

ATTACHMENT - REQUIRED STATE AGENCY FINDINGS

FINDINGS

C = Conforming

CA = Conditional

NC = Nonconforming

NA = Not Applicable

DATE: April 9, 2013
PROJECT ANALYST: Gloria C. Hale
TEAM LEADER: Lisa Pittman

PROJECT I.D. NUMBER: F-10072-13/ Stanly Regional Medical Center/ Renovate and expand the emergency department/ Stanly 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.

CA

Stanley Regional Medical Center (SRMC) proposes to renovate and expand its Emergency Department (ED) to increase the number of treatment rooms from 18 to 28 treatment rooms upon project completion. The proposed project includes renovating 16,087 square feet and adding 8,726 square feet to the existing ED. The applicant does not propose to increase the number of licensed beds in any category, add services, or acquire equipment for which there is a need determination in the 2013 State Medical Facilities Plan (SMFP). Therefore, there are no need determinations in the 2013 SMFP that are applicable to this review.

However, Policy GEN-4 is applicable to this review. Policy GEN-4: Energy Efficiency and Sustainability for Health Service Facilities 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 VIII.1, page 83, the applicant indicates that the total capital cost of the proposed project will be \$8,757,247. In Section III.2, pages 39-40, the applicant describes how the proposed project will ensure energy efficiency and water conservation. SRMC uses computerized energy and building management systems designed to ensure the most efficient and effective operations. In addition, energy efficient systems and water conservation methods were incorporated into the design of the facility by experienced architects and engineers, as follows:

- *“Used energy guidelines of the U.S. Department of Housing and Urban Development, U.S. Department of Energy, and the American Society of Heating, Refrigeration, and Air Conditioning Engineers for the design of health care facilities.*
- *Used USGBC LEED guidelines and Hospitals for a Healthy Environment Green Guide for HealthCare (GGHC) as appropriate for opportunities to improve the cost of facility-wide operations, improve safety and improve patient outcomes.*
- *Used EPA Energy Star for Hospitals rating system to compare performance across NC and US, for benchmarking performance.*
- *Used ultra-low flow plumbing fixtures in the public toilets and flow restrictors on all hand sinks.”*

The application adequately demonstrates the proposal includes improved energy efficiency sustainability and water conservation. 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.

C

SRMC proposes to renovate and expand its ED located at 301 Yadkin Street, Albemarle, NC. SRMC has been operational since 1950 and is currently licensed for 119 beds, including 97 acute care, 10 inpatient rehabilitation, and 12 inpatient psychiatric beds. Its ED was renovated in 1998, currently has 18 treatment beds, and operates 24 hours a day, seven days per week. The applicant states in Section I.12(e), page 12, that SRMC treated over 34,000 patients in the ED in FFY2012 and that patients are “*more acutely ill and the admission rate is increasing.*” In Section II.1(a), pages 14-16, the applicant states it proposes to renovate 16,087 square feet of existing space and construct an additional 8,726 square feet for an ED totaling 24,813 square feet. The number of ED treatment rooms would be increased from 18 to 28 total treatment rooms and three new, enlarged nursing stations would be developed upon completion of the proposed project, in addition to additional functional spaces. The applicant lists the functional spaces that would be included in the ED in Section II.1(a), pages 16-17, as follows:

- *“Waiting Area*
- *Receptionist Desk and Triage Area*
- *1 Decontamination Room*
- *2 Triage Rooms*
- *28 private ED Rooms including:*
 - *2 Trauma/Resuscitation Rooms*
 - *16 General/Urgent/Emergent Rooms*
 - *2 Isolation/OBGYN Rooms*
 - *8 Rapid Care Rooms*
- *3 Nursing Stations*
- *Administrative offices, including meeting room*
- *1 EMS Workroom, adjacent to ambulance entrance*
- *Equipment Room, Clean Storage Room, Soiled Utility Room, and janitor closets*
- *Physician and staff locker rooms/break rooms, and restrooms*

- *Physician Charting/Viewing Room*
- *Administrative offices for Medical Director, ED Director, ED Nurse Manager, Care Coordinator/Social Work and ED Secretary”*

In Section II.1(a), page 15, the applicant describes the objectives of the proposed project, summarized as follows:

- Increase ED capacity to meet SRMC’s current and projected utilization,
- Better accommodate the needs of behavioral health patients,
- Enhance patient privacy and confidentiality,
- Improve and expand clinical support areas,
- Increase security, and
- Accommodate staffing increases, in addition to current and projected workloads, by expanding administrative and support spaces.

Population to be Served

In Section III.4(b), page 44, the applicant provides the patient origin for emergency services at SRMC in FFY2012. In Section III.5(c), page 46, the applicant provides the projected patient origin for emergency services for FFY2015–FFY2016. The primary service area for SRMC’s emergency services is Stanly County and its secondary service area includes Montgomery County. The applicant states that no change is expected in patient origin for the proposed project. SRMC’s historic and projected patient origin for emergency services is depicted in the following table:

**Stanly Regional Medical Center
Emergency Services Patient Origin by County
FFY2012 and FFY2015-FFY2016**

County	% of Total
Stanly	82.5%
Montgomery	8.3%
Cabarrus	1.9%
Rowan	1.5%
Anson	1.5%
Mecklenburg	0.5%
Union	0.5%
Other	3.2%
Total	100.0%

The applicant adequately identified the population to be served by the proposed project.

Demonstration of Need

The applicant proposes to renovate and expand the emergency department at SRMC due to the growth of ED patient visits and changes in the delivery of emergency services necessitated by an increase in more acutely ill patients, federal privacy requirements, and diagnoses of patients who present to the ED. In Sections III.1(a) and III.1(b), pages 27 and 37, respectively, the applicant states that SRMC treated over 34,000 patients in FFY2012 utilizing 18 treatment rooms in an area of approximately 8,265 square feet. According to American College of Emergency Physician’s (ACEP) guidelines for emergency services, depicted in a table in Section III.1(a), page 37, SRMC treats over three times the number of patients in its ED than what is recommended for its size. The ACEP table is illustrated as follows:

**American College of Emergency Physicians
 Emergency Department Guidelines**

# of ED visits	Department Gross Area in Square Feet (sf)		Area and Bed Comparisons	
	Low Range	High Range	Low Range	High Range
10,000	7,200 sf	9,900 sf	8 beds	11 beds
20,000	13,500 sf	17,100 sf	15 beds	19 beds
30,000	17,500 sf	22,750 sf	20 beds	26 beds
40,000	21,875 sf	28,875 sf	25 beds	33 beds
50,000	25,500 sf	34,000 sf	30 beds	40 beds

In addition, in Section III.1(a), page 27, the applicant refers to the ACEP guidelines stating that since it treated over 34,000 patients in FFY2012, the ED should have more than the 18 treatment rooms it currently has. The applicant states on page 27, *“Due to the growing number of ED patients and the lack of available ED treatment rooms, patients often experience long wait times and many patients are evaluated in the hallways of the ED. This presents great challenges with respect to patient comfort and privacy.”* SRMC’s growing number of annual ED visits is illustrated by the applicant in Section III.1(b), page 36, as follows,

**Stanly Regional Medical Center
 Emergency Department Visits
 FFY2009 – FFY2012**

	FFY2009	FFY2010	FFY2011	FFY2012	3-Yr CAGR
ED Visits	30,456	32,676	34,159	34,846	4.6%
% Growth	--	7.3%	4.5%	2.0%	

As the table depicts, SRMC experienced a 4.6% compound annual growth rate (CAGR) in ED visits over a three year period.

In addition to the inadequate size of the current ED, the applicant discusses several other shortcomings of the current space and its plans to address those issues in Section III.1(a), pages 27–32. These are summarized below:

- Decontamination room currently being used for storage due to inadequate storage space will be restored for its original purpose, facilitated by a planned storage room.
- Lack of dedicated space for sexual assault victims will be addressed by the addition of two designated exam rooms and continuation of the Sexual Assault Nurse Examiner (SANE) program.
- Long wait times for patients with lower acuity will be addressed by the development of eight “rapid care” rooms to bring patients out of “*the main flow of more serious medical cases and into a designated area of the Emergency Department.*” Criteria will be developed to assist ED staff in determining which patients to place in these rooms. Moreover, the design will centralize these patients and increase efficiency.
- The inadequacy of the size and design of the current ED for treatment of behavioral health patients will be addressed by a “*racetrack*” design consisting of three nurses’ stations encircled by 28 private patient examination rooms, allowing for visibility into patient rooms while maintaining privacy. Behavioral health patients can be placed at the far end of the department from the triage area, rapid care and trauma rooms, with a dedicated nurse station, to separate them from other ED patients. In addition, an attendant station is planned for police officers who may accompany behavioral health patients or who may be needed in the event of violent behavior.
- An increase in more acutely ill patients presenting to the ED, accounting for over 95 percent of inpatient admissions in addition to increasing admissions, will be addressed by expanding the ED.
- A lack of necessary and adequate support space for increasing numbers of patients will be addressed by expanding or developing spaces for registration, nurse station, storage, EMS staff record keeping and resupply, and general supplies.
- A lack of space for increased ED staff will be addressed by creating an appropriately-sized staff lounge, showers, conference and education rooms, in addition to office spaces for the Medical Director, ED Director, ED Nurse Manager, ED Secretary, Care Coordinator/Social Worker, and a behavioral health office.

In addition, in Section III.1(b), page 34, the applicant states that Stanly County’s population is projected to grow by 2.4 percent from 2013-2017, and based on an analysis of recent reports and studies, the applicant suggests an increase in ED visits are likely in the future due to concomitant increases in the county’s Medicaid recipients, the uninsured and underinsured. The applicant provides the county’s population projections on page 34 as follows:

**Stanly County
 Projected Population, 2013-2017**

	2013	2014	2015	2016	2017	4-Year Growth
Population	61,665	62,040	62,413	62,786	63,161	2.4%

The applicant adequately demonstrates the need to renovate and expand the existing ED, including the addition of 10 treatment rooms.

Projected Utilization

In Section IV.1, pages 50-51, the applicant projects emergency department utilization for the project’s two interim years and the first three project years, as illustrated in the table below:

**Stanly Regional Medical Center
 Emergency Department
 Interim and Projected Utilization, FFY2013-FFY2017**

Emergency Department	FFY2013	FFY2014	FFY2015	FFY2016	FFY2017
# of Visits	35,646	36,464	37,301	38,157	39,033

In Section III.1, pages 36-38, the applicant provides the assumptions and methodology used to project utilization of the ED at SRMC through the interim project development period and through the first three full fiscal years of the project. The applicant calculated the 3-year Compound Annual Growth Rate (CAGR) based on the number of ED visits at SRMC from FFY2009-FFY2012 as show below:

**Stanly Regional Medical Center
 Emergency Department Visits
 FFY2009 – FFY2012**

	FFY2009	FFY2010	FFY2011	FFY2012	3-Yr CAGR
ED Visits	30,456	32,676	34,159	34,846	4.6%
% Growth	--	7.3%	4.5%	2.0%	

To project ED utilization for the interim project years and for the first three full fiscal years of the project, the applicant applied one-half of the three-year CAGR to the number of ED visits in FFY2012 to arrive at a CAGR of 2.3% ($4.6\% / 2 = 2.3\%$). The applicant adequately demonstrates projected utilization of the SRMC ED is based on reasonable, credible, and supported assumptions.

In summary, the applicant adequately identified the population to be served and demonstrated the need that the proposed population to be served has for the proposed project. Therefore, 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.

NA

- (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.

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In Section III.3, pages 40-42, the applicant discusses the alternatives considered prior to the submission of this application, which include:

- 1) Maintain the Status Quo – the applicant states that it has rejected maintaining the status quo since both the public areas (waiting rooms, registration, and restrooms) and the treatment areas (patient triage, treatment rooms, and procedure rooms) of the emergency department are being utilized well beyond their intended capacity. The applicant states in Section III.1(b), page 37, that according to ACEP guidelines, the current size of SRMC’s ED is designed to accommodate up to 10,000 visits per

year. SRMC's ED had over 30,000 visits in FFY2012, over three times the number of visits it was designed for. Therefore, maintaining the status quo does not address capacity issues.

- 2) Convert Inpatient Space/Renovate – the applicant states that it considered converting existing inpatient space for ED use. However, this was rejected since the space that was considered was not in proximity to the existing ED and the rooms were not sized properly. The applicant concluded that the conversion of existing space would not be practical and therefore, would not be more cost-effective than new construction.
- 3) Renovate Existing ED without New Construction - the applicant states that this alternative would not be feasible since it would not address the current and projected volumes effectively or efficiency. The applicant states, *“This growth simply cannot be effectively served in the current departmental space.”*
- 4) Refer Patients to Other Hospitals – the applicant states that this alternative would be unreasonable for several reasons. First, SRMC is the only hospital in the county and has the only ED in the county, therefore patients would be forced to travel to other facilities, which is not consistent with SRMC's mission and could be an EMTALA violation. Second, the outpatient visits, ancillary services, and inpatient admissions generated by ED utilization are important to SRMC financially, therefore re-directing patients elsewhere would negatively impact the hospital's programs and financial performance.

The applicant states in Section III.3, page 42, in evaluating these alternatives, *“the option to renovate and construct new space is the option that best addresses capacity, quality, cost, access, and patient satisfaction...”*

Furthermore, the application is conforming or conditionally conforming to all other statutory review criteria. Therefore, the application is approvable. An application that cannot be approved is not an effective alternative.

The applicant adequately demonstrates that its proposal is the least costly or most effective alternative to meet the need. Therefore, the application is conforming to this criterion and approved subject to the following conditions:

- 1. Stanly Regional Medical Center shall materially comply with all representations made in the certificate of need application.**
- 2. Stanly Regional Medical Center 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. Stanly Regional Medical Center shall 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 representations in the written statement as described in paragraph one of Policy GEN-4.**
 - 4. Stanly Regional Medical Center 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, page 83, the applicant projects that the total capital cost for this project will be \$8,757,247 as shown below.

SRMC ED Expansion & Renovation

	Proposed Capital Costs
Subtotal Site Costs	\$129,000
Subtotal Construction Costs	\$6,823,575
Subtotal Miscellaneous Project Costs	\$1,804,672
Total Capital Cost of the Project	\$8,757,247

In Section IX, page 89, the applicant states that there will be no start up or initial operating expenses. In Section VIII.3, page 85, the applicant indicates that the capital cost will be funded with SRMC's accumulated reserves. Exhibit 12 contains a letter signed by Stanly Regional Medical Center's Chief Financial Officer, which states,

"As the Chief Financial Officer for Stanly Regional Medical Center (SRMC), I have authority to obligate funds from accumulated reserves for hospital projects. ...SRMC has sufficient reserves to cover all of the capital costs associated with this project. The anticipated project costs are approximately \$8.8 million."

Exhibit 11 includes the audited financial statements for SRMC for the years ended September 30, 2011 and 2010. As of September 30, 2011, the applicant had cash and cash

equivalents of \$14,657,142, total assets of \$126,967,117, and \$78,147,985 in net assets (total assets less total liabilities). The applicant adequately demonstrates the availability of sufficient funds for the capital needs of the project.

The applicant provides pro forma financial statements for the first three years of the project. The applicant projects that revenues will exceed operating expenses in each of the first three operating years of the project as illustrated in the table below.

SRMC ED Services	FFY 2015 Project Year 1 10/01/14 - 9/30/15	FFY 2016 Project Year 2 10/01/15 - 9/30/16	FFY 2017 Project Year 3 10/01/16 - 9/30/17
Projected # of Patients	37,301	38,157	39,033
Projected Average Charge (Gross Patient Revenue/Projected # of Patients)	\$1,131	\$1,199	\$1,271
Gross Patient Revenue	\$42,204,839	\$45,764,019	\$49,623,348
Deductions from Gross Patient Revenue	\$26,859,948	\$29,125,077	\$31,581,226
Net Patient Revenue	\$15,344,891	\$16,638,942	\$18,042,122
Total Expenses	\$11,962,394	\$12,768,827	\$13,634,954
Net Income	\$3,382,497	\$3,870,115	\$4,407,168

The applicant also projects a positive net income for the entire facility in each of the first three operating years of the project. Net income for the first three operating years of the project, FFY 2015 – 2017, is projected to be \$2,732,000, \$2,278,000, and \$1,927,000, respectively. The assumptions used by the applicant in preparation of the pro forma financial statements are reasonable, including projected utilization, costs and charges. See Form D of the pro formas and the assumptions following the pro forma financial statements for information regarding costs and charges. See Criterion (3) for discussion regarding projected utilization which is incorporated hereby as if fully set forth herein.

The applicant adequately demonstrates 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

In Section III.6(b), page 47, the applicant states that SRMC primarily serves patients who reside in Stanly County. SRMC is the only hospital and only emergency services provider in Stanly County. SRMC also serves patients who reside in adjacent areas of Montgomery County. In Section III.6(a), the applicant indicates that SRMC served 34,846 patients in its ED in FFY2012. In addition, the applicant indicates that in

Montgomery County, FirstHealth Montgomery Memorial Hospital served 14,110 patients in its ED during FFY2012. As stated in Section III.5(d), page 46, the applicant “*does not anticipate a significant change in patient origin for the proposed project.*” Moreover, in Section III.5(c), page 46, the applicant projected that 8.3% of SRMC’s ED patients would come from Montgomery County in FFY2015-FFY2016, while 82.5% would come from Stanly County. The applicant states in Section III.6(b), page 47,

“Generally, the decision to use a particular hospital’s Emergency Department is based on geographic proximity. ...it is not realistic or practical to expect those residents to travel to more distant locations to receive these services. ...The project is driven by inadequacies of the current ED spaces, the increasing demand for emergency services at SRMC, and the limitations of the existing physical facility to accommodate the growth in the local communities.”

The applicant proposes to expand its ED to increase the number of treatment rooms from 18 to a total of 28 treatment rooms upon project completion in order to accommodate the current and projected demand for ED services at SRMC. In Section III, page 36, the applicant states that SRMC had a CAGR of 4.6 percent from FFY2009 to FFY2012. In FFY2012, SRMC had 34,846 ED visits in an ED space consisting of 8,265 square feet. The applicant states, on page 37, that according to ACEP’s guidelines, an ED of that size is designed to accommodate up to 10,000 visits. The applicant also states, on page 37, that steady growth in the utilization of SRMC’s emergency services and local demographics support the continued need for these services and that the existing space is insufficient to meet current and projected needs. See Criteria (3) for discussion of historical and projected utilization which is incorporated hereby as if fully set forth herein.

The applicant adequately demonstrates the proposed project would not result in the unnecessary duplication of existing or approved health service capabilities or facilities in Stanly County. 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

The following table illustrates the current and projected staffing at SRMC during the second project year (FFY 2016), as reported by the applicant in Section VII.1(a) and (b), pages 72-73.

SRMC Current and Projected Staffing

	Current Staffing FFY 2012	Projected Staffing Project Year 2 FFY 2016

Position Title	Total # of Full Time Equivalent (FTE) Positions	Total # of Full Time Equivalent (FTE) Positions
Clinical Manager	2.0	2.00
Registered Nurse (RN)	27.7	36.80
Licensed Practical Nurse	0.9	0.98
Nurse Aide	15.4	18.20
Unit Secretary	3.0	3.00
Data Coordinator	1.0	1.00
Total Staff	50.02 [50.0]	61.96 [61.98]

In Section VII.4, page 75, the applicant states that the proposed project does not require any new positions, but additional staffing will be needed in already existing job titles. No difficulty is anticipated in recruiting staff from the existing labor force in Stanly County. In Section VII.1(b), page 74, the applicant states the name of the Chief of Emergency Services and Medical Director for the ED and includes his Curriculum Vitae in Exhibit 13.

The applicant adequately demonstrates the availability of sufficient health manpower and management personnel to provide 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 18-19, the applicant identifies the ancillary and support services needed, including: business office/registration, medical records, medical and drug supplies, administration, radiology, laundry, maintenance, housekeeping, dietary services, and pharmacy. The applicant indicates that all of these services are currently provided to support emergency services. The applicant discusses coordination with the existing health care system in Sections V.1 – V.6, pages 52-55. The applicant states that SRMC has established relationships with area physicians who have been actively involved in the planning process for the proposed project. In addition, SRMC has long standing relationships with other providers such as home healthcare agencies, long-term care institutions, pharmacies, and emergency medical services. Letters of support from physicians are provided by the applicant in Exhibit 14 and letters of support from the local community are provided in Exhibit 15. The information in these sections is reasonable and credible and supports a finding of conformity with 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

In Section XI.4, page 98, the applicant proposes to construct a 8,726 square foot addition and renovate 16,087 square feet of the existing SRMC building located at 301 Yadkin Street, Albemarle, NC, for a total of 296,418 square feet after completion, as shown in the table below.

SRMC Current and Proposed Square Footage

Existing Building Square Feet	New Addition Square Feet	Renovated Square Feet	Project Completion Square Feet
287,692	8,726	16,087	296,418

The applicant provides a table illustrating the components of SRMC’s expansion and renovation by square footage in Section XI.4(e), page 98, as follows:

**Stanly Regional Medical Center
 Emergency Department Expansion and Renovation**

Project Components	Existing SF ED Renovation	Estimated SF New Construction ED	Total Project Square Footage
Patient Waiting	160 sf	167 sf	327 sf
Patient Triage	295 sf	0	295 sf
Chest Pain or Other Observation Unit	n/a	n/a	n/a
ED Clinical Care Areas	1,072 sf	3,255 sf	4,327 sf
Non-Clinical Staff Areas	6,624 sf	1,673 sf	8,297 sf
Clinical Area	1,370 sf	237 sf	1,607 sf
Stairs	416 sf	327 sf	743 sf
Circulation	6,150 sf	2,630 sf	8,780 sf
Vestibules	0	437 sf	437 sf
Total Square Footage	16,087 sf	8,726 sf	24,813 sf

Exhibit 10 contains the proposed line drawing and proposed site map for the SRMC ED expansion.

Exhibit 10 contains a letter dated January 4, 2013 from the architectural firm, FreemanWhite, Inc., certifying that the estimated construction cost is \$6,952,575, which includes site improvement work of \$129,000 and building construction cost of \$6,823,575. In addition, the letter indicates that architectural and engineering design fees are estimated to be \$362,900. This information is consistent with information provided in Section VIII, page 83.

In Section XI.4(f), page 98, the applicant estimates the following construction cost per square foot.

**SRMC Estimated Construction Cost per Square Foot
ED Expansion and Renovation**

	Estimated Square Feet	Construction Cost per Square Foot	Total Cost Per Square Foot
Emergency Department	24,813	\$275	\$353

In Section XI.7, page 100, the applicant summarizes how SRMC will maintain efficient energy operations and contain costs of utilities in the construction of the building expansion and renovation. The applicant discusses how the proposed project has been designed to be in compliance with all applicable federal, state, and local requirements for energy efficiency and consumption and states that the facility is managed by computerized energy and building management systems designed for efficiency. In addition, the applicant states, “*SRMC worked with experienced architects and engineers to ensure energy efficient systems are an inherent part of the facility.*” The applicant adequately describes the project’s plan to assure improved energy efficiency.

The applicant adequately demonstrates that the cost, design and means of construction represent the most reasonable alternative for the project as proposed and that the construction project will not unduly increase the costs and charges of providing health services. See Criterion (5) for discussion of costs and charges, which is incorporated hereby as if fully set forth 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;

C

The applicant provides the current payor mix for SRMC’s hospital services for FFY 2012, October 2011 – September 2012, in Sections VI.12 and VI.13, pages 68-69, illustrated as follows:

**Stanly Regional Medical Center
 FFY2012**

Payor Category	Entire Facility Patient Days / Procedures as Percent of Total Utilization	Emergency Department Patient Visits as Percent of Total Utilization
Self Pay	4.0%	23.1%
Medicare	62.0%	26.3%
Medicaid	20.0%	29.6%
Managed Care/ Commercial Insurance	6.0%	8.4%
Blue Cross	7.0%	10.1%
Other*	1.0%	2.5%
Total	100.0%	100.0%

In Section VI.6, page 62, the applicant states “...all emergency services offered by SRMC will continue to be available to all persons who present themselves for services, regardless of their ability to pay. SRMC will continue to provide services without regard to race, color, religion, sex, age, national origin, handicap, or ability to pay.” The applicant provides a copy of SRMC’s patient financial policies, including the Financial Assistance Policy, in Exhibit 8. The applicant states, in Section VI.6, page 63, that SRMC provided 1.1 percent of gross revenue in charity care and 5.9 percent of gross revenue in bad debt during FFY2012.

The Division of Medical Assistance (DMA) maintains a website which offers information regarding the number of persons eligible for Medicaid assistance and estimates of the percentage of uninsured for each county in North Carolina. The following table illustrates those percentages for Stanly County and statewide.

	Total # of Medicaid Eligibles as % of Total Population June 2010*	Total # of Medicaid Eligibles Age 21 and older as % of Total Population June 2010*	% Uninsured CY 2008-2009* (Estimate by Cecil G. Sheps Center)
Stanly County	17.0%	7.6%	18.3%
Statewide	17.0%	6.7%	19.7%

*More current data, particularly with regard to the estimated uninsured percentages, was not available.

The majority of Medicaid eligibles are children under the age of 21. 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 percent for those age 20 and younger and 31.6 percent 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 applicant's current payor mix would be of little value. The population data by age, race or gender does not include information on the number of elderly, minorities or women utilizing health services. Furthermore, OSBM's website does not include information on the number of handicapped persons.

The applicant demonstrates that medically underserved populations currently have adequate access to services at LMC. 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;

C

In Section VI.11, page 67, the applicant states that it is not obligated to provide to provide uncompensated care, community service, or access by minorities and handicapped persons, however it provides and will continue to provide needed services to all patients without federal obligation. In Section VI.10, page 67, the applicant states there have been no civil rights access complaints filed against SRMC during 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

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The following table illustrates the projected payor mix during the second project year (FFY 2016) of the proposed services as reported by the applicant in Section VI.15, page 71.

**Stanly Regional Medical Center
 Emergency Department
 FFY2016**

Payor Category	Emergency Department Projected Patient Days/ Procedures as Percent of Total Utilization
Self Pay	23.1%
Medicare	26.3%
Medicaid	29.6%
Managed Care/ Commercial Insurance	8.4%
Blue Cross	10.1%
Other	2.5%
Total	100.0%

In Section VI.2, pages 58-59, the applicant states that SRMC has a policy to

“...provide all services to all patients without regard to income, racial/ethnic origin, religion, gender, physical or mental conditions, age, ability to pay or any other factor that would classify a patient as underserved. ...

Emergency services at SRMC will continue to be available to and accessible by any patient having a need for those services, and consistent with the federal EMTALA law.”

Furthermore, the applicant states, on page 59, that it will continue to be in compliance with all codes, licensing, rules and statutes required by federal, state and local bodies, and that it will continue to be accessible to persons with disabilities, as required by the Americans with Disabilities Act.

The applicant demonstrates that medically underserved populations will continue to have adequate access to the facility’s services. 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.

In Sections VI.9(a) and VI.9(b), pages 64-66, the applicant documents the range of means by which patients will have access to the proposed project's services at SRMC. The applicant states that patients access SRMC's emergency services primarily through self admission, but also on occasion by physician referral. The applicant notes that most of the ED referrals are from skilled nursing facilities. Exhibit 14 includes letters from physicians who support the proposed ED renovation and expansion. In addition, the applicant provides a list of acute care, long-term care, and assisted living facilities that refer patients to SRMC. The information provided is reasonable and credible and supports a finding of conformity with this criterion.

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

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In Section V.1(a), page 52, SRMC documents that it accommodates the clinical needs of health professional training programs in the area and that it will continue to do so. The applicant lists several colleges and universities with which SRMC has training agreements, including East Carolina - College of Allied Health Sciences and College of Nursing, and the University of North Carolina at Chapel Hill. The applicant states:

"SRMC recognizes the importance and value that local health training programs add to the medical community. The Emergency Department will continue to be available to students in all of these training programs, as needed."

The information provided is reasonable and credible and supports a finding of conformity with this criterion.

- (15) Repealed effective July 1, 1987.
(16) Repealed effective July 1, 1987.
(17) Repealed effective July 1, 1987.
(18) Repealed effective July 1, 1987.
- (18a) The applicant shall demonstrate the expected effects of the proposed services on competition in the proposed service area, including how any enhanced competition will have a positive impact upon the cost effectiveness, quality, and access to the services proposed; and in the case of applications for services where competition between providers will not have a favorable impact on cost-effectiveness, quality, and access to the services proposed, the applicant shall demonstrate that its application is for a service on which competition will not have a favorable impact.

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The applicant proposes to expand and renovate SRMC's ED in order to meet current demand and projected growth, as well as address other deficiencies. In Section II, pages 15-16, the applicant states that SRMC's ED has 18 beds, consists of 8,265 square feet, and treats over 34,000 patients a year. According to ACEP Emergency Department guidelines cited in Section II, page 15, SRMC is configured to accommodate fewer than 10,000 ED visits a year. In addition, as discussed in Section III, pages 27-32, the expansion and renovation is needed to address patient safety and privacy concerns, to better address the needs of patients with behavioral health diagnoses, and to create needed support space.

In Section III.6(b), page 47, the applicant states that SRMC primarily serves patients who reside in Stanly County and in adjacent areas of Montgomery County. SRMC is the only hospital and only emergency services provider in Stanly County.

In Section III.6(a) and (b), page 47, the applicant specifically discusses the impact of the proposed project on competition in the service area as it relates to promoting cost-effectiveness, quality, and access. The applicant states that in FFY2012, SRMC served 34,846 patients in its ED. In adjacent Montgomery County, FirstHealth Montgomery Memorial Hospital served 14,110 patients in its ED during FFY2012. The applicant states in Section III.6(b), page 47, that the "*vast majority*" of patients utilizing SRMC's ED reside in Stanly County or in adjacent portions of Montgomery County and that "*it is not realistic or practical to expect those residents to travel to more distant locations to receive these services.*" See also Sections II, III, V, VI and VII. The information provided by the applicant in each of these sections is reasonable, credible, and adequately demonstrates that the expected effects of the proposal on competition include a positive impact on cost-effectiveness, quality, and access to acute care services in Stanly County.

This determination is based on a review of the information in the sections of the application referenced above and the following analysis:

- The applicant adequately demonstrates the need to add ten additional ED treatment rooms for a total of 28 ED treatment rooms based on current and projected utilization at SRMC and that it is a cost-effective alternative;
- The applicant has and will continue to provide quality services; and
- The applicant has and will continue to provide adequate access to medically underserved populations.

Therefore, the application is conforming to this criterion.

- (19) Repealed effective July 1, 1987.
- (20) An applicant already involved in the provision of health services shall provide evidence that quality care has been provided in the past.

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SRMC is accredited by the Joint Commission and certified by CMS for Medicare and Medicaid participation. According to the records in the Acute and Home Care Licensure and Certification Section, DHSR, no incidents have occurred at SRMC 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