

ATTACHMENT - REQUIRED STATE AGENCY FINDINGS

FINDINGS

C = Conforming

CA = Conditional

NC = Nonconforming

NA = Not Applicable

Decision Date: June 3, 2016

Findings Date: June 3, 2016

Project Analyst: Tanya S. Rupp

Team Leader: Lisa Pittman

Project ID #: O-11125-16

Facility: J. Arthur Doshier Memorial Hospital

FID #: 923286

County: Brunswick

Applicant(s): Smithville Township d/b/a J. Arthur Doshier Memorial Hospital

Project: Acquire one fixed MRI scanner pursuant to a special need determination

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

Smithville Township d/b/a J. Arthur Doshier Memorial Hospital (“the applicant” or “Doshier”) proposes to acquire one fixed Magnetic Resonance Imaging (MRI) scanner at the hospital in Southport, Brunswick County. The 2016 State Medical Facilities Plan (2016 SMFP) includes a methodology for determining the need for additional fixed MRI scanners by service area. Application of the need methodology in the 2016 SMFP did not identify a need for any additional fixed MRI scanners in the Brunswick County MRI Service Area. However, the applicant submitted a petition for an adjusted need determination to the State Health Coordinating Council (SHCC), which was approved as stated on page 178 of the 2016 SMFP:

“In response to a petition, the State Health Coordinating Council approved the adjusted need determination for one additional fixed MRI scanner for Brunswick County. Applicants must be a licensed North Carolina acute care hospital with

emergency care coverage 24 hours a day, seven days a week. Due to the unique factors that impact access and value, the MRI scanner shall have a threshold capacity of 1,716 annual MRI procedures. The performance standards in 10A NCAC 14C .2703 would not be applicable.”

The applicant is a licensed North Carolina acute care hospital with emergency coverage 24 hours per day, seven days per week. Therefore it is a qualified applicant for the adjusted need determination. There were no other applications filed for the fixed MRI in Brunswick County.

Policies

There are two policies in the 2016 SMFP which are applicable to this review: Policy GEN-3: Basic Principles and Policy GEN-4: Energy Efficiency and Sustainability for Health Service Facilities.

Policy GEN-3: 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

In Section III.2, pages 64 – 65, Section II.5, page 27, and Section II.7, page 28, the applicant describes how it believes the proposed project would promote safety and quality. Exhibit 14 contains a copy of the applicant’s “*Improving Organizational Performance Plan*” and Exhibit 15 provides a copy of the applicant’s “*Utilization Review Plan*”. 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

In Section III.2, page 64, Section VI, pages 108 – 112, and Exhibit 15, the applicant describes how it believes the project would promote equitable access to MRI scanner services. The information provided by the applicant is reasonable and adequately supports the determination that the applicant’s proposal will promote equitable access.

Maximizing Healthcare Value

In Section III.2, page 65, Section III.1, page 41 and pages 49 – 50, the applicant describes how it believes the proposed project would maximize healthcare value. 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 adjusted need determination identified in the 2016 SMFP. The discussion regarding analysis of need found in Criterion (3) is incorporated herein by reference. The discussion regarding revenues and costs found in Criterion (5) is incorporated herein by reference. Therefore, the application is consistent with Policy GEN-3.

Policy GEN-4 states:

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

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

Any person awarded a certificate of need for a project or an exemption from review pursuant to G.S. 131E-184 are required to submit a plan of 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 VIII.2, page 138, the applicant states the proposed capital expenditure is \$2,764,421. In Section III.2, page 65 and Section XI.7, page 152, the applicant provides written statements which describe its plan to assure improved energy efficiency and water conservation as part of the project. Therefore, the application is consistent with Policy GEN-4.

Conclusion

In summary, the application is consistent with the adjusted need determination in the 2016 SMFP, Policy GEN-3 and Policy GEN-4. Consequently, the 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

J. Arthur Doshier Memorial Hospital is a Critical Access Hospital with 25 acute care beds and a 64-bed nursing home unit. In 2005, Doshier began providing mobile MRI services under to a contract with Alliance Imaging (“Alliance”). That contract expired in March 2016. On page 16, the applicant states Alliance will continue to provide mobile MRI services at Doshier on a month to month basis “*until the replacement equipment is ready to operate at the hospital.*” Prior to the expiration of the contract, the applicant submitted a petition to the SHCC for an adjusted need determination for one fixed MRI in Brunswick County, which was approved. Page 178 of the 2016 SMFP states:

“In response to a petition, the State Health Coordinating Council approved the adjusted need determination for one additional fixed MRI scanner for Brunswick County. Applicants must be a licensed North Carolina acute care hospital with emergency care coverage 24 hours a day, seven days a week. Due to the unique factors that impact access and value, the MRI scanner shall have a threshold capacity of 1,716 annual MRI procedures. The performance standards in 10A NCAC 14C .2703 would not be applicable.”

The applicant is a licensed North Carolina acute care hospital with emergency coverage 24 hours per day, seven days per week. Therefore it is a qualified applicant for the adjusted need determination. There were no other applications filed for the fixed MRI in Brunswick County.

Population to be Served

On page 154, the 2016 SMFP defines the service area for fixed MRI scanners as “*a single county, except where there is no licensed acute care hospital located within the county.*” Thus, the service area consists of Brunswick County. Providers may serve residents of counties not included in their service area.

In Sections III.4 and III.5, pages 69 - 74, the applicant provides the current (2015) and projected patient origin for MRI scanner services at the hospital, as summarized in the table below.

Doshier MRI Services Current and Projected Patient Origin

| COUNTY | CURRENT PT ORIGIN (2015) | | PROJECTED PT ORIGIN (FY 2017) | | PROJECTED PT ORIGIN (FY 2018) | |
|-------------------|-----------------------------|---------------|----------------------------------|---------------|----------------------------------|---------------|
| | NUMBER OF PTS | % OF TOTAL | NUMBER OF PTS | % OF TOTAL | NUMBER OF PTS | % OF TOTAL |
| Brunswick | 1,070 | 96.6% | 1,315 | 96.0% | 1,483 | 95.4% |
| Columbus | 2 | 0.2% | 3 | 0.2% | 3 | 0.2% |
| New Hanover | 10 | 0.9% | 12 | 0.9% | 14 | 0.9% |
| Pender | 3 | 0.3% | 4 | 0.3% | 4 | 0.3% |
| Other NC counties | 6 | 0.5% | 12 | 0.9% | 23 | 1.5% |
| South Carolina | -- | -- | 5 | 0.4% | 6 | 0.4% |
| Other States | 17 | 1.5% | 19 | 1.4% | 22 | 1.4% |
| Total | 1,108 | 100.0% | 1,370 | 100.0% | 1,555 | 100.0% |

Source: Tables on pages 70, 73 and 74. Numbers may not foot due to rounding.

In Section III.5, page 74, the applicant states: “... *Doshier assumed that the 2015 patient origin would remain constant with two exceptions. Pender, a nearby county would return to 2014 level and Other Counties in North Carolina would account for the increased in-migration. The numbers for these counties are too small and variable for accurate annual forecasts.*” The applicant adequately identifies the population to be served.

Analysis of Need

In Section III.1(a) and (b) of the application, the applicant describes the factors which it states support the need for the proposed project, including:

- The need for a full-time fixed MRI at the hospital and the advantages of providing MRI services to patients 24 hours per day, seven days per week (pages 41 – 44).
- The population and health status of Brunswick County residents, taking into account the seasonal fluctuations. Using population data from the North Carolina State Office of Budget and Management (OSBM), the applicant states the median age of Brunswick County residents is higher than the state as a whole. The applicant states that MRI use among older population groups is higher than among younger population groups (pages 44 - 49).
- The importance of proper diagnostic equipment in successful physician recruitment in a rural area such as Brunswick County (page 49).
- Cost and efficiency benefits to both patients and Doshier of providing MRI services full-time at the hospital (pages 49 – 50).
- The effects of population growth in Brunswick County, and the existing outmigration for MRI services. By examining Brunswick County population data by township, the applicant discusses re-capturing those Brunswick County residents who currently leave the county for MRI services due to the unavailability of an MRI scanner at the hospital 24 hours per day, seven days per week (pages 51 – 60).

The applicant describes the assumptions and methodology used to project utilization in Section III.1(b), pages 51 – 60. The applicant’s need methodology projects that the Brunswick County population will need a total of 2,200 unweighted MRI procedures by 2019. Utilizing Hospital License Renewal Applications (LRAs) from the North Carolina Division of Health Service

Regulation (DHSR) and the number of Brunswick County residents who received MRIs from 2011 to 2014, the applicant calculates a 69.13 Brunswick County MRI use rate for those years.

In its methodology, the applicant states that some of the mobile MRI providers do not report patient origin, though hospitals do. To compensate for potential underreporting in Brunswick County, the applicant obtained MRI utilization information for the same time period (2011 – 2014) for the state as a whole and calculated a state-wide MRI use rate of 80.12. On page 56, the applicant states the state-wide use rate more accurately represents state-wide and thus Brunswick County MRI utilization and accounts for both underreporting and for re-capturing those patients who currently leave Brunswick County for MRI services.

Projected Utilization

In Section IV.1(d), pages 80 – 90, the applicant projects utilization of the MRI at Doshier with a six-step methodology, summarized below.

Step 1

The applicant uses the state-wide use rate of 80.12 that it calculated in Section III.1, to project Brunswick County utilization.

Step 2

The applicant calculates Doshier’s 2011 – 2014 market share of Brunswick County resident MRI procedures by dividing the number of Brunswick County residents who received MRI services at Doshier by the total number of Brunswick County residents who received MRI services as reported by the North Carolina Division of Health Service Regulation. Doshier’s market share ranged from 15.0% in 2011 to 11.4% in 2014.

Step 3

The applicant projects Doshier market share will increase by 4.5 percentage points from 2014 to 2019, based on historical data and population projections.

Step 4

Using Neilson Claritas population data (Section III) and the statewide MRI use rate of 80.12, the applicant projects Brunswick County resident MRI procedures as shown in the following table, from page 82:

| | FY 2016 | FY 2017 | FY 2018 | FY 2019 |
|---------------------------------|----------------|----------------|----------------|----------------|
| Population | 120,349 | 122,088 | 123,852 | 125,642 |
| Use Rate / 1,000 | 80.1 | 80.1 | 80.1 | 80.1 |
| Brunswick County MRI Procedures | 9,642 | 9,781 | 9,923 | 10,066 |

Step 5

Using the Doshier market share calculated in step 2, the applicant projects the number of MRI procedures for Brunswick County residents that Doshier will provide. See the following table, from page 83:

| | FY 2016 | FY 2017 | FY 2018 | FY 2019 |
|--|---------|---------|---------|---------|
| Brunswick County MRI Procedures | 9,642 | 9,781 | 9,923 | 10,066 |
| Doshier Market Share | 11.4% | 13.4% | 14.9% | 15.9% |
| Brunswick County MRI Procedures Performed at Doshier | 1,104 | 1,315 | 1,483 | 1,605 |

Totals may not foot due to rounding

Step 6

The applicant calculated a percent of in-migration based on the number of people from outside Brunswick County who received MRI services at Doshier from 2011 to 2015. The applicant states the number of patients from outside Brunswick County who come to Doshier for MRI services will continue to increase, despite historical fluctuations in those numbers. See the following table, from page 84:

| ORIGIN | HISTORICAL | | | | | PROJECTED | | | |
|--------------------------------------|------------|-------|-------|------|-------|-----------|-------|-------|-------|
| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
| Brunswick Doshier MRI Procedures | 1,096 | 1,058 | 1,018 | 923 | 1,070 | 1,104 | 1,315 | 1,483 | 1,605 |
| Non-Brunswick Doshier MRI Procedures | 24 | 21 | 25 | 48 | 38 | 40 | 56 | 72 | 88 |
| Total Doshier MRI Procedures | 1,120 | 1,079 | 1,043 | 971 | 1,108 | 1,144 | 1,371 | 1,555 | 1,693 |
| % MRI Patients In-Migration | 2.1% | 1.9% | 2.4% | 4.9% | 3.4% | 3.5% | 4.1% | 4.6% | 5.2% |

The next closest hospital in Brunswick County is Novant Health Medical Center in Bolivia, which is approximately 18 miles away. In Section III, page 41, the applicant states:

“Doshier is the only hospital in southeastern Brunswick County. The nearest hospitals are 30 minutes to an hour away in Bolivia or Wilmington. With no MRI at Doshier, getting an MRI scan can require transfer of an inpatient or an emergency patient to another facility, or arranging to ambulance transport to the remote Doshier Medical Plaza location. The latter option is only available, if the vendor staff are still present. Both solutions are costly. A single ambulance transport can cost \$650 round trip just for the four miles between Doshier and Medical Plaza. Time of day, and season of the year, affect the time needed to reach any scanner from the hospital. In this part of the county, year-round active commercial and seasonal (March through November) major tourism traffic share roads that are largely two lanes.”

It is reasonable to assume that the number of patients who will remain at or return to Doshier for their MRI will continue to increase once Doshier has a fixed MRI on site that will be available 24 hours per day, seven days per week. In addition, having a fixed MRI at Doshier will ultimately benefit patients who must now pay for emergency or other transport to a remote location for MRI services.

Projected Utilization by Type

On pages 85 – 90, the applicant also provides the methodology by which it projects MRI procedures by type, based on historical experience. Each step will be briefly summarized below:

Step 1

The applicant obtained the historical distribution of MRI procedures at Doshier from 2011 through 2015, based on data submitted in the LRAs. Based on this data, the applicant calculated a ratio of inpatient procedures with contrast to inpatient procedures without contrast. The applicant calculated the same with outpatient procedures, and then compared the number of outpatient to inpatient procedures. The applicant found that from 95% to 99% of the historical MRI procedures performed at Doshier were provided on an outpatient basis.

Steps 2 and 3

The applicant obtained the same information for the Outer Banks Hospital (“OBH”; also a Critical Access Hospital located in a rural coastal town), which has one fixed MRI scanner, for the same time period, and found that the ratios and the percentages of outpatient MRI procedures in each hospital were similar (see the tables on pages 85 and 86).

Steps 4 and 5

The applicant assumes that, with a fixed MRI scanner located at the hospital, Doshier’s MRI procedure distribution will closely resemble that of OBH’s. The inpatient MRI utilization will increase at Doshier because of increased accessibility on site. The applicant compared Doshier’s MRI utilization in 2015 to that of OBH in 2014. The applicant projected MRI procedure distribution at Doshier so that it would resemble that of OBH, stating that an approximate match is reasonable, particularly since the actual inpatient ratio is higher at OBH than what is projected for Doshier (see the tables on pages 86 – 88).

Steps 6 and 7

The applicant calculated the number of MRI procedures by type for each year through FY 2019. See the following table, from page 89:

| PROCEDURE TYPE | FY 2016 | FY 2017 | FY 2018 | FY 2019 |
|---------------------------------|----------------|----------------|----------------|----------------|
| Inpatient with contrast | 12 | 19 | 26 | 44 |
| Inpatient without contrast | 3 | 6 | 14 | 25 |
| Total inpatient MRI procedures | 15 | 25 | 40 | 69 |
| Outpatient with contrast | 380 | 463 | 549 | 620 |
| Outpatient without contrast | 749 | 883 | 966 | 1,004 |
| Total outpatient MRI procedures | 1,128 | 1,346 | 1,515 | 1,624 |
| Total number MRI procedures | 1,144 | 1,371 | 1,555 | 1,693 |
| Percent outpatient procedures | 99% | 98% | 97% | 96% |

On page 89, the applicant provides the weighting factors it used, which are in Chapter 9 of the 2016 SMFP.

The applicant projects the following weighted MRI procedures at Doshier, from the table on page 90:

| PROCEDURES | ACTUAL FY 2015 | FY 2016 | FY 2017 | FY 2018 | FY 2019 |
|--|-------------------|--------------|--------------|--------------|--------------|
| Weighted inpatient with contrast | 23.4 | 22.0 | 34.0 | 47.0 | 79.0 |
| Weighted inpatient w/o contrast | 4.2 | 4.0 | 8.0 | 20.0 | 36.0 |
| Total weighted inpatient MRI procedures | 27.6 | 26.0 | 42.0 | 67.0 | 115.0 |
| <hr/> | | | | | |
| Weighted outpatient with contrast | 554.4 | 532.0 | 649.0 | 768.0 | 867.0 |
| Weighted outpatient w/o contrast | 781.0 | 749.0 | 883.0 | 966.0 | 1,004.0 |
| Total weighted outpatient MRI procedures | 1,335.0 | 1,280.0 | 1,532.0 | 1,734.0 | 1,871.0 |
| Total Weighted MRI Procedures | 1,363 | 1,307 | 1,574 | 1,801 | 1,986 |

In FY 2019, the third project year following the addition of the fixed MRI scanner at Doshier, the applicant projects to perform a total of 1,986 weighted MRI scans. In FY 2018, the second project year following the addition of the fixed MRI, the applicant projects to perform a total of 1,801 MRI procedures. According to the adjusted need determination in the 2016 SMFP, an applicant must reasonably project to serve at least 1,716 MRI procedures; however, the language of the adjusted need determination is silent with regard to a date by which an applicant must meet the threshold. Doshier projects to perform in excess of the threshold number of MRI procedures in the second project year.

In FY 2014, the two existing fixed MRI scanners in Brunswick County performed a total of 4,465 unweighted and 5,114 weighted MRI scans. Based on its own utilization data and data from Outer Banks Hospital for the period from 2011 through 2015, the applicant projects its MRI scanner will perform in excess of the threshold set forth by the SHCC in the adjusted need determination for one fixed MRI scanner in Brunswick County. The applicant's projections are based on historical utilization and is supported by population growth projections in the service area. In addition, the applicant was the only applicant for the fixed MRI scanner in Brunswick County. Exhibit 25 contains 33 letters from local physicians in the proposed service area expressing support for the project, and an intent to refer patients for MRI services to Doshier. Projected utilization is based on reasonable and adequately supported assumptions. Therefore, the applicant adequately demonstrates the need to acquire one fixed MRI scanner.

Access

In Section VI.2, pages 108 - 110, the applicant states it is committed to providing MRI services to all patients who need the services regardless of their ability to pay, racial/ethnic origin, age, gender, physical or mental conditions or other conditions that would classify them as underserved. In Section VI.15, page 118, the applicant projects that 58.6% of patients to be served will be Medicare beneficiaries and 4.4% will be Medicaid recipients. The applicant

adequately demonstrates the extent to which all residents, including underserved groups, will 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 adequately demonstrates the extent to which all residents, including underserved groups, will 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 66 - 69, the applicant discusses the alternatives considered prior to submitting this application, which include:

- Maintain the Status Quo - the applicant states that this option is cost prohibitive and does not meet patient need. Retaining the current MRI contract ignores the need for full time MRI services at the hospital for normal and emergency MRI services. Under the existing contract, the vendor's employees leave the facility if there are no MRIs scheduled. If patients present after that, they must wait until the mobile MRI reopens, or be transported to a location with a fixed MRI. This is not in the best interest of the patients, according to the applicant. Additionally, emergency patients must be transported via ambulance to the nearest MRI, which is costly and time consuming.
- Wait for the Standard Methodology to Show Need and then Apply – the applicant states this is not a viable option because the number of MRI scans needed to “trigger” a need would be a 56% increase over current utilization. The applicant states that although it is reasonable to expect that Brunswick County residents would be able to obtain that many scans, it is unlikely that all of those scans would occur within the county, because the county otherwise has few tertiary care services. Patients will go where they are more likely to receive tertiary care services.
- Change the State Plan Methodology – Doshier requested a change in the standard MRI methodology, which was denied.

- Acquire the Grandfathered MRI – the applicant considered acquiring the MRI that it currently contracts with Alliance for service. However, MRI service contracts that the hospital explored do not allow Doshier to most effectively serve the needs of its patients.
- Discontinue MRI Service Completely – the applicant states this is not a practical or viable option for its patients, because it would result in Doshier’s patients and emergency patients having to travel 30 to 60 minutes for MRI services, which would create unnecessary delays in patient care, and increase cost to the patients.
- Locate the Proposed Fixed MRI at the Current Remote Location – the applicant states that having a fixed MRI at this location would serve its patients, but the time and cost involved in transporting patients to the location; particularly its emergency patients, would continue to mean a disruption in patient care and an unnecessary cost to the patients.

After considering the alternatives, the applicant states the proposed alternative is the most effective alternative to meet the identified need.

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

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

- 1. J. Arthur Doshier Memorial Hospital shall materially comply with all representations made in the certificate of need application and supplemental information. If any conflict exists between the information, the applicant shall comply with the last made representation.**
 - 2. J. Arthur Doshier Memorial Hospital shall acquire no more than one fixed MRI scanner as part of this project.**
 - 3. J. Arthur Doshier Memorial Hospital shall not acquire, as part of this project, any equipment that is not included in the project’s proposed capital expenditures in Section VII of the application and that would otherwise require a certificate of need.**
 - 4. J. Arthur Doshier Memorial Hospital shall acknowledge acceptance of and agree to comply with all conditions stated herein to the Certificate of Need Section in writing prior to issuance of the certificate of need.**
- (5) Financial and operational projections for the project shall demonstrate the availability of funds for capital and operating needs as well as the immediate and long-term financial feasibility of the proposal, based upon reasonable projections of the costs of and charges for providing health services by the person proposing the service.

C

In Section VIII.2, pages 137 – 138, the applicant states the total capital cost is projected to be as follows:

| ITEM | COST |
|---|--------------------|
| Site Costs (MRI pad) | \$ 152,095 |
| Construction | \$ 556,320 |
| Miscellaneous (Equipment/Consultant Fees) | \$2,056,006 |
| Total Capital Costs | \$2,764,421 |

In Section IX.1, page 143, the applicant states there will be no start-up expenses and no initial operating expenses associated with the project.

Availability of Funds

In Section VIII.3, page 139, the applicant states the entire capital cost of the project will be funded with accumulated reserves. In Exhibit 29, the applicant provides a February 3, 2016 letter from the Chief Financial Officer of Doshier, documenting the availability of sufficient funds for the capital costs of the proposed project. Exhibit 36 contains the J. Arthur Doshier Memorial Hospital consolidated balance sheets (“*Statement of Net Position*”) which indicate that as of September 30, 2015, Doshier had \$60,252,350 in cash and cash equivalents. The applicant adequately demonstrates that sufficient funds will be available for the capital and working capital needs of the project.

Financial Feasibility

In the pro forma financial statements for Doshier’s MRI services (Form C), the applicant projects that revenues will exceed operating expenses in each of the first three operating years of the project, as shown in the table below.

| Doshier MRI Services | | | |
|-----------------------------|------------------|------------------|------------------|
| | FY 2017 | FY 2018 | FY 2019 |
| Total Net Revenues | \$898,296 | \$1,073,281 | \$1,153,850 |
| Total Operating Expenses | \$766,139 | \$936,469 | \$980,310 |
| Net Income (Loss) | \$132,157 | \$136,812 | \$173,540 |

Totals may not foot due to rounding

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 used regarding costs and charges. The discussion regarding utilization projections found in Criterion (3) are incorporated herein by reference. The applicant adequately demonstrates that the financial feasibility of the proposal is based upon reasonable projections of costs and charges.

Conclusion

In summary, the applicant adequately demonstrates that sufficient funds will be available for the capital and working capital needs of the project. Furthermore, the applicant adequately demonstrates that the financial feasibility of the proposal is based upon reasonable projections of costs and charges. Therefore, the application is conforming to this criterion.

- (6) The applicant shall demonstrate that the proposed project will not result in unnecessary duplication of existing or approved health service capabilities or facilities.

C

The 2016 SMFP includes a methodology for determining the need for additional fixed MRI scanners by service area. Application of the need methodology in the 2016 SMFP did not identify a need for any additional fixed MRI scanners in the Brunswick County MRI Service Area. The applicant submitted a petition for an adjusted need determination to the SHCC for one fixed MRI in Brunswick County, which was approved. Page 178 of the 2016 SMFP states:

“In response to a petition, the State Health Coordinating Council approved the adjusted need determination for one additional fixed MRI scanner for Brunswick County. Applicants must be a licensed North Carolina acute care hospital with emergency care coverage 24 hours a day, seven days a week. Due to the unique factors that impact access and value, the MRI scanner shall have a threshold capacity of 1,716 annual MRI procedures. The performance standards in 10A NCAC 14C .2703 would not be applicable.”

The applicant is a licensed North Carolina acute care hospital with emergency coverage 24 hours per day, seven days per week. There were no other applications filed for the fixed MRI in Brunswick County.

On page 154, the 2016 SMFP defines the service area for fixed MRI scanners as “a single county, except where there is no licensed acute care hospital located within the county.” Thus, the service area consists of Brunswick County. Providers may serve residents of counties not included in their service area.

There is one existing fixed MRI scanner in Brunswick County, and two mobile MRI scanners. The following table identifies the provider, number, and average utilization of each of the fixed MRI scanners, summarized from Table 9P of the 2016 SMFP.

| | MRI SCANNERS | TOTAL WEIGHTED MRI SCANS |
|--|--------------|--------------------------|
| Novant Health Brunswick Medical Center | 1 | 3,847 |
| Alliance Healthcare Services* | 1 | 1,267 |
| Alliance Healthcare Services (NHRMC) | 1 | 424 |

*This is the MRI used by Doshier

The applicant proposes to acquire one fixed MRI scanner to replace mobile MRI scanner services currently provided to its patients, but at a remote location. The applicant adequately demonstrates in its application that the fixed MRI scanner it proposes to develop in Brunswick County is needed in addition to the existing fixed and mobile MRI scanners in the county. The applicant adequately demonstrates that its 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 that the proposal would not result in an unnecessary duplication of existing or approved fixed MRI scanner services in Brunswick County. Therefore, the application is conforming to this criterion.

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

C

In Section VII.1, page 122, the applicant states that it currently employs 0.20 full-time equivalent (FTE) positions to assist with scheduling services for the existing mobile MRI scanner. MRI technologists are provided by Alliance. The applicant states on page 126 that it projects to employ a total of 1.95 FTE positions (1.75 FTE positions for MRI technologists and other administrative staff) to staff the proposed fixed MRI scanner in the second year of the project. The applicant states it is currently cross-training employees to serve as MRI technologists, and will continue the training. In Section VII.3, page 127, the applicant describes its experience with and process for recruiting and retaining staff. In Section VII.8, page 132, the applicant identifies Dr. Brad L. Hillman as Medical Director for the hospital. Exhibit 25 of the application contains copies of letters from area physicians and other healthcare providers expressing support for the proposed project. The applicant adequately demonstrates the availability of sufficient health manpower and management personnel to provide the proposed services. Therefore, the application is conforming to this criterion.

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

C

In Section II.2, page 26, the applicant describes the manner in which it will provide the necessary ancillary and support services. Exhibit 25 contains letters of support from physicians and other health care providers expressing support and referral services 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

The applicant proposes to renovate 850 square feet of space to develop the fixed MRI scanner located at the hospital. Exhibit 34 contains a letter from an architect that estimates construction costs that are consistent with the project capital cost projections provided by the applicant in Section VIII.2, pages 137 - 138 of the application. In Section XI.7, page 152, the applicant describes the methods that will be used by the facility to maintain efficient energy operations and contain the costs of utilities. The discussion regarding costs and charges found in Criterion (5) is incorporated herein by reference. The applicant adequately demonstrates that the cost, design and means of construction represent the most reasonable alternative, and that the construction cost will not unduly increase costs and charges for health services. 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.13, page 116, the applicant reports the following payor mix for Doshier's MRI services for FY 2015:

| PAYOR CATEGORY | % TOTAL UTILIZATION |
|--------------------------------|---------------------|
| Self-Pay/Indigent/Charity | 2.8% |
| Medicare/Medicare Managed Care | 58.6% |
| Medicaid | 4.4% |
| Commercial Insurance | 11.9% |
| Other (Managed Care) | 21.0% |
| Other (TRicare) | 1.3% |
| Total | 100.0% |

Numbers may not foot due to rounding

The United States Census Bureau provides demographic data for North Carolina and all counties in North Carolina. The following table contains relevant demographic statistics for the applicant's service area.

| Percent of Population | | | | | | |
|-----------------------|-------|----------|-----------------------------|------------------------|------------------------------|---------------------------------------|
| County | % 65+ | % Female | % Racial & Ethnic Minority* | % Persons in Poverty** | % < Age 65 with a Disability | % < Age 65 without Health Insurance** |
| Brunswick | 27% | 51% | 19% | 16% | 12% | 19% |
| Statewide | 15% | 51% | 36% | 17% | 10% | 15% |

Source: <http://www.census.gov/quickfacts/table>, 2014 Estimate as of December 22, 2015.

*Excludes "White alone" who are "not Hispanic or Latino"

**"This geographic level of poverty and health estimates are not comparable to other geographic levels of these estimates. Some estimates presented here come from sample data, and thus have sampling errors that may render some apparent differences between geographies statistically indistinguishable...The vintage year (e.g., V2015) refers to the final year of the series (2010 thru 2015). Different vintage years of estimates are not comparable."

However, a direct comparison to the applicant's current payor mix would be of little value. The population data by age, race or gender does not include information on the number of elderly, minorities, women or handicapped persons utilizing health services.

The applicant demonstrates that it currently provides adequate access to medically underserved populations. 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 115, the applicant states:

“Doshier has no specific or quantified obligations to provide uncompensated care. It is exempt from Federal tax and subject to IRS requirements for compliance with Section 501(R) regulations regarding collections, billing and community benefit. It is also subject to oversight of its Board of Trustees on behalf of the Smithville Township taxpayers.”

The applicant states it will continue to provide care to all persons, including low income, racial and ethnic minorities, women, handicapped persons, elderly and other underserved populations. In Section VI.10, page 115, the applicant states that no civil rights complaints were filed against Doshier 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, page 117, the applicant projects payor mix during the second year of operation following project completion, which is shown in the following table.

Doshier Fixed MRI Services FY 2017

| PAYOR | PROCEDURES AS % OF TOTAL |
|---------------------------------|---|
| Self Pay/Indigent | 8.0% |
| Medicare/ Medicare Managed Care | 54.6% |
| Medicaid | 7.4% |
| Managed Care | 30.0% |
| Total | 100.0% |

As shown above, the applicant projects that 62.0% of all MRI procedures to be provided will be provided to recipients of Medicare/Medicaid.

The applicant demonstrates that medically underserved populations will continue to have adequate access to the MRI services offered at Doshier. Therefore, the application is conforming to this criterion.

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

C

In Section VI.9, page 114, the applicant describes the range of means by which a person will have access to Doshier's fixed MRI services. The applicant adequately demonstrates that the facility will offer a range of means by which patients will have access to the proposed services. Therefore, the application is conforming to this criterion.

- (14) The applicant shall demonstrate that the proposed health services accommodate the clinical needs of health professional training programs in the area, as applicable.

C

In Section V.1, page 98, the applicant states that it already has established relationships with health professional training programs in Brunswick County. Exhibit 24 contains copies of correspondence to Pitt Community College and Cape Fear Community College expressing interest in using Doshier as a clinical training site for MRI technician training. 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

The 2016 SMFP includes a methodology for determining the need for additional fixed MRI scanners by service area. Application of the need methodology in the 2016 SMFP did not identify a need for any additional fixed MRI scanners in the Brunswick County MRI Service Area. The applicant submitted a petition for an adjusted need determination to the SHCC for one fixed MRI in Brunswick County, which was approved.

On page 154, the 2016 SMFP defines the service area for fixed MRI scanners as “a single county, except where there is no licensed acute care hospital located within the county.” Thus, the service area consists of Brunswick County. Providers may serve residents of counties not included in their service area.

There is one existing fixed MRI scanner in Brunswick County, and two mobile MRI scanners. The following table identifies the provider, number, and average utilization of each of the fixed MRI scanners, summarized from Table 9P of the 2016 SMFP.

| | MRI SCANNERS | TOTAL WEIGHTED MRI SCANS |
|--|--------------|--------------------------|
| Novant Health Brunswick Medical Center | 1 | 3,847 |
| Alliance Healthcare Services* | 1 | 1,267 |
| Alliance Healthcare Services (NHRMC) | 1 | 424 |

*This is the MRI used by Doshier

The applicant proposes to acquire one fixed MRI scanner to replace mobile MRI scanner services currently provided to its patients, at a remote location. In Section V.7, pages 104 - 106, the applicant discusses how any enhanced competition will have a positive impact on the cost-effectiveness, quality and access to the proposed services. The applicant states:

“A full-time MRI scanner at Doshier will be cost effective for both provider and consumer; it will reduce local travel, support Doshier’s ability to provide charges that are competitive with nearby hospitals, build local equity, and develop local technical skills and job opportunities. With the scanner at the hospital, inpatients and emergency patients will no longer cost the hospital an extra \$650 for medical transportation to the offsite location. The hospital can offer 24/7 coverage by employing cross-trained CT and MRI techs. This can be an extension of current practice, because Doshier currently arranges 24/7 CT tech coverage for the emergency room.”

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 in the application is reasonable 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 provide quality services. The discussion regarding quality found in Criteria (1) and (20) is incorporated herein by reference.
- The applicant demonstrates that it will 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 II.7, pages 28 - 29, and Section III, page 64 the applicant describes the methods used by Doshier to insure and maintain quality care. In Section I.12, page 18, the applicant states Doshier does not own any other licensed health service facility in North Carolina or in any other state. In Section II.7(c), page 29, the applicant states it has never had its license revoked or had its Medicare or Medicaid provider agreements revoked. The information provided by the applicant is reasonable and supports the determination that the application is conforming to this criterion.

- (21) Repealed effective July 1, 1987.
- (b) The Department is authorized to adopt rules for the review of particular types of applications that will be used in addition to those criteria outlined in subsection (a) of this section and may vary according to the purpose for which a particular review is being conducted or the type of health service reviewed. No such rule adopted by the Department shall require an academic medical center teaching hospital, as defined by the State Medical Facilities Plan, to demonstrate that any facility or service at another hospital is being appropriately utilized in order for that academic medical center teaching hospital to be approved for the issuance of a certificate of need to develop any similar facility or service.

NA

The applicant submitted a petition to the State Health Coordinating Council for an adjusted need determination for a fixed MRI scanner in Brunswick County, which was approved as stated on page 178 of the 2016 SMFP:

“In response to a petition, the State Health Coordinating Council approved the adjusted need determination for one additional fixed MRI scanner for Brunswick County. Applicants must be a licensed North Carolina acute care hospital with emergency care coverage 24 hours a day, seven days a week. Due to the unique factors that impact access and value, the MRI scanner shall have a threshold capacity of 1,716 annual MRI procedures. The performance standards in 10A NCAC 14C .2703 would not be applicable.”

The applicant is a licensed North Carolina acute care hospital with emergency coverage 24 hours per day, seven days per week. Therefore it is a qualified applicant for the adjusted need determination. The Performance Standards found in 10A NCAC 14C .2703 are not applicable to this review.