

## ATTACHMENT - REQUIRED STATE AGENCY FINDINGS

### FINDINGS

C = Conforming

CA = Conditional

NC = Nonconforming

NA = Not Applicable

DECISION DATE: July 29, 2013  
PROJECT ANALYST: Gene DePorter  
TEAM LEADER: Lisa Pittman

PROJECT I.D. NUMBER: F-10128-13/ The Charlotte-Mecklenburg Hospital Authority d/b/a Carolina Medical Center-NorthEast/ Replace MRI scanner/ Cabarrus 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 Charlotte-Mecklenburg Hospital Authority d/b/a Carolinas Medical Center NorthEast [CMC-NE] proposes to replace a Philips Achieva 1.5T fixed magnetic resonance imaging [MRI] scanner at CMC-NE with a GE Optima MR450w 1.5T fixed MRI. The applicant does not propose to acquire any medical equipment or develop any health service facility beds or services for which there is a need determination in the 2013 State Medical Facilities Plan [2013 SMFP].

There is one policy in the 2013 SMFP applicable to the review of the application:

#### Policy GEN-4: ENERGY EFFICIENCY AND SUSTAINABILITY FOR HEALTH SERVICE FACILITIES

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

*In approving a certificate of need proposing an expenditure greater than \$5 million to develop, replace, renovate, or add to a health service facility pursuant to G.S. 131E-178, the Certificate of Need Section shall impose a condition requiring the applicant to develop and implement an Energy Efficiency and Sustainability Plan for the project that conforms to or exceeds energy efficiency and water conservation standards incorporated in the latest editions of the North Carolina State Building Codes. The plan must be consistent with the applicant's representation in the written statement as described in paragraph one of Policy GEN 4.*

*Any person awarded a certificate of need for a project or an exemption from review pursuant to G.S. 131E-184 are required to submit a plan for energy efficiency and water conservation that conforms to the rules, codes and standards implemented by the Construction Section of the Division of Health Service Regulation. The plan must be consistent with the applicant's representation in the written statement as described in paragraph one of Policy-GEN 4. The plan shall not adversely affect patient or resident health, safety, or infection control.”*

CMC-NE provides a written statement regarding Policy GEN-4, in Section III.2, pages 42-44 and Section XI.7, pages 102-103, describing the project's plan to assure improved energy efficiency and water conservation, as follows:

*“More generally, all CHS facilities, including CMC-NE, are committed to energy efficiency and sustainability that balances the need for healthcare services and environmental sustainability. In this regard, CHS has several guiding principles:*

- 1) Implement environmental sustainability to improve and reduce the environmental impact.*
- 2) Integrate sustainable operational and facility best practices into existing and new facilities.*
- 3) Encourage partners to engage in environmentally responsible practices.*
- 4) Promote environmental sustainability at work, home and community.*
- 5) Deliver improved performance to provide a long-term return on investment that supports corporate mission and values.*

...

*Hospital equipment is maintained on a computerized preventive maintenance schedule, and monitored using integrated building control systems.*

*...CMC-NE will work with experienced architects and engineers to develop this proposed project to ensure energy efficient systems are an inherent part of the proposed project... The design team for this project has LEED and Hospitals for a Healthy Environment Green Guide for Healthcare (GGHC) experience.”*

The applicant adequately described the project's plan to assure improved energy efficiency and water conservation. Thus, the application is conforming to Policy GEN-4. Therefore, the application is conforming to this criterion.

- (2) Repealed effective July 1, 1987.
- (3) The applicant shall identify the population to be served by the proposed project, and shall demonstrate the need that this population has for the services proposed, and the extent to which all residents of the area, and, in particular, low income persons, racial and ethnic minorities, women, handicapped persons, the elderly, and other underserved groups are likely to have access to the services proposed.

C

CMC-NE proposes to replace an existing MRI scanner at CMC-NE and install the replacement MRI scanner in the same vault after 1,655 SF of renovation. CMC-NE currently operates a total of five fixed MRI scanners. The MRI unit to be replaced is one of two fixed MRIs located in the CMC-NE hospital.

**Population to be Served**

In Section III.4 (a) & (b), page 47-48, the applicant provides FY 2012 patient origin for CMC-NE Acute Care Services and MRI Scanner patient origin. In Section III. 5(c), page 50, the applicant projects MRI utilization for FYs 2015 and 2016, as illustrated in the following table:

FY 2012 Acute Care Services Patient Origin		FY 2012 MRI Patient Origin		Projected FY 2015-2016 MRI Patient Origin	
County	% of Total Patients	County	% of Total Patients	County	% of Total Patients
Cabarrus	64.5%	Cabarrus	64.5%	Cabarrus	64.8%
Rowan	14.6%	Rowan	14.4%	Rowan	15.5%
Stanly	9.2%	Stanly	9.0%	Stanly	8.6%
Mecklenburg	4.9%	Mecklenburg	6.1%	Mecklenburg	6.8%
Iredell	1.6%	Iredell	1.5%	Iredell	1.5%
Union	0.5%	Union	0.4%	Union	0.5%
Montgomery	0.4%	Montgomery	0.3%	Montgomery	0.3%
Gaston	0.4%	Gaston	0.4%	Gaston	0.3%
Anson	0.3%	Anson	0.2%	Anson	0.2%
Davidson	0.3%	Davidson	0.3%	Davidson	0.3%
Catawba	0.2%	Catawba	0.2%	Catawba	0.1%
Lincoln	0.2%	Lincoln	0.3%	Lincoln	0.2%
Guilford	0.1%				
Other (S.C.)	2.9%	Other	2.4%	Other	0.9%
<b>TOTAL</b>	<b>100.0%</b>	<b>TOTAL</b>	<b>100.0%</b>	<b>TOTAL</b>	<b>100.0%</b>

On page 51, the applicant states that its assumptions regarding patient origin projections are based on historical patient origin of and physician referrals to CMC-NE’s existing MRI scanner services. The applicant adequately identifies the population to be served

**Need to Replace an Existing MRI Scanner**

In Section III.1 (b), page 27 the applicant states the following:

*“CMC-NE intends to replace its existing Philips Achieva 1.5T MRI scanner with a GE Optima MR450W 1.5T MRI scanner. The Philips MRI scanner was purchased in 2007, and is limited in its capabilities. The proposed project is needed to expand CMC-NE’s MRI clinical capabilities, enhance patient experience and improve patient throughput. The proposed project will not result in a net increase of MRI scanners in Cabarrus County.*

*CMC-NE demonstrates the need for the proposed replacement MRI scanner based on numerous qualitative and quantitative factors, including:*

- The existing Philips MRI scanner at CMC-NE is limited in its capabilities, and must be replaced to adequately and most effectively and efficiently meet the needs of inpatients and outpatients.*
- The proposed replacement MRI scanner represents the current clinical standard of care for local patients. Additionally, a replacement MRI scanner will enable CMC-NE to offer an expanded scope of MRI services.*
- The proposed project will enable CMC-NE to provide cost effective and timely service to meet patient expectations and to ensure quality care.*
- The projected growth of the service area population presumes continued increases in demand for healthcare, including the need for MRI services.*
- The methodologies and assumptions for projecting future MRI scans are reasonable and conservative, and will meet or exceed the MRI utilization performance standards.”*

In Section III.1(b), page 34 the applicant indicates that the Cabarrus County population is projected to continue growing at a rate higher than the state. The following table shows population data for Cabarrus County and the State for the time period 2013-2017. Cabarrus County will grow at a compound annual growth rate of 1.4% compared to the compound annual growth for North Carolina of 1.0%.

	2013	2014	2015	2016	2017	4Yr. CAGR
<b>Cabarrus Co.</b>	186,513	189,161	191,805	194,452	197,101	1.4%
<b>North Carolina</b>	9,886,349	9,992,391	10,096,810	10,201,611	10,305,263	1.0%

Source: NCOSBM

In addition, approximately 20.0% of the CMC-NE MRI scanner patients are 65+ years of age. This patient segment is projected to experience a 3.3% compound average growth rate between 2013 and 2017. The applicant states that the over 65 population in the county continues to grow so will the demand for diagnostic imaging services.

### **Projected Utilization**

In Section III.1, pages 35-41 the applicant describes the assumptions and methodology used to project utilization of its MRI services. Historic utilization data (FY 2010-FY 2013-Annualized) for CMC-NE MRI services and projected utilization, are illustrated below:

	FY 2010	FY 2011	FY 2012	FY 2013 Annualized*	FY 2014	FY 2015	FY 2016	FY 2017
Units	4	4	5	5	5	5	5	5
Outpatient/No Contrast/Sedation	8,076	8,294	8,650	8,322	8,322	8,380	8,438	8,497
Outpatient/With Contrast/Sedation	7,069	7,021	7,562	7,034	7,034	7,083	7,132	7,182
Inpatient/No Contrast/Sedation	2,173	2,229	2,280	2,122	2,122	2,137	2,152	2,167
Inpatient/With Contrast/Sedation	3,650	3,271	2,993	2,260	2,260	2,276	2,292	2,307
Total Unweighted Procedures	20,968	20,815	21,485	19,738	19,738	19,875	20,013	20,152
Total Weighted Procedures	27,585	27,132	27,816	25,208	25,208	25,384	25,560	25,738

\*Annualized based on six months of data (Oct 12-Mar 13).  
 Source: CMC-NorthEast, 2011-2013 SMFP

In Section III, pages 39 and 40, the applicant notes that its' MRI scanner volumes have remained relatively flat in recent years (reference FYs 2010 through 2012 in the above table). The applicant attributes the flattened activity to overall unemployment and its impact on the uninsured and underinsured, the reinstatement of pre-certifications for diagnostic imaging scans by many insurance plans and increased out-of-pocket expenditures for many insurance plans. In addition, the applicant notes that the slight decrease in MRI utilization does not diminish the need for the proposed project because the need is primarily qualitative in nature based upon the age and existing limitations of the existing equipment.

In summary, the applicant adequately identified the population to be served and demonstrated the need to replace the MRI scanner at CMC-NE. Therefore, the application is conforming to this criteria.

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

NA

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

CA

In Section III.3, pages 44-46, the applicant described several alternatives considered prior to submitting this application:

- 1) Maintain the Status Quo. The applicant rejected this alternative because it would not be in the best interest of the medical center's patients, as the existing MRI scanner no longer meets the expected standards for MRI technology.
- 2) Replace and Update Components of the Existing System. The applicant rejected this alternative because it would only delay the need to replace the scanner.
- 3) Acquire a Different Replacement MRI Scanner in current location. The applicant determined that this was the most effective alternative because the new scanner will be state-of-the-art and will enable the medical center to treat patients more effectively and efficiently.

The applicant adequately demonstrated that the proposal is its least costly or most effective alternative to meet the need to replace the scanner. The application is conforming to all applicable statutory review criteria, and thus, is approvable. A project that cannot be approved cannot be an effective alternative. Therefore, the application is conforming with this criterion and approved subject to the following conditions.

- 1. The Charlotte-Mecklenburg Hospital Authority d/b/a Carolinas Medical Center-NorthEast shall materially comply with all representations made in the certificate of need application.**
  - 2. The Charlotte-Mecklenburg Hospital Authority d/b/a Carolinas Medical Center-NorthEast shall not acquire, as part of this project, any equipment that is not included in the project's proposed capital expenditure in Section VIII of the application and that would otherwise require a certificate of need.**
  - 3. The Charlotte-Mecklenburg Hospital Authority d/b/a Carolinas Medical Center-NorthEast 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.

In Section VIII.1, pages 83-84, CMC-NE states it is the only applicant for this project, and is responsible for all project capital costs. The applicant projects the capital cost for the proposed project will be \$3,062,688, as shown in the following table:

<b>Construction Contract</b>	\$660,000
<b>Miscellaneous Project Costs</b>	
Fixed Equipment	\$1,860,888
Movable Equipment	\$230,000
Furniture	\$10,000
Architect & Engineering	\$41,800
Testing and Permits	\$10,000
Legal Fees & CON Fees	\$50,000
Other (Contingency)	\$200,000
<b>Total Capital Cost of Project</b>	<b>\$3,062,688</b>

In Section IX.1, page 92, the applicant indicates that the proposed project is not a new service, but rather a replacement of an existing MRI at CMC-NE. Therefore, CMC-NE will not have startup or initial operating expenses. The table on page 87 shows that the capital cost will be provided from accumulated reserves. In Exhibit 7, the applicant provides a letter dated May 15, 2013 from the Executive Vice-President and Chief Financial Officer for the Carolinas Healthcare System, which states:

*“As the Chief Financial Officer for The Charlotte-Mecklenburg Hospital Authority d/b/a Carolinas HealthCare System (CHS), I am responsible for the financial operations of CMC-NE. As such, I am very familiar with the organization’s financial position. The total capital expenditure for this project is estimated to be \$3,062,688. There are no start-up costs related to this project.*

*CHS will fund the capital cost from existing accumulated reserves. This expenditure will not impact any other capital projects currently underway or planned for at this time. For verification of the availability of these funds and our ability to finance these projects internally, please refer to the Line Items ‘Cash and cash equivalents’ and ‘Funded depreciation,’ in the audited financial statements included with this CON application.”*

Exhibit 8, contains the most recent audited financial statements available (FY 2011) for The Charlotte-Mecklenburg Hospital Authority (d/b/a Carolinas HealthCare System). The line item “Cash and cash equivalents,” shows \$53,073,000 as of December 31, 2011. The line item “Other assets: designated as funded depreciation,” shows \$1,922,872,000 as of December 31, 2011. The applicant adequately demonstrated the availability of sufficient funds for the capital needs of the project.

The applicant provided pro forma financial statements and assumptions in the Pro Forma Section (immediately following Section XII) for the first three operating years of the project following completion. The following table illustrates projected procedures, average charge, gross revenue, net revenue, expenses and net income for MRI services for the replacement MRI at CMC-NE.

The applicant projects that revenues will exceed operating costs in each of the first three years of operation for MRI services. The revenue projections provided on Forms D and E are as follows:

	<b>1st Full FY 2015</b>	<b>2nd Full FY 2016</b>	<b>3rd Full FY 2017</b>
# of Procedures	19,875	20,013	20,152
Projected Average Gross Charge per Procedure	\$3,128	\$3,159	\$3,191
Gross Revenue	\$62,172,710	\$63,230,845	\$64,306,987
Projected Average Net Revenue (Reimbursement per Procedure)	\$974	\$984	\$994
Net Revenue	\$19,362,529	\$19,692,066	\$20,027,210

The applicant also provided pro forma financial statements in the Pro Forma Section for the first three Project Years for Carolina HealthCare System. The applicant projects that revenues will exceed expenses in each of the first three Project Years. The revenue projections provided on Form B, are as follows:

	<b>1st Full FY 2015</b>	<b>2nd Full FY 2016</b>	<b>3rd Full FY 2017</b>
Total Revenue	\$606,621,000	\$636,033,000	\$663,989,000
Total Expenses	\$565,196,000	\$593,860,000	\$620,763,000
Net Revenue	\$41,425,000	\$42,173,000	\$43,226,000

Projected costs and revenues are based on reasonable assumptions, including projected utilization. The applicant adequately demonstrated that the financial feasibility of the proposal is based upon reasonable projections of costs and charges. The application is conforming with this criterion.

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

C

The applicant proposes to replace its existing, outdated Philips Achieva 1.5T fixed MRI with a new General Electric (GE) Optima MR450w 1.5T fixed MRI scanner and to renovate the existing space to accommodate the replacement equipment. The project will consist of 1,655 square feet of basic renovations in the current MRI department to conform to the American College of Radiology (ACR) safety zone guidelines (reference Exhibit 6). Renovations also include transforming the existing area into a Caring MRI Suite (CMRS). The project will not result in the addition of an MRI scanner to the inventory of fixed MRI scanners in Cabarrus County.

In Section III.6, page 51, the applicant provides the following table illustrating the existing and approved providers of fixed MRI services in the proposed service area:



Health Service Facility	Type	MRI Scanner Inventory	FY 2012 Unweighted MRI Scans	FY 2012 Weighted MRI Scans
Cabarrus Diagnostic Imaging	Freestanding	1	1,166	1,237
Southern Piedmont Imaging *	Freestanding	1 (approved)	N/A	N/A
Rowan Regional Medical Center	Hospital	4	8,547	9,848
Stanley Regional Medical Center	Hospital	1	2,543	3,013

\* Southern Piedmont Imaging, LLC received CON approval to acquire one fixed MRI scanner in Kannapolis. This project is under development and expected to be operational November 2013. Refer to Exhibit 22 for a copy of Southern Piedmont Imaging's most recent CON progress Report.

The applicant also states: *“the identified need is internal to CMC-NE, as it involves replacement of an existing MRI scanner.”*

The applicant adequately demonstrated the need to replace the existing equipment. See Criterion (3) for discussion regarding the need to replace the existing scanner and historic and projected utilization which is incorporated hereby as if set forth fully herein. Therefore, the applicant adequately demonstrated that the proposal would not result in unnecessary duplication of existing or approved MRI scanners in Cabarrus County.

- (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 (a) & (b), pages 75-76, the applicant provides current and projected staffing for MRI services. The applicant does not anticipate adding staff. The following table shows the current (2013) and projected (2016) staffing by position and salary.

Position Title	2013 FTEs	2016 FTEs	2013 Salary	2016 Salary
Administrator	1.00	1.00	\$74,984	\$81,937
MRI Technologists	11.17	11.17	\$57,845	\$63,209
Receptionist	1.00	1.00	\$25,709	\$28,093
<b>TOTAL</b>	<b>13.17</b>	<b>13.17</b>		

In Section VII.8, the applicant identified its Chief of Staff and in Exhibit 18 identifies the Medical Director for CMC-NE's MRI services.

The applicant adequately demonstrated the availability of adequate resources, including health manpower and management personnel, for the provision of the proposed services. Therefore, the applicant is conforming to this criterion.

- (8) The applicant shall demonstrate that the provider of the proposed services will make available, or otherwise make arrangements for, the provision of the necessary ancillary and

support services. The applicant shall also demonstrate that the proposed service will be coordinated with the existing health care system.

C

CMC-NE is an existing acute care hospital and provides ancillary and support services for its inpatient and outpatient services. In Section II 2, (a), (b), and (c), page 17; the applicant identifies the following services it provides to support diagnostic imaging services:

- Reception, Medical Records, and associated support services provided by the CMC-NE Health Information Services and Business Office Personnel,
- Medical Supplies- ordered from vendors by CMC-NE Materials Management Department.
- Administration- provided by AVP Radiology-CHS Northern Division.
- Laundry, Maintenance, and Housekeeping provided by those respective hospital departments. These expenses are provided in the proforma statements under, 1) Other Overhead/ G&A and 2) Plant Operations and Maintenance.

In Section V, pages 57-61 and Exhibits 13, 14 and 19 the applicant documents that MRI services are coordinated with the existing healthcare system.

The applicant adequately demonstrated the availability of the necessary ancillary and support services and that the proposed services would continue to be coordinated with the existing healthcare system.

- (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

NA

- (b) The availability of new health services from non-HMO providers or other HMOs in a reasonable and cost-effective manner which is consistent with the basic method of operation of the HMO. In assessing the availability of these health services from these providers, the applicant shall consider only whether the services from these providers:

- (i) would be available under a contract of at least 5 years duration;
- (ii) would be available and conveniently accessible through physicians and other health professionals associated with the HMO;
- (iii) would cost no more than if the services were provided by the HMO; and
- (iv) would be available in a manner which is administratively feasible to the HMO.

NA

(11) Repealed effective July 1, 1987.

(12) Applications involving construction shall demonstrate that the cost, design, and means of construction proposed represent the most reasonable alternative, and that the construction project will not unduly increase the costs of providing health services by the person proposing the construction project or the costs and charges to the public of providing health services by other persons, and that applicable energy saving features have been incorporated into the construction plans.

NA

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

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

C

The following table illustrates the current payor mix for CMC-NE as reported by the applicant in Sections VI.12-VI.13, pages 70-72.

Payor Category	CY 2012	CY 2012
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	Entire Facility	MRI Services
Self Pay	4.9%	4.8%
Medicare	53.7%	42.2%
Medicaid	18.7%	11.5%
Managed Care	20.8%	38.1%
Commercial	0.8%	0.7%
Workers Comp.	0.2%	0.6%
Other	0.9%	2.1%
TOTAL	100.0%	100.0%

In Section VI.4 (a), page 64, the applicant states “All persons with a clinical need will continue to have access to CMC-NE services. CMC-NE will continue to render appropriate medical care to all persons in need of such care, regardless of their ability to pay.” Refer to Exhibit 12 for the CHS Hospital Admission, Credit and Collection Policy, the CHS Non-Discrimination Policy, and CMC-NE’s Charity Care Policy.

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 Cabarrus County and statewide.

County	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) *
Cabarrus	14.0%	4.9%	18.5%
Statewide	17.0%	6.7%	19.7%

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

The majority of Medicaid eligibles are children under the age of 21. This age group is not as likely to use CMC-NE’s MRI services as the population over the age of 21.

Moreover, the number of persons eligible for Medicaid assistance may be greater than the number of Medicaid eligibles who actually utilize health services. The DMA website includes information regarding dental services which illustrates this point. For dental services only, DMA provides a comparison of the number of persons eligible for dental services with the number actually receiving services. The statewide percentage of persons eligible to receive dental services who actually received dental services was 48.6% 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 have adequate access to services available at CMC-NE. Therefore, the application is conforming to this criterion.

- (b) Its past performance in meeting its obligation, if any, under any applicable regulations requiring provision of uncompensated care, community service, or access by minorities and handicapped persons to programs receiving federal assistance, including the existence of any civil rights access complaints against the applicant;

C

In Section VI. 11, page 70 the applicant states:

*“CMC-NE is not obligated under public regulations to provide uncompensated care, community service, or access by minorities and handicapped persons. However, as previously stated, CMC-NE does not discriminate based on race ethnicity, creed, color, sex, age, religion, national origin, handicap, or ability to pay. CMC-NE will continue to provide services to the community as previously described in Section VI. And as previously stated, CMC-NE will continue to be accessible to persons with physical disabilities and handicaps, as required by the Americans with Disabilities Act.”*

In Section VI. 10, page 69, the applicant states *“CMC-NE has not had any civil rights complaints filed during the last five years.”*

The applicant demonstrates that medically underserved populations have adequate access to CMC-NE's existing MRI services and the application is conforming with 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

Payor Category	FY 2016 Entire Facility	FY 2016 MRI Services
Self Pay	4.9%	4.8%
Medicare	53.7%	42.2%
Medicaid	18.7%	11.5%
Managed Care	20.8%	38.1%
Commercial	0.8%	0.7%
Workers Comp.	0.2%	0.6%
Other	0.9%	2.1%
TOTAL	100.0%	100.0%

In the table above the applicant illustrates the projected payor mix during the second project year (FY 2016). The applicant indicates that the projected payor mix for hospital services and for MRI services will be the same as the respective payor mix for each in CY 2012. In Section VI.6, page 66 the applicant states:

*“...all services offered by CMC-NE will continue to be available to all persons who present themselves for services.”*

The applicant demonstrated that medically underserved populations will have adequate access to the proposed MRI services. Therefore the application is conforming to this criterion.

- (d) That the applicant offers a range of means by which a person will have access to its services. Examples of a range of means are outpatient services, admission by house staff, and admission by personal physicians.

C

In Section VI. 9.(a)-(d), pages 68-69, the applicant documents the range of means by which patients have access to the services provided at CMC-NE. The information provided is reasonable, credible, and supports a finding of conformity with this criterion.

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

C

In Section V.1 (a-c), page 57, the applicant provides documentation that CMC-NE will continue to accommodate the clinical needs of area health professional training programs. Exhibit 14 provides a list of existing relationships (approximately 195) and a copy of a Clinical Education Affiliation Agreement. The information provided is reasonable and credible and supports a finding of conformity with this criterion.

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

### C

The applicant proposes to replace an existing MRI scanner in the same location and renovate the space. This project will not increase the inventory of fixed MRI scanners in Cabarrus County.

In Section V. 7, pages 60-61, the applicant indicates how the replacement MRI scanner will foster quality, access, and cost-effectiveness, as follows:

*“As described in Section III.1, the Philips MRI scanner at CMC-NE has exceeded its depreciable useful life, and is limited in its capabilities. The proposed replacement MRI scanner represents the current standard of care for local patients. More specifically, the proposed GE Optima MR450w 1.5T MRI scanner will enable CMC-NE to offer an expanded scope of diagnostic imaging services and an improved patient experience.*

*CMC-NE currently provides quality MRI services to the residents of Cabarrus County and surrounding communities. CMC-NE seeks to continue its mission of providing locally available state-of-the-art diagnostic services. Therefore, the proposed replacement equipment will enhance the quality of care delivered at CMC-NE and provide an expanded range of MRI services for patients and referring physicians.*

*All persons with a clinical need will continue to have access to CMC-NE’s MRI services. CMC-NE will continue to render appropriate medical care to all persons in need of such care, regardless of their ability to pay. Please refer to Exhibit 9 for copies of CMC-NE’s quality-related policies and procedures.*

...

*As described in Section III. 3, CMC-NE has selected a cost effective alternative for the proposed replacement MRI scanner. The proposed 1.5T MRI scanner represents the gold standard for MRI services and is a cost effective alternative compared to 3.0 T MRI systems. The proposed GE Optima MR450w has very flexible installation specifications to provide easy sitting. Additionally, with zero-boil-off magnet technology, helium refills are effectively eliminated, thus reducing operating costs and maximizing uptime. “*

The applicant states that the proposed project will not have an adverse impact on patient charges for MRI services.

The information provided by the applicant 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 replace the existing MRI scanner 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

CMC-NE is accredited by the Joint Commission and certified for Medicare and Medicaid participation, According to the files in the Licensure and Certification Section, Division of Health Service Regulation, no incidents have occurred at CMC-NE 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.

NA

The Criteria and Standards for Magnetic Resonance Imaging (MRI) Scanners, promulgated in 10A NCAC 14C .2700, are not applicable to this review since the applicant is not proposing an increase in the inventory of MRI scanners.