



Atrium Health

**Comments on
Novant Health Cabarrus Medical Center and
Novant Health, Inc.'s Acute Care Bed
Certificate of Need Application,
Project ID # F-012588-25**

March 31, 2025

**Competitive Comments on Cabarrus County
Acute Care Bed Applications**

submitted by

The Charlotte-Mecklenburg Hospital Authority

In accordance with N.C. GEN. STAT. § 131E-185(a1)(1), The Charlotte-Mecklenburg Hospital Authority¹ (CMHA) hereby submits the following comments related to the application filed by Novant Health Cabarrus Medical Center and Novant Health, Inc. (collectively referred to herein as Novant Health) to develop a new 50-bed acute care hospital called Novant Health Cabarrus Medical Center (NH Cabarrus) in response to the need identified in the *2025 State Medical Facilities Plan (SMFP)* for 126 additional acute care beds in Cabarrus County. CMHA’s comments include *“discussion and argument regarding whether, in light of the material contained in the application and other relevant factual material, the application complies with the relevant review criteria, plans and standards.”* See N.C. GEN. STAT. § 131E-185(a1)(1)(c).² In order to facilitate the Agency’s ease in reviewing these comments, CMHA has organized its discussion by issue, specifically noting the general Certificate of Need (CON) statutory review criteria and regulations creating the non-conformity of each issue, as they relate to Novant Health’s NH Cabarrus application, Project ID # F-012588-25. CMHA’s comments include issue-specific comments on the NH Cabarrus application as well as a comparative analysis related to its application:

- Atrium Health Cabarrus (AH Cabarrus), Add 126 acute care beds, Project ID # F-012600-25

As detailed above, given the number of proposed additional acute care beds, both applications cannot be approved as proposed. The comments below include substantial issues that CMHA believes render Novant Health’s NH Cabarrus application non-conforming with applicable statutory criteria and regulatory review criteria. However, as presented at the end of these comments, even if the NH Cabarrus application was conforming, the AH Cabarrus application filed by CMHA is comparatively superior to the application filed by Novant Health and represents the most effective alternative for expanding access to acute care services in Cabarrus County.

¹ Advocate Aurora Health, Inc. (“AAH”) and Atrium Health, Inc. (“Atrium Health”) formed Advocate Health, Inc. (“Advocate Health”), a nonprofit corporation, to manage and oversee AAH, Atrium Health, and their respective subsidiaries and affiliates. As part of Atrium Health, The Charlotte-Mecklenburg Hospital Authority and Wake Forest University Baptist Medical Center are now part of the Advocate Health enterprise and are managed and overseen by Advocate Health.

² CMHA is providing comments consistent with this statute; as such, none of the comments should be interpreted as an amendment to its application filed on February 17, 2025 (Project ID # F-012600-25).

GENERAL COMMENTS

As detailed in the issue-specific comments in the following section, Novant Health's application does not conform to all of the Certificate of Need (CON) statutory review criteria and regulations. Most notably, Novant Health projects unreasonable and unsupported market share capture for Cabarrus County patients; unreasonably includes Stanly County in its service area; utilizes inappropriate benchmark facilities for operational projections; overstates its average length of stay; and understates contractual adjustment rates in Project Years 2 and 3.

When more reasonable assumptions are applied, NH Cabarrus does not meet the performance standards, operating below the minimum required occupancy rate. Further, when contractual adjustment rates are corrected to match the stated assumption of consistency across project years, the project does not demonstrate financial feasibility.

Even if Novant Health's application were approvable, CMHA believes that its AH Cabarrus application is the more effective alternative for the 126 acute care beds needed in Cabarrus County as demonstrated in the comparative analysis section.

ISSUE-SPECIFIC COMMENTS

1. The Novant Health application fails to demonstrate the reasonableness of its projected market share capture in Cabarrus County.

Novant Health fails to demonstrate the reasonableness of its projected utilization as it uses an unsupported and overstated market share assumption for Cabarrus County. On page 128 of its application, Novant Health projects to capture 14.0 percent of Cabarrus County patients at the proposed hospital, stating this is "consistent with its historical experience developing de novo community hospitals." However, the application provides no quantitative support, comparative data, or specific examples to justify or confirm the reasonableness of this projected market share capture, instead relying on vague qualitative factors without substantiation. Furthermore, Novant Health projects the proposed new hospital to capture nearly 20 percent of Cabarrus County's Core Acute Care (CAC) Medicare Severity Diagnosis Related Groups (MS-DRGs) (Table Q.10 Page 129), without providing substantiating quantitative support.

This lack of evidence is particularly concerning given Novant Health's documented pattern of unreasonable market share projections in previous CON applications for de novo community hospitals, which resulted in non-conformity findings. For example:

- In the 2022 Buncombe/Graham/Madison/Yancey Acute Care Bed Review, Novant's application to develop Novant Health Asheville Medical Center (Project ID # B-012230-22) was found non-conforming with Criterion 3, with the Findings explicitly stating that "Novant's assumptions about what percentage of acute care patients treated in Buncombe County will shift to NH Asheville are not reasonable and adequately supported."
- More recently, in the 2024 Wake County Acute Care Bed and OR Review, Novant's application to develop Novant Health Knightdale Medical Center (Project ID # J-012534-24) was found non-conforming with Criterion 3, with the Findings stating that the "Projected market share of discharges is not reasonable." Notably, in that application, Novant Health projected market share captures of 20 percent for its primary service area ZIP code and 10 percent for its secondary

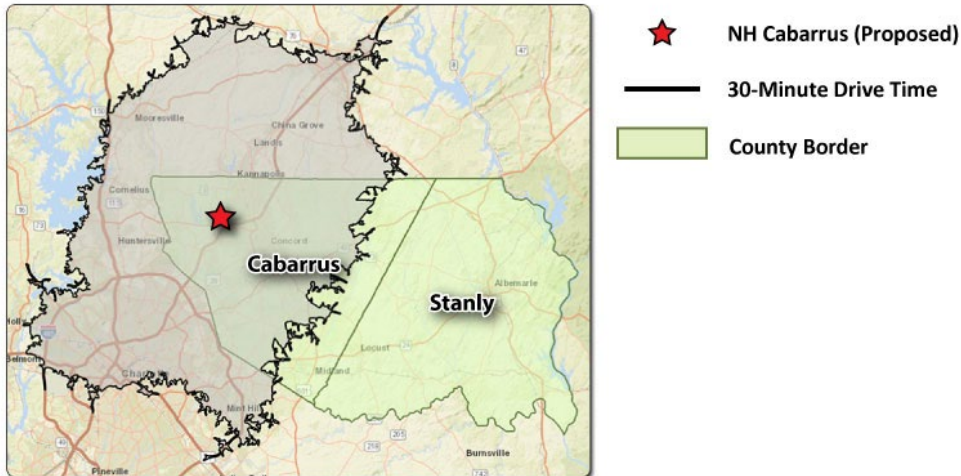
service area ZIP code. In the current application, Novant Health is applying similar aggressive market share assumptions to the **entire county, which makes the assumptions for NH Cabarrus even more unreasonable.**

Novant Health's market share methodology also fails to adequately account for Atrium Health Cabarrus's established presence and expansion at its Atrium Health Harrisburg campus. Specifically, the Atrium Health Harrisburg expansion underway will significantly improve geographic access in Cabarrus County and enhance availability of lower acuity inpatient services as approved in recent CON applications (Project ID # F-012255-22 and subsequent change of scope, Project ID # F-012505-24)

In summary, based on the issues detailed above, the NH Cabarrus application is non-conforming with the review criteria established under N.C. GEN. STAT. § 131E-183, specifically Criteria 3, 6, and 18a as well as the performance standards specified in 10A NCAC 14C .3803. The NH Cabarrus application should not be approved.

2. The inclusion of Stanly County in the service area is unreasonable.

Novant Health fails to demonstrate the reasonableness of including Stanly County in its service area. NH Cabarrus is proposed in the far western portion of Cabarrus County. As shown in the drive time map below, **there is not a single location in Stanly County within 30 minutes of the proposed site.**



Further, current utilization patterns demonstrate that when Stanly County residents leave their home county for care, they do so for one of two specific reasons:

1. To seek specialized care at major medical centers such as:
 - AH Cabarrus (a growing tertiary care facility providing many types of specialized care)
 - Carolinas Medical Center (academic medical center, quaternary care facility, and Level I trauma center)
 - NH Presbyterian (tertiary care facility and Level II trauma center)
2. To access the closest community hospital:
 - NH Mint Hill

According to population data from Esri, the majority of Stanly County residents live in central and southern regions of the county. Today, these residents have access to existing community-based healthcare facilities including NH Mint Hill and AH Stanly. The drive-time analysis below demonstrates that these existing facilities are more accessible than the proposed NH Cabarrus site for most Stanly County residents.

Central and Southern Stanly County Drive Time

<i>Zip Code</i>	<i>Proposed NH Cabarrus</i>	<i>NH Mint Hill</i>	<i>AH Stanly</i>
28001	33.4 miles / 45 mins	30.1 miles / 35 mins	4.4 miles / 9 mins
28128	40.8 miles / 55 mins	31.5 miles / 40 mins	11.0 miles / 18 mins
28097	22.4 miles / 35 mins	18.1 miles / 26 mins	17.0 miles / 28 mins
28129	29.8 miles / 45 mins	21.3 miles / 30 mins	16.1 miles / 24 mins
28163	27.2 miles / 40 mins	15.1 miles / 22 mins	20.1 miles / 28 mins

Source: Google maps, weekday at noon

As shown in the drive time analysis above, AH Stanly is significantly closer (up to 37 minutes) than NH Cabarrus for residents of central and southern Stanly County. Further, NH Mint Hill is a 9-to-18-minute shorter drive time than the proposed NH Cabarrus for residents in this area. Novant Health’s statement that “NH Cabarrus will create a new point of access for Novant Health patients and reduce drive times for many individuals from Cabarrus, Rowan, and Stanly counties that currently utilize Novant Health’s acute care services” is not supported by the data.³ Patients from central and southern Stanly County who may choose Novant Health will either continue to travel to NH Presbyterian or to the closest Novant Health community hospital, Novant Health Mint Hill. It is unreasonable to assume that these patients will shift to NH Cabarrus.

Additionally, residents of northern Stanly County have access to existing community-based healthcare facilities including NH Rowan and AH Stanly. The drive-time analysis below demonstrates that existing facilities are also more accessible than the proposed NH Cabarrus site for these Stanly County residents.

Northern Stanly County Drive Time

<i>Zip Code</i>	<i>Proposed NH Cabarrus</i>	<i>NH Rowan</i>	<i>AH Stanly</i>
28127	31.8 miles / 40 mins	26.0 miles / 35 mins	6.0 miles / 8 mins
28137	31.5 miles / 40 mins	21.4 miles / 30 mins	13.4 miles / 18 mins
28009	39.8 miles / 50 mins	32.1 miles / 45 mins	6.8 miles / 14 mins

Source: Google maps, weekday at noon

Patients residing in northern Stanly County are 5-to-10 minutes closer to NH Rowan than the proposed NH Cabarrus site and are 22-to-36 minutes closer to AH Stanly. Thus, the proposed NH Cabarrus site will not reduce drive times for patients from the northern portion of Stanly County either. Again, it is unreasonable to assume that these patients will shift to NH Cabarrus.

³ NH Cabarrus application, p. 41

Novant Health projects 271 patient discharges from Stanly County in Project Year 3: 195 shifted from existing Novant Health facilities and 76 from market share capture. These patients represent 741 patient days, with an average length of stay (ALOS) of 3.8 days. **Without these Stanly County patients, Novant Health fails to meet the performance standard for acute care beds** (12,828 total projected days - 741 Stanly County days = 12,087 days, which divided by 365 days yields a 33.11 average daily census (ADC), resulting in a 66.2 percent occupancy rate across 50 beds).

In summary, based on the issues detailed above, the NH Cabarrus application is non-conforming with the review criteria established under N.C. GEN. STAT. § 131E-183, specifically Criteria 3, 5, 6, and 18a as well as the performance standards specified in 10A NCAC 14C .3803. The NH Cabarrus application should not be approved.

3. Novant Health’s volume projections are unreasonable due to the use of facilities in ratio calculations that do not align with its stated ‘alignment in scope of services’ assumption.

Novant Health's application fails to demonstrate the reasonableness of its methodology as it utilizes facilities in its ratio calculations that contradict its own selection criteria. On page 131 of the NH Cabarrus application, Novant Health states that it uses four existing facilities – NH Ballantyne, NH Huntersville, NH Matthews, and NH Mint Hill – as "reasonable proxies for the proposed project due to their alignment in scope of services, location, and operational experience." These facilities are used to calculate numerous operational metrics including ICU bed utilization, LDRP bed utilization, observation bed utilization, outpatient surgical cases, emergency department utilization, and imaging and ancillary utilization.

However, examination of the proposed service scope at NH Cabarrus reveals critical differences from some benchmark facilities, contradicting the stated assumption for selection. NH Matthews and NH Huntersville have a significantly greater scope of services than the proposed NH Cabarrus facility:

“Comparable” Novant Health Facilities

	<i>Beds</i>	<i>Discharges</i>	<i>Patient Days</i>
NH Mint Hill	36	2,937	8,061
NH Ballantyne	36	1,974	6,170
NH Huntersville	135	9,877	36,670
NH Matthews	146	9,875	40,959

Source: 2025 SMFP, NH Cabarrus application p. 135 (discharges) and p. 132 (patient days)

Furthermore, Novant Health explicitly states on page 123 of its application that cardiac catheterization, invasive cardiology, and electrophysiology are excluded MS-DRGs and that these services will not be provided at NH Cabarrus. In contrast, both NH Huntersville and NH Matthews provide these specialized cardiac services as part of their broader service offerings.

This fundamental difference in clinical service profile undermines Novant Health's stated rationale for selecting these facilities as benchmarks – specifically its "alignment in scope of services" assumption – and thus raises concerns about the applicability of these facilities’ operational metrics to the proposed NH Cabarrus facility. Novant Health's volume projections rely on operational ratios from facilities with service scopes that contradict its own stated selection criteria, rendering the projections methodologically unsound.

Thus, Novant Health’s application is non-conforming with Criteria 3, 6, and 18a and should not be approved.

4. Novant Health’s average length of stay (ALOS) assumptions are unreasonable and inflate projected bed need.

Novant Health projects an ALOS of 3.8 days for NH Cabarrus, derived from CY 2023 data for Core Acute Care (CAC) MS-DRG discharges across all Novant Health facilities serving the market. This projection merits further consideration when compared to the ALOS at facilities Novant Health itself identifies as comparable.

As shown in the table below, NH Mint Hill and NH Ballantyne, which Novant Health identifies as "reasonable proxies" for the proposed NH Cabarrus, demonstrate lower ALOS figures of 2.74 and 3.13 days respectively. Even NH Huntersville operates with a lower ALOS of 3.71 days.

**Average Length of Stay for
NH Mint Hill, NH Ballantyne, and NH Huntersville**

	<i>Discharges</i>	<i>Patient Days</i>	<i>ALOS</i>
NH Mint Hill	2,937	8,061	2.74
NH Ballantyne	1,974	6,170	3.13
NH Huntersville	9,877	36,670	3.71

Source: NH Cabarrus application p. 135 (discharges) and p. 132 (patient days)

This disparity in ALOS is significant because it directly impacts the projected bed need calculations. If Novant Health were to use a more appropriate ALOS based on the facilities it identified as comparable, NH Cabarrus would require fewer beds to serve the same number of projected discharges, decreasing the apparent need for the proposed capacity. Given that some of these comparable facilities offer a broader scope of services than proposed for NH Cabarrus, as detailed under point three, the higher ALOS assumption appears unsupported and results in an inflated projection of capacity requirements.

Further analysis reveals that Novant Health's ALOS projection of 3.8 days may also be inappropriately skewed by a small subset of patients. On page 131 of the NH Cabarrus application, Table Q.13 shows that Cabarrus County residents had an ALOS of just 3.57 days (4,145 days of care divided by 1,161 discharges). Meanwhile, Rowan County patients have a significantly higher ALOS of 4.74 days (2,008 days of care divided by 424 discharges).

Table Q.13 Service Area CAC MSDRG Discharges and Days of Care Served at Novant Health Hospitals

Area	Discharges	Days of Care
Cabarrus Co.	1,161	4,145
Rowan Co. Selected Zip Codes	424	2,008
Stanly Co.	374	1,274
Total	1,959	7,427
Average Length of Stay	3.8	

Source: NH Cabarrus application, p. 131

By applying the overall ALOS of 3.8 days to future projections at NH Cabarrus rather than weighting it according to the expected patient distribution at the new facility, Novant Health's projections overstate the ALOS and thus days of care, impacting the projected utilization.

Additionally, Novant Health does not provide a historical trend analysis to demonstrate that its selected ALOS is reasonable or representative. This omission is particularly problematic given the significant ALOS variations observed between different counties (3.57 days for Cabarrus County versus 4.74 days for Rowan County) and between comparable facilities (as low as 2.74 days at NH Mint Hill). When combined with Novant Health's inconsistent methodology – using "reasonable proxies" for most operational metrics but a different approach for ALOS – these discrepancies seriously undermine the credibility of the 3.8-day ALOS projection and the resulting patient day calculations that form the foundation of Novant Health's proposal.

Thus, Novant Health's application is non-conforming with Criteria 3, 5, 6, and 18a as well as the performance standards specified in 10A NCAC 14C .3803. The NH Cabarrus application should not be approved.

5. NH Cabarrus's contractual rates are understated in Project Years 2 and 3, overstating profitability. As a result, Novant Health does not demonstrate financial feasibility for the project.

Novant Health fails to demonstrate financial feasibility as its contractual adjustment rates are understated in Project Years 2 and 3. Novant Health states on page 157 of the NH Cabarrus application that "Contractual adjustments, charity care, and bad debt percentages are assumed to remain consistent during the course of this project for each service component, through Project Year 3." However, actual contractual adjustment rates decrease significantly in Project Years 2 and 3. The table below demonstrates this inconsistency:

Novant Health Contractual Adjustment by Service Component

	<i>PY1</i>	<i>PY2</i>	<i>PY3</i>	<i>PY1 to PY3 Change</i>
Total Facility	68.32%	64.85%	64.85%	-3.47%
Inpatient Services	68.23%	62.96%	62.96%	-5.27%
Outpatient Surgical Services	67.62%	64.92%	64.92%	-2.70%
Other Outpatient Services	68.69%	66.22%	66.22%	-2.47%

Source: NH Cabarrus application, pgs. 145-148

Note: Contractual adjustments divided by total gross revenue by service component

The financial implications of these understated contractual rates are substantial. If the Project Year 3 contractual rate for the total facility was increased by 3.47 percent to match the Project Year 1 rate (as stated in the NH Cabarrus application), contractual adjustments would increase by \$11.9 million (\$342,716,054 gross charges × 3.47 percent). Given that projected net income for Project Year 3 is only \$7.2 million, correcting this inconsistency would turn the projected profit into an operating loss of approximately \$4.7 million. As a result, Novant Health fails to demonstrate financial feasibility for the project; its application contains contradictory information about contractual adjustment rates, resulting in artificially inflated profit projections that actually show an operating loss when correctly calculated.

Thus, Novant Health’s application is non-conforming with Criterion 5. The NH Cabarrus application should not be approved.

6. Novant Health's proposal to develop a new hospital with procedure rooms contradicts its own previous position on the necessity of an operating room for hospitals.

The NH Cabarrus application states that "Surgical services can be provided in operating rooms (OR) and in properly configured procedure rooms." The application further states that NH Cabarrus "will develop four procedure rooms for the provision of the proposed surgical services. All procedure rooms will be constructed to OR standards and will be designed and equipped to satisfy recognized standards for the surgeries." Novant Health also proposes to "develop one dedicated operating room (OR) exclusively for C-Section procedures" at NH Cabarrus.

This position directly contradicts arguments Novant Health has previously made in competitive CON reviews. As shown in Novant Health's 2022 comments in opposition to AdventHealth Asheville's application (Project ID # B-012233-22), Novant Health took the explicit position that operating rooms are essential for being a qualified applicant and subsequently, hospital licensure:

“As the 2022 SMFP does not include a need determination for any operating rooms within the Buncombe/Madison/Yancey OR Service Area, AdventHealth Asheville cannot propose the development of an operating room and, as a result, cannot be a qualified applicant.”

"As the following four tables highlight, an operating room is essential to being a licensed ambulatory surgical facility, excluding gastrointestinal endoscopy rooms as defined in General Statute 131E-176(1b), or licensed acute care hospital in North Carolina."

In those same comments, Novant Health conducted extensive analysis showing that "there are no licensed acute care hospitals in North Carolina that operate without at least one operating room" and concluded

that AdventHealth's application (Project ID #B-12233-22) was "non-conforming with Criterion (3) and cannot be approved," specifically because it proposed a hospital without a proper operating room.

Furthermore, although the Agency conditionally approved AdventHealth's CON application (Project ID #B-12233-22) proposing a new hospital with only a dedicated C-section OR and five procedure rooms, the case remains under review by the North Carolina Court of Appeals and a CON has not been issued. Therefore, to date, no CON exists for a hospital with only a C-section OR and procedure rooms in North Carolina.

Novant Health cannot argue that operating rooms are "essential" for being a qualified applicant and hospital licensure when opposing a competitor's application, then take the opposite position when submitting its own application. This contradictory stance undermines the credibility of Novant Health's current application as to whether NH Cabarrus meets the regulatory requirements that Novant Health itself has previously defined as essential for hospital licensure.

Thus, Novant Health's application is non-conforming with Criteria 3, 6, and 18a, as its inconsistent positioning on the necessity of operating rooms undermines the reliability of its projected utilization and operational assumptions.

7. Novant Health's application demonstrates inadequate coordination with Cabarrus County stakeholders.

Novant Health's application fails to demonstrate compliance with Criterion 8, which requires providers to establish necessary ancillary and support services and coordinate with the existing healthcare system. The NH Cabarrus application's provider support is characterized by limited Cabarrus County representation (one independent OB/GYN), while predominantly featuring letters from Novant Health-affiliated providers in Mecklenburg and Rowan counties. This limited provider support within Cabarrus County and the homogeneity of letters received raises concerns about whether Novant Health has truly established the necessary collaborative relationships with the broader healthcare ecosystem. Moreover, there is a complete absence of community support letters from Cabarrus County, where the proposed facility would be located. Instead, all community letters originate from Rowan County, with most coming specifically from Salisbury, which falls outside the defined service area. The lack of community backing from Cabarrus County indicates a failure to coordinate with and gain acceptance from the actual community the facility proposes to serve.

In summary, based on the issues detailed above, the NH Cabarrus application is non-conforming with the review criteria established under N.C. GEN. STAT. § 131E-183, specifically Criterion 8. The NH Cabarrus application should not be approved.

COMPARATIVE ANALYSIS

The NH Cabarrus application (Project ID # F-012588-25) and the AH Cabarrus application (Project ID # F-012600-25) both propose to develop acute care beds in response to the 2025 SMFP need determination for Cabarrus County. Given that both applicants propose to meet all or part of the need for the 126 additional acute care beds in Cabarrus County, both cannot be approved as proposed. To determine the comparative factors that are applicable in this review, CMHA examined recent Agency findings for competitive acute care bed reviews. Based on that examination and the facts and circumstances of the competing applications in this review, CMHA considered the following comparative factors:

- Conformity with Review Criteria
- Scope of Services
- Geographic Accessibility
- Historical Utilization
- Competition
- Access by Service Area Residents
- Access by Underserved Groups
 - Projected Medicare and Medicaid
- Average Net Revenue per Patient Day
- Average Operating Expense per Patient Day

CMHA believes that the factors presented above and discussed in turn below should be used by the Agency in reviewing the competing applications.

Conformity with Applicable Statutory and Regulatory Review Criteria

CMHA's application adequately demonstrates that its acute care bed proposal conforms to all applicable statutory and regulatory review criteria. In contrast, the NH Cabarrus application does not adequately demonstrate that its proposal is conforming to all applicable statutory review criteria, as discussed previously. Specifically, the NH Cabarrus application is non-conforming with Criteria 3, 5, 6, 8, and 18a and fails to meet the performance standards specified in 10A NCAC 14C .3803. An application that is not conforming to all applicable statutory and regulatory review criteria cannot be approved. Therefore, with regard to conformity, CMHA's application is more effective than the NH Cabarrus application.

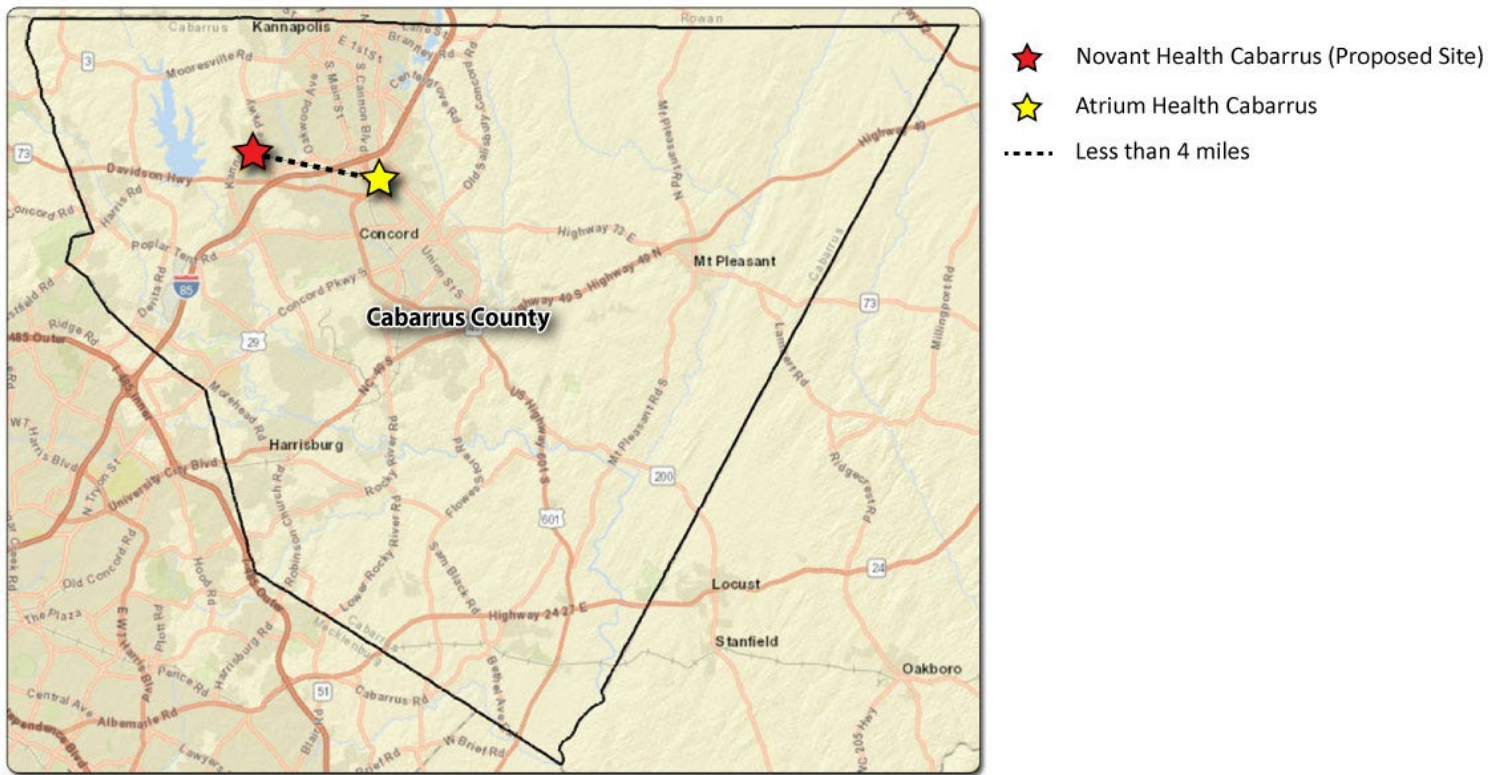
Scope of Services

AH Cabarrus is a growing tertiary care facility providing many types of specialized care. NH Cabarrus is a proposed community hospital with a limited scope of services. The scope of services for a tertiary care facility is greater than a community hospital. Therefore, based on the Agency's past position on this comparative factor – that the application proposing to provide the greatest scope of services is the more effective alternative – the AH Cabarrus application is more effective with regard to scope of services.

Geographic Accessibility

Both applications submitted in response to the need identified in the 2025 SMFP for 126 additional acute care beds in Cabarrus County propose to locate the beds within the same city of Concord. The AH

Cabarrus application would add beds to its existing facility, while the NH Cabarrus application proposes a new hospital less than four miles away, as illustrated in the map below.



Source: Esri

Given the close proximity, the NH Cabarrus proposal offers no meaningful improvement in geographic accessibility compared to the existing AH Cabarrus facility. Both would serve the same population center with virtually identical drive times and accessibility parameters. The applications are therefore comparable with regard to geographic accessibility, with no distinct advantage between them in terms of location. The AH Cabarrus proposal utilizes an established location already serving the community, while NH Cabarrus fails to demonstrate how a new facility in essentially the same geographic area would enhance accessibility for residents.

Historical Utilization

The table below shows acute care bed utilization for existing Cabarrus County facilities based on acute care days as reported in Table 5A of the 2025 SMFP. As reported in the 2025 SMFP, AH Cabarrus demonstrates a deficit of 126 acute care beds.

Cabarrus County Historical Acute Care Bed Utilization

	<i>FFY23 Acute Care Days</i>	<i>ADC</i>	<i># of Acute Care Beds</i>	<i>Occupancy Rate</i>	<i>Proj. (Surplus) / Deficit 2027</i>
AH Cabarrus	142,904	391.5	427	91.7%	126

Source: 2025 SMFP

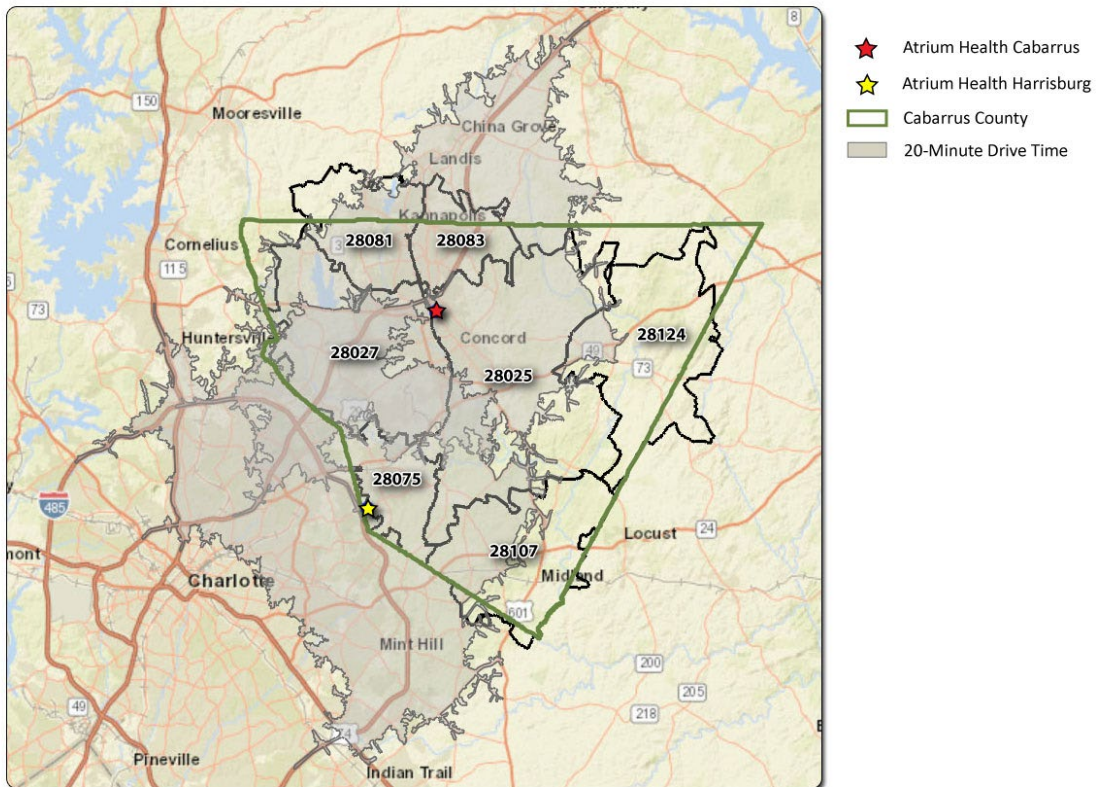
As shown above, AH Cabarrus demonstrates strong historical utilization with 142,904 patient days, an average daily census of 391.5 patients, and an occupancy rate of 91.7 percent in FFY 2023. This occupancy rate significantly exceeds the target occupancy rate of 75.2 percent for a facility of AH Cabarrus’s size.

In contrast, Novant Health has no existing acute care beds in Cabarrus County and thus no historical utilization to demonstrate.

Competition

In evaluating competitive impact, proposals that increase competition in the service area are typically considered more effective. While Novant Health's proposed NH Cabarrus would introduce a second acute care hospital provider to Cabarrus County, two critical factors undermine its potential competitive benefits:

1. **Inappropriate service area definition and unreasonable market share projections:** Novant Health's service area assumptions and market share projections are unreasonable and unsupported, as detailed in the issue-specific comments. The inclusion of Stanly County in the service area is inappropriate given drive times and existing facilities, and the projected market share captures are not adequately supported by quantitative evidence or historical experience.
2. **Unnecessary resource duplication:** As demonstrated by the drive time map below, Atrium Health Cabarrus and Atrium Health Harrisburg already provide comprehensive 20-minute drive time coverage to Cabarrus County's core zip codes (28025, 28027, 28075, 28081, and 28083).



Source: AH Cabarrus application, p. 71

According to NC HIDI market data (included in the table below), these five zip codes (shaded in green) generated 92.7 percent of all patient days from Cabarrus County residents in 2023, confirming that the existing and approved hospital locations in Cabarrus County already provide excellent accessibility for the county’s population.

2023 Cabarrus County Patient Days by ZIP Code

<i>ZIP Code</i>	<i>Patient Days</i>	<i>% Patient Days</i>
28025	32,504	27.6%
28027	33,602	28.5%
28075	7,011	6.0%
28081	18,214	15.5%
28083	17,805	15.1%
28107	4,093	3.5%
28124	4,509	3.8%
Total	117,738	100%

Source: AH Cabarrus application, p. 71

With such comprehensive coverage of the county's population through these two facilities, an additional hospital site is not needed and instead would duplicate fixed costs (facilities, equipment, administrative infrastructure), ultimately leading to higher healthcare costs that could be passed on to patients.

Although introducing a new provider might typically enhance competition, the specific characteristics of the NH Cabarrus proposal indicate the new facility would likely undermine competitive dynamics in Cabarrus County rather than strengthen them. The application's fundamental flaws – including its inappropriately defined service area and unrealistic market share projections – suggest that this proposal would not meaningfully improve cost-effectiveness, quality, or access to care. Instead, the proposed facility risks creating unnecessary duplication of healthcare resources, which not only leads to market inefficiencies and higher costs but also directly contradicts the spirit and intent of the Certificate of Need statute. CMHA's proposal to expand AH Cabarrus represents a more effective solution to meet the identified community need while avoiding competitive harm that could result from an ill-conceived new market entrant like the proposed NH Cabarrus.

Access by Service Area Residents

The ongoing need for additional acute care bed capacity located in Cabarrus County is driven not only by the residents of the county but also by the population centers that surround Cabarrus County. According to patient origin data submitted on license renewal applications (LRAs), less than 55 percent of patients served by Atrium Health Cabarrus, the only acute care bed provider in Cabarrus County, originate from within the county. As the only tertiary care facility in Cabarrus County, Atrium Health Cabarrus provides many types of specialized services that draw patients from multiple surrounding counties, including Level IV NICU services, cardiovascular surgery, pediatric subspecialist care, and more. As shown in the table below, Rowan, Mecklenburg, and Stanly patients collectively comprise more than 33 percent of total acute care bed admissions followed by neighboring North Carolina counties.

**Total Patient Origin for
Cabarrus County Acute Care Bed Providers**

NC County/State of Origin	2023 Percent of Total
Cabarrus	54.7%
Rowan	13.2%
Mecklenburg	11.2%
Stanly	9.2%
Iredell	2.2%
Lincoln	1.1%
Union	1.1%
Gaston	1.0%
All Other NC Counties*	4.4%
Other States**	1.9%
Total	100.0%

Source: 2023 Patient Origin Reports as compiled by NC DHSR.

*All Other NC Counties includes all other North Carolina counties.

**Other States includes all other states.

Simply put, without the demand for acute care services originating from outside of Cabarrus County, there would not be a need for additional acute care bed capacity to be located in Cabarrus County. In fact, there would be a surplus of capacity.

In the Agency Findings for the 2019 Mecklenburg County Acute Care Bed and OR Review, the Agency’s comparative analyses included a comparative factor, Access by Service Area Residents, but did not draw any conclusions about the factor. Pages 235 and 236 of the Agency Findings for the 2019 Mecklenburg County Acute Care Bed and OR Review state, “Atrium is correct that the Acute Care Bed Need Determination in the 2019 SMFP is based on the total number of acute care days at each hospital and not based on anything related to Mecklenburg County-specific acute care days. Further, Mecklenburg County is a large urban county with over one million residents, two large health systems plus other smaller healthcare groups, and is on the border of North Carolina and South Carolina... the Agency believes that in this specific instance attempting to compare the applicants based on the projected acute care bed access of Mecklenburg County residents has little value.” Subsequently, the Agency maintained this position in its Findings for the 2020 Mecklenburg County Acute Care Bed and OR Review and the 2021, 2022, and 2023 Mecklenburg County Acute Care Bed Reviews in which it did not evaluate this comparative factor.

The Agency has also confirmed this position in other recent competitive reviews including the 2024 Buncombe-Graham-Madison-Yancey Acute Care Bed Competitive Review, the 2024 Wake County Acute Care Bed and OR Review, and the 2024 Durham/Caswell/Warren Acute Care Bed Review. The Agency found this comparative factor to be inconclusive in all three of these reviews. CMHA agrees with the Agency’s findings regarding this factor that the acute care bed need methodology is based on the utilization of all patients that utilize acute care beds and is not only based on patients originating from the service area.

CMHA believes that this comparative factor – Access by Service Area Residents – if applied, would be inappropriate for a review of the proposed project. The need for additional acute care bed capacity in Cabarrus County, and specifically, the need determination in the 2025 SMFP, is a result of the utilization of all patients that utilize acute care beds located in Cabarrus County. Cabarrus County residents comprise less than 55 percent of that utilization and there would be a surplus of capacity if not for the demand for acute care bed services originating from outside the county.

As affirmed by the Agency, under similar circumstances, it is not appropriate to determine the comparative effectiveness of an applicant based on service to Cabarrus County residents when the need as identified for the proposed additional acute care bed capacity is not based solely on Cabarrus County patients. (Other methodologies in the SMFP, such as nursing facility beds, are based only on the population residing in the county; a factor for Service to Residents of the Service Area may be more appropriate in such a review, but that is not the case with acute care beds.)

Access by Underserved Groups

Projected Medicare and Medicaid

The table below shows each applicant's projected Medicare and Medicaid patients as a percentage of total acute care utilization, as reported in Section L.3 of the respective applications.

	<i>% of Medicare</i>	<i>% of Medicaid</i>
AH Cabarrus	57.7%	12.5%
NH Cabarrus	51.5%	13.9%

Source: Section L.3.

As shown in the table above, AH Cabarrus projects to serve a higher percentage of Medicare patients, making it the more effective alternative for projected Medicare. While NH Cabarrus projects to serve a fractionally higher percentage of Medicaid patients, its payor mix is based on the historical payor mix of patients originating from the defined NH Cabarrus service area, including Stanly County based on unreasonable assumptions. As discussed in the issue specific comments, Novant Health’s service area assumptions are unreasonable and unsupported.

Average Net Revenue per Patient Day

The following table shows average net revenue per patient day and per patient in the third full fiscal year of operation.

	<i>Net Revenue</i>	<i># of Days</i>	<i>Net Revenue per Day</i>	<i># of Patients</i>	<i>Net Revenue per Patient</i>
AH Cabarrus	\$248,757,072	192,401	\$1,292	37,278	\$6,673
NH Cabarrus	\$33,772,269	12,828	\$2,632	3,384	\$9,980

Source: Form F.2.

Novant Health’s application includes all services a patient receives during an inpatient stay, including inpatient surgical services, ED services provided to an admitted patient, imaging provided during an

inpatient stay, and all ancillary services that an inpatient receives. CMHA’s application includes acute care bed discharges only and does not include ancillary services such as lab, radiology, or surgery that generate additional revenue for acute care inpatients. As shown in the table above, AH Cabarrus projects the lowest net revenue per patient day and per patient.

Average Operating Expense per Patient Day

The following table shows average operating expense per patient day and per patient in the third full fiscal year of operation.

	<i>Operating Expense</i>	<i># of Days</i>	<i>Expense per Day</i>	<i># of Patients</i>	<i>Expense per Patient</i>
AH Cabarrus	\$265,755,255	192,401	\$1,381	37,278	\$7,129
NH Cabarrus	\$46,198,398	12,828	\$3,601	3,384	\$13,652

Source: Form F.2.

Novant Health’s application includes all services a patient receives during an inpatient stay, including inpatient surgical services, ED services provided to an admitted patient, imaging provided during an inpatient stay, and all ancillary services that an inpatient receives. CMHA’s application includes acute care bed discharges only and does not include ancillary services such as lab, radiology, or surgery that generate additional revenue for acute care inpatients. As shown in the table above, AH Cabarrus projects the lowest operating expense per patient day and per patient.

ADDITIONAL CONSIDERATION

In the recent 2024 Wake County Acute Care Bed and OR review, when faced with a tie between applicants, the Agency prioritized scope of services and bed deficits as key deciding factors. The Agency determined that facilities with larger projected acute care bed deficits and broader scope of services were more effective alternatives. Applying this recent precedent to the current review, AH Cabarrus should prevail in the event of a tie as it is the only facility with a documented bed deficit in the 2025 SMFP and offers a broader scope of services as a tertiary care provider. Nevertheless, CMHA maintains that NH Cabarrus is non-conforming with multiple review criteria and should not be approved regardless of comparative analysis outcomes.

SUMMARY

As detailed in the issue-specific comments, the NH Cabarrus application does not conform to all the CON statutory review criteria and regulations and thus is not approvable. Even if Novant Health’s application were approvable, CMHA believes that the AH Cabarrus application is the more effective alternative for the 126 acute care beds needed in Cabarrus County. In summary, the AH Cabarrus application is fully conforming to all applicable statutory and regulatory review criteria and comparatively superior on the relevant factors in this review. As such, the AH Cabarrus application submitted by CMHA should be approved.

Please note that in no way does CMHA intend for these comments to change or amend its application filed on February 17, 2025. If the Agency considers any statements to be amending CMHA’s application, those comments should not be considered.