

Presentation of Special Needs Petition to Remove Acute Bed Need

Vance County,

Proposed 2025 State Medical Facilities Plan

July 18, 2013

Introduction

Thank you. Chairperson. Good afternoon, my name is Michael Gordian. I am CFO of Maria Parham Health, including campuses in Vance and Franklin County. Our hospital license includes operations of “Maria Parham Health” and “Maria Parham Franklin” We are owned by Duke Lifepoint, who acquired the right to operate the legacy Franklin Regional Hospital in Franklin County in 2016. This is a unique two-county hospital license. We know of no other in North Carolina. Our acute hospital license has 158 acute care non-neonatal beds, 88 open in Vance County and 70 not staffed in Franklin County. Today, our acute census is 50 – about a third of the approved beds are in use.

Request

I am asking members of the State Health Coordinating Council to modify the Proposed *2025 State Medical Facilities Plan* to include a **special need and remove from Table 5A the need for 30 more acute inpatient beds in Vance County.**

Reasons

Today we have 100 more beds than residents of the two counties can use. This is not a one-time phenomenon. Since 2018, acute average daily census has never gone above 53.

How did we get here? The Proposed 2025 State Medical Facilities Plan treats Vance and Warren Counties as a single consolidated hospital service area, which it lists as “Vance.”. It treats Franklin County as its own separate service area. So, the surplus in Franklin does not cancel the forecast deficit in Vance.

The deficit itself is a mathematical function of small numbers. Because Maria Parham acute occupancy was so low in 2020 and 2021, the acute care methodology’s “Growth Rate Multiplier” is 1.07 This is larger than fast growing Wake County’s. Applied to our 2023 bed days, the rate multiplier says Maria Parham will fill 79 beds in 2027. This is far from reality.

Vance County is losing population. The State demographer says it will lose 5.5 percent of its current population by 2030. Warren will hold steady, but it has only 19,000 people. Only Franklin will grow by 25,000 people by 2030. Maria Parham has plenty of unused acute care bed capacity in approved, not staffed beds to manage that growth if it actually happens.

We cannot afford to have more acute care beds in the 2025 Plan as the ensuing options are terrible, forcing Maria Parham to apply for beds it does not really need. Or we invite competition into a resource-strained market. In North Carolina, it takes only one bed to get a hospital license.

Thirty extra beds would represent unnecessary duplication of resources, not healthy competition. Our margins are slim. Our payer mix is 17 percent Medicaid, 64 percent

Medicare, much of which is managed care, and 3 percent charity. Maria Parham Hospital revenue is already subsidizing losses related to services at the Franklin hospital campus, even after the state and county have helped with grants. We are the only acute hospital in three counties. That means we are THE Safety Net.

Alternatives

At some point in time, the state should combine Vance, Warren, and Franklin Counties into a single service area for acute care beds. That would immediately remove the need. The Agency suggested this a few years ago, but the timing was not right. Because it would represent a change in methodology, it is too late to do that this year. The SHCC could entertain this for next year's Plan. Given where we are in the planning cycle for 2025, the best solution is a geographic special need to adjust the acute care bed for Vance County to zero.

Benefit

NC Department of Commerce puts Vance County in Tier 1. That is not a good place to be. It means we rank in the bottom 40 counties economically. We rank 6th from the bottom. Warren is 26th. Franklin ranks better because of the Wake / Durham fringes. Demographically, Vance is 52 percent African American and Warren is 48 percent. Our patient profile mirrors the community. It takes every bit of resources available for Maria Parham to provide the high-quality hospitals services you find on our campus – mother/baby care, linear accelerator for cancer, cardiac cath and MRI. But we must be careful with our resources. Please help us sustain these services.

I ask that approve this request and remove the need for 30 beds in Vance County from Table 5A. I will be submitting a formal petition in the required format next week. Meanwhile, I will be happy to respond to any questions.