

March 21, 2019

Christopher Ulrich, MD, Chair
North Carolina State Health Coordinating Council
c/o NC Division of Health Service Regulation
Healthcare Planning and Certificate of Need Section
2704 Mail Service Center
Raleigh, NC 27699-2704

Re: Wake Forest Baptist Health Comments for Appalachian Regional Healthcare System Petition Regarding Operating Room Service Area Adjustment to Merge Avery and Watauga Counties

Dear Dr. Ulrich:

Wake Forest Baptist Health (“WFBH”) appreciates the opportunity to comment on the Petition submitted by Appalachian Regional Healthcare System (“ARHS” or the “Petitioner”) for an adjustment to the operating room (“OR”) service areas of Watauga and Avery Counties. Per their petition, ARHS is requesting to merge the OR service areas of Watauga and Avery Counties and create a two-county service area for the purposes of determining OR need in the 2020 State Medical Facilities Plan (“SMFP”) and beyond.

Based on its review of the petition, WFBH urges the SHCC to deny this petition for the reasons outlined herein.

Throughout the petition, ARHS relies on data points regarding the outmigration of patients from Avery County to Watauga County for surgical services. The Petitioner provides several tables to demonstrate this outmigration as evidence to support the need for a new, multi-county OR service area. The petitioner also supports its desire to blend the OR services areas due to restrictions placed on Charles A. Cannon Memorial Hospital (“CMH”) due to its federal designation as a Critical Access Hospital (“CAH”). These factors are misleading, not unique to Avery and Watauga Counties, and do not support merging these two OR Service Area.

The State Medical Facilities Plan (“SMFP”) OR need methodology accounts for migration of surgical patients from one service area to another in determining OR need. The utilization and need projections resulting from the SMFP OR need methodology are based upon utilization in the OR service area in which services are rendered and are ignorant to the originating location of the

patients receiving those services. As such, if large portions of patients from one service area choose to have services provided in another service area, the OR methodology accounts for the migration of those patients in the utilization and need projections for the OR service area in which they are served.

Therefore, patients migrating from Avery County to Watauga County for surgical services are included in the utilization and need projections for operating rooms in Watauga County. A merger of the two operating room service areas is unnecessary to ensure sufficient OR capacity in Watauga County to accommodate the needs of patients from Avery County that opt to have care provided in Watauga County; the SMFP OR methodology already accomplishes that need.

Several Northwest North Carolina counties are similar to Avery County, and there are likely many others across the state. Nearby Alleghany, Ashe, and Stokes Counties are each home to just one hospital. Each of the sole hospitals in these counties is a CAH. In addition, each of these counties experience significant outmigration of patients for surgical services. The percentage of patients that leave these counties for surgical services ranges from a high of 99.5% (Stokes County) to a low of 68.9% (Ashe County). See Table 1 below. By comparison, 89% of Avery County patients leave the county for surgical services (reference page 5 of the ARHS petition). Of patients that leave Alleghany, Ashe, and Stokes Counties for surgical care, patients from Alleghany and Stokes County have a clear preference for one county over others. See Table 2 below.

The situation in Avery and Watauga Counties is not unique to those counties. The nearby sample counties of Alleghany, Ashe, and Stokes illustrate that significant volumes of surgical patients originating from rural Northwest North Carolina counties with just one hospital that is a CAH chose to leave their home county for surgical services. Often these patients opt for one county above others, as is the situation with Avery and Watauga County.

Table 1
Surgical Patients Originating from Alleghany, Ashe, and Stokes Counties
In-County versus Out-of-County Surgical Encounters
WFBH FY 2018 (July 1 – June 30)

Alleghany Residents – Total Surgical Encounters	1,611	
In-County	154	10%
Out-of-County	1,457	90%
Ashe Residents – Total Surgical Encounters	4,615	
In-County	1,435	31%
Out-of-County	3,180	69%
Stokes Residents – Total Surgical Encounters	7,436	
In-County	34	0.5%
Out-of-County	7,402	95.5%

Source: NCHA Patient Data System (Truven)
Includes endoscopies

Table 2

Surgical Patients Originating from Alleghany, Ashe, and Stokes Counties
 Out-of-County Surgical Encounters
 WFBH FY 2018 (July 1 – June 30)

Alleghany Residents – Total Surgical Encounters		1,457	
Surgical Facility County	Forsyth	600	41%
	Surry	596	41%
	Others	261	18%
Ashe Residents – Total Surgical Encounters		3,180	
Surgical Facility County	Watauga	1,471	46%
	Forsyth	796	25%
	Others	913	29%
Stokes Residents – Total Surgical Encounters		7,402	
Surgical Facility County	Forsyth	6,429	87%
	Guilford	404	5%
	Others	603	8%

Source: NCHA Patient Data System (Truven)
 Includes Endoscopies

ARHS may have other reasons for wanting to merge these two OR service areas besides its desire to “plan more effectively for its rural mutli-county service area” as mentioned within the petition. The SMFP OR need methodology accounts for the migration of surgical patients from one service area to another, therefore the merging of these two OR service areas is not necessary to ensure sufficient capacity to meet the needs of Avery County patients seeking care in Watauga County. Some other possible reasons for wanting to combine the service areas include:

- ARHS desire to relocate ORs from Avery County to Watauga County to add ORs to Watauga Medical Center (“WMC”) or develop a new ambulatory surgical center in Watauga County.

If the petition is approved, ARHS will be able to file a CON application to relocate ORs from Avery to Watauga County (or vice versa) absent a need determination in the SMFP. Given the lengthy discussion of outmigration of patients from Avery County to Watauga County, the travel challenges, and other issues outlined in the petition, it is reasonable to assume ARHS would look to move ORs from Avery to Watauga County.

- ARHS desire to maintain a surgical services monopoly and block potential new market entrants by suppressing the OR need in Watauga County in future SMFPs.

If the petition is approved, and the two OR service areas are merged, then ARHS would effectively suppress the OR need in Watauga County by merging the utilization of these two service areas. As mentioned in their petition, “the 2019 SMFP shows that the OR

supply in Watauga County is essentially even with projected demand". As the only surgical provider in the county, the OR supply is 100% provided by WMC. Per the 2019 SMFP, WMC has a very marginal projected surplus of -0.01 ORs. In neighboring Avery County, a projected OR surplus of 1.84 rooms exists. Merging the two service areas will lower the combined utilization of ORs in the two counties, better positioning WMC to maintain its surgical monopoly by suppressing OR need and blocking any potential competitors.

For the reasons stated above, WFBH respectfully requests the SHCC deny this petition. Thank you for the opportunity to comment on our concerns regarding the petition.

Sincerely,



Marisa Barone
Director, Strategic Planning & Regulatory / CON
Wake Forest Baptist Health