

**Possible Change of Hospital Status Report**

**Session Law 2021-61, Section 2 (codified as G.S. 108A-146.17)**



**Report to the**

**House of Representatives Appropriations Committee on Health and  
Human Services**

**And**

**Senate Appropriations Committee on Health and Human Services**

**And**

**Fiscal Research Division**

**By**

**North Carolina Department of Health and Human Services**

**September 27, 2021**

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## BACKGROUND

North Carolina Session Law 2021-61 requires that the Department of Health and Human Services report to the House of Representatives Appropriations Committee on Health and Human Services, the Senate Appropriations Committee on Health and Human Services, and the Fiscal Research Division any possible change of hospital status of which the Department has been notified. This report is due within 60 days of notification and must contain the following information (see Table 1 for Department responses):

- The anticipated change of hospital status and the anticipated time frame during which the change of hospital status may occur.
- Any proposed revisions to Article 7B of Chapter 108A of the General Statutes that would be needed if the change in hospital status occurs, including proposed changes to the public and private hospital historical assessment shares in G.S. 108A-145.3 and the intergovernmental transfer adjustment component in G.S. 108A-146.13, as well as the mathematical calculations supporting the proposed changes.

Please see Appendix 1 for a copy of the legislative text.

## REPORT OF ANTICIPATED CHANGE IN HOSPITAL STATUS

**Anticipated Change of Hospital Status and Timeframe:** The Department was notified of the possible change in hospital status on Wednesday, June 10th, 2021, prior to the enactment of S.L. 2021-61. The Department was notified of the possible change in status by Vidant Beaufort, which is currently a Qualified Public Hospital (QPH) that is subject to the public hospital assessment under G.S. 108A 146.1. Effective October 1, 2021, Vidant Beaufort plans to merge with Vidant Medical Center (VMC), the primary affiliated teaching hospital for the East Carolina University Brody School of Medicine, which is exempt from the public hospital assessment.

**Proposed Revisions to Article 7B of Chapter 108A Necessitated by the Anticipated Change in Hospital Status:** The Department proposes the following revisions to the Hospital Assessment Act for consideration by the General Assembly. The proposed revisions—displayed in Table 1—would make small changes to the allocation of non-federal share among hospital classes but would not impact the aggregate amount of non-federal share collected to support the non-federal share of Medicaid payments. The mathematical calculations supporting the proposed changes to the public and private hospital historical assessment shares and the intergovernmental transfer adjustment component derive from a hospital assessment model that was developed in collaboration with the Fiscal Research Division, Legislative Drafting, as well as the NC Healthcare Association. The Department is happy to answer any questions or provide further detail upon request.

The proposed changes:

- Remove Vidant Beaufort’s historical IGT amount from the quarterly qualified public hospital (intergovernmental transfer) IGT adjustment, as Vidant Beaufort will no longer be classified as a qualified public hospital;
- Establish a new IGT adjustment amount for Vidant Medical Center, equal to its SFY 2022 IGT adjustment component plus Vidant Beaufort’s Q1 SFY 2022 IGT and assessment times four; and
- Adjust the public/private historical assessment share to account for Vidant Beaufort’s change in status.

**Table 1: Proposed Revisions to Article 7B of Chapter 108A of the General Statutes**

<b>Item</b>	<b>Current Value</b>	<b>Proposed Value</b>	<b>Leg. Reference</b>
Private Hospital Historical Assessment Share	80.08%	80.25%	§ 108A-145.3(19)
Public Hospital Historical Assessment Share	19.92%	19.75%	§ 108A-145.3(21)
Quarterly IGT Adjustment Component	\$40,947,633	41,227,321	§ 108A-146.13(a)

## APPENDIX 1

**S.L. 2021-61, section 2 in relevant part reads:**

**"§ 108A-146.17. Changes of hospital status.**

(a) For purposes of this section, hospital status includes all of the following:

(1) A hospital's status as a public acute care hospital, a private acute care hospital, or a hospital owned or controlled by the UNC Health Care system.

(2) The operating status of an acute care hospital as open or closed, including new hospitals and hospital closures.

(b) The Department of Health and Human Services shall report to the House of Representatives Appropriations Committee on Health and Human Services, the Senate Appropriations Committee on Health and Human Services, and the Fiscal Research Division whenever the Department is notified of a possible change of hospital status. The report shall be

due 60 days after the Department is notified of the possible change. The report shall include all

of the following:

(1) The anticipated change of hospital status and the anticipated time frame during which the change of hospital status may occur.

(2) Any proposed revisions to Article 7B of Chapter 108A of the General Statutes that would be needed if the change in hospital status occurs, including proposed changes to the public and private hospital historical assessment shares in G.S. 108A-145.3 and the intergovernmental transfer adjustment component in G.S. 108A-146.13, as well as the mathematical calculations supporting the proposed changes.

(c) The Department of Health and Human Services shall report to the House of Representatives Appropriations Committee on Health and Human Services, the Senate Appropriations Committee on Health and Human Services, and the Fiscal Research Division whenever the Department is notified that a change in hospital status has occurred. The report shall be due 60 days after the Department is notified of the change. The report shall include all

of the following:

(1) The change of hospital status and the date of the change.

(2) Any proposed revisions to Article 7B of Chapter 108A of the General Statutes that are needed as a result of the change in hospital status, including proposed changes to the public and private hospital historical assessment shares in G.S. 108A-145.3 and the intergovernmental transfer adjustment component in G.S. 108A-146.13, as well as the mathematical calculations supporting the proposed changes.

(3) If the change of hospital status occurred because a public acute care hospital closed or became a private acute care hospital, then the amount of the public acute care hospital's intergovernmental transfer to the Department made during its last quarter of operation."