

ATTACHMENT - REQUIRED STATE AGENCY FINDINGS

FINDINGS

C = Conforming

CA = Conditional

NC = Nonconforming

NA = Not Applicable

Decision Date: April 28, 2017

Findings Date: April 28, 2017

Project Analyst: Julie Halatek

Team Leader: Lisa Pittman

Project ID #: N-11284-17

Facility: FirstHealth Moore Regional Hospital – Hoke Campus

FID #: 100390

County: Hoke

Applicant: FirstHealth of the Carolinas, Inc.

Project: Acquire one fixed MRI scanner pursuant to Policy TE-3

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

FirstHealth of the Carolinas, Inc. (FirstHealth) proposes to acquire one fixed Magnetic Resonance Imaging (MRI) scanner at FirstHealth Moore Regional Hospital – Hoke Campus (FHMRH-HC) pursuant to Policy TE-3 in the 2017 State Medical Facilities Plan (SMFP). The proposed fixed MRI scanner will be installed in a new addition to the hospital.

Need Determination

The proposed project does not involve the addition of any new health service facility beds, services, or equipment for which there is a need determination in the 2017 SMFP. Therefore, there are no need determinations applicable to this review.

Policies

The following two policies are applicable to this review:

- Policy TE-3: Plan Exemption for Fixed Magnetic Resonance Imaging Scanners
- Policy GEN-4: Energy Efficiency and Sustainability for Health Service Facilities

Policy TE-3: Plan Exemption for Fixed Magnetic Resonance Imaging Scanners states:

“Qualified applicants may apply for a fixed magnetic resonance imaging scanner (MRI).

To qualify, the health service facility proposing to acquire the fixed MRI scanner shall demonstrate in its certificate of need application that it is a licensed North Carolina acute care hospital with emergency care coverage 24 hours a day, seven days a week and that [sic] does not currently have an existing or approved fixed MRI scanner as reflected in the inventory in the applicable State Medical Facilities Plan.

The applicant shall demonstrate that the proposed fixed MRI scanner will perform at least 850 weighted MRI procedures during the third full operating year.

The performance standards in 10A NCAC 14C .2703 would not be applicable.

The fixed MRI scanner must be located on the hospital’s ‘main campus’ as defined in G.S. 131E-176(14n)a [sic].”

Licensed North Carolina Acute Care Hospital with Emergency Care Coverage

FHMRH-HC is a licensed North Carolina acute care hospital and the applicant provides a copy of the FHMRH-HC 2016 Hospital License in Exhibit B.9. Exhibit B.9 also contains a copy of page 8 of FHMRH-HC’s 2016 License Renewal Application (LRA), demonstrating that FHMRH-HC provides emergency care 24 hours per day, seven days per week.

No Existing or Approved Fixed MRI Scanner as Reflected in the Applicable SMFP

In Chapter 9 of the 2017 SMFP, Table 9P on page 158 shows that there are no existing or approved fixed MRI scanners at either FHMRH-HC or in the inventory of MRI scanners for Hoke County.

Located on Hospital’s “Main Campus” as Defined in G.S. 131E-176(14n)(a)

Exhibit B.9 contains a site plan for the proposed fixed MRI scanner and related construction, showing that the proposed fixed MRI scanner will be attached to the hospital on the “main campus” as defined in G.S. 131E-176(14n)(a).

Performance Standards of at Least 850 Weighted MRI Procedures

In supplemental information received April 16, 2017, the applicant projects that it will perform 2,290 MRI procedures in its third operating year. The discussion regarding utilization found in Criterion (3) is incorporated herein by reference.

The applicant adequately demonstrates that it is a licensed North Carolina acute care hospital providing emergency care coverage 24 hours per day, seven days per week; that there is no existing or approved fixed MRI scanner at the facility as reflected in the 2017 SMFP; that it reasonably projects to perform 2,290 MRI procedures in its third operating year; and that it is located on the hospital's "main campus" as defined in G.S. 131E-176(14n)(a). Therefore, the application is consistent with Policy TE-3.

Policy GEN-4: Energy Efficiency and Sustainability for Health Service Facilities states:

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

In approving a certificate of need proposing an expenditure greater than \$5 million to develop, replace, renovate or add to a health service facility pursuant to G.S. 131E-178, Certificate of Need 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 is required to submit a plan for energy efficiency and water conservation that conforms to the rules, codes and standards implemented by the Construction Section of the Division of Health Service Regulation. The plan must be consistent with the applicant’s representation in the written statement as described in paragraph one of Policy GEN-4. The plan shall not adversely affect patient or resident health, safety or infection control.”

In Section K.4(c), page 83, the applicant provides a statement regarding the energy conservation standards that will be incorporated into the construction of the addition to the facility in order to comply with Policy GEN-4. Exhibit B.11 contains a statement which further outlines the energy conservation standards that will be incorporated into the facility design in order to comply with Policy GEN-4. The application is consistent with Policy GEN-4.

Conclusion

In summary, the applicant adequately demonstrates that the proposal is consistent with Policy TE-3 and 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

FirstHealth proposes to acquire one fixed MRI scanner at FHMRH-HC pursuant to Policy TE-3 in the 2017 SMFP. FHMRH-HC is a North Carolina licensed acute care hospital that provides emergency services 24 hours per day, seven days per week. According to the 2017 SMFP, there are no existing or approved fixed MRI scanners in Hoke County.

FirstHealth currently owns and operates a mobile MRI scanner that provides services to FHMRH-HC one day per week. A second mobile MRI scanner, operated by Triad Imaging, LLC, provides a mobile MRI scanner for services at FHMRH-HC a second day each week. In Section C, page 40, the applicant states that it has reached maximum capacity for mobile MRI scanning two days per week and is attempting to add a third day of service for FY 2017. The applicant further states on page 30 that at project completion, when the fixed MRI scanner becomes operational, the mobile MRI scanner it owns currently serving FHMRH-HC will be reassigned to a new location and will no longer serve FHMRH-HC.

Patient Origin

On page 146, the 2017 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 Hoke County. Providers may serve residents of counties not included in their service area.

In supplemental information received April 16, 2017, the applicant provides the current (FY 2016) patient origin for mobile MRI services and projected patient origin for fixed MRI scanner services at the hospital during the first three operating years, as summarized in the table below.

FHMRH-HC Current/Operating Years 1-3 Projected Patient Origin								
County	Current (FY 2016)		OY 1 (FY 2019)		OY 2 (FY 2020)		OY 3 (FY 2021)	
	# Patients	% of Total	# Patients	% of Total	# Patients	% of Total	# Patients	% of Total
Hoke	538	49.8%	786	49.8%	947	49.8%	1,140	49.8%
Cumberland	270	25.0%	395	25.0%	475	25.0%	572	25.0%
Robeson	226	20.9%	330	20.9%	398	20.9%	479	20.9%
Other NC counties	44	4.1%	63	4.1%	78	4.1%	94	4.1%
Other States	3	0.3%	4	0.3%	6	0.3%	6	0.3%
Total	1,081	100.0%	1,580	100.0%	1,902	100.0%	2,290	100.0%

Totals may not foot due to rounding.

On page 36, the applicant states that it used the FY 2016 patient origin to project patient origin for the first three operating years following project completion. The applicant adequately identifies the population to be served.

Analysis of Need

In Section C.4, pages 38-43, the applicant describes the factors which it states support the need for the proposed project, including:

- According to data from the NC Office of State Budget and Management (OSBM), the population of Hoke County increased by 8.8 percent from 2011 to 2016 and is projected to increase by 14 percent between 2016 and 2021 (page 38).
- According to data from NC OSBM, the applicant's primary patient origin area, which FirstHealth defines as Hoke, Cumberland, and Robeson counties, had a population increase of 0.7 percent between 2011 and 2016 and is projected to increase by 0.8 percent between 2016 and 2021 (page 39). The applicant states that the reason the primary patient origin area will increase so little compared to Hoke County is because the populations of Cumberland and Robeson counties are projected to decrease.
- The applicant states that the population aged 65 and older accounted for 12.1 percent of the population in the primary patient origin area but more than 35.8 percent of the MRI procedures performed at FHMRH-HC in FY 2016 due to the increased need of this age group for orthopedic and neurological procedures (page 39).
- FHMRH-HC performed 1,081 MRI procedures on a mobile MRI scanner on two days per week in FY 2016 and the applicant is attempting to add a third day of service for FY 2017 (page 40). FY 2016 utilization already exceeds the utilization requirement under Policy TE-3.
- The applicant states that the number of MRI procedures performed at FHMRH-HC is limited by the availability of the mobile MRI scanner and that most inpatients and emergency department patients require transfer to FirstHealth Moore Regional Hospital in Moore County for MRI procedures (page 40).
- The applicant states that MRI utilization across the state has fluctuated from FY 2006 to FY 2015 due to several factors, but that MRI utilization statewide was at an all-time high in FY 2015. The applicant discusses several reasons it believes MRI utilization will continue to grow (pages 41-43).

In summary, the applicant adequately demonstrates the need for one fixed MRI scanner at FHMRH-HC.

Projected Utilization

In supplemental information received April 16, 2017, the applicant projects utilization of the fixed MRI scanner at FHMRH-HC as summarized below.

The applicant states that it first identified the number of MRI procedures for FY 2014 through FY 2016 by using the 2015-2017 License Renewal Applications (LRAs), and next calculated the annual change rate for FY 2015 and FY 2016, as shown below.

FHMRH-HC Annual MRI Procedures and Annual Change Rate FYs 2014-2016		
Year	MRI Procedures	Annual Change Rate
FY 2014	583	--
FY 2015	898	54.0%
FY 2016	1,081	20.4%

Next, the applicant states that it projected MRI procedures for interim years FY 2017 and FY 2018 by using one-half of the FY 2016 annual change rate of 20.4 percent, and then projected MRI procedures for the first three operating years (FYs 2019-2021) by using the full 20.4 percent FY 2016 annual change rate. The applicant provides the following assumptions to support its methodology:

- FHMRH-HC will be expanding the number of days it can offer MRI procedures from the current two days (potentially three days if it is able to add a third day in FY 2017) to seven days per week.
- The applicant states that outpatient MRI patients from its primary patient origin area of Hoke, Cumberland, and Robeson counties currently drive past FHMRH-HC going to FirstHealth Moore Regional Hospital in Moore County due to the lack of MRI scanner availability in Hoke County.
- The applicant states that FHMRH-HC is continuing to plan for construction for expanded inpatient services.
- FHMRH-HC will be the only provider of fixed MRI services in Hoke County.

The applicant provides utilization for historical years FY 2014-2016; interim years FY 2017-2018; and the first three operating years FY 2019-2021, as shown in the table below.

FHMRH-HC MRI Historical and Projected MRI Utilization – FY 2014-2021								
	Historical			Interim		Projected		
	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
MRI Procedures	583	898	1,081	1,191	1,313	1,580	1,902	2,290
Annual % Change		54.0%	20.4%	10.2%	10.2%	20.4%	20.4%	20.4%
Annual # Change		315	183	110	121	267	322	388

Based on its own utilization data, the applicant projects its proposed fixed MRI scanner will perform in excess of the utilization threshold of 850 weighted MRI procedures per year required under Policy TE-3 to add a fixed MRI scanner. The applicant's projections are based on historical utilization and are supported by population growth projections in the service area. Additionally, the applicant is already performing in excess of the utilization threshold required under Policy TE-3 (1,081 MRI procedures in FY 2016). 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 C.10, page 47, the applicant states that it is a not-for-profit organization that does not discriminate based on race, ethnicity, sex, handicap, age, or ability to pay. In Section L.3, page 91, the applicant projects that 51 percent of patients will have some or all of their MRI scanner services paid for by Medicare and/or Medicaid. On page 91, the applicant also states that it includes indigent and charity care patients in the self-pay category of payor sources and states that it provided nearly \$18.1 million in charity care and wrote off more than \$56.1 million in unpaid patient accounts as bad debt during FY 2016. 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 services proposed, 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.

C

The applicant proposes to construct an addition onto FHMRH-HC to house the fixed MRI scanner over the current location of the mobile MRI pad. In supplemental information received April 16, 2017, the applicant states that while the addition to the building that will house the fixed MRI scanner is being constructed, the mobile MRI scanner will be located directly south of its current location, occupying existing parking spaces. The applicant provides a diagram in the supplemental information that shows the proposed location of the mobile MRI scanner in relation to the proposed construction. The applicant demonstrates that the needs of the population presently served will be adequately met and that the proposal will not adversely affect the ability of underserved groups to obtain needed healthcare. 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.

CA

In Section E.2, pages 61-62, the applicant discusses the alternatives considered prior to submitting this application, which include:

- Maintain the Status Quo - the applicant states that it meets all the requirements to add a fixed MRI scanner pursuant to Policy TE-3 in the 2017 SMFP, including projecting to perform more than 850 weighted MRI procedures during the third operating year. The applicant provides information regarding projected population growth in future years in Section C. Therefore, this is not an effective alternative.
- Develop the Fixed MRI Scanner by Renovating the Radiology Department – the applicant states that this option would include having to relocate several rooms which are currently highly utilized. The applicant also states this alternative would disrupt patient care and require interior renovations after being open only three years. Therefore, this is not an effective alternative.

The applicant states that the proposed alternative addresses patient care needs, utilizes a planned building design to allow for building additions, and causes the least disruption; thus, according to the applicant, the proposed alternative is the most effective alternative.

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

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

- 1. FirstHealth of the Carolinas, Inc. shall materially comply with all representations made in the certificate of need application and supplemental information received April 16, 2017. In those instances where representations conflict, FirstHealth of the Carolinas, Inc. shall materially comply with the last made representation.**
- 2. FirstHealth of the Carolinas, Inc. shall acquire no more than one fixed MRI scanner to be located at FirstHealth Moore Regional Hospital-Hoke Campus as part of this project.**
- 3. FirstHealth of the Carolinas, Inc., as part of this project, shall not acquire any equipment that is not included in the project's proposed capital expenditures in Section F of the application and that would otherwise require a certificate of need.**

4. FirstHealth of the Carolinas, 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

FirstHealth proposes to acquire one fixed MRI scanner at FHMRH-HC pursuant to Policy TE-3 in the 2017 SMFP.

Capital and Working Capital Costs

In Form F.1a in Section Q, page 110, the applicant projects the total capital cost of the proposed project will be \$4,024,216, as follows:

Site Costs:	\$121,432
Construction:	\$1,753,800
Equipment/Furniture:	\$1,833,080
Consultant Fees:	\$222,500
Contingency:	\$93,404
Total:	\$4,024,216

In Section F.3, page 66, the applicant states it projects \$12,126 in start-up expenses to hire 1.53 Full Time Equivalent (FTE) MRI Technologists and 0.51 FTE Assistants over a one month period. The applicant states it does not project any initial operating expenses associated with the project.

Availability of Funds

In Sections F.2 and F.3, pages 64 and 66, the applicant states the entire capital cost of the project will be funded with cash or accumulated reserves. Exhibit F.2 contains a letter dated January 10, 2017 from the Chief Financial Officer for FirstHealth, stating that FirstHealth will fund the capital cost of \$4,024,216 via accumulated reserves and the working capital cost of \$12,126 through cash. Exhibit F.2 also contains the FirstHealth of the Carolinas, Inc. and Affiliates consolidated balance sheets, which indicate that as of September 30, 2015, FirstHealth had \$33,945,000 in cash and cash equivalents, \$1,036,617,000 in total assets, and \$697,443,000 in net assets. The applicant adequately demonstrates that sufficient funds will be available for the capital and working capital needs of the project.

Financial Feasibility

The applicant provides pro forma financial statements for the first three full fiscal years of operation following completion of the project in supplemental information received April 16,

2017. In the pro forma financial statements (Form F.4), the applicant projects that revenues will exceed operating expenses in the first three operating years of the project, as shown in the table below.

FHMRH-HC MRI Scanner Projected Revenues & Expenses – FYs 2019-2021			
	OY 1 – FY 2019	OY 2 – FY 2020	OY 3 – FY 2021
Total MRI Procedures	1,580	1,902	2,290
Total Gross Revenues (Charges)	\$5,478,791	\$6,793,152	\$8,422,827
Total Net Revenue	\$852,539	\$1,057,063	\$1,310,652
Average Net Revenue per Procedure	\$540	\$556	\$572
Total Operating Expenses (Costs)	\$669,610	\$798,428	\$809,345
Average Operating Expense per Procedure	\$424	\$420	\$353
Net Income	\$182,929	\$258,635	\$501,307

The assumptions used by the applicant in preparation of the pro forma financial statements are reasonable, including projected utilization, costs and charges. See Section Q of the application and supplemental information received April 16, 2017 for the assumptions used regarding costs and charges. The discussion regarding projected utilization found in Criterion (3) is incorporated herein by reference. The applicant adequately demonstrates sufficient funds for the operating needs of the proposal and 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

FirstHealth proposes to acquire one fixed MRI scanner at FHMRH-HC pursuant to Policy TE-3 in the 2017 SMFP. FHMRH-HC is a North Carolina licensed acute care hospital that provides emergency services 24 hours per day, seven days per week. According to the 2017 SMFP, there are no existing or approved fixed MRI scanners operated by any providers in Hoke County.

On page 146, the 2017 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 Hoke County. Providers may serve residents of counties not included in their service area.

There are no fixed MRI scanners and two mobile MRI scanners serving Hoke County – both serving FHMRH-HC. The following table identifies the provider, fixed MRI magnet

equivalent, and utilization of each of the mobile MRI scanners, summarized from Table 9P of the 2017 SMFP and the 2017 Registration and Inventory of Medical Equipment forms.

MRI Scanner Inventory and Utilization – Hoke County FY 2016		
Location	Fixed Equiv.	Weighted Scans
FHMRH-HC	0.26	460
FHMRH-HC	0.52	693

The applicant proposes to acquire one fixed MRI scanner, pursuant to Policy TE-3, to replace limited mobile MRI scanner services it currently provides to its patients. The applicant adequately demonstrates in its application that it is in conformity with Policy TE-3 and that the fixed MRI scanner it proposes to develop in Hoke County is needed in addition to the existing 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 Hoke 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 Q, page 122, on Form H, the applicant states that it currently employs 0.21 FTE positions to assist with scheduling and providing services for the existing mobile MRI scanner. According to Form H, the applicant projects to employ a total of 2.65 FTE positions (2.33 FTE positions for MRI technologists and assistants and 0.32 FTE positions for other administrative staff) to staff the proposed fixed MRI scanner in the second year of the project. In Section H.2, pages 74-75, the applicant describes its experience with and process for recruiting and retaining staff. In Section H.4(b), page 76, the applicant identifies Dr. Matthew Harmody as the Medical Director for the hospital. 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 I, pages 78-79, the applicant identifies the necessary ancillary and support services and describes how they will be made available. Exhibit I.1 contains a letter from the CEO and President of FirstHealth describing the hospital’s ancillary and support services. In Section I.2,

page 79, the applicant lists facilities with which it has existing transfer arrangements and identifies some of the programs it provides to the community through FirstHealth Community Health Services. 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 construct a 2,436 square foot addition onto FHMRH-HC to develop the fixed MRI scanner. In Section K.4, page 83, the applicant describes the methods that will be used by the facility to maintain efficient energy operations and contain the costs of utilities. In Exhibit F.1, the applicant provides a letter from an architect quoting the price for the project as \$1,875,232, which corresponds to the projected capital costs in Form F.1a in Section Q, page 110. 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 L.1(b), page 89, the applicant reports the following payor mix for FHMRH-HC's entire facility as well as for MRI services for FY 2016:

FHMRH-HC Historical Payor Mix FY 2016		
Payor Source	Entire Facility	MRI Service
Self-Pay*	13.9%	3.0%
Medicare	29.7%	35.8%
Medicaid	24.4%	15.2%
Insurance	16.7%	31.9%
TRICARE	15.3%	14.2%
Total	100.0%	100.0%

Totals may not foot due to rounding.

*The applicant states on page 89 that it includes indigent and charity care patients as part of the Self-Pay category.

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**
Hoke	8%	51%	59%	20%	11%	21%
Cumberland	11%	51%	55%	18%	11%	16%
Robeson	13%	52%	73%	33%	13%	25%
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 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 L.2, page 90, the applicant states that it has no such obligations under applicable federal regulations. In Section L.2(c), page 90, the applicant states that no civil rights complaints were filed against FHMRH-HC 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 L.3, page 91, the applicant projects its payor mix for the second operating year following project completion (FY 2020), as shown in the table below.

FHMRH-HC Projected Payor Mix FY 2020		
Payor Source	Entire Facility	MRI Service
Self-Pay*	13.9%	3.0%
Medicare	29.7%	35.8%
Medicaid	24.4%	15.2%
Insurance	16.7%	31.9%
TRICARE	15.3%	14.2%
Total	100.0%	100.0%

Totals may not foot due to rounding.

*The applicant states on page 91 that it includes indigent and charity care patients as part of the Self-Pay category.

The applicant projects that 51 percent of its MRI services patients will have all or some of their services paid for by Medicare and/or Medicaid. The applicant states on page 91 that it does not project its Year 2 payor mix to differ from its historical payor mix.

The applicant demonstrates that medically underserved populations will continue to have adequate access to the MRI services offered at FHMRH-HC. 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 L.5, page 93, the applicant states that access to MRI services at FHMRH-HC is by physician referral. 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 M, page 95, the applicant states that it already has established relationships with health professional training programs in Hoke County and beyond. Exhibit M contains a list of over 200 health professional training programs at over 100 different educational providers for which FirstHealth has provided clinical training opportunities. 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

FirstHealth proposes to acquire one fixed MRI scanner at FHMRH-HC pursuant to Policy TE-3 in the 2017 SMFP. FHMRH-HC is a North Carolina licensed acute care hospital that provides emergency services 24 hours per day, seven days per week. According to the 2017 SMFP, there are no existing or approved fixed MRI scanners operated by any providers in Hoke County.

On page 146, the 2017 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 Hoke County. Providers may serve residents of counties not included in their service area.

There are no fixed MRI scanners and two mobile MRI scanners serving Hoke County – both serving FHMRH-HC. The following table identifies the provider, fixed MRI magnet equivalent, and utilization of each of the mobile MRI scanners, summarized from Table 9P of the 2017 SMFP and the 2017 Registration and Inventory of Medical Equipment forms.

MRI Scanner Inventory and Utilization – Hoke County FY 2016		
Location	Fixed Equiv.	Weighted Scans
FHMRH-HC	0.26	460
FHMRH-HC	0.52	693

The applicant proposes to acquire one fixed MRI scanner, pursuant to Policy TE-3, to replace limited mobile MRI scanner services it currently provides to its patients.

In Section N, pages 96-99, 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:

“FirstHealth expects the fixed MRI scanner project to have a positive impact on competition in the service area.

Currently, only mobile MRI services are provided within Hoke County. With the development of a fixed MRI service, residents will have access to MRI services seven days per week within the county. The ability to schedule an appointment any day of the week, rather than just one or two days a week as is currently available, will allow Hoke County residents to avoid having to drive to Moore or Cumberland counties for an MRI

procedure. The Fixed MRI scanner will also promote MRI access for Emergency Department patients, as the fixed MRI scanner will be available whenever it is needed.”

See also Sections C, E, F, G, H, K, L, and O, 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 discussions regarding quality found in Criteria (1) and (20) are incorporated herein by reference.
- The applicant demonstrates that it will provide adequate access to medically underserved populations. The discussions regarding access found in Criteria (1) and (13) are 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 O, pages 101-103, and Exhibits O.1 and O.2, the applicant describes the methods used by FHMRH-HC to insure and maintain quality care. In Section O.3, page 104, the applicant lists the five hospitals owned by FirstHealth and on page 105 states that none of them have been out of compliance with any conditions of Medicare participation during the 18 months immediately preceding submission of this application. Exhibit O.3 contains a letter signed by the CEO of FirstHealth, stating that all five affiliated facilities have operated in compliance with all Medicare Conditions of Participation during the 18 months immediately preceding submission of the application. After reviewing and considering information provided by the applicant and considering the quality of care provided at FHMRH-HC and the other four facilities, the applicant 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.

NA

The applicant is submitting this application to obtain a fixed MRI scanner pursuant to Policy TE-3 in the 2017 SMFP, which states:

“To qualify, the health service facility proposing to acquire the fixed MRI scanner shall demonstrate in its certificate of need application that it is a licensed North Carolina acute care hospital with emergency care coverage 24 hours a day, seven days a week and that does [sic] not currently have an existing or approved fixed MRI scanner as reflected in the inventory in the applicable State Medical Facilities Plan.

The applicant shall demonstrate that the proposed fixed MRI scanner will perform at least 850 weighted MRI procedures during the third full operating year.

The performance standards in 10A NCAC 14C .2703 would not be applicable.

The fixed MRI scanner must be located on the hospital’s ‘main campus’ as defined in G.S. 131E-176(14n)a [sic].”

The applicant qualifies to add a fixed MRI scanner at FHMRH-HC pursuant to Policy TE-3. The discussion regarding conformity with Policy TE-3 found in Criterion (1) is incorporated herein by reference. Therefore, the performance standards found in 10A NCAC 14C .2703 are not applicable to this review.