ATTACHMENT - REQUIRED STATE AGENCY FINDINGS

FINDINGS
C = Conforming
CA = Conditional
NC = Nonconforming
NA = Not Applicable

DECISION DATE: April 17, 2012

PROJECT ANALYST: Tanya S. Rupp
ASSISTANT CHIEF: Martha J. Frisone

PROJECT I.D. NUMBER: O-8768-11 / Smithville Township d/b/a J. Arthur Dosher Memorial Hospital / Renovate facility to create all private acute care rooms / Brunswick County

REVIEW CRITERIA FOR NEW INSTITUTIONAL HEALTH SERVICES

G.S. 131E-183(a) The Department shall review all applications utilizing the criteria outlined in this subsection and shall determine that an application is either consistent with or not in conflict with these criteria before a certificate of need for the proposed project shall be issued.

(1) The proposed project shall be consistent with applicable policies and need determinations in the State Medical Facilities Plan, the need determination of which constitutes a determinative limitation on the provision of any health service, health service facility, health service facility beds, dialysis stations, operating rooms, or home health offices that may be approved.

C

The applicant, Smithville Township d/b/a J. Arthur Dosher Memorial Hospital (**"Dosher"**) has been in operation in Brunswick County since 1939. Dosher was originally chartered as a public hospital under joint ownership of the city of Southport and Brunswick County, and in 1976 became a public, not-for-profit hospital created by Southport citizens and governed by a publicly elected Board of Trustees. In 2009 Dosher became a Critical Access Hospital (CAH), and in 2011, Dosher received Swing Bed certification by Medicare and Medicaid, which allows the hospital to use 25 of its 36 acute care beds for both acute care and skilled nursing care. In this application, Dosher proposes to renovate the hospital in order to convert existing semi-private acute care rooms to private rooms. As a result, the number of licensed acute care beds will decrease from 36 to 25 and the hospital will retain its designation as a CAH. The applicant does not propose to increase the number of licensed beds in any category, add services, or acquire equipment for which there is a need determination in the 2011 State Medical Facilities Plan (SMFP).

There are two policies in the 2011 SMFP applicable to this review.

Policy AC-5: Replacement of Acute Care Bed Capacity

"Proposals for either partial or total replacement of acute care beds (i.e., construction of new space for existing acute care beds) shall be evaluated against the utilization of the total number of acute care beds in the applicant's hospital in relation to utilization targets found below. For hospitals not designated by the Center for Medicare and Medicaid Services as Critical Access Hospitals, in determining utilization of acute care beds, only acute care bed "days of care" shall be counted. For hospitals designated by the Center for Medicare and Medicaid Services as Critical Access Hospitals, in determining utilization of acute care beds, only acute care bed "days of care" and swing bed days (i.e., nursing facility days of care) shall be counted in determining utilization of acute care beds. Any hospital proposing replacement of acute care beds must clearly demonstrate the need for maintaining the acute care bed capacity proposed within the application. Additionally, if the hospital is a Critical Access Hospital and swing bed days are proposed to be counted in determining utilization of acute care beds, the hospital shall also propose to remain a Critical Access Hospital and must demonstrate the need for maintaining the swing bed capacity proposed within the application. If the Critical Access Hospital does not propose to remain a Critical Access Hospital, only acute care bed "days of care" shall be counted in determining utilization of acute care beds and the hospital must clearly demonstrate the need for maintaining the acute care bed capacity proposed within the application.

FACILITY AVERAGE DAILY CENSUS	***TARGET OCCUPANCY OF LICENSED ACUTE CARE BEDS`***
1 -99	*66.7%*
100 – 200	*71.4%*
Greater than 200	*75.2%*

Dosher proposes to decrease the number of licensed acute care beds. However, the applicant proposes construction of new space for existing acute care beds, and thus Policy AC-5 applies to this review. In Section III, page 53, the applicant states:

"Dosher projects demand for approximately 15.5 general inpatient acute care beds in FFY 2016. Dosher's forecast of 12.5 general inpatient acute care beds in FFY 2013 compares well with the 2011 SMFP forecast demand, on page 56, for 12 beds in FFY 2013.

Dosher is not proposing a fixed swing bed capacity. Rather, as a Critical Access Hospital, Dosher proposes to use acute beds as needed to provide 'post-hospital skilled nursing facility care', in accordance with 42 CFR 409.20. Dosher reasonably projected swing bed utilization based on the current and future needs of its patient population for 'post-hospital skilled nursing facility care.' As documented on page 213 of the 2011 SMFP, Brunswick County will have a FFY 2014 shortage of 38 skilled nursing facility beds. Table 10B, of the draft 2012 SMFP, shows that the Brunswick County need will increase to 96 skilled nursing facility beds by FFY 2015. Please see full discussion of swing bed utilization in Section IV.1(d).

As discussed in Section IV.1(d), the applicant reasonably projects to operate 25 acute care beds, at an occupancy rate of 67.1 percent by the end of Project Year 3. This exceeds the utilization target of 66.7 percent, found on page 24 of the 2011 SMFP, for the policy. Utilization projections include swing bed days because Dosher is a Critical Access Hospital. Dosher will remain a Critical Access Hospital through the duration of the proposed project. The projected occupancy conforms to both the letter and the spirit of this policy."

According to its *2012 Hospital License Renewal Application*, Dosher provided 4,286 total days of care in FY2011 for an average daily census of 11.7 patients (4,286 /365 = 11.74). Therefore, pursuant to utilization targets in Policy AC-5 of the 2011 SMFP, the current target occupancy for Dosher's 25 proposed licensed acute care beds is 66.7 percent.

The following table shows Dosher's historical acute care bed utilization as reported in its *Hospital License Renewal Application* forms, and the applicant's projected acute care bed utilization through the first three years of the proposed project, as provided by the applicant in Section IV.1, page 67 of the application.

FISCAL YEAR	LICENSED ACUTE CARE BEDS	PATIENT DAYS	SWING BED DAYS	TOTAL DAYS OF CARE	AVERAGE DAILY CENSUS	PERCENT CHANGE	AVERAGE OCCUPANCY RATE
2009 Actual	36	4,347	0	4,347	11.9	--	33.1%
2010 Actual	36	3,723	0	3,723	10.2	-14.3%	28.3%
2011 Actual	36	4,286	0	4,286	11.7	14.7%	32.5%
2012 Projected	36	4,362	56	4,418	12.1	3.4%	33.6%
2013 Projected	36	4,582	56	4,638	12.7	5.0%	35.3%
2014 Projected (Year 1)	25	4,917	507	5,424	14.9	17.3%	59.6%
2015 Projected (Year 2)	25	5,262	507	5,769	15.8	6.0%	63.2%
2016 Projected (Year 3)	25	5,619	507	6,126	16.8	6.3%	67.2%

As shown in the table above, Dosher projects its 25 licensed acute care beds will operate above the target occupancy rate of 66.7 percent by the third operating year following completion of the project. The applicant adequately demonstrates projected utilization is based on reasonable, credible and supported assumptions, including:

- Historical and projected acute care bed use rates
- Projected population
- Historical and projected market share
- Impact of physician recruitment
- Impact of physical plant improvements

See Criterion (3) for a description of the methodologies used to project utilization. The application is conforming to Policy AC-5.

Policy GEN-4: Energy Efficiency and Sustainability for Health Service Facilities

"Any person proposing a capital expenditure greater than $2 million to develop, replace, renovate or add to a health service facility pursuant to G.S. 131E-178 shall include in its certificate of need application a written statement describing the project's plan to assure improved energy efficiency and water conservation.

In approving a certificate of need proposing an expenditure greater than $5 million to develop, replace, renovate or add to a health service facility pursuant to G.S. 131E-178, the Certificate of Need Section shall impose a condition requiring the applicant to develop and implement an Energy Efficiency and Sustainability Plan for the project that conforms to or exceeds energy efficiency and water conservation standards incorporated in the latest editions of the North Carolina State Building Codes. The plan must be consistent with the applicant's representation in the written statement as described in paragraph one of Policy Gen-4.

Any person awarded a certificate of need for a project or an exemption from review pursuant to G.S. 131E-184 are required to submit a plan for energy efficiency and water conservation that conforms to the rules, codes and standards implemented by the Construction Section of the Division of Health Service Regulation. The plan must be consistent with the applicant's representation in the written statement as described in paragraph one of Policy GEN-4. The plan shall not adversely affect patient or resident health, safety or infection control."

In Section XI.7, pages 138 – 139, the applicant states:

"The facility currently uses modern energy controls and the most energy-effective materials. The building will continue to be in compliance with all Energy Standards as required by the International Building Code and the North Carolina Building Code. Additionally, the following principles will be implemented in the design of the proposed project:

Building

- *Use of natural lighting to augment electrical lighting*
- *U-factors for rood, wall, and glass meets or exceeds those prescribed by the North Carolina* [B]*uilding* [C]*ode*
- *Use of interior window or shading controls*

Plumbing

- *Low consumption water closets*
- *Triplex or quadreplex air compressor and vacuum pumps for the lower energy consumption at low use*
- *Water efficient landscape plantings that require less amounts of water to remain healthy*

HVAC

- *Air side economizer cycles*
- *Two way hot water and chilled water control valves*
- *Variable air volume controls*
- *High efficiency chillers*
- *High efficiency boilers*

Electrical

- *Energy saving lamps and ballasts*
- *Fluorescent lights inside the building except where dimmers are required*
- *High-pressure sodium vapor lighting for the outside areas"*

In addition, in Exhibit 55, the applicant provides a copy of an October 27, 2011 letter signed by Wayne L. Gregory, licensed architect, which confirms the renovation and addition will conform to all applicable federal, state, and local regulations. The applicant demonstrates that it will ensure improved energy efficiency and water conservation as part of the proposed renovation project.

In summary, the application is consistent with Policy AC-5 and Policy GEN-4. Consequently, the application is conforming to this criterion.

(2) Repealed effective July 1, 1987.

(3) The applicant shall identify the population to be served by the proposed project, and shall demonstrate the need that this population has for the services proposed, and the extent to which all residents of the area, and, in particular, low income persons, racial and ethnic minorities, women, handicapped persons, the elderly, and other underserved groups are likely to have access to the services proposed.

C

Dosher proposes to renovate the hospital in order to convert existing semi-private acute care rooms to private rooms. The applicant proposes to develop two units in the hospital, one with 10 beds and one with 15, which will allow for efficient and private patient throughput. Thus, the number of licensed acute care beds will decrease from 36 to 25 and the hospital will retain its designation as a CAH. In Section I.8, page 9, the applicant states the project will *"create an all-private-room acute care inpatient program by renovating and expanding two nursing units; to replace the gift shop, and support offices, add a corridor between the surgery and the acute care bed units, and relocate the inpatient physical therapy room."*

Population to be Served

In Section III.5(a), page 57, the applicant provides current patient origin for the entire hospital, and on page 58 the applicant provides current patient origin for acute care beds, as shown in the two tables below:

CURRENT PATIENT ORIGIN, ENTIRE HOSPITAL

COUNTY	% OF TOTAL PATIENTS
Brunswick	95.0%
Other NC Counties*	2.8%
Out of State**	2.2%
Total	100.0%

*On page 57, the applicant states "other" includes Avery, Anson, Bladen, Burke, Cabarrus, Carteret, Cleveland, Columbus, Craven, Cumberland, Davidson, Davie, Duplin, Forsyth, Franklin, Gaston, Guilford, Harnett, Lee, Lincoln, McDowell, Mecklenburg, Moore, New Hanover, Pender, Person, Randolph, Richmond, Robeson, Sampson, Stokes, Union, and Wake.
**On page 57 the applicant states "out of state" includes Georgia, South Carolina, Tennessee, Virginia, and 'Other.'

CURRENT PATIENT ORIGIN, ACUTE CARE BEDS

COUNTY	% OF TOTAL PATIENTS
Brunswick	91.8%
Other NC Counties*	4.5%
Out of State**	3.7%
Total	100.0%

*On page 57, the applicant states "other" includes Avery, Burke, Cabarrus, Carteret, Cleveland, Columbus, Craven, Cumberland, Davidson, Davie, Duplin, Forsyth, Franklin, Guilford, Harnett, Lee, Lincoln, McDowell, Mecklenburg, Moore, New Hanover, Pender, Randolph, Richmond, Robeson, Sampson, Stokes, Union, and Wake.
**On page 57 the applicant states "out of state" includes Georgia, South Carolina, Tennessee, Virginia, and 'Other.'

In Section III.5(b), page 59, the applicant states its primary service area is Brunswick County; specifically ZIP codes 28461 (Southport) and 28465 (Oak Island). In addition, the applicant states the secondary service area is comprised of other North Carolina counties as well as other states, since Brunswick County is in a coastal area and thus hosts a large transient tourist population at various times of the year. The applicant states on pages 61 - 62 that it anticipates that the majority of its future acute care bed population will be residents of Brunswick County, consistent with its historical experience. The applicant adequately identifies the population it proposes to serve.

Need for Proposed Renovation

In Section III.1, pages 33 - 52, the applicant describes the need for the proposed acute care bed renovation. On pages 33 – 34, the applicant states,

> *"Need for the project was driven by building function and safety issues, the demographics of Brunswick County, the distribution of health care resources in Brunswick County, and public support. Specifically,*
>
> *With regard to facility:*
>
> - *Acute inpatient bedrooms do not meet current patient care standards, including HIPPA.*
> - *Small patient rooms with no bathrooms, or small bathrooms that are not ADA compliant, present safety and satisfaction challenges.*
> - *Lack of private, acuity-adaptable rooms decreases patient privacy, decrease* [sic] *patient satisfaction, increases infection risks, and increase* [sic] *medical error risks.*
> - *Multiple building entrances challenge separation of efficient traffic patterns for staff, patients and others and increase* [sic] *security risks.*
> - *Absence of a corridor between surgery and acute care bed units reduces patient privacy.*
> - *Second floor location of physical therapy, and width of corridors on the second floor of the facility, make physical therapy service inaccessible to inpatients.*
> - *Existing inpatient physical therapy space is outside the acute care bed unit which decreases patient privacy.*
> - *Lack of storage space means that supplies must be stored outside the acute care bed units and, in some cases, outside the hospital.*
> - *Location of the gift shop in the acute care bed unit entrance is inefficient. It provides little store visibility and decreases patient privacy.*
> - *Existing Lean Program Coordinator and Plant Operations Manager office spaces are needed for patient room expansions. New offices will be required as a result of the project.*
> - *Expansion will require Dosher to expand its HVAC system."*

On pages 35 - 36, the applicant states:

"Presently, Dosher's 36 inpatient beds are located in two nursing units, on the first floor on the east side of the hospital. At one time this was the main entrance. Rooms barely meet the licensure requirement 10A NCAC 13B .6201(1) (b), which calls for 80 square feet per bed in multiple occupancy rooms. Most rooms are semi-private, with one shower shared between two rooms. At full occupancy, four people share the same shower. One room has no access to a shower. Built before the ADA statute, the toilets and showers do not meet ADA codes. Thus, patients in wheelchairs need special assistance to use the bathrooms.

…

The current layout of the nursing stations contributes to an unacceptable level of background noise which interferes with patient rest.

On pages 36 -38, the applicant describes how the current layout of the hospital corridors and rooms create patient privacy and logistical issues, because the corridors are narrow and ingress and egress into and out of patient rooms, particularly in an emergency, is often compromised. In addition, the applicant states security is an issue, because the current entrance to the hospital is directly connected to the acute care area. On page 37, the applicant states:

"Today, the entry closest to the acute care bed units can be accessed directly from the outside. This brings visitor traffic through the patient care corridor, reducing privacy and adding security cost. At project completion the entry between the two nursing units will be used only for discharging patients, or in case of emergency.

…

The corridors on the second floor of Dosher, where outpatient physical therapy is located, are too narrow to accommodate inpatients on stretchers. A small inpatient physical therapy room adjacent to the nursing units is accessed from the eight-foot main hospital corridor, but the space itself … is difficult to navigate and presents a particular challenge to stretchers. The toilet in this room is not ADA compliant. Locating the therapy room outside the inpatient bed units also decreases patient privacy and increases the risk of patients acquiring an infection."

On page 37, the applicant describes its plans for its proposed "*Joint Camp,*" which is a method of physical therapy delivery that is followed by many health care providers. Additional information on the theory behind a joint camp is included in Exhibit 19. On page 37, the applicant states:

"Sufficient and convenient inpatient physical therapy space will become increasingly important as Dosher increases access to its swing beds through its proposed Joint Camp. The Joint Camp calls for multiple patients to rehab together. Friendly competition and motivation are generated when therapy sessions involve more than one patient. This has been documented by a number of hospitals nationwide, who

have found common rehab to increase patient satisfaction and decrease recovery time after joint replacement surgeries. … The proposed room can accommodate two to three inpatients at one time."

On page 37, the applicant describes the issues with the surgery corridor, as follows:

"Transporting patients from surgery through the main hospital corridor reduces patient privacy, adds traffic to an already busy corridor, and increases the risk of patients' exposure to infection. A dedicated patient corridor will reduce risk and improve privacy."

In Section III, pages 37 – 43, the applicant discusses the demographics of Brunswick County; in particular, the older age cohorts, which tend to require inpatient hospital services more frequently than the younger age groups. There are two ZIP codes, Oak Island and Southport, which comprised nearly two-thirds of Dosher's FFY 2011 inpatient acute care bed admissions. On page 41, the applicant shows that the population of these two ZIP codes is projected to increase more rapidly than that of other Brunswick County ZIP codes. See the following table, from page 41 of the application:

ZIP CODE	2011	2016	% INCREASE	COMPOUND ANNUAL GROWTH RATE (CAGR)
28461	16,469	18,996	15.3%	2.9%
28465	8,763	9,994	14.0%`	2.7%
Brunswick County	111,127	125,876	13.3%	2.5%
North Carolina	9,735,890	10,479,127	7.6%	1.5%

Thus, the data shows the population of the ZIP codes listed above is projected to grow at a faster rate than the population of Brunswick County as a whole. In fact, the population of those two ZIP codes is projected to grow faster than in the State of North Carolina as well.

On page 43, the applicant describes the needs particular to a hospital located in a vacation destination:

"Dosher estimates that by FFY 2016, Brunswick County residents will need access to a minimum of 211 general inpatient acute care beds. Brunswick County currently offers 99 general inpatient acute care beds. … The resident statistics tell only part of the story. Brunswick County beaches and recreation/retirement communities attract thousands of seasonal visitors. Bald Head Island, for example, swells from fewer than 159 residents to 4,000+ occupants in peak summer season (July 2010 per NCOSBM). The same occurs in other beach communities near Southport like Long Beach, Oak Island, Sunset Harbor, Caswell Beach, Yaupon Beach, and even St. James Plantation."

Thus, not only is the permanent patient population in Brunswick County growing at a faster rate than in the State as a whole, but there is a surge in the population every summer in Brunswick County.

In addition to population growth in the County, the distribution of resources has an effect on the need for the proposed services. In Section III, on pages 43 - 44, the applicant states that Dosher is the only provider of acute care services in the area, which can be critical if the facilities are inadequate. The applicant states:

> *"Dosher is the only provider of acute care hospital services in the rural southeast region of Brunswick County. … The only other provider* [of] *acute care services in Brunswick County is Brunswick Novant Medical Center. While Brunswick Novant Medical Center (BNMC) provides many of the same services, BNMC's location does not meet the needs of the residents and visitors in Dosher' s primary service area for the following reasons.*
>
> - *Much of Brunswick County is uninhabitable and travel is difficult. A large portion of Brunswick County is swamp land that is traversed with drainage canals, and the road system is composed mostly of secondary roads. This is especially problematic to the residents of southeastern Brunswick County. The main roads out of southeastern Brunswick County are secondary and often flood. …*
> - *Residents of Bald Head Island must take a ferry that lands at the southeast edge of the county to access hospital services. In perfect weather, the ferry ride alone is 30 minutes. Travel to BNMC in Bolivia would add another 30 minutes.*
> - *On Saturday and Sunday, during vacation season, roads in southeastern Brunswick County can become virtually impassable. Beach rentals typically run from Saturday to Saturday or Sunday to Sunday. As such, there is a constant flow of people coming into the area and leaving the area, and travel times increase accordingly.*
>
> …
>
> *The travel hardships associated with this area have been validated by Dosher's Critical Access Hospital status. One of the criteria determining Critical Access Hospital eligibility is travel time. The Center* [sic] *for Medicare and Medicaid Services has determined that a hardship exists if a local hospital is located 15 miles or more from another hospital on secondary roads. Dosher conforms to this regulation.*
>
> *Furthermore, the physicians in the Southport and Oak Island area practice primarily at Dosher, and rarely admit to BNMC because of the inconvenience of making rounds at two different hospitals located 18 miles (30 minutes driving time) apart on secondary roads.*
>
> *Patients who utilize this valuable community asset deserve a hospital that meets current ADA, fire safety, patient privacy, and security requirements."*

The applicant adequately demonstrates the need to renovate the hospital to offer all private rooms.

Projected Utilization

According to its *2012 Hospital License Renewal Application*, Dosher provided 4,286 total days of care in FY2011 for an average daily census of 11.7 patients (4,286 /365 = 11.74). Therefore, pursuant to utilization targets in Policy AC-5 of the 2011 SMFP, the current target occupancy for Dosher's 25 proposed licensed acute care beds is 66.7 percent.

The following table shows Dosher's historical acute care bed utilization as reported in its *Hospital License Renewal Application* forms, and the applicant's projected acute care bed utilization through the first three years of the proposed project, as provided by the applicant in Section IV.1, page 67 of the application.

FISCAL YEAR	LICENSED ACUTE CARE BEDS	PATIENT DAYS	SWING BED DAYS	TOTAL DAYS OF CARE	AVERAGE DAILY CENSUS	PERCENT CHANGE	AVERAGE OCCUPANCY RATE
2009 Actual	36	4,347	0	4,347	11.9	--	33.1%
2010 Actual	36	3,723	0	3,723	10.2	-14.3%	28.3%
2011 Actual	36	4,286	0	4,286	11.7	14.7%	32.5%
2012 Projected	36	4,362	56	4,418	12.1	3.4%	33.6%
2013 Projected	36	4,582	56	4,638	12.7	5.0%	35.3%
2014 Projected (Year 1)	25	4,917	507	5,424	14.9	17.3%	59.6%
2015 Projected (Year 2)	25	5,262	507	5,769	15.8	6.0%	63.2%
2016 Projected (Year 3)	25	5,619	507	6,126	16.8	6.3%	67.2%

As shown in the table above, Dosher projects its 25 licensed acute care beds will operate above the target occupancy rate of 66.7 percent by the third operating year following completion of the project.

In Section III, pages 45 – 52, the applicant describes the five-step methodology used to project utilization of acute care services by residents of Brunswick County, which is described below.

"Step 1: Determine FFY 2012 to FFY 2016 Brunswick County population.

COUNTY	*FFY 2012*	*FFY 2013*	*FFY 2014*	*FFY 2015*	*FFY 2016*
Brunswick	*114,078*	*117,027*	*119,976*	*122,926*	*125,876*

Assumptions

Population estimates from the North Carolina Office of State Budget and Management are as of July 1 for each year. Applicant assumes estimates are reasonable equivalents for Federal Fiscal Year (FFY) populations. FFYs are equivalent to Dosher's Fiscal Years (FY), October 1 to September 30.

Step 2: Determine historical Brunswick County general inpatient acute care bed use rates.

		FFY 2007	***FFY 2008***	***FFY 2009***	***FFY 2010***
a	*Total Brunswick County Resident General Inpatient Acute Care Bed Admissions*	*10,150*	*10,497*	*10,645*	*10,549*
b	*Brunswick County Population*	*98,557*	*102,275*	*105,226*	*108,176*
c	*Population / 1,000*	*98.6*	*102.3*	*105.2*	*108.2*
d	*Admission Use Rate / 1,000*	*102.99*	*102.64*	*101.16*	*97.52*

Notes:

a. 2008 – 2011 Hospital License Renewal Applications, less Dosher swing bed admissions….
b. NC OSMB …
c. b/1,000
d. a/c

Assumptions:

Admissions for FFY 2010 will not match source documents. Dosher has conservatively removed three admissions in FFY 2010. Dosher made this adjustment to account for its three swing bed admissions in FFY 2010.

Although Dosher has calculated its own FFY 2011 admissions from Brunswick County, admission data from all other North Carolina hospitals are not yet publically available.

Step 3: Project FFY 2012 to FFY 2016 Brunswick County resident general inpatient acute care bed admissions by applying the FFY 2010 Brunswick County general inpatient acute care bed admission rate, [calculated above], *to Brunswick County population estimates ….*

		FFY 2012	***FFY 2013***	***FFY 2014***	***FFY 2015***	***FFY 2016***
a	*Projected Brunswick County Population*	*114,078*	*117,027*	*119,976*	*122,926*	*125,876*
b	*FFY 2010 Brunswick County Gen. IP Acute Care Bed Use Rate (Admissions per 1,000)*	*97.52*	*97.52*	*97.52*	*97.52*	*97.52*
c	*Projected Brunswick County Resident Gen. IP Acute Care*	*11,125*	*11,412*	*11,700*	*11,987*	*12,275*

	Bed Use (Total Resident Admissions)					

…

Assumptions

The applicant conservatively kept the Brunswick County general inpatient acute care bed admission use rate flat at FFY 2010 levels. Based on the rapidly growing and aging population of Brunswick County and an improving economy, the applicant believes keeping FFY 2010 data flat is conservative and reasonable.

The applicant believes that admission rates decreased in FFY 2009 and FFY 2010 because of the United States economic crisis. As the economy worsened residents stopped getting elective procedures. In October 2008, Brunswick County's unemployment rate was 6.9 percent. By September 2009, the rate was 10.4 percent. In January 2010, Brunswick County's unemployment rate reached 13.9 percent. This is the highest rate since February 1994, when the rate was 14.1 percent. Since January 2010, Brunswick County's economy has stabilized. At the beginning of FFY 2011, Brunswick County's unemployment rate was down to 9.8 percent. For the last six months ending September 2011, rates have fluctuated between 10 and 10.6 percent. Please see unemployment statistics in Exhibit 39. Because unemployment has stabilized, Dosher expects FFY 2011 admissions rates for Brunswick County residents will increase. Internally Dosher saw volumes increase in FFY 2011. However, to be conservative in its projections, Dosher has left rates flat at FFY 2010 levels.

Step 4: Project FFY 2012 to FFY 2016 Brunswick County resident general inpatient acute care bed days by applying the 2009 United States Southern Hospital Average Length of Stay (ALOS) to projected Brunswick County resident general inpatient acute bed admissions….

		FFY 2012	***FFY 2013***	***FFY 2014***	***FFY 2015***	***FFY 2016***
a	*Projected Brunswick County Resident Gen. IP Acute Care Bed Use (Total Resident Admissions)*	*11,125*	*11,412*	*11,700*	*11,987*	*12,275*
b	*2009 United States Hospital ALOS-South Region (In Days)*	*4.90*	*4.90*	*4.90*	*4.90*	*4.90*
c	*Projected Brunswick County Resident General Inpatient Acute Bed Days*	*54,510*	*55,919*	*57,329*	*58,738*	*60,148*

…

Assumptions

The 2009 National Discharge Survey is the most up to date publically available data source.

Utilizing the most recent publically available data to estimate ALOS is reasonable.

The National Discharge Survey separates data into four regions: Northeast, Midwest, South, and West. Using data from the South Region is reasonable for Brunswick County.

Step 5: Project FFY 2012 to FFY 2016 Brunswick County resident general inpatient acute care bed need.

		FFY 2012	FFY 2013	FFY 2014	FFY 2015	FFY 2016
a	*Projected Brunswick County Resident Gen. IP Acute Care Bed Use (Total Resident Admissions)*	*54,510*	*55,919*	*57,329*	*58,738*	*60,148*
b	*Occupancy Rate*	*78%*	*78%*	*78%*	*78%*	*78%*
c	*Projected Brunswick County Resident General IP Acute Care Bed Need*	*191*	*196*	*201*	*206*	*211*

…

Assumptions

An occupancy rate of 78 percent is conservative.

An occupancy rate of 78 percent is the most conservative target occupancy rate that the State Health Coordinating Council used to project bed need in the 2011 State Medical Facilities Plan (2011 SMFP). It applies to the largest hospitals.

According the 2011 SMFP, in FFY 2009, North Carolina hospitals had an average annual occupancy rate of 59.09 percent.

Any decrease in the occupancy rate would increase bed need.

Estimate conservatively excludes out of county user need."

Thus, the applicant projects that, by Project Year 3, the residents of Brunswick County will need 211 acute care beds. Dosher will be licensed for 25 acute care beds, a decrease of 11 acute care beds. The total number of acute care beds in Brunswick County will be 99, including 25 at Dosher and 74 at Brunswick Novant Medical Center.

In Section IV, pages 73 – 81, the applicant describes the seven-step methodology used to project acute care admissions at Dosher through the first three project years, which is described below.

"Step 1

Project FFY 2012 to FFY 2016 Brunswick County resident general inpatient acute care bed admissions. …

… Projected Brunswick County Resident General Acute Care Bed Admissions

	FFY 2012	***FFY 2013***	***FFY 2014***	***FFY 2015***	***FFY 2016***
Projected Brunswick County Resident General Inpatient Acute Bed Use (Total Resident Admissions)	*11,125*	*11,412*	*11,700*	*11,987*	*12,275*

Step 2

Determine Dosher's historical market share of Brunswick County residents who utilize general inpatient acute care beds.

… Historical Dosher Brunswick County Resident General Acute Care Bed Market Share

		FFY 2007	***FFY 2008***	***FFY 2009***	***FFY 2010***
a	*Total Brunswick County Resident General Inpatient Acute Care Bed Admissions*	*10,150*	*10,497*	*10,645*	*10,549*
b	*Brunswick County Resident General Inpatient Acute Care Bed Admissions at Dosher*	*1,393*	*1,293*	*1,153*	*1,077*
c	*Dosher Market Share of Brunswick County Resident General Inpatient Acute Care Bed Admissions*	*13.7%*	*12.3%*	*10.8%*	*10.2%*

…

Assumptions

As discussed in Step 2, [sic] *of Dosher methodology to determine Brunswick County resident bed need on page 46, Dosher conservatively removed three admissions from its total FFY 2010 general acute care bed admissions to account for three swing bed admissions. Thus, admissions for FFY 2010 will do not* [sic] *match source documents. Dosher did not offer swing beds before FFY 2010.*

Step 3

Project Dosher's market share of Brunswick County residents who will utilize general inpatient acute care beds in FFY 2012 through FFY 2016.

… Projected Dosher Brunswick County Resident General Acute Care Bed Admissions

		FFY 2012	***FFY 2013***	***FFY 2014***	***FFY 2015***	***FFY 2016***
a	*FFY 2010 Dosher Market Share of Brunswick County Resident General Inpatient Acute Care Bed Admissions*	*10.2%*	*10.2%*	*10.2%*	*10.2%*	*10.2%*
b	*Projected Market Share Increase*	*0.25%*	*0.25%*	*0.5%*	*0.5%*	*0.5%*
c	*Projected Dosher Market Share of Brunswick County Resident General inpatient Acute Care Bed Admissions*	*10.5%*	*10.7%*	*11.2%*	*11.7%*	*12.2%*

…

Market share will increase by only two percent from FFY 2010 to FFY 2016. The applicant believes this is conservative and reasonable for the following reasons.

- *A 0.25 percent increase in FFY 2012 can be attributed to the addition of one physician assistant and one Ear, Nose, and Throat physician in FFY 2012.*

- *A 0.25 percent increase in FFY 2013 can be attributed to market share gained by Dosher's new physician assistant and Ear, Nose, and Throat physician and addition of one new General Surgeon in FFY 2013.*

- *A 0.50 percent increase in FFY 2014 can be attributed to market share gained by Dosher's new General Surgeon and addition of an Internal Medicine physician in FFY 2014. The increase can also be attributed to the opening of the improved acute care bed unit and the initiation of a new Joint Camp. Please see Exhibit 30 for articles showing Joint Camp effect on hospital admissions.*

- *A 0.50 percent increase in FFY 2015 can be attributed to market share gained by Dosher's new Internal Medicine physician and addition of a Cardiologist in FFY 2015. The increase can also be attributed to increased market knowledge of the improved acute care bed unit and the Joint Camp.*

- *A 0.50 percent increase in FFY 2016 can be attributed to market share gained by Dosher's new Cardiologist. The increase can also be attributed to increased market knowledge of the improved acute bed unit, the Joint Camp, and community feedback on improved patient care, as a result of the proposed project.*

- *Rates never surpass historical Dosher FFY 2007 or FFY 2008 rates.*

- *These are reasonable increases. Market share remains below the FFY 2008 peak and the annual total admission increase over five years, 335, is only 67 admission* [sic] *per physician/physician extender (335/5=67).*

- *In FFY 2011, 19 physicians admitted, or had a hospitalist admit, a minimum of*

696 patients to Dosher. This is about 37 admissions per physician. The number of physician referrals varies by provider. In FFY 2011, physician referrals ranged from one to 229 per physician. Five admitted over 100. The addition of the physicians mentioned above would be more than adequate to validate the small market share increase without the renovated and expanded acute care bed unit. Please see Physician Recruitment Plan in Exhibit 40.

- *Moreover, as noted in* [Section III], *the primary service area zip codes are growing 0.2 to 0.5 percent faster, and aging faster than Brunswick County as a whole."*

Step 4

Project FFY 2012 to FFY 2016 Brunswick County resident general inpatient acute care bed admissions at Dosher by applying the projected DHM market share of Brunswick County general inpatient acute care bed residents … to projected Brunswick County general inpatient acute care bed residents…."

… Projected Dosher Brunswick County Resident General Inpatient Acute Care Bed Admissions

		FFY 2012	***FFY 2013***	***FFY 2014***	***FFY 2015***	***FFY 2016***
a	*Projected Dosher Market Share of Brunswick County Resident General Inpatient Acute Care Bed Admissions*	*10.5%*	*10.7%*	*11.2%*	*11.7%*	*12.2%*
b	*Projected Brunswick County Resident General Inpatient Acute Bed Use (Total Admissions)*	*11,125*	*11,412*	*11,700*	*11,987*	*12,275*
c	*Projected Dosher Market Share of Brunswick County Resident General inpatient Acute Care Bed Admissions*	*1,164*	*1,222*	*1,311*	*1,404*	*1,499*

…

Step 5

Project total Dosher FFY 2012 to FFY 2016 general inpatient acute care bed admissions by dividing Dosher's projected Brunswick County resident general inpatient acute bed admissions … by 91.8 percent.

… Projected Total Dosher General Inpatient Acute Care Bed Admissions

		FFY 2012	***FFY 2013***	***FFY 2014***	***FFY 2015***	***FFY 2016***
a	*Projected Dosher Brunswick County Resident General Inpatient Acute Care Bed Admissions*	*1,164*	*1,222*	*1,311*	*1,404*	*1,499*
b	*Historical Percent of Dosher Admissions from Brunswick County*	*91.8%*	*91.8%*	*91.8%*	*91.8%*	*91.8%*

c	*Projected Total Dosher General inpatient Acute Care Bed Admissions*	*1,267*	*1,331*	*1,428*	*1,529*	*1,632*
d	*In-Migration*	*104*	*109*	*117*	*125*	*133*

…

Assumptions

Utilizing historical in-migration is reasonable. Because of Dosher's location in a vacation/retirement community, a significant percentage of Dosher's patients will have home addresses from outside Brunswick County, but may reside in Brunswick County for several months a year.

Step 6

Project total Dosher FFY 2012 to FFY 2016 swing bed admissions

	FFY 2012	***FFY 2013***	***FFY 2014***	***FFY 2015***	***FFY 2016***
Projected Dosher Total Swing Bed Admissions	*2*	*2*	*18*	*18*	*18*

Assumptions

- *Swing bed admissions are projected to remain constant at FFY 2011 levels until project completion in FFY 2014. Dosher expects utilization to be higher, but left admissions flat to be conservative. Dosher has had the ability to utilize its swing beds since FFY 2010, but the beds were not Medicare/Medicaid certified until June, 2011. As such, admissions were kept low. …*

- *In FFY 2014, FFY 2015, and FFY 2016, Dosher projects a conservative average daily swing bed census (ADC) of 1.5. Estimates are conservative and are based on a recent study by the North Carolina Rural Health Research and Policy Analysis Center. The study noted that, in 2008, swing beds in Critical Access Hospitals had an ADC ranging from 1.69 to 1.97. Dosher swing bed patients will originate from:*

    - *Residents enrolled in Dosher's proposed Joint Camp who will receive short-term rehabilitation services. In FFY 2011, Dosher orthopedic surgeons performed 85 inpatient joint replacement surgeries. Orthopedic physicians expect approximately 10 to 15 percent of these surgeries to recover in swing beds. The number of joint replacement surgeries will likely increase with the addition of a joint camp as well. …*

    - *Residents with mental health issues who need of* [sic] *skilled nursing*

care. Because Dosher will offer private rooms in its renovated bed unit, Dosher will be able to care for combative skilled nursing care residents in an isolated environment, long enough to stabilize most underlying issues that cause the combativeness. Dosher's current swing bed patient is such a patient.

- *Residents who could be served in Dosher's nursing facility who wish to have a private room. Dosher's nursing home currently operates at over 100 percent occupancy and has only five private rooms. …*

- *As documented on page 213 of the 2011 SMFP, Brunswick County will have a FFY 2014 shortage of 38 skilled nursing facility beds. Table 10B, of the draft 2012 SMFP, shows that the Brunswick County need will increase to 96 skilled nursing facility beds by FFY 2015.*

Step 7

Project Dosher FFY 2012 to FFY 2016 total acute care bed discharges.

… Projected Total Dosher Acute Care Bed Discharges

		FFY 2012	***FFY 2013***	***FFY 2014***	***FFY 2015***	***FFY 2016***
a	*Projected Total Dosher General Inpatient Acute Care Bed Admissions*	*1,267*	*1,331*	*1,428*	*1,529*	*1,632*
b	*Projected Dosher Swing Bed Admissions*	*2*	*2*	*18*	*18*	*18*
c	*Projected Total Dosher Acute Care Bed Admissions*	*1,269*	*1,333*	*1,446*	*1,547*	*1,650*
d	*Projected Total Dosher Acute Care Bed Discharges*	*1,269*	*1,333*	*1,446*	*1,547*	*1,650*

…

Assumptions

Historically, Dosher's admissions have equaled discharges."

In Section IV, pages 82 – 84, the applicant describes the three-step methodology used to project acute care bed days of care at Dosher for the first three project years, which are described below.

"Step 1

Project general inpatient acute care bed days separate from swing bed days by multiplying Dosher's FFY 2011 general inpatient acute care bed average length of stay (ALOS) by projected general inpatient acute care bed patients. …

… Projected Dosher General Inpatient Acute Care Bed Days

		FFY 2012	***FFY 2013***	***FFY 2014***	***FFY 2015***	***FFY 2016***
a	*Projected Total Dosher General Inpatient Acute Care Bed Admissions*	*1,267*	*1,331*	*1,428*	*1,529*	*1,632*
b	*Dosher's FFY 2011 ALOS*	*3.44*	*3.44*	*3.44*	*3.44*	*3.44*
c	*Projected Total Dosher General Inpatient Acute Care Bed Days of Care*	*4,362*	*4,582*	*4,917*	*5,262*	*5,619*

…

Assumptions

Over the last three years, Dosher's ALOS fluctuated between 3.16 and 3.49. As such, Dosher utilized the most recent year's data for projections. Trends of less severe cases being treated on an outpatient basis, along with an aging population will keep the ALOS at current levels.

Step 2

Project swing bed days by multiplying Dosher's average FFY 2010 and FFY 2011 swing bed ALOS by projected swing bed patients….

… Projected Dosher Swing Bed Days

		FFY 2012	***FFY 2013***	***FFY 2014***	***FFY 2015***	***FFY 2016***
a	*Projected Total Dosher General Swing Bed Admissions*	*2*	*2*	*18*	*18*	*18*
b	*Historical Dosher ALOS*	*28.17*	*28.17*	*28.17*	*28.17*	*28.17*
c	*Projected Total Dosher Swing Bed Days of Care*	*56*	*56*	*507*	*507*	*507*

…

Assumptions

Dosher conservatively averaged historical swing bed ALOS to get a reasonable estimate of projected days. Dosher has offered swing beds for only two years. In FFY 2010 Dosher swing bed ALOS was 25.33 days and in FFY 2011 Dosher swing bed ALOS was 31 days. As such, the average ALOS is 28.17 ((25.33+31)/2 = 28.17).

Step 3

Project total Dosher FFY 2012 to FFY 2016 total acute care bed days of care and occupancy rate.

Projected Total Dosher Acute Care Bed Days of Care

		FFY 2012	***FFY 2013***	***FFY 2014***	***FFY 2015***	***FFY 2016***
a	*Projected Total Dosher General*					

	Inpatient Acute Care Bed Days of Care	*4,362*	*4,582*	*4,917*	*5,262*	*5,619*
b	*Projected Dosher Swing Bed Days of Care*	*56*	*56*	*507*	*507*	*507*
c	*Projected Total Dosher Acute Care Bed Days of Care*	*4,419*	*4,638*	*5,424*	*5,769*	*6,126*
d	*Percent Occupancy*	*48.2%*	*50.83%*	*59.44%*	*63.23%*	*67.13%*

Analysis of Need

The applicant utilizes historical utilization data for Dosher and Brunswick County demographic data to project acute care bed admissions and days of care at Dosher for the first three project years. In the third project year, the applicant projects an occupancy rate of 67.13% for its acute care beds, which exceeds the 66.7% required by 10A NCAC 14C .3803(a) and Policy AC-5. The applicant adequately demonstrates that projected utilization is based on reasonable, credible and supported assumptions, including:

- Historical and projected acute care bed use rates
- Projected population
- Historical and projected market share
- Impact of physician recruitment
- Impact of physical plant improvements

Therefore, Dosher adequately demonstrates the need to maintain its 25 licensed acute care beds.

In summary, the applicant adequately identifies the population it proposes to serve and adequately demonstrates the need the population has for the proposed renovation project. Consequently, the application is conforming to this criterion.

(3a) In the case of a reduction or elimination of a service, including the relocation of a facility or a service, the applicant shall demonstrate that the needs of the population presently served will be met adequately by the proposed relocation or by alternative arrangements, and the effect of the reduction, elimination or relocation of the service on the ability of low income persons, racial and ethnic minorities, women, handicapped persons, and other underserved groups and the elderly to obtain needed health care.

C

The applicant proposes to reduce the number of inpatient acute care beds in the hospital from 36 to 25. In Section III.3, page 56, the applicant states:

> *"The selected … phased renovation of two existing nursing units and approximately 6,000 square feet of additional nursing unit space, … will transform 36 very small multiple occupancy bedrooms to 25 spacious private bedrooms with private baths that can support individual patients who may have diverse requirements for staff and*

equipment support. It will provide good workflow, patient privacy, support quality and IT initiatives, and can be accomplished in approximately 18 months at a total project cost of less than $440,000 per bed, and involves no land cost[.]*"*

The following table shows Dosher's historical acute care bed utilization as reported in its *Hospital License Renewal Application* forms, and the applicant's projected acute care bed utilization through the first three years of the proposed project, as provided by the applicant in Section IV.1, page 67 of the application.

FISCAL YEAR	LICENSED ACUTE CARE BEDS	PATIENT DAYS	SWING BED DAYS	TOTAL DAYS OF CARE	AVERAGE DAILY CENSUS	PERCENT CHANGE	AVERAGE OCCUPANCY RATE
2009 Actual	36	4,347	0	4,347	11.9	--	33.1%
2010 Actual	36	3,723	0	3,723	10.2	-14.3%	28.3%
2011 Actual	36	4,286	0	4,286	11.7	14.7%	32.5%
2012 Projected	36	4,362	56	4,418	12.1	3.4%	33.6%
2013 Projected	36	4,582	56	4,638	12.7	5.0%	35.3%
2014 Projected (Year 1)	25	4,917	507	5,424	14.9	17.3%	59.6%
2015 Projected (Year 2)	25	5,262	507	5,769	15.8	6.0%	63.2%
2016 Projected (Year 3)	25	5,619	507	6,126	16.8	6.3%	67.2%

As shown in the table above, in Project Year 3, Dosher projects an occupancy rate of 67.2% for its 25 licensed acute care beds. Projected utilization is based on reasonable, credible, and supported assumptions, including:

- Historical and projected acute care bed use rates
- Projected population
- Historical and projected market share
- Impact of physician recruitment
- Impact of physical plant improvements

See Criterion (3) for a description of the methodologies used to project utilization. Adequate capacity will be available such that there will not be a negative impact on the ability of low income persons, racial and ethnic minorities, women, handicapped persons, and other underserved groups and the elderly to obtain needed health care at Dosher. Therefore, the application is conforming to this criterion.

(4) Where alternative methods of meeting the needs for the proposed project exist, the applicant shall demonstrate that the least costly or most effective alternative has been proposed.

CA

The applicant proposes to renovate 15,196 existing square feet and add 6,099 square feet of new construction in this proposal to decrease acute care bed capacity, reorganize internal hospital layout, and relocate the inpatient physical therapy unit. The applicant states in Section III.2, pages 55 – 56, that it considered several alternatives before proposing this project, which include maintaining the status quo, building a new patient tower for the beds,

not build the surgery connection area, not relocate the physical therapy suite, not build extra areas for ancillary services, and joint venture with another provider. The applicant adequately explains why it chose the selected alternative over the other alternatives. Furthermore, the application is conforming to all other applicable statutory review criteria. See Criteria (1), (3), (3a), (5), (6), (7), (8), (12), (13), (14), (18a) and (20) for additional discussion. Therefore, the applicant adequately demonstrates that the selected proposal is its least costly or most effective alternative to meet the identified need. Consequently, the application is conforming to this criterion and is approved subject to the following conditions:

1. **Smithville Township d/b/a J. Arthur Dosher Memorial Hospital shall materially comply with all representations made in the certificate of need application.**

2. **Smithville Township d/b/a J. Arthur Dosher Memorial Hospital shall be licensed for no more than 25 acute care beds upon completion of this project.**

3. **Upon completion of this project, Smithville Township d/b/a J. Arthur Dosher Memorial Hospital shall take the necessary steps to delicense 11 acute care beds.**

4. **Smithville Township d/b/a J. Arthur Dosher Memorial Hospital shall not acquire, as part of this project, any equipment that is not included in the project's proposed capital expenditure in Section VIII of the application or that would otherwise require a certificate of need.**

5. **Smithville Township d/b/a J. Arthur Dosher Memorial Hospital shall acknowledge acceptance of and agree to comply with all conditions stated herein to the Certificate of Need Section in writing prior to issuance of the certificate of need.**

(5) Financial and operational projections for the project shall demonstrate the availability of funds for capital and operating needs as well as the immediate and long-term financial feasibility of the proposal, based upon reasonable projections of the costs of and charges for providing health services by the person proposing the service.

C

In Section VIII.2, page 122, the applicant projects the total capital cost of the project will be $10,996,584, including $10,000 for site costs; $9,881,776 for construction, including contingency fees; $250,000 for equipment and furniture; $662,933 for architect and engineering fees, and $1,104,808 for miscellaneous project costs. In Section IX, page 128, the applicant states there will be no start-up or initial operating expenses associated with this project. In Section VIII.3, page 123, the applicant states $3,496,584 of the capital cost will

be financed with the accumulated reserves of J. Arthur Dosher Memorial Hospital, and $7,500,000 will be financed through conventional loans. In Exhibit 59, the applicant provides a November 8, 2011 letter signed by the Senior Vice President and CEO of Dosher, that states:

> *"This letter documents the availability of all funds necessary for any equity and working capital required for the proposed acute care bed unit renovation and expansion project, applied for by Smithville Township d/b/a J. Arthur Dosher Memorial Hospital.*
>
> *J. Arthur Dosher Memorial Hospital hereby commits to provide all funds necessary to successfully develop and operate the proposed project. Funds necessary for any capital expenditure or working capital will be supplied from accumulated reserves. …*
>
> *Company cash and cash equivalents were $9,677,813 as of September 30, 2010, as indicated in the audited financial statements of J. Arthur Dosher Memorial Hospital. Unaudited financial statements for the year ending September 30, 2011 indicate company cash and cash equivalents in the amount of $12,127,343 in addition to $1,638,643 of Board designated cash and cash equivalents."*

In Exhibit 60, the applicant provides the audited balance sheets for J. Arthur Dosher Memorial Hospital which show that, as of September 30, 2010, Dosher had $9,677,813 in cash and cash equivalents and $44,042,777 in net assets (total assets less total liabilities). In Exhibit 61, the applicant provides balance sheets for 2011, per its internal data. Those balance sheets show cash and cash equivalents of $12,127,343.

In addition, the applicant states $7,500,000 of the capital cost will be financed through a bank loan. In Exhibit 58, the applicant provides a November 10, 2011 letter signed by Thomas M. Brewer, Jr., Managing Director of BB&T bank that states in part:

> *"…Because of our ongoing relationship with* [Dosher], *we are familiar with its financial operations and have examined its most recent financial statements.*
>
> *We understand that* [Dosher] *is applying for Certificate of Need approval to convert its existing acute care bed unit to all private rooms with private baths. We understand that* [Dosher] *expects its capital costs not to exceed $11,500,000.*
>
> *We welcome the opportunity to assist with the financing* [of Dosher's] *capital costs for the proposed project for up to $7,500,000. Based upon* [Dosher's] *current finances and subject to completion of satisfactory credit underwriting, BB&T Capital Markets would expect* [Dosher] *to receive several viable financing options, both on a taxable and tax-exempt basis. …"*

The applicant adequately demonstrated the availability of sufficient funds for the capital needs of the project.

In Form B in the Pro Formas section, on page 144, the applicant projects that revenues will exceed expenses in all three project years, as shown in the following table:

Projected Revenue and Expenses FYs 20114 - 2016

REVENUE & EXPENSE	FY 2014	FY 2015	FY 2016
Gross Revenue	$99,893,970	$106,709,909	$114,015,250
Net Revenue	$35,031,369	$ 37,022,262	$ 39,137,339
Expenses	$38,099,456	$ 39,794,409	$ 41,584,225
Net Income	$ 1,662,819	$ 1,958,760	$ 2,284,021

The projected operating expenses and revenues are based on reasonable assumptions, including projected utilization. See the Pro Formas section for the pro formas and assumptions. See also Criterion (3) for discussion of utilization projections. The applicant adequately demonstrated that the financial feasibility of the proposal is based upon reasonable projections of costs and revenues. Therefore, the application is conforming to this criterion.

(6) The applicant shall demonstrate that the proposed project will not result in unnecessary duplication of existing or approved health service capabilities or facilities.

C

Dosher proposes to renovate the existing hospital in order to convert existing semi-private acute care rooms to private rooms. As a result, the number of licensed acute care beds will decrease from 36 to 25. Dosher adequately demonstrates the residents of Brunswick County would need 211 acute care beds by Project Year 3. There will be 99 acute care beds in Brunswick County by Project Year 3; 25 at Dosher and 74 at Brunswick Novant Medical Center. The applicant adequately demonstrates the need to renovate the hospital and adequately demonstrates the need to maintain 25 licensed acute care beds based on projected utilization. Projected utilization is based on reasonable, credible, and supported assumptions, including:

- Historical and projected acute care bed use rates
- Projected population
- Historical and projected market share
- Impact of physician recruitment
- Impact of physical plant improvements

See Criterion (3) for a description of the methodologies used to project utilization. The applicant adequately demonstrates that the proposal will not result in the unnecessary duplication of existing or approved health service capabilities or facilities, and therefore the application is conforming to this criterion.

(7) The applicant shall show evidence of the availability of resources, including health manpower and management personnel, for the provision of the services proposed to be provided.

C

In Section VII.1, pages 110 - 114, the applicant provides the current and projected staffing for the hospital, as shown in the table below.

Current and Projected Staff

POSITION	# OF FULL-TIME EQUIVALENT (FTE) POSITIONS
Physician	4.01
Registered Nurse	23.1
Licensed Practical Nurse	16.71
Certified Nursing Assistant	32.77
Clerical	6.56
Activities	0.98
Other (Nursing)	0.54
Nursing Administration	2.20
Medical Records	6.57
Social Services	1.05
Dietary	13.90
Pharmacy	4.60
Laboratory	10.64
Radiology	25.0
Physical Therapy	6.40
Speech Therapy	0.53
Occupational Therapy	2.00
Respiratory Therapy	6.92
Surgery	11.62
PACU	4.62
Endoscopy	2.66
Central Sterile Supply	1.86
Housekeeping	21.35
Laundry	1.93
Administration	3.26
Accounting	4.11
Business Office	9.96
Materials Management	3.98
Engineering/Maintenance	8.30
Admissions	11.18
IT	2.10
Human Resources	2.12
Emergency	23.68
Cardiac Rehab	2.45
Diabetes Department	0.22
Employee Health	0.97
Various Administrative	6.99
Total	**287.84**

In Section VIII.1(b), page 115, the applicant states it does not anticipate any changes in staffing following completion of the project, since there will be no services added to the hospital. In Section V.3(c), page 92, the applicant states Brad Hilaman, M.D. currently serves as Chief Medical Officer for Dosher and has expressed a willingness to continue in that capacity following project completion. In Exhibit 49, the applicant provides an October 26, 2011 letter signed by Dr. Hilaman in which he affirms his commitment to continue in the capacity as Chief Medical Officer, which is the same as Medical Director, following

completion of the project. In addition, in Section V.3(c), the applicant states the four physicians currently credentialed at Dosher will continue to serve in that capacity. Furthermore, the applicant states Dosher will accept referrals from any patient's personal physician who is credentialed at Dosher. The applicant demonstrates the availability of adequate health manpower and management personnel for the provision of the proposed services. Therefore, the application is conforming to this criterion.

(8) The applicant shall demonstrate that the provider of the proposed services will make available, or otherwise make arrangements for, the provision of the necessary ancillary and support services. The applicant shall also demonstrate that the proposed service will be coordinated with the existing health care system.

C

In Section II.2, page 24, the applicant identifies the necessary ancillary and support services currently provided at Dosher. In Section II.1(c), the applicant states those services will continue to be made available following completion of the project. In Exhibits 12, 13, and 14, the applicant provides documentation that confirms these services will continue to be provided. Furthermore, in Section V.3, page 28, the applicant states those facilities with which Dosher currently has existing transfer agreements will continue following project completion. The applicant provides a copy of a transfer agreement in Exhibit 15. The applicant provides letters of support for the proposal from area physicians in Exhibit 48 and Exhibit 67. The applicant adequately demonstrated the availability of necessary ancillary and support services, and that the proposed service will be coordinated with the existing health care system. Therefore, the application is conforming to this criterion

(9) An applicant proposing to provide a substantial portion of the project's services to individuals not residing in the health service area in which the project is located, or in adjacent health service areas, shall document the special needs and circumstances that warrant service to these individuals.

NA

(10) When applicable, the applicant shall show that the special needs of health maintenance organizations will be fulfilled by the project. Specifically, the applicant shall show that the project accommodates: (a) The needs of enrolled members and reasonably anticipated new members of the HMO for the health service to be provided by the organization; and (b) The availability of new health services from non-HMO providers or other HMOs in a reasonable and cost-effective manner which is consistent with the basic method of operation of the HMO. In assessing the availability of these health services from these providers, the applicant shall consider only whether the services from these providers: (i) would be available under a contract of at least 5 years duration; (ii) would be available and conveniently accessible through physicians and other health professionals associated with the HMO; (iii) would cost no more than if the services were provided by the HMO; and (iv)would be available in a manner which is administratively feasible to the HMO.

NA

(11) Repealed effective July 1, 1987.

(12) Applications involving construction shall demonstrate that the cost, design, and means of construction proposed represent the most reasonable alternative, and that the construction project will not unduly increase the costs of providing health services by the person proposing the construction project or the costs and charges to the public of providing health services by other persons, and that applicable energy saving features have been incorporated into the construction plans.

C

The applicant proposes to renovate 15,196 square feet of existing space and to construct 6,099 square feet of new space in order to improve patient security, increase patient privacy, and bring the hospital to current code and ADA standards. In Exhibit 55, an architect certifies that the total site preparation and construction costs are estimated to be $9,881,776, which are consistent with the costs reported by the applicant in Section VIII.1, page 122. In Section XI.7, page 138, the applicant states that applicable energy savings features will be incorporated into the plans, and lists those features in a table. The applicant adequately demonstrates that the cost, design and means of construction represent the most reasonable alternative for the project it proposes, and that the construction cost will not unduly increase costs and charges for health services. See Criterion (5) for discussion of costs and charges. Therefore, the application is conforming to this criterion.

(13) The applicant shall demonstrate the contribution of the proposed service in meeting the health-related needs of the elderly and of members of 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 the purpose of determining the extent to which the proposed service will be accessible, the applicant shall show:

(a) The extent to which medically underserved populations currently use the applicant's existing services in comparison to the percentage of the population in the applicant's service area which is medically underserved;

C

In Section VI.12, page 105, the applicant provides the current payor mix at Dosher, as shown in the table below:

Total Hospital

SOURCE OF PAYMENT	PERCENT
Self Pay/Indigent/Charity	7.6%
Medicare/Medicare Managed Care	49.3%
Medicaid	7.3%
Commercial Insurance	35.9%
Total	**100.0%**

On page 106, the applicant provides the current payor mix for the acute care beds at Dosher, as shown in the table below:

Acute Care Beds

SOURCE OF PAYMENT	PERCENT
Self Pay/Indigent/Charity	8.0%
Medicare/Medicare Managed Care	72.0%
Medicaid	5.0%
Commercial Insurance	15.0%
Total	**100.0%**

The Division of Medical Assistance (DMA) maintains a website which offers information regarding the number of persons eligible for Medicaid assistance and estimates of the percentage of uninsured for each county in North Carolina. The following table illustrates those percentages as of June 2010 and Calendar Year 2008 – 2009 respectively. The data in the table was obtained on March 27, 2012. More current data, particularly with regard to the estimated uninsured percentages, was not available.

COUNTY	TOTAL # MEDICAID ELIGIBLES AS % OF TOTAL POPULATION JUNE 2010	TOTAL # MEDICAID ELIGIBLES AGE 21 AND OLDER AS % OF TOTAL POPULATION JUNE 2010	% UNINSURED CY 2008 - 09 (ESTIMATE BY CECIL G. SHEPS CENTER)
Brunswick	7%	2.8%	19.8%
Statewide	17.0%	6.7%	19.7%

The majority of Medicaid eligibles are children under the age of 21. This age group does not utilize the same health services at the same rate as older segments of the population, particularly the acute care, nursing, or physical rehabilitation services offered by Dosher.

Moreover, the number of persons eligible for Medicaid assistance may be greater than the number of Medicaid eligibles who actually utilize health services. The DMA website includes information regarding dental services which illustrates this point. For dental services only, DMA provides a comparison of the number of persons eligible for dental services with the number actually receiving services. The statewide percentage of persons eligible to receive dental services who actually received dental services was 48.6% for those age 20 and younger and 31.6% for those age 21 and older. Similar information is not provided on the website for other types of services covered by Medicaid. However, it is reasonable to assume that the percentage of those actually receiving other types of health services covered by Medicaid is less than the percentage that is eligible for those services.

The Office of State Budget & Management (OSBM) maintains a website which provides historical and projected population data for each county in North Carolina.

In addition, data is available by age, race or gender. However, a direct comparison to the applicants' current payor mix would be of little value. The population data by age, race or gender does not include information on the number of elderly, minorities or women utilizing health services. Furthermore, OSBM's website does not include information on the number of handicapped persons.

The applicant demonstrates that it provides adequate access to medically underserved populations. Therefore, the application is conforming to this criterion.

(b) Its past performance in meeting its obligation, if any, under any applicable regulations requiring provision of uncompensated care, community service, or access by minorities and handicapped persons to programs receiving federal assistance, including the existence of any civil rights access complaints against the applicant;

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Recipients of Hill-Burton funds were required to provide uncompensated care, community service and access by minorities and handicapped persons. In Section VI.II, page 98, the applicant states low income persons, racial and ethnic minorities, women, handicapped persons, the elderly and any other underserved group, including those underinsured and uninsured, will continue to have access to all services at Dosher following the proposed renovation. In Section VI.10, page 104, the applicant states that it is not aware of any documented civil rights equal access complaints or violations filed against Dosher in the last five years. In Section VI.11, page 105, the applicant states it is under no obligation from Federal Regulations to provide uncompensated care; however, the applicant states *"Dosher provided $8,470,529 in charity care and bad debt during FFY 2011. Dosher will continue to provide uncompensated care."* The application is conforming to this criterion.

(c) That the elderly and the medically underserved groups identified in this subdivision will be served by the applicant's proposed services and the extent to which each of these groups is expected to utilize the proposed services; and

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In Sections VI.14 and VI.15, pages 107 - 108, the applicant projects the following payor mix during Project Year Two:

Total Hospital

SOURCE OF PAYMENT	PERCENT
Self Pay/Indigent/Charity	7.6%
Medicare/Medicare Managed Care	49.3%
Medicaid	7.3%
Commercial Insurance	35.9%
Total	**100.0%**

Acute Care Beds

SOURCE OF PAYMENT	PERCENT

Self Pay/Indigent/Charity	8.0%
Medicare/Medicare Managed Care	72.0%
Medicaid	5.0%
Commercial Insurance	15.0%
Total	**100.0%**

In Section VI.2, page 99, the applicant states *"Dosher will continue to make its services available to all persons in need of medical care, including the low income, underserved, medically indigent, uninsured, and underinsured. Dosher will make every attempt to accommodate persons with special needs including language."* The applicant demonstrates it will provide adequate access to medically underserved groups. Therefore, the application is conforming to this criterion.

(d) That the applicant offers a range of means by which a person will have access to its services. Examples of a range of means are outpatient services, admission by house staff, and admission by personal physicians.

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In Section VI.5, page 101 of the application, the applicant states that all patients, including high risk patients who require medical treatment will have access to the hospital through referrals by area physicians. In addition, the applicant states those patients who require services not provided at Dosher will be referred to a facility equipped to treat those patients. On page 90, the applicant states it typically refers patients to Brunswick Novant Medical Center (BNMC) and New Hanover Regional Medical Center (NHRMC). In Exhibit 15 the applicant provides a copy of Dosher's policy regarding patient transfer. Additionally, in Exhibit 68 the applicant provides a copies of existing transfer agreements it has with BNMC and NHRMC. The application is conforming to this criterion.

(14) The applicant shall demonstrate that the proposed health services accommodate the clinical needs of health professional training programs in the area, as applicable.

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In Section V.1 of the application, page 89, the applicant states

> *"Dosher has existing relationships with professional training programs in the area, including Brunswick Community College and the University of North Carolina at Wilmington. … Dosher proposes to extend all relationships through the duration of the proposed project."*

In Exhibit 47, the applicant provides copies of existing training agreements, and in Exhibit 12 the applicant provides copies of correspondence committing to extend those agreements through project completion. The applicant adequately demonstrates that it will continue to accommodate the clinical needs of area health professional training programs. Therefore, the application is conforming to this criterion.

(15) Repealed effective July 1, 1987.
(16) Repealed effective July 1, 1987.
(17) Repealed effective July 1, 1987.
(18) Repealed effective July 1, 1987.

(18a) The applicant shall demonstrate the expected effects of the proposed services on competition in the proposed service area, including how any enhanced competition will have a positive impact upon the cost effectiveness, quality, and access to the services proposed; and in the case of applications for services where competition between providers will not have a favorable impact on cost-effectiveness, quality, and access to the services proposed, the applicant shall demonstrate that its application is for a service on which competition will not have a favorable impact.

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See Sections II, III, V, VI and VII. In particular, see Section V.7, pages 95 – 97, in which Dosher discusses the impact of the project as it relates to promoting cost-effectiveness, quality and access. The information provided by the applicant in those sections is reasonable and credible and adequately demonstrates that the expected effects of the proposal on competition include a positive impact on cost-effectiveness, quality and access to acute care services in Brunswick County. This determination is based on the information in the application, and the the following:

- The applicant adequately demonstrates the need to renovate the hospital and that it is a cost-effective alternative;
- The applicant has and will continue to provide quality services; and
- The applicant has and will continue to provide adequate access to medically underserved populations.

Therefore, the application is conforming to this criterion.

(19) Repealed effective July 1, 1987.

(20) An applicant already involved in the provision of health services shall provide evidence that quality care has been provided in the past.

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The J. Arthur Dosher Memorial Hospital is certified by CMS for Medicare and Medicaid participation, and licensed by the NC Department of Health and Human Services as a Critical Access Hospital. According to the files in the Acute and Home Care Licensure and Certification Section, DHSR, no incidents occurred within the eighteen months immediately preceding the date of this decision for which any sanctions or penalties related to quality of care were imposed by the State. Therefore, the application is conforming to this criterion.

(21) Repealed effective July 1, 1987.

(b) The Department is authorized to adopt rules for the review of particular types of applications that will be used in addition to those criteria outlined in subsection (a) of this section and may vary according to the purpose for which a particular review is being conducted or the type of health service reviewed. No such rule adopted by the Department shall require an academic medical center teaching hospital, as defined by the State Medical Facilities Plan, to demonstrate that any facility or service at another hospital is being appropriately utilized in order for that academic medical center teaching hospital to be approved for the issuance of a certificate of need to develop any similar facility or service.

NA