



Carolinan Rehabilitation

October 31, 2018

Jane Rhoe-Jones, Project Analyst
Healthcare Planning and Certificate of Need Section
Division of Health Service Regulation
North Carolina Department of Health and Human Services
809 Ruggles Drive
Raleigh, North Carolina 27603

RE: Comments on CON Applications for HSA III Inpatient Rehabilitation Beds

Dear Ms. Rhoe-Jones:

On September 13, 2018, The Charlotte-Mecklenburg Hospital Authority (CMHA) submitted a CON application in response to the need determination in the 2018 SMFP for eight (8) new inpatient rehabilitation beds in Health Service Area (HSA) III. This application is CON Project ID# F-11566-18. For information purposes, The Charlotte-Mecklenburg Hospital Authority also does business as Atrium Health (formerly known as Carolinas HealthCare System or CHS) and Carolinas Rehabilitation (CR).

Enclosed please find comments prepared by CMHA regarding the competing CON application to develop the need determined inpatient rehabilitation beds in HSA III. We trust that you will take these comments into consideration during your review of both applications.

If you have any questions about the information presented here, please feel free to contact me at 704-446-8475. I look forward to seeing you at the public hearing.

Sincerely,

Elizabeth Kirkman
Assistant Vice President
Strategic Services Group, Atrium Health

COMMENTS ABOUT COMPETING CERTIFICATE OF NEED APPLICATIONS HSA III INPATIENT REHABILITATION BEDS

Submitted by Carolinas Rehabilitation
October 31, 2018

Two providers submitted Certificate of Need (CON) applications in response to the need identified in the *2018 State Medical Facilities Plan (SMFP)* for eight new inpatient rehabilitation beds in HSA III. Novant Health submitted CON application Project ID# F-11584-18. CR submitted CON application Project ID# F-11566-18.

In accordance with N.C. Gen. Stat. § 131E-185(a.1)(1), this document includes comments relating to the representations made by the competing applicant, and a discussion about whether the material in their application complies with the relevant review criteria, plans, and standards. These comments also address the determination of which of the competing proposals represents the most effective alternative for development of eight new inpatient rehabilitation beds in the service area.

Specifically, the Healthcare Planning and Certificate of Need Section, in making the decision, should consider several key issues, including the extent to which each proposed project:

- (1) Represents the most effective alternative for access for service area residents;
- (2) Best meets the need for additional inpatient rehabilitation beds;
- (3) Provides greatest access for local residents to new inpatient rehabilitation beds;
- (4) Maximizes healthcare value in the delivery of health care services for development of the need-determined inpatient rehabilitation beds;
- (5) Demonstrates that projected utilization is based on reasonable and adequately supported assumptions; and
- (6) Demonstrates conformity with applicable review criteria and standards.

It is important to note that Novant has had more than one opportunity to develop and utilize inpatient rehabilitation beds in HSA III, but has not done so effectively. Novant (as Presbyterian Orthopaedic Hospital) obtained a CON to relocate 12 inpatient rehab beds from Novant's Forsyth Medical Center, but in May 2002 it relinquished that CON (see footnote on page 47 of the 2003 SMFP). Pursuant to an adjusted need determination in the 2009 SMFP, Novant received a CON for 10 inpatient rehabilitation beds to be located at NHRMC. As shown in the 2018 SMFP, these beds operate below 50% occupancy, and have been chronically underutilized since 2014. By contrast, during the past 10 years, Atrium Health has employed a strategy of relocating existing

inpatient rehabilitation beds to various geographic areas of need within HSA III so that these beds can be most effectively utilized. Specific examples of this are the CR inpatient rehabilitation units at CR-Mount Holly in Gaston County, CR-NorthEast in Cabarrus County, and the inpatient rehabilitation unit located at CHS Pineville located in southern Mecklenburg County.

The Agency typically performs a comparative analysis when evaluating all applications in a competitive batch review. The purpose of the comparative analysis is to identify the proposal(s) that would bring the greatest overall benefit to the community. The table below summarizes comparative metrics that the Agency should use for comparing the two applications in this competitive batch review.

**2018 HSA III Inpatient Rehabilitation Bed Batch Review
 Applicant Comparative Analysis**

	Carolinas Rehabilitation	Novant Health Presbyterian Medical Center
Conformity with Regulatory Rules & Statutory Review Criteria	Most Effective	Least Effective
Meeting the Need for Additional IP Rehab Beds	Most Effective	Least Effective
Geographic Access	Equally Effective	Equally Effective
Scope of Rehabilitation Services	Most Effective	Least Effective
Access by Underserved	Most Effective	Least Effective
Access to Alternative Providers	Equally Effective	Equally Effective
Continuity of Care	Most Effective	Least Effective
Private vs. Semi-private Rooms	Equally Effective	Equally Effective
Operational Date	Most Effective	Least Effective
Gross Revenue	Inconclusive Comparison	
Operating Costs	Inconclusive Comparison	
Financial Feasibility	Most Effective	Least Effective

This comparative analysis, which is consistent with the Agency's previous comparative analysis for inpatient rehabilitation beds, shows that CR ranks most favorably on the relevant comparative metrics. Additionally, the CR application conforms to the Review Criteria and best satisfies the Basic Principles of the 2018 SMFP (Policy GEN-3). Therefore, CR is the most effective alternative for development of the eight need-determined inpatient rehabilitation beds in HSA III.

Comparative Analysis

Conformity with Review Criteria

Without establishing conformity with all applicable statutory and regulatory review criteria, an application cannot be approved. For the reasons discussed later in this document:

Novant Health Presbyterian Medical Center (NHPMC) is non-conforming with Criteria 1, 3, 4, 5, 6, & 18a.

Meeting the Need for Additional Inpatient Rehabilitation Beds

The need determination for eight inpatient rehabilitation beds in the 2018 SMFP is based solely on the historical inpatient rehabilitation utilization at Atrium Health facilities. The inpatient rehabilitation bed need determination methodology is based on historical utilization of beds over a two-year period. The standard need methodology for inpatient rehabilitation beds utilizes data from the Annual Hospital Licensure Renewal Applications and triggers a need for additional beds when current beds have been utilized at 80 percent or greater for two years in a row. The following table summarizes FY2015-FY2016 utilization for the last two years, and is included in the 2018 SMFP need methodology.

Health Service Area III Inpatient Rehabilitation Hospital Utilization – Days of Care

Facility	Beds	FY2015	2015 Occupancy	FY2016	2016 Occupancy
CHS Pineville	29	9,295	87.8%	9,123	86.2%
Carolinas Medical Center (Levine Children’s Hospital)	13	4,250	89.6%	4,159	87.7%
Carolinas Rehabilitation	70	23,437	91.7%	20,686	81.0%
CR - Mt Holly	40	11,460	78.5%	11,916	81.6%
CR - NorthEast	40	10,355	70.9%	11,195	76.7%
Novant Health Rowan Medical Center	10	1,723	47.2%	1,731	47.4%
<i>Inpatient Rehabilitation Bed Utilization Rate</i>	202	60,520	82.1%	58,810	79.8%

Source: 2016-2017 License Renewal Applications

During the development process of the 2018 SMFP, the State Health Coordinating Council (SHCC) acknowledged the appropriateness of rounding the occupancy rate in Health Service Area (HSA) III such that it reached the threshold for determining additional bed need. When the Healthcare Planning Section applied the standard methodology, a need for eight beds was determined for HSA III.

As noted in the previous table, Novant Health Rowan Medical Center’s (NHRMC) inpatient rehabilitation beds are underutilized, with less than 50 percent occupancy. This facility was not a contributor to the overall utilization rate required to trigger a need determination. In fact, utilization at NHRMC has over the years stymied HSA III’s ability to achieve the necessary threshold for triggering a need determination.

The following table summarizes the relative effectiveness of the competing proposals with respect to meeting the need for additional inpatient rehabilitation based on the 2018 SMFP.

**Comparative Factor:
 Meeting the Need for Additional Inpatient Rehabilitation Beds**

Applicant	Health System	Meeting the Need for Additional IP Rehab Beds
Carolinas Rehabilitation	Atrium Health	Most Effective
Novant Health Presbyterian Medical Center & Novant Health, Inc.	Novant Health	Least Effective

With regard to demonstration of need for additional inpatient rehabilitation beds, the application submitted CR is the most effective alternative in this competitive batch review.

CR notes a similar comparison was used in the 2013 Mecklenburg County acute care bed batch review. Therefore, it is reasonable for the Agency to compare applicants based on “Meeting the Need for Additional Inpatient Rehabilitation Beds” in this batch review, especially since other comparative factors result in inconclusive comparisons (e.g. Gross Revenues and Operating Costs).

Geographic Access

The current inpatient rehabilitation beds in HSA III are distributed as follows:

Inpatient Rehabilitation Bed Distribution in HSA III by Facility

Facility	County	Beds	% HSA III Beds	FY16 Occupancy
CHS Pineville	Mecklenburg	29	9,123	86.2%
Carolinas Medical Center (Levine Children's Hospital)	Mecklenburg	13	4,159	87.7%
Carolinas Rehabilitation	Mecklenburg	70	20,686	81.0%
CR - Mt Holly	Gaston	40	11,916	81.6%
CR - NorthEast	Cabarrus	40	11,195	76.7%
Novant Health Rowan Medical Center	Rowan	10	1,731	47.4%

The current population in HSA III is distributed as follows:

Population Distribution in HSA III by County

	2018 Population	% of Total
Mecklenburg	1,099,382	49.2%
Cabarrus	209,736	9.4%
Stanly	63,069	2.8%
Rowan	142,862	6.4%
Union	232,425	10.4%
Lincoln	84,494	3.8%
Gaston	221,112	9.9%
Iredell	179,740	8.0%
<i>HSA III Total</i>	<i>2,232,820</i>	<i>100.0%</i>

Source: North Carolina Office of State Budget & Management

As shown in the previous tables, Mecklenburg County hosts the largest complement of inpatient rehabilitation beds and also the largest percentage of population in HSA III. Additionally, the existing inpatient rehabilitation beds in Mecklenburg County are well utilized.

In this review, both applicants propose to locate additional inpatient rehabilitation beds in central Mecklenburg County. Therefore, with regard to improving geographic access to inpatient rehabilitation services, the competing applications are equally effective.

Scope of Rehabilitation Services

CR proposes to offer a comprehensive range of inpatient rehabilitation services, much broader than NHPMC proposes to develop. CR proposes to serve a full complement of rehabilitation diagnosis categories. CR includes North Carolina's only neuro-behavioral inpatient unit, as well as a variety of outpatient and community-based rehabilitation services.

As described on page 15 of its application, NHMPC will serve a limited scope of patients including only stroke, neurologic disorders, hip fracture, and amputation. It is interesting to note that these rehabilitation patients represent the most financially attractive patients, as net reimbursement is highest for these types of patients compared to more complex patients. Novant Health will continue to refer to Atrium its multiple trauma, brain injury, spinal cord injury, and burn patients needing inpatient rehabilitation. These patients are the most complicated and expensive rehabilitation patients.

Therefore, CR's proposal is the most effective alternative with regard to providing a broader scope of rehabilitation services.

Patient Access to Alternative Providers

In this batch review, both applicants are existing providers of inpatient rehabilitation services within HSA III, and each proposes to develop the additional inpatient rehabilitation beds in existing hospital facilities.

Atrium Health is currently licensed for 192 inpatient rehabilitation beds, distributed at five locations in three counties of HSA III.

Novant Health is the parent company of NHPMC (and co-applicant for F-11584-18) and is also the parent company of Novant Health Rowan Medical Center (NHRMC), also located in HSA III. NHRMC is licensed for 10 inpatient rehabilitation beds.

The following table summarizes the competing applications with respect to patient access to alternative providers.

**Comparative Factor:
 Access to Alternative Providers**

Applicant	Health System	Existing IP Rehab Provider	Access to Alternative Providers
Carolinas Rehabilitation	Atrium Health	Yes	Equally Effective
Novant Health Presbyterian Medical Center & Novant Health, Inc.	Novant Health	Yes	Equally Effective

Therefore, with regard to providing HSA III patients with access to an alternative provider of inpatient rehabilitation services, the proposals submitted by CR and NHPMC are effective alternatives because both applicants currently operate inpatient rehabilitation beds within HSA III.

Access by Underserved Groups

The table on the following page illustrates each applicant’s projected percentage of patient days to be provided to Medicaid, Medicare, and Self Pay patients in the third project year.

**Projected Payor Mix, Project Year 3
 (Patient Days of Care)**

Underserved Category	Carolinas Rehabilitation	Novant Health Presbyterian Medical Center
Medicaid %	20.37%	6.00%
Medicaid Days	4,725	195
Medicare %	44.87%	64.00%
Medicare Days	10,409	2,079
Self Pay %	2.16%	2.00%
Self Pay Days	501	65

Source: CON Project ID #F-115566-18 and #F-11584-18

CR projects to serve the highest percentage (and greatest number) of Medicaid and Self Pay patient days of care. CR also projects to serve the highest number of Medicare patient days of care. Therefore, CR is the most effective alternative with regard to access by underserved groups.

Continuity of Care

NHPMC describes the importance of continuity of care on pages 26 through 29 of its application, including the following statement *“the rehabilitation unit will provide the missing element in the continuum of care for stroke patients and appropriate orthopedic and trauma patients treated at Novant Health hospitals.”* However, NHPMC’s project will improve continuity of care for only a narrow scope of inpatient rehabilitation patients. As described on page 15 of its application, NHPMC will serve limited types of patients including only stroke, neurologic disorders, hip fracture, and amputation. Novant Health will continue to refer to Atrium its multiple trauma, brain injury, spinal cord injury, and burns patients needing inpatient rehabilitation. Therefore, the extent to

which NHMPC's proposal effectively improves continuity of care is extremely limited. Moreover, the proposed NHPMC project will not expand the scope of inpatient rehabilitation services beyond what the Novant Health system currently offers in HSA III. Therefore, the proposed project will not improve continuity of care within a hospital system that is currently operating inpatient rehabilitation beds.

CR proposes to offer a much broader range of inpatient rehabilitation services than NHPMC proposes to develop. CR proposes to serve a full complement of rehabilitation diagnosis categories. CR includes North Carolina's only neuro-behavioral inpatient unit, as well as a variety of outpatient and community-based rehabilitation services. The Carolinas Traumatic Brain Injury Rehabilitation and Research System activates at the moment a primary traumatic event occurs, and facilitates continuity of care from the acute episode of care to inpatient rehabilitation. Therefore, CR provides the most effective option for maintaining continuity of care within a hospital system that is currently operating inpatient rehabilitation beds.

Private vs. Semi-Private Rooms

NHPMC proposes to develop 10 inpatient rehabilitation beds (8 new + 2 relocated from NHRMC) in private rooms on the third floor of Novant Health Charlotte Orthopedic Hospital (NHCOH).

CR proposes to develop 8 inpatient rehabilitation beds in private rooms within the existing CR facility.

In this review, both applicants propose to develop all the additional inpatient rehabilitation beds in private rooms. Therefore, with regard to private versus semi-private inpatient rehabilitation beds, the competing applications are equally effective.

Access to Care

The 2018 SMFP determined a need for eight additional inpatient rehabilitation beds in Health Service Area III; therefore, the timeliness of the proposals is an important comparative consideration. As shown on the table below, CR projects to develop the beds 18 months earlier than Novant Health. Thus, the CR application is the most effective alternative in terms of offering timely access to services for local residents.

Projected Operational Date

Carolinas Rehabilitation	Novant Health
7/1/2019	1/1/2021

Source: CON Applications

Projected Average Revenue per Patient Day

Due to significant differences in the scope and scale of inpatient rehabilitation services proposed by each applicant, it is not possible to make conclusive comparisons with regard to either gross or net revenue per patient day because the more comprehensive rehabilitation program at CR serves patients with longer ALOS and more complex conditions on average.

Projected Average Operating Cost per Patient Day

Due to significant differences in the scope and scale of inpatient rehabilitation services proposed by each applicant, it is not possible to make conclusive comparisons with regard to either operating costs per patient day because the more comprehensive rehabilitation program at CR serves patients with longer ALOS and more complex conditions on average.

Financial Feasibility

While conclusive comparisons of average patient revenue and operating costs per patient day are not possible because of the significant differences in patient acuity, case complexity, and scope of projects offered by each applicant, bringing revenues and costs together may provide a more complete picture of each proposal’s financial feasibility as shown in the table below.

Financial Feasibility Comparison, Project Year 3

	Carolinas Rehabilitation	Novant Health Presbyterian Medical Center
Net Patient Revenue	\$52,751,153	\$4,600,029
Total Expenses	\$45,372,270	\$3,749,709
Net Patient Revenue per patient day	\$2,274	\$1,416
Total Operating Costs per patient day	\$1,956	\$1,154
Difference (net income)	\$318	\$262

As indicated in the previous table, NHPMC has the smallest difference (net income/patient day) between patient revenue and expenses. However, as described in our comments regarding the non-conformity of NHPMC’s application to Criterion 3, NHPMC’s proposed revenues and expenses are not based on reasonable and supported projected utilization. Therefore, CR is the most effective alternative with regard to financial feasibility.

Summary

The following is a summary of the reasons the proposal submitted by CR is determined to be the most effective alternative in this review.

- CR conforms to all statutory review criteria and regulatory rules,
- CR most effectively meets the need for additional inpatient rehabilitation beds,
- CR provides the broadest scope of inpatient rehabilitation services,
- CR most effectively improves access to medical underserved groups,
- CR provides the most effective option for maintaining continuity of care within a hospital system that is currently operating inpatient rehabilitation beds, and
- CR is the most effective alternative with regard to financial feasibility.

Comments regarding Novant Health Presbyterian Medical Center /CON Project I.D. #F-11584-18

Comments specific to Criterion 1

NHPMC does not adequately demonstrate that the projected utilization is based on reasonable and adequately supported assumptions. See discussion regarding Criterion 3. Therefore, NHPMC does not adequately demonstrate its proposal would maximize healthcare value. Consequently, the application is not consistent with Policy GEN-3 and is not conforming to Criterion 1.

Comments specific to Criterion 3 and Rules

NHPMC failed to demonstrate that its projected inpatient rehabilitation utilization is based on reasonable and adequately supported assumptions.

NHPMC provides scarce information regarding the number of Novant Health patients who would have been appropriate for inpatient rehabilitation. Moreover, NHPMC does not adequately support its assumptions for projecting need for 10 inpatient rehabilitation beds.

Need for Proposed Inpatient Rehabilitation Beds

On page 22 of its application, NHPMC provides 12 months of data ending 3/31/2018 for Novant Health HSA III hospital patients discharged to rehabilitation, which totaled 261 patients with diagnoses that would be accepted at the proposed NHPMC inpatient rehabilitation unit. NHPMC states the average length of stay is assumed to be 13.5; however, Novant Health provides no information or data to support this assumption for average length of stay. Indeed, Novant Health operates existing inpatient rehabilitation beds in HSA III at NHRMC, but failed to provide historical average length of stay data at that facility for comparative purposes or to support its projected new facility length of stay. There is no explanation or supporting information to substantiate the reasonableness of NHPMC's projected average length of stay of 13.5. In fact, in Section Q page 87 Novant Health shows that the current ALOS at NHRMC is 11.7, yet provides no explanation in the application for why it projects NHPMC's ALOS to be 15% higher than that of the beds Novant Health already operates in HSA III at NHRMC. This is a key assumption in NHPMC's application because it is the means by which the applicant projects a potential need for 10 inpatient rehabilitation beds. As shown on page 22 of its application, NHPMC converts an

estimated 261 patients with diagnoses that would be accepted at the proposed NHPMC inpatient rehabilitation unit to 3,713 days of care by applying an average length of stay.

Atrium notes that NHPMC's math on page 22 does not compute. Specifically, $261 \text{ diagnoses} \times 13.5 \text{ ALOS} = 3,523.50$, not 3,713. This difference is not attributable to rounding. Without any data, information, or support for this key ALOS assumption, the need for 10 inpatient rehabilitation beds at NHPMC is not adequately supported, and therefore not demonstrated to be reasonable.

Also, in Section C.4a of its application, NHPMC applies Atrium's conversion rate for the percentage of total acute care discharges that were appropriate to discharge to inpatient rehabilitation instead of Novant Health's actual conversion rate. In doing so, NHPMC attempted to identify 674 Novant Health patients who would have been appropriate for rehabilitation in 2017. However, NHPMC's analysis is flawed because it is not appropriate to assume Atrium's conversion rate. Atrium Health serves a much different patient population compared to Novant Health. Atrium Health is the nation's second largest public health care system, and 814-bed Carolinas Medical Center operates the largest of North Carolina's five Level I Trauma Centers.¹ Comparatively, NHPMC operates a Level 3 trauma center.² Atrium Health's conversion rate is over three times higher compared to Novant Health's conversion rate, i.e., Novant Health: 1.0% vs. Atrium Health: 3.3% (see page 23 of NHPMC application). Additionally, NHPMC failed to document how Novant's patient population is comparative to Atrium Health's and why it is appropriate to assume Atrium Health's conversion rate instead of Novant Health's actual conversion rate. Consequently, NHPMC's analysis on page 23 of its application results in grossly overstated potential patients appropriate for inpatient rehabilitation who were not served. Therefore, NHPMC does not reasonably or adequately document the need it has for the services it proposes to develop.

¹ Level I Trauma Center is a comprehensive regional resource that is a tertiary care facility central to the trauma system. A Level I Trauma Center is capable of providing total care for every aspect of injury – from prevention through rehabilitation.

² A Level III Trauma Center has demonstrated an ability to provide prompt assessment, resuscitation, surgery, intensive care and stabilization of injured patients and emergency operations.

Projected Utilization

NHPMC's Form C – Utilization Assumptions fails to provide any analysis regarding projected utilization for the proposed project. In fact, NHPMC merely backed into its utilization projections. As described on page 83 of the application, NHPMC began by assuming occupancy of the proposed unit during the third project year. Occupancy during the first and second project years is based on a “black box” of Encompass Health historical experience. In other words, Novant Health provides zero information or data to support the ramp up in occupancy during the initial three project years. Encompass Health is the largest provider of inpatient rehabilitation services in the United States (according to page 15 of NHPMC's application), thus, one would expect the Novant application to include an abundance of available data that could (and should) have been provided to support these vital assumptions.

Next NHPMC multiplied the expected occupancy (which is not reasonably supported) by days per year and the resulting product by 10 beds to calculate total days of care, e.g., Year 3: 89% occupancy x 365 days = 324.85 days x 10 beds = 3,248.5 days of care. Finally, NHPMC divided the annual days of care by 13.5 average length of stay (which, as described previously, is not reasonably supported) to calculate the number of annual admissions, e.g., Year 3: 3,248.5 days of care ÷ 13.5 = 240.63 admissions.

Assumption #2 on page 83 states “*estimates of utilization are based on the need assessment for HSA III in the 2018 SMFP, estimates of unmet demand from Novant Health hospitals and physicians found in the response to Section C Question 4a, and the combined experience Novant Health and Encompass Health have in marketing and establishing operations in new inpatient rehabilitation units and hospitals.*” As stated in this assumption, the only quantitative analysis relied upon was the projections of unmet demand in Section C Question 4a. As previously described, these projections of unmet demand are unreliable, overestimated, and unsupported.

Assumption #5 on page 83 states, “*average length of stay (ALOS) is assumed to be 13.5 based on Encompass Health's experience.*” There is no further documentation or information provided to support the projected average length of stay. As an experienced provider of inpatient rehabilitation services, data supporting this projection should have been readily available from and documented by Novant Health and Encompass Health. In fact, in Section Q page 87 Novant Health shows that the current ALOS at NHRMC is 11.7, yet provides no explanation in the application for why it projects NHPMC's ALOS to be 15% higher than that of the beds Novant Health already operates in HSA III at NHRMC.

In summary, NHPMC failed to demonstrate its projected utilization is based on reasonably and adequately supported assumptions. Therefore, the application does not conform to Criterion 3.

Comments specific to Criterion 4

NHPMC does not adequately demonstrate that the alternative proposed in its application is the most effective alternative to meet the need because it is not conforming to all statutory and regulatory review criteria. An application that cannot be approved cannot be the most effective alternative, and is therefore non-conforming to Criterion 4.

Further, Novant Health did not adequately explain why relocation of more or even all of the 10 inpatient rehabilitation beds at NHRMC is not the more effective alternative. In its application, Novant Health describes how Mecklenburg County is the largest county in North Carolina and that only Atrium Health, and not Novant Health currently operates inpatient rehab beds in the county. However, it is important to note that Novant has had the opportunity to develop and utilize inpatient rehab beds in HSA III, but has not done so effectively. Novant (as Presbyterian Orthopaedic Hospital) obtained a CON to relocate 12 inpatient rehab beds from Novant's Forsyth Medical Center, but in 2002 it relinquished that CON (see footnote on page 47 of the 2003 SMFP). Pursuant to an adjusted need determination in the 2009 SMFP, Novant received a CON for 10 inpatient rehabilitation beds to be located at NHRMC. As noted previously, these beds do not operate above 50% occupancy, and have been chronically underutilized since 2014.

Also, Novant Health does not need an SMFP need determination to seek to relocate its currently underutilized Rowan bed inventory to the larger county with a greater need for bed capacity. At any time, Novant Health can simply submit a non-competitive CON application to relocate the unit to Charlotte. Novant Health failed to discuss this alternative in Section E.

Finally, Novant Health projects a later date for bringing the inpatient rehabilitation beds online than CR. NHPMC's proposed date of January 1, 2021 is 18 months later than CR. Given the 2018 SMFP's determination that eight additional inpatient rehab beds are needed locally in 2020, the Novant Health application is not the most effective alternative in terms of offering timely access to services for HSA III residents.

Comments specific to Criterion 5

NHPMC does not adequately demonstrate that projected utilization is based on reasonable and adequately supported assumptions. See discussion regarding Criterion 3. Therefore, NHPMC does not adequately demonstrate its proposal is based upon reasonable projections of the costs of and charges for providing health services. Consequently, the application is not conforming to Criterion 5.

Comments specific to Criterion 6

NHPMC did not adequately demonstrate that its proposal would not result in unnecessary duplication of inpatient rehabilitation services in HSA III. Specifically, NHPMC did not adequately demonstrate in its application that the new inpatient rehabilitation beds it proposes to develop are needed. See discussion regarding projected utilization in Criterion 3. Therefore, the NHPMC application is non-conforming to Review Criterion 6.

Comments specific to Criterion 18a

For the same reasons that the NHPMC application is non-conforming with Criteria 3, 4, 5, and 6, it should also be found non-conforming with Criterion 18a. In simply adding to an existing surplus of inpatient rehabilitation beds within the Novant Health system, this project would not enhance competition and the project will not have a positive impact on the cost effectiveness, quality and access to the proposed services. NHPMC did not adequately demonstrate the financial feasibility of the proposal and did not reasonably identify the need the population has for the proposed service.

CONCLUSION

For the foregoing reasons, the competing application from Novant Health should be disapproved. It fails to satisfy multiple CON criteria and is also comparatively inferior to the Carolinas Rehabilitation application. The CR application should be approved because it satisfies all the applicable CON criteria and is comparatively superior to the competing Novant application.