

ATTACHMENT - REQUIRED STATE AGENCY FINDINGS

FINDINGS

C = Conforming

CA = Conditional

NC = Nonconforming

NA = Not Applicable

Decision Date: December 30, 2019

Findings Date: December 30, 2019

Project Analyst: Tanya M. Saporito

Team Leader: Fatimah Wilson

Project ID #: A-11751-19

Facility: MH Angel Medical Center, LLLP

FID #: 942938

County: Macon

Applicant: MH Angel Medical Center, LLLP

Project: Cost overrun for Project I.D. #A-11427-17 (construct a replacement hospital with no more than 30 acute care beds, three shared ORs and one GI endoscopy room)

REVIEW CRITERIA FOR NEW INSTITUTIONAL HEALTH SERVICES

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

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

C

MH Angel Medical Center, LLLP (hereinafter referred to as “AMC,” or “the applicant”) proposes a cost overrun (COR) for the approved but undeveloped Project I.D. #A-11427-17 [construct a replacement hospital with no more than 30 acute care beds, three shared operating rooms (ORs) and one gastrointestinal (GI) endoscopy room] one mile from the existing site.

A certificate of need was issued on March 17, 2018 for Project I.D. #A-11427-17 and authorized a capital cost of \$45,000,000. The current application is for a cost overrun of \$23,900,360 which results in a total combined capital cost of \$68,900,360. The applicant still proposes to construct a replacement hospital as proposed in the original application. The applicant and its affiliate, Mission Health System, have recently become affiliated with HCA Healthcare, Inc. (“HCA”). HCA revised the original plans for the replacement hospital, proposing to add additional square feet and to acquire completely new replacement equipment, including a magnetic resonance imaging (MRI) scanner and a computed tomography (CT)

scanner (the original application proposed to relocate existing equipment). In addition, the applicant states that unanticipated increases in construction costs have contributed to the capital cost increase. In Exhibits F.5-1 and F.5-2, the applicant provides a detailed equipment list for the project and in Exhibit K.5-7, the applicant provides a letter from the architect that explains the construction costs. There is no material change in scope from the originally approved project in this COR application.

Need Determination

There were no need determinations in the 2017 State Medical Facilities Plan (SMFP) that were applicable to Project ID#A-11427-17. The applicant proposes no changes in the current application which would affect that determination. Additionally, the applicant does not propose to increase the number of licensed beds in any category, add any new health services, or acquire equipment for which there is a need determination in the 2019 SMFP. Therefore, there are no need determinations applicable to this review.

Policies

Policy GEN-4: Energy Efficiency and Sustainability for Health Service Facilities (page 31 of the 2019 SMFP) is applicable to this review. *Policy GEN-4* states:

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

In approving a certificate of need proposing an expenditure greater than \$5 million to develop, replace, renovate or add to a health service facility pursuant to G.S. 131E-178, Certificate of Need shall impose a condition requiring the applicant to develop and implement an Energy Efficiency and Sustainability Plan for the project that conforms to or exceeds energy efficiency and water conservation standards incorporated in the latest editions of the North Carolina State Building Codes. The plan must be consistent with the applicant’s representation in the written statement as described in paragraph one of Policy GEN-4.

Any person awarded a certificate of need for a project or an exemption from review pursuant to G.S. 131E-184 is required to submit a plan for energy efficiency and water conservation that conforms to the rules, codes and standards implemented by the Construction Section of the Division of Health Service Regulation. The plan must be consistent with the applicant’s representation in the written statement as described in paragraph one of Policy GEN-4. The plan shall not adversely affect patient or resident health, safety or infection control.”

The proposed capital expenditure for this project is greater than \$5 million. In Section B, pages 16 - 17, the applicant provides a written statement describing its commitment to providing an energy efficient and sustainability plan to assure improved energy efficiency and water conservation. Therefore, the application is consistent with Policy GEN-4.

The applicant adequately demonstrates that the application includes a written statement describing the project's plan to assure improved energy efficiency and water conservation.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Remarks made at the public hearing

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

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

C

The applicant proposes a cost overrun for Project I.D. #A-11427-17 (construct a replacement hospital with no more than 30 acute care beds, three shared ORs and one GI endoscopy room).

A certificate of need was issued on March 17, 2018 for Project I.D. #A-11427-17 and authorized a capital cost of \$45,000,000. The current application is for a cost overrun of \$23,900,360 which results in a total combined capital cost of \$68,900,359. The cost overrun application is necessary due to the applicant's acquisition of new replacement equipment and unanticipated increases in construction costs. There is no material change in scope from the originally approved project in this COR application.

Patient Origin

On page 36, the 2019 SMFP defines the service area for acute care beds as "*...the acute care bed planning area in which the bed is located. The acute care bed planning areas are the single and multicounty groupings shown in Figure 5.1.*" Figure 5.1, on page 40, shows Macon County as a single county acute care bed planning area. Thus, the service area for this facility consists of Macon County. Facilities may also serve residents of counties not included in their service area.

The application for Project I.D. #A-11427-17 adequately identified the current and projected patient origin for the facility at the time of the application. No changes are proposed in this application which would affect that determination.

Analysis of Need

The following table compares the previously approved capital cost and the proposed capital cost, as reported on Form F.1(b), page 69 in Section Q.

MH Angel Medical Center, LLLP – Previously Approved and Proposed Capital Cost			
	Previously Approved Cost (A-11427-17)	Additional Costs Projected (A-11751-19)	Total Capital Cost
Purchase Price of Land	\$1,375,000	\$0	\$1,375,000
Closing Costs	\$15,000	-\$5,000	\$10,000
Site Preparation	\$439,615	\$1,060,385	\$1,500,000
Construction/Renovation Contract	\$32,426,850	\$8,162,150	\$40,589,000
Landscaping	\$0	\$200,000	\$200,000
Architect/Engineering Fees	\$2,807,560	\$63,440	\$2,871,000
Medical Equipment	\$3,453,100	\$10,346,259	\$13,799,359
Non-Medical Equipment	\$0	\$3,500,000	\$3,500,000
Furniture	\$1,362,900	-\$982,900	\$380,000
Consultant Fees	\$796,819	-\$736,819	\$60,000
Interest During Construction	\$0	\$2,565,000	\$2,565,000
Other (Project Contingency & Cost Escalation	\$2,323,155	-\$272,155	\$2,051,000
Total Capital Costs	\$45,000,000	\$23,900,600	\$68,900,359

In Section C, pages 28 - 29, the applicant states the increase in capital expenditure is due to several reasons, as summarized below:

- Angel Medical Center was previously affiliated with Mission Health System. Mission Health System recently became affiliated with HCA Healthcare, Inc. in early 2019, after approval of AMC’s original application to construct a replacement hospital (Project ID #A-11427-17). Angel Medical Center is now known as MH Angel Medical Center, LLLP, as a result of the HCA affiliation (page 28).
- Upon reviewing AMC’s plans for the replacement hospital pursuant to Project ID #A-11427-17, HCA determined the entire proposal needed to be revised to be consistent with HCA’s design and construction standards. The standards implemented by HCA propose design features that will result in operational and cost efficiencies (page 28).
- Project A-11724-17 proposed relocating existing equipment to the new hospital as a cost-savings measure. As part of the re-design, HCA proposed all new medical and non-medical equipment, including a CT scanner and a fixed MRI scanner (page 28).
- Construction costs in North Carolina as a whole have sharply increased recently as a result of tariffs and national trade wars with China, which has impacted the projected costs for construction for the replacement hospital (page 29).

The applicant's representations regarding the need for an additional capital expenditure to develop the proposed replacement hospital are reasonable and adequately supported for the following reasons:

- The applicant demonstrates the affiliation with HCA has impacted design features for the replacement hospital and has provided a budget within which the hospital can offer new equipment and furniture.
- The applicant demonstrates the affiliation with HCA provides for the acquisition of new diagnostic equipment rather than relocating existing equipment.
- The applicant demonstrates the increase in construction costs due to national trade wars and new tariffs.
- The applicant adequately explains the necessity of the increased capital expenditure to develop the project as approved in Project I.D. #A-11427-17.
- The applicant does not propose to change the scope of services offered or to change the patients projected to be served by the proposed project.

Projected Utilization

The application for Project I.D. #A-11427-17 adequately demonstrated projected utilization was based on reasonable and adequately supported assumptions regarding continued growth in the patient population that utilized the services proposed in the application. The applicant proposes no changes in the current application which would affect that determination.

By way of explanation, the applicant states on pages 26 - 27 that utilization decreased from October 2018 (the beginning of FY 2019) through February 2019 as a result of “*negotiation issues*” with Blue Cross Blue Shield that caused the hospital to temporarily go “*out of network*.” The negotiation period impacted emergency department (ED) and inpatient (IP) visits even after the issues were resolved, since it took several months for patients to return when the hospital was again in the Blue Cross Blue Shield network. Therefore, the applicant states utilization appears lower than what was projected in the approved Project ID#A-11427-17. The applicant provides utilization data in the form of a graph on page 26 to illustrate that, following the temporary decrease in utilization due to issues with Blue Cross Blue Shield, utilization from January 2019 to June 2019 shows the facility is “*back on track to meet the projections reflected in the original CON application*.” (see page 26). See the following table, from page 27 that illustrates projected utilization based on recent FY 2019 growth:

Projected Utilization, FY 2019 to FY 2024

LINE OF SERVICE	COMPOUND ANNUAL GROWTH RATE
Acute Care Beds	2.3%
Radiology ¹	1.3%
Endoscopy Inpatient	1.5%
Endoscopy Outpatient	1.3%
Surgery ²	2.0%
Emergency	1.4%

- (1) The applicant states all radiology modalities showed the same growth rate
- (2) The applicant states IP and OP surgery showed the same growth rate

In Form C, Utilization, in Section Q, the applicant shows historical and projected utilization of the existing and proposed replacement X-ray machine, MRI scanner and CT scanner, and explains that the issues with Blue Cross Blue Shield also impacted utilization of these services for a brief time in FY 2018. See the following table, from Section Q:

SERVICE COMPONENT	PRIOR FULL FY (FY 18)	INTERIM YEAR ¹	INTERIM YEAR ²	INTERIM YEAR ³	INTERIM YEAR ⁴	INTERIM YEAR ⁵	1 ST FY (CY 2023)	2 ND FY (CY 2024)	3 RD FY (CY 2025)
Acute Care Beds									
# Beds*	59	59	59	59	59	59	25	25	25
# Admissions	1,580	575	1,597	1,782	1,823	1,865	1,908	1,952	1,997
# Patient Days	5,015	2,127	5,590	6,239	6,382	6,529	6,679	6,833	6,991
CT Scanner									
# Units	1	1	1	1	1	1	1	1	1
# Scans	6,419	2,411	7,559	8,436	8,630	8,829	9,032	9,240	9,453
# HECT Units	9,568	3,594	11,268	12,575	12,865	13,161	13,464	13,774	14,091
MRI Scanner									
# Units	1	1	1	1	1	1	1	1	1
# Total Procedures	4,369	1,476	4,160	4,643	4,750	4,859	4,970	5,085	5,203
X-Ray									
# Units	1	1	1	1	1	1	1	1	1
# Procedures	14,818	4,971	13,385	14,938	15,282	15,634	15,994	16,362	16,739
Mammography									
# Units	1	1	1	1	1	1	1	1	1
# Procedures	3,039	1,079	3,283	3,664	3,748	3,835	3,923	4,013	4,108
Nuclear Medicine									
# Units	1	1	1	1	1	1	1	1	1
# Procedures	736	213	552	616	630	645	660	675	690
Ultrasound (Cardiology)									
# Units	1	1	1	1	1	1	1	1	1
# Procedures	1,596	569	1,676	1,870	1,914	1,958	2,003	2,049	2,096
Operating Rooms									
# Shared ORs	3	3	3	3	3	3	3	3	3
# IP Cases	248	71	255	285	291	298	305	312	319
# OP Cases	1,639	531	1,395	1,557	1,593	1,629	1,667	1,705	1,745

- (1) The applicant states the 1st partial interim FY is 10/1/18 – 01/31/19.
- (2) The applicant states the 2nd partial interim FY is 02/01/19 – 12/31/19.

- (3) The applicant states the 3rd full interim FY is 01/01/20 – 12/31/20.
- (4) The applicant states the 4th full interim FY is 01/01/21 – 12/31/21.
- (5) The applicant states the 5th full interim FY is 01/01/22 – 12/31/22.

*The applicant is currently licensed for 59 acute care beds. Project ID #A-11427-17 proposed a replacement hospital with 30 acute care beds, five of which will be designated observation beds.

In Section C, pages 26 – 27 and Section Q, the applicant describes the assumptions it used to project utilization by calculating a compound annual growth rate (CAGR) for each service component and using that CAGR to project future utilization. The applicant states that the basis for projected utilization is the same as in the original hospital replacement application but with updated information to reflect more recent utilization.

In the previously approved application, Project ID# A-11427-17, the applicant adequately demonstrated that projected utilization was based on reasonable and adequately supported assumptions regarding continued growth in the patient population that utilizes the services proposed in that application. The applicant proposes no changes in the current application that would affect that determination.

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

- The applicant relies on historical utilization to calculate its projected utilization.
- The applicant relies on adequately supported data sources to calculate its projected utilization.
- The applicant adequately accounts for changes in projected utilization from the previously approved application.

Access

The application for Project I.D. #A-11427-17 adequately demonstrated the extent to which all residents of the area, including underserved groups, were likely to have access to the proposed services. The applicant proposes no changes in the current application which would affect that determination. In Section L, page 57, the applicant states:

“no significant changes have occurred in Angel’s patient demographic or payor mix between the filing of the original application and this cost overrun application. Angel continues to provide hospital services to patients without regard to race, color, religion, sex, age, national origin, handicap or ability to pay.”

In Exhibit L-5, the applicant provides a copy of Mission Health’s Financial Assistance Policies.

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 application for Project I.D. #A-11427-17 adequately identified the population to be served, and there are no changes proposed in this application that would affect that determination.
- The applicant adequately explains why the increased capital expenditure is necessary to provide the population to be served with the services and equipment proposed in this application.
- Projected utilization was deemed reasonable and adequately supported in Project I.D. # A-11427-17 and there are no changes proposed in this application which would affect that determination.
- The application for Project I.D. # A-11427-17 adequately identified the extent to which all residents, including underserved groups, would have access to the proposed services (payor mix), and there are no changes proposed in this application which would affect that determination.

- (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

In Project I.D. # A-11427-17, the application was found conforming to this Criterion. The applicant does not propose any changes in this application which would affect that determination. Therefore, the application is conforming to this Criterion.

- (4) Where alternative methods of meeting the needs for the proposed project exist, the applicant shall demonstrate that the least costly or most effective alternative has been proposed.

CA

The applicant proposes a cost overrun for Project I.D. # A-11427-17 (construct a replacement hospital with 30 acute care beds, three shared ORs and one GI endoscopy room).

In Section E, page 34, the applicant describes the one alternative it considered and explains why that alternative is not an effective. The applicant states the only alternative is to address a cost overrun on the original project, without which it would not be able to construct the approved replacement hospital. The applicant also states that MH Angel Medical Center is a Critical Access Hospital (CAH), which is a designation by CMS that ensures a hospital will provide, “*access to care for the communities that Angel serves. The replacement hospital is necessary to ensure that Angel can continue to provide high quality, cost effective care.*”

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 applicant proposes to develop the project as originally approved in Project I.D. #A-11427-17.
- The application is conforming to all statutory and regulatory review criteria.
- The applicant provides credible information to explain why it believes the proposed project is the most effective alternative.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Remarks made at the public hearing

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. MH Angel Medical Center, LLLP shall materially comply with the representations in this application and the representations in Project I.D. #A-11427-17. Where representations conflict, MH Angel Medical Center, LLLP shall materially comply with the last made representation.**
- 2. MH Angel Medical Center, LLLP shall develop a replacement hospital with no more than 30 acute care beds, three shared operating rooms, and one gastrointestinal endoscopy procedure room upon completion of this project and Project ID# A-11427-17.**
- 3. Upon completion of this project and Project I.D.# A-11427-17, MH Angel Medical Center, LLLP shall take the necessary steps to de-license 29 acute care beds at MH Angel Medical Center.**

4. **The total combined capital expenditure for both projects is \$68,900,360, an increase of \$23,900,360 over the capital expenditure of \$45,000,000 previously approved in Project I.D. #A-11427-17.**
 5. **MH Angel Medical Center, LLLP shall not acquire as part of this project 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.**
 6. **MH Angel Medical Center, LLLP shall develop and implement an energy efficiency and sustainability plan for the project that conforms to or exceeds energy efficiency and water conservation standards incorporated in the latest editions of the North Carolina State Building Codes.**
 7. **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, MH Angel Medical Center, LLLP 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.**
 8. **MH Angel Medical Center, LLLP shall acknowledge acceptance of and agree to comply with all conditions stated herein to the Agency in writing prior to issuance of the certificate of need.**
- (5) Financial and operational projections for the project shall demonstrate the availability of funds for capital and operating needs as well as the immediate and long-term financial feasibility of the proposal, based upon reasonable projections of the costs of and charges for providing health services by the person proposing the service.

C

The applicant proposes a cost overrun for Project I.D. #A-11427-17 (construct a replacement hospital with no more than 30 acute care beds, three shared ORs and one GI endoscopy room).

Capital and Working Capital Costs

The applicant projects the total capital cost to develop the replacement hospital will be \$68,900,359, which represents an increase of \$23,600,360 over the previously approved capital expenditure, which exceeds the 115% statutory limit for capital expenditures. The applicant states the increase in capital costs is a result of acquiring new equipment to replace its existing MRI scanner and CT scanner, and increases in construction costs. The following table

compares the previously approved capital cost and the proposed capital cost, as reported on Form F.1(b) in Section Q.

MH Angel Medical Center, LLLP – Previously Approved and Proposed Capital Cost			
	Previously Approved Cost (A-11427-17)	Additional Costs Projected (A-11751-19)	Total Combined Capital Cost
Purchase Price of Land	\$1,375,000	\$0	\$1,375,000
Closing Costs	\$15,000	-\$5,000	\$10,000
Site Preparation	\$439,615	\$1,060,385	\$1,500,000
Construction/Renovation Contract	\$32,426,850	\$8,162,150	\$40,589,000
Landscaping	\$0	\$200,000	\$200,000
Architect/Engineering Fees	\$2,807,560	\$63,440	\$2,871,000
Medical Equipment	\$3,453,100	\$10,346,259	\$13,799,359
Non-Medical Equipment	\$0	\$3,500,000	\$3,500,000
Furniture	\$1,362,900	-\$982,900	\$380,000
Consultant Fees	\$796,819	-\$736,819	\$60,000
Interest During Construction	\$0	\$2,565,000	\$2,565,000
Other (Project Contingency & Cost Escalation	\$2,323,155	-\$272,155	\$2,051,000
Total Capital Costs	\$45,000,000	\$23,900,600	\$68,900,360

Numbers may not sum due to rounding

In Section C, pages 28 – 29 and Section F.5, pages 39 - 40, the applicant provides information to explain the need for the projected increase in capital costs.

In Project I.D. #A-11427-17, no start-up expenses or initial operating expenses were projected since the application proposed a replacement of an existing and operational hospital and the applicant does not propose any start-up expenses or initial operating expenses associated with this COR application.

Availability of Funds

In Section F.2, page 40, the applicant states an intercompany funds transfer will provide the \$23,900,600 capital cost for the project. In Exhibit F.2-2, page 105, the applicant provides a copy of the audited financial statements for HCA Healthcare, Inc., which show that as of December 31, 2018, HCA had \$502 million in cash and cash equivalents, and \$10.2 billion in total current assets. In Exhibit F.2-1, the applicant provides an August 12, 2019 letter signed by the CFO of the North Carolina Division of HCA that states HCA will provide financing to MH Angel Medical Center, LLLP through an intercompany funds transfer. The applicant adequately demonstrates that sufficient funds will be available for the capital needs of the project.

Financial Feasibility

In Section Q, the applicant provided pro forma financial statements for the first three full fiscal years of operation following completion of the project. On Form F.5, the applicant projects that revenues will exceed operating expenses in third full fiscal year of operation following project completion, as shown in the table below.

**MH ANGEL MEDICAL CENTER, LLLP PROJECTED REVENUES/EXPENSES
 FYs 1-3 (CYs 2023-2025)**

	1ST FY (CY 2023)	2ND FY (CY 2024)	3RD FY (CY 2025)
Total Gross Revenues (Charges)	\$261,565,587	\$272,939,572	\$284,808,145
Total Net Revenues	\$69,679,471	\$72,161,597	\$74,727,835
Total Operating Expenses (Costs)	\$70,599,606	\$72,225,587	\$73,920,139
Net Income/(Loss)	(\$920,134)	(\$63,990)	\$807,696

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 the increased capital costs are based on reasonable and adequately supported assumptions.
- The applicant adequately demonstrates availability of sufficient funds for the increased capital needs of this proposal.
- The applicant projects no changes to the assumptions and methodology in Project I.D. #A-11427-17 which demonstrated projected capital costs were reasonable and adequately supported and which adequately demonstrated the availability of sufficient funds for the working capital costs.
- The applicant projects no changes to the assumptions and methodology in Project I.D. #A-11427-17 which demonstrated sufficient funds for the operating needs of the proposal and that the financial feasibility of the proposal was 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 a cost overrun for Project I.D. #A-11427-17 (construct a replacement hospital with no more than 30 acute care beds, three shared ORs and one GI endoscopy room).

On page 36, the 2019 SMFP defines the service area for acute care beds as “*the acute care bed planning area in which the bed is located. The acute care bed planning areas are the single and multicounty groupings shown in Figure 5.1.*” Figure 5.1 on page 40 of the 2017 SMFP indicates that Macon County is a single county service area. Thus, the service area for this project consists of Macon County. Facilities may also serve residents of counties not included in their service area.

Project I.D. #A-11427-17 adequately demonstrated that the project would not result in unnecessary duplication of existing or approved services in the service area and no changes are proposed in this application which would affect that determination.

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.

- (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

On Form H in Section Q, page 72, the applicant provides current and projected full-time equivalent (FTE) staffing for the proposed services, as illustrated in the following table.

MH Angel Medical Center, LLLP Current (6/1/2019) and Projected (FYs 1-3) Staffing in FTEs

POSITION	CURRENT	PROJECTED		
	AS OF JUNE 2019	1 ST FY (CY 2023)	2 ND FY (CY 2024)	3 RD FY (CY 2025)
Registered Nurses	69.87	77.09	79.02	80.99
Licensed Practical Nurses	1.00	1.10	1.12	1.15
Aides/Orderlies	19.50	21.54	22.08	22.63
Physical Therapists	60.30	65.26	66.56	67.89
All Administrator/Supervisor Positions	18.10	18.10	11.20	11.20
Clerical Admin Support	11.20	11.20	26.80	26.80
All Clinical Support	26.80	26.80	18.20	18.20
All Non-Clinical Support	18.20	18.20	2.00	2.00
Other (Miscellaneous Traveling)	2.00	2.00	11.20	11.20
Total	227.00	241.30	245.10	249.00

In Section H, page 47 the applicant states the staffing projections and assumptions have not changed as a result of this cost overrun application. In Section Q, the applicant provides Form H to illustrate the consistency.

Project I.D. #A-11427-17 was found conforming to this criterion and no changes are proposed in this application which affect that determination.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Remarks made at the public hearing

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 49, the applicant states that no parts of this application differ from the originally approved application.

The application for Project I.D. #A-11427-17 was found conforming to this criterion, and the applicant proposes no changes in the current application which would affect that determination.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

Based on that review, the Agency concludes that the application is conforming to this criterion.

- (9) An applicant proposing to provide a substantial portion of the project's services to individuals not residing in the health service area in which the project is located, or in adjacent health service areas, shall document the special needs and circumstances that warrant service to these individuals.

NA

The 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:
- would be available under a contract of at least 5 years duration;
 - would be available and conveniently accessible through physicians and other health professionals associated with the HMO;
 - would cost no more than if the services were provided by the HMO; and
 - 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

Project I.D. #A-11427-17 proposed to construct a two-story, 82,600 square foot replacement hospital to be located in Franklin, approximately one mile from the existing facility. In this application, the applicant proposes to increase the square footage to approximately 86,000 square feet. In addition, the original application site did not propose a distinct address; in this application, the applicant states the address will be One Center Court in Franklin, still on the originally approved site. Project I.D. #A-11427-17 was found conforming to this criterion, and the applicant proposes no additional changes in the current application which would affect that determination.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Remarks made at the public hearing

Based on that review, the Agency concludes that the application is conforming to this criterion.

(13) The applicant shall demonstrate the contribution of the proposed service in meeting the health-related needs of the elderly and of members of medically underserved groups, such as medically indigent or low income persons, Medicaid and Medicare recipients, racial and ethnic minorities, women, and handicapped persons, which have traditionally experienced difficulties in obtaining equal access to the proposed services, particularly those needs identified in the State Health Plan as deserving of priority. For the purpose of determining the extent to which the proposed service will be accessible, the applicant shall show:

- (a) The extent to which medically underserved populations currently use the applicant's existing services in comparison to the percentage of the population in the applicant's service area which is medically underserved;

C

In Section L, page 57, the applicant states that no changes from the previously approved application in terms of payor mix and service to underserved populations are proposed in this application. The following table shows historical payor mix, calculated by the analyst from Form F.2:

**MH Angel Medical Center, LLLP
Historical Payor Mix**

PAYOR SOURCE	FY 2018 (10/2017 – 09/2018)
Insurance ¹	17%
Self-Pay	8%
Medicare ¹	59%
Medicaid ¹	12%
Charity Care	5%
TOTAL	100%

(1) Includes any managed care plans.
Numbers may not sum due to rounding

The application for Project I.D. #A-11427-17 was found conforming to this criterion, and the applicant proposes no changes in the current application which would affect that determination.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

Based on that review, the Agency concludes that the applicant adequately documents 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. Therefore, the application is conforming to this criterion.

- (b) Its past performance in meeting its obligation, if any, under any applicable regulations requiring provision of uncompensated care, community service, or access by minorities and handicapped persons to programs receiving federal assistance, including the existence of any civil rights access complaints against the applicant;

C

The application for Project I.D. #A-11427-17 was found conforming to this criterion, and the applicant proposes no changes in the current application which would affect that determination.

Conclusion

The Agency reviewed the:

- Application

- Exhibits to the application

Based on that review, the Agency concludes that the application is conforming to this criterion.

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

C

The application for Project I.D. #A-11427-17 was found conforming to this criterion, and the applicant proposes no changes in the current application which would affect that determination.

In Form F.3, in Section Q, the applicant provides the projected payor mix for patients at Angel Medical Center during the third full fiscal year of operation, as illustrated in the following table.

**MH Angel Medical Center, LLLP
Projected Payor Mix, PY 3**

PAYOR SOURCE	PY 3 CY 2025
Insurance ¹	19%
Self-Pay	6%
Medicare ¹	61%
Medicaid ¹	11%
Charity Care	4%
TOTAL	100%

(1) Includes managed care plans.

As shown in the table above, during the third full fiscal year of operation, the applicant projects that 6% of total services will be provided to private pay patients, 61% to Medicare patients, and 11% to Medicaid patients. On page 70, the applicant explains how it handles charity care cases.

In Section Q, page 70, the applicant provides the assumptions and methodology used to project payor mix during the third full fiscal of operation following completion of the project.

The projected payor mix is reasonable and adequately supported because it is based on the applicant's historical payor mix.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

Based on that review, the Agency concludes that the application is conforming to this criterion.

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

C

The application for Project I.D. #A-11427-17 was found conforming to this criterion, and the applicant proposes no changes in the current application which would affect that determination.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

Based on that review, the Agency concludes that the application is conforming to this criterion.

- (14) The applicant shall demonstrate that the proposed health services accommodate the clinical needs of health professional training programs in the area, as applicable.

C

Project I.D. #A-11427-17 was conforming to this criterion and the applicant proposes no changes in the current application which would affect that determination.

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.

- (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 a cost overrun for Project I.D. #A-11427-17 (construct a replacement hospital with no more than 30 acute care beds, 3 shared ORs and 1 GI endoscopy room).

On page 36, the 2019 SMFP defines the service area for acute care beds as “*the acute care bed planning area in which the bed is located. The acute care bed planning areas are the single and multicounty groupings shown in Figure 5.1.*” Figure 5.1 on page 40 of the 2017 SMFP indicates that Macon County is a single county service area. Thus, the service area for this project consists of Macon County. Facilities may also serve residents of counties not included in their service area.

Project I.D. #A-11427-17 adequately demonstrated that the project would not result in unnecessary duplication of existing or approved services in the service area and no changes are proposed in this application which would affect that determination.

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.

- (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

On Form A, on page 65 in Section Q, the applicant identifies the hospitals located in North Carolina owned, operated, or managed by the applicant or a related entity. The applicant identifies a total of eight hospitals located in North Carolina.

In Section O, pages 61 - 62, the applicant states there were no incidents related to quality of care in any of the facilities identified on Form A during the 18 months immediately preceding the submittal of the application. 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, no incidents related to quality of care occurred in any of these 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 eight facilities, the applicant provided sufficient evidence the quality care has been provided in the past. Therefore, the application is conforming to this criterion.

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

NA

In Project I.D. #A-11427-17, the applicant proposed to develop a replacement hospital with 30 acute care beds. The applicant did not propose to increase the number of acute care beds, add additional operating rooms or gastrointestinal endoscopy procedure rooms, or acquire any additional medical equipment. This is a cost overrun of the original application and there are no changes proposed in this application that would affect that determination. There are no Rules applicable to the proposed project.