

March 3, 2010
Comments Submitted by Novant Health
Regarding the January 15, 2010
NCBH CON Application for a New \$38 Million
Ambulatory Surgery Center with Seven New ORs
Pursuant to SMFP Policy AC-3
(Project I.D. # G-8460-10)

Received by the
CON Section

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NCBH Does Not Meet the Criteria to Qualify for Special Consideration and Exemption from the Forsyth County OR Need Determination Under SMFP Policy AC-3 “Exemption From Plan Provisions for Certain Academic Medical Center Teaching Hospital Projects”

Overview

In its January 15, 2010 CON Application, NCBH is seeking the state’s approval to add seven new ORs in Forsyth County, even though the 2010 SMFP shows for Forsyth County the need for no new ORs in Forsyth County in Table 6 C of the 2010 SMFP. In fact, the 2010 SMFP in Table 6B shows a projected surplus of 5.52 operating rooms in Forsyth County, more than half of which is associates with ORs that are part of the NCBH/Wake Forest Health Sciences (including the recent acquisition of Plastic Surgery Center of North Carolina) operating room inventory. NCBH/WFU Health Sciences did not address the 2.65 surplus ORs at Plastic Surgery Center of NC in seeking approval for seven new ORs in its 8-OR Ambulatory Surgery Center. NCBH proposes to spend \$38.7 Million to construct a 72,300 Square Foot Ambulatory Surgery Center (“the West Campus Surgery Center”) with:

- 8 operating rooms (7 new ORs and 1 relocated OR from NCBH’s existing surgical suites)
- 2 procedure rooms
- 1 simulation operating room (to provide a safe and lifelike learning environment for medical students, residents, fellows, nurses, and faculty to acquire essential skills required in clinical care)¹
- 1 robotics training operating room (to train surgeons interested in laparoscopic surgery and other minimally invasive procedures using the DaVinci robot)²
- Sterile Processing in the ASC
- 23 Prep/Recovery Bays plus one patient isolation room
- 10 PACU Bays NCBH .
- 8 Short-Stay Recovery Rooms, including one Isolation Recovery Room

Under the special status afforded only to Academic Medical Centers under SMFP Policy AC-3, the applicant has a especially important burden of showing the need for new ORs in a County where a surplus of existing ORs already exists. SMFP Policy AC-3: “Exemption From Plan Provisions for Certain Academic Medical Center Teaching Hospital Projects” states:

“Projects for which certificates of need are sought by academic medical center teaching hospitals may qualify for exemption from the need determinations of this document. The Medical Facilities Planning Section shall designate as an Academic Medical Teaching

¹ NCBH CON Application page 14.

² NCBH CON Application page 15.

Hospital any facility whose application for such designation demonstrates the following characteristics of the hospital:

- 1. Serves as a primary teaching site for a school of medicine and at least one other health professional school, providing undergraduate, graduate, and postgraduate education.*
- 2. Houses extensive basic medical science and clinical research programs, patients, and equipment.*
- 3. Serves the treatment needs of patients from a broad geographic area through multiple medical specialists.*

Exemption from the provisions of need determinations of the North Carolina State Medical Facilities Plan shall be granted to projects submitted by Academic Medical Center Teaching Hospitals designated prior to January, 1, 1990 provided the projects comply with one of the following conditions:

- 1. Necessary to complement a specified and approved expansion of the number or types of students, residents or faculty, as certified by the head of the relevant associated professional school.*
- 2. Necessary to accommodate patients, staff or equipment for a specified and approved expansion of research activities, as certified by the head of the entity sponsoring the research; or*
- 3. Necessary to accommodate changes in requirements of specialty education accrediting bodies, as evidenced by copies of documents issued by such bodies.*

A project submitted by an Academic Medical Center Teaching Hospital under this policy that meets one of the above conditions shall also demonstrate that the Academic Medical Center Teaching Hospital's teaching or research need for the proposed project cannot be achieved effectively at any non-Academic Medical Center Teaching Hospital provider which currently offers the service for which the exemption is requested and which is within 20 miles of the Academic Medical Center Teaching Hospital." [Emphasis Added]

NCBH Provides Insufficient Documentation and Explanation Needed to Demonstrate Compliance with the SMFP Policy AC-3 Requirement for the Necessity to Support an Expansion of Students, Residents or Faculty

In its CON application for an 8-OR Ambulatory Surgery Center, with seven new ORs, NCBH is seeking to qualify for Policy AC-3 Exemption from SMFP Provisions for New OR Need Determinations in Forsyth County, using Criterion #1 above: "*Necessary to complement a specified and approved expansion of the number or types of students, residents or faculty, as certified by the head of the relevant associated professional school.*"

At pages 66-67 in Section II of the 8-OR ASC CON Application, NCBH briefly addresses the provisions of SMFP Policy AC-3, under which it is seeking an exemption from the finite limits of an OR Need Determination in Forsyth County, where such exemption is only available to Academic Medical Centers. Since SMFP Policy AC-3 grants a unique privilege to a handful of North Carolina hospitals that are Academic Medical Centers, it is imperative that the Academic Medical Center is diligent and thorough in demonstrating compliance with all the requirements of SMFP Policy AC-3 in order to qualify for this exemption, which is a unique exception, available to a chosen few hospitals, in the standard SMFP Need Determination process.

In its Policy AC-3 documentation, NCBH relies on a letter included in CON Application Exhibit #8 from Dr. Applegate, President Wake Forest University Health Sciences & Dean, Wake Forest University School of Medicine. This letter notes as justification for the Policy AC-3 Exemption:

- WFUHS projects to add 39 clinical FTEs to the Division of Surgical Sciences by 2020 (over the next ten years);

The faculty recruiting plan represents the addition of approximately 3.9 FTE clinical staff per year for the Division of Surgical Sciences for each of the next ten years. This seems like a modest and manageable rate of growth in surgical faculty that may also be offset by future retirements of surgical faculty, which were not discussed as part of WFUHS Surgeon Recruiting Plan. However, it is unclear whether the projected 12 additional “research” FTEs in the Division of Surgical Sciences would require access to the proposed operating rooms in the West Campus ASC.³

- 2 of the 39 new Clinical FTEs in the Division of Surgical Sciences are identified as “Cardiothoracic Surgery,” so it is unlikely that these surgeons will perform surgical cases in the proposed West Campus 8-OR surgery center.
- 6 of the 39 new Clinical FTEs in the Division of Surgical Sciences are identified as “Emergency”; it is unclear whether these are “emergency” surgeons or whether these 6 FTEs are Emergency Department physicians; if these 6 FTEs are Emergency Room physicians it is very unlikely that they would be performing surgery in the proposed 8-OR West Campus ASC.
- 6 of the 39 new Clinical FTEs in the Division of Surgical Sciences are identified as Neurosurgeons. It is not likely that neurosurgeons would be performing surgical cases on a regular basis in the proposed West Campus 8-OR ASC.

If you assume that fourteen (2 Cardiothoracic Surgery, 6 Emergency, and 6 Neurosurgery) of the 39 Clinical FTEs to be recruited for the Division of Surgical Sciences during the next ten years (2010- 2020) will not use the West Campus Surgery Center ORs, then WFUHS is proposing to add only 25 clinical FTEs to the Division of

³ See the table in Dr. Applegate’s letter at page 2. See CON application Exhibit #8 for a copy of this letter.

Surgical Sciences over the next ten years who could be reasonably expected to use the eight ORs at the West Campus surgery center. This represents the modest addition of approximately 2.5 FTE clinical surgical staff per year added to the Division of Surgical Sciences, who would require access to the eight ORs of outpatient surgical capacity proposed at the West Campus ASC.

These 25 FTEs of new clinical surgery FTEs to be recruited to the Division of Surgical Sciences over the next ten years include surgeons specializing in: General Surgery, Ophthalmology, ENT, Plastic Surgery, Urology, and Vascular Surgery. The most recent Medical Group Mangers Association "Physician Compensation and Production Survey: Based on 2008 Data" shows that at the 75 Percentile of annual surgical case productivity:

- Each Plastic Surgeon performs 598 surgical cases per year
- Each General Surgeon performs 832 surgical cases per year
- Each Vascular Surgeon performs 685 surgical cases per year
- Each Urological Surgeon performs 2,043 cases per year
- Each ENT Surgeon performs 1,141 cases per year

In total, one each of these five types of surgeons, if working at the highly productive 75th percentile, would generate about 5,300 outpatient surgical cases per year.⁴ The MGMA Table is provided as Attachment 1. Applying the SMFP OR Need Method Weighting Factor of 1.5 Hours Per Outpatient Surgery, would result in 7,949 hours of ambulatory surgery cases per year; dividing this by the SMFP defined capacity for annual OR hours per year per OR of 1,872, shows, at best, a need for only 4 ORs⁵, rather than the 7, for which NCBH is seeking approval. With only 2.5 FTEs of surgeons added on average each year over the next ten years, if those surgeons are going to use only the West Campus surgery center (which seems unlikely), these 2.5 FTE new surgeons might add 2,650 outpatient OR cases per year. These 2,650 outpatient cases would occupy about two ORs during the course of a year⁶, so an initial request for 7 new ORs seems to be overstated for the proposed West Campus ASC. This is not enough outpatient OR case volume to suggest that as many as eight ORs are needed right now.

If these surgeons, functioned at only the MGMA Median Percentile of annual surgical case productivity, due to the added complexity of Academic Medical Center patients as discussed in the NCBH CON application, then the annual cases for the above five surgeon types would total only 3,671. This level of annual outpatient OR volume would utilize the capacity of about 3 outpatient ORs⁷, based on the elements of the SMFP OR Need Method. Again, seven new ORs for the NCBH West Campus ASC, seems excessive at this point in time.

⁴Calculation: $598 + 832 + 685 + 2,043 + 1,141 = 5,299$ cases per year

⁵Calculation: $(5,299 \text{ outpt OR cases} \times 1.5 \text{ Hours/Case}) / 1,872 \text{ Hours Per OR Per Year} = 4.2 \text{ ORs}$

⁶Calculation: 2.5 FTE Surgeons generate half the annual outpatient OR cases that 5 surgeons would = $5,299 / 2 = 2,650$ outpatient OR cases/year. Estimate OR capacity utilized: $(2,650 \text{ outpatient OR cases} \times 1.5 \text{ hours per OR case}) / 1,872 \text{ hours per OR per year} = 2.1 \text{ ORs}$

⁷ Calculation: $(3,671 \text{ outpatient OR cases/year} \times 1.5 \text{ hours per OR case}) / 1,872 \text{ hours per OR per year} = 2.99 \text{ ORs}$

A lesser number of ORs at the proposed ASC would meet the needs in the near-term and would not run the risk of saturating the OR inventory in Forsyth County that already shows a surplus of 5.5 operating rooms in the 2010 SMFP. Also, an affiliate of NCBH, Wake Forest University Health Sciences, has notified the Agency of the exempt acquisition of a 3-OR Plastic Surgery Center in Forsyth County (Plastic Surgery Center of NC), which is licensed for three ORs, 2.65 of which are currently identified in the 2010 SMFP as underutilized ORs. It is puzzling that NCBH did not seek to relocate one or two of these operating rooms to the proposed 8-OR ASC, in order to put them to better, more productive use. In addition, two more operating rooms may well be added to the OR inventory in Forsyth County pursuant to the Triad (Forsyth and Guilford) Need Determination for two new Demonstration Project single specialty ambulatory surgery ORs in the 2010 SMFP. The CON Application deadline for these Demonstration Project ASC ORs is March 15, 2010. Given the above factors, adding seven new ORs to the Forsyth County OR inventory, which are projected to be operational in 2012, would simply compound the surplus of OR capacity in Forsyth County now and for the foreseeable future. Unnecessary Duplication is a statutory Review Criterion⁸ which the Agency will apply in its consideration of NCBH's 8-OR ASC CON application.

NCBH's Application Fails to Discuss the Mandatory SMFP Policy AC-3 Provision Requiring the Academic Medical Center to Show that its Teaching Need for the Project Cannot be Achieved at Any Non-AMC Currently Offering the Service and Located within 20 miles of NCBH

The above criterion, as stated in SMFP Policy AC-3 is a mandatory requirement (“*shall also demonstrate*”) which must be discussed by NCBH in its SMFP Policy AC-3 CON Application for the new 8-OR Ambulatory Surgery Center. Neither the CON application narrative nor the CON Application Exhibits provided by NCBH address this requirement. The NCBH application is silent on this point.

The Agency should note that there are other Non-Academic Medical Center providers of ambulatory surgical services within a twenty-mile radius of NCBH. These surgical services providers include:

- Forsyth Medical Center, Winston-Salem, NC (including FMC's Hawthorne Surgery Center, with 6 ORs)
- Medical Park Hospital, Winston-Salem, NC
- Kernersville Medical Center, Kernersville NC (under development and slated to open prior to the 2010 opening date for NCBH's proposed 8-OR ASC)
- Davie County Hospital Replacement Facility, Advance, NC
- Clemmons Medical Center, Clemmons, NC

NCBH's CON application is devoid of any discussion of these options and thus, fails to meet this mandatory requirement to qualify for an SMFP Policy AC-3 exemption from the OR Need Determination in Forsyth County, which is zero new ORs in the 2010

⁸ North Carolina General Statutes Section 131E-183(a)(6).

SMFP. Thus, the Agency should find NCBH non-conforming under CON statutory Review Criterion (1)⁹, which requires the applicant to demonstrate that “the project is consistent with applicable policies [including SMFP Policy AC-3]...in the State Medical Facilities Plan.”

Simulation Operating Room and Robotics Training Operating Room

Novant does not oppose the portion of NCBH’s proposal that seeks approval for one simulation operating room and one robotics training operating room. Novant would note that many area hospital facilities and surgeons already have in use DaVinci robotic surgical technology (to be addresses in the NCBH Robotics Training OR), which is in use today at operating rooms at Forsyth Medical Center, Medical Park Hospital, High Point Regional Medical Center, and Moses Cone Hospital. A few years ago NCBH announced an enhanced clinical training agreement between NCBH and MCH.

⁹North Carolina General Statutes Section 131E-183(a)(6).

NCBH Overstates the Need for Additional Operating Rooms in its Quantitative Need Method in CON Application Section III

Review of NCBH AC-3 OR Need Methodology

1. The following analysis reflects a review of only the need for **total** operating rooms at NCBH. The need methodology for the West Campus Outpatient Surgery Center was not analyzed, only NCBH’s total need for ORs.
2. For FFY 2005-FFY 2009, the NCBH annual inpatient surgical growth rate of 0.8% and annual outpatient surgical growth rate of 3.9%, as calculated in the following table, are significantly less than the NCBH reported inpatient surgery growth rate of 5.52% and the outpatient surgery growth rate of 5.83% reflected on page 55, Section III of the Application for 2008 to 2009, based upon a July to June timeframe.

NCBH Annual Surgical Growth

| NCBH | FFY 2005 | FFY 2006 | FFY 2007 | FFY 2008 | FFY 2009 | AGR FFY 2008 - FFY 2009 |
|--------------------|----------|----------|----------|----------|----------|-------------------------------|
| Inpatient Cases | 11,847 | 11,900 | 12,208 | 13,251 | 13,357 | 0.8% |
| Annual Growth Rate | | 0.4% | 2.6% | 8.5% | 0.8% | |
| Ambulatory Cases | 15,656 | 15,842 | 16,717 | 17,999 | 18,693 | 3.9% |
| Annual Growth Rate | | 1.2% | 5.5% | 7.7% | 3.9% | |

Source: Table 2; LRAs

NCBH’s narrative on CON Application page 55, is addressing the CON Application Question III.1(b), which requires the applicant to “*provide statistical data that substantiates the existence of an unmet need for each project component and the proposed services...*” This is the most basic threshold which every applicant must demonstrate in its Certificate of Need Application to establish the most fundamental level of “need” for the project: the applicant must first and foremost demonstrate the “quantitative need” for the 8-OR ambulatory surgery center as measured by the Agency under CON Statutory Review Criterion 3 (“Need”).¹⁰

Two years of data, such as that used by NCBH on pages 46 and 55 of its application, is not typically enough to establish a trend or a reliable growth rate for use in estimating future surgical cases that justify 8 ORs at the proposed surgery center. It seems that the annual percent growth rates for NCBH OR cases may be overstated, which if applied to base year data would suggest a need for more new ORs than can be supported in the future.

3. The NCBH annual growth rate for the last fiscal year as reported on page 55, Section III of the Application, is inconsistent and overstated when compared to LRA¹¹ data

¹⁰ NCGS Section 131E-183(a)(3).

¹¹ LRA = Annual Hospital Licensure Renewal Application

for the timeframe FFY 2008 to FFY 2009 as shown in the following table. Note that NCBH uses a July to June Fiscal Year in the Application, rather than an October to September Fiscal Year (timeframe in LRAs). The data reported in the 2010 LRA is the most current data available which NCBH elected not to consider in its projections of OR cases to demonstrate the need for its existing ORs and the seven proposed new ASC ORs.

Comparison NCBH Surgical Growth Rates

| | Actual One Year Growth Rates 2008-2009 | |
|------------------|---|--|
| | LRA Data FFY 2008 and FFY 2009 October 2007 – September 2009 | NCBH Reported SFY 2008 and SFY 2009 July 2007 – June 2009 Page 55 |
| Inpatient Cases | 0.8% | 5.52% |
| Ambulatory Cases | 3.9% | 5.83% |

Source: Table 2; LRAs and page 55

4. Based upon NCBH's own data reported by NCBH in these two documents the only conclusion to be made is that the rate of inpatient surgical growth dropped precipitously in the last quarter of FFY 2009 (July 1, 2009 – Sept. 30, 2009). Annual growth for the twelve months from July 2008 to June of 2009 was 5.52% which decreased to 0.8% (less than 1%) for the twelve months from October 2008 to September 2009. Likewise, NCBH outpatient surgical growth dropped during the last quarter of FFY2009, from 5.83% for the twelve months from July 2008 to June of 2009, to 3.9% for the twelve months from October 2008 to September 2009. This rapid decrease in growth in only three months was not discussed by NCBH nor was it taken into consideration in the application when determining the projected growth rate used in calculating future surgical utilization to justify the need for all existing and new ORs.
5. The high growth rates utilized by NCBH in Step 3 of its Quantitative Need Method in Section III.1(b) of the application on page 56 were based upon the growth experience of NCBH referenced on page 55. However, the historical growth rates reflected in the NCBH Annual Surgical Growth table included in #2 above, which also are more current growth rates than those presented on page 55 of the Application, reflect a much lower growth rate than that which was used to in the projections.
6. The compound annual growth rates for NCBH as calculated: (a) using the LRA data (see table in #2 above); (b) as reported on page 55 of the application; and (c) those utilized in the projections are reflected in the following table.

**NCBH Reported CAGRs (Compound Annual Growth Rates)
For OR Cases**

| | NCBH Reported SFY 2005-SFY2009 July 2004-June2009 Page 55 | NCBH Interim Growth Rates Page 56 | NCBH Project Year Growth Rates Page 56 |
|------------------|--|--|---|
| Inpatient Cases | 2.1% | 4.5% | 5.0% |
| Ambulatory Cases | 4.55% | 5.0% | 5.5% |

Source: Table 2; 2010 LRA and page 55

7. As shown in the previous table, the 4.5% interim time period inpatient NCBH annual OR case growth rate and the 5.0% Project Year inpatient annual growth rate used in Step 4 on page 57 of the Application is over twice the actual CAGR rate reported by NCBH on page 55. The 5.0% interim period NCBH outpatient OR case annual growth rate and the 5.5% Project Year outpatient annual OR case growth rate used in Step 4 on page 57 of the Application are half of a percent to one percent greater than the actual CAGR rate reported by NCBH on page 55. Both annual OR case growth rates utilized by NCBH in its projections are significantly greater than the more current LRA annual growth rates discussed in #1 above.
8. The projected growth rates utilized in Step 4 of the application on page 57 are contradictory to the most current historical growth rates reported in LRA and the CAGR reflected on 55 of the Application. Overstated growth rates result in overstated utilization. Therefore, the projected need for new operating rooms is overstated.
9. NCBH fails to acknowledge the recent purchase of Plastic Surgery Center of North Carolina by Wake Forest University Health Sciences, which is the teaching/research arm of the organization. North Carolina Baptist Hospital and Wake Forest University Health Sciences are “related entities” as that term is defined in the CON Surgical Services and Operating Room Regulations at 10A NCAC 14C.2101((9))¹². As a result of this recent acquisition, the teaching and research arm of the institution now has three operating rooms which can be utilized for teaching, so it is not clear why seven additional operation rooms, or 10 overall (7 + 3), are needed for teaching at NCBH and Wake Forest Health Sciences. The PSCNC operating rooms are chronically underutilized operating rooms as listed in Chapter 6 of the SMFP and should be relocated to the proposed West Campus ASC, as part of the project.
10. Novant calculated revised number of operating rooms need at NCBH using the LRA 2005-2009 CAGR included in Table 7. The result is a need for only four additional ORs at NCBH when the Plastic Surgery Center of North Carolina (PSCNC) surplus

¹² The definition of “related entity” states: “...or a company that shares common ownership with the applicant (i.e., the applicant [NCBH] and another company [Wake Forest University Health Sciences] are owned by some of the same persons.”

of 2.65 out of 3 ORs into consideration. In late 2009 Wake Forest University Health Sciences, a “related entity” and affiliate of NCBH sought and received confirmation from the CON Agency for the CON exemption acquisition of PSCNC. This is shown in the following table and in Table 7. Note that the following projections do not take into consideration any shift in NCBH surgical volume to the new Davie County Hospital, which was described in the Davie County Replacement Hospital CON Application filed in March 2008 by NCBH. This project was approved, a Certificate of Need was issued by the Agency following settlement, which projects the DCH ORs to become operational anytime between now and 2014.

| | FFY 2010 | FFY 2011 | FFY 2012 | PY1 FFY 2013 | PY2 FFY 2014 | PY3 FFY 2015 |
|--|----------|----------|----------|--------------------|--------------------|--------------------|
| Inpatient Cases | 13,764 | 14,183 | 14,615 | 15,059 | 15,518 | 15,990 |
| Annual Growth Rate | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% |
| Weighted Inpatient Cases NCBH LRA 3.0 hrs/case | 41,291 | 42,548 | 43,844 | 45,178 | 46,554 | 47,971 |
| Ambulatory Cases | 19,540 | 20,426 | 21,351 | 22,319 | 23,331 | 24,388 |
| Annual Growth Rate | 4.5% | 4.5% | 4.5% | 4.5% | 4.5% | 4.5% |
| Weighted Ambulatory Cases at NCBH LRA 1.5 hrs/case | 29,310 | 30,639 | 32,027 | 33,479 | 34,996 | 36,582 |
| Total Weighted Cases | 70,601 | 73,187 | 75,871 | 78,657 | 81,550 | 84,553 |
| Licensed ORs needed at 1,872 cases/year | 38 | 39 | 41 | 42 | 44 | 45 |
| Planning Inventory | 38 | 38 | 38 | 38 | 38 | 38 |
| Surplus/Deficit | 0 | -1 | -3 | -4 | -6 | -7 |
| NCBH Deficit Less Surplus at PSCNC | 3.0 | 1.7 | 0.2 | -1.3 | -2.8 | -4.4 |

- Novant also calculated revised operating room need at NCBH using a weighted population growth rate for 45+ population based upon NCBH discussion on CON Application page 49, Section III and current NCBH surgical patient origin as calculated in the attached Table 8. This methodology results in a need for only 1.5 or 2.0 additional ORs at NCBH (includes PSCNC surplus) as shown in the following table and in the attached Table 6. The result is a need for only four additional ORs at NCBH (taking the PSCNC surplus into consideration) as shown in the following table and in Table 6. Note that the following projections do not take into consideration any shift in surgical volume to the new Davie County Hospital operating rooms, which can open anytime between now and 2014.

| | FFY 2010 | FFY 2011 | FFY 2012 | PY1 FFY 2013 | PY2 FFY 2014 | PY3 FFY 2015 |
|---|----------|----------|----------|--------------------|--------------------|--------------------|
| Inpatient Cases | 13,695 | 14,041 | 14,397 | 14,761 | 15,134 | 15,517 |
| Annual Growth Rate | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% |
| Weighted Inpatient Cases NCBH LRA 3.0 hrs/case | 41,085 | 42,124 | 43,190 | 44,282 | 45,403 | 46,551 |
| Ambulatory Cases | 19,166 | 19,651 | 20,148 | 20,658 | 21,180 | 21,716 |
| Annual Growth Rate | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% |
| Weighted Ambulatory Cases at 1.5 hrs/case | 28,749 | 29,476 | 30,222 | 30,986 | 31,770 | 32,574 |
| Total Weighted Cases | 69,834 | 71,600 | 73,412 | 75,269 | 77,173 | 79,125 |
| Licensed ORs needed at 1,872 cases/year | 37 | 38 | 39 | 40 | 41 | 42 |
| NCBH Planning Inventory | 38 | 38 | 38 | 38 | 38 | 38 |
| Surplus/Deficit | 0.7 | -0.2 | -1.2 | -2.2 | -3.2 | -4.3 |
| NCBH Deficit Less Surplus at PSCNC | 3.4 | 2.5 | 1.5 | 0.5 | -0.5 | -1.5 |

12. NCBH July 2008-June 2009 does not appear to subtract trauma/burn cases but does subtract trauma/burn ORs from planning inventory. This will cause the need for existing and new ORs to be overstated.
13. The 2010 SMFP does not indicate that NCBH's existing operating rooms are currently operating at capacity as suggested on page 44 of the NCBH CON Application. In fact, the 2010 SMFP shows only that NCBH's operating rooms are not projected to be at planning capacity (80% of total capacity) until 2012.
14. Based upon surgical data included in Table 6A of the 2010 SMFP, NCBH and Plastic Surgery Center of NC have a current surplus of 4.5 operating rooms in 2010. Based upon the projected growth rate in the 2010 SMFP, the projected surplus in 2012 for NCBH plus Plastic Surgery Center decreases to 2.0 operating rooms. The proposed additional seven operating rooms in this Application are projected to be operational in July 2012 as reflected in Section XII of the Application, which will result in a combined surplus of 9.0 operating rooms in 2012 if the proposed Application is approved.

Conclusion

In May 2003, NCBH has filed an SMFP Policy AC-3 CON Application that was ultimately successful, for one MRI Scanner and one PET/CT Scanner for placement in the NCBH Cancer Center (CON Project I.D. #G-6816-03). In that case the project involved medical equipment only and capital cost for the MRI scanner was \$3.1 Million and the capital cost for the PET/CT Scanner was \$2.96 Million, for a total of \$6 Million in projects exempt from the SMFP need determinations. By contrast, NCBH's Jan. 15, 2010 CON application, seeks approval to spend \$38 Million for seven new ORs, the relocation of one existing OR, a simulation OR, and a robotics training OR, plus all

associated support space in a 72,600 Square Foot facility. Given the magnitude of the proposed capital expenditure and the large number of new ORs, requested over and above the existing surplus of operating rooms in Forsyth County per the 2010 SMFP OR Need Determination, the Agency should give careful consideration to the scope and capital intensity of this project under the requirements of SMFP Policy AC-3. Seven new ORs in a county that currently has 84 ORs (excluding dedicated c-section ORs) is a substantial, practical increase in operating room capacity (+8%) in a County that has consistently for the past five years of Forsyth County OR 2006-2010 SMPF data shown a surplus of operating rooms ranging from 5.5 to 10.3 ORs¹³. The FFY 2009 OR case data (10/1/2008-9/30/2009) that will populate the 2011 SMFP, will be the first data to reflect the time period when the effects of the economic downturn were in full force and perhaps reflected in hospital volumes, including OR cases. Taken in that context, including the historical pattern some ongoing excess OR capacity in Forsyth County, NCBH's request for seven new ORs is too much, too soon. A less costly project, with a significantly smaller compliment of new ORs and greater relocation of existing ORs seems the more reasonable course at this point in time.

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¹³ Forsyth County OR Surpluses in annual State Medical Facilities Plans, Chapter 6: 2006 SMFP = 8.7 ORs; 2007 SMFP = 8.47 ORs; 2008 SMFP = 10.3 ORs; 2009 SMFP = 8.42 ORs; and 2010 SMFP = 5.5 ORs.

Table 53: Physician Surgery/Anesthesia Cases (NPP Excluded) (continued)

| | Phys | Med Pracs | Mean | Std. Dev. | 25th %tile | Median | 75th %tile | 90th %tile |
|---------------------------------------|------|-----------|-------|-----------|------------|--------|------------|------------|
| | | | 801 | 549 | 301 | 755 | 1,141 | 1,478 |
| Rhinology | 203 | 69 | * | * | * | * | * | * |
| Rhinology: Pediatric | 3 | 3 | * | * | * | * | * | * |
| Case Management: Nonanesthesia | 9 | 7 | * | * | * | * | * | * |
| Otolaryngology: Anatomic & Clinical | 5 | 1 | * | * | * | * | * | * |
| Otolaryngology: Anatomic | 1 | 1 | * | * | * | * | * | * |
| Otolaryngology: Clinical | 0 | * | * | * | * | 92 | 176 | 332 |
| Pediatrics: General | 827 | 100 | 149 | 177 | 48 | * | * | * |
| Pediatrics: Adolescent Medicine | 7 | 3 | * | * | * | * | * | * |
| Pediatrics: Cardiology | 6 | 3 | * | * | * | * | * | * |
| Pediatrics: Child Development | 0 | * | * | * | * | * | * | * |
| Pediatrics: Critical Care/Intensivist | 8 | 4 | * | * | * | * | * | * |
| Pediatrics: Emergency Medicine | 1 | 1 | * | * | * | * | * | * |
| Pediatrics: Endocrinology | 4 | 4 | * | * | * | * | * | * |
| Pediatrics: Gastroenterology | 6 | 4 | * | * | * | * | * | * |
| Pediatrics: Genetics | 0 | * | * | * | * | * | * | * |
| Pediatrics: Hematology/Oncology | 7 | 3 | * | * | * | * | * | * |
| Pediatrics: Infectious Disease | 2 | 2 | * | * | 6 | 8 | 28 | 54 |
| Pediatrics: Neonatal Medicine | 25 | 8 | 19 | 20 | * | * | * | * |
| Pediatrics: Nephrology | 2 | 2 | * | * | * | * | * | * |
| Pediatrics: Neurology | 4 | 3 | * | * | * | * | * | * |
| Pediatrics: Pulmonology | 5 | 4 | * | * | * | * | * | * |
| Pediatrics: Urgent Care | 0 | * | * | * | 68 | 267 | 724 | 1,620 |
| Physiatry (Phys Med & Rehab) | 66 | 33 | 544 | 661 | 1,031 | 1,748 | 2,304 | 2,904 |
| Podiatry: General | 62 | 33 | 1,752 | 993 | 236 | 916 | 1,551 | 2,034 |
| Podiatry: Surg-Foot & Ankle | 40 | 15 | 1,012 | 794 | * | * | * | * |
| Podiatry: Surg-Forefoot Only | 2 | 2 | * | * | * | * | * | * |
| Psychiatry: General | 9 | 7 | * | * | * | * | * | * |
| Psychiatry: Child & Adolescent | 3 | 2 | * | * | 76 | 135 | 228 | 362 |
| Pulmonary Medicine | 82 | 40 | 180 | 163 | 78 | 146 | 248 | 345 |
| Pulmonary Medicine: Critical Care | 32 | 10 | 176 | 110 | 64 | 132 | 390 | 519 |
| Pulmonary Med: Gen & Crit Care | 45 | 11 | 224 | 185 | 1 | 3 | 20 | 48 |
| Radiation Oncology | 17 | 7 | 12 | 17 | 176 | 395 | 768 | 1,124 |
| Radiology: Diagnostic-Invasive | 44 | 12 | 494 | 375 | 34 | 91 | 316 | 650 |
| Radiology: Diagnostic-Noninvasive | 170 | 23 | 220 | 271 | * | * | * | * |
| Radiology: Nuclear Medicine | 1 | 1 | * | * | 196 | 398 | 645 | 1,128 |
| Rheumatology | 104 | 52 | 543 | 576 | * | * | * | * |
| Sleep Medicine | 3 | 3 | * | * | 399 | 600 | 832 | 1,134 |
| Surgery: General | 449 | 117 | 644 | 342 | 446 | 634 | 753 | 777 |
| Surgery: Bariatric | 11 | 6 | 680 | 189 | 202 | 255 | 350 | 477 |
| Surgery: Cardiovascular | 121 | 33 | 300 | 154 | * | * | * | * |
| Surgery: Cardiovascular-Pediatric | 0 | * | * | * | 824 | 1,336 | 1,695 | 1,998 |
| Surgery: Colon & Rectal | 25 | 14 | 1,249 | 594 | 184 | 274 | 408 | 606 |
| Surgery: Neurological | 108 | 35 | 346 | 272 | * | * | * | * |
| Surgery: Oncology | 9 | 7 | * | * | * | * | * | * |
| Surgery: Oral | 7 | 2 | * | * | 257 | 479 | 683 | 747 |
| Surgery: Pediatric | 10 | 6 | 462 | 223 | 212 | 438 | 598 | 1,182 |
| Surgery: Plastic & Reconstruction | 55 | 27 | 514 | 431 | 225 | 383 | 578 | 836 |
| Surgery: Thoracic (primary) | 12 | 8 | 402 | 240 | * | * | * | * |
| Surgery: Transplant | 2 | 2 | * | * | 145 | 233 | 348 | 1,509 |
| Surgery: Trauma | 31 | 9 | 412 | 563 | 356 | 465 | 685 | 876 |
| Surgery: Vascular (primary) | 71 | 29 | 532 | 239 | 102 | 209 | 373 | 477 |
| Urgent Care | 231 | 36 | 245 | 179 | 815 | 1,413 | 2,043 | 2,432 |
| Urology | 298 | 88 | 1,427 | 825 | * | * | * | * |
| Urology: Pediatric | 4 | 2 | * | * | * | * | * | * |

Medical Group Management Association®
Compensation and Production Survey: 2009 Guide to the Questionnaire Based on 2008 Data

- 53 Community Mental Health Facility
- 54 Intermediate Care Facility for Mentally Retarded
- 55 Residential Substance Abuse Treatment Facility
- 56 Psychiatric Residential Treatment Center
- 62 Comprehensive Outpatient Rehabilitation Facility
- 65 End-stage Renal Disease Treatment Facility
- 71 State or Local Public Health Clinic
- 72 Rural Health Clinic
- 81 Independent Laboratory

Important: If ambulatory encounters are reported in question 20, respondents must complete question 26.

Question 21 – Hospital encounters

Report the total number of encounters, using the previous definition, with the following CMS place of service codes:

- 21 Inpatient Hospital
- 25 Birthing Center
- 26 Military Treatment Facility
- 51 Inpatient Psychiatric Facility
- 61 Comprehensive Inpatient Rehabilitation Facility

Question 22 – Surgery/anesthesia cases

Report the total surgery/anesthesia cases performed annually by each provider. A surgery/anesthesia case is a case between a provider and a patient where at least one procedure performed is a procedure from the surgery chapter (CPT codes 10021-69979) or anesthesia chapter (CPT codes 00100-01999) of the *Current Procedural Terminology, Fourth Edition*, copyrighted by the American Medical Association (AMA).

Note that the number of cases, not procedures, should be counted since a case may consist of multiple procedures. Surgery/anesthesia cases include cases performed on an inpatient or outpatient basis, regardless of facility or site. For anesthesia care teams or an anesthesiologist who supervises one or more CRNAs, include total care team cases.

Questions 23 and 24 – RVUs

Report the RVUs, as measured by the RBRVS, not weighted by a conversion factor, attributed to all professional services. An RVU is a nonmonetary standard unit of measure that indicates the value of services provided by physicians, nonphysician providers, and other health care professionals. The RVU system is explained in detail in the

November 27, 2007 *Federal Register*, pages 66,222 to 66,578. Addendum B: Relative Value Units (RVUs) and Related Information presents a table of RVUs by CPT code. Your billing system vendor should be able to load these RVUs into your system if you are not yet using RVUs for management analysis. When answering this question, note the following:

- The RVUs published in the November 27, 2007, *Federal Register*, effective for calendar year 2008, should be used; and
- The total RVUs for a given procedure consist of three components:
 - Physician work RVUs;
 - Practice expense (PE) RVUs; and
 - Malpractice RVUs.

Thus, Total RVUs = Physician Work RVUs + Practice Expense RVUs + Malpractice RVUs.

For 2008, there were two different types of practice expense RVUs:

1. Fully implemented nonfacility practice expense RVUs; and
2. Fully implemented facility practice expense RVUs.

¹ “Nonfacility” refers to RVUs associated with a medical practice that is not affiliated with a hospital and does not utilize a split billing system that itemizes facility (hospital) charges and professional charges. “Nonfacility” also applies to services performed in settings other than a hospital, skilled nursing facility, or ambulatory surgery center. You should report total RVUs in question 23 that are a function of “nonfacility” practice expense RVUs.

“Facility” refers to RVUs associated with a hospital affiliated medical practice that utilizes a split billing fee schedule where facility (hospital) charges and professional charges are billed separately. “Facility” also refers to services performed in a hospital, skilled nursing facility, or ambulatory surgery center. Do not report total RVUs in question 23 that are a function of “facility” practice expense RVUs. If you are a hospital affiliated medical practice that utilizes a split billing fee schedule, you should report your total RVUs in question 23 as if you were a medical practice not affiliated with a hospital.

Table 1: NCBH OR Inventory FFY 2007-FFY 2009

| | OR Inventory |
|----------------------------|--------------|
| Inpatient | 4 |
| Shared | 36 |
| Ambulatory | 0 |
| Total | 40 |
| Excluded ORs (Trauma Burn) | -2 |
| OR Planning Inventory | 38 |

Source: 2008-2010 LRAs

Table 2: NCBH OR Utilization and Need FFY 2005 - FFY 2009

| | FFY 2005 | FFY 2006 | FFY 2007 | FFY 2008 | FFY 2009 | CAGR FFY 2005 - FFY 2009 | AGR FFY 2008 - FFY 2009 |
|---|----------|----------|----------|----------|----------|--------------------------------|-------------------------------|
| Inpatient Cases | 11,847 | 11,900 | 12,208 | 13,251 | 13,357 | 3.0% | 0.8% |
| Annual Growth Rate | | 0.4% | 2.6% | 8.5% | 0.8% | | |
| Weighted Inpatient Cases at 3 hrs/case | 35,541 | 35,700 | 36,624 | 39,753 | 40,071 | | |
| Ambulatory Cases | 15,656 | 15,842 | 16,717 | 17,999 | 18,693 | 4.5% | 3.9% |
| Annual Growth Rate | | 1.2% | 5.5% | 7.7% | 3.9% | | |
| Weighted Ambulatory Cases at 1.5 hrs/case | 23,484 | 23,763 | 25,076 | 26,999 | 28,040 | | |
| Total Weighted Cases | 59,025 | 59,463 | 61,700 | 66,752 | 68,111 | | |
| Planning Inventory | 38 | 38 | 38 | 38 | 38 | | |
| Licensed ORs needed at 1,872 cases/year | 32 | 32 | 33 | 36 | 36 | | |
| Surplus/Deficit | 6 | 6 | 5 | 2 | 2 | | |

Source: 2006-2010 LRAs

Table 3: NCBH OR Utilization

| | FFY 2007 | FFY 2008 | FFY 2009 |
|---|----------|----------|----------|
| Inpatient Cases | 12,208 | 13,251 | 13,357 |
| Weighted Inpatient Cases | 36,624 | 39,753 | 40,071 |
| Ambulatory Cases | 16,717 | 17,999 | 18,693 |
| Weighted Ambulatory Cases | 25,076 | 26,999 | 28,040 |
| Total Weighted Cases | 61,700 | 66,752 | 68,111 |
| Licensed ORs needed at 1,872 cases/year | 33 | 36 | 36 |
| OR Planning Inventory | 38 | 38 | 38 |
| NCBH Surplus (+) / Deficit (-) | 5.0 | 2.3 | 1.6 |

Source: Tables 2; SMFP OR Need Methodology

Table 4: Plastic Surgery Center of NC OR Utilization

| | FFY 2007 | FFY 2008 | FFY 2009 | Future Surplus Used in Tables 6, 7 |
|---|----------|----------|----------|--|
| Ambulatory Cases | 447 | 411 | 148 | |
| Weighted Cases at 1.5 hrs/case | 670.5 | 616.5 | 222 | |
| Ambulatory ORs needed at 1,872 cases/year | 0.36 | 0.33 | 0.12 | |
| Licensed Ambulatory ORs | 3 | 3 | 3 | |
| PSCNC Surplus (+) / Deficit (-) | 2.64 | 2.67 | 2.88 | 2.75 |
| Combined NCBH and PSCNC Surplus (+) / Deficit (-) | 7.68 | 5.01 | 4.50 | |

Source: 2008-2010 LRAs; SMFP OR Need Methodology

Note: On 6/5/2009, CON Section issued Exempt from Review letter approving the acquisition of Plastic Surgery Center of NC, Inc. by Wake Forest Health Sciences

Table 5: NCBH OR Utilization and Projected Need in CON Application

| | SFY 2009 | SFY 2010 Jul2009- Jun2010 | SFY 2011 | SFY 2012 | PY1 SFY 2013 | PY2 SFY 2014 | PY3 SFY 2015 |
|---|----------|---------------------------------|----------|----------|-----------------|-----------------|-----------------|
| Inpatient Cases | 13,446 | 14,051 | 14,683 | 15,344 | 16,111 | 16,917 | 17,763 |
| Weighted Inpatient Cases at 3 hrs/case | 40,338 | 42,153 | 44,049 | 46,032 | 48,333 | 50,751 | 53,289 |
| Ambulatory Cases | 18,683 | 19,617 | 20,598 | 20,482 | 20,894 | 22,043 | 23,256 |
| Weighted Ambulatory Cases at 1.5 hrs/case | 28,025 | 29,426 | 30,897 | 30,723 | 31,341 | 33,065 | 34,884 |
| Total Weighted Cases | 68,363 | 71,579 | 74,946 | 76,755 | 79,674 | 83,816 | 88,173 |
| Licensed ORs needed at 1,872 cases/year | 37 | 38 | 40 | 41 | 43 | 45 | 47 |
| Planning Inventory | 38 | 38 | 38 | 38 | 38 | 38 | 38 |
| Surplus/Deficit | 1 | 0 | -2 | -3 | -5 | -7 | -9 |

Table 6: Revised Projections NCBH OR Utilization and Projected Need Using 2009-2015 Weighted Population Growth Rate (Table 8)

| | Actual | | | Projected | | | | | Weighted Population 45+ Growth Rate | |
|--|----------|----------|----------|-----------|----------|----------|-----------------|-----------------|---|-----------------|
| | FFY 2007 | FFY 2008 | FFY 2009 | FFY 2010 | FFY 2011 | FFY 2012 | PY1 FFY 2013 | PY2 FFY 2014 | | PY3 FFY 2015 |
| Inpatient Cases | 12,208 | 13,251 | 13,357 | 13,695 | 14,041 | 14,397 | 14,761 | 15,134 | 15,517 | 2.5% |
| Annual Growth Rate | | 8.5% | 0.8% | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% | |
| Weighted Inpatient Cases NCBH LRA 3.0 hrs/case | 36,624 | 39,753 | 40,071 | 41,085 | 42,124 | 43,190 | 44,282 | 45,403 | 46,551 | |
| Ambulatory Cases | 16,717 | 17,999 | 18,693 | 19,166 | 19,651 | 20,148 | 20,658 | 21,180 | 21,716 | 2.5% |
| Annual Growth Rate | | 7.7% | 3.9% | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% | |
| Weighted Ambulatory Cases at 1.5 hrs/case | 25,076 | 26,999 | 28,040 | 28,749 | 29,476 | 30,222 | 30,986 | 31,770 | 32,574 | |
| Total Weighted Cases | 61,700 | 66,752 | 68,111 | 69,834 | 71,600 | 73,412 | 75,269 | 77,173 | 79,125 | |
| Licensed ORs needed at 1,872 cases/year | 33 | 36 | 36 | 37 | 38 | 39 | 40 | 41 | 42 | |
| NCBH Planning Inventory | 38 | 38 | 38 | 38 | 38 | 38 | 38 | 38 | 38 | |
| Surplus/Deficit | 5.0 | 2.3 | 1.6 | 0.7 | -0.2 | -1.2 | -2.2 | -3.2 | -4.3 | |
| NCBH Deficit Less Surplus at PSCNC | 7.8 | 5.1 | 4.4 | 3.4 | 2.5 | 1.5 | 0.5 | -0.5 | -1.5 | |

Table 7: Revised Projections NCBH OR Utilization and Projected Need Using NCBH CAGR 2005-2009

| | Actual | | | Projected | | | | | | | CAGR FFY 2005 - FFY 2009 |
|---|----------|----------|----------|-----------|----------|----------|-----------------|-----------------|-----------------|------|--------------------------------|
| | FFY 2007 | FFY 2008 | FFY 2009 | FFY 2010 | FFY 2011 | FFY 2012 | PY1 FFY 2013 | PY2 FFY 2014 | PY3 FFY 2015 | | |
| Inpatient Cases | 12,208 | 13,251 | 13,357 | 13,764 | 14,183 | 14,615 | 15,059 | 15,518 | 15,990 | 3.0% | |
| Annual Growth Rate | | 8.5% | 0.8% | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% | 3.0% | | |
| Weighted Inpatient Cases NCBH LRA 3.0 hrs/case | 36,624 | 39,753 | 40,071 | 41,291 | 42,548 | 43,844 | 45,178 | 46,554 | 47,971 | | |
| Ambulatory Cases | 16,717 | 17,999 | 18,693 | 19,540 | 20,426 | 21,351 | 22,319 | 23,331 | 24,388 | 4.5% | |
| Annual Growth Rate | | 7.7% | 3.9% | 4.5% | 4.5% | 4.5% | 4.5% | 4.5% | 4.5% | | |
| Weighted Ambulatory Cases at NCBH LRA 1.5 hrs/case | 25,076 | 26,999 | 28,040 | 29,310 | 30,639 | 32,027 | 33,479 | 34,996 | 36,582 | | |
| Total Weighted Cases | 61,700 | 66,752 | 68,111 | 70,601 | 73,187 | 75,871 | 78,657 | 81,550 | 84,553 | | |
| Licensed ORs needed at 1,872 cases/year | 33 | 36 | 36 | 38 | 39 | 41 | 42 | 44 | 45 | | |
| Planning Inventory | 38 | 38 | 38 | 38 | 38 | 38 | 38 | 38 | 38 | | |
| Surplus/Deficit | 5 | 2 | 2 | 0 | -1 | -3 | -4 | -6 | -7 | | |
| NCBH Deficit Less Surplus at PSCNC | 7.8 | 5.1 | 4.4 | 3.0 | 1.7 | 0.2 | -1.3 | -2.8 | -4.4 | | |

Table 9: Forsyth County OR Utilization and OR Need FFY 2008 Data - 2010 SMFP

| | NCBH | | PSCNC | | FMC | | Medical Park | | Total | |
|---|-----------------|--------|---|-----|---|--------|---|--------|---|---------|
| | Inpatient Cases | 13,357 | Inpatient Cases | 0 | Inpatient Cases - C-Section | 10,361 | Inpatient Cases | 1,085 | Inpatient Cases | 24,803 |
| Weighted Inpatient Cases at 3 hrs/case | 40,071 | 40,071 | Weighted Inpatient Cases at 3 hrs/case | 0 | Weighted Inpatient Cases at 3 hrs/case | 31,083 | Weighted Inpatient Cases at 3 hrs/case | 3,255 | Weighted Inpatient Cases at 3 hrs/case | 74,409 |
| Ambulatory Cases | 18,693 | 18,693 | Ambulatory Cases | 148 | Ambulatory Cases | 12,676 | Ambulatory Cases | 10,531 | Ambulatory Cases | 42,048 |
| Weighted Ambulatory Cases at 1.5 hrs/case | 28,040 | 28,040 | Weighted Ambulatory Cases at 1.5 hrs/case | 222 | Weighted Ambulatory Cases at 1.5 hrs/case | 19,014 | Weighted Ambulatory Cases at 1.5 hrs/case | 15,797 | Weighted Ambulatory Cases at 1.5 hrs/case | 63,072 |
| Total Weighted Hours | 68,111 | 68,111 | Total Weighted Hours | 222 | Total Weighted Hours | 50,097 | Total Weighted Hours | 19,052 | Total Weighted Hours | 137,481 |
| OR Planning Inventory* | 38 | 38 | OR Planning Inventory | 3 | OR Planning Inventory** | 32 | OR Planning Inventory | 13 | OR Planning Inventory | 86 |
| Licensed ORs needed at 1,872 cases/year | 36.4 | 36.4 | Licensed ORs needed at 1,872 cases/year | 0.1 | Licensed ORs needed at 1,872 cases/year | 26.8 | Licensed ORs needed at 1,872 cases/year | 10.2 | Licensed ORs needed at 1,872 cases/year | 73.4 |
| Surplus/Deficit (-) | 1.6 | 1.6 | Surplus/Deficit (-) | 2.9 | Surplus/Deficit (-) | 5.2 | Surplus/Deficit (-) | 2.8 | Surplus/Deficit (-) | 12.6 |

Source: 2010 LRA

*Excludes one trauma and one burn OR

**Excludes two C-Section ORs

Table 9: Forsyth County OR Utilization and OR Need FFY 2008 Data - 2010 SMFP - Combined System OR Surplus

| | NCBH + PSCNC | | FMC + MPH | | Total | |
|---|-----------------|--------|---|--------|---|---------|
| | Inpatient Cases | 13,357 | Inpatient Cases | 11,446 | Inpatient Cases | 24,803 |
| Weighted Inpatient Cases at 3 hrs/case | 40,071 | 40,071 | Weighted Inpatient Cases at 3 hrs/case | 34,338 | Weighted Inpatient Cases at 3 hrs/case | 74,409 |
| Ambulatory Cases | 18,841 | 18,841 | Ambulatory Cases | 23,207 | Ambulatory Cases | 42,048 |
| Weighted Ambulatory Cases at 1.5 hrs/case | 28,262 | 28,262 | Weighted Ambulatory Cases at 1.5 hrs/case | 34,811 | Weighted Ambulatory Cases at 1.5 hrs/case | 63,072 |
| Total Weighted Hours | 68,333 | 68,333 | Total Weighted Hours | 69,149 | Total Weighted Hours | 137,481 |
| OR Planning Inventory* | 41 | 41 | OR Planning Inventory** | 45 | OR Planning Inventory | 86 |
| Licensed ORs needed at 1,872 cases/year | 36.5 | 36.5 | Licensed ORs needed at 1,872 cases/year | 36.9 | Licensed ORs needed at 1,872 cases/year | 73.4 |
| Surplus/Deficit (-) | 4.5 | 4.5 | Surplus/Deficit (-) | 8.1 | Surplus/Deficit (-) | 12.6 |

Source: 2010 LRA

*Excludes one trauma and one burn OR

**Excludes two C-Section ORs

Table 11: Forsyth County OR Utilization and OR Need 2012 - 2010 SMFP

| NCBH | | PSCNC | | FMC | | Medical Park | | Total | |
|---|-------------|---|------------|---|------------|---|------------|---|------------|
| Inpatient Cases | 14,256 | Inpatient Cases | 0 | Inpatient Cases - C-Section | 11,058 | Inpatient Cases | 1,158 | Inpatient Cases | 26,472 |
| Weighted Inpatient Cases at 3 hrs/case | 42,768 | Weighted Inpatient Cases at 3 hrs/case | 0 | Weighted Inpatient Cases at 3 hrs/case | 33,175 | Weighted Inpatient Cases at 3 hrs/case | 3,474 | Weighted Inpatient Cases at 3 hrs/case | 79,417 |
| Ambulatory Cases | 19,951 | Ambulatory Cases | 158 | Ambulatory Cases | 13,529 | Ambulatory Cases | 11,240 | Ambulatory Cases | 44,878 |
| Weighted Ambulatory Cases at 1.5 hrs/case | 29,927 | Weighted Ambulatory Cases at 1.5 hrs/case | 237 | Weighted Ambulatory Cases at 1.5 hrs/case | 20,294 | Weighted Ambulatory Cases at 1.5 hrs/case | 16,860 | Weighted Ambulatory Cases at 1.5 hrs/case | 67,317 |
| Total Weighted Hours | 72,694 | Total Weighted Hours | 237 | Total Weighted Hours | 53,469 | Total Weighted Hours | 20,334 | Total Weighted Hours | 146,733 |
| OR Planning Inventory* | 38 | OR Planning Inventory | 3 | OR Planning Inventory** | 32 | OR Planning Inventory | 13 | OR Planning Inventory | 86 |
| Licensed ORs needed at 1,872 cases/year | 38.8 | Licensed ORs needed at 1,872 cases/year | 0.1 | Licensed ORs needed at 1,872 cases/year | 28.6 | Licensed ORs needed at 1,872 cases/year | 10.9 | Licensed ORs needed at 1,872 cases/year | 78.4 |
| Surplus/Deficit (-) | -0.8 | Surplus/Deficit (-) | 2.9 | Surplus/Deficit (-) | 3.4 | Surplus/Deficit (-) | 2.1 | Surplus/Deficit (-) | 7.6 |

Source: 2010 LRA

*Excludes one trauma and one burn OR

**Excludes two C-Section ORs

Table 12: Forsyth County OR Utilization and OR Need 2012 - 2010 SMFP - Combined System OR Surplus

| NCBH + PSCNC | | FMC + MPH | | Total | |
|---|------------|---|------------|---|------------|
| Inpatient Cases | 14,256 | Inpatient Cases | 12,216 | Inpatient Cases | 26,472 |
| Weighted Inpatient Cases at 3 hrs/case | 42,768 | Weighted Inpatient Cases at 3 hrs/case | 36,649 | Weighted Inpatient Cases at 3 hrs/case | 79,417 |
| Ambulatory Cases | 20,109 | Ambulatory Cases | 24,769 | Ambulatory Cases | 44,878 |
| Weighted Ambulatory Cases at 1.5 hrs/case | 30,163 | Weighted Ambulatory Cases at 1.5 hrs/case | 37,153 | Weighted Ambulatory Cases at 1.5 hrs/case | 67,317 |
| Total Weighted Hours | 72,931 | Total Weighted Hours | 73,802 | Total Weighted Hours | 146,733 |
| OR Planning Inventory* | 41 | OR Planning Inventory** | 45 | OR Planning Inventory | 86 |
| Licensed ORs needed at 1,872 cases/year | 39.0 | Licensed ORs needed at 1,872 cases/year | 39.4 | Licensed ORs needed at 1,872 cases/year | 78.4 |
| Surplus/Deficit (-) | 2.0 | Surplus/Deficit (-) | 5.6 | Surplus/Deficit (-) | 7.6 |

Source: 2010 LRA

*Excludes one trauma and one burn OR

**Excludes two C-Section ORs



North Carolina Department of Health and Human Services
Division of Health Service Regulation
Certificate of Need Section
2704 Mail Service Center ■ Raleigh, North Carolina 27699-2704

Beverly Eaves Perdue, Governor
Lanier M. Cansler, Secretary

www.ncdhhs.gov/dhsr

Lee Hoffman, Section Chief
Phone: 919-855-3873
Fax: 919-733-8139

June 15, 2009

S. Todd Hemphill
Bode, Call & Stroupe, LLP
3105 Glenwood Avenue, Suite 300
Raleigh, NC 27612

RE: Exempt from Review / Acquisition of Plastic Surgery Center of North Carolina, Inc. by Wake Forest University Health Sciences (WFUHS) / Forsyth County
FID # 953413

Dear Mr. Hemphill:

In response to your letter of May 22, 2009, the above referenced proposal is exempt from certificate of need review in accordance with N.C.G.S. 131E-184(a)(8). Therefore, Wake Forest University Health Sciences (WFUHS) may proceed to acquire the above referenced health service facility without first obtaining a certificate of need. However, you need to contact the Acute and Home Care Licensure and Certification Section of the Division of Health Service Regulation to obtain instructions for changing ownership of the existing facility. Note that pursuant to N.C.G.S. §131E-181(b): "*A recipient of a certificate of need, or any person who may subsequently acquire, in any manner whatsoever permitted by law, the service for which that certificate of need was issued, is required to materially comply with the representations made in its application for that certificate of need.*"

It should be noted that this Agency's position is based solely on the facts represented by you and that any change in facts as represented would require further consideration by this Agency and a separate determination. If you have any questions concerning this matter, please feel free to contact this office.

Sincerely,

Gebrette Miles
Project Analyst

Lee B. Hoffman, Chief
Certificate of Need Section

cc: Acute and Home Care Licensure and Certification Section, DHSR



BODE, CALL & STROUPE, L.L.P.

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MATTHEW A. FISHER

Received by the
CON Section

May 22, 2009

22 MAY 2009 09:07

Via Hand Delivery

Lee B. Hoffman, Chief
Gebrette Miles, Project Analyst
Certificate of Need Section
Division of Facility Services
701 Barbour Drive
Raleigh, North Carolina 27603

Re: Plastic Surgery Center of North Carolina, Inc. Ambulatory Surgical Facility / Acquisition by
Wake Forest University Health Sciences /Winston-Salem, Forsyth County, North Carolina

Dear Ms. Hoffman and Ms. Miles:

This letter is submitted on behalf of our client, Wake Forest University Health Sciences ("WFUHS"). WFUHS intends to acquire from Plastic Surgery Center of North Carolina, Inc. ("PSCNC"), the ambulatory surgical facility, as that term is defined in G.S. §131E-176(1b), owned by PSCNC (hereinafter, the "Facility"). When the transaction is completed, PSCNC will have no interest in the Facility, and WFUHS will have no interest in PSCNC.

The Facility is located in the lower level of the medical building located at 2901 Maplewood Avenue, Winston-Salem, Forsyth County, North Carolina, and consists of three (3) ambulatory surgery operating rooms and support space, as identified in the 2009 SMFP. The parties have entered into a Purchase Agreement, which provides that the purchase is contingent upon our client obtaining confirmation from the CON Section that it does not need to obtain a certificate of need to acquire the Facility.

The medical office building in which PSCNC is located is owned by John Paul & Associates, LLC ("JPA"). PSCNC leases its space from JPA. WFUHS will enter into a new lease with JPA for the space which constitutes the Facility. WFUHS will not lease any other space in the building and will have no interest in JPA.

Ms. Hoffman
Ms. Miles
May 22, 2009
Page 2

By this letter, we are providing notice to the CON Section, pursuant to G.S. §131E-184(a) of this transaction. Because this project involves the acquisition of an interest in an existing health service facility, we believe the acquisition of the Facility is exempt from CON review pursuant to G.S. §131E-184(a)(8). We would appreciate your office reviewing this information and advising us that our analysis is correct and that this acquisition is not subject to CON review.

The parties intend to close on this transaction by no later than the end of June, 2009, so your prompt attention to this request would be very much appreciated. Should you have any questions, please do not hesitate to contact me.

Very truly yours,

BODE, CALL & STROUPE, L.L.P.



S. Todd Hemphill

STH:sh

cc: Brian McGinn