

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-10166-13 / WakeMed and WakeMed Property Services / Re-convert three nursing care beds currently located at WakeMed Fuquay-Varina and 13 nursing care beds currently located at WakeMed Zebulon/Wendell to acute care beds and relocate those 16 beds to WakeMed North / 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 (formerly Wake County Hospital System, Inc.) was approved (Project I.D. # J-3246-88) to convert 16 acute care beds located at WakeMed Fuquay-Varina (formerly Southern Wake Hospital) 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 Fuquay-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 Fuquay-Varina to nursing care beds pursuant to Policy C.1. Effective May 26, 1993, WakeMed was approved (Project I.D. # J-4737-92) to convert 13 acute care beds located at WakeMed Zebulon/Wendell (formerly Eastern Wake Hospital) to 13 nursing care beds pursuant to Policy C.1 of the 1992 State Medical Facilities Plan.

In this application, WakeMed proposes to re-convert three nursing care beds currently located at WakeMed Fuquay-Varina and 13 nursing care beds currently located at WakeMed Zebulon/Wendell to acute care beds and relocate those 16 acute care beds to WakeMed

North. In a separate application filed at the same, Project I.D. # J-10165-13, 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.”

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

In Section III.2, page 84, the applicants state

“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%
<i>Total</i>	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 85-86, the applicants state:

“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 applicants adequately demonstrate that they 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 and WakeMed Property Services [**WakeMed**] proposes to re-convert three nursing care beds currently located at WakeMed Fuquay-Varina and 13 nursing care beds currently located at WakeMed Zebulon/Wendell to acute care beds and relocate those 16 acute care beds to WakeMed North. In Section II.1, page 19, the applicants describe the project as follows:

“Pursuant to Policy AC-4 in the 2013 State Medical Facilities Plan (SMFP), WakeMed and WakeMed Property Services proposes to re-convert 16 hospital-based

skilled nursing facility beds, obtained through Policy C.1 in the 1988, 1990 and 1992 State Medical Facilities Plans (SMFPs), back to acute care beds, and to relocate these beds to WakeMed North. Please see Attachment 6 for copies of the certificates of need. These 16 beds, relocated from WakeMed Zebulon/Wendell (13 beds) and WakeMed Fuquay-Varina (3 beds) will be housed in existing renovated space and developed simultaneously with 61 acute care beds approved in Project Nos. J-7843-07 and J-8180-08. Upon project completion, WakeMed North will be licensed for 77 acute care beds, all dedicated to women's care. All beds are scheduled to open on October 1, 2015. ...

WakeMed intends to designate the converted beds as general medical-surgical beds as part of the planned women's hospital. Sixty-one (61) acute care beds are currently under development at WakeMed North. Following completion of the aforementioned projects and the proposed projects, WakeMed North will be licensed for 77 acute care beds, including 6 Level III neonatal beds obtained through a Letter of Material Compliance."

In a separate application filed at the same, Project I.D. # J-10165-13, 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.

Population to be Served

In Section III.5, page 96, the applicants provide projected patient origin for WakeMed North's acute care beds in the first two years of operation (FY2016-FY2017), as shown in the table below.

**WakeMed North Inpatient Cases
Projected Patient Origin, FY2016-FY2018**

County	Days of Care Percent of Total
Wake	86.0%
Franklin	9.0%
Durham	1.0%
Granville	1.0%
Johnston	1.0%
Nash	0.5%
Vance	0.5%
Harnett	0.4%
Orange	0.2%
Warren	0.2%
Wilson	0.2%
TOTAL	100.0%

On page 96 of the application, the applicants state, "The projected patient origin presented in Table III.11, is based generally on historical utilization of existing services at WakeMed

North, as well as referral patterns for inpatients originating in the primary service area.” The applicants adequately identified the population proposed to be served.

Need for the Project

In Section III.1(a) of the application, the applicants describe the factors supporting the need for the proposed project, including the women’s healthcare needs (pages 73-75), population growth for women in the WakeMed North service area (pages 75-80), and the lack of acute care and obstetrical care services in the proposed service area (page 81).

In Section IV.1, page 90, the applicants provide the projected number of patient days to be provided at WakeMed North during the first three operating years of the proposed project, which are summarized below:

WakeMed North Acute Care Bed Utilization

Fiscal Year	Licensed Acute Care Beds*	Patient Days	Average Daily Census	Percent Change	Average Occupancy Rate
2016 Year 1	77	14,039	38.5	---	50.0%
2017 Year 2	77	17,012	46.6	21.2%	60.5%
2018 Year 3	77	19,245	52.7	13.1%	68.5%

*The applicant projects that Project I.D. #J-7843-07 to relocate 20 acute care beds from WakeMed Raleigh Campus to WakeMed North, Project I.D. #J-8180-08 to develop 41 new acute care beds at WakeMed North, and this project to relocate 16 “re-converted” acute care beds from WakeMed Fuquay-Varina and WakeMed Zebulon/Wendell to WakeMed North, will all be completed in FY2016, which will be the first year of operation for all 77 of the acute care beds at WakeMed North [20 + 41 + 16 = 77].

As shown in the table above, WakeMed North projects to provide 19,245 patient days of care in the third operating year and, therefore, projects an average annual occupancy rate of 68.4 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	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 44-65, the applicants describe 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: Determine Population to Forecast

For this project, WakeMed intends to serve the female population age 15 and over. In this methodology, women are grouped into one of four age-specific cohorts:

- 1. 15-44 (‘Childbearing’ age group): Obstetric*
- 2. 15-44 (‘Childbearing’ age group): Non-obstetric, with exclusions*
- 3. 45-64 (‘Midlife’ age group): All cases, with exclusions*
- 4. 65+ (‘Older Adult’ age group): All cases, with exclusions*

Step 2: Define Primary Service Area

The Primary service area for the project consists of nine ZIP Codes in north Raleigh and northern Wake County. WakeMed North Healthplex is located near the geographic center of this area.

<u>ZIP Code</u>	<u>City/Town</u>
27571	Rolesville
27587	Wake Forest
27604	Raleigh
27609	Raleigh
27613	Raleigh
27614	Raleigh
27615	Raleigh
27616	Raleigh
27617	Raleigh

Step 3: Current and 5-Year Population Projections by ZIP Code

The female population by age group within each ZIP Code in the primary service area was obtained for the years 2012 and 2017 from Ersi, Inc. Ersi is a major source of accurate, up-to-date market research analysis and target marketing research about population, consumer behavior, consumer spending, households and businesses in the United States. [Shown in Table II.5 on pages 45-46].

Step 4: Use 2012 to 2017 Annual Population Growth Rate to Estimate Population in Interim Years

The compound annual growth rate (CAGR) from 2012 to 2017 for each age group within each ZIP calculated in Step 3 was used to extrapolate age group-specific populations for the years 2010-11, 2013-16, and 2018. The formula for calculating the CAGR was: $\{[(2017 \text{ Population}) / (2012 \text{ Population})^{(1/5)}]-1$. The CAGR was carried out to 4 decimal places in the projection formulas; however, the population projections by ZIP Code were rounded to the nearest integer. Actual data from Ersi was used for 2012 and 2017. The population projection for 2018 was extrapolated from the 2017 Ersi data assuming that the 2012-2017 growth rate would continue for that one-year period. Data for 2010-2011 was extrapolated using the 2012 estimates from Ersi and assuming that the growth rate from 2010 to 2011 was the same as the annual growth rate for years 2012 to 2017. [Shown in Tables II.6 – II.9 on pages 46-48].

Step 5: Determine 2010-2012 Female Cases and Patient Days Originating in the Primary Service Area by Age Group/Segment by MDC

Inpatient cases and days in 2010-2012 by all providers of female patients in the WakeMed North primary service area (PSA) were obtained using the North Carolina Inpatient Data System, which is compiled and maintained by Truven Health Analytics. These are the most recent full years available. Cases, patient days and average length of stay (ALOS) by MDC by age group for OB and Non-OB patients for 2010-2012 for the services proposed for WakeMed North's inpatient program are shown in the tables below.... [Shown in Tables II.10 - II.13 on pages 49-51]

Step 6: Develop Use Rates per 1000 Population by Age Group/Segment

Using the age group-specific 2010-2012 populations derived in Step 3 and age group-specific 2010-2012 case volumes in Step 4, use rates per 1000 population [are shown in Table II.14 on page 51].

Step 7: Project Cases and Patient Days by Age Group/Segment in Primary Service Area

Projected total cases and patient days originating in the primary service area (PSA) by female age group/segment for 2013-2018, using the 2010-12 average use rates developed in Step 6, ALOS by age group in Step 4, and projected female population in the PSA from Step 2. Use rates per 1000 population were held constant through 2018 for all age cohorts. [Shown in Tables II.15 - II.18 on pages 52-53]

Step 8: WakeMed North Market Share of PSA by Age Group/Segment in Project Years 1-3

The WakeMed North Healthplex market shares within the primary service area, for each female age group/segment, were estimated through 2018 (Project Year 3) in Table II.19. For information purposes, the WakeMed system average market share during 2010-2012, from Truven Health Analytics, is also provided.

Table II.19 WakeMed North Healthplex Projected Market Shares by Female Age Group/Segment In the Primary Service Area, Project Years 1-3 Includes WakeMed System Average Market Share of PSA for 2010-12				
Year	14-44 OB:	15-44 Non-OB:	45-64	65+
<i>WakeMed System Market Shares – Avg. 2010-2012</i>	44%	34%	33%	30%
<i>2016 – year 1</i>	31%	15%	15%	15%
<i>2017 – year 2</i>	32%	20%	20%	20%
<i>2018 – year 3</i>	33%	23%	23%	23%

The applicants assume the market shares will increase over the first three years of the project based on a shift of patient volumes from WakeMed Raleigh Campus and new business that will result for projected growth in the overall market for women’s services. The applicants state they do not project any “existing volume from the primary service area served at other hospitals will shift to WakeMed North as a result of this project.” The applicants project the shift in cases will result from the proximity of inpatient women’s services to the primary service area, WakeMed North’s historical experience in “capturing” outpatients and emergency patients, the proportion of patients with conditions that are appropriate for WakeMed North and would likely choose WakeMed North rather than WakeMed Raleigh Campus, and the physician support from physicians serving women in the primary service area and currently practicing at WakeMed North. Also, the applicants state its market share projections are also supported by the experience of other providers in similar circumstances, such as Novant Health Huntersville Medical Center.

As part of the 61 acute care beds approved for WakeMed North, the applicants have also been approved to develop six Level III neonatal beds. In describing its utilization projections for the six Level III neonatal beds, on page 55, the applicants state,

“For this methodology, WakeMed assumes that 10 percent of obstetrics cases at WakeMed North will require neonatal care. Of these, 80 percent of neonates born at WakeMed North could be accommodated in Level III neonatal beds. Projections of neonatal patients from the primary service area are shown in the following table.

Table II.21

Projection of Level III Neonatal Cases at WakeMed North Project Years 1-3				
Year	WakeMed North OB Cases from PSA	Normal Newborns (90% of Total OB)	Neonates (10% of Total OB)	Level III Neonates Treated at WMN (80% of Neonates)
2016 – year 1	1,530	1,377	153	122
2017 – year 2	1,613	1,452	161	129
2018 – year 3	1,700	1,530	170	136

Step 9: Project Patient Days for WakeMed North Inpatient Program by Age Group/Segment for Project Years 1-3

Based on projected cases in Step 8, the following patient days [shown in Table II.22 on page 56] are projected for WakeMed North’s inpatient program by age group/segment from the primary service area during Years 1-3. Average length of stay is assumed to remain constant for each age group/segment in Years 1-3....

WakeMed assumed that neonatal cases at WakeMed North would have an ALOS comparable to that at WakeMed Cary Hospital, which also offers Level III neonatal care. In FY2012, WakeMed Cary’s Level III ALOS was 7.6 days. Average length of stay for neonatal beds is assumed to remain constant in Project Years 1-3.

Table II.23 WakeMed North Level III Neonatal Cases and Days Originating in Primary Service Area			
Year	Level III Neonates Treated at WMN from PSA	Neonatal ALOS	WakeMed North Neonate Days from PSA
2016 – year 1	122	7.6	927
2017 – year 2	129	7.6	980
2018 – year 3	136	7.6	1,034

Step 10: Project Cases and Days by Age Group/Segment from Secondary Service Area

WakeMed estimated that residents of the secondary service area, which consists of the remainder of Wake County and Franklin County, would comprise 15 percent of total cases and days at WakeMed North during Project Years 1-3. Using the same conventions as outlined in Steps 1-9 above, projections are derived for the secondary service area. WakeMed did not assume that age-specific average lengths of stay or use rates per 1000 will be identical to those of the primary service area.

First, age group-specific population estimates were obtained for 2012 and 2017 from Esri for the remainder of Wake County and for all of Franklin County, then estimated for 2010-2018. Please see Table II.24 [on page 57].

Next, FY 2012 cases and patient days originating in the secondary service area, using the same MDCs identified for the primary service area were obtained from Truven. [Shown in Tables II.25 - II.29 on pages 58-60]

Use rates per 1000 population for each age group/segment are calculated for the secondary service area. ... Use rates per 1000 in the secondary service area are applied to each age group/segment's projected population for 2013-2018 to derive projected cases originating in the secondary service area. [Shown in Tables II.31 - II.33 on pages 61-62]

Next, WakeMed North's market shares of the secondary market were estimated for Project Years 1-3.

Table II.35				
WakeMed North Healthplex				
Projected Market Shares by Female Age Group/Segment in the Secondary Service Area, Project Years 1-3				
Includes WakeMed System Average Market Share of SSA for 2010-12				
Year	15-44 OB:	15-44 Non-OB:	45-64	65+
WakeMed System Market Shares – Avg. 2010-2012	54%	40%	41%	41%
2016 – year 1	3%	1%	1%	1%
2017 – year 2	3%	1%	1%	1%
2018 – year 3	3%	1%	1%	1%

Using the projected market shares for Years 1-3, the following table shows WakeMed North's projected cases from the secondary service area by age group/segment.

Table II.36								
WakeMed North Healthplex Cases								
by Female Age Group/Segment in the Secondary Service Area								
Using Projected Market Shares in Table II.35								
Fiscal Year	15-44 OB		15-44 Non-OB		45-64		65+	
	Total SSA Cases	WakeMed North Cases	Total SSA Cases	WakeMed North Cases	Total SSA Cases	WakeMed North Cases	Total SSA Cases	WakeMed North Cases
2016	10,784	324	4,042	40	6,554	66	12,593	126
2017	11,012	330	4,127	41	6,696	67	13,219	132
2018	11,244	337	4,214	42	6,841	68	13,875	139

WakeMed North projected cases from the secondary service area are multiplied by the 3-year average ALOS to obtain patient days for each age group/segment. Please note that each age group/segment in the secondary service area has a different ALOS

than that of the primary service area. WakeMed used an ALOS of 2.5 days for OB cases at WakeMed North, which is consistent with the assumption for OB cases in the primary service area. [Shown in Table II.37 on page 63]

Neonatal cases originating from the secondary service area are projected in the same manner as the primary service area – 10 percent of Obstetric cases are assumed to require neonatal care, and of those, 80 percent can be treated at WakeMed North. Please see the following table.

Table II.38 WakeMed North Level III Neonatal Cases and Days Originating in Secondary Service Area			
Year	Level III Neonates at WMN from SSA	Neonatal ALOS	WakeMed North Neonate Days from SSA
2016 – year 1	26	7.6	198
2017 – year 2	26	7.6	198
2018 – year 3	27	7.6	205

Step 11: Project Cases and Days by Age Group/Segment from Out of Area

Patients originating from outside the primary and secondary service areas (“Out of Area” are assumed to comprise the remaining 5 percent of cases and days. These are patients who may work in Wake County and/or are treated by physicians in Wake County. Using the same ALOS assumptions as for the primary service area, cases and patient days originating Out of Area are shown in the table below.

Table II.40 WakeMed North Level III Neonatal Cases and Days Originating from Out of Area			
Year	Neonates Treated at WMN from OOA	Neonatal ALOS	WakeMed North Neonate Days from OOA
2016 – year 1	8	7.6	61
2017 – year 2	8	7.6	61
2018 – year 3	9	7.6	68

Step 12: Summarize Cases and Patient Days from All Areas

When cases and patient days in Steps 9-11 are summarized, it yields the following total projected utilization at WakeMed North by age group/segment for Years 1-3.

Table II.41

WakeMed North Cases and Days by Age Group/Segment						
Grand Total						
Age Group/Segment	2016 – Year 1		2017 – Year 2		2018 – Year 3	
	Cases	Days	Cases	Days	Cases	Days
<i>15-44 OB</i>	1,952	4,880	2,046	5,116	2,145	5,363
<i>Neonatal</i>	156	1,186	163	1,239	172	1,307
<i>15-44 Non-OB</i>	297	1,163	389	1,521	451	1,763
<i>45-64 Total</i>	465	2,192	609	2,870	705	3,321
<i>65+ Total</i>	940	4,618	1,276	6,266	1,526	7,491
Grand Total	3,810	14,039	4,483	17,012	4,999	19,245

Step 13: Calculate Utilization for 77 Acute Care Beds

WakeMed North’s projected utilization for Years 1-3, using the patient days in Step 12 is provided below.

Table II.42								
WakeMed North								
Acute Care Bed Utilization, Project Years 1-3								
Fiscal Year	OB Patient Days	OB Percent Util.	Neonatal Patient Days	Neonatal Percent Util.	Med-Surg Patient Days	Med-Surg Percent Util.	Total Patient Days	Total Percent Util.
<i>2016 – Year 1</i>	4,880	51.4%	1,186	54.2%	7,973	48.5%	14,039	50.0%
<i>2017 – Year 2</i>	5,116	53.9%	1,239	56.6%	10,657	64.9%	17,012	60.5%
<i>2018 – Year 3</i>	5,363	56.5%	1,307	59.7%	12,575	76.6%	19,245	68.5%

The applicants projected the female population estimates by age cohort and by ZIP Code area based on data from a proprietary marketing database service, Ersi, Inc. The applicants’ hospital inpatient use rates per 1,000 female population and projected inpatient cases, average length of stay (ALOS) and patient days are based on hospital inpatient utilization data by female age cohort provided by Truven Health Analytics, for the applicants’ primary service area. The applicants state the market share assumptions are based on WakeMed System’s historical (FY2010-FY2012) market shares for the female age cohorts for hospital inpatient services in the primary service area, as well as the obstetrics market share experience of other providers. The applicants repeat the same steps described above to project total cases and patient days from the secondary service area, but with the assumption that they will have lower market shares in the secondary service area (see Table II.35, page 62). The applicants projected that an additional five percent of patient volume at the hospital will be from patients originating from outside the service area. Based on the foregoing assumptions, the applicants project total patient days at WakeMed North will reach 19,245 in FY2018, which is equivalent to an average annual occupancy rate of 68.5 percent. Exhibit 45 contains letters from physicians and surgeons expressing support for the proposed project. The projected utilization of the acute care beds at WakeMed North is based on reasonable, credible and supported assumptions. WakeMed adequately demonstrates the need for 16 additional acute care beds at WakeMed North.

Access

The applicants project 29.8% of the patients will be covered by Medicare (17.8%) and Medicaid (12.0%). It should be noted that the acute care beds at WakeMed North will be devoted to obstetrics and women's health services. The applicants demonstrate adequate access for medically underserved groups to the proposed services.

In summary, the applicants 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 13 nursing care beds currently located at WakeMed Zebulon/Wendell and three nursing care beds currently located at WakeMed Fuquay-Varina to acute care beds and relocate those 16 acute care beds to WakeMed North. Also, in a separate application filed at the same time (Project I.D. #J-10165-13), WakeMed proposes to re-convert the 21 nursing care beds currently located at WakeMed Fuquay-Varina to acute care beds and relocate the beds to WakeMed Raleigh Campus. On August 7, 2013, the applicants notified current nursing facility patients and their families and legal guardians of the plan to suspend operations of WakeMed Fuquay-Varina and WakeMed Zebulon/Wendell, and on August 8, 2013, the applicants ceased admissions of patients to the nursing care beds at WakeMed Fuquay-Varina and WakeMed Zebulon/Wendell. In Section II.1, page 21, the applicants state:

“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, pages 22-23, the applicants state:

"Collectively, WakeMed's 37 C.I 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, page 100, the applicants state:

"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 31 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, page 101, the applicants state:

“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 applicants propose to reduce the number of nursing care beds in Wake County by 16 beds, which represents less than a one percent [$16 / 2,451 = .0065$] 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 the decision, the beds to be converted back to acute care beds are no longer occupied.

The applicants adequately demonstrate that the needs of the population presently served will be met adequately by the proposed re-conversion of 16 nursing care beds located at WakeMed Fuquay-Varina and WakeMed Zebulon/Wendell to acute care beds and relocation of those acute care beds to WakeMed North. 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 86-89, the applicants discuss the alternatives they considered prior to submitting this application, which include:

- a) Maintaining the status quo, which the applicants state was rejected because both the WakeMed Fuquay-Varina and WakeMed Zebulon/Wendell facilities have an outdated physical plant that has reached the end of its useful life, with an insufficient number of beds to be operated efficiently. Also, the WakeMed Zebulon/Wendell facility no longer complies with the CMS requirements that all nursing facility buildings be provided with fire sprinklers.
- 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 applicants state 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 applicants state 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 applicants state 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 applicants state 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 applicants adequately demonstrate that the 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 and WakeMed Property Services shall materially comply with all representations made in the certificate of need application.**
- 2. WakeMed and WakeMed Property Services shall re-convert no more than three nursing care beds located at WakeMed Fuquay-Varina and 13 nursing care beds located at WakeMed Zebulon/Wendell to acute care beds, and**

relocate no more than 16 acute care beds to WakeMed North. WakeMed North will be licensed for no more than 77 acute care beds following the completion of this project, Project I.D. #J-7843-07 and Project I.D. #J-8180-08.

- 3. WakeMed and WakeMed Property Services shall de-license three nursing care beds located at WakeMed Fuquay-Varina. Upon completion of this project and Project I.D. #J-10165-13, WakeMed Fuquay-Varina shall be licensed for no more than 12 nursing care beds.**
 - 4. WakeMed and WakeMed Property Services shall de-license 13 nursing care beds located at WakeMed Zebulon/Wendell. Upon completion of this project, WakeMed Zebulon/Wendell shall be licensed for no more than six nursing care beds.**
 - 5. WakeMed and WakeMed Property Services 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 applicants project the capital cost for the project will be \$6,543,571. In Section VIII.3, the applicants state the capital cost will be financed with a bond issue. In Section IX.1, the applicants project no start-up expenses or initial operating expenses. In Exhibit 39 of the application, the applicants provide 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 16 nursing facility beds to acute care and relocation of such beds to the WakeMed North. It is our understanding that the total cost of the project is estimated to be approximately \$7.0 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 40 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 applicants adequately demonstrated the availability of sufficient funds for the capital needs of the proposal.

In the pro forma financial statements for WakeMed North’s inpatient services (Form B), the applicants project 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 applicants project 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 applicants 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 three nursing care beds currently located at WakeMed Fuquay-Varina and 13 nursing care beds currently located at WakeMed Zebulon/Wendell to acute care beds and relocate those 16 acute care beds to WakeMed North. 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	2012	Average	Average

	Acute Care Beds	Acute Care Patient Days	Daily Census	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 97, the applicants state,

“As described previously in response to Question III.1(a), there is significant overall population growth projected in the proposed service area of WakeMed North, as well as growth in the female population of childbearing age and in the female population ages 65 and over. These demographic trends will result in significant increases in demand for obstetrical and other women’s services in the future. The providers closest to the primary service area, Duke Raleigh Hospital and Franklin Regional Medical Center, do not presently offer obstetric services, nor do they provide dedicated women’s inpatient services. Patients in the service area are traveling primarily to WakeMed Raleigh Campus and Rex Hospital to receive obstetric care. Overall demand for women’s services will drive the need for additional bed capacity to serve these patients, and it is better from a health planning perspective to provide these services in closer proximity to the patients requiring care.

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 North service area is projected to experience significant long-term growth over the future.”

In Section IV.1, page 90, the applicants provide the projected number of patient days to be provided at WakeMed North through the first three operating years of the proposed project, which are summarized below:

WakeMed North Acute Care Bed Utilization

Fiscal Year	Licensed Acute Care Beds*	Patient Days	Average Daily Census	Percent Change	Average Occupancy Rate
2016 Year 1	77	14,039	38.5	---	50.0%
2017 Year 2	77	17,012	46.6	21.2%	60.5%
2018 Year 3	77	19,245	52.7	13.1%	68.5%

*The applicant projects that Project I.D. #J-7843-07 to relocate 20 acute care beds from WakeMed Raleigh Campus to WakeMed North, Project I.D. #J-8180-08 to develop 41 new acute care beds at WakeMed North, and this project to relocate 16 “re-converted” acute care beds from WakeMed Fuquay-Varina and WakeMed Zebulon/Wendell to WakeMed North, will all be completed in FY2016, which will be the first year of operation for all 77 of the acute care beds at WakeMed North [20 + 41 + 16 = 77].

As shown in the table above, WakeMed North projects to provide 19,245 patient days of care in the third operating year and, therefore, projects an average annual occupancy rate of 68.5 percent in the third operating year. WakeMed adequately demonstrated the need to re-convert three WakeMed Fuquay-Varina nursing care beds and 13 WakeMed Zebulon/Wendell nursing care beds to acute care beds, and relocate those 16 acute care beds to WakeMed North. Consequently, the applicants adequately demonstrate the proposed project would not result in the unnecessary duplication of existing or approved health service capabilities or facilities in the applicants' 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 128-131, the applicants provide tables showing the current and proposed staffing for WakeMed North. On page 132, the applicants provide a table showing WakeMed North projects to add 30.4 full-time equivalent (FTE) incremental positions to staff the additional 16 acute care beds. In Section VII.3, page 134, and Section VII.6, page 135, the applicants describe their recruitment and retention procedures, and indicate that they do not anticipate any difficulties identifying, hiring, and retaining qualified staff for the proposed project. In Section VII.8, page 128, the applicants identify West Lawson, M.D. as the Chief Medical Officer for WakeMed. Exhibit 45 of the application contains copies of letters from physician and surgeons expressing support for the proposed project. The applicants adequately demonstrate 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, page 24, and Exhibit 10, the applicants document that all of the necessary ancillary and support services for the proposed services are currently provided at WakeMed North. Section V.2, pages 108-109, contains a list of facilities with which WakeMed (WakeMed North is licensed as part of WakeMed) has transfer agreements, and Exhibit 33 of the application contains a copy of a sample transfer agreement. Exhibit 45 contains copies of letters from physician and surgeons expressing support for the proposed project. The applicants adequately demonstrate 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 applicants propose to locate the 16 additional acute care beds in existing renovated space at WakeMed North. No new construction is proposed as part of this project.

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

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

C

In Section VI.12, page 125, the applicants provide the payer mix during FY2012 for the services at WakeMed North, as shown in the table below.

WakeMed North Payer Category	FY2012 Cases as % of Total
Self Pay/Indigent/Charity	12.6%
Medicare/Medicare Managed Care	20.9%
Medicaid	11.2%
Commercial Insurance	1.1%
Managed Care	52.2%
Other (Workers Comp, Other Gov't, Hosp. Sponsored)	2.0%
Total	100.0%

The Division of Medical Assistance (DMA) maintains a website which offers information regarding the number of persons eligible for Medicaid assistance and estimates of the percentage of uninsured for each county in North Carolina. More current data, particularly with regard to the estimated uninsured percentages, was not available.

County	Total # 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 applicants demonstrate that medically underserved populations currently have adequate access to the applicants' existing services and are 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 124, the applicants state:

“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 124, the applicants state that no Office of Civil Rights complaints have been filed against WakeMed (WakeMed North is licensed as part of 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 127, the applicants provide the projected payer mix for the second full fiscal year following completion of the proposed project (FY2016) for the inpatient services at WakeMed North, as shown in the table below.

WakeMed North Inpatient Services Payer Category	FY2016 Cases as % of Total
Self Pay/Indigent/Charity	11.8%
Medicare/Medicare Managed Care	17.4%
Medicaid	11.9%
Commercial Insurance	1.2%
Managed Care	55.5%
Other (Workers Comp, Other Gov't, Hosp. Sponsored)	2.2%
Total	100.0%

On page 127, the applicants state, “*Projected inpatient payer mix at WakeMed North is based on the existing payer mix for female inpatient services in the WakeMed system.*” The applicants demonstrate 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), pages 122-123, the applicants describe 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 applicants state they have extensive relationships with many area health professional training programs. Section V.1(a), pages 104-105, includes a list of institutions with which WakeMed has these arrangements. Exhibit 32 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 three nursing care beds currently located at WakeMed Fuquay-Varina and 13 nursing care beds currently located at WakeMed Zebulon/Wendell to acute care beds and relocate those 16 acute care beds to WakeMed North. In Section V.7, pages 111-112, the applicants discuss 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 applicants state

“As noted in the responses to Questions III.1 and III.2, the proposed project will promote cost-effectiveness, quality and access to services. Only WakeMed has the right to operate the beds in their current location or to re-convert the beds to acute care. 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 applicants discuss the impact of the project on cost-effectiveness, quality and access.

The information provided by the applicants 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 applicants adequately demonstrate the need to reconvert three WakeMed Fuquay-Varina nursing care beds and 13 WakeMed Zebulon/Wendell nursing care beds to acute care beds and relocate those acute care beds to WakeMed North and that it is a cost-effective alternative;
- ◆ The applicants adequately demonstrate that they will continue to provide quality services; and
- ◆ The applicants demonstrate that they 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 (WakeMed North is licensed as part of 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 applicants 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 applicants state there will be 77 licensed and operational acute care beds at WakeMed North upon completion of this project and two previously approved projects. Currently, WakeMed Raleigh is licensed for 575 acute care beds. 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, and Project I.D. #J-8329-09 to add 29 acute care beds, WakeMed Raleigh would be approved to operate 596 licensed acute care beds [587 – 20 + 29 = 596]. (Note: Project I.D. #J-8329-09 is currently under appeal, but the applicants assume the appeal will be resolved, and the project will proceed as approved.) Therefore, following completion of this project, WakeMed North will be licensed for 77 acute care beds and WakeMed Raleigh will be licensed for 596 beds, for a total of 673 acute care beds [77 + 596 = 673].

(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 13, the applicants provide 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 13, the applicants provide 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- WakeMed North does not currently provide inpatient services. In Section II.8, pages 37-38 of the application for Project I.D. # J-10165-13, 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, page 38, the applicants provide the projected number of inpatient days of care to be provided in the total number of licensed acute care beds at WakeMed North, by county of residence, for each of the first three operating years following completion of the project. In Section II.8, pages 44-65, the applicants provide the assumptions, data and methodology used for the projections. See Criterion (3) for discussion which is incorporated hereby as if set forth fully herein. Also, in Section II.8, pages 38-40 of the application for Project I.D. # J-10165-13, the applicants provide the projected number of inpatient days of care to be provided in the total number of licensed acute care beds at WakeMed Raleigh Campus, by county of residence, for each of the first three operating years following completion of the project. In Section II.8, pages 45-59 of the application for Project I.D. # J-10165-13, the applicant provides the assumptions, data and methodology used for the projections.
- (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 38-39, and Exhibit 20, the applicants provide 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 39, and Exhibit 20, the applicants provide documentation that 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 39, and Exhibits 21 and 22, the applicants provide 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, pages 39-40, and Exhibit 13, the applicants provide a written commitment from the Senior Vice President for Ambulatory Services and Physician Operations for WakeMed North 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 23 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 40, and Exhibit 24, the applicants provide 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 41, and Exhibit 25, the applicants provide 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 applicants are not proposing to develop new acute care beds in a new licensed hospital or on a new campus of an existing hospital. The applicants propose to relocate the acute care beds to the existing WakeMed North campus, which is licensed as part of WakeMed.

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 applicants provide 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 applicants' assumptions and data used to develop the projections required in this Rule are provided in Section II.8, pages 44-65. The applicants' 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 Director for Ambulatory Services for WakeMed which states that all of the items listed above are currently available 24 hours per day, seven days per week at WakeMed North.

(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 66, the applicants state 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 66, the applicants state 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 13 contains a letter from the Senior Vice President for Ambulatory Services and Physician Operations for WakeMed 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, pages 66-67, the applicants identify the two individuals who will serve as Chief Executive Officer and Chief Nursing Executive. Exhibit 30 contains 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 applicants do not propose to develop new acute care beds in a new licensed hospital or on a new campus of an existing hospital. The applicants propose to relocate the acute care beds to the existing WakeMed North campus, which is licensed as part of WakeMed.

(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 137-138, and Exhibit 45, the applicants document the availability of admitting physicians who will admit and care for patients in each of the major diagnostic categories served at WakeMed North.

(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 applicants provide documentation of the availability of support and clinical staff to provide care for patients in each of the major diagnostic categories at WakeMed North.