last several years. The operating rooms are equipped and meet

[1] By letter dated May 18, 2006 the North Carolina Department of Health and Human Services, Division of Facility Services ("Agency") determined that Harris' hospital license should be amended to remove one of Harris' six surgical operating rooms. Based on a site visit conducted on April 12, 2006, the Agency alleged that the room did not meet the operating room requirements as stated in 10A NCAC 13B .6206(c)(3) & (14). The Petitioners have appealed the Agency's decision.

all licensure standards. However, WestCare has been unable to recruit full-time surgeons to the area. Facilities with operating rooms which are not being utilized are quite unique in North Carolina. Only one other facility in the State, Frye Regional Medical Center – Alexander Campus, had operating rooms and no surgical cases performed during the reporting year ending September 30, 2005.

According to the North Carolina State Data Center, Swain County's projected population as of July 2006 is 13,743. WestCare has found it difficult to recruit surgeons to Swain County due to the small population and limited potential for growth in permanent residents given its location adjacent to a national park, a national forest and an Indian reservation.. In fact, Swain's patients are much more likely to be an injured or ill tourist than an elective surgery patient. Further, it is difficult to support full-time surgeons with a population of 10,000, as noted in the table below. Surgeons have a better quality of life and work more efficiently in a group practice setting, where call, office hours and block scheduling are shared.

	Ratio of Physicians Per 10,000 Population				
Surgical Specialty	**AMA (U.S. Supply)**	**Solucient Nation**	**Solucient South**	**GMENAC**	**Kaiser**
General Surgery	1.1	0.6	0.6	1.0	0.6
Obstetrics & Gynecology	1.3	1.0	1.2	1.0	1.0
Ophthalmology	0.6	0.5	0.5	0.5	0.4
Orthopedic Surgery	0.7	0.6	0.6	0.6	0.4
Otolaryngology	0.3	0.3	0.3	0.3	0.3
Plastic Surgery	0.2	0.2	0.2	0.1	0.1
Urology	0.3	0.3	0.3	0.3	0.3

Sources: Graduate Medical Education National Advisory Committee Standards; The 2003 Physicians to Population Ratios, Solucient; 2001 Workforce Staffing Trends at Kaiser Permanente; American Medical Association.

Given the size of the Swain service area population and its unique location, WestCare has focused its efforts on developing primary care services in the Swain County area. In fact, Swain's mission is to provide the best primary medical care to residents and visitors in the Bryson City area. At the same time, WestCare has focused on developing high quality surgical services at Harris and, based on its prior recruiting difficulties, does not plan to continue attempting to recruit surgeons for Swain County. Currently two general surgeons provide general surgery services at Harris and also

maintain an office in Bryson City where patients are followed; however, the group has no plans to provide surgical services at Swain.

Swain County Patients Currently are Being Treated in Jackson County

Currently Swain County residents seeking local surgical services are primarily treated in Jackson County. Map 2 (attached) identifies North Carolina counties located near Swain County, where residents might seek local surgical services. Six hospitals provide surgical services in the eight-county area. As noted in the table below, over 80% of the Swain County residents seeking local surgical services were cared for in Jackson County during reporting year ending September 30, 2005.

	2005 Swain County Resident Cases Served In Local NC Surgical Facilities		
Facility/County	Inpatient	Ambulatory	Total
Harris Regional / Jackson	260	842	1,102
Haywood Regional / Haywood	46	93	139
Angel Medical Center / Macon	8	86	94
Highlands-Cashiers / Macon	-	5	5
Murphy Medical Center / Cherokee	-	9	9
Transylvania Community / Transylvania	1	3	4

Source: 2006 North Carolina Licensure Renewal Applications

Due to longer driving times to other facilities and the close ties between the counties' medical communities, Jackson County is the obvious location to transfer operating rooms, which are currently under-utilized in Swain County.

Jackson County Facility Has Limited Capacity

Harris provides the only surgical service in Jackson County and the demand for its operating rooms continue to grow. Harris currently has two general surgeons, five orthopedists, two otolaryngologists, four obstetricians, one urologist, two ophthalmologists and one plastic surgeon performing surgical procedures in the Harris operating rooms. Also, during the past year, neurosurgeons from Asheville have been operating at Harris one day a week. In 2005, 4,739 surgical cases were performed, and the current capacity is strained, as noted in letters of support from Dr. Silver with

Mountain Neurological Center, P.A. and Dr. John Buenting with Mountain Ear, Nose & Throat Associates, P.A. (see attached).

Moreover, Harris expects significant growth in surgical services due to the following:

- Two orthopedists from Franklin County, who have historically operated at another community hospital, are beginning to operate full-time at Harris. (See letter from Dr. Clifford Faull with Sylva Orthopaedic Associates, P.A. attached.) The group's addition to the medical staff is expected to result in over 620 added procedures in 2006 and over 1,240 in 2007.
- A fifth orthopedic surgeon was recruited in November 2005 and another is being recruited by Sylva Orthopaedic. (See letters from Dr. Faull and Dr. Supik, attached.)
- Mountain Urology is recruiting an additional urologist. (See letter from Dr. Jerome Marchuk attached.)
- An obstetrician/gynecologist was recruited in July 2006. (See attached letter from Dr. Modugno, the recruited physician, indicating a concern about C-section availability with the growing demand.)
- One additional ENT physician is being recruited to join the existing practice.
- Two additional obstetricians are being recruited.
- Various primary and medical specialists are being recruited, including one pulmonologist and one family physician who joined the medical staff in 2006, and the following physicians who are being recruited: two family physicians, one cardiologist, one neurologist, one dermatologist, one endocrinologist and one rheumatologist.

If this petition is approved, the 2007 SMFP will provide an opportunity for Harris to submit a CON application during 2007 requesting approval for additional operating rooms. If the petition is not approved, two operating rooms will remain under-utilized and WestCare will not have an opportunity to expand local surgical services to Jackson and Swain County residents.

Alternatives Reviewed

The Petitioners could once again attempt to recruit surgeons to the Bryson City area; however, given past failures, this alternative is not reasonable. Further, providing surgical services at two locations is the not the most cost-efficient option. Locating the surgical services at one hospital will result in more efficient services, improved quality, and successful recruitment of surgeons.

Another alternative is to request that the Swain and Jackson Operating Room Service Areas be merged into one service area (along with Graham which is already coupled with Jackson). As noted in the introduction, this alternative achieves a similar result for the Petitioners and is acceptable.

IV. No Duplication of Existing Resources

The Petitioners are not requesting additional resources. If this request is granted, no additional operating rooms will be allocated in North Carolina. Rather, if this petition is approved, two existing operating rooms, which are currently not being utilized, may be transferred to Jackson County, if the Petitioners can later prove the need to do so in a CON application.

V. Summary

The Petitioners are requesting an adjustment of need in the SMFP to allow for a transfer of two under-utilized operating rooms in Swain County to Jackson County, or alternatively, for the Swain and Jackson operating rooms service areas to be merged into one service area.

The Swain and Jackson service areas are unique markets in the mountain region of western North Carolina. Swain and Harris joined forces in 1997 as WestCare in order to better address the challenges of a rural, low-income, high tourism, limited-access health care market. The Petitioners request that the State Health Coordinating Council adjust the need determination as requested so that local providers can better serve the health care needs of the area. Therefore, the Petitioners specifically request a specific adjustment in the 2007 SMFP approving one of the following two alternatives:

Alternative #1:

An adjustment of need to allow the transfer, subject to CON approval, of the two operating rooms currently located in the Swain County Operating Room Service Area to the Jackson County Operating Room Service Area in order to allow for the most efficient provision of surgical services to Jackson and Swain County residents.

or,

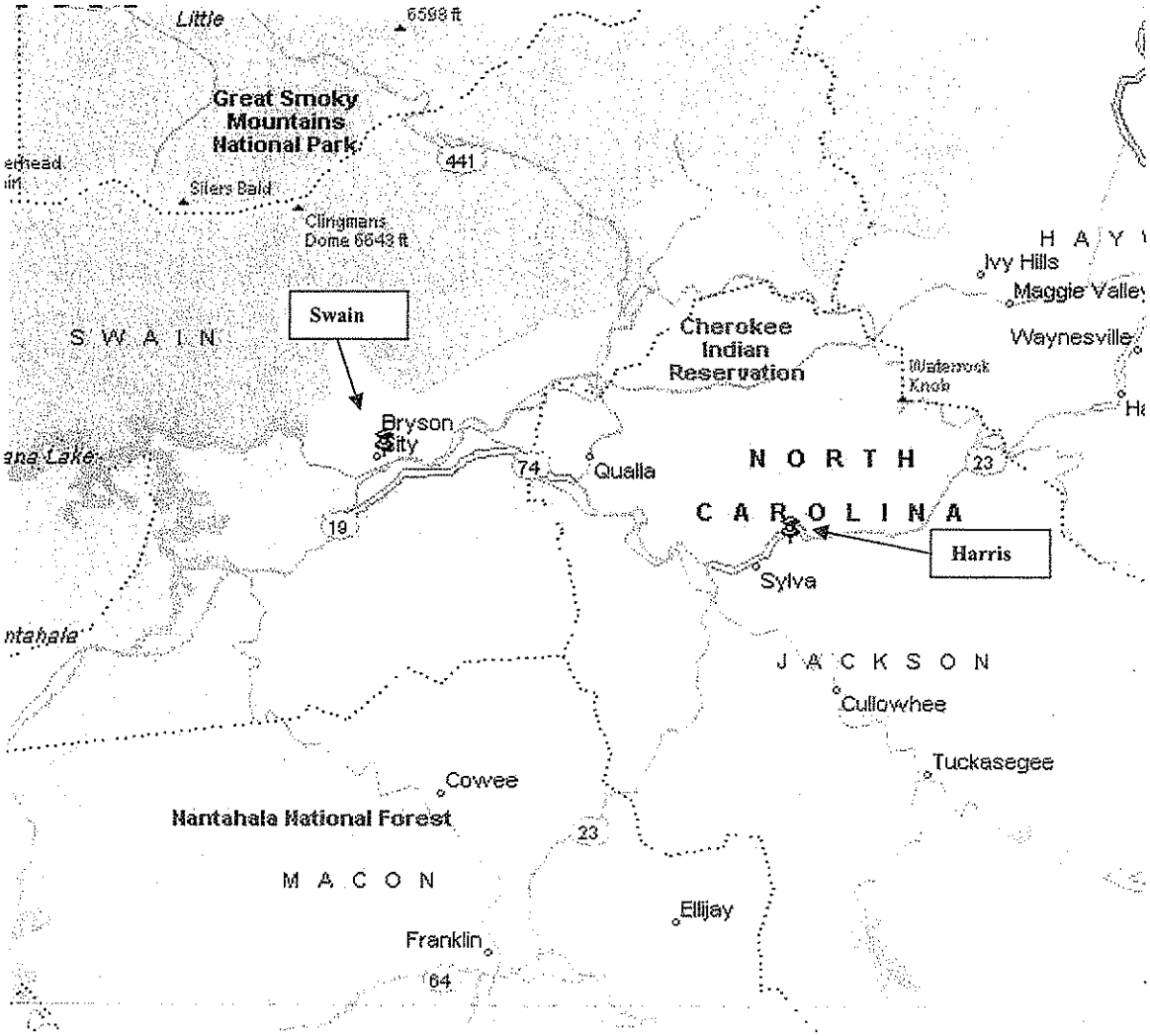
Alternative #2:

A specific service area adjustment such that the Swain County Operating Room Service Area be merged into the Jackson and Graham Counties Operating Room Service Area, thus becoming one, three-county operating room service area for purposes of determining operating room need in the 2007 State Medical Facilities Plan. Any operating room transfers from one provider to another will be subject to CON approval.

* * *

Please contact Sheila Price at Harris (828) 586-7105 with any questions regarding the petition.

Map 1 - Swain and Harris Locations



Map 2 – Map of Western Corner of North Carolina