ATTACHMENT - REQUIRED STATE AGENCY FINDINGS

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

DECISION DATE: November 26, 2013
PROJECT ANALYST: Celia C. Inman
TEAM LEADER: Lisa Pittman

PROJECT I.D. NUMBER: G-10209-13 / Greensboro Specialty Surgery Center, LLC and GSC Acquisition, LLC / Renovate and expand existing ambulatory surgery center and add one procedure room / Guilford 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

Greensboro Specialty Surgery Center, LLC (GSSC) and GSC Acquisition, LLC (GSC) propose to expand and renovate space at the existing ambulatory surgery center at 3812 N. Elm Street, Greensboro, North Carolina. On page 18, the applicants state the project includes the addition of 5,761 square feet and the renovation of 2,659 square feet, resulting in the expansion of support space and the addition of one minor surgery procedure room and an extended stay / step-down unit. The floor plans provided in Exhibit 21 show a proposed addition of 6,208 square feet and the proposed renovation of 4,188 square feet. The plan also identifies two procedure rooms. In clarifying supplemental information requested by the analyst during the expedited review of this project, the applicants state:

"Exhibit 31 contains the correct Proposed Floor Plan layout. It is a preliminary plan with an earlier version of the planned square feet. That document was inadvertently placed in Exhibit 31 and not in Exhibit 21 as the Table of Contents indicates. .[sic]

The proposed facility will have 5,761 square feet of new construction and 2,659 square feet of renovation as noted in Section XI.6 page 160 and on page 18. It will

have one procedure room and a large storage room as noted in the drawing on page 655, the text on page 10 and the need discussion in Section III."

On page 32, the applicants state, "*The renovation and expansion is to support existing specialties. No new specialties are proposed."* In Section II.6, page 26, the applicants state:

"This project includes the addition of one procedure room, and an Extended Stay / Step-Down Unit. This will permit GSSC surgeons to schedule additional neurosurgery cases in the ambulatory surgery center, rather than a more costly hospital operating room.

The one procedure room will permit GSSC to move minor-surgical cases and procedures from operating rooms to a procedure room. This will increase the capacity of the operating rooms and provide for additional operating room cases."

The applicants do not propose to develop additional operating/endoscopy rooms or services or acquire equipment for which there is a need determination in the 2013 State Medical Facilities Plan (SMFP). However, Policy GEN-4 is applicable to this project.

Policy GEN-4: Energy Efficiency and Sustainability for Health Service Facilities

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 for energy efficiency and water conservation that conforms to the rules, codes and standards implemented by the Construction Section of the Division of Health Service Regulation. The plan must be consistent with the applicant's representation in the written statement as described in paragraph one of Policy GEN-4. The plan shall not adversely affect patient or resident health, safety or infection control."

In Section XI.8, page 151, the applicants address improved energy efficiency and water conservation, stating:

> *"The proposed construction anticipates utilizing energy conserving mechanical equipment and construction methods.*
>
> …
>
> *The planned improvements to the mechanical, plumbing and electrical systems will meet and in some cases exceed code minimums and will improve energy efficiency, ventilation rate, airflow, temperature control, and humidity management."*

The application is consistent with Policy GEN-4 and 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

GSSC is an existing ambulatory surgical center, first licensed in 1982 with two operating rooms. GSSC now has three operating rooms, two endoscopy rooms, eight Phase I recovery beds, and three Phase II recovery beds. On page 13, the applicants state that the clinical specialties at GSSC include: foot and ankle surgery, gastrointestinal endoscopy, ophthalmology (including YAG Laser), oral and maxillofacial surgery, pediatric dentistry, pain management, plastic/reconstructive/cosmetic surgery, hand surgery and neurosurgery. The applicants further state that GSSC's podiatric surgery program is the largest in the proposed service area and the neurosurgery program is the only ambulatory surgery center based neurosurgery program in the proposed service area.

GSSC proposes to renovate 2,659 square feet of the existing building and add 5,761 square feet. The project does not involve the renovation of the existing operating rooms or endoscopy rooms. Upon project completion, GSSC states it will have three operating rooms, two endoscopy rooms, one procedure room, 10 pre-operating prep rooms, 12 Phase I (stretcher) post anesthesia recovery bays, two private Phase II extended stay rooms, and five Phase II (recliners) post anesthesia step down bays.

On page 20, the applicants state that the procedure room will be used for YAG laser, pain management, ophthalmology, orthopedics (manipulations, incision and drainage), podiatry and other local anesthesia procedures. On page 21, the applicants state,

"Cases will be assigned to an operating room or procedure room based on the GSSC Admission Criteria Policy which is in Exhibit 16. Minor surgical cases will be assigned to the new procedure room. The Medical Executive committee determines the types of cases appropriate for the new room."

Population to be Served

In Section III.5(a), page 73, the applicants state:

"The proposed service area includes four counties: Guilford, Alamance, Randolph and Rockingham. These four counties are the source of 85 percent of current patients."

The following tables illustrate historical 2012 patient origin for GSSC as reported on its 2013 ASC License Renewal Application (LRA).

GSSC FY2012 Patient Origin- Surgical Cases

County	Surgical Patients	Percent of Patients
Guilford	1515	58.6%
Rockingham	222	8.6%
Randolph	210	8.1%
Alamance	261	10.1%
Other*	375	14.5%
Total	**2583**	**100.0%**

Other in the table above includes Ashe, Brunswick, Cabarrus, Caswell, Catawba, Chatham, Cumberland, Davidson, Davie, Durham, Forsyth, Halifax, Iredell, Lincoln, Mecklenburg, Montgomery, Moore, Orange, Stokes, Surry, and Yadkin counties; and other states.

GSSC FY2012 Patient Origin- Endoscopy Cases

County	Endoscopy Patients	Percent of Patients
Guilford	499	57.7%
Rockingham	50	5.8%
Randolph	227	26.2%
Alamance	33	3.8%
Other*	56	6.5%
Total	**865**	**100.0%**

Other in the table above includes Brunswick, Caswell, Catawba, Chatham, Davidson, Davie, Durham, Forsyth, Lee, Lincoln, Mecklenburg, Montgomery, Richmond, Rowan, Stanly, and Stokes counties; and Virginia.

GSSC projects patient origin on page 74 as shown below. The applicants state: *"The Projected Patient Origin of surgical cases is based on actual 2012 experience as shown in the 2013 ASC License Renewal Application. The applicant does not expect a change in patient origin."*

GSSC Projected Patient Origin

County	Patients 2016	Patients 2017	Percent of Patients
Guilford	1,807	1,879	58.6%
Rockingham	265	275	8.6%
Randolph	250	260	8.1%
Alamance	311	324	10.1%
Other*	447	465	14.5%
Total	**3,081**	**3,204**	**100.0%**

Totals may not sum due to rounding.

The applicants adequately identify the population it proposes to serve.

Need for the Proposed Expansion/Renovations

In Section III.1(a), beginning on page 48, the applicants discuss the need for the proposed project, stating the project is needed to address both internal space and functional constraints, and patient need for services. The applicants state that the building has not kept up with the growth of the program. Specific problems identified by employees, medical staff and the management company include:

- Inadequate space for waiting families – the current building has insufficient space to provide a comfortable waiting space, lacks privacy and other amenities such as a computer workstation or beverage station;
- Not enough post-acute recovery bays – the project will increase the number of recovery beds per treatment room from 2.2 to 3.2;

- Inadequate storage – the current storage room for medical supplies and equipment provides limited room for staff documentation of supplies and inventory management;
- Inefficient business office space – portioning the current single, inefficient business office into three smaller office spaces will reduce distractions and increase productivity;
- Insufficient outside canopies to protect patients and families from inclement weather – the front entrance and discharge exit will be renovated to provide more private space and more covered patient protection from inclement weather;
- Small employee break room – a larger break room will provide an environment that is relaxing and separate from the clinical area;
- No procedure room for minor cases prohibits expansion of volumes and acuity in operating rooms – on page 50, the applicants say the number, acuity, variety of cases and the size of the medical staff have increased since 2003, stating:

> *"Although efficient when the facility had fewer cases, using operating rooms for minor cases that do not require general anesthesia now constrains the facility's capacity to accommodate more complex and acute cases.*
>
> *The applicant is currently scheduling minor procedure cases in the three existing operating rooms. YAG laser, pain management, manipulations and local anesthesia cases do not require an operating room with full surgical capability. GSSC's neurosurgery program is growing. After two years of experience at GSSC, the neurosurgeons are ready to move additional cases from the hospital to the ambulatory surgery center. This includes spinal cases with and without implants."*

In addition to increasing surgical access for neurosurgery, the applicants state that moving minor cases to the procedure room will allow GSSC to introduce parallel processing in the operating rooms and the endoscopy rooms, which GSSC says will improve patient processing time, maximize surgeon time and increase staff efficiency.

Increase in Ambulatory Surgery Services in North Carolina

In Section III.1(b), pages 52-53, the applicants discuss the rate of increase in North Carolina ambulatory surgery visits as compared to the population growth rate. The applicants appear to use "cases" and "visits" interchangeably in the methodology. Per the application, using Truven Health Analytics data, the compound annual growth rate (CAGR) of ambulatory surgery visits between 2007 and 2011 (the most recent complete year of analysis) is 4.6% while the CAGR for the population of North Carolina during the same period is only 1.5%. On page 54, the applicants state, *"Population increased more slowly than the state's total ambulatory surgery cases."* The applicants discuss the factors contributing to the increase in ambulatory surgery cases, which include improvements in anesthesia, improvements in surgical techniques, differences in charge structures favoring ambulatory surgery centers over hospitals, and differences in government and insurance company payment policies for ambulatory surgery centers and hospitals.

GSSC Utilization Methodologies and Assumptions

The applicants provide the historical service area population growth on page 59 as shown below.

Primary Service Area Population

PSA Counties	2010	2011	2012	2013
Alamance	145,824	146,507	147,659	148,820
Guilford	471,512	476,676	484,129	490,971
Randolph	136,547	137,460	137,678	137,771
Rockingham	90,570	90,519	90,121	89,733
Total	**844,453**	**851,162**	**859,587**	**867,295**
	Annual Growth	6,709	8,425	7,708
	Annual Percent Growth	0.8%	1.0%	0.9%

In Section III.1, page 55, the applicants discuss GSSC's annual surgical case volumes from 2008 through 2012, showing an increase from 1,888 cases to 2,583 cases, an 8.15% CAGR for the four year period. On page 56, the applicants show that minor surgery and procedure cases have more than quadrupled from 2010 to 2012, if the GI Endoscopy cases are removed from the analysis. The applicants state that all endoscopy is currently done in the endoscopy rooms
that GSSC added in 2010. These cases are hence reported separately.

In addition to historical growth, the applicants suggest (page 58) the following trends will produce future increases in cases at GSSC: the increase in higher acuity neurosurgery cases with the availability of the Phase II extended stay unit, aging of the service area population, and recognition by payors of lower charges at ambulatory surgery centers compared to hospitals.

On page 59, the applicants further discuss the future surgical expectations at GSSC. With the proposed Phase II extended stay unit, GSSC expects to add approximately 50 neurosurgery spine cases per year. GSSC says these cases require three to four hours of operating room time for set up and case time and that the patients require longer recovery, even though the patients can go home in less than 24 hours and are appropriate candidates for an ambulatory surgery center setting. Thus the need for the extended stay unit.

For informational purposes, the applicants forecast the need for operating rooms albeit the project involves only support space and a procedure room. On page 60, the projected operating room cases appear as in the following table.

Fiscal Year Projected GSSC Operating Room Cases

	2013	2014	2015	2016	2017	2018
Existing Projected Forward	2,688	2,798	2,912	3,031	3,154	3,283
New Neurosurgery Cases			25	50	50	50
Total Cases Projected	**2,688**	**2,798**	**2,937**	**3,081**	**3,204**	**3,333**

Note: Cases were projected forward using one half GSSC's calculated 2008-2012 CAGR (4.1%).

The applicants, on page 62, justify GSSC's need and use of three operating rooms based on both the state performance standards and GSSC's projected cases and hours needed for surgery.

On page 63, the applicants state that GSSC surgeons currently perform minor surgery and procedure cases in operating rooms and endoscopy rooms, creating multiple inefficiencies. The applicants say the minor surgery cases are limiting the growth of operating room cases. Because operating rooms are costly to build and maintain, the applicants examined GSSC's historical procedure cases and minor surgery cases and the potential for their growth in volume. The methodology for forecasting the number of procedure/endoscopy rooms needed and the calculations are presented on pages 63-65. The applicants projected minor surgery (non-surgical) and non GI procedure room cases forward using a 4.9% annual increase, which the applicants explain was determined using an excel Trend function based on 2008-2012.

Minor Non-Surgical Cases Less OR Endoscopy Cases

	2008	2009	2010	2011	2012
Total Cases	3,219	2,284	1,312	1,917	2,653
OR GI Endo Cases	2,888	386	694	199	
Total Non-surgical, Non GI Case	**331**	**1,898**	**618**	**1,718**	**2,653**

Projected Non-Surgical, Non-GI Endoscopy Procedure Room Cases
Fiscal Years 2013-2018

	2012	2013	2014	2015	2016	2017	2018
Rate of Increase		4.9%	4.9%	4.9%	4.9%	4.9%	4.9%
Projected GSSC Procedure Room Cases	2,653	2,783	2,919	3,062	3,212	3,369	3,534

To forecast the number of endoscopy cases, as shown on pages 64, the applicants projected 2012 actual (876 as reported in the 2013 LRA) forward increasing at the same rate as that of the service area population as projected by the North Carolina Office of Budget and Management (NCOSBM).

Projected GI Endoscopy Cases
Fiscal Years 2013-2018

Specialty	2012	2013	2014	2015	2016	2017	2018
Rate of Increase		0.9%	0.8%	0.8%	0.9%	0.9%	0.9%
Projected GSSC Procedure Room Cases	876	884	891	898	906	914	922

Note: The 876 as reported on the 2013 LRA represents procedures. Cases were reported as 865, a difference of only 1%, which the analyst considers insignificant and irrelevant. The applicants identify 2016 – 2018 as project years; however, the methodology projects them as fiscal years, and gives no basis for a conversion to project years, other than the statement on page 86 that the project start date will be July 1, 2015. Additionally, the pro forma is based on the first full fiscal years.

The applicants then added the projected GSSC procedure room cases and the projected GI cases together to forecast total cases for procedure and endoscopy rooms, stating on page 65, *"The applicant will not perform GI endoscopy procedures in the new procedure room.* [emphasis in original] *However: GSSC will perform non-GI cases in the GI endoscopy rooms."*

Forecast Cases for the Endoscopy / Procedure Rooms
Fiscal Years 2016-2018

	2016	2017	2018
Endoscopy Cases	906	914	922
Non-Surgical Cases	3,212	3,369	3,534
Total Endoscopy / Procedure Room Cases	4,118	4,283	4,456

The applicants then applied the endoscopy room standard of 1,500 cases per room to demonstrate the need for one procedure room in addition to the existing two endoscopy rooms.

GSSC Projected Procedure Rooms Needed

	2016	2017	2018
Total Cases	4,118	4,283	4,456
Cases per room per year	1,500	1,500	1,500
GI Endoscopy / Procedure Rooms Needed	2.7	2.9	3.0
Total GI Rooms Available	2.0	2.0	2.0
Additional Procedure Room Needed	0.7	0.9	1.0

Based on GSSC Scheduling of Minor (Non-surgical) and Endoscopy Procedures

Upon completion of the proposed project, GSSC will have six treatment rooms, including three operating rooms, two endoscopy rooms, and one procedure room.

The applicants adequately demonstrate the need the population has for the proposed expansion and renovation.

Access to Services

In Section VI, pages 106-118, the applicants address access to the facility's services. On page 106, the applicants state:

> *"The proposed project will provide access to low income persons, to racial and ethnic minorities, to women, to handicapped persons, to the elderly and to other underserved patients."*

On page 110, the applicants further state:

> *"GSSC does not discriminate on the basis of age, race, national or ethnic origin, disability, gender, income, or ability to pay. Patients are admitted and services are rendered in compliance with:*
>
> - *Title VI of Civil Rights Act of 1963*
> - *Section 504 of Rehabilitation Act of 1973*
> - *The Age Discrimination Act of 1975*
> - *Americans with Disabilities Act*
>
> *For the fiscal year 2012, 44.7 percent of GSSC cases were covered by Medicare and 4.3 percent by Medicaid, self-pay, indigent and charity care. GSSC reported more than $327,409 in Provision for Doubtful Accounts, which includes Self Pay, Charity and Bad Debt."*

On page 113, the applicants state, *"GSSC is easily accessible by underserved groups and by the remainder of the local population as well. Consistent with GSSC's existing admission, credit and collection policies, GSSC will continue to be available to and accessible by any patient having a need for ambulatory surgery."* Financial and admission policies are presented in Exhibits 9 and 16.

The applicants demonstrate GSSC will continue to provide adequate access to healthcare services to the same population it currently serves, which includes handicapped, elderly, and the underserved groups.

In summary, the applicants adequately identify the population GSSC proposes to serve, adequately demonstrate the need the population has for the proposed expansion and renovation and further demonstrate 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.8, pages 75-77, the applicants discuss the alternatives considered prior to the submission of this application, which include:

Maintain the Status Quo – Maintaining the status quo was discarded as a viable alternative to meet GSSC's need because it would not alleviate the crowding in the patient waiting rooms, would not provide the needed recovery rooms to support the high acuity patient that is expected, would not address the problem of too little storage and would not speak to the need for increased OR efficiency by moving minor procedures from the OR.

Renovate Existing Building – services could have been renovated within the existing building shell and address some of the facility's needs; however, the applicants determined without adding new space, additional problems would be created. Therefore the applicants determined this was not a reasonable alternative.

Relocation - GSSC determined building a new building in a new location would be more costly and take more time and was therefore not a reasonable alternative.

Build a Portion of the Needed New Space - the applicants considered adding a dedicated pain management suite but determined that a procedure room would offer more flexibility. New support space alone could have been added, but the applicants determined that would not address the minor cases being done in ORs that decrease OR efficiency. A procedure room with no additional support space could have been added, but the applicants say there would then be bottlenecks in the recovery room and the waiting room. GSSC decided adding a portion of the needed space was not a reasonable alternative.

Build a New OR – the applicants reasoned that even though new operating rooms would be more flexible than procedure rooms, the costly construction was not justified at this time, when adding a procedure room would allow current operating rooms to be more effective.

Build Two Procedure Rooms – the applicants determined that current projections do not support this alternative within the three years of the project start date and therefore it was not a reasonable alternative.

The applicants decided on the proposed project as the least costly or most effective alternative to fully meet the facility's need. Furthermore, the application is conforming to all other

statutory review criteria, and thus, is approvable. A project that cannot be approved cannot be an effective alternative.

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

1. **Greensboro Specialty Surgery Center, LLC and GSC Acquisition, LLC shall materially comply with all representations made in its certificate of need application and the clarifying supplemental information provided. In those instances where representations conflict, Greensboro Specialty Surgery Center, LLC and GSC Acquisition, LLC shall materially comply with the last-made representation.**

2. **Greensboro Specialty Surgery Center, LLC and GSC Acquisition, LLC shall develop no more than one room for a minor procedure room in the facility.**

3. **The minor procedure room shall be used for minor procedures that are not required to be performed in an operating room, based on current standards of practice as enforced by the Acute and Home Care Licensure and Certification Section, Division of Health Service Regulation.**

4. **Procedures performed in the minor procedure room shall not be reported for billing purposes as having been performed in an operating room and shall not be reported on the facility's license renewal application as procedures performed in an operating room.**

5. **Greensboro Specialty Surgery Center, LLC and GSC Acquisition, LLC shall not perform gastrointestinal endoscopy procedures in the procedure room.**

6. **At project completion, the facility will be licensed for no more than three operating rooms, two endoscopy rooms, and one procedure room.**

7. **Greensboro Specialty Surgery Center, LLC and GSC Acquisition, LLC shall meet all criteria to maintain accreditation of the ambulatory surgical facility from The Joint Commission, The Accreditation Association of Ambulatory Health Care or a comparable accreditation authority within two years following completion of the facility.**

8. **Greensboro Specialty Surgery Center, LLC and GSC Acquisition, LLC 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.**

9. Prior to issuance of the certificate of need, Greensboro Specialty Surgery Center, LLC and GSC Acquisition, LLC 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, page 137, the applicants project that the total capital cost of the proposed project will be $4,968,761, including:

Costs	Lessor Costs	Lessee Costs	Total Costs
Site Costs	$ 306,829		$ 306,829
Materials	$ 1,333,336	$ 1,649,643	$ 2,982,979
Contingency	$ 133,334	$ 164,964	$ 298,298
Fixed Equipment		$ 168,165	$ 168,165
Moveable Equipment		$ 298,813	$ 298,813
Furniture		$ 166,000	$ 166,000
Landscaping	$ 15,750		$ 15,750
Architect/Eng Fees	$ 134,194	$ 136,096	$ 270,290
Market Analysis	$ 16,000	$ 14,000	$ 30,000
Other	$ 90,928	$ 103,347	$ 194,275
Financing	$ 15,000	$ 5,500	$ 20,500
Interest During Construction	$ 60,324	$ 31,025	$ 91,349
Contingency	$ 33,220	$ 92,295	$ 125,515
Total Capital Costs	**$ 2,138,914**	**$ 2,829,847**	**$ 4,968,761**

The construction cost as provided by the applicants does not appear to include any costs allowed for labor, nor does the verbiage refer to the labor cost as a percentage rolled into the materials cost; however, the architect's letter in Exhibit 37 documents the total construction cost is $4,968,761, stating:

> *"I hereby attest that the total construction costs for this building should be $4,968,716.00* [emphasis added in original]. *This includes the expansion of the waiting areas, preoperative areas and storage space, as well as the additional procedure room and all associated furniture, fixtures and equipment to be furnished by the surgery center."*

Therefore, it is reasonable to assume the capital cost itemization is just simply presented erroneously in Section VIII.

In Section IX, page 142, the applicants state that there will be no start-up or initial operating expenses associated with this project, since GSSC is an existing facility. In Section VIII, page 138, the applicants state the entire capital cost will be funded using conventional loans by each applicant. In Exhibit 11, the applicants provide letters from Premier Commercial Bank documenting its willingness to finance of up to $2.5 million of the real estate costs for GSC at 4.00% and up to $3 million of GSSC's capital costs at 5.00%.

Exhibit 10 contains Surgical Care Affiliate's 2012 Greensboro Specialty Surgical Center's balance sheet and income statement along with the 2012 audited financials for GSC Acquisitions. GSC's (the lessor) commitment to invest the funds to expand the facility can be found in Exhibit 43. In the supplemental information requested by the analyst, the applicants provided a letter from the lessee (GSSC) committing to invest the borrowed funds in the proposed project. The applicants adequately demonstrate the availability of sufficient funds for the capital needs of the proposed project.

The applicants provided the pro formas and the assumptions used to develop the pro formas on pages 156-184 of the application. The applicants project GSSC's revenues will exceed operating expenses in each of the first three full fiscal years, as illustrated in the table below.

GSSC Form B-Statement of Revenue and Expenses			
	First Full FY 1/1/16 -12/31/16	**Second Full FY 1/1/17/ - 12/31/17**	**Third Full FY 1/1/18 – 12/31/18**
Projected # of GI Endo Cases	906	914	922
Projected Average Charge GI	$ 1,011	$ 1,041	$ 1,072
Projected # of OR Cases	3,081	3,204	3,333
Projected Average Charge OR Cases	$ 10,905	$ 11,232	$ 11,569
Projected # of Procedure Room Cases	3,212	3,369	3,534
Projected Average Charge PR Cases	$ 1,701	$ 1,752	$ 1,804
Projected Total Cases	7,198	7,487	7,788
Projected Average Charge	$ 5,548	$ 5,716	$ 5,890
Gross Patient Revenue	$ 39,932,141	$ 42,798,942	$ 45,873,753
Deductions from Gross Patient Revenue	$ 27,702,945	$ 29,852,041	$ 32,168,470
Net Patient Revenue	$ 12,229,196	$ 12,946,901	$ 13,705,283
Other Revenue	$ 39,381	$ 41,692	$ 44,134
Total Expenses	$ 9,403,198	$ 9,719,352	$ 10,065,561
Net Income	$ 2,865,377	$ 3,269,241	$ 3,683,855

Totals may not sum due to rounding.

The applicants' assumptions, pages 166-168, appear to be the assumptions from the Surgical Center of Greensboro (SCG) application and do not correspond to GSSC's Form B for numerous line items. Thus, it does not appear that the assumptions provided in the application are the assumptions used in the preparation of the pro forma financial statements. In supplemental information requested by the analyst, the applicants provided new assumption

pages which support the pro forma financial statements in the application. Therefore, the pro forma financials are based on reasonable, credible and supported assumptions. See the financial section of the application and supplemental information for the assumptions regarding cost and charges. Therefore, the applicants adequately demonstrate that the financial feasibility of the proposal is based upon reasonable projections of costs and revenues. Consequently, 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 applicants propose to expand and renovate the existing GSSC ambulatory surgery facility. The building, 10,965 square feet on one level, was originally constructed for GSSC in 2002, and occupied in 2003. On page 18, the applicants state:

> *"Working with the medical staff, employees, and management company leadership, GSSC and GSC Acquisition have designed a project that allows GSSC to stay in the its [sic] current building, improve patient and family support service and expand its clinical programming."*

The applicants do not propose to increase the number of licensed operating rooms in any category, add services, or acquire equipment for which there is a need determination methodology in the 2013 SMFP. The renovation does not involve the operating rooms or the endoscopy rooms and the total number of operating rooms and endoscopy rooms in the ambulatory surgery center will not change as a result of the proposed project. The applicants adequately demonstrate that renovation and expansion of the facility is necessary and the least costly or most effective alternative to meet the stated need. See Criterion (3) for discussion regarding need demonstration which is incorporated hereby as if set forth fully herein. The applicants adequately demonstrate that the proposed renovation/expansion project will not result in an unnecessary duplication of existing or approved health service capabilities or facilities. 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

The following table illustrates GSSC's current and projected staffing during the second full fiscal operating year (FY 2017), as reported by the applicants in Section VII, pages 119-120.

Position	Current FTEs	Projected 2017 FTEs	Proposed Salary
Health Care Administrators	1.0	1.0	$ 109,160
RNs	13.4	16.4	$ 68,874
Nurse Aides/Attendants	2.0	3.0	$ 28,102
Surgical Techs	7.0	7.0	$ 46,011
Medical Record Techs	1.0	1.0	$ 28,205
Rad Techs	0.8	0.8	$ 49,246
Non-health personnel	6.0	7.0	$ 35,208
Pool Nurses	4.0	4.5	$ 68,784
Total FTE Positions	**35.2**	**40.7**	

GSSC proposes to increase staffing by five FTE positions, none of which are new positions to the surgery center. As shown in the table above, the applicants propose to employ a total of 40.7 full-time equivalent (FTE) positions after the proposed expansion. In Section VII.3, page 121, the applicants state the facility utilizes 8, 10, and 12 hour shifts to best match staff with patient flow. Pre-operative and post-operative staff rotates as the high volume need shifts from pre-operative in the morning to post-operative in the afternoons. The applicants say the internal PRN pool provides additional flexibility and enables "*GSSC to maintain a lean permanent staff*". In Section VII.6, pages 124-129, the applicants discuss staffing in the various areas of operation. The applicants state that operating rooms are scheduled 7:00 am to 5:00 pm, 10 hours a day, 5 days a week, 250 days a year or 2,500 hours each per year. Endoscopy is scheduled from 7:00 am to 3:30 pm, up to 40 hours per week, five days a week, 250 days a year per endoscopy room. The procedure room will be scheduled 8 hours a day, 5 days a week, 50 weeks a year. In Section VII.5, page 124, the applicants state that an RN and a nurse aide will staff the second shift, with hours from 7:00 pm to 7:00 am, one to two days a week. The shift will not be staffed if there are no overnight patients. The staffing costs in the financial pro formas include regular employees, and expenses incurred by using the internal PRN pool staff.

On page 122, the applicants state that GSSC has not had difficulty recruiting staff in the past, is an established employer in Guilford County and offers competitive pay and attractive benefits. Educational requirements for the additional staff that will be hired are provided on page 123. Resumes of key staff can be found in Exhibit 17.

In Section VII.9, page 131, the applicants identify the current Medical Director as David Chiu, MD and the Chief of Staff as Harry Pool, MD. Exhibit 33 contains Dr. Chiu's letter documenting his willingness to continue to serve as Medical Director. See Exhibit 17 for Dr. Chiu's curriculum vitae (CV). Exhibit 40 contains physician letters of support for the proposed project. The applicants adequately document the availability of sufficient health manpower and management personnel to provide the proposed services. Therefore, the application is conforming to this criterion.

(8) The applicant shall demonstrate that the provider of the proposed services will make available, or otherwise make arrangements for, the provision of the necessary ancillary and support services. The applicant shall also demonstrate that the proposed service will be coordinated with the existing health care system.

C

In Section II.2, page 21, the applicants state, *"All of the support service components are currently available for patient care."* The proposed project involves the addition of one minor surgery procedure room. Presently minor surgery cases are performed in operating rooms or endoscopy rooms. The table on page 22 lists the ancillary and support services currently available at GSSC. In Exhibit 35, the applicants provide a July 15, 2013 letter signed by the GSSC Administrator listing the existing ancillary and support services at GSSC, which states:

> *"There is adequate ancillary and support staff to meet the needs of the existing patients as well as the new patients proposed in our CON application."*

Exhibit 13 includes copies of hospital patient transfer policies and follow-up polices and procedures. Exhibit 20 includes a transfer agreement between GSSC and Cone Health. Exhibit 40 includes letters of support from members of the Medical Staff. Exhibit 41 includes letters of support from other healthcare providers. The applicants adequately demonstrate the availability of 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 Section VI.12, page 117, the applicants provide the FY 2012 payor mix for GSSC, which is illustrated in the following table.

FY 2012 Greensboro Specialty Surgery Center
Payor Mix

Current Cases As Percent of Total Cases	
Self Pay/Indigent	0.70%
Commercial Insurance	0.40%
Medicare/Medicare Managed Care	44.70%
Medicaid	4.30%
Managed Care	45.00%
Other	4.90%
Total	**100.00%**

*Other includes workers com.

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 the proposed service area counties and statewide.

	2010 Total # of Medicaid Eligibles as % of Total Population *	2010 Total # of Medicaid Eligibles Age 21 and older as % of Total Population *	2008-2009 % Uninsured (Estimate by Cecil G. Sheps Center) *
Guilford County	15%	5.9%	19.5%
Rockingham County	20%	9.3%	19.0%
Randolph County	19%	7.2%	19.5%
Alamance County	16%	6.2%	21.0%
Statewide	17%	6.7%	19.7%

Source: http://www.ncdhhs.gov/dma/countyreports/index.htm
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 would not typically utilize the GI endoscopy or podiatry services proposed in this application as heavily as older persons; however, one might expect a number of children to be in the patient population of the other specialties.

Moreover, the number of persons eligible for Medicaid assistance may be greater than the number of Medicaid eligibles who actually utilize health services. The DMA website includes information regarding dental services which illustrates this point. For dental services only, DMA provides a comparison of the number of persons eligible for dental services with the number actually receiving services. The statewide percentage of persons eligible to receive dental services who actually received dental services was 48.6% for those age 20 and younger and 31.6% for those age 21 and older. Similar information is not provided on the website for other types of services covered by Medicaid. However, it is reasonable to assume that the percentage of those actually

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

The Office of State Budget & Management (OSBM) maintains a website which provides historical and projected population data for each county in North Carolina. In addition, data is available by age, race or gender. However, a direct comparison to the applicants' current 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 applicants demonstrate 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 116, the applicants state:

> *"The applicant has not had any legal obligations to provide uncompensated care."*

In Section VI.10, page 116, the applicants state:

> *"Neither the applicant nor its management company has received any civil rights complaints."*

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 118, the applicants provide the projected payor mix for GSSC as illustrated in the following table:

FY 2017 Greensboro Specialty Surgical Center

Payor Mix

Projected Cases As Percent of Total Cases	
Self Pay/Indigent	0.70%
Commercial Insurance	0.40%
Medicare/Medicare Managed Care	44.70%
Medicaid	4.30%
Managed Care	45.00%
Other	4.90%
Total	**100.00%**

*Other includes workers com.

As shown in the table above, the applicants project that 49% of all patients will have some or all of their services paid for by Medicare or Medicaid. However, the assumptions on volume of cases by payor, pages 170-172, do not support the above payor mix: the percentage for Commercial Insurance in the assumptions is 65% while the percentage for Medicare is only 25%, as shown in the following table calculated from the assumption pages.

Volume of Cases by Payor, Assumption Pages 170-172

	Operating Rooms	Endoscopy Rooms	Procedure Rooms	Total	Percent of Total
Self Pay	22	6	24	52	0.69%
Medicare	800	228	841	1869	24.96%
Medicaid	138	39	145	322	4.30%
Commercial	2093	597	2201	4891	65.33%
Other	151	43	159	353	4.71%
Total	3204	913	3370	7487	100.00%

In clarifying information requested by the analyst, the applicants provide the following information to tie assumptions for volume of cases by payor (pages 170-172) to the payor percentages as presented on page 118:

> *"The following table ties the payor percentages on page 118 (second column) to the payor percentages presented on pages 170-172. Page 118 consolidated Medicare and all Managed Care. The third column shows the components of each* .[sic] *Medicare Fee for Service and Medicare Managed Care (24.95 plus 19.75) equal 44.7 totals Medicare,* [sic] *"Other" combines two categories, Managed Care Self Pay and Other.* .[sic] *Because GSSC accounts for Medicare Managed Care with its other Managed Care accounts, Medicare Managed Care and Commercial Managed Care are combined in proforma calculations. Similarly.* [sic] *in the proforma revenue calculations referenced on pages 170-172, "Managed care"*

(65.34%) includes: Medicare Managed Care (19.75%) plus Managed Care Commercial (45%) plus Managed Care Self Pay deductibles (0.19%).”

	Page 118	***Assumptions***
Payor	***Current Number of Cases as a Percent of Total Cases FY2017***	***Current Number of Cases as a Percent of Total Cases FY2017***
Self Pay/Indigent	*0.7%*	*0.7%*
Commercial Insurance (fee for service)	*0.4%*	*0.4%*
Medicare/Medicare Managed Care	*44.7%*	
Medicare Fee for Service		*25.0%*
Medicare Managed Care		*19.8%*
Medicaid	*4.3%*	*4.3%*
Managed Care (Commercial)	*45.0%*	*45.0%*
Other (Specify)	*4.9%*	
Managed Care Self pay deductibles		*0.2%*
Other payers including Self Pay Deductible, Coinsurance, Tricare		*4.7%*
Total	*100.0%*	*100.0%*

In Section VI.2, pages 106-107, the applicants state, “*The proposed project will provide access to low income persons, to racial and ethnic minorities, to women, to handicapped persons, to the elderly and to other underserved patients.”* In Section VI.2, page 107, the applicants state that GSSC facilities are designed to meet the requirement of the Americans with Disabilities Act (ADA). Exhibits 9 and 16 contain GSSC financial and admission policies.

The applicants demonstrate that adequate access will be provided to the elderly and medically underserved groups. 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, page 115, the applicants state that all patients at GSSC are referred by a physician, oral surgeon, dentist, or podiatrist. A patient or the patient’s primary physician can refer the patient to a member of GSSC’s medical staff for determination of need for surgery and admission. The applicants adequately demonstrate that GSSC will continue to provide a range of means by which a person can access services. The information provided is reasonable and 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, page 96, the applicants state:

> *"Residents, fellows and medical students of approved training programs have access to the Greensboro Specialty Surgery Center. Approved training programs in the proposed service area include Bowman Gray School of Medicine in Winston Salem and Cone Health. The GSSC facilities are also available to trainees at the teaching hospitals in Forsyth County, NC Baptist Hospital and Forsyth Medical Center."*

In Exhibit 39, the applicants provide copies of letters from the SCA Vice President Carolinas, written to Guilford Technical Community College, the University of North Carolina Greensboro, North Carolina A&T State University, Alamance Community College and Rockingham Community College offering GSSC as a potential training site for their healthcare programs. Exhibit 39 also contains responses from several of the programs expressing support for the application and interest in working with GSSC. The applicants adequately demonstrate that the facility will accommodate the clinical needs of health professional training programs in the proposed service area. 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 applicants propose to expand and renovate space at its existing ambulatory surgery center. The project includes the addition of 5,761 square feet, the expansion of support space and the addition of one minor surgery procedure room and an extended stay / step-down unit. The applicants do not propose to develop operating rooms or new services or acquire equipment for which there is a need determination in the 2013 SMFP.

Per the 2013 SMFP, the following table lists the existing and approved operating room and endoscopy room inventory in Guilford County.

Guilford County Operating Room and Endoscopy Room Inventory

Facility	Inpatient	Ambulatory	Shared	CON Adjustments	Total ORs	Endo Rooms*
Premier Surgery Center				2	2	
Greensboro Specialty Surgical Center		3			3	2
Carolina Birth Center		1			1	
Surgical Center of Greensboro		13			13	
Surgical Eye Center		4			4	
High Point Surgery Center		6			6	
Piedmont Surgical Center		2			2	
High Point Regional Health System	3		9	-1	11	2
Kindred Hospital-Greensboro			1		1	
Cone Health	4	13	37		54	8
Bethany Medical Endoscopy Center					0	2
Eagle Endoscopy Center					0	4
Guilford Endoscopy Center					0	2
High Point Endoscopy Center					0	4
LeBauer Endoscopy Center					0	3
Total	7	42	47	1	97	27

*Endoscopy room inventory includes CON adjustments.

In Section V.7, pages 102-105, the applicants discuss the impact of the proposed project on competition in the service area as it relates to promoting cost-effectiveness, quality and access, stating that GSSC competes on price, quality and access. In reference to cost-effectiveness and quality, the applicants state:

> *"GSSC has the second lowest charge of each of the local providers displayed in the Blue Cross subscriber Estimator data. These lower charges reflect the efficiency that an ambulatory setting provides, due to higher staff productivity, lower facility costs, scheduling improvements and other economies related to the experienced management company, and the dedicated medical staff.*
>
> …
>
> *GSSC offers a limited number of specialties. As a result facility staff will maximize their clinical skills and training through high utilization and repetition. These results will enhance the current high quality care that GSSC already provides."*

With regard to access, the applicants state that GSSC's ADA compliant building, its clinical specialties and its willingness to accept Medicare, Medicaid, hardship patients and uninsured all

increase access for patients and promote competition in the proposed service area. See also Sections II, III, V, VI and VII where the applicants discuss the impact of the project on cost-effectiveness, quality and access.

The information provided by the applicants in those sections is reasonable and credible and adequately demonstrates that 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 applicants adequately demonstrate the need to renovate and expand the surgery center;
- The applicants adequately demonstrate GSSC has and will continue to provide quality services; and
- The applicants adequately demonstrate GSSC has and 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

Per its 2013 License Renewal Application, The Greensboro Specialty Surgical Center is accredited by the Accreditation Association for Ambulatory Health Care (AAAHC) and certified for participation in Medicare and Medicaid. According to the files in the Acute and Home Care Licensure and Certification Section, Division of Health Service Regulation, no incidents occurred within the eighteen months immediately preceding the date of this decision, for which any sanctions or penalties related to quality of care were imposed by the State. Therefore, the application is conforming with 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 Surgical Services and Operating Rooms, and Gastrointestinal Endoscopy Procedure Rooms in Licensed Health Service Facilities, promulgated in 10A NCAC 14C .2100 and 10A NCAC 14C .3900, respectively, are not applicable to this review since the applicants are not proposing to develop new operating rooms, endoscopy rooms or surgical services. The applicants are proposing to renovate and expand the existing ambulatory surgery center support space and add one minor-surgery procedure room.