

## **WRITTEN COMMENTS**

### **2025 ALAMANCE COUNTY ACUTE CARE BED APPLICATIONS**

#### **SUBMITTED BY DUKE NOVANT MEBANE HOSPITAL**

**June 2, 2025**

Two CON applications were submitted in response to the 2025 SMFP need determination for 46 additional acute care beds in Alamance County, including:

- CON Project ID# G-012638-25 Cone Health Mebane Hospital: Develop a new 46-bed acute care hospital
- CON Project ID# G-012641-25 Duke Novant Mebane Hospital: Develop a 46-bed acute care hospital

As the foregoing list shows, the total number of beds applied for exceeds the SMFP need determination for 46 beds. Cone Health has applied for all 46 acute care beds and Duke Novant Mebane Hospital has applied all 46 acute care beds. As a new competitor in Alamance County with a demonstrated need for the 46 beds, the Duke Novant Mebane application should be approved as submitted. The following comments demonstrate that the Cone Health application is not approvable and that no beds should be awarded to Cone Health.

These comments are submitted by Duke Novant Mebane Hospital in accordance with N.C. Gen. Stat. § 131E-185(a1)(1) to address the representations in the applications, including a comparative analysis and a discussion of the most significant issues regarding the applicants' conformity with the statutory and regulatory review criteria (the "Criteria") in N.C. Gen. Stat. §131E-183(a) and (b). Other non-conformities and errors in the competing applications may exist and Duke Novant Mebane Hospital reserves the right to develop additional opinions, as appropriate upon further review and analysis.

This project will allow Duke Novant Mebane hospital to meet growing demand for acute care services and enhance competition between it and the other health system in Alamance County. This is in the best interests of patients because it promotes competition, which increases choices, leads to lower prices, and enhances quality and innovation. As the Duke Novant Mebane Hospital application demonstrates, it conforms to all applicable review criteria and rules and is the comparatively superior applicant in this review.

**COMMENTS REGARDING STATUTORY REVIEW CRITERIA**

**COMMENTS REGARDING CRITERION (3)**

Unreasonable Growth Assumptions

Throughout its application, Cone Health assumes a utilization growth rate of 2.9 percent annually based on the historical growth in acute care days for Alamance Regional Medical Center (ARMC). However, ARMC’s application reveals that this growth is entirely a result of an increasing average length of stay (ALOS), and that the number of patients served is declining, despite a growing population in the service area. Cone Health fails to demonstrate why it is reasonable for its utilization to grow at 2.9 percent annually through 2032 given these factors, as detailed below.

On page 128, Cone Health provides historical acuity-appropriate patient days from its proposed Primary and Secondary Service Areas as follows:

**Historical Acuity-Appropriate Acute Care Days at ARMC  
 from the Mebane Service Area**

	CY19	CY20	CY21	CY22	CY23	CY24 <sup>^</sup>	CY19- CY24 CAGR <sup>*</sup>
PSA	2,625	2,415	2,553	2,698	2,863	3,132	3.6%
SSA	12,626	12,859	14,709	15,288	13,172	14,488	2.8%
<b>PSA/SSA Total</b>	<b>15,251</b>	<b>15,274</b>	<b>17,262</b>	<b>17,986</b>	<b>16,035</b>	<b>17,620</b>	<b>2.9%</b>

Source: North Carolina Hospital Industry Data Institute (NC HIDI) data

<sup>^</sup>Annualized based on January to June data

<sup>\*</sup>Compound annual growth rate

Cone Health states that it “reasonably assumes that acuity-appropriate acute care days at ARMC from the Mebane service area will grow at a CAGR of 2.9 percent through Project Year 3, which is also approximately half of the Alamance County growth rate reported in the 2025 SMFP (5.9 percent).” As Cone Health notes later on page 134 of its application, the Alamance County growth rate reported in the 2025 SMFP is based on ARMC’s historical utilization, as the county’s only acute care hospital.

Cone Health assumes a 2.9 growth rate throughout its application including for projecting ARMC acuity-appropriate days to shift to Cone Health Mebane (page 128), market-based days to be captured by Cone Health Mebane, total patients served by ARMC license (page 47), total acute care days at ARMC (page 134), outpatient surgical utilization at MedCenter Mebane (page 141), and all Cone Health Mebane imaging and ancillary services based on their derivation from Cone Health Mebane projected days of care.

However, Cone Health does not demonstrate that it is reasonable to assume a projected growth rate of 2.9 percent annually.

First, as shown below, while the overall CAGR in the excerpted table above is 2.9 percent annually, the data shows significant year-to-year growth variation and the use of a final annualized year of data drives the 2.9 percent growth rate.

**Historical Acuity-Appropriate Acute Care Days at ARMC  
 from the Mebane Service Area**

	CY19	CY20	CY21	CY22	CY23	CY24^
PSA	2,625	2,415	2,553	2,698	2,863	3,132
SSA	12,626	12,859	14,709	15,288	13,172	14,488
<b>Total</b>	<b>15,251</b>	<b>15,274</b>	<b>17,262</b>	<b>17,986</b>	<b>16,035</b>	<b>17,620</b>
<b>Growth from Prior Year</b>	-	<b>0.2%</b>	<b>13.0%</b>	<b>4.2%</b>	<b>-10.8%</b>	<b>9.9%</b>

Source: Cone Health application, page 128  
 ^Annualized based on January to June data

As shown above, from CY 2019 to 2020, the ARMC acuity-appropriate days from the service area grew only 0.2 percent and from CY 2022 to 2023, declined nearly 11 percent. The CAGR for ARMC acuity-appropriate days from the service area from 2019 to 2023, the final full year of data presented by Cone Health, is only 1.3 percent. Cone Health’s assumed future CAGR of 2.9 percent relies entirely on the CY 2024 data, which is based on six months of data annualized, and still results in a utilization less than Cone Health experienced in 2022. Cone Health does not explain why the acute care day utilization of this patient cohort has varied so dramatically and why it is reasonable to use the timeframe it has chosen to derive its assumed growth rate given those facts.

More significantly, data provided on page 133 demonstrates that the driver of the growth in this patient cohort’s acute care day utilization has been an increasing ALOS, not an increasing number of patients. As excerpted below, Cone Health provides acute care days and number of patients for the ARMC acuity-appropriate patient cohort in the service area on page 133.

**Historical Average Length of Stay of  
 Acuity-Appropriate Patients at ARMC from the Mebane Service Area**

	CY21	CY22	CY23	CY24^	Average
Acute Care Days	17,262	17,986	16,035	17,620	
Number of Patients	4,348	4,263	4,143	4,068	
Average Length of Stay	4.0	4.2	3.9	4.3	4.1

Source: NC HID data  
 ^Annualized based on January to June data

As shown below, the number of acuity-appropriate ARMC patients from the service area has actually declined by 2.2 percent annually. Further, this data makes clear that the 2.9 percent growth in utilization is driven solely by an increasing ALOS, which has increased 2.9 percent annually.

**Historical Acuity-Appropriate Patients and ALOS at ARMC  
 from the Mebane Service Area**

	CY21	CY22	CY23	CY24^	CAGR
Patients	4,348	4,263	4,143	4,068	-2.2%
ALOS	4.0	4.2	3.9	4.3	2.9%

Source: Cone Health application, page 133

^Annualized based on January to June data

As Cone Health notes in its application on page 49, Alamance County’s population is growing faster than North Carolina, as a whole, and its 65 and over population cohort is growing more rapidly than the county population. This data indicates that ARMC is serving fewer acuity-appropriate patients in the service area over time, despite a growing population. Given those factors, Cone Health does not explain why it is reasonable to assume that this trend will reverse and that it will begin to serve a growing number of acuity-appropriate patients both prior to developing its proposed Mebane hospital and once it is developed, as assumed by its 2.9 percent growth rate.

This trend of increasing ALOS driving growth is not isolated to acuity-appropriate ARMC patients from the service area. In fact, an increasing ALOS is the driver of total ARMC growth. As excerpted below, Cone Health provides total historical ARMC days, discharges, and ALOS on page 134.

**Historical Acute Care Bed Utilization at ARMC (FY)**

	FY19	FY20	FY21	FY22	FY23	FY24	FY19- FY24 CAGR
Total Acute Care Days	33,965	35,006	39,231	45,569	44,804	47,698	7.0%
Average Daily Census	93	96	107	125	123	131	
Acute Care Beds	170	170	170	170	170	170	
Occupancy Rate	54.7%	56.4%	63.2%	73.4%	72.2%	76.9%	
Total Discharges	10,670	10,421	10,386	10,193	10,554	10,324	
Average Length of Stay	3.2	3.4	3.8	4.5	4.2	4.6	

Source: Cone Health internal data

Notably, Cone Health’s application only calculates ARMC’s CAGR for Total Acute Care Days, 7.0 percent. As shown below, ARMC’s discharges declined over this time period (negative 0.7 percent) and its ALOS grew 7.7 percent, above its acute care day growth.

**Historical Acute Care Bed Utilization at ARMC (FY)**

	FY19	FY20	FY21	FY22	FY23	FY24	CAGR
Discharges	10,670	10,421	10,386	10,193	10,554	10,324	-0.7%
ALOS	3.2	3.4	3.8	4.5	4.2	4.6	7.7%

Source: Cone Health application, page 134.

Notably, ARMC’s discharges have declined every year since FY2019, with the exception of FY2023, and declined in the most recent year, FY2024 despite a growing and aging population. As such, this data indicates that ARMC is serving fewer patients across acuity levels over time, despite a growing population.

Regarding its increasing ALOS, Cone Health states on page 135 that:

As displayed in the historical utilization table at the beginning of Step 1, ARMC experienced a significant increase in average length of stay from FY 2019 to FY 2024. This change reflects the combined impact of higher patient acuity and increasing level of services at ARMC, as well as the broader healthcare trend of lower acuity services shifting to outpatient settings. The data demonstrates that ARMC's length of stay stabilized during FY 2022 to FY 2024, and therefore Cone Health projects that ARMC's average length of stay will remain consistent with the average over this period.

(emphasis added)

Cone Health’s assumption that its ALOS has now stabilized and will remain consistent during the projection period is notable. As detailed in the above analysis, ARMC’s growth in ALOS has been the driver of its historical growth overall and for the acuity-appropriate patient cohort in its proposed service area. If ARMC’s ALOS were to stabilize and remain consistent through the projection period as Cone Health assumes, then the basis for its historical growth (increasing ALOS) will stop. Cone Health does not explain why it is reasonable to assume utilization for its project will grow 2.9 percent annually given that it assumes that the basis for its historical growth will stop.

Accordingly, the Cone Health application is non-conforming with Criterion (3) and should be disapproved.

Inconsistent Use of Historical Data

Through the course of its projection methodology, Cone Health relies on historical data. However, Cone Health uses inconsistent time periods without explanation which casts doubt on the reasonableness of its assumptions.

The inconsistent time periods are particularly notable given significant changes in ARMC’s utilization. For example, as noted in the prior comment, ARMC’s historical growth in utilization has been driven by its increase in ALOS. Cone Health asserts that this increase in ALOS “reflects the combined impact of higher patient acuity and increasing level of services at ARMC, as well as the broader healthcare trend of lower acuity services shifting to outpatient settings” (page 135). Cone Health then states that “ARMC's length

of stay stabilized during FY 2022 to FY 2024, and therefore Cone Health projects that ARMC's average length of stay will remain consistent with the average over this period" (page 135). As such, Cone Health believes that historical data from FY 2022 to 2024, a three-year period, reflect a stabilized ALOS. However, in projecting the ALOS for Cone Health Mebane Hospital, on page 133, Cone Health uses a different four-year period, stating "Cone Health then divided total projected acute care days at Cone Health Mebane Hospital by the average length of stay of the acuity-appropriate patients at ARMC from the Mebane service area from CY 2021 to CY 2024 (4.1 days) to project discharges at Cone Health Mebane Hospital, as shown in the table below" (emphasis added). Cone Health does not explain why it chose different time periods to project ALOS at each facility given its discussion of the "significant increase" of ALOS historically at ARMC.

Later, Cone Health uses a six-year time period to determine the average outpatient-to-inpatient surgical case ratio at ARMC (see page 139-140) which serves as the basis for its outpatient surgical case projections. Cone Health states on page 140, "As demonstrated in the table below, from FY 2019 to FY 2024, the average outpatient-to-inpatient ratio was 2.14. In other words, for every inpatient surgical case, the ARMC main campus performed approximately 2.14 outpatient surgical cases. To project outpatient surgical cases prior to the shift of outpatient surgical cases from MedCenter Mebane, Cone Health applied this average ratio (2.14) to the previously projected inpatient surgical cases at Cone Health Mebane Hospital, as demonstrated in the table below." Cone Health does not describe why a six-year time period is appropriate for this ratio when it used shorter time period for other key assumptions.

Cone Health's failure to demonstrate the reasonableness the time period chosen as the basis for its assumptions is most notable in its projections of outpatient surgical cases to shift from MedCenter Mebane to Cone Health Mebane. Cone Health states, "To accurately account for only the outpatient surgical cases that will continue to be performed in the operating rooms following the proposed project, Cone Health first determined the percentage of surgical cases relative to total volume. As shown in the table below, surgical cases made up 36 percent of all outpatient surgical volume at MedCenter Mebane in FY 2024, with procedures making up the remaining volume . . . To project outpatient surgical cases at MedCenter Mebane that will shift to Cone Health Mebane Hospital (where they will continue to be performed in the ORs), Cone Health applied this percentage (36.0 percent) to the previously projected total outpatient surgical volume at MedCenter Mebane, as shown in the table below." As such, Cone Health uses one year of data to determine the number of cases that will shift from MedCenter Mebane to the proposed hospital's ORs. As shown below, according to ARMC's Hospital License Renewal Data, in the previous year, only 18 percent (compared to its 36 percent assumption) of MedCenter Mebane's surgical cases were within the categories identified to be shifted to the proposed hospital's ORs.

**MedCenter Mebane Surgical Cases by Category**

	<b>FY23</b>	<b>FY23 % of Total</b>	<b>FY24</b>	<b>FY24 % of Total</b>
Procedures*	2,865	82.0%	2,712	64.0%
Surgical Cases	631	<b>18.0%</b>	1,527	<b>36.0%</b>
Total	3,496	100.0%	4,239	100.0%

Source: 2024 and 2025 ARMC HLRAs

\*Per Cone Health application, page 141, “Cone Health determined that GI, ophthalmology, and oral procedures performed in the ORs today can appropriately be shifted to the proposed procedure rooms at Cone Health Mebane Hospital

Of note, in its first projection year, CY2029, Cone Health assumes that only 27 percent of MedCenter Mebane Outpatient Surgical Volume will shift to Cone Health Mebane Hospital ORs (27 percent = 1,333 as shown on page 142 / 4,932 as shown on pages 141 and 142) which may indicate that Cone Health believes this percentage will change over time, consistent with its historical data.

Cone Health does not explain why one year of data is appropriate for this assumption when six-years, four-years, and three-years of data was appropriate for other key utilization assumptions. In particular, the difference in the historical percentage of outpatient surgical cases to shift from MedCenter Mebane to Cone Health Mebane ORs indicates that Cone Health has overstated its outpatient surgical projections.

As noted above, Cone Health uses inconsistent historical time periods throughout its projection methodology. The discussion above highlights several examples. Other inconsistencies are listed below:

- % of Discharges admitted from ED: Uses CY21-24 Annualized (four years)
- Ratio of OP ED Visits to Discharges: Uses FY21-24 (four years)
- Ratio of Observation Days to Acute Care Days: Uses FY21-24 (four years)
- Ratio of IP CT Scans to Acute Care Days: Uses FY19-24 (six years)
- OP CT to IP CT scans: Uses FY19-24 (six years)
- Ratio of IP MRI Scans to Acute Care Days: Uses FY19-24 (six years)
- OP MRI to IP MRI scans: Uses FY19-24 (six years)
- IP X-ray, US, Echo, SPECT-CT ratio to Acute Care Days: Uses CY24 (one year)
- IP to OP X-ray, US, Echo, SPECT-CT: Uses CY24 (one year)
- IP PT, OT, RT, Speech, Lab, Pharmacy to Acute Care Days: Uses CY24 (one year)
- IP to OP PT, OT, RT, Speech, Lab, Pharmacy: Uses CY24 (one year)

Accordingly, the Cone Health application is non-conforming with Criterion (3) and should be disapproved.

#### Unreasonable Operating Room Utilization

Cone Health’s projected operating room utilization is overstated due to numerous assumptions and a failure to account for imminent changes in CON law as detailed below.

On page 137, in “Section III: Project Operating Room Utilization”, Cone Health states “the three existing operating rooms on the Cone Health Mebane campus – located at MedCenter Mebane and licensed as part of ARMC – will shift to Cone Health Mebane Hospital as part of the proposed project, where they will remain on the expanded campus. As a result, all surgical cases on the Mebane campus – both inpatient and outpatient – will be performed at Cone Health Mebane Hospital. In addition, all outpatient procedures performed in the operating rooms at MedCenter Mebane today will shift to Cone Health Mebane Hospital following the proposed project” (emphasis added).

Cone Health’s assumption that all surgical cases on the Mebane campus will shift to the proposed hospital is unreasonable. As Cone Health is well aware, and as noted in the Duke Novant Mebane Hospital

application (see page 136), effective November 21, 2025, the definition of “new institutional health service” under North Carolina’s CON Law will exclude “qualified urban ambulatory surgical facilities” (QASFs) See, § 131E-176 (16) b. The definition of “qualified urban ambulatory surgical facility” is:

An ambulatory surgical facility that meets all of the following criteria:

- a. Is licensed by the Department to operate as an ambulatory surgical facility
- b. Has a single specialty or multispecialty surgical program
- c. Is located in a county with a population greater than 125,000 according to the 2020 federal decennial census or any subsequent federal decennial census. See, § 131E-176 (21a).

As Alamance County has a population greater than 125,000, ambulatory surgical facilities may be developed in the county without CON approval after November 21, 2025, or nearly 3.5 years before the proposed opening of Cone Health Mebane Hospital. As Cone Health is well aware, there are currently no ambulatory surgical facilities in Alamance County; all operating rooms in the county are operated as hospital-based under ARMC’s license. As such, the development of any ambulatory surgical facilities will have an impact on ARMC and MedCenter Mebane.

The OR Methodology Workgroup and the Acute Care Services Committee of the State Health Coordinating Council have held multiple meetings to discuss the anticipated development of additional ambulatory surgical facilities and the shift of cases from hospital to ambulatory surgical facilities. Ambulatory surgical facilities offer significant value and access benefits to appropriate patients compared to hospitals. Cone Health’s assumption that all MedCenter Mebane volume will shift to its proposed hospital is not reasonable given these factors. Please note that Duke Novant Mebane Hospital’s operating room utilization projections specifically discuss and account for the CON Law change (see page 136 of the Duke Novant Mebane Hospital application).

Additionally, Cone Health fails to discuss how it will utilize MedCenter Mebane’s surgical space in the future. On pages 38-39, Cone Health states “While Cone Health Mebane Hospital will focus on hospital-based services (acute care, emergency, surgery), the existing outpatient center, MedCenter Mebane, will continue to provide complementary outpatient care, including physician offices, urgent care, and other outpatient services. Furthermore, Cone Health is developing plans to grow a range of wellness and prevention services on this campus in the future.” Based on the change in CON Law described above, if Cone Health Mebane Hospital were developed as proposed, Cone Health can open an ambulatory surgical facility in the vacated MedCenter Mebane surgical space, without CON approval. Cone Health fails to acknowledge or evaluate this significant regulatory and competitive implication, leaving the future use of this space, and its potential impact on regional surgical capacity, unaddressed and unexplained. It also fails to address why this would not be a more effective alternative to provide the proposed surgical services included in the hospital application.

Additionally, Cone Health uses unreasonable case time assumptions in projecting the utilization of its operating rooms. As shown on page 143, excerpted below, Cone Health Mebane’s assumed outpatient case time is 100 minutes and Cone Health notes that this is based on ARMC’s 2024 HLRA.

**Projected OR Utilization at Cone Health Mebane Hospital**

	<b>CY29</b>	<b>CY30</b>	<b>CY31</b>	<b>CY32</b>
Total IP Cases	130	247	349	386
Total OP Cases	1,610	2,356	2,628	2,762
Inpatient Cases Time (Minutes)*	132	132	132	132
Outpatient Cases Time (Minutes)*	100	100	100	100
<b>Total Surgical Hours</b>	<b>2,968</b>	<b>4,469</b>	<b>5,148</b>	<b>5,453</b>
Standard Hours Per OR per Year	1,755	1,755	1,755	1,755
ORs	3.0	3.0	3.0	3.0
<b>OR Deficit/(Surplus)</b>	<b>-1.3</b>	<b>-0.5</b>	<b>-0.1</b>	<b>0.1</b>

\*Case times based on 2024 HLRA

Per its 2024 HLRA, ARMC’s total license, which includes ARMC and MedCenter Mebane, has an outpatient case time of 100 minutes. However, MedCenter Mebane’s outpatient case time was 52 minutes on the 2024 HLRA and 49.3 minutes on the 2025 HLRA, a slight decline. As shown below, surgical cases shifted from MedCenter Mebane (identified as OP Surgical Cases (Step 2) below) are expected to comprise more than 70 percent of Cone Health Mebane Hospital OR’s outpatient surgical cases.

**Total Projected Outpatient Surgical Cases at Cone Health Mebane Hospital**

	<b>CY29</b>	<b>CY30</b>	<b>CY31</b>	<b>CY32</b>
OP Surgical Cases (Step 1)	277	527	746	825
OP Surgical Cases (Step 2)	1,333	1,829	1,882	1,937
<b>Total OP Surgical Cases</b>	<b>1,610</b>	<b>2,356</b>	<b>2,628</b>	<b>2,762</b>

As such, it is unreasonable to assume an outpatient case time based on ARMC’s total license.

As noted above, Cone Health’s projected operating room utilization is likely overstated based on its unreasonable assumption for the percentage of MedCenter Mebane’s surgical cases that will shift to operating rooms (instead of procedure rooms) at the proposed hospital and due to its failure to account for the CON Law change. However, Cone Health does not demonstrate the need for its three operating rooms when more reasonable assumptions for outpatient case time and standard hours per OR are used,

even using Cone Health Mebane Hospital’s overstated operating room surgical case projections, as shown below.

**Projected OR Utilization at Cone Health Mebane Hospital  
 With Reasonable OP Case Time And Standard Hours Per OR**

	<b>CY29</b>	<b>CY30</b>	<b>CY31</b>	<b>CY32</b>
<b>Total IP Cases</b>	130	247	349	386
<b>Total OP Cases</b>	2,054	2,357	2,629	2,763
<b>Inpatient Cases Time (Minutes)</b>	132	132	132	132
<b>Outpatient Cases Time (minutes)*</b>	<b>52</b>	<b>52</b>	<b>52</b>	<b>52</b>
<b>Total Surgical Hours</b>	2,066	2,585	3,047	3,245
<b>Standard Hours per OR per Year</b>	<b>1,500</b>	<b>1,500</b>	<b>1,500</b>	<b>1,500</b>
<b>ORs</b>	3	3	3	3
<b>OR Deficit/(Surplus)</b>	(1.8)	(1.5)	(1.3)	(1.2)

\*Per MedCenter Mebane on 2024 HLRA

As shown above, using more reasonable case time and standard hours assumptions, Cone Health Mebane Hospital demonstrates a surplus of operating rooms.

Given the discussion above, the Cone Health application is non-conforming with Criterion (3) and should be disapproved.

Failure to demonstrate need for imaging equipment

In Exhibit A.1 of its application, excerpted below, Cone Health identifies one CT, four X-ray, and one ultrasound unit at MedCenter Mebane.

**ARMC License - Medical Equipment**

Type of Medical Equipment	Existing	Previously Approved to be Added (or Deleted)	Total
<b>CT Scanner</b>			
ARMC	3		3
MedCenter Mebane	1		1
Alamance Regional Outpatient Imaging	1		1
South Graham Imaging	0		0
<b>X-Ray Unit (Fixed &amp; Portable)</b>			
ARMC	21		21
MedCenter Mebane	4		4
Alamance Regional Outpatient Imaging	1		1
South Graham Imaging	1		1
<b>Ultrasound Unit</b>			
ARMC	6		6
MedCenter Mebane	1		1
Alamance Regional Outpatient Imaging	1		1
South Graham Imaging	0		0
<b>Nuclear Medicine Unit</b>			
ARMC	2		2
MedCenter Mebane	0		0
Alamance Regional Outpatient Imaging	0		0
South Graham Imaging	0		0
<b>Echocardiography Unit</b>			
ARMC	2		2
MedCenter Mebane	0		0
Alamance Regional Outpatient Imaging	0		0
South Graham Imaging	0		0

However, Cone Health’s application fails to account for this existing equipment in any way. As stated on page 39, Cone Health Mebane Hospital’s imaging services will include “one fixed CT scanner with cardiac capabilities; four X-ray units (two fixed, two portable); two ultrasound units.” In its utilization projections for its proposed imaging equipment, Cone Health fails to note the existing MedCenter Mebane imaging equipment or adjust for that equipment in any way. As such, Cone Health fails to provide reasonable utilization projections.

As such, the Cone Health application is non-conforming with Criterion (3) and should be disapproved.

Failure to Address the Acute Care Needs of Alamance County

As evidenced by its utilization projections, Cone Health’s proposed facility will almost exclusively serve patients historically served by ARMC. Cone Health’s acute care utilization projections begin by assuming

a shift of acuity-appropriate patient days historically served by ARMC from the proposed service area, which totaled 17,260 days in CY 2024 annualized as shown in the excerpt from page 128 below.

**Historical Acuity-Appropriate Acute Care Days at ARMC  
 from the Mebane Service Area**

	CY19	CY20	CY21	CY22	CY23	CY24^	CY19- CY24 CAGR*
PSA	2,625	2,415	2,553	2,698	2,863	3,132	3.6%
SSA	12,626	12,859	14,709	15,288	13,172	14,488	2.8%
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Source: North Carolina Hospital Industry Data Institute (NC HIDI) data

^Annualized based on January to June data

\*Compound annual growth rate

In the next step of its acute care projections, Cone Health identifies acuity-appropriate patient days served by all providers (“market-based”) from the service area, which totaled 40,252 days in CY 2024 annualized as shown in the excerpt below from page 130.

**Historical Acuity-Appropriate Acute Care Days from the Mebane Service Area**

	CY19	CY20	CY21	CY22	CY23	CY24^	CY19- CY24 CAGR*
PSA	8,953	8,417	10,486	9,835	10,402	11,608	5.3%
SSA	23,787	26,616	28,570	30,602	27,427	28,644	3.8%
<b>PSA/SSA Total</b>	<b>32,740</b>	<b>35,033</b>	<b>39,056</b>	<b>40,437</b>	<b>37,829</b>	<b>40,252</b>	<b>4.2%</b>

Source: NC HIDI data

^Annualized based on January to June data

\*Compound annual growth rate

As such, in CY 2024, 22,632 acuity-appropriate patient days or an average daily census (ADC) of 62 patients from the service area were not served by ARMC and left the county for care. Said another way, there were 62 acuity-appropriate patients from the service area in a bed outside of Alamance County every day in CY 2024. Cone Health proposes to serve only 753 total days in its third project year from this group of patients that currently leaves the county for care, or an ADC of two (2) patients.

As such, Cone Health’s proposed hospital fails to address the acute care needs of all Alamance County residents and thus is a narrow view that almost exclusively focuses on patients served by ARMC. As noted throughout the Duke Novant Mebane Hospital application, numerous Alamance County patients leave the county for acute care at Duke Health or Duke Novant Mebane Hospital facilities even though ARMC is the sole provider of acute care services located within Alamance County.

Cone Health’s application almost entirely fails to address these Alamance County residents who leave the county for acute care services at Duke Health, Duke Novant Mebane Hospital facilities, or other acute care

providers. Cone Health's limited approach for its project is representative of the lack of choice that Alamance County residents face for acute care services in their home county. By contrast, the Duke Novant Mebane Hospital application addresses the acute care needs of all Alamance County residents, will create needed competition for acute care services, and will offer Alamance County residents a local choice for inpatient services for the first time.

Accordingly, the Cone Health application is non-conforming with Criterion (3) and should be disapproved.

Based on these facts for which the Cone Health is non-conforming with Criterion (3), it should also be found non-conforming with Criteria (1), (4), (5), (6), (18a), and 10A NCAC 14C .3803.

#### **COMMENTS REGARDING CRITERION (4)**

In its response to Criterion (4), Cone Health fails to discuss the potential alternative to develop its proposed Cone Health Mebane Hospital with beds relocated from ARMC rather than the new acute care beds.

As Cone Health via ARMC owns and operates 100 percent of the acute care beds in Alamance County, it is the only entity that can develop a new hospital with relocated beds. In fact, this alternative has been available to Cone Health for many years. As Cone Health notes in its application on page 37, "MedCenter Mebane, an existing outpatient campus licensed as part of ARMC, opened its doors in 2008 in response to a growing Mebane community and serves as an extension of ARMC's services, providing high-quality outpatient medical and surgical care in a more convenient location for eastern Alamance County residents. The proposed expansion of this campus represents Cone Health's natural evolution of a longstanding commitment to serving the Mebane area." As such, Cone Health has operated MedCenter Mebane for 17 years during which time the Mebane community grew rapidly. Notably, during that time, ARMC operated with a surplus of acute care beds. For example, in the 2019 SMFP, ARMC has a 41 bed surplus based on the acute care methodology. Given its surplus, ARMC could have relocated beds to Mebane at that time in order to achieve the goals set forth in its current application, but it did not do so. Additionally, Cone Health is currently the only entity that can develop emergency department capacity in Alamance County. During the last 17 years, Cone Health could have developed a freestanding ED in Mebane in order to provide better geographic access to its services, but did not choose to do so.

Given its failure to relocate any acute care capacity to Mebane since 2008, it is reasonable to assume that Cone Health's current application is, at least partly, designed to prevent a new competitor, such as Duke Novant Mebane Hospital, from developing acute care beds in Alamance County, where Cone Health currently has 100 percent of capacity.

Accordingly, the Cone Health application is non-conforming with Criterion (4) and should be disapproved.

#### **COMMENTS REGARDING CRITERION (12)**

In its response to Section K.4.(c), Cone Health notes "The existing MedCenter Mebane and medical office buildings are permitted under the current B-2 zoning, but the proposed full-service hospital will require OI zoning. While special use permit is required if the property is rezoned to OI, a height variance would be preferred."

Section K.4.(c).3 states “If the proposed site will require rezoning, describe how the applicant anticipates having it rezoned and provide any supporting documentation in an Exhibit.” Cone Health fails to describe how it will have the proposed site rezoned or provide any supporting documentation. By contrast, Duke Novant Mebane Hospital provided Exhibit K.4, Duke Health Mebane CON Zoning Narrative in its application which describes how it will have its proposed site rezoned. Accordingly, the Cone Health application is non-conforming with Criterion (12) and should be disapproved.

### **COMMENTS REGARDING CRITERION (18a)**

In deciding which conforming applications to approve or partially approve, the Agency should consider the public interest in creating a competitive balance in Alamance County. As noted in the comments regarding Criterion (4), given its failure to relocate any acute care capacity to Mebane since 2008, it is reasonable to assume that Cone Health’s current application is, at least partly, designed to prevent a new competitor, such as Duke Novant Mebane Hospital, from developing acute care beds in Alamance County, where Cone Health currently has 100 percent of capacity.

There is a public interest in creating, maintaining, and improving competitive balance to keep Cone Health as the sole acute care provider in Alamance County and enabling Cone Health to dictate rates to commercial payors, self-insured employers, and individuals. The only policy tool the Agency has to improve competitive balance in Alamance County is its CON decisions. The CON Law exists to protect patients, and patients benefit from competition because it lowers cost and improves quality. Therefore, the Agency should continue to evaluate the competitive balance of acute care beds in Alamance County.

Therefore, the proposed development of acute care bed capacity at Duke Novant Mebane Hospital will positively impact competition by creating another provider of acute care services in the county.

### **COMPARATIVE ANALYSIS**

Pursuant to G.S. § 131E-183(a)(1) and the 2025 State Medical Facilities Plan, no more than 126 acute care beds may be approved for Alamance County in this review. Because the applications in this review collectively propose to develop 46 additional acute care beds in Alamance County, both applications cannot be approved for the total number of beds proposed. Therefore, a comparative review is required as part of the Agency findings after each application is reviewed independently against the applicable statutory review criteria. The following factors have recently been utilized by the Agency for competitive reviews regardless of the type of services or equipment proposed:

- Conformity with Statutory and Regulatory Review Criteria
- Scope of Services
- Geographic Accessibility
- Access by Service Area Residents
- Access by Underserved Groups: Medicaid
- Access by Underserved Groups: Medicare
- Competition (Access to a New or Alternate Provider)
- Projected Average Net Revenue per Patient
- Projected Average Total Operating Expense per Patient

The Agency may use its discretion to add other comparative factors based on the facts of the competitive review, but this discretion must be exercised reasonably and in accordance with the law. The following summarizes the competing applications relative to the potential comparative factors.

**Conformity with CON Review Criteria and Rules**

Only applicants demonstrating conformity with all applicable review Criteria and rules can be approved, and only the application submitted by Duke Novant Mebane Hospital demonstrates conformity to all Criteria:

**Conformity of Applicants**

<b>Applicant</b>	<b>Project I.D.</b>	<b>Conforming/ Non-Conforming</b>
Duke Novant Mebane Hospital	G-12641-25	Yes
Cone Health Mebane Hospital	G-12638-25	No

The Duke Novant Mebane Hospital application is based on reasonable and supported volume projections and adequate projections of cost and revenues. As discussed previously in this document, the Cone Health application contains errors and flaws which result in one or more non-conformities with statutory and regulatory review Criteria. Therefore, the **Duke Novant Mebane Hospital** application is the **most effective** alternative regarding conformity with applicable review Criteria and rules.

**Scope of Services**

Duke Novant Mebane Hospital proposes to develop a new, full-service 46-bed hospital designed to meet a broad range of patient needs in Alamance County. Duke Novant Mebane Hospital will offer comprehensive services, including emergency care, surgical services, intensive care (ICU), obstetrics, imaging, and therapy services.

Cone Health also proposes to develop a new 46-bed hospital in Alamance County that will offer a comparable scope of services. Therefore, both projects are equally capable of meeting the healthcare needs of the community, but Duke Novant Mebane Hospital does so while promoting competition, increasing patient access, and improving choice—key factors that benefit the residents of Alamance County.

For these reasons, the projects and **equally effective** alternatives regarding scope of services.

**Geographic Accessibility**

While both Duke Novant Mebane Hospital and Cone Health propose to develop new acute care beds in Mebane (Alamance County), and at face value may appear equally effective in terms of geographic accessibility, a closer examination reveals that only one proposal meaningfully advances access, choice, and competition for Alamance County residents.

Currently, Cone Health controls the only acute care hospital in Alamance County, leaving residents with no local alternative for inpatient care. This lack of choice has led many individuals and families to seek acute care services outside the county, particularly within the Duke and Novant Health systems, resulting in fragmented care and unnecessary travel.

The proposed Duke Novant Mebane Hospital will fundamentally reshape the healthcare landscape in Alamance County. By establishing a high-quality alternative to the incumbent provider, this project will bring trusted, patient-centered care closer to home for thousands of residents. More than simply adding beds, Duke Novant Mebane Hospital will introduce meaningful competition, foster service innovation, and empower patients with real choices. This competitive presence will not only enhance quality and accessibility but also encourage greater efficiency and cost-effectiveness across the market.

### **Competition (Patient Access to a New or Alternate Provider)**

The 2025 State Medical Facilities Plan (SMFP) acute care bed methodology identifies a need for 46 additional acute care beds in the Alamance County service area by 2027. Cone Health’s proposal merely reinforces its longstanding control over the county’s acute care market. In contrast, Duke Novant Mebane Hospital introduces a new provider into the market, establishing true competition for the first time in Alamance County.

By comparison, Cone Health’s application represents the least effective alternative. Rather than promote access or competition, it would further entrench Cone Health’s market dominance and preserve the status quo. Without a competing hospital, patients are left with limited options, constrained care pathways, and no meaningful opportunity to choose a different provider. Introducing a new entrant, as proposed by Duke Novant Mebane Hospital, compels all providers to elevate performance, improve patient experience, and offer more competitive pricing.

Duke Novant Mebane Hospital’s proposal is the only application that addresses the identified need while also fulfilling the broader public purposes of the CON law. It is clearly the **most effective** alternative for advancing healthcare access, choice, and quality in Alamance County.

### **Access By Service Area Residents**

On page 33, the 2025 SMFP defines the service area for acute care beds as “the acute care bed service area in which the bed is located. The acute care bed service areas are the single and multicounty groupings shown in Figure 5.1.” Figure 5.1, on page 38, shows Alamance County as a single-county acute care bed service area. Thus, the service area for this review is Alamance County. Facilities may also serve residents of counties not included in their service area.

The following table illustrates access by service area residents during the third full fiscal year following project completion.

**Projected Access to Alamance County Residents – Inpatient Services, Project Year 3**

Comparative	Duke Novant Mebane Hospital Cabarrus	Cone Health Mebane Hospital
# of Alamance County Patients	2,364	1,008
% of Alamance County Patients	90.0%	86.8%

Source: CON applications, Section C.3

As shown in the previous table, Duke Novant Mebane Hospital plans to serve a substantially higher number and percentage of patients from Alamance County during the third project year.

Therefore, regarding access by service area residents, the application submitted by **Duke Novant Mebane Hospital** is the **most effective** alternative.

**Access By Underserved Groups**

Underserved groups are defined in G.S. § 131E-183(a)(13) as follows:

“Medically underserved groups, such as medically indigent or low-income persons, Medicaid and Medicare recipients, racial and ethnic minorities, women, and handicapped persons, which have traditionally experienced difficulties in obtaining equal access to the proposed services, particularly those needs identified in the State Health Plan as deserving of priority.”

For access by underserved groups, applications are typically compared with respect to Medicare patients and Medicaid patients.<sup>1</sup> Access by each group is treated as a separate factor.

The Agency may use one or more of the following metrics to compare the applications:

- Total Medicare or Medicaid patients
- Medicare or Medicaid admissions as a percentage of total patients
- Total Medicare or Medicaid dollars
- Medicare or Medicaid dollars as a percentage of total gross or net revenues
- Medicare or Medicaid cases per patient

The above metrics the Agency uses are determined by whether or not the applications included in the review provide data that can be compared as presented above and whether or not such a comparison would be of value in evaluating the alternative factors.

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<sup>1</sup> Due to differences in definitions of charity care among applicants, comparisons of charity care are inconclusive.

*Projected Medicare*

The following table compares projected access by Medicare patients in the third full fiscal year following project completion for all the applicants in the review.

**Projected Medicare Revenue – 3rd Full FY**

Applicant	Form F.2b	Form C.1b	Avg Medicare Rev. per Discharge	Form F.2b	% of Gross Revenue
	Total Medicare Revenue	Discharges		Gross Revenue	
Duke Novant Mebane Hospital	\$74,242,842	2,628	\$28,251	\$198,363,625	37.4%
Cone Health Mebane Hospital	\$210,285,363	3,039	\$69,196	\$417,770,396	50.3%

Generally, the application projecting to provide the most service to Medicare patients, as measured by revenue, is the more effective alternative for this comparative factor.

Duke Novant Mebane Hospital’s pro formas are not structured the same way as those from Cone Health. Duke Novant Mebane Hospital’s Form F.2 (Inpatient and Inpatient Emergency Department) reflects revenues and expenses exclusive of inpatient surgical and obstetrical services. These services are presented in separate Forms. In the assumptions and methodology for Forms F.2 and F.3, Cone Health states revenues for inpatient services include all services provided to inpatient, including surgery.

Due to differences in the presentation and structure of pro forma financial statements, a conclusive comparison of the Medicare access provided by each applicant cannot be made for the purposes of evaluating relative effectiveness under this comparative factor. This rationale is consistent with numerous recent competitive reviews including the 2024 Mecklenburg County Acute Care Bed Review, 2024 Wake County Acute Care Bed Review, 2023 Mecklenburg County Acute Care Bed Review, and 2023 Wake County Acute Care Bed Review. In each of these reviews, the Agency appropriately concluded that differences in financial reporting methodologies precluded a definitive comparison of Medicare access across competing proposals.

Accordingly, the Agency should determine that this factor is inconclusive.

*Projected Medicaid*

The following table compares projected access by Medicaid patients in the third full fiscal year following project completion for all the applicants in the review.

**Projected Medicaid Revenue – 3<sup>rd</sup> Full FY**

Applicant	Form F.2b	Form C.1b	Avg	Form F.2b	% of Gross Revenue
	Total Medicaid Revenue	Discharges	Medicaid Rev. per Discharge	Gross Revenue	
Duke Novant Mebane Hospital	\$24,602,399	2,628	\$9,362	\$198,363,625	12.4%
Cone Health Mebane Hospital	\$70,318,828	3,039	\$23,139	\$417,770,396	16.8%

As previously described, Duke Novant Mebane Hospital’s pro formas are not structured the same way as those from Cone Health. Duke Novant Mebane Hospital’s Form F.2 (Inpatient and Inpatient Emergency Department) reflects revenues and expenses exclusive of inpatient surgical and obstetrical services. These services are presented in separate Forms. In the assumptions and methodology for Forms F.2 and F.3, Cone Health states revenues and expenses for inpatient services include all services provided to patients during their inpatient stay, including emergency, surgery, imaging, pharmacy, laboratory, therapy, and other ancillary and support services.

Due to differences in the presentation and structure of pro forma financial statements, a conclusive comparison of the Medicaid access provided by each applicant cannot be made for the purposes of evaluating relative effectiveness under this comparative factor. This rationale is consistent with numerous recent competitive reviews including the 2024 Mecklenburg County Acute Care Bed Review, 2024 Wake County Acute Care Bed Review, 2023 Mecklenburg County Acute Care Bed Review, and 2023 Wake County Acute Care Bed Review. In each of these reviews, the Agency appropriately concluded that differences in financial reporting methodologies precluded a definitive comparison of Medicare access across competing proposals.

Accordingly, the Agency should determine that this factor is inconclusive.

**Projected Average Net Revenue per Patient**

The following table shows the projected average net revenue per patient in the third year of operation for each of the applicants, based on the information provided in the applicants’ pro forma financial statements (Section Q). Generally, the application proposing the lowest average net revenue is the more effective alternative regarding this comparative factor since a lower average may indicate a lower cost to the patient or third-party payor.

**Projected Average Net Revenue per Patient – 3rd Full FY**

Applicant	Form C.1b	Form F.2b	Average Net Revenue per Discharge
	Discharge	Net Revenue	
Duke Novant Mebane Hospital	2,628	\$65,093,081	\$24,769
Cone Health Mebane Hospital	3,039	\$128,693,577	\$42,347

While Duke Novant Mebane Hospital’s projected average net revenue per discharge appears lower than Cone Health’s, the financial projections are not structured in a directly comparable manner. Specifically, Duke Novant Mebane Hospital’s Form F.2 (Inpatient and Inpatient Emergency Department) reflects revenues and expenses exclusive of inpatient surgical and obstetrical services. These services are presented in separate Forms.

Cone Health states in its Form F.2 and F.3 assumptions that revenues and expenses for inpatient services include all services provided to patients during their inpatient stay, including emergency, surgery, imaging, pharmacy, laboratory, therapy, and other ancillary and support services.

Due to differences in the presentation and structure of pro forma financial statements, a conclusive comparison of average net revenue per patient for each applicant cannot be made for the purposes of evaluating relative effectiveness under this comparative factor. This rationale is consistent with numerous recent competitive reviews including the 2024 Mecklenburg County Acute Care Bed Review, 2024 Wake County Acute Care Bed Review, 2023 Mecklenburg County Acute Care Bed Review, and 2023 Wake County Acute Care Bed Review. In each of these reviews, the Agency appropriately concluded that differences in financial reporting methodologies precluded a definitive comparison of average net revenue per patient across competing proposals.

Therefore, a comparison of projected net revenue per patient is inconclusive.

**Projected Average Operating Expense per Patient**

The following table shows the projected average operating expense per patient in the third full fiscal year following project completion for each facility. Generally, the application projecting the lowest average operating expense per patient is the more effective alternative with regard to this comparative factor to the extent it reflects a more cost-effective service which could also result in lower costs to the patient or third-party payor.

**Projected Average Operating Expense per Patient – 3rd Full FY**

Applicant	Form C.1b	Form F.2b	Average Operating Expense per Discharge
	Discharge	Operating Expense	
Duke Novant Mebane Hospital	2,628	\$73,372,091	\$27,919
Cone Health Mebane Hospital	3,039	\$113,377,095	\$37,307

While Duke Novant Mebane Hospital’s projected average operating expense per discharge appears lower than Cone Health’s, the financial projections are not structured in a directly comparable manner. Specifically, Duke Novant Mebane Hospital’s Form F.2 (Inpatient and Inpatient Emergency Department) reflects revenues and expenses exclusive of inpatient surgical and obstetrical services. These services are presented in separate Forms.

Cone Health states in its Form F.2 and F.3 assumptions that revenues and expenses for inpatient services include all services provided to patients during their inpatient stay, including emergency, surgery, imaging, pharmacy, laboratory, therapy, and other ancillary and support services.

Due to differences in the presentation and structure of pro forma financial statements, a conclusive comparison of average operating expense per patient for each applicant cannot be made for the purposes of evaluating relative effectiveness under this comparative factor. This rationale is consistent with numerous recent competitive reviews including the 2024 Mecklenburg County Acute Care Bed Review, 2024 Wake County Acute Care Bed Review, 2023 Mecklenburg County Acute Care Bed Review, and 2023 Wake County Acute Care Bed Review. In each of these reviews, the Agency appropriately concluded that differences in financial reporting methodologies precluded a definitive comparison of average operating expense per patient across competing proposals.

Therefore, a comparison of projected net revenue per patient is inconclusive.

**Summary**

The following table lists the comparative factors and states which application is the more effective alternative.

<b>Comparative Factor</b>	<b>Duke Novant Mebane Hospital</b>	<b>Cone Health</b>
Conformity with Review Criteria	<b>More Effective</b>	Less Effective
Scope of Services	Equally Effective	Equally Effective
Geographic Accessibility	Equally Effective	Equally Effective
Enhance Competition	<b>More Effective</b>	Less Effective
Access by Service Area Residents: % of Patients	<b>More Effective</b>	Less Effective
Projected Medicare Access	Inconclusive	Inconclusive
Projected Medicaid Access	Inconclusive	Inconclusive
Projected Average Net Revenue per Patient	Inconclusive	Inconclusive
Projected Average Operating Expense per Patient	Inconclusive	Inconclusive

For each of the comparative factors previously discussed, Duke Novant Mebane Hospital’s application is determined to be more effective alternative for the following factors:

- Conformity with Review Criteria
- Geographic Accessibility
- Enhance Competition
- Access by Service Area Residents: % of Patients

**CONCLUSION**

With regard to acute care beds, only the Duke Novant Mebane Hospital application submitted by is fully conforming to all applicable Criteria and rules and the Duke Novant Mebane Hospital application is also comparatively superior to the Cone Health application. Therefore, the Duke Novant Mebane Hospital application should be approved as submitted. Fostering competitive balance in Alamance County will maximize healthcare value by incentivizing high-quality care, lowering costs, and expanding patient choice.