ATTACHMENT – REQUIRED STATE AGENCY FINDINGS

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

Decision Date: September 11, 2015
Findings Date: September 11, 2015

Project Analyst: Tanya S. Rupp
Team Leader: Lisa Pittman

Project ID #: O-11042-15
Facility: New Hanover Regional Medical Center
FID #: 943372
County: New Hanover
Applicant(s): New Hanover Regional Medical Center
Project: Develop 31 acute care beds for a total of 678 acute care beds in the hospital

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

New Hanover Regional Medical Center (NHRMC), located in Wilmington, in New Hanover County, proposes to add 31 new acute care beds to the Betty H. Cameron Women's and Children's wing on the main hospital campus, for a total of 678 licensed acute care beds on that campus upon project completion. In addition, the applicant proposes to relocate 9 existing acute care beds within the hospital. The applicant proposes a new 34,133 square foot 40-bed acute care unit that will be located on top of the Betty H. Cameron Women's and Children's Hospital wing. The applicant does not propose to acquire additional major medical equipment or develop any other health services as part of this project.

Need Determination

The 2015 State Medical Facilities Plan (SMFP) includes an Acute Care Bed Need Determination for 31 additional acute care beds in the New Hanover County Service Area. The 2015 SMFP states:

> *"Any qualified applicant may apply for a certificate of need to acquire the needed acute care beds. A person is a qualified applicant if he or she proposes to operate the additional acute care beds in a hospital that will provide:*
>
> *(1) a 24-hour emergency services department,*
> *(2) inpatient medical services to both surgical and non-surgical patients, and*
> *(3) if proposing a new licensed hospital, medical and surgical services on a daily basis within at least five of the major diagnostic categories as recognized by the Centers for Medicare and Medicaid services (CMS), as follows: … [as listed on page 47 of the 2015 SFMP]."*

The applicant does not propose to develop more acute care beds than are determined to be needed in the New Hanover County service area. NHRMC currently operates a 24-hour emergency services department. In Section II.4, page 27, the applicant provides the number of inpatient days of care by major diagnostic category (MDC) provided at NHRMC during FY 2014. NHRMC provides services in all 25 MDCs listed in the 2015 SMFP. Therefore, the applicant adequately demonstrates that it will provide medical and surgical services in at least five of the 25 MDCs recognized by CMS. Thus, NHRMC is a qualified applicant and the proposal is consistent with the need determination in the 2015 SMFP for acute care beds in New Hanover County.

Policies

The following policies in the 2015 SMFP apply to this review:

- Policy AC-5: Replacement of Acute Care Bed Capacity (pages 23 – 24, 2015 SMFP)
- Policy GEN-3: Basic Principles (page 38, 2015 SMFP)
- Policy GEN-4: Energy Efficiency and Sustainability for Health Service Facilities (page 39, 2015 SMFP)

Policy AC-5: Replacement of Acute Care Bed Capacity states:

> *"Proposals for either partial or total replacement of acute care beds (i.e., construction of new space for existing acute care beds) shall be evaluated against the utilization of the total number of acute care bed in the applicant's hospital in relation to utilization targets found below. For hospitals* ***not*** *designated by the Centers for Medicare & Medicaid Services as Critical Access Hospitals, in determining*

utilization of acute care beds, only acute care bed 'days of care' shall be counted. For hospitals designated by the Centers for Medicare & Medicaid Services as Critical Access Hospitals, in determining utilization of acute care beds, only acute care bed 'days of care' ***and*** *swing beds days (i.e. nursing facility days of care) shall be counted in determining utilization of acute care beds. Any hospital proposing replacement of acute care beds must clearly demonstrate the need for maintaining the acute care bed capacity proposed within the application. Additionally, if the hospital is a Critical Access Hospital and swing bed days are proposed to be counted in determining utilization of acute care beds, the hospital shall also propose to remain a Critical Care Access Hospital and must demonstrate the need for maintaining the swing bed capacity proposed within the application. If the Critical Access Hospital does not propose to remain a Critical Access Hospital, only acute care bed 'days of care' shall be counted in determining utilization of acute care beds and the hospital must clearly demonstrate the need for maintaining the acute care bed capacity proposed within the application."*

FACILITY AVERAGE DAILY CENSUS	TARGET OCCUPANCY OF LICENSED ACUTE CARE BEDS
1 - 99	*66.7%*
100 - 200	*71.4%*
Greater than 200	*75.2%*

Policy AC-5 is applicable to this review because NHRMC proposes to relocate and construct new space for nine existing acute care beds.

The following table illustrates historical and projected acute care bed utilization as reported in Section IV, page 62:

	HISTORICAL						
	FY 2008	**FY 2009**	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**
Days of Care	139,437	147,953	145,792	154,668	159,793	165,539	163,950
PROJECTED							
	FY 2015	**FY 2016**	**FY 2017**	**FY 2018**	**FY 2019**	**FY 2020**	**FY 2021**
Days of Care	167,091	170,267	173,455	176,637	179,820	183,006	186,187

As shown in the table above, the applicant projects that the occupancy rate for the 678 total acute care beds at NHRMC will be 75.2% in Project Year Three [(186,187 days of care / 365 days) / 678 beds = 0.752]. The projected occupancy rate meets the target of 75.2% required for a facility with an average daily census greater than 200, as required by this policy.

Projected utilization is based on reasonable and adequately supported assumptions. The discussion regarding projected utilization found in Criterion (3) is incorporated herein by reference. The applicant adequately demonstrates the need to maintain the acute care bed

capacity proposed in this application, and therefore, the application is consistent with Policy AC-5.

Policy GEN-3: Basic Principles 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.7, page 23, Section V.7, pages 70 - 75, 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.7, page 76, Section VI.6, page 82, 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.7, page 77, and referenced exhibits. 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 2015 SMFP. Therefore, the application is consistent with Policy GEN-3.

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 XI.7, page 111, the applicant describes the measures that will be taken to assure the proposed additional 31 acute care beds at NHRMC will be energy efficient and conserve water. Additionally, in Exhibit 8 the applicant provides a May 8, 2015 letter from the project architect that further outlines the details of NHRMC's energy efficiency and water conservation plan.

The applicant adequately demonstrates the proposal includes a 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).

Conclusion

In summary, the applicant adequately demonstrates that the proposal to add 31 acute care beds to NHRMC's main campus is consistent with the need determination in the 2015 SMFP. Additionally, the application is consistent with Policies AC-5, 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

New Hanover Regional Medical Center proposes to construct 68,266 total square feet of new space and develop a new 40-bed acute care unit above the Betty H. Cameron Women's and Children's wing on the main hospital campus in Wilmington, by adding 31 new acute care beds and relocating nine existing acute care beds.

Population to be Served

On page 48, the 2015 SMFP defines the service area for acute care services by county (or multicounty service area for counties without a hospital). NHRMC is located in New Hanover County. Thus, the service area for this hospital is New Hanover County. Facilities may also serve residents of counties not included in their service area.

In Section III.4(a), page 53, the applicant identifies the patient origin for the inpatient population served at NHRMC during FY2014. As New Hanover County's only hospital, NHRMC provided care to residents residing in 80 counties throughout North Carolina and several counties in South Carolina. The 2015 SMFP identifies the acute care service area of NHRMC as New Hanover County. The table below summarizes the historical patient origin for NHRMC for inpatient services, based on the applicant's information on page 53 of the application.

COUNTY	# CASES	%
New Hanover	17,084	47.62%
Brunswick	6,066	16.91%
Pender	4,234	11.80%
Onslow	2,357	6.57%
Columbus	1,928	5.37%
Duplin	1,257	3.50%
Bladen	707	1.97%
Other NC Counties	1,187	3.31%
Other States	1,055	2.94%
Total	35,875	100.00%

The applicant states the information was obtained from NHRMC's 2015 License Renewal Application (LRA). As illustrated in the table above, New Hanover County represents nearly one-half of all inpatient acute care hospital admissions for NHRMC. Brunswick and Pender Counties, which are contiguous to New Hanover County, represent an additional 29% of acute care admissions.

In Section III.5(a), page 54, the applicant states:

"The primary service area is Brunswick, New Hanover, Onslow, and Pender counties, which account for 82.9 percent of inpatient admissions in FY 2014. However, it is important to note that NHRMC tertiary care service area includes other North Carolina counties and several South Carolina counties and that NHRMC will serve any clinically appropriate patient regardless of the patient's place of resident [sic]*."*

In Section III.5(c), page 56, the applicant projects patient origin for NHRMC's acute care services for the first two project years, FFY 2019 and FFY 2020, as shown in the following table:

COUNTY	FFY 2019	FFY 2020
Primary Service Area		
New Hanover	47.6%	47.6%
Brunswick	16.9%	16.9%
Pender	11.8%	11.8%
Onslow	6.6%	6.6%
Secondary Service		
Columbus	5.4%	5.4%
Duplin	3.5%	3.5%
Other	8.2%	8.2%
Total	100.0%	100.0%

The applicant states that projected patient origin for the proposal will remain consistent through FY 2020.

The applicant adequately identifies the population it proposes to serve.

Analysis of Need

In Section III.1, page 38, the applicant states:

"To achieve the objectives identified in Section III.1, NHRMC proposes to establish a new 40-bed acute care unit. In validating projected days of care, NHRMC reviewed:

1. *Population Growth Trends*
   -New Hanover County Population Growth
   -Primary Service Area Population Growth
2. *NHRMC Physician Group Growth*
3. *New NHRMC Services*
4. *Inpatient Utilization."*

The applicant discusses these factors on pages 39 – 47, as summarized below.

Population Growth Trends

In Section III.1, pages 39 - 42, the applicant states the total population of the primary service area grew 9.3% from 2010 to 2015, and is projected to grow 9.5% from 2015 to 2020, according to data obtained from North Carolina Office of State Budget and Management (NCOSBM). Specifically, the applicant states on page 41:

- *"The 45-64 population grew by 3.7 percent from 2010 to 2015, representing 23.2 percent of the primary service area's population. NCOSBM projects that the 45-64 population will increase by an additional 5.7 percent from 2015 to 2020.*
- *The elderly population (65+ years old) grew by 30.0 percent from 2010 to 2015, to represent 15.9 percent of the primary service area's total population. NCOSBM projects that the elderly population will be the fastest-growing population, increasing by 22.6 percent from 2015 to 2020."*

On pages 39 and 41, the applicant states the elderly population (age 65 +), which is the group projected to grow the most over the next five years, statistically has more admissions per 1,000 than younger population groups. Similarly, the elderly population group has a longer average length of stay and more total hospital discharges than younger population groups.

On page 42, the applicant provides a table to illustrate the Centers for Disease Control National Hospital Discharge Survey from 2010 that shows that hospital discharges and average length of stay are higher among older population groups. Furthermore, the applicant states that the population growth in the primary service area supported growth in both patient admissions and days of care at NHRMC between 2010 and 2013. The applicant states that, *"similarly, NHRMC reasonably assumes that the higher growth in the key 65+ demographics will support patient admissions and thus days of care growth between 2015 and 2021."*

Thus, the applicant states the projected population growth supports the 2015 SMFP need determination for 31 additional acute care beds at NHRMC.

New Hanover Regional Medical Center Physician Group Growth

In Section III.1, page 43, the applicant states NHRMC has a *Provider Manpower Development Plan* in place by which the hospital actively recruits physicians in selected specialties based on a demonstrated need. The applicant states that, over the past ten years, the hospital has added 66 members to its medical staff, which represents growth of 14%. The applicant documents this growth in a table on page 43. By the end of 2015, the applicant states it will add 20 physicians to the hospital staff, which will increase patient referrals and thus inpatient admissions.

In addition, the applicant states that if the new physicians open medical practices in the surrounding areas after coming to NHRMC, that would potentially increase utilization of the hospital's services. On page 43, the applicant states continued physician recruitment and growth supports the need for 31 additional acute care beds.

New NHRMC Services

In Section III.1, pages 44 – 45, the applicant states that, in addition to population growth, an increase in physicians and other medical staff, and an increase in hospital admissions, the implementation of an Accountable Care Organization (ACO) has increased admissions to NHRMC since January, 2014.

Citing information from *AccountableCareFacts.Org*, the applicant states:

> *"Accountable Care Organization (ACO) can be defined as a set of health care providers including primary care physicians, specialists, and hospitals-that work together collaboratively and accept collective accountability for the cost and quality of care delivered to a population of patients.*
>
> *The belief is that, if well-conceived and implemented, ACOs can achieve both cost and quality improvements because the coordinated and collaborative nature of the delivery system itself is paid for and rewarded for its outcomes, not for its volume of services. Therefore, the structure of an ACO becomes important: experts believe that ACOs must be physician-led, primary care-centered, and patient-focused systems of care. Currently, there are many health care systems of physicians and hospitals that function like ACOs, and the research conducted on these entities support the prevailing notion. By encouraging the evolution and growth of ACOs through payment incentives and a favorable regulatory climate, ACOs may be the most promising mechanism to control costs and improve quality and access in the American healthcare system.*
>
> *ACOs should be formed around strong primary care, specialty, and hospital physician-led alliances. Payment by insurers and the government should incentivize cost control and the improvement of care that is delivered within these organizations. In this way, ACOs can be formed that serve all patients equally, not just the people covered by Medicare."*

On page 45, the applicant states that ACOs are a vehicle by which hospitals can manage both the cost and the quality of health care. According to the applicant, when hospitals operate an ACO, it effects an increase in utilization of that hospital's services. The result is that patients in both commercial and Medicare payor groups increasingly utilize services provided by the hospital. The applicant states NHRMC's market share in the primary service area has increased from 18.1% to 20.9% since January 2014, when it began operating an ACO model.

Inpatient Utilization

In Section III.1, pages 46 – 47, the applicant states inpatient days of care at NHRMC has increased by 17.6% in the last six years. Similarly, emergency department visits increased by 10.3%; and outpatient visits increased by 32.3% during the same time.

In addition, the applicant states:

> *"Additionally, NHRMC continues to experience more "Code Lavender" days every month. A Code Lavender day occurs when inpatient medical-surgical units reach over 95 percent of their capacity. This is a major factor in deciding to develop a medical-surgical unit, rather than a sub-specialty unit."*

The applicant states that, since NHRMC is the only acute care hospital and the only tertiary care provider in the primary service area, it must continue to accommodate patient needs.

Projected Utilization

In Section IV.1, pages 59 – 64, the applicant projects utilization of the proposed acute care beds, relying in part on the methodology found on pages 44 – 46 of the 2015 SMFP. The 2015 SMFP acute care bed need determination resulted in a need in the New Hanover County acute care bed service area for 31 acute care beds, projecting a total of 193,202 days of care in FY 2017. The applicant, however, projects fewer days of care.

In Section IV.1, pages 60 – 62, the applicant states that, between FY 2008 and FY 2014, the overall number of acute care days of care increased at NHRMC by a total of 17.6%, despite slight decreases in FFY 2010 and FFY 2014. The applicant also calculates the average change rate under several scenarios, as shown in the following table:

	HISTORICAL DAYS OF CARE NHRMC						
	FY 2008	**FY 2009**	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**
NHRMC Acute Days of Care	139,437	147,953	145,792	154,668	159,793	165,539	163,950
Annual Change Rate		6.11%	-1.46%	6.09%	3.31%	3.60%	-0.96%
1-Year Change in Rate							-0.96%
2-Year Average Change in Rate						1.32%	
3-Year Average Change in Rate					1.98%		
4-Year Average Change in Rate				3.01%			
5-Year Average Change in Rate			2.12%				
6-Year Average Change in Rate		2.78%					

The applicant states on page 62 that the decrease in days of care from FY 2013 to FY 2014 resulting from the hospital's efforts to decease average length of stay, while temporarily decreasing overall days of care, did not decrease hospital admissions. Furthermore, the applicant states the average growth rates as shown in the table above show an overall consistent increase in inpatient days of care at NHRMC.

On page 61, the applicant analyzes annual population growth projections from NCOSBM from 2014 through 2021.

On page 62, the applicant states:

> *"In response to population growth, the aging of the population, the expansion of the NHRMC network, as well as the development of the Physician Quality Partners, NHRMC expects growth in days of care through FY 2021. NHRMC is experiencing an increasing inpatient days of care trend in FY 2015, which supports NHRMC projected growth in inpatient days of care at NHRMC."*

The applicant calculates the projected annual population growth rate of NCOSBM projections for each county in the primary service area, as shown in the following table.

Primary Service Area County Population Projections

COUNTY	JULY 2014	JULY 2015	JULY 2016	JULY 2017	JULY 2018	JULY 2019	JULY 2020	JULY 2021
Brunswick	118,640	121,744	124,848	127,950	131,052	134,156	137,258	140,360
New Hanover	217,696	221,950	225,486	229,379	233,274	237,167	241,063	244,956
Onslow	197,742	200,922	204,312	207,705	211,093	214,484	217,875	221,266
Pender	56,561	57,689	58,737	59,825	60,899	61,972	63,054	64,122
Total	**590,639**	**601,945**	**613,383**	**624,859**	**636,318**	**647,779**	**659,250**	**670,704**
Annual Growth Rate	--	1.91%	1.90%	1.87%	1.83%	1.80%	1.77%	1.74%

On page 62, the applicant projects the following days of care at NHRMC following the 31 bed addition, by applying the projected annual growth rate to FFY 2014 acute care days, as shown in the following table.

Projected Inpatient Days of Care, NHRMC

	HISTORICAL	PROJECTED						
	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Total Acute Days of Care	163,950	167,091	170,267	173,455	176,637	179,820	183,006	186,187
Annual Growth Rate		1.92%	1.90%	1.87%	1.83%	1.80%	1.77%	1.74%
Annual Change in DOC		3,141	3,177	3,187	3,182	3,183	3,186	3,181
40-bed Acute Care Unit						9,855	10,541	11,169

The applicant states there has been an average annual increase of 2.93% in inpatient days of care at NHRMC from 2008 to 2014 [(163,950 DOC in FY 2014 / 139,437 DOC in FY 2008 = 1.1758) -1 = 0.1758; 0.1758 / 6 = 0.0293]. The applicant states population growth as reported by the NCOSBM for the primary service area is projected to be 11.4% for the period 2015 - 2021. The applicant's utilization projections for inpatient days of care following the addition of the 31 acute care beds and the relocation of the nine existing acute care beds are based on an overall growth of 11.4% [(186,187 / 167,091 = 1.1143) – 1 = 0.1143] for the same period. The projected growth factor utilized by the applicant is lower than actual growth in inpatient utilization at the hospital for the period 2008 - 2014.

On page 63, the applicant states:

> *"NHRMC believes that its volume projections are conservative and reasonable. NHRMC projects days of care equal to 173,455 days in FY 2017, whereas the 2015 SMFP projects days of care to equal 193,202 days in FY 2017.*
>
> *...*
>
> *Based on the NHRMC patient days of care projections for acute care beds, NHRMC plans to develop 31 acute care beds on a new 40-bed acute care unit. After completion of the project, NHRMC will operate 678 acute care beds in New Hanover County."*

Projected utilization is based on reasonable and adequately supported assumptions. The applicant demonstrates that acute inpatient days of care have increased 17.6% overall between FY 2008 and FY 2014, despite a slight decrease in FFY 2010 and FFY 2014. The applicant projects a total of 183,006 inpatient days of care in FY 2020 (Project Year 2), which is an occupancy rate of 73.95% [(183,006 days of care / 365 days) / 678 beds = 0.7395]. This exceeds the 66.7% required by 10A NCAC 14C .3803(a). In addition, the applicant projects the 40-bed acute care bed addition to be utilized at 72.2% by Project Year 2 [(10,541 days of care / 365 days) / 40 beds = 0.722]. Exhibit 24 contains 50 signed letters of support from hospital-based physicians documenting the need for the additional inpatient acute care beds in the New Hanover County service area. The applicant adequately demonstrates the need to add 31 inpatient acute care beds to NHRMC in the New Hanover County service area.

Access

In Section VI.2, pages 79 - 80, the applicant states that NHRMC will continue to provide services to all patients regardless of ability to pay, race, ethnicity, gender, age, handicap or religion. In Section VI.14(a), page 87, the applicant projects 9.8% of all hospital patients will be self-pay or charity care and 71.7% will be recipients of Medicare or Medicaid in FFY 2020.

The applicant adequately demonstrates the extent to which all residents of the area, including underserved groups, are likely to have access to the proposed services.

Conclusion

In summary, the applicant adequately identifies the population to be served, demonstrates the need the population has for the project and demonstrates the extent to which all residents of the 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, pages 50 - 52, the applicant describes several alternatives considered which include the following:

1. Maintain the Status Quo: The applicant states this is not a reasonable alternative, because it has known for several years that it may have to increase its acute care bed capacity in response to the service area population growth, the aging of the population, and the NHRMC physician network growth. The applicant also states that it is the hospital's acute care bed utilization that generated the need in the 2015 SMFP for 31 additional acute care beds in the New Hanover County Acute Care Bed Service Area.

2. Joint Venture: The applicant states this is not a reasonable alternative, because it is impractical to attempt a joint venture when it is the only hospital in the service area, and the project is specific to NHRMC's needs.

3. Develop a New Hospital Campus in New Hanover County: The applicant states that, although feasible, this is not a reasonable alternative until a master facility plan can be developed, which could take several years. In addition, projected capital costs for a new hospital campus range from $65 million to $125 million. Thus, the applicant determined this is not presently a reasonable alternative.

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 proposed alternative is the most effective or least costly alternative to add 31 additional acute care beds. The application is conforming to this criterion and approved subject to the following conditions.

1. **New Hanover Regional Medical Center shall materially comply with all representations made in the certificate of need application.**

2. **New Hanover Regional Medical Center shall not acquire, as part of this project, any equipment that is not included in the project's proposed capital expenditure in Section VIII of the application and which would otherwise require a certificate of need.**

3. **New Hanover Regional Medical Center shall add no more than 31 new acute care beds and relocate no more than 9 existing acute care beds to the new 40-bed acute care bed unit, for a total of no more than 678 acute care beds upon project completion.**

4. **Prior to issuance of the certificate of need, New Hanover Regional Medical Center shall acknowledge acceptance of and agree to comply with all conditions stated herein to the Healthcare Planning and Certificate of Need Section in writing.**

(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 97, the applicant states that the total capital cost of the project will be $39,234,000, including $29,723,000 for construction contract costs, $550,000 for fixed equipment, $3,500,000 for movable equipment, $2,775,000 for architect/engineering fees, $1,286,000 for furniture, and $1,400,000 for contingency fees. In Section IX, page 102, the applicant states there will be no start-up or initial operating expenses associated with the proposed project. In Section VIII.3, page 98, the applicant states that the project will be funded with accumulated reserves.

Exhibit 19 contains a June 1, 2015 letter signed by the CFO for New Hanover Regional Medical Center, which states:

> *"New Hanover Regional Medical Center (NHRMC) will obligate and commit $39,234,000 for the sole purpose of developing a 40-bed acute care inpatient unit above its existing Women's and Children's Hospital. NHRMC plans to provide the funds through Accumulated Reserves.*
>
> *NHRMC has sufficient Accumulated Reserves to provide the funding required for this project. Please refer to the audited financial statements included in the Exhibit Book, which show on page 12 that NHRMC has over $57 million in Cash and cash equivalents and $319 million in Noncurrent Cash and Investments – Designated by*

Board for capital improvements. I have the authority on behalf of NHRMC to commit these funds on behalf of NHRMC."

In Exhibit 20, the applicant provides the audited financial statements for New Hanover Regional Medical Center for years ending September 30, 2014 and September 30, 2013. These financial statements confirm the CFO's statements.

The applicant provides pro forma financial statements for the first three years of the project for the entire hospital and for the 40-bed acute care unit. The applicant projects that hospital revenues will exceed operating expenses in each of the first three full fiscal years, as illustrated in the tables below.

Net Income Projections – Total Hospital

	PROJECT YEAR 1 (FFY 2019)	PROJECT YEAR 2 (FFY 2020)	PROJECT YEAR 3 (FFY 2021)
Total Patient Revenue	$918,686,000	$951,322,000	$984,842,000
Total Expenses	$862,027,000	$899,113,000	$937,647,000
Net Income	$ 56,660,000	$ 52,209,000	$ 47,195,000

Net Income Projections – New 40-bed Acute Care Unit

	PROJECT YEAR 1 (FFY 2019)	PROJECT YEAR 2 (FFY 2020)	PROJECT YEAR 3 (FFY 2021)
Total Patient Revenue	$17,386,725	$18,797,544	$20,092,363
Total Expenses	$15,989,693	$17,091,385	$18,189,284
Net Income	$ 1,397,032	$ 1,706,158	$ 1,903,079

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 projected 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

On page 44, the 2015 SMFP states the service area for an acute care bed is the acute care bed planning area in which the bed is located. On page 48, Figure 5.1 defines the New Hanover acute care bed service area as New Hanover County. Facilities may also serve residents of counties not included in their service area.

The 2015 State Medical Facilities Plan identified a need for 31 new acute care beds in the New Hanover County service area. NHRMC is the only hospital located in the New Hanover County service area. NHRMC proposes to add 31 new inpatient acute care beds for a total of 678 acute care beds upon project completion. The applicant adequately demonstrates the need for its proposal. The discussion regarding analysis of need found in Criterion (3) is incorporated herein by reference.

The applicant adequately demonstrates the project will not result in the unnecessary duplication of existing or approved acute care services in the New Hanover 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

The applicant proposes to add 31 new acute care beds and relocate nine existing acute care beds to develop a 40-bed acute care inpatient unit on the main campus of the hospital. In Section VII.1, page 89, the applicant projects the number of full-time equivalent (FTE) positions it proposes to add to staff the proposed acute care bed unit by the second project year. See the table below:

POSITION	# FTE POSITIONS ADDED
Clinical	
Manager	1.00
Supervisor	3.90
Staff RN	30.40
Staff LPN	0.04
Aide	20.60
Technician	1.60
Case Manager	2.50
Pharmacist I	1.00
Registered Respiratory Therapist	0.50
Non-Clinical	
Clerical	1.70
Clinical Non-Professional	1.90
Environmental Svc Asst	2.00
Registered Dietician	1.00
Dining Associate	0.50
Total	68.64

In Section VII.6(a), page 91, the applicant states NHRMC employees will staff the inpatient service proposed in the application. The applicant states NHRMC is one of the largest employers in the region. In Section VII.7, pages 92 – 93, the applicant provides criteria used by the hospital in extending privileges to medical personnel. In Section VII.8(a), page 94

the applicant states Dr. Phillip Brown 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 is an existing acute care hospital and provider of the service components proposed in this application. Therefore, the necessary ancillary and support services are currently available in the facility. In Section II.2, page 20, the applicant provides a table to illustrate the availability of the necessary ancillary and support services at NHRMC. Exhibit 5 contains a letter dated May 8, 2015, from the President and Chief Executive Officer of NHRMC, documenting that NHRMC currently provides the necessary services and support for the proposed project. Exhibit 24 contains 50 letters signed by physicians expressing their support for the project. The applicant adequately demonstrates that necessary ancillary and support services are available and that the proposed services will be coordinated with the existing healthcare 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 XI.4, page 109, the applicant proposes to add 68,266 square feet of new construction which will consist of 34,133 square feet for the interstitial floor, and 34,133 square feet of new space for the 40-bed acute care unit. The applicant proposes to construct the addition on top of the Women's and Children's Unit of the hospital on the main campus.

The applicant states in Section II, page 16 that the hospital was originally designed for vertical expansion and thus has the necessary structural and steel support to develop the unit as proposed. In addition, on page 17, the applicant states that the interstitial floor will contain all of the existing mechanical, electrical, plumbing, and HVAC equipment necessary to operate the first three floors of the Women's and Children's Hospital.

In Section XI, page 109, the applicant states that the total cost per square foot is projected to be $574.72. Exhibit 23 contains a certified cost estimate letter dated May 28, 2015 from Garrett Olin, Architect that confirms the costs as reported by the applicant. The estimated total construction cost is projected to be $29,723,000, which is consistent with the information found in Section VIII, page 97 of the application for construction contract cost. Exhibit 21 contains the applicant's energy efficiency and sustainability plan and water conservation plan. Exhibit 4 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 of 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

In Section VI.12, page 86, the applicant provides the payor mix during FFY2014 for the existing facility, as illustrated in the table below.

FFY 2014 % of Total	Entire Facility	Acute Care Services
Self-Pay/Indigent/Charity	9.8%	6.30%
Medicare/Medicare Managed Care	52.3%	66.7%
Medicaid	19.4%	10.1%
Commercial Insurance/Managed Care	18.5%	13.6%
Other	--	3.4%
Total	100.0%	100.0%

As illustrated in the table above, 71.7% of all days of care and 76.8% of acute care services days of care were paid for by Medicare or Medicaid.

The Division of Medical Assistance (DMA) maintains a website which provides the number of persons eligible for Medicaid in North Carolina, and estimates the percentage of uninsured people for each county. The following table illustrates those percentages for New Hanover 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 *	2008-2009 % Uninsured (Estimate by Cecil G. Sheps Center) *
New Hanover County	13%	5.7%	20.4%
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, handicapped persons or women utilizing health services.

The applicant demonstrated that medically underserved population currently have adequate access to the inpatient acute care services offered at NHRMC. 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 85, the applicant states NHRMC fulfilled its Hill-Burton obligation and is under no federal, state, or local obligation to provided uncompensated care, community service or care to the medically underserved.

In Section VI.2, page 79, the applicant states that NHRMC does not discriminate based on ability to pay, race, ethnicity, gender, age, handicap or religion. In Section VI.8, pages 82 - 83, the applicant discusses NHRMC's charity care policy. In Section VI.10, page 85, the applicant states that no civil rights complaints have been filed against New Hanover Regional Medical Center 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), page 87, the applicant provides the projected payor mix for the second full fiscal year (2020) of operations for the entire facility and for acute care services, as illustrated in the table below:

Second Full Fiscal Year 2018 % of Total	Entire Facility	Acute Care Services
Self-Pay/Charity	9.8%	6.3%
Medicare/Medicare Managed Care	52.3%	66.7%
Medicaid	19.4%	10.1%
Commercial Insurance/Managed Care	18.5%	13.6%
Other	--	3.4%
Total	100.0%	100.0%

As illustrated in the table above, the applicant projects no change in the hospital's payor mix.

The applicant demonstrates that medically underserved populations would 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), page 84, the applicant describes the range of means by which a person will have access to NHRMC's services, including physician referral and transfer from another facility. The applicant adequately demonstrates that the facility will offer a range of means by which patients will have access to acute inpatient 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 Exhibit 13, the applicant identifies 110 health professional training programs that NHRMC has established relationships with in the service area. In Section V.1, page 65, the applicant states it remains committed to collaborative relationships with local and regional health professional training programs and will continue to participate in those programs.

The information provided 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

On page 44, the 2015 SMFP states the service area for an acute care bed is the acute care bed planning area in which the bed is located. On page 48, Figure 5.1 defines the New Hanover acute care bed service area as New Hanover County. Facilities may also serve residents of counties not included in their service area.

The 2015 State Medical Facilities Plan identified a need for 31 new acute care beds in the New Hanover County service area. NHRMC is the only hospital located in the New Hanover County service area. NHRMC proposes to add 31 new inpatient acute care beds for a total of 678 acute care beds upon project completion. The applicant adequately demonstrates the need for its proposal. The discussion regarding analysis of need found in Criterion (3) is incorporated herein by reference.

In Section V.7, pages 70 - 77, the applicant discusses how any enhanced competition in the service area would have a positive impact on the cost-effectiveness, quality and access to the proposed services.

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

The information provided in the application is reasonable and credible and adequately demonstrates that any enhanced competition in the service area includes a positive impact on the 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 for the project and that it is a cost-effective alternative. The discussions regarding the analysis of need and alternatives found in Criteria (3) and (4), respectively, are incorporated herein by reference.

- The applicant adequately demonstrates it will continue to provide quality services. The discussion regarding quality found in Criteria (1) and (20) is incorporated herein by reference; and

- The applicant demonstrates it will continue to provide adequate access to medically underserved populations. The discussion regarding access found in Criteria (1) and (13) is incorporated herein by reference.

Therefore, the application is conforming to this criterion.

(19) Repealed effective July 1, 1987.

(20) An applicant already involved in the provision of health services shall provide evidence that quality care has been provided in the past.

C

In Section I.12(b), page 12, the applicant provides a table that identifies the other health care facilities that it owns, leases or manages in North Carolina. The applicant does not own, lease or manage any health care facilities in any other states.

According to the files in the Acute and Home Care Licensure and Certification Section, DHSR, no incidents occurred within the eighteen months immediately preceding submission of the application through the date of this decision, for which any sanctions or penalties related to quality of care were imposed by the State on any facility owned and operated by New Hanover Regional Medical Center in North Carolina. After reviewing and considering information provided by the applicant and by the Acute and Home Care Licensure and Certification Section and considering the quality of care provided at all of the facilities, the applicant provided sufficient evidence that quality care has been provided in the past and adequately demonstrated that there is no pattern of substandard quality of care. 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 submitted by NHRMC is conforming or conditionally conforming with all applicable Criteria and Standards for Acute Care Beds as 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- The applicant completed 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, page 26, the applicant states it currently operates 647 acute care beds, and following the addition proposed in this application, will operate a total of 678 acute care beds at the hospital.

(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 26 and Exhibit 5, the applicant provides documentation that NHRMC's services will continue to be provided in conformance with 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 26 and Exhibit 8, the applicant provides documentation that the services will be provided in a physical environment that conforms to the 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 27, the applicant provides the number of patient days of care provided in the existing licensed acute care beds at NHRMC during FFY 2014 by medical diagnostic category (MDC) as classified by the Centers for Medicare and Medicaid Services (CMS) according to the list set forth in the 2015 SMFP.

(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 II.8, page 28, the applicant provides projected inpatient days of care, by county of residence, for each of the first three years following completion of the proposed project, as summarized below.

COUNTY	FY 2019	FY 2020	FY 2021	%
	PRIMARY SERVICE AREA			
New Hanover	85,594	87,111	88,625	47.6%
Brunswick	30,389	30,928	31,466	16.9%
Pender	21,218	21,595	21,970	11.8%
Onslow	11,868	12,078	12,288	6.6%
SECONDARY SERVICE AREA				
Columbus	9,711	9,882	10,054	5.4%
Duplin	6,294	6,405	6,517	3.5%
Other	14,745	15,006	15,267	8.2%
Total	179,820	183,005	186,187	100.0%

*Totals may not foot due to rounding

See Exhibit 12 and Sections III and IV for the applicant's assumptions, data and methodologies used to project inpatient days of care. The discussion regarding projected utilization found in Criterion (3) is incorporated herein by reference.

(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 28, and Exhibit 5, the applicant provides documentation that NHRMC will continue to be able to communicate with emergency transportation agencies 24 hours per day, 7 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 29, the applicant provides documentation that NHRMC emergency department services are available 24 hours per day, 7 days per week. The applicant states that the Department of Emergency Medicine provides full-time services in the ER with additional clinical services provided as required for a Level II Trauma Center. The applicant also states the emergency department includes New Hanover Regional EMS, which operates the area's paramedic service, a critical care transport system, and an air ambulance service.

(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- See Exhibit 9 and Sections VI.2, and VI.4 (b) for documentation that the hospital prohibits the exclusion of services to any patient on the basis of 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 29, the applicant states NHRMC has participated in the Medicare and Medicaid programs since the program's inception and will continue to do so. In Exhibit 5, the applicant provides a written commitment from the President and CEO of NHRMC to continue to participate in and comply with conditions of participation in the Medicare and Medicaid programs.

(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- In Section II.8, page 30, the applicant provides the payor mix for NHRMC for the last two federal fiscal years (FFY14 and FFY13), which shows that the hospital provides services to the groups identified in this Rule. In addition, in Section VI, pages 79 – 80, the applicant provides documentation that NHRMC will continue to provide care to Medicare and Medicaid patients and patients unable to pay for their care.

(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.8, page 31, Section VII.7, pages 92 - 93, Section III, pages 44 – 45, and Exhibit 10, the applicant provides documentation of strategies used and activities undertaken by NHRMC to attract physicians and medical staff who will continue to provide care to patients without regard to their ability to pay.

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

-C- In Exhibit 5, the applicant documents that NHRMC provides inpatient medical services to both 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- The applicant proposes to add 31 additional acute care beds to the existing NHRMC Campus.

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 33, the applicant projects that the utilization rate for all NHRMC acute care beds will be 75.24% in the third Project Year (FFY 2021) following completion of the proposed project [(186,187 days of care / 365 days) / 678 beds = 0.7524]. Projected utilization is based on reasonable and adequately supported assumptions. The discussion regarding projected utilization found in Criterion (3) is incorporated herein by reference.

(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- See Section III.1, pages 38 – 47, and Section IV.1, pages 59 - 64 for the applicant's methodology and data supporting the projections. The applicant's assumptions and data used to project utilization support the projected utilization and average daily census. The discussions regarding projected utilization found in Criterion (3) and Criterion (4) are 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 Exhibit 5, the applicant provides a letter from the President and CEO of NHRMC that confirms the availability of the services at NHRMC as listed in this Rule.

(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 34, the applicant refers to Exhibit 5 to confirm that all of the items in Paragraph (a) of this Rule will be available at NHRMC 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 34, the applicant refers to Exhibit 5 to confirm that Paragraph (a) of this Rule is currently available at NHRMC 24 hours per day, seven days per week.

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 35, and Section VII.1, page 89, the applicant provides a staffing table to illustrate projected staffing following completion of the project. On page 89 the applicant states: *"Staffing projections are based on state and federal regulations, as well as NHRMC's experience."*

(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- In Section II.8, page 35, the applicant identifies the two individuals who currently serve as Chief Executive Officer and Chief Nursing Executive for NHRMC. Exhibit 5 and Exhibit 11 contain letters from each individual documenting their willingness to continue to serve in their respective roles.

(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- The applicant proposes to add 31 additional acute care beds to an existing hospital 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 VII.8, page 95, the applicant documents the availability of physicians who will admit and care for patients in each of the major diagnostic categories to be served at NHRMC. In addition, in Section II.8, page 36, the applicant states NHRMC currently has 536 medical staff members with admitting privileges who admit and care for patients that cover all major diagnostic categories.

(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- In Section II.8, page 36, the applicant states NHRMC is located in a growing area of the state and has not had any trouble recruiting personnel in the past. In addition the applicant provides documentation that it has and will have available the necessary support and clinical staff to provide care to patients in all of the major diagnostic categories in Section VII, pages 89 - 95.