

## ATTACHMENT - REQUIRED STATE AGENCY FINDINGS

### FINDINGS

C = Conforming

CA = Conditional

NC = Nonconforming

NA = Not Applicable

Decision Date: November 2, 2018

Findings Date: November 2, 2018

Project Analyst: Bernetta Thorne-Williams

Assistant Chief: Lisa Pittman

Project ID #: J-11527-18

Facility: FirstHealth Imaging Beechtree Drive

FID #: 180311

County: Lee

Applicant: FirstHealth of the Carolinas, Inc.

Project: Develop a new diagnostic center by acquiring digital radiography and 3D mammography equipment and relocating one existing computed tomography scanner from FirstHealth Moore Regional Hospital

### 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.

NA

FirstHealth of the Carolinas, Inc. proposes to acquire and relocate medical diagnostic equipment to develop a new diagnostic center to be known as FirstHealth Imaging Beechtree Drive (FHI-Beechtree Drive) in Lee County. The applicant proposes to locate the diagnostic center on the first floor of a medical office building (MOB) located at 2919 Beechtree Drive in Sanford. The proposed diagnostic center will consist of 20 rooms for a total of 3,305 square feet of space. The value of the proposed and relocated diagnostic equipment will exceed the statutory threshold for a diagnostic center of \$500,000; therefore, the equipment qualifies as a new institutional health service facility and requires a certificate of need (CON).

### **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 are no policies in the 2018 SMFP applicable to the establishment of a diagnostic center. Therefore, this criterion is not applicable to this review.

### **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 this criterion is not applicable for the following reasons:

- The applicant does not propose to develop any beds or services for which there is a need determination in the 2018 SMFP.
- The applicant does not propose to acquire any medical equipment for which there is a need determination in the 2018 SMFP.
- The applicant does not proposed to offer a new institutional health service for which there are any policies in the 2018 SMFP.

Therefore, Criterion (1) is not applicable to this review.

- (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 applicant proposes to develop a new diagnostic center in Lee County as defined in N.C. Gen. Stat. §131E-176(7a) with the acquisition and relocation of medical diagnostic equipment. The proposed and relocated diagnostic equipment is projected to exceed the \$500,000 statutory threshold for a diagnostic center. The proposed diagnostic center will be located on the first floor of a medical office building located at 2919 Beechtree Drive in Sanford. FirstHealth

Convenient Care and FirstHealth Primary Care will also occupy space on the first floor. The proposed diagnostic center will consist of 20 rooms for a total of 3,305 square feet of space and will share four rooms of support space totaling 328 square feet with FirstHealth Convenient Care and FirstHealth Primary Care. The combined square footage of the diagnostic center and shared support space is projected to be 3,633 square feet. In Section C.1, pages 26-27, the applicant provides a summary of the diagnostic equipment proposed, as summarized below:

- Digital Radiography - (2) Q RAD Systems to be acquired. X-rays images are immediately available after exposure.
- Computed Tomography (CT) scanner - (1) GE Light Speed CT scanner to be relocated from FirstHealth Moore Regional Hospital (FHMRH).
- 3D Mammography - (1) Hologic Selenia Dimensions 3D mammography unit to be acquired.

**Patient Origin**

The 2018 SMFP does not define a service area for diagnostic centers nor are there any applicable rules adopted by the Department that define the service area for diagnostic centers. Thus, the service area in this review is as defined by the applicant.

FHI-Beechtree Drive is a proposed new facility. Therefore, no historical patient origin data is available.

In Section C.3(a), page 32, the applicant provides the projected patient origin for the first three years of the proposed project CY2019-CY2021, for digital radiography, CT scans and 3D mammography, respectively, as illustrated in the tables below:

**Projected Patient Origin Digital Radiography Services**

County	First Full FY CY2019		Second Full FY CY2020		Third Full FY CY2021	
	Number of Patients	Percent of Total	Number of Patients	Percent of Total	Number of Patients	Percent of Total
Lee	6,203	87.5%	6,865	87.5%	7,859	87.5%
Harnett	886	12.5%	981	12.5%	1,123	12.5%
<b>Total</b>	<b>7,089</b>	<b>100.0%</b>	<b>7,846</b>	<b>100.0%</b>	<b>8,982</b>	<b>100.0%</b>

**Projected Patient Origin CT Services**

County	First Full FY CY2019		Second Full FY CY2020		Third Full FY CY2021	
	Number of Patients	Percent of Total	Number of Patients	Percent of Total	Number of Patients	Percent of Total
Lee	3,526	87.5%	3,666	87.5%	3,876	87.5%
Harnett	504	12.5%	524	12.5%	554	12.5%
<b>Total</b>	<b>4,030</b>	<b>100.0%</b>	<b>4,190</b>	<b>100.0%</b>	<b>4,430</b>	<b>100.0%</b>

**Projected Patient Origin 3D Mammography Services**

County	First Full FY CY2019		Second Full FY CY2020		Third Full FY CY2021	
	Number of Patients	Percent of Total	Number of Patients	Percent of Total	Number of Patients	Percent of Total
Lee	1,027	75.0%	1,093	75.0%	1,191	75.0%
Harnett	171	12.5%	182	12.5%	199	12.5%
Moore	171	12.5%	182	12.5%	199	12.5%
<b>Total</b>	<b>1,369</b>	<b>100.0%</b>	<b>1,457</b>	<b>100.0%</b>	<b>1,589</b>	<b>100.0%</b>

In Section C.3, page 33, the applicant identifies the assumptions and methodology used to project patient origin.

The applicant adequately identified the population to be served.

**Analysis of Need**

In Section C.4, pages 33-36, the applicant explains why it believes the population projected to utilize the proposed services needs the proposed services.

On page 29, the applicant provides a copy of the layout for the first floor diagnostic center. In Section C.1, page 30, the applicant provides a description of the four common spaces to be shared with FirstHealth Convenient Care and FirstHealth Primary Care.

In Section C.4, pages 33-36, the applicant explains why it believes the population projected to utilize the proposed services needs the proposed services. The applicant provides the following in support of the proposed need:

- Population growth and trends in Lee County;
- FirstHealth additional outpatient medical services;
- Shortage of physicians in Lee County; and
- Growth in FirstHealth services and market share.

*Population growth and trends in Lee County*

On page 34, the applicant states that from 2013 to 2018, Lee County experienced a population growth of 0.7 percent. The applicant states that according to data obtained from the North Carolina Office of Budget and Management (NCOSBM), the population of Lee County is projected to grow by 1.1 percent from 2018 to 2023. The applicant states that despite the Lee County age cohort of 18-44 experiencing a decrease of -1.5 percent population growth from 2013 to 2018, the NCOSBM projects that this age cohort will be the second fastest growing population segment in Lee County with an increase of 2.0 percent from 2018 to 2028. Additionally, on page 34, the applicant states the 65+ population grew 10.4 percent from 2013 to 2018 to represent 16.3 percent of Lee County’s total population. The applicant states that the NCOSBM projects that this population will be the fastest growing population segment within the county by increasing 20.1 percent from 2018 to 2028. The applicant provides a table on page 34, which illustrates the projected population growth of Lee County, as shown below.

**Lee County Projected Population Growth**

					% GROWTH		
	2013	2018	2023	2028	2013-2018	2018-2023	2018-2028
<18 Population	15,001	14,781	14,784	14,568	-1.5%	0.0%	-1.4%
18-44 Population	20,272	19,966	20,084	20,362	-1.5%	0.6%	2.0%
45-64 Population	15,063	15,062	14,507	14,022	0.0%	-3.7%	-6.9%
65+ Population	8,765	9,677	10,739	11,625	10.4%	11.0%	20.1%
<b>Total Population</b>	<b>59,101</b>	<b>59,486</b>	<b>60,114</b>	<b>60,577</b>	<b>0.7%</b>	<b>1.1%</b>	<b>1.8%</b>
% <18	25.4%	24.8%	24.6%	24.0%			
% 18-44	34.3%	33.6%	33.4%	33.6%			
% 45-64	25.5%	25.3%	24.1%	23.1%			
% 65+	14.8%	16.3%	17.9%	19.2%			

Source: NC State Office of Budget Management - October 2017

*FirstHealth Additional Outpatient Medical Services in Lee County*

In Section C.4, page 35, the applicant provides a list of the urgent, but non-life threatening illnesses for which FirstHealth Convenient Care will provide treatment in Lee County. The applicant states that FirstHealth Convenient Care will serve as a “one-stop” option for unscheduled, urgent medical care. The applicant states on page 36 that FirstHealth Convenient Care will have flexible hours, 659 days per year from 8:00 a.m. to 8:00 p.m. and weekend hours. Additionally, applicant states that wait times at FirstHealth Convenient Care will be much less than at an emergency department. On page 26, the applicant states the advantage of having FirstHealth Convenient Care located in a medical office building with imaging services is that it will allow for quicker diagnosis and treatment.

*Shortage of Physicians in Lee County*

The applicant provides a table on page 36 which illustrates the number of physicians and primary care physicians per 10,000 population in selected counties and in North Carolina. Based on NC Health Professions 2014 Data Book, Lee County has a shortage of physicians. Lee County’s average of total physicians and primary care physicians per 10,000 population is below the average for North Carolina, as a whole, and below other nearby counties.

In Section C.4, page 36, the applicant states that FirstHealth actively recruits physicians who provide services in counties within its service area that consistently experience a shortage of physicians.

*Growth in FirstHealth Services and Market Share*

In Section C.4, page 37, the applicant states that population growth, an aging population and growth within the FirstHealth network are driving projected growth in admissions and days of care within FirstHealth Moore Regional Hospital (FHMRH).

On page 37, the applicant states that FirstHealth is positioning itself to take advantage of growth opportunities by focusing on the innovations discussed on page 37. The applicant further states that the increase in demand for FirstHealth services include outpatient imaging services.

The applicant adequately demonstrates the need to develop a new diagnostic center in Lee County.

Projected Utilization

In Section C.10, page 46 and Section Q, pages 107-109, the applicant provides projected utilization, as illustrated in the following table.

<b>FirstHealth Imaging Beechtree Projected Utilization</b>			
<b>Services</b>	<b>Project Year 1 CY 2019</b>	<b>Project Year 2 CY 2020</b>	<b>Project Year 3 CY 2021</b>
<b>Digital X-ray</b>			
# of Units	1	1	1
# of Procedures	7,089	7,846	8,981
<b>3D Mammography</b>			
# of Units	1	1	1
# of Procedures	1,369	1,457	1,589
<b>CT scans</b>			
# of Units	1	1	1
# of scans	4,030	4,190	4,430
# of HECT Units	6,128	6,371	6,736

Source: Section Q, Form C, page 108

In Section C.7, page 40, and Section Q, the applicant provides the assumptions used to project utilization, which are summarized below.

- An average number of procedure slots per hour for the number of procedures that can be performed on each piece of equipment within that timeframe.
- Assumes 3D mammograms will be performed 250 days per year, 5 days a week, Monday through Friday.
- Assumes digital radiography services will be available 359 days per year, 7 days a week, excluding holidays.
- Assumes CT services will be available 302 days per year, 6 days a week, and closed on Sundays.
- Technologist will be available to perform digital X-ray procedures and CT scans 8 hours per day and 3D mammograms 4 hours per day.

In Section C.7, page 40, the applicant provides a table which illustrates the maximum capacity for the proposed imaging equipment, as shown below.

**Imaging Equipment Maximum Capacity**

	<b># of Procedures per Hour</b>	<b># of Hours per Day</b>	<b># of Days Operating per Year</b>	<b># of Units</b>	<b>Maximum Capacity</b>
Digital X-ray	3	8	359	2	17,232
CT scans	2	8	302	1	4,832
3D Mammography	2	4	250	1	2,000

In Section C.10, pages 44-47 and Exhibit C.10, the applicant provides its methodology used to project utilization, as summarized below:

- FirstHealth’s historical experience from its existing Convenient Care facilities to project the number of digital X-rays and CT scans.
- The applicant projects that visits to the Convenient Care facility will increase from 24 visits per day in operating year one (OY1) to 29 visits per day in operating year 3 (OY3).
- The applicant projects that 39.7 percent of convenient care visits will require a digital X-ray.
- The applicant projects that 13.1 percent of convenient care visits will require a CT scan.

On page 44, the applicant states the Convenient Care imaging projections are based on the number of annual visits per day, per year. Digital X-ray procedures were calculated by the number of annual visits multiplied by the digital X-ray multiplier and CT procedures were projected based on the number of annual visits multiplied by the CT scan multiplier, as illustrated below.

**Convenient Care Imaging Projections**

	Year 1	Year 2	Year 3
Visits per day	24	26	29
Days per year	359	359	359
Annual visits	8,616	9,334	10,411
Digital X-ray multiplier	39.7%	39.7%	39.7%
# of Projected Digital X-ray procedures	3,421	3,706	4,133
CT scans multiplier	13.1%	13.1%	13.1%
# of Projected CT scan procedures	1,129	1,223	1,364

The applicant used the historical experience of FirstHealth Primary Care to project the number of digital X-rays, CT scans and 3D mammograms patients that will be generated by patients currently using the facility. Those projections are based on the following:

- The applicant projects that primary cases will increase from 12 visits per day in OY1 to 16 visits per day in OY2. These projections are based on two primary care physicians.
- The applicant projects that 23.6 percent of primary care visits will require a digital X-ray, 3.3 percent will require CT scans and 4.4 percent will require 3D mammograms.

On page 45, the applicant states its Primary Care imaging projections are based on the number of annual visits per day, per year. Digital X-ray procedures were calculated by the number of annual visits multiplied by the digital X-ray multiplier, CT scans procedures were projected based on the number of annual visits multiplied by the CT scan multiplier, and 3D mammogram procedures were multiplied by the 3D mammogram multiplier, as illustrated below.

**Primary Care Imaging Projections**

	Year 1	Year 2	Year 3
# of Physicians	1	1	2
Visits per day	12	20	16
Days per year	250	250	250
Annual visits	3,000	5,000	8,000
Digital X-ray multiplier	23.6%	23.6%	23.6%
# of Projected Digital X-ray procedures	708	1,180	1,888
CT scans multiplier	3.3%	3.3%	3.3%
# of Projected CT scan procedures	99	165	264
3D mammogram multiplier	4.4%	4.4%	4.4%
# of Projected CT scan procedures	132	220	352

The applicant states on page 45, that FirstHealth provides outpatient imaging procedures in several locations to patients in Lee and Harnett counties, particularly at FirstHealth Moore Regional Hospital. The applicant identified its three year average volume for the service components identified in the application. Approximately, 10.0% of outpatient imaging procedures are performed on Lee and Harnett County patients. The applicant assumes that 75 percent of those imaging procedures performed at FirstHealth Moore Regional Hospital will shift Lee and Harnett County patients to the proposed diagnostic center. The applicant based that percentage on the convenient location of FirstHealth Imaging Beechtree Drive and the flexibility/availability of scheduling those procedures at the diagnostic center. The table below illustrates the projected number of outpatient procedures performed at FirstHealth Moore Regional Hospital on Lee and Harnett County patients and the proposed shift of 75 percent of those procedures to FirstHealth Imaging Beechtree Drive.

**Shift of FirstHealth Outpatient Imaging Projections**

	X-Ray Procedures	CT Scans	3D Mammograms
2015-2017 3-Year Average # of Procedures	29,179	30,387	3,126
% of Lee/Harnett County patients	10.1%	10.1%	10.1%
# of procedures per year	2,947	3,069	316
% of procedures projected to shift to FH Imaging Beechtree Dr.	75.0%	75.0%	75.0%
Projected # of procedures per year OY1-OY3	2,210	2,302	237

On page 46, the applicant states that it believes that its low cost will attract patients who are cost sensitive, such as those with high deductible health insurance plans. Therefore, based on referrals, the applicant states it believes the facility will schedule the following:



- 3 X-rays per day (750 X-rays per year);
- 2 CT scans per day (500 CT scans per year); and
- As the only provider of 3D mammograms in the county it will schedule 4 3D mammograms per day (1,000 3D mammograms per year).

On page 46, the applicant provides the following table which illustrates the projected number of referrals, as show below.

**FirstHealth Diagnostic Center Referral Projections**

	X-Ray Procedures	CT Scans	3D Mammograms
Projected # of referrals per year	750	500	1,000

The following table summarizes the total number of digital X-rays, 3D mammography and CT procedures projected at FirstHealth Imaging Beechtree Drive during the first year of operations, as follows.

	X-Ray Procedures	CT Scans	3D Mammograms
Convenient Care	3,421	1,129	
Primary Care	708	99	132
Shifted from FirstHealth Moore Regional Hosp	2,210	2,302	237
Referrals	750	500	1,000
Total Projected OY1	7,089	4,030	136

In Section C.10, page 46 and Section Q, pages 107-109, the applicant provides the projected utilization for the digital X-ray, 3D mammography and CT services for FirstHealth Imaging Beechtree Drive equipment, as illustrated below.

**FirstHealth Imaging Beechtree Projected Utilization**

Services	Project Year 1 CY 2019	Project Year 2 CY 2020	Project Year 3 CY 2021
<b>Digital X-ray</b>			
# of Units	1	1	1
# of Procedures	7,089	7,846	8,981
<b>3D Mammography</b>			
# of Units	1	1	1
# of Procedures	1,369	1,457	1,589
<b>CT scans</b>			
# of Units	1	1	1
# of scans	4,030	4,190	4,430
# of HECT Units	6,128	6,371	6,736

Source: Section Q, Form C, page 108

Projected utilization is reasonable and adequately supported for the following reasons:

- The applicant uses FirstHealth’s outpatient imaging experience and referrals from sources including FirstHealth Convenient and FirstHealth Primary Care to project utilization at the proposed diagnostic center.
- The applicant will be the only provider of 3D mammography services in the proposed service area.
- The applicant use reasonable assumptions to project utilization.

**Access**

In Section C.11, page 47, the applicant states that FirstHealth does not discriminate based against any class of patient based on their ability to pay, race, ethnicity, sex, handicap or age. On page 42, the applicant states,

*“In FY2017, Medicare patients accounted for 50.2 percent of outpatient cases, Medicaid patients accounted for 12.8 percent of outpatient cases. In FY2017, FirstHealth provided nearly \$15.1 million in charity care and wrote off over \$96.1 million in unpaid patient accounts.”*

In Section L.3(a), page 90, the applicant provides the projected payor mix for the second full fiscal year, calendar year (CY) 2020, of the proposed project by service component, as illustrated below.

FirstHealth Imaging Beechtree Drive

<b>Payor Category</b>	<b>% of Total Patients</b>
Self Pay	4.2%
Medicare*	13.2%
Medicaid*	9.4%
Insurance*	68.1%
TRICARE	4.9%
Workers Compensation	0.2%
<b>Total</b>	<b>100.0%</b>

\*Includes managed care plans

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
- Supplemental information requested by the Agency

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

- The applicant adequately identifies the population to be served.
  - The applicant adequately explains why the population to be served needs the services proposed in this application.
  - Projected utilization is reasonable and adequately supported.
  - The applicant projects the extent to which all residents, including underserved groups, will have access to the proposed services (payor mix) and adequately supports 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 applicant proposes to develop a new diagnostic center in Lee County with the acquisition and relocation of medical diagnostic equipment. The proposed diagnostic center will be located on the first floor of a medical office building located at 2919 Beechtree Drive in Sanford. FirstHealth Convenient Care and FirstHealth Primary Care will also occupy space on the first floor. The applicant proposes to relocate one existing CT scanner from FHMRH.

In Section D, page 56, the applicant explain why it believes 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 56, the applicant states, *“FirstHealth will relocate an existing CT scanner from FMRH in Moore County to the diagnostic center in Lee County. The CT scanner to be relocated is a 16-slice CT scanner and FMRH will acquire a 64-slice CT scanner to “back-fill” the room left vacant after the 16-slice CT scanner removal. The 64-slice CT scanner will be acquired for less than \$750,000 and will not require a CON application for approval of its acquisition.”*

On page 59, the applicant states,

*“FMRH will continue to have two CT scanners after this project is completed. The proposed relocation of the existing 16-slice CT scanner from the hospital to the diagnostic center will not affect the ability of low income persons, racial and ethnic minorities, women, handicapped persons, the elderly and other underserved groups to obtain CT scans at FMRH.”*

In Section D.4, page 59, the applicant provides a table which illustrates the historical, interim and projected CT utilization at FHMRH following completion of the proposed project, as shown below:

**FirstHealth Moore Regional Hospital CT Scanner Projections**

	Historical			Interim		OY1	OY2	OY3
	FY2015	FY2016	FY2017	FY2018	1 <sup>st</sup> Quarter FY2019	CY2019	CY2020	CY2021
CT Utilization	29,439	30,722	30,989	31,144	7,825	29,154	29,300	29,446
CT Utilization % Change		4.4%	0.9%	0.5%	0.5%	*-29.4%	0.5%	0.5%
CT Utilization Change		1,283	267	155		2,302	146	146

\*To arrive at CY2018 scans, the applicant uses  $\frac{3}{4}$  of FY2018 plus  $\frac{1}{4}$  of FY2018 x 1.005 = 31,183. The decrease of 2,302 scans = 6.5% of CY2018 scans.

On page 59, the applicant states the calculations are based on a decrease in CT scans in OY1 equal to the procedures projected to be shifted from FHMRH to FHI-Beechtree Drive. The applicant projects a 0.5 percent increase in the number of CT procedures annually, with the exception of OY1 when the applicant projects a decrease of 2,302 due to a shift of procedures to the proposed diagnostic center.

In supplemental information received from the applicant on September 26, 2018, the applicant states,

*“FirstHealth projects that during Year 1 of operation of the Beechtree Drive Diagnostic, a decrease of 2,302 CT scans will be experienced at FMRH due to a shift from FMRH to the Beechtree Drive Diagnostic Center due to the closer proximity of the diagnostic center to the patient. However, Year 2 and Year 3 at FMRH will experience a 0.5 percent increase in CT scans based on its FY2018 historical experience, which was the smallest one-year increase in CT scans at FMRH between FY2015 and FY2016.”*

In Section D, page 59, the applicant provides its assumptions and methodology used to project utilization FHMRH, which are summarized below.

- the applicant projects a decrease of 2,302 CT scans (6.5%) at FHMRH in operating year (OY) one, which is calendar year 2019 (CY2019); and
- the applicant projects an increase of 0.5% in CT procedures in OY2 and OY3, CY2020 and CY2021, respectively.

Projected utilization is reasonable and adequately supported for the following reason:

- The applicant uses FirstHealth’s outpatient imaging experience and referrals from sources including FirstHealth Convenient and FirstHealth Primary Care to project continued utilization at FHMRH.
- Patients who had access to two CT scanners at FHMRH will continue to have access to CT scanners at FHMRH (once they back-fill the relocated scanner) and elsewhere within the FirstHealth System network following project completion.

**Conclusion**

The Agency reviewed the:

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

Based on that review, the Agency concludes that the applicants adequately demonstrate 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 applicant proposes to develop a new diagnostic center in Lee County with the acquisition and relocation of medical diagnostic equipment. The proposed diagnostic center will be located on the first floor of a medical office building located in Sanford. FirstHealth Convenient Care and FirstHealth Primary Care will also occupy space on the first floor.

In Section E.2(b), page 61, the applicant describes the alternatives it considered and explains why each alternative is either more costly or less effective than the alternative proposed in this application to meet the need. The only other alternative considered was:

- Develop the diagnostic center at another location - The applicant considered development of the diagnostic center at its existing FirstHealth Convenient Care facility in Sanford. The applicant determined that the site is too small to develop the diagnostic center. The existing facility would not accommodate additional parking nor would the facility accommodate the development of a primary care practice.

The applicant adequately demonstrates that the alternative proposed in this application is the most effective alternative to meet the need for the proposed project for the following reasons:

- The application is conforming to all statutory and regulatory criteria.
- The applicant provides credible information to explain why it believes the proposed in the most effective alternative.

#### **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. Therefore, the application is approved subject to the following conditions:

- 1. FirstHealth of the Carolinas, Inc. shall materially comply with all representations made in the certificate of need application.**
  - 2. FirstHealth of the Carolinas, Inc. as part of this project, shall not acquire any equipment that is not included in the project's proposed capital expenditures in Section F, Section Q and Exhibit F.1 of the application or that would otherwise require a certificate of need.**
  - 3. 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, FirstHealth of the Carolinas, Inc. 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.**
  - 4. FirstHealth of the Carolinas, Inc. shall acknowledge acceptance of and agree to comply with all conditions stated herein to the Agency in writing prior to insurance 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 applicant proposes to develop a new diagnostic center in Lee County with the acquisition and relocation of medical diagnostic equipment. The proposed diagnostic center will be located on the first floor of a medical office building located in Sanford. FirstHealth Convenient Care and FirstHealth Primary Care will also occupy space on the first floor.

### **Capital and Working Capital Costs**

In Section Q, Form F.1(a), page 110, the applicant states that the medical office building will be constructed to house FirstHealth Convenient Care and FirstHealth Primary Care as well as the proposed diagnostic center. In Section Q, Form F.1(a), page 110, the applicant projects the total capital cost of the project as shown in the table below.

Construction Costs	\$538,390
Architect/Engineering Fees	\$17,529
Medical Equipment	\$1,048,950
Miscellaneous Costs	\$282,642
<b>Total</b>	<b>\$1,887,511</b>

In Section Q, page 110, the applicant provides the assumptions used to project the capital cost.

In Section F, pages 64-65, the applicant projects that start-up costs will be \$21,615 and that there will be no initial operating expenses for a total working capital of \$21,615. In Section Q, page 110 and supplemental information, the applicant provides the assumptions and methodology used to project the working capital needs of the project.

**Availability of Funds**

In Section F, page 62, the applicant states that the capital cost will be funded as shown in the table below.

**Sources of Capital Cost Financing**

Type	FirstHealth of the Carolinas	Total
Loans	\$0	\$0
Accumulated reserves or OE *	\$1,887,511	\$1,887,511
Bonds	\$0	\$0
Other (Specify)	\$0	\$0
<b>Total Financing **</b>	<b>\$1,887,511</b>	<b>\$1,887,511</b>

\* OE = Owner's Equity

In Section F, page 65, the applicant states that the working capital needs of the project will be funded by FirstHealth owner's equity, as shown in the table below.

Sources of Financing for Working Capital		Amount
(a)	Loans	\$0
(b)	Cash or Cash Equivalents, Accumulated Reserves or Owner's Equity	\$21,615
(c)	Lines of credit	\$0
(d)	Bonds	\$0
(e)	<b>Total</b>	<b>\$21,615</b>

See Exhibit F.2 for projected funding letter and Exhibit F.3 for FirstHealth's audited financial statements.

**Financial Feasibility**

The applicant provided pro forma financial statements for the first three full fiscal years of operation following completion of the project. In Form F.4, the applicant projects that revenues will exceed operating expenses in the first three operating years of the project, as shown in the table below.

**FirstHealth Imaging BeechTree Drive  
 Projected Revenue**

	<b>1<sup>st</sup> Full Fiscal Year</b>	<b>2<sup>nd</sup> Full Fiscal Year</b>	<b>3<sup>rd</sup> Full Fiscal Year</b>
Total of Procedures (all service components)	12,488	13,493	15,000
Total Gross Revenues (Charges)	\$5,467,166	\$5,757,215	\$6,192,288
Total Net Revenue	\$1,262,293	\$1,329,261	\$1,429,713
Average Net Revenue per procedure	\$101.80	\$98.51	\$95.31
Total Operating Expenses (Costs)	\$740,168	\$746,292	\$756,702
Average Operating Expense per procedure	\$59.27	\$55.31	\$50.46
Net Income	\$522,125	\$582,969	\$673,011

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
- Supplemental information requested by the Agency

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

- The applicant adequately demonstrates that the capital and working capital costs are based on reasonable and adequately supported assumptions.
  - The applicant adequately demonstrates availability of sufficient funds for the capital and working capital needs of the proposal.
  - The applicant adequately demonstrates sufficient funds for the operating needs of the proposal and that the financial feasibility of the proposal is based upon reasonable projections of costs and charges.
- (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 applicant proposes to develop a new diagnostic center in Lee County by acquiring new medical diagnostic equipment and relocating one CT scanner from FHMRH. The proposed diagnostic center will be located on the first floor of a medical office building with FirstHealth Convenient Care and FirstHealth Primary Care.



The 2018 SMFP does not define a service area for diagnostic centers nor are there any applicable rules adopted by the Department that define the service area for diagnostic centers. Thus, the service area in this review is as defined by the applicant.

In Section C, page 32, the applicant defines its service area as Lee, Harnett, and Moore (included for 3D mammography services only) counties.

In Section G, page 70, the applicant provides a list of existing diagnostic imaging providers in those counties, as listed below.

**Existing Diagnostic Imaging Providers**

Provider	County
Central Carolina Hospital	Lee
Betsy Johnson Hospital & Central Harnett Hospital	Harnett
FirstHealth Moore Regional Hospital	Moore

Source: 2018 SMFP

On page 70, the applicant provides a table which illustrates the outpatient imaging utilization for those facilities, as shown below.

**2017 Outpatient Imaging Utilization by Existing Providers**

Equipment Type/Utilization	Provider			
	Central Carolina Hospital	Betsy Johnson Hospital	Central Harnett Hospital	FHMRH
# Radiography Equip.	1	2	2	0
# of procedures	20,102	20,355	12,599	0
# CT Scanners	1	2	1	2
# of procedures	7,283	8,055	5,841	11,174
# Mammography	1	1	1	1
# of procedures	7,228	1,799	231	3,159

Source: Application and FHMRH 2019 License Renewal Application (LRA)

FastMed Urgent Care and Pine Ridge Urgent Care Clinic, both of which are located in Sanford, also provide some of the same diagnostic imaging services, however their volumes are not publicly available.

In Section G, page 71, the applicant explains why it believes their proposal would not result in the unnecessary duplication of existing diagnostic services in Lee County. The applicant states, *“The medical diagnostic equipment is required to aid the physicians in diagnosing a patient’s illness or disease. Diagnostic center patients will be referred by either an outside physician or after seeking care at FirstHealth Convenient Care or FirstHealth Primary Care.”*

On page 71, the applicant states that the proposed equipment is needed, *“before the physicians can provide patients the standard of care delivered in other FirstHealth outpatient facilities.”* The applicant states throughout the application, that FHMRH will shift patients to the proposed diagnostic center and that physicians at FirstHealth Convenient Care or FirstHealth Primary Care will also utilize the diagnostic equipment, thus, the applicant does not believe that the

proposed diagnostic services will result in the unnecessary duplication of existing diagnostic services in Lee County.

The applicant adequately demonstrates that the proposal would not result in an unnecessary duplication of existing or approved services in the service area for the following reasons:

- The applicant uses FirstHealth’s outpatient imaging experience and referrals from sources including FirstHealth Convenient and FirstHealth Primary Care to project utilization at the proposed diagnostic center.
- The applicant uses reasonable assumptions to project the number of outpatient appropriate procedures to be shifted from FHMRH to the FHI Beechtree Drive.
- The applicant assumes that charges will be more cost effective in a diagnostic center over those charges for the same procedures in an acute care setting.
- The applicant will be the only provider of 3D mammography services in the proposed service area.
- The applicant uses reasonable assumptions to project utilization.

**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

FHI Beechtree Drive is a proposed new diagnostic center and therefore does not have existing staff. In Section Q, Form H, page 127, the applicant provides projected staffing for the proposed diagnostic center services, as illustrated in the following table.

Position	Projected		
	1 <sup>st</sup> Full Fiscal Year	2 <sup>nd</sup> Full Fiscal Year	3 <sup>rd</sup> Full Fiscal Year
Digital X-ray Tech	1.50	1.50	1.50
Mammography Tech	0.50	0.50	0.50
CT Tech	1.25	1.25	1.25
Practice Manager	0.50	0.50	0.50
<b>TOTAL</b>	<b>3.75</b>	<b>3.75</b>	<b>3.75</b>

Source: Form H in Section Q of the application.

The assumptions and methodology used to project staffing are provided in Section Q, page 127. Adequate costs for the health manpower and management positions proposed by the applicant are budgeted in Form F.2, which is found in Section Q. In Section H, pages 73-75, the applicant describes the methods to be used to recruit new positions and its proposed training and continuing education programs. In Section H, page 75, the applicant identifies Dr. Dan Barnes as the proposed medical director. In Exhibit H.4, the applicant provides a letter from the proposed medical director indicating an interest in serving as medical director for the proposed services. Exhibit H.4 also contains a copy of Dr. Barnes curriculum vitae. In Section H, page 75, the applicant describes its physician recruitment plans. The applicant also provides additional supporting documentation in Exhibit H.4.

The applicant adequately demonstrates 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 77, the applicant states that the following ancillary and support services necessary for the proposed services will be provided by FirstHealth Imaging Beechtree Drive or by FirstHealth Corporate Services. On page 77, the applicant provides a summary of those service, as follows:

- Billing, accounts payable, and general accounting;
- Business office/admitting;
- Facility management;
- Human Resources/wages and benefits;
- Information management;
- Legal services;
- Materials management;
- Medical record services;
- Planning and marketing;
- Precertification and insurance;

- Purchasing;
- Quality management and infection control;
- Risk management and utilization review;
- Scheduling; and
- Staff education.

In Section I, page 78, the applicant describes its existing and proposed relationships with other local healthcare providers as well its efforts to develop relationships with other local health care and social service providers and provides supporting documentation in Exhibit I.1.

The applicant adequately demonstrates 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 for the reasons stated above.

- (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 applicant does 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 applicant does 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 applicant is not an HMO. 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 a letter dated September 27, 2018, FirstHealth of the Carolinas, Inc. was deemed to be exempt from certificate of need review in accordance with N.C. Gen. Stat. §131E-184(a)(9) to develop a physician office building at 2919 Beechtree Drive, in Sanford, Lee County. In the proposed application, the applicant seeks to develop a new diagnostic center by acquiring new medical diagnostic equipment and relocating one CT scanner from FHMRH to the medical office building on Beechtree Drive. The proposed diagnostic center will be located on the first floor of the medical office building with FirstHealth Convenient Care and FirstHealth Primary Care. In Section C.1, pages 28-30, the applicant states the proposed diagnostic center will consist of 20 rooms for a total of 3,305 square foot and will share four rooms of support space totaling 328 square foot with FirstHealth Convenient Care and FirstHealth Primary Care. The combined square footage of the diagnostic center and shared support space is projected to be 3,633 square foot. The applicant proposes the upfit of allocated space in the MOB currently under construction. In Section C.1, pages 29-30, Exhibit C and Exhibit K.1, the applicant provides line drawings of the first floor layout. In Exhibit F.1, the applicant provides a letter dated May 31, 2018 from senior associate with LS3P Engage Design Transform which states,

*“The 1<sup>st</sup> floor involves 3,305 SF for the diagnostic center space. The anticipated construction cost is \$595,750, while A/E fees, and reimbursable expenses is \$15,946. An additional 328 SF of shared space is allocated to the diagnostic center on the 1<sup>st</sup> floor. The anticipated construction cost is \$42,640, while A/E fees and reimbursable expenses is \$1,583. ... The total projected budget for the diagnostic center spaces, without equipment, is anticipated to be approximately \$555,919.”*

On page E.2, 65, the applicant adequately explains how the cost, design and means of construction represent the most reasonable alternative for the proposal and provides supporting documentation in Exhibits K.1 and K.5.

In Section K.4, page 82, the applicant adequately explains why the proposal will not unduly increase the costs to the applicant of providing the proposed services or the costs and charges to the public for the proposed services.

On page 82 and in supplemental information, the applicant identifies any applicable energy saving features that will be incorporated into the construction plans, the applicant identifies any applicable energy saving features that will be incorporated into the construction plans.

In Section K, pages 83-84, the applicant identifies the proposed site and provides information about the current owner, zoning and special use permits for the site, and the availability of water, sewer and waste disposal and power at the site.

### **Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application
- Supplemental information requested by the Agency

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

(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 supplemental information, the applicant provides the historical outpatient imaging payor mix for FirstHealth Moore Regional Hospital for FY2018 year to date (YTD) through August for digital radiography, ultrasound, CT scans and MRI scans, as illustrated below.

<b>FirstHealth Moore Regional Hospital</b>	
<b>Payor Category</b>	<b>Percent of Total Patients</b>
Insurance	31.0%
Medicare	52.4%
Medicaid	7.0%
TRICARE	6.5%
Self Pay	3.1%
<b>Total</b>	<b>100.0%</b>

As shown in the table above, from October 2017 through August 2018, FHMRH provided 3.1% of total outpatient imaging services to self-pay patients, 52.4% to Medicare patients and 7.0% to Medicaid patients.

The Agency reviewed the:

- Application
- Exhibits to the application
- Supplemental information requested by the Agency

Based on that review, the Agency concludes that the applicant adequately documents the extent to which medically underserved populations, currently use the applicants' services.

- (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 89, the applicant states, *"FirstHealth is not obligated under any applicable federal regulations to provide uncompensated care, community service, or access by minorities and handicapped persons."*

In Section L, page 89, the applicant states 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 applicant or a related entity and located in North Carolina.

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 90, the applicant projects the following payor mix for the proposed services during the second full fiscal year of operation following completion of the project, as shown in the table below.

FirstHealth Imaging Beechtree Drive  
OY1 and OY2

<b>Payor Category</b>	<b>% of Total Patients</b>
Self Pay	4.2%
Medicare*	13.2%
Medicaid*	9.4%
Insurance*	68.1%
TRICARE	4.9%
Workers Compensation	0.2%
<b>Total</b>	<b>100.0%</b>

\*Includes managed care plans

As shown in the table above, during the second full fiscal year of operation, the applicants project that 4.2% of total diagnostic center services will be provided to self-pay patients, 13.2% to Medicare patients and 9.4% to Medicaid patients. The applicant states on page 90, that the payor mix will not change in OY2.

In Section L, page 90 and supplemental information, the applicant provides 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 the historical payor mix for diagnostic imaging services at FirstHealth Sanford Convenient Care.

The Agency reviewed the:

- Application
- Exhibits to the application
- Supplemental information requested by the Agency

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.5, page 92, the applicant adequately describes the range of means by which patients will have access to the proposed services.

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 94, the applicant describes the extent to which health professional training programs in the area will have access to the facility for training purposes and provides supporting documentation in Exhibit M.1, pages 313-317.

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 applicant proposes to develop a new diagnostic center in Lee County by acquiring new medical diagnostic equipment and relocating one CT scanner from FHMRH. The proposed

diagnostic center will be located on the first floor of a medical office building with FirstHealth Convenient Care and FirstHealth Primary Care.

The 2018 SMFP does not define a service area for diagnostic centers nor are there any applicable rules adopted by the Department that define the service area for diagnostic centers. Thus, the service area in this review is as defined by the applicant.

In Section G, page 70, the applicant provides a list of existing diagnostic imaging providers in those counties, as listed below.

**Existing Diagnostic Imaging Providers**

Provider	County
Central Carolina Hospital	Lee
Betsy Johnson Hospital & Central Harnett Hospital	Harnett
FirstHealth Moore Regional Hospital	Moore

Source: 2018 SMFP.

FastMed Urgent Care and Pine Ridge Urgent Care Clinic, both of which are located in Sanford, also provide some of the same diagnostic imaging services, however their volumes are not publicly available.

On page 70, the applicant provides a table which illustrates the outpatient imaging utilization for those facilities, as shown below.

**2017 Outpatient Imaging Utilization by Existing Providers**

Equipment Type/Utilization	Provider			
	Central Carolina Hospital	Betsy Johnson Hospital	Central Harnett Hospital	FHMRH
# Radiography Equip.	1	2	2	0
# of procedures	20,102	20,355	12,599	0
# CT Scanners	1	2	1	2
# of procedures	7,283	8,055	5,841	11,174
# Mammography	1	1	1	1
# of procedures	7,228	1,799	231	3,159

Source: Application and FHMRH 2019 License Renewal Application (LRA)

In Section N, pages 95-96, the applicant describes the expected effects of the proposed services on competition in the service area and discusses how any enhanced competition in the service area will promote the cost-effectiveness, quality and access to the proposed services. On page 95, the applicant states, *“FirstHealth expects the diagnostic center project to have a positive impact on competition in the service area. The desired effect would be to decrease costs to patients and insurance payors.”*

The applicant adequately describes the expected effects of the proposed services on competition in the service area and adequately demonstrates:

- 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.3(a), page 103, the applicant identifies the other ten facilities located in North Carolina owned, operated or managed by the applicant or a related entity.

In Section O.3(a), page 103, the applicant states that, during the 18 months immediately preceding the submittal of the application, there were no incidents related to quality of care at its existing facilities. According to the files in the Acute and Home Care Licensure and Certification Section, DHSR, during the 18 months immediately preceding submission of the application through the date of this decision, there were no incidents related to quality of care at any of those facilities. After reviewing and considering information provided by the applicant and by the Acute and Home Care Licensure and Certification Section and considering the quality of care provided at all ten 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 Criteria and Standards for Diagnostic Centers promulgated in 10A NCAC 14C .1800 were repealed. The Criteria and Standards for Major Medical Equipment promulgated in 10A NCAC 14C .3100 were repealed. However, the Criteria and Standards for Computed Tomography Equipment promulgated in 10A NCAC 14C .2300 are applicable to this application. The specific criteria are discussed below.

**SECTION .2300 – CRITERIA AND STANDARDS FOR COMPUTED TOOGRAPHY EQUIPMENT**

**10A NCAC 14C .2300 PERFORMANCE STANDARDS**

*An applicant proposing to acquire a CT scanner shall demonstrate each of the following:*

- (1) each fixed or mobile CT scanner to be acquired shall be projected to perform 5,100 HECT units annually in the third year of operation of the proposed equipment;*
- (2) each existing fixed or mobile CT scanner which the applicant or a related entity owns a controlling interest in and is located in the applicant's CT service area shall have performed at least 5,100 HECT units in the 12 month period prior to submittal of the application; and*
- (3) each existing and approved fixed or mobile CT scanner which the applicant or a related entity owns a controlling interest in and is located in the applicant's CT service area shall be projected to perform 5,100 HECT units annually in the third year of operation of the proposed equipment.*

-NA- FirstHealth does not propose to acquire a CT scanner, but rather to relocate an existing CT scanner.