

## ATTACHMENT - REQUIRED STATE AGENCY FINDINGS

### FINDINGS

C = Conforming

CA = Conditional

NC = Nonconforming

NA = Not Applicable

Decision Date: September 27, 2018

Findings Date: September 27, 2018

Project Analyst: Mike McKillip

Team Leader: Gloria Hale

Project ID #: L-11498-18

Facility: The Vidant Healthplex-Wilson

FID #: 180206

County: Wilson

Applicant: Vidant Medical Group, LLC

Project: Develop a new diagnostic center

### 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

Vidant Medical Group, LLC [VMG] proposes to develop a new diagnostic center, The Vidant Healthplex-Wilson, in a medical office building currently being constructed at 3724 Raleigh Road Parkway West in Wilson (Wilson County). The combined value of the proposed medical diagnostic equipment exceeds 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 and Policies**

There are no need determinations or policies in the 2018 State Medical Facilities Plan (SMFP) applicable to the establishment of a diagnostic center. Therefore, this criterion is not applicable to this review.

## Conclusion

The applicant does not propose to:

- develop any beds or services for which there is a need determination in the 2018 SMFP
- acquire any medical equipment for which there is a need determination in the 2018 SMFP
- 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- (2) Repealed effective July 1, 1987.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

VMG proposes to develop a new diagnostic center at The Vidant Healthplex-Wilson in a medical office building to be constructed at 3724 Raleigh Road Parkway West in Wilson (Wilson County). VMG is a wholly owned subsidiary of University Health Systems of Eastern Carolina, Inc. d/b/a Vidant Health. In Section C.1, page 24, the applicant describes the project as follows:

*“At opening (Phase 1), the healthplex will offer 40 exam rooms and all necessary ancillary and support space to accommodate full time primary care, immediate/after-hours care, cardiology, neurology, dermatology, gastroenterology and pulmonology providers as well as part time neurosurgery and endocrinology clinics. The healthplex will also be able to accommodate two additional leased ‘specialty clinics’ per day. The healthplex will also have diagnostic, ancillary, and treatment equipment and services onsite to support the specialties offered, including diagnostic X-ray, laboratory testing, EKG, Ultrasound/ECHO, EEG, EMG, physical therapy, cardiopulmonary rehab, and retail pharmacy. Phase 1 Opening has been determined to be exempt from review (See Exhibit 2).*

*Phase 2 includes adding additional equipment to the healthplex to further support the diagnostic and treatment needs of the providers practicing in the facility. The additional equipment includes a nuclear camera to provide nuclear stress tests, pulmonary testing equipment, a laser for dermatology procedures, and the ability to provide mobile diagnostic services. Phase 2 is projected to be completed by February 2019, four months after the center opens.*

*It is the addition of the equipment needed to provide the services in Phase 2 that triggered a need to submit this Certificate of Need. ... All of the equipment listed above for Phase 1 totaled \$477,949, which is below the \$500,000 threshold. The equipment in Phase 2 is \$439,852, which added to Phase 1 equipment totals \$917,801. This is above the \$500,000 threshold.”*

### Designation as a Diagnostic Center

On April 9, 2018, the applicant received a letter of “No Review” from the Agency for development of a physician office building, including the acquisition of medical diagnostic equipment valued at \$477,949 (“Phase 1”). See Exhibit 2 of the application. In this application, the applicant proposes to acquire additional medical equipment for a cost of \$439,852 (“Phase 2”). Specifically, the applicant proposes to acquire a nuclear medicine (Ventr Cardiac) camera for \$179,077 and a pulmonary function testing unit (spirometer) for \$34,462. With the addition of the nuclear medicine and pulmonary testing equipment, the combined value of the medical diagnostic equipment exceeds the statutory threshold of \$500,000; therefore, it meets the definition of a diagnostic center as defined in N.C. Gen. Stat. §131E-176(7a).

### Patient Origin

N.C. Gen. Stat. §131E-176(24a) states, “Service area means the area of the State, as defined in the State Medical Facilities Plan or rules adopted by the Department, which receives services from a health service facility.” 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.3, pages 33-34, the applicant provides tables showing its projected patient origin for the first three operating years (FFY2020-FFY2022) of the proposed project, as summarized in the following table:

<b>County of Origin</b>	<b>Percent of Total Patients</b>
Wilson	81.5%
Nash	8.0%
Johnston	3.1%
Wayne	1.9%
Edgecombe	1.2%
All Other	4.3%
<b>Total</b>	<b>100.0%</b>

Source: Tables on pages 33-34 of the application.

The applicant’s patient origin is based on the emergency department (ED) patient origin reported by Duke LifePoint Wilson Medical Center (DLP-Wilson) in its *2018 Hospital License Renewal Application* (See Exhibit 6). On page 32, the applicant states:

*“While VMG recognizes it’s not an exact comparison, VMG assumes ED utilization by county is a good estimator of established patient healthcare travel patterns in and around the Wilson area. This is based on similar experience at existing VMG practice locations in other areas of eastern NC. Therefore, VMG assumes the patient origin for the healthplex would approximate the patient origin for the DLP-Wilson ED.”*

The applicant’s assumptions are reasonable and adequately supported.

### **Analysis of Need**

In Section C.4, pages 35-53 the applicant explains why it believes the population projected to utilize the proposed diagnostic center needs the proposed services, including:

- The low health status ranking of Wilson County in comparison to other North Carolina counties and nationally (p. 36-38).
- The shortage of primary care providers in Wilson County (p. 39-41).
- The need for specialists in Wilson County as indicated by the out-migration of Wilson County patients for specialty services (p. 42-43).
- The benefits of a multidisciplinary ambulatory center with regard to accessibility, range of services, coordination of care and cost-efficiency (p. 43-45).
- The need for on-site diagnostic and testing services to support the proposed specialty services, including laboratory testing, diagnostic X-ray, EKG/ECG, stress testing, EEG, EMG, pulmonary function testing, and dermatology procedures (p. 45-52)

The information provided by the applicant in the pages referenced above is reasonable and adequately supported for the following reasons:

- The applicant provides data regarding low health status ranking of Wilson County in comparison to other North Carolina counties and nationally.
- The applicant provides data regarding shortage of primary care and specialty providers in Wilson County.
- The applicant describes the benefits of a multidisciplinary ambulatory center with regard to accessibility, range of services, coordination of care and cost-efficiency and the need for on-site diagnostic and testing services to support the proposed specialty services.

### **Projected Utilization**

In Section Q, the applicant provides projected utilization for the proposed medical diagnostic equipment through the first three full fiscal years (FFY2020-FFY2022) as summarized in the following tables:

<b>NUCLEAR STRESS TEST EQUIPMENT</b>			
	<b>FFY2020</b>	<b>FFY2021</b>	<b>FFY2022</b>
Nuclear Stress Procedures	657	809	859
Total Annual Capacity*	1,500	1,500	1,500
% Utilization	<b>43.8%</b>	<b>53.9%</b>	<b>57.3%</b>

Source: Table on page 107 of the application.

\*Applicant projects maximum annual capacity for nuclear stress testing equipment in Section C.7, page 54 of the application, based on an average procedure time of 90 minutes, 45 operating hours per week, and 50 operating weeks per year.

<b>PULMONARY FUNCTION TESTING EQUIPMENT</b>			
	<b>FFY2020</b>	<b>FFY2021</b>	<b>FFY2022</b>
Pulmonary Procedures	2,438	3,000	3,188
Total Annual Capacity*	4,500	4,500	4,500
% Utilization	<b>54.2%</b>	<b>66.7%</b>	<b>70.8%</b>

Source: Table on page 107 of the application.

\*Applicant projects maximum annual capacity for pulmonary function testing equipment in Section C.7, page 54 of the application, based on an average procedure time of 30 minutes, 45 operating hours per week, and 50 operating weeks per year.

The applicant provides its assumptions and methodology for projecting utilization for its diagnostic center equipment in Section Q, Form C, pages 107-110. The applicant states that projected utilization is based on Vidant Health’s historical experience with regard to the ratio of tests and procedures per office visit for each type of diagnostic equipment proposed.

The Criteria and Standards for Diagnostic Centers were repealed. Therefore, there are no performance standards applicable and required for review of any of the proposed equipment.

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

- The applicant’s utilization projections for the nuclear stress testing equipment are based on its historical experience with regard to the ratio of tests per office visit for nuclear stress testing equipment.
- The applicant’s utilization projections for the pulmonary function testing equipment are based on its historical experience with regard to the ratio of tests per office visit for pulmonary function testing equipment.

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

### **Access**

In Section C.11, page 58, the applicant states VMG will continue to provide services to all patients regardless of income, racial/ethnic origin, gender, physical or mental condition, age, ability to pay, or any other factor. In Section L.3, page 96, the applicant projects the following payor mix during the third full fiscal year of operation (FFY2022) following completion of the project, as shown in the following table.

<b>Payment Source</b>	<b>Entire Facility</b>	<b>Diagnostic &amp; Treatment Services</b>
Self Pay	3.6%	3.6%
Charity Care	0.9%	0.9%
Medicare	39.8%	41.8%
Medicaid	16.4%	11.6%
Insurance	36.6%	40.4%
Workers Compensation	0.3%	0.1%
TRICARE	0.8%	0.6%
Other	1.5%	1.0%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

Source: Table on page 96 of the application.

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 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 its 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.

NA

The applicant does not propose to reduce a service, eliminate a service or relocate a facility or service. Therefore, Criterion (3a) is not applicable to this review.

- (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

VMG proposes to develop a new diagnostic center at The Vidant Healthplex-Wilson in a medical office building being constructed at 3724 Raleigh Road Parkway West in Wilson (Wilson County).

In Section E.2, pages 66-67, 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 alternatives considered were:

- Maintain the status quo – The applicant states this was not an effective alternative due to the fact that it would not meet the need for additional primary and specialty care services in Wilson County.
- Developing multiple stand alone single specialty practices – The applicant considered developing multiple stand alone single specialty practices rather than one multispecialty facility, but determined that the alternative was inefficient because it would preclude economies of scale and require the duplication of resources in each site.
- Develop the multispecialty ambulatory care center without diagnostic and treatment services – The applicant states this was not an effective alternative because the lack of onsite diagnostic services would result in additional burdens on patients due to the need to travel elsewhere for services and would cause delays in treatment, which may cause more negative treatment outcomes.

On page 53, the applicant states that its proposal is the most effective alternative because *“the need [for the diagnostic equipment] is primarily based on the ability of the provider to rapidly and efficiently diagnose and treat the patient without unnecessary delays and undue costs to the patient.”*

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

- The alternative will meet the need for additional primary and specialty care services in Wilson County.
- The alternative meets the need for diagnostic and treatment services to support the diagnosis and treatment of patients in a timely and cost-efficient manner.

#### **Conclusion**

The Agency reviewed the:

- Application

- Exhibits to the application
- Information which was 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. Vidant Medical Group, LLC shall materially comply with all representations made in the certificate of need application.**
  - 2. Vidant Medical Group, LLC shall develop a new diagnostic center at The Vidant Healthplex-Wilson in a medical office building being constructed at 3724 Raleigh Road Parkway West in Wilson.**
  - 3. Vidant Medical Group, LLC, as part of this project, shall not acquire any equipment that is not included in the project's proposed capital expenditures in Section Q of the application and that would otherwise require a certificate of need.**
  - 4. 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, Vidant Medical Group, LLC 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.**
  - 5. Vidant Medical Group, LLC 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

VMG proposes to develop a new diagnostic center at The Vidant Healthplex-Wilson in a medical office building being constructed at 3724 Raleigh Road Parkway West in Wilson (Wilson County).



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

In Section Q, Form F.1a, page 112, the applicant projects the total capital cost of \$917,801 for medical equipment. On page 112, the applicant states, “*Since all other components of this project, except the cost of equipment over \$10,000, are exempt from review, VMG assumes the total capital costs for the CON is the reviewable diagnostic center portion of the project (\$917,801).*” In Section F.3, pages 71-72, the applicant projects that there will be \$538,469 in start-up costs and \$5,119,673 in initial operating expenses, for total working capital required of \$5,658,142. On pages 71-72, the applicant provides the assumptions and methodology used to project the working capital needs of the project.

### **Availability of Funds**

In Section F.2, page 70, the applicant states the capital cost will be funded with the accumulated reserves of Vidant Health (VH), the parent company of VMG. In Section F.3, page 72, the applicant states the working capital cost will also be funded with the accumulated reserves of VH. Exhibit 10 contains a letter dated April 16, 2018 from the Chief Financial Officer of VH documenting its intention to provide accumulated reserves for the capital and working capital needs of the proposed project. Exhibit 11 contains the audited financial statements of VH which show that as of September 30, 2017, VH had \$92 million in cash and cash equivalents, \$2.3 billion in total assets, and \$1.01 billion in net assets (total assets less total liabilities).

### **Financial Feasibility**

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

	<b>YEAR 1 FFY2020</b>	<b>YEAR 2 FFY2021</b>	<b>YEAR 3 FFY2022</b>
Visits	50,154	61,234	63,857
Gross Revenues (Charges)	\$23,328,596	\$28,971,398	\$30,614,676
Total Net Revenue	\$8,438,249	\$10,463,258	\$11,034,211
Net Revenue per Visit	\$168	\$171	\$173
Total Operating Expenses (Costs)	\$10,237,860	\$10,600,814	\$10,848,592
Operating Expenses per Visit	\$204	\$173	\$170
Net Income (Loss)	(\$1,799,611)	(\$137,556)	\$185,619

The assumptions used by the applicant in preparation of the pro forma financial statements are reasonable, including projected utilization, costs and charges. See Section Q of the application 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 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

VMG proposes to develop a new diagnostic center at The Vidant Healthplex-Wilson in a medical office building being constructed at 3724 Raleigh Road Parkway West in Wilson (Wilson County).

N.C. Gen. Stat. §131E-176(24a) states, “*Service area means the area of the State, as defined in the State Medical Facilities Plan or rules adopted by the Department, which receives services from a health service facility.*” 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.1, page 77, the applicant defines its service area as “*primarily Wilson County since it is expected that almost 82% of the patients treated at the healthplex will come from that county.*” The applicant projects the remainder of its patients will originate from Nash (8.0%), Johnston (3.1%), Wayne (1.9%), Edgecombe (1.2%) and other counties (4.3%).

In Section G.1, page 78, the applicant provides a table listing the existing Wilson County providers of laboratory, X-ray, EKG, ultrasound/echo, EEG, EMG, pulmonary function testing, stress testing and others.

In Section G.3, pages 79-80, the applicant explains why it believes its proposal would not result in the unnecessary duplication of existing or approved diagnostic services in the Wilson County service area. The applicant states:

*“The intent of the proposed project is to support existing resources fill an identified gap in primary and specialty providers in the county and address the health disparities that exist.*

*Today a significant number of residents leave their community for primary care services. ... Many of these patients are medically underserved. As presented above, according to internal patient origin data, 26,245 Wilson County residents were treated at a Vidant facility (all patient types and locations, hospital and ambulatory). Of those that traveled outside their community for care, 30.8% were age 65 or older, 31.4% were Medicaid or Self Pay, and 53.3% were minorities.*

*...  
The proposed project is not intended to ‘compete’ for patients that are able to stay local today. The proposed project is intended to augment existing resources and allow the 78 patients that travel daily to Greenville to VMG or ECU ambulatory clinics plus the countless others that travel to other non-VH providers in other Counties [sic] stay local. Therefore, the primary care providers and specialty providers that will be practicing at the healthplex along with all the diagnostic and treatment services onsite these providers will routine [sic] use are in response to a shortage in Wilson County.”*

The applicant adequately demonstrates that the proposal would not result in an unnecessary duplication of existing or approved services in the service area because applicant adequately demonstrates that the proposed diagnostic center is needed in addition to the existing or approved diagnostic services.

### **Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Remarks made at the public hearing
- Responses to comments
- Information which was 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.

In Section Q, Form H, the applicant provides projected staffing for the proposed services as shown in the following table.

Position	Interim	Projected		
	FFY2019	1 <sup>st</sup> Full Fiscal Year	2 <sup>nd</sup> Full Fiscal Year	3 <sup>rd</sup> Full Fiscal Year
Physicians	10.0	10.0	10.0	10.0
PA/NP	4.0	4.0	4.0	4.0
Registered Nurse	4.0	4.0	4.0	4.0
Certified Medical Assistant	18.0	18.0	18.0	18.0
Referral Coordinator	2.0	2.0	2.0	2.0
Health Coach (RN)	2.0	2.0	2.0	2.0
Practice Manager	1.0	1.0	1.0	1.0
Nurse Supervisor	1.0	1.0	1.0	1.0
Office Support	8.0	8.0	8.0	8.0
IT Support	1.0	1.0	1.0	1.0
Lab Technician	2.0	2.0	2.0	2.0
Radiology Technician	5.0	5.0	5.0	5.0
Physical Therapist	1.0	1.0	1.0	1.0
Respiratory Therapist	1.0	1.0	1.0	1.0
<b>TOTAL</b>	<b>60.0</b>	<b>60.0</b>	<b>60.0</b>	<b>60.0</b>

Source: Form H in Section Q of the application.

The assumptions and methodology used to project staffing are provided in Section Q. Adequate costs for the health manpower and management positions proposed by the applicant are budgeted in Form F.3, which is found in Section Q. In Sections H.2 and H.3, pages 81-82, the applicant describes the methods to be used to recruit or fill new positions and its proposed training and continuing education programs. In Section H.4, page 84, the applicant identifies the proposed medical director. In Section H.4, page 84, the applicant describes its physician recruitment plans.

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
- Information which was 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.

- (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.1, page 85, the applicant states,

*“For the entire project of the healthplex, the diagnostic, ancillary and treatment services and equipment included in this application represent the clinical ancillary and support services the providers expected to be practicing in the facility use most. Diagnostic, treatment and ancillary clinical services (MRI, CT, surgery, endoscopy, angiography, cardiac cath, mammography, etc.) not provided onsite will be referred to either the local hospital (Duke LifePoint Wilson Medical Center) or another local provider as clinically needed and available.”*

In Section I.2, pages 85-86, the applicant describes its efforts to develop relationships with other local health care and social service providers.

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
- Information which was 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.

- (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 HSA VI where 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.

NA

VMG proposes to develop a new diagnostic center at The Vidant Healthplex-Wilson in a medical office building being constructed at 3724 Raleigh Road Parkway West in Wilson (Wilson County). In Section K.1, page 88, the applicant states,

*“The medical office building is current [sic] under construction by a developer and is expected to be completed by October 2018. VMG will lease the space from the developer beginning in October once construction is completed.”*

The applicant is not proposing any new construction or renovation as part of the proposed project. Therefore, Criterion (12) is not applicable to this review.

- (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;

NA

Neither the applicant nor any related entities owns, operates or manages an existing facility located in the service area. Therefore, Criterion (13a) is not applicable to this review.

- (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

Neither the applicant nor any related entities owns, operates or manages an existing facility located in the service area. Therefore, Criterion (13b) is not applicable to this review.

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

C

In Section L.3, page 96, the applicant projects the following payor mix for the proposed services during the third full fiscal year (FFY2022) of operation following completion of the project, as shown in the table below.

<b>Payment Source</b>	<b>Diagnostic &amp; Treatment Services</b>
Self Pay	3.6%
Charity Care	0.9%
Medicare	41.8%
Medicaid	11.6%
Insurance	40.4%
Workers Compensation	0.1%
TRICARE	0.6%
Other	1.0%
<b>Total</b>	<b>100.0%</b>

Source: Table on page 96 of the application.

As shown in the table above, during the third full fiscal year of operation, the applicant projects that 3.6% of total services will be provided to self-pay patients,

0.9% to charity care patients, 41.8% to Medicare patients and 11.6% to Medicaid patients.

In Exhibit 7, the applicant provides the assumptions and methodology used to project payor mix during the first three full fiscal years of operation following completion of the project. The projected payor mix is reasonable and adequately supported because it is based on the experience of existing VMG clinics.

The Agency reviewed the:

- Application
- Exhibits to the application
- Information which was 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.

- (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 97, 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
- Information which was 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.

- (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.1, page 98, 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 15.



## Conclusion

The Agency reviewed the:

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

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

VMG proposes to develop a new diagnostic center at The Vidant Healthplex-Wilson in a medical office building being constructed at 3724 Raleigh Road Parkway West in Wilson (Wilson County).

N.C. Gen. Stat. §131E-176(24a) states, “*Service area means the area of the State, as defined in the State Medical Facilities Plan or rules adopted by the Department, which receives services from a health service facility.*” 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.1, page 77, the applicant defines its service area as “*primarily Wilson County since it is expected that almost 82% of the patients treated at the healthplex will come from that county.*” The applicant projects that remainder of its patients will originate from Nash (8.0%), Johnston (3.1%), Wayne (1.9%), Edgecombe (1.2%) and other counties (4.3%).

In Section N.1, pages 99-100, 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 pages 99-100, the applicant states,

*“The proposed project will foster competition by promoting high quality, delivering cost effective services, and providing enhanced access to primary care, specialists and diagnostic and treatment services.... VMG’s comprehensive quality assurance program ensures continuation of a high standard of care for all people in the service area. ... VMG will use the proposed new healthplex to enhance the operational efficiency of primary care, specialists and diagnostic and treatment services and to increase patient access – particularly for patients who today cannot receive services due to provider shortages. These efforts will contain costs and improve access to primary care, specialists and diagnostic and treatment services. ... All of the above examples will promote cost effectiveness, quality and access to services and ultimately foster competition in the region.”*

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
- Written comments
- Remarks made at the public hearing
- Responses to comments
- 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.

In Section O.1, pages 101-102, and Exhibit 17, the applicant discusses Vidant Health's (VH) and Vidant Medical Group's (VMG) quality improvement programs. In Section A.10, page 12, the applicant states VMG does not currently own, operate or manage any other diagnostic centers. Diagnostic centers are not licensed facilities, and, therefore, there are no Division of Health Service Regulation requirements. In Section O.1, page 101, the applicant states VMG is included in VH's comprehensive patient safety and quality improvement plan. After reviewing and considering information provided by the applicant, the application is conforming to this criterion.

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

NA

The applicant proposes to develop a new diagnostic center at The Vidant Healthplex-Wilson in a medical office building being constructed at 3724 Raleigh Road Parkway West in Wilson (Wilson County). The Criteria and Standards for Diagnostic Centers were repealed. Therefore, there are no administrative rules applicable to this review.