

ATTACHMENT - REQUIRED STATE AGENCY FINDINGS

FINDINGS

C = Conforming

CA = Conditional

NC = Nonconforming

NA = Not Applicable

Decision Date: September 28, 2016

Findings Date: September 28, 2016

Project Analyst: Mike McKillip

Team Leader: Lisa Pittman

Assistant Chief: Martha Frisone

Project ID #: O-11193-16

Facility: Novant Health Brunswick Endoscopy Center

FID #: 160287

County: Brunswick

Applicants: Novant Health Brunswick Endoscopy Center, LLC
Novant Health, Inc.

Project: Develop a new GI endoscopy center on the hospital campus by relocating one GI endoscopy room from the hospital and developing one new GI endoscopy room for a total of two GI endoscopy rooms upon project completion

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

The applicants, Novant Health Brunswick Endoscopy Center, LLC and Novant Health, Inc. [NHBECC] propose to develop a new gastroenterology (GI) endoscopy center with two GI endoscopy procedure rooms by relocating one existing GI endoscopy procedure room from Novant Health Brunswick Medical Center (NHBMC) and developing one new GI endoscopy procedure room, in a new facility to be developed on the campus of NHBMC, which is located in the town of Bolivia (Brunswick County). There are no need determinations in the 2016 State Medical Facilities Plan (SMFP) applicable to this review.

Policies

There is one policy in the 2016 SMFP which is applicable to this review: Policy GEN-4: Energy Efficiency and Sustainability for Health Service Facilities.

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.”

The proposed capital expenditure for this project is greater than \$2 million. In Section XI.8, page 103, the applicants state it “will use modern energy controls and the most energy effective material when implementing the proposed construction and upfit for the surgery center.” Exhibit 15 of the application contains a copy of Novant Health’s “Sustainable Energy Management Plan” for 2016, which the applicants state will include the proposed facility. The applicants adequately demonstrate that the application includes a written statement describing the project’s plan to assure improved energy efficiency and water conservation. Therefore, the application is consistent with Policy GEN-4 and conforming to this criterion.

Conclusion

In summary, the applicants adequately demonstrate that the proposal is consistent with Policy GEN-4. Therefore, 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

The applicants, Novant Health Brunswick Endoscopy Center, LLC (NHBEC) and Novant Health, Inc., propose to develop a new gastroenterology (GI) endoscopy center with two GI endoscopy rooms by relocating one existing GI endoscopy room from Novant Health Brunswick Medical Center (NHBMC) and developing one new GI endoscopy room, in a new facility to be developed on the campus of NHBMC, which is located in the town of Bolivia (Brunswick County). In Section I.1, page 1, the applicants state that NHBEC is a new limited liability company with 100% of membership interests owned by Novant Health, Inc. The applicants propose to develop the new endoscopy center in 9,622 square feet of space in a medical office building to be developed on the hospital campus. In Section III.1, page 22, the applicants describes the project as follows:

“Novant Health Brunswick Endoscopy Center (NHBEC) is planning to develop a freestanding separately licensed outpatient GI endoscopy facility located on the campus of Novant Health Brunswick Medical Center (NHBMC). One of the two GI endoscopy rooms in NHBEC will be relocated from NHBMC and one will be a new GI endoscopy room. At completion of the project there will be three GI endoscopy rooms on the NHBMC campus, two freestanding outpatient GI endoscopy rooms in NHBEC and one hospital-based GI endoscopy room at NHBMC.”

Population to be Served

The 2016 SMFP does not define a service area for GI endoscopy rooms. However, the applicants define their service area as Brunswick County. The applicants may also serve residents of counties not included in its service area.

In Section III.6, page 47, and Exhibit 3, Table 9, the applicants provide the historical (FY2015) patient origin for GI endoscopy patients at NHBMC and the projected patient origin for GI endoscopy patients at the proposed NHBEC facility for the first three project years (PY), as summarized in the table below.

**Novant Health Brunswick Endoscopy Center
 Projected Patient Origin**

County	NHBMC FY2015	Percent	PY 1 April 2018 – March 2019	PY 2 April 2019 – March 2020	PY 3 April 2020 – March 2021
Brunswick	2,713	96.9%	2,486	2,636	2,788
Other*	86	3.1%	79	84	88
TOTAL	2,799	100.0%	2,564	2,720	2,877

Source: Exhibit 3, Table 9.

*The applicant states the counties included in the “Other” category are “All Other In-migration includes North Carolina counties and other states in the GI Endoscopy patient origin table included in the 2016 NHBMC 2016 LRA included in Exhibit 24, page 28.” Page 28 of the 2016 Hospital License Renewal Application for Novant Health Brunswick Medical Center is a listing of the North Carolina counties and other states from which NHBMC GI endoscopy patients originated in FY2015.

In Section III.5, page 46, and Exhibit 3, Table 9, the applicants describe the historical patient origin for GI endoscopy services for NHBMC. The applicants’ projected patient origin for the proposed GI endoscopy facility is consistent with the historical patient origin for GI endoscopy services provided at NHBMC, based on the patient origin data reported in the applicant’s 2016 Hospital License Renewal Application, and the patient origin data reported by the applicants in Exhibit 3, Table 9, of the application. The applicants adequately identified the population proposed to be served.

Analysis of Need

In Section III.1(a) and (b) of the application, the applicants describe the factors which they state support the need for the proposed project, including:

- The historical growth rates in the utilization of services at NHBMC in general, and GI endoscopy services in particular, from FFY2012 to FFY2015 (pages 22-25).
- Increasing number of gastroenterologists and surgeons on the NHBMC medical staff since 2013 (pages 25-26).
- Changes in reimbursement for outpatient surgery that encourages the use of ambulatory surgery centers as opposed to hospital outpatient departments (pages 26-28).
- The historical and projected growth of the population in the Brunswick County service area and the increasing use rate for GI endoscopy (pages 28-29).
- The prevalence of gastrointestinal disorders and the importance of early detection (pages 29-34).
- The expanded and improved insurance coverage provided by the Affordable Care Act and Medicare (pages 35-36).

The information provided by the applicants in the pages referenced above is reasonable and adequately supported.

Projected Utilization

In Section IV.1, page 51, the applicants provide projected utilization for the proposed GI endoscopy facility through the first three years of operation following completion of the project (April 2018-March 2021), which is summarized below.

**Novant Health Brunswick Endoscopy Center
 Projected Utilization, April 1, 2018 – March 31, 2021**

	PY 1 April 2018 – March 2019	PY 2 April 2019 – March 2020	PY 3 April 2020 – March 2021
GI Endoscopy Rooms	2	2	2
Outpatient GI Endoscopy Patients	2,564	2,720	2,877
Outpatient GI Endoscopy Procedures	3,334	3,536	3,740

In Section III.1, page 42, the applicants provide projected utilization for the existing GI endoscopy room at NHBMC through the first three years of operation following completion of the project (April 2018-March 2021), which is summarized below.

**Novant Health Brunswick Medical Center
 Projected Utilization, April 1, 2018 – March 31, 2021**

	PY 1 April 2018 – March 2019	PY 2 April 2019 – March 2020	PY 3 April 2020 – March 2021
GI Endoscopy Rooms	1	1	1
Outpatient GI Endoscopy Patients	1,282	1,360	1,438
Outpatient GI Endoscopy Procedures	1,667	1,768	1,870

As shown in the tables above, the applicants project they will perform 3,536 GI endoscopy procedures in the two GI endoscopy rooms, or 1,768 GI endoscopy procedures per GI endoscopy room, at the proposed facility in the second operating year of the project. Also, the applicants project they will perform 1,768 GI endoscopy procedures in the one GI endoscopy room at NHBMC in the second operating year of the project. Thus, the applicants project to perform more than 1,500 GI endoscopy procedures per GI endoscopy room during the second year of operation following completion of the project, as required in 10A NCAC 14C .3903(b)(1).

In Section III.1(b), pages 36-42, the applicants describe their assumptions and methodology, in eight steps, for projecting utilization of the one remaining GI endoscopy room at NHBMC and two proposed GI endoscopy rooms at NHBECC, as summarized below.

Step 1: Determine Base Volume for Use in Projections

On page 36, the applicants states it reviewed the historical utilization data for NHBMC’s two GI endoscopy rooms, which is summarized below:

**Novant Health Brunswick Medical Center
 Historical GI Endoscopy Room Utilization**

	April 2012 – March 2013	April 2013 – March 2014	April 2014 – March 2015	April 2015 – March 2016
GI Endoscopy Cases	1,834	1,925	2,151	3,130
Annual Percent Increase	---	5.0%	11.7%	45.5%
GI Endoscopy Procedures	2,315	2,547	2,618	4,098
Annual Percent Increase	---	10.0%	2.8%	56.5%

Source: Table on page 37 of the application.

Step 2: Determine GI Endoscopy Use Rate for Brunswick County

On pages 37-38, applicants provide the following tables showing the historical (FY2012 and FY2015) GI endoscopy cases and use rates for Brunswick County residents 55 years old and older.

**Brunswick County Residents
 Total GI Endoscopy Cases**

Brunswick County	FY2012	FY2015	CAGR 2012-2015
Total GI Endoscopy Cases	6,559	8,952	10.9%

Source: Table on page 37 of the application.

**Brunswick County Residents 55+
 GI Endoscopy Use Rate**

Brunswick County	FY2012	FY2015
GI Endoscopy Use Rate Per 1,000 Population	141.50	175.02

Source: Table on page 38 of the application.

On pages 37-38, the applicants state,

“NHBECE used GI endoscopy volume from the LRAs [License Renewal Applications] and county population data from the NC OSBM for Brunswick County residents 55+ reflected in Exhibit 3, Table 8 to determine GI endoscopy use rates for residents 55+ of Brunswick County in FY 2012 and FY 2015, as shown [above]. ... Persons 55+ are the age group most likely to utilize GI endoscopy services. NHBECE, therefore, believes use of the 55+ use rate is reasonable and yields an accurate projection of GI endoscopy volume for Brunswick County.”

Step 3: Calculate Expected Brunswick County GI Endoscopy Cases

On page 38, applicants provide a table showing the projected GI endoscopy cases for Brunswick County from 2016 through 2021 based on a use rate of 175.02 GI endoscopy cases per 1,000 population and the projected 55 and older population, which is shown below.

**Brunswick County
 Projected GI Endoscopy Cases**

	2016	2017	2018	2019	2020	2021
Population 55+	54,653	54,104	58,372	60,280	62,164	63,927
Use Rate	175.02	175.02	175.02	175.02	175.02	175.02
Projected Total GI Procedures by Brunswick County Residents	9,215	9,469	10,216	10,550	10,880	11,189

Source: Exhibit 3, Table 10

Step 4: Determine NHBMC Market Share of Brunswick County GI Endoscopy Cases

Based on license renewal application data for FY2012 and FY2015, the applicant calculated that NHBMC’s market share of GI endoscopy services in Brunswick County increased from 25% in FY2012 to 30.3 % in FY2015. See table on page 39 of the application.

Step 5: Project NHBMC Market Share

On page 39, the applicants provide a table showing the projected Brunswick County GI endoscopy market share for NHBMC and NHBEC from 2016 through 2021, which is shown below.

Projected Novant Health Brunswick Endoscopy Center and Novant Health Brunswick Medical Center Market Share of Brunswick County GI Endoscopy Cases

Brunswick County	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Projected Market Share	33.4%	34.4%	35.4%	36.4%	37.4%	38.4%
Annual Market Share Increase	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%

Source: Exhibit 3, Table 10

On pages 39-40, the applicants state,

“Total NHBMC market share of Brunswick County residents’ GI endoscopy cases in 2015 was 30.3% as discussed in Step 4. However, this is based on data which is several months old and does not take into consideration the full impact of the new gastroenterologist at NHBMC who joined the medical staff in 2015 and the subsequent growth in GI endoscopy utilization at NHBMC. As a result, NHBEC calculated NHBMC’s most current market share using projected total Brunswick County GI endoscopy utilization projected in Step 2, and NHBMC base year data reflected in Step 1. The resulting current 2016 NHBMC market share is 33.4% as calculated in Exhibit 3, Table 10....

As shown in the table above, the addition of 1.0% in market share per year from base year 2016, results in a project market share of 38.4% in 2021. This reflects an increase in annual market share from the base year of 5.0% in 2021.

NHBMC believes the growth in market share is reasonable. The addition of a second GI endoscopy room in 2014, and the increase in gastroenterologists and surgeons on the NHBMC staff resulted in a 5.3% percent increase in market share from 2012 to 2015, just three years. The two GI endoscopy rooms at NHBMC have reached the CON GI endoscopy target of 1,500 procedures per room and clearly additional GI endoscopy rooms are needed. In addition, there continues to be a large out-migration from Brunswick County for outpatient GI endoscopy as reflected in Step 4. The development of a freestanding lower cost option for GI endoscopy will result in decreasing the out-migration of residents seeking a lower cost option, which currently is not available in Brunswick County.”

Step 6: Project Combined NHBEC and NHBMC GI Endoscopy Volume

Based on the total projected Brunswick County GI endoscopy cases (Step 3) and the applicants’ market share projections (Step 5), the applicants project total GI endoscopy cases for Brunswick County residents to be performed at NHBMC and NHBEC from FY2016 through FY2021. Also, based on NHBMC’s historical experience, the applicants project an additional 3.1 percent “in-migration” of GI endoscopy cases for patients who reside outside of Brunswick County. The applicants’ projections are shown below:

Projected Novant Health Brunswick Endoscopy Center and Novant Health Brunswick Medical Center GI Endoscopy Cases

	<i>FY 2016</i>	<i>FY 2017</i>	<i>FY 2018</i>	<i>FY 2019</i>	<i>FY 2020</i>	<i>FY 2021</i>
<i>Total Brunswick County GI Endoscopy Cases</i>	9,215	9,469	10,216	10,550	10,880	11,189
<i>Projected NHBEC and NHBMC Market Share</i>	33.4%	34.4%	35.4%	36.4%	37.4%	38.4%
<i>Projected NHBEC and NHBMC GI Endoscopy Cases from Brunswick County</i>	3,078	3,257	3,616	3,840	4,069	4,296
<i>Projected In-Migration (3.1%)</i>	98	103	115	122	129	136
<i>Total Projected NHBEC and NHBMC GI Endoscopy Cases</i>	3,175	3,361	3,731	3,962	4,198	4,432

Source: Exhibit 3, Table 10

On page 40, the applicants provide a table that converts the fiscal year (July-June) projections to operating year (April-March), which is shown below:

Projected Novant Health Brunswick Endoscopy Center and Novant Health Brunswick Medical Center GI Endoscopy Cases Converted to Project Years

	<i>PY 1 April 2018 – March 2019</i>	<i>PY 2 April 2019 – March 2020</i>	<i>PY 3 April 2020 – March 2021</i>
<i>NHBEC and NHBMC Combined GI Endoscopy Cases</i>	3,846	4,080	4,315

Source: Exhibit 3, Table 10

Step 7: Project Total GI Endoscopy Cases at NHBEC and NHBMC

The applicants assume the projected utilization of the GI endoscopy cases will be equally distributed among the three GI endoscopy rooms at NHBMC and NHBEC. On page 41, the applicants provide a table showing the projected utilization of the GI endoscopy rooms at NHBMC and NHBEC in the first three years of operation, which is shown below:

***Projected Novant Health Brunswick Endoscopy Center and
 Novant Health Brunswick Medical Center GI Endoscopy Cases***

	<i>PY 1 April 2018 – March 2019</i>	<i>PY 2 April 2019 – March 2020</i>	<i>PY 3 April 2020 – March 2021</i>
<i>NHBEC and NHBMC Combined GI Endoscopy Cases</i>	3,846	4,080	4,315
<i>Projected GI Endoscopy Cases at NHBEC</i>	2,564	2,720	2,877
<i>Projected GI Endoscopy Cases at NHBMC</i>	1,282	1,360	1,438

Source: Exhibit 3, Table 10

Step 8: Project GI Endoscopy Room Need at NHBMC and NHBEC

On page 24, the applicants state that from April 2013 through March 2016, NHBMC’s GI endoscopy rooms have averaged 1.3 procedures per case. On page 42, the applicants provide the following table showing the projected need for GI endoscopy rooms based on the applicant’s utilization projections of cases and procedures at NHBMC and NHBEC.

***Projected Novant Health Brunswick Endoscopy Center and
 Novant Health Brunswick Medical Center GI Endoscopy Procedures***

	<i>PY 1 April 2018 – March 2019</i>	<i>PY 2 April 2019 – March 2020</i>	<i>PY 3 April 2020 – March 2021</i>
<i>GI Endoscopy Cases at NHBEC</i>	2,564	2,720	2,877
<i>GI Endoscopy Procedures at NHBEC</i>	3,334	3,536	3,740
<i>Rooms Needed at NHBEC</i>	2.2	2.4	2.5
<i>GI Endoscopy Cases at NHBMC</i>	1,282	1,360	1,438
<i>GI Endoscopy Procedures at NHBMC</i>	1,667	1,768	1,870
<i>Rooms Needed at NHBMC</i>	1.1	1.2	1.2

Source: Exhibit 3, Table 10

On page 42, the applicants state,

“The previous table illustrates that projected procedures at NHBEC, which start at 3,334 in PY1 and grow to 3,740 in PY3 reflect a need for 2.5 GI endoscopy rooms based upon the 1,500 procedures per room metric defined in the CON GI Endoscopy Services Criteria and Standards. NHBMC GI procedures are projected to be 1,282 in PY1, and grow to 1,438 in PY3 reflecting in a need for 1.2 GI endoscopy rooms based upon the 1,500 procedures per room metric defined in the CON GI Endoscopy Services Criteria and Standards.”

As discussed above, the applicants project GI endoscopy procedure volumes at the proposed GI endoscopy facility based on the historical and projected GI endoscopy use rates, population projections for Brunswick County residents age 55 and older, and the historical and projected GI endoscopy market share for NHBMC. Specifically, the applicants assume that the GI endoscopy use rate for Brunswick County residents will remain stable at the FY2015 use rate (175.02 cases per 1,000 population) through the first three project years. The applicants calculate NHBMC's 2016 GI endoscopy market share as 33.4 percent, and then assume that their market share will increase one percentage point per year until it reaches 38.4 percent in FY2021. Also, the applicants assume that their historical ratio of procedures to cases of 1.3 will remain stable through the first three project years. The applicants report that GI endoscopy cases at NHBMC grew from 1,834 in 2012 to 3,130 in 2015, which is equivalent to an average annual growth rate of 19.5 percent. The applicants project that total GI endoscopy cases at NHBMC and NHBEC will grow from 3,175 in 2016 to 4,432 in 2021, which is equivalent to an average annual growth rate of 6.9 percent. Exhibit 4 contains letters from physicians and surgeons expressing support for the proposed project and their intention to perform procedures at the proposed GI endoscopy facility. Projected utilization of the two GI endoscopy rooms at NHBEC is based on reasonable and adequately supported assumptions. Therefore, the applicants adequately demonstrated the need to develop two GI endoscopy rooms at the proposed GI endoscopy facility.

Access

In Section VI.2, pages 64-66, the applicants state their commitment to provide 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.14, page 74, the applicants project that 59 percent of GI endoscopy cases will be provided to Medicare or Medicaid recipients at the proposed facility. The applicants adequately demonstrate the extent to which all residents, including underserved groups, will have access to the proposed services.

Conclusion

In summary, the applicants adequately identified the population to be served, demonstrated the need the population has for the project and adequately demonstrated 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.

The applicants, Novant Health Brunswick Endoscopy Center, LLC (NHBEC) and Novant Health, Inc., propose to develop a new GI endoscopy center with two GI endoscopy rooms by relocating one of the two existing GI endoscopy room from Novant Health Brunswick Medical Center (NHBMC) and developing one new GI endoscopy room, in a new facility to be developed on the campus of NHBMC, which is located in the town of Bolivia (Brunswick County). Therefore, upon completion the project, NHBMC will have one GI endoscopy room.

In Section III.3, page 43, the applicants state,

“As discussed previously, one GI endoscopy room will remain at NHBMC to meet the needs of inpatients and outpatients with higher acuity and more complex needs. The GI endoscopy room being relocated will continue to serve outpatients currently served by NHBMC, as the new NHBEC is located on the same campus as NHBMC.”

In Section IV.1, page 51, the applicants provide projected utilization for the proposed GI endoscopy facility through the first three years of operation following completion of the project (April 2018-March 2021), which is summarized below.

**Novant Health Brunswick Endoscopy Center
 Projected Utilization, April 1, 2018 – March 31, 2021**

	PY 1 April 2018 – March 2019	PY 2 April 2019 – March 2020	PY 3 April 2020 – March 2021
GI Endoscopy Rooms	2	2	2
Outpatient GI Endoscopy Cases	2,564	2,720	2,877
Outpatient GI Endoscopy Procedures	3,334	3,536	3,740

In Section III.1, page 42, the applicants provide projected utilization for the existing GI endoscopy room at NHBMC through the first three years of operation following completion of the project (April 2018-March 2021), which is summarized below.

**Novant Health Brunswick Medical Center
 Projected Utilization, April 1, 2018 – March 31, 2021**

	PY 1 April 2018 – March 2019	PY 2 April 2019 – March 2020	PY 3 April 2020 – March 2021
GI Endoscopy Rooms	1	1	1
Outpatient GI Endoscopy Cases	1,282	1,360	1,438
Outpatient GI Endoscopy Procedures	1,667	1,768	1,870

As shown in the tables above, the applicants project they will perform 3,740 GI endoscopy procedures in the two GI endoscopy rooms, or 1,870 GI endoscopy procedures per GI endoscopy room, at the proposed facility in the third operating year of the project. Also, the applicants project they will perform 1,870 GI endoscopy procedures in the one GI endoscopy room at NHBMC in the third operating year of the project. Therefore, based on the applicants’ utilization projections, NHBEC and NHBMC would have adequate capacity to meet the need for GI endoscopy

services for the population presently served following relocation of one of the two existing GI endoscopy rooms from NHBMC to the proposed new GI endoscopy.

In Section III.3(d), pages 43-44, the applicants state,

“As reflected in payor mix projections included in Section VI of this Application, the payor mix is not anticipated to change as a result of the proposed project. The proposed project does include converting one GI endoscopy room from a hospital-based GI endoscopy room to a freestanding GI endoscopy room. However, the location will remain on the campus of the existing NHBMC and the impact of this conversion will lower costs and charges for all patients, including medically underserved populations. Therefore, the proposed project will have a positive impact on the patients served in terms of available services, costs to the patient, and access by medically underserved populations.”

In Section VI.14, page 74, the applicants project the following payor mix for GI endoscopy services at NHBEC in the second operating year of the project.

Payer Category	GI Endoscopy Cases as Percent of Total
Self Pay/Indigent	1.39%
Commercial Insurance	0.56%
Medicare/Medicare Managed Care	54.23%
Medicaid	4.71%
Managed Care	38.13%
Other	0.98%
Total	100.0%

As shown in the table above, the applicants project that 59 percent of their GI endoscopy cases will be for patients who will have some or all of their care paid for by Medicare or Medicaid. The applicants adequately demonstrate that the relocation of one of the two existing GI endoscopy rooms from NHBMC to the proposed GI endoscopy facility will not have a negative effect 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.

In summary, the applicants adequately demonstrate that the needs of the population presently served by NHBMC will be adequately met following the proposed relocation of one GI endoscopy room from NHBMC to NHBEC. Therefore, the application is conforming to this criterion.

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

In Section III.8, pages 47-48, the applicants describe the alternatives considered prior to submitting this application for the proposed project, which include:

- Maintain the Status Quo – The applicants state that maintaining the status quo is not an effective alternative because the existing GI endoscopy rooms at NHBMC do not have adequate capacity to meet the growing need for GI endoscopy services.
- Expand the Hospital-based GI Endoscopy Center – The applicants state that adding a GI endoscopy room to the hospital-based GI endoscopy center is not an effective alternative because GI endoscopy care can be offered at a lower cost in a new, separately licensed, freestanding GI endoscopy center.
- Develop a GI Endoscopy Center in Another Location – The applicants state that developing a GI endoscopy center in another location is not an effective alternative because it “*would diminish the efficiency and economies of scale at the hospital.*”
- Develop a GI Endoscopy Center with One GI Endoscopy Room – The applicants state that developing a GI endoscopy center with only one GI endoscopy room is not an effective alternative because it would be less financially viable and would provide only limited access to lower cost GI endoscopy services.
- Develop a GI Endoscopy Center by Relocating Both Hospital GI Endoscopy Rooms – The applicants state that developing a GI endoscopy center by relocating both GI endoscopy rooms from the hospital, and adding one new GI endoscopy room, is not an effective alternative because NHBMC would no longer be able to meet the need for inpatient GI endoscopy services.

After considering those alternatives, the applicants state the alternative represented in the application is the most effective alternative to meet the identified need.

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

In summary, the applicants adequately demonstrate that the 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. Novant Health Brunswick Endoscopy Center, LLC and Novant Health, Inc. shall materially comply with all representations made in the certificate of need application.**
- 2. Novant Health Brunswick Endoscopy Center, LLC and Novant Health, Inc. shall develop a GI endoscopy center with no more than two GI endoscopy rooms.**
- 3. Novant Health Brunswick Medical Center shall de-license one GI endoscopy room and shall be licensed for no more than one GI endoscopy room following completion of this project.**
- 4. Novant Health Brunswick Endoscopy Center, LLC and Novant Health, Inc. shall not acquire, as part of this project, any equipment that is not included in the**

project's proposed capital expenditures in Section VIII of the application and that would otherwise require a certificate of need.

- 5. Novant Health Brunswick Endoscopy Center, LLC and Novant Health, Inc. 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

The applicants, Novant Health Brunswick Endoscopy Center, LLC (NHBECC) and Novant Health, Inc., propose to develop a new GI endoscopy center with two GI endoscopy rooms by relocating one existing GI endoscopy room from Novant Health Brunswick Medical Center (NHBMC) and developing one new GI endoscopy room, in a new facility to be developed on the campus of NHBMC, which is located in the town of Bolivia (Brunswick County).

Capital and Working Capital Costs

In Section VIII.1, page 86, the applicants state the total capital cost is projected to be as follows:

NHBECC Project Capital Cost

Site Costs	\$231,987
Construction Costs	\$2,028,775
Miscellaneous Project Costs	\$1,864,726
TOTAL CAPITAL COST	\$4,125,488

Source: Table on page 86 of the application.

In Section IX.1, page 95, the applicants state there will be \$49,909 in start-up expenses and \$408,896 in initial operating expenses, which totals to \$458,805 in working capital required for the project. In Section IX.2, page 95, the applicants state Novant Health, Inc. will fund up to \$548,805 for total working capital for the project.

Availability of Funds

In Section VIII.3, page 87, the applicants state that the total project capital costs will be funded by the accumulated reserves of Novant Health, Inc. Also, in Section IX.2, page 95, the applicants state that the working capital costs will be funded by the accumulated reserves of Novant Health, Inc. In Exhibit 7, the applicants provide a letter dated May 24, 2016, from the Senior Vice President, Finance for Novant Health, Inc., documenting its intention to fund \$4,125,488 in capital costs for the proposed project. Exhibit 7 also contains a letter dated June 15, 2016, from the Senior Vice President, Finance for Novant Health, Inc., documenting its

intention to fund \$548,805 in working capital costs for the proposed project. Exhibit 7 also contains a copy of the Consolidated Financial Statements for Novant Health, Inc. and Affiliates that indicate it had \$354 million in cash and cash equivalents, \$1.5 billion in current assets, and \$2.9 billion in total net assets, as of December 31, 2015. The applicants adequately demonstrate 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 NHBEC's GI endoscopy services (Form B), the applicants project that revenues will exceed operating expenses in the second and third operating years of the project, as shown in the table below.

Projected NHBEC Revenue and Expenses

	PY1 2018	PY2 2019	PY3 2020
Total Net Revenue	\$1,817,593	\$1,979,499	\$2,149,898
Average Net Revenue/Case	\$709	\$728	\$747
Total Operating Expenses	\$1,834,826	\$1,888,448	\$1,943,949
Net Income (Loss)	(\$17,234)	\$91,051	\$205,949

The assumptions used by the applicants in preparation of the pro forma financial statements are reasonable, including projected utilization, costs and charges. See the financial section of the application for the assumptions used regarding costs and charges. The discussion regarding utilization projections found in Criterion (3) is incorporated herein by reference. The applicants adequately demonstrate that the financial feasibility of the proposal is based upon reasonable projections of costs and charges.

Conclusion

In summary, the applicants adequately demonstrate that sufficient funds will be available for the capital and working capital needs of the project. Furthermore, the applicants adequately demonstrate 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 applicants, Novant Health Brunswick Endoscopy Center, LLC (NHBEC) and Novant Health, Inc., propose to develop a new GI endoscopy center with two GI endoscopy rooms by relocating one existing GI endoscopy room from Novant Health Brunswick Medical Center (NHBMC) and developing one new GI endoscopy room, in a new facility to be developed on the campus of NHBMC, which is located in the town of Bolivia (Brunswick County).

The 2016 SMFP does not define a service area for GI endoscopy rooms. However, the applicants define their service area as Brunswick County. The applicants may also serve residents of counties not included in its service area.

The following table identifies the existing and approved GI endoscopy rooms located in Brunswick County, and the GI endoscopy case and procedure volumes for each provider. GI endoscopy case and procedure volumes are from Table 6E of the Proposed 2017 SMFP.

Brunswick County GI Endoscopy Room Inventory

	GI Endoscopy Rooms	GI Endoscopy Cases	GI Endoscopy Procedures
J. Arthur Doshier Memorial Hospital	2	688	688
Novant Health Brunswick Medical Center	2	2,799	3,539

Source: Proposed 2017 SMFP, Table 6E.

As shown in the table above, there is only one other provider with GI endoscopy rooms in the applicants' proposed service area. In Section III.9(b), page 49, the applicants state,

“The NHBMC campus is centrally located in the county as shown in the [map on page 49 of the application]. The proposed project is being developed to meet the growing demand for GI endoscopy services at NHBMC and as a result, the need could not be met by other providers in the service area. ... In addition, the NHBEC will be a freestanding separately licensed outpatient GI endoscopy facility with lower costs than a hospital-based program. The other facility in the service area is hospital-based. Therefore, the need identified in this Application for the proposed project could not be met by another provider.”

The applicants adequately demonstrated the need to relocate the existing GI endoscopy room and develop one new GI endoscopy room, and adequately demonstrated that the 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 applicants adequately demonstrated that the proposal would not result in an unnecessary duplication of existing or approved GI endoscopy rooms 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.2, page 76, the applicants provide the proposed staffing for the facility in operating year 2 (April 2019 – March 2020), as shown in the table below.

Position	Number of Full-Time Equivalent (FTE) Positions
Nurse Manager	0.25
Certified Registered Nurse Anesthetist (CRNA)	2.00
Endoscopy Technician	1.00
Registered Nurse	6.00
Surgical Technician	2.00
Receptionist/Administrative Assistant	1.00
TOTAL	12.25

Source: Table VII.2, page 76.

In Section VII.3, pages 76-77, and Section VII.7, pages 81-82, the applicants describe their experience and process for recruiting and retaining staff. Exhibit 5 contains a copy of a letter from Jonathan Lamphier, M.D., expressing his interest in serving as the Medical Director for the facility. The applicants adequately demonstrate the availability of sufficient health manpower and management personnel to provide the proposed services. Therefore, the application is conforming to this criterion.

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

C

In Sections II.1 and II.2, pages 10-12, the applicants describe the manner in which they will provide the necessary ancillary and support services. Exhibits 4 and 5 of the application contain copies of letters from area physicians and surgeons expressing support for the proposed project. The applicants adequately demonstrate 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 applicants propose to develop a new GI endoscopy facility with two GI endoscopy rooms in 9,266 square feet of space in a medical office building to be constructed on the campus of Novant Health Brunswick Medical Center. Exhibit 14 contains a certified cost estimate from an architect that estimates construction costs that are consistent with the project capital cost projections provided by the applicants in Section VIII.1, page 86 of the application. In Section IX.8, pages 103-104, and Exhibit 15, the applicants describe 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 applicants adequately demonstrate 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.12, page 73, the applicants state,

“The project involves a new proposed outpatient GI endoscopy center. Thus, no historical payor mix information is available as the outpatient GI endoscopy center is not yet developed.”

However, NHBMC currently offers GI endoscopy services. NHBMC reported the following payor mix percentages for outpatient services for FY2015.

Payor Category	Outpatient Visits as Percent of Total
Self Pay/Indigent	2.6%
Commercial Insurance	33.0%
Medicare/Medicare Managed Care	51.9%
Medicaid	10.6%
Managed Care	0.4%
Other (Government, Workers Comp, Institutional)	1.5%
Total	100.0%

Source: NHBMC’s 2016 Hospital License Renewal Application.

Also, in Section III.3(d), pages 43-44, the applicants state, *“As reflected in payor mix projections included in Section VI of this Application, the payor mix is not anticipated to change as a result of the proposed project.”* In Section VI.14, page 74, the applicants project the following payor mix for GI endoscopy services at NHBEC in the second operating year of the project.

Payor Category	GI Endoscopy Cases as Percent of Total
Self Pay/Indigent	1.39%
Commercial Insurance	0.56%
Medicare/Medicare Managed Care	54.23%
Medicaid	4.71%
Managed Care	38.13%
Other	0.98%
Total	100.00%

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 service area, Brunswick County, and statewide.

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 applicants' 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 applicants demonstrate that they currently provide 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, pages 72, the applicants state,

"Novant Health's hospitals (NHFMC and NHPMC) [Novant Health Forsyth Medical Center and Novant Health Presbyterian Medical Center] fulfilled their Hill-Burton obligations long ago. ... FMC, PMC and all Novant Health facilities in North Carolina continue to comply with the community service obligation and there is no denial, restriction, or limitation of access to minorities or handicapped persons. ... Novant Health's acute care hospitals have continued their commitment to providing care to all persons, regardless of their ability to pay."

In Section VI.10, page 72, the applicants state that no civil rights access complaints have been filed against any Novant Health facility in last five years. 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 74, the applicants project the following payor mix for GI endoscopy services at NHBEC in the second operating year (April 2019 – March 2020) of the project.

Payor Category	GI Endoscopy Cases as Percent of Total
Self Pay/Indigent	1.39%
Commercial Insurance	0.56%
Medicare/Medicare Managed Care	54.23%
Medicaid	4.71%
Managed Care	38.13%
Other	0.98%
Total	100.0%

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

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

C

In Section VI.9, page 71, the applicants describe the range of means by which a person will have access to NHBEC's GI endoscopy services. The applicants adequately demonstrate 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 52, the applicants state that Novant Health has extensive relationships with health professional training programs. Exhibit 9 contains a list of educational institutions with which Novant Health has training arrangements, including Cape Fear Community College, Eastern Carolina University, and Miller-Motte College in Wilmington, among others.

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 applicants, Novant Health Brunswick Endoscopy Center, LLC (NHBECC) and Novant Health, Inc., propose to develop a new GI endoscopy center with two GI endoscopy rooms by relocating one existing GI endoscopy room from Novant Health Brunswick Medical Center (NHBMC) and developing one new GI endoscopy room, in a new facility to be developed on the campus of NHBMC, which is located in the town of Bolivia in Brunswick County.

The 2016 SMFP does not define a service area for GI endoscopy rooms. However, the applicants define their service area as Brunswick County. The applicants may also serve residents of counties not included in its service area.

The following table identifies the existing GI endoscopy rooms located in Brunswick County, and the GI endoscopy case and procedure volumes for each provider. GI endoscopy cases and procedure volumes are from Table 6E of the Proposed 2017 SMFP.

Brunswick County GI Endoscopy Room Inventory

	GI Endoscopy Rooms	GI Endoscopy Cases	GI Endoscopy Procedures
J. Arthur Doshier Memorial Hospital	2	688	688
Novant Health Brunswick Medical Center	2	2,799	3,539

Source: Proposed 2017 SMFP, Table 6E.

In Section V.7, pages 57-63, the applicants discuss how any enhanced competition will have a positive impact on the cost-effectiveness, quality and access to the proposed services. On page 57, the applicants state,

“NHBECC is proposing the development of a new separately licensed outpatient GI endoscopy center with 2 GI endoscopy rooms in a medical office building on the NHBMC

campus. The proposed center will be the first separately licensed GI endoscopy center in Brunswick County.

As a licensed outpatient GI endoscopy center, NHBEC will have the opportunity to offer outpatient GI endoscopy procedures at a lower price point than a hospital-based GI endoscopy program. Traditionally, patient co-pays and charges have been lower at licensed outpatient GI endoscopy centers, than at hospital-based outpatient GI endoscopy programs. This approach will offer a new, more cost effective option for local access in Brunswick County. As a result, NHBEC will also promote beneficial competition and choice with other licensed outpatient GI Endoscopy Centers in neighboring counties. Competition can be a useful tool in expanding local access to services, promoting cost effectiveness by putting downward pressure on costs of care, and encouraging the consistency in the delivery of quality care.”

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

The information 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 applicants adequately demonstrate 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 applicants adequately demonstrate they will provide quality services. The discussion regarding quality found in Criterion (20) is incorporated herein by reference.
- The applicants demonstrate that they will provide adequate access to medically underserved populations. The discussion regarding access found in Criteria (3) 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

According to the files in the Acute and Home Care Licensure and Certification Section, DHSR, no Novant Health facilities are currently out of compliance with a CMS Condition of Participation, nor have any other 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 other facility owned and operated by Novant Health in North Carolina. After reviewing and considering

information provided by the applicants and by the Acute and Home Care Licensure and Certification Section and considering the quality of care provided at Novant Health facilities, the applicants provided sufficient evidence that quality care has been provided in the past. Therefore, the application is conforming to this criterion.

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

C

The application is conforming with all applicable Criteria and Standards for Gastrointestinal Endoscopy Procedure Rooms in Licensed Health Service Facilities promulgated in 10A NCAC 14C .3900. The specific criteria are discussed below:

SECTION .3900 - CRITERIA AND STANDARDS FOR GASTROINTESTINAL ENDOSCOPY PROCEDURE ROOMS IN LICENSED HEALTH SERVICE FACILITIES

10A NCAC 14C .3903 PERFORMANCE STANDARDS

(a) In providing projections for operating rooms, as required in this rule, the operating rooms shall be considered to be available for use 250 days per year, which is five days per week, 52 weeks per year, excluding ten days for holidays.

-C- In Section II.11, page 19, the applicants state that NHBEC is projected to operate five days per week and 52 weeks a year.

(b) An applicant proposing to establish a new licensed ambulatory surgical facility for performance of GI endoscopy procedures or develop a GI endoscopy room in an existing licensed health service facility shall reasonably project to perform an average of at least 1,500 GI endoscopy procedures only per GI endoscopy room in each licensed facility the applicant or a related entity owns in the proposed service area, during the second year of operation following completion of the project.

-C- Upon completion of the proposed project, the applicants will own two licensed facilities in the proposed service area; NHBEC and NHBMC. In Section IV.1, page 51, the applicants provide projected utilization for the proposed GI endoscopy facility, NHBEC, through the first three years of operation following completion of the project (April 2018-March 2021), which is summarized below.

**Novant Health Brunswick Endoscopy Center
 Projected Utilization, April 1, 2018 – March 31, 2021**

	PY 1 April 2018 – March 2019	PY 2 April 2019 – March 2020	PY 3 April 2020 – March 2021
GI Endoscopy Rooms	2	2	2
Outpatient GI Endoscopy Patients	2,564	2,720	2,877
Outpatient GI Endoscopy Procedures	3,334	3,536	3,740

In Section III.1, page 42, the applicants provide projected utilization for the existing GI endoscopy room at NHBMC through the first three years of operation following completion of the project (April 2018-March 2021), which is summarized below.

**Novant Health Brunswick Medical Center
 Projected Utilization, April 1, 2018 – March 31, 2021**

	PY 1 April 2018 – March 2019	PY 2 April 2019 – March 2020	PY 3 April 2020 – March 2021
GI Endoscopy Rooms	1	1	1
Outpatient GI Endoscopy Patients	1,282	1,360	1,438
Outpatient GI Endoscopy Procedures	1,667	1,768	1,870

As shown in the tables above, the applicants project they will perform 3,536 GI endoscopy procedures in the two GI endoscopy rooms, or 1,768 GI endoscopy procedures per GI endoscopy room, at the proposed facility in the second operating year of the project. Also, the applicants project they will perform 1,768 GI endoscopy procedures in the one GI endoscopy room at NHBMC in the second operating year of the project. Thus, the applicants project to perform more than 1,500 GI endoscopy procedures per GI endoscopy room during the second year of operation following completion of the project. Projected utilization, which is based on reasonable and adequately supported assumptions, supports the need for the proposed GI endoscopy facility with two GI endoscopy rooms. The discussion regarding projected utilization found in Criterion (3) is incorporated herein by reference.

(c) An applicant proposing to establish a new licensed ambulatory surgical facility for performance of GI endoscopy procedures or develop a GI endoscopy room in an existing licensed health service facility shall demonstrate that at least the following types of GI endoscopy procedures will be provided in the proposed facility or GI endoscopy room: upper endoscopy procedures, esophagoscopy procedures, and colonoscopy procedures.

-C- In Exhibit 22, the applicants provide a letter from the Manager, Surgical Services and GI Endoscopy for NHBMC that states that upper endoscopy procedures, esophagoscopy procedures, and colonoscopy procedures will be performed in the proposed GI endoscopy facility.

(d) If an applicant, which proposes to establish a new licensed ambulatory surgical facility for performance of GI endoscopy procedures or develop a GI endoscopy room in an existing licensed

health service facility, or a related entity to the applicant owns operating rooms located in the proposed service area, the applicant shall meet one of the following criteria:

- (1) if the applicant or a related entity performs GI endoscopy procedures in any of its surgical operating rooms in the proposed service area, reasonably project that during the second operating year of the project the average number of surgical and GI endoscopy cases per operating room, for each category of operating room in which these cases will be performed, shall be at least: 4.8 cases per day for each facility for the outpatient or ambulatory surgical operating rooms and 3.2 cases per day for each facility for the shared operating rooms; or*
- (2) demonstrate that GI endoscopy procedures were not performed in the applicant's or related entity's inpatient operating rooms, outpatient operating rooms, or shared operating rooms in the last 12 months and will not be performed in those rooms in the future.*

-C- In Exhibit 22, the applicants provide a letter from the Manager, Surgical Services and GI Endoscopy for NHBMC that states that GI endoscopy procedures are not performed in NHBMC's operating rooms.

(e) An applicant proposing to establish a new licensed ambulatory surgical facility for performance of GI endoscopy procedures or develop an additional GI endoscopy room in an existing licensed health service facility shall describe all assumptions and the methodology used for each projection in this Rule.

-C- The applicants describe all assumptions and methodology used for their projections in Section III.1(b), pages 36-42.