ATTACHMENT - REQUIRED STATE AGENCY FINDINGS

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

DECISION DATE: February 25, 2013

PROJECT ANALYST: Gloria C. Hale
ASSISTANT CHIEF: Martha J. Frisone

PROJECT I.D. NUMBER: F-10054-12 / Presbyterian Hospital d/b/a Presbyterian Hospital Huntersville / Relocate one shared operating room from Presbyterian Hospital to Presbyterian Hospital Huntersville, for a total of 5 shared operating rooms at Presbyterian Hospital Huntersville / Mecklenburg County

REVIEW CRITERIA FOR NEW INSTITUTIONAL HEALTH SERVICES

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

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

C

The applicant, Presbyterian Hospital d/b/a Presbyterian Hospital Huntersville, proposes to relocate one existing shared operating room (OR) from The Presbyterian Hospital in Charlotte, Mecklenburg County, to Presbyterian Hospital Huntersville (PHH) in Huntersville, Mecklenburg County.

The proposed project does not involve the addition of any new health service facility beds, services or equipment for which there is a need determination in the 2012 State Medical Facilities Plan (SMFP).

POLICY GEN-4: ENERGY EFFICIENCY AND SUSTAINABILITY FOR HEALTH SERVICE FACILITIES of the 2012 SMFP, page 40, is applicable to this review. Policy GEN-4 states:

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

The total capital cost of the proposed project to relocate one shared OR from The Presbyterian Hospital in Charlotte (PHC) to PHH will exceed $2 million as stated in Section VIII, page 121. Therefore, Policy GEN-4 is applicable. In Section XI.8, pages 139-140, the applicant describes the methods that will be used by the facility to maintain efficient energy operations and contain costs of utilities, as follows:

> *"Plumbing:*
> - *Triplex or quadraplex air compressor and vacuum pumps for lower energy consumption at low use*
>
> *HVAC:*
> - *Air-side economizer cycles*
> - *Two-way hot water and chill water control valves*
> - *Variable A12 volume controls*
>
> *Electrical:*
> - *Energy saving lamps and ballasts*
> - *Fluorescent lights except where dimmers are required*
>
> *The project will be designed in compliance with all applicable local, state, and federal requirements for energy efficiency and consumption. The applicant will use and enforce engineering standards that mandate the use of state-of-the-art components and systems…Once the new OR is open and operational, the applicant will include that 5th inpatient/outpatient OR as part of PHH's extensive Utility Management and Reporting system and also include the proposed OR as part of the registration of PHH with Energy Star to track performance and monitor for areas that may need improvement while working to achieve maximized efficiencies and consumption levels."*

The application is conforming to this policy and therefore, to this criterion.

(2) Repealed effective July 1, 1987

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

C

The applicant, Presbyterian Hospital d/b/a Presbyterian Hospital Huntersville (PHH), proposes to relocate one existing shared OR from The Presbyterian Hospital in Charlotte (PHC), Mecklenburg County, to Presbyterian Hospital Huntersville (PHH), also in Mecklenburg County. Both hospitals are located in the same single county OR service area as described on page 62 of the 2012 SMFP. If approved, the proposed project will result in five shared ORs at PHH. In Section II.6, pages 11-12, the applicant describes the proposed project as follows: upfitting space in PHH's surgical suite to accommodate a fifth shared OR; expanding the surgical suite PACU bays and the PACU pediatric isolation room, increasing the number of PACU bays from nine to 12; adding a "Dumb Waiter" system to accommodate movement of soiled and clean surgical supplies and tools between the surgical suite and Central Sterile Supply; replacing lockers in the surgical suite locker rooms to accommodate an anticipated increase in the number of physicians and staff; and adding square footage to the surgical suite for two new storage rooms for equipment and supplies.

Population to be Served

In Section III.6, page 71, the applicant provides projected patient origin for both inpatient and outpatient surgery for PHH for the first two years of operation (CY2015 and CY2016), as shown in the following tables,

PHH Inpatient Surgery Patient Origin*

County	Percent of Total CY2015 and CY2016
Cabarrus	2.4%
Gaston	5.0%
Iredell	12.0%
Lincoln	10.0%
Mecklenburg	62.3%
Other**	8.3%
TOTAL	**100.0%**

*Note: data includes C-section volume.
**Counties and other states included in the *"Other"* category are listed by the applicant on page 71 of the application.

PHH Outpatient Surgery Patient Origin

County	Percent of Total CY2015 and CY2016
Cabarrus	3.6%
Gaston	5.1%
Iredell	12.5%
Lincoln	8.9%
Mecklenburg	61.6%
Other*	8.4%
TOTAL	**100.0%**

*Counties and other states included in the *"Other"* category are listed by the applicant on page 71 of the application.

In Section III.6, page 71, the applicant states,

> *"Projected patient origin is based upon historical patient origin at PHH. The proposed project is not expected to have any substantial impact on patient origin, but will allow PHH to better meet the needs of residents in areas currently served."*

The applicant adequately identified the population proposed to be served.

<u>Need to Relocate One Operating Room</u>

In Section III.1(a) of the application, pages 45-51, the applicant describes the factors supporting the need for the proposed project, including:

- *"High Utilization of Existing Surgical Services at Presbyterian Hospital Huntersville*

- *Increasing Number of Surgeons on Presbyterian Hospital Huntersville Medical Staff*
- *Presbyterian Healthcare Surgical Volume Growth in Mecklenburg County*
- *Overall Surgical Growth in Mecklenburg County, and*
- *Increasing Population in the PHH Zip Code Service Area and the PHH County Service Area."*

Two separately licensed surgical facilities serve the greater Huntersville community in Mecklenburg County. Presbyterian Hospital Huntersville (PHH), which opened in October 2004, has four shared ORs and one dedicated C-Section OR. Presbyterian Same Day Surgery Center (SDSC) in Huntersville, which opened in January 2010, has two dedicated outpatient surgical procedure rooms. SDSC was opened to offset the high utilization of surgical services at PHH, which in CY 2007 was 97%. Despite this, in January 2010, the applicant states that PHH *"was filled rapidly by surgeons requesting expanded inpatient surgical hours"* and that since then, *"inpatient surgery at PHH has increased 12%."*

The applicant demonstrates the increasing utilization of PHH's four shared ORs, by quarter, in the following table,

Presbyterian Hospital Huntersville
Quarterly Surgical Utilization
January 2010 – June 2012

Jan. – Dec.	Q1 2010	Q2 2010	Q3 2010	Q4 2010	Q1 2011	Q2 2011	Q3 2011	Q4 2011	Q1 2012	Q2 2012
Inpatient Cases	306	277	329	318	304	299	308	331	336	295
Outpatient Cases	1,101	1,166	928	880	807	895	848	843	867	839
Weighted OR Hours – Quarterly	2,570	2,580	2,379	2,274	2,123	2,240	2,196	2,258	2,309	2,144
Quarterly Utilization	109.8%	110.3%	101.7%	97.2%	90.7%	95.7%	93.8%	96.5%	98.7%	91.6%

In supplemental information, the applicant demonstrates an increase in the number of surgeons operating at PHH over time, also resulting in a need for one additional OR. In November 2004 there were 178 community physicians providing services at PHH, including 54 surgeons. In 2012 there were 422 community physicians, including 95 surgeons. This increase is illustrated in the following table,

Presbyterian Hospital Huntersville Surgical Specialists
2004-2012

Year	Total Number of Surgeons	Annual Increase
2004	54	
2008	67	24.1%
2012	95	41.8%

The applicant states in Section III.3(a), page 48, *"the increase has included orthopedic surgeons, oral maxillofacial surgeons, ophthalmologists, podiatrists, and one urogynecologist. As a result, surgical volume at PHH has increased resulting in the need for additional OR capacity."*

In addition, the applicant states that growth in surgical services has continued throughout the Mecklenburg County surgical service area, despite the recent economic downturn and temporary closures of ORs at The Presbyterian Hospital due to renovations. The growth in surgical services for each of Presbyterian Healthcare's surgical facilities in Mecklenburg County is discussed in Section III.3(a), page 49, and is illustrated below,

Presbyterian Healthcare Surgical Facilities
Mecklenburg County

October – September	FY 2007	FY 2011	CAGR FY 2007-FY 2011
Inpatient Cases minus C-Sections			
Presbyterian Hospital	5,562	5,964	
Presbyterian Orthopedic Hosp.	3,196	2,902	
Presbyterian Hosp. Matthews	997	1,092	
Presbyterian Hosp. Huntersville	946	1,228	
Total Inpatient	10,701	11,186	1.11%
Outpatient Cases			
SouthPark Surgery Ctr.	8,429	9,203	
Presbyterian SDSC Ballantyne	73	1,016	
Presbyterian Hospital	15,093	15,862	
Presbyterian Orthopedic Hosp.	4,163	4,477	
Presbyterian Hosp. Matthews	4,939	4,873	
Presbyterian SDSC Huntersville	0	1,847	
Presbyterian Hosp. Huntersville	3,940	3,431	
Total Outpatient	36,637	40,709	2.67%

The applicant states that the increase in total surgical utilization is due to several factors, including increased population and an increase in the number of physicians utilizing the facilities listed in the table above.

PHH is a community hospital located in north Mecklenburg County. It serves residents of Mecklenburg, Iredell, Gaston, Lincoln, and Cabarrus counties. The applicant identifies 14 specific zip codes from these counties that make up PHH's primary and secondary service areas. In Section III.3(b), pages 51-52, the applicant states that the population in its service area is expected to increase from 491,951 persons to 561,333 persons, an increase of 69,382 persons for a compound annual growth rate (CAGR) of 2.7%. A table showing the increase in population, by zip code, follows:

Presbyterian Hospital Huntersville
Service Area Population by Zip Code

Zip Code	Town	County	2012 Population	2017 Population	CAGR 2012-2017
Primary Service Area Growth Rate					
28031	Cornelius	Mecklenburg	25,198	28,938	2.8%
28078	Huntersville	Mecklenburg	55,921	66,021	3.4%
28216	Charlotte	Mecklenburg	49,603	56,600	2.7%
28269	Charlotte	Mecklenburg	73,930	85,003	2.8%
Secondary Service Area Growth Rate					
28027	Concord	Cabarrus	59,246	67,259	2.6%
28036	Davidson	Mecklenburg	15,767	17,928	2.6%
28037	Denver	Lincoln	19,621	22,222	2.5%
28080	Iron Station	Lincoln	7,344	7,876	1.4%
28115	Mooresville	Iredell	36,513	40,864	2.3%
28117	Mooresville	Iredell	36,970	42,604	2.9%
28120	Mount Holly	Gaston	19,858	21,466	1.6%
28164	Stanley	Gaston	14,647	15,858	1.6%
28214	Charlotte	Mecklenburg	36,847	42,079	2.7%
28262	Charlotte	Mecklenburg	40,486	46,615	2.9%
Total Primary and Secondary Service Area Growth Rate					
Combined			**491,951**	**561,333**	**2.7%**

"Source: Claritas"

In Section III.1(b), pages 57 and 60, the applicant provides tables showing the historical and projected utilization for the inpatient and outpatient ORs at PHH through the first three years of operation (CY2015-CY2017) of the proposed project. The applicant discusses four alternative CAGRs for calculating projected utilization of ORs at PHH in Section III.1(b), pages 57-59. Of these, the applicant uses the county-weighted specific growth rate stating it was the most conservative CAGR of those considered. Projected utilization of ORs at PHH is illustrated as follows:

Presbyterian Hospital Huntersville
Historical and Projected Surgical Volume

	Historical Utilization Four Operating Rooms		**Interim Growth Rate**	**Interim Projected Utilization Four Operating Rooms**			**County-Specific Weighted Population Growth Rate Service Area**	**Projected Utilization Five Operating Rooms**		
Fiscal Year	Aug. 2010 – July 2011	Aug. 2011 – July 2012		Aug. 2012 – July 2013	Aug. 2013 – July 2014	Aug. 2014 – July 2015		Aug. 2015 – July 2016	Aug. 2016 – July 2017	Aug. 2017 – July 2018
Inpatient Surgical Volume	1,234	1,268	0.00%	1,268	1,268	1,268	1.43%	1,268	1,305	1,323
Outpatient Surgical Volume	3,456	3,383	0.00%	3,383	3,383	3,383	1.44%	3,383	3,481	3,531

In Section III.3(b), pages 57–61, the applicant provides the assumptions and methodology used to project future surgical volume and OR need at PHH as depicted in the table above, as follows:

"Step 1: Review Historical Utilization of Surgical Services at Presbyterian Hospital Huntersville

…PHH reviewed surgical volume reported on annual Licensure Renewal Applications, as well as internal surgical services data from the Presbyterian Healthcare Trendstar system for operating rooms at PHH and SDSC [Same Day Surgery Center] *Huntersville, respectively."* Historical utilization data for PHH and SDSC are provided in Exhibit 2, Tables 5, 6 and 7. PHH's surgical utilization for both inpatient and outpatient cases exceeded 100% of capacity prior to the opening of SDSC in 2010. Surgical capacity for PHH was 94.9% in CY August 2010 – July 2011, and 94.9% in CY August 2011 – July 2012, as depicted in Exhibit 2, Table 6. The applicant states, on page 57, *"Due to the high utilization of surgical services at PHH, surgical volume was held constant for the interim timeframe while the additional operating room is under construction at PHH."*

"Step 2: Determine Appropriate Growth Rate to Project Surgical Demand at Presbyterian Hospital Huntersville"

The applicant considered four alternative CAGRs for calculating projected surgical demand at PHH. These are discussed in Section III.1(b), pages 57-59. The applicant chose to use the county-specific service area CAGRs (1.43% for inpatient surgical cases and 1.44% for outpatient surgical cases) to project future surgical demand. The following tables illustrate the weighted growth rate of inpatient and outpatient surgical services calculated using the county-specific service area CAGRs which were provided in Exhibit 2, Tables 13 and 14:

PHH Inpatient Surgery Weighted County Population Growth

County	FY2011	Total Percent County Patient Origin	County Population CAGR	Weighted Growth Rate
Cabarrus	38	2.4%	1.4%	0.034%
Gaston	78	5.0%	0.6%	0.032%
Iredell	189	12.0%	1.1%	0.127%
Lincoln	157	10.0%	0.7%	0.070%
Mecklenbur g	978	62.3%	1.7%	1.082%
All Other*	131	8.3%	1.1%	0.088%
Total	1571	100.0%		**1.433%**

*"*Other includes: Alexander, Alleghany, Anson, Ashe, Catawba, Cleveland, Cumberland, Davidson, Davie, Forsyth, Guilford, New Hanover, Rowan, Rutherford, Transylvania, Union, Wake, South Carolina, Georgia, Tennessee, Virginia and other states as indicated on page 20 of the 2012 LRA for PHH*
Note: LRA data includes C-Section volume
Source: PHH 2012 LRA"

PHH Outpatient Surgery Weighted County Population Growth

County	FY2011	Total Percent County Patient Origin	County Population CAGR	Weighted Growth Rate
Cabarrus	122	3.6%	1.4%	0.050%
Gaston	174	5.1%	0.6%	0.033%
Iredell	428	12.5%	1.1%	0.131%
Lincoln	306	8.9%	0.7%	0.063%
Mecklenbur g	2113	61.6%	1.7%	1.070%
All Other*	288	8.4%	1.1%	0.088%
Total	3431	100.0%		**1.436%**

*"*Other includes: Alexander, Alleghany, Anson, Ashe, Buncombe, Burke, Caldwell, Carteret, Catawba, Cleveland, Davie, Guilford, Henderson, Macon, Moore, New Hanover, Rutherford, Randolph, Rowan, Stanly, Surry, Union, Watauga, Yadkin, and Yancey Counties, South Carolina, Georgia, and other states as indicated on page 21 of the 2012 LRA for PHH*
Note: LRA data includes C-Section volume
Source: PHH 2012 LRA"

"Step 3: Project Future Operating Room Need"

The applicant states that historical utilization of surgical services for PHH, from August 2011 through July 2012, were used as a basis to project utilization of five ORs during the proposed project period, August 2015 – July 2018. The applicant further states that surgical volume was held constant during development of the proposed project (interim years)(August 2012 – July 2015) since utilization of surgical services is currently at nearly 95% of capacity. Surgical volumes are converted from fiscal years to calendar years for the first three years of the project as follows:

Presbyterian Hospital Huntersville
Projected Surgical Volume – Project Years 1-3

Surgery Type	CY 2015 Year 1	CY 2016 Year 2	CY 2017 Year 3
Inpatient	1,276	1,294	1,312
Outpatient	3,403	3,452	3,502

In Section III.3(b), page 60, the applicant states,

> "*Future demand was then weighted to reflect the time per surgical case (180 minutes for inpatient cases and 90 minutes for outpatient cases), as defined in the 2012 SMFP. Dividing the total time for all cases by 1,872 available annual surgical hours per operating room resulted in a projected need for more operating rooms at PHH. The following table reflects those calculations.*"

Presbyterian Hospital Huntersville
Operating Room Need – Project Years 1-3

	CY 2015 Year 1	CY 2016 Year 2	CY 2017 Year 3
Inpatient Cases	1,276	1,294	1,312
Outpatient Cases	3,403	3,452	3,502
Surgical Hours	8,932	9,060	9,190
Operating Rooms Needed	4.77	4.84	4.91
Current Operating Room Inventory*	4	4	4
Additional Operating Rooms Needed	0.77	0.84	0.91

*"*Does not include PHH dedicated C-Section OR or C-Section cases."*

As indicated in the table above, the applicant projects it will perform 1,312 inpatient surgical cases and 3,502 outpatient surgical cases in the five shared ORs at PHH in the third operating year of the proposed project (CY2017). Based on the performance standards promulgated in 10A NCAC 14C .2103(b)(1), the number of ORs required would be five [(1,312 x 3.0 hours) + (3,502 x 1.5 hours) = 9,189 hours; 9,189 hours/1,872 hours = 4.91; 4.91 – 4 = 0.91; 0.91 is rounded to 1].

In its 2012 Hospital License Renewal Application, (October 1, 2010 – September 30, 2011), PHH reported 1,228 inpatient surgical cases, excluding C-Sections, and 3,431 outpatient surgical cases in its four existing ORs. Based on the performance standards promulgated in 10A NCAC 14C .2103(b)(1), the number of ORs required would be five [(1,228 x 3.0 hours) + (3,431 x 1.5 hours) = 8,830.50/1,872 hours = 4.72]. Therefore, based on utilization data reported in the hospital's most recent Hospital License Renewal Application form, PHH's existing ORs are currently operating above the performance standards promulgated in 10A NCAC 14C .2103(b)(1).

In this application, the applicant bases its utilization projections on county-specific weighted

CAGRs based on the population growth rates of the counties in PHH's service area and on the historical proportion of surgical patients, inpatient and outpatient, originating from each of the service area counties. The applicant then multiplied the sum of the county-specific weighted CAGRs, inpatient and outpatient separately, to its FY2011 inpatient and outpatient surgical case volumes to project surgical case volumes at PHH through the first three operating years following completion of the project (FY2015-FY2017). Exhibit 11 of the application contains several letters from surgeons expressing support for the proposed project. Based on the projected population growth in the applicant's service area and the historical utilization of the applicant's surgical services, the applicant's utilization projections are reasonable, credible and supported. Therefore, the applicant adequately demonstrated the need to relocate one OR to PHH.

In summary, the applicant adequately demonstrated the need the population projected to be served has for the proposed project. Therefore, the application is conforming to this criterion.

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

C

The applicant, Presbyterian Hospital d/b/a Presbyterian Hospital Huntersville (PHH), proposes to relocate one existing shared OR from The Presbyterian Hospital (PHC) to Presbyterian Hospital Huntersville (PHH). In Section III.3(c), pages 62-63, the applicant discusses how the needs of surgery patients who will remain at PHC will be adequately met with the remaining ORs, as follows:

> *"In the past four years, the main surgical suite on the second floor of PHC has been renovated and expanded in phases, which has caused disruption and resulted in temporary operating room closures due to the renovations. From August of 2011 through March 2012, PHC was performing surgery in only 17 of its 25 licensed and CON-approved operating rooms. To maintain surgical volumes, many of the PHC operating rooms extended hours. Even with extended hours, a decrease in surgical volume was experienced.*
>
> *"In March 2012, the CON-approved project to develop the Presbyterian Outpatient Surgery Center (previously known as SDSC Downtown) with 6 outpatient operating rooms became operational, bringing the total number of available operating rooms in service at PHC to 23 operating rooms (excluding C-Section and Open Heart ORs). That reflects an average operating room capacity of 19 operating rooms during the last twelve months, August 2011 through July 2012. Average utilization of 19 operating rooms (excluding C-Section and Open Heart ORs) at PHC in the last*

twelve months was 86.6% (38,610 weighted hours/44,460 available surgical hours = 86.6%).

The next phase of the PHC G-Wing CON, [Project #F-8040-08] *will complete most of the renovation to the main surgical suite on the second floor resulting in significant improvements for surgical services at PHC. Completion of the G-Wing project is anticipated the end of 2013.*

Projected utilization at PHC reflects a need for 23 shared operating rooms in Project Year 3 of the proposed surgical expansion at PHH.
…In addition, the replacement Presbyterian Orthopaedic Hospital (POH), [Project #F-8765-11] *approved by CON earlier in 2012, involves the relocation of operating rooms from PHC…Based upon the CON-approved timeframe for POH, the third year of operation for the replacement POH will be in Project Year 4 of the proposed expansion at PHH. Therefore, projected utilization for PHC was extended to CY 2018 to determine operating room need at PHC."*

The applicant provides a table in Section III.3(c), page 64, illustrating projected utilization (excluding C-Sections and open heart cases) at PHC during the first four years of operation of the proposed surgical expansion at PHH, summarized below,

The Presbyterian Hospital
Projected Surgical Utilization

	Aug 2011 – July 2012	**Presbyterian CAGR 2007-2011**	**Aug 2012 – July 2013**	**Aug 2013 – July 2014**	**Aug 2014 – July 2015**	**Aug 2015 – July 2016**	**Aug 2016 – July 2017**	**Aug 2017 – July 2018**	**Aug 2018 – July 2019**
Inpt. Cases	5,034	1.11%	5,090	5,147	5,204	5,262	5,321	5,380	5,440
Outpt. Cases	15,672	2.67%	16,090	16,520	16,961	17,414	17,879	18,356	18,846
Converted to Project Years						**PHH Project Years 1-4**			
						CY 2015	**CY 2016**	**CY 2017**	**CY 2018**
Combined Inpt. and Outpt. Cases						22,378	22,895	23,423	23,965
Surgical Hours						41,410	42,271	43,153	44,056
PHC OR Need (rounded)						22	22	23	24
Projected PHC OR Utilization						100.1%	102.6%	99.8%	102.0%

The applicant states, in Section III.3(c), page 64,

"The previous table shows that at completion of the PHH expansion and the replacement POH, projected surgical utilization reflects a need for 24 operating rooms at PHC. As a result, the needs of the surgery patients who will remain at PHC will be adequately met with the number of operating rooms that will not be relocated.

Furthermore, with 24 available operating rooms, PHC has more flexibility to shift surgical cases from one operating room to another or to operate extended hours if needed. Therefore, moving one operating room from PHC to PHH will not impact the needs of patients and surgeons at PHC."

As shown in the table above, the applicant projects that only 24 ORs will be needed at PHC. Upon completion of all previously approved projects involving ORs, PHC would be licensed for 25 ORs, (excluding C-Section and open heart ORs). With approval of this project, PHC would be licensed for 24 ORs, (excluding C-Section and open heart ORs).

In supplemental information, the applicant provides the payor mix for surgical cases at PHC, excluding C-Section and Open Heart ORs, for the last operating year, as shown in the table below,

The Presbyterian Hospital Payor Mix
Surgical Cases (excluding C-Section and Open Heart ORs)
CY2012 (1/1/2012 – 12/31/2012)

PHC Payor Category	Surgical Cases as % of Total
Self Pay/Indigent/Charity	2.18%
Commercial Insurance	0.97%
Medicare/Medicare Managed Care	33.26%
Medicaid	13.16%
Managed Care	48.60%
Other (Other Gov't, Worker's Comp.)	1.84%
Total	**100.00%**

In Section VI.14, page 104 of the application, the applicant projects the following payor mix for surgical services at PHH in the second operating year of the project, as follows,

Presbyterian Hospital Huntersville
Surgical Cases (excluding C-Section OR)
Project Year 2 (FY2016)

PHH Payor Category	Surgical Cases as % of Total
Self Pay/Indigent	3.95%
Commercial Insurance	1.34%
Medicare/Medicare Managed Care	30.90%
Medicaid	5.63%
Managed Care	55.27%
Other	2.91%
Total	**100.00%**

The applicant adequately demonstrates that the relocation of one existing OR will not have a negative effect 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. In addition, the applicant demonstrates that the needs of the population presently served will be met adequately by the proposed relocation. 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.8, page 73, the applicant describes the alternatives considered, including maintaining the status quo, expanding surgical services at Presbyterian Same Day Surgery Center Huntersville, or expanding surgical services at PHH by adding two ORs.

- The applicant states that maintaining the status quo is not a reasonable alternative due to the increased surgical capacity needed and the increased demand for surgical time from surgeons at PHH. It states that PHH is currently operating at well over 90% of surgical capacity.
- The applicant states it considered expansion in surgical services at Presbyterian Same Day Surgery Center (SDSC) Huntersville which provides outpatient surgical services. However, since the growth in surgical volume since 2010 has been in inpatient services rather than in outpatient services, this would not be an effective alternative.
- The applicant states it considered the alternative of relocating two ORs from PHC to PHH due to projected utilization of surgical services at PHH based on historical CAGR for inpatient services. Projected utilization is provided in Exhibit 2, Table 4. The applicant states, *"Projected utilization at PHC reflects a need for 24 operating rooms (excluding C-Section and open heart ORs) resulting in one surplus operating room which could be relocated to PHH in the future if needed."* The applicant then determined that only one OR could be relocated at this time.

The applicant indicates, on page 73, that the most effective alternative to meet the increasing surgical needs at PHH is to relocate one OR from PHC to PHH.

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 for an additional OR at PHH. Therefore, the application is conforming to this criterion and approved subject to the following conditions:

1. **Presbyterian Hospital d/b/a Presbyterian Hospital Huntersville shall materially comply with all representations made in the certificate of need application and supplemental responses. In those instances where representations conflict, Presbyterian Hospital d/b/a Presbyterian Hospital Huntersville shall materially comply with the last-made representation.**

2. **Presbyterian Hospital d/b/a Presbyterian Hospital Huntersville shall develop and implement an Energy Efficiency and Sustainability Plan for the project that conforms to or exceeds energy efficiency and water conservation standards incorporated in the latest editions of the North Carolina State Building Codes. The plan must be consistent with the applicant's representations in the written statement as described in paragraph one of Policy GEN-4.**

3. **Presbyterian Hospital d/b/a Presbyterian Hospital Huntersville shall relocate no more than one existing shared operating room from The Presbyterian Hospital to Presbyterian Hospital Huntersville. Upon completion of this project Presbyterian Hospital Huntersville shall be licensed for no more than 5 shared operating rooms and 1 dedicated C-section operating room.**

4. **The Presbyterian Hospital shall be licensed for no more than 18 shared operating rooms, 3 dedicated C-section operating rooms, 3 open heart operating rooms, and 6 dedicated ambulatory operating rooms upon completion of this project.**

5. **Presbyterian Hospital d/b/a Presbyterian Hospital Huntersville shall provide documentation that one existing shared operating room at The Presbyterian Hospital is de-licensed following completion of the project.**

6. **Presbyterian Hospital d/b/a Presbyterian Hospital Huntersville shall not acquire, as part of this project, any equipment that is not included in the project's proposed capital expenditure in Section VIII of the application or that would otherwise require a certificate of need.**

7. **Presbyterian Hospital d/b/a Presbyterian Hospital Huntersville shall acknowledge acceptance of and agree to comply with all conditions stated herein to the Certificate of Need Section, in writing prior to issuance of the certificate of need.**

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

C

In Section VIII.2, page 121, the applicant projects its capital cost for the project to be $3,490,453. In Section VIII.3, page 122, the applicant indicates the capital cost will be financed with accumulated reserves from the parent company, Novant Health, Inc. However, in Section VIII.6, page 123, the applicant states, *"it may be more financially advantageous for Novant and the applicant , as not-for-profit institutions, to finance all or part of the project through tax-exempt bonds or through some combination of accumulated reserves and bond proceeds."* In Section IX.1, page 131, the applicant states there will be no start-up expenses and initial operating expenses for the project. In Exhibit 5 of the application, the applicant provides a letter from the Senior Vice President Operational Finance for Novant Health, Inc., which states,

> *"This letter will serve to confirm that Novant Health will be funding the capital cost of $3,490,453 for the proposed relocation of an existing OR from Presbyterian Hospital to Presbyterian Hospital Huntersville (PHH).*

...In addition, Novant also reserves the right to seek tax exempt funding for all or part of this project as discussed in Section VIII of our CON Application. I have considered Novant Health's current and anticipated future capital needs and in my opinion Novant will be able to fund this project."

Exhibit 5 of the application contains the most recent audited financial statements for Novant Health, Inc. which document that as of December 31, 2011, Novant Health, Inc. had $1,005,134,000 in current assets, including cash and cash equivalents of $301,708,000. Furthermore, Novant Health, Inc. had $1,877,290,000 in net assets. The applicant adequately demonstrated the availability of sufficient funds for the capital needs of the project.

In the pro forma financial statements (Form C) for Presbyterian Hospital Huntersville, the applicant projects revenues will exceed operating costs (expenses) in each of the first three operating years of the proposed project for surgical services, as illustrated in the table below,

Presbyterian Hospital Huntersville
Surgical Services

	Project Year 1	Project Year 2	Project Year 3
Projected # of surgical cases	4,679	4,746	4,814
Projected Average Charge (Gross Patient Revenue / Projected # of cases)	$17,344	$17,865	$18,400
Gross Patient Revenue	$81,153,569	$84,785,100	$88,579,885
Deductions from Gross Patient Revenue	$46,502,488	$48,583,422	$50,757,904
Net Patient Revenue	$34,651,080	$36,201,677	$37,821,981
Total Expenses	$17,321,953	$17,990,610	$18,686,722
Net Income	$17,329,128	$18,211,067	$19,135,259

The assumptions used by the applicant in preparation of the pro forma financial statements are reasonable, including projected utilization, costs and charges. The assumptions are provided on pages 149 - 151 of the application following the pro forma financial statements. See Criterion (3) for discussion regarding projected utilization which is incorporated hereby as if fully set forth herein. The applicant adequately demonstrates that the financial feasibility of the proposal is based upon reasonable projections of operating costs and charges, and therefore, the application is conforming to this criterion.

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

C

The applicant is proposing to relocate one existing shared OR from PHC to PHH. PHH is a 60-bed[1] acute care hospital located in northeastern Mecklenburg County in Huntersville and

[1] Data source: 2012 hospital license renewal application.

PHC is a 607-bed[2] acute care hospital located in Charlotte, centrally located within the county. The following table shows the FFY2010 surgical OR utilization for Mecklenburg County providers:

Existing Mecklenburg County Operating Room Utilization – FFY2010

	# of Operating Rooms	Inpatient Surgical Cases	Outpatient Surgical Cases	Total Surgical Cases
Presbyterian Hospital Mint Hill	0	0	0	0
Charlotte Surgery Center	7	0	8,226	8,226
Carolina Center for Specialty Surgery	2	0	1,291	1,291
Carolinas Surgery Center–Randolph (de-licensed 6/22/11)	0	0	450	450
SouthPark Surgery Center	6	0	9,203	9,203
Presbyterian Same Day Surgery Center at Ballantyne	2	0	1,016	1,016
Presbyterian Surgery Center Huntersville	2	0	1,847	1,847
Matthews Surgery Center	2	0	0	0
Presbyterian Hospital (1)	31	5,964	15,862	21,826
Carolinas Medical Center Mercy-Pineville (2)	25	5,699	10,594	16,293
Carolinas Medical Center (3)	42	15,556	14,788	30,344
Presbyterian Orthopaedic Hospital	12	2,902	4,477	7,379
Carolinas Medical Center-University (4)	11	1,045	6,702	7,747
Presbyterian Hospital Matthews (5)	6	1,092	4,873	5,965
Presbyterian Hospital Huntersville (6)	4	1,228	3,431	4,659

Source: OR inventory is from the *2012 State Medical Facilities Plan*, Table 6A. Utilization data is from the *2012 State Medical Facilities Plan*, Table 6A.
(1) OR totals for Presbyterian Hospital exclude 3 dedicated C-section ORs.
(2) OR totals for Carolinas Medical Center Mercy-Pineville exclude 2 dedicated C-section ORs.
(3) OR totals for Carolinas Medical Center exclude 4 dedicated C-section ORs and 1 dedicated trauma/burn OR. (4) OR totals for Carolinas Medical Center-University exclude 1 dedicated C-section OR.
(5) OR totals for Presbyterian Hospital Matthews exclude 2 dedicated C-section ORs.
(6) OR totals for Presbyterian Hospital Huntersville exclude 1 dedicated C-section OR.

The following table shows the approved Mecklenburg County OR projects and the current status of those projects. Those projects involving only OR renovations are excluded as is the facility to be developed as a demonstration project.

[2] Ibid.

Approved Mecklenburg County Operating Room Projects Involving Relocations

	# of Operating Rooms	Facility Transferring Operating Rooms	Project Status
Presbyterian Hospital Mint Hill (Project #G-7648-06)	5	Presbyterian Orthopaedic Hospital	Under Development
Presbyterian Hospital (Project #F-8040-08)	4	Presbyterian Orthopaedic Hospital	Under Development
Matthews Surgery Center (Project #F-8491-10)	2	Presbyterian Hospital Matthews	Under Development
Carolinas Medical Center Charlotte (Project #F-8091-08)	4	Carolinas Surgery Center Randolph	Under Development
Presbyterian Orthopaedic Hospital (Project #F-8765-11)	7	Presbyterian Hospital	Under Development

The facilities shown in the table above are approved to relocate existing ORs to accommodate increased utilization in other facilities or to develop new facilities (i.e., Presbyterian Hospital Mint Hill and Matthews Surgery Center).

In FY2011, according to The Presbyterian Hospital's 2012 License Renewal Application, The Presbyterian Hospital, including Midtown Surgery Center and Same Day Surgery Center at Presbyterian (the latter is now known as Presbyterian Outpatient Surgery Center) which operate under the same license as The Presbyterian Hospital, performed 5,429 inpatient surgical cases, excluding C-Sections, and 24,023 ambulatory surgical cases. Thus, based on volume in FFY 2010, PHC needed 28 ORs [((15,429 x 3) + (24,023 x 1.5))/1,872 = 28]. During the same time period, PHH performed 1,198 inpatient surgical cases and 4,386 outpatient surgical cases. Thus, based on volume in FFY2010, PHH needed five ORs [((1,198 x 3) + (4,386 x 1.5))/1,872 = 5]. PHH is currently licensed for only four ORs.

The applicant adequately demonstrated the need to relocate one OR from PHC to PHH. The applicant proposes to relocate one existing OR within Mecklenburg County and does not propose to develop additional ORs in the Mecklenburg County service area. Consequently, the applicant adequately demonstrates the proposed project would not result in the unnecessary duplication of existing or approved ORs in Mecklenburg County. 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 and 2, pages 105 - 106, the applicant provides the current staffing for its four existing ORs and its projected staffing for five ORs, as shown in the table below.

Presbyterian Hospital Huntersville
Current and Proposed Staffing of Shared Operating Rooms
(excluding C-Section Operating Room)

Employee Category	Current FTEs – 4 ORs	Proposed FTEs – 5 ORs
Clinical Coordinator	2.00	2.00
Clinical Shift Manager	1.00	1.00
Certified Registered Nurse Anesthetists	4.00	5.00
Data Specialist	1.00	1.00
Operating Room Assistant	2.00	2.00
Registered Nurse (RN)	10.40	11.40
Surgical Technician	8.05	9.05
Total	28.45	31.45

As shown in the table above, the applicant anticipates it will need one additional FTE CRNA position, one additional FTE RN position and one additional FTE Surgical Technician position. In Section VII.3, pages 108-109, the applicant describes its recruitment and retention processes which will be used to recruit the additional surgical services staff identified in Section VII.2. The applicant states that in addition to recruitment through advertisements in local media, trade journals, and Novant Health's web site, Novant and PHH have strong relationships with area nursing schools and allied health profession programs at the local community colleges, thereby creating a potential pool of candidates for available positions. In Section VII.9, page 116, the applicant identifies Bryan Blitstein, M.D. as the Chief of Surgery for PHH. In Section VII.7(b), page 114, the applicant states, *"Presbyterian Hospital Huntersville is an existing hospital with an existing active Medical Staff of over 400 physicians and surgeons that will continue to serve patients that will be cared for in the proposed operating room…."* Exhibit 11 contains copies of letters of support from 10 surgeons from the Novant Medical Group Greater Charlotte expressing support for the project, and 70 letters of support from referring physicians from the Novant Medical Group Greater Charlotte. 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 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 9-10, the applicant states that all of the necessary ancillary and support services for the proposed services are currently provided at PHH, including, but not limited to, pre-and post-surgical services, anesthesiology, radiology, lab and pathology, mobile cardiac catheterization lab, inpatient care, observation services, respiratory therapy services, and emergency department services. Exhibit 22 provides copies of Novant Health and PHH policies

and procedures addressing patient referral, transfer, and follow-up procedures. A list of patient transfer agreements between PHH and other hospitals is provided in Exhibit 10. In Section V.2 of the application, the applicant provides a list of facilities with which they have transfer agreements. In addition, the applicant states in Section V.2.(d), page 81, *"Presbyterian Hospital Huntersville, as an existing licensed North Carolina acute care hospital, already accepts all clinically appropriate referrals from physicians, as well as transfers from other hospitals based on patient transfer agreements and protocols. These agreements will continue once the project is approved and the additional operating room is open."* The applicant provides tables in Exhibit 11 summarizing numerous physician support letters which include, but are not limited to, letters of support from referring physicians practicing in Mecklenburg, Lincoln, Cabarrus, and Iredell counties, general surgeons, obstetrical and gynecological surgeons, orthopedic surgeons, and a urological surgeon. The applicant adequately demonstrates that the necessary ancillary and support services will be provided 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.

C

The applicant proposes to relocate one existing shared OR from PHC to PHH in Mecklenburg County. In Section II.6, pages 11-12, the applicant describes the proposed project as follows: upfitting space in PHH's surgical suite to accommodate a fifth shared OR; expanding the surgical suite PACU bays and the PACU pediatric isolation room, increasing the number of PACU bays from nine to 12; adding a "Dumb Waiter" system to accommodate movement of soiled and clean surgical supplies and tools between the surgical suite and Central Sterile Supply; replacing lockers in the surgical suite locker rooms to accommodate an anticipated increase in the number of physicians and staff; and adding square footage to the surgical suite for two new storage rooms for equipment and supplies. In Section XI.5, page 137, the applicant provides the current and projected square footage after renovation and expansion for the OR relocation. The estimated increase in square footage for the entire facility is 3,844 square feet (SF). The estimated square footage involved in the proposed project, both renovated and new, is 8,119. The estimated construction cost is $2,493,984. The cost per SF is approximately $312. In Section XI.6, page 138, the applicant provides a table identifying the proposed square footage for each department/section in the surgical suite, as follows:

PHH Square Footage-Current and Proposed

PHH Surgical Suite	Current SF	Renovated SF	New Construction SF	Proposed Total SF
Pre-Operative Area	5,337	0	0	5,337
New 5th Operating Room increase Sub-sterile & Sterile Core	0	1,020	342	1,362
Ground Floor – Sterile Core	0	132	0	132
Post-Operative Area	1,893	1,653	0	3,546
Administrative Area	955	0	0	823
Support Area	2,750	856	2,863	6,469
Corridor	3,328	614	639	4,581
TOTAL	14,263	4,275	3,844	22,250

In Section XI.8, page 139, the applicant states that it *"will use modern energy controls and the most energy-effective materials when renovating the existing PHH surgical suite to accommodate the addition of the proposed OR."* In addition, the applicant states that it will be in compliance with all applicable local, state, and federal requirements for energy efficiency and consumption.

The applicant adequately demonstrated that the cost, design, and means of construction represent the most reasonable alternative and that the construction project will not unduly increase the costs and charges of providing the proposed services. See Criterion (5) for discussion of costs and charges which is incorporated hereby as if set forth fully herein. Furthermore, the applicant adequately demonstrates applicable energy saving features have been incorporated into the construction plans.

Therefore, the application is conforming with this criterion.

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

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

C

In Section VI.13, page 103, the applicant provides the payor mix during CY2011 for the existing surgical services at PHH, as shown in the table below.

Presbyterian Hospital Huntersville Payor Mix
Surgical Program (excluding C-Section OR)
CY2011 (1/1/2011 – 12/31/2011)

PHH Payor Category	Operating Room Cases as % of Total
Self Pay/Indigent/Charity	3.44%
Commercial Insurance	1.12%
Medicare/Medicare Managed Care	27.40%
Medicaid	5.10%
Managed Care	59.78%
Other (Worker's Comp, other Gov't)	3.16%
Total	**100.0%**

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

	June 2010 Total # of Medicaid Eligibles as % of Total Population	June 2010 Total # of Medicaid Eligibles Age 21 and older as % of Total Population	CY 2008-2009 % Uninsured (Estimate by Cecil G. Sheps Center)
Mecklenburg County	**15.0%**	**5.1%**	**20.1%**
Statewide	**17.0%**	**6.7%**	**19.7%**

The majority of Medicaid eligibles are children under the age of 21. This age group does not utilize the same health services at the same rate as older segments of the population, particularly the surgical services offered by the applicant.

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 applicant's current payor mix would be of little value. The population data by age, race or gender does not include information on the number of elderly, minorities or women utilizing health services. Furthermore, OSBM's website does not include information on the number of handicapped persons.

The applicant demonstrates that medically underserved populations currently have adequate access to PHH'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 102, the applicant states it met those obligations long ago and that,

> *"FMC* [Forsyth Medical Center]*, PH* [The Presbyterian Hospital] *and all Novant acute care and other facilities in North Carolina continue to comply with the community service obligation and there is no denial, restriction, or limitation of access to minorities or handicapped persons."*

In Section VI.10(a), page 101, the applicant states that a civil rights complaint was filed against a Novant Health, Inc. facility, Presbyterian Orthopaedic Hospital, on July 11, 2007, alleging that the hospital was *"…engaged in unlawful discrimination based on disability (hearing impairment) in violation of Section 504 of the Rehabilitation Act of 1973."* In Section VI.10(b), page 101, the applicant states that the Office of Civil Rights determined that Presbyterian Orthopaedic Hospital did not violate Section 504 of the Rehabilitation Act. No other civil rights access complaints were identified by the applicant. 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.14, page 104, the applicant projects the payor mix for the surgical services at PHH for the second operating year following project completion (FY2016), as shown in the table below.

Presbyterian Hospital Huntersville
Surgical Program (excluding C-Section OR)
Project Year 2 (FY2016)

PHH Payor Category	Surgical Cases as % of Total
Self Pay/Indigent	3.95%
Commercial Insurance	1.34%
Medicare/Medicare Managed Care	30.90%
Medicaid	5.63%
Managed Care	55.27%
Other	2.91%
Total	**100.00%**

The applicant demonstrated that PHH will provide adequate access to medically underserved populations. Therefore, the application is conforming with 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 V.2(d), page 81, the applicant states,

> *"Presbyterian Hospital Huntersville…accepts all clinically appropriate referrals from physicians, as well as transfers from other hospitals based on patient transfer agreements and protocols. These agreements will continue once the project is approved and the additional operating room is open."*

The application is conforming to this criterion.

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

C

In Section V.1, page 79, the applicant states that PHH provides many learning opportunities for medical and health science students from a variety of schools, colleges and training programs in the region. Clinical education agreements are in place with these programs and the applicant provides a partial listing of 18 of the schools, colleges, and programs with which PHH has agreements. Exhibit 10 includes a comprehensive list of educational institutions Novant Health has agreements with to provide clinical education training programs. The information provided 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

The applicant proposes to relocate one existing shared OR from PHC to PHH, both of which are located within the Mecklenburg County service area as defined in the SMFP 2012. The inventory of licensed ORs in the Mecklenburg County service area, excluding dedicated C-Section, Open Heart, and Trauma/Burn ORs, is illustrated in the following table:

Existing Mecklenburg County Operating Room Utilization FY2011

	# of Operating Rooms
Presbyterian Hospital Mint Hill	0
Charlotte Surgery Center	7
Carolina Center for Specialty Surgery	2
Carolinas Surgery Center–Randolph (de-licensed 6/22/11)	0
SouthPark Surgery Center	6
Presbyterian Same Day Surgery Center at Ballantyne	2
Presbyterian Surgery Center Huntersville	2
Matthews Surgery Center	2
Presbyterian Hospital	31
Carolinas Medical Center Mercy-Pineville	25
Carolinas Medical Center	42
Presbyterian Orthopaedic Hospital	12
Carolinas Medical Center-University	11
Presbyterian Hospital Matthews	6
Presbyterian Hospital Huntersville	4

Source: *2012 State Medical Facilities Plan*, Table 6A.

In Section V.7, page 85, the applicant discusses the impact of the proposed project on competition in the service area as it relates to promoting cost-effectiveness, quality and access.

In Section V.7, page 85, the applicant states,

> "*Competition in healthcare is encouraged by containing costs, improving quality, and ensuring access to services. Novant Health and Presbyterian Hospital Huntersville is* [sic] *committed to fostering competition through these factors.*"

The applicant provides several citations of recognition in publications and by national organizations that have recognized its efforts to increase quality and efficiency. It states, in Section V.7, page 86 that its strategies for increasing quality and decreasing costs result in improved services. In addition, the applicant states, in Section V.7, page 89, that its pro forma forms D and E include projections by payor category, including Medicare, Medicaid, and Charity/Indigent/Self-Pay for surgical procedures which illustrate its commitment to provide access to patients with limited financial resources.

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 the expected effects of the proposal on competition in the service area include a positive impact on cost-effectiveness, quality and access to the proposed services. This determination is based on the information in the application and the following analysis:

- The applicant adequately demonstrates the need to relocate one shared OR from PHC to PHH and that it is a cost-effective alternative;
- The applicant will continue to provide quality services; and
- The applicant 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

PHH is certified by CMS for Medicare and Medicaid participation, accredited by The Joint Commission, and meets all state and federal regulatory and licensure requirements, including OSHA, ADA, and DHSR. 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 PHH 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

PHH proposes to relocate one existing shared OR from The Presbyterian Hospital in Charlotte to Presbyterian Hospital Huntersville. Therefore, the Criteria and Standards for Surgical Services and Operating Rooms, promulgated in 10A NCAC 14C .2100, are applicable to this review. The application is conforming to all applicable criteria, which are discussed below.

SECTION .2100 – CRITERIA AND STANDARDS FOR SURGICAL SERVICES AND OPERATING ROOMS

10A NCAC 14C .2102 INFORMATION REQUIRED OF APPLICANT

(a) An applicant proposing to establish a new ambulatory surgical facility, to establish a new campus of an existing facility, to establish a new hospital, to convert a specialty ambulatory surgical program to a multispecialty ambulatory surgical program or to add a specialty to a specialty ambulatory surgical program shall identify each of the following specialty areas that will be provided in the facility:

- *(1) gynecology;*
- *(2) otolaryngology;*
- *(3) plastic surgery;*
- *(4) general surgery;*
- *(5) ophthalmology;*
- *(6) orthopedic;*
- *(7) oral surgery; and*
- *(8) other specialty area identified by the applicant.*

-NA- The applicant proposes to relocate one existing shared OR from PHC to its existing surgical department at PHH. The applicant is not proposing to establish a new ambulatory surgical facility, or establish a new campus of an existing facility, or establish a new hospital, or convert a specialty ambulatory surgical program to a multispecialty ambulatory surgical program, or to add a specialty to a specialty ambulatory surgical program.

(b) An applicant proposing to increase the number of operating rooms in a service area, to convert a specialty ambulatory surgical program to a multispecialty ambulatory surgical program or to add a specialty to a specialty ambulatory surgical program shall provide the following information:

- *(1) the number and type of operating rooms in each facility which the applicant or a related entity owns a controlling interest in and is located in the service area, (separately identifying the number of dedicated open heart and dedicated C-Section rooms);*
- *(2) the number and type of operating rooms to be located in each facility which the applicant or a related entity owns a controlling interest in and is located in the service area after completion of the proposed project and all previously approved projects related to these facilities (separately identifying the number of dedicated open heart and dedicated C-Section rooms);*
- *(3) the number of inpatient surgical cases, excluding trauma cases reported by Level I, II, or III trauma centers, cases reported by designated burn intensive care units, and cases performed in dedicated open heart and dedicated C-section rooms, and the number of outpatient surgical cases performed in the most recent 12 month period for which data is available, in the operating rooms in each facility listed in response to Subparagraphs (b)(1) and (b)(2) of this Rule;*
- *(4) the number of inpatient surgical cases, excluding trauma cases reported by level I, II, or III trauma centers, cases reported by designated burn intensive care units and cases performed in dedicated open heart and dedicated C-section rooms, and the number of outpatient surgical cases projected to be performed in each of the first three operating years of the proposed project, in each facility listed in response to Subparagraphs (b)(1) and (b)(2) of this Rule;*
- *(5) a description of and documentation to support the assumptions and methodology used in the development of the projections required by this Rule;*

(6) *the hours of operation of the proposed new operating rooms;*

(7) *if the applicant is an existing facility, the average reimbursement received per procedure for the 20 surgical procedures most commonly performed in the facility during the preceding 12 months and a list of all services and items included in the reimbursement;*

(8) *the projected average reimbursement to be received per procedure for the 20 surgical procedures which the applicant projects will be performed most often in the facility and a list of all services and items included in the reimbursement; and*

(9) *identification of providers of pre-operative services and procedures which will not be included in the facility's charge.*

-NA- The applicant is not proposing to increase the number of ORs in a service area, to convert a specialty ambulatory surgical program to a multispecialty ambulatory surgical program or to add a specialty to a specialty ambulatory surgical program. The applicant is proposing to relocate one existing shared OR within the Mecklenburg County service area.

(c) An applicant proposing to relocate existing or approved operating rooms within the same service area shall provide the following information:

(1) *the number and type of existing and approved operating rooms in each facility in which the number of operating rooms will increase or decrease (separately identifying the number of dedicated open heart and dedicated C-Section rooms);*

-C- In Section II, page 23, the applicant provides tables showing the number and type of existing and approved ORs at PHC and PHH, summarized as follows,

PHC and PHH **Existing and Approved Operating Rooms**

Operating Room Type	**PHC**	**PHH**	**Total**
Shared	19*	4	23
Dedicated Outpatient	6**	0	6
Dedicated C-Section	3	1	4
Dedicated Open Heart	3	0	3
Total	**31**	**5**	**36**

*PHC currently has 26 shared ORs as shown on its 2012 LRA, but will add 4 shared ORs relocated from Presbyterian Orthopaedic Hospital (Project I.D. #F-8040-08), will convert 4 to dedicated outpatient ORs (Project I.D. #F-7309-05), and then relocate 7 shared ORs to Presbyterian Orthopaedic Hospital (Project I.D. #F-8765-11) for a total of 19 shared ORs.

**PHC converted 4 shared ORs to 4 dedicated outpatient ORs at Presbyterian Outpatient Surgery Center (Project I.D. #F-7309-05) for a total of 6 dedicated outpatient ORs.

(2) *the number and type of operating rooms to be located in each affected facility after completion of the proposed project and all previously approved projects related to these facilities (separately identifying the number of dedicated open heart and dedicated C-Section rooms);*

-C- In Section II, pages 23 - 24, the applicant provides tables showing the number and type of ORs to be located at PHC and PHH after completion of the proposed project, summarized as follows:

PHC and PHH Existing and Approved Operating Rooms Pending Proposed Project

Operating Room Type	PHC	PHH	Total
Shared	18*	5	23
Dedicated Ambulatory	6	0	6
Dedicated C-Section	3	1	4
Dedicated Open Heart	3	0	3
Total	**30**	**6**	**36**

*After the proposed project is completed, 1 shared OR at PHC will be relocated to PHH.

(3) *the number of inpatient surgical cases, excluding trauma cases reported by Level I, II, or III trauma centers, cases reported by designated burn intensive care units, and cases performed in dedicated open heart and dedicated C-section rooms, and the number of outpatient surgical cases performed in the most recent 12 month period for which data is available, in the operating rooms in each facility listed in response to Subparagraphs (c)(1) and (c)(2) of this Rule;*

-C- In Section II, page 24, the applicant provides a table showing the number of inpatient and outpatient surgical cases, excluding trauma, open heart, and C-section surgical cases, performed during the most recent 12-month period [FY2011 (August 1, 2011 – July 31, 2012)] - at each of the hospital facilities affected by the proposed relocation of one shared OR, as follows,

Surgical Cases	PHC	PHH
Inpatient	5,034	1,268
Outpatient	15,672	3,383
Total	20,706	4,651

"Source: Presbyterian Healthcare Trendstar"

(4) *the number of inpatient surgical cases, excluding trauma cases report1d by level I, II, or III trauma centers, cases reported by designated burn intensive care units and cases performed in dedicated open heart and dedicated C-section rooms, and the number of outpatient surgical cases projected to be performed in each of the first three operating years of the proposed project, in each facility listed in response to Subparagraphs (c)(1) and (c)(2) of this Rule;*

-C- In Section II, page 25, the applicant provides tables showing the projected number of inpatient and outpatient surgical cases, excluding trauma, open heart, and C-section surgical cases, to be performed at PHC and PHH for each of the first three operating years, as summarized below.

Inpatient Surgical Cases by Facility, CY2015-CY2017

Facility	CY2015 (Project Year 1)	CY2016 (Project Year 2)	CY2017 (Project Year 3)
PHC	5,228	5,287	5,345
PHH	1,276	1,294	1,312

Outpatient Surgical Cases by Facility, CY2015-CY2017

Facility	CY2015 (Project Year 1)	CY2016 (Project Year 2)	CY2017 (Project Year 3)
PHC	17,150	17,608	18,078
PHH	3,403	3,452	3,502

(5) a detailed description of and documentation to support the assumptions and methodology used in the development of the projections required by this Rule;

-C- In Section II, pages 25-27 of the application, the applicant provides a detailed description of and documentation to support the assumptions and methodology used in the development of the projections. An analysis of the assumptions, methodology, and utilization projections was conducted in Criterion (3) which is incorporated hereby as if set forth fully herein.

(6) the hours of operation of the facility to be expanded;

-C- In Section II, page 27 of the application, the applicant states that the four current shared inpatient/outpatient ORs at PHH are staffed Monday through Friday, 6:30 am – 5:00 pm. Two ORs are staffed until 7:00 pm and one OR is staffed until 11:00pm. In supplemental information, the applicant states that the proposed additional shared OR will be staffed and operational at least eight hours a day, Monday – Friday, and additional hours dependent on surgical demand.

(7) the average reimbursement received per procedure for the 20 surgical procedures most commonly performed in each affected facility during the preceding 12 months and a list of all services and items included in the reimbursement;

-C- In Section II, pages 28-29 of the application, the applicant provides tables showing the average reimbursement received per procedure for the 20 most commonly performed inpatient and 20 most commonly performed outpatient surgical procedures in PHH's ORs. The applicant describes all services and items included in the reimbursement. In supplemental information, the applicant states the time period for the reimbursement data is August 1, 2011 – July 31, 2012. In Section II, pages 30-31, and in supplemental information, the applicant provides the average reimbursement received per procedure for the 20 most commonly performed inpatient and the 20 most commonly performed outpatient surgical procedures in PHC's ORs during the preceding 12 months (August 1, 2011 – July 31, 2012). A list of all services and items included in the reimbursement is provided. The applicant states that the items included in the reimbursement for both PHH and PHC are: OR time charges, recovery room time charges, pharmaceuticals, and implants. The applicant notes, *"The OR and Recovery Room Time Charges include consolidated charges for labor, supplies, and specialty equipment."*

(8) the projected average reimbursement to be received per procedure for the 20 surgical procedures which the applicant projects will be performed most often in the facility to be expanded and a list of all services and items included in the reimbursement; and

-C- In Section II, pages 32-33 of the application, the applicant provides the projected average reimbursement to be received per procedure for the 20 inpatient and 20 outpatient surgical procedures which the applicant projects will be most commonly performed in PHH's ORs and a list of all services and items included in the reimbursement. In Section II, page 32, the applicant states, *"The PHH Inpatient Surgical Case projected average reimbursement encompasses the inpatient surgical charges for each PHH patient only, and does not include reimbursement for room and board, and other ancillary services (radiology, pharmacy, lab) during an inpatient surgical admission."* Both inpatient and outpatient average reimbursement for surgical procedures include the following charges: OR time charges, recovery room time charges, pharmaceuticals, and implants.

(9) identification of providers of pre-operative services and procedures which will not be included in the facility's charge.

-C- In Section II, pages 34-35 of the application, the applicant identifies the providers of pre-operative services and procedures not included in the facility's charge, including anesthesiology, laboratory and pathology services, imaging services, and surgeons' professional services.

(d) An applicant proposing to establish a new single specialty separately licensed ambulatory surgical facility pursuant to the demonstration project in the 2010 State Medical Facilities Plan shall provide:

(1) the single surgical specialty area in which procedures will be performed in the proposed ambulatory surgical facility;
(2) a description of the ownership interests of physicians in the proposed ambulatory surgical facility;
(3) a commitment that the Medicare allowable amount for self-pay and Medicaid surgical cases minus all revenue collected from self-pay and Medicaid surgical cases shall be at least seven percent of the total revenue collected for all surgical cases performed in the proposed facility;
(4) for each of the first three full fiscal years of operation, the projected number of self-pay surgical cases;
(5) for each of the first three full fiscal years of operation, the projected number of Medicaid surgical cases;
(6) for each of the first three full fiscal years of operation, the total projected Medicare allowable amount for the self-pay surgical cases to be served in the proposed facility, i.e. provide the projected Medicare allowable amount per self-pay surgical case and multiply that amount by the projected number of self-pay surgical cases;
(7) for each of the first three full fiscal years of operation, the total projected Medicare allowable amount for the Medicaid surgical cases to be served in the facility, i.e. provide the projected Medicare allowable amount per Medicaid surgical case and multiply that amount by the projected number of Medicaid surgical cases;
(8) for each of the first three full fiscal years of operation, the projected revenue to be collected from the projected number of self-pay surgical cases;
(9) for each of the first three full fiscal years of operation, the projected revenue to be collected from the projected number of Medicaid surgical cases;

(10) for each of the first three full fiscal years of operation, the projected total revenue to be collected for all surgical cases performed in the proposed facility;

(11) a commitment to report utilization and payment data for services provided in the proposed ambulatory surgical facility to the statewide data processor, as required by G.S. 131E-214.2;

(12) a description of the system the proposed ambulatory surgical facility will use to measure and report patient outcomes for the purpose of monitoring the quality of care provided in the facility;

(13) descriptions of currently available patient outcome measures for the surgical specialty to be provided in the proposed facility, if any exist;

(14) if patient outcome measures are not currently available for the surgical specialty area, the applicant shall develop its own patient outcome measures to be used for monitoring and reporting the quality of care provided in the proposed facility, and shall provide in its application a description of the measures it developed;

(15) a description of the system the proposed ambulatory surgical facility will use to enhance communication and ease data collection, e.g. electronic medical records;

(16) a description of the proposed ambulatory surgical facility's open access policy for physicians, if one is proposed;

(17) a commitment to provide to the Agency annual reports at the end of each of the first five full years of operation regarding:

(A) patient payment data submitted to the statewide data processor as required by G.S. 131E-214.2;

(B) patient outcome results for each of the applicant's patient outcome measures;

(C) the extent to which the physicians owning the proposed facility maintained their hospital staff privileges and provided Emergency Department coverage, e.g. number of nights each physician is on call at a hospital; and

(D) the extent to which the facility is operating in compliance with the representations the applicant made in its application relative to the single specialty ambulatory surgical facility demonstration project in the 2010 State Medical Facilities Plan.

-NA- The applicant is not proposing to establish a new single specialty separately licensed ambulatory surgical facility pursuant to the demonstration project in the 2010 State Medical Facilities Plan.

10A NCAC 14C .2103 PERFORMANCE STANDARDS

(a) In projecting utilization, the operating rooms shall be considered to be available for use five days per week and 52 weeks a year.

-C- In Section II, page 36, the applicant states the ORs will be available for use five days per week and 52 weeks per year.

(b) A proposal to establish a new ambulatory surgical facility, to establish a new campus of an existing facility, to establish a new hospital, to increase the number of operating rooms in an existing facility (excluding dedicated C-section operating rooms), to convert a specialty ambulatory

surgical program to a multispecialty ambulatory surgical program or to add a specialty to a specialty ambulatory surgical program shall:

(1) demonstrate the need for the number of proposed operating rooms in the facility which is proposed to be developed or expanded in the third operating year of the project based on the following formula: {[(Number of facility's projected inpatient cases, excluding trauma cases reported by Level I or II trauma centers, cases reported by designated burn intensive care units and cases performed in dedicated open heart and C-section rooms, times 3.0 hours) plus (Number of facility's projected outpatient cases times 1.5 hours)] divided by 1872 hours} minus the facility's total number of existing and approved operating rooms and operating rooms proposed in another pending application, excluding one operating room for Level I or II trauma centers, one operating room for facilities with designated burn intensive care units, and all dedicated open heart and C-section operating rooms or demonstrate conformance of the proposed project to Policy AC-3 in the State Medical Facilities Plan titled "Exemption From Plan Provisions for Certain Academic Medical Center Teaching Hospital Projects;" and

(2) The number of rooms needed is determined as follows:

(A) in a service area which has more than 10 operating rooms, if the difference is a positive number greater than or equal to 0.5, then the need is the next highest whole number for fractions of 0.5 or greater and the next lowest whole number for fractions less than 0.5; and if the difference is a negative number or a positive number less than 0.5, then the need is zero;

(B) in a service area which has 6 to 10 operating rooms, if the difference is a positive number greater than or equal to 0.3, then the need is the next highest whole number for fractions of 0.3 or greater and the next lowest whole number for fractions less than 0.3, and if the difference is a negative number or a positive number less than 0.3, then the need is zero; and

(C) in a service area which has five or fewer operating rooms, if the difference is a positive number greater than or equal to 0.2, then the need is the next highest whole number for fractions of 0.2 or greater and the next lowest whole number for fractions less than 0.2; and if the difference is a negative number or a positive number less than 0.2, then the need is zero.

-C- PHH is located in the Mecklenburg County Service Area, which has more than 10 ORs. PHH is currently licensed for four shared ORs and one dedicated C-Section OR. The applicant proposes to relocate one shared OR from PHC for a total of five shared ORs at PHH, excluding the C-section OR. In Section II, page 38 of the application, the applicant projects it will perform 3,502 outpatient surgical cases and 1,312 inpatient surgical cases in the third year of operation. The facility needs five ORs [(3,502 X 1.5 hours) + (1,312 X 3.0 hours) = 9,189 hours; 9,189 hours/1,872 hours = 4.9 ORs]. The applicant adequately demonstrates the need for five ORs. See Criterion (3) for discussion regarding projected utilization which is incorporated hereby as if set forth fully herein. Thus, the application is conforming with this Rule.

(c) A proposal to increase the number of operating rooms (excluding dedicated C-section operating rooms) in a service area shall:

(1) demonstrate the need for the number of proposed operating rooms in addition to the rooms in all of the licensed facilities identified in response to 10A NCAC 14C .2102(b)(2) in the third operating year of the proposed project based on the following formula: {[(Number of projected inpatient cases for all the applicant's or related entities' facilities, excluding trauma cases reported by Level I or II trauma centers, cases reported by designated burn intensive care units and cases performed in dedicated open heart and C-section rooms, times 3.0 hours) plus (Number of projected outpatient cases for all the applicant's or related entities' facilities times 1.5 hours)] divided by 1872 hours} minus the total number of existing and approved operating rooms and operating rooms proposed in another pending application, excluding one operating room for Level I or II trauma centers, one operating room for facilities with designated burn intensive care units, and all dedicated open heart and C-Section operating rooms in all of the applicant's or related entities' licensed facilities in the service area; and

(2) The number of rooms needed is determined as follows:

(A) in a service area which has more than 10 operating rooms, if the difference is a positive number greater than or equal to 0.5, then the need is the next highest whole number for fractions of 0.5 or greater and the next lowest whole number for fractions less than 0.5; and if the difference is a negative number or a positive number less than 0.5, then the need is zero;

(B) in a service area which has 6 to 10 operating rooms, if the difference is a positive number greater than or equal to 0.3, then the need is the next highest whole number for fractions of 0.3 or greater and the next lowest whole number for fractions less than 0.3, and if the difference is a negative number or a positive number less than 0.3, then the need is zero; and

(C) in a service area which has five or fewer operating rooms, if the difference is a positive number greater than or equal to 0.2, then the need is the next highest whole number for fractions of 0.2 or greater and the next lowest whole number for fractions less than 0.2; and if the difference is a negative number or a positive number less than 0.2, then the need is zero.

-NA- The applicant does not propose to increase the number of ORs in the service area.

(d) An applicant that has one or more existing or approved dedicated C-section operating rooms and is proposing to develop an additional dedicated C-section operating room in the same facility shall demonstrate that an average of at least 365 C-sections per room were performed in the facility's existing dedicated C-section operating rooms in the previous 12 months and are projected to be performed in the facility's existing, approved and proposed dedicated C-section rooms during the third year of operation following completion of the project.

-NA- The applicant does not propose to develop an additional C-section OR.

(e) An applicant proposing to convert a specialty ambulatory surgical program to a multispecialty ambulatory surgical program or to add a specialty to a specialty ambulatory surgical program shall:

(1) provide documentation to show that each existing ambulatory surgery program in the service area that performs ambulatory surgery in the same specialty area as proposed in the application is currently utilized an average of at least 1,872 hours per operating room per year, excluding dedicated open heart and C-Section operating rooms. The hours utilized per operating room shall be calculated as follows: [(Number of projected inpatient cases, excluding open heart and C-sections performed in dedicated rooms, times 3.0 hours) plus (Number of projected outpatient cases times 1.5 hours)] divided by the number of operating rooms, excluding dedicated open heart and C-Section operating rooms; and

(2) demonstrate the need in the third operating year of the project based on the following formula: [(Total number of projected outpatient cases for all ambulatory surgery programs in the service area times 1.5 hours) divided by 1872 hours] minus the total number of existing, approved and proposed outpatient or ambulatory surgical operating rooms and shared operating rooms in the service area. The need is demonstrated if the difference is a positive number greater than or equal to one, after the number is rounded to the next highest number for fractions of 0.50 or greater.

-NA- The applicant does not propose to convert a specialty ambulatory surgical program to a multispecialty ambulatory surgical program or to add a specialty to a specialty ambulatory surgical program.

(f) The applicant shall document the assumptions and provide data supporting the methodology used for each projection in this Rule.

-C- In Section II, page 40, and Section III.(b), pages 57-61 of the application, the applicant provides the assumptions and data supporting the methodology used in the development of the projections. See Criterion (3) for discussion regarding the assumptions and data supporting the methodology used which is incorporated hereby as if set forth fully herein.

10A NCAC 14C .2104 SUPPORT SERVICES

(a) An applicant proposing to establish a new ambulatory surgical facility, a new campus of an existing facility, or a new hospital shall provide copies of the written policies and procedures that will be used by the proposed facility for patient referral, transfer, and follow-up.

-NA- The applicant is not proposing to establish a new ambulatory surgical facility, a new campus of an existing facility, or a new hospital.

(b) An applicant proposing to establish a new ambulatory surgical facility, a new campus of an existing facility, or a new hospital shall provide documentation showing the proximity of the proposed facility to the following services:

(1) emergency services;
(2) support services;
(3) ancillary services; and
(4) public transportation.

-NA- The applicant is not proposing to establish a new ambulatory surgical facility, a new campus of an existing facility, or a new hospital.

10A NCAC 14C .2105 STAFFING AND STAFF TRAINING

(a) An applicant proposing to establish a new ambulatory surgical facility, to establish a new campus of an existing facility, to establish a new hospital, to increase the number of operating rooms in a facility, to convert a specialty ambulatory surgical program to a multispecialty ambulatory surgical program or to add a specialty to a specialty ambulatory surgical program shall identify, justify and document the availability of the number of current and proposed staff to be utilized in the following areas in the facility to be developed or expanded:

(1) administration;
(2) pre-operative;
(3) post-operative;
(4) operating room; and
(5) other.

-C- In Sections VII.1 and VII.2, pages 105-106, of the application, the applicant identifies and documents the availability of the number of proposed staff to be utilized in the areas listed in this Rule.

(b) The applicant shall identify the number of physicians who currently utilize the facility and estimate the number of physicians expected to utilize the facility and the criteria to be used by the facility in extending surgical and anesthesia privileges to medical personnel.

-C- In Section II, page 41, the applicant states that there are 95 surgeons on staff, representing an increase of 41.8% from 2008. In Section VII.8(b), page 115, the applicant states that Presbyterian Healthcare uses a *"unified medical staff credentialing process"* which is used to extend privileges to medical staff. Exhibit 3 contains copies of the policies and procedures that PHH uses in extending privileges to medical personnel utilizing the facility.

(c) The applicant shall provide documentation that physicians with privileges to practice in the facility will be active members in good standing at a general acute care hospital within the service area in which the facility is, or will be, located or documentation of contacts the applicant made with hospitals in the service area in an effort to establish staff privileges.

-C- In Section II, page 42 of the application, the applicant references a letter in Exhibit 3 from the Senior Vice President of Medical Affairs of Presbyterian Healthcare that confirms that physicians with privileges to practice at PHH are active members in good standing at PHH.

(d) The applicant shall provide documentation that physicians owning the proposed single specialty demonstration facility will meet Emergency Department coverage responsibilities in at least one hospital within the service area, or documentation of contacts the applicant made with hospitals in the service area in an effort to commit its physicians to assume Emergency Department coverage responsibilities.

-NA- The applicant is not proposing to establish a new single specialty separately licensed ambulatory surgical facility.

10A NCAC 14C .2106 FACILITY

(a) An applicant proposing to establish a licensed ambulatory surgical facility that will be physically located in a physician's or dentist's office or within a general acute care hospital shall demonstrate that reporting and accounting mechanisms exist and can be used to confirm that the licensed ambulatory surgery facility is a separately identifiable entity physically and administratively, and is financially independent and distinct from other operations of the facility in which it is located.

-NA- The applicant is not proposing to establish a licensed ambulatory surgical facility that will be physically located in a physician's or dentist's office or within a general acute care hospital.

(b) An applicant proposing to establish a licensed ambulatory surgical facility or a new hospital shall receive accreditation from the Joint Commission for the Accreditation of Healthcare Organizations, the Accreditation Association for Ambulatory Health Care or a comparable accreditation authority within two years of completion of the facility.

-NA- The applicant is not proposing to establish a licensed ambulatory surgical facility or a new hospital.

(c) All applicants shall document that the physical environment of the facility to be developed or expanded conforms to the requirements of federal, state, and local regulatory bodies.

-C- In Exhibit 3 of the application, the applicant provides a letter from the Senior Director of Design and Construction for Novant Health, Inc. which documents that the physical environment of the facility conforms to the requirements of federal, state, and local regulatory bodies.

(d) An applicant proposing to establish a new ambulatory surgical facility, a new campus of an existing facility or a new hospital shall provide a floor plan of the proposed facility identifying the following areas:

(1) receiving/registering area;
(2) waiting area;
(3) pre-operative area;
(4) operating room by type;
(5) recovery area; and
(6) observation area.

-NA- The applicant is not proposing to establish a licensed ambulatory surgical facility, a new campus of an existing facility, or a new hospital.

(e) An applicant proposing to expand by converting a specialty ambulatory surgical program to a multispecialty ambulatory surgical program or by adding a specialty to a specialty ambulatory surgical program that does not propose to add physical space to the existing ambulatory surgical

facility shall demonstrate the capability of the existing ambulatory surgical program to provide the following for each additional specialty area:

(1) physicians;
(2) ancillary services;
(3) support services;
(4) medical equipment;
(5) surgical equipment;
(6) receiving/registering area;
(7) clinical support areas;
(8) medical records;
(9) waiting area;
(10) pre-operative area;
(11) operating rooms by type;
(12) recovery area; and
(13) observation area.

-NA- The applicant does not propose to expand by converting a specialty ambulatory surgical program to a multispecialty ambulatory surgical program or by adding a specialty to a specialty ambulatory surgical program.