

ATTACHMENT - REQUIRED STATE AGENCY FINDINGS

FINDINGS

C = Conforming

CA = Conditional

NC = Nonconforming

NA = Not Applicable

DECISION DATE: March 22, 2013
PROJECT ANALYST: Celia C. Inman
ASSISTANT CHIEF: Martha J. Frisone

PROJECT I.D. NUMBER: F-10074-13 / The Charlotte-Mecklenburg Hospital Authority d/b/a Carolinas Medical Center/ Renovate and expand dietary department / 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.

CA

The Charlotte Mecklenburg Hospital Authority d/b/a Carolinas Medical Center (CMC) proposes to renovate and expand its existing dietary department. CMC proposes to renovate 29,600 square feet of existing space: 13,510 existing square feet in the mechanical/environmental department will be renovated, of which 5,475 square feet will be added to the 16,090 renovated square feet in the dietary department, increasing the dietary department total square feet to 21,565. The applicant does not propose to develop beds or services or acquire equipment for which there is a need determination in the 2013 State Medical Facilities Plan (SMFP). However, Policy GEN-4: Energy Efficiency and Sustainability for Health Service Facilities, on page 43 of the 2013 SMFP, is applicable to the review of this proposal. 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.”

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 of 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 applicant states Carolinas HealthCare System (CHS) is committed to energy efficiency and sustainability that balances the need for healthcare services and environmental sustainability in the communities it serves. In Section III.2, beginning on page 37, the applicant addresses Policy GEN-4 and the hospital's plan for energy and water conservation. The applicant states the plan includes the following guiding principles:

- 1. Implement environmental sustainability to improve and reduce our 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 in work, home and community.*
- 5. Deliver improved performance to provide a long term return on investment that supports our mission and values."*

The applicant states that CMC will work with experienced architects and engineers to ensure energy efficient systems are an inherent part of the proposed project to the degree appropriate with the proposed renovations. In Section III, pages 38-39, the applicant states:

"The design team for the proposed project has Energy Star, Leadership in Energy and Environmental Design (LEED) and Hospitals for a Healthy Environment Green Guide for HealthCare (GGHC) experience. Together the team seeks to deliver the following:

- *Meet or exceed the requirements of the North Carolina Building Code in effect when construction drawings are submitted for review to the DHSR Construction Section.*
- *Use a Commissioning Agent to verify facility operates as designed.*
- *Use Environmental Protection Agency Energy Star for Hospitals rating system to compare performance following 12 months of continuous operation.*
- *Refer to United States Green Building Council (USGBC) LEED guidelines and GGHC to identify opportunities to improve the efficiency and performance.*
- *Design for maximum efficiency and life cycle benefits within each impacted mechanical system: heating, cooling, water and sewer.*
- *Provide, where feasible, heat recovery systems to extract heat normally wasted in exhaust air and transfer this energy to incoming ventilations air t reduce energy usage.*

CMC utilizes and enforces engineering standards that mandate use of state-of-the-art components and systems. The proposed project will be designed in full compliance with applicable local, state, and federal requirements for energy efficiency and consumption.”

The applicant adequately demonstrates the proposal includes a plan to assure energy efficiency and water conservation. Therefore, the application is consistent with Policy GEN-4 and conforming to this criterion, subject to the condition at the end of Criterion (4).

- (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 proposes to renovate and expand its existing dietary department, which it says is currently outdated and undersized, in order to more effectively utilize resources and optimize services, as well as enhance patient satisfaction.

In Section III.1(a), page 33, the applicant states that the proposed renovation, modernization, and expansion of the dietary department will enable CMC to address infrastructure concerns, bring the space in line with current codes, improve operational efficiencies, expand operations to provide in-house meal production, reduce the high cost of patient meals associated with its current vendor service, and enhance patient satisfaction.

Population to be Served

The applicant states that patient origin data is not available for dietary services, but that facility-wide patient origin for acute care inpatient services also reflects patient origin for patient meals. The following table illustrates historical patient origin for CMC's acute care beds for CY 2011, as provided in Section III.4 (a), page 42.

CY 2011 CMC Acute Care Beds

County	% of Total Patients
Mecklenburg	56.5%
York, SC	6.3%
Union	6.1%
Gaston	4.9%
Cleveland	3.2%
Lincoln	2.4%
Cabarrus	2.3%
Lancaster, SC	1.9%
Iredell	1.8%
Other*	14.6%
Total	100.0%

*Other includes over 120 cities, counties, and other states

The applicant describes the population it proposes to serve on page 43 of the application, stating that Mecklenburg County (representing 56.5% of CMC's CY 2011 inpatients) will remain the primary service area. The secondary service area is composed of Union, Gaston, Cleveland, Cabarrus, Lincoln and Iredell counties in North Carolina and York and Lancaster counties in South Carolina and represents 28.9% of the center's CY 2011 inpatients. The applicant states CMC's primary and secondary service areas accounted for 85.4% of CMC's patients in 2011.

The applicant provides the following table on page 45 as projected patient origin for dietary services based on its proposed acute care inpatient meal service plan.

CMC Dietary Department Patient Origin

County	Year 1: Projected # Patient Meals	Year 1: % of Total Patient Meals	Year 2: Projected # Patient Meals	Year 2: % of Total Patient Meals
Mecklenburg	503,979	56.8%	512,771	56.8%
York, SC	49,820	5.6%	50,265	5.6%
Union	45,820	5.2%	46,251	5.1%
Gaston	42,994	4.8%	43,73	4.9%
Cleveland	30,107	3.4%	30,672	3.4%
Lincoln	22,580	2.5%	23,004	2.6%
Cabarrus	21,639	2.4%	22,046	2.4%
Lancaster, SC	16,935	1.9%	17,253	1.9%
Iredell	15,792	1.8%	16,049	1.8%
Other*	137,362	15.5%	139,943	15.5%
Total**	886,801	100.0%	902,016	100.0%

*Other includes over 120 cities, counties, and other states

**Correct total equals 887,028 in Year 1, a difference of 227.

In Section III.5, page 46, the applicant states the percentages in the table above reflect a minor change in the patient origin due to an expected shift in patients to CMC-Fort Mill and CMC-Pineville during the project years. The analyst notes what appears to be either a calculation error or a clerical error in the total number of Year 1 projected patient meals; however the error amounts to 227 meals, only 3.0% of the total projected meals, and has no effect on the projected percentages for patient origin.

The applicant adequately identified the population it proposes to serve.

Need for the Proposed Project

The applicant proposes in Section III.1(a), page 30, to “*renovate and expand its dietary department, which is currently outdated and undersized, in order to more effectively utilize resources and optimize services, as well as enhance patient satisfaction.*” The applicant states the proposed project reflects CMC’s commitment to providing high quality, patient-centered services. The applicant further states,

“The unmet need that necessitates the proposed project is primarily qualitative in nature, involving the need of patients and staff for updated dietary space and equipment, which directly impacts the ability of the dietary department to provide the best food service in the most efficient manner. Not only will this project address the need at CMC to provide a modern and functional environment for its dietary services that matches the caliber of its clinical services, but also the proposed expansion will support a patient-centered, facility-wide in-house meal production and straight line room service delivery models [sic] that will serve to reduce the high cost of patient meals associated with its current vendor service as well as enhance patient satisfaction.”

Need to Renovate CMC's Dietary Department

The applicant states the age of the existing dietary department, which was built in the 1950s, creates a number of infrastructure issues that impact staff comfort and productivity which the applicant says ultimately adversely impacts the efficiency of the department. Though built compliant to standards and codes existing at that time, the applicant states the department is poorly designed based on modern standards and a number of fixtures in the dietary department are not compliant with current codes. The following outlines the applicant's stated need for the proposed renovation:

- Poorly configured 3rd floor dietary department space that prevents efficient work and does not support facility-wide in-house meal production or room service delivery. The Advanced Culinary Center (ACC) prepares patient meals off-site, in trays or in bulk, and delivers the meals to the medical center where they are reheated and served.
 - This limits patient choice and flexibility with timing of their meals.
 - Three scheduled meals are delivered whether patients are hungry or not.
 - Patients must order meals 24 hours in advance.
 - Patients must take the pre-plated meal components that come with their selected entrees.
- The floor of the dietary department leaks on other areas of the medical center: redevelopment of the floor will eliminate the increasing cost of upkeep and repair.
- The hot water system, plumbing / mechanical / electrical systems and the air handling unit (AHU) are reaching the end of their useful lives and cannot support a modern department and equipment.
 - Hot water / plumbing / mechanical / electrical systems will undergo renovation to support the new operation and equipment.
 - The AHU will be relocated and replaced.
 - Renovations to the 6th floor will accommodate the new rooftop mechanical AHU.
 - Renovations to the 7th , 8th and 9th floors will accommodate the new mechanical shaft.
 - New ductwork will be installed on the 4th and 5th floors.
 - Renovations to floors 2 through 12 will accommodate new dumbwaiters to allow food delivery.
- Fixtures in the dietary department are not compliant with current codes.
 - Hoods in the dietary department were installed in the 1960-1970 timeframe, are no longer compliant with current codes and will be replaced.
 - The dish machine will be replaced.
 - A portion of the re-therm equipment will be replaced.

The applicant states on page 32, *“The proposed renovation of the dietary space will not only address the infrastructure constraints noted above, but will also bring the department up to current code standards.”*

Need to Expand CMC's Dietary Department

CMC states the proposed project will enable it to expand its dietary department to adequately accommodate patient volume, improve meal service production and delivery, and ultimately patient satisfaction. The following outlines the applicant's stated need for the proposed expansion:

- Accommodate patient volume
- Improve meal service production and delivery
 - Existing dietary department is undersized and cannot support hospital-wide in-house meal production.
 - Patient meals are currently prepared off-site
 - Department does not have adequate storage space to accommodate on-site food preparation
 - The relocation of the mechanical and environmental office space from the 2nd floor frees up space for dietary storage
 - This space is located directly below the 3rd floor dietary department in close proximity to both the receiving dock and the service elevator
 - The POM (Planning and Operational Maintenance) on the 1st floor will be renovated to accommodate the addition of the 2nd floor mechanical and environmental office space being relocated
 - Development of the room service delivery model
 - Improved patient control over food choices and improved food temperature
 - Decreased food waste and decreased food cost
- Improve patient satisfaction
 - CMC's patient satisfaction scores relative to food services are 44 percent lower for food quality than other CHS Metro-area facilities.
 - Food will be prepared in-house and delivered straight to patients
 - Improved quality of food
 - Improved convenience
 - Increased food choice

In summary, in Section III.1(a), page 33, the applicant states, *“The proposed renovation, modernization, and expansion will enable the medical center to address infrastructure concerns, bring the space in line with current codes, improve operational efficiencies, expand operations to provide in-house meal production, reduce the high cost of patient meals associated with its current vendor service, and enhance patient satisfaction.”*

The applicant continues to discuss the proposed project in Section III.1(b), pages 31-35, describing the statistical and quantitative need for the project.

Historical and Projected Utilization

In Section III.1(b), page 34, the applicant provides the following data relative to historical utilization of dietary services.

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	CY 2005	CY 2006	CY 2007	CY 2008	CY 2009	CY 2010	CY 2011	CAC R
Total Patient Meals	609,999	638,358	683,014	694,433	710,144	767,317	814,488	
Average Meals per Day	1,671	1,749	1,871	1,903	1,946	2,102	2,231	4.9%

As shown in the table above, based on the data provided by the applicant, the volume of patient meals has increased at a compound annual growth rate (CAGR) of 4.9%. The applicant projects future dietary utilization in the following table, using the projected CAGR (1.7%) of the Mecklenburg County population between 2012 and 2018.¹

	CY 2012	CY 2013	CY 2014	CY 2015	CY 2016	CY 2017	CY 2018	CACR
Total Patient Meals	828,463	842,677	857,135	871,842	886,801	902,016	917,492	
Average Meals per Day	2,270	2,309	2,348	2,389	2,430	2,471	2,514	1.7%

As shown in the above table, the applicant projects it will provide 917,492 total patient meals (2,514 meals per day) by Project Year 3. The applicant states the projection is reasonable and also conservative given that the historical annual growth rate of patient meals of 4.9% exceeds the 1.7% used in the projections.

The applicant adequately demonstrates the need the proposed population has for the proposed project.

Access to Proposed Services

In Section VI, pages 61-71, the applicant addresses access to the center’s medical services. On page 61, the applicant states “*CMC provides services to all persons in need of medical care, regardless of race, sex, creed, age, national origin, handicap, or ability to pay.*” The applicant references Exhibit 13 with copies of CHS’s admission, credit and collection, and non-discrimination policies. On page 62, the applicant states all CHS facilities comply with regulations as described in the Rehabilitation Act of 1973 and the Americans with Disabilities Act of 1990 to reasonably accommodate individuals with disabilities. The applicant, on page 64, states, “*No patient will be denied treatment at CMC.*” In addition, CHS’s System-wide Financial Assistance and Charity Care Policy, Exhibit 14, states its commitment to providing financial assistance to every person in need of medically necessary treatment. Further, in CY 2011, the applicant says it provided more than \$268 million, or 8.1 percent of gross revenue, in charity care and bad debt.

¹ CAGR of 1.7% based on population projections by the NC Office of State Budget and Management (NCOSBM).

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In summary, the applicant adequately identifies the population it proposes to serve, adequately demonstrates the need that population has for the proposed renovations and further demonstrates all residents of the area will have adequate access to the proposed services. Therefore, the application is conforming to this criterion.

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

NA

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

CA

In Section III.3, pages 39-41, and Section V.6, page 56, the applicant describes the alternatives considered, which include:

1. Maintain the status quo - the applicant states maintaining the status quo is not in the best interest of the medical center's patients. The applicant says maintaining the status quo would not improve dietary services, would continue to negatively impact the center's ability to offer patient-centered food service delivery, and would not address infrastructure concerns or improve efficiencies by modernizing the dietary department.
2. Replace re-therm equipment and continue to contract for vendor tray service - given the high cost associated with vendor service coupled with lack of patient satisfaction, CMC determined that replacing equipment to provide the same services it currently provides would be tantamount to the status quo and as such, it rejected that alternative.
3. Develop remote on-campus food service operations – the applicant determined that while feasible, developing food service operations anywhere other than in the main building is not the most effective alternative given existing space in the main building can accommodate the proposed renovation and expansion.
4. Joint venture – the applicant states that the proposed project involves renovation of internal space and relates to the unique needs of CMC and as such, a joint venture is neither applicable nor feasible.
5. Renovate and expand the dietary department as proposed - the applicant states the proposed renovation and expansion will address facility deficiencies, improve

efficiency, and enhance food service production and delivery. In Section III.3, page 40, the applicant states,

“While CMC will incur costs for infrastructure renovations, initial investment in new equipment, higher number of labor hours needed to run the system, and initial staff training cost, CMC can at the same time reduce food cost by providing a room service model that will serve to eliminate late trays, reduce floor stock and inventory, and over production. The proposed project will not only remedy age-related facility deficiencies, but also will enable the medical center to adequately accommodate patient volume and shift to a more patient-oriented room service delivery model – a positive change in the delivery of care for the patients of CMC.”

The applicant adequately demonstrates that the proposed alternative is the most effective or least costly alternative to remedy infrastructure deficiencies and meet the center’s need to provide its patients with enhanced food services.

Furthermore, the application is conforming to all other applicable statutory review criteria and is therefore approvable. An application that is not approvable cannot be an effective alternative.

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

- 1. The Charlotte-Mecklenburg Hospital Authority d/b/a Carolinas Medical Center 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 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 which would otherwise require a certificate of need.**
- 3. The Charlotte-Mecklenburg Hospital Authority d/b/a Carolinas Medical Center shall develop and implement an Energy Efficiency and Sustainability Plan for the project that conforms to or exceeds energy efficiency and water conservation standards incorporated in the latest editions of the North Carolina State Building Codes. The plan must be consistent with the applicant’s representations in the written statement as described in paragraph one of Policy GEN-4.**
- 4. Prior to issuance of the certificate of need, The Charlotte-Mecklenburg Hospital Authority d/b/a Carolinas Medical Center shall acknowledge acceptance of and**

agree to comply with all conditions stated herein in writing to the Certificate of Need Section.

- (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 80, the applicant states the total capital cost of the project will be \$25,000,000, including \$15,650,000 for construction, \$895,000 for fixed equipment, \$4,441,500 for movable equipment, and \$4,013,500 for miscellaneous project costs. In Section IX, page 85, the applicant states there will be no start-up or initial operating expenses associated with this project. In Section VIII.2, pages 81-82, the applicant states the capital cost of the project will be funded through Carolinas Healthcare System accumulated reserves.

CHS's two most recent audited financial statements (Exhibit 18) document availability of funds for the project. The Combined Balance Sheet, as of December 31, 2011, on page 263 of the application, shows line items "Cash and cash equivalents" and "Other assets: designated as funded depreciation" total \$97,506,000 and \$2,098,125,000, respectively. Exhibit 17 of the application contains a letter from CHS Chief Financial Officer documenting the availability of accumulated reserves and committing sufficient funds for the proposed project.

The applicant provided pro forma financial statements for the first three years of the project, for the entire hospital. The applicant states, "*CMC dietary services do not have separate net revenue.*" The applicant projects CMC revenues will exceed operating expenses in each of the first three operating years of the project, as illustrated in the table below.

Statement of Revenue and Expenses (in 000's)

	Project Year 1	Project Year 2	Project Year 3
Gross Patient Revenue	\$ 5,388,441	\$ 5,819,474	\$6,284,991
Deductions from Gross Patient Revenue	\$ 3,776,162	\$ 4,128,279	\$4,514,928
Net Patient Revenue	\$ 1,612,279	\$ 1,691,195	\$1,770,063
Other Revenue	\$ 58,604	\$ 60,551	\$ 62,620
Total Revenue	\$ 1,670,883	\$ 1,751,746	\$1,832,683
Total Expenses	\$ 1,415,705	\$ 1,475,177	\$1,536,068
Net Income	\$ 255,178	\$ 276,569	\$ 296,615

The assumptions, including projected utilization, costs and charges, used by the applicant in preparation of the pro forma financial statements are reasonable and credible. See the Financials section of the application following Section 12 for the assumptions regarding costs and charges. See Criterion (3) for discussion of utilization projections which is hereby

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incorporated as if set forth fully herein. The applicant adequately demonstrates the financial feasibility of the proposal is based upon reasonable, credible and supported assumptions, including projections of costs and charges, and therefore, the application is conforming to this criterion.

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

C

The applicant, Carolinas Medical Center, is one of two healthcare systems providing acute care hospital services in Mecklenburg County. The Charlotte Mecklenburg Hospital Authority d/b/a Carolinas Medical Center has three hospital facilities: Carolinas Medical Center, Carolinas Medical Center Mercy-Pineville and Carolinas Medical Center-University. Novant Health, Inc. has four operational hospitals in Mecklenburg County: Presbyterian Hospital, Presbyterian Hospital Huntersville, Presbyterian Hospital Matthews, and Presbyterian Orthopaedic Hospital. Presbyterian Hospital Mint Hill is under development.

CMC proposes to renovate and expand its existing dietary department. The applicant does not propose any new services or additional beds or equipment. Rather, the applicant says existing services will be enhanced, incorporating additional patient-centered dietary services and providing in-center prepared patient meals. Existing space, above and below the 3rd floor dietary department will be renovated to accommodate the expansion of the dietary department and the change in patient meal preparation and delivery, to correct infrastructure issues and bring the dietary department into compliance with current codes. The applicant adequately demonstrates that the proposal will not result in an unnecessary duplication of existing and approved dietary services. Therefore, the application is conforming to this criterion.

- (7) The applicant shall show evidence of the availability of resources, including health manpower and management personnel, for the provision of the services proposed to be provided.

C

In Section VII.1(a), page 72, the applicant provides both the current and proposed staffing for CMC's dietary services, as shown in the tables below.

Current Staffing CY 2012

Position	Total # of FTE Positions Employed	Average Annual Salary	Total # of Contract Hours	Average Hourly Contract Rate
Dieticians	23.0	\$63,170.55		
Management			41,600	\$35.18
Food Service Staff			504,187	\$15.09
Total	23.0		545,787	

Proposed Staffing CY 2017

Position	Total # of FTE Positions Employed	Average Annual Salary	Total # OF Contract Hours	Average Hourly Contract Rate
Dieticians	27.0	\$76,856.63		
Management			41,600	\$42.80
Food Service Staff			517,814	\$18.36
Total	27.0		559,414	

In Section VII, page 72, the applicant states,

“Please note that upon project completion, CMC will no longer purchase pre-plated food via contract; rather CMC will produce meals in-house and contract with an agency for staff to perform the in-house function, resulting in a greater number of contract hours.”

In Sections VII.3(b) and VII.6(a)(b), pages 73-75, the applicant provides its recruitment and staff retention plan. The applicant states that as an existing healthcare provider and as the flagship hospital of the Carolinas HealthCare System, CMC has numerous resources from which to obtain staff, including Carolinas College of Health Sciences, Cabarrus College of Health Sciences, and Mercy School of Nursing. A listing of procedures for recruiting nursing and non-nursing staff is also provided which includes: employee referral bonuses; hospital website job postings; career fairs; providing facilities as host sites for professional clinical training programs; and advertising in professional journals and job posting websites. In addition, a number of incentives are provided for recruitment purposes, as are a number of programs for staff retention.

The applicant adequately demonstrates the availability of sufficient health manpower and management personnel to provide the proposed in-house dietary services. Therefore, the application is conforming to this criterion.

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

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

C

The applicant states in Section II.2, page 22, that as an existing full-service acute care hospital, CMC currently has all ancillary and support services in place necessary to support hospital operations, including dietary services. In addition, Exhibit 4 contains a letter from the President of CMC documenting the availability of these services, which states:

“This letter is provided as documentation of the current availability of all necessary ancillary and support services required for the operation of dietary services as proposed in Carolina Medical Center’s certificate of need application submitted on January 15, 2013.

...

These existing ancillary and support services will also support the renovation of dietary services proposed in Carolinas Medical Center’s application. In particular, the dietary department may require the use of any of Carolinas Medical Center’s existing ancillary and support services including housekeeping, couriers, maintenance, and administration [sic] among others. These services are currently available and will continue to be made available following completion of the proposed project.”

The applicant states it has established relationships with area healthcare providers as evidenced by formal transfer agreements. Exhibit 12 contains a list of area healthcare facilities that have formal transfer agreements with CMC. CMC also states it has “*extensive relationships with area physicians*” and includes letters of support from area physicians in Exhibit 22.

The applicant adequately demonstrates the availability of the necessary ancillary and support services and that the proposed services will be coordinated with the existing health care system. Therefore, the application is conforming to this criterion.

- (9) An applicant proposing to provide a substantial portion of the project's services to individuals not residing in the health service area in which the project is located, or in adjacent health service areas, shall document the special needs and circumstances that warrant service to these individuals.

NA

- (10) When applicable, the applicant shall show that the special needs of health maintenance organizations will be fulfilled by the project. Specifically, the applicant shall show that the

project accommodates: (a) The needs of enrolled members and reasonably anticipated new members of the HMO for the health service to be provided by the organization; and (b) The availability of new health services from non-HMO providers or other HMOs in a reasonable and cost-effective manner which is consistent with the basic method of operation of the HMO.

In assessing the availability of these health services from these providers, the applicant shall consider only whether the services from these providers:

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

NA

- (11) Repealed effective July 1, 1987.
- (12) Applications involving construction shall demonstrate that the cost, design, and means of construction proposed represent the most reasonable alternative, and that the construction project will not unduly increase the costs of providing health services by the person proposing the construction project or the costs and charges to the public of providing health services by other persons, and that applicable energy saving features have been incorporated into the construction plans.

NA

- (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 Sections VI.12, page 69, the applicant provides the payor mix for Calendar Year 2011 for the entire hospital, as illustrated in the table below:

Carolinas Medical Center CY 2011 Payor Mix	
% of Current Patient Days	
As Percent of Total Utilization	
Self Pay / Indigent / Charity / Other*	7.8%
Medicare/Medicare Managed Care	32.0%
Medicaid	30.5%
Managed Care /Commercial Insurance	30.0%
Total	100.0%

*Other includes workers comp and other government payors.

Note: numbers may not foot due to rounding

In Section VI.5 and 6, page 64, the applicant states:

“No patient will be denied treatment at CMC. ... CMC’s services are and will remain accessible to Medicare and Medicaid recipients, the uninsured, and the underinsured. CMC Financial Counselors assist patients and families in understanding their eligibility for financial support.”

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.

	Total # of Medicaid Eligibles as % of Total Population, June 2010	Total # of Medicaid Eligibles Age 21 and older as % of Total Population, June 2010	% Uninsured CY 2008-CY2009 (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.

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 45.9% for those age 20 and younger and 30.6% for those age 21 and older. Similar information is not provided on the website for other types of services covered by Medicaid. However, it is reasonable to assume that the percentage of those actually

receiving other types of health services covered by Medicaid is less than the percentage that is eligible for those services.

The Office of State Budget & Management (OSBM) maintains a website which provides historical and projected population data for each county in North Carolina. In addition, data is available by age, race or gender. However, a direct comparison to the applicants' current 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 adequately demonstrates that medically underserved populations have adequate access to existing services; 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

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 68, the applicant states:

“CMC has had no obligations to provide uncompensated care during the last three years. As stated earlier, the medical center provides, without obligation, a considerable amount of bad debt and charity care and in CY 2011 provided approximately \$268 million in bad debt and charity care.”

In Section VI.10, page 68, the applicant states that it is not aware of any documented civil rights equal access complaints or violations filed against any affiliated entity of CHS in the last five years.

In addressing equal access, the applicant states in Section VI.4(a), page 62, as noted in CHS's Non-Discrimination Policy, “[n]o individual shall be subject to discrimination or denied the benefits of the services, programs, or activities of the Carolinas HealthCare System on the basis of race, color, religion, national origin, sex, age, disability or **source of payment.**” [Emphasis in original.] See Exhibit 13 for CMC's Hospital Admission, Credit, and Collection Policy. Exhibit 14 contains CHS's System-wide Financial Assistance and Charity Care Policy.

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.6, page 64, the applicant describes the strategies and policies CMC has in place to ensure access to services by the indigent and other medically underserved persons. The applicant states:

“CMC’s services are and will remain accessible to Medicare and Medicaid recipients, the uninsured, and the underinsured. CMC Financial Counselors assist patients and families in understanding their eligibility for financial support. Further, in compliance with the federal EMTALA law, emergency services and care are provided to all patients who present to the hospital who request examination or treatment of a medical condition to determine if an emergency condition exists.”

In Sections VI.14, page 70, the applicant provides the projected payor mix during the second full fiscal year of operation following completion of the proposed project. The following table shows the projected payor mix for Calendar Year 2017 for the entire hospital. The applicant states the facility-wide payor mix is applicable to dietary services.

Carolinas Medical Center CY 2017 Payor Mix % of Current Patient Days As Percent of Total Utilization	
Self Pay / Indigent / Charity / Other*	7.8%
Medicare/Medicare Managed Care	32.0%
Medicaid	30.5%
Managed Care /Commercial Insurance	30.0%
Total	100.0%

*Other includes workers comp and other government payors.

Note: numbers may not foot due to rounding

In Section VI.14(b), page 70, the applicant states:

“CMC based its projected payor mix on the FY 2011 payor mix by volume. Given the proximity to full implementation of the Affordable Care Act (ACA), CMC expects payor mix shifts in the coming years; however there remains considerable uncertainty given the latitude afforded individual states by the Supreme Court decision as to how much shift will occur (in NC) and from what payor categories to others. Furthermore, those changes will occur with or without the development of the proposed project. Therefore, until there is

greater clarity to guide reasonable assumptions, CMC has assumed for purposes of these application projections that the payor mix will be consistent with the historical payor mix.”

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

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

C

In Section VI.9(a)(b)(c), page 67, the applicant states that persons will have access to services at CMC through physician referrals from those physicians who have admitting privileges at the medical center and through the emergency department. The applicant further states that “...as an existing hospital provider in Mecklenburg County, CMC has informal agreements with local and regional healthcare agencies that refer patients, through a physician, to the medical center’s services.”

The applicant adequately identifies the range of means by which patients will have access to its services. Therefore, 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

CMC has relationships with numerous programs at area universities and colleges, including, but not limited to, Cabarrus College of Health Sciences, Carolinas College of Health Sciences, Central Piedmont Community College, Queens University of Charlotte, University of North Carolina at Charlotte, Duke University and Wake Forest University Baptist Medical Center and provides educational environments and clinical rotations for residents, medical, physician extender, nursing, radiology, and other allied health professional students annually. CMC also manages the Charlotte Area Health Education Center (AHEC) under a contractual agreement with the University of North Carolina at Chapel Hill. The AHEC coordinates various educational programs for both employees of CMC and other healthcare providers throughout an eight-county region. In Section VI.1(a), page 52, the applicant states, “Each of the programs listed above will continue to have access to clinical training opportunities at CMC following the proposed project, as appropriate.” 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, Carolinas Medical Center, is one of two healthcare systems providing acute care hospital services in Mecklenburg County. The Charlotte Mecklenburg Hospital Authority d/b/a Carolinas Medical Center has three hospital facilities: Carolinas Medical Center, Carolinas Medical Center Mercy-Pineville and Carolinas Medical Center-University. Novant Health, Inc. has four operational hospitals in Mecklenburg County: Presbyterian Hospital, Presbyterian Hospital Huntersville, Presbyterian Hospital Matthews, and Presbyterian Orthopaedic Hospital. Presbyterian Hospital Mint Hill is under development.

The applicant proposes to renovate existing space to modernize and expand its existing dietary services. In Section V, page 56, the applicant states, “... *the proposed project involves renovation of internal space and relates to the unique needs of CMC; ...*”. In Section II.5, page 24, the applicant states:

“Through renovations and improvements in the design, layout, and sizing of dietary services, the project will enable the medical center to provide these services more efficiently, produce meals in-house, eliminate its vendor tray service, and shift to a more patient-oriented room service delivery model – a positive change in the delivery of care for the patients of CMC.”

In Section V.7, pages 56-59, CMC discusses the impact of the proposed project on competition in the service area as it relates to promoting cost-effectiveness, quality and access. In particular, in Section V.7, pages 56-57, the applicant states how the proposed project will enhance competition in the proposed service area:

“The proposed project is indicative of CMC’s commitment to containing healthcare costs and maximizing healthcare benefit per dollar expended. As noted previously, while CMC will incur costs for infrastructure renovations, initial investment in new equipment, higher number of labor hours needed to run the system, and initial staff training costs, CMC can at the same time reduce food cost by providing a room

service model that will serve to eliminate late trays, reduce floor stock and inventory, and over production.

...

CMC's renovated dietary department will serve to improve the overall quality of care delivered at the medical center.

...

CMC's renovated dietary department will allow CMC to provide facility-wide in-house meal production and room service delivery, which will in turn allow CMC to better meet patient needs and expectations – thus increasing overall patient satisfaction. Through the proposed project, CMC will raise the bar for quality of care in the service area and drive other providers to deliver the highest quality of care in order to compete.”

See also Sections II, III, V, VI and VII where the applicant discusses the impact of the proposal on cost effectiveness, quality and access to the proposed services. 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 include a positive impact on cost-effectiveness, quality and access to patient-centered care, including essential dietary support services in Mecklenburg County. This determination is based on the information in the application, and the following:

- The applicant adequately demonstrates the need to renovate existing space to modernize and expand dietary services to remedy infrastructure issues and provide in-house meal preparation and room service delivery; and that the proposed project is a cost-effective alternative;
- The applicant has and will continue to provide quality services; and
- The applicant has and will continue to provide adequate access to medically underserved populations.

Therefore, the application is conforming to this criterion.

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

C

Carolinas Medical Center is accredited by the Joint Commission and certified for Medicare and Medicaid participation. According to the files in the Acute and Home Care Licensure and Certification Section, on February 2, 2011 CMC-Main was surveyed as a result of a complaint. That survey resulted in an Immediate Jeopardy (IJ) and condition-level deficiencies. Based on a full survey on March 4, 2011 and a follow-up survey on May 5, 2011, the IJ had been abated and the quality of care deficiencies had been corrected. However, a physical environment condition was cited related to life safety concerns during the March 4, 2011 survey. The physical environment condition remains out of compliance pending an approved waiver by CMS. As of February 25, 2013, the facility is in compliance with all other Conditions of Participation and there are no quality of care deficiencies outstanding. 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 applicant proposes to expand and renovate its existing dietary services. There are no applicable Criteria and Standards for this review.