

ATTACHMENT - REQUIRED STATE AGENCY FINDINGS

FINDINGS

C = Conforming

CA = Conditional

NC = Nonconforming

NA = Not Applicable

Decision Date: November 29, 2018

Findings Date: November 29, 2018

Project Analyst: Julie M. Faenza

Team Leader: Fatimah Wilson

Project ID #: B-11552-18

Facility: Pardee Partners ASC

FID #: 180415

County: Henderson

Applicants: Pardee Ambulatory Surgery Center, LLC

Henderson County Hospital Corporation

Project: Develop a freestanding multispecialty ambulatory surgical facility by relocating two operating rooms from Margaret R. Pardee Memorial Hospital and developing two procedure rooms

REVIEW CRITERIA FOR NEW INSTITUTIONAL HEALTH SERVICES

N. C. Gen. Stat. § 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

Pardee Ambulatory Surgery Center, LLC (Pardee) and Henderson County Hospital Corporation (HCHC) propose to develop Pardee Partners ASC (Pardee Partners), a freestanding ambulatory surgical facility (ASF), by relocating two existing shared operating rooms (ORs) from Margaret R. Pardee Memorial Hospital (MRPMH) and developing two procedure rooms (PRs).

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 2018 State Medical Facilities Plan (SMFP). Therefore, there are no need determinations applicable to this review.

Policies

There is one policy in the 2018 SMFP which is applicable to this review: **Policy GEN-4: Energy Efficiency and Sustainability for Health Service Facilities.**

Policy GEN-4, on page 33 of the 2018 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, 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 B, page 18, the applicants explain why they believe their application is conforming to Policy GEN-4. The applicants provide a written statement of their plan to assure improved energy efficiency and water conservation, including the use of LED light fixtures, low flow plumbing, and energy efficient walls.

The applicants adequately demonstrate that the application includes a written statement describing the project’s plan to assure improved energy efficiency and water conservation.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

Based on that review, the Agency concludes that the application is conforming to this criterion because the applicants adequately demonstrate that the proposal is consistent with Policy GEN-4.

- (2) Repealed effective July 1, 1987.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

C

The applicants, Pardee and HCHC, propose to develop Pardee Partners, a freestanding ASF, by relocating two existing shared ORs from MRPMH and developing two PRs.

While Pardee and HCHC are separate applicants, Pardee is wholly owned by HCHC, which also owns MRPMH. At various points in the application, there are references to “Pardee,” where the reference is actually referring to MRPMH or HCHC. The Project Analyst attempted to make the findings clear as to which entity was being referred to even if the application only said “Pardee.”

MRPMH currently has 10 shared ORs. On September 11, 2018, the Agency issued a certificate of need for Project I.D. #B-11500-18 to HCHC, approving the development of one dedicated C-Section OR at MRPMH. Upon completion of this project and Project I.D. #B-11500-18, MRPMH will have eight shared ORs and one dedicated C-Section OR.

Patient Origin

On page 57 of the 2018 SMFP, an operating room’s service area is defined as “...*the operating room planning area in which the operating room is located. The operating room planning areas are the single and multicounty groupings shown in Figure 6.1.*” In Figure 6.1 on page 62 of the 2018 SMFP, Henderson County is shown as a single county OR service area. Thus, the service area for this application is Henderson County. Providers may serve residents of counties not included in their service area.

The following table illustrates current and projected patient origin.

Pardee Partners – Historical* and Projected Utilization						
County	Last Full FY 7/1/2017 – 6/30/2018		OY 3 – ORs 7/1/2023 – 6/30/2024		OY 3 – PRs 7/1/2023 – 6/30/2024	
	# Patients	% of Total	# Patients	% of Total	# Patients	% of Total
Henderson	1,949	62.0%	1,769	62.0%	518	62.0%
Buncombe	403	12.8%	366	12.8%	107	12.8%
Transylvania	158	5.0%	143	5.0%	42	5.0%
Polk	165	5.2%	150	5.2%	44	5.2%
Haywood	102	3.2%	93	3.2%	27	3.2%
Other**	750	11.6%	332	11.6%	97	11.6%
Total	3,527	100.0%	2,853	100.0%	835	100.0%

Source: Section C, pages 21-22

* Pardee Partners is not an existing facility. The applicants provide the historical patient origin for patients proposed to be served by the new ASF and who were patients at MRPMH at the time of service.

** Other counties: Avery, Burke, Clay, Cleveland, Graham, Jackson, Macon, Madison, McDowell, Mitchell, Rutherford, and Swain counties in NC as well as counties in other states.

In Section C, page 23, the applicants provide the assumptions and methodology used to project patient origin. The applicants’ assumptions are reasonable and adequately supported.

Analysis of Need

In Section C, pages 23-31, the applicants explain why they believe the population projected to utilize the proposed services needs the proposed services:

- **Demand for Ambulatory Surgery Services (pages 23-26):** The applicants state that trends over the last 30 years have shifted surgery into outpatient settings and then into freestanding ASFs. The applicants state that both commercial and government insurance has shifted toward reimbursement models that encourage both patients and providers to utilize ASFs whenever possible. The applicants state that patients have higher satisfaction rates, lower costs, and improved outcomes when utilizing ASFs.

The applicants provide surgical volumes for inpatient and outpatient surgery as well as total surgeries for both North Carolina and Henderson County. The applicants state that despite a decline in the volume and percent of total surgeries in Henderson County, outpatient surgery rates are still higher in Henderson County than the state average. The applicants also state that they believe this decline in volume and percent of total surgeries is largely due to the lack of access to a freestanding ASF in Henderson County. The applicants further provide population data for the total population and the population age 65 and older for Henderson County and state that the population of people age 65 and older in Henderson County is projected to increase at twice the rate of the overall population of Henderson County. The applicants state that the Henderson County median age, both historically and projected, is older than the state average. The applicants state this is significant because older residents typically utilize healthcare services at higher rates.

- **Need for an ASF in Henderson County (pages 26-29):** The applicants cite data from the North Carolina Office of State Budget and Management (NC OSBM) and License Renewal Applications (LRAs) showing that Henderson County residents have higher ambulatory

surgery use rates than the statewide average. The applicants compare Henderson County with Buncombe County, an adjacent county, which has two freestanding ASFs. The applicants state that while both Henderson County and Buncombe County patients leave their county to receive services elsewhere, the rate of patients leaving the county is lower for Buncombe County than Henderson County. The applicants state that they believe this is due to the lack of a freestanding ASF in Henderson County. The applicants state that they propose to develop a freestanding ASF by relocating existing ORs so that Henderson County residents will have access to freestanding ASF services. The applicants further state that opportunities such as freestanding ASFs are an important tool to attract and retain surgeons.

- **Enhanced Quality, Access, and Value (pages 29-31):** The applicants state that patients report a 92 percent satisfaction rate with ASF services and physicians enjoy flexibility with reduced rates of infection and error as compared to a hospital setting. The applicants state that MRPMH is the first, and only, hospital in North Carolina to be ISO 9001:2008 certified, and state that ISO certifications are considered to be the gold standard worldwide. The applicants state that MRPMH has worked with the national Surgical Care Improvement Project to improve the quality of care provided and outcomes. The applicants state that Pardee Partners will seek appropriate accreditation.

The applicants state that adding the option of a freestanding ASF in Henderson County, along with the potential ability to recruit and retain high quality physicians, will improve access for all Henderson County residents. The applicants further state that developing Pardee Partners will lower costs for surgical services and will result in lower out of pocket costs to patients for services received at Pardee Partners versus a hospital-based OR.

The information is reasonable and adequately supported for the following reasons:

- The applicants rely on Henderson County statistics to demonstrate the need for the proposed project.
- The applicants provide correlation between the information they provide to demonstrate the need for the proposed project and the conditions in Henderson County.

Projected Utilization

In Section Q, the applicants provide projected utilization, as illustrated in the following table.

Pardee Partners – Projected Utilization – OYs 1-3			
	OY 1 – 7/2021-6/2022	OY 2 – 7/2022-6/2023	OY 3 – 7/2023-6/2024
# of ORs	2	2	2
# of Surgical Cases	2,609	2,728	2,853
Final Case Time (minutes) (1)	68.6	68.6	68.6
Total Hours (2)	2,983	3,119	3,261
Standard Hours per OR per Year (3)	1,312.5	1,312.5	1,312.5
# of ORs needed (4)	2.3	2.4	2.5
# of PRs	2	2	2
# of Procedures	764	799	835

- (1) The Average Case Time for Group 6 in the 2018 SMFP.
 (2) Total Hours equals Surgical Cases multiplied by the Final Case Time, then divided by 60.
 (3) From Table 6B in the 2018 SMFP.
 (4) # of ORs Needed equals Surgical Hours divided by the Standard Hours per OR per Year.

In Section Q, the applicants provide the assumptions and methodology used to project utilization, which are summarized below.

- The applicants’ fiscal year is the same as the North Carolina State Fiscal Year (SFY) – July 1 to June 30.
- The applicants state that between SFY 2016 and SFY 2018, the number of outpatient surgery cases at MRPMH grew at a Compound Annual Growth Rate (CAGR) of 4.6 percent. The applicants assume that the number of outpatient surgery cases will continue to grow at a rate of 4.6 percent annually.
- The applicants stated that in SFY 2018, out of the 5,410 outpatient surgery cases performed at MRPMH, 3,143 of these cases in four different specialties (general surgery, gynecology, orthopedics, and urology) were appropriate to be performed at a freestanding ASF. The applicants further stated that none of these cases were performed by any of the surgeons who supported any of the applicants in the recent 2018 Buncombe County OR Review.
- The applicants identified 415 cases that could have been performed in a PR and removed them from the previously identified OR cases.
- The applicants state that based on the experience of physicians and other professionals at MRPMH, 80 percent of the cases can reasonably shift to Pardee Partners, and the remaining 20 percent would need to remain at MRPMH due to necessity of more advanced support services or patient preference.
- The applicants applied the average case time and standard hours per OR per year based on being categorized in Group 6 for purposes of applying the OR Need Methodology in the 2018 SMFP.
- The applicants identified 384 additional cases performed in ORs at MRPMH that could have been appropriately performed in PRs, and added those to the 415 cases previously identified. The applicants then applied the same assumptions regarding annual growth rate and percent of cases shifting to Pardee Partners to project PR utilization.

The applicants' utilization calculations, based on the assumptions detailed above, are illustrated in the following table.

Pardee Partners Projected Utilization Calculations							
	SFY18	SFY19	SFY20	SFY21	SFY22	SFY23	SFY24
OP Surgical Cases	2,728	2,853	2,983	3,119	3,261	3,410	3,566
Growth Rate	--	4.6%	4.6%	4.6%	4.6%	4.6%	4.6%
Estimated % to Shift	--	--	--	--	80%	80%	80%
# of OR Cases – Pardee Partners	--	--	--	--	2,609	2,728	2,853
Average Case Time (minutes) (1)	--	--	--	--	68.6	68.6	68.6
Total Surgical Hours (2)	--	--	--	--	2,982.9	3,119.1	3,261.4
Standard Hours Per OR Per Year (3)	--	--	--	--	1,312.5	1,312.5	1,312.5
Total ORs Needed (4)	--	--	--	--	2.3	2.4	2.5
PR Cases	799	835	874	913	955	999	1,044
Growth Rate	--	4.6%	4.6%	4.6%	4.6%	4.6%	4.6%
Estimated % to Shift	--	--	--	--	80%	80%	80%
# of PR Cases – Pardee Partners	--	--	--	--	764	799	835

- (1) The Average Case Time for Group 6 in the 2018 SMFP.
 (2) Total Hours equals Surgical Cases multiplied by the Final Case Time, then divided by 60.
 (3) From Table 6B in the 2018 SMFP.
 (4) # of ORs Needed equals Surgical Hours divided by the Standard Hours per OR per Year.

The Project Analyst, in analyzing the information provided by the applicants, was not able to determine the basis for the assumptions regarding projected growth rates used by the applicants, as discussed below:

- In Section Q, the applicants provide the number of outpatient surgical cases performed at MRPMH as follows:

MRPMH Outpatient Surgery OR Utilization				
	SFY16	SFY17	SFY18	CAGR
# of OP Surgical Cases	4,948	5,167	5,410	4.6%

- The Project Analyst used the LRA data submitted for MRPMH for LRA years 2013-2018 to analyze the growth rate. The results are shown in the table below.

MRPMH Outpatient Surgery OR Utilization								
LRA Year	2013	2014	2015	2016	2017	2018	CAGR	AAGR*
# of OP Surgical Cases	4,864	4,996	5,355	5,335	6,351	4,928	0.22%	-0.78%
Two Year Growth				5,335	6,351	4,928	-2.61%	-6.44%

*AAGR = Average Annual Growth Rate

It is reasonable that the number of outpatient surgical cases would be different, because the SFY and the LRA reporting year are not the same time periods – the SFY is July 1 to June 30, while the LRA reporting year is October 1 to September 30. For general comparison, the Project Analyst compared SFY data with the following year's LRA data – for example, SFY 2016 was July 1, 2015 through June 30, 2016, and data in the 2017 LRA was reported for the time period between October 1, 2015 and September 30, 2016. However, there was

too great a difference in the numbers reported by the applicants in this application and the data on the LRAs for MRPMH for the Project Analyst to be able to determine the basis for the applicants’ assumptions. Further, while it is reasonable that the growth rate for different periods of time would be different, the Project Analyst cannot determine the basis for the applicants’ assumptions about the projected growth rate when the applicants project a positive growth rate, while a slight change in the time period results in a decrease in utilization.

A note on page 12 of the 2018 LRA for MRPMH states that it can now track cases by the rooms in which they were performed and MRPMH is now reporting cases performed in GI endoscopy rooms versus ORs in the GI endoscopy room section of the LRA, on the previous page. Comparing the 2018 LRA to the 2017 LRA, the 2018 LRA does have significantly more non-GI endoscopy cases performed in GI endoscopy rooms than the 2017 LRA. However, neither the note on page 12 nor the difference in numbers provides enough context for the Project Analyst to be able to determine the basis for the applicants’ assumptions about projected growth rate.

However, the applicants identify 2,728 outpatient surgery cases which could reasonably be performed at Pardee Partners. Regardless of which time period has the correct number of OP surgical cases reported, there were more than 2,728 outpatient surgery cases performed at MRPMH in the last operating year. Even if the applicants project no further growth in surgical cases through the end of the third OY following project completion, and even with assuming only 80 percent of those cases will be performed at Pardee Partners, the applicants still meet the required performance standard, as shown in the table below, and can therefore demonstrate the need for the proposed project.

Pardee Partners OR Need – OY 3 (SFY24) with No Growth	
	SFY24
OP Surgical Cases	2,728
Estimated % to Shift	80%
# of OR Cases – Pardee Partners	2,182
Average Case Time (minutes) (1)	68.6
Total Surgical Hours (2)	2,495
Standard Hours Per OR Per Year (3)	1,312.5
Total ORs Needed (4)	1.9

- (1) The Average Case Time for Group 6 in the 2018 SMFP.
- (2) Total Hours equals Surgical Cases multiplied by the Final Case Time, then divided by 60.
- (3) From Table 6B in the 2018 SMFP.
- (4) # of ORs Needed equals Surgical Hours divided by the Standard Hours per OR per Year.

On page 60 of the 2018 SMFP, Step 7a of the OR Need Methodology says, in part:

“If a health system located in an operating room service area with more than 10 operating rooms in the Adjusted Planning Inventory has a projected fractional deficit of 0.50 or greater, round the deficit to the next highest whole number.”

Henderson County has a total of 16 ORs. The applicants do not propose to increase the number of ORs in Henderson County; rather, they seek to relocate existing ORs to create a freestanding ASF. As shown in the table above, using the OR Need Methodology in Chapter 6 of the 2018 SMFP, the applicants show a need for 1.9 ORs in the third OY, which would be rounded to 2. This is consistent with 10A NCAC 14C .2103, which requires the applicants to demonstrate the need for the number of ORs they propose to develop, using the OR Need Methodology in the applicable SMFP in the third OY.

Projected utilization with regard to the need for the proposed project is reasonable and adequately supported because the applicants' existing utilization supports the need to develop the proposed project.

Access

In Section C, page 36, the applicants state:

“As a [HCHC]-owned facility, Pardee Partners ASC will follow similar guidelines and as such will not discriminate against low-income persons, racial and ethnic minorities, women, handicapped persons, the elderly, or any other underserved groups.”

In Section L, page 76, the applicants project the following payor mix during the second full fiscal year of operation following completion of the project, as illustrated in the following table.

Pardee Partners Projected Payor Mix – OY 2 (SFY 2023)			
Payor Source	Total Facility	ORs	PRs
Self-Pay	5.9%	6.1%	4.9%
Medicare*	46.6%	42.0%	62.3%
Medicaid*	6.7%	7.4%	4.4%
Insurance*	34.1%	36.8%	24.8%
Other**	6.7%	7.6%	3.6%
Total	100.0%	100.0%	100.0%

Note: On page 76, the applicants state that internal data does not aggregate charity care as a payor source and state that patients in any payor category can and do receive charity care.

*Including any managed care plans.

**The applicants state that this category includes worker's compensation and TRICARE.

The projected payor mix is reasonable and adequately supported.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Information publicly available during the review and used by the Agency

Based on that review, the Agency concludes that the application is conforming to this criterion for the following reasons:

- The applicants adequately identify the population to be served.
 - The applicants adequately explain why the population to be served needs the services proposed in this application.
 - Projected utilization is reasonable and adequately supported.
 - The applicants project the extent to which all residents, including underserved groups, will have access to the proposed services (payer mix) and adequately support their assumptions.
- (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 applicants, Pardee and HCHC, propose to develop Pardee Partners, a freestanding ASF, by relocating two existing shared ORs from MRPMH and developing two PRs.

MRPMH currently has 10 shared ORs. On September 11, 2018, the Agency issued a certificate of need for Project I.D. #B-11500-18 to HCHC, approving the development of one dedicated C-Section OR at MRPMH. At the conclusion of this project and Project I.D. #B-11500-18, MRPMH will have eight shared ORs and one dedicated C-Section OR.

The ORs are currently located at MRPMH, at 800 North Justice Street in Henderson. In Section A, page 14, the applicants state the proposed location of the new ASF is close to the intersection of Boylston Highway and Jeffress Road in Mills River. According to Google Maps, the two locations are approximately 8.6 miles apart and the drive between the two sites takes approximately 14 minutes.

In Section D, pages 42-43, the applicants explain why they believe the needs of the population presently utilizing the services to be reduced, eliminated, or relocated will be adequately met following completion of the project. On page 42, the applicants state:

- The new ASF will serve patients who had historically been served at MRPMH.
- Development of the freestanding ASF will provide these existing patients with lower costs and a more convenient setting than the hospital where the ORs are currently located.

In Section Q, the applicants provide historical and projected utilization of the ORs that will remain at MRPMH following completion of the proposed project, as shown in the table below.

MRPMH Historical and Projected Utilization							
	SFY18	SFY19	SFY20	SFY21	SFY22	SFY23	SFY24
Number of ORs*	10	10	10	10	8	8	8
# Inpatient Surgical Cases*	2,449	2,551	2,654	2,722	2,702	2,802	2,907
# Outpatient Surgical Cases	5,410	5,657	5,915	6,185	3,094	3,236	3,383
Total # Surgical Cases*	7,859	8,208	8,569	8,946	5,967	6,225	6,495
Inpatient Case times (minutes) (1)	163.9	163.9	163.9	163.9	163.9	163.9	163.9
Outpatient Case times (minutes) (1)	94.0	94.0	94.0	94.0	94.0	94.0	94.0
Inpatient Surgical Hours	6,690	6,969	7,249	7,435	7,380	7,655	7,941
Outpatient Surgical Hours	8,476	8,863	9,267	9,690	4,848	5,069	5,300
Total Surgical Hours (2)	15,166	15,832	16,516	17,125	12,228	12,724	13,242
Standard Hours Per OR Per Year (3)	1,755	1,755	1,755	1,755	1,500	1,500	1,500
Total ORs Needed (4)	8.6	9.0	9.4	9.8	8.2	8.5	8.8

*The number of ORs, inpatient surgical cases, and total number of surgical cases excludes any C-Sections performed in the previously approved dedicated C-Section OR, which was issued a certificate of need on September 11, 2018.

- (1) The Average Case Time for the facility as reported in the 2018 SMFP.
- (2) Total Hours equals Surgical Cases multiplied by the Final Case Time, then divided by 60.
- (3) From Table 6B in the 2018 SMFP.
- (4) # of ORs Needed equals Surgical Hours divided by the Standard Hours per OR per Year.

In Section Q, the applicants provide the assumptions and methodology used to project utilization, which are summarized below.

- The applicants’ fiscal year is the same as the North Carolina State Fiscal Year (SFY) – July 1 to June 30.
- The applicants provide historical utilization and projected utilization for dedicated C-Sections performed in both the existing shared ORs and the approved but not yet developed dedicated C-Section OR, but exclude those surgical cases from their calculations.
- The applicants state that between SFY 2016 and SFY 2018, the number of outpatient surgery cases at MRPMH grew at a CAGR of 4.6 percent. The applicants assume that the number of outpatient surgery cases will continue to grow at a rate of 4.6 percent annually.
- The applicants state that between SFY 2016 and SFY 2018, the number of inpatient surgery cases at MRPMH grew at a CAGR of 13.9 percent. The applicants assume that the number of inpatient surgery cases will continue to grow at a rate of 3.7 percent annually.
- The applicants state that they applied the final case times for inpatient and outpatient surgical cases for MRPMH as reported in Table 6B of the 2018 SMFP when calculating the total surgical hours.
- Prior to the relocation of the two ORs to Pardee Partners, the applicants calculate the number of ORs needed at the facility based on the standard hours per OR per year for Group 3 (facilities with 15,000 to 40,000 surgical hours per year).

- After completion of this project, the applicants project they will report fewer than 15,000 surgical hours per year, and thus apply the standard hours per OR per year based on being categorized in Group 4 for purposes of applying the OR Need Methodology in the 2018 SMFP.

As previously discussed in Criterion (3), the Project Analyst could not determine the basis for the applicants’ assumptions about projected growth rate; however, the Project Analyst determined that even if the identified subset of outpatient surgical cases projected to transfer to Pardee Partners did not change through any interim years or the first three OYs, the historical utilization without any growth supported the number of ORs proposed to be relocated to Pardee Partners. The discussion regarding projected utilization found in Criterion (3) is incorporated herein by reference.

Similarly to the analysis in Criterion (3), the Project Analyst subtracted the number of cases expected to shift to Pardee Partners, based on identified surgical outpatient cases from SFY 2018, and assumed no further growth in utilization of either inpatient or outpatient surgical cases through any interim years and the first three OYs. When applying the OR Need Methodology in the 2018 SMFP to historical cases at MRPMH, without any projected growth in those cases, the applicants still meet the required performance standard, as shown in the table below.

MRPMH OR Need – OY 3 (SFY24) with No Growth	
	SFY24
OP Surgical Cases in SFY 2018	5,410
Estimated 80% to Shift	2,182
Remaining OP Surgical Cases	3,228
IP Surgical Cases in SFY 2018*	2,333
Total # of Surgical Cases	5,561
Inpatient Case times (minutes) (1)	163.9
Outpatient Case times (minutes) (1)	94.0
Inpatient Surgical Hours	6,373
Outpatient Surgical Hours	5,057
Total Surgical Hours (2)	11,430
Standard Hours Per OR Per Year (3)	1,500
Total ORs Needed (4)	7.6

*The number of IP surgical cases in SFY 2018 excludes any C-Sections.

(1) The Average Case Time for Group 6 in the 2018 SMFP.

(2) Total Hours equals Surgical Cases multiplied by the Final Case Time, then divided by 60.

(3) From Table 6B in the 2018 SMFP.

(4) # of ORs Needed equals Surgical Hours divided by the Standard Hours per OR per Year.

On page 60 of the 2018 SMFP, Step 7a of the OR Need Methodology says, in part:

“If a health system located in an operating room service area with more than 10 operating rooms in the Adjusted Planning Inventory has a projected fractional deficit of 0.50 or greater, round the deficit to the next highest whole number.”

Henderson County has a total of 16 ORs. The applicants do not propose to increase the number of ORs in Henderson County; rather, they seek to relocate existing ORs to create a freestanding ASF. As shown in the table above, using the OR Need Methodology in Chapter 6 of the 2018 SMFP, the applicants show a need for 7.6 ORs in the third OY, which would be rounded to 8. This is consistent with 10A NCAC 14C .2103, which requires the applicants to demonstrate the need for the number of ORs they propose to develop, using the OR Need Methodology in the applicable SMFP in the third OY.

Projected utilization is reasonable and adequately supported because the applicants' existing utilization is sufficient to show the need for the eight ORs that will remain at MRPMH.

In Section D, page 46, the applicants state:

“[MRPMH] and Pardee Partners ASC will follow similar guidelines and as such will not discriminate against low-income persons, racial and ethnic minorities, women, handicapped persons, the elderly, or any other underserved groups.”

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Information publicly available during the review and used by the Agency

Based on that review, the Agency concludes that the applicant adequately demonstrates that:

- The needs of the population currently using the services to be reduced, eliminated, or relocated will be adequately met following project completion.
 - The project will not adversely impact the ability of underserved groups to access these services following project completion.
- (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

The applicants, Pardee and HCHC, propose to develop Pardee Partners, a freestanding ASF, by relocating two existing shared ORs from MRPMH and developing two PRs.

In Section E, page 47, the applicants describe the alternatives they considered and explain why each alternative is either more costly or less effective than the alternative proposed in this application to meet the need. The alternatives considered were:

- **Maintain the Status Quo:** The applicants state that because maintaining the status quo would leave Henderson County patients without access to lower cost, more convenient outpatient surgery at a freestanding ASF, this was not the most effective alternative.
- **Relocate More Than Two ORs:** The applicants state that based on balancing the needs of patients who are able to have surgery in a freestanding ASF setting, patients who must have outpatient surgery in a hospital setting, and the growing number of inpatient surgery cases at MRPMH, relocating more than two ORs was not the most effective alternative.

On page 48, the applicants state that their proposal is the most effective alternative because it will allow patients access to a lower cost, more convenient outpatient surgery setting, while separating them from sicker patients at MRPMH, which reduces infection risk, disruptions from more severe or acute cases, and which increases both patient and physician satisfaction.

The applicants adequately demonstrate that the alternative proposed in this application is the most effective alternative to meet the need for the following reasons:

- The application is conforming to all statutory and regulatory review criteria.
- The applicants provide credible information to explain why they believe the proposed project is the most effective alternative.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Information publicly available during the review and used by the Agency

Based on that review, the Agency concludes that the application is conforming to this criterion for the reasons stated above. Therefore, the application is approved subject to the following conditions:

1. **Pardee Ambulatory Surgery Center, LLC and Henderson County Hospital Corporation shall materially comply with all representations made in the certificate of need application.**
2. **Pardee Ambulatory Surgery Center, LLC and Henderson County Hospital Corporation shall develop Pardee Partners ASC, a new multispecialty ambulatory surgical facility, by relocating two existing shared operating rooms from Margaret R. Pardee Memorial Hospital and developing two procedure rooms.**
3. **Upon completion of the project, Pardee Partners ASC shall be licensed for no more than two operating rooms and two procedure rooms and shall be considered a multispecialty ambulatory surgical facility.**

- 4. Pardee Ambulatory Surgery Center, LLC and Henderson County Hospital Corporation shall not acquire, as part of this project, 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.**
- 5. Pardee Partners ASC shall receive accreditation from the Joint Commission for the Accreditation of Healthcare Organizations, the Accreditation Association for Ambulatory Health Care or a comparable accreditation authority within two years following licensure of the facility.**
- 6. For the first three years of operation following completion of the project, Pardee Partners ASC shall not increase charges more than 5 percent of the charges projected in Section Q of the application without first obtaining a determination from the Healthcare Planning and Certificate of Need Section that the proposed increase is in material compliance with the representations in the certificate of need application.**
- 7. The procedure rooms shall not be used for procedures that should be performed only in an operating room based on current standards of practice.**
- 8. Procedures performed in the procedure rooms shall not be reported for billing purposes as having been performed in an operating room and shall not be reported on the facility's license renewal application as procedures performed in an operating room.**
- 9. Upon project completion, Henderson County Hospital Corporation shall take the steps necessary to delicense two existing shared operating rooms at Margaret R. Pardee Memorial Hospital such that Margaret R. Pardee Memorial Hospital shall be licensed for no more than eight shared operating rooms and one dedicated C-Section operating room.**
- 10. Pardee Ambulatory Surgery Center, LLC and Henderson County Hospital Corporation shall 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.**
- 11. No later than three months after the last day of each of the first three full years of operation following initiation of the services authorized by this certificate of need, Pardee Ambulatory Surgery Center, LLC and Henderson County Hospital Corporation shall submit, on the form provided by the Healthcare Planning and Certificate of Need Section, an annual report containing the:**
 - a. Payor mix for the services authorized in this certificate of need.**
 - b. Utilization of the services authorized in this certificate of need.**
 - c. Revenues and operating costs for the services authorized in this certificate of need.**
 - d. Average gross revenue per unit of service.**
 - e. Average net revenue per unit of service.**

f. Average operating cost per unit of service.

12. Pardee Ambulatory Surgery Center, LLC and Henderson County Hospital Corporation shall acknowledge acceptance of and agree to comply with all conditions stated herein to the Agency in writing prior to issuance of the certificate of need.

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

C

The applicants, Pardee and HCHC, propose to develop Pardee Partners, a freestanding ASF, by relocating two existing shared ORs from MRPMH and developing two PRs.

Capital and Working Capital Costs

In Section Q, the applicants project the total capital cost of the project, as shown in the table below.

Construction and Site Preparation Costs	\$7,590,000
Architect and Engineering Fees	\$779,900
Medical Equipment	\$5,403,100
Non-Medical Equipment	\$151,800
Miscellaneous Costs	\$2,397,500
Total	\$16,322,300

In Section Q, the applicants provide the assumptions used to project the capital cost.

In Section F, pages 51-52, the applicants project that start-up costs will be \$529,794 and initial operating expenses will be \$693,543 for a total working capital of \$1,223,297. On pages 51-52, the applicants provide the assumptions and methodology used to project the working capital needs of the project.

Availability of Funds

In Section F, pages 50-51, the applicants state that the capital cost will be funded with the accumulated reserves of HCHC. In Section F, page 53, the applicants state that the working capital needs of the project will be funded with the accumulated reserves of HCHC.

In Exhibit F.2-1, the applicants provide a letter dated August 15, 2018 from the Interim Chief Financial Officer of HCHC, stating that HCHC will commit accumulated reserves to fund both the capital and working capital needs of the proposed project. Exhibit F.2-2 contains the audited Financial Statements for HCHC for the nine months ending June 30, 2017. As of June 30, 2017, HCHC had net assets in the amount of \$155,620,484.

Financial Feasibility

The applicants provided pro forma financial statements for the first three full fiscal years of operation following completion of the project. In Form F.3, the applicants project that revenues will exceed operating expenses in the first three operating years of the project, as shown in the table below.

Pardee Partners Revenues and Operating Expenses			
	1st FY SFY 2022	2nd FY SFY 2023	3rd FY SFY 2024
Total # of Cases (ORs and PRs)	3,373	3,527	3,688
Total Gross Revenues (Charges)	\$28,910,463	\$31,136,949	\$33,534,904
Total Net Revenue	\$7,919,525	\$8,529,432	\$9,186,311
Average Net Revenue per Case	\$2,348	\$2,418	\$2,491
Total Operating Expenses (Costs)	\$6,934,696	\$7,248,589	\$7,581,885
Average Operating Expense per Case	\$2,056	\$2,055	\$2,056
Net Income	\$984,828	\$1,280,843	\$1,604,426

The Project Analyst determined that with regard to financial feasibility, the assumptions used by the applicants in preparation of the pro forma financial statements are reasonable, including projected utilization, costs, and charges. See Section Q of the application for the assumptions used regarding costs and charges. The discussion regarding projected utilization found in Criterion (3) is incorporated herein by reference.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Information publicly available during the review and used by the Agency

Based on that review, the Agency concludes that the application is conforming to this criterion for the following reasons:

- The applicants adequately demonstrate that the capital and working capital costs are based on reasonable and adequately supported assumptions.
 - The applicants adequately demonstrate availability of sufficient funds for the capital and working capital needs of the proposal.
 - The applicants adequately demonstrate 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.
- (6) The applicant shall demonstrate that the proposed project will not result in unnecessary duplication of existing or approved health service capabilities or facilities.

C

The applicants, Pardee and HCHC, propose to develop Pardee Partners, a freestanding ASF, by relocating two existing shared ORs from MRPMH and developing two PRs.

On page 57 of the 2018 SMFP, an operating room's service area is defined as "...the operating room planning area in which the operating room is located. The operating room planning areas are the single and multicounty groupings shown in Figure 6.1." In Figure 6.1 on page 62 of the 2018 SMFP, Henderson County is shown as a single county OR service area. Thus, the service area for this application is Henderson County. Providers may serve residents of counties not included in their service area.

According to Table 6A, on page 66 of the 2018 SMFP, there are 16 ORs in Henderson County which are allocated between two hospitals:

Operating Room Inventory – Henderson County				
Facility	Inpatient ORs	Ambulatory ORs	Shared ORs	Total ORs
Margaret R. Pardee Memorial Hospital	0*	0	10	10
Park Ridge Health	0**	0	6	6
Total	0	0	16	16

Source: Table 6A, 2018 SMFP

*On September 11, 2018, MRPMH was issued a certificate of need to develop a dedicated C-Section OR. Once developed, this OR will be excluded from the SMFP Inventory.

**Excludes one dedicated C-Section OR.

As the table above shows, Henderson County residents do not currently have access to any freestanding ASF services.

In Section G, page 57, the applicants explain why they believe their proposal would not result in the unnecessary duplication of existing or approved ORs or ASFs in Henderson County. The applicants state that there are not currently any freestanding ASFs in Henderson County, and because this proposal can be developed with existing ORs, it will not duplicate existing services.

The applicants adequately demonstrate that the proposal would not result in an unnecessary duplication of existing or approved services in the service area because the proposal will not increase the number of existing or approved ORs in Henderson County.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Information publicly available during the review and used by the Agency

Based on that review, the Agency concludes that the application is conforming to this criterion for the reasons stated above.

- (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, Form H, the applicants provide projected staffing for the proposed services, as illustrated in the following table.

Pardee Partners Projected Staffing			
	SFY 2022	SFY 2023	SFY 2024
Administrator	1.0	1.0	1.0
RN Manager	1.0	1.0	1.0
RN Staff	10.0	10.0	10.0
Surgical Tech/OR Assistant	6.0	6.0	6.0
CRNAs	3.5	3.5	3.5
Reception/Registration	3.0	3.0	3.0
TOTAL	24.5	24.5	24.5

The assumptions and methodology used to project staffing are provided in Section Q on Form H. Adequate costs for the health manpower and management positions proposed by the applicants are budgeted in Form F.3, which is found in Section Q. In Section H, pages 59-60, the applicants describe the methods used to recruit or fill new positions and their proposed training and continuing education programs. The applicants provide supporting documentation in Exhibits H.2 and H.3. In Section H, page 60, the applicants identify the proposed medical director. In Exhibit I.2, the applicants provide a letter from the proposed medical director indicating an interest in serving as medical director for the proposed services. In Section H, page 60, the applicants describe their physician recruitment plans, and provide supporting documentation in Exhibit I.2.

The applicants adequately demonstrate the availability of sufficient health manpower and management personnel to provide the proposed services.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

Based on that review, the Agency concludes that the application is conforming to this criterion for the reasons stated above.

- (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, page 62, the applicants state the following ancillary and support services are necessary for the proposed services:

- Laboratory Testing
- Diagnostic Imaging
- Pathology
- Anesthesia
- Reception
- Medical Records
- Billing & Insurance
- Housekeeping
- Maintenance
- Sterile Processing

On pages 62-63, the applicants adequately explain how each ancillary and support service will be made available and provide supporting documentation in Exhibits I.1 and I.2.

In Section I, pages 63-65, the applicants describe their existing and proposed relationships with other local health care and social service providers and provide supporting documentation in Exhibit I.2.

The applicants adequately demonstrate that the proposed services will be coordinated with the existing health care system.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

Based on that review, the Agency concludes that 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

The applicants do not project to provide the proposed services to a substantial number of persons residing in Health Service Areas (HSAs) that are not adjacent to the HSA in which the services will be offered. Furthermore, the applicants do not project to provide the proposed services to a substantial number of persons residing in other states that are not adjacent to the North Carolina county in which the services will be offered. Therefore, Criterion (9) is not applicable to this review.

- (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

The applicants are not HMOs. Therefore, Criterion (10) is not applicable to this review.

- (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

In Section K, page 67, the applicants state that the project involves constructing 17,000 square feet of new space. Line drawings are provided in Exhibit C.1.

On page 68, the applicants adequately explain how the cost, design, and means of construction represent the most reasonable alternative for the proposal.

On page 68, the applicants adequately explain why the proposal will not unduly increase the costs to the applicants of providing the proposed services or the costs and charges to the public for the proposed services.

On pages 68-69, the applicants identify any applicable energy saving features that will be incorporated into the construction plans.

On pages 69-70, the applicants identify the proposed site and provide information about the current owners, zoning and special use permits for the sites, and the availability of water, sewer, and waste disposal and power at the site. The applicants provide supporting documentation in Exhibit K.5.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

Based on that review, the Agency concludes that 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, page 75, the applicants provide the historical payor mix for MRPMH's outpatient surgery services during SFY 2018, as shown in the table below.

MRPMH Historical Payor Mix – OP Surgery – SFY 2018	
Payor Source	% of Patients
Self-Pay	3.8%
Medicare*	53.2%
Medicaid*	8.5%
Insurance*	31.5%
Other**	3.1%
Total	100.0%

Source: Applicants’ internal data.

Note: On page 75, the applicants state that internal data does not aggregate charity care as a payor source and state that patients in any payor category can and do receive charity care.

*Including any managed care plans.

**The applicants state that this category includes worker’s compensation and TRICARE.

On pages 73-74, the applicants provide the following comparison.

	% of Total Patients Served at MRPMH during SFY 2018	% of the Population of Henderson County
Female	51.4%	51.5%
Male	48.6%	48.5%
Unknown	0.0%	0.0%
64 and Younger	52.0%	74.5%
65 and Older	48.0%	25.5%
American Indian	0.5%	0.5%
Asian	0.1%	1.2%
Black or African-American	4.0%	3.5%
Native Hawaiian or Pacific Islander	0.0%	0.2%
White or Caucasian	89.9%	87.7%
Other Race	2.8%	7.0%
Declined / Unavailable	2.7%	0.0%

Source: Applicants’ internal data, ESRI population data

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

Based on that review, the Agency concludes that the applicants adequately document the extent to which medically underserved populations currently use the applicants’ existing services in comparison to the percentage of the population in the applicants’ service area which is medically underserved. 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

Regarding any obligation to provide uncompensated care, community service, or access by minorities and persons with disabilities, in Section L, page 75, the applicants state they have no such obligation.

In Section L, page 76, the applicants state that during the last five years no patient civil rights access complaints have been filed against the facility or any similar facilities owned by the applicants or a related entity and located in North Carolina.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

Based on that review, the Agency concludes that 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, page 76, the applicants project the following payor mix during the second full fiscal year of operation following completion of the project, as illustrated in the following table.

Pardee Partners Projected Payor Mix – OY 2 (SFY 2023)			
Payor Source	Total Facility	ORs	PRs
Self-Pay	5.9%	6.1%	4.9%
Medicare*	46.6%	42.0%	62.3%
Medicaid*	6.7%	7.4%	4.4%
Insurance*	34.1%	36.8%	24.8%
Other**	6.7%	7.6%	3.6%
Total	100.0%	100.0%	100.0%

Note: On page 76, the applicants state that internal data does not aggregate charity care as a payor source and state that patients in any payor category can and do receive charity care.

*Including any managed care plans.

**The applicants state that this category includes worker's compensation and TRICARE.

As shown in the table above, during the second full fiscal year of operation, the applicants project that 5.9 percent of total services will be provided to self-pay patients, 46.6 percent to Medicare patients, and 6.7 percent to Medicaid patients.

On pages 76-77, the applicants provide the assumptions and methodology used to project payor mix during the second full fiscal year of operation following completion of the project. The projected payor mix is reasonable and adequately supported because it is based on historical patient payor mix data.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

Based on that review, the Agency concludes that 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, page 77, the applicants adequately describe the range of means by which patients will have access to the proposed services.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

Based on that review, the Agency concludes that 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 78, the applicants describe the extent to which health professional training programs in the area will have access to the facility for training purposes and provide supporting documentation in Exhibit M.1.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

Based on that review, the Agency concludes that the applicants adequately demonstrate that the proposed services will accommodate the clinical needs of area health professional training programs, and therefore, 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 applicants, Pardee and HCHC, propose to develop Pardee Partners, a freestanding ASF, by relocating two existing shared ORs from MRPMH and developing two PRs.

On page 57 of the 2018 SMFP, an operating room's service area is defined as "*...the operating room planning area in which the operating room is located. The operating room planning areas are the single and multicounty groupings shown in Figure 6.1.*" In Figure 6.1 on page 62 of the 2018 SMFP, Henderson County is shown as a single county OR service area. Thus, the service area for this application is Henderson County. Providers may serve residents of counties not included in their service area.

According to Table 6A, on page 66 of the 2018 SMFP, there are 16 ORs in Henderson County which are allocated between two hospitals:

Operating Room Inventory – Henderson County				
Facility	Inpatient ORs	Ambulatory ORs	Shared ORs	Total ORs
Margaret R. Pardee Memorial Hospital	0*	0	10	10
Park Ridge Health	0**	0	6	6
Total	0	0	16	16

Source: Table 6A, 2018 SMFP

*On September 11, 2018, MRPMH was issued a certificate of need to develop a dedicated C-Section OR. Once developed, this OR will be excluded from the SMFP Inventory.

**Excludes one dedicated C-Section OR.

As the table above shows, Henderson County residents do not currently have access to any freestanding ASF services.

In Section N, pages 79-81, the applicants describe the expected effects of the proposed services on competition in the service area and discuss how any enhanced competition in the service area will promote the cost-effectiveness, quality, and access to the proposed services. The applicants state that the proposed project will increase the affordability of the proposed services; enhance quality through increased patient and staff satisfaction as well as reduced risks of complications and infections; and promote access by providing Henderson County residents with freestanding ASF services with lower costs.

The applicants adequately describe the expected effects of the proposed services on competition in the service area and adequately demonstrate:

- The cost-effectiveness of the proposal (see Sections F and Q of the application and any exhibits).
- Quality services will be provided (see Section O of the application and any exhibits).
- Access will be provided to underserved groups (see Section L of the application and any exhibits).

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Information publicly available during the review and used by the Agency

Based on that review, the Agency concludes that the application is conforming to this criterion for the reasons stated above.

- (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, page 84, the applicants state that there are no similar facilities located in North Carolina owned, operated, or managed by the applicants or a related entity. However, MRPMH, owned and operated by HCHC, is affiliated with and managed by UNC Health Care. There are ten hospitals and four ASFs located in North Carolina which are owned, operated, or managed by UNC Health Care.

In Section O, pages 85-86, the applicants state that, during the 18 months immediately preceding the submittal of the application, there were three incidents related to quality of care that occurred at MRPMH. The applicants state that all of the problems have been corrected. The applicants provide no information on any other facilities owned, operated, or managed by the applicants or a related entity. After reviewing and considering information provided by the applicants and information publicly available during the review and used by the Agency, the applicants provided sufficient evidence that quality care has been provided in the past. Therefore, the application is conforming to this criterion.

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

C

The application is conforming with all applicable Criteria and Standards for Surgical Services and Operating Rooms promulgated in 10A NCAC 14C .2100. The specific criteria are discussed below.

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

10A NCAC 14C .2103 PERFORMANCE STANDARDS

- (a) *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 demonstrate the need for the number of proposed operating rooms in the facility that is proposed to be developed or expanded in the third operating year of the project*

based on the Operating Room Need Methodology set forth in the 2018 State Medical Facilities Plan. The applicant is not required to use the population growth factor.

- C- This proposal would establish a new ASF. The applicants project sufficient surgical cases and hours to demonstrate the need for two proposed ORs at Pardee Partners in the third OY of the project based on the Operating Room Need Methodology in the 2018 SMFP. The discussion regarding projected utilization found in Criterion (3) is incorporated herein by reference.
- (b) *A proposal to increase the number of operating rooms (excluding dedicated C-section operating rooms) in a service area shall demonstrate the need for the number of proposed operating rooms in addition to the existing and approved operating rooms in the applicant's health system in the third operating year of the proposed project based on the Operating Room Need Methodology set forth in the 2018 State Medical Facilities Plan. The applicant is not required to use the population growth factor.*
- NA- The applicants do not propose to increase the number of ORs in Henderson County. Therefore, this Rule is not applicable to this review.
- (c) *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 applicants are not proposing to develop a dedicated C-section OR. Therefore, this Rule is not applicable to this review.
- (d) *An applicant proposing to convert a specialty ambulatory surgical program to a multispecialty ambulatory surgical program or to add a specialty area 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 1,312.5 hours per operating room per year; and*
 - (2) *demonstrate the need in the third operating year of the project based on the Operating Room Need Methodology set forth in the 2018 State Medical Facilities Plan. The applicant is not required to use the population growth factor.*
- NA- The applicants are not proposing to convert a specialty ambulatory surgical program to a multispecialty ambulatory surgical program or to add a specialty area to a specialty ambulatory surgical program. Therefore, this Rule is not applicable to this review.

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

- C- In Section Q, the applicants document the assumptions and provide data supporting the methodology for their utilization projections. The discussion regarding utilization found in Criterion (3) is incorporated herein by reference.