



STATE OF NORTH CAROLINA  
DEPARTMENT OF HEALTH AND HUMAN SERVICES

ROY COOPER  
GOVERNOR

KODY H. KINSLEY  
SECRETARY

July 18, 2023

**SENT VIA ELECTRONIC MAIL**

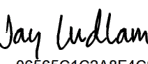
Mr. Brian Matteson, Director  
Fiscal Research Division  
Suite 619, Legislative Office Building  
Raleigh, NC 27603-5925

Dear Director Matteson:

North Carolina General Statute 108A-146.17, as amended by SL 2021-62, requires the Department of Health and Human Services to 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. Pursuant to the provisions of law, the Department is pleased to submit the attached report.

Should you have any questions regarding this report, please contact Karen Wade, Director of Policy, at [Karen.Wade@dhhs.nc.gov](mailto:Karen.Wade@dhhs.nc.gov).

Sincerely,

DocuSigned by:  
  
06565C1C2A8F4C8... on behalf of Kody H. Kinsley  
Kody H. Kinsley  
Secretary

cc:	Mark Collins	Joyce Jones	Lisa Wilks	Jessica Meed
	Theresa Matula	Katherine Restrepo	Amy Jo Johnson	Luke MacDonald
	Nathan Babcock	Francisco Celis Villagrana	Fred Aikens	Todd Barlow
	Darryl Childers	Melissa Roark	Marissa Doctrove	Tai Rochelle

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DEPARTMENT OF HEALTH AND HUMAN SERVICES

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SECRETARY

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**SENT VIA ELECTRONIC MAIL**

The Honorable Joyce Krawiec, Chair  
Senate Appropriations Committee on  
Health and Human Services  
North Carolina General Assembly  
Room 308, Legislative Office Building  
Raleigh, NC 27603

The Honorable Jim Burgin, Chair  
Senate Appropriations Committees on  
Health and Human Services  
North Carolina General Assembly  
Room 620, Legislative Office Building  
Raleigh, NC 27603

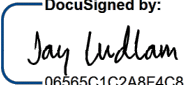
The Honorable Kevin Corbin, Chair  
Senate Appropriations Committee on  
Health and Human Services  
North Carolina General Assembly  
Room 623, Legislative Office Building  
Raleigh, NC 27603

Dear Chairmen:

North Carolina General Statute 108A-146.17, as amended by SL 2021-62, requires the Department of Health and Human Services to 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. Pursuant to the provisions of law, the Department is pleased to submit the attached report.

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DEPARTMENT OF HEALTH AND HUMAN SERVICES

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SECRETARY

July 18, 2023

**SENT VIA ELECTRONIC MAIL**

The Honorable Donna White, Chair  
House Appropriations Committee on  
Health and Human Services  
North Carolina General Assembly  
Room 307, Legislative Office Building  
Raleigh, NC 27603

The Honorable Larry Potts, Chair  
House Appropriations Committees on  
Health and Human Services  
North Carolina General Assembly  
Room 307B1, Legislative Office Building  
Raleigh, NC 27603

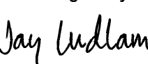
The Honorable Kristin Baker, Chair  
House Appropriations Committee on  
Health and Human Services  
North Carolina General Assembly  
Room 306A3, Legislative Office Building  
Raleigh, NC 27603

Dear Chairmen:

North Carolina General Statute 108A-146.17, as amended by SL 2021-62, requires the Department of Health and Human Services to 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. Pursuant to the provisions of law, the Department is pleased to submit the attached report.

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**Davis Regional Medical Center 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**

**July 18, 2023**

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## BACKGROUND

North Carolina Session Law 2021-61 requires that the Department of Health and Human Services (the Department) 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 has been notified of a change of hospital status. This must contain the following information (see Table 1 for Department responses):

- The change of hospital status and the date of the change.
- 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. Please see Appendix 1 for a copy of the legislative text.

## REPORT OF CHANGE IN HOSPITAL STATUS

**Change of Hospital Status and Date of Change:** Davis Regional Medical Center was a Non-Qualified Public Hospital (NQPH) that was subject to the private hospital assessment under G.S. 108A-146.3. Effective as of May 5<sup>th</sup>, 2023, Davis Regional Medical Center changed its status to a freestanding psychiatric hospital.<sup>1</sup> G.S. 108A-145.3(1) specifies that freestanding psychiatric hospitals are not considered acute care hospitals and, therefore, are not subject to the public or private hospital assessments.

**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 derive from a hospital assessment model that was developed in collaboration with the Fiscal Research Division, Legislative Drafting, the Office of State Management and Budget as well as the NC Healthcare Association. The proposed changes:

- Adjust the public/private historical assessment share to account for Davis Regional Medical Center’s change in status.

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

Item	Current Value	Proposed Value	Statute Reference
Private Hospital Historical Assessment Share	80.25%	80.20%	§ 108A-145.3(19)
Public Hospital Historical Assessment Share	19.75%	19.80%	§ 108A-145.3(21)

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<sup>1</sup> This report is intended to satisfy subsections (b) and (c) of G.S.108A-146.17. The Department did not receive clear information regarding a possible change in hospital status or the potential date of any such change sufficient to fulfill subsection (b) requirements.

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## APPENDIX 1

**S.L. 2016-21, 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."