

## ATTACHMENT - REQUIRED STATE AGENCY FINDINGS

### FINDINGS

C = Conforming

CA = Conditional

NC = Nonconforming

NA = Not Applicable

Decision Date: July 8, 2016

Findings Date: July 8, 2016

Project Analyst: Celia C. Inman

Team Leader: Lisa Pittman

Project ID #: D-11179-16

Facility: Wilkes Regional Dialysis Center

FID #: 956103

County: Wilkes

Applicant(s): WRMC Hospital Operating Corporation d/b/a Wilkes Regional Medical Center

Project: Cost overrun and change of scope for Project ID #D-10244-14 (add two dialysis stations) and Project ID #D-10326-14 (add three dialysis stations)

### REVIEW CRITERIA FOR NEW INSTITUTIONAL HEALTH SERVICES

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

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

C

WRMC Hospital Operating Corporation d/b/a Wilkes Regional Medical Center (“the applicant”) proposes a cost overrun/change of scope for Project ID #D-10244-14 and Project ID #D-10326-14, which authorized the applicant to add two and three dialysis stations, respectively, for a total of 24 stations, upon completion of both projects. Both projects are currently under development and it has been determined that both projects will exceed the approved capital costs by more than 115 percent. The certificate of need (CON) for Project ID #D-10244-14 authorized a capital cost of \$120,200. The CON for Project ID #D-10326-14 authorized a capital cost of \$397,130. The applicant now projects a capital cost of \$155,611 for Project ID #D-10244-14 and \$514,260 for Project ID # D-10326-14, a difference of \$35,411 and \$117,130, respectively, for a total increase of \$152,541 for both projects. In Section C, pages 21-23, the applicant states that the increase in the capital cost for the two projects is due to inflation related to the delays in the development

of the projects and higher labor costs. Because the applicant is developing the projects simultaneously, at the same location, it has combined the two projects into one project, resulting in a change of scope, as well as a cost overrun.

### **Need Determination**

The applicant does not propose to increase the number of certified dialysis stations in any category, add any new health services or acquire equipment for which there is a need determination in the 2016 State Medical Facilities Plan (SMFP). Therefore, there are no need determinations in the 2016 SMFP that are applicable to this review.

### **Policies**

Policy GEN-3: BASIC PRINCIPLES on page 39 of the 2016 SMFP is not applicable to this review. Both Project ID #D-10244-14 and Project ID #D-10326-14 were found to be consistent with Policy GEN-3 in their original reviews. The applicant proposes no changes in the current application that would affect that determination in the previous projects.

Policy ESRD 2: RELOCATION OF DIALYSIS STATIONS on page 33 of the 2016 SMFP is not applicable to this review and was not applicable in either Project ID #D-10244-14 or Project ID #D-10326-14. There are no other policies in the 2016 SMFP that are applicable to this review.

### **Conclusion**

In summary, the applicant was previously approved to add two dialysis stations in Project ID #D-10244-14 and three dialysis stations in Project ID #D-10326-14. In both previous reviews, the application was conforming to this Criterion. The applicant proposes no changes in the current application that would affect that determination. Therefore, this cost overrun/change of scope application is conforming to this criterion.

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

C

Effective July 26, 2014, the applicant was awarded a CON for Project ID #D-10244-14 which authorized the applicant to add two dialysis stations to Wilkes Regional Dialysis Center. Effective March 26, 2015, the applicant was awarded a CON for Project ID #D-10326-14 which authorized the applicant to add three dialysis stations to Wilkes Regional Dialysis Center for a total of 24 upon completion of both projects. The CON for Project ID #D-10244-14 authorized a capital cost of \$120,200. The CON for Project ID #D-10326-14 authorized a capital cost of \$397,130. The applicant now projects a capital cost of \$155,611 for Project ID #D-10244-14 and

\$514,260 for Project ID #D-10326-14, a difference of \$35,411 and \$117,130, respectively, with each being 129.5% of the authorized expenditures.

The current application is for a cost overrun and change of scope, combining the two previously approved projects into one project. In Section F.1, page 31, the applicant states the total capital cost for the combined projects is now expected to be \$669,871, which is an increase of \$152,541, or 129.5% of the originally approved capital costs [ $\$669,871 - \$517,330 = \$152,541$ ;  $\$669,871 / \$517,330 = 1.295$ ]. The new stations are now projected to be certified in late 2016.

### **Population to be Served**

On page 369, the 2016 SMFP defines the service area for dialysis stations as “*the planning area in which the dialysis station is located. Except for the Cherokee-Clay-Graham Multicounty Planning Area and the Avery-Mitchell-Yancey Multicounty Planning Area, each of the 94 remaining counties is a separate dialysis station planning area.*” Thus, the service area for this project is Wilkes County. Facilities may serve residents of counties not included in their service area.

In Section C.1, page 20, the applicant states:

*“The Wilkes County service area remains for both projects (I.D. #D-10244-14 and #D-10362-14). The current project application involves no proposed change in service area.”*

In Project ID #D-10244-14 and Project ID #D-10326-14, the applicant was approved to add two and three dialysis stations to Wilkes Regional Dialysis Center, respectively. The current application is for a cost overrun for the two projects. In Project ID #D-10244-14 and Project ID #D-10326-14, the applications were found to adequately identify the population to be served and no changes are proposed in this application that affect that determination. Consequently, the cost overrun application adequately identifies the population to be served.

### **Analysis of Need**

The following table compares the previously approved capital costs and the proposed capital cost in this application, as reported on pages 22 and 31.

<b>WILKES REGIONAL DIALYSIS CENTER CAPITAL COST</b>			
<b>ITEM</b>	<b>PREVIOUSLY APPROVED COST</b>	<b>TOTAL PROPOSED COST</b>	<b>DIFFERENCE</b>
<b>Project ID #D-10244-14</b>			
<b>Subtotal Construction Contract</b>	\$ 52,000	\$ 94,877	\$ 42,877
<b>Miscellaneous Project Costs</b>			
Dialysis Equipment	\$ 27,000	\$ 29,000	\$ 2,000
(RO) Water Treatment Equipment	\$ 25,000	\$ 14,142	\$ (10,858)
Other Equipment/Furniture	\$ 3,800	\$ 2,086	\$ (1,714)
Architect/Engineering Fees	\$ 7,400	\$ 15,506	\$ 8,106
Other*	\$ 5,000	\$ 0	\$ (5,000)
<b>Subtotal Miscellaneous Project Costs</b>	\$ 68,200	\$ 60,734	\$ (7,466)
<b>Total Capital Costs Project ID #D-10244-14</b>	<b>\$ 120,200</b>	<b>\$155,611</b>	<b>\$ 35,411</b>
<b>Project ID #D-10326-14</b>			
<b>Subtotal Construction Contract</b>	\$ 284,625	\$ 394,508	\$ 109,883
<b>Miscellaneous Project Costs</b>			
Dialysis Equipment	\$ 40,500	\$ 43,500	\$ 3,000
(RO) Water Treatment Equipment	\$ 34,500	\$ 21,213	\$ (13,287)
Other Equipment/Furniture	\$ 0	\$ 3,129	\$ 3,129
Architect/Engineering Fees	\$ 36,005	\$ 51,910	\$ 15,905
Other*	\$ 1,500	\$ 0	\$ (1,500)
<b>Subtotal Miscellaneous Project Costs</b>	\$ 112,505	\$ 119,752	\$ 7,247
<b>Total Capital Costs Project ID #D-10326-14**</b>	<b>\$ 397,130</b>	<b>\$ 514,260</b>	<b>\$ 124,377</b> <b>[\$ 117,130]</b>
<b>Total Capital Costs Cost Overrun/Change of Scope Project ID #D-11179-16**</b>			<b>\$ 159,788</b> <b>[\$152,541]</b>

\*Defined in Project ID #D-10244-14 as *DHSR Review*; Defined in Project ID #F-10326-14 as project contingency, shipping.

\*\*The applicant inadvertently included an additional \$7,247 in the total of the capital cost difference for Project ID #D-10326-14, which also increased the capital cost for Project ID #D-11179-16 by \$7,247. Based on the cost data provided by the applicant, the correct capital cost for this cost overrun application is \$152,541.

The applicant seeks approval of an increase in capital cost that is more than 115% of the originally approved capital cost. In Section C.14, pages 20-23, the applicant states the increased capital cost is due to inflation and increasing construction, labor and miscellaneous project costs related to dialysis equipment as shown in the table above. The project scope, the population to be served and access by underserved groups of the original applications will not change as a result of this application.

### Projected Utilization

Projected utilizations in Project ID #D-10244-14 and Project ID #D-10362-14 were found to be based on reasonable and supported assumptions and the applicant proposes no changes in the current application that would affect the determinations.

### Access

In Project ID #D-10244-14 and Project ID #D-10362-14, the applicant adequately demonstrated 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 proposed services. The applicant proposes no changes in the current application that would affect the determinations.

### Conclusion

In the original applications, the applicant adequately identified the population to be served, adequately demonstrated the need to add stations to the existing facility and the extent to which all residents of the service area, including underserved groups, are likely to have access to its services. However, the applicant underestimated the capital costs necessary to complete the projects, considering the delay incurred. In this application, the applicant adequately demonstrates the need for the proposed cost overrun and change of scope. Consequently, the application is conforming to this criterion.

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

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 E, page 29, the applicant states the alternatives considered prior to submitting this application were to maintain the status quo and submit the cost overrun application. The applicant states that maintaining the status quo was not an effective alternative because the development of each of the projects was going to exceed the CON-approved capital costs by more than 115%, which the applicant states could result in fines and attorney fees. The applicant states that submitting the cost overrun application addresses the cost overages associated with both Project ID #D-10244-14 and Project ID #D-10326-14 and is therefore the more effective alternative.

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

In summary, the applicant adequately demonstrates that this proposal is the least costly or most effective alternative to meet the identified need. Therefore, the cost overrun/change of scope application is conforming to this criterion and approved subject to the following conditions:

- 1. WRMC Hospital Operating Corporation d/b/a Wilkes Regional Medical Center shall materially comply with all conditions of approval on the certificates of need for Project ID #D-10244-14 and Project ID #D-10326-14, except as specifically modified by the conditions of approval for this application, Project ID #D-11179-16.**
  - 2. The total approved capital expenditure for Project ID #D-10244-14, Project ID #D-10326-14, and Project ID #D-11179-16 is \$669,871, an increase of \$152,541 over the two previously approved capital costs of \$120,200 and \$397,130 for Project ID #D-10244-14 and Project ID #D-10326-14, respectively.**
  - 3. WRMC Hospital Operating Corporation d/b/a Wilkes 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 F of the application and that would otherwise require a certificate of need.**
  - 4. Prior to issuance of the certificate of need, WRMC Hospital Operating Corporation d/b/a Wilkes 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 prior to issuance of the certificate of need.**
- (5) Financial and operational projections for the project shall demonstrate the availability of funds for capital and operating needs as well as the immediate and long-term financial feasibility of the proposal, based upon reasonable projections of the costs of and charges for providing health services by the person proposing the service.

## C

The proposed project is for a cost overrun for Project ID #D-10244-14 and Project ID #D-10326-14, which also results in a change of scope, combining the two projects into one.

### **Capital and Working Capital Costs**

The total capital cost is now expected to be \$669,871, an increase of \$152,541 over the two previously approved capital costs of \$120,200 and \$397,130 for Project ID #D-10244-14 and Project ID #D-10326-14, respectively, or 129.5% of the approved capital costs [ $\$669,871 / \$517,330 = 1.2948$ ]. See Section F.1, page 31, and the following table.

<b>WILKES REGIONAL DIALYSIS CENTER CAPITAL COST</b>			
<b>ITEM</b>	<b>PREVIOUSLY APPROVED COST</b>	<b>TOTAL PROPOSED COST</b>	<b>DIFFERENCE</b>
<b>Project ID #D-10244-14</b>			
<b>Subtotal Construction Contract</b>	\$ 52,000	\$ 94,877	\$ 42,877
<b>Miscellaneous Project Costs</b>			
Dialysis Equipment	\$ 27,000	\$ 29,000	\$ 2,000
(RO) Water Treatment Equipment	\$ 25,000	\$ 14,142	\$ (10,858)
Other Equipment/Furniture	\$ 3,800	\$ 2,086	\$ (1,714)
Architect/Engineering Fees	\$ 7,400	\$ 15,506	\$ 8,106
Other*	\$ 5,000	\$ 0	\$ (5,000)
<b>Subtotal Miscellaneous Project Costs</b>	\$ 68,200	\$ 60,734	\$ (7,466)
<b>Total Capital Costs Project ID #D-10244-14</b>	<b>\$ 120,200</b>	<b>\$155,611</b>	<b>\$ 35,411</b>
<b>Project ID #D-10326-14</b>			
<b>Subtotal Construction Contract</b>	\$ 284,625	\$ 394,508	\$ 109,883
<b>Miscellaneous Project Costs</b>			
Dialysis Equipment	\$ 40,500	\$ 43,500	\$ 3,000
(RO) Water Treatment Equipment	\$ 34,500	\$ 21,213	\$ (13,287)
Other Equipment/Furniture	\$ 0	\$ 3,129	\$ 3,129
Architect/Engineering Fees	\$ 36,005	\$ 51,910	\$ 15,905
Other*	\$ 1,500	\$ 0	\$ (1,500)
<b>Subtotal Miscellaneous Project Costs</b>	\$ 112,505	\$ 119,752	\$ 7,247
<b>Total Capital Costs Project ID #D-10326-14**</b>	<b>\$ 397,130</b>	<b>\$ 514,260</b>	<b>\$ 124,377</b> <b>[\$ 117,130]</b>
<b>Total Capital Costs Cost Overrun/Change of Scope Project ID #D-11179-16**</b>			<b>\$ 159,788</b> <b>[\$152,541]</b>

\*Defined in Project ID #D-10244-14 as *DHSR Review*; Defined in Project ID #F-10326-14 as project contingency, shipping.

\*\*The applicant inadvertently included an additional \$7,247 in the total of the capital cost difference for Project ID #D-10326-14, which also increased the capital cost for Project ID #D-11179-16 by \$7,247. Based on the cost data provided by the applicant, the correct capital cost for this cost overrun application is \$152,541.

In Section F.10, page 34, the applicant states, “*No start-up expenses will be needed because the current facility is operational and has existing staff.*” Furthermore, neither of the previous applications for which this application is a cost overrun involved start-up expenses.

**Availability of Funds**

In Section F.2, page 32, the applicant states the total capital cost of the project will be funded with accumulated reserves / owner’s equity. In Exhibit F-5, the applicant provides a May 12,

2016 letter signed by Wilkes Regional Medical Center's Chief Financial Officer, which confirms the availability of the funds necessary to complete the project and commits those funds to the development of the project.

In Exhibit F-7, the applicant provides the audited financial statements for WRMC Hospital Operating Corporation d/b/a Wilkes Regional Medical Center for the years ending September 30, 2015 and 2014. As of September 30, 2015, Wilkes Regional Medical Center had \$7,909,260 in cash and cash equivalents, \$81,830,184 in total assets and \$45,845,328 in net assets (total assets less total liabilities).

### **Financial Feasibility**

In the original applications, Project ID #D-10244-14 and Project ID #D-10326-14, the applicant projected that operating expenses would exceed revenues in each of the first two years of the project, as illustrated in the tables below.

#### **Project ID #D-10244-14**

	<b>OPERATING YEAR 1 (CY 2015)</b>	<b>OPERATING YEAR 2 (CY 2016)</b>
Total Net Revenue	\$1,893,536	\$2,006,582
Total Operating Costs	\$1,754,670	\$1,788,046
Net Profit	\$138,866	\$218,536

Source: Project ID #D-10244-14, application page 51

#### **Project ID #D-10326-14**

	<b>OPERATING YEAR 1 (CY 2016)</b>	<b>OPERATING YEAR 2 (CY 2017)</b>
Total Net Revenue	\$2,204,415	\$2,260,938
Total Operating Costs	\$1,875,620	\$1,910,763
Net Profit	\$328,795	\$350,175

Source: Project ID #D-10326-14, application pages 49-51

In Section R, pages 68-72 of the application under review, the applicant provides copies of the original pro forma forms submitted in Project ID #D-10326-14, the more recent of the two previous applications. In Section R, page 69, the applicant provides copies of the original assumptions submitted in Project ID #D-10326-14. In Section F.15, page 36, the applicant states that this application proposes no changes to the charges, estimated operating costs, revenues and expenses from the originally approved applications.

The original applications were determined to be conforming to this criterion with regard to the proposal. In the current application, the applicant does not propose any changes that would affect that determination.



## **Conclusion**

In summary, the applicant adequately demonstrates the availability of funds for the increased capital needs of the project. Therefore, the cost overrun 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 369, the 2016 SMFP defines the service area for dialysis stations as “*the planning area in which the dialysis station is located. Except for the Cherokee-Clay-Graham Multicounty Planning Area and the Avery-Mitchell-Yancey Multicounty Planning Area, each of the 94 remaining counties is a separate dialysis station planning area.*” Thus, the service area for this project is Wilkes County. Facilities may serve residents of counties not included in their service area.

In Section C.1, page 20, the applicant states:

*“The Wilkes County service area remains for both projects (ID #D-10244-14 and #D-10362-14). The current project application involves no proposed change in service area.”*

In Project ID #D-10244-14 and Project ID #D-10326-14, the applicant was approved to add two and three dialysis stations to Wilkes Regional Dialysis Center, respectively. The current application is for a cost overrun for the two previously approved projects. In Project ID #D-10244-14 and Project ID #D-10326-14, the applications were found conforming to this criterion and no changes are proposed in this application that affect that determination. Consequently, the cost overrun application is conforming to this criterion.

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

### C

In Project ID #D-10244-14 and Project ID #D-10326-14, the applicant proposed to employ a total of 19.7 full-time equivalent (FTE) positions at Wilkes Regional Dialysis Center upon completion of the proposed projects. The applicant does not propose any additional staff in this application. In Project ID #D-10244-14 and Project ID #D-10326-14, the applications were found conforming to this criterion, and the applicant proposes no changes in the current application that would affect that determination. Consequently, the cost overrun application is conforming to this criterion.

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

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

C

In Project ID #D-10244-14 and Project ID #D-10326-14, the applications were found conforming to this criterion, and the applicant proposes no changes in the current application that would affect that determination. Consequently, the cost overrun application is conforming to this criterion.

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

NA

- (10) When applicable, the applicant shall show that the special needs of health maintenance organizations will be fulfilled by the project. Specifically, the applicant shall show that the project accommodates: (a) The needs of enrolled members and reasonably anticipated new members of the HMO for the health service to be provided by the organization; and (b) The availability of new health services from non-HMO providers or other HMOs in a reasonable and cost-effective manner which is consistent with the basic method of operation of the HMO. In assessing the availability of these health services from these providers, the applicant shall consider only whether the services from these providers:
- (i) would be available under a contract of at least 5 years duration;
  - (ii) would be available and conveniently accessible through physicians and other health professionals associated with the HMO;
  - (iii) would cost no more than if the services were provided by the HMO; and
  - (iv) would be available in a manner which is administratively feasible to the HMO.

NA

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

C

The current application is for a cost overrun on Project ID #D-10244-14 and Project ID #D-10362-14. In Section F.1, page 31, the applicant states the total capital cost for the two projects

is now expected to be \$669,871, which is an increase of \$152,541, or 129.5% of the originally approved capital cost of the two projects [ $\$669,871 - \$517,330 = \$152,541$ ;  $\$669,871 / \$517,330 = 1.2948$ ].

The following table compares the previously approved capital costs and the proposed capital cost in this application, as reported on page 31.

<b>WILKES REGIONAL DIALYSIS CENTER CAPITAL COST</b>			
<b>ITEM</b>	<b>PREVIOUSLY APPROVED COST</b>	<b>TOTAL PROPOSED COST</b>	<b>DIFFERENCE</b>
<b>Project ID #D-10244-14</b>			
<b>Subtotal Construction Contract</b>	\$ 52,000	\$ 94,877	\$ 42,877
<b>Miscellaneous Project Costs</b>			
Dialysis Equipment	\$ 27,000	\$ 29,000	\$ 2,000
(RO) Water Treatment Equipment	\$ 25,000	\$ 14,142	\$ (10,858)
Other Equipment/Furniture	\$ 3,800	\$ 2,086	\$ (1,714)
Architect/Engineering Fees	\$ 7,400	\$ 15,506	\$ 8,106
Other*	\$ 5,000	\$ 0	\$ (5,000)
<b>Subtotal Miscellaneous Project Costs</b>	\$ 68,200	\$ 60,734	\$ (7,466)
<b>Total Capital Costs Project ID #D-10244-14</b>	<b>\$ 120,200</b>	<b>\$155,611</b>	<b>\$ 35,411</b>
<b>Project ID #D-10326-14</b>			
<b>Subtotal Construction Contract</b>	\$ 284,625	\$ 394,508	\$ 109,883
<b>Miscellaneous Project Costs</b>			
Dialysis Equipment	\$ 40,500	\$ 43,500	\$ 3,000
(RO) Water Treatment Equipment	\$ 34,500	\$ 21,213	\$ (13,287)
Other Equipment/Furniture	\$ 0	\$ 3,129	\$ 3,129
Architect/Engineering Fees	\$ 36,005	\$ 51,910	\$ 15,905
Other*	\$ 1,500	\$ 0	\$ (1,500)
<b>Subtotal Miscellaneous Project Costs</b>	\$ 112,505	\$ 119,752	\$ 7,247
<b>Total Capital Costs Project ID #D-10326-14**</b>	<b>\$ 397,130</b>	<b>\$ 514,260</b>	<b>\$ 124,377</b> <b>[\$ 117,130]</b>
<b>Total Capital Costs Cost Overrun/Change of Scope Project ID #D-11179-16**</b>			<b>\$ 159,788</b> <b>[\$152,541]</b>

\*Defined in Project ID #D-10244-14 as *DHSR Review*; Defined in Project ID #F-10326-14 as project contingency, shipping.

\*\*The applicant inadvertently included an additional \$7,247 in the total of the capital cost difference for Project ID #D-10326-14, which also increased the capital cost for Project ID #D-11179-16 by \$7,247. Based on the cost data provided by the applicant, the correct capital cost for this cost overrun application is \$152,541.

In Section C.14, pages 20-23, the applicant states the increased capital cost is due to inflation and increasing construction, labor, architect/engineering fees and miscellaneous project costs

related to dialysis equipment as shown in the table above. Exhibit C-14 contains a letter from an architectural firm documenting the projected construction costs as listed in the table above. The discussion regarding costs and charges found in Criterion (5) is incorporated herein by reference. The cost overrun 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 Project ID #D-10244-14 and Project ID #D-10326-14, the applications were found conforming to this criterion, and the applicant proposes no changes in the current application that would affect that determination. Consequently, the cost overrun 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

In Project ID #D-10244-14 and Project ID #D-10326-14, the applications were found conforming to this criterion, and the applicant proposes no changes in the current application that would affect that determination. Consequently, the cost overrun 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 Project ID #D-10244-14 and Project ID #D-10326-14, the applications were found conforming to this criterion, and the applicant proposes no changes in the current application that would affect that determination. Consequently, the cost overrun 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 Project ID #D-10244-14 and Project ID #D-10326-14, the applications were found conforming to this criterion, and the applicant proposes no changes in the current application that would affect that determination. Consequently, the cost overrun 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 Project ID #D-10244-14 and Project ID #D-10326-14, the applications were found conforming to this criterion, and the applicant proposes no changes in the current application that would affect that determination. Consequently, the cost overrun application is conforming 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

In Project ID #D-10244-14 and Project ID #D-10326-14, the applicant was approved to add two and three dialysis stations at Wilkes Regional Dialysis Center, respectively. The current application is for a cost overrun for the two previously approved projects. In Project ID #D-10244-14 and Project ID #D-10326-14, the applications were found conforming to this criterion and no changes are proposed in this application that affect that determination. Consequently, the cost overrun 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 O-3, page 63, the applicant states that no other dialysis facilities are owned or operated by the applicant. Based on a review of the certificate of need application and publicly available data, the applicant adequately demonstrates that it has provided quality care during the 18 months immediately preceding the submittal of the application through the date of the decision. 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

Project ID #D-10244-14 and Project ID #D-10326-14 were found conforming to the Criteria and Standards for End Stage Renal Disease Services, promulgated in 10A NCAC 14C .2200, and the applicant proposes no changes in the current application that would affect that determination. Consequently, the cost overrun application is conforming to this criterion.