ATTACHMENT - REQUIRED STATE AGENCY FINDINGS

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

DECISION DATE: December 4, 2013

PROJECT ANALYST: Michael J. McKillip
ASSISTANT CHIEF: Martha J. Frisone

PROJECT I.D. NUMBER: J-10165-13 / WakeMed / Re-convert 21 nursing care beds currently located at WakeMed Fuquay-Varina to acute care beds and relocate the beds to WakeMed Raleigh Campus / Wake 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.

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Effective August 8, 1988, WakeMed was approved (Project I.D. # J-3246-88) to convert 16 acute care beds located at WakeMed Fuquary-Varina to 16 nursing care beds pursuant to Policy C.1 of the 1988 State Medical Facilities Plan. Effective March 26, 1991, WakeMed was approved (Project I.D. # J-4164-90) to convert 8 acute care beds located at WakeMed Fuquary-Varina to 8 nursing care beds pursuant to Policy C.1 of the 1990 State Medical Facilities Plan. Therefore, WakeMed was approved to convert a total of 24 acute care beds (16 + 8 = 24) located at WakeMed Fuquary-Varina to nursing care beds pursuant to Policy C.1. In this application, WakeMed proposes to re-convert 21 nursing care beds currently located at WakeMed Fuquay-Varina to acute care beds and relocate the acute care beds to WakeMed Raleigh Campus. There are no need determinations in the 2013 State Medical Facilities Plan (SMFP) that are applicable to this review. However, Policy AC-4 and Policy GEN-4 of the 2013 SMFP are applicable to this review.

Policy AC-4: Reconversion to Acute Care states:

"Facilities that have redistributed beds from acute care bed capacity to psychiatric, rehabilitation, nursing care, or long-term care hospital use, shall obtain a certificate

of need to convert this capacity back to acute care. Applicants proposing to reconvert psychiatric, rehabilitation, nursing care, or long-term care hospital beds back to acute care beds shall demonstrate that the hospital's average annual utilization of licensed acute care beds as calculated using the most recent Truven Health Analytics Days of Care as provided to the Medical Facilities Planning Branch by The Cecil G. Sheps Center for Health Services Research at the University of North Carolina at Chapel Hill, is equal to or greater than the target occupancies shown below, but shall not be evaluated against the acute care bed need determinations shown in Chapter 5 of the North Carolina State Medical Facilities Plan. In determining utilization rates and average daily census, only acute care bed 'days of care' are counted."

Facility Average Daily Census	*Target Occupancy of Licensed Acute Care Beds*
1 – 99	*66.7%*
100 – 200	*71.4%*
Greater than 200	*75.2%*

In Section III.2, page 75, the applicant states

"WakeMed's average annual acute care utilization, calculated using the most recent Truven Health Analysis data as provided to the Medical Facilities Planning Branch, exceeds the target occupancy levels set forth in Policy AC-4, both as a system and for its individual facilities. Please see the table below:

Table III.8
WakeMed Raleigh Campus and WakeMed Cary Hospital
Acute Care Patient Days, FY 2012

Facility	***Truven Health Analytics 2012 Acute Care Days***	***Facility Average Daily Census***	***Licensed Acute Care Beds***	***2012 Occupancy Rate***
WakeMed Raleigh Campus	*169,524*	*463.2*	*575*	*80.8%*
WakeMed Cary Hospital	*42,180*	*115.2*	*156*	*74.1%*
Total	*211,704*	*578.4*	*731*	*79.3%*

WakeMed also projects that the utilization of WakeMed Raleigh Campus and WakeMed Cary Hospital will exceed these target utilization levels in the third year following project completion."

As shown in the table above, the average occupancy rate for WakeMed Raleigh Campus was 80.8 percent in FY2012, which exceeds the target occupancy rate required in Policy AC-4. Therefore, the application is conforming to Policy AC-4.

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 III.2, pages 76-77, the applicant states:

"WakeMed develops all capital projects with the goal of maximizing energy efficiency. WakeMed's Strategic Plan contains a statement that the hospital system will: 'pursue environmentally-friendly 'green' design in facility and grounds projects.' The hospital system develops new buildings to utilize passive solar energy and natural lighting to the greatest extent possible. In both new construction and renovations, WakeMed uses energy-efficient windows and insulation to maximize energy efficiency. Heating and HVAC systems are high-efficiency units, and reflect the best technology available on the market. … WakeMed is committed to designing its new and renovated facilities, with the goal of meeting the Leadership in Energy and Environmental Design (LEED) certification criteria, as established by the U.S. Green Building Council (USGBC). As noted on the USGBC web site (http://www.usgbc.org/), buildings which are eligible for LEED certification:

- *Have lower operating costs and increased asset value;*
- *Reduce waste sent to landfills;*
- *Conserve energy and water;*
- *Are healthier and safer for occupants;*
- *Reduce harmful greenhouse gas emissions;*
- *Demonstrate an owner's commitment to environmental stewardship and social responsibility."*

The applicant adequately demonstrates that it will assure improved energy efficiency and water conservation in the proposed project. Therefore, the application is consistent with Policy GEN-4.

In summary, the application is conforming to Policy AC-4 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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WakeMed proposes to re-convert 21 nursing care beds currently located at WakeMed Fuquay-Varina to acute care beds and relocate the acute care beds to WakeMed Raleigh Campus. In Section II.1, page 18, the applicant describes the project as follows:

> *"Pursuant to Policy AC-4 in the 2013 State Medical Facilities Plan (SMFP), WakeMed Health & Hospitals proposes to re-convert 21 of its 24 hospital-based skilled nursing facility beds, located at WakeMed Fuquay-Varina and obtained through Policy C.1 in the 1988 and 1990 SMFPs, back to acute care beds, and to relocate these beds to WakeMed Raleigh Campus. Please see Attachment 5 for copies of the certificates of need. These 21 beds will be housed in existing, renovated space. … WakeMed intends to designate 20 of the 21 beds relocated to Raleigh Campus as general medical-surgical beds, which will be housed in existing space on the second floor of the E Tower on the Raleigh Campus; the single remaining bed will be converted to General Pediatrics on the fourth floor of the E Tower in the Pediatrics Unit. An existing unlicensed clinical evaluation bed in General Pediatrics will be converted to the acute care bed."*

Population to be Served

In Section II.8, pages 38-40, Section III.4, pages 81-83, and Section III.5, pages 83-84, the applicant provides historical and projected patient origin for WakeMed's acute care beds in the first three years of operation (FY2016-FY2018), as shown in the table below.

WakeMed Acute Care Bed

Projected Patient Origin, FY2016-FY2018

County	Days of Care Percent of Total
Wake	64.0%
Johnston	9.8%
Harnett	5.0%
Franklin	4.3%
Nash	2.8%
Wayne	2.2%
Sampson	2.2%
Other*	9.7%
TOTAL	**100.0%**

*The applicant provides a complete list of the counties included in the "Other" category on pages 38-40.

On page 40 of the application, the applicant states, *"It was assumed that there would be no material change in patient origin following project completion."* The applicant adequately identified the population proposed to be served.

Need for the Project

In Section III.3, page 78, the applicant describes several problems with the physical plant at WakeMed Fuquay-Varina that support the need for the project. The application states,

> *"WakeMed's skilled nursing facilities in Fuquay-Varina and Zebulon are small, outdated physical plants at the end of their useful lives with an insufficient number of beds to operate at maximum efficiency, even at high occupancy rates. The cost to maintain these facilities is becoming more expensive each year. Both facilities were converted to skilled nursing facilities to provide additional post-acute resources for WakeMed patients; their small sizes and resulting operational inefficiencies have always been an issue."*

In Section III.1(a) of the application, the applicant describes the factors supporting the need for the proposed project, including the population growth in the WakeMed Raleigh Campus service area (pages 67-70), the hospital's history of high inpatient utilization rates (pages 70-71), the continued growth in utilization of the hospital emergency department (pages 71-72), the increasing use of acute care beds for observation patients (pages 72-73), and the increasing number of physicians on the medical staff of WakeMed Raleigh Campus (pages 73-74).

In Section IV.1, page 90, the applicant provides the historical and projected number of patient days to be provided at WakeMed Raleigh Campus through the first three operating years of the proposed project, which are summarized below:

WakeMed Raleigh Campus Acute Care Bed Utilization

Fiscal Year	Licensed Acute Care Beds*	Patient Days	Average Daily Census	Percent Change	Average Occupancy Rate
2010 Actual	575	167,712	459	---	79.9%
2011 Actual	575	167,782	460	0.0%	79.9%
2012 Actual	575	169,524	464	1.0%	80.8%
2013 Projected	575	171,116	469	0.9%	81.5%
2014 Projected	587	176,145	483	2.9%	82.2%
2015 Projected	587	181,180	496	2.9%	84.6%
2016 Year 1	617	174,769	479	-3.5%	77.6%
2017 Year 2	617	177,190	485	1.4%	78.7%
2018 Year 3	617	181,053	496	2.2%	80.4%

*Following completion of Project I.D. #J-8328-09 to add 12 Level IV neonatal intensive care unit (NICU) beds, WakeMed Raleigh will operate 587 acute care beds [575 + 12 = 587]. Following completion of Project I.D. #J-7843-07 to transfer 20 acute care beds to WakeMed North Healthplex, and Project I.D. #J-8329-09 to add 29 acute care beds, and this project to add 21 acute care beds, WakeMed Raleigh would be approved to operate 617 licensed acute care beds [587 – 20 + 29 + 21 = 617]. Note: Project I.D. #J-8329-09 is currently under appeal, but the applicant assumes the appeal will be resolved, and the project will proceed as approved.

As shown in the table above, WakeMed projects to provide 181,053 patient days of care in the third operating year and, therefore, projects an average annual occupancy rate of 80.4 percent in the third operating year. Also, in Section II.8, page 44, the applicant provides the following table showing the projected utilization of the total number of licensed acute care beds WakeMed will operate in the Wake County service area in the third operating year (FFY2018) following completion of the project.

	# Beds	ADC	% Occupancy
WakeMed Cary Hospital	178	138.5	77.8%
WakeMed North Healthplex	77	52.7	68.5%
WakeMed Raleigh Campus	617	496.0	80.4%
Total for WakeMed System	872	687.2	78.8%

As shown in the table above, the applicant's projected average annual occupancy rate of 78.8 percent in the third operating year for the WakeMed System exceeds the 72.5 percent occupancy rate required by 10A NCAC 14C .3803(a).

In Section II.8, pages 45-59, the applicant describes the assumptions and methodology used to project the number of patient days to be provided during the first three years of operation as follows:

> *"WakeMed developed a use rate methodology to make its projections, using patient data from Truven Health Analytics databases and population data from the Office of State Budget and Management (OSBM). WakeMed utilized Truven data, rather than Licensure Renewal Application data, because it is more detailed and provides greater flexibility to analyze utilization patterns by age group, gender, diagnosis, payer, etc. Also, it is the data utilized by the State in developing the acute care bed need methodology.*

Step 1: Compile the population [estimates for the years 2010 through 2018] ***for the service area counties for the total and the following age cohorts: 0-17, 18-44, 45-64, and 65+.*** [Shown in Tables II.6-II.10 on pages 45-47]

Step 2: Calculate service area use rates per 1000 population by county and age cohort for the years 2010-2012.

To obtain the use rates per 1000 population by age group for each county in its service area, WakeMed divided Truven historical inpatient volumes (excluding Normal Newborns, Rehabilitation, Psychiatric and Substance Abuse cases) for each age cohort by the corresponding age group-specific populations (shown in Step 1), divided by 1000. While the average use rates for the years 2010-2012 take into account annual fluctuations that may exist in the data, WakeMed opted to utilize the 2012 use rates, which represent the most recent data available and tend to be lower, and therefore more conservative, than those for 2010 and 2011. [Shown in Tables II.11-II.14 on pages 47-49]

Step 3: Project service area discharges by county and age cohort.

Multiply FY 2012 county-specific & age-specific use rates (found in Step 2 above) by the corresponding projected population by county and years for FYs 2013 - 2018 (from Step 1) for each age cohort. [Shown in Tables II.15-II.18 on pages 49-50]

Step 4: Sum the projected service area discharges by age cohort for the total projected service area discharges (Step 3.) [Shown in Table II.19 on page 51]

Step 5: Calculate the WakeMed Raleigh Campus and WakeMed Cary Hospital market shares for inpatient volume by county and year for their respective service area.

Divide Truven inpatient cases for WakeMed Raleigh Campus and WakeMed Cary Hospital – excluding Normal Newborns, Rehabilitation, Psychiatric and Substance Abuse cases – by the total county-specific inpatient discharges (sum of Tables II.11 – II.14). Although the 3-year average market shares would adjust for annual fluctuations in data, WakeMed used the market shares from 2012, as these are the most recent available. [Shown in Tables II.20-II.21 on pages 51-52]

Step 6: Calculate the percent volume that comes from outside the eight-county service area for WakeMed Raleigh Campus (Table II.22) and for WakeMed Cary Hospital (Table II.23).

Table II.22 ***WakeMed Raleigh Campus Patient Origin*** ***FYs 2010-2012***				
County	*2010*	*2011*	*2012*	*3-Year*

				Avg.
Franklin	*1,478*	*1,422*	*1,484*	
Harnett	*1,897*	*1,779*	*1,784*	
Johnston	*3,382*	*3,520*	*3,443*	
Nash	*1,048*	*911*	*993*	
Sampson	*1,209*	*1,059*	*950*	
Wake	*21,735*	*21,098*	*21,368*	
Wayne	*899*	*864*	*822*	
Wilson	*696*	*635*	*418*	
Service Area Cases	*32,344*	*31,288*	*31,262*	
Outside Service Area	*2,901*	*2,835*	*2,792*	
Total Cases	*35,245*	*34,123*	*34,054*	
Percent from Outside Service Area	*8.2%*	*8.3%*	*8.2%*	***8.2%***

Table II.23 ***WakeMed Cary Hospital Patient Origin*** ***FYs 2010-2012***				
County	*2010*	*2011*	*2012*	*3-Year Avg.*
Franklin	*42*	*31*	*39*	
Harnett	*407*	*436*	*511*	
Johnston	*301*	*309*	*307*	
Nash	*26*	*13*	*12*	
Sampson	*40*	*23*	*19*	
Wake	*8,846*	*8,796*	*8,646*	
Wayne	*0*	*3*	*4*	
Wilson	*6*	*4*	*8*	
Service Area Cases	*9,668*	*9,615*	*9,546*	
Outside Service Area	*617*	*634*	*657*	
Total Cases	*10,285*	*10,249*	*10,203*	
Percent from Outside Service Area	*6.0%*	*6.2%*	*6.4%*	***6.2%***

Step 7: Project inpatient volume for WakeMed inpatient facilities.

Projecting inpatient volume for WakeMed is a multi-step process incorporating historical market share and volume shift to WakeMed North from WakeMed Raleigh Campus, per the methodology used in the WakeMed North certificate of need application for 61 acute care beds (Project No. J-8180-08), as well as an expected volume shift from WakeMed Cary Hospital to the newly opened Harnett Health Central Campus in Lillington.

First, WakeMed Raleigh Campus service area discharges were projected by applying historical market share by county and historical out of service area calculations. The FY 2012 market shares (from Step 5) were applied to the projected inpatient discharges for FY 2013-2018. See the table [on pages 53-54].

Second, the methodology used in the North 61-bed CON application (Project No. J-8180-08) was updated with FY 2011 and 2012 data to project Years 1-3 volume for

WakeMed North. (Table II.25). [Shown in Table II.25 on page 54]

Table II.26 provides a summary of the projected discharges for WakeMed Raleigh Campus, which is Table II.24 less the inpatient discharges shifted to WakeMed North in Table II.25. [Shown in Table II.26 on pages 54-55]

Like WakeMed Raleigh Campus, the projections for WakeMed Cary Hospital involve a multi-step approach applying historical market share and anticipating a shift in market share from WakeMed Cary Hospital to the new Harnett County Central Campus, which opened in late 2012 (FY 2013).

To project FY 2013-2018 WakeMed Cary Hospital volumes from Wake and Johnston Counties, the FY 2012 market shares (from Table II.20) were applied to the projected discharges by county (from Table II.18). [Shown in Table II.27 on page 55]

To project the volume shift from Harnett County, the FY 2012 market share was applied to the Harnett County projected discharges for FY 2013-2018. The new Harnett Health Central Campus (HHCC) in Lillington opened in FY 2013. To estimate the Harnett County market share shift from WakeMed Cary to HHCC, FY 2010-2012 Harnett County data by zip code and product line was examined. WakeMed Cary's FY 2012 Harnett County market share was 4.5%, excluding normal newborns, or 511 discharges. There are several services that HHCC will not offer, such as obstetrics, neonatal, and neurosurgery; therefore, those product lines were excluded from the data by ZIP Code. The table below shows WakeMed Cary Hospital's inpatient 2012 discharges by ZIP Code for the remaining product lines.

ZIP Code-Town	*WakeMed Cary Discharges*
27501-Angier	*243*
27506-Buies Creek	*2*
27521-Coats	*27*
27543-Kipling	*5*
27546-Lillington	*69*
28323-Bunnlevel	*5*
28334-Dunn	*44*
28335-Dunn	*4*
28339-Erwin	*13*
Total	*412*

WakeMed assumed that once the new hospital in Lillington opened in 2013, 40 percent of WakeMed Cary's market share in Angier and 75% of its market share in Lillington would shift to HHCC. It was assumed that a high percentage of Lillington residents would shift their business to HHCC, due to its proximity, but that some people would still prefer to use WakeMed Cary Hospital due to existing relationships with physicians. A lower percentage was chosen for Angier, because many of the

residents living there work in Wake County. These discharges (Angier: 97, Lillington: 52) were subtracted from the original WakeMed Cary volume of 511 and the resulting market share was 3.2%. It was assumed that the shift would occur over a two-year period; therefore, market share was reduced to 3.6 percent in FY 2013 and 3.2% in FY 2014. No shift was assumed from the other ZIP codes, either because of their proximity to Harnett Health Betsy Johnson Hospital or because the volume was immaterial.

Table II.28 below provides the projected discharges for WakeMed Cary Hospital applying the 2012 market share (Table II.20)- except for Harnett County as noted in the preceding paragraph - and the historical out of service area calculations (Table II.23).

Table II.28
WakeMed Cary Hospital Projected Discharges
POST-HHCC Shift

County	***2013***	***2014***	***2015***	***2016***	***2017***	***2018***
Franklin	*42*	*43*	*44*	*45*	*45*	*46*
Harnett	*426*	*390*	*402*	*414*	*426*	*439*
Johnston	*311*	*319*	*326*	*334*	*342*	*352*
Nash	*11*	*11*	*11*	*11*	*12*	*12*
Sampson	*23*	*23*	*23*	*24*	*24*	*25*
Wake	*8,795*	*9,086*	*9,378*	*9,677*	*9,986*	*10,303*
Wayne	*0*	*0*	*0*	*0*	*0*	*0*
Wilson	*9*	*9*	*9*	*10*	*10*	*10*
Service Area Total	*9,617*	*9,881*	*10,193*	*10,515*	*10,845*	*11,187*
Outside Service Area	*636*	*653*	*674*	*695*	*717*	*739*
Total	*10,253*	*10,534*	*10,867*	*11,210*	*11,562*	*11,926*

Step Eight: Compile historical patient days and calculate ALOS for WakeMed Raleigh Campus) and WakeMed Cary Hospital.

Discharges and patient days for WakeMed Raleigh Campus and WakeMed Cary Hospital were obtained from Truven for FYs 2010-2012.

Table 11.29
WakeMed Raleigh Campus
Discharges, Patient Days & ALOS
FY's 2010-2012

	2010	***2011***	***2012***
Discharges	*35,539*	*34,123*	*34,323*
Patient Days	*167,712*	*167,782*	*169,524*

ALOS	*4.72*	*4.92*	*4.94*

Table 11.30 WakeMed Cary Hospital Discharges, Patient Days & ALOS FY's 2010-2012			
	2010	***2011***	***2012***
Discharges	*10,285*	*10,249*	*10,203*
Patient Days	*44,647*	*42,886*	*42,180*
ALOS	*4.34*	*4.18*	*4.13*

Step 9: Project future patient days for WakeMed Raleigh Campus and WakeMed Cary Hospital.

First, WakeMed Raleigh Campus patient days were projected prior to the WakeMed North shift beginning in FY 2016. The average ALOS for FYs 2010-2012, 4.87 days, was applied to the projected discharges for WakeMed Raleigh Campus prior to the shift to WakeMed North summarized in Table II.25.

Table II.31 WakeMed Raleigh Campus Projected Inpatient Discharges & Patient Days, PRE-WakeMed North Shift						
				Raleigh Campus Prior to North Shift		
	2013	***2014***	***2015***	***2016***	***2017***	***2018***
Discharges	*35,113*	*36,145*	*37,178*	*38,230*	*39,316*	*40,453*
Patient Days	*171,116*	*176,145*	*181,180*	*186,306*	*191,599*	*197,140*
ALOS	*4.87*	*4.87*	*4.87*	*4.87*	*4.87*	*4.87*
Days per Year	*365*	*365*	*365*	*365*	*365*	*365*
Avg. Daily Census	*468.8*	*482.6*	*496.4*	*509.0*	*524.9*	*540.1*

The methodology in the North 61-Bed CON application (Project No. J-8180-08) was updated and utilized to project patient days for North. This project is currently under development, with a projected opening in FY 2016. The table below summarizes WakeMed utilization in Years 1-3 projected to be shifted from WakeMed Raleigh Campus.

Table II.32 WakeMed North Projected Inpatient Discharges & Patient Days Shifted from WakeMed Raleigh			
	2016	***2017***	***2018***
Discharges	*3,368*	*4,051*	*4,464*
Patient Days	*11,537*	*14,409*	*16,087*

The following table incorporates the shift of discharges and patient days to WakeMed North starting in FY 2016.

Table II.33 ***WakeMed Raleigh Campus Projected Inpatient Discharges & Patient Days*** ***POST-WakeMed North Shift***						
				Raleigh Campus Prior to North Shift		
	2013	***2014***	***2015***	***2016***	***2017***	***2018***
Discharges	*35,113*	*36,145*	*37,178*	*34,862*	*35,265*	*35,989*
Patient Days	*171,116*	*176,145*	*181,180*	*174,769*	*177,190*	*181,053*
ALOS	*4.87*	*4.87*	*4.87*	*5.01*	*5.02*	*5.03*
Days per Year	*365*	*365*	*365*	*365*	*365*	*365*
Avg. Daily Census	*468.8*	*482.6*	*496.4*	*477.5*	*485.5*	*496.0*

For WakeMed Cary Hospital, the FY 2010-12 average ALOS was applied to the projected discharges in Table II.28, incorporating the projected shift of cases and patients days from Harnett County, to determine the patient days. Please see the following table.

Table II.34 ***WakeMed Cary Hospital Projected Inpatient Days* [sic] *& Patient Days***						
	2013	***2014***	***2015***	***2016***	***2017***	***2018***
Discharges	*10,253*	*10,534*	*10,867*	*11,210*	*11,562*	*11,926*
Patient Days	*43,473*	*44,664*	*46,076*	*47,530*	*49,023*	*50,566*
ALOS	*4.24*	*4.24*	*4.24*	*4.24*	*4.24*	*4.24*
Days per Year	*365*	*365*	*365*	*365*	*365*	*365*
Avg. Daily Census	*119.1*	*122.4*	*126.2*	*129.9*	*134.3*	*138.5*

WakeMed North's projected utilization is based on a different methodology, given that this facility is slated to be developed as a dedicated women's hospital. Utilization of WakeMed North includes volume expected to shift from WakeMed Raleigh Campus, as well as incremental volume from the service area.

Table II.35 ***WakeMed North Projected Inpatient Days* [sic] *& Patient Days***						
	2013	***2014***	***2015***	***2016***	***2017***	***2018***
Discharges	*0*	*0*	*0*	*3,810*	*4,483*	*4,999*
Patient Days	*0*	*0*	*0*	*14,039*	*17,012*	*19,245*
ALOS	*0.00*	*0.00*	*0.00*	*3.68*	*3.79*	*3.85*
Days per Year	*365*	*365*	*365*	*365*	*365*	*365*
Avg. Daily Census	*n/a*	*n/a*	*n/a*	*38.4*	*46.5*	*52.7*

The applicant's population estimates by age cohort and by county were obtained from the North Carolina Office of State Budget and Management (NCOSBM). The applicant's hospital inpatient use rates per 1,000 population and projected service area hospital discharges are based on hospital inpatient utilization data by age cohort and by county provided by Truven Health Analytics, for the counties in the applicant's service area. The applicant's market share assumptions are based on WakeMed Raleigh's historical (FY2012) market share for hospital inpatient services for the service area. The applicant applies the historical (FY2012) hospital inpatient use rates to the NCOSBM population projections to project future hospital inpatient cases by age cohort and by county, and applies its historical market share percentages to project inpatient admissions at WakeMed Raleigh through the first three years of the project. The applicant's projections of the percentage of patient volume at the hospital from patients originating from outside the service area are based on WakeMed Raleigh's historical (FY2010-FY2012) experience. The applicant also adjusts the projections of hospital inpatient cases for WakeMed Raleigh to account for the development of hospital beds at WakeMed North Healthplex. The applicant's projections of inpatient days of care to be provided at WakeMed Raleigh are based on the hospital's historical (FY2010-FY2012) average length of stay. The applicant repeats the same steps discussed above for WakeMed Cary Hospital, and adjusts the projections of hospital inpatient cases for WakeMed Cary Hospital to account for the recent opening of a new hospital in Harnett County, Harnett County Central Campus. The applicant states its projections of inpatient days of care to be provided at WakeMed North Healthplex are based on patients that will shift from WakeMed Raleigh Campus, and additional ("*incremental*") patients from the service area.

The following table shows WakeMed Raleigh Campus's historical acute care bed utilization as reported in State Medical Facilities Plan's for 2012-2014.

WakeMed Raleigh Campus Acute Care Bed Utilization

Fiscal Year	Acute Care Beds	Total Patient Days	Average Daily Census	Percent Change	Average Occupancy Rate
2010	575	167,712	459	---	80%
2011	575	167,782	460	0.2%	80%
2012	575	169,524	464	0.8%	81%

Source: 2012 State Medical Facilities Plan, 2013 State Medical Facilities Plan, and Proposed 2014 State Medical Facilities Plan.

As indicated in the table above, based on the Truven data reported to DHSR, the average daily census (ADC) in the applicant's acute care beds increased from 459 in FY2010 to 464 in FY2012. Also, since the addition of 60 new acute care beds in FY2010 (Project I.D. J-7189-04), the applicant's average annual occupancy rate has remained approximately 80 percent in each of the last three years. In this application, the applicant projects total patient days will increase from 169,524 in FY2012 to 181,053 in FY2018, or by approximately one percent per year over the six-year period, which is lower than the projected annual population growth rate of 1.6 percent per year for the applicant's service area for the years 2013-2018. Exhibit 43 contains letters from physicians and surgeons expressing support for

the proposed project. The projected utilization of the acute care beds at WakeMed Raleigh Campus is based on reasonable, credible and supported assumptions. WakeMed adequately demonstrates the need for 21 additional acute care beds at WakeMed Raleigh Campus.

Access

The applicant projects 67.4% of its patients will be covered by Medicare (37.9%) and Medicaid (29.5%). The applicant demonstrates adequate access for medically underserved groups to the proposed services.

In summary, the applicant adequately identified the population to be served, adequately demonstrated the need the population projected to be served has for the proposed project, and demonstrated all residents of the service area, and, in particular, underserved groups, are likely to have access to the services proposed. 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.

C

WakeMed proposes to re-convert 21 nursing care beds currently located at WakeMed Fuquay-Varina to acute care beds and relocate the acute care beds to WakeMed Raleigh Campus. Also, in a separate application filed at the same time (Project I.D. #J-10166-13), WakeMed proposes to re-convert the three remaining nursing care beds currently located at WakeMed Fuquay-Varina to acute care beds and relocate the acute care beds to WakeMed North Healthplex. On August 7, 2013, the applicant notified current nursing facility patients and their families and legal guardians of the plan to suspend operations of WakeMed Fuquay-Varina, and on August 8, 2013, the applicant ceased admissions of patients to the nursing care beds at WakeMed Fuquay-Varina. In Section II.1, page 21, the applicant states:

> *"September 30, 2013 (date approximate): Suspension of all nursing facility operations at WakeMed Fuquay-Varina and WakeMed Zebulon/Wendell, upon discharge of last patient(s) from the facility….*
>
> *Please note that no existing nursing facility patients will be discharged against their will or against medical direction. WakeMed's goal is to place its long-term patients in other local nursing facilities, as appropriate, with input from patients and their families.*
>
> *It should be noted that existing outpatient services provided at WakeMed Zebulon/Wendell and WakeMed Fuquay-Varina will be impacted by suspension of*

nursing facility operations. At Zebulon, outpatient lab and imaging services will also close. Outpatient rehabilitation and leased physician office space will remain open after the skilled nursing operations are suspended. At Fuquay-Varina, the facility's outpatient rehabilitation practice will also close and patients will be redirected to the WakeMed Outpatient Rehab service operated at Kraft YMCA in Apex."

In Section II.1, page 22, the applicant states:

"Collectively, WakeMed's 37 C.1 nursing facility beds represent only about 1.5 percent of Wake County's nursing facility bed planning inventory of 2,451 beds. According to the Proposed 2014 SMFP, Wake County has 220 new nursing facility beds slated for development, existing and planned nursing facility beds are more than adequate to offset the relatively small reduction in inventory associated with this project. The 18 non-hospital-based nursing facility beds slated for acquisition by UHS-Pruitt will remain in the Wake County planning inventory.

According to the Proposed 2014 SMFP and 2013 License Renewal Applications on file at DHSR, Wake County's nursing facilities had an average utilization of 85 percent in 2012. Although the nursing facility bed need methodology shows a deficit of 552 beds in Wake County for 2017, there will be no bed allocation in the 2014 SMFP. Per the SMFP nursing facility bed need methodology, a bed deficit triggers a need determination when the average occupancy of licensed beds in the county, excluding continuing care retirement communities, is 90 percent or greater."

In Section III.7, pages 87-88, the applicant states:

"WakeMed's case managers have been working with its existing nursing facility patients and their families and/or legal guardians regarding placement in other facilities. In particular, UHS-Pruitt has agreed to accept as many of WakeMed's existing patients as it can place in its existing nursing facilities in Wake County. Currently, UHS-Pruitt operates two nursing facilities in Wake County with a total of 289 beds, as well as facilities in adjacent Durham County. Please see Attachment 29 for a copy of the Bed Placement Agreement. Additionally, Universal Healthcare has received a certificate of need to relocate an existing 80-bed facility to Fuquay-Varina and add 20 additional beds. This new location is approximately 2 miles from WakeMed Fuquay-Varina. WakeMed's objective is to ensure that all existing nursing facility patients are placed in an appropriate facility.

WakeMed does not anticipate that this project will have a negative impact on patients in the service area. Larger, freestanding nursing facilities can provide the same level of care to patients, often at lower costs than hospital-based facilities. By suspending operations of its own nursing facilities, WakeMed is directing patients eligible for nursing facility care to facilities owned and operated by companies specializing in long-term care. Further, the 37 hospital-based nursing facility beds slated for conversion to acute care represent only 1.5 percent of the Wake County planning inventory. According to the Proposed 2014 SMFP, existing nursing facilities in Wake

County were utilized at approximately 85 percent in 2012, suggesting that there is excess capacity in the market."

In Section III.8, pages 88-89, the applicant states:

"WakeMed's remaining 18 non-hospital based nursing facility beds will be acquired by UHS-Pruitt Corporation, a provider of several nursing facilities in North Carolina, including 2 existing facilities in Wake County. UHS-Pruitt filed a CON application on August 13, 2013 for the September 1 review cycle to relocate the beds it will acquire from WakeMed to its UniHealth Post-Acute Care facility in southeast Raleigh. WakeMed and UHS-Pruitt have negotiated a Bed Placement Agreement that will allow WakeMed to place its difficult-to-place patients in UHS-Pruitt facilities, subject to bed availability. … As WakeMed moves closer to suspending the operations of its nursing facilities, WakeMed will work with patients and their families/legal guardians to place existing patients in suitable facilities."

The following table shows the inventory of nursing home and hospital nursing care beds for Wake County. The Project Analyst used Table 10A of the Proposed 2014 State Medical Facilities Plan and records in the CON Section.

Facility	Total Planning Inventory
2011 SMFP Need Determination (Under appeal)*	120
BellaRose Nursing and Rehab Center*	100
Britthaven of Holly Springs*	90
Capital Nursing and Rehabilitation Center	125
Cary Health & Rehabilitation Center	120
Crabtree Valley Rehab Center	134
Dan E. & Mary Louise Stewart Health Center of Springmoor**	87
Glenaire**	45
Hillside Nursing Center	130
Kindred Nursing & Rehabilitation–Zebulon	60
Kindred Transitional Care & Rehabilitation–Raleigh	157
Kindred Transitional Care & Rehabilitation–Sunnybrook	95

Litchford Falls Healthcare & Rehabilitation Center	90
Rex Rehabilitation & Nursing Care Center of Apex	107
Rex Rehabilitation & Nursing Care Center of Raleigh	120
The Cardinal at North Hills*	15
The Laurels at Forest Glen	120
The Oaks at Mayview	139
The Rosewood Health Center**	18
Tower Nursing & Rehabilitation Center	90
UniHealth Post-Acute Care-Raleigh	150
Universal Health Care/Fuquay-Varina	69
Universal Health Care/North Raleigh	112
WakeMed Cary Hospital	36
WakeMed Zebulon Wendell Outpatient & Skilled Nursing Facility	19
Wellington Rehabilitation and Healthcare	80
Windsor Point Continuing Care Retirement Community**	23
Total	**2,451**

*Indicates the nursing care beds are not yet developed.
**Indicates a continuing care retirement community for which 50 percent of their nursing care beds developed under Policy NH-2 are excluded from the planning inventory.

As shown in the table above, the 2014 SMFP Wake County total planning inventory for nursing care beds is 2,451. In this application, the applicant proposes to reduce the number of nursing care beds in Wake County by 21 beds, which represents less than a one percent [21 / 2,451 = .0085] decrease in the total Wake County nursing care bed planning inventory. According to Table 10B: Nursing Care Bed Need Projections for 2017, in the Proposed 2014 SMFP, the existing Wake County nursing facilities had a combined average occupancy rate of 85 percent in FY2012 based on utilization data reported to the Division of Health Service Regulation. Indeed, based on the data in WakeMed and WakeMed Cary's 2013 Hospital License Renewal Applications, the occupancy rate for the nursing facility beds was 79% and 70%, respectively. Therefore, pursuant to the standard methodology, there is no need determination for additional nursing care beds in Wake County in the Proposed 2014 SMFP. Moreover, no petitions for an adjusted need determination were submitted to the State Health Coordinating Council (SHCC). Moreover, as of the date of this decision, the beds to be converted back to acute care beds are no longer occupied.

The applicant adequately demonstrates that the needs of the population presently served will be met adequately by the proposed re-conversion of 21 nursing care beds located at WakeMed Fuquay-Varina to acute care beds and relocation of those beds to WakeMed Raleigh Campus. Therefore, the application is conforming to this criterion.

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

C

In Section III.3, pages 77-81, the applicant discusses the alternatives it considered prior to submitting this application, which include

a) Maintaining the status quo, which the applicant states was rejected because of the high utilization of the acute care beds at WakeMed Raleigh Campus and the need for additional capacity to meet the projected need. Also, the WakeMed Fuquay-Varina facility has an outdated physical plant that has reached the end of its useful life, with an insufficient number of beds to be operated efficiently.

b) Combining the nursing care beds at WakeMed Fuquay-Varina with the nursing care beds at WakeMed Zebulon/Wendell into a single, new facility, which the applicant states was rejected because the combined 55-bed facility would still be too small to be operated efficiently.

c) Completely divesting of all 55 nursing facility beds located at WakeMed Fuquay-Varina and WakeMed Zebulon/Wendell, which the applicant states was rejected because the community will be better served by converting and relocating the nursing care beds.

d) Relocating all 37 of the re-converted nursing care beds currently located at WakeMed Fuquay-Varina and WakeMed Zebulon/Wendell to WakeMed Raleigh Campus, which the applicant states was rejected because the construction of two additional floors on the "E" Tower on the Raleigh campus to accommodate the 37 beds would be cost-prohibitive.

After considering those alternatives, the applicant states the alternative represented in the application is the most effective alternative.

Furthermore, the application is conforming to all other statutory and regulatory review criteria, and thus, is approvable. A project that cannot be approved cannot be an effective alternative.

In summary, 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. **WakeMed shall materially comply with all representations made in the certificate of need application.**

2. **WakeMed shall re-convert no more than 21 nursing care beds located at WakeMed Fuquay-Varina to acute care beds, and relocate no more than 21 acute care beds to WakeMed Raleigh Campus. WakeMed Raleigh Campus will be licensed for no more than 617 acute care beds following the completion of this project, Project I.D. #J-7843-07, Project I.D. #J-8328-09, and Project I.D. #J-8329-09.**

3. **WakeMed shall de-license 21 nursing care beds located at WakeMed Fuquay-Varina. Upon completion of this project, WakeMed Fuquay-Varina shall be licensed for no more than 15 nursing care beds.**

4. **WakeMed 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.1, the applicant projects its capital cost for the project to be $7,890,167. In Section VIII.3, the applicant states the capital cost will be financed with a bond issue. In Section IX.1, the applicant projects no start-up expenses or initial operating expenses. In Exhibit 37 of the application, the applicant provides a letter from a Managing Director of Citi Markets and Banking, which states

> *"You have advised Citi that WakeMed Health and Hospitals ('WakeMed') may finance the above-referenced Project from cash and accumulated reserves, through tax-exempt bond financing ('Bond Issue'), or through some combination thereof depending on market conditions at the time the funding is required. … We understand that WakeMed will be applying for a Certificate of Need ('CON') on August 15, 2013. The CON will be for the conversion of 21 nursing facility beds to acute care and relocation of such beds to the WakeMed Raleigh Campus. It is our understanding that the total cost of the project is estimated to be $8.0 million. … While Citi is not yet in a position to provide an underwriting commitment for the Project, we are pleased to inform you that, based upon information provided to Citi to date and our preliminary review of various materials relating to the Project, we are highly interested in actively pursuing further discussion regarding a full underwriting commitment and are willing to work diligently toward that end.*
>
> *Based upon your financial strength, Citi would expect to offer a publicly sold tax-exempt bond issue that would either be insured or issued with WakeMed's stand-alone ratings, if WakeMed public ratings are deemed prudent by WakeMed management. We believe that this funding could attain an investment grade rating.*"

Exhibit 38 of the application contains audited financial statements for WakeMed for the year ended September 30, 2012, which document that WakeMed had $735 million in current assets as of September 30, 2012, including cash and cash equivalents of $131 million and short term investments of $398 million. The applicant adequately demonstrated the availability of sufficient funds for the capital needs of the proposal.

In the pro forma financial statements for WakeMed Raleigh Campus's inpatient services (Form B), the applicant projects expenses will exceed revenues, resulting in an operating loss, in each

of the first three operating years. However, in the pro forma financial statements for the entire WakeMed system (Form B), the applicant projects revenues will exceed expenses in each of the first three operating years, as shown below:

WakeMed System

(All $ are in 000's)	FY2016 Year 1	FY2017 Year 2	FY2018 Year 3
Total Revenue	$1,215,820	$1,268,729	$1,333,334
Total Expenses	$1,183,872	$1,222,373	$1,265,574
Net Income (Loss)	$31,948	$46,356	$67,760

Operating costs and revenues are based on reasonable assumptions including projected utilization. See the pro forma financial statements in the application for the assumptions. See Criterion (3) for discussion regarding utilization assumptions which is incorporated hereby as if set forth fully herein. The applicant adequately demonstrated that the financial feasibility of the proposal is based upon reasonable projections of operating costs and revenues, and the application is conforming with 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

WakeMed proposes to re-convert 21 nursing care beds currently located at WakeMed Fuquay-Varina to acute care beds and relocate the acute care beds to WakeMed Raleigh Campus. The following table shows the acute care beds utilization for the existing hospital providers in the Wake County service area:

Utilization of Existing Hospitals in WakeMed's Primary Service Area

	Licensed Acute Care Beds	2012 Acute Care Patient Days	Average Daily Census	Average Occupancy Percent
Duke Raleigh Hospital	186	33,241	91.1	49.0%
Rex Hospital	433	101,442	277.9	64.2%
WakeMed Raleigh Campus	575	169,524	464.5	80.8%
WakeMed Cary Hospital	156	42,180	115.6	74.1%

Source: *Proposed 2014 State Medical Facilities Plan*, Table 5A.

In Section III.6, page 85, the applicant states,

> *"For over fifty years, WakeMed has been committed to providing outstanding and compassionate care. As a result of this commitment, WakeMed Raleigh Campus has the highest inpatient occupancy rate of the acute care providers in its primary and secondary service areas. In addition, the WakeMed Raleigh Campus service area is projected to experience significant long-term growth over the future. It is important*

for WakeMed Raleigh Campus to increase its bed capacity to position itself to be responsive to the projected growth discussed in response to Question III.1.(a)."

In Section IV.1, page 90, the applicant provides the historical and projected number of patient days to be provided at WakeMed Raleigh Campus through the first three operating years of the proposed project, which are summarized below:

WakeMed Raleigh Campus Acute Care Bed Utilization

Fiscal Year	Licensed Acute Care Beds*	Patient Days	Average Daily Census	Percent Change	Average Occupancy Rate
2010 Actual	575	167,712	459	---	79.9%
2011 Actual	575	167,782	460	0.0%	79.9%
2012 Actual	575	169,524	464	1.0%	80.8%
2013 Projected	575	171,116	469	0.9%	81.5%
2014 Projected	587	176,145	483	2.9%	82.2%
2015 Projected	587	181,180	496	2.9%	84.6%
2016 Year 1	617	174,769	479	-3.5%	77.6%
2017 Year 2	617	177,190	485	1.4%	78.7%
2018 Year 3	617	181,053	496	2.2%	80.4%

*Following completion of Project I.D. #J-8328-09 to add 12 Level IV neonatal intensive care unit (NICU) beds, WakeMed Raleigh will operate 587 acute care beds [575 + 12 = 587]. Following completion of Project I.D. #J-7843-07 to transfer 20 acute care beds to WakeMed North Healthplex, and Project I.D. #J-8329-09 to add 29 acute care beds, and this project to add 21 acute care beds, WakeMed Raleigh would be approved to operate 617 licensed acute care beds [587 – 20 + 29 + 21 = 617]. Note: Project I.D. #J-8329-09 is currently under appeal, but the applicant assumes the appeal will be resolved, and the project will proceed as approved.

As shown in the table above, WakeMed projects to provide 181,053 patient days of care in the third operating year and, therefore, projects an average annual occupancy rate of 80.4 percent in the third operating year. WakeMed adequately demonstrated the need to re-convert 21 WakeMed Fuquay-Varina nursing care beds to acute care beds, and relocate those 21 acute care beds to WakeMed Raleigh Campus. Consequently, the applicant adequately demonstrates the proposed project would not result in the unnecessary duplication of existing or approved health service capabilities or facilities in the applicant's service area. Therefore, the application is conforming with 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 116-122, the applicant provides tables showing the current and proposed staffing for WakeMed Raleigh Campus. On page 123, the applicant provides a table showing WakeMed Raleigh Campus projects to add 123.91 full-time equivalent (FTE) positions between the current year and the second year of the project (FY2016). In Section VII.3, page 125, and Section VII.6, page 126, the applicant describes its recruitment and retention procedures, and indicates that it does not anticipate any difficulties identifying, hiring, and retaining qualified staff for the proposed project. In Section VII.8, page 128, the applicant identifies West Lawson, M.D. as the Chief Medical Officer for WakeMed. Exhibit 43 of the application contains copies of letters from physician and surgeons expressing support for the proposed project. 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 23-24, and Exhibit 9, the applicant documents that all of the necessary ancillary and support services for the proposed services are currently provided at WakeMed Raleigh Campus. Section V.2, page 96, contains a list of facilities with which WakeMed has transfer agreements, and Exhibit 31 of the application contains a copy of a sample transfer agreement. Exhibit 43 contains copies of letters from physician and surgeons expressing support for the proposed project. The applicant adequately demonstrates that necessary ancillary and support services will be available and that the proposed project will be coordinated with the existing health care system. Therefore, the application is conforming 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.

NA

The applicant proposes to locate the 21 additional acute care beds in renovated space in the existing hospital. No new construction is proposed.

(13) The applicant shall demonstrate the contribution of the proposed service in meeting the health-related needs of the elderly and of members of medically underserved groups, such as medically indigent or low income persons, Medicaid and Medicare recipients, racial and ethnic minorities, women, and handicapped persons, which have traditionally experienced difficulties in obtaining equal access to the proposed services, particularly those needs identified in the State Health Plan as deserving of priority. For the purpose of determining the extent to which the proposed service will be accessible, the applicant shall show:

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

C

In Section VI.1, page 114, the applicant provides the payer mix during FY2012 for the inpatient services at WakeMed Raleigh Campus, as shown in the table below.

WakeMed Raleigh Campus Inpatient Services Payer Category	FY2012 Cases as % of Total
Self Pay/Indigent/Charity	6.0%
Medicare/Medicare Managed Care	37.9%
Medicaid	29.5%
Commercial Insurance	0.7%
Managed Care	24.0%
Other (Workers Comp, Other Gov't, Hosp. Sponsored)	1.9%
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 # 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)
Wake	10%	3.3%	18.4%
Statewide	17%	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 inpatient services proposed in this application.

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 payer 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 the applicant's existing services and 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

Recipients of Hill-Burton funds were required to provide uncompensated care, community service and access by minorities and handicapped persons. In Section VI.11, page 113, the applicant states:

> *"WakeMed has no obligation under any applicable Federal regulation to provide uncompensated care and community service. However, WakeMed provided $269 million in uncompensated care during Fiscal Year 2012, as well as $47 million in bad debt.*
>
> *With respect to providing access to minorities and handicapped persons, WakeMed is in compliance with Title III of the American with Disabilities Act, the Civil Rights Act, and all other federally mandated regulations related to minorities and handicapped individuals."*

In Section VI.10 (a), page 112, the applicant states that no Office of Civil Rights complaints have been filed against WakeMed in last five years. Therefore, 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, page 115, the applicant provides the projected payer mix for the second full fiscal year following completion of the proposed project (FY2016) for the inpatient services at WakeMed Raleigh Campus, as shown in the table below.

WakeMed Raleigh Campus Inpatient Services Payer Category	FY2016 Cases as % of Total
Self Pay/Indigent/Charity	6.0%
Medicare/Medicare Managed Care	37.9%
Medicaid	29.5%
Commercial Insurance	0.7%
Managed Care	24.0%
Other (Workers Comp, Other Gov't, Hosp. Sponsored)	1.9%
Total	**100.0%**

On page 115, the applicant states, "*Projected payer mix is based on historic payer mix.*" The applicant demonstrates that medically underserved populations will have adequate access to the proposed 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.

C

In Section VI.9(a), page 111, the applicant describes the range of means by which a person will have access to its services. The information provided is reasonable and credible and supports a finding of conformity 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 of the application, the applicant states they have extensive relationships with many area health professional training programs. Section V.1(a), pages 92-93, includes a list of institutions with which the applicant has these arrangements. Exhibit 30 contains copies of sample agreements with area health professional training programs. The information provided in Section V.1 is reasonable and credible and supports a finding of conformity 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

WakeMed proposes to re-convert 21 nursing care beds currently located at WakeMed Fuquay-Varina to acute care beds and relocate the acute care beds to WakeMed Raleigh Campus. In Section V.7, pages 99-100, the applicant discusses the impact of the proposed project on competition in the service area including how any enhanced competition will have a positive impact on the cost-effectiveness, quality and access to acute care services. The applicant states

> *"As noted in the responses to Questions III.1 and III.2, the proposed project will promote cost-effectiveness, quality and access to services. Wake County is already a highly competitive market with three hospital systems located in Wake County and a number of other hospitals serving residents of Wake County and the surrounding area.*
>
> *The existing level of competition already offers benefits to patients and the health care system. Adding new hospital providers and increasing the number of competitors would easily dilute economies of scale, divert compensated care to other locations and actually harm WakeMed's and other existing providers' ability to provide accessible care to the underserved – undermining the safety net for citizens of Wake County.*
>
> *Additional intense competition exists in the outpatient realm with joint ventures, endoscopy centers, and imaging entities all contesting for market share, and largely abdicating responsibility for the poor. As a result, the responsibility for the poor is born largely by acute care hospitals. Further, development of largely outpatient-focused hospitals in wealthy suburban markets will shift high margin care away from safety net providers, and undermine the fabric of that safety net. With the uncertainty that surrounds the full implementation of the Affordable Care Act, it is still important to maintain the financial strength of safety net providers.*
>
> *By adding additional acute care beds to WakeMed Raleigh Campus, access to inpatient acute care beds will be improved thereby reducing the number of times patients must wait to be admitted to an inpatient bed. As a result, quality of care and patient satisfaction will be improved. WakeMed has a proven track record of providing uncompensated care and the proposed additional beds will also be available as needed to underserved groups."*

See also Sections II, III, V, VI and VII where the applicant discusses the impact of the project on cost-effectiveness, quality and access.

The information provided by the applicant in those sections is reasonable and credible and adequately demonstrates that any enhanced competition in the service area will have 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 applicant adequately demonstrates the need to reconvert 21 WakeMed Fuquay-Varina nursing care beds to acute care beds and relocate those acute care beds to WakeMed Raleigh Campus and that it is a cost-effective alternative;
- The applicant adequately demonstrates that it will continue to provide quality services; and
- The applicant demonstrates that it 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.

C

WakeMed is certified by CMS for Medicare and Medicaid participation, and licensed by the NC Department of Health and Human Services. According to files in the Acute and Home Care Licensure and Certification Section in the Division of Health Service Regulation, no incidents have occurred at WakeMed within the eighteen months immediately preceding the date of the 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.

C

The application is conforming with all applicable Criteria and Standards for Acute Care Beds, 10A NCAC 14C .3800. The specific criteria are discussed below.

10A NCAC 14C .3802 INFORMATION REQUIRED OF APPLICANT

(a) An applicant that proposes to develop new acute care beds shall complete the Acute Care Facility/Medical Equipment application form.

-C- The applicant completed the Acute Care Facility/Medical Equipment application form.

(b) An applicant proposing to develop new acute care beds shall submit the following information:

(1) the number of acute care beds proposed to be licensed and operated following completion of the proposed project;

-C- In Section II.8, page 36, the applicant states there will be 617 licensed and operational acute care beds at WakeMed Raleigh Campus upon completion of the project.

(2) documentation that the proposed services shall be provided in conformance with all applicable facility, programmatic, and service specific licensure, certification, and JCAHO accreditation standards;

-C- In Section II.8, page 36, and Exhibit 12, the applicant provides documentation that the services will be provided in conformance with all applicable facility, programmatic, and service specific licensure, certification, and JCAHO accreditation standards.

(3) documentation that the proposed services shall be offered in a physical environment that conforms to the requirements of federal, state, and local regulatory bodies;

-C- In Section II.8, page 37, and Exhibit 12, the applicant provides documentation that the services will be provided in a physical environment that conforms to the requirements of federal, state, and local regulatory bodies.

(4) if adding new acute care beds to an existing facility, documentation of the number of inpatient days of care provided in the last operating year in the existing licensed acute care beds by medical diagnostic category, as classified by the Centers for Medicare and Medicaid Services according to the list set forth in the applicable State Medical Facilities Plan;

-C- In Section II.8, pages 37-38, the applicant provides a list of patient days of care provided in the existing licensed acute care beds at WakeMed Raleigh Campus during the last operating year (FY2012) by medical diagnostic category (MDC), as classified by the Centers for Medicare and Medicaid Services (CMS) according to the list set forth in the 2013 SMFP.

(5) the projected number of inpatient days of care to be provided in the total number of licensed acute care beds in the facility, by county of residence, for each of the first three years following completion of the proposed project, including all assumptions, data and methodologies;

-C- In Section II.8, pages 38-40, the applicant provides the projected number of inpatient days of care to be provided in the total number of licensed acute care beds in the facility, by county of residence, for each of the first three operating years following completion of the project. In Section II.8, pages 45-59, the applicant provides the assumptions, data and methodology used for the projections. See Criterion (3) for discussion, which is incorporated hereby as if set forth fully herein.

(6) documentation that the applicant shall be able to communicate with emergency transportation agencies 24 hours per day, 7 days per week;

-C- In Section II.8, pages 40-41, and Exhibit 19, the applicant provides documentation that the hospital is able to communicate with emergency transportation agencies 24 hours per day, 7 days per week.

(7) documentation that services in the emergency care department shall be provided 24 hours per day, 7 days per week, including a description of the scope of services to be provided during each shift and the physician and professional staffing that will be responsible for provision of those services;

-C- In Section II.8, page 41, and Exhibit 19, the applicant provides documentation that the hospital's emergency department services are available 24 hours per day, 7 days per week.

(8) copy of written administrative policies that prohibit the exclusion of services to any patient on the basis of age, race, sex, creed, religion, disability or the patient's ability to pay;

-C- In Section II.8, page 41, and Exhibits 20 and 21, the applicant provides written administrative policies documenting that the hospital prohibits the exclusion of services to any patient on the basis of age, race, sex, creed, religion, disability or the patient's ability to pay.

(9) a written commitment to participate in and comply with conditions of participation in the Medicare and Medicaid programs;

-C- In Section II.8, page 41, and Exhibit 12, the applicant provides a written commitment from the Senior Vice President and Administrator for WakeMed Raleigh Campus to participate in and comply with conditions of participation in the Medicare and Medicaid programs.

(10) documentation of the health care services provided by the applicant, and any facility in North Carolina owned or operated by the applicant's parent organization, in each of the last two operating years to Medicare patients, Medicaid patients, and patients who are not able to pay for their care;

-C- Exhibit 22 shows the inpatient days of care, emergency cases, outpatient cases, inpatient surgical cases, and ambulatory surgery cases for Medicare, Medicaid, and self pay/charity care patients at WakeMed's facilities for FFY2011 and FFY2012.

(11) documentation of strategies to be used and activities undertaken by the applicant to attract physicians and medical staff who will provide care to patients without regard to their ability to pay; and

-C- In Section II.8, page 42, and Exhibit 23, the applicant provides documentation of strategies to be used and activities undertaken by the applicant to attract physicians and medical staff who will provide care to patients without regard to their ability to pay.

(12) documentation that the proposed new acute care beds shall be operated in a hospital that provides inpatient medical services to both surgical and non-surgical patients.

-C- In Section II.8, page 42, and Exhibit 22, the applicant provides documentation that WakeMed Raleigh Campus provides inpatient medical services to both surgical and non-surgical patients.

(c) An applicant proposing to develop new acute care beds in a new licensed hospital or on a new campus of an existing hospital shall also submit the following information:

(1) the projected number of inpatient days of care to be provided in the licensed acute care beds in the new hospital or on the new campus, by major diagnostic category as recognized by the Centers for Medicare and Medicaid Services (CMS) according to the list set forth in the applicable State Medical Facilities Plan;

(2) documentation that medical and surgical services shall be provided in the proposed acute care beds on a daily basis within at least five of the major diagnostic categories as recognized by the Centers for Medicare and Medicaid Services (CMS) according to the list set forth in the applicable State Medical Facilities Plan;

(3) copies of written policies and procedures for the provision of care within the new acute care hospital or on the new campus, including but not limited to the following:
- *(A) the admission and discharge of patients, including discharge planning,*
- *(B) transfer of patients to another hospital,*
- *(C) infection control, and*
- *(D) safety procedures;*

(4) documentation that the applicant owns or otherwise has control of the site on which the proposed acute care beds will be located; and

(5) documentation that the proposed site is suitable for development of the facility with regard to water, sewage disposal, site development and zoning requirements; and provide the required procedures for obtaining zoning changes and a special use permit if site is currently not properly zoned; and

(6) correspondence from physicians and other referral sources that documents their willingness to refer or admit patients to the proposed new hospital or new campus.

-NA- The applicant does not propose to develop new acute care beds in a new licensed hospital or on a new campus of an existing hospital. The applicant proposes to relocate the acute care beds to the existing hospital on WakeMed Raleigh Campus.

10A NCAC 14C .3803 PERFORMANCE STANDARDS

(a) An applicant proposing to develop new acute care beds shall demonstrate that the projected average daily census (ADC) of the total number of licensed acute care beds proposed to be licensed within the service area, under common ownership with the applicant, divided by the total number of those licensed acute care beds is reasonably projected to be at least 66.7 percent when the projected ADC is less than 100 patients, 71.4 percent when the projected ADC is 100 to 200 patients, and 75.2 percent when the projected ADC is greater than 200 patients, in the third operating year following completion of the proposed project or in the year for which the need determination is identified in the State Medical Facilities Plan, whichever is later.

-C- In Section II.8, page 44, the applicant provides the following table showing the projected utilization of the total number of licensed acute care beds WakeMed will operate in the Wake County service area in the third operating year (FFY2018) following completion of the project.

	# Beds	ADC	% Occupancy
WakeMed Cary Hospital	178	138.5	77.8%
WakeMed North	77	52.7	68.5%
WakeMed Raleigh Campus	617	496.0	80.4%
Total for WakeMed System	872	687.2	78.8%

(b) An applicant proposing to develop new acute care beds shall provide all assumptions and data used to develop the projections required in this rule and demonstrate that they support the projected inpatient utilization and average daily census.

-C- The applicant's assumptions and data used to develop the projections required in this Rule are provided in Section II.8, pages 45-59. The applicant's assumptions regarding projected inpatient utilization and average daily census are reasonable and credible and support a finding of conformity with this rule. See Criterion (3) for additional discussion which is incorporated hereby as if set forth fully herein.

10A NCAC 14C .3804 SUPPORT SERVICES

(a) An applicant proposing to develop new acute care beds shall document that each of the following items shall be available to the facility 24 hours per day, 7 days per week:

(1) laboratory services including microspecimen chemistry techniques and blood gas determinations;
(2) radiology services;
(3) blood bank services;
(4) pharmacy services;
(5) oxygen and air and suction capability;
(6) electronic physiological monitoring capability;

(7) mechanical ventilatory assistance equipment including airways, manual breathing bag and ventilator/respirator;
(8) endotracheal intubation capability;
(9) cardiac arrest management plan;
(10) patient weighing device for a patient confined to their bed; and
(11) isolation capability;

-C- Exhibit 25 contains a letter signed by the Senior Vice President and Administrator for WakeMed Raleigh Campus which states that all of the items listed above are currently available 24 hours per day, seven days per week at the hospital.

(b) If any item in Paragraph (a) of this Rule will not be available in the facility 24 hours per day, 7 days per week, the applicant shall document the basis for determining the item is not needed in the facility.

-C- In Section II.8, page 60, the applicant states that all of the items in Paragraph (a) of this Rule will be available 24 hours per day, seven days per week.

(c) If any item in Paragraph (a) of this Rule will be contracted, the applicant shall provide correspondence from the proposed provider of its intent to contract with the applicant.

-C- In Section II.8, page 60, the applicant states that none of the items listed in Paragraph (a) of this Rule will be contracted.

10A NCAC 14C .3805 STAFFING AND STAFF TRAINING
(a) An applicant proposing to develop new acute care beds shall demonstrate that the proposed staff for the new acute care beds shall comply with licensure requirements set forth in Title 10A NCAC 13B, Licensing of Hospitals.

-C- Exhibit 12 contains a letter from the Senior Vice President and Administrator for WakeMed Raleigh Campus documenting that the proposed staff for the new acute care beds will comply with the licensure requirements set forth in Title 10A NCAC 13B, Licensing of Hospitals.

(b) An applicant proposing to develop new acute care beds shall provide correspondence from the persons who expressed interest in serving as Chief Executive Officer and Chief Nursing Executive of the facility in which the new acute care beds will be located, documenting their willingness to serve in this capacity.

-C- In Section II.8, page 61, the applicant identifies the two individuals who will serve as Chief Executive Officer and Chief Nursing Executive. Exhibits 26 and 27 contain letters from each individual which documents their willingness to continue to serve in the capacities as required by this rule.

(c) An applicant proposing to develop new acute care beds in a new hospital or on a new campus of an existing hospital shall provide a job description and the educational and training requirements

for the Chief Executive Officer, Chief Nursing Executive and each department head which is required by licensure rules to be employed in the facility in which the acute care beds will be located.

-NA- The applicant does not propose to develop new acute care beds in a new licensed hospital or on a new campus of an existing hospital. The applicant proposes to relocate the acute care beds to the existing hospital on Wake Raleigh Campus.

(d) An applicant proposing to develop new acute care beds shall document the availability of admitting physicians who shall admit and care for patients in each of the major diagnostic categories to be served by the applicant.

-C- In Section VII.8, pages 128-129, and Exhibit 12, the applicant documents the availability of admitting physicians who will admit and care for patients in each of the major diagnostic categories served at WakeMed Raleigh Campus.

(e) An applicant proposing to develop new acute care beds shall provide documentation of the availability of support and clinical staff to provide care for patients in each of the major diagnostic categories to be served by the applicant.

-C- In Sections VII.1 and VII.8, the applicant provides documentation of the availability of support and clinical staff to provide care for patients in each of the major diagnostic categories at WakeMed Raleigh Campus.