

ATTACHMENT - REQUIRED STATE AGENCY FINDINGS

FINDINGS

C = Conforming

CA = Conditional

NC = Nonconforming

NA = Not Applicable

DECISION DATE: December 17, 2014

PROJECT ANALYST: Gloria C. Hale

TEAM LEADER: Lisa Pittman

PROJECT I.D. NUMBER: F-10354-14/ CaroMont Health, Inc. and Gaston Memorial Hospital, Inc. d/b/a CaroMont Regional Medical Center d/b/a CaroMont Imaging Services - Gaston Day/ Develop a satellite outpatient imaging department in Gastonia/Gaston County

REVIEW CRITERIA FOR NEW INSTITUTIONAL HEALTH SERVICES

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

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

C

The applicants propose to develop a satellite outpatient imaging center, CaroMont Imaging Services-Gaston Day (CIS-Gaston Day), in Gastonia, Gaston County. CIS-Gaston Day will be approximately three miles south of CaroMont Regional Medical Center (CRMC) and adjacent to CaroMont Family Medicine and Urgent Care–Gaston Day. The proposed project will relocate the diagnostic services currently being provided at the Diagnostic Center adjacent to CaroMont Regional Medical Center (CRMC) to CIS-Gaston Day and replace all of the diagnostic equipment, with the exception of the ultrasound equipment. The diagnostic equipment, as discussed in Section II, pages 21-26, will include one MRI scanner, one CT scanner, two fixed rad/fluoroscopic units, and one ultrasound unit. CIS-Gaston Day will be located at the corner of Gaston Day School Road and Hoffman Road in Gastonia.

The proposed project does not involve the addition of any health service facility beds, services or equipment, for which there is a need determination in the 2014 State Medical Facilities Plan (SMFP).

There is one policy in the 2014 SMFP applicable to this review. Policy GEN-4 Energy Efficiency and Sustainability for Health Service Facilities states:

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

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

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

In Section X.1, page 104, and Section XI.7, page 114, the applicants describe the proposal’s plans for energy efficiency and water conservation as follows:

- *“Vegetation will be incorporated on the site around the perimeter of the building to help deter heat gain in the summer months and allow for heat gain in the winter months.*
- *The facility will include low-emissive, double-insulated exterior glazing.*
- *Building materials will be selected that have reduced chemical emissions, such as low-VOC paint, adhesives, finishes, and formaldehyde-free wood products.*
- *Energy-efficient lighting will be integrated with central controls.*
- *Plumbing fixtures will be low water consuming fixtures.*
- *The facility will have a centralized, automated building management system, to assist in reducing energy consumption.*
- *High efficiency gas-fire, water heater will be incorporated into the facility.”*

In addition, in Exhibit 12, the applicants provide letters from both the project architect and the Design Resource Group which discuss project plans for improved energy efficiency and improved water conservation, respectively. Plans include building envelope requirements, passive daylighting, mechanical zoning, landscaping and irrigation, shaded canopy, waterless urinals, and occupant sensors, among others.

The applicants adequately describe the project's plans to assure improved energy efficiency and water conservation. The application is conforming to Policy GEN-4 and therefore, is conforming to this criterion.

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

C

The applicants propose to develop a satellite outpatient imaging center, CIS-Gaston Day, in Gastonia, Gaston County, approximately three miles south of CRMC and adjacent to CaroMont Family Medicine and Urgent Care–Gaston Day. The proposed project will relocate the diagnostic services currently being provided at the Diagnostic Center adjacent to CRMC to CIS-Gaston Day and replace all of the diagnostic equipment with the exception of the ultrasound equipment.

Population to be Served

In Section III.5(c), page 61, the applicants provide the projected patient origin for CIS-Gaston Day, by county and service, as illustrated in the following table:

**CIS-Gaston Day
Patient Origin, FY2017 and FY2018**

County	MRI	CT	Ultrasound	Rad/Fluoroscopic
Primary				
Gaston	75.8%	71.2%	73.4%	74.9%
Secondary				
Cleveland	9.2%	8.5%	8.5%	9.3%
Lincoln	5.0%	4.0%	5.3%	4.2%
In-Migration	10.0%	16.3%	12.8%	11.6%
Total	100.0%	100.0%	100.0%	100.0%

The applicants adequately identify the population proposed to be served.

Demonstration of Need

In Section III.1, pages 46 - 51, the applicants state that the need for the proposed outpatient diagnostic center, CIS-Gaston Day, is based on two factors, growth trends within Gaston County and CaroMont Health’s Service Area, and the need for bringing outpatient healthcare facilities into communities “to bring cost-effective care closer to patients’ homes.”

On page 47, the applicants state that based on data obtained from the NC Office of State Budget and Management, Gaston County’s population grew by 8.3% from 2000 to 2010 and is expected to grow 6.5% [6.6%] from 2010 to 2020. In addition, those aged 65 and older grew by 14.3% from 2000 to 2010 and are expected to grow by 34.4% from 2010 to 2020, making this age group the fastest growing age group in the county. This population growth is depicted in a table provided on page 47, summarized as follows:

Gaston County Population Growth

Population Subgroup	2000	2010	2020 (Projected)	2010 - 2010	2010 - 2020
				Percent Growth	Percent Growth
<18 years	46,847	49,165	47,914	4.95%	-2.54%
18-44 years	74,773	72,740	73,869	-2.72%	1.55%
45-64 years	44,699	56,820	61,023	27.12%	7.40%
65+ years	23,985	27,414	36,843	14.30%	34.39%
Total Population	190,304	206,139	219,649	8.32%	6.55%

Similarly, on page 48, the applicants demonstrate growth in the population of CaroMont Health and CRMC’s Service Area which includes Cleveland, Gaston, and Lincoln Counties. This population grew by 9.2% from 2000 to 2010 and is expected to grow by 4.5% from 2010 to 2020. In addition, those aged 65 and older grew by 18.7% from 2000 to 2010 and are expected to grow by 35.3% from 2010 to 2020, making this age group the fastest growing age group in the service area. This population growth is depicted in a table provided on page 48, summarized as follows:

CaroMont Health and CRMC Service Area

Population Subgroup	2000	2010	2020 (Projected)	2010 - 2010	2010 - 2020
				Percent Growth	Percent Growth
<18 years	86,940	90,499	84,407	4.09%	-6.73%
18-44 years	136,138	131,495	131,799	-3.41%	0.23%
45-64 years	82,996	108,006	112,477	30.13%	4.14%
65+ years	44,300	52,575	71,131	18.68%	35.29%
Total Population	350,373	382,575	399,814	9.19%	4.51%

The applicants state, on page 48,

“It should be noted that although the 65+ age group accounts for only 13.7 percent of the CaroMont Health-defined service area’s population in 2010, the 65+ age

group accounts for nearly 45 percent of OP [outpatient] imaging procedures performed by CaroMont Health. This high demand for imaging services is due to increased orthopedic and neurological scans that this age group requires. Additionally, since CRMC is a tertiary referral hospital a larger percentage of the Medicare population travels to CRMC to receive healthcare services, including inpatient, surgical, diagnostic imaging, and rehabilitation. This referral pattern is expected to continue because of the healthcare services available at CRMC, in addition to CRMC's recent designation as a Level III Trauma Center."

Further, on page 49, the applicants discuss several reasons why establishing satellite outpatient facilities is beneficial. These include,

- *"To provide patient-centered care*
- *To deliver care in an efficient manner*
- *To provide care at locations convenient for patients."*

In addition, the applicants state, on page 49, that their care at satellite outpatient facilities enables them to provide care that is *"...contiguous with the larger health system due to collaborative relationships developed between primary care physicians and specialists."* Moreover, the applicants state, *"CaroMont Health's satellite outpatient facilities focus on coordinating the full continuum of care with the overall health system."*

Projected utilization for the proposed diagnostic services to be provided at CIS-Gaston Day is provided by the applicants in Section IV, pages 67-68, summarized as follows:

	Historical		Annualized	Projected				
	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019
MRI Scanner	440	15	14	14	14	1,040	1,560	2,080
						4/day	6/day	8/day
CT Scanner	4,029	3,810	3,355	3,373	3,391	3,409	3,427	3,445
				0.53%	0.53%	0.53%	0.53%	0.52%
Ultrasound	2,573	2,558	2,240	2,252	2,264	2,276	2,288	2,300
				0.53%	0.53%	0.53%	0.53%	0.52%
Rad/Fluoroscopic	13,931	13,856	13,004	13,073	13,142	13,212	13,281	13,351
				0.53%	0.53%	0.53%	0.53%	0.52%

"Note – Historical: 2014 Renewal Application for Hospitals; 2014 11 months annualized; FY2015-FY2019 Need Methodology."

The applicants state the assumptions used for projected utilization in Section IV, page 68. The MRI scanner is currently being used on a limited basis and is outdated. The applicants expect utilization of the replacement state-of-the-art MRI scanner to increase dramatically due to *"...the shifting of patients currently receiving OP MRI scans at CRMC and other CIS facilities, who live closer to or would prefer to go to CIS-Gaston Day, and will experience*

growth similar to the experience of a 'newly' developed MRI scanner." The applicants provide their projected MRI scan rates in the table above for each of the first three full operating years of the project as follows: 4/day for FY2017, 6/day for FY2018, and 8/day for FY2019.

The applicants expect utilization of their CT scanner, Ultrasound, and Rad/Fluoroscopic equipment at CIS-Gaston Day to increase minimally annually due to the addition of new imaging providers in Gaston County, the recession in recent years, and the effects of the Affordable Care Act over the last six years. The applicants state, on page 68, that each of their imaging facilities have seen increases and decreases in utilization. The applicants provide a table, on page 68, depicting the calculation of the annual rates used for projecting utilization for the CT scanner, Ultrasound, and Rad/Fluoroscopic equipment. The applicants base the projected utilization on the annual population growth rate by patient origin in the three county service area of Cleveland, Gaston, and Lincoln Counties. These county-specific population growth rates are then summed to obtain an overall population growth rate for the service area for each year, FY2015 through FY2019. As indicated in the table above, each item of equipment is projected to have the following growth rates: 0.53% for FY2015, 0.53% for FY2016, 0.53% for FY2017, 0.53% for FY2018, and 0.52% for FY2019.

Projected utilization is based on reasonable, credible and supported assumptions. See Section IV, pages 67-68 for the applicants' assumptions.

Access to Services

The applicants state, in Section VI, page 78, that "*CaroMont Health's obligations under its lease agreement with Gaston County and its nonprofit status guarantee non-discriminatory access to services.*" In addition, they state that they are committed to providing care to low-income persons, medically indigent persons, and those who are under/uninsured or charity care patients. In Section VI.8, page 80, the applicants state that in FY2013 CaroMont Health provided \$52.5 million in total charity care, or 3.83% of its gross revenue.

In summary, the applicants adequately identify the population to be served and adequately demonstrate the need the population has for the proposed project. In addition, the applicants adequately demonstrate the extent to which all residents of the area, including the underserved, are likely to have access to the services proposed. Consequently, the application is conforming to this criterion.

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

C

The applicants propose to develop a satellite outpatient imaging center, CIS-Gaston Day, in Gastonia, Gaston County, approximately three miles south of CRMC and adjacent to CaroMont Family Medicine and Urgent Care–Gaston Day. The proposed project will relocate the diagnostic services currently being provided at the Diagnostic Center adjacent to CRMC to CIS-Gaston Day and replace all of the diagnostic equipment with the exception of the ultrasound equipment.

The applicants conclude, in Section III, page 52, that the site for the relocation of outpatient diagnostic services, from CRMC to CIS-Gaston Day, is the best location since it will still be in the city of Gastonia, a population center, will be located where population growth is expected, and will be easily accessible by major roadways. In addition, in Section VI, pages 82-87, the applicants provide the historical and projected payor mix for each diagnostic service to be provided and state, on page 87, “*CaroMont Health assumes no change in payer mix.*” Further, in Section III, page 54, the applicants state that health care services to the medically underserved will be expanded and that more efficient health care services will be provided to the patient population currently being served by CaroMont Health.

Consequently, the application is conforming to this criterion.

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

CA

In Section III.3, pages 55-57, the applicants describe the alternatives considered, which include:

- 1) Maintain the Status Quo - the applicants state that relocating the diagnostic services provided at the Diagnostic Center at CRMC to a new outpatient facility is in keeping with bringing healthcare to the communities that are being served. The applicants state that many services, including mammography and laboratory services, have already been moved from the hospital setting at the Diagnostic Center to community-based locations and that doing so “*increases access and decreases congestion on the hospital campus.*” Therefore, maintaining the status quo was not the most effective alternative.
- 2) Develop a Joint Venture - the applicants state that although this was discussed by CaroMont Health Senior leadership, a joint venture would not be feasible since the facility would be an outpatient imaging department of CRMC. Therefore, this would not be a viable alternative.
- 3) Develop the Outpatient Imaging Facility in an Alternate Location – the applicants state that the Cherryville and Mount Holly/Belmont areas were considered as alternate locations for the outpatient imaging facility. However, the Cherryville location was

dismissed since the applicants have a “*smaller presence in the community and community residents have established travel patterns and thus referral patterns to both Lincolnton (CMC-Lincoln) and Shelby (Cleveland Regional).*” Likewise, the applicants did not choose the Mount Holly/Belmont area because diagnostic services will be provided to area residents at the applicants’ freestanding emergency department in Mount Holly currently under development, and at CaroMont Imaging Services – Belmont. Since the diagnostic services would be duplicative, this alternative was also not the most effective.

In summary, the applicants state, on page 57, that the proposal to develop CIS-Gaston Day “*will improve outpatient access and patient wait times, improve resolution quality, allow complex case analysis, and result in better diagnoses and fewer repeat exams in the county.*”

The application is conforming to all other applicable statutory review criteria. An application that cannot be approved cannot be an effective alternative.

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

1. **CaroMont Health, Inc. and Gaston Memorial Hospital d/b/a CaroMont Regional Medical Center d/b/a CaroMont Imaging Services – Gaston Day shall materially comply with all representations made in the certificate of need application.**
2. **CaroMont Health, Inc. and Gaston Memorial Hospital d/b/a CaroMont Regional Medical Center d/b/a CaroMont Imaging Services – Gaston Day 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. **CaroMont Health, Inc. and Gaston Memorial Hospital d/b/a CaroMont Regional Medical Center d/b/a CaroMont Imaging Services – Gaston Day 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.**
4. **CaroMont Health, Inc. and Gaston Memorial Hospital d/b/a CaroMont Regional Medical Center d/b/a CaroMont Imaging Services – Gaston Day shall acknowledge acceptance of and agree to comply with all conditions stated herein to the Certificate of Need Section in writing prior to issuance of the certificate of need.**

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

C

In Section VIII, page 98, the applicants state that the total capital cost of the proposed project will be \$10,512,552, broken down as follows:

Land Purchase and Site Prep	\$ 773,285
Construction Contract	\$4,375,687
Equipment Purchase/Lease	\$4,293,722
Consultant Fees, inc.	
Architect/Engineering	\$ 337,602
Other (contingency)	\$ 491,112
Other Misc.	\$ 241,144
Total	\$10,512,552

In Section IX.1, page 103, the applicants indicate that there will be no start-up or initial operating expenses for the proposed project.

In Section VIII.3, page 99, the applicants state that the capital costs of the proposed project will be funded from CaroMont Health's accumulated reserves. The applicants provide a letter in Exhibit 21, dated September 10, 2014, from Mr. Doug Luckett, President/CEO of CaroMont Health, in which he states the following;

“CaroMont Health, Inc. will obligate and commit \$11.52 million for the sole purpose of acquiring replacement imaging equipment and developing a satellite OP imaging department in Gastonia, Gaston County. CaroMont Health plans to provide the funds through Accumulated Reserves.

CaroMont Health, Inc. has sufficient Accumulated Reserves to provide the funding required for this project.

...

Please accept my assurance that the anticipated funds for the completion of the project will be paid by utilizing Accumulated Reserves; however, if future economic conditions support the use of alternative funding, including the use of a commercial loan, CaroMont Health reserves the right to use such funding as long as it does not result in an increase in the cost of the project.”

Exhibit 22 of the application contains the audited financial statements for CaroMont Health, Inc. and Affiliates for the fiscal years ending June 30, 2013 and June 30, 2012. As of June 30,

2013, CaroMont Health, Inc. and Affiliates had \$30,428,191 in cash and cash equivalents, \$589,969,125 in unrestricted net assets and \$605,010,579 in total net assets (total assets less total liabilities). The applicants adequately demonstrate the availability of sufficient funds for the capital needs of the project.

In the proformas for the proposed outpatient imaging center, the applicants project that revenues will exceed operating costs in each of the first three years following project completion, as illustrated in the table below:

CIS-Gaston Day

	Project Year 1 10/1/16-9/30/17	Project Year 2 10/1/17-9/30/18	Project Year 3 10/1/18-9/30/19
Gross Patient Revenue	\$43,566,681	\$48,508,090	\$53,836,464
Deductions from Gross Patient Revenue	\$37,128,312	\$41,497,356	\$46,229,146
Net Patient Revenue (Total Revenue)	\$6,438,369	\$7,010,734	\$7,607,318
Total Expenses	\$4,660,806	\$5,383,333	\$5,740,695
Net Income	\$1,777,563	\$1,627,402	\$1,866,623

The applicants also project a positive net income for CaroMont Health and Affiliates in each of the first three full fiscal years of the project. The assumptions used by the applicants in preparation of the pro forma financial statements are reasonable, including projected utilization, costs and charges. See the financial section of the application for the assumptions regarding costs and charges. The discussion regarding utilization projections found in Criterion (3) is incorporated herein by reference. The applicants adequately demonstrate that the financial feasibility of the proposal is based upon reasonable 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 applicants do not propose to develop any new services. Rather, the applicants propose to relocate existing diagnostic imaging services at the Diagnostic Center at CRMC by constructing an outpatient imaging facility, and replacing the existing diagnostic equipment with the exception of the ultrasound unit. The proposed facility, CIS-Gaston Day, will be located approximately three miles south of CRMC and will still be in the city of Gastonia. Consequently, the applicants adequately demonstrate that the proposal would not result in unnecessary duplication of existing or approved outpatient diagnostic imaging 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, (b), pages 89-90, the applicants provide the current and projected staffing for CIS-Gaston Day, as illustrated in the following table:

Position	Current Staffing per FTE FFY2014	Projected Staffing per FTE FFY2018
MRI Technologists	0.1	2.0
CT Technologists	2.3	2.0
Rad/Fluoro Technologists	2.7	2.7
Ultrasound Technologist	1.0	1.0
Director	0.1	0.1
Manager	0.5	0.5
Clerical	2.0	5.0
Housekeeping		1.5
Total	8.7	14.8

In Exhibit 15, the applicants provide a letter from Chad Clark, M.D., Medical Director of Imaging Services at Gaston Memorial Hospital, dated September 1, 2014, in which he states that that he will continue to serve as Medical Director of Imaging Services and will also serve as Medical Director at CIS-Gaston Day.

In Section VII.4, the applicants state that BCLS certification will be required for all clinical employees. Copies of job descriptions are provided in Exhibit 17. Copies of class schedules for BCLS and ACLS courses, in addition to other continuing education courses, are included in Exhibit 18.

The applicants adequately demonstrate the availability of sufficient health manpower and management personnel to provide the proposed services. Therefore, the application is conforming to this criterion.

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

C

In Section II.2 (b), page 38, the applicants state that the ancillary and support services for CIS-Gaston Day will include the following services provided on-site:

- Housekeeping
- Finance/Registration
- Administrative
- Guest Services

The applicants also state, on page 38, that the following ancillary and support services will be provided to CIS-Gaston Day through CRMC's Hospital Campus Support Services:

- Bio Medical

- Risk Management
- Purchasing
- IT/Telecom
- Security

The applicants provide a letter dated September 10, 2014, in Exhibit 7, from Kathleen Besson, Executive Vice President – COO, confirming the availability of all ancillary and support services for CIS-Gaston Day.

In Section V.4, page 74, the applicants state that it has served the county and surrounding area for over 65 years and that there are “*long-standing, established relationships*” with other healthcare providers, including home health agencies, skilled nursing, and emergency medical services. In addition, in Section V.2, the applicants state that it currently has transfer agreements in place with Cleveland Regional Medical Center, Carolinas Medical Center-Lincoln, and Carolinas Medical Center and states that these transfer agreements are “*perpetual, automatic annual renewal, or automatic annual renewal with letter of intent.*”

Lastly, the applicants provide letters of support for the proposed project in Exhibit 25.

The applicants adequately demonstrate that the necessary ancillary and support services will be provided 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.

C

The applicants propose to relocate imaging services provided at the Diagnostic Center of CRMC to a satellite outpatient imaging facility, CIS-Gaston Day, located approximately three miles south of CRMC. The diagnostic equipment, with the exception of the ultrasound unit, will be replaced. The total capital cost of the project will be \$10,512,552. The facility will consist of 16,202 square feet (SF) and the construction cost is projected to be \$4,375,687, or \$270.07 per SF. The total cost of the project is projected to be \$648.84 per SF. Exhibit 24 contains a letter from Registered Architect, Kenneth J. Pflieger, dated September 5, 2014 which certifies the construction cost of the project. Construction costs are broken down in the attachments provided with the letter and are consistent with the capital costs reported in Section VIII.1.

In addition, in Section XI.7, page 114, the applicants discuss applicable energy saving features that will be incorporated into the design of the facility. Exhibit 12 contains letters from the project architect and the Design Resource Group that discuss plans for improved energy efficiency and for improved water conservation, respectively.

The applicants adequately demonstrate that the cost, design and means of construction represent the most reasonable alternative, and that the construction costs will not unduly increase the costs of and charges for providing the proposed health services. The discussion regarding costs and charges found in Criterion (5) is incorporated herein by reference. Furthermore, the applicants demonstrate that applicable energy savings features have been incorporated into the construction plans. Therefore, the application is conforming to this criterion.

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

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

C

In Section VI.12, page 82, and Section VI.13, pages 83-84, the applicants provide the current payor mix for the entire facility and for each service component in the proposed project, as shown in the following tables:

**CRMC
 10/01/12 – 9/30/13**

Payor Category	% of Total Utilization
Self-Pay/Charity	9.4%
Medicare/Medicare Managed Care	45.5%
Medicaid	17.5%
Commercial Insurance	1.0%
Managed Care	24.3%
Other (Government)	2.3%
Total	100.0%

**CRMC Service Components
 Percent of Total Utilization by Payor
 10/01/12 – 9/30/13**

Service Component	Outpatient MRI Service	Outpatient CT Service	Outpatient Ultrasound Service	Outpatient Radiology/Fluoroscopic Service
Payor Category				
Self-Pay/Charity	4.7%	3.7%	3.8%	3.6%
Medicare/Medicare Managed Care	43.5%	51.3%	41.9%	44.5%
Medicaid	10.5%	8.1%	12.4%	19.1%
Commercial Insurance	22.6%	16.4%	20.7%	18.6%
Managed Care	16.8%	15.3%	20.0%	12.4%
Other (Government)	1.9%	5.2%	1.2%	1.8%
Total	100.0%	100.0%	100.0%	100.0%

The Division of Medical Assistance (DMA) maintains a website which offers information regarding the number of persons eligible for Medicaid assistance and estimates of the percentage of uninsured for each county in North Carolina. The following table illustrates those percentages for Gaston County and statewide:

	2010 Total # of Medicaid Eligibles as % of Total Population *	2010 Total # of Medicaid Eligibles Age 21 and older as % of Total Population *	2009 % Uninsured (Estimate by Cecil G. Sheps Center) *
Gaston County	19.8%	8.6%	19.0%
Statewide	16.5%	6.7%	19.7%

The majority of Medicaid eligibles are children under the age of 21. This age group does not utilize the same health services at the same rate as older segments of the population, particularly the outpatient imaging services offered by CIS-Gaston Day.

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 are 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 do not include information on the number of elderly, minorities or women utilizing health services. Furthermore, OSBM's website does not include information on the number of handicapped persons.

The applicants demonstrate that medically underserved populations currently have adequate access to the existing services. Therefore, the applicants are conforming to this criterion.

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

C

Recipients of Hill-Burton funds were required to provide uncompensated care, community service and access by minorities and handicapped persons. The applicants state, however, in Section VI.11, page 82, that they fulfilled this obligation and do not currently have any obligation under federal regulations to provide uncompensated

care, community service and access by minorities and handicapped persons. However they state that as 501(c)(3) organizations with tax exempt status, they are considered charities and thus must promote the health of their community. The applicants state that they provide charity care and that all of CaroMont Health's affiliated entities "*strive to provide services to all persons in need of health care services.*" Exhibit 16 contains a copy of CaroMont Health's 2013 Community Benefit Report in which it describes how it gives back to the community.

In regard to civil rights equal access complaints, the applicants state in Section VI.10(a), page 81, "*No complaints have been filed against CRMC in the last five years.*" Therefore, the application is conforming to this criterion.

- (c) That the elderly and the medically underserved groups identified in this subdivision will be served by the applicant's proposed services and the extent to which each of these groups is expected to utilize the proposed services; and

C

In Section VI.2, page 78, the applicants state,

"Low-income persons needing Imaging Services will have access at CIS-Gaston Day. CaroMont Health is committed to providing care for the under/uninsured and charity care patients.

CaroMont Health's obligations under its lease agreement with Gaston County and its nonprofit status guarantee non-discriminatory access to services.

Elderly persons needing Imaging Services will have access to CIS-Gaston Day. CaroMont Health is committed to providing care to elderly patients.

Medically indigent persons needing Imaging Services will have access to CIS-Gaston Day."

In addition, the applicants refer to Exhibit 11 which contains copies of CaroMont Health's *Americans with Disabilities Policy*, *Patient's Bill of Rights*, and its *Credit and Collection Policy*.

In Section VI.14 and Section VI.15, pages 85-87, the applicants provide the projected payor mix for the second operating year for CRMC and for the service components of CIS-Gaston Day, as illustrated in the following tables:

CRMC

10/01/17 – 9/30/18

Payor Category	% of Total Utilization
Self-Pay/Charity	9.4%
Medicare/Medicare Managed Care	45.5%

Medicaid	17.5%
Commercial Insurance	1.0%
Managed Care	24.3%
Other (Government)	2.3%
Total	100.0%

"Totals may not foot due to rounding."

**CIS-Gaston Day Service Components
 10/01/17 – 9/30/18**

Service Component	Outpatient MRI Service	Outpatient CT Service	Outpatient Ultrasound Service	Outpatient Radiology/Fluoroscopic Service
Payor Category				
Self-Pay/Charity	4.7%	3.7%	3.8%	3.6%
Medicare/Medicare Managed Care	43.5%	51.3%	41.9%	44.5%
Medicaid	10.5%	8.1%	12.4%	19.1%
Commercial Insurance	22.6%	16.4%	20.7%	18.6%
Managed Care	16.8%	15.3%	20.0%	12.4%
Other (Government)	1.9%	5.2%	1.2%	1.8%
Total	100.0%	100.0%	100.0%	100.0%

“Totals may not foot due to rounding.”

The applicants state, on page 87, that they expect no change in payor mix. As shown in the CIS-Gaston Day Service Components table above, the applicants project that between 54.0% and 63.6% of its patients receiving outpatient imaging services will be Medicare or Medicaid beneficiaries.

Therefore, the applicants demonstrate that medically underserved populations will have adequate access to the proposed services and 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 81, the applicants state that patients will have access to CIS-Gaston Day’s outpatient imaging services through physician order, but that patients have a choice in where they wish to receive these types of services. In addition, the applicants state that referrals for services are provided by physicians throughout the service area and by the following hospitals: Kings Mountain, Cleveland Regional Medical Center, and CMC-Lincoln Medical Center. The applicants adequately demonstrate that they will provide a range of means by which a person can access 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

In Section V.1, page 70, the applicants state that CaroMont Health has relationships with numerous health professional training programs, including those for general diagnostic, ultrasound and CT. Several universities participate, including community colleges and the Medical University of South Carolina. The applicants state that they will continue these relationships and continue to offer training opportunities. A listing of the training programs CaroMont Health participates in is included in Exhibit 13. The information provided in Section V.1 and in Exhibit 13 is reasonable and credible and supports a finding of conformity to this criterion.

- (15) Repealed effective July 1, 1987.
- (16) Repealed effective July 1, 1987.
- (17) Repealed effective July 1, 1987.
- (18) Repealed effective July 1, 1987.

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

C

The applicants propose to develop a satellite outpatient imaging facility in Gastonia by relocating the Diagnostic Center, and replacing the imaging equipment. The proposed facility will be adjacent to CaroMont Health Family Medicine and Urgent Care, approximately three miles south of CRMC's Diagnostic Center. The project will include replacing the MRI scanner, the CT scanner, and the Rad/Fluoroscopic unit. The ultrasound unit will also be relocated but not replaced. In Section V.7, pages 76-77, the applicants discuss how any enhanced competition in the service area will have a positive impact on the cost-effectiveness, quality and access to the proposed services in the service area. The applicants state that *"state-of-the-art equipment that is proposed will enhance cost-efficiency of imaging services. This equipment will reduce the need for duplicative imaging procedures because of high quality imaging and standardized clinical protocols."* The applicants state that quality will be promoted through the management of CRMC and the experience of Gaston Radiology radiologists, and that care will be provided as part of a full continuum of care offered by CaroMont Health. Lastly, as a not for profit, the applicants state that CRMC ensures access to services and *"does not discriminate against any class of patient based on age, sex, religion, race, handicap, ethnicity, or ability to pay."*

See also Sections II, III, V, VI and VII where the applicants discuss the impact of the project on cost-effectiveness, quality and access.

The information provided by the applicants in those sections is reasonable and credible and adequately demonstrates that any enhanced competition in the service area includes 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 for the proposal and that it is a cost-effective alternative. The discussions regarding analysis of need and alternatives found in Criteria (3) and (4), respectively, are incorporated herein by reference.
- The applicants adequately demonstrate that they will continue to provide quality services. The discussion regarding quality in Criteria (1) and (20) are incorporated herein by reference.
- The applicants demonstrate that it will continue to provide adequate access to medically underserved populations. The discussion regarding access in Criteria (1) and (13) are incorporated herein by reference.

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

CRMC is accredited by the Joint Commission and certified for Medicare and Medicaid participation. According to the Acute and Home Care Licensure and Certification Section, DHSR, 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 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