ATTACHMENT - REQUIRED STATE AGENCY FINDINGS

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

Decision Date:	March 3, 2017
Findings Date:	March 3, 2017
Project Analyst:	Gloria Hale
Team Leader:	Lisa Pittman
Project ID #:	F-11268-16
Facility:	Carolinas Medical Center - Mercy Campus
FID #:	923352
County:	Mecklenburg
Applicant:	The Charlotte-Mecklenburg Hospital Authority
Project:	Renovate existing space on the Mercy campus related to surgical services and relocate one existing OR from Carolinas Medical Center-Main

REVIEW CRITERIA FOR NEW INSTITUTIONAL HEALTH SERVICES

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

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

C

The Charlotte-Mecklenburg Hospital Authority (CMHA) d/b/a Carolinas Medical Center – Mercy Campus (CMC-Mercy) proposes to expand and renovate surgical services space at CMC-Mercy and relocate one operating room (OR) from Carolinas Medical Center-Main (CMC-Main). Both facilities are located in Mecklenburg County.

Need Determination

The applicant does not propose to increase the number of licensed ORs at CMC-Mercy, acquire any medical equipment or develop any health services or health facility beds for which there is a need determination in the 2016 State Medical Facilities Plan (SMFP). Therefore, there are no need determinations applicable to this review.

Policies

There is one policy in the 2016 SMFP that is applicable to this review: *Policy GEN-4: Energy Efficiency and Sustainability for Health Service Facilities.* There are no other policies applicable to this review.

Policy GEN-4: Energy Efficiency and Sustainability for Health Service Facilities, on pages 39-40 of the 2016 SMFP, states:

> *"Any person proposing a capital expenditure greater than $2 million to develop, replace, renovate or add to a health service facility pursuant to G.S. 131E-178 shall include in its certificate of need application a written statement describing the project's plan to assure improved energy efficiency and water conservation.*
>
> *In approving a certificate of need proposing an expenditure greater than $5 million to develop, replace, renovate or add to a health service facility pursuant to G.S. 131E-178, the Certificate of Need Section shall impose a condition requiring the applicant to develop and implement an Energy Efficiency and Sustainability Plan for the project that conforms to or exceeds energy efficiency and water conservation standards incorporated in the latest editions of the North Carolina State Building Codes. The plan must be consistent with the applicant's representation in the written statement as described in paragraph one of Policy GEN-4.*
>
> *Any person awarded a certificate of need for a project or an exemption from review pursuant to G.S. 131E-184 are required to submit a plan of energy efficiency and water conservation that conforms to the rules, codes and standards implemented by the Construction Section of the Division of Health Service Regulation. The plan must be consistent with the applicant's representation in the written statement as described in paragraph one of Policy GEN-4. The plan shall not adversely affect patient or resident health, safety or infection control."*

In Section III.4, pages 47-49, the applicant addresses Policy GEN-4 and the hospital's plan for improved energy efficiency and water conservation. The applicant states that it addresses energy efficiency and water conservation in a number of ways, including utilizing a highly trained and qualified Facility Management Group to design, construct, operate and maintain its facilities, meeting or exceeding NC Building Code requirements, using United States Green Building Council LEED guidelines, using the EPA Energy Star

for Hospitals rating system, and providing upgrades to plumbing fixtures to maximize efficiency.

Conclusion

The applicant adequately demonstrates 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 Charlotte-Mecklenburg Hospital Authority (CMHA) d/b/a Carolinas Medical Center – Mercy Campus (CMC-Mercy) proposes to expand and renovate surgical services space at CMC-Mercy and relocate one OR from CMC-Main. Both facilities are located in Mecklenburg County.

Patient Origin

On page 62, the 2016 SMFP defines the service area for operating rooms (ORs) as follows:

> *"Single county operating room service area: A county with at least one licensed facility with one or more operating rooms.*
>
> *Multicounty operating room service area: A group of counties including:*
> - *one or two counties with at least one licensed facility with at least one operating room* ***and****;*
> - *one or more counties with no licensed facility with at least one operating room.*
>
> *All counties are either single county operating room service areas or are part of a multicounty operating room service area. A multicounty operating room service area may consist of multiple counties with no licensed facility with at least one operating room grouped with either one or two counties, each of which has at least one licensed facility that includes at least one operating room."*

There is at least one licensed facility with one or more ORs in Mecklenburg County. Thus, the service area for this project consists of Mecklenburg County. ORs may also serve residents of counties not included in their service area.

In Section III.7, pages 52-53, and Section III.6, page 51, the applicant provides its current and projected patient origin for its surgical cases and cystoscopy procedures, respectively, illustrated below. The applicant states, on page 52, that it does not expect patient origin to change.

CMC-Mercy
Current and Projected Patient Origin
Surgical Cases

County	CY 2015 % of Surgical Cases	CY 2020, Project Year 2, Projected % of Surgical Cases
Mecklenburg	51.4%	51.4%
Union	8.5%	8.5%
York, SC	7.7%	7.7%
Gaston	5.7%	5.7%
Cabarrus	3.3%	3.3%
Other*	23.5%	23.5%
Total	100.0%	100.0%

*Other includes additional counties in North Carolina and other states as listed in Section III.6, page 51, and Section III.7, page 52.

CMC-Mercy
Current and Projected Patient Origin
Cystoscopy Procedures

County	CY 2015 % of Cystoscopy Procedures	CY 2020, Project Year 2, Projected % of Cystoscopy Procedures
Mecklenburg	57.7%	57.7%
Union	8.1%	8.1%
York, SC	6.0%	6.0%
Gaston	5.9%	5.9%
Cabarrus	3.7%	3.7%
Other*	18.6%	18.6%
Total	100.0%	100.0%

*Other includes additional counties in North Carolina and other states as listed in Section III.6, page 51, and Section III.7, page 53.

The applicant states, in Section III.5, page 49,

> *"CMC-Mercy projects that Mecklenburg County will remain its primary service area and Union, Gaston, and Cabarrus counties in North Carolina and York County in South Carolina will be secondary service areas."*

The applicant adequately identifies the population to be served.

Analysis of Need

In Section III.1(a), pages 32-45, the applicant describes the need for the renovation of three ORs and the relocation of one OR from CMC-Main to CMC-Mercy, stating that there is a need to update three existing operating rooms that are outdated and inefficient, and to address growth in inpatient surgical services.

The applicant states, on pages 32-33, that of CMC-Mercy's 15 ORs, 12 are located in the hospital's main operating room suite and three are located in separate space. The three ORs that are located in separate space are the ORs in need of renovation because they are undersized, two significantly, and cannot accommodate surgical equipment needed for a full range of surgical services. As a result, the three ORs are being used for surgeries that can be accommodated in them such as foot and ankle procedures. In addition, the applicant states that due to the age of the space, the floors are uneven, and the scrub sink is located *"in a sub sterile room which is not ideal."*

In Section III.1(a), pages 33-34, the applicant states that one OR from CMC-Main One Day Surgery will be relocated to CMC-Mercy alongside the renovated space for the three ORs. The applicant states that the OR from CMC-Main One Day Surgery is *"outdated, and significantly undersized for today's standards…"* and is needed at CMC-Mercy to provide additional OR capacity based on historical and projected growth. The relocated OR will be *"sized to meet current standards of care"* and licensed as a shared OR, thereby allowing it to be used for both inpatient and outpatient surgery.

In addition, as stated in Section II.1, pages 15-16, operating room support space will be expanded to allow for efficiency and functionality of the renovated ORs. Five existing pre-operative bays will increase to eight, 14 post-operative bays (10 PACU bays and four Stage II Recovery bays) will increase to 16 post-operative spaces (12 PACU bays and four Stage II Recovery bays). See Exhibit 5 for line drawing. Moreover, the applicant states, in Section III.1(a), pages 34-35, that modifications and upgrades will be needed for support services for the four ORs. The deficiencies and upgrades needed for support services are as follows:

- Existing water and steam lines to sterile processing are undersized. An additional steam line will be added to the OR suite and a booster pump will be added to the water line to increase water pressure to desired levels.
- Existing sterilizers are inadequate for the increased numbers of surgical instruments that are expected to be used for more complex surgical cases. The sterilizers will be replaced.
- Two air handling units that serve the OR suite are at the end of their useful life and therefore, will be replaced.

In addition, in Section III.1(a), pages 35-37, the applicant addresses the need to renovate existing space and relocate one OR from CMC-Main One Day Surgery due to expected growth in surgical volume. The applicant provides historical utilization for CMC-Mercy's ORs on page 35, illustrated as follows:

CMC-Mercy Historical Operating Room Utilization

	CY2013	CY2014	CY2015	CY2016 Annualized*	CAGR
Inpatient cases	3,996	4,367	4,968	5,426	10.7%
Outpatient cases	6,046	6,299	6,072	5,950	-0.5%
Surgical Hours**	21,057	22,550	24,012	25,203	6.2%

*Annualized based on January-July 2016 data
**Surgical hours are based on 3.0 hours per inpatient case and 1.5 hours per outpatient case

As the table above shows, surgical hours at CMC-Mercy have increased annually by 6.2%. The applicant states, on page 35, that the increase is attributable to the 10.7% increase annually in inpatient surgical cases since its outpatient surgical cases have remained stable. The applicant states, on pages 35-36, that existing OR capacity is constrained by the inadequacy of the three ORs that this proposal seeks to renovate. In addition, the applicant states, on page 36, that it expects surgical growth to continue, in part, due to an expected shift in outpatient surgery cases to freestanding surgery centers, including to the joint venture under development between CHS and Randolph Surgery Center, freeing up inpatient surgical capacity.

Moreover, the applicant expects that growth in surgical utilization will occur due to projected population growth in Mecklenburg County. On page 36, the applicant states that Mecklenburg County will grow 24.2% between 2010 and 2020 and is the fastest growing county in the state.

In Section III.1(b), page 44, the applicant provides its historical utilization for cystoscopy procedures, illustrated as follows:

CMC-Mercy Historical Cystoscopy Procedures

	CY2013	**CY2014**	**CY2015**	**CY2016***	**CAGR**
# of Cystoscopy Procedures	588	628	734	681	5.0%

*Annualized based on January-July 2016 data

As the table above shows, CMC-Mercy's cystoscopy procedures have grown annually by 5.0%.

Projected Utilization

In Section III.1(b), pages 38 and 43, and Section IV.1, pages 56-57, the applicant provides its historical and projected OR utilization for CMC-Mercy, as follows:

CMC-Mercy Historical and Projected OR Utilization
CY2014 – CY2021

	CY2014	CY2015	CY2016*	CY2017	CY2018	CY2019	CY2020	CY2021
# of Inpatient Surgical Cases	4,367	4,968	5,426	5,717	6,396	6,718	7,058	7,416
# of Outpatient Surgical Cases	6,299	6,072	5,950	5,950	4,796	4,564	4,335	4,288
Surgical Hours**	22,550	24,012	25,203	26,076	26,383	27,000	27,678	28,680
OR Need***	12.0	12.8	13.5	13.9	14.1	14.4	14.8	15.3
# of Shared ORs	15	15	15	15	15	16	16	16

*Annualized based on January – July 2016 data
**Surgical hours are equal to 3.0 hours per inpatient case plus 1.5 hours per outpatient case
***OR need is equal to surgical hours/1,872 hours per room

The applicant states, in Section III.1(b), page 39, that it uses a CAGR of 5.4%, a conservative rate of one-half of the historical growth rate of its ORs, to project its inpatient surgical volume. In addition, the applicant states, in Section III.1(b), pages 40-44, that several shifts in inpatient and outpatient surgical utilization and Mecklenburg County population growth will impact CMC-Mercy's projected utilization. The applicant states, on page 40, that based on the Agency-approved Project I.D. #F-11106-15 for Randolph Surgery Center, shifts in inpatient and outpatient surgery cases are expected to occur from CMC-Main to CMC-Mercy, CMC-Mercy to Randolph Surgery Center, and from CMC-Mercy to CMC-Fort Mill. The applicant further states that these shifts are expected to begin January 1, 2018. Exhibit 13 provides detailed methodology and assumptions pertaining to these shifts. In addition, the applicant states, on page 40, that further *"refinement"* of the surgical program shifts between CMC-Main and CMC-Mercy have been done based on recent shifts in surgical cases by physicians. All of these shifts are accounted for in the table above. In addition, see tables on pages 41 and 43 for detailed statistical data illustrating these shifts.

In Section IV.1, pages 56-57, the applicant provides the historical and projected utilization of the cystoscopy procedure room at CMC-Mercy, as illustrated below:

CMC-Mercy Historical and Projected Cystoscopy Procedures
CY2014 – CY2021

	CY2014	CY2015	CY2016*	CY2017	CY2018	CY2019	CY2020	CY2021
# of Cystoscopy Procedures	628	734	681	698	715	733	751	770

*Annualized based on January – July 2016 data

The applicant states, in Section III.1(b), page 44, that it uses one-half of its historical CAGR, 2.5%, to project the number of cystoscopy procedures.

Therefore, the applicant's projected utilization is based on reasonable and adequately supported assumptions.

Access

The applicant states, in Section VI.2, page 66, that CMC-Mercy provides services to all persons in need of medical care regardless of race, color, religion, national origin, sex, age, disability, or source of payment. Exhibit 20 includes a copy of CHS' Non-Discrimination Policy Statement. In addition, the applicant states on page 66 that more than $5.2 million, or 6.3% of gross revenue, was provided by CMC-Mercy in charity care and bad debt. The applicant states, in Section VI.12, page 73, in CY2015 53.1% of CMC-Mercy's patient days were paid for by Medicare or Medicaid. In Section VI.14, page 75, the applicant projects that 46.6% of CMC-Mercy's patient days for surgery and 64.2% of CMC-Mercy's patient days for cystoscopy procedures in CY2020 will be paid for by Medicare or Medicaid.

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

Conclusion

In summary, the applicant adequately identifies the population to be served; adequately demonstrates the need the population to be served has for the proposed services; and demonstrates the extent to which all residents of the area, including underserved groups, are likely to have access to the 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 Charlotte-Mecklenburg Hospital Authority (CMHA) d/b/a Carolinas Medical Center – Mercy Campus (CMC-Mercy) proposes to expand and renovate surgical services space at CMC-Mercy and relocate one OR from CMC-Main. Both facilities are located in Mecklenburg County.

In Exhibit 14, pages 254 – 260, the applicant describes how the surgical services needs of the residents currently served at CMC-Main will continue to be served upon relocation of one OR from CMC-Main to CMC-Mercy. The applicant states, on page 254, that it has 37 ORs at CMC-Main, excluding five dedicated open heart surgery ORs, four C-Section ORs, and one Level 1 Trauma OR. A total of three ORs will be relocated from CMC-Main upon completion of this project and Project ID #F-11106-15: two to Randolph

Surgery Center (Project ID #F-11106-15) and one to CMC-Mercy as part of this proposal. Therefore, the applicant provides its methodology and assumptions for projecting utilization of 34 ORs at CMC-Main (37 – 3 = 34).

The applicant provides historical utilization of CMC-Main's ORs from CY2013 to CY2016 annualized and illustrates in a table, on page 255, that the facility's 37 ORs have been used in excess of capacity each year. The applicant states, on page 255, that surgical volume is expected to grow based on population growth and demand for surgical subspecialties provided at the facility that are not *"widely available in the region."* The applicant projects, on page 256, that inpatient surgical cases will grow by two percent annually, consistent with Mecklenburg County's population growth rate, and that outpatient surgical cases will grow by one percent, much less than its historical growth rate of 3.8%, based on the increasing shift of outpatient surgical cases to ambulatory surgery centers. The applicant provides a table, on page 256, illustrating its projected utilization from CY2017 through CY2021. Next, the applicant subtracts projected shifts in surgical cases to CMC-Mercy, Randolph Surgery Center, Charlotte Surgery Center, and to CMC-Fort Mill. These projected shifts are illustrated in tables on pages 257-259. The applicant provides a table, on page 260, illustrating projected OR utilization for CMC-Main. The applicant states, on pages 259-260, that upon completion of the proposed project, CMC-Main's utilization of its remaining 34 ORs will be 93.2 percent of capacity.

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 medically underserved groups to obtain needed health care. 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 III.8, pages 53 - 54, the applicant discusses the alternatives considered prior to the submission of this application, which include:

Maintain the Status Quo – the applicant states, on page 53, that it considered this alternative but immediately dismissed it as not being the most effective alternative to meet the need because it would not address the age-related facility deficiencies nor would it be consistent with providing quality of care and serving the patients' best interests.

Renovate Operating Rooms without Relocating Operating Room from CMC-Main – the applicant states, on page 54, that the existing CMC-Main One Day Surgery room is outdated and undersized and is only being used for outpatient surgery. The applicant

further states that CMC-Main's One Day Surgery room is in need of replacement, and that due to projected increases in surgical services at CMC-Mercy, the relocation of this OR and use of it for inpatient surgical cases would be a more cost-effective option. Therefore, this alternative was not the most effective option.

The applicant states, on page 54, that its proposal addresses age-related facility deficiencies at CMC-Mercy that impact efficiency, will increase surgical capacity, and will be *"the most cost-effective, resource responsible, and accessible alternative."*

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

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

1. **The Charlotte-Mecklenburg Hospital Authority d/b/a Carolinas Medical Center – Mercy Campus shall materially comply with all representations made in its certificate of need application.**

2. **The Charlotte-Mecklenburg Hospital Authority d/b/a Carolinas Medical Center – Mercy Campus shall relocate no more than one operating room from Carolinas Medical Center - Main to Carolinas Medical Center – Mercy Campus for a total of no more than 16 licensed shared operating rooms at Carolinas Medical Center – Mercy Campus.**

3. **Upon completion of this project and Project I.D. #F-11106-15, The Charlotte-Mecklenburg Hospital Authority d/b/a Carolinas Medical Center - Main shall have a total of no more than 44 licensed operating rooms, including 5 open heart surgery, 4 dedicated C-Section, 1 dedicated inpatient surgery, 8 dedicated ambulatory surgery, and 26 shared operating rooms.**

4. **The Charlotte-Mecklenburg Hospital Authority d/b/a Carolinas Medical Center – Mercy Campus shall not acquire, as part of this project, any equipment that is not included in the project's proposed capital expenditure in Section VIII of the application and which would otherwise require a certificate of need.**

5. **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 shall be developed and implemented. The plan must be consistent with the applicant's**

representations in the written statement as described in paragraph one of Policy GEN-4.

6. **The Charlotte-Mecklenburg Hospital Authority d/b/a Carolinas Medical Center – Mercy Campus shall acknowledge acceptance of and agree to comply with all conditions stated herein in writing to the Healthcare Planning and Certificate of Need Section in writing prior to issuance of the certificate of need.**

(5) Financial and operational projections for the project shall demonstrate the availability of funds for capital and operating needs as well as the immediate and long-term financial feasibility of the proposal, based upon reasonable projections of the costs of and charges for providing health services by the person proposing the service.

C

The Charlotte-Mecklenburg Hospital Authority (CMHA) d/b/a Carolinas Medical Center – Mercy Campus (CMC-Mercy) proposes to expand and renovate surgical services space at CMC-Mercy and relocate one OR from CMC-Main. Both facilities are located in Mecklenburg County.

Capital and Working Capital Costs

In Section VIII.2, pages 86-87, the applicant projects the total capital cost of the proposed project will be $18,000,000, as follows:

CMC-Mercy OR Renovation
Proposed Capital Costs

Costs	Total Costs
Construction	$7,489,000
Miscellaneous Project Costs	
Equipment and Furniture	$5,901,061
Consultant Fees, inc. Architect and Engineering Fees	$1,302,000
Other*	$3,307,939
Total Capital Costs	**$ 18,000,000**

*Includes Commissioning/Move Coordination, IR Labor, Contingency

The applicant states, in Section IX, page 91, that there will be no start-up expenses or initial operating costs for the proposed project since it is an existing service.

Availability of Funds

In Section VIII.3, page 87, the applicant indicates that the project will be funded with accumulated reserves of its parent company, Carolinas HealthCare System (CHS), in the

amount of $18,000,000, the total capital cost of the project. Exhibit 23 contains a signed letter from the Executive Vice-President and Chief Financial Officer of CHS, dated October 17, 2016, which states:

"As the Chief Financial Officer for Carolinas HealthCare System,…I am very familiar with the organization's financial position. The total capital expenditure amount for this project is estimated to be $18,000,000.

…

Carolinas HealthCare System will fund the capital cost from existing accumulated cash reserves."

The applicant adequately demonstrates the availability of sufficient funds for the capital and working capital needs of the project.

Financial Feasibility

Exhibit 24 of the application contains the most recent audited financial statements for The Charlotte-Mecklenburg Hospital Authority d/b/a CHS for the years ending December 31, 2015 and December 31, 2014. As of December 31, 2015, CHS had $173,812,000 in cash and cash equivalents, $7,506,429,000 in total assets and $3,934,979,000 in total net assets (total assets less total liabilities). The applicant adequately demonstrates the availability of sufficient funds for the capital needs of the project.

The applicant provides pro forma financial statements for the first three full fiscal years of operation following completion of the project. In the pro forma financial statement (Form C), the applicant projects that revenues will exceed operating expenses in the first three operating years of the project, as shown in the table below.

CMC-Mercy
ORs and Cystoscopy Room

	Project Year 1 CY 2019	**Project Year 2 CY 2020**	**Project Year 3 CY 2021**
Total Number of Surgical Cases and Cystoscopy Procedures	12,015	12,145	12,474
Total Gross Revenues (Charges)	$52,419,837	$54,977,124	$58,164,680
Total Net Revenue	$15,656,988	$16,393,516	$17,314,455
Average Net Revenue per Surgical Cases and Cystoscopy Procedures	$1,303	$1,350	$1,388
Total Operating Expenses (Costs)	$14,233,269	$15,006,999	$15,654,890
Average Operating Expense per Surgical Cases and Cystoscopy Procedures Combined	$1,185	$1,236	$1,255
Net Income	$1,423,719	$1,386,517	$1,659,565

The applicant provides gross revenues, net revenues and projected average charges for CMC-Mercy's ORs and cystoscopy procedure room separately in Form D of the pro formas, summarized as follows:

CMC-Mercy
Revenues and Charges for ORs and Cystoscopy Room

	Project Year 1 CY2019		Project Year 2 CY2020		Project Year 3 CY2021	
	ORs	**Cystoscopy Room**	**ORs**	**Cystoscopy Room**	**ORs**	**Cystoscopy Room**
Number of Cases	11,282	733	11,394	751	11,704	770
Projected Average Charge	$4,569	$1,905	$4,706	$1,962	$4,847	$2,021
Gross Patient Revenue	$51,547,518	$1,395,730	$53,618,607	$1,473,501	$56,729,876	$1,555,605
Net Revenue*	$16,963,073	$322,533	$17,644,620	$340,504	$18,668,465	$359,477

*Figures have not been reduced to account for bad debt.

The applicant adequately demonstrates the availability of sufficient funds for the operating needs of the project and that the financial feasibility of the proposal is based upon reasonable and adequately supported assumptions regarding projected utilization, revenues (charges) and operating costs. The discussion regarding projected utilization found in Criterion (3) is incorporated herein by reference.

Conclusion

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

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

C

The Charlotte-Mecklenburg Hospital Authority (CMHA) d/b/a CMC-Mercy proposes to expand and renovate surgical services space at CMC-Mercy and relocate one OR from CMC-Main. Both facilities are located in Mecklenburg County.

On page 62, the 2016 SMFP defines the service area for ORs as follows:

> *"Single county operating room service area: A county with at least one licensed facility with one or more operating rooms.*
>
> *Multicounty operating room service area: A group of counties including:*
> - *one or two counties with at least one licensed facility with at least one operating room **and**;*
> - *one or more counties with no licensed facility with at least one operating room.*

All counties are either single county operating room service areas or are part of a multicounty operating room service area. A multicounty operating room service area may consist of multiple counties with no licensed facility with at least one operating room grouped with either one or two counties, each of which has at least one licensed facility that includes at least one operating room."

The proposal will not result in the development of an additional OR. Instead, three ORs will be renovated, along with surgical support space, and an existing CMC-Main One Day Surgery OR will be relocated adjacent to the three ORs to be renovated. There will be no increase or decrease in the number of licensed ORs operating in Mecklenburg County.

The applicant adequately demonstrates the need for the proposed project. The discussion regarding need found in Criterion (3) is incorporated herein by reference. Therefore, the applicant adequately demonstrates that the proposal would not result in unnecessary duplication of existing and or approved health services. Consequently, the application is conforming to this criterion.

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

C

In Sections VII.1 and VII.2, pages 77-78, the applicant provides the current and proposed staffing for CMC-Mercy's ORs and cystoscopy room, respectively. Current and proposed staffing for the second full fiscal year following completion of the project are illustrated below:

CMC-Mercy ORs and Cystoscopy Room
Current and Proposed Staffing

Position	Current Full Time Equivalent (FTE) Positions	Additional FTE Positions to be added	Second Project Year (CY2020) FTE Positions
ORs and Cystoscopy Room			
Clinical Nurse Supervisor	1.0	0.0	1.0
Clinical Nurse I	5.0	1.0	6.0
Operating Room Assistant	1.0	0.5	1.5
Scheduling Specialist Surgical Services	1.0	0.0	1.0
Surgical Technologist II	1.0	1.5	2.5
Surgical Technologist I	4.0	0.0	4.0
Cysto RN	1.0	0.0	1.0
Cysto ST	1.0	0.0	1.0
Pre-Post			
Health Care Techs	1.0	0.0	1.0
PACU RN	6.0	1.0	7.0
Pre/Post RN	4.0	1.5	5.5
Patient Liaison	1.0	0.0	1.0
Unit Coordinator	0.0	1.0	1.0
Anesthesia			
Anesthesia Tech	1.0	0.5	1.5
Certified Registered Nurse Anesthetist (CRNA)	3.0	1.0	4.0
Cysto CRNA	1.0	0.0	1.0
Sterile Processing Department/Materials			
Instrument Tech	0.5	2.5	3.0
Materials Handler	0.0	1.5	1.5
Materials Associate	0.0	1.0	1.0
Total FTEs	**32.5**	**13.0**	**45.5**

As shown in the table above, the applicant anticipates it will need 13.0 additional FTE positions upon completion of the project. In addition, in Section VII.7(b), page 82, the applicant states that it has all of the physicians that are needed for the proposed project and that they are affiliated with CHS. In Section V.3(c), page 61, the applicant states that Dr. Eugene Christian, Chief Medical Officer at CMC-Mercy, will continue to serve in this role. A letter from Dr. Christian indicating his support for the project and his intention to continue in this role is provided in Exhibit 19.

In Section VII.3(b), page 79, the applicant states that it *"has minimal difficulty in recruiting clinical staff"* because CHS has two schools of nursing, Carolinas College of Health Sciences at CMC and Cabarrus College of Health Sciences. In addition, the

applicant states, in Section VII.7(a), page 82, that it utilizes the following procedures to recruit nursing and non-nursing staff:

- *"Employee referral bonuses;*
- *Hospital website job postings;*
- *Career fairs;*
- *Providing facilities as a* [sic] *host sites for professional clinical training programs; and,*
- *Advertising in professional journals and job posting websites."*

The applicant demonstrates the availability of adequate 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

The applicant states, in Section II.2(a), pages 17-18, that CMC-Mercy has been in operation for 110 years and that it currently has all necessary ancillary and support services in place to support its daily operations and that they will continue to be in place to serve the proposed project. On page 18, the applicant lists some of the ancillary and support services available for surgical patients, including pre-admission testing, laboratory, pharmacy, and dietary.

The applicant discusses how its proposed project will be coordinated with the healthcare system in Section V, pages 58-62. As an existing healthcare facility, CMC-Mercy has established relationships with other area healthcare providers, including healthcare facilities. See Exhibit 17 for a list of hospitals and other healthcare facilities that CMC-Mercy has transfer agreements with. In addition, the applicant states, on page 62, that CMC-Mercy is a member of CHS and, as such, is part of a multi-faceted healthcare system with a continuum of health and human services for patients. Moreover, numerous letters of support for the proposed project are provided by the applicant in Exhibit 28.

The applicant adequately demonstrates the availability of the necessary ancillary and support services and that the proposed services will be coordinated with the existing health care 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 Charlotte-Mecklenburg Hospital Authority (CMHA) d/b/a CMC-Mercy proposes to expand and renovate surgical services space at CMC-Mercy and relocate one OR from CMC-Main. In Section XI.5, page 97, the applicant states that the total existing space to be renovated will be 17,972 square feet. The applicant provides line drawings in Exhibit 5. In Section VIII.2, pages 86-87, the applicant states the capital cost of the proposed project will be $18,000,000. Exhibit 26 contains a letter from an architect that estimates the construction costs will be $7,489,000 which corresponds to the cost projection for construction provided by the applicant in Section VIII.2, page 86. In Sections III.4, pages 48-49, and XI.8, pages 99-100, the applicant describes the methods to be used to maintain efficient energy operations, including meeting or exceeding NC Building Codes, using EPA Energy Star for Hospitals rating system for industry comparison and benchmarking, and upgrading plumbing fixtures impacted by the project to increase efficiency. 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 Sections VI.13 and VI.14, pages 74 - 75, the applicant provides its historical payor mix for its surgical cases and its cystoscopy procedures for CY2015, its last full operating year, as illustrated in the table below:

CMC-Mercy Payor Mix
Percent of Total Utilization CY2015

	Surgical Cases	**Cystoscopy Procedures**
Medicare	42.1%	57.1%
Medicaid	4.5%	7.1%
Managed Care/ Commercial Insurance	47.7%	33.3%
Self-Pay	4.0%	2.0%
Other*	1.6%	0.3%
Total	**100.0%**	**100.0%**

*Other includes workers compensation and unspecified payors.

As illustrated in the table above, 46.6% of CMC-Mercy's surgical services and 64.2% of its cystoscopy procedures were provided to Medicare and Medicaid recipients. In Section VI.2, page 66, the applicant quotes from CHS' Non-Discrimination policy:

'[n]o individual shall be subject to discrimination or denied the benefits of the services, programs, or activities of the Carolinas HealthCare System on the

basis of race, color, religion, national origin, sex, age, disability or source of payment.'

Exhibit 20 contains a copy of CHS' Non-Discrimination policies. In addition, the applicant states, on page 66, CMC-Mercy provided $5.2 million, or 6.3% of its gross revenue, in charity care and bad debt in CY2015.

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 and Ethnic Minority***	**% Persons in Poverty****	**% < Age 65 with a Disability**	**% < Age 65 without Health Insurance****
	2014 Estimate	**2014 Estimate**	**2014 Estimate**	**2010-2014**	**2010-2014**	**2014 Estimate**
Mecklenburg	10%	52%	51%	15%	6%	19%
Statewide	15%	51%	36%	17%	10%	15%

http://www.census.gov/quickfacts/table Latest Data as of 12/22/15

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

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

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

The applicant adequately demonstrates that medically underserved populations currently have access to the services offered at CMC-Mercy. 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

The applicant states, in Section VI.11, page 73, that it has had no obligation to provide uncompensated care, community service, or access to care for medically underserved, minorities or handicapped persons during the last three years. However, the applicant states, on page 73, that it provides and will continue to

provide services to all persons in need of medical care and that in CY2015 it provided 6.3% of gross revenue in charity care and bad debt.

In Section VI.10(a), page 72, the applicant states that no civil rights equal access complaints have been filed against any affiliated CHS entity in the last five years. Therefore, the application is conforming to this criterion.

(c) That the elderly and the medically underserved groups identified in this subdivision will be served by the applicant's proposed services and the extent to which each of these groups is expected to utilize the proposed services; and

C

In Section VI.14(a), page 75, the applicant provides the projected payor mix for the second full fiscal year of operation for the proposed surgical services and cystoscopy services, as illustrated in the table below:

CMC-Mercy Projected Payer Mix
Percent of Total Utilization CY2020

	Surgical Cases	**Cystoscopy Cases**
Medicare	42.1 %	57.1%
Medicaid	4.5%	7.1%
Managed Care/ Commercial Insurance	47.7%	33.3%
Self-Pay	4.0%	2.0%
Other*	1.6%	0.3%
Total	**100.0%**	**100.0%**

*Other includes workers compensation and unspecified payors

The applicant adequately demonstrates that medically underserved populations would have access to the proposed services. Therefore, the application is conforming to this criterion.

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

C

In Section VI.9(a), page 71, the applicant states that patients have access to the proposed services through referrals by physicians with admitting privileges at CMC-Mercy and by being admitted through CMC-Mercy's emergency department. Furthermore, as stated in Section VI.9(c), page 72, as an established provider, CMC-Mercy *"has informal agreements with local and regional health*

care agencies that refer patients, through a physician, to the medical center's services."

The applicant adequately demonstrates it offers 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(a), pages 58-59, the applicant states that through its relationship with CHS, CMC-Mercy has extensive relationships with area clinical training programs, including those at Central Piedmont Community College, Queens University of Charlotte, University of North Carolina at Charlotte, Gardner-Webb University, and Presbyterian School of Nursing. The applicant states, on page 59, that access to clinical training opportunities at CMC-Mercy will continue upon completion of the proposed project. Exhibit 16 provides a listing of CHS' current educational affiliations.

The information provided is reasonable and adequately supports a determination that the application is conforming to this criterion.

(15) Repealed effective July 1, 1987.
(16) Repealed effective July 1, 1987.
(17) Repealed effective July 1, 1987.
(18) Repealed effective July 1, 1987.

(18a) The applicant shall demonstrate the expected effects of the proposed services on competition in the proposed service area, including how any enhanced competition will have a positive impact upon the cost effectiveness, quality, and access to the services proposed; and in the case of applications for services where competition between providers will not have a favorable impact on cost-effectiveness, quality, and access to the services proposed, the applicant shall demonstrate that its application is for a service on which competition will not have a favorable impact.

C

The Charlotte-Mecklenburg Hospital Authority (CMHA) d/b/a CMC-Mercy proposes to expand and renovate surgical services space at CMC-Mercy and relocate one OR from CMC-Main. Both facilities are located in Mecklenburg County.

On page 62, the 2016 SMFP defines the service area for ORs as either single county operating room service areas or multicounty operating room service areas. A single county

operating room service area is *"A county with at least one licensed facility with one or more operating rooms."* Mecklenburg County has more than one licensed facility with one or more operating rooms, therefore the service area for this project is Mecklenburg County. Facilities may also serve residents of counties not included in their service area.

There are 15 healthcare facilities with licensed operating rooms in Mecklenburg County. Operating room inventory, as reported on hospital license renewal applications (LRAs), includes inpatient, ambulatory, shared, C-Section, and Trauma/Burn ORs. CMC-Main and CMC-Mercy operate under the same license. According to the 2016 SMFP, CMC-Main and CMC-Mercy have a combined total of 62 ORs, (47 ORs at CMC-Main and 15 ORs at CMC-Mercy), excluding four C-Section ORs, and one Trauma/Burn OR.

In Section V.7, pages 63 – 65, the applicant discusses how any enhanced competition in the service area will promote the cost-effectiveness, quality and access to the proposed services. The proposed project will renovate existing ORs and relocate one OR in the scope of a single project, thereby being cost effective, will improve quality by properly sizing the ORs for high technology surgical services, and will continue to provide access to all patients in need of surgical services, including the medically underserved. See also Sections II, III, V, VI and VII where the applicant discusses the impact of the project on cost-effectiveness, quality and access.

The information in the application is reasonable and adequately demonstrates that any enhanced competition in the service area includes a positive impact on 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 proposed project and that it is a cost-effective alternative. The discussions regarding analysis of need and alternatives found in Criteria (3) and (4), respectively, are incorporated herein by reference.
- The applicant adequately demonstrates that it will continue to provide quality services. The discussion regarding quality found in Criteria (1) and (20) is incorporated herein by reference.
- The applicant demonstrates that it will continue to provide adequate access to medically underserved populations. The discussion regarding access found in Criteria (1) and (13) is incorporated herein by reference.

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 Exhibit 4, the applicant provides a listing of all healthcare facilities owned, managed, or leased by CMHA. According to the files in the Acute Care Licensure and Certification Section, DHSR, during the 18 months immediately preceding the submittal of the application through the date of the decision, five facilities were found to be out of compliance with one or more Medicare conditions of participation and two of those were found to be out of compliance with Medicare conditions of participation more than once. At this time, all five facilities are in compliance with all Medicare conditions of participation. After reviewing and considering information provided by the applicant and by the Acute Care Licensure and Certification Section and considering the quality of care provided at all 24 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.

C

The applicant proposes to expand and renovate three ORs at CMC-Mercy and relocate one OR from CMC-Main. Therefore, the Criteria and Standards for Surgical Services and Operating Rooms, promulgated in 10A NCAC 14C .2100, are applicable to this review. The application is conforming to all applicable criteria, which are discussed below.

SECTION .2100 – CRITERIA AND STANDARDS FOR SURGICAL SERVICES AND OPERATING ROOMS

10A NCAC 14C .2103 PERFORMANCE STANDARDS

(a) In projecting utilization, the operating rooms shall be considered to be available for use five days per week and 52 weeks a year.

-C- In Section II.5, page 19, the applicant states that the ORs will be available for use Monday through Friday and are available on-call as well during non-scheduled operating hours. In addition, in Section II, page 25, the applicant states that the ORs will be available 52 weeks a year.

(b) A proposal to establish a new ambulatory surgical facility, to establish a new campus of an existing facility, to establish a new hospital, to increase the number of operating rooms in an existing facility (excluding dedicated C-section operating rooms), to convert a specialty ambulatory surgical program to a multispecialty ambulatory surgical program or to add a specialty to a specialty ambulatory surgical program shall:

(1) demonstrate the need for the number of proposed operating rooms in the facility which is proposed to be developed or expanded in the third operating year of the project based on the following formula: {[(Number of facility's projected inpatient cases, excluding trauma cases reported by Level I or II trauma centers, cases reported by designated burn intensive care units and cases performed in dedicated open heart and C-section rooms, times 3.0 hours) plus (Number of facility's projected outpatient cases times 1.5 hours)] divided by 1872 hours} minus the facility's total number of existing and approved operating rooms and operating rooms proposed in another pending application, excluding one operating room for Level I or II trauma centers, one operating room for facilities with designated burn intensive care units, and all dedicated open heart and C-section operating rooms or demonstrate conformance of the proposed project to Policy AC-3 in the State Medical Facilities Plan titled "Exemption From Plan Provisions for Certain Academic Medical Center Teaching Hospital Projects;" and

(2) The number of rooms needed is determined as follows:

(A) in a service area which has more than 10 operating rooms, if the difference is a positive number greater than or equal to 0.5, then the need is the next highest whole number for fractions of 0.5 or greater and the next lowest whole number for fractions less than 0.5; and if the difference is a negative number or a positive number less than 0.5, then the need is zero;

(B) in a service area which has 6 to 10 operating rooms, if the difference is a positive number greater than or equal to 0.3, then the need is the next highest whole number for fractions of 0.3 or greater and the next lowest whole number for fractions less than 0.3, and if the difference is a negative number or a positive number less than 0.3, then the need is zero; and

(C) in a service area which has five or fewer operating rooms, if the difference is a positive number greater than or equal to 0.2, then the need is the next highest whole number for fractions of 0.2 or greater and the next lowest whole number for fractions less than 0.2; and if the difference is a negative number or a positive number less than 0.2, then the need is zero.

-NA- The applicant is proposing to renovate three existing ORs at CMC-Mercy and to relocate one OR from CMC-Main. Both facilities are on the same hospital license, therefore there is no change in the total number of ORs. Thus, the application is conforming to this Rule.

(c) A proposal to increase the number of operating rooms (excluding dedicated C-section operating rooms) in a service area shall:

(1) demonstrate the need for the number of proposed operating rooms in addition to the rooms in all of the licensed facilities identified in response to 10A NCAC 14C .2102(b)(2) in the third operating year of the proposed project based on the following formula: {[(Number of projected inpatient cases for all the applicant's or related entities' facilities, excluding trauma cases reported by Level I or II trauma centers, cases reported by designated burn intensive care units and cases performed in dedicated open heart and C-section rooms, times 3.0 hours) plus (Number of projected outpatient cases for all the applicant's or related entities' facilities times 1.5 hours)] divided by 1872 hours} minus the total number of existing and approved operating rooms and operating rooms proposed in another pending application, excluding one operating room for Level I or II trauma centers, one operating room for facilities with designated burn intensive care units, and all dedicated open heart and C-Section operating rooms in all of the applicant's or related entities' licensed facilities in the service area; and

(2) The number of rooms needed is determined as follows:

(A) in a service area which has more than 10 operating rooms, if the difference is a positive number greater than or equal to 0.5, then the need is the next highest whole number for fractions of 0.5 or greater and the next lowest whole number for fractions less than 0.5; and if the difference is a negative number or a positive number less than 0.5, then the need is zero;

(B) in a service area which has 6 to 10 operating rooms, if the difference is a positive number greater than or equal to 0.3, then the need is the next highest whole number for fractions of 0.3 or greater and the next lowest whole number for fractions less than 0.3, and if the difference is a negative number or a positive number less than 0.3, then the need is zero; and

(C) in a service area which has five or fewer operating rooms, if the difference is a positive number greater than or equal to 0.2, then the need is the next highest whole number for fractions of 0.2 or greater and the next lowest whole number for fractions less than 0.2; and if the difference is a negative number or a positive number less than 0.2, then the need is zero.

-NA- The applicant does not propose to increase the number of ORs in the service area.

(d) An applicant that has one or more existing or approved dedicated C-section operating rooms and is proposing to develop an additional dedicated C-section operating room in the same facility shall demonstrate that an average of at least 365 C-sections per room were performed in the facility's existing dedicated C-section operating rooms in the previous 12 months and are projected to be performed in the facility's existing, approved and proposed dedicated C-section rooms during the third year of operation following completion of the project.

-NA- The applicant does not propose to develop an additional C-section OR.

(e) An applicant proposing to convert a specialty ambulatory surgical program to a multispecialty ambulatory surgical program or to add a specialty to a specialty ambulatory surgical program shall:

(1) provide documentation to show that each existing ambulatory surgery program in the service area that performs ambulatory surgery in the same specialty area as proposed in the application is currently utilized an average of at least 1,872 hours per operating room per year, excluding dedicated open heart and C-Section operating rooms. The hours utilized per operating room shall be calculated as follows: [(Number of projected inpatient cases, excluding open heart and C-sections performed in dedicated rooms, times 3.0 hours) plus (Number of projected outpatient cases times 1.5 hours)] divided by the number of operating rooms, excluding dedicated open heart and C-Section operating rooms; and

(2) demonstrate the need in the third operating year of the project based on the following formula: [(Total number of projected outpatient cases for all ambulatory surgery programs in the service area times 1.5 hours) divided by 1872 hours] minus the total number of existing, approved and proposed outpatient or ambulatory surgical operating rooms and shared operating rooms in the service area. The need is demonstrated if the difference is a positive number greater than or equal to one, after the number is rounded to the next highest number for fractions of 0.50 or greater.

-NA- The applicant does not propose to convert a specialty ambulatory surgical program to a multispecialty ambulatory surgical program or to add a specialty to a specialty ambulatory surgical program.

(f) The applicant shall document the assumptions and provide data supporting the methodology used for each projection in this Rule.

-NA- The applicant does not provide projections in response to any Rules since they are not applicable. However, the applicant does provide its assumptions for its methodology in projecting OR surgical cases and cystoscopy procedures for the proposed project in Section III.1(b), pages 38 – 45.