ATTACHMENT - REQUIRED STATE AGENCY FINDINGS

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

DECISION DATE: November 27, 2012
FINDINGS DATE: December 4, 2012

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

PROJECT I.D. NUMBER: H-8847-12 / Carolinas-Anson Health Care, Inc. d/b/a Anson Community Hospital and The Charlotte-Mecklenburg Hospital Authority d/b/a Carolinas HealthCare System / Construct a replacement acute care hospital in Wadesboro / Anson 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

There are two applicants: The Charlotte-Mecklenburg Hospital Authority d/b/a Carolinas HealthCare System and Carolinas-Anson Health Care, Inc. d/b/a Anson Community Hospital (ACH). ACH, located in Wadesboro, was originally developed in 1913 as Anson Sanatorium. The current building was constructed in 1954, with an addition constructed in 1967. The hospital is currently licensed for 52 acute care beds, two operating rooms (ORs), and one gastrointestinal endoscopy (GI endoscopy) procedure room, and provides emergency, imaging, lab, therapy and pharmacy services to residents of Anson County.

In this application, the applicants propose to construct a replacement hospital to be located 2.8 miles from the existing facility, which will be licensed for 15 acute care beds. The applicants do 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 2012 State Medical Facilities Plan (SMFP).

There are two policies in the 2012 SMFP that are applicable to this review, Policy AC-5 and Policy GEN-4.

Policy AC-5 states:

> "*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 ace 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'* ***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%"*

(Emphasis in original.) In Section IV.1, page 148, the applicants state that ACH provided 2,134 patient days of care during Calendar Year (CY) 2011, for an average daily census (ADC) of 5.85 patients per day [2,134 / 365 = 5.85], which is an occupancy rate of 11 percent [5.85 / 52 = 0.11]. The project analyst reviewed the past four Hospital License Renewal Applications (LRAs) for ACH, and compiled the data regarding acute care days of care shown in the following table:

	2009 LRA	**2010 LRA**	**2011 LRA**	**2012 LRA**
Number of Acute Care Beds	52	52	52	52
Patient Days	4,497	4,127	3,347	2,360
Average Daily Census	12	11	9	7
Percent Occupancy	24.0%	22.0%	18.0%	12.0%

According to the last four LRAs filed by ACH, occupancy during the last four Federal Fiscal Years (FFYs) for which the Division has data was well below the 66.7% target occupancy in Policy AC-5 for a hospital with an average daily census (ADC) less than 99.

In Section IV.1, page 45, the applicants project that the ADC will be 10 patients per day [3,525 / 365 = 10] which is an occupancy rate of 66.7% [10 / 15 = 0.667] for a hospital licensed for 15 acute care beds. The applicants propose to eliminate 37 existing acute care beds. The applicants adequately demonstrate that projected utilization of the 15 replacement acute care beds is based on reasonable, credible and supported assumptions. See Criterion (3) for discussion of acute care bed utilization, which is incorporated hereby as fully set forth herein. Therefore, ACH adequately demonstrates a need for 15 licensed acute care beds in the replacement facility. Consequently, the application is consistent with Policy AC-5.

Policy GEN-4 states:

> *"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 III.2, pages 127 – 129, and Section XI.7, pages 209 – 212, the applicants provide the general plans for implementing and maintaining energy conservation measures. On pages 209 – 210, the applicants provide the *"Guiding Principles"* by which the new facility design will ensure energy efficiency and water conservation in the proposed replacement hospital, which are as follows:

1. *"Implement environmental sustainability to improve and reduce our environmental impact.*
2. *Integrate sustainable operational and facility best practices into existing and new facilities.*
3. *Encourage partners to engage in environmentally responsible practices.*
4. *Promote environmental sustainability in work, home, and community.*

5. *Deliver improved performance to provide a long term return on investment that supports our mission and values."*

The application is consistent with Policy GEN-4 in the 2012 SMFP.

In summary, the application is consistent with Policy AC-5 and Policy GEN-4. Therefore, 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.

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ACH, located in Wadesboro, proposes to construct a replacement hospital to be located on U.S. Highway 74 West in Wadesboro, which is 2.8 miles from the existing facility, located on Morven Road. The applicants do not propose to increase the number of licensed beds in any category or add any new services or equipment. The applicants do propose to decrease the number of licensed acute care beds, ORs and GI endoscopy procedure rooms, and acquire an X-ray machine to replace the existing outdated unit.

In Section II.1, pages 22 - 26, the applicants describe the project as follows:

"… the proposed project is designed to improve the existing rural hospital design and hospital-based care available to residents of Anson County and to allow the hospital and the existing healthcare community to adapt to and accommodate the changing patient needs in the community….

ACH has been providing care to residents of Anson and surrounding counties for nearly 100 years, since the hospital opened in 1913. The hospital opened in 1913 as the Anson Sanatorium and for several decades was the only hospital between Charlotte and Wilmington. The hospital campus is located over a half mile off of U.S. Highway 74, in a residential neighborhood. The present facility includes an original building constructed in 1954, with a major addition in 1967. The building originally constructed in 1954 under Hill-Burton design … is approximately 32,200 square feet. The 1967 addition … is approximately 46,100 square feet.

…

… the proposed replacement hospital will represent a significantly different facility design: specifically, the proposed model includes a redesign of the traditional hospital to include co-location of emergency services, inpatient and observation care,

and a medical home. In addition, the innovative rural hospital model also couples community services with acute care and medical home services with the goal of improving the health status of the entire community. Such efforts are logical extensions of ACH's involvement in the Healthy Ansonians Task Force…."

Following is a table from Section II.1, page 27 of the application that compares existing and proposed services at ACH:

BEDS/EQUIPMENT/SERVICES	EXISTING	PROPOSED	INCREASE / (DECREASE)
Licensed Acute Care Beds	52	15	(37)
Shared Operating Rooms	2	1	(1)
Gastrointestinal Endoscopy Rooms	1	0	(1)
Minor Procedure Room	1	0	(1)
Emergency Department Exam Rooms*	7	9	2
Medical Home	Off-site	On-site	
CT Scanner	1	1	-
Mammography Unit	1	1	-
Ultrasound Unit	1	1	-
Fixed X-Ray Unit	1	1	-
C-Arm	1	1	-
Mobile MRI	1	1	-
Therapy Services	PT, OT, ST	PT, OT, ST	
Cardiopulmonary Services	Yes	Yes	-
Laboratory Services	Yes	Yes	-
Pharmacy Services	Yes	Yes	-
Dietary Services	Yes	Warming Kitchen	-
Helipad	Yes	Yes	

*On page 27 the applicants explain that ACH currently has seven exam rooms in the emergency department (ED), as reflected on its LRA. However, one of the exam rooms accommodates three beds, for a total of nine emergency department beds. In addition, the applicants state the ED has the capacity to accommodate three additional stretchers when necessary (one in the triage room and two in the hall); therefore, the applicants state there is space in the existing ED for 12 patients [9 rooms + three additional stretchers = 12 patient spaces].

The applicants also provide home care aides and serve as the *"lead agency"* for the county's Community Alternatives Program (CAP), which is a program that provides resources to North Carolina counties in order to provide long term care for patients who wish to remain at home. The applicants state that the CAP services will be relocated from the main hospital to the *"Medical Home"* portion of the new facility.

Population to be Served

In Section III.5, page 138, the applicants state the proposed service area for the replacement hospital is Anson County, which is based on the historical service area for the existing hospital. The applicants anticipate no change in the hospital's service area. The applicants adequately identify the population to be served by the replacement hospital.

Demonstration of Need

In Section III.1(a), pages 60 – 92, the applicants describe the need for the replacement hospital. On page 60, the applicants state:

> *"The age and configuration of the existing hospital facility, combined with changes in the healthcare industry, have resulted in a hospital that is out of date, has numerous facility system and structural problems that cannot be easily renovated, and does not efficiently accommodate today's healthcare service delivery. …* [T]*he existing facility opened in 1954, using Hill-Burton design standards from mid-twentieth century healthcare practices. Although ACH has diligently maintained the existing facility through nearly sixty years of tremendous change in the delivery of healthcare, the age and configuration of the existing hospital facility have resulted in operational and structural issues that can no longer be resolved with renovation."*

On pages 61 – 64, the applicants discuss the evolution of the healthcare industry since the current facility was first built in 1954, and the impact of that evolution on healthcare delivery standards. The applicants state that there has been a major shift toward outpatient resources and services, thereby lessening the need for inpatient bed space. The applicants state on page 62 that in 1980, 16% of surgical procedures were performed on an outpatient basis, compared to 57.7% in 2007.

On page 62, citing information obtained from a Center for Disease Control publication, the applicants state that emergency department utilization has increased as well, particularly among the older population. In addition, the applicants state that the majority of ED visits is avoidable and could be treated in a primary care physician's office. According to the applicants, the unnecessary ED visits drive the cost of emergency care up for those patients whose acuity warrants emergency, rather than primary care. On page 64, the applicants state the new facility will co-locate primary care physician offices and emergency and other hospital services, thereby reducing the non-emergent visits to emergency rooms. Finally, the applicants state on pages 65 – 66, that federal regulations such as HIPAA and ADA necessitate a change in the privacy standards that are currently in place at the hospital. The applicants state that the way the current patient rooms are configured, anyone walking by the room would be able to see a patient's face, which eliminates privacy. The applicants state the current configuration of the entire facility presents issues with the ADA. On page 66, the applicants state:

> *"The ADA is intended to extend civil rights protection to people with disabilities. As the only provider of acute care services in Anson County, ACH is particularly committed to meeting the needs of disabled patients and visitors. There are many places in the existing facility in which retrofitting for ADA compliance is infeasible; with the proposed project, ACH will have the opportunity to design the replacement facility to not only to* [sic] *comply with ADA requirements but also to best facilitate patient and staff access and flow throughout."*

Utilizing data obtained from the North Carolina Office of State Budget and Management (OSBM), the applicants state on pages 66 - 67 that the demographics in Anson County are changing and the population is increasing. The applicants state that OSBM projects that by 2020, 18.4% of Anson County's population will be over the age of 65. The project analyst looked at the OSBM website for population projections for Anson County for age groups shown in the following table. The applicants project to begin offering services in July 2014.

ANSON COUNTY	JULY 2014 – ANSON CO. POPULATION: 26,780		JULY 2020 – ANSON CO. POPULATION: 26,899	
	POPULATION	PERCENT OF TOTAL	POPULATION	PERCENT OF TOTAL
Age 65+	4,322	16%	4,954	18%
Age 55+	7,955	30%	8,669	32%

The table above shows that both the 55+ and the 65+ populations are expected to grow by 2% each between 2014 (when the replacement hospital opens) and 2020. On page 67, citing information from the National Center for Health Statistics, the applicants state the older age cohorts, particularly the 65+ age group, utilize hospital services more than the younger age groups. Therefore, the applicants state, the replacement facility is needed due to the antiquated design of the current facility, the inability of the hospital staff to adequately comply with HIPAA, ADA, and other regulations, and because the demand for services will increase in Anson County as the population age 55+ increases.

On pages 68 – 92, the applicants describe each service the replacement hospital will offer. Those services include:

- Inpatient Acute Care Services
- Surgical Services
- Emergency Services
- Medical Home Services
- Imaging Services
- Therapy and Cardiopulmonary Services
- Laboratory Services
- Pharmacy Services

A brief description of each service follows.

Inpatient Acute Care Services

According to the most recent LRA, ACH is licensed for 52 acute care beds; however, according to the applicants, only 30 of those beds are currently staffed, in approximately 5,300 square feet of space. 5,300 square feet of space for 30 acute care beds calculates to approximately 176 square feet per bed which, according to the applicants, does not allow for the minimum space around patient beds as required by North Carolina.[1] On pages 70 -71,

[1] 10A NCAC 13B .6201(1)(c)

the applicants describe how the current patient rooms are unable to accommodate central lines, crash carts, or even a stretcher for patient care. In addition, on page 72, the applicants discuss the problems with the existing bathrooms. The applicants state:

> *"The location of the existing plumbing system arguably creates a very compelling facility need for replacement as opposed to renovation. Options for renovating the existing facility to increase the size of the existing patient rooms would involve demolition of existing bathrooms/plumbing to expand the patient rooms. Therefore, given the very nature of the facility's design, in-place replacement and/or renovation would be very costly. Moreover, renovating the existing facility in-place would require that ACH disrupt most, if not all, of the services provided at the hospital. In addition, certain areas in the building still have asbestos, which while safely contained, would further complicate major renovation work and its abatement would dramatically escalate renovation costs."*

On page 72, the applicants also state the current layout of the acute care section of the hospital with regard to nurses' stations is inefficient, and that only one of two nurses' stations is being utilized.

On page 73, the applicants describe the proposed acute care services, in particular the decrease in number of licensed acute care beds from 52 to 15. The applicants propose seven semi-private rooms and one private room for isolation purposes. The applicants state:

> *"Each of the patient rooms will measure approximately 355 square feet and will have more space … and patients will no longer have to face the hallway …. In addition, each of the patient rooms will be capable of accommodating recliners for family members to stay overnight with their loved ones. Updated patient rooms with adequate sizing will benefit all patients by facilitating their recovery and increasing their comfort level, confidence and peace of mind in the care they receive at ACH. Moreover, the design of the proposed unit is efficient, featuring double occupancy rooms, an isolation room, and multi-purpose space capable of accommodating observation and infusion services, as well as nurses' stations that can be utilized for both the emergency department and the inpatient acute care bed unit."*

Thus, the applicants state that the design of the proposed acute care bed unit will enhance delivery of care to the patients.

Surgical Services

On page 74, the applicants describe the current surgical services department. The applicants state:

> *"ACH currently operates two operating rooms, one GI/endoscopy room, and one minor procedure room. Existing surgical services occupy 4,430 square feet of space on the third floor of the hospital in both the 1954 building and the 1967 addition. ACH currently utilizes two double-occupancy rooms and four private rooms for prep*

> *and recovery, or a total of eight spaces at its existing facility, for a ratio of four prep and recovery spaces per operating room. Because of poorly configured space, patients are prepped in the day surgery area, formerly the labor and delivery area, which consists of one semi-private room and one private room and is located in the 1967 portion of the building, and then brought down the corridor, into the 1954 portion of the building, to the operating area. The current configuration of the department is inefficient with little separation between staff and operating room space."*

Thus, the applicants state the existing surgical services area is poorly configured, inefficient, and lacks privacy.

On pages 74 – 75, the applicants discuss plans for the new surgical services area, which includes decreasing the number of licensed ORs from two to one. The applicants state:

> *"The new surgery department will be located in approximately 3,305 square feet of space adjacent to the imaging …. The operating room will measure approximately 470 square feet. The prep and recovery area, with three bays, will be located adjacent to the surgery department, within view of the nursing stations located within the medical home. As such, no longer will patients have to be transported through poorly configured space. Sterile processing will continue to be located in the surgery department. Anesthesia services will have a workroom and space is provided for equipment storage, sterile storage, clean and soiled utilities, a housekeeping closet for supplies, and a staff support area with a lounge, lockers, and a bathroom. The design of the proposed unit is efficient, featuring multi-purpose space capable of accommodating medical home and surgical services, as well as nurses' stations that can be utilized for both the medical home and the surgical department."*

In addition to reducing the number of ORs from two to one, the applicants propose to eliminate the GI endoscopy procedure room and the minor procedure room. GI endoscopy services will be provided in the OR.

Emergency Services

On pages 75 – 79, the applicants state:

> *"Currently in the emergency department, the staff and emergency physicians provide emergency care to patients in approximately 2,012 square feet of space, with approximately 252 square feet of space in the waiting area. This space consists of seven treatment rooms. One of the rooms is larger than the other six and contains three beds. This room is also used for traumas as two of the beds can be removed or the patients, if the beds are occupied, placed somewhere else so the trauma can be managed. Due to the amount of emergency equipment and numbers of staff who must attend to a trauma, this is the only room that can be used for such a purpose. The department also has a dedicated triage room which is frequently used as an extra exam room when needed. In addition, the department can accommodate two*

stretchers in the hallway for a total of 12 patient spaces. Also located in this area is a small waiting area, a small nurses station, and a small registration area. As noted previously, the registration area located in the emergency department serves inpatients and outpatients as well as emergency patients.

…patient rooms are undersized and privacy is compromised as patient beds face the doorway.

…

…in the existing facility there is only one outside entrance to the emergency department, serving ambulatory patients as well as those arriving via ambulance. This design is not conducive to maintaining separation between these two patient populations. In peak hours, this are becomes congested. Given that the registration area for inpatient and outpatients as well as emergency department patients is located inside the emergency department entrance, it is not uncommon for this area to remain congested which has negative implications relative to patient privacy."

On pages 77 – 78, the applicants describe how the canopy over the emergency department entrance is too low, resulting in permanent damage to the canopy from emergency vehicles attempting to pass underneath.

On pages 79 – 80, the applicants describe the emergency department proposed for the replacement hospital. The emergency area will nearly triple in size, to 6,050 square feet of space at the rear of the building. The applicants state on page 80 that the replacement hospital will have nine exam rooms, each with its own bed, thereby increasing patient privacy and assuring compliance with HIPAA regulations. The applicants state:

"Unlike the existing facility, each emergency bed will be in a separate room. The trauma room will be equipped to meet the special needs of patients who have serious injuries or other potentially life-threatening situations such as heart attacks and strokes. This space will also be used for patients who are very critical but must be stabilized before they can be transported, either by ambulance or by helicopter, to a larger trauma facility. Because the treatment necessary to provide stabilization for these cases requires numerous people and equipment, a large room is necessary for quick and effective patient care. With the proposed facility, this space will be available and will also be utilized for other patients when not needed for trauma patients. The exam rooms will be multi-purpose, shared rooms for a variety of patients presenting to the emergency room."

Medical Home Services

On pages 80 – 82, the applicants state medical home services are currently provided to patients at a location other than the existing hospital; however, in the proposed design, these services would be provided in the same facility. The applicants state:

> *"The medical home services will be located in the core of the replacement facility in approximately 6,800 square feet of space. The proposed space for the medical home will consist of 14 rooms. Each room will measure approximately 165 square feet. As noted previously, the proposed facility is designed to be as efficient and flexible as possible. As such, three of the fourteen medical home rooms, which are located adjacent to the surgery department, will be utilized as one prep room and two recovery rooms as needed. When these flex/multi-purpose rooms are not in use by operating room patients, they will be available for medical home patients. As illustrated in the line drawings provided in Exhibit 7, nurses' stations are located in the center of the medical home space. The design of the replacement facility, in particular the location of the nurses' stations and the dual use of the medical home rooms will enable ACH to most efficiently staff and utilize the proposed replacement facility.*
>
> …
>
> *ACH and CHS believe that locating medical home services within the hospital will benefit the community in that it will foster relationships between physicians and patients, enabling physicians to better manage chronic conditions, and promote continuity of care. By co-locating these services, patients will have the opportunity to develop relationships with physicians that can facilitate both wellness and prevention as well as improve patient satisfaction."*

Imaging Services

On pages 82 – 83, the applicants describe the existing imaging services provided by the hospital and the problems associated with the current facility. The applicants state on page 82 that imaging, laboratory, and emergency departments all share 2,300 square feet of common space in the existing facility, in the portion of the building that was constructed in 1967. In addition, on page 83, the applicants state:

> *"Moreover, in some cases space was not intended to be used for the provision of imaging services. For instance, CT services are provided in a former nursing room…. Using rooms for purposes other than they were intended and designed for can present problems. With the CT room, … maneuvering a patient bed or stretcher into the room can be difficult.*
>
> *Adequate space for waiting is also a concern in the existing imaging department. While mammography has waiting space for one person, it is not uncommon for the other imaging modalities to pull chairs out of the staff area and place them in the hallway for patients to wait. Such a practice has negative implications for patient privacy and comfort."*

On pages 83 – 84, the applicants describe the proposed imaging department and replacement of existing x-ray equipment. Currently, the hospital has one CT scanner, one mammography unit, one ultrasound unit, and one x-ray unit. In this application, the applicants propose no new medical or imaging equipment and as such, propose no increase in the current inventory. However, the applicants propose to replace the existing x-ray unit since the existing unit is eight years old and is outdated. On page 83, the applicants state:

> *"The imaging department will occupy approximately 3,280 square feet of space in the proposed facility. The rooms for each of the imaging modalities will be right-sized and appropriately configured. The CT room will be approximately 435 square feet, the ultrasound room will be approximately 150 square feet, the X-ray room will be approximately 450 square feet (including the toilet), and the mammography room will be approximately 170 square feet."*

On page 84, the applicants state the space proposed for imaging will also have a designated waiting area for patients, as well as a physician consulting area.

Therapy and Cardiopulmonary Services

In Section III.1, pages 84 – 85, the applicants describe the current therapy and cardiopulmonary services provided by ACH, and the proposed replacement services. The applicants state:

> *"ACH currently provides inpatient and outpatient therapy and cardiopulmonary services. … ACH's cardiopulmonary services include echocardiography, stress testing, cardiac rehab, and pulmonary testing and its therapy services include physical, outpatient, and speech therapies.*
>
> …
>
> *Therapy and cardiopulmonary services are located in the 1954 portion of the hospital on the first floor in approximately 2,038 square feet of space. Some services, such as echo and pulmonary function testing (PFT) are provided in former patient rooms ….*
>
> …
>
> *In the proposed facility, to the right of the registration area will be the therapy and cardiopulmonary departments, which will occupy approximately 1,115 square feet of space. The proposed space will be right-sized and properly configured."*

Laboratory Services

On pages 86 – 87, the applicants describe the section of the existing facility currently used for laboratory purposes, and the proposed design for the laboratory in the new facility. The applicants state:

> *"The existing laboratory is located on the first floor … in approximately 1,161 square feet of space. …*
>
> *The hallway is so small in the existing facility that staff must either wait for one another to pass through the hallway before accessing the laboratory or must press themselves against the wall to allow someone else to pass through."*

On page 87, the applicants also state that the existing waiting area is small and poorly configured. The applicants state the proposed laboratory department will be located next to the pharmacy in approximately 1,035 square feet of space. Additionally, the applicants state the proposed pharmacy department will be more efficiently configured, and the waiting room will accommodate people more efficiently.

Pharmacy Services

On page 87, the applicants state the existing pharmacy is located in the hospital basement in approximately 800 square feet of space. The applicants state the proposed pharmacy department will increase to 945 square feet of space, and will be configured so that it is easily and efficiently accessible by patients and staff.

In Section III.1, pages 88 - 92, the applicants describe the existing issues with the facility in general, including but not limited to inefficient and unsafe electrical wiring, non ADA-compliant doors and rooms, outdated plumbing, mechanical and HVAC issues, energy efficiency issues, an inefficient emergency generator, and evidence of asbestos.

Historical and Projected Utilization

Acute Care Beds

In Section III.1(b), pages 92 – 122, the applicants describe the assumptions and methodology used to project utilization of the acute care beds. The 8-step methodology is described below.

Step 1: Determine ACH's 'core' diagnoses

On pages 92 – 93, the applicants state they analyzed the number of *"core"* diagnoses served by ACH since 2008, identified by Diagnosis Related Group Codes, or DRGs. The applicants state the DRGs most commonly served are medical rather than surgical in nature. The following table illustrates the DRGs and their classification.

DIAGNOSTIC CODE CATEGORY	NUMBER OF DIAGNOSES MOST

	COMMONLY TREATED
Cardiovascular	4
General Medicine	10
Nephrology	2
Pulmonary	8

On page 93, the applicants state these 24 diagnoses have historically comprised over 58% of the hospital's discharges. The applicants do not project any changes for the replacement facility.

Step 2: Determine historic ACH market share for the 24 core diagnoses

On pages 93 – 94, the applicants show ACH's market share in Anson County for the *"core"* diagnoses, as shown in the following table (from page 94 of the application):

DIAGNOSIS CATEGORY	ACH AVERAGE MARKET SHARE FFY 2008 - 2011
Cardiovascular	44.7%
General Medicine	56.7%
Nephrology	37.6%
Pulmonary	50.5%
Total	51.4%

The table shows that from FFY 2008 – 2011, ACH's market share was 51.4% for the 24 *'core'* diagnoses. On page 94, the applicants state ACH's market share for total acute care services during the same time was 21.9%.

Step 3: Project ACH market share for the 'core' diagnoses

On pages 94 – 95, the applicants provide the assumptions on which they based projected market share for the 24 *'core'* diagnoses identified in Step 1. On page 95, the applicants state:

> *"ACH believes that the innovative care delivery model offered at the replacement facility, as well greater public awareness and interest due to the construction of a new facility, will result in increased utilization. ACH's replacement facility will be the medical hub of Anson County with both acute care and physician services located in one building. While the goal of the medical home is to reduce unnecessary admissions, particularly among vulnerable populations, ACH expects that the new facility and the co-location of physician services will increase the percentage of those patients who need hospitalization to choose to remain in their home county. Given these factors, as well as its historic utilization, ACH believes that its acute care volume will increase in the future.*
>
> *As such, ACH expects that its replacement hospital will achieve a higher acute care market share of Anson County, in particular for patients with the 'core' diagnoses."*

The applicants provided a table on page 95 of the application that shows ACH's historical and projected market shares for Anson County *'core'* diagnoses. The following table includes a column added by the project analyst which indicates the percent change in market share.

DIAGNOSIS CATEGORY	FFY 2008 – FFY 2011 AVERAGE MARKET SHARE	PROJECTED MARKET SHARE	PERCENT INCREASE IN MARKET SHARE
Cardiovascular	44.7%	51.4%	8.0%
General Medicine	56.7%	60.0%	6.0%
Nephrology	37.6%	37.6%	--
Pulmonary	50.5%	56.7%	12.0%
Total	51.4%	55.7%	8.0%

On page 95, the applicants state:

> *"ACH believes its projected market share increases within its 'core' diagnoses are reasonable particularly because of the three family practice physicians, one general surgeon, and family medicine resident that will practice in the medical home at the proposed facility. These physicians will admit and treat the septicemia, heart failure, pneumonia, diabetes, and chronic, obstructive pulmonary disease (COPD) patients that comprise the 'core' diagnoses."*

A review of ACH's LRAs for FFYs 2008 - 2011 shows an overall decrease in utilization of the acute care services provided at ACH. However, the applicants adequately demonstrate the facility is in need of replacement and a replacement hospital would likely attract more patients. ACH is the only hospital in Anson County. Exhibit 38 includes a total of 43 physician support letters for the replacement facility. An 8% increase in market share by the time the facility is completed in 2014, amounts to approximately 2.6% growth per year, which would be approximately 2 additional patients for every 100 existing patients. Given that the replacement hospital will be modern and up-to-date, the applicants' market share projections are reasonable, credible and supported.

Step 4: Determine ACH market share and total discharges

On pages 96 – 98, the applicants examine ACH's historical acute care discharges for FFYs 2008 – 2011, and then calculate ACH's market share for those discharges based on the 24 *'core'* diagnoses. The following table shows Anson County total acute care discharges from all hospitals from FFYs 2008 – 2011, as reported by the applicants on page 96. The table also shows ACH's acute care discharges for the same time, as reported by the applicants on page 98:

FFY	ANSON COUNTY ACUTE CARE DISCHARGES (ALL HOSPITALS)	ACH ANSON COUNTY ACUTE CARE DISCHARGES	ACH % MARKET SHARE OF ANSON COUNTY ACUTE CARE DISCHARGES
2008	3,564	976	27.4%

2009	3,466	943	27.2%
2010	3,378	887	26.3%
2011	3,268	715	21.9%

On page 96, the applicants state they assume that future Anson County acute care discharges (all hospitals) will not change from the FFY 2011 volume shown in the table above. On page 96, the applicants state:

- The economic downturn both nationally and regionally has depressed the local economy,
- Anson County's population is projected to grow by less than 1% as shown in the table below:

Anson County Projected Population Growth

	JULY 2012	JULY 2019	% CHANGE
Anson County Pop.	26,738	26,881	0.5%

*Source: Page 96 of the application.

- The condition of the existing facility is not conducive to efficient and effective treatment of patients,
- Use rates, artificially depressed by above factors, will likely rebound in future years, particularly with a new facility.

Based on the foregoing, the applicants project that the total number of Anson County acute care discharges will not increase for the next several years; however, ACH discharges are projected to increase slightly once the replacement hospital is operational.

On page 97, the applicants provide a table that shows total Anson County discharges in FFY 2011 for the *'core'* diagnoses that were identified earlier as comprising the majority of ACH's discharges.

DIAGNOSIS CATEGORY	FFY 2011 TOTAL ANSON COUNTY DISCHARGES	PROJECTED MARKET SHARE	PROJECTED ACH ANNUAL DISCHARGES FOR THE "CORE" DIAGNOSES
Cardiovascular	130	51.4%	67
General Medicine	475	60.0%	285
Nephrology	93	37.6%	35
Pulmonary	241	56.7%	137
Total	**939**	55.7%	**523**

The *"core"* diagnoses equaled 58.7% of total ACH diagnoses in FFYs 2008 – 2011. The applicant then divides 523 by 58.7% to determine total ACH discharges, which is 892.

In addition, the applicants state:

> *"ACH believes its projected 892 annual discharges from Anson County is reasonable for a number of reasons. As noted above, ACH expects that the replacement facility*

will result in increases in its acute care market share due to the innovative care delivery model offered at the replacement facility, as well greater public awareness and interest due to the construction of a new facility.

ACH's projected 892 annual discharges from Anson County are equivalent to 27.3 percent market share based on 2011 discharges (27.3 percent = 892 / 3,268 total Anson County discharges). … ACH has achieved 27.4 percent market share of Anson County during this time frame, despite its existing facility limitations."

Step 5: Project inmigration

On pages 98 – 99, the applicants project that approximately 3.7% of ACH's acute care discharges will be residents of other counties, consistent with historical experience at ACH. See the following table, from page 99 of the application:

	PROJECTED ACH ANNUAL DISCHARGES	PERCENT OF TOTAL
Anson County	892	96.3%
Inmigration	34	3.7%
Total	926	100.0%

Projected immigration, which is based on the average of the immigration percentages for FFYs 2008 – 2011, is reasonable, credible and supported.

Step 6: Project discharges for interim years

On pages 99 – 101, the applicants project discharges from ACH during the interim years prior to completion of the project. As noted above, the applicants project 926 discharges during the third project year. On page 100, the applicants provide the assumptions and methodology used to project discharges during the interim. The applicants state:

"The proposed facility will be operational beginning on July 1, 2014, or six months into CY 2014. ACH estimates that it will experience modest growth, two percent annually, until CY 2014. Once the facility opens, ACH expects an increase in the annual growth rate, with six percent projected in CY 2014, when the replacement facility will have been open for six months. In CYs 2015 and 2016, ACH believes it will experience 10 percent annual growth. ACH expects that it will be almost fully ramped up by CY 2017, and given its expectation that the Anson County market is expected to remain stable in future years, ACH conservatively estimates that it will experience only two percent growth.

ACH has provided CY projections above as its fiscal year matches the calendar year. In order to provide project year utilization, ACH converted its CY projections as follows:

Project Year One (July 1, 2014 to June 30, 2015) = 50 percent x CY 2014 + 50 percent x CY 2015.

Project Year Two (July 1, 2015 to June 30, 2016) = 50 percent x CY 2015 + 50 percent x CY 2016.

Project Year Three (July 1, 2016 to June 30, 2017) = 50 percent x CY 2016 + 50 percent x CY 2017."

Projected acute care discharges are based on reasonable, credible and supported assumptions.

Step 7: Project average length of stay and acute care days

On pages 101 – 102, the applicants project average length of stay for the replacement hospital, which is based on historical experience at ACH. The applicants state that, since 2008, the average length of stay for acute care services has been 3.8 days. See the following table, from page 101 of the application:

Average Length of Stay for ACH Acute Care Discharges

	FFY 2008 - 2011
Days	13,919
Discharges	3,656
Average Length of Stay	3.8

On page 101, the applicants cite Thompson as the source for the above data.

On page 102, the applicants project acute care days through the first three project years using the average length of stay calculated above, as shown in the following table:

CY	DISCHARGES	ALOS	DAYS OF CARE
2012	695	3.8	2,646
2013	709	3.8	2,699
2014	751	3.8	2,859
2015	826	3.8	3,145
2016	909	3.8	3,461
2017	926	3.8	3,525

The project is scheduled to begin offering services on July 1, 2014. The applicants project total discharges and days of care through the first three project years, using the formula in Step 6. See the following table, from page 102 of the application:

PROJECT YEAR	DISCHARGES	ALOS	DAYS OF CARE
PY 1	789	3.8	3,004
PY 2	867	3.8	3,301
PY 3	917	3.8	3,491

The following table illustrates projected acute care bed utilization in CY 2017:

ACH Acute Care Discharges and Days

	CY 2017 ACH ANNUAL DISCHARGES
Discharges	926
Average Length of Stay	3.8
Days	3,525
Average Daily Census	9.7
Beds Needed at 66.7% Target Occupancy	**14.5**

On page 102, the applicants state:

> *"As shown, based on its projected average length of stay, ACH will provide 3,525 acute care days by CY 2017 which indicates a need for 14.5 beds at a target occupancy of 66.7 percent. In that year, ACH will achieve an occupancy rate in CY 2017 of 64.4 percent of the 15 proposed acute care beds."*

On pages 102 – 105, the applicants state:

> *"ACH is proposing to develop 15 licensed acute care beds in its proposed replacement facility. ACH recognizes that its projected 64.4 percent occupancy rate of those 15 beds is below the target occupancy rate of 66.7 percent for facilities with an average daily census of less than 100 per the 2012 State Medical Facilities Plan; however, ACH believes developing 15 beds is reasonable for several reasons.*
>
> *First, ACH has based its projections on the number of inpatients from Anson County in 2011 and has assumed no growth in the market going forward. From 2008 to 2011, the average number of annual discharges in Anson County was 3,419, or 4.6 percent greater than in 2011 alone."*
>
> *"If Anson County discharges were to grow 4.6 percent in the future, and reach 3,419 discharges annually, ACH discharges would correspondingly grow 4.6 percent and thus result in 3,688 days annually (3,688 days = 3,525 ACH projected days x 104.6 percent). At this level of utilization, ACH would achieve an ADC of 10.1 patients and an occupancy rate of 67.4 percent of its proposed 15 beds. Given the historical acute care utilization in Anson County, ACH believes that this type of growth could occur within a two to three year time horizon, just as discharges have declined at that rate from 2008 to 2011. As such, ACH believes it is reasonable to develop 15 beds given the historical fluctuation in acute care utilization.*
>
> *Additionally, ACH believes that acute care providers in small rural counties such as Anson are faced with a unique challenge in building replacement facilities. If ACH were to generate additional SMFP bed deficits in the future, they would likely be small in number. From a cost-perspective, it is likely to be more effective to build bed capacity during the initial replacement of the facility, rather than in two or three bed increments in the future….*

Currently, ACH is licensed for 52 general acute care beds and thus it is proposing to relinquish 37 acute care beds in conjunction with this application. While ACH would exceed the target occupancy rate if it only developed 14 beds (69 percent occupancy of 14 beds based on 3,525 days), the proposed facility with 15 beds is designed to be as efficient and flexible as possible. Thus, the 15 acute care beds will be developed in a space with eight total rooms: one isolation room and seven shared rooms, with two beds per room …. ACH does not believe it would be more effective to reduce its proposed inpatient bed capacity to 14 beds, either by designating art additional room as single occupancy or by changing the configuration of the space to accommodate an uneven number of rooms. Such reductions would decrease the efficiency of the proposed space and would not be cost-effective. Given that ACH proposes shared rooms, more rooms give ACH greater flexibility to more appropriately accommodate patients of different genders, ages, and diagnoses in the replacement facility."

In CY 2017, ACH projects to provide 3,525 days of care and an average daily census (ADC) of 9.7. However, since a partial patient is not feasible, on any given day, the hospital would have 9 or 10 patients occupying a bed. If the ADC is 10, the occupancy rate would be 67% [10 / 15 = 0.67], not 64.4%. The applicants adequately demonstrate the need for 15 beds in the replacement facility given the small number of beds in the facility and the significant impact on the utilization rate of only three tenths of a patient. In this case, rounding up from 9.7 to 10 is reasonable and supported.

Emergency Services

On pages 105 – 109, the applicants describe their proposal to increase the number of emergency room treatment rooms from seven to nine. On page 105, the applicants show historical utilization of emergency services at ACH from CY 2009 – 2011. See the following table:

CY	VISITS	ROOMS	VISITS PER ROOM
2009	14,756	7	2,108
2010	13,654	7	1,951
2011	12,848	7	1,853

On pages 105 - 106, the applicants state:

"ACH's emergency department has been well utilized historically, with over 1,800 visits per room since 2009. In order to accommodate this high utilization, ACH uses three beds in one of its seven rooms as well as an additional triage room, and a hallway in the department with two stretchers for a total of 12 patient spaces (12 patient spaces = six single occupancy rooms + one triple occupancy room + one triage room + two stretchers). If these additional spaces are included in the analysis above, ACH would have provided over 1,070 visits per emergency department room in CY 2011; Based on the American College of Emergency Physician guidelines …, a facility with 10,000 projected annual visits should have between eight and 11 rooms for a range of 909 to 1,250 visits per room. A facility with 20,000 projected annual

visits should have between 15 and 19 rooms for a range of 1,053 to 1,333 visits per room. As such, ACH has historically effectively utilized its emergency department rooms. Given that nine emergency department rooms are included in the proposed project, ACH's current level of emergency department visits, with no projected increases, would result in the effective utilization of the proposed rooms."

The existing hospital does not offer "urgent care"; therefore, all patients with acute illnesses are seen in ACH's emergency department. On pages 106 – 108, the applicants provide the assumptions and methodology used to project utilization at the replacement hospital. The applicants assume emergency department visits will decrease when patients shift to urgent care for Level I and Level II visits. The assumptions are summarized below:

- ACH has historically averaged a 71.5% market share of Anson County emergency department visits for FFYs 2008 – 2011, as reported by the applicants on page 106.
- ACH projects to serve the same patient base in the replacement facility as it currently serves.
- ACH projects that, initially, 12.5% of current users of Level I and Level II emergency services will shift to urgent care once the medical home portion of the replacement facility is constructed, since patients who currently seek emergency services could be served in an urgent care facility at a lower cost.
- ACH projects that emergency department visits will increase at one-quarter of the growth projected for acute care services, prior to the shift of patients to the medical home, as shown in the following table:

CY	TOTAL VISITS	% INCREASE
2011	12,848	--
2012	12,912	0.5%
2013	12,977	0.5%
2014	13,171	1.5%
2015	13,501	2.5%
2016	13,838	2.5%
2017	13,907	0.5%

- Thereafter, ACH projects a 25% shift to urgent care from emergency services, as reported by the applicants on page 108 and illustrated in the following table:

CY	TOTAL ED VISITS	% PROJECTED TO SHIFT TO MEDICAL HOME	# SHIFTED TO MEDICAL HOME URGENT CARE	TOTAL VISITS AFTER SHIFT
2011	12,848	0.0%	0	12,848
2012	12,912	0.0%	0	12,912
2013	12,977	0.0%	0	12,977
2014	13,171	12.5%	316	12,856
2015	13,501	25.0%	647	12,853
2016	13,838	25.0%	663	13,175
2017	13,907	25.0%	667	13,241

- ACH converted its projected emergency department visits from calendar years to project years, as it did in Step 6 of the acute care methodology; thus projecting to provide 1,468 visits per room in PY 3, as shown in the following table:

PROJECT YEAR	# VISITS	# ROOMS	VISITS PER ROOM
PY 1	12,855	9	1,428
PY 2	13,014	9	1,446
PY 3	13,208	9	1,468

Anson Community Hospital is the only provider of emergency services in Anson County. The data shows the emergency room has historically been well utilized. ACH currently provides over 1,800 visits per treatment room per year. The applicants propose to increase the number of treatment rooms by two in the replacement hospital. In the replacement hospital, the Emergency Department is projected to average about 1,500 visits per treatment room per year, which is more consistent with ACEP recommendations[2]. Projected utilization is reasonable, credible and supported. The applicants adequately demonstrate the need for nine Emergency Department treatment rooms in the replacement hospital.

Observation Beds

On pages 109 – 110, the applicants state the hospital does not currently have dedicated observation beds; however, approximately 0.06% of the patients seen in the Emergency Room have historically required observation. The applicants do not propose to develop dedicated observation rooms in the replacement hospital, but do project that the hospital will continue to offer observation services to Emergency Department patients.

Operating Room

Currently, ACH is licensed for two ORs, one GI endoscopy procedure room and one minor procedure room. The applicants propose to decrease the ORs by one, resulting in one licensed OR in the replacement hospital, and to eliminate the GI endoscopy procedure room and the minor procedure room. On page 110, the applicants state all surgical and GI endoscopy procedures to be performed at ACH will be performed in the one OR following project completion.

Page 66 of the 2012 SMFP states, in part, that in service areas which have fewer than 5 ORs, if the projected deficit of ORs is 0.20 or greater, *"the 'Operating Room Need Determination' is equal to the 'Projected Operating Room Deficit' rounded to the next whole number. (…fractions of 0.20 or greater are rounded to the next highest whole number)."* Below is a table that shows historical OR utilization, as reported by the applicants on page 111.

CY	IP SURGICAL	OP SURGICAL	SURGICAL	OR NEED

[2] American College of Emergency Physicians

	CASES	CASES	HOURS	
2009	138	316	719	0.38
2010	75	240	521	0.28
2011	66	234	451	0.24

Thus, even though the OR utilization at ACH has decreased over the last three years, the 2012 SMFP shows a need for one OR in Anson County. In addition, the numbers of cases shown in the table above do not include GI endoscopy or minor procedures. The applicants propose to perform GI endoscopy and minor procedures in the replacement OR.

On pages 112 – 114, the applicants project OR utilization, based on the following assumptions:

- Outpatient surgical utilization will increase at a higher rate than inpatient surgical utilization. The applicants state that in 2011, ACH performed four times as many outpatient surgical procedures as inpatient surgical procedures.
- ACH will own and operate the only OR located in Anson County.
- Public awareness of the replacement hospital will result in growth in surgical cases performed ACH, particularly since ACH is the only provider of surgical services in Anson County.
- ACH projects that growth in outpatient surgical utilization and GI endoscopy procedure utilization combined will equal approximately one quarter of the growth projected for acute care services, similar to the growth projection for emergency services.
- ACH projects that GI endoscopy procedure utilization will increase at a rate equal to one-half of the rate projected for acute care services, as shown in the following table.

Outpatient Surgery and GI/Endo Growth Rates and Cases

CY	PROJECTED ACUTE CARE UTILIZATION GROWTH RATES*	PROJECTED OP SURGICAL AND GI/ENDO CASE ANNUAL GROWTH RATES*	OP SURGICAL CASES	OP/GI ENDO CASES
2011	--	--	234	251
2012	2.0%	1.0%	236	254
2013	2.0%	1.0%	239	256
2014	6.0%	3.0%	246	264
2015	10.0%	5.0%	258	277
2016	10.0%	5.0%	271	291

2017	2.0%	1.0%	274	294

*From Step 6 of the Acute Care Bed methodology.

On page 114, the applicants provide a table, reproduced below, to illustrate the projected number of surgical cases and GI endoscopy procedures to be performed at ACH during the first three project years (which are not calendar years).

PROJECT YEAR	IP SURGICAL CASES	IP GI/ENDO CASES	OP SURGICAL CASES	OP GI/ENDO CASES	SURGICAL HOURS*	OR NEED EXCLUDING GI/ENDO	HOURS INCLUDING GI/ENDO	OR NEED INCLUDING GI/ENDO
PY 1	69	42	252	270	477	0.25	1,114	0.59
PY 2	70	43	265	284	496	0.26	1,161	0.62
PY 3	71	43	272	292	508	0.27	1,190	0.64

*Surgical Hours are calculated as follows: IP cases x 3.0 hours + OP Cases x 1.5 hours.

The applicants adequately demonstrate that the one OR proposed for the replacement hospital is needed in Anson County.

Medical Home

On pages 114 – 116, the applicants describe the medical home they propose as part of the replacement facility. The applicants state the medical home portion of the replacement hospital will have 14 rooms and will be staffed by one general surgeon, three family medicine physicians, and one resident. The physicians proposed to staff the medical home currently see patients in a separate location from the existing hospital. The applicants state that having a medical home as the center of the new facility, offering general physician services, outpatient surgical services and imaging services will be a cost effective model for the proposed replacement hospital. On page 115, the applicants provide a table that shows a 3.2% compound annual growth in medical home visits at the existing off-site location over the last three years. See the table, reproduced below:

CY	PATIENT VISITS
2009	7,787
2010	8,009
2011	8,294
CAGR	3.2%

In addition, the applicants project future visits to the medical home will increase based on the following assumptions:

- An increasing number of patients will seek treatment in the medical home urgent care rather than being seen in the Emergency Department.
- The same physicians will staff the proposed on-site medical home who currently staff the existing off-site location, thereby maintaining the same patient base.
- Visits to the proposed on-site medical home will increase at a comparable rate to the historical experience of the existing off-site medical home location.

- The increase in outpatient services in the proposed on-site medical home results in the following growth projections for the medical home, prior to the shift in patient visits from the Emergency Department, as reported by the applicants on page 116:

CY	GROWTH RATE	PATIENT VISITS
2011	3.2%	8,294
2012	3.2%	8,560
2013	3.2%	8,834
2014	3.2%	9,117
2015	3.2%	9,409
2016	3.2%	9,711
2017	3.2%	10,022

The applicants then project utilization, assuming some patients currently seeking emergency services will shift to the proposed on-site medical home:

CY	PATIENT VISITS PRIOR TO SHIFT	# VISITS SHIFTED TO MEDICAL HOME	TOTAL VISITS TO MEDICAL HOME AFTER SHIFT
2011	8,294	0	8,294
2012	8,560	0	8,560
2013	8,834	0	8,834
2014	9,117	316	9,433
2015	9,409	647	10,056
2016	9,711	663	10,374
2017	10,022	667	10,689

The applicants then convert the projections to project years, using the same methodology used for other services. See the following table, from page 116 of the application:

PY	PATIENT VISITS
PY 1	9,745
PY 2	10,215
PY 3	10,531

Projected utilization of medical home services is reasonable, credible and supported.

In addition to the services listed above, on pages 116 – 117 the applicants state they currently offer the following imaging and ancillary services in the existing hospital:

- CT Scanner
- Mobile MRI services
- Mammography / Ultrasound
- Fluoroscopy
- Laboratory
- Pharmacy
- Cardiopulmonary, including echocardiography and stress testing
- Therapy (PT, ST and OT) services

The applicants propose to relocate the existing imaging equipment and ancillary services to the new facility, and propose to replace the one existing x-ray unit, since the existing unit is outdated and has reached the end of its useful life. In addition, the applicants propose to retain the mobile MRI contract and continue to provide mobile MRI services at the replacement hospital. ACH is the only hospital in Anson County and is the only provider of MRI services in the county. The applicants are not seeking to acquire any new equipment that would increase the inventory of existing equipment; rather, the applicants seek only to relocate the existing equipment to the new hospital and continue to provide the same services currently provided. On page 118, Section III.1, the applicants state:

> *"ACH's inpatients, emergency department patients, surgical/endoscopy patients, medical home and other outpatients utilize ancillary services such as CT, mobile MRI, mammography, ultrasound, X-ray, laboratory, pharmacy, echo/stress testing, and therapy. As such, the patient origin and financial aspects of ACH's ancillaries are captured in the inpatient, emergency department, surgical/endoscopy, medical home and other outpatient service lines. However, ACH has also separately projected utilization for these ancillary services to demonstrate the need to relocate and retain the equipment used to provide these services, as well as replace the X-ray unit.*
>
> *ACH projects that its ancillaries, like other outpatients, will demonstrate growth equal to one half of the growth projected for inpatient utilization overall. Given that these services are utilized by all types of ACH patients, ACH believes these growth rates reflect a reasonable balance between the projected growth in inpatient services, the more modest projected growth in medical home, outpatient surgery and other outpatients, and the conservative projected growth in emergency services.*

In Section III.1, page 120, the applicants provide a table illustrating projected utilization for all the imaging equipment and ancillary services. Projected utilization is based on historical utilization, and takes into account increased use of hospital services in the replacement hospital. Projected utilization is reasonable, credible and supported. The applicants adequately demonstrate the need to relocate the existing imaging equipment and ancillary services.

In summary, the applicants adequately identify the population they propose to serve and adequately demonstrate the need the population has for the proposed replacement hospital. 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 applicants propose to construct a replacement hospital in Wadesboro 2.8 miles from the existing facility. The hospital is currently licensed for 52 acute care beds, two operating rooms (ORs), and one gastrointestinal endoscopy (GI endoscopy) room, and provides emergency, imaging, lab, therapy and pharmacy services to residents of Anson County. As part of this project, the applicants propose to decrease the acute care bed complement by 37, resulting in 15 acute care beds following project completion. Furthermore, the applicants propose to decrease the number of ORs by one, and to eliminate the GI endoscopy procedure room.

Acute Care Beds

The following table shows ACH's historical acute care bed utilization as reported in its *Hospital* License *Renewal Application* forms, and the applicants' projected acute care bed utilization through the first three years of the proposed project, as provided by the applicants in Section IV.1, pages 148 - 153 of the application.

FISCAL YEAR	LICENSED ACUTE CARE BEDS	PATIENT DAYS OF CARE	AVERAGE DAILY CENSUS	PERCENT CHANGE	AVERAGE OCCUPANCY RATE
2010 Actual	52	3,230	8.8	--	17.0%
2011 Actual	52	2,134	5.8	-34.0%	11.2%
2012 Projected	52	2,646	7.2	24.0%	13.9%
2013 Projected	52	2,699	7.4	2.0%	14.2%
2014 Projected	52	2,859	7.8	6.0%	15.1%
2015 Projected (Year 1)	15	3,145	8.6	10.0%	57.4%
2016 Projected (Year 2)	15	3,461	9.5	10.0%	63.2%
2017 Projected (Year 3)	15	3,525	9.7	2.0%	64.4%

As shown in the table above, in Project Year 3, ACH projects an occupancy rate of 64.4% for 15 licensed acute care beds. Projected utilization is based on the following:

- Historical and projected acute care bed use rates
- Projected population in Anson County
- Historical and projected market share
- Impact of physician support
- Impact of physical plant replacement

See Criterion (3) for discussion regarding the assumptions and methodology used to project utilization which is incorporated hereby as if set forth fully herein.

According to the 2012 SMFP, there will be a surplus of 38 acute care beds in Anson County in 2014. The applicants propose to reduce the licensed capacity by 37 beds.

The applicants adequately demonstrate that 15 acute care beds will provide sufficient capacity in Anson County such that low income persons, racial and ethnic minorities,

women, handicapped persons, and other underserved groups and the elderly will continue to have adequate access to acute care services in Anson County.

Operating Rooms

ACH is licensed for two ORs. A review of ACH's LRAs from 2009 to 2012 shows that the number of outpatient and inpatient surgical cases performed at ACH have been decreasing, as shown in the following table:

Number of Surgical Cases Performed at ACH

SURGERY TYPE	2012 LRA	2011 LRA	2010 LRA	2009 LRA
Outpatient	236	237	319	521
Inpatient	63	75	136	59
"Other"	--	--	--	115
Total	**299**	**312**	**455**	**695***

*The 2009 LRA has a section for *"other surgeries."*

On page 111, the applicants provide a table that shows ACH OR utilization on a calendar year basis. The data shows a need in Anson County for only one OR. The applicants propose to reduce the number of operating rooms to one OR. See the following table from page 111:

ACH Historical Operating Room Utilization

CALENDAR YEAR*	IP SURGICAL CASES	OP SURGICAL CASES	SURGICAL HOURS	OR NEED
2009	138	316	719	0.38
2010	75	240	521	0.28
2011	66	234	451	0.24

*The LRA data is based on the federal fiscal year. The applicants provide calendar year data which differs slightly from data in the LRA.

Historical utilization of the ORs at ACH shows a continued need for one OR.

In addition, the table below shows the number of surgical cases and GI endoscopy procedures projected to be performed in the one OR that will remain at the replacement hospital:

PROJECT YEAR	IP SURGICAL CASES	IP GI/ENDO CASES	OP SURGICAL CASES	OP GI/ENDO CASES	SURGICAL HOURS*	OR NEED EXCLUDING GI/ENDO	HOURS INCLUDING GI/ENDO	OR NEED INCLUDING GI/ENDO
PY 1	69	42	252	270	477	0.25	1,114	0.59
PY 2	70	43	265	284	496	0.26	1,161	0.62
PY 3	71	43	272	292	508	0.27	1,190	0.64

*Surgical Hours are calculated as follows: IP cases x 3.0 hours + OP Cases x 1.5 hours.

Since historical utilization of the existing ORs has been well below the threshold of 1,872 surgical hours per OR per year promulgated in 10A NCAC 14C .2103, and the one OR will provide sufficient capacity for the projected number of surgical cases and GI endoscopy procedures, the applicants adequately demonstrate that the needs of the population currently

being served in the OR that will be eliminated will continue to be met in the one replacement OR proposed in this application.

The applicants adequately demonstrate that one OR will be sufficient to meet the needs of the residents of Anson County.

GI Endoscopy Procedure Room

ACH is currently licensed for one GI endoscopy procedure room. The applicants propose to eliminate it. On page 110, the applicants state all surgical and GI endoscopy procedures will be performed in the one replacement OR. In addition, on page 111, the applicants state:

> *"ACH expects inpatient utilization to increase with the opening of the proposed replacement facility. However, ACH expects that its inpatient growth will more likely be for patients with medical diagnoses rather than surgical diagnoses. ACH's historical utilization has focused more on medical patients and ACH does not expect this to change with the replacement facility. As a result, ACH projects that its inpatient surgical and GI/ endoscopy cases will demonstrate growth equal to one quarter of the growth projected for inpatient utilization overall…."*

The following table shows historical GI endoscopy room utilization at ACH, based on information in its LRAs.

FFY	# PROCEDURES*	% OF CAPACITY
2012	277	18%
2011	139	9%
2010	43	3%
2009	49	3%

*Number of procedures includes only GI endoscopy procedures. Percent of capacity is based on 1,500 procedures per room pursuant to G.S. 131E-182(a).

In addition, the table below shows the number of surgical cases and GI endoscopy procedures projected to be performed in the one OR:

PROJECT YEAR	IP SURGICAL CASES	IP GI/ENDO CASES	OP SURGICAL CASES	OP GI/ENDO CASES	SURGICAL HOURS*	OR NEED EXCLUDING GI/ENDO	HOURS INCLUDING GI/ENDO	OR NEED INCLUDING GI/ENDO
PY 1	69	42	252	270	477	0.25	1,114	0.59
PY 2	70	43	265	284	496	0.26	1,161	0.62
PY 3	71	43	272	292	508	0.27	1,190	0.64

*Surgical Hours are calculated as follows: IP cases x 3.0 hours + OP Cases x 1.5 hours.

Since historical utilization of the existing GI endoscopy procedure room has been well below the threshold of 1,500 procedures per room promulgated in G.S. 131E-182(a), and the one OR will provide sufficient capacity for the projected number of surgical cases and GI endoscopy procedures, the applicants adequately demonstrate that the needs of the

population currently being served in the GI endoscopy room will continue to be met in the one replacement OR proposed in this application.

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 applicants propose to construct a replacement hospital and to reduce the number of licensed acute care beds, ORs, and GI endoscopy procedure rooms. The replacement hospital will be located 2.8 miles from the present hospital location. The applicants state in Section III.9, pages 129 – 134, that they considered several alternatives before proposing this project, including maintaining the status quo, renovating the existing hospital, constructing a replacement facility on the same site, and constructing a replacement hospital with fewer than 15 beds. The applicants state the proposed alternative is the most cost-effective alternative to meet the need for acute care services in Anson County.

Furthermore, the application is conforming to all other applicable statutory review criteria and is therefore approvable. An application that cannot be approved cannot be an effective alternative.

The applicants adequately demonstrate that the proposed project is their least costly or the most effective alternative to meet the need for a replacement hospital in Anson County. Therefore, the application is conforming to this criterion and is approved subject to the following conditions:

1. **Carolinas-Anson Health Care, Inc. d/b/a Anson Community Hospital and The Charlotte-Mecklenburg Hospital Authority d/b/a Carolinas HealthCare System shall materially comply with all representations made in the certificate of need application.**

2. **Carolinas-Anson Health Care, Inc. d/b/a Anson Community Hospital and The Charlotte-Mecklenburg Hospital Authority d/b/a Carolinas HealthCare System 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 and that would otherwise require a certificate of need.**

3. **Carolinas-Anson Health Care, Inc. d/b/a Anson Community Hospital shall be licensed for no more than 15 acute care beds, one operating room, and no GI endoscopy procedure rooms upon completion of this project.**

4. Carolinas-Anson Health Care, Inc. d/b/a Anson Community Hospital shall take the necessary steps to delicense 37 acute care beds, one operating room, and one GI endoscopy procedure room upon completion of this project.

5. Carolinas-Anson Health Care, Inc. d/b/a Anson Community Hospital and The Charlotte-Mecklenburg Hospital Authority d/b/a Carolinas HealthCare System 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 192, the applicants project the total capital cost of the project will be $20,000,000, including $2,065,000 for site costs; $10,650,000 for construction, $4,257,000 for fixed and movable equipment and furniture; $1,058,000 for architect and engineering and other consulting fees, and $1,970,000 for miscellaneous project costs. In Section IX, page 196, the applicants state there will be no start-up or initial operating expenses associated with this project, since all services are currently offered. In Section VIII.3, page 192, the applicants state the entire capital cost will be financed with the accumulated reserves of Carolinas HealthCare System, the ultimate parent company of ACH. In Exhibit 34, the applicants provide a June 15, 2012 letter signed by the Executive Vice President and CFO of Carolinas HealthCare System, that states:

> *"As Chief Financial Officer for Carolinas HealthCare System, I am responsible for the financial operations of the System. I am very familiar with the organization's financial position. The total capital expenditure for this project is estimated to be $20,000,000. There are no start-up costs related to this project.*
>
> *Carolina HealthCare System will fund the capital cost from existing accumulated cash reserves. This expenditure will not impact any other capital projects currently underway or planned for at this time. For verification of the availability of these funds and out ability to finance these projects internally, please refer to the line items 'Current Assets: Cash and cash equivalents' 'Other Assets: Designated as funded depreciation,' in the audited financial statements included with this CON application. The financial statement included is for FY 2011, which ended December 31, 2011, and is the most recent financial statement available. No significant changes have occurred in the past seven months that would negatively impact the availability of funds for the proposed project."*

In Exhibit 35, the applicants provide a copy of the audited balance sheet for year ending December 31, 2011, which shows that Carolinas HealthCare System had total assets in the amount of $5,315,925,000, including cash and cash equivalents in the amount of $53,073,000. The financial statements also show Carolinas HealthCare System had net assets (total current assets less total liabilities) in the amount of $2,631,534,000.

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

In the financial section of the application, the applicants provided pro forma financial statements for the first three years of the project. The applicants project revenues will exceed operating expenses in each of the first three operating years of the project, as illustrated in the table below.

ENTIRE FACILITY	PROJECT YEAR 1	PROJECT YEAR 2	PROJECT YEAR 3
Gross Patient Revenue	$84,714,887	$94,469,649	$102,010,661
Deductions from Gross Patient Revenue	$66,535,432	$75,564,703	$ 82,596,926
Net Patient Revenue	$18,179,455	$18,904,946	$ 19,413,736
Other Revenue	$ 176,478	$ 181,772	$ 187,225
Total Revenue	$18,355,933	$19,086,718	$ 19,600,961
Total Expenses	$16,358,997	$16,902,359	$ 17,404,961
Net Income	$ 1,820,458	$ 2,002,587	$ 2,008,774

The assumptions used by the applicants in preparation of the pro forma financial statements are reasonable, including projected utilization, costs and charges. See pages 232 – 234 of the application for the assumptions regarding costs and charges. See Criterion (3) for discussion regarding projected utilization which is incorporated hereby as if fully set forth herein. The applicants adequately demonstrate that the financial feasibility of the proposal is based upon reasonable projections of costs and charges, and 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

The applicants propose to construct a replacement hospital and to decrease the number of acute care beds, ORs and GI endoscopy procedure rooms, as shown in the following table:

BEDS/EQUIPMENT/SERVICES	EXISTING	PROPOSED	INCREASE / (DECREASE)
Licensed Acute Care Beds	52	15	(37)
Shared Operating Rooms	2	1	(1)
Gastrointestinal Endoscopy Rooms	1	0	(1)
Minor Procedure Room	1	0	(1)
Emergency Department Exam Rooms*	7	9	2

Medical Home	Off-site	On-site	
CT Scanner	1	1	-
Mammography Unit	1	1	-
Ultrasound Unit	1	1	-
Fixed X-Ray Unit	1	1	-
C-Arm	1	1	-
Mobile MRI	1	1	-
Therapy Services	PT, OT, ST	PT, OT, ST	
Cardiopulmonary Services	Yes	Yes	-
Laboratory Services	Yes	Yes	-
Pharmacy Services	Yes	Yes	-
Dietary Services	Yes	Warming Kitchen	-
Helipad	Yes	Yes	

*On page 27 the applicants explain that ACH currently has seven exam rooms in the emergency department (ED), as reflected on its LRA. One of the exam rooms accommodates three beds, for a total of nine emergency department beds. In addition, the applicants state the ED has the capacity to accommodate three additional stretchers when necessary (one in the triage room and two in the hall); therefore, the applicants state there is space in the ED for 12 patients [9 rooms + three additional stretchers = 12 patient spaces].

ACH is the only hospital in Anson County. The applicants adequately demonstrate the need to construct a replacement hospital and adequately demonstrate the need to maintain 15 licensed acute care beds and one OR based on projected utilization. Projected utilization is based on reasonable, credible, and supported assumptions. See Criterion (3) for discussion regarding projected utilization which is incorporated hereby as if set forth fully herein.

The applicants adequately demonstrate that the proposal will not result in the unnecessary duplication of existing or approved health service capabilities or facilities in Anson County, 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 178 - 179, the applicants provide the current and projected staffing for the hospital, as shown in the table below.

POSITION	CURRENT # FULL-TIME EQUIVALENT (FTE) POSITIONS	PROPOSED POSITION	PROPOSED # FTES
Director	1.0	Director	1.0
Administrative Assistant	2.0	Administrative Assistant	2.0
RN Lead / Manager / Supervisor	6.0	RN Lead / Manager / Supervisor	1.0
ED Registered Nurse	15.0	ED Registered Nurse	9.4

ED CNA	2.0	ED CNA	4.7
Med/Surg Registered Nurse	13.0	Med/Surg Registered Nurse	4.7
Unit Coordinator / Tech / Support	8.0	Surgical Services RN	1.8
Surgical Services RN	3.0	Surgical Tech	1.2
Surgical Services Tech	2.0	Unit Coordinator / Registration	4.7
Unit Coordinator / Registration	2.0	Greeter / Registration	4.7
Greeter / Registration	5.0	Outpatient Registration	2.2
Outpatient Registration	3.0	CT / DX Technologist	5.8
CT / DX Technologist	8.0	Ultrasound Tech	2.2
Ultrasound Tech	2.0	Lab Technician	4.7
Lab Technician	11.0	Pharmacist	1.4
Pharmacist	2.0	Pharmacy Tech	3.5
Pharmacy Tech	3.0	Environmental	6.4
Environmental	13.0	Security	4.7
Security	3.0	Transport / Delivery / Receiving	1.0
Transport / Delivery / Receiving	3.0	Echo Tech	1.0
Echo Tech	1.0	Respiratory Tech	4.7
Respiratory Tech	7.0	Other Cardiopulmonary Staff	3.3
Other Cardiopulmonary Staff	1.0	Medical Home Physician	4.5
Medical Home Physician	3.0	Nurse Practitioners	1.7
Medical Home Manager / Supervisor	1.0	Medical Home Manager / Supervisor	1.1
Medical Home RNs	3.0	Medical Home RNs	3.9
Clerical	4.0	Clerical	1.1
Rehab / Therapy	1.0	Rehab / Therapy	1.1
Home Care Staff	22.0	Home Care Staff	22.0
Community Alternatives Program Staff	3.0	Community Alternatives Program Staff	3.0
Professional Services	2.0	Plant / Operations	0.6
Nursing Administration	3.0	Diabetes Educator	1.1
Plant / Ops	3.0	Community Health	2.2
Diabetes Educator	1.0	Patient Navigator	1.1
Employee Health	0.8	Parrish RNs	3.4
Clinical Effectiveness	2.0	Dietician	1.1
Accounting	1.0	Occupational Health	1.1
Patient Accounting	7.0	Behavioralist	1.1
Human Resources	3.0		
Total	175.8	Total	126.4

In Section VIII.1(b), page 181, the applicants project a reduction in staff of nearly 50 FTE positions. The applicants state the staff reduction is due in part to the reduction of acute care beds, and in part to locating the medical home in the same building (it is currently located off-stie). In Section V.3(c), pages 158 - 159, the applicants state Dr. Niazi-Sai currently serves as Chief Medical Officer for ACH and has expressed a willingness to continue in that capacity following project completion. In Exhibit 38, the applicants provide a May 31, 2012 letter signed by Dr. Niazi-Sai in which he affirms his commitment to continue to serve as Medical Director following completion of the project. In addition, in Exhibit 38 the applicants provide 40 letters from area physicians as well as physicians outside of Anson County but within the Carolinas HealthCare System, all of which indicate support for the replacement hospital. The applicants demonstrate 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, pages 44 – 45, the applicants state that since ACH is an existing hospital, all necessary ancillary and support services are currently in place, and will continue to be available in the replacement hospital. In Exhibit 9, the applicants document that these services will continue to be provided. Furthermore, in Section V.3, page 157, the applicants state the transfer agreements ACH currently has with other facilities will continue following project completion. The applicants provide a copy of a transfer agreement in Exhibit 27. The applicants provide letters of support for the proposal from area physicians in Exhibit 38. The applicants adequately demonstrated the availability of necessary ancillary and support services, and that the proposed services 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 applicants propose to construct a 46,800 square foot replacement hospital. In Exhibit 32, the applicants provide a cost estimate from an architect which confirms total site preparation and construction costs, estimated to be $12,100,000, are consistent with the representations made by the applicants in Section VIII.1, page 191. In Section XI.7, pages 209 - 211, the applicants state that applicable energy savings features will be incorporated into the construction plans, and confirm that the replacement hospital will be constructed in accordance with current federal and state building, safety, and ADA codes. The applicants adequately demonstrate that the cost, design and means of construction represent the most reasonable alternative for the project proposed, and that the construction costs will not unduly increase costs and charges for health services in Anson County. See Criterion (5) for discussion of costs and charges which is incorporated hereby as if set forth fully herein. 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;

In Section VI.12, page 172, the applicants provide the current payor mix at ACH during CY 2011, as shown in the table below:

Total Hospital CY 2011

SOURCE OF PAYMENT	PERCENT
Self Pay/Indigent/Charity	14.0%
Medicare/Medicare Managed Care	39.2%
Medicaid	18.2%
Managed Care/ Commercial	27.5%
Other (workers comp. and government payors)	1.1%
Total	**100.0%**

On pages 172 - 174, the applicants provide the current payor mix at ACH during CY 2011 for acute care services (includes inpatient surgical services), emergency services, outpatient surgical services, other outpatient services, and medical home care, as shown in the tables below:

Inpatient Services CY 2011

SOURCE OF PAYMENT	PERCENT
Self Pay/Indigent/Charity	15.4%
Medicare/Medicare Managed Care	41.3%
Medicaid	20.3%
Managed Care/ Commercial	21.9%
Other (workers comp. and government payors)	1.2%
Total	**100.0%**

Emergency Services CY 2011

SOURCE OF PAYMENT	PERCENT
Self Pay/Indigent/Charity	27.8%
Medicare/Medicare Managed Care	17.2%
Medicaid	31.5%
Managed Care/ Commercial	21.2%
Other (workers comp. and government payors)	2.3%
Total	**100.0%**

Outpatient Surgical Services CY 2011

SOURCE OF PAYMENT	PERCENT
Self Pay/Indigent/Charity	4.9%
Medicare/Medicare Managed Care	52.6%
Medicaid	15.4%
Managed Care/ Commercial	26.1%
Other (workers comp. and government payors)	1.0%
Total	**100.0%**

Other Outpatient Services CY 2011

SOURCE OF PAYMENT	PERCENT
Self Pay/Indigent/Charity	5.0%
Medicare/Medicare Managed Care	52.6%
Medicaid	10.9%
Managed Care/ Commercial	30.5%
Other (workers comp. and government payors)	1.0%
Total	**100.0%**

Medical Home CY 2011

SOURCE OF PAYMENT	PERCENT
Self Pay/Indigent/Charity	11.1%

Medicare/Medicare Managed Care	44.1%
Medicaid	12.9%
Managed Care/ Commercial	32.0%
Other (workers comp. and government payors)	0.0%
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. 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)
Anson	23.0%	<1.0%	22.3%
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 services offered by ACH.

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 applicants demonstrate that they provide 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;

Recipients of Hill-Burton funds were required to provide uncompensated care, community service and access by minorities and handicapped persons. In Section VI.2, page 164, the applicants state low income persons, racial and ethnic minorities, women, handicapped persons, the elderly and any other underserved group, have access to all hospital services provided by ACH. Also on page 164, the applicants state the hospital provided $7.6 Million in uncompensated care (bad debt and charity care) in CY 2011. The applicants state ACH *"will maintain the System's strong commitment to providing accessible health services for the underserved, including low-income persons, racial and ethnic minorities, women, handicapped persons, the elderly, and other underserved persons."* In Section VI.10, page 171, the applicants state no civil rights equal access complaints or violations were filed against ACH in the last five years. 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

C

In Section VI.15, pages 175 - 177, the applicants project the following payor mix for services during Project Year Two:

Total Hospital CY 2011

SOURCE OF PAYMENT	PERCENT
Self Pay/Indigent/Charity	14.0%
Medicare/Medicare Managed Care	39.2%
Medicaid	18.2%
Managed Care/ Commercial	27.5%
Other (workers comp. and government payors)	1.1%
Total	**100.0%**

Inpatient Services CY 2011

SOURCE OF PAYMENT	PERCENT
Self Pay/Indigent/Charity	15.4%
Medicare/Medicare Managed Care	41.3%
Medicaid	20.3%
Managed Care/ Commercial	21.9%
Other (workers comp. and government payors)	1.2%

Total	**100.0%**

Emergency Services CY 2011

SOURCE OF PAYMENT	PERCENT
Self Pay/Indigent/Charity	27.8%
Medicare/Medicare Managed Care	17.2%
Medicaid	31.5%
Managed Care/ Commercial	21.2%
Other (workers comp. and government payors)	2.3%
Total	**100.0%**

Outpatient Surgical Services CY 2011

SOURCE OF PAYMENT	PERCENT
Self Pay/Indigent/Charity	4.9%
Medicare/Medicare Managed Care	52.6%
Medicaid	15.4%
Managed Care/ Commercial	26.1%
Other (workers comp. and government payors)	1.0%
Total	**100.0%**

Other Outpatient Services CY 2011

SOURCE OF PAYMENT	PERCENT
Self Pay/Indigent/Charity	5.0%
Medicare/Medicare Managed Care	52.6%
Medicaid	10.9%
Managed Care/ Commercial	30.5%
Other (workers comp. and government payors)	1.0%
Total	**100.0%**

Medical Home CY 2011

SOURCE OF PAYMENT	PERCENT
Self Pay/Indigent/Charity	11.1%
Medicare/Medicare Managed Care	44.1%
Medicaid	12.9%
Managed Care/ Commercial	32.0%
Other (workers comp. and government payors)	0.0%
Total	**100.0%**

As shown in the tables above and those in Criterion (13a), the applicants assume no change in payor mix following project completion.

In Section VI.4, page 165, the applicants state *"…all persons will continue to have access to ACH's services regardless of their ability to pay."* In Exhibit 29 the applicants provide a copy of Carolinas HealthCare System's Non-Discrimination Policy, which indicates that care will be provided to all persons, including those

underinsured and uninsured, as stated above. The applicants demonstrate the replacement hospital 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.

C

In Section VI.5, page 167, the applicants state that no patient will be denied access to the hospital. In addition, the applicants state those patients who require services not provided at ACH will be referred to a facility equipped to treat those patients, but that at a minimum, those patients will be stabilized prior to transfer. In Section VI.9, page 170, the applicants state persons will have access to services at ACH through physician referrals and emergency admission. In Exhibit 10, the applicants provide a copy of ACH's policies regarding patient transfer, referral and follow-up. Additionally, in Exhibit 29, the applicants provide a copy of the existing transfer agreement between ACH and Carolinas Medical Center in Mecklenburg County. 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.

C

In Section V.1(b), page 155, the applicants state the hospital currently has training agreements in place with the following health professional training programs:

- Cabarrus College of Health Sciences
- Caldwell Community College and Technical Institute
- Campbell University
- East Carolina University (Brody School of Medicine)
- Elon University
- Northeastern Technical College
- South Piedmont Community College
- Stanly Community College
- Wingate University

On page 156, the applicants state those training agreements will not change following project completion and that the clinical training opportunities will still be in place. In Exhibit 26, the applicants provide a copy of an existing agreement between ACH and South Piedmont Community College. The applicants adequately demonstrate that the hospital will continue to

accommodate the clinical needs of area health professional training programs. 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.

C

The applicants propose to construct a replacement hospital in Wadesboro 2.8 miles from the existing facility. The following table compares existing and proposed services at ACH:

BEDS/EQUIPMENT/SERVICES	EXISTING	PROPOSED	INCREASE / (DECREASE)
Licensed Acute Care Beds	52	15	(37)
Shared Operating Rooms	2	1	(1)
Gastrointestinal Endoscopy Rooms	1	0	(1)
Minor Procedure Room	1	0	(1)
Emergency Department Exam Rooms*	7	9	2
Medical Home	Off-site	On-site	
CT Scanner	1	1	-
Mammography Unit	1	1	-
Ultrasound Unit	1	1	-
Fixed X-Ray Unit	1	1	-
C-Arm	1	1	-
Mobile MRI	1	1	-
Therapy Services	PT, OT, ST	PT, OT, ST	
Cardiopulmonary Services	Yes	Yes	-

Laboratory Services	Yes	Yes	-
Pharmacy Services	Yes	Yes	-
Dietary Services	Yes	Warming Kitchen	-
Helipad	Yes	Yes	

*On page 27 the applicants explain that ACH currently has seven exam rooms in the emergency department (ED), as reflected on its LRA. One of the exam rooms accommodates three beds, for a total of nine emergency department beds. In addition, the applicants state the ED has the capacity to accommodate three additional stretchers when necessary (one in the triage room and two in the hall); therefore, the applicants state there is space in the ED for 12 patients [9 rooms + three additional stretchers = 12 patient spaces].

ACH is the only hospital in Anson County and thus the only provider of acute care services. It is also the only provider of emergency and surgical services.

In Section III.1, pages 60 - 66, the applicants discuss the impact of the proposed project on competition in the service area, particularly as it relates to the impact on cost-effectiveness, quality and access to hospital services. On page 60, the applicants state:

> *"In the process of evaluating the needs of the hospital, ACH and CHS have determined that there is a clear and compelling need to completely replace the existing facility."*

The applicants state that the original facility was constructed in 1954, with an addition in 1967; the design of which is outdated in terms of patient care, federal and state code compliance, and the provision of quality services. See also Sections II, III, V, VI and VII where the applicants discuss the impact of the project on cost-effectiveness, quality and access, particularly the provision of all hospital services to the medically underserved in Anson County.

The information provided by the applicants in those sections is reasonable and credible and adequately demonstrates that the expected effects of the proposal on competition in the service area include a positive impact on cost-effectiveness, quality and access to the proposed services. This determination is based on the information in the application and the following analysis:

- The applicants adequately demonstrate the need to replace the existing hospital and that their proposal is a cost-effective alternative;
- The applicants have and will continue to provide quality services; and
- The applicants have and will continue to provide adequate access to medically underserved populations.

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.

ACH is certified by the Centers for Medicare and Medicaid for participation in the Medicare and Medicaid programs, and licensed by the NC Division of Health Service Regulation as an acute care 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