ATTACHMENT - REQUIRED STATE AGENCY FINDINGS

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

DECISION DATE: November 20, 2014
PROJECT ANALYST: Jane Rhoe-Jones
INTERIM CHIEF: Martha J. Frisone

PROJECT I.D. NUMBER: H-10296-14 / FirstHealth of the Carolinas, Inc. d/b/a FirstHealth Moore Regional Hospital / Add 25 acute care beds for a total of 337 acute care beds upon project completion / Moore County

REVIEW CRITERIA FOR NEW INSTITUTIONAL HEALTH SERVICES

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

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

CA

The 2014 State Medical Facilities Plan (SMFP) identifies a need determination for 51 new acute care beds in the Moore County service area.

The only applicant, FirstHealth of the Carolinas d/b/a FirstHealth Moore Regional Hospital (FMRH), proposes to add 25 acute care beds for a total of 337 acute care beds upon project completion. FMRH is currently licensed for 312 acute care beds which are located in Moore County.

The applicant does not propose to develop more acute care beds than are determined to be needed in the Moore County Service Area.

FMRH currently operates a 24-hour emergency services department. In Section II.8, page 28, the applicant provides the number of patient days of care by major diagnostic category (MDC) provided at FMRH during CY2013. FMRH provided services in 22 of 25 MDCs listed in the 2014 SMFP. Therefore, the applicant adequately demonstrates that it will provide medical and surgical services in at least five MDCs recognized by CMS. FMRH adequately demonstrates that it provides inpatient medical services to both surgical and non-

surgical patients. Therefore, the application is consistent with the need determination in the 2014 SMFP for 25 of the 51 acute care beds in Moore County.

Additionally, the following two policies are applicable to this review - Policy GEN-3: Basic Principles and Policy GEN-4: Energy Efficiency and Sustainability for Health Service Facilities.
Policy GEN-3 states:

> "*A certificate of need applicant applying to develop or offer a new institutional health service for which there is a need determination in the North Carolina State Medical Facilities Plan shall demonstrate how the project will promote safety and quality in the delivery of health care services while promoting equitable access and maximizing healthcare value for resources expended. A certificate of need applicant shall document its plans for providing access to services for patients with limited financial resources and demonstrate the availability of capacity to provide these services. A certificate of need applicant shall also document how its projected volumes incorporate these concepts in meeting the need identified in the State Medical Facilities Plan as well as addressing the needs of all residents in the proposed service area*."

Promote Safety and Quality

The applicant describes how it believes the proposed project would promote safety and quality in Section II, pages 23-25 and Section V.7, pages 75-80, and referenced exhibits. The information provided by the applicant is reasonable and adequately supports the determination that the applicant's proposal would promote safety and quality.

Promote Equitable Access

The applicant describes how it believes the proposed project would promote equitable access in Section V, pages 82-83, Section VI, pages 85-94, and referenced exhibits. The information provided by the applicant is reasonable and adequately supports the determination that the applicant's proposal would promote equitable access.

Maximize Healthcare Value

The applicant describes how it believes the proposed project would maximize healthcare value in Section V, page 83. The information provided by the applicant is reasonable and adequately supports the determination that the applicant's proposal would maximize healthcare value.

The applicant adequately demonstrates how its projected volumes incorporate the concepts of quality, equitable access and maximum value for resources expended in meeting the need identified in the 2014 SMFP. Therefore, the application is consistent with Policy GEN-3.

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 III.2, page 56, the applicant refers the reader to Exhibit 24 for a May 27, 2014 letter from the project architect which describes the design parameters relating to energy efficiency and water conservation.

The applicant adequately described the project's plan to assure improved energy efficiency and water conservation. Therefore, the application is consistent with Policy GEN-4 subject to Condition # 4 in Criterion (4).

In summary, the proposed project is consistent with the need determination in the 2014 SMFP. Additionally, the application is consistent with Policies GEN-3 and GEN-4. Therefore, the application is conforming to this criterion as conditioned.

(2) Repealed effective July 1, 1987.

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

C

The applicant, FirstHealth of the Carolinas d/b/a FirstHealth Moore Regional Hospital (FMRH), operates the only acute care hospital in Moore County, which is licensed for and

currently operates 312 acute care beds. In this application, FMRH proposes to add 25 acute care beds to be housed in 24,500 square feet of new construction that will be physically connected to the main hospital. At the conclusion of this project, FMRH will be licensed for 337 acute care beds.

In Section II.1(a), page 17, the applicant states:

> "*The ground floor will be an open air floor, meaning that the building's support columns will be exposed on the ground floor. The unit will have three stairwells for emergency egress and access via elevator* [sic] *is available at the end of the staff/patient walkway*."

In Section II.1(a), page 18, the applicant states:

> "*The second floor will be a 24,500SF floor that establishes a 25-bed acute care unit. The patient unit will connect to the 2nd Floor of the Reid Heart Center via a staff/patient walk-way.*
>
> *The Second Floor will include 25 private acute care beds, as well as staff and patient support space. Staff and patient support rooms include nurse's stations, clean and soiled* utility *rooms, clean and soiled equipment rooms, nutrition and medication rooms, and staff locker and lounge rooms*."

See Exhibit 3 for the proposed project site plan and floor plan.

In Section II.2, page 19, the applicant states:

> "*This CON application includes the development of 25 acute care beds at FMRH. In 2013, FRMH relocated 8 acute care beds to FRMH-HC. FRMH had been licensed for operate 320 acute care beds, but is currently licensed to operate 312 acute care beds. After completion of the project, FRMH will be licensed to operate 337 acute care beds*."

Population to be Served

In Section II.5, page 21, the applicant states:

> "*As Moore County's only acute care hospital and the only tertiary care facility in its five county primary service service* [sic] *area, the expansion of inpatient services through the addition of twenty-five acute care beds will increase capacity for patients of Moore County and the surrounding service area. With the expanded FMRH, a larger proportion of patients from the service area that typically utilize FirstHealth's specialty and tertiary services will have increased access to inpatient care within their own service area*."

The following table illustrates historical patient origin for acute care services at FMRH as reported by the applicant in Section III.4(b), page 58.

FMRH INPATIENT ADMISSIONS FY 2013					
County	**Admissions**	**%**	**County**	**Admissions**	**%**
Moore	9,133	45.0%	Catawba	3	.02%
Richmond	2,196	10.7%	Forsyth	3	.02%
Hoke	1,703	8.3%	Granville	3	.02%
Montgomery	1,596	8.0%	Pitt	3	.02%
Robeson	1,262	6.2%	Wayne	3	.02%
Lee	1,216	6.0%	Tennessee	3	.02%
Scotland	839	4.1%	Alleghany	3	.01%
Harnett	687	3.4%	Cabarrus	2	.01%
Cumberland	628	3.1%	Carteret	2	.01%
Randolph	256	1.3%	Caswell	2	.01%
Chatham	202	1.0%	Duplin	2	.01%
South Carolina	182	0.9%	Franklin	2	.01%
Other States	142	0.7%	Gaston	2	.01%
Anson	107	0.5%	Iredell	2	.01%
Wake	39	0.2%	Nash	2	.01%
Stanly	36	0.2%	Person	2	.01%
Columbus	31	0.2%	Watauga	2	.01%
Bladen	30	0.2%	Avery	1	.01%
Sampson	20	0.1%	Cleveland	1	.01%
Guilford	19	0.1%	Durham	1	.01%
Virginia	18	0.1%	Greene	1	.01%
Georgia	17	0.1%	Haywood	1	.01%
Mecklenburg	15	0.1%	Henderson	1	.01%
New Hanover	15	0.1%	McDowell	1	.01%
Alamance	8	.04%	Mitchell	1	.01%
Lenoir	7	.03%	Orange	1	.01%
Davidson	5	.02%	Pasquotank	1	.01%
Johnston	5	.02%	Pender	1	.01%
Union	5	.02%	Rockingham	1	.01%
Brunswick	4	.02%	Surry	1	.01%
Rowan	4	.02%	Wilson	1	.01%
Beaufort	3	.02%	**TOTAL**	**20,484**	**100.00%**

Totals may not foot due to rounding.

In Section III.5(a), page 59, the applicant states the following about the above table:

> "*The primary service area is Hoke, Montgomery, Moore, Richmond, and Scotland counties, which account for 75.5% of inpatient admissions in FY2013. However, it is important to note that FMRH tertiary care service area includes thirteen North Carolina counties and two South Carolina counties … As illustrated by the chart at III.4(a), FMRH patients come* [sic] *58 counties in North Carolina, as well as from South Carolina, Georgia, Virginia, Tennessee, and other states*."

In Section III.5(c), page 61, the applicant states: "*The projected patient origin for the days of care takes into consideration the operation of the FMRH-HC and the 'shifting' of patients from Hoke, Robeson, and Scotland counties from FMRH to the FMRH-HC*." The following table illustrates

projected patient origin for acute care services at FMRH as reported by the applicant in Section III.5(c), page 61. The DOC were calculated by the Agency based on the percentages reported on page 61. The DOC reported on page 29 are not correct as they are based on the historical percentages before the shift of some patients to the hospital in Hoke County.

FMRH DOC and ADMISSIONS BY PATIENT ORIGIN		
County	**Second Operating Year FY 2018**	
	DOC	**% of Total**
Moore	42,075	46.2%
Richmond	11,475	12.6%
Hoke	4,280	4.7%
Montgomery	8,105	8.9%
Robeson	4,918	5.4%
Lee	5,829	6.4%
Scotland	3,643	4.0%
Other	10,746	11.8%
Total	**91,071**	**100%**

The applicant adequately identifies the population it proposes to serve.

Need Analysis

In Section III.1, page 39-54, the applicant states that the need to add additional acute care beds at FMRH is based on the following:

- Population Growth Trends
  - Moore County Population Growth [see pages 40-41 of the application]
  - Primary Service Area Population Growth [see pages 42-43 of the application]
  - Total North Carolina Service Area Population Growth [see pages 44-45 of the application]
- FirstHealth Network (physician) Growth [see pages 46-47 of the application]
- New FMRH Services and Markets [see pages 48-52 of the application]
- Inpatient Utilization [see pages 53-54 of the application]

Regarding historical acute care services utilization, on pages 53-54, the applicant states:

> "*FMRH has experienced growth in utilization of virtually all outpatient and inpatient services. Total inpatient days of care have grown from 73,264 in FY2008 to 88,037 in FY2013, a 20.2 percent increase over five years.*
>
> *Most outpatient services have experienced similar increase. Emergency Department visits grew from 62,807 visits in FY2008 to 65,735 visits last year, a 4.7 percent growth. …*

To respond to demand for the hospital's inpatient and outpatient services and to fulfill its obligations as Moore County's only acute care hospital and the only tertiary provider in its five county primary service area, FMRH … also must expand to meet the increasing demand. … In developing future projections for the proposed project, several factors indicate volume increases.

- *The population in Moore County and FMRH's primary service area is projected by the NCOSBM to increase 5.9 percent and 5.4 percent over the 5-year period from 2014 to 2019, respectively. Please refer to the patient origin table in Section III.4(b), which indicates that 77.5 percent of FMRH inpatients originate from this five-county area.*
- *Key age groups are projected by NCOSBM to increase over the 5-year period from 2014 to 2019.*
- *Since 2009, FMRH has experienced steady inpatient days of care growth with the exception of 2014.*"

Projected Utilization

The following table illustrates historical and projected utilization.

FRMH ACUTE DAYS OF CARE (DOC)							
Historical							
	2007	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**
FRMH DOC	78,816	72,264	78,996	81,288	82,234	85,453	88,037
Annual Change Rate		-7.0%	7.8%	2.9%	1.2%	4.0%	3.0%
Annual Change DOC		(5,552)	5,732	2,292	946	3,219	2,584
Projected							
	2014	**2015**	**2016**	**2017**	**2018**	**2019**	**---**
Total DOC	83,541	85,831	89,067	92,425	95,052	94,505	
Annual Change Rate	-5.1%	3.77%	3.77%	3.77%	3.77%	3.77%	
Annual Change DOC	(4.496)	3,118	3,236	3,358	3,453	3,433	
FMRH-HC 8-bed	828	828	828	828	621		
FMRH-HC 36-bed				1,033	4,602	6,487	
Incremental DOC shift from FMRH	828	---	---	826	3,981	1,885	
FMRH DOC	82,713	85,831	89,067	91,599	91,071	92,620	
25-bed Acute Care Unit				6,388	7,300	7,300	

In Section IV.1, pages 66-68, and Exhibit 12, the applicant provides the assumptions and methodology used to project utilization.

Regarding an expected decrease in acute care days in 2014, on page 53, the applicant states:

"*In 2014, FRMH is estimated to experience a 6.0 percent decrease in acute days of care due to three factors:*

1. *the CMS two-midnight-rule,*
2. *the operation of FirstHealth Moore Regional Hospital – Hoke Campus, and*
3. *the exceptional work of the FRMH Transitional Care team*

The two-midnight-rule requires hospitals to bill CMS for an outpatient visit if a Medicare patient treated in an inpatient acute care bed is only admitted for one-midnight stay before being discharged. The operation of FRMH-HC is projected to capture some of the Hoke County market share that was previously receiving care at FRMH. The Transitional Care team is tasked with decreasing the number of readmissions that FRMH patients experience within 30 days of discharge.

However, after the initial effect of decreasing days of care at FRMH, FirstHealth expects continued growth in days of care. … over the last eight months, FMRH is experiencing an increasing inpatient days of care trend, which supports FirstHealth projected growth in inpatient days of care at FMRH."

On pages 67-68, the applicant states:

1. "*FMRH proposes a projected annual growth rate of 3.77 percent to project days of care through 2019, which is equal to the average growth rate between 2009 and 2013; the five years after FMRH experienced its decline in acute days of care in 2008.*

   In 2008, FMRH experienced a 7.8 percent decrease in days of care, however, in the following five years FMRH experienced a 20.2 percent increase or 14,773 days of care [88,037 – 73,264 = 14,777]. FMRH is projecting a five year increase in days of care equal to 12.0 percent [92,620 – 82,713)/82,713 = 11.98%] or 9,907 days of care.

   The CMS two-midnight rule and the work of the Transitional Care team factors are taken into account by using the estimated FY2014 days of care (which is much lower than would have been experienced due to these factors) to begin the need methodology thus ensuring that the projections are reasonable and conservative.

2. *FirstHealth took into consideration the acute days of care that it projected in previous CON applications to "shift" from FMRH to FMRH-HC. In 2014, FMRH-HC is estimated to treat 828 days of care. Although the Emergency Department daily visits at FMRH-HC are two to three times greater than what was projected in the previous CON applications, the number of acute care admissions are not expected to increase until the 28-bed expansion is developed. FirstHealth used the inpatient days of care projected in the 28-bed*

hospital expansion CON application to project the incremental increase in days of care shifting from FMRH to FMRH-HC from 4th quarter 2017 through 2019.

3. *FirstHealth subtracted the incremental increase in days of care shifting from FMRH to FMRH-HC from the Total Days of Care to project the FMRH days of care.*

The following describes the need methodology steps:

2014 – Total days of Care equals 83,541 days with FMRH-HC estimated to treat 828 days and FMRH estimated to treat 82,713 days.

2015 – 2014 FMRH Days of Care of 82,723 days is multiplied by 1.0377 for a 2015 Total Days of Care equal to 85,831 days. FMRH-HC is not projected to increase its days of care in 2015, thus no Incremental Days of Care Shift from FMRH is subtracted from the 2015 Total Days of Care, and as a result 2015 FMRH Days of Care is equal to 85,831 days.

2016 – 2015 FMRH Days of Care of 85,831 days is multiplied by 1.0377 for a 2016 Total Days of Care equal to 89,067 days. FMRH-HC is not projected to increase its days of care in 2016, thus no Incremental Days of Care Shift from FMRH is subtracted from the 2016 Total Days of Care, and as a result 2016 FMRH Days of Care is equal to 89,067 days.

2017 - 2016 FMRH Days of Care of 89,067 days is multiplied by 1.0377 for a 2017 Total Days of Care equal to 92,425 days. FMRH-HC is not projected to increase its days of care during the first three quarters of 2017; however, FirstHealth assumes that the 28-bed addition will become operational during the fourth quarter of 2017, thus Incremental Days of Care Shift from FMRH of 826 days is subtracted from the 2017 Total Days of Care, as a result 2017 FMRH Days of Care is equal to 91,599 days.

2018 - 2017 FMRH Days of Care of 91,599 days is multiplied by 1.0377 for a 2018 Total Days of Care equal to 95,052 days. Incremental Days of Care Shift from FMRH of 3,981 days is subtracted from the 2018 Total Days of Care, as a result 2018 FMRH Days of Care is equal to 91,071 days.

2019 - 2018 FMRH Days of Care of 91,071 days is multiplied by 1.0377 for a 2019 Total Days of Care equal to 94,505 days. Incremental Days of Care Shift from FMRH of 1,885 days is subtracted from the 2019 Total Days of Care, as a result 2019 FMRH Days of Care is equal to 92,620 days.

25-bed Acute Care Unit – Days of Care projections represent 70.0 percent utilization in Year 1 and 80.0 percent utilization in Year 2 and Year 3.

… FirstHealth projects days of care to equal 89,067 days in FY2016, whereas the 2014 SMFP projects days of care to equal 99,776 days in FY2016. Similarly, FirstHealth projects days of care to equal 91,599 days in FY2017, whereas the Draft 2015 SMFP projects days of care to equal 98,128 days in FY2017.

FirstHealth is projected to experience a 12.0 percent increase [(92,620 – 82,713) / 82,713 = 11.98%] in acute care days between 2014 and 2019 for several … reasons as previously identified.

Based on the FMRH patient days of care projections for acute care beds, FMRH plans to develop a new 25-bed acute care unit. After completion of the project, FMRH will operate 337 acute care beds on the FMRH campus in Moore County."

FMRH projects that the utilization rate for the 337 acute care beds will be 75.3% in the third year of operation following completion of the proposed project, which exceeds the rate required by 10A NCAC 14C .3803(a). Projected utilization of acute care beds is based on reasonable and adequately supported assumptions regarding growth in utilization which is expected to continue.

Access to Services

In Section VI.4(b), page 86, the applicant states, "*It is the policy of all departments within FirstHealth to admit and treat all patients without regard to race, color, creed, national origin, sex, sexual preference, disability, age or ability to pay. The same requirements for admission are applied to all, and the patients are assigned within the hospital in accordance with their medical needs, and without regard to race, color, creed, national origin, sex, sexual preference, disability, age or ability to pay.*"

In Section VI.14, page 94, the applicant projects that in the second operating year following project completion, 71% of patients who receive services at FMRH will have part or all of the services paid for by Medicare (61.7%) or Medicaid (9.3%). The applicant adequately demonstrates the extent to which all residents of the service area, including underserved groups, are likely to have access to the proposed services.

Conclusion

In summary, the applicant adequately:

1. identifies the population to be served.
2. demonstrates the need that the population has for the proposed project.
3. demonstrates the extent to which residents of the service area, including underserved groups, are likely to have access to the proposed services.

Therefore, the application is conforming to this criterion.

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

NA

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

CA

In Section III.3, page 57, the applicant describes several alternatives considered which include the following:

1) Maintain the Status Quo – FMRH considered maintaining the status quo, however, the applicant concluded to do nothing would not be in the best interest of the patients in the service area because the service area population is growing and aging. Growth of the medical staff and the aforementioned population growth is expected to increase demand for acute care beds. Furthermore, the applicant states that it is its acute care bed utilization that resulted in the need determination for 51 acute care beds in the Moore County acute care bed service area.
2) Joint Venture – FMRH states that this alternative is not practical as there is a need for more acute care beds at its Pinehurst site.
3) Develop More Than 25 Acute Care Beds – FMRH concluded that this alternative was not the most effective alternative because it could not reasonably support more than 25 additional beds and meet the required performance standard in 10A NCAC 14C .3803(a).

Furthermore, the application is conforming to all other applicable statutory and regulatory review criteria, and thus, is approvable. A project that cannot be approved cannot be an effective alternative.

The applicant adequately demonstrates that the proposal is the most effective or least costly alternative to meet the need for additional acute care beds. The application is conditionally conforming to this criterion and approved subject to the following conditions:

1. **FirstHealth of the Carolinas d/b/a FirstHealth Moore Regional Hospital shall materially comply with all representations made in the certificate of need application.**

2. **FirstHealth of the Carolinas d/b/a FirstHealth Moore Regional Hospital 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. **FirstHealth of the Carolinas d/b/a FirstHealth Moore Regional Hospital shall add no more than 25 acute care beds for a total of no more than 337 acute care beds upon completion of this project.**

4. **FirstHealth of the Carolinas d/b/a FirstHealth Moore Regional Hospital 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.**

5. **Prior to issuance of the certificate of need, FirstHealth of the Carolinas d/b/a FirstHealth Moore Regional Hospital 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.1, page 108, the applicant states that the total capital cost of the project will be $15,288,500, including $12,500,000 for construction, $1,871,335 for furniture, fixtures and equipment (FFE), $687,500 for architect/engineering fees, $101,000 for other (legal fees and permits), and $128,665 for contingencies. In Section IX, page 113, the applicant states there will be no start-up or initial operating expenses associated with the proposed project. In Section VIII.3, page 109, the applicant states that the project will be funded by accumulated reserves of FirstHealth of the Carolinas, Inc., the parent company of FMRH. Exhibit 21 contains a May 28, 2014 letter signed by the Chief Financial Officer of FirstHealth of the Carolinas, Inc., which states:

> "*FirstHealth of the Carolinas, Inc., will provide $15.3 million through accumulated reserves (Assets Limited as to use: Internally Designated for Capital* Projects*) to fund the 25 acute care bed expansion at FirstHealth Moore Regional Hospital in Moore County."*

Exhibit 22 of the application contains the audited financial statements for FirstHealth of the Carolinas, Inc., and affiliates for the fiscal years ending September 30, 2013 and September 30, 2012. As of September 30, 2013, FirstHealth of the Carolinas, Inc. had $23,036,000 in cash and cash equivalents and $626,827,000 in net assets (total assets less total liabilities). The applicant adequately demonstrated the availability of sufficient funds for the capital needs of the project.

In Tab 13 of the application, the applicant provided pro forma financial statements for the first three years of the project for the entire hospital and the proposed 25-bed inpatient unit. The applicant projects that revenues from the 25-bed inpatient unit will exceed operating expenses in each of the first three full fiscal years, as illustrated below in the table.

FMRH 25-bed Inpatient Unit			
	Project Yr 1	**Project Yr 2**	**Project Yr 3**

	10/1/16-9/30/17	10/1/17-9/30/18	10/1/18-9/30/19
Gross Patient Revenue	$15,386,066	$18,110,180	$18,653,485
Deductions from Gross Patient Revenue	$11,506,377	$13,543,589	$13,949,897
Net Patient Revenue	$3,879,689	$4,566,590	$4,703,588
Total Expenses	$3,626,066	$4,124,203	$4,241,323
Net Income	$253,623	$442,387	$462,265

The applicant also projects a positive net income for the entire hospital in each of the first three full fiscal years of the project. The assumptions used by the applicant 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 cost and charges. The discussion regarding utilization found in Criterion (3) is incorporated herein by reference. The applicant adequately demonstrates 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 2014 State Medical Facilities Plan identified a need determination for 51 additional acute care inpatient beds in the Moore County service area. FMRH is the only acute care hospital located in Moore County. FMRH proposes to add 25 acute care beds for a total of 337 acute care beds upon project completion. The applicant does not propose to develop more acute care beds than are determined to be needed in the service area. The applicant adequately demonstrates the need the population proposed to be served has for 25 additional acute care beds at FMRH. The discussion regarding need found in Criterion (3) is incorporated herein by reference.

Therefore, the applicant adequately demonstrates the project would not result in unnecessary duplication of existing or approved acute care services in the Moore County service area. Consequently, 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

FMRH proposes to add 25 new acute care beds for a total of 337 acute care beds upon projection completion. In Section VII, page 95, the applicant provides projected staffing during the second operating year for the new 25-bed unit, as illustrated below in the table.

FMRH PROPOSED STAFFING
25-BED ACUTE CARE UNIT

	PROJECTED FTES FY 2018
Administrative	
Clinical Director	1.0
Secretary	2.1
Nursing	
RN	21.0
Technician	6.3
TOTAL	**30.4**

As illustrated in the above table, the applicant projects to add 30.4 full-time equivalent (FTE) positions for the new 25-bed acute care bed unit by the second full fiscal year following completion of the proposed project.

In Section VII.6(a)(b), pages 97-101, the applicant provides the recruitment and staff retention plan. In Section VII.8(a), page 105, the applicant states that Dr. John Krahnert, Jr. will serve as the medical director. The applicant demonstrates the availability of adequate health manpower and management personnel to provide the proposed services, and therefore, the application is conforming to this criterion.

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

C

The applicant currently provides the necessary ancillary and support services and lists these services in Section II.2(a), page 20. Exhibit 4 contains a May 24, 2014 letter from David Kilarski, Chief Executive Officer (CEO) of FirstHealth of the Carolinas, Inc. which attests to the provision of necessary ancillary and support services at FMRH.

In Sections V.2, V.3, V.4 and V.5, pages 70-74, the applicant documents that the proposed services will be coordinated with the existing health care system. Exhibit 25 contains letters of support from physicians, other healthcare providers and the community.

The applicant adequately demonstrates the availability of the necessary ancillary and support services and that the proposed services would 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

In Section II.1, pages 16-18, the applicant states:

"*To accomplish this project, FMRH proposes 24,500SF of new construction. …*

The 25-bed acute care unit will be constructed to the right of the Reid Heart Center and connect to the main hospital behind the Reid Heart Center.

…

Ground Floor

The ground floor will be an open air floor, meaning that the building's support columns will be exposed on the ground floor. The unit will have three stairwells for emergency egress and access via elevator is available at the end of the staff/patient walkway.

Second Floor

The second floor will be a 24,500SF floor that establishes a 25-bed acute care unit. The patient unit will connect to the 2nd Floor of the Reid Heart Center via a staff/patient walkway.

The Second Floor will include 25 private acute care beds, as well as staff and patient support space. Staff and patient support rooms include nurse's stations, clean and soiled utility rooms, clean and soiled equipment rooms, nutrition and medication rooms, and staff locker and lounge rooms."

The applicant provides the proposed project floor plan and site plan in Exhibit 3.

In Section XI.4, page 120 the applicant provides the cost per square foot for the proposed project, as illustrated below in the table.

FMRH 25-BED ACUTE CARE UNIT COSTS						
	Total Capital Cost	**Estimated Square Feet**	**Construction Cost per Square Foot**	**Construction Cost per Bed**	**Total Cost per Square Foot**	**Total Cost per Bed**
2nd Floor/ 25-bed addition	$15,288,500	24,500	$510.20	$500,000	$624.02	$611,540

Exhibit 8 contains a certified cost estimate from an architectural firm which states:

"*This letter shall certify to the best of our knowledge, that the construction costs shown below are the costs which might be expected for a project of this type and scope. …*

Estimated Construction Costs *$12,500,000.00*
Estimated Architectural/Engineering Fee (5.5%) *$ 687,500.00*

This estimate if for construction costs and Architectural/Engineering fees only. …"

The estimated costs are consistent with the information found in Section VIII, page 108 of the application.
Section XI.7, pages 122, and Exhibit 24 contain descriptions of the energy efficiency and sustainability plan and water conservation plan. Exhibit 3 contains the Site and Floor Plans. The discussion regarding energy conservation found in Criterion (1) is incorporated herein by reference.

The applicant adequately demonstrates that applicable energy saving features have been incorporated into the construction plans. The applicant adequately demonstrates that the cost, design, and means of construction represent the most reasonable alternative for the proposal. Furthermore, the applicant adequately demonstrates the project will not unduly increase

costs or charges. The discussion regarding costs and charges found in Criterion (5) is incorporated herein by reference. 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

The following tables show inpatient admissions by payor, including normal newborns, for acute care hospitals in North Carolina and Moore County. For North Carolina, the data is based on 1,085,551 inpatient admissions. For Moore County, the data is based on 24,306 inpatient admissions.

North Carolina Hospital Admissions by Payor Category-FFY 2012	
Payor Category	**Percent of Total**
Commercial/HMO	31.0%
Medicaid	22.3%
Medicare	37.6%
Other	3.3%
Uninsured	5.8%
Total	**100.0%**

Source: Cecil B. Sheps Center for Health Services Research

Moore County Hospital Admissions by Payor Category-FFY 2012	
Payor Category	**Percent of Total**
Commercial/HMO	24.3%
Medicaid	15.4%
Medicare	47.9%
Other	7.8%
Uninsured	4.5%
Total	**100.0%**

Source: Cecil B. Sheps Center for Health Services Research

In Section VI.12 and VI.13, page 93, the applicant provides the payor mix during Fiscal Year 2013 for the entire hospital and acute care services, as illustrated below in the table:

FMRH FY 2013 PAYOR MIX		
	Entire Facility	**Acute Care**
Medicare/Medicare Managed Care	64.9%	59.3%
Medicaid	8.3%	12.9%
Managed Care/Commercial	14.7%	19.5%
Other (Government)	0.0%	4.0%
Self-Pay/Charity	12.1%	4.4%
Total	**100.0%**	**100.1%**

Totals may not foot due to rounding.

See Exhibit 9 for a copy of the applicant's *Non Discrimination Policy*. In Section VI.2, page 86, the applicant states:

> "*It is the policy of all departments within FirstHealth to admit and to treat all patients without regard to race, color, religion, creed, national origin, sex, sexual preference, disability, age, or ability to pay. The same requirements for admission are applied to all, and all the patients in the hospital are assigned within the hospital accordance with their medical needs* …"

On page 92, the applicant states the following:

FY 2013:		
Charity		*$13.6 million*
Bad Debt		*$51.7 million*
	Total	***$65.3 million***

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 Moore County and statewide.

	Total # of Medicaid Eligibles as % of Total Population	**Total # of Medicaid Eligibles Age 21 and older as % of Total Population**	**% Uninsured CY 2009 (Estimate by Cecil G. Sheps Center)**
Moore	14%	5.7%	18.5%
Statewide	17%	6.7%	19.7%

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

The majority of Medicaid eligibles are children under the age of 21. This age group does not typically utilize the same health services at the same rate as older segments of the population.

Moreover, the number of persons eligible for Medicaid assistance may be greater than the number of Medicaid eligibles who actually utilize health services. The DMA website includes information regarding dental services which illustrates this point. For dental services only, DMA provides a comparison of the number of persons eligible for dental services with the number actually receiving services. The statewide percentage of persons eligible to receive dental services who actually received dental services was 45.9% for those age 20 and younger and 30.6% for those age 21 and older. Similar information is not provided on the website for other types of services covered by Medicaid. However, it is reasonable to assume that the percentage of those actually receiving other types of health services covered by Medicaid is less than the percentage that is eligible for those services.

The Office of State Budget & Management (OSBM) maintains a website which provides historical and projected population data for each county in North Carolina. In addition, data is available by age, race or gender. However, a direct comparison to the applicant's current payor mix would be of little value. The population data by age, race or gender does not include information on the number of elderly, minorities, women or handicapped persons utilizing health services.

The applicant demonstrates that medically underserved populations currently have adequate access to the services offered at FMRH. 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 92, the applicant states:

> "*In June 1995, FMRH fulfilled its Hill-Burton quota to provide uncompensated care, community service, and access to minorities and handicapped persons under Hill-Burton*."

See Exhibit 9 for a copy of the applicant's *Non Discrimination Policy*. In Section VI.10(a), page 92, the applicant states that there have been no civil rights access complaints filed against the hospital or FirstHealth of the Carolinas, Inc. 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.14(a and VI.15)(a), page 94, the applicant provides the projected payor mix for the second full fiscal year (2018) of operations for the entire facility and acute care services, as illustrated below in the table:

FMRH FY 2018 PROJECTED PAYOR MIX *		
	Entire Facility	**Acute Care**
Medicare/Medicare Managed Care	61.7%	59.4%
Medicaid	9.3%	11.4%
Managed Care/Commercial	0.0%	19.7%
Commercial Insurance	16.7%	0.0%
Other (Government)	0.0%	4.1%
Self-Pay/Charity	12.3%	5.3%
Total	**100.0%**	**99.9%**

Totals may not foot due to rounding.*FirstHealth states that the payor mixes are based on FY2014 year-to-date data rather than FY2013 data.

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

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

C

In Section VI.9(a)(b), page 91, the applicant states that access to its services is via physician referral, transfer arrangements with eight hospitals, and from emergency department transfers.

The applicant adequately demonstrates it offers a range of means by which patients will have adequate access to the proposed 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(a), page 69, the applicant states:

"*FirstHealth is committed to collaborative relationships with local and regional health professional training programs. FirstHealth currently has agreements with over 207 health professional training programs*."

In Exhibit 13, the applicant provides the list of training programs located in and out of state, as well as a copy of a training program affiliation agreement. The applicant demonstrates that the facility will continue to accommodate the clinical needs of health professional training programs in the area. The information the applicant provides is reasonable and credible and supports a finding of conformity with this criterion.

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

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

C

The applicant operates the only acute care hospital in the Moore County which provides care to residents of a 15-county service area. The applicant states that the counties of Moore, Hoke, Montgomery, Richmond and Scotland comprise its five-county primary service area. FMRH proposes to add 25 acute care beds for a total of 337 acute care beds upon project completion.

In Section V.7, pages 75-83, the applicant discusses how any enhanced competition in the service area will promote cost effectiveness, quality, and access to the proposed services. See also Sections II, III, VI and VII of the application where the applicant discusses the impact of the project on cost effectiveness, quality and access.

The information in the application 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 applicant adequately demonstrates the need to develop 25 additional acute care beds and that it is a cost effective alternative. The discussion regarding need found in Criterion (3) and the discussion regarding alternatives found in Criterion (4) are incorporated herein by reference.

- The applicant adequately demonstrates that it will continue to provide quality services.
- The applicant demonstrates that it will continue to provide adequate access to medically underserved populations. The discussion regarding access found in Criterion (13) is 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

FMRH is accredited by the Joint Commission and certified for Medicare and Medicaid participation. According to the files in the Acute and Home Care Licensure and Certification Section, 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 to this criterion.

(21) Repealed effective July 1, 1987.

(b) The Department is authorized to adopt rules for the review of particular types of applications that will be used in addition to those criteria outlined in subsection (a) of this section and may vary according to the purpose for which a particular review is being conducted or the type of health service reviewed. No such rule adopted by the Department shall require an academic medical center teaching hospital, as defined by the State Medical Facilities Plan, to demonstrate that any facility or service at another hospital is being appropriately utilized in order for that academic medical center teaching hospital to be approved for the issuance of a certificate of need to develop any similar facility or service.

C

The application is conforming to all applicable Criteria and Standards for Acute Care Beds, promulgated in 10A NCAC 14C .3800. The specific criteria are discussed below.

SECTION .3800 - CRITERIA AND STANDARDS FOR ACUTE CARE BEDS

10A NCAC 14C .3802 INFORMATION REQUIRED OF APPLICANT

(a) An applicant that proposes to develop new acute care beds shall complete the Acute Care Facility/Medical Equipment application form.

-C- FMRH used the Acute Care Facility/Medical Equipment application form.

(b) An applicant proposing to develop new acute care beds shall submit the following information:

(1) the number of acute care beds proposed to be licensed and operated following completion of the proposed project;

-C- In Section II.8, page 27, FMRH states the hospital will be licensed to operate 337 acute care beds upon completion of this proposed project.

(2) documentation that the proposed services shall be provided in conformance with all applicable facility, programmatic, and service specific licensure, certification, and JCAHO accreditation standards;

-C- In Section II.8, page 27, the applicant refers the reader to Exhibit 4 which contains documentation that FMRH will provide services in conformance to all applicable facility, programmatic, and service specific licensure, certification, and Joint Commission accreditation standards.

(3) documentation that the proposed services shall be offered in a physical environment that conforms to the requirements of federal, state, and local regulatory bodies;

-C- In Section II.8, page 27, and Exhibit 8, FMRH provides documentation that the services will be provided in a physical environment that conforms to requirements of federal, state and local regulatory bodies.

(4) if adding new acute care beds to an existing facility, documentation of the number of inpatient days of care provided in the last operating year in the existing licensed acute care beds by medical diagnostic category, as classified by the Centers for Medicare and Medicaid Services according to the list set forth in the applicable State Medical Facilities Plan;

-C- In Section II.8, page 28, the applicant provides the number of patient days of care by medical diagnostic category (MDC) as classified by the Centers for Medicare and Medicaid Services (CMS) according to the list set forth in the 2014 SMFP, as illustrated below:

FMRH FY 2013 INPATIENT DOC BY MDC		
MDC	**MDC Description**	**FY13 Days**
0	Pre-MDC	61
1	Nervous System	6,279
2	Eye	48
3	Ear, Nose, Mouth and Throat	449
4	Respiratory System	12,216
5	Circulatory System	17,425
6	Digestive System	8,530
7	Hepatobiliary System and Pancreas	2,426
8	Musculoskeletal System and Connective Tissue	11,075
9	Subcutaneous Tissue and Breast	2,015
10	Endocrine, Nutritional and Metabolic System	2,962
11	Kidney and Urinary Tract	5,245
12	Male Reproductive System	272

13	Female Reproductive System	505
14	Pregnancy, Childbirth and Puerperium	3,582
15	Newborns and Other Neonates (Perinatal Period)	---
16	Blood, Blood Forming Organs and Immunological Disorders	1,078
17	Myeloproliferative Diseases and Disorders (Poorly Differentiated Neoplasms)	366
18	Infectious and Parasitic Diseases and Disorders	8,710
19	Mental Diseases and Disorders	---
20	Alcohol/Drug Use Induced Mental Disorders	---
21	Injuries, Poisoning and Toxic Effects of Drugs	1,158
22	Burns	3
23	Factors Influencing Health Status	4,054
24	Multiple Significant Trauma	172
25	Human Immunodeficiency Virus Infections	211
	TOTAL	**88,842**

Note: The applicant stated that 2013 MDC DOC as reported above are not equal to the FY2013 DOC as reported in the 2014 SMFP due to Truven Health analytic changes.

(5) the projected number of inpatient days of care to be provided in the total number of licensed acute care beds in the facility, by county of residence, for each of the first three years following completion of the proposed project, including all assumptions, data and methodologies;

-C- In Section III.8, page 61, and Section IV, page 66, the applicant provides sufficient information to calculate projected inpatient days of care (DOC), by county of residence, for each of the first three years following completion of the proposed project, as shown below in the table. See Section IV.1, pages 64-68, for the assumptions, data and methodologies used by the applicant to project the number of inpatient days of care.

FMRH PROJECTED DOC			
County	**FY 2017**	**FY 2018**	**FY 2019**
Moore	42,319	42,075	42,790
Richmond	11,541	11,475	11,670
Hoke	4,305	4,280	4,353
Montgomery	8,152	8,105	8,243
Robeson	4,946	4,918	5,001
Lee	5,862	5,829	5,928
Scotland	3,664	3,643	3,705
Other	10,809	10,746	10,929
Total	**91,599**	**91,071**	**92,620**

(6) documentation that the applicant shall be able to communicate with emergency transportation agencies 24 hours per day, 7 days per week;

-C- In Section II.8, page 29, the applicant refers the reader to Exhibit 4 for documentation that states that it is able to communicate with emergency transportation agencies 24 hours per day, seven days per week.

(7) documentation that services in the emergency care department shall be provided 24 hours per day, 7 days per week, including a description of the scope of services to be provided during each shift and the physician and professional staffing that will be responsible for provision of those services;

-C- In Section II.8, page 30, the applicant documents that as a Level II emergency department, it provides non-urgent, urgent, emergency and trauma services 24 hours per day, 7 days per week.

(8) copy of written administrative policies that prohibit the exclusion of services to any patient on the basis of age, race, sex, creed, religion, disability or the patient's ability to pay;

-C- In Section II.8, page 30, the applicant refers the reader to Exhibit 9 for its administrative policy which prohibits the exclusion of services to any patient based on age, race, sex, creed, religion, disability or the patient's ability to pay.

(*9) a written commitment to participate in and comply with conditions of participation in the Medicare and Medicaid programs;*

-C- In Section II.8, page 30, the applicant states that the hospital has complied with the conditions of participation in the Medicare and Medicaid programs since their inception. In Exhibit 4, the applicant provides a letter from the FMRH CEO stating continued compliance with those conditions of participation.

(10) documentation of the health care services provided by the applicant, and any facility in North Carolina owned or operated by the applicant's parent organization, in each of the last two operating years to Medicare patients, Medicaid patients, and patients who are not able to pay for their care;

-C- See Exhibit 22 for a copy of FMRH's audited financial statements, and pages 356-360, which include a detailed description of the healthcare services provided by FirstHealth entities for Medicare and Medicaid patients and patients who are not able to pay for their care in each of the last two operating years. In Section II.8, page 31, the applicant lists the FirstHealth facilities that provided care to Medicare and Medicaid patients and to patients who are not able to pay for services.

(11) documentation of strategies to be used and activities undertaken by the applicant to attract physicians and medical staff who will provide care to patients without regard to their ability to pay; and

-C- In Section II.11, page 32, the applicant states, "… *FirstHealth provides access to all patients regardless of their ability to pay*." See Exhibit 10 for the applicant's Medical Staff Development Plan, Exhibit 22 for a copy of audited financial statements and Section VI for the applicant's discussion of its policies on charity care.

(12) documentation that the proposed new acute care beds shall be operated in a hospital that provides inpatient medical services to other surgical and non-surgical patients.

-C- In Section II.8, page 32, the applicant refers the reader to Exhibit 4 for a letter from the CEO stating that the proposed acute care beds will be operated to provide inpatient medical services to both surgical and non-surgical patients. In Section II.8, page 28, the applicant provides FMRH's FY2013 inpatient days of care by medical diagnostic category (MDC) as classified by the Centers for Medicare and Medicaid Services as listed in the 2014 SMFP. The applicant adequately documents that FMRH provides inpatient services to surgical and non-surgical patients.

(c) An applicant proposing to develop new acute care beds in a new licensed hospital or on a new campus of an existing hospital shall also submit the following information:

(1)the projected number of inpatient days of care to be provided in the licensed acute care beds in the new hospital or on the new campus, by major diagnostic category as recognized by the Centers for Medicare and Medicaid Services (CMS) according to the list set forth in the applicable State Medical Facilities Plan;

(2)documentation that medical and surgical services shall be provided in the proposed acute care beds on a daily basis within at least five of the major diagnostic categories as recognized by the Centers for Medicare and Medicaid Services (CMS) according to the list set forth in the applicable State Medical Facilities Plan;

(3)copies of written policies and procedures for the provision of care within the new acute care hospital or on the new campus, including but not limited to the following:

(A)the admission and discharge of patients, including discharge planning,

(B)transfer of patients to another hospital,

(C)infection control, and

(D)safety procedures;

(4)documentation that the applicant owns or otherwise has control of the site on which the proposed acute care beds will be located; and

(5)documentation that the proposed site is suitable for development of the facility with regard to water, sewage disposal, site development and zoning requirements; and provide the required procedures for obtaining zoning changes and a special use permit if site is currently not properly zoned; and

(6)correspondence from physicians and other referral sources that documents their willingness to refer or admit patients to the proposed new hospital or new campus.

-NA- FMRH does not propose to develop new acute care beds in a new licensed hospital or on a new campus of an existing hospital.

10A NCAC 14C .3803 PERFORMANCE STANDARDS

(a) An applicant proposing to develop new acute care beds shall demonstrate that the projected average daily census (ADC) of the total number of licensed acute care beds proposed to be licensed within the service area, under common ownership with the applicant, divided by the total number of those licensed acute care beds is reasonably projected to be at least 66.7 percent when the projected ADC is less than 100 patients, 71.4 percent when the projected ADC is 100 to 200 patients, and 75.2 percent when the projected ADC is greater than 200 patients, in the third operating year following completion of the proposed project or in the year for which the need determination is identified in the State Medical Facilities Plan, whichever is later.

-C- In Section II.8, page 34, the applicant projects that the utilization rate for FMRH will be 75.3% in the third Project Year (2019) following completion of the proposed project.

[(92,620 days of care) / (337 beds x 365 days) x 100 = 75.3%

(b)An applicant proposing to develop new acute care beds shall provide all assumptions and data used to develop the projections required in this rule and demonstrate that they support the projected inpatient utilization and average daily census.

-C- In Section IV, pages 66-68, the applicant's assumptions and data used to project inpatient utilization support the projected utilization and average daily census. The discussion regarding projected utilization found in Criterion (3) is incorporated herein by reference.

10A NCAC 14C .3804 SUPPORT SERVICES

(a) An applicant proposing to develop new acute care beds shall document that each of the following items shall be available to the facility 24 hours per day, 7 days per week:

(1) laboratory services including microspecimen chemistry techniques and blood gas determinations;
(2) radiology services;
(3) blood bank services;
(4) pharmacy services;
(5) oxygen and air and suction capability;
(6) electronic physiological monitoring capability;

(7) mechanical ventilatory assistance equipment including airways, manual breathing bag and ventilator/respirator;
(8) endotracheal intubation capability;
(9) cardiac arrest management plan;
(10) patient weighing device for a patient confined to their bed; and
(11) isolation capability;

-C- In Section II.8, page 35, the applicant states that FMRH currently provides all of the above referenced services. See Exhibit 4 for a May 25, 2014 letter from the hospital CEO attesting that FMRH will continue to provide the above referenced services.

(b) If any item in Paragraph (a) of this Rule will not be available in the facility 24 hours per day, 7 days per week, the applicant shall document the basis for determining the item is not needed in the facility.

-C- In Section II.8, page 35, the applicant states that all of the items in Paragraph (a) of this Rule will be available 24 hours per day, seven days per week.

(c) If any item in Paragraph (a) of this Rule will be contracted, the applicant shall provide correspondence from the proposed provider of its intent to contract with the applicant.

-C- In Section II.8, page 35, the applicant states that none of the items in Paragraph (a) of this Rule will be contracted.

10A NCAC 14C .3805 STAFFING AND STAFF TRAINING

(a) An applicant proposing to develop new acute care beds shall demonstrate that the proposed staff for the new acute care beds shall comply with licensure requirements set forth in Title 10A NCAC 13B, Licensing of Hospitals.

-C- In Section II.8, page 36, the applicant states that staffing for the proposed 25-bed addition complies with licensure requirements set forth in *Title 10A NCAC 13B, Licensing of Hospitals*.

(b) An applicant proposing to develop new acute care beds shall provide correspondence from the persons who expressed interest in serving as Chief Executive Officer and Chief Nursing Executive of the facility in which the new acute care beds will be located, documenting their willingness to serve in this capacity.

-C- See Exhibit 4 for the letter from the CEO and Exhibit 11 for the letter from the Chief Nursing Executive (CNE) expressing their willingness to continue serving in the CEO and CNE positions.

(c) An applicant proposing to develop new acute care beds in a new hospital or on a new campus of an existing hospital shall provide a job description and the educational and training requirements for the Chief Executive Officer, Chief Nursing Executive and each department head which is required by licensure rules to be employed in the facility in which the acute care beds will be located.

-NA- FMRH is an existing acute care facility and proposes to add the 25 acute care beds to the existing facility on the same campus.

(d) An applicant proposing to develop new acute care beds shall document the availability of admitting physicians who shall admit and care for patients in each of the major diagnostic categories to be served by the applicant.

-C- In Section II.8, page 27, the applicant states, "*FMRH currently has 234 medical staff members with admitting privileges that admit and care for patients that cover all major diagnostic categories. ...*" See Section VII.8 for a list of FMRH physicians by medical and dental specialty.

(e) An applicant proposing to develop new acute care beds shall provide documentation of the availability of support and clinical staff to provide care for patients in each of the major diagnostic categories to be served by the applicant.

-C- See Section II.8, page 37, Section VII.3(b), page 96, and Section VII.8(b), page 106, for documentation of the availability of support and clinical staff to provide care for patients in each of the major diagnostic categories currently served by FMRH.