

ATTACHMENT - REQUIRED STATE AGENCY FINDINGS

FINDINGS

C = Conforming

CA = Conditional

NC = Nonconforming

NA = Not Applicable

Decision Date: January 28, 2019

Findings Date: February 4, 2019

Project Analyst: Mike McKillip

Assistant Chief: Lisa Pittman

Section Chief: Martha Frisone

COMPETITIVE REVIEW

Project ID #: J-11551-18

Facility: RAC Surgery Center

FID #: 180414

County: Wake

Applicants: RAC Surgery Center, LLC
Fresenius Vascular Care Raleigh MSO, LLC

Project: Develop a new ambulatory surgery center in Raleigh with one operating room and two procedure rooms focused on vascular access procedures for patients with end stage renal disease

Project ID #: J-11553-18

Facility: Rex Surgery Center of Garner

FID #: 180418

County: Wake

Applicants: Rex Surgery Center of Garner, LLC
Rex Hospital, Inc.

Project: Develop a new multi-specialty ambulatory surgery center in Garner with two operating rooms and two procedure rooms

Project ID #: J-11554-18

Facility: UNC Health Care Panther Creek Ambulatory Surgery Center

FID #: 180421

County: Wake

Applicant: University of North Carolina Hospitals at Chapel Hill

Project: Develop a new multi-specialty ambulatory surgery center in Cary with two operating rooms and two procedure rooms

Wake County Operating Room Review

Project ID #'s: J-11551-18, J-11553-18, J-11554-18, J-11555-18, J-11557-18, J-11561-18, J-11564-18, J-11565-18

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Project ID #: J-11555-18
Facility: Rex Hospital
FID #: 953429
County: Wake
Applicant: Rex Hospital, Inc.
Project: Develop two additional operating rooms at the existing hospital in Raleigh

Project ID #: J-11557-18
Facility: Green Level Ambulatory Surgical Center
FID #: 180422
County: Wake
Applicant: Duke University Health System, Inc.
Project: Develop a new multi-specialty ambulatory surgery center in Cary with four operating rooms and four procedure rooms

Project ID #: J-11558-18
Facility: Duke Raleigh Hospital
FID #: 923421
County: Wake
Applicant: Duke University Health System, Inc.
Project: Develop two additional operating rooms at the existing hospital in Raleigh
(Application withdrawn by the applicant on January 18, 2019)

Project ID #: J-11561-18
Facility: Ortho NC ASC
FID #: 180424
County: Wake
Applicant: OrthoNC ASC, Inc.
Project: Develop a new single-specialty ambulatory surgery center in Raleigh with one operating room and one procedure room focused on orthopedic and pain management procedures

Project ID #: J-11564-18
Facility: WakeMed Surgery Center-North Raleigh
FID #: 180429
County: Wake
Applicants: WakeMed Surgery Center-North Raleigh, LLC
WakeMed
Project: Develop a new multi-specialty ambulatory surgery center in Raleigh with two operating rooms and two procedure rooms

Project ID #: J-11565-18
Facility: WakeMed Surgery Center-Cary
FID #: 180428
County: Wake
Applicant: WakeMed Surgery Center-Cary, LLC
Project: Develop a new multi-specialty ambulatory surgery center in Cary with two operating rooms and two procedure rooms

REVIEW CRITERIA FOR NEW INSTITUTIONAL HEALTH SERVICES

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

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

C

RAC ASC
OrthoNC ASC

NC

Rex ASC-Garner
UNC Panther Creek ASC
Rex Hospital
Duke Green Level ASC
WakeMed ASC-North Raleigh
WakeMed ASC-Cary

Need Determination

The 2018 State Medical Facilities Plan (SMFP) includes a need determination for six additional operating rooms in the Wake County Operating Room Service Area. Nine applications were received by the Agency for this review cycle. However, one application, Duke Raleigh Hospital (Project I.D. # J-11558-18) was withdrawn by the applicant on January 19, 2019.

Policies

There are two policies in the 2018 SMFP applicable to this review: Policy GEN-3: Basic Principles, and Policy GEN-4: Energy Efficiency and Sustainability for Health Service Facilities.

Policy GEN-3

Policy GEN-3 states:

“A certificate of need applicant applying to develop or offer a new institutional health service for which there is a need determination in the North Carolina State Medical Facilities Plan shall demonstrate how the project will promote safety and quality in the delivery of health care services while promoting equitable access and maximizing healthcare value for resources expended. A certificate of need applicant shall document its plans for providing access to services for patients with limited financial resources and demonstrate the availability of capacity to provide these services. A certificate of need applicant shall also document how its projected volumes incorporate these concepts in meeting the need identified in the State Medical Facilities Plan as well as addressing the needs of all residents in the proposed service area.”

Policy GEN-4

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 of energy efficiency and water conservation that conforms to the rules, codes and standards implemented by the Construction Section of the Division of Health Service Regulation. The plan must be consistent with the applicant’s representation in the written statement as described in paragraph one of Policy GEN-4. The plan shall not adversely affect patient or resident health, safety or infection control.”

RAC ASC. RAC Surgery Center, LLC and Fresenius Vascular Care Raleigh MSO, LLC [RAC ASC] propose to develop a new ambulatory surgery center in Raleigh with one operating room and two procedure rooms focused on vascular access procedures for patients with end stage renal disease.

Need Determination. The applicants do not propose to develop more operating rooms than are determined to be needed in the Wake County service area.

Policy GEN-3. In Section B.3, pages 11-13, the applicants explain why they believe their application is conforming to Policy GEN-3.

Policy GEN-4. The proposed capital expenditure for this project is \$2 million. In Section B.4, page 14, the applicants describe the project's plan to improve energy efficiency and conserve water. The applicants adequately demonstrate that the application includes a written statement describing the project's plan to assure improved energy efficiency and water conservation.

Conclusion. The Agency reviewed the:

- Application
- Exhibits to the application

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

- The applicants do not propose to develop more operating rooms than are determined to be needed in the service area.
- The applicants adequately demonstrate that the proposal is consistent with Policy GEN-3 and Policy GEN-4 for the following reasons:
 - The applicants adequately document how the project will promote safety and quality in the delivery of operating room services in Wake County;
 - The applicants adequately document how the project will promote equitable access to operating room services in Wake County; and
 - The applicants adequately document how the project will maximize healthcare value for the resources expended.
 - The applicants adequately demonstrate that the application includes a written statement describing the project's plan to assure improved energy efficiency and water conservation.

Rex ASC-Garner. Rex Surgery Center of Garner, LLC and Rex Hospital, Inc. [Rex ASC-Garner] propose to develop a new multi-specialty ambulatory surgery center in Garner with two operating rooms and two procedure rooms.

Need Determination. The applicants do not propose to develop more operating rooms than are determined to be needed in the Wake County service area.

Policy GEN-3. In Section B.3, pages 16-21, the applicants explain why they believe their application is conforming to Policy GEN-3. However, the information provided by the applicants is not reasonable and does not adequately support the determination that the applicants' proposal would maximize healthcare value because the applicants do not adequately demonstrate that their projected utilization is based on reasonable and adequately supported assumptions. The discussion regarding utilization found in Criterion (3) is incorporated herein by reference.

Policy GEN-4. The proposed capital expenditure for this project is greater than \$5 million. In Section B.4, pages 21-22, the applicants describe the project's plan to improve energy efficiency and conserve water. The applicants adequately demonstrate that the application includes a written statement describing the project's plan to assure improved energy efficiency and water conservation.

Conclusion. The Agency reviewed the:

- Application
- Exhibits to the application

Based on that review, the Agency concludes that the application is not conforming to this criterion because the applicants do not adequately demonstrate how the projected volumes incorporate the concept of maximum value for resources expended in meeting the identified need. Therefore, the application is not consistent with Policy GEN-3.

UNC Panther Creek ASC. University of North Carolina Hospitals at Chapel Hill d/b/a UNC Health Care Panther Creek Ambulatory Surgery Center [**UNC Panther Creek ASC**] proposes to develop a new multi-specialty ambulatory surgery center in Cary with two operating rooms and two procedure rooms.

Need Determination. The applicant does not propose to develop more operating rooms than are determined to be needed in the Wake County service area.

Policy GEN-3. In Section B.3, pages 15-19, the applicant explains why it believes its application is conforming to Policy GEN-3. However, the information provided by the applicant is not reasonable and does not adequately support the determination that the applicant's proposal would maximize healthcare value because the applicant does not adequately demonstrate that its projected utilization is based on reasonable and adequately supported assumptions. The discussion regarding utilization found in Criterion (3) is incorporated herein by reference.

Policy GEN-4. The proposed capital expenditure for this project is greater than \$5 million. In Section B.4, pages 19-20, the applicant describes the project's plan to improve energy efficiency and conserve water. 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

Based on that review, the Agency concludes that the application is not conforming to this criterion because the applicant does not adequately demonstrate how the projected volumes incorporate the concept of maximum value for resources expended in meeting the identified need. Therefore, the application is not consistent with Policy GEN-3.

Rex Hospital. Rex Hospital, Inc. [**Rex Hospital**] proposes to develop two additional operating rooms at the existing hospital in Raleigh.

Need Determination. The applicant does not propose to develop more operating rooms than are determined to be needed in the Wake County service area.

Policy GEN-3. In Section B.3, pages 15-19, the applicant explains why it believes its application is conforming to Policy GEN-3. However, the information provided by the applicant is not reasonable and does not adequately support the determination that the applicant's proposal would maximize healthcare value because the applicant does not adequately demonstrate that its projected utilization is based on reasonable and adequately supported assumptions. The discussion regarding utilization found in Criterion (3) is incorporated herein by reference.

Policy GEN-4. The proposed capital expenditure for this project is less than \$2 million. Therefore, Policy GEN-4 is not applicable to this application.

Conclusion. The Agency reviewed the:

- Application
- Exhibits to the application

Based on that review, the Agency concludes that the application is not conforming to this criterion because the applicant does not adequately demonstrate how the projected volumes incorporate the concept of maximum value for resources expended in meeting the identified need. Therefore, the application is not consistent with Policy GEN-3.

Duke Green Level ASC. Duke University Health System, Inc. d/b/a Green Level Ambulatory Surgery Center [**Duke Green Level ASC**] proposes to develop a new multi-specialty ambulatory surgery center in Cary with four operating rooms and four procedure rooms.

Need Determination. The applicant does not propose to develop more operating rooms than are determined to be needed in the Wake County service area.

Policy GEN-3. In Section B.3, page 12, the applicant explains why it believes its application is conforming to Policy GEN-3. However, the information provided by the applicant is not reasonable and does not adequately support the determination that the applicant's proposal would maximize healthcare value because the applicant does not adequately demonstrate that its projected utilization is based on reasonable and adequately supported assumptions. The discussion regarding utilization found in Criterion (3) is incorporated herein by reference.

Policy GEN-4. The proposed capital expenditure for this project is greater than \$5 million. In Section B.4, pages 13-14, the applicant describes the project's plan to improve energy efficiency and conserve water. 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

Based on that review, the Agency concludes that the application is not conforming to this criterion because the applicant does not adequately demonstrate how the projected volumes incorporate the concept of maximum value for resources expended in meeting the identified need. Therefore, the application is not consistent with Policy GEN-3.

OrthoNC ASC. OrthoNC ASC, Inc. [**OrthoNC ASC**] proposes to develop a new single-specialty ambulatory surgery center in Raleigh with one operating room and one procedure room focused on orthopedic and pain management procedures.

Need Determination. The applicant does not propose to develop more operating rooms than are determined to be needed in the Wake County service area.

Policy GEN-3. In Section B.3, pages 10-12, the applicant explains why it believes its application is conforming to Policy GEN-3.

Policy GEN-4. The proposed capital expenditure for this project is greater than \$2 million but less than \$5 million. In Section B.4, pages 13-14, the applicant describes the project's plan to improve energy efficiency and conserve water. 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

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

- The applicant does not propose to develop more operating rooms than are determined to be needed in the service area.
- The applicant adequately demonstrates that the proposal is consistent with Policy GEN-3 and Policy GEN-4 for the following reasons:
 - The applicant adequately documents how the project will promote safety and quality in the delivery of operating room services in Wake County;
 - The applicant adequately documents how the project will promote equitable access to operating room services in Wake County; and
 - The applicant adequately documents how the project will maximize healthcare value for the resources expended.
 - The applicant adequately demonstrates that the application includes a written statement describing the project's plan to assure improved energy efficiency and water conservation.

WakeMed ASC-North Raleigh. WakeMed Surgery Center-North Raleigh, LLC and WakeMed [WakeMed ASC-North Raleigh] propose to develop a new multi-specialty ambulatory surgery center in Raleigh with two operating rooms and two procedure rooms.

Need Determination. The applicants do not propose to develop more operating rooms than are determined to be needed in the Wake County service area.

Policy GEN-3. In Section B.3, pages 14-16, the applicants explain why they believe their application is conforming to Policy GEN-3. However, the information provided by the applicants is not reasonable and does not adequately support the determination that the applicants' proposal would maximize healthcare value because the applicants do not adequately demonstrate that their projected utilization is based on reasonable and adequately supported assumptions. The discussion regarding utilization found in Criterion (3) is incorporated herein by reference.

Policy GEN-4. The proposed capital expenditure for this project is greater than \$5 million. In Section B.4, pages 17-18, the applicants describe the project's plan to improve energy efficiency and conserve water. The applicants adequately demonstrate that the application includes a written statement describing the project's plan to assure improved energy efficiency and water conservation.

Conclusion. The Agency reviewed the:

- Application
- Exhibits to the application

Based on that review, the Agency concludes that the application is not conforming to this criterion because the applicants do not adequately demonstrate how the projected volumes incorporate the concept of maximum value for resources expended in meeting the identified need. Therefore, the application is not consistent with Policy GEN-3.

WakeMed ASC-Cary. WakeMed Surgery Center-Cary, LLC [WakeMed ASC-Cary] proposes to develop a new multi-specialty ambulatory surgery center in Cary with two operating rooms and two procedure rooms.

Need Determination. The applicant does not propose to develop more operating rooms than are determined to be needed in the Wake County service area.

Policy GEN-3. In Section B.3, pages 14-16, the applicant explains why it believes its application is conforming to Policy GEN-3. However, the information provided by the applicant is not reasonable and does not adequately support the determination that the applicant's proposal would maximize healthcare value because the applicant does not adequately demonstrate that its projected utilization is based on reasonable and adequately supported assumptions. The discussion regarding utilization found in Criterion (3) is incorporated herein by reference.

Policy GEN-4. The proposed capital expenditure for this project is greater than \$5 million. In Section B.4, pages 17-18, the applicant describes the project's plan to improve energy efficiency and conserve water. 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

Based on that review, the Agency concludes that the application is not conforming to this criterion because the applicant does not adequately demonstrate how the projected volumes incorporate the concept of maximum value for resources expended in meeting the identified need. Therefore, the application is not consistent with Policy GEN-3.

Decision

The applications submitted by each of the eight applicants are conforming to the need determination. Two of the eight applications are conforming to the applicable policies in the 2018 SMFP. The limit on the number of operating rooms that can be approved is six (6). Collectively, the applicants propose a total of 16 operating rooms. Therefore, all of the applications cannot be approved even if all were fully conforming to this criterion. See the end of the Required State Agency Findings.

- (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.

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RAC ASC
OrthoNC ASC

NC

Rex ASC-Garner
UNC Panther Creek ASC
Rex Hospital
Duke Green Level ASC
WakeMed ASC-North Raleigh
WakeMed ASC-Cary

RAC ASC. RAC Surgery Center, LLC and Fresenius Vascular Care Raleigh MSO, LLC [RAC ASC] propose to develop a new ambulatory surgery center in Raleigh with one operating room and two procedure rooms focused on vascular access procedures for patients with end stage renal disease. In Section A.10, page 9, the applicants state RAC Surgery Center is a new entity whose sole member is North Carolina Nephrology, P.A. Fresenius Vascular Care, Inc. d/b/a Azura Vascular Care (AVC) is an affiliate of Fresenius Medical Care (FMC). On page 9, the applicants state, “*North Carolina Nephrology, PA has come together with Azura Vascular Care to provide office-based vascular access services in Raleigh, Wake County, through a Management Services Organization (‘MSO’) arrangement creating Fresenius Vascular Care Raleigh MSO, LLC.*”

Patient Origin

On page 57, the 2018 SMFP states, “*An operating room’s service area is the operating room planning area in which the operating room is located. The operating room planning areas are the single and multicounty groupings shown in Figure 6.1.*” In Figure 6.1, page 62 of the 2018 SMFP, Wake County is shown as a single-county operating room service area. Thus, the service area for this facility consists of Wake County. Facilities may also serve residents of counties not included in their service area.

The following table illustrates projected patient origin for the applicants’ proposed operating room.

Wake County Operating Room Review

Project ID #'s: J-11551-18, J-11553-18, J-11554-18, J-11555-18, J-11557-18, J-11561-18, J-11564-18, J-11565-18

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County	Third Full Fiscal Year of Operation CY2022	
	Patients	% of Total
Wake	715	43.97%
Johnston	201	12.38%
Harnett	122	7.49%
Nash	90	5.54%
Cumberland	85	5.21%
Edgecombe	85	5.21%
Halifax	79	4.89%
Franklin	69	4.23%
Wilson	58	3.58%
Sampson	32	1.95%
Wayne	21	1.30%
Other NC Counties*	69	4.23%
Out of State	5	0.33%
Total	1,625	100.00%

Source: Section C.3, page 18.

*The applicants identify the counties included in this category as Northampton, Person, Vance, Durham, Granville, Greene, Lee, Lenoir, and New Hanover.

The following table illustrates projected patient origin for the applicants' proposed procedure rooms.

County	Third Full Fiscal Year of Operation CY2022	
	Patients	% of Total
Wake	2,600	51.29%
Johnston	536	10.58%
Harnett	335	6.61%
Nash	267	5.26%
Cumberland	234	4.62%
Franklin	199	3.92%
Halifax	174	3.44%
Wilson	171	3.38%
Edgecombe	114	2.26%
Sampson	82	1.61%
Person	57	1.13%
Vance	46	0.91%
Wayne	41	0.81%
Northampton	38	0.75%
Warren	33	0.64%
Durham	27	0.54%
Other NC Counties*	95	1.88%
Out of State	19	0.38%
Total	5,069	100.00%

Source: Section C.3, page 19.

*The applicants identify the counties included in this category as Granville, Lee, Pitt, Greene, Alamance Chatham, Hoke, Orange, Robeson, Beaufort, Bertie, Caswell, Lenoir, Martin, New Hanover, Randolph and Union.

In Section C.3, page 19, the applicants provide the assumptions and methodology used to project their patient origin. The applicants' assumptions are reasonable and adequately supported.

Analysis of Need

In Section C.4, pages 20-31, the applicants explain why they believe the population projected to utilize the proposed services needs the proposed services, as summarized below:

- There is an increasing demand for ESRD services due to an increase in chronic kidney disease in North Carolina.
- The population in the proposed service is growing and aging.
- The historical utilization of the applicants' existing Cary and Raleigh vascular access center (VAC) services.
- The need to provide these services to ESRD patients in a non-hospital setting in order to improve quality and patient outcomes.
- Licensure of an ASC focused on vascular access will ensure high quality services in a safe, cost-effective environment tailored to the unique needs of these patients.
- Projected utilization is based on physician support.

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

- The applicants provide information to support their assertion that demand for ESRD services is increasing due to an increase in chronic kidney disease in North Carolina and in the proposed service area.
- The applicants' population growth projections are based on data from the North Carolina Office of State Budget and Management.
- The applicants provide information to support their assertion that dedicated vascular access centers can improve patient outcomes.
- The applicants provide data regarding the increase in the numbers of ESRD patients in the proposed service area.
- The applicants provide historical utilization data for their existing Cary and Raleigh VAC services.

Projected Utilization

In Section Q, the applicants provide projected utilization of the operating rooms and two procedure rooms at the proposed ambulatory surgery center as illustrated in the following table.

Projected RAC Surgery Center Utilization

Operating Rooms	Year 1 CY2020	Year 2 CY2021	Year 3 CY2023
Dedicated Ambulatory ORs	1	1	1
Outpatient Surgical Cases	1,329	1,572	1,625
Surgical Case Times	68.6	68.6	68.6
Totals Surgical Hours	1,519.49	1,797.32	1,857.92
Group Assignment	6	6	6
Standard Hours per OR per Year	1,312.50	1,312.50	1,312.50
Total Surgical Hours/Standard Hours Per OR per Year	1.16	1.37	1.42
Procedure Rooms			
# of Procedure Rooms	2	2	2
Total Procedures	4,491	4,897	5,069

Source: Section Q, Form C.

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

Step 1: The applicants project CY2019 operating room-appropriate vascular access surgical cases by assuming utilization will increase by 4 percent over CY2018 utilization based on the historical compound average growth rate (CAGR) in the total number of ESRD patients treated by North Carolina Nephrology, P.A. from 2015 to 2017 (See page 31 of the application).

Step 2: The applicants project CY2020 operating room-appropriate vascular access cases by assuming utilization will increase by 4 percent over projected CY2019 utilization.

Step 3: The applicants project that 100 percent of cases from the existing Raleigh VAC and 75 percent of cases from the existing Cary VAC will shift to the proposed RAC Surgical Center in the first year of operation (CY2020).

Step 4: The applicants project the number of patients with “*fistula creation*” procedures based on estimates by the physicians who have expressed their intention to practice at the proposed facility. See Exhibit C-4.

Step 5: The applicants project the “*downstream procedures*” based on the applicants’ experience operating VAC services. The applicants assume 75 percent of new patients will return to proposed facility for two “*maturation procedures*” within 4 to 6 months.

Step 6: The applicants project utilization in the second operating year (CY2021) by assuming utilization will increase by 3.5 percent over projected utilization in the first operating year (CY2020).

Step 7: The applicants project the number of patients with “*fistula creation*” procedures will double in the second operating year based on estimates by the physicians who have expressed their intention to practice at the proposed facility. See Exhibit C-4.

Step 8: The applicants project the “*downstream procedures*” based on the applicants’ experience operating VAC services. The applicants assume 75 percent of new patients will return to proposed facility for two “*maturation procedures*” in the second operating year.

Step 9: The applicants project utilization in the third operating year (CY2022) by assuming utilization will increase by 3.5 percent over projected utilization in the second operating year (CY2021).

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

- The applicants’ utilization projections are based on the historical utilization of the existing Raleigh and Cary VAC services from CY2016 to CY2018, and the applicants’ experience with regard to number and types of procedures that will be required for ESRD patients.
- The applicants’ utilization projections are supported by letters from physicians who have expressed support for the proposed project and their intention to perform operating room cases and procedure room cases at the proposed ASC. Specifically, the letters from six North Carolina Nephrology physicians state they collectively expect to perform 1,379 operating rooms cases and 5,070 procedure room cases in the third operating year of the proposed project. See Exhibit C-4.

Access

In Section C.8, page 38, the applicants state they are committed to providing services to all patients regardless of their ability to pay, and will not discriminate against anyone based on age, race, color, ethnicity, religion, gender, sexual orientation, or disability status. In Section L.3, page 70, the applicants project the following payor mix during the second full fiscal year (CY2021) of operation following completion of the project, as illustrated in the following table.

Payor Source	Operating Rooms and Procedure Rooms
Self-Pay	1.4%
Charity Care	1.0%
Medicare *	56.9%
Medicaid *	6.1%
Insurance *	34.7%
Total	100.0%

* Including any managed care plans

The projected payor mix is reasonable and adequately supported.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Responses to comments

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

- The applicants adequately identify the population to be served.
- The applicants adequately explain why the population to be served needs the services proposed in this application.
- Projected utilization is reasonable and adequately supported.
- The applicants project the extent to which all residents, including underserved groups, will have access to the proposed services (payor mix) and adequately supports their assumptions.

Rex ASC-Garner. Rex Surgery Center of Garner, LLC and Rex Hospital, Inc. [**Rex ASC-Garner**] propose to develop a new multi-specialty ambulatory surgery center in Garner with two operating rooms and two procedure rooms. In Section A.2, page 10, the applicants state Rex Surgery Center of Garner, LLC is a new entity that is wholly owned by Rex Hospital, Inc. Also, the applicants state UNC Health Care System is the sole member and parent of Rex Healthcare, Inc., which is the parent company for Rex Hospital, Inc.

Patient Origin

On page 57, the 2018 SMFP states, “An operating room’s service area is the operating room planning area in which the operating room is located. The operating room planning areas are the single and multicounty groupings shown in Figure 6.1.” In Figure 6.1, page 62 of the 2018 SMFP, Wake County is shown as a single-county operating room service area. Thus, the service area for this facility consists of Wake County. Facilities may also serve residents of counties not included in their service area.

The following table illustrates projected patient origin for the applicants’ proposed operating rooms.

County	Third Full Fiscal Year of Operation FY2024	
	Patients	% of Total
Wake	1,601	80.4%
Johnston	389	19.6%
Total	1,990	100.0%

Source: Section C.3, page 26.

The following table illustrates projected patient origin for the applicants’ proposed procedure rooms.

County	Third Full Fiscal Year of Operation FY2024	
	Patients	% of Total
Wake	170	80.4%
Johnston	41	19.6%
Total	211	100.0%

Source: Section C.3, page 26.

In Section C.3, page 26, the applicants provide the assumptions and methodology used to project their patient origin. The applicants’ assumptions are reasonable and adequately supported.

Analysis of Need

In Section C.4, pages 27-54, the applicants explain why they believe the population projected to utilize the proposed services needs the proposed services, as summarized below:

- The increasing demand for surgical services, particularly in outpatient settings, due to changes in technology and reimbursement.
- The growth in outpatient and inpatient surgical case volumes in Wake County from FY2012 to FY2017.
- The historical trend toward relocating hospital-based operating rooms to ambulatory surgery facilities, or from larger surgical providers to smaller surgical providers, has had the effect of reducing the overall surgical capacity for Wake County providers, and has increased the need for additional operating rooms.
- Projected growth and aging of the Wake County population, particularly in the Garner area, in comparison to the location of the existing Wake County surgical facilities.

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

- The applicants provide information and data to support their assertions regarding the growth in surgical case volumes in North Carolina and Wake County.
- The applicants provide information to support their assertion that the historical trend toward relocating hospital-based operating rooms to ambulatory surgery facilities, or from larger surgical providers to smaller surgical providers, has had the effect of reducing the overall surgical capacity for Wake County providers.
- The applicants' provide population growth projections for the proposed service area based on data from the North Carolina Office of State Budget and Management (NCOSBM), ESRI and other sources.

Projected Utilization

In Section Q, page 2, the applicants provide a table showing the operating room inventories for UNC Health Care's existing, approved and proposed Wake County surgical facilities, which is summarized below:

UNC Health Care

	Adjusted Operating Room Planning Inventory	Proposed Adjusted Planning Inventory
UNC REX Hospital Holly Springs	3	3
Rex Surgery Center of Wakefield	2	2
Rex Surgery Center of Cary	4	4
UNC REX Hospital*	22	24
Raleigh Orthopaedic Surgery Center	3	3
Raleigh Orthopaedic Surgery Center-West Cary	1	1
UNC Health Care Panther Creek Ambulatory Surgery Center*	0	2
Rex Surgery Center of Garner	0	2
Total	35	41

Source: Section Q, page 2.

*The additional operating rooms in the Proposed Adjusted Planning Inventory for UNC REX Hospital and UNC Health Care Panther Creek Ambulatory Surgery Center are proposed in two separate applications included in this review.

In Section Q, the applicants provide utilization projections for the proposed Rex ASC-Garner facility, and for UNC Health Care’s other existing, approved and proposed Wake County surgical facilities through the first three operating years of the proposed project as discussed below.

Rex Surgery Center of Garner

In Section Q, the applicants provide projected utilization of the two operating rooms and two procedure rooms at the proposed ambulatory surgery center in Garner, as illustrated in the following table.

Projected Rex ASC-Garner Utilization

Operating Rooms	Year 1 FY2022	Year 2 FY2023	Year 3 FY2024
Dedicated Ambulatory ORs	2	2	2
Outpatient Surgical Cases	995	1,493	1,990
Surgical Case Times	68.6	68.6	68.6
Totals Surgical Hours	1,138	1,706	2,275
Group Assignment	6	6	6
Standard Hours per OR per Year	1,312.5	1,312.5	1,312.5
Total Surgical Hours/Standard Hours Per OR per Year	0.9	1.3	1.7
Procedure Rooms			
# of Procedure Rooms	2	2	2
Total Procedures	106	158	211

Source: Section Q, Form C.

In Section Q, the applicants provide the assumptions and methodology used to project utilization. Specifically, the applicants state projected utilization of 1,990 surgical cases and

211 procedure rooms cases in the third operating year (FY2024) is based on the historical experience of UNC REX-affiliated surgeons, the amount of time each surgeon is expected to practice at the proposed facility, the specialty or sub-specialty mix of the expected procedures, and the expertise of the administrator or clinicians leading each service line. In Section Q, page 13, the applicants provide a table showing the expected operating room and procedure rooms cases for seven existing surgeons and six additional surgeons who will be recruited by the applicants to practice at the proposed facility. The applicants state, *“Please note that the majority of the proposed operating room cases (1,925 of 1,990 total cases) are expected to be incremental to UNC Health Care and are not expected to shift from existing sites of care.”* Exhibit I.2 contains letters from physicians who have expressed support for the proposed project and their intention to perform ambulatory surgical cases at the proposed ASC. Also, the applicants state that the population located within a 15-minute drive time of the proposed site in Garner would generate 9,036 outpatient surgical cases in 2023, based on the 2017 Wake County surgical use rate of 60.3 surgical cases per 1,000 population (See pages 47 and 51).

The applicants state the operating rooms and procedure room volume will ramp up over the first three project years from 50 to 75 to 100 percent, as shown in the following table.

	Year 1 FY2022	Year 2 FY2023	Year 3 FY2024
Ramp Up Percentages	50%	75%	100%
Operating Room Cases	995	1,493	1,990
Procedure Room Cases	106	158	211

Source: Section Q, page 14.

Projected utilization is not reasonable and adequately supported for the following reasons:

- The applicants’ state utilization projections are based on the historical experience of UNC REX-affiliated surgeons, the amount of time each surgeon is expected to practice at the proposed facility, the specialty or sub-specialty mix of the expected procedures, and the expertise of the administrator or clinicians leading each service. However, all of those factors may support the applicants’ assumptions about the capacity and capabilities of the proposed surgical providers and surgical facility, but they do not necessarily support the applicants’ assumptions about the projected utilization of the proposed facility. That is, the fact that a newly recruited surgeon is capable of performing a certain number of surgical procedures does not in itself adequately demonstrate the need the population to be served at the Garner site has for the additional operating rooms.
- The applicants state that nearly all of the projected surgical cases to be served at the proposed Garner ambulatory surgical center will represent *“incremental”* surgical case volume, and not surgical case volume that would have otherwise been served at their existing surgical facilities if this project was not developed. Therefore, the applicants do not project any significant corresponding decrease in surgical case volumes at their existing surgical facilities due to a *“shifting”* of surgical cases upon the development of the proposed Garner ASC. It follows, therefore, that the applicants assume almost all of the surgical cases that will be served at the proposed

Garner ASC would have been served by other surgical providers if the proposed Garner ASC was not developed, and almost none by their own surgical facilities. However, the applicants do not provide adequate support for this assumption in the application as submitted.

- When considered as part of all the existing, approved and proposed UNC REX surgical facilities in Wake County, the applicants’ utilization projections are not supported by the historical utilization growth rates for the health care system’s existing surgical facilities from FY2012 to FY2018. See discussion below.

UNC Health Care Panther Creek Ambulatory Surgery Center

In addition to the proposed Garner ASC facility, UNC Health Care has submitted another application in this review to develop an ambulatory surgery center in Cary, UNC Health Care Panther Creek Ambulatory Surgery Center, with two operating rooms and two procedure rooms. In Section Q, the applicants provide projected utilization for the two operating rooms and two procedure rooms at the proposed ambulatory surgery center in Cary, as illustrated in the following table.

Projected UNC Panther Creek ASC Utilization

Operating Rooms	Year 1 FY2022	Year 2 FY2023	Year 3 FY2024
Dedicated Ambulatory ORs	2	2	2
Outpatient Surgical Cases	938	1,406	1,875
Surgical Case Times	68.6	68.6	68.6
Totals Surgical Hours	1,072	1,608	2,144
Group Assignment	6	6	6
Standard Hours per OR per Year	1,312.5	1,312.5	1,312.5
Total Surgical Hours/Standard Hours Per OR per Year	0.8	1.2	1.6
Procedure Rooms			
# of Procedure Rooms	2	2	2
Total Procedures	245	368	490

Source: Section Q, Form C.

In Section Q, the applicants provide the assumptions and methodology used to project utilization. Specifically, the applicants state projected utilization of 1,875 surgical cases and 490 procedure rooms cases in the third operating year (FY2024) is based on the historical experience of UNC Faculty Physician surgeons, the amount of time each surgeon is expected to practice at the proposed facility, the specialty or sub-specialty mix of the expected procedures, and the expertise of the administrator or clinicians leading each service line. In Section Q, page 10, the applicants provide a table showing the expected operating room and procedure rooms cases for one existing surgeon and seven additional surgeon who will be recruited by the applicants to practice at the proposed facility. The applicants state, “Please note that these surgical cases are expected to be incremental to UNC Health Care and are not expected to shift cases from existing sites of care.” Exhibit I.2 contains letters from physicians who have expressed support for the proposed project and their intention to perform ambulatory surgical cases at the proposed ASC. Also, the applicants state that the

population located within a 15-minute drive time of the proposed site in Cary would generate 19,629 outpatient surgical cases in 2023, based on the 2017 Wake County surgical use rate of 60.3 surgical cases per 1,000 population (See page 47).

The applicants state the operating rooms and procedure room volume will ramp up over the first three project years from 50 to 75 to 100 percent, as shown in the following table.

	Year 1 FY2022	Year 2 FY2023	Year 3 FY2024
Ramp Up Percentages	50%	75%	100%
Operating Room Cases	938	1,406	1,875
Procedure Room Cases	245	368	490

Source: Section Q, page 14.

Projected utilization is not reasonable and adequately supported for the following reasons:

- The applicants state their utilization projections are based on the historical experience of UNC Faculty Physician surgeons, the amount of time each surgeon is expected to practice at the proposed facility, the specialty or sub-specialty mix of the expected procedures, and the expertise of the administrator or clinicians leading each service. However, all of those factors may support the applicants’ assumptions about the capacity and capabilities of the proposed surgical providers and surgical facility, but they do not necessarily support the applicants’ assumptions about the projected utilization of the proposed facility. That is, the fact that a newly recruited surgeon is capable of performing a certain number of surgical procedures does not in itself adequately demonstrate the need the population to be served at the Panther Creek site has for the additional operating rooms.
- The applicants state that all of projected surgical cases to be served at the proposed ambulatory surgical center will represent “*incremental*” surgical case volume, and not surgical case volume that would have otherwise been served at their existing surgical facilities if this project was not developed. Therefore, the applicants do not project any corresponding decrease in surgical case volumes at their existing surgical facilities due to a “shifting” of surgical cases upon the development of the proposed ASC. It follows, therefore, that the applicants assume 100 percent of the surgical cases that will be served at the proposed ASC would have been served by other surgical providers if the proposed ASC was not developed, and none by their own surgical facilities. However, the applicants do not provide adequate support for this assumption in the application as submitted.
- When considered as part of all the existing, approved and proposed UNC REX surgical facilities in Wake County, the applicants’ utilization projections are not supported by the historical utilization growth rates for the health care system’s existing surgical facilities from FY2012 to FY2018. See discussion below.

UNC REX Holly Springs Hospital

In Project I.D. # J-8669-11, Rex Hospital, Inc. was approved to develop a new 50-bed acute care hospital with three shared operating rooms in Holly Springs. The project is currently

under development. In Section Q, the applicants provide projected utilization of the three shared operating rooms to be developed at the UNC REX Holly Springs Hospital during the first three operating years of the proposed project, as illustrated in the following table.

Projected UNC REX Holly Springs Hospital Utilization

Operating Rooms	Year 1 FY2022	Year 2 FY2023	Year 3 FY2024
Shared Operating Rooms	3	3	3
Inpatient Surgical Cases	399	618	851
Outpatient Surgical Case	700	1,119	1,556
Total Surgical Cases	1,099	1,737	2,407
Inpatient Surgical Case Times	115.3	115.3	115.3
Outpatient Surgical Case Times	73.3	73.3	73.3
Inpatient Surgical Hours	767	1,188	1,635
Outpatient Surgical Hours	855	1,367	1,901
Total Surgical Hours	1,622	2,555	3,536
Group Assignment	4	4	4
Standard Hours per OR per Year	1,500	1,500	1,500
Total Surgical Hours/Standard Hours Per OR per Year	1.1	1.7	2.4

Source: Section Q, Form C.

In Section Q, the applicants provide the assumptions and methodology used to project utilization. Specifically, the applicants state projected utilization of the operating rooms is based on the surgical utilization projections in the previously approved CON application (Project I.D. #J-8669-11), and that since that approval, the southern Wake County area, including Holly Springs and Fuquay-Varina, has grown substantially.

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

- The applicants’ utilization projections for UNC REX Holly Springs Hospital are based on the projected surgical utilization for the new hospital in the previously approved application, and are supported by the continued growth in the proposed service area.
- The applicants’ utilization projections are supported by letters from physicians who have expressed support for the proposed project. See Exhibit I.2.

UNC REX Hospital

In Section Q, the applicants provide projected utilization of UNC REX Hospital’s 24 shared operating rooms during the first three operating years of the proposed project, as illustrated in the following table.

Projected UNC REX Hospital Utilization

Operating Rooms	Year 1 FY2022	Year 2 FY2023	Year 3 FY2024
Shared Operating Rooms	24	24	24
Inpatient Surgical Cases	10,637	10,864	11,095
Outpatient Surgical Case	10,236	9,842	9,433
Total Surgical Cases	20,873	20,706	20,528
Inpatient Surgical Case Times	154.0	154.0	154.0
Outpatient Surgical Case Times	113.3	113.3	113.3
Inpatient Surgical Hours	27,302	27,883	28,478
Outpatient Surgical Hours	19,328	18,585	17,812
Total Surgical Hours	46,630	46,468	46,290
Group Assignment	2	2	2
Standard Hours per OR per Year	1,950	1,950	1,950
Total Surgical Hours/Standard Hours Per OR per Year	23.9	23.8	23.7

Source: Section Q, Form C.

In Section Q, the applicants provide the assumptions and methodology used to project utilization. Specifically, the applicants state projected utilization of the hospital's operating rooms is based on the assumption that inpatient surgical case volumes will increase by an average annual growth rate of 4.3 percent, which the applicants state is consistent with their experience from 2012 to 2017. The applicants assume outpatient surgical case volumes will remain flat during the first three operating years of the proposed project. The applicants state they will recruit at least eight new surgeons and expect those additional surgeons to add over 2,000 surgical cases over the next two to three years.

The applicants project that surgical cases will shift from UNC REX Hospital to UNC REX Holly Springs Hospital (See Section Q, pages 4-5) and Rex Surgery Center of Garner (See Section Q, pages 5-6), and that some inpatient surgical cases will shift from UNC Hospitals at Chapel Hill to UNC REX Hospital (See Section Q, pages 6-7).

The applicants provide the projected utilization of the operating rooms at UNC REX Hospital after the projected shifts in surgical cases, as shown in the following table.

Projected UNC REX Hospital Surgical Utilization after Shifts

	FY2019	FY2020	FY2021	PY 1 FY2022	PY 2 FY2023	PY 3 FY2024
Inpatient Surgical Cases	8,776	9,150	9,540	9,946	10,370	10,811
Outpatient Surgical Cases	10,898	10,898	10,898	10,898	10,898	10,898
Inpatient Cases Shifted to UNC REX Holly Springs Hospital				-359	-556	-766
Outpatient Cases Shifted to UNC REX Holly Springs Hospital				-630	-1,007	-1,400
Outpatient Cases Shifted to Rex Surgery Center of Garner				-33	-49	-65
Inpatient Cases Shifted to UNC REX Hospital	525	788	1,050	1,050	1,050	1,050
Inpatient Cases after Shifts	9,301	9,938	10,590	10,637	10,864	11,095
Outpatient Cases after Shifts	10,898	10,898	10,898	10,236	9,842	9,433

Source: Section Q, page 7.

The following table shows the total surgical cases at UNC REX Hospital from FY2012 to FY2018 based on data reported to DHSR on the Hospital License Renewal Application forms for the years 2013 to 2019.

UNC REX Hospital Surgical Cases, FY2012-FY2018

	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	CAGR FY2012- FY2018
Total Surgical Cases*	22,326	21,620	19,643	19,561	19,619	19,134	19,413	-2.30%
Percent Change		-3.16%	-9.14%	-0.42%	0.30%	-2.47%	1.46%	

Source: Hospital License Renewal Application forms, 2013-2019.

*Excludes C-Section procedures in dedicated C-Section operating rooms and surgical case volumes for Rex Surgery Center of Wakefield.

The following table shows the applicants' total projected surgical cases at UNC REX Hospital from FY2017 to FY2024 after the projected shifts of surgical cases shown above, based on data in Form C, Section Q of the application.

Projected UNC REX Hospital Surgical Utilization

	FY2017	FY2018	FY2019	FY2020	FY2021	PY 1 FY2022	PY 2 FY2023	PY 3 FY2024	CAGR FY2017- FY2024
Total Surgical Cases	19,134	19,316	20,199	20,836	21,488	20,873	20,706	20,528	1.01%
Percent Change		1.0%	4.6%	3.2%	3.1%	-2.9%	-0.8%	-0.9%	

Source: Section Q, page 7.

As shown in the tables above, the historical growth rates for surgical cases at UNC REX Hospital averaged -2.30 percent per year from FY2012 to FY2018. In other words, the CAGR is negative. However, the applicants' utilization projections for the hospital for the period from FY2017 through FY2024 are based on the assumption that surgical case growth rates at the hospital will increase an average of 1.01% per year, after the projected shifts of surgical cases to UNC Rex Holly Springs Hospital and Rex Surgery Center of Garner, and

the projected shifts of surgical cases from UNC Hospitals. The applicants' projected utilization is not reasonable and adequately supported for the following reasons:

- The applicants' utilization projections for UNC REX Hospital for the period FY2018 through the third year of the proposed project (FY2024) vary significantly from the applicants' historical growth rates in surgical cases from 2012 to 2018.
- The applicants did not provide adequate documentation in the application as submitted to support their assumption that surgical cases will grow at an average annual rate of 1.01 percent (after the proposed shifts of surgical cases to UNC Rex Holly Springs Hospital and Rex Surgery Center of Garner, and from UNC Hospitals) from FY2017 to FY2024.

Rex Surgery Center of Wakefield

In Section Q, the applicants provide projected utilization of the two operating rooms at the existing ambulatory surgery center in Wakefield, as illustrated in the following table.

Projected Rex Surgery Center of Wakefield Utilization

Operating Rooms	Year 1 FY2022	Year 2 FY2023	Year 3 FY2024
Dedicated Ambulatory ORs	2	2	2
Outpatient Surgical Cases	2,040	2,186	2,343
Surgical Case Times	86.0	86.0	86.0
Totals Surgical Hours	2,925	3,134	3,358
Group Assignment	6	6	6
Standard Hours per OR per Year	1,312.5	1,312.5	1,312.5
Total Surgical Hours/Standard Hours Per OR per Year	2.2	2.4	2.6

Source: Section Q, Form C.

In Section Q, the applicants provide the assumptions and methodology used to project utilization. Specifically, the applicants state projected utilization of the two dedicated ambulatory surgical operating rooms is based on the assumption that surgical case volumes will increase by an average annual growth rate of 7.1 percent, which the applicants state is approximately half of the average annual growth rate of 14.3 experienced by the facility from FY2015 to FY2017. Also, the applicants state that utilization is expected to increase due to the conversion of the facility from hospital-based to a separately licensed, freestanding ASC (Project I.D. # J-10280-14) that is partially owned by local surgeons.

The following table shows the total surgical cases at Rex Surgery Center of Wakefield from FY2012 to FY2018 based on data reported to DHSR on the Hospital License Renewal Application forms for the years 2013 to 2019.

Rex Surgery Center of Wakefield Surgical Cases, FY2012-FY2018

	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	CAGR FY2012- FY2018
Total Surgical Cases	1,595	1,642	1,430	1,639	1,964	1,955	1,013	-7.29%
Percent Change		2.9%	-12.9%	14.6%	19.8%	-0.5%	-48.2%	

Source: Hospital License Renewal Application forms, 2013-2019, and Ambulatory Surgical Facility License Renewal Application for 2019.

The following table shows the applicants’ total projected surgical cases at Rex Surgery Center of Wakefield from FY2017 to FY2024 based on data in Form C, Section Q of the application.

Projected Rex Surgery Center of Wakefield Surgical Cases

	FY2017	FY2018	FY2019	FY2020	FY2021	PY 1 FY2022	PY 2 FY2023	PY 3 FY2024	CAGR FY2017- FY2024
Total Surgical Cases	1,955	1,356	1,659	1,777	1,904	2,040	2,186	2,343	2.62%
Percent Change		-30.6%	22.3%	7.1%	7.1%	7.1%	7.2%	7.2%	

Source: Section Q.

As shown in the tables above, the historical average annual growth rates for surgical cases at Rex Surgery Center of Wakefield averaged -7.29 percent from FY2012 to FY2018. In other words, the CAGR was negative. Also, the actual FY2018 surgical case volume reported by the applicants in their 2019 LRA (1,013 surgical cases) was significantly lower than the FY2018 surgical case volume (1,356 surgical cases) projected by the applicants in Section Q, Form C of the application. However, in Section Q, page 16, the applicants state,

“To facilitate the transition from hospital-based to freestanding, Rex Surgery of Wakefield slowed then halted operations beginning in May 2018, which impacted its SFY 2018 utilization. Prior to completion of that project, UNC REX Hospital was approved to relocate one of Rex Surgery Center of Wakefield’s three operating rooms to UNC REX Hospital’s main campus (Project ID # J-11198-16). That operating room was relocated on July 1, 2017. Thus, Rex Surgery Center of Wakefield’s SFY 2018 utilization is also reflective of a reduction in capacity.”

The applicants’ utilization projections for the ambulatory surgery center for the period from FY2017 through FY2024 are based on the assumption that surgical case growth rates will average 2.62 percent per year. The applicants’ projected utilization is reasonable and adequately supported for the following reasons:

- The applicants’ utilization projections for Rex Surgery Center of Wakefield for the period FY2018 through the third year of the proposed project (FY2024) are supported by the applicants’ historical growth rates in surgical cases from 2014 to 2017.
- The applicants’ utilization projections are supported by letters from physicians who have expressed support for the proposed project. See Exhibit I.2.

Rex Surgery Center of Cary

In Section Q, the applicants provide projected utilization of the four operating rooms at the existing ambulatory surgery center in Cary, as illustrated in the following table.

Projected Rex Surgery Center of Cary Utilization

Operating Rooms	Year 1 FY2022	Year 2 FY2023	Year 3 FY2024
Dedicated Ambulatory ORs	4	4	4
Outpatient Surgical Cases	4,727	4,727	4,727
Surgical Case Times	58.0	58.0	58.0
Totals Surgical Hours	4,569	4,569	4,569
Group Assignment	6	6	6
Standard Hours per OR per Year	1,312.5	1,312.5	1,312.5
Total Surgical Hours/Standard Hours Per OR per Year	3.5	3.5	3.5

Source: Section Q, Form C.

In Section Q, the applicants provide the assumptions and methodology used to project utilization. Specifically, the applicants state projected utilization of the four dedicated ambulatory surgical operating rooms is based on the assumption that surgical case volumes will remain flat at the FY2018 volume of 4,727 surgical cases through the first three operating years of the proposed project.

The following table shows the total surgical cases at Rex Surgery Center of Cary from FY2012 to FY2018 based on data reported to DHSR on the License Renewal Application forms for the years 2013 to 2019.

Rex Surgery Center of Cary Surgical Cases, FY2012-FY2018

	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	CAGR FY2012- FY2018
Total Surgical Cases	4,350	5,108	4,735	4,145	3,786	4,854	4,585	0.88%
Percent Change		17.4%	-7.3%	-12.5%	-8.7%	28.2%	-5.5%	

Source: Hospital License Renewal Application forms, 2013-2019.

The following table shows the applicants' total projected surgical cases at Rex Surgery Center of Cary from FY2017 to FY2024 based on data in Form C, Section Q of the application.

Projected Rex Surgery Center of Cary Surgical Cases

	FY2017	FY2018	FY2019	FY2020	FY2021	PY 1 FY2022	PY 2 FY2023	PY 3 FY2024	CAGR FY2017- FY2024
Total Surgical Cases	4,854	4,727	4,727	4,727	4,727	4,727	4,727	4,727	-0.38
Percent Change	28.2%	-2.6%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	

Source: Section Q.

As shown in the tables above, the historical growth rates for surgical cases at Rex Surgery Center of Cary averaged 0.88 percent per year from FY2012 to FY2018. Also, the actual FY2018 surgical case volume reported by the applicants in their 2019 LRA (4,585 surgical cases) was lower than the FY2018 surgical case volume (4,727 surgical cases) projected by the applicants in Section Q, Form C of the application. The applicants' utilization projections for the ambulatory surgery center for the period from FY2017 through FY2024 are based on the assumption that surgical case growth rates will remain flat from FY2018 through FY2024. The applicants' projected utilization is reasonable and adequately supported for the following reasons:

- The applicants' utilization projections for Rex Surgery Center of Cary for the period FY2018 through the third year of the proposed project (FY2024) are supported by the applicants' historical volume of surgical cases from 2012 to 2018.
- The applicants' utilization projections are supported by letters from physicians who have expressed support for the proposed project. See Exhibit I.2.

Raleigh Orthopaedic Surgery Center

In Section Q, the applicants provide projected utilization of the three operating rooms at the existing ambulatory surgery center in Raleigh, as illustrated in the following table.

Projected Raleigh Orthopaedic Surgery Center Utilization

Operating Rooms	Year 1 FY2022	Year 2 FY2023	Year 3 FY2024
Dedicated Ambulatory ORs	3	3	3
Outpatient Surgical Cases	3,613	3,721	3,797
Surgical Case Times	84.0	84.0	84.0
Totals Surgical Hours	5,058	5,210	5,316
Group Assignment	6	6	6
Standard Hours per OR per Year	1,312.5	1,312.5	1,312.5
Total Surgical Hours/Standard Hours Per OR per Year	3.9	4.0	4.1

Source: Section Q, Form C.

In Section Q, the applicants provide the assumptions and methodology used to project utilization. Specifically, the applicants state projected utilization of the three dedicated ambulatory surgical operating rooms is based on the utilization projections in the previously approved CON application to develop Raleigh Orthopaedic Surgery Center-West Cary (Project I.D. #J-11161-16), and the assumption that surgical case volumes will grow at an average annual rate of 2.04 percent through the first three operating years of the proposed project, which is consistent with the 2018 to 2024 projected Wake County population growth based on data from the NCOSBM.

The following table shows the total surgical cases at Raleigh Orthopaedic Surgery Center from FY2014 to FY2018 based on data reported to DHSR on the License Renewal Application forms for the years 2015 to 2019. FY2014 was the surgery center's first full year of operation.

Raleigh Orthopaedic Surgery Center, FY2014-FY2018

	FY2014	FY2015	FY2016	FY2017	FY2018	CAGR FY2014- FY2018
Total Surgical Cases	3,148	3,739	3,766	4,384	5,416	14.53%
Percent Change		18.8%	0.7%	16.4%	23.5%	

Source: Ambulatory Surgical Facility License Renewal Application forms, 2015-2019.

The following table shows the applicants' total projected surgical cases at Raleigh Orthopaedic Surgery Center from FY2017 to FY2024 based on data in Form C, Section Q of the application.

Projected Raleigh Orthopaedic Surgery Center Surgical Cases

	FY2017	FY2018	FY2019	FY2020	FY2021	PY 1 FY2022	PY 2 FY2023	PY 3 FY2024	CAGR FY2017- FY2024
Total Surgical Cases	4,384	5,538	5,538	4,472	3,474	3,613	3,721	3,797	-2.03%
Percent Change		26.3%	0.0%	-19.2%	-22.3%	4.0%	3.0%	2.0%	

Source: Section Q.

As shown in the tables above, the historical growth rates for surgical cases at Raleigh Orthopaedic Surgery Center averaged 14.53 percent per year from FY2014 to FY2018. Also, the actual FY2018 surgical case volume reported by the applicants in their 2019 LRA (5,416 surgical cases) was lower than the FY2018 surgical case volume (5,538 surgical cases) projected by the applicants in Section Q, Form C of the application. The applicants' utilization projections for the ambulatory surgery center for the period from FY2017 through FY2024 are based on the assumption that surgical case growth rates will decrease with the development of Raleigh Orthopaedic Surgery Center-West Cary and then increase 2-4 percent from FY2022 to FY2024. The applicants' projected utilization is reasonable and adequately supported for the following reasons:

- The applicants' utilization projections for Raleigh Orthopaedic Surgery Center for the period FY2018 through the third year of the proposed project (FY2024) are supported by the applicants' historical volume of surgical cases from 2014 to 2018, and by the projected Wake County population growth.
- The applicants' utilization projections are supported by letters from physicians who have expressed support for the proposed project. See Exhibit I.2.

Raleigh Orthopaedic Surgery Center-West Cary

In Section Q, the applicants provide projected utilization of the operating room at the new ambulatory surgery center to be developed in Cary (Project I.D. # J-11161-16), as illustrated in the following table.

Projected Raleigh Orthopaedic Surgery Center-West Cary Utilization

Operating Rooms	Year 1 FY2022	Year 2 FY2023	Year 3 FY2024
Dedicated Ambulatory ORs	1	1	1
Outpatient Surgical Cases	1,114	1,147	1,171
Surgical Case Times	68.6	68.6	68.6
Totals Surgical Hours	1,274	1,312	1,339
Group Assignment	6	6	6
Standard Hours per OR per Year	1,312.5	1,312.5	1,312.5
Total Surgical Hours/Standard Hours Per OR per Year	1.0	1.0	1.0

Source: Section Q, Form C.

In Section Q, the applicants provide the assumptions and methodology used to project utilization. Specifically, the applicants state projected utilization of the dedicated ambulatory surgical operating room is based on the utilization projections in the previously approved CON application (Project I.D. #J-11161-16), and the assumption that surgical case volumes will grow at average annual rate of 2.04 percent through the first three operating years of the proposed project, which is consistent with the 2018 to 2024 projected Wake County population growth based on data from the NCOSBM.

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

- The applicants’ utilization projections are supported by the historical utilization experience of the Raleigh Orthopaedic Surgery Center’s existing operating rooms, and by the projected Wake County population growth.
- The applicants’ utilization projections are supported by letters from physicians who have expressed support for the proposed project. See Exhibit I.2.

UNC REX Health Care System-Wake County

The following table shows the total surgical cases at all UNC REX surgical facilities in Wake County from FY2012 to FY2018 based on data reported to DHSR on the License Renewal Application forms for the years 2013 to 2019.

UNC REX Health Care System Surgical Cases, FY2012-FY2018

	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	CAGR FY2012- FY2018
Total Surgical Cases*	28,271	28,781	28,956	29,084	29,135	30,327	30,427	1.23%
Percent Change		1.8%	0.6%	0.4%	0.2%	4.1%	0.3%	

Source: License Renewal Application forms, 2013-2019.

*Excludes C-Section procedures in dedicated C-Section operating rooms.

The following table shows the applicants’ total projected surgical cases at all existing, approved and proposed UNC REX surgical facilities in Wake County from FY2017 to FY2024 based on data in Form C, Section Q of the application.

Projected UNC REX Health Care System Surgical Cases, FY2017-FY2024

	FY2017	FY2018	FY2019	FY2020	FY2021	PY 1 FY2022	PY 2 FY2023	PY 3 FY2024	CAGR FY2017- FY2024
Total Surgical Cases	30,327	30,937	32,123	32,337	32,664	35,309	37,123	38,838	3.60%
Percent Change		2.0%	3.8%	0.7%	1.0%	8.1%	5.1%	4.6%	

Source: Section Q, page 7, and Form C combined.

As shown in the tables above, the historical growth rates for surgical cases at UNC REX surgical facilities in Wake County averaged 1.23 percent per year from FY2012 to FY2018. Also, the actual FY2018 surgical case volume reported by the applicants in their 2019 LRAs (30,427 surgical cases) was lower than the FY2018 surgical case volume (30,937 surgical cases) projected by the applicants in Section Q, Form C of the application. However, the applicants’ utilization projections for all existing, approved and proposed UNC REX surgical facilities in Wake County for the period from FY2017 through FY2024 are based on the assumption that surgical case volumes will increase at an average rate of 3.6 percent per year over the seven-year period. The applicants’ projected surgical case growth rates in the first three project years are significantly higher than their historical experience. Specifically, the applicants’ utilization projections for all existing, approved and proposed UNC REX surgical facilities in Wake County for the period from FY2021 through FY2024 are based on the assumption that surgical case volumes will increase at an average rate of 6 percent per year. The applicants’ projected utilization is not reasonable and adequately supported for the following reasons:

- The applicants’ utilization projections for UNC REX surgical facilities in Wake County for the period FY2018 through the third year of the proposed project (FY2024) vary significantly from the applicants’ historical growth rates in surgical case volumes from FY2012 to FY2018. Historical annual growth rates in surgical case volumes exceeded 3.6 percent only once from FY2012 to FY2018, and did not reach 6 percent in any of those years.
- The applicants did not provide adequate documentation to support their assumption that surgical cases at all existing, approved and proposed UNC REX surgical facilities in Wake County will grow at an average annual rate of 3.6 percent per year from FY2017 to FY2024, or by an average annual rate of 6 percent from FY2021 to FY2024.

Access

In Section C.8, pages 59-60, the applicants state they are committed to providing services to all patients, and will not discriminate against anyone based on age, race, sex, creed, religion, disability, or the patient’s ability to pay. In Section L.3, page 97, the applicants project the following payor mix during the second full fiscal year (FY2022) of operation following completion of the project, as illustrated in the following table.

Payor Source	Operating Rooms and Procedure Rooms
Self-Pay	3.4%
Medicare *	29.6%
Medicaid *	6.0%
Insurance *	56.2%
Other Govt, Workers Comp	4.8%
Total	100.0%

* Including any managed care plans

The projected payor mix is reasonable and adequately supported.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- 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 not conforming to this criterion for the following reasons:

- Projected utilization is not based upon reasonable and adequately supported assumptions for all the reasons described above.
- The applicant does not adequately demonstrate the need for the two additional operating rooms at a new ambulatory surgery center in Garner for all the reasons described above.

UNC Panther Creek ASC. University of North Carolina Hospitals at Chapel Hill d/b/a UNC Health Care Panther Creek Ambulatory Surgery Center [**UNC Panther Creek ASC**] proposes to develop a new multi-specialty ambulatory surgery center on the existing campus of Rex Healthcare of Panther Creek in Cary with two operating rooms and two procedure rooms.

Patient Origin

On page 57, the 2018 SMFP states, “An operating room’s service area is the operating room planning area in which the operating room is located. The operating room planning areas are the single and multicounty groupings shown in Figure 6.1.” In Figure 6.1, page 62 of the 2018 SMFP, Wake County is shown as a single-county operating room service area. Thus, the service area for this facility consists of Wake County. Facilities may also serve residents of counties not included in their service area.

The following table illustrates projected patient origin for the applicant’s proposed operating rooms.

County	Third Full Fiscal Year of Operation FY2024	
	Patients	% of Total
Wake	1,205	64.3%
Durham	670	35.7%
Total	1,875	100.00%

Source: Section C.3, page 25.

The following table illustrates projected patient origin for the applicant’s proposed procedure rooms.

County	Third Full Fiscal Year of Operation FY2024	
	Patients	% of Total
Wake	315	64.3%
Durham	175	35.7%
Total	490	100.00%

Source: Section C.3, page 25.

In Section C.3, page 25, the applicant provides the assumptions and methodology used to project its patient origin. The applicant’s assumptions are reasonable and adequately supported.

Analysis of Need

In Section C.4, pages 26-53, the applicant explains why it believes the population projected to utilize the proposed services needs the proposed services, as summarized below:

- The increasing demand for surgical services, particularly in outpatient settings, due to changes in technology and reimbursement.
- The growth in outpatient and inpatient surgical case volumes in Wake County from FY2012 to FY2017.
- The historical trend toward relocating hospital-based operating rooms to ambulatory surgery facilities, or from larger surgical providers to smaller surgical providers, has had the effect of reducing the overall surgical capacity for Wake County providers, and has increased the need for additional operating rooms.
- Projected growth of the Wake County population, particularly in the Panther Creek area of Cary, in comparison to the location of the existing Wake County surgical facilities.

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

- The applicant provides information and data to support its assertion regarding the growth in surgical case volumes in North Carolina and Wake County.
- The applicant provides information to support its assertion that the historical trend toward relocating hospital-based operating rooms to ambulatory surgery facilities, or from larger surgical providers to smaller surgical providers, has had the effect of reducing the overall surgical capacity for Wake County providers.
- The applicant provides population growth projections for the proposed service area based on data from the North Carolina Office of State Budget and Management (NCOSBM), ESRI and other sources.

Projected Utilization

In Section Q, page 2, the applicant provides a table showing the operating room inventories for UNC Health Care’s existing, approved and proposed Wake County surgical facilities, which is summarized below:

UNC Health Care

	Adjusted Operating Room Planning Inventory	Proposed Adjusted Planning Inventory
UNC REX Hospital Holly Springs	3	3
Rex Surgery Center of Wakefield	2	2
Rex Surgery Center of Cary	4	4
UNC REX Hospital*	22	24
Raleigh Orthopaedic Surgery Center	3	3
Raleigh Orthopaedic Surgery Center-West Cary	1	1
UNC Health Care Panther Creek Ambulatory Surgery Center	0	2
Rex Surgery Center of Garner*	0	2
Total	35	41

Source: Section Q, page 2.

*The additional operating rooms in the Proposed Adjusted Planning Inventory for UNC REX Hospital and Rex Surgery Center of Garner are proposed in two separate applications included in this review.

In Section Q, the applicant provides utilization projections for the proposed UNC Health Care Panther Creek Ambulatory Surgery Center facility, and for UNC Health Care’s other existing, approved and proposed Wake County surgical facilities through the first three operating years of the proposed project as discussed below.

UNC Health Care Panther Creek Ambulatory Surgery Center

In Section Q, the applicant provides projected utilization for the two operating rooms and two procedure rooms at the proposed ambulatory surgery center in the Panther Creek area of Cary, as illustrated in the following table.

Projected UNC Panther Creek ASC Utilization

Operating Rooms	Year 1 FY2022	Year 2 FY2023	Year 3 FY2024
Dedicated Ambulatory ORs	2	2	2
Outpatient Surgical Cases	938	1,406	1,875
Surgical Case Times	68.6	68.6	68.6
Totals Surgical Hours	1,072	1,608	2,144
Group Assignment	6	6	6
Standard Hours per OR per Year	1,312.5	1,312.5	1,312.5
Total Surgical Hours/Standard Hours Per OR per Year	0.8	1.2	1.6
Procedure Rooms			
# of Procedure Rooms	2	2	2
Total Procedures	245	368	490

Source: Section Q, Form C.

In Section Q, the applicant provides the assumptions and methodology used to project utilization. Specifically, the applicant states projected utilization of 1,875 surgical cases and 490 procedure rooms cases in the third operating year (FY2024) is based on the historical experience of UNC Faculty Physician surgeons, the amount of time each surgeon is expected to practice at the proposed facility, the specialty or sub-specialty mix of the expected procedures, and the expertise of the administrator or clinicians leading each service line. In Section Q, page 10, the applicant provides a table showing the expected operating room and procedure rooms cases for one existing surgeon and seven additional surgeons who will be recruited by the applicant to practice at the proposed facility. The applicants state, *“Please note that these surgical cases are expected to be incremental to UNC Health Care and are not expected to shift cases from existing sites of care.”* Exhibit I.2 contains letters from physicians who have expressed support for the proposed project and their intention to perform ambulatory surgical cases at the proposed ASC. Also, the applicants state that the population located within a 15-minute drive time of the proposed site in Cary would generate 19,629 outpatient surgical cases in 2023, based on the 2017 Wake County surgical use rate of 60.3 surgical cases per 1,000 population (See page 47).

The applicants state the operating rooms and procedure room volume will ramp up over the first three project years from 50 to 75 to 100 percent, as shown in the following table.

	Year 1 FY2022	Year 2 FY2023	Year 3 FY2024
Ramp Up Percentages	50%	75%	100%
Operating Room Cases	938	1,406	1,875
Procedure Room Cases	245	368	490

Source: Section Q, page 14.

Projected utilization is not reasonable and adequately supported for the following reasons:

- The applicants state their utilization projections are based on the historical experience of UNC Faculty Physician surgeons, the amount of time each surgeon is expected to practice at the proposed facility, the specialty or sub-specialty mix of the expected procedures, and the expertise of the administrator or clinicians leading each service. However, all of those factors may support the applicants’ assumptions about the capacity and capabilities of the proposed surgical providers and surgical facility, but they do not necessarily support the applicants’ assumptions about the projected utilization of the proposed facility. That is, the fact that a newly recruited surgeon is capable of performing a certain number of surgical procedures does not in itself adequately demonstrate the need the population proposed to be served at the Cary site has for the additional operating rooms.
- The applicants state that all of projected surgical cases to be served at the proposed ambulatory surgical center will represent “*incremental*” surgical case volume, and not surgical case volume that would have otherwise been served at their existing surgical facilities if this project was not developed. Therefore, the applicants do not project any corresponding decrease in surgical case volumes at their existing surgical facilities due to a “shifting” of surgical cases upon the development of the proposed ASC. It follows, therefore, that the applicants assume 100 percent of the surgical cases that will be served at the proposed ASC would have been served by other surgical providers if the proposed ASC was not developed, and none by their own surgical facilities. However, the applicants do not provide adequate support for this assumption in the application as submitted.
- When considered as part of all the existing, approved and proposed UNC REX surgical facilities in Wake County, the applicants’ utilization projections are not supported by the historical utilization growth rates for the health care system’s existing surgical facilities from FY2012 to FY2018. See discussion below.

Rex Surgery Center of Garner

In addition to the proposed UNC Panther Creek ASC facility, UNC Health Care has submitted another application in this review to develop an ambulatory surgery center in Garner, Rex Surgery Center of Garner, with two operating rooms and two procedure rooms. In Section Q, the applicant provides projected utilization of the two operating rooms and two procedure rooms at the proposed ambulatory surgery center in Garner, as illustrated in the following table.

Projected Rex ASC-Garner Utilization

Operating Rooms	Year 1 FY2022	Year 2 FY2023	Year 3 FY2024
Dedicated Ambulatory ORs	2	2	2
Outpatient Surgical Cases	995	1,493	1,990
Surgical Case Times	68.6	68.6	68.6
Totals Surgical Hours	1,138	1,706	2,275
Group Assignment	6	6	6
Standard Hours per OR per Year	1,312.5	1,312.5	1,312.5
Total Surgical Hours/Standard Hours Per OR per Year	0.9	1.3	1.7
Procedure Rooms			
# of Procedure Rooms	2	2	2
Total Procedures	106	158	211

Source: Section Q, Form C.

In Section Q, the applicant provides the assumptions and methodology used to project utilization. Specifically, the applicant states projected utilization of 1,990 surgical cases and 211 procedure rooms cases in the third operating year (FY2024) is based on the historical experience of UNC REX-affiliated surgeons, the amount of time each surgeon is expected to practice at the proposed facility, the specialty or sub-specialty mix of the expected procedures, and the expertise of the administrator or clinicians leading each service line. In Section Q, page 13, the applicant provides a table showing the expected operating room and procedure rooms cases for seven existing surgeons and six additional surgeons who will be recruited by the applicants to practice at the proposed facility. The applicants state, *“Please note that the majority of the proposed operating room cases (1,925 of 1,990 total cases) are expected to be incremental to UNC Health Care and are not expected to shift from existing sites of care.”* Exhibit I.2 contains letters from physicians who have expressed support for the proposed project and their intention to perform ambulatory surgical cases at the proposed ASC. Also, the applicants state that the population located within a 15-minute drive time of the proposed site in Garner would generate 9,036 outpatient surgical cases in 2023, based on the 2017 Wake County surgical use rate of 60.3 surgical cases per 1,000 population (See pages 47 and 51).

The applicants state the operating rooms and procedure room volume will ramp up over the first three project years from 50 to 75 to 100 percent, as shown in the following table.

	Year 1 FY2022	Year 2 FY2023	Year 3 FY2024
Ramp Up Percentages	50%	75%	100%
Operating Room Cases	995	1,493	1,990
Procedure Room Cases	106	158	211

Source: Section Q, page 14.

Projected utilization is not reasonable and adequately supported for the following reasons:

- The applicants' state utilization projections are based on the historical experience of UNC REX-affiliated surgeons, the amount of time each surgeon is expected to practice at the proposed facility, the specialty or sub-specialty mix of the expected procedures, and the expertise of the administrator or clinicians leading each service. However, all of those factors may support the applicants' assumptions about the capacity and capabilities of the proposed surgical providers and surgical facility, but they do not necessarily support the applicants' assumptions about the projected utilization of the proposed facility. That is, the fact that a newly recruited surgeon is capable of performing a certain number of surgical procedures does not in itself adequately demonstrate the need the population to be served at the Garner site has for the additional operating rooms.
- The applicants state that nearly all of the projected surgical cases to be served at the proposed Garner ambulatory surgical center will represent "incremental" surgical case volume, and not surgical case volume that would have otherwise been served at their existing surgical facilities if this project was not developed. Therefore, the applicants do not project any significant corresponding decrease in surgical case volumes at their existing surgical facilities due to a "shifting" of surgical cases upon the development of the proposed Garner ASC. It follows, therefore, that the applicants assume almost all of the surgical cases that will be served at the proposed Garner ASC would have been served by other surgical providers if the proposed Garner ASC was not developed, and almost none by their own surgical facilities. However, the applicants do not provide adequate support for this assumption in the application as submitted.
- When considered as part of all the existing, approved and proposed UNC REX surgical facilities in Wake County, the applicants' utilization projections are not supported by the historical utilization growth rates for the health care system's existing surgical facilities from FY2012 to FY2018. See discussion below.

UNC REX Hospital

In Section Q, the applicant provides projected utilization of UNC REX Hospital's 24 shared operating rooms during the first three operating years of the proposed project, as illustrated in the following table.

Projected UNC REX Hospital Utilization

Operating Rooms	Year 1 FY2022	Year 2 FY2023	Year 3 FY2024
Shared Operating Rooms	24	24	24
Inpatient Surgical Cases	10,637	10,864	11,095
Outpatient Surgical Case	10,236	9,842	9,433
Total Surgical Cases	20,873	20,706	20,528
Inpatient Surgical Case Times	154.0	154.0	154.0
Outpatient Surgical Case Times	113.3	113.3	113.3
Inpatient Surgical Hours	27,302	27,883	28,478
Outpatient Surgical Hours	19,328	18,585	17,812
Total Surgical Hours	46,630	46,468	46,290
Group Assignment	2	2	2
Standard Hours per OR per Year	1,950	1,950	1,950
Total Surgical Hours/Standard Hours Per OR per Year	23.9	23.8	23.7

Source: Section Q, Form C.

In Section Q, the applicant provides the assumptions and methodology used to project utilization. Specifically, the applicant states projected utilization of the hospital’s operating rooms is based on the assumption that inpatient surgical case volumes will increase by an average annual growth rate of 4.3 percent, which is consistent with the applicant’s experience from 2012 to 2017. The applicant assumes outpatient surgical case volumes will remain flat during the first three operating years of the proposed project. The applicant states it will recruit at least eight new surgeons and expect those additional surgeons to add over 2,000 surgical cases over the next two to three years.

The applicant projects that surgical cases will shift from UNC REX Hospital to UNC REX Holly Springs Hospital (See Section Q, pages 4-5) and Rex Surgery Center of Garner (See Section Q, pages 5-6), and that some inpatient surgical cases will shift from UNC Hospitals at Chapel Hill to UNC REX Hospital (See Section Q, pages 6-7).

The applicant provides the projected utilization of the operating rooms at UNC REX Hospital after the projected shifts in surgical cases, as shown in the following table.

Projected UNC REX Hospital Surgical Utilization after Shifts

	FY2019	FY2020	FY2021	PY 1 FY2022	PY 2 FY2023	PY 3 FY2024
Inpatient Surgical Cases	8,776	9,150	9,540	9,946	10,370	10,811
Outpatient Surgical Cases	10,898	10,898	10,898	10,898	10,898	10,898
Inpatient Cases Shifted to UNC REX Holly Springs Hospital				-359	-556	-766
Outpatient Cases Shifted to UNC REX Holly Springs Hospital				-630	-1,007	-1,400
Outpatient Cases Shifted to Rex Surgery Center of Garner				-33	-49	-65
Inpatient Cases Shifted to UNC REX Hospital	525	788	1,050	1,050	1,050	1,050
Inpatient Cases after Shifts	9,301	9,938	10,590	10,637	10,864	11,095
Outpatient Cases after Shifts	10,898	10,898	10,898	10,236	9,842	9,433

Source: Section Q, page 7.

The following table shows the total surgical cases at UNC REX Hospital from FY2012 to FY2018 based on data reported to DHSR on the Hospital License Renewal Application forms for the years 2013 to 2019.

UNC REX Hospital Surgical Cases, FY2012-FY2018

	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	CAGR FY2012- FY2018
Total Surgical Cases*	22,326	21,620	19,643	19,561	19,619	19,134	19,413	-2.30%
Percent Change		-3.16%	-9.14%	-0.42%	0.30%	-2.47%	1.46%	

Source: Hospital License Renewal Application forms, 2013-2019.

*Excludes C-Section procedures in dedicated C-Section operating rooms and surgical case volumes for Rex Surgery Center of Wakefield.

The following table shows the applicants' total projected surgical cases at UNC REX Hospital from FY2017 to FY2024 after the projected shifts of surgical cases shown above, based on data in Form C, Section Q of the application.

Projected UNC REX Hospital Surgical Utilization

	FY2017	FY2018	FY2019	FY2020	FY2021	PY 1 FY2022	PY 2 FY2023	PY 3 FY2024	CAGR FY2017- FY2024
Total Surgical Cases	19,134	19,316	20,199	20,836	21,488	20,873	20,706	20,528	1.01%
Percent Change		1.0%	4.6%	3.2%	3.1%	-2.9%	-0.8%	-0.9%	

Source: Section Q, page 7.

As shown in the tables above, the historical growth rates for surgical cases at UNC REX Hospital averaged -2.30 percent per year from FY2012 to FY2018. In other words, the CAGR is negative. However, the applicants' utilization projections for the hospital for the period from FY2017 through FY2024 are based on the assumption that surgical case growth rates at the hospital will increase an average of 1.01% per year after the proposed shifts of surgical cases to UNC Rex Holly Springs Hospital and Rex Surgery Center of Garner, and

from UNC Hospitals. The applicants’ projected utilization is not reasonable and adequately supported for the following reasons:

- The applicants’ utilization projections for UNC REX Hospital for the period FY2018 through the third year of the proposed project (FY2024) vary significantly from the applicants’ historical growth rates in surgical cases from 2012 to 2018.
- The applicants did not provide adequate documentation in the application as submitted to support their assumption that surgical cases will grow at an average annual rate of 1.01 percent (after the proposed shifts of surgical cases to UNC Rex Holly Springs Hospital and Rex Surgery Center of Garner, and from UNC Hospitals) from FY2017 to FY2024.

UNC REX Holly Springs Hospital

In Project I.D. # J-8669-11, Rex Hospital, Inc. was approved to develop a new 50-bed acute care hospital with three shared operating rooms in Holly Springs. The project is currently under development. In Section Q, the applicant provides projected utilization of the three shared operating rooms to be developed at the UNC REX Holly Springs Hospital during the first three operating years of the proposed project, as illustrated in the following table.

Projected UNC REX Holly Springs Hospital Utilization

Operating Rooms	Year 1 FY2022	Year 2 FY2023	Year 3 FY2024
Shared Operating Rooms	3	3	3
Inpatient Surgical Cases	399	618	851
Outpatient Surgical Case	700	1,119	1,556
Total Surgical Cases	1,099	1,737	2,407
Inpatient Surgical Case Times	115.3	115.3	115.3
Outpatient Surgical Case Times	73.3	73.3	73.3
Inpatient Surgical Hours	767	1,188	1,635
Outpatient Surgical Hours	855	1,367	1,901
Total Surgical Hours	1,622	2,555	3,536
Group Assignment	4	4	4
Standard Hours per OR per Year	1,500	1,500	1,500
Total Surgical Hours/Standard Hours Per OR per Year	1.1	1.7	2.4

Source: Section Q, Form C.

In Section Q, the applicant provides the assumptions and methodology used to project utilization. Specifically, the applicant states projected utilization is based on the surgical utilization projections in the previously approved CON application (Project I.D. #J-8669-11), and that since that approval, the southern Wake County area of Holly Springs and Fuquay-Varina have grown substantially.

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

- The applicant’s utilization projections for UNC REX Holly Springs Hospital are based on the projected surgical utilization for the new hospital in the previously approved application, and are supported by the continued growth in the proposed service area.
- The applicant’s utilization projections are supported by letters from physicians who have expressed support for the proposed project. See Exhibit I.2.

Rex Surgery Center of Wakefield

In Section Q, the applicant provides projected utilization of the two operating rooms at the existing ambulatory surgery center in Wakefield, as illustrated in the following table.

Projected Rex Surgery Center of Wakefield Utilization

Operating Rooms	Year 1 FY2022	Year 2 FY2023	Year 3 FY2024
Dedicated Ambulatory ORs	2	2	2
Outpatient Surgical Cases	2,040	2,186	2,343
Surgical Case Times	86.0	86.0	86.0
Totals Surgical Hours	2,925	3,134	3,358
Group Assignment	6	6	6
Standard Hours per OR per Year	1,312.5	1,312.5	1,312.5
Total Surgical Hours/Standard Hours Per OR per Year	2.2	2.4	2.6

Source: Section Q, Form C.

In Section Q, the applicants provide the assumptions and methodology used to project utilization. Specifically, the applicants state projected utilization of the two dedicated ambulatory surgical operating rooms is based on the assumption that surgical case volumes will increase by an average annual growth rate of 7.1 percent, which the applicants state is approximately half of the average annual growth rate of 14.3 experienced by the facility from FY2015 to FY2017. Also, the applicants state that utilization is expected to increase due to the conversion of the facility from hospital-based to a separately licensed, freestanding ASC (Project I.D. # J-10280-14) that is partially owned by local surgeons.

The following table shows the total surgical cases at Rex Surgery Center of Wakefield from FY2012 to FY2018 based on data reported to DHSR on the Hospital License Renewal Application forms for the years 2013 to 2019.

Rex Surgery Center of Wakefield Surgical Cases, FY2012-FY2018

	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	CAGR FY2012- FY2018
Total Surgical Cases	1,595	1,642	1,430	1,639	1,964	1,955	1,013	-7.29%
Percent Change		2.9%	-12.9%	14.6%	19.8%	-0.5%	-48.2%	

Source: Hospital License Renewal Application forms, 2013-2019, and Ambulatory Surgical Facility License Renewal Application for 2019.

The following table shows the applicants’ total projected surgical cases at Rex Surgery Center of Wakefield from FY2017 to FY2024 based on data in Form C, Section Q of the application.

Projected Rex Surgery Center of Wakefield Surgical Cases

	FY2017	FY2018	FY2019	FY2020	FY2021	PY 1 FY2022	PY 2 FY2023	PY 3 FY2024	CAGR FY2017- FY2024
Total Surgical Cases	1,955	1,356	1,659	1,777	1,904	2,040	2,186	2,343	2.62%
Percent Change		-30.6%	22.3%	7.1%	7.1%	7.1%	7.2%	7.2%	

Source: Section Q.

As shown in the tables above, the historical average annual growth rates for surgical cases at Rex Surgery Center of Wakefield averaged -7.29 percent from FY2012 to FY2018. In other words, the CAGR was negative. Also, the actual FY2018 surgical case volume reported by the applicants in their 2019 LRA (1,013 surgical cases) was significantly lower than the FY2018 surgical case volume (1,356 surgical cases) projected by the applicants in Section Q, Form C of the application. However, in Section Q, page 16, the applicants state,

“To facilitate the transition from hospital-based to freestanding, Rex Surgery of Wakefield slowed then halted operations beginning in May 2018, which impacted its SFY 2018 utilization. Prior to completion of that project, UNC REX Hospital was approved to relocate one of Rex Surgery Center of Wakefield’s three operating rooms to UNC REX Hospital’s main campus (Project ID # J-11198-16). That operating room was relocated on July 1, 2017. Thus, Rex Surgery Center of Wakefield’s SFY 2018 utilization is also reflective of a reduction in capacity.”

The applicants’ utilization projections for the ambulatory surgery center for the period from FY2017 through FY2024 are based on the assumption that surgical case growth rates will average 2.62 percent per year. The applicants’ projected utilization is reasonable and adequately supported for the following reasons:

- The applicants’ utilization projections for Rex Surgery Center of Wakefield for the period FY2018 through the third year of the proposed project (FY2024) are supported by the applicants’ historical growth rates in surgical cases from 2014 to 2017.
- The applicants’ utilization projections are supported by letters from physicians who have expressed support for the proposed project. See Exhibit I.2.

Rex Surgery Center of Cary

In Section Q, the applicant provides projected utilization of the four operating rooms at the existing ambulatory surgery center in Cary, as illustrated in the following table.

Projected Rex Surgery Center of Cary Utilization

Operating Rooms	Year 1 FY2022	Year 2 FY2023	Year 3 FY2024
Dedicated Ambulatory ORs	4	4	4
Outpatient Surgical Cases	4,727	4,727	4,727
Surgical Case Times	58.0	58.0	58.0
Totals Surgical Hours	4,569	4,569	4,569
Group Assignment	6	6	6
Standard Hours per OR per Year	1,312.5	1,312.5	1,312.5
Total Surgical Hours/Standard Hours Per OR per Year	3.5	3.5	3.5

Source: Section Q, Form C.

In Section Q, the applicant provides the assumptions and methodology used to project utilization. Specifically, the applicant states projected utilization of the four dedicated ambulatory surgical operating rooms is based on the assumption that surgical case volumes will remain flat at the FY2018 volume of 4,727 surgical cases through the first three operating years of the proposed project.

The following table shows the total surgical cases at Rex Surgery Center of Cary from FY2012 to FY2018 based on data reported to DHSR on the License Renewal Application forms for the years 2013 to 2019.

Rex Surgery Center of Cary Surgical Cases, FY2012-FY2018

	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	CAGR FY2012- FY2018
Total Surgical Cases	4,350	5,108	4,735	4,145	3,786	4,854	4,585	0.88%
Percent Change		17.4%	-7.3%	-12.5%	-8.7%	28.2%	-5.5%	

Source: Hospital License Renewal Application forms, 2013-2019.

The following table shows the applicants' total projected surgical cases at Rex Surgery Center of Cary from FY2017 to FY2024 based on data in Form C, Section Q of the application.

Projected Rex Surgery Center of Cary Surgical Cases

	FY2017	FY2018	FY2019	FY2020	FY2021	PY 1 FY2022	PY 2 FY2023	PY 3 FY2024	CAGR FY2017- FY2024
Total Surgical Cases	4,854	4,727	4,727	4,727	4,727	4,727	4,727	4,727	-0.38
Percent Change	28.2%	-2.6%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	

Source: Section Q.

As shown in the tables above, the historical growth rates for surgical cases at Rex Surgery Center of Cary averaged 0.88 percent per year from FY2012 to FY2018. Also, the actual FY2018 surgical case volume reported by the applicants in their 2019 LRA (4,585 surgical cases) was lower than the FY2018 surgical case volume (4,727 surgical cases) projected by the applicants in Section Q, Form C of the application. The applicants' utilization projections for the ambulatory surgery center for the period from FY2017 through FY2024

are based on the assumption that surgical case growth rates will remain flat from FY2018 through FY2024. The applicants' projected utilization is reasonable and adequately supported for the following reasons:

- The applicants' utilization projections for Rex Surgery Center of Cary for the period FY2018 through the third year of the proposed project (FY2024) are supported by the applicants' historical volume of surgical cases from 2012 to 2018.
- The applicants' utilization projections are supported by letters from physicians who have expressed support for the proposed project. See Exhibit I.2.

Raleigh Orthopaedic Surgery Center

In Section Q, the applicant provides projected utilization of the three operating rooms at the existing ambulatory surgery center in Raleigh, as illustrated in the following table.

Projected Raleigh Orthopaedic Surgery Center Utilization

Operating Rooms	Year 1 FY2022	Year 2 FY2023	Year 3 FY2024
Dedicated Ambulatory ORs	3	3	3
Outpatient Surgical Cases	3,613	3,721	3,797
Surgical Case Times	84.0	84.0	84.0
Totals Surgical Hours	5,058	5,210	5,316
Group Assignment	6	6	6
Standard Hours per OR per Year	1,312.5	1,312.5	1,312.5
Total Surgical Hours/Standard Hours Per OR per Year	3.9	4.0	4.1

Source: Section Q, Form C.

In Section Q, the applicant provides the assumptions and methodology used to project utilization. Specifically, the applicant states projected utilization of the three dedicated ambulatory surgical operating rooms is based on the utilization projections in the previously approved CON application to develop Raleigh Orthopaedic Surgery Center-West Cary (Project I.D. #J-11161-16), and the assumption that surgical case volumes will grow at an average annual rate of 2.04 percent through the first three operating years of the proposed project, which is consistent with the 2018 to 2024 projected Wake County population growth based on data from the NCOSBM.

The following table shows the total surgical cases at Raleigh Orthopaedic Surgery Center from FY2014 to FY2018 based on data reported to DHSR on the License Renewal Application forms for the years 2015 to 2019. FY2014 was the surgery center's first full year of operation.

Raleigh Orthopaedic Surgery Center, FY2012-FY2018

	FY2014	FY2015	FY2016	FY2017	FY2018	CAGR FY2014- FY2018
Total Surgical Cases	3,148	3,739	3,766	4,384	5,416	14.53%
Percent Change		18.8%	0.7%	16.4%	23.5%	

Source: Ambulatory Surgical Facility License Renewal Application forms, 2015-2019.

The following table shows the applicants’ total projected surgical cases at Raleigh Orthopaedic Surgery Center from FY2017 to FY2024 based on data in Form C, Section Q of the application.

Projected Raleigh Orthopaedic Surgery Center Surgical Cases

	FY2017	FY2018	FY2019	FY2020	FY2021	PY 1 FY2022	PY 2 FY2023	PY 3 FY2024	CAGR FY2017- FY2024
Total Surgical Cases	4,384	5,538	5,538	4,472	3,474	3,613	3,721	3,797	-2.03%
Percent Change		26.3%	0.0%	-19.2%	-22.3%	4.0%	3.0%	2.0%	

Source: Section Q.

As shown in the tables above, the historical growth rates for surgical cases at Raleigh Orthopaedic Surgery Center averaged 14.53 percent per year from FY2014 to FY2018. Also, the actual FY2018 surgical case volume reported by the applicants in their 2019 LRA (5,416 surgical cases) was lower than the FY2018 surgical case volume (5,538 surgical cases) projected by the applicants in Section Q, Form C of the application. The applicants’ utilization projections for the ambulatory surgery center for the period from FY2017 through FY2024 are based on the assumption that surgical case growth rates will decrease with the development of Raleigh Orthopaedic Surgery Center-West Cary and then increase 2-4 percent from FY2022 to FY2024. The applicants’ projected utilization is reasonable and adequately supported for the following reasons:

- The applicants’ utilization projections for Raleigh Orthopaedic Surgery Center for the period FY2018 through the third year of the proposed project (FY2024) are supported by the applicants’ historical volume of surgical cases from 2014 to 2018, and by the projected Wake County population growth.
- The applicants’ utilization projections are supported by letters from physicians who have expressed support for the proposed project. See Exhibit I.2.

Raleigh Orthopaedic Surgery Center-West Cary

In Section Q, the applicants provide projected utilization of the operating room at the new ambulatory surgery center to be developed in Cary (Project I.D. # J-11161-16), as illustrated in the following table.

Projected Raleigh Orthopaedic Surgery Center-West Cary Utilization

Operating Rooms	Year 1 FY2022	Year 2 FY2023	Year 3 FY2024
Dedicated Ambulatory ORs	1	1	1
Outpatient Surgical Cases	1,114	1,147	1,171
Surgical Case Times	68.6	68.6	68.6
Totals Surgical Hours	1,274	1,312	1,339
Group Assignment	6	6	6
Standard Hours per OR per Year	1,312.5	1,312.5	1,312.5
Total Surgical Hours/Standard Hours Per OR per Year	1.0	1.0	1.0

Source: Section Q, Form C.

In Section Q, the applicants provide the assumptions and methodology used to project utilization. Specifically, the applicants state projected utilization of the dedicated ambulatory surgical operating room is based on the utilization projections in the previously approved CON application (Project I.D. #J-11161-16), and the assumption that surgical case volumes will grow at average annual rate of 2.04 percent through the first three operating years of the proposed project, which is consistent with the 2018 to 2024 projected Wake County population growth based on data from the NCOSBM.

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

- The applicants’ utilization projections are supported by the historical utilization experience of the Raleigh Orthopaedic Surgery Center’s existing operating rooms, and by the projected Wake County population growth.
- The applicants’ utilization projections are supported by letters from physicians who have expressed support for the proposed project. See Exhibit I.2.

UNC REX Health Care System-Wake County

The following table shows the total surgical cases at all UNC REX surgical facilities in Wake County from FY2012 to FY2018 based on data reported to DHSR on the License Renewal Application forms for the years 2013 to 2019.

UNC REX Health Care System Surgical Cases, FY2012-FY2018

	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	CAGR FY2012- FY2018
Total Surgical Cases*	28,271	28,781	28,956	29,084	29,135	30,327	30,427	1.23%
Percent Change		1.8%	0.6%	0.4%	0.2%	4.1%	0.3%	

Source: License Renewal Application forms, 2013-2019.

*Excludes C-Section procedures in dedicated C-Section operating rooms.

The following table shows the applicants’ total projected surgical cases at all existing, approved and proposed UNC REX surgical facilities in Wake County from FY2017 to FY2024 based on data in Form C, Section Q of the application.

Projected UNC REX Health Care System Surgical Cases, FY2017-FY2024

	FY2017	FY2018	FY2019	FY2020	FY2021	PY 1 FY2022	PY 2 FY2023	PY 3 FY2024	CAGR FY2017- FY2024
Total Surgical Cases	30,327	30,937	32,123	32,337	32,664	35,309	37,123	38,838	3.60%
Percent Change		2.0%	3.8%	0.7%	1.0%	8.1%	5.1%	4.6%	

Source: Section Q, page 7, and Form C combined.

As shown in the tables above, the historical growth rates for surgical cases at UNC REX surgical facilities in Wake County averaged 1.23 percent per year from FY2012 to FY2018. Also, the actual FY2018 surgical case volume reported by the applicants in their 2019 LRAs (30,427 surgical cases) was lower than the FY2018 surgical case volume (30,937 surgical cases) projected by the applicants in Section Q, Form C of the application. However, the applicants’ utilization projections for all existing, approved and proposed UNC REX surgical facilities in Wake County for the period from FY2017 through FY2024 are based on the assumption that surgical case volumes will increase at an average rate of 3.6 percent per year over the seven-year period. The applicants’ projected surgical case growth rates in the first three project years are significantly higher than their historical experience. Specifically, the applicants’ utilization projections for all existing, approved and proposed UNC REX surgical facilities in Wake County for the period from FY2021 through FY2024 are based on the assumption that surgical case volumes will increase at an average rate of 6 percent per year. The applicants’ projected utilization is not reasonable and adequately supported for the following reasons:

- The applicants’ utilization projections for UNC REX surgical facilities in Wake County for the period FY2018 through the third year of the proposed project (FY2024) vary significantly from the applicants’ historical growth rates in surgical case volumes from FY2012 to FY2018. Historical annual growth rates in surgical case volumes exceeded 3.6 percent only once from FY2012 to FY2018, and did not reach 6 percent in any of those years.
- The applicants did not provide adequate documentation in the application as submitted to support their assumption that surgical cases at all existing, approved and proposed UNC REX surgical facilities in Wake County will grow at an average annual rate of 3.6 percent per year from FY2017 to FY2024, or by an average annual rate of 6 percent from FY2021 to FY2024.

Access

In Section C.8, pages 58-59, the applicant states it is committed to providing services to all patients, and will not discriminate against anyone based on age, race, sex, creed, religion, disability, or the patient’s ability to pay. In Section L.3, page 95, the applicant projects the following payor mix during the second full fiscal year (FY2022) of operation following completion of the project, as illustrated in the following table.

Payor Source	Operating Rooms and Procedure Rooms
Self-Pay	3.9%
Medicare *	13.2%
Medicaid *	13.2%
Insurance *	66.9%
Other Govt, Workers Comp	2.8%
Total	100.0%

* Including any managed care plans

The projected payor mix is reasonable and adequately supported.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- 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 not conforming to this criterion for the following reasons:

- Projected utilization is not based upon reasonable and adequately supported assumptions for all the reasons described above.
- The applicant does not adequately demonstrate the need for the two additional operating rooms at a new ambulatory surgery center in Cary for all the reasons described above.

Rex Hospital. Rex Hospital, Inc. [**Rex Hospital**] proposes to develop two additional operating rooms at the existing hospital in Raleigh. In Section A.6, page 11, the applicant states UNC Health Care System is the sole member and parent of Rex Healthcare, Inc., which is the parent of Rex Hospital, Inc.

Patient Origin

On page 57, the 2018 SMFP states, “An operating room’s service area is the operating room planning area in which the operating room is located. The operating room planning areas are the single and multicounty groupings shown in Figure 6.1.” In Figure 6.1, page 62 of the 2018 SMFP, Wake County is shown as a single-county operating room service area. Thus, the service area for this facility consists of Wake County. Facilities may also serve residents of counties not included in their service area.

The following table illustrates current and projected patient origin.

County	Current FY2018		Third Full Fiscal Year of Operation FY2024	
	Patients	% of Total	Patients	% of Total
Wake	12,364	64.0%	13,140	64.0%
Johnston	1,514	7.8%	1,609	7.8%
Harnett	720	3.7%	765	3.7%
Franklin	630	3.3%	670	3.3%
Wayne	503	2.6%	535	2.6%
Wilson	415	2.1%	441	2.1%
Nash	383	2.0%	407	2.0%
Sampson	323	1.7%	343	1.7%
Durham	278	1.4%	295	1.4%
Other*	2,186	11.3%	2,323	11.3%
Total	19,316	100.0%	20,528	100.0%

Source: Section C, pages 23-24.

*The applicant lists the counties included in this category on page 23 of the application.

In Section C.3, page 24, the applicant provides the assumptions and methodology used to project its patient origin. The applicant’s assumptions are reasonable and adequately supported.

Analysis of Need

In Section C.4, pages 26-53, the applicant explains why it believes the population projected to utilize the proposed services needs the proposed services, as summarized below:

- The increasing demand for surgical services, particularly in outpatient settings, due to changes in technology and reimbursement. The operating rooms proposed in this application would not be located in an outpatient setting.
- The growth in outpatient and inpatient surgical case volumes in Wake County hospitals, and particularly UNC REX Hospital, from FY2012 to FY2017.

- The historical trend toward relocating hospital-based operating rooms to ambulatory surgery facilities, or from larger surgical providers to smaller surgical providers, has had the effect of reducing the overall surgical capacity for Wake County providers, and has increased the need for additional operating rooms, particularly in the hospital setting.
- The planned relocation of three operating rooms from UNC REX Hospital to UNC REX Holly Springs Hospital when that project becomes operational.
- The projected growth and aging of the Wake County population.

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

- The applicant provides information and data to support its assertion regarding the growth in surgical case volumes in North Carolina and Wake County.
- The applicant provides information to support its assertion that the historical trend toward relocating hospital-based operating rooms to ambulatory surgery facilities, or from larger surgical providers to smaller surgical providers, has had the effect of reducing the overall surgical capacity for Wake County providers.
- The applicant provides population growth projections for the proposed service area based on data from the North Carolina Office of State Budget and Management (NCOSBM), ESRI and other sources.

Projected Utilization

In Section Q, page 2, the applicant provides a table showing the operating room inventories for UNC Health Care’s existing, approved and proposed Wake County surgical facilities, which is summarized below:

UNC Health Care

	Adjusted Operating Room Planning Inventory	Proposed Adjusted Planning Inventory
UNC REX Hospital Holly Springs	3	3
Rex Surgery Center of Wakefield	2	2
Rex Surgery Center of Cary	4	4
UNC REX Hospital	22	24
Raleigh Orthopaedic Surgery Center	3	3
Raleigh Orthopaedic Surgery Center-West Cary	1	1
UNC Health Care Panther Creek Ambulatory Surgery Center*	0	2
Rex Surgery Center of Garner*	0	2
Total	35	41

Source: Section Q, page 2.

*The additional operating rooms in the Proposed Adjusted Planning Inventory for UNC Health Care Panther Creek Ambulatory Surgery Center and Rex Surgery Center of Garner are proposed in two separate applications included in this review.

In Section Q, the applicant provides utilization projections for UNC REX Hospital’s operating rooms, and for UNC Health Care’s other existing, approved and proposed Wake County surgical facilities through the first three operating years of the proposed project as discussed below.

UNC REX Hospital

In Section Q, the applicant provides projected utilization of UNC REX Hospital’s 24 shared operating rooms during the first three operating years of the proposed project, as illustrated in the following table.

Projected UNC REX Hospital Utilization

Operating Rooms	Year 1 FY2022	Year 2 FY2023	Year 3 FY2024
Shared Operating Rooms	24	24	24
Inpatient Surgical Cases	10,637	10,864	11,095
Outpatient Surgical Case	10,236	9,842	9,433
Total Surgical Cases	20,873	20,706	20,528
Inpatient Surgical Case Times	154.0	154.0	154.0
Outpatient Surgical Case Times	113.3	113.3	113.3
Inpatient Surgical Hours	27,302	27,883	28,478
Outpatient Surgical Hours	19,328	18,585	17,812
Total Surgical Hours	46,630	46,468	46,290
Group Assignment	2	2	2
Standard Hours per OR per Year	1,950	1,950	1,950
Total Surgical Hours/Standard Hours Per OR per Year	23.9	23.8	23.7

Source: Section Q, Form C.

In Section Q, the applicant provides the assumptions and methodology used to project utilization. Specifically, the applicant states projected utilization of the hospital’s operating rooms is based on the assumption that inpatient surgical case volumes will increase by an average annual growth rate of 4.3 percent, which is consistent with the applicant’s experience from 2012 to 2017. The applicant assumes outpatient surgical case volumes will remain flat during the first three operating years of the proposed project. The applicant states it will recruit at least eight new surgeons and expects those additional surgeons to add over 2,000 surgical cases over the next two to three years.

The applicant projects that surgical cases will shift from UNC REX Hospital to UNC REX Holly Springs Hospital (See Section Q, pages 4-5) and Rex Surgery Center of Garner (See Section Q, pages 5-6), and that some inpatient surgical cases will shift from UNC Hospitals at Chapel Hill to UNC REX Hospital (See Section Q, pages 6-7).

The applicant provides the projected utilization of the operating rooms at UNC REX Hospital after the projected shifts in surgical cases, as shown in the following table.

Projected UNC REX Hospital Surgical Utilization after Shifts

	FY2019	FY2020	FY2021	PY 1 FY2022	PY 2 FY2023	PY 3 FY2024
Inpatient Surgical Cases	8,776	9,150	9,540	9,946	10,370	10,811
Outpatient Surgical Cases	10,898	10,898	10,898	10,898	10,898	10,898
Inpatient Cases Shifted to UNC REX Holly Springs Hospital				-359	-556	-766
Outpatient Cases Shifted to UNC REX Holly Springs Hospital				-630	-1,007	-1,400
Outpatient Cases Shifted to Rex Surgery Center of Garner				-33	-49	-65
Inpatient Cases Shifted to UNC REX Hospital	525	788	1,050	1,050	1,050	1,050
Inpatient Cases after Shifts	9,301	9,938	10,590	10,637	10,864	11,095
Outpatient Cases after Shifts	10,898	10,898	10,898	10,236	9,842	9,433

Source: Section Q, page 7.

The following table shows the total surgical cases at UNC REX Hospital from FY2012 to FY2018 based on data reported to DHSR on the Hospital License Renewal Application forms for the years 2013 to 2019.

UNC REX Hospital Surgical Cases, FY2012-FY2018

	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	CAGR FY2012- FY2018
Total Surgical Cases*	22,326	21,620	19,643	19,561	19,619	19,134	19,413	-2.30%
Percent Change		-3.16%	-9.14%	-0.42%	0.30%	-2.47%	1.46%	

Source: Hospital License Renewal Application forms, 2013-2019.

*Excludes C-Section procedures in dedicated C-Section operating rooms and surgical case volumes for Rex Surgery Center of Wakefield.

The following table shows the applicants' total projected surgical cases at UNC REX Hospital from FY2017 to FY2024 after the projected shifts of surgical cases shown above, based on data in Form C, Section Q of the application.

Projected UNC REX Hospital Surgical Utilization

	FY2017	FY2018	FY2019	FY2020	FY2021	PY 1 FY2022	PY 2 FY2023	PY 3 FY2024	CAGR FY2017- FY2024
Total Surgical Cases	19,134	19,316	20,199	20,836	21,488	20,873	20,706	20,528	1.01%
Percent Change		1.0%	4.6%	3.2%	3.1%	-2.9%	-0.8%	-0.9%	

Source: Section Q, page 7.

As shown in the tables above, the historical growth rates for surgical cases at UNC REX Hospital averaged -2.30 percent per year from FY2012 to FY2018. In other words, the CAGR was negative. However, the applicants' utilization projections for the hospital for the period from FY2017 through FY2024 are based on the assumption that surgical case growth rates at the hospital will increase an average of 1.01% per year, after the proposed shifts of surgical cases to UNC Rex Holly Springs Hospital and Rex Surgery Center of Garner, and

the projected shift of surgical cases from UNC Hospitals. The applicants' projected utilization is not reasonable and adequately supported for the following reasons:

- The applicants' utilization projections for UNC REX Hospital for the period FY2018 through the third year of the proposed project (FY2024) vary significantly from the applicants' historical growth rates in surgical cases from 2012 to 2018.
- The applicants did not provide adequate documentation in the application as submitted to support their assumption that surgical cases will grow at an average annual rate of 1.01 percent (after the proposed shifts of surgical cases to UNC Rex Holly Springs Hospital and Rex Surgery Center of Garner, and from UNC Hospitals) from FY2017 to FY2024.

UNC Health Care Panther Creek Ambulatory Surgery Center

In addition to the proposed Garner ASC facility application discussed above and this application to add two operating rooms to UNC REX Hospital, UNC Health Care has submitted another application in this review to develop an ambulatory surgery center in Cary, UNC Health Care Panther Creek Ambulatory Surgery Center, with two operating rooms and two procedure rooms, which is also discussed above. In Section Q, the applicant provides projected utilization for the two operating rooms and two procedure rooms at the proposed ambulatory surgery center in the Panther Creek area of Cary, as illustrated in the following table.

Projected UNC Panther Creek ASC Utilization

Operating Rooms	Year 1 FY2022	Year 2 FY2023	Year 3 FY2024
Dedicated Ambulatory ORs	2	2	2
Outpatient Surgical Cases	938	1,406	1,875
Surgical Case Times	68.6	68.6	68.6
Totals Surgical Hours	1,072	1,608	2,144
Group Assignment	6	6	6
Standard Hours per OR per Year	1,312.5	1,312.5	1,312.5
Total Surgical Hours/Standard Hours Per OR per Year	0.8	1.2	1.6
Procedure Rooms			
# of Procedure Rooms	2	2	2
Total Procedures	245	368	490

Source: Section Q, Form C.

In Section Q, the applicant provides the assumptions and methodology used to project utilization. Specifically, the applicant states projected utilization of 1,875 surgical cases and 490 procedure rooms cases in the third operating year (FY2024) is based on the historical experience of UNC Faculty Physician surgeons, the amount of time each surgeon is expected to practice at the proposed facility, the specialty or sub-specialty mix of the expected procedures, and the expertise of the administrator or clinicians leading each service line. In Section Q, page 10, the applicant provides a table showing the expected operating room and procedure rooms cases for one existing surgeon and seven additional surgeons who will be

recruited by the applicant to practice at the proposed facility. The applicants state, “Please note that these surgical cases are expected to be incremental to UNC Health Care and are not expected to shift cases from existing sites of care.” Exhibit I.2 contains letters from physicians who have expressed support for the proposed project and their intention to perform ambulatory surgical cases at the proposed ASC. Also, the applicants state that the population located within a 15-minute drive time of the proposed site in Cary would generate 19,629 outpatient surgical cases in 2023, based on the 2017 Wake County surgical use rate of 60.3 surgical cases per 1,000 population (See page 47).

The applicants state the operating rooms and procedure room volume will ramp up over the first three project years from 50 to 75 to 100 percent, as shown in the following table.

	Year 1 FY2022	Year 2 FY2023	Year 3 FY2024
Ramp Up Percentages	50%	75%	100%
Operating Room Cases	938	1,406	1,875
Procedure Room Cases	245	368	490

Source: Section Q, page 14.

Projected utilization is not reasonable and adequately supported for the following reasons:

- The applicants state their utilization projections are based on the historical experience of UNC Faculty Physician surgeons, the amount of time each surgeon is expected to practice at the proposed facility, the specialty or sub-specialty mix of the expected procedures, and the expertise of the administrator or clinicians leading each service. However, all of those factors may support the applicants’ assumptions about the capacity and capabilities of the proposed surgical providers and surgical facility, but they do not necessarily support the applicants’ assumptions about the projected utilization of the proposed facility. That is, the fact that a newly recruited surgeon is capable of performing a certain number of surgical procedures does not in itself adequately demonstrate the need the population to be served at the Cary site has for the additional operating rooms.
- The applicants state that all of projected surgical cases to be served at the proposed ambulatory surgical center will represent “*incremental*” surgical case volume, and not surgical case volume that would have otherwise been served at their existing surgical facilities if this project was not developed. Therefore, the applicants do not project any corresponding decrease in surgical case volumes at their existing surgical facilities due to a “shifting” of surgical cases upon the development of the proposed ASC. It follows, therefore, that the applicants assume 100 percent of the surgical cases that will be served at the proposed ASC would have been served by other surgical providers if the proposed ASC was not developed, and none by their own surgical facilities. However, the applicants do not provide adequate support for this assumption in the application as submitted.
- When considered as part of all the existing, approved and proposed UNC REX surgical facilities in Wake County, the applicants’ utilization projections are not supported by the historical utilization growth rates for the health care system’s existing surgical facilities from FY2012 to FY2018. See discussion below.

Rex Surgery Center of Garner

In addition to the proposed UNC Panther Creek ASC facility discussed above, and this application to add two operating rooms to UNC REX Hospital, UNC Health Care has submitted another application in this review to develop an ambulatory surgery center in Garner, Rex Surgery Center of Garner, with two operating rooms and two procedure rooms. In Section Q, the applicant provides projected utilization of the two operating rooms and two procedure rooms at the proposed ambulatory surgery center in Garner, as illustrated in the following table.

Projected Rex ASC-Garner Utilization

Operating Rooms	Year 1 FY2022	Year 2 FY2023	Year 3 FY2024
Dedicated Ambulatory ORs	2	2	2
Outpatient Surgical Cases	995	1,493	1,990
Surgical Case Times	68.6	68.6	68.6
Totals Surgical Hours	1,138	1,706	2,275
Group Assignment	6	6	6
Standard Hours per OR per Year	1,312.5	1,312.5	1,312.5
Total Surgical Hours/Standard Hours Per OR per Year	0.9	1.3	1.7
Procedure Rooms			
# of Procedure Rooms	2	2	2
Total Procedures	106	158	211

Source: Section Q, Form C.

In Section Q, the applicant provides the assumptions and methodology used to project utilization. Specifically, the applicant states projected utilization of 1,990 surgical cases and 211 procedure rooms cases in the third operating year (FY2024) is based on the historical experience of UNC REX-affiliated surgeons, the amount of time each surgeon is expected to practice at the proposed facility, the specialty or sub-specialty mix of the expected procedures, and the expertise of the administrator or clinicians leading each service line. In Section Q, page 13, the applicant provides a table showing the expected operating room and procedure rooms cases for seven existing surgeons and six additional surgeons who will be recruited by the applicant to practice at the proposed facility. The applicants state, “Please note that the majority of the proposed operating room cases (1,925 of 1,990 total cases) are expected to be incremental to UNC Health Care and are not expected to shift from existing sites of care.” Exhibit I.2 contains letters from physicians who have expressed support for the proposed project and their intention to perform ambulatory surgical cases at the proposed ASC. Also, the applicants state that the population located within a 15-minute drive time of the proposed site in Garner would generate 9,036 outpatient surgical cases in 2023, based on the 2017 Wake County surgical use rate of 60.3 surgical cases per 1,000 population (See pages 47 and 51).

The applicants state the operating rooms and procedure room volume will ramp up over the first three project years from 50 to 75 to 100 percent, as shown in the following table.

	Year 1 FY2022	Year 2 FY2023	Year 3 FY2024
Ramp Up Percentages	50%	75%	100%
Operating Room Cases	995	1,493	1,990
Procedure Room Cases	106	158	211

Source: Section Q, page 14.

Projected utilization is not reasonable and adequately supported for the following reasons:

- The applicant states utilization projections are based on the historical experience of UNC REX-affiliated surgeons, the amount of time each surgeon is expected to practice at the proposed facility, the specialty or sub-specialty mix of the expected procedures, and the expertise of the administrator or clinicians leading each service. However, all of those factors may support the applicants’ assumptions about the capacity and capabilities of the proposed surgical providers and surgical facility, but they do not necessarily support the applicants’ assumptions about the projected utilization of the proposed facility. That is, the fact that a newly recruited surgeon is capable of performing a certain number of surgical procedures does not in itself adequately demonstrate the need the population to be served at the Garner site has for the additional operating rooms.
- The applicant states that nearly all of the projected surgical cases to be served at the proposed Garner ambulatory surgical center will represent “*incremental*” surgical case volume, and not surgical case volume that would have otherwise been served at their existing surgical facilities if this project was not developed. Therefore, the applicants do not project any significant corresponding decrease in surgical case volumes at their existing surgical facilities due to a “shifting” of surgical cases upon the development of the proposed Garner ASC. It follows, therefore, that the applicants assume almost all of the surgical cases that will be served at the proposed Garner ASC would have been served by other surgical providers if the proposed Garner ASC was not developed, and almost none by their own surgical facilities. However, the applicants do not provide adequate support for this assumption in the application as submitted.
- When considered as part of all the existing, approved and proposed UNC REX surgical facilities in Wake County, the applicants’ utilization projections are not supported by the historical utilization growth rates for the health care system’s existing surgical facilities from FY2012 to FY2018. See discussion below.

UNC REX Holly Springs Hospital

In Project I.D. # J-8669-11, Rex Hospital, Inc. was approved to develop a new 50-bed acute care hospital with three shared operating rooms in Holly Springs. The project is currently under development. In Section Q, the applicant provides projected utilization of the three shared operating rooms to be developed at the UNC REX Holly Springs Hospital during the first three operating years of the proposed project, as illustrated in the following table.

Projected UNC REX Holly Springs Hospital Utilization

Operating Rooms	Year 1 FY2022	Year 2 FY2023	Year 3 FY2024
Shared Operating Rooms	3	3	3
Inpatient Surgical Cases	399	618	851
Outpatient Surgical Case	700	1,119	1,556
Total Surgical Cases	1,099	1,737	2,407
Inpatient Surgical Case Times	115.3	115.3	115.3
Outpatient Surgical Case Times	73.3	73.3	73.3
Inpatient Surgical Hours	767	1,188	1,635
Outpatient Surgical Hours	855	1,367	1,901
Total Surgical Hours	1,622	2,555	3,536
Group Assignment	4	4	4
Standard Hours per OR per Year	1,500	1,500	1,500
Total Surgical Hours/Standard Hours Per OR per Year	1.1	1.7	2.4

Source: Section Q, Form C.

In Section Q, the applicant provides the assumptions and methodology used to project utilization. Specifically, the applicant states projected utilization is based on the surgical utilization projections in the previously approved CON application (Project I.D. #J-8669-11), and that since that approval, the southern Wake County area of Holly Springs and Fuquay-Varina have grown substantially.

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

- The applicant’s utilization projections for UNC REX Holly Springs Hospital are based on the projected surgical utilization for the new hospital in the previously approved application, and are supported by the continued growth in the proposed service area.
- The applicant’s utilization projections are supported by letters from physicians who have expressed support for the proposed project. See Exhibit I.2.

Rex Surgery Center of Wakefield

In Section Q, the applicant provides projected utilization of the two operating rooms at the existing ambulatory surgery center in Wakefield, as illustrated in the following table.

Projected Rex Surgery Center of Wakefield Utilization

Operating Rooms	Year 1 FY2022	Year 2 FY2023	Year 3 FY2024
Dedicated Ambulatory ORs	2	2	2
Outpatient Surgical Cases	2,040	2,186	2,343
Surgical Case Times	86.0	86.0	86.0
Totals Surgical Hours	2,925	3,134	3,358
Group Assignment	6	6	6
Standard Hours per OR per Year	1,312.5	1,312.5	1,312.5
Total Surgical Hours/Standard Hours Per OR per Year	2.2	2.4	2.6

Source: Section Q, Form C.

In Section Q, the applicants provide the assumptions and methodology used to project utilization. Specifically, the applicants state projected utilization of the two dedicated ambulatory surgical operating rooms is based on the assumption that surgical case volumes will increase by an average annual growth rate of 7.1 percent, which the applicants state is approximately half of the average annual growth rate of 14.3 experienced by the facility from FY2015 to FY2017. Also, the applicants state that utilization is expected to increase due to the conversion of the facility from hospital-based to a separately licensed, freestanding ASC (Project I.D. # J-10280-14) that is partially owned by local surgeons.

The following table shows the total surgical cases at Rex Surgery Center of Wakefield from FY2012 to FY2018 based on data reported to DHSR on the Hospital License Renewal Application forms for the years 2013 to 2019.

Rex Surgery Center of Wakefield Surgical Cases, FY2012-FY2018

	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	CAGR FY2012- FY2018
Total Surgical Cases	1,595	1,642	1,430	1,639	1,964	1,955	1,013	-7.29%
Percent Change		2.9%	-12.9%	14.6%	19.8%	-0.5%	-48.2%	

Source: Hospital License Renewal Application forms, 2013-2019, and Ambulatory Surgical Facility License Renewal Application for 2019.

The following table shows the applicants' total projected surgical cases at Rex Surgery Center of Wakefield from FY2017 to FY2024 based on data in Form C, Section Q of the application.

Projected Rex Surgery Center of Wakefield Surgical Cases

	FY2017	FY2018	FY2019	FY2020	FY2021	PY 1 FY2022	PY 2 FY2023	PY 3 FY2024	CAGR FY2017- FY2024
Total Surgical Cases	1,955	1,356	1,659	1,777	1,904	2,040	2,186	2,343	2.62%
Percent Change		-30.6%	22.3%	7.1%	7.1%	7.1%	7.2%	7.2%	

Source: Section Q.

As shown in the tables above, the historical average annual growth rates for surgical cases at Rex Surgery Center of Wakefield averaged -7.29 percent from FY2012 to FY2018. In other

words, the CAGR was negative. Also, the actual FY2018 surgical case volume reported by the applicants in their 2019 LRA (1,013 surgical cases) was significantly lower than the FY2018 surgical case volume (1,356 surgical cases) projected by the applicants in Section Q, Form C of the application. However, in Section Q, page 16, the applicants state,

“To facilitate the transition from hospital-based to freestanding, Rex Surgery of Wakefield slowed then halted operations beginning in May 2018, which impacted its SFY 2018 utilization. Prior to completion of that project, UNC REX Hospital was approved to relocate one of Rex Surgery Center of Wakefield’s three operating rooms to UNC REX Hospital’s main campus (Project ID # J-11198-16). That operating room was relocated on July 1, 2017. Thus, Rex Surgery Center of Wakefield’s SFY 2018 utilization is also reflective of a reduction in capacity.”

The applicants’ utilization projections for the ambulatory surgery center for the period from FY2017 through FY2024 are based on the assumption that surgical case growth rates will average 2.62 percent per year. The applicants’ projected utilization is reasonable and adequately supported for the following reasons:

- The applicants’ utilization projections for Rex Surgery Center of Wakefield for the period FY2018 through the third year of the proposed project (FY2024) are supported by the applicants’ historical growth rates in surgical cases from 2014 to 2017.
- The applicants’ utilization projections are supported by letters from physicians who have expressed support for the proposed project. See Exhibit I.2.

Rex Surgery Center of Cary

In Section Q, the applicant provides projected utilization of the four operating rooms at the existing ambulatory surgery center in Cary, as illustrated in the following table.

Projected Rex Surgery Center of Cary Utilization

Operating Rooms	Year 1 FY2022	Year 2 FY2023	Year 3 FY2024
Dedicated Ambulatory ORs	4	4	4
Outpatient Surgical Cases	4,727	4,727	4,727
Surgical Case Times	58.0	58.0	58.0
Totals Surgical Hours	4,569	4,569	4,569
Group Assignment	6	6	6
Standard Hours per OR per Year	1,312.5	1,312.5	1,312.5
Total Surgical Hours/Standard Hours Per OR per Year	3.5	3.5	3.5

Source: Section Q, Form C.

In Section Q, the applicant provides the assumptions and methodology used to project utilization. Specifically, the applicant states projected utilization of the four dedicated ambulatory surgical operating rooms is based on the assumption that surgical case volumes will remain flat at the FY2018 volume of 4,727 surgical cases through the first three operating years of the proposed project.

The following table shows the total surgical cases at Rex Surgery Center of Cary from FY2012 to FY2018 based on data reported to DHSR on the License Renewal Application forms for the years 2013 to 2019.

Rex Surgery Center of Cary Surgical Cases, FY2012-FY2018

	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	CAGR FY2012- FY2018
Total Surgical Cases	4,350	5,108	4,735	4,145	3,786	4,854	4,585	0.88%
Percent Change		17.4%	-7.3%	-12.5%	-8.7%	28.2%	-5.5%	

Source: Hospital License Renewal Application forms, 2013-2019.

The following table shows the applicants' total projected surgical cases at Rex Surgery Center of Cary from FY2017 to FY2024 based on data in Form C, Section Q of the application.

Projected Rex Surgery Center of Cary Surgical Cases

	FY2017	FY2018	FY2019	FY2020	FY2021	PY 1 FY2022	PY 2 FY2023	PY 3 FY2024	CAGR FY2017- FY2024
Total Surgical Cases	4,854	4,727	4,727	4,727	4,727	4,727	4,727	4,727	-0.38
Percent Change	28.2%	-2.6%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	

Source: Section Q.

As shown in the tables above, the historical growth rates for surgical cases at Rex Surgery Center of Cary averaged 0.88 percent per year from FY2012 to FY2018. Also, the actual FY2018 surgical case volume reported by the applicants in their 2019 LRA (4,585 surgical cases) was lower than the FY2018 surgical case volume (4,727 surgical cases) projected by the applicants in Section Q, Form C of the application. The applicants' utilization projections for the ambulatory surgery center for the period from FY2017 through FY2024 are based on the assumption that surgical case growth rates will remain flat from FY2018 through FY2024. The applicants' projected utilization is reasonable and adequately supported for the following reasons:

- The applicants' utilization projections for Rex Surgery Center of Cary for the period FY2018 through the third year of the proposed project (FY2024) are supported by the applicants' historical volume of surgical cases from 2012 to 2018.
- The applicants' utilization projections are supported by letters from physicians who have expressed support for the proposed project. See Exhibit I.2.

Raleigh Orthopaedic Surgery Center

In Section Q, the applicant provides projected utilization of the three operating rooms at the existing ambulatory surgery center in Raleigh, as illustrated in the following table.

Projected Raleigh Orthopaedic Surgery Center Utilization

Operating Rooms	Year 1 FY2022	Year 2 FY2023	Year 3 FY2024
Dedicated Ambulatory ORs	3	3	3
Outpatient Surgical Cases	3,613	3,721	3,797
Surgical Case Times	84.0	84.0	84.0
Totals Surgical Hours	5,058	5,210	5,316
Group Assignment	6	6	6
Standard Hours per OR per Year	1,312.5	1,312.5	1,312.5
Total Surgical Hours/Standard Hours Per OR per Year	3.9	4.0	4.1

Source: Section Q, Form C.

In Section Q, the applicant provides the assumptions and methodology used to project utilization. Specifically, the applicant states projected utilization of the three dedicated ambulatory surgical operating rooms is based on the utilization projections in the previously approved CON application to develop Raleigh Orthopaedic Surgery Center-West Cary (Project I.D. #J-11161-16), and the assumption that surgical case volumes will grow at an average annual rate of 2.04 percent through the first three operating years of the proposed project, which is consistent with the 2018 to 2024 projected Wake County population growth based on data from the NCOSBM.

The following table shows the total surgical cases at Raleigh Orthopaedic Surgery Center from FY2014 to FY2018 based on data reported to DHSR on the License Renewal Application forms for the years 2015 to 2019. FY2014 was the surgery center's first full year of operation.

Raleigh Orthopaedic Surgery Center, FY2012-FY2018

	FY2014	FY2015	FY2016	FY2017	FY2018	CAGR FY2014- FY2018
Total Surgical Cases	3,148	3,739	3,766	4,384	5,416	14.53%
Percent Change		18.8%	0.7%	16.4%	23.5%	

Source: Ambulatory Surgical Facility License Renewal Application forms, 2015-2019.

The following table shows the applicants' total projected surgical cases at Raleigh Orthopaedic Surgery Center from FY2017 to FY2024 based on data in Form C, Section Q of the application.

Projected Raleigh Orthopaedic Surgery Center Surgical Cases

	FY2017	FY2018	FY2019	FY2020	FY2021	PY 1 FY2022	PY 2 FY2023	PY 3 FY2024	CAGR FY2017- FY2024
Total Surgical Cases	4,384	5,538	5,538	4,472	3,474	3,613	3,721	3,797	-2.03%
Percent Change		26.3%	0.0%	-19.2%	-22.3%	4.0%	3.0%	2.0%	

Source: Section Q.

As shown in the tables above, the historical growth rates for surgical cases at Raleigh Orthopaedic Surgery Center averaged 14.53 percent per year from FY2014 to FY2018. Also,

the actual FY2018 surgical case volume reported by the applicants in their 2019 LRA (5,416 surgical cases) was lower than the FY2018 surgical case volume (5,538 surgical cases) projected by the applicants in Section Q, Form C of the application. The applicants' utilization projections for the ambulatory surgery center for the period from FY2017 through FY2024 are based on the assumption that surgical case growth rates will decrease with the development of Raleigh Orthopaedic Surgery Center-West Cary and then increase 2-4 percent from FY2022 to FY2024. The applicants' projected utilization is reasonable and adequately supported for the following reasons:

- The applicants' utilization projections for Raleigh Orthopaedic Surgery Center for the period FY2018 through the third year of the proposed project (FY2024) are supported by the applicants' historical volume of surgical cases from 2014 to 2018, and by the projected Wake County population growth.
- The applicants' utilization projections are supported by letters from physicians who have expressed support for the proposed project. See Exhibit I.2.

Raleigh Orthopaedic Surgery Center-West Cary

In Section Q, the applicants provide projected utilization of the operating room at the new ambulatory surgery center to be developed in Cary (Project I.D. # J-11161-16), as illustrated in the following table.

Projected Raleigh Orthopaedic Surgery Center-West Cary Utilization

Operating Rooms	Year 1 FY2022	Year 2 FY2023	Year 3 FY2024
Dedicated Ambulatory ORs	1	1	1
Outpatient Surgical Cases	1,114	1,147	1,171
Surgical Case Times	68.6	68.6	68.6
Totals Surgical Hours	1,274	1,312	1,339
Group Assignment	6	6	6
Standard Hours per OR per Year	1,312.5	1,312.5	1,312.5
Total Surgical Hours/Standard Hours Per OR per Year	1.0	1.0	1.0

Source: Section Q, Form C.

In Section Q, the applicants provide the assumptions and methodology used to project utilization. Specifically, the applicants state projected utilization of the dedicated ambulatory surgical operating room is based on the utilization projections in the previously approved CON application (Project I.D. #J-11161-16), and the assumption that surgical case volumes will grow at average annual rate of 2.04 percent through the first three operating years of the proposed project, which is consistent with the 2018 to 2024 projected Wake County population growth based on data from the NCOSBM.

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

- The applicants' utilization projections are supported by the historical utilization experience of the Raleigh Orthopaedic Surgery Center's existing operating rooms, and by the projected Wake County population growth.

- The applicants’ utilization projections are supported by letters from physicians who have expressed support for the proposed project. See Exhibit I.2.

UNC REX Health Care System-Wake County

The following table shows the total surgical cases at all UNC REX surgical facilities in Wake County from FY2012 to FY2018 based on data reported to DHSR on the License Renewal Application forms for the years 2013 to 2019.

UNC REX Health Care System Surgical Cases, FY2012-FY2018

	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	CAGR FY2012- FY2018
Total Surgical Cases*	28,271	28,781	28,956	29,084	29,135	30,327	30,427	1.23%
Percent Change		1.8%	0.6%	0.4%	0.2%	4.1%	0.3%	

Source: License Renewal Application forms, 2013-2019.

*Excludes C-Section procedures in dedicated C-Section operating rooms.

The following table shows the applicants’ total projected surgical cases at all existing, approved and proposed UNC REX surgical facilities in Wake County from FY2017 to FY2024 based on data in Form C, Section Q of the application.

Projected UNC REX Health Care System Surgical Cases, FY2017-FY2024

	FY2017	FY2018	FY2019	FY2020	FY2021	PY 1 FY2022	PY 2 FY2023	PY 3 FY2024	CAGR FY2017- FY2024
Total Surgical Cases	30,327	30,937	32,123	32,337	32,664	35,309	37,123	38,838	3.60%
Percent Change		2.0%	3.8%	0.7%	1.0%	8.1%	5.1%	4.6%	

Source: Section Q, page 7, and Form C combined.

As shown in the tables above, the historical growth rates for surgical cases at UNC REX surgical facilities in Wake County averaged 1.23 percent per year from FY2012 to FY2018. Also, the actual FY2018 surgical case volume reported by the applicants in their 2019 LRAs (30,427 surgical cases) was lower than the FY2018 surgical case volume (30,937 surgical cases) projected by the applicants in Section Q, Form C of the application. However, the applicants’ utilization projections for all existing, approved and proposed UNC REX surgical facilities in Wake County for the period from FY2017 through FY2024 are based on the assumption that surgical case volumes will increase at an average rate of 3.6 percent per year over the seven-year period. The applicants’ projected surgical case growth rates in the first three project years are significantly higher than their historical experience. Specifically, the applicants’ utilization projections for all existing, approved and proposed UNC REX surgical facilities in Wake County for the period from FY2021 through FY2024 are based on the assumption that surgical case volumes will increase at an average rate of 6 percent per year. The applicants’ projected utilization is not reasonable and adequately supported for the following reasons:

- The applicants’ utilization projections for UNC REX surgical facilities in Wake County for the period FY2018 through the third year of the proposed project

(FY2024) vary significantly from the applicants’ historical growth rates in surgical case volumes from FY2012 to FY2018. Historical annual growth rates in surgical case volumes exceeded 3.6 percent only once from FY2012 to FY2018, and did not reach 6 percent in any of those years.

- The applicants did not provide adequate documentation to support their assumption that surgical cases at all existing, approved and proposed UNC REX surgical facilities in Wake County will grow at an average annual rate of 3.6 percent per year from FY2017 to FY2024, or by an average annual rate of 6 percent from FY2021 to FY2024.

Access

In Section C.8, pages 57-58, the applicant states it is committed to providing services to all patients, and will not discriminate against anyone based on age, race, sex, creed, religion, disability, or the patient’s ability to pay. In Section L.3, page 95, the applicant projects the following payor mix during the second full fiscal year (FY2023) of operation following completion of the project, as illustrated in the following table.

Payor Source	UNC REX Hospital Operating Rooms
Self-Pay	2.3%
Medicare *	41.0%
Medicaid *	3.3%
Insurance *	50.7%
Other Govt, Workers Comp	2.6%
Total	100.0%

* Including any managed care plans

The projected payor mix is reasonable and adequately supported.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- 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 not conforming to this criterion for the following reasons:

- Projected utilization is not based upon reasonable and adequately supported assumptions for all the reasons described above.

Wake County Operating Room Review

Project ID #'s: J-11551-18, J-11553-18, J-11554-18, J-11555-18, J-11557-18, J-11561-18, J-11564-18, J-11565-18

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- The applicant does not adequately demonstrate the need for two additional operating rooms at UNC REX Hospital for all the reasons described above.

Duke Green Level ASC. Duke University Health System, Inc. d/b/a Green Level Ambulatory Surgery Center [**Duke Green Level ASC**] proposes to develop a new multi-specialty ambulatory surgery center in Cary with four operating rooms and four procedure rooms.

Patient Origin

On page 57, the 2018 SMFP states, “An operating room’s service area is the operating room planning area in which the operating room is located. The operating room planning areas are the single and multicounty groupings shown in Figure 6.1.” In Figure 6.1, page 62 of the 2018 SMFP, Wake County is shown as a single-county operating room service area. Thus, the service area for this facility consists of Wake County. Facilities may also serve residents of counties not included in their service area.

The following table illustrates projected patient origin for the applicant’s proposed ambulatory surgery center.

County	Third Full Fiscal Year of Operation FY2024	
	Patients	% of Total
Wake	2,676	56.1%
Johnston	219	4.6%
Durham	201	4.2%
Franklin	181	3.8%
Cumberland	114	2.4%
Nash	95	2.0%
Harnett	90	1.9%
Orange	62	1.3%
Granville	52	1.1%
Vance	38	0.8%
Alamance	33	0.7%
Chatham	29	0.6%
Person	19	0.4%
Guilford	19	0.4%
Other States	153	3.2%
Other NC Counties*	787	16.5%
Total	4,770	100.00%

Source: Section C.3, page 18.

*On page 18, the applicant states the counties included in this category represent less than one percent of patients.

In Section C.3, page 19, the applicant provides the assumptions and methodology used to project its patient origin. The applicant’s assumptions are reasonable and adequately supported.

Analysis of Need

In Section C.4, pages 20-39, the applicant explains why it believes the population projected to utilize the proposed services needs the proposed services, as summarized below:

- The historical growth in ambulatory surgery volumes at DUHS facilities, particularly in Wake County, and the lack of surgical capacity at the Duke Raleigh Hospital.
- The historical utilization of surgical services at DUHS in Durham County by residents of Wake County.
- The trend toward moving surgical cases to outpatient settings due to technological advancements, improvements in anesthesia and pain management, the development of minimally invasive procedures, and the cost advantages of outpatient setting over inpatient or hospital-based facilities.
- Projected growth and aging of the Wake County population, particularly in the western portion of the county, and the need for improved geographic access to outpatient surgical services in the western portion of Wake County.
- The need to add ambulatory surgery services to the growing array of DUHS primary care and specialty care services in an ambulatory medical setting.

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

- The applicant provides information and data to support its assertions regarding the growth in surgical case volumes for the residents of Wake County.
- The applicant provides information to support its assertion that the historical trend is toward moving surgical cases to outpatient settings.
- The applicant provides population growth projections for the proposed service area based on data from the North Carolina Office of State Budget and Management (NCOSBM), Truven and other sources.

Projected Utilization

In Section Q, page 119, the applicant provides a table showing the operating room (OR) inventories (excluding dedicated C-section operating rooms) for Duke University Health System's four existing Durham and Wake County surgical facilities, which is summarized below:

Duke University Health System

	Inpatient ORs	Shared ORs	Ambulatory ORs	Total ORs*
Durham County				
James E. Davis Ambulatory Surgical Center**	0	0	8	8
Duke University Hospital	7	49	9	65
Duke Regional Hospital	0	13	0	13
Wake County				
Duke Raleigh Hospital	0	15	0	15

Source: Section Q, page 119.

*Excludes dedicated C-Section operating rooms.

**Subsequent to the submission of this application, the applicant was approved on September 27, 2018 to develop a new multispecialty ASC in Durham, Arrington Ambulatory Surgery Center (Project I.D. # J-11508-18), by relocating four existing ambulatory surgery operating rooms from the James E. Davis Ambulatory Surgical Center.

In Section Q, the applicant provides projected utilization for the four operating rooms and four procedure rooms at the proposed ambulatory surgery center on Green Level Road, as illustrated in the following table.

Projected Duke Green Level ASC Utilization

Operating Rooms	Year 1 FY2022	Year 2 FY2023	Year 3 FY2024
Dedicated Ambulatory ORs	4	4	4
Outpatient Surgical Cases	2,278	3,327	4,770
Surgical Case Times	68.6	68.6	68.6
Totals Surgical Hours	2,605	3,804	5,453
Group Assignment	6	6	6
Standard Hours per OR per Year	1,312.5	1,312.5	1,312.5
Total Surgical Hours/Standard Hours Per OR per Year	2.0	2.9	4.2
Procedure Rooms			
# of Procedure Rooms	4	4	4
Total Procedures	687	1,007	1,517

Source: Section Q, Form C.

Duke Raleigh Hospital (DRAH) currently has 15 shared operating rooms. In Section Q, the applicant provides projected utilization of Duke Raleigh Hospital's shared operating rooms during the first three operating years of the proposed project, as illustrated in the following table.

Projected Duke Raleigh Hospital Utilization

Operating Rooms	Year 1 FY2022	Year 2 FY2023	Year 3 FY2024
Shared Operating Rooms*	17 [15]	17 [15]	17 [15]
Inpatient Surgical Cases	4,369	4,478	4,590
Outpatient Surgical Case	12,974	12,605	12,392
Total Surgical Cases	17,343	17,083	16,982
Inpatient Surgical Case Times	206.0	206.0	206.0
Outpatient Surgical Case Times	111.0	111.0	111.0
Inpatient Surgical Hours	14,999	15,374	15,758
Outpatient Surgical Hours	24,002	23,320	22,925
Total Surgical Hours	39,001	38,693	38,683
Group Assignment	2	2	2
Standard Hours per OR per Year	1,755	1,755	1,755
Total Surgical Hours/Standard Hours Per OR per Year	22.2	22.0	22.0
Procedure Rooms	2	2	2
Total Procedures	1,891	1,722	1,601

Source: Section Q, Form C.

*In separate application (Project I.D. J-11558-18), Duke Raleigh Hospital proposed to develop two additional operating rooms, for a total of 17 operating rooms at the hospital. That application was withdrawn by the applicant on January 18, 2019. Therefore, Duke Raleigh Hospital would continue to have 15 shared operating rooms.

In Section Q, the applicant provides the assumptions and methodology used to project utilization, which is summarized below.

Step 1: The applicant reviewed the historical surgical case volumes at existing DUHS surgical facilities from FY2014 to FY2018.

Step 2: Based on the historical surgical case volumes from FY2014 to FY2018, growth and aging of the Wake County population, statistical data regarding surgical use rates, and the applicant’s physician recruitment plans, the applicant projects the annual growth rates for inpatient and outpatient surgical cases at the existing DUHS surgical facilities in Durham and Wake counties, as shown in the table on page 124 of the application.

Step 3: Based on the projected surgical case growth rates (Step 2), the applicant projects the surgical case volumes for its four existing Durham and Wake County surgical facilities through the first three operating years of the proposed project, as shown in the table on page 125 of the application.

Step 4: The applicant identified the FY2018 outpatient surgical cases performed at the three existing hospital facilities (Duke University Hospital, Duke Regional Hospital, and Duke Raleigh Hospital) that would be potentially appropriate candidates to have the surgery in an ambulatory surgery center based on the criteria described on page 126 of the application.

Step 5: Based on the percentages of ASC-appropriate cases identified in Step 4, the applicant projects the outpatient operating room cases appropriate for an ASC for each of the four

existing DUHS facilities through the first three operating years of the proposed project, as shown in the table on page 128.

Step 6: The applicant identifies historical (FY2018) outpatient surgical cases by facility and by specialty, as summarized in the table on page 129.

Step 7: Based on historical outpatient surgical utilization by specialty (Step 6), and the anticipated surgical specialties that will practice at the proposed ASC, the applicant projects the number of ASC-appropriate outpatient surgical cases by specialty (Step 5) that will shift from its four existing surgical facilities to the proposed Green Level ASC. See tables on pages 130-131.

Step 8: Based on projections of ASC-appropriate outpatient surgical cases by specialty projected to shift to the Arrington ASC to be developed in Durham (Project I.D. # J-11508-18), the applicant excludes those cases from the total number of ASC-appropriate outpatient surgical cases by specialty that will shift from its four existing surgical facilities to the proposed Green Level ASC. See tables on pages 132-133.

Step 9: The applicant projects that the ASC-appropriate outpatient surgical cases that will shift to the proposed Green Level ASC will primarily be from Duke Raleigh Hospital, with a lesser percentage shifting from Duke University Hospital. The applicant does not project any ASC-appropriate outpatient surgical cases will shift to the proposed Green Level ASC from Duke Regional Hospital or Davis Ambulatory Surgical Center. The applicant provides its projections of the percentage of ASC-appropriate outpatient surgical cases that will shift from Duke University Hospital and Duke Raleigh Hospital to the proposed ASC by specialty in each of the first three operating years of the proposed project in the tables on page 137 of the application.

Step 10: Based on the applicant's projections of the percentage of ASC-appropriate outpatient surgical cases by specialty that will shift to the proposed Green Level ASC primarily from Duke Raleigh Hospital and Duke University Hospital, the applicant projects the total surgical cases by specialty at the proposed ASC in each of the first three operating years, as shown in the tables on pages 138-139 of the application. Also, the applicant provides projected surgical case volumes for its four existing surgical facilities, after the projected shift of ASC-appropriate outpatient surgical cases to the approved Arrington ASC (Project # J-11508-18) and the proposed Green Level ASC, through the first three operating years of the proposed project, as shown in the table on page 140 of the application.

As indicated above, the applicant assumes surgical case volumes at Duke Raleigh Hospital will continue to grow based on its historical growth rates, and that some portion of the ambulatory surgical cases that would have been served at Duke Raleigh Hospital will shift to the proposed Duke Green Level ASC in the first three operating years of the project. Specifically, the applicant states projected utilization of the Duke Raleigh Hospital's operating rooms is based on the assumption that inpatient surgical case volumes will increase by an average annual growth rate of 2.5 percent, and that outpatient surgical case volumes will increase by an average annual growth rate of 5.0 percent, through the first three operating years of the proposed project. The following table summarizes the applicant's projected surgical case volumes for Duke Raleigh Hospital before and after the projected "shift" of surgical cases to the proposed Duke Green Level ASC and the approved Arrington ASC from FY2018 through the third operating year of the proposed project.

Applicant’s Projected Duke Raleigh Hospital Surgical Cases

	FY2018	FY2019	FY2020	FY2021	PY 1 FY2022	PY 2 FY2023	PY 3 FY2024
Inpatient Surgical Cases	3,958	4,057	4,158	4,262	4,369	4,478	4,590
Outpatient Surgical Cases	12,604	13,234	13,896	14,463	15,320	16,086	16,890
Total Surgical Cases	16,562	17,291	18,054	18,725	19,689	20,564	21,480
Cases shifted to Green Level ASC					2,077	2,916	3,933
Cases shifted to Arrington ASC					269	565	565
Total cases shifted from DRAH					2,346	3,481	4,498
Surgical Cases at DRAH after shifts:							
Inpatient Surgical Cases	3,958	4,057	4,158	4,262	4,369	4,478	4,590
Outpatient Surgical Cases	12,604	13,234	13,896	14,463	12,974	12,605	12,392
Total DRAH Surgical Cases	16,562	17,291	18,054	18,725	17,343	17,083	16,982

Source: Section Q, pages 139-140.

However, projected surgical case volumes and growth rates are questionable because the applicant reported in its 2019 Hospital License Renewal Application that historical surgical case volume data for Duke Raleigh Hospital has been overstated for an unknown number of years. The 2019 Hospital LRA was emailed on January 23, 2019 to Martha Frisone, Chief. The applicant’s email states,

“While total surgical cases continue to increase, in previous years, Duke Raleigh inadvertently included all cases performed in the surgical suite, including procedures in both licensed ORs and in procedure rooms, in this category. ... We apologize for our previous reporting errors and greatly regret any difficulties that this causes in the planning process or the review of Wake County certificate of need applications.”

The following table illustrates the extent of the overstatement for FY2018.

Comparison of Duke Raleigh Hospital Reported Surgical Utilization, FY2018

Operating Rooms	FY2018 Cases Volumes Reported in Application (Page 125)	FY2018 Case Volumes Reported in 2019 License Renewal Application	Difference
Inpatient Surgical Cases	3,958	3,328	630
Outpatient Surgical Case	12,604	7,474	5,130
Total Surgical Cases	16,562	10,802	5,760

Source: Section Q, page 125, and 2019 Hospital License Renewal Application for DRAH.

Moreover, assuming the projected growth rates for inpatient and outpatient surgical cases at Duke Raleigh Hospital were still based on reasonable assumptions, the number of surgical hours in year three based on the corrected baseline for FY2018 is not sufficient to demonstrate the need for the four proposed operating rooms in the Green Level ASC in addition to the operating rooms at DRAH. The following table shows the projected surgical cases volumes for Duke Raleigh Hospital based on the surgical case volumes reported for FY2018 in the 2019 Hospital License Renewal Application, and then increased by the

applicant's projected average annual growth rates of 2.5 percent for inpatient surgical cases and 5 percent for outpatient surgical cases.

Revised Projected Duke Raleigh Hospital Surgical Cases

	FY2018	FY2019	FY2020	FY2021	PY 1 FY2022	PY 2 FY2023	PY 3 FY2024
Inpatient Surgical Cases	3,328	3,411	3,496	3,584	3,673	3,765	3,859
Outpatient Surgical Cases	7,474	7,848	8,240	8,652	9,085	9,539	10,016
Total Surgical Cases	10,802	11,259	11,737	12,236	12,758	13,304	13,875
Cases shifted to Green Level ASC					2,077	2,916	3,933
Cases shifted to Arringtondon ASC					269	565	565
Total cases shifted from DRAH					2,346	3,481	4,498
Surgical Cases at DRAH after shifts:							
Inpatient Surgical Cases	3,328	3,411	3,496	3,584	3,673	3,765	3,859
Outpatient Surgical Cases	7,474	7,848	8,240	8,652	6,739	6,058	5,518
Total DRAH Surgical Cases	10,802	11,259	11,737	12,236	10,412	9,823	9,377

The following table shows the projected operating room need for Duke Raleigh Hospital based on the revised surgical cases volumes from the table above.

Revised Projected Duke Raleigh Hospital Utilization

Operating Rooms	Year 1 FY2022	Year 2 FY2023	Year 3 FY2024
Shared Operating Rooms	15	15	15
Inpatient Surgical Cases	3,673	3,765	3,859
Outpatient Surgical Case	6,739	6,058	5,518
Total Surgical Cases	10,412	9,823	9,377
Inpatient Surgical Case Times	206.0	206.0	206.0
Outpatient Surgical Case Times	111.0	111.0	111.0
Inpatient Surgical Hours	12,611	12,927	13,249
Outpatient Surgical Hours	12,467	11,207	10,208
Total Surgical Hours	25,078	24,134	23,458
Group Assignment	3	3	3
Standard Hours per OR per Year	1,755	1,755	1,755
ORs Needed based on Surgical Hours/Per OR per Year	14.29	13.75	13.37

As shown in the table above, the revised projections indicate DRAH would have a surplus of operating rooms in the third year of the project based on the revised FY2018 baseline surgical case volume for DRAH and the applicant's projected growth rates for surgical cases.

The number of cases expected to shift to the proposed Duke Green Level ASC is also questionable. The following table shows the projected surgical case volumes at the proposed

Duke Green Level ASC in the first three years based on the applicant’s projections of surgical cases that will shift from Duke Raleigh Hospital and Duke University Hospital.

Projected Duke Green Level ASC Surgical Cases

	Year 1 FY2022	Year 2 FY2023	Year 3 FY2024
Surgical Cases to shift from Duke Raleigh Hospital	2,077	2,916	3,933
Surgical Cases to shift from Duke University Hospital	201	411	836
Total Duke Green Level ASC Surgical Cases	2,278	3,327	4,770

Source: Section Q, page 139.

As shown in the table above, the applicant’s projections assumed that 3,933 outpatient surgical cases would shift from DRAH to the proposed Green Level ASC in the third year of the project, which would represent 23.3 percent ($3,933/16,890 = 0.233$) of total projected DRAH outpatient surgical cases based on the applicant’s projections. However, based on the revised projections, 3,933 surgical cases would represent 39.3 percent ($3,933/10,016 = 0.393$) of total projected DRAH outpatient surgical cases. Therefore, the applicant’s projections of outpatient surgical cases that would be expected to shift from DRAH in Raleigh to the proposed Green Level ASC in west Cary is questionable. Therefore projected utilization of the proposed Green Level ASC in year three is questionable.

The applicant’s projected utilization is not reasonable and adequately supported for the following reasons:

- The applicant’s utilization projections for DRAH for the period FY2019 through the third year of the proposed project (FY2024) are based on overstated surgical case volumes for DRAH for an unknown number of previous years, and therefore unreasonable and unsupported.
- The applicant’s assumptions about the number of outpatient surgical cases projected to “shift” from DRAH to the proposed Green Level ASC are therefore unreasonable and unsupported.

Access

In Section C.8, page 44, the applicant states it is committed to providing services to all patients, and will not discriminate against anyone based on race, age, gender, disability, or the patient’s ability to pay. In Section L.3, page 103, the applicant projects the following payor mix during the second full fiscal year (FY2023) of operation following completion of the project, as illustrated in the following table.

Payor Source	Operating Rooms	Procedure Rooms
Self-Pay/Charity Care	1.6%	1.8%
Medicare *	43.4%	33.8%
Medicaid *	4.8%	5.5%
Insurance *	43.1%	48.6%
Other Govt, Workers Comp	7.0%	10.3%
Total	100.0%	100.0%

* Including any managed care plans

The projected payor mix is reasonable and adequately supported.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- 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 not conforming to this criterion for the following reasons:

- Projected utilization is not based upon reasonable and adequately supported assumptions for all the reasons described above.
- The applicant does not adequately demonstrate the need for four additional operating rooms at the proposed Duke Green Level ASC for all the reasons described above.

OrthoNC ASC. OrthoNC ASC, Inc. [**OrthoNC ASC**] proposes to develop a new single-specialty ambulatory surgery center in Raleigh with one operating room and one procedure room focused on orthopedic and pain management procedures.

Patient Origin

On page 57, the 2018 SMFP states, “An operating room’s service area is the operating room planning area in which the operating room is located. The operating room planning areas are the single and multicounty groupings shown in Figure 6.1.” In Figure 6.1, page 62 of the 2018 SMFP, Wake County is shown as a single-county operating room service area. Thus, the service area for this facility consists of Wake County. Facilities may also serve residents of counties not included in their service area.

The following table illustrates projected patient origin for the applicant’s proposed operating room.

County	Third Full Fiscal Year of Operation FY2023	
	Patients	% of Total
Wake	653	53%
Franklin	221	18%
Vance	92	7%
Granville	55	4%
Nash	34	3%
Warren	21	2%
Durham	20	2%
Johnston	17	1%
Other NC	98	8%
Out of State	14	1%
Total	1,230 [1,225]	100%

Source: Section C.3, page 17.

The following table illustrates projected patient origin for the applicant’s proposed procedure room.

County	Third Full Fiscal Year of Operation FY2023	
	Patients	% of Total
Wake	1,059	55%
Franklin	442	23%
Vance	141	7%
Granville	59	3%
Nash	56	3%
Warren	52	3%
Johnston	22	1%
Wilson	11	1%
Other NC	68	8%
Out of State	12	1%
Total	1,922	100%

Source: Section C.3, page 18.

In Section C.3, page 17, the applicant provides the assumptions and methodology used to project its patient origin. The applicant’s assumptions are reasonable and adequately supported.

Analysis of Need

In Section C.4, pages 18-26, the applicant explains why it believes the population projected to utilize the proposed services needs the proposed services, as summarized below:

- The projected growth in surgery volumes in the Wake County service area.
- The benefits of ambulatory surgery centers, including reduced travel times for physicians and lower costs to patients.
- The historical and projected growth and aging of the Wake County population.
- The advantages of physician ownership of a single-specialty ASC in terms of increased control and continuing specialized training.
- The advantages of single specialty orthopedic ASC’s over multispecialty ASCs and hospital-based operating rooms.
- The lower costs associated with ASC as opposed to hospital-based operating rooms.
- The need for additional block time in Wake County operating rooms for independent physicians as opposed to hospital-employed physicians.

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

- The applicant provides information and data to support its assertions regarding the need for additional operating rooms to meet the need due to the growth in surgical case volumes for the Wake County service area.
- The applicant provides information to support its assertion regarding the advantages of ASC operating rooms as opposed to hospital-based operating rooms.
- The applicant provides population growth projections for the proposed service area based on data from the North Carolina Office of State Budget and Management (NCOSBM).

Projected Utilization

In Section Q, the applicant provides projected utilization for the operating room and procedure room at the proposed ambulatory surgery center, as illustrated in the following table.

Projected OrthoNC ASC Utilization

Operating Rooms	Year 1 FY2021	Year 2 FY2022	Year 3 FY2023
Dedicated Ambulatory ORs	1	1	1
Outpatient Surgical Cases	1,159	1,194	1,230
Surgical Case Times	68.6	68.6	68.6
Totals Surgical Hours	1,325	1,365	1,406
Group Assignment	6	6	6
Standard Hours per OR per Year	1,312.5	1,312.5	1,312.5
Total Surgical Hours/Standard Hours Per OR per Year	1.0	1.0	1.1
Procedure Rooms			
# of Procedure Rooms	1	1	1
Total Procedures	1,811	1,866	1,922

Source: Section Q, Form C.

In Section Q, the applicant provides the assumptions and methodology used to project utilization. Specifically, the applicant states the projected utilization of 1,230 operating room cases and 1,922 procedure room cases in the third operating year (FY2023) is based on the historical operating room and procedure room case volumes for the year ended June 2018 for the Orthopaedic Specialists of NC surgeons who are expected to practice at the proposed ASC. The applicant states that 80 percent of historical operating room and procedure room case volumes are projected to shift to the proposed ASC in the first operating year (FY2021), and that operating room and procedure room cases will grow at an annual rate of 3 percent, based on the historical growth the case volumes for the surgeons, and the projected growth in surgeries and population in the Wake County service area. The applicant also states that improvements in scheduling efficiencies in the proposed ASC will support additional growth in case volumes. In Section Q, pages 81 and 82, the applicant provides tables showing the expected operating room and procedure room cases for the surgeons expected to practice at the proposed facility. Exhibit C-4 contains letters from the physicians who have expressed support for the proposed project and their intention to perform operating room and procedure room cases at the proposed ASC.

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

- The applicants’ utilization projections are based on the recent operating room and procedure room case volumes for the Orthopaedic Specialists of NC surgeons who will practice at the proposed ASC, and growth rates are supported by the projected population growth and aging of the Wake County service area.

- The applicants’ utilization projections are supported by letters from physicians who have expressed support for the proposed project and their intention to perform ambulatory surgical cases at the proposed ASC. See Exhibit C-4.

Access

In Section C.8, page 30, the applicant states it is committed to providing services to all patients, and will not discriminate against anyone based on age, race, color, sexual orientation, religion, marital status, sex, national origin, or the patient’s ability to pay. In Section L.3, page 70, the applicant projects the following payor mix during the second full fiscal year (FY2022) of operation following completion of the project, as illustrated in the following table.

Payor Source	Operating Rooms	Procedure Rooms
Self-Pay	2%	0%
Charity Care	2%	2%
Medicare *	25%	41%
Medicaid *	6%	5%
Insurance *	61%	50%
Workers Compensation	4%	2%
Total	100%	100%

* Including any managed care plans

The projected payor mix is reasonable and adequately supported.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Responses to comments

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.

WakeMed ASC-North Raleigh. WakeMed Surgery Center-North Raleigh, LLC and WakeMed [WakeMed ASC-North Raleigh] propose to develop a new multi-specialty ambulatory surgery center in Raleigh with two operating rooms and two procedure rooms. In Section A.10, page 10, the applicants state WakeMed Surgery Center-North Raleigh, LLC is a new entity that is a joint venture between WakeMed and Compass Surgical Partners, LLC. In Section A.9, page 9, the applicants state WakeMed will own the building, WakeMed Surgery Center-North Raleigh, LLC will operate the proposed ASC, and Compass Surgical Partners, LLC will manage the proposed ASC.

Patient Origin

On page 57, the 2018 SMFP states, “An operating room’s service area is the operating room planning area in which the operating room is located. The operating room planning areas are the single and multicounty groupings shown in Figure 6.1.” In Figure 6.1, page 62 of the 2018 SMFP, Wake County is shown as a single-county operating room service area. Thus, the service area for this facility consists of Wake County. Facilities may also serve residents of counties not included in their service area.

The following table illustrates projected patient origin for the applicants’ proposed operating rooms.

County	Third Full Fiscal Year of Operation FY2023	
	Patients	% of Total
Wake	2,096	66.5%
Franklin	356	11.3%
Johnston	135	4.3%
Wilson	91	2.9%
Durham	74	2.4%
Vance	74	2.4%
Nash	72	2.3%
Other	254	8.1%
Total	3,152	100.0%

Source: Section C.3, page 21.

The following table illustrates projected patient origin for the applicants’ proposed procedure rooms.

County	Third Full Fiscal Year of Operation FY2023	
	Patients	% of Total
Wake	851	66.5%
Franklin	145	11.3%
Johnston	55	4.3%
Wilson	37	2.9%
Durham	30	2.4%
Vance	30	2.4%
Nash	29	2.3%
Other	103	8.1%
Total	1,280	100.0%

Source: Section C.3, page 22.

In Section C.3, page 22, the applicants provide the assumptions and methodology used to project their patient origin. The applicants’ assumptions are reasonable and adequately supported.

Analysis of Need

In Section C.4, pages 22-28, the applicants explain why they believe the population projected to utilize the proposed services needs the proposed services, as summarized below:

- The historical and projected growth of the Wake County population, particularly in North Raleigh and northern Wake County.
- The need for ambulatory surgical operating rooms in northern Wake County, because there are currently no freestanding multispecialty ASCs in northern Wake County.
- The location of Wake County surgeons, who tend to cluster around acute care hospitals, supports the development of an ASC in close proximity to a hospital.

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

- The applicants provide population growth projections for the proposed service area based on data from the North Carolina Office of State Budget and Management (NCOSBM).
- The applicants provide information and data to support their assertions regarding the location of existing surgical services and surgeons in the Wake County service area.

Projected Utilization

In Section C.6, page 31 the applicants provide a table showing the operating room inventories for WakeMed’s existing Wake County surgical facilities, which is summarized below:

WakeMed System

	Inpatient ORs	Shared ORs	Ambulatory ORs	Total ORs*
WakeMed Raleigh (incl. WakeMed North)	4	20	0	24
WakeMed Cary Hospital	0	9	0	9
Capital City Surgery Center	0	0	8	8
WakeMed System Total	4	29	8	41

Source: Section C.6, page 31.

*Excludes three dedicated C-Section operating rooms at WakeMed Raleigh Campus, one dedicated C-Section operating room at WakeMed North Hospital, and two dedicated C-Section operating rooms at WakeMed Cary Hospital.

In Section Q, the applicants provide utilization projections for the proposed WakeMed ASC-North facility, and for WakeMed’s other Wake County surgical facilities through the first three operating years of the proposed project as discussed below.

WakeMed Surgery Center-North Raleigh

In Section Q, the applicants provide projected utilization of the two operating rooms and two procedure rooms at the proposed ambulatory surgery center in North Raleigh, as illustrated in the following table.

Projected WakeMed ASC-North Utilization

Operating Rooms	Year 1 FY2021	Year 2 FY2022	Year 3 FY2023
Dedicated Ambulatory ORs	2	2	2
Outpatient Surgical Cases	2,449	2,850	3,152
Surgical Case Times	68.6	68.6	68.6
Totals Surgical Hours	2,800.0	3,258.5	3,603.8
Group Assignment	6	6	6
Standard Hours per OR per Year	1,312.5	1,312.5	1,312.5
Total Surgical Hours/Standard Hours Per OR per Year	2.13	2.48	2.75
Procedure Rooms			
# of Procedure Rooms	2	2	2
Total Procedures	1,155	1,215	1,280

Source: Section Q, Form C.

WakeMed Surgery Center-Cary

In addition to the application to develop WakeMed Surgery Center-North Raleigh, WakeMed Surgery Center-Cary submitted an application to develop a multispecialty ASC in Cary in this same review. In Section Q, the applicants provide projected utilization of the two operating rooms and two procedure rooms at the proposed ambulatory surgery center in Cary, as illustrated in the following table.

Projected WakeMed ASC-Cary Utilization

Operating Rooms	Year 1 FY2021	Year 2 FY2022	Year 3 FY2023
Dedicated Ambulatory ORs	2	2	2
Outpatient Surgical Cases	2,133	2,409	2,812
Surgical Case Times	68.6	68.6	68.6
Totals Surgical Hours	2,438.7	2,754.3	3,215.1
Group Assignment	6	6	6
Standard Hours per OR per Year	1,312.5	1,312.5	1,312.5
Total Surgical Hours/Standard Hours Per OR per Year	1.86	2.10	2.45
Procedure Rooms			
# of Procedure Rooms	2	2	2
Total Procedures	1,210	1,270	1,320

Source: Section Q, Form C.

In Section Q, the applicants provide the assumptions and methodology used to project utilization at the four existing and two proposed WakeMed surgical facilities in Wake County, which is summarized below.

Step 1: The applicants reviewed the historical surgical case volumes at each of the surgical facilities operating in Wake County from FY2015 to FY2017, and organized those surgical volumes into three categories, including hospital surgical inpatients, hospital surgical outpatients, and freestanding ambulatory surgery facility (ASF) outpatients, as shown in the tables on pages 118-119.

Step 2: Based on the surgical case volumes for the three categories of patients identified in Step 1 above, the applicants calculated the average annual growth rates for each category from FY2015 to FY2017, as shown in the table on page 120 of the application.

Step 3: Based on the surgical case growth rates calculated above in Step 2, the applicants project the surgical case volumes for the three categories (hospital surgical inpatients, hospital surgical outpatients, and freestanding ASF outpatients) through FY2023, as shown in the table on page 121 of the application.

Step 4: The applicants reviewed the historical surgical case volumes at each of the four WakeMed surgical facilities operating from FY2015 to FY2017, as shown in the table on page 121 of the application. Based on the surgical case growth rates calculated above in Step 2, the applicants project the surgical case volumes for hospital surgical inpatients and hospital surgical outpatients for WakeMed Cary Hospital through FY2023, as shown in the table on page 123 of the application. Based on the surgical case growth rates calculated above in Step 2, the applicants project the surgical case volumes for hospital surgical inpatients and outpatients for WakeMed Raleigh Campus through FY2023. However, the applicants used a lower historical rate of growth for WakeMed Raleigh Campus for hospital surgical inpatients, as shown in the table on page 123 of the application. Based on the surgical case growth rates calculated above in Step 2, the applicants project the surgical case volumes for hospital surgical outpatients for WakeMed North Hospital through FY2023. However, the applicants used a lower historical rate of growth for WakeMed North Hospital for hospital surgical inpatients, as shown in the table on page 124 of the application. Based on the surgical case growth rates calculated above in Step 2, the applicants project the

surgical case volumes for ASF surgical outpatients for Capital City Surgery Center through FY2023, as shown in the table on page 124 of the application.

Step 5: The applicants project that some outpatient surgical case volume will shift from their existing facilities to the proposed WakeMed Surgery Center-North Raleigh ASC, and also the proposed WakeMed Surgery Center-Cary ASC, which is a second application submitted by the applicants as part of this review. Based on the proximity of the existing surgical facilities to the proposed ASCs, and on surgeon practice patterns, the applicants project the number of surgical cases that will shift from the existing surgical facilities to the proposed ASCs through FY2023, as shown in the tables on pages 125-126 of the application.

Step 6: Based on the applicants' projections of the outpatient surgical cases that will shift from the existing WakeMed surgical facilities to the proposed North Raleigh and Cary ASCs, the applicants provide projected outpatient surgical case volumes at the proposed WakeMed Surgery Center-North Raleigh and proposed WakeMed Surgery Center-Cary through the first three operating years of the proposed project, as shown in the tables on page 127 of the application.

Step 7: Based on the applicants' projections of inpatient and outpatient surgical cases for each of their existing and proposed surgical facilities, the applicants applied the operating room need methodology from the 2018 SMFP to project the total number of operating rooms needed at each WakeMed facility through the first three operating years of the proposed project, as shown in the tables on pages 128-130 of the application.

Step 8: Based on the applicants' projections of inpatient and outpatient surgical cases for each of their existing and proposed surgical facilities, the applicants project the total number of surgical operating rooms needed in the WakeMed System in the first three operating years of the proposed project, as shown in the table on page 131 of the application.

However, projected utilization is not reasonable and adequately supported for the following reasons:

- The applicants' utilization projections are based on annual growth rates in total surgical cases that are not supported by their historical experience from FY2012 to FY2017. Therefore, the applicants' projections of the number of surgical cases that will shift to the proposed ambulatory surgical center in North Raleigh are not reliable.
- When considered as part of all the existing and proposed WakeMed surgical facilities in Wake County, the applicants' utilization projections are not supported by the historical utilization growth rates for the health care system's existing surgical facilities from FY2012 to FY2017. See discussion below.

WakeMed Cary Hospital

In Section Q, the applicants provide projected utilization of the ten shared operating rooms at the WakeMed Cary Hospital, as illustrated in the following table.

Projected WakeMed Cary Hospital Utilization

Operating Rooms	Year 1 FY2021	Year 2 FY2022	Year 3 FY2023
Shared Operating Rooms	10	10	10
Inpatient Surgical Cases	3,665	3,803	3,946
Outpatient Surgical Case	4,789	4,905	5,025
Total Surgical Cases	8,454	8,708	8,971
Inpatient Surgical Case Times	115.3	115.3	115.3
Outpatient Surgical Case Times	73.3	73.3	73.3
Inpatient Surgical Hours	7,042.9	7,308.1	7,582.9
Outpatient Surgical Hours	5,850.6	5,992.3	6,138.9
Total Surgical Hours	12,893.5	13,300.4	13,721.8
Group Assignment	4	4	4
Standard Hours per OR per Year	1,500	1,500	1,500
Total Surgical Hours/Standard Hours Per OR per Year	8.60	8.87	9.15
Projected OR Surplus (Deficit)	1.40	1.13	0.85

Source: Section Q, Form C.

The following table shows the total surgical cases at WakeMed Cary Hospital from FY2012 to FY2018 based on data reported to DHSR on the Hospital License Renewal Application forms for the years 2013 to 2019.

WakeMed Cary Hospital Surgical Cases, FY2012-FY2018

	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	CAGR FY2012- FY2018
Total Surgical Cases*	7,148	6,505	6,248	6,788	7,046	7,704	7,929	1.74%
Percent Change		-9.0%	-4.0%	8.6%	3.8%	9.3%	2.9%	

Source: License Renewal Application forms, 2013-2019.

*Excludes C-Section procedures in dedicated C-Section operating rooms.

The following table shows the applicants' total projected surgical cases at WakeMed Cary Hospital from FY2017 to FY2023, after the projected shift of surgical cases to the proposed North Raleigh and Cary ASCs, based on data in Form C, Section Q of the application.

Projected WakeMed Cary Hospital Surgical Utilization

	FY2017	FY2018	FY2019	FY2020	PY 1 FY2021	PY 2 FY2022	PY 3 FY2023	CAGR FY2017- FY2023
Total Surgical Cases	7,704	8,650	8,903	9,165	8,454	8,708	8,971	2.57%
Percent Change		12.3%	2.9%	2.9%	-7.8%	3.0%	3.0%	

Source: Section Q.

As shown in the tables above, the historical growth rates for surgical case volumes at WakeMed Cary Hospital averaged 1.74 percent per year from FY2012 to FY2018. Also, the actual FY2018 surgical case volume reported by the applicants in their 2019 LRAs (7,929

surgical cases) was lower than the FY2018 surgical case volume (8,650 surgical cases) projected by the applicants in Section Q, Form C of the application. The applicants' utilization projections for the hospital for the period from FY2017 through FY2023 are based on the assumption that surgical case growth rates at the hospital will average 2.57 percent per year. Therefore, the applicants' projected growth in surgical cases is not supported by the historical growth in surgical case volumes from FY2012 to FY2018.

Also, the applicants based the utilization projections shown above on inpatient surgical case times of 115.3 minutes for inpatient surgical cases and 73.3 minutes for ambulatory case times, which correspond to the average case times for Group 4 in the operating room need methodology in the 2018 SMFP. In the *Certificate of Need Application for Operating Rooms and Gastrointestinal Endoscopy Rooms*, applicants with existing facilities are asked to "Identify the facility's Final Case Times as reported in Table 6B in the SMFP in effect at the time the review begins and use those times to project estimated surgical hours in Form C." Actual case times for a facility are used in the OR Need Methodology except under limited circumstances which do not apply to WakeMed Cary Hospital. Pursuant to 10A NCAC 14C .2103, applicants are required to use the OR Need Methodology to demonstrate the need for the proposed operating rooms.

Table 6B of the 2018 SMFP shows that WakeMed Cary Hospital had inpatient surgical case times of 84.7 minutes for inpatient surgical cases and 41.8 minutes for ambulatory case times. The following table shows the revised projections based on the case times reported in Table 6B of the 2018 SMFP.

Revised Projected WakeMed Cary Hospital Utilization

Operating Rooms	Year 1 FY2021	Year 2 FY2022	Year 3 FY2023
Shared Operating Rooms	10	10	10
Inpatient Surgical Cases	3,665	3,803	3,946
Outpatient Surgical Case	4,789	4,905	5,025
Total Surgical Cases	8,454	8,708	8,971
Inpatient Surgical Case Times	84.7	84.7	84.7
Outpatient Surgical Case Times	41.8	41.8	41.8
Inpatient Surgical Hours	5,173.76	5,368.57	5,570.44
Outpatient Surgical Hours	3,336.34	3,417.15	3,500.75
Total Surgical Hours	8,510.10	8,785.72	9,071.19
Group Assignment	4	4	4
Standard Hours per OR per Year	1,500	1,500	1,500
Total Surgical Hours/Standard Hours Per OR per Year	5.67	5.86	6.05
Projected OR Surplus (Deficit)	4.33	4.14	3.95

As shown on the above table, the revised projections based on the case times reported in Table 6B of the 2018 SMFP indicate WakeMed Cary Hospital is projected to have a surplus of four operating rooms in the third year of the proposed project.

The applicants' projected utilization is not reasonable and adequately supported for the following reasons:

- The applicants' utilization projections are not supported by the historical growth rates for surgical case volumes from FY2012 to FY2018.
- The applicants' utilization projections for WakeMed Cary Hospital are based on surgical case times for inpatient and ambulatory surgical cases that are significantly higher than the applicant's actual reported case times for WakeMed Cary Hospital as required by 10A NCAC 14C .2103.
- The applicants' use of higher surgical case times for inpatient and ambulatory surgical cases results in a projection of higher total surgical hours which results in an overstated and unreliable projection of the need for operating rooms at WakeMed Cary Hospital.

WakeMed Raleigh (Including WakeMed North Hospital)

In Section Q, the applicants provide projected utilization of the four open heart and 19 shared operating rooms at WakeMed Raleigh Campus and WakeMed North Hospital as illustrated in the following table.

Projected WakeMed Raleigh Utilization

Operating Rooms	Year 1 FY2021	Year 2 FY2022	Year 3 FY2023
Open Heart Operating Rooms	4	4	4
Shared Operating Rooms	19	19	19
Inpatient Surgical Cases	9,045	9,257	9,475
Outpatient Surgical Case	10,310	10,002	9,674
Total Surgical Cases	19,355	19,259	19,149
Inpatient Surgical Case Times	197.3	197.3	197.3
Outpatient Surgical Case Times	116.9	116.9	116.9
Inpatient Surgical Hours	29,743.0	30,440.1	31,157.0
Outpatient Surgical Hours	20,087.3	19,487.2	18,848.2
Total Surgical Hours	49,830.3	49,927.3	50,005.2
Group Assignment	2	2	2
Standard Hours per OR per Year	1,950	1,950	1,950
Total Surgical Hours/Standard Hours Per OR per Year	25.55	25.60	25.64

Source: Section Q, Form C.

The applicants based the utilization projections shown above on inpatient surgical case times of 197.3 minutes for inpatient surgical cases and 116.9 minutes for ambulatory case times, which correspond to the average case times for Group 2 in the operating room need methodology in the 2018 SMFP. Table 6B of the 2018 SMFP shows that WakeMed had inpatient surgical case times of 191.6 minutes for inpatient surgical cases and 123.0 minutes

for ambulatory case times. However, the use of the average case times did not have a material impact on the applicants' utilization projections.

The following table shows the total surgical cases at WakeMed from FY2012 to FY2018 based on data reported to DHSR on the Hospital License Renewal Application forms for the years 2013 to 2019.

WakeMed Surgical Cases, FY2012-FY2018

	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	CAGR FY2012- FY2018
Total Surgical Cases*	20,988	18,343	17,619	16,953	18,425	18,077	19,130	-1.53%
Percent Change		-12.6%	-3.9%	-3.8%	8.7%	-1.9%	5.8%	

Source: License Renewal Application forms, 2013-2019.

*Excludes C-Section procedures in dedicated C-Section operating rooms.

The following table shows the applicant's total projected surgical cases at WakeMed from FY2017 to FY2024, after the projected shift of surgical cases to the proposed North Raleigh and Cary ASCs, based on data in Form C, Section Q of the application.

Projected WakeMed Surgical Utilization

	FY2017	FY2018	FY2019	FY2020	PY 1 FY2021	PY 2 FY2022	PY 3 FY2023	CAGR FY2017- FY2023
Total Surgical Cases	18,077	20,975	21,476	21,990	19,355	19,259	19,149	0.96%
Percent Change	-1.9%	16.0%	2.4%	2.4%	-12.0%	-0.5%	-0.6%	

Source: Section Q.

As shown in the tables above, the historical growth rates for surgical case volumes at WakeMed averaged -1.53 percent per year from FY2012 to FY2018. In other words, the CAGR was negative. Also, the actual FY2018 surgical case volume reported by the applicants in their 2019 LRAs (19,130 surgical cases) was lower than the FY2018 surgical case volume (20,975 surgical cases) projected by the applicants in Section Q, Form C of the application. The applicants' utilization projections for the hospital for the period from FY2017 through FY2023 are based on the assumption that surgical case growth rates at the hospital will increase at an average of 0.96 percent per year. The applicants' projected utilization is not reasonable and adequately supported for the following reasons:

- The applicants' utilization projections for WakeMed for the period FY2018 through the third year of the proposed project (FY2023) vary significantly from the applicants' historical growth rates in surgical cases from 2012 to 2018.
- The applicants did not provide adequate documentation in the application as submitted to support their assumption that surgical cases will grow at an average annual rate of 0.96 percent (after the proposed shifts of surgical cases to the proposed North Raleigh and Cary ASCs) from FY2017 to FY2024.

In Section Q, the applicants provide projected utilization for the eight dedicated ambulatory surgery operating rooms at the Capital City Surgery Center, as illustrated in the following table.

Projected Capital City Surgery Center Utilization

Operating Rooms	Year 1 FY2021	Year 2 FY2022	Year 3 FY2023
Dedicated Ambulatory ORs	8	8	8
Outpatient Surgical Cases	5,847	6,076	6,315
Surgical Case Times	68.6	68.6	68.6
Totals Surgical Hours	6,685.1	6,946.9	7,220.2
Group Assignment	6	6	6
Standard Hours per OR per Year	1,312.5	1,312.5	1,312.5
Total Surgical Hours/Standard Hours Per OR per Year	5.09	5.29	5.50

Source: Section Q, Form C.

The applicants based the utilization projections shown above on surgical case times of 68.6 minutes for ambulatory case times, which correspond to the average case times for Group 6 in the operating room need methodology in the 2018 SMFP. Table 6B of the 2018 SMFP shows that Capital City Surgery Center had surgical case times 67.9 minutes for ambulatory case times. However, the use of the average case time did not have a material impact on the applicants' utilization projections.

The following table shows the total surgical cases at Capital City Surgery Center (CCSC) from FY2013 to FY2017 based on data reported to DHSR on the License Renewal Application forms for the years 2014 to 2018.

Capital City Surgery Center Surgical Cases, FY2013-FY2018

	FY2013	FY2014	FY2015*	FY2016	FY2017	FY2018	CAGR FY2013- FY2018
Total Surgical Cases	5,276	6,647	6,647	6,123	5,388	4,247	-4.25%
Percent Change		26.0%	0.0%	-7.9%	-12.0%	-21.2%	

Source: License Renewal Application forms, 2014-2019.

*The applicants reported identical utilization statistics CCSC in FY2014 and FY2015, probably erroneously.

The following table shows the applicant's total projected surgical cases at Capital City Surgery Center from FY2017 to FY2024, after the projected shift of surgical cases to the proposed North Raleigh and Cary ASCs, based on data in Form C, Section Q of the application.

Projected Capital City Surgery Center Surgical Utilization

	FY2017	FY2018	FY2019	FY2020	PY 1 FY2021	PY 2 FY2022	PY 3 FY2023	CAGR FY2017- FY2023
Total Surgical Cases	5,388	5,600	5,820	6,049	5,847	6,076	6,315	2.68%
Percent Change		-12.0%	3.9%	3.9%	3.9%	-3.3%	3.9%	3.9%

Source: Section Q.

As shown in the tables above, the historical growth rates for surgical case volumes at CCSC averaged -4.25 percent per year from FY2013 to FY2018. In other words, the CAGR was negative. Also, the actual FY2018 surgical case volume reported by the applicants in their 2019 LRAs (4,247 surgical cases) was lower than the FY2018 surgical case volume (5,600 surgical cases) projected by the applicants in Section Q, Form C of the application. The applicants' utilization projections for the ambulatory surgery center for the period from FY2017 through FY2023 are based on the assumption that surgical case growth rates will average 2.68 percent per year. The applicants' projected utilization is not reasonable and adequately supported for the following reasons:

- The applicants' utilization projections for CCSC for the period FY2018 through the third year of the proposed project (FY2023) vary significantly from the applicants' historical growth rates in surgical cases from FY2013 to FY2018.
- The applicant did not provide adequate documentation in the application as submitted to support its assumption that surgical case volumes will grow at an average annual rate of 2.68 percent from FY2017 to FY2023.

WakeMed Health Care System-Wake County

The following table shows the total surgical cases at all WakeMed surgical facilities in Wake County from FY2012 to FY2018 based on data reported to DHSR on the License Renewal Application forms for the years 2013 to 2019.

WakeMed Health Care System Surgical Cases, FY2012-FY2018

	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	CAGR FY2012- FY2018
Total Surgical Cases*	28,294	30,124	30,514	30,388	31,594	31,169	31,306	1.70%
Percent Change		6.5%	1.3%	-0.4%	4.0%	-1.3%	0.4%	

Source: License Renewal Application forms, 2013-2019.

*Excludes C-Section procedures in dedicated C-Section operating rooms.

The following table shows the applicant's total projected surgical cases at all existing and proposed WakeMed surgical facilities in Wake County from FY2017 to FY2023 based on data in Form C, Section Q of the application.

Projected WakeMed Health Care System Surgical Cases, FY2017-FY2023

	FY2017	FY2018	FY2019	FY2020	PY 1 FY2021	PY 2 FY2022	PY 3 FY2023	CAGR FY2017- FY2023
Total Surgical Cases	31,169	35,225	36,199	37,204	38,238	39,302	40,399	4.42%
Percent Change	-1.3%	13.0%	2.8%	2.8%	2.8%	2.8%	2.8%	

Source: Section Q.

As shown in the tables above, the historical growth rates for surgical cases at WakeMed surgical facilities in Wake County averaged 1.7 percent per year from FY2012 to FY2018. However, the applicant's utilization projections for all existing and proposed WakeMed

surgical facilities in Wake County for the period from FY2017 through FY2023 are based on the assumption that surgical case volumes will increase at an average rate of 4.42 percent per year over the six-year period. The applicants’ projected surgical case growth rate from FY2017 to FY2018 of 13 percent is significantly higher than their historical experience. In fact, the actual FY2018 surgical case volume reported by the applicants in their 2019 LRAs (31,306 surgical cases) was significantly lower than the FY2018 surgical case volume (35,225 surgical cases) projected by the applicants in Section Q, Form C of the application. The applicant’s projected utilization is not reasonable and adequately supported for the following reasons:

- The applicants’ utilization projections for WakeMed surgical facilities in Wake County for the period FY2018 through the third year of the proposed project (FY2023) vary significantly from the applicants’ historical growth rates in surgical case volumes from FY2012 to FY2018.
- The applicant did not provide adequate documentation in the application as submitted to support its assumption that surgical case volumes at all existing and proposed WakeMed surgical facilities in Wake County will grow at an average annual rate of 4.42 percent per year from FY2017 to FY2023.

Access

In Section C.8, pages 33, the applicants state they are committed to providing services to all patients, including those who are indigent, lack healthcare insurance or are otherwise medically underserved. In Section L.3, page 84, the applicants project the following payor mix during the second full fiscal year (FY2022) of operation following completion of the project, as illustrated in the following table.

Payor Source	Operating Rooms	Procedure Rooms
Self-Pay	1.8%	0.9%
Medicare *	14.1%	50.9%
Medicaid *	7.8%	6.0%
Insurance *	71.7%	36.5%
Workers Compensation	2.6%	0.3%
TRICARE	1.0%	2.8%
Other	1.0%	2.7%
Total	100.0%	100.0%

* Including any managed care plans

The projected payor mix is reasonable and adequately supported.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

- Written comments
- Responses to comments

Based on that review, the Agency concludes that the application is not conforming to this criterion for the following reasons:

- Projected utilization is not based upon reasonable and adequately supported assumptions for all the reasons described above.
- The applicant does not adequately demonstrate the need for two additional operating rooms at WakeMed ASC-North Raleigh for all the reasons described above.

WakeMed ASC-Cary. WakeMed Surgery Center-Cary, LLC [**WakeMed ASC-Cary**] proposes to develop a new multi-specialty ambulatory surgery center in Cary with two operating rooms and two procedure rooms. In Section A.10, page 10, the applicant states WakeMed Surgery Center-Cary, LLC is a new entity whose founding members are WakeMed and Compass Surgical Partners, LLC. In Section A.9, page 9, the applicant states WakeMed Surgery Center-Cary, LLC will operate the proposed ASC, and Compass Surgical Partners, LLC will manage the proposed ASC.

Patient Origin

On page 57, the 2018 SMFP states, “An operating room’s service area is the operating room planning area in which the operating room is located. The operating room planning areas are the single and multicounty groupings shown in Figure 6.1.” In Figure 6.1, page 62 of the 2018 SMFP, Wake County is shown as a single-county operating room service area. Thus, the service area for this facility consists of Wake County. Facilities may also serve residents of counties not included in their service area.

The following table illustrates projected patient origin for the applicant’s proposed operating rooms.

County	Third Full Fiscal Year of Operation FY2023	
	Patients	% of Total
Wake	2,256	80.2%
Harnett	146	5.2%
Johnston	112	4.0%
Durham	45	1.6%
Lee	34	1.2%
Other	219	7.8%
Total	2,812	100.0%

Source: Section C.3, page 22.

The following table illustrates projected patient origin for the applicant’s proposed procedure rooms.

County	Third Full Fiscal Year of Operation FY2023	
	Patients	% of Total
Wake	1,058	80.2%
Harnett	69	5.2%
Johnston	53	4.0%
Durham	21	1.6%
Lee	16	1.2%
Other	103	7.8%
Total	1,320	100.0%

Source: Section C.3, page 22.

In Section C.3, page 22, the applicant provides the assumptions and methodology used to project their patient origin. The applicant's assumptions are reasonable and adequately supported.

Analysis of Need

In Section C.4, pages 22-29, the applicant explains why it believes the population projected to utilize the proposed services needs the proposed services, as summarized below:

- The historical and projected growth of the Wake County population, particularly in western and southern Wake County.
- The need for ambulatory surgical operating rooms in western Wake County, because there are relatively few outpatient surgery providers in western Wake County relative to the size of its population.
- The location of Wake County surgeons, who tend to cluster around acute care hospitals, supports the development of an ASC in close proximity to a hospital.

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

- The applicants provide population growth projections for the proposed service area based on data from the North Carolina Office of State Budget and Management (NCOSBM) and ESRI.
- The applicants provide information and data to support their assertions regarding the location of existing surgical services and surgeons in the Wake County service area.

Projected Utilization

In Section C.6, page 32 the applicant provides a table showing the operating room inventories for WakeMed's existing Wake County surgical facilities, which is summarized below:

WakeMed System

	Inpatient ORs	Shared ORs	Ambulatory ORs	Total ORs*
WakeMed Raleigh (incl. WakeMed North)	4	20	0	24
WakeMed Cary Hospital	0	9	0	9
Capital City Surgery Center	0	0	8	8
WakeMed System Total	4	29	8	41

Source: Section C.6, page 31.

*Excludes three dedicated C-Section operating rooms at WakeMed Raleigh Campus, one dedicated C-Section operating room at WakeMed North Hospital, and two dedicated C-Section operating rooms at WakeMed Cary Hospital.

In Section Q, the applicant provides utilization projections for the proposed WakeMed ASC-Cary facility, and for WakeMed’s other Wake County surgical facilities through the first three operating years of the proposed project as discussed below.

WakeMed Surgery Center-Cary

In Section Q, the applicant provides projected utilization of the two operating rooms and two procedure rooms at the proposed ambulatory surgery center in Cary, as illustrated in the following table.

Projected WakeMed ASC-Cary Utilization

Operating Rooms	Year 1 FY2021	Year 2 FY2022	Year 3 FY2023
Dedicated Ambulatory ORs	2	2	2
Outpatient Surgical Cases	2,133	2,409	2,812
Surgical Case Times	68.6	68.6	68.6
Totals Surgical Hours	2,438.7	2,754.3	3,215.1
Group Assignment	6	6	6
Standard Hours per OR per Year	1,312.5	1,312.5	1,312.5
Total Surgical Hours/Standard Hours Per OR per Year	1.86	2.10	2.45
Procedure Rooms			
# of Procedure Rooms	2	2	2
Total Procedures	1,210	1,270	1,320

Source: Section Q, Form C.

WakeMed Surgery Center-North Raleigh

In addition to application to develop WakeMed Surgery Center-Cary, WakeMed Surgery Center-North Raleigh submitted an application to develop a multispecialty ASC in North Raleigh in this same review. In Section Q, the applicant provides projected utilization of the two operating rooms and two procedure rooms at the proposed ambulatory surgery center in North Raleigh as illustrated in the following table.

Projected WakeMed ASC-North Utilization

Operating Rooms	Year 1 FY2021	Year 2 FY2022	Year 3 FY2023
Dedicated Ambulatory ORs	2	2	2
Outpatient Surgical Cases	2,449	2,850	3,152
Surgical Case Times	68.6	68.6	68.6
Totals Surgical Hours	2,800.0	3,258.5	3,603.8
Group Assignment	6	6	6
Standard Hours per OR per Year	1,312.5	1,312.5	1,312.5
Total Surgical Hours/Standard Hours Per OR per Year	2.13	2.48	2.75
Procedure Rooms			
# of Procedure Rooms	2	2	2
Total Procedures	1,155	1,215	1,280

Source: Section Q, Form C.

In Section Q, the applicant provides the assumptions and methodology used to project utilization at the two proposed ambulatory surgery centers and four existing WakeMed surgical facilities in Wake County, which is summarized below.

Step 1: The applicant reviewed the historical surgical case volumes at each of the surgical facilities operating in Wake County from FY2015 to FY2017, and organized those surgical volumes into three categories, including hospital surgical inpatients, hospital surgical outpatients, and freestanding ambulatory surgery facility (ASF) outpatients, as shown in the tables on pages 116-117.

Step 2: Based on the surgical case volumes for the three categories of patients identified in Step 1 above, the applicant calculated the average annual growth rates for each category from FY2015 to FY2017, as shown in the table on page 118 of the application.

Step 3: Based on the surgical case growth rates calculated above in Step 2, the applicant projects the surgical case volumes for the three categories (hospital surgical inpatients, hospital surgical outpatients, and freestanding ASF outpatients) through FY2023, as shown in the table on page 119 of the application.

Step 4: The applicant reviewed the historical surgical case volumes at each of the four WakeMed surgical facilities operating from FY2015 to FY2017, as shown in the table on page 119 of the application. Based on the surgical case growth rates calculated above in Step 2, the applicant projects the surgical case volumes for hospital surgical inpatients and hospital surgical outpatients for WakeMed Cary Hospital through FY2023, as shown in the table on page 121 of the application. Based on the surgical case growth rates calculated above in Step 2, the applicant projects the surgical case volumes for hospital surgical outpatients for WakeMed Raleigh Campus through FY2023. However, the applicant used a lower historical rate of growth for WakeMed Raleigh Campus for hospital surgical inpatients, as shown in the table on page 121 of the application. Based on the surgical case growth rates calculated above in Step 2, the applicant projects the surgical case volumes for hospital surgical outpatients for WakeMed North Hospital through FY2023. However, the applicant used a lower historical rate of growth for WakeMed North Hospital for hospital surgical inpatients, as shown in the table on page 122 of the application. Based on the surgical case growth rates calculated above in Step 2, the applicant projects the surgical case

volumes for ASF surgical outpatients for Capital City Surgery Center through FY2023, as shown in the table on page 122 of the application.

Step 5: The applicant projects that some outpatient surgical case volume will shift from its existing facilities to the proposed WakeMed Surgery Center-Cary ASC, and also to the proposed WakeMed Surgery Center-North Raleigh ASC, which is a second application submitted by the applicant as part of this review. Based on the proximity of the existing surgical facilities to the proposed ASCs, and on surgeon practice patterns, the applicant projects the number of surgical cases that will shift from the existing surgical facilities to the proposed ASCs through FY2023, as shown in the tables on pages 123-124 of the application.

Step 6: Based on the applicant's projections of the outpatient surgical cases that will shift from the existing WakeMed surgical facilities to the proposed North Raleigh and Cary ASCs, the applicant provides projected outpatient surgical case volumes at the proposed WakeMed Surgery Center-North Raleigh and proposed WakeMed Surgery Center-Cary through the first three operating years of the proposed project, as shown in the tables on page 125 of the application.

Step 7: Based on the applicant's projections of inpatient and outpatient surgical cases for each of their existing and proposed surgical facilities, the applicant applied the operating room need methodology from the 2018 SMFP to project the total number of operating rooms needed at each WakeMed facility through the first three operating years of the proposed project, as shown in the tables on pages 126-128 of the application.

Step 8: Based on the applicant's projections of inpatient and outpatient surgical cases for each of their existing and proposed surgical facilities, the applicant projects the total number of surgical operating rooms needed in the WakeMed System in the first three operating years of the proposed project, as shown in the table on page 129 of the application.

However, projected utilization is not reasonable and adequately supported for the following reasons:

- The applicant's utilization projections are based on annual growth rates in total surgical cases for WakeMed surgical facilities that are not supported by their historical experience from FY2012 to FY2017. Therefore, the applicant's projections of the number of surgical cases that will shift to the proposed ambulatory surgical center in North Raleigh are not reliable.
- When considered as part of all the existing and proposed WakeMed surgical facilities in Wake County, the applicant's utilization projections are not supported by the historical utilization growth rates for the health care system's existing surgical facilities from FY2012 to FY2017. See discussion below.

WakeMed Cary Hospital

In Section Q, the applicants provide projected utilization of the ten shared operating rooms at the WakeMed Cary Hospital, as illustrated in the following table.

Projected WakeMed Cary Hospital Utilization

Operating Rooms	Year 1 FY2021	Year 2 FY2022	Year 3 FY2023
Shared Operating Rooms	10	10	10
Inpatient Surgical Cases	3,665	3,803	3,946
Outpatient Surgical Case	4,789	4,905	5,025
Total Surgical Cases	8,454	8,708	8,971
Inpatient Surgical Case Times	115.3	115.3	115.3
Outpatient Surgical Case Times	73.3	73.3	73.3
Inpatient Surgical Hours	7,042.9	7,308.1	7,582.9
Outpatient Surgical Hours	5,850.6	5,992.3	6,138.9
Total Surgical Hours	12,893.5	13,300.4	13,721.8
Group Assignment	4	4	4
Standard Hours per OR per Year	1,500	1,500	1,500
Total Surgical Hours/Standard Hours Per OR per Year	8.60	8.87	9.15
Projected OR Surplus (Deficit)	1.40	1.13	0.85

Source: Section Q, Form C.

The following table shows the total surgical cases at WakeMed Cary Hospital from FY2012 to FY2018 based on data reported to DHSR on the Hospital License Renewal Application forms for the years 2013 to 2019.

WakeMed Cary Hospital Surgical Cases, FY2012-FY2018

	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	CAGR FY2012- FY2018
Total Surgical Cases*	7,148	6,505	6,248	6,788	7,046	7,704	7,929	1.74%
Percent Change		-9.0%	-4.0%	8.6%	3.8%	9.3%	2.9%	

Source: License Renewal Application forms, 2013-2019.

*Excludes C-Section procedures in dedicated C-Section operating rooms.

The following table shows the applicants' total projected surgical cases at WakeMed Cary Hospital from FY2017 to FY2023, after the projected shift of surgical cases to the proposed North Raleigh and Cary ASCs, based on data in Form C, Section Q of the application.

Projected WakeMed Cary Hospital Surgical Utilization

	FY2017	FY2018	FY2019	FY2020	PY 1 FY2021	PY 2 FY2022	PY 3 FY2023	CAGR FY2017- FY2023
Total Surgical Cases	7,704	8,650	8,903	9,165	8,454	8,708	8,971	2.57%
Percent Change		12.3%	2.9%	2.9%	-7.8%	3.0%	3.0%	

Source: Section Q.

As shown in the tables above, the historical growth rates for surgical case volumes at WakeMed Cary Hospital averaged 1.74 percent per year from FY2012 to FY2018. Also, the actual FY2018 surgical case volume reported by the applicants in their 2019 LRAs (7,929

surgical cases) was lower than the FY2018 surgical case volume (8,650 surgical cases) projected by the applicants in Section Q, Form C of the application. The applicants' utilization projections for the hospital for the period from FY2017 through FY2023 are based on the assumption that surgical case growth rates at the hospital will average 2.57 percent per year. Therefore, the applicants' projected growth in surgical cases is not supported by the historical growth in surgical case volumes from FY2012 to FY2018.

Also, the applicants based the utilization projections shown above on inpatient surgical case times of 115.3 minutes for inpatient surgical cases and 73.3 minutes for ambulatory case times, which correspond to the average case times for Group 4 in the operating room need methodology in the 2018 SMFP. In the *Certificate of Need Application for Operating Rooms and Gastrointestinal Endoscopy Rooms*, applicants with existing facilities are asked to "Identify the facility's Final Case Times as reported in Table 6B in the SMFP in effect at the time the review begins and use those times to project estimated surgical hours in Form C." Actual case times for a facility are used in the OR Need Methodology except under limited circumstances which do not apply to WakeMed Cary Hospital. Pursuant to 10A NCAC 14C .2103, applicants are required to use the OR Need Methodology to demonstrate the need for the proposed operating rooms.

Table 6B of the 2018 SMFP shows that WakeMed Cary Hospital had inpatient surgical case times of 84.7 minutes for inpatient surgical cases and 41.8 minutes for ambulatory case times. The following table shows the revised projections based on the case times reported in Table 6B of the 2018 SMFP.

Revised Projected WakeMed Cary Hospital Utilization

Operating Rooms	Year 1 FY2021	Year 2 FY2022	Year 3 FY2023
Shared Operating Rooms	10	10	10
Inpatient Surgical Cases	3,665	3,803	3,946
Outpatient Surgical Case	4,789	4,905	5,025
Total Surgical Cases	8,454	8,708	8,971
Inpatient Surgical Case Times	84.7	84.7	84.7
Outpatient Surgical Case Times	41.8	41.8	41.8
Inpatient Surgical Hours	5,173.76	5,368.57	5,570.44
Outpatient Surgical Hours	3,336.34	3,417.15	3,500.75
Total Surgical Hours	8,510.10	8,785.72	9,071.19
Group Assignment	4	4	4
Standard Hours per OR per Year	1,500	1,500	1,500
Total Surgical Hours/Standard Hours Per OR per Year	5.67	5.86	6.05
Projected OR Surplus (Deficit)	4.33	4.14	3.95

As shown on the above table, the revised projections based on the case times reported in Table 6B of the 2018 SMFP indicate WakeMed Cary Hospital is projected to have a surplus of four operating rooms in the third year of the proposed project.

The applicants' projected utilization is not reasonable and adequately supported for the following reasons:

- The applicants' utilization projections are not supported by the historical growth rates for surgical case volumes from FY2012 to FY2017.
- The applicants' utilization projections for WakeMed Cary Hospital are based on surgical case times for inpatient and ambulatory surgical cases that are significantly higher than the applicant's actual reported case times for WakeMed Cary Hospital as required by 10A NCAC 14C .2103.
- The applicants' use of higher surgical case times for inpatient and ambulatory surgical cases results in a projection of higher total surgical hours which results in an overstated and unreliable projection of the need for operating rooms at WakeMed Cary Hospital.

WakeMed Raleigh (Including WakeMed North Hospital)

In Section Q, the applicants provide projected utilization of the four open heart and 19 shared operating rooms at WakeMed Raleigh Campus and WakeMed North Hospital, as illustrated in the following table.

Projected WakeMed Raleigh Utilization

Operating Rooms	Year 1 FY2021	Year 2 FY2022	Year 3 FY2023
Open Heart Operating Rooms	4	4	4
Shared Operating Rooms	19	19	19
Inpatient Surgical Cases	9,045	9,257	9,475
Outpatient Surgical Case	10,310	10,002	9,674
Total Surgical Cases	19,355	19,259	19,149
Inpatient Surgical Case Times	197.3	197.3	197.3
Outpatient Surgical Case Times	116.9	116.9	116.9
Inpatient Surgical Hours	29,743.0	30,440.1	31,157.0
Outpatient Surgical Hours	20,087.3	19,487.2	18,848.2
Total Surgical Hours	49,830.3	49,927.3	50,005.2
Group Assignment	2	2	2
Standard Hours per OR per Year	1,950	1,950	1,950
Total Surgical Hours/Standard Hours Per OR per Year	25.55	25.60	25.64

Source: Section Q, Form C.

The applicants based the utilization projections shown above on inpatient surgical case times of 197.3 minutes for inpatient surgical cases and 116.9 minutes for ambulatory case times, which correspond to the average case times for Group 2 in the operating room need methodology in the 2018 SMFP. Table 6B of the 2018 SMFP shows that WakeMed had inpatient surgical case times of 191.6 minutes for inpatient surgical cases and 123.0 minutes

for ambulatory case times. However, the use of the average case times did not have a material impact on the applicants' utilization projections.

The following table shows the total surgical cases at WakeMed from FY2012 to FY2018 based on data reported to DHSR on the Hospital License Renewal Application forms for the years 2013 to 2019.

WakeMed Surgical Cases, FY2012-FY2018

	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	CAGR FY2012- FY2018
Total Surgical Cases*	20,988	18,343	17,619	16,953	18,425	18,077	19,130	-1.53%
Percent Change		-12.6%	-3.9%	-3.8%	8.7%	-1.9%	5.8%	

Source: License Renewal Application forms, 2013-2019.

*Excludes C-Section procedures in dedicated C-Section operating rooms.

The following table shows the applicant's total projected surgical cases at WakeMed from FY2017 to FY2024, after the projected shift of surgical cases to the proposed North Raleigh and Cary ASCs, based on data in Form C, Section Q of the application.

Projected WakeMed Surgical Utilization

	FY2017	FY2018	FY2019	FY2020	PY 1 FY2021	PY 2 FY2022	PY 3 FY2023	CAGR FY2017- FY2023
Total Surgical Cases	18,077	20,975	21,476	21,990	19,355	19,259	19,149	0.96%
Percent Change	-1.9%	16.0%	2.4%	2.4%	-12.0%	-0.5%	-0.6%	

Source: Section Q.

As shown in the tables above, the historical growth rates for surgical case volumes at WakeMed averaged -1.53 percent per year from FY2012 to FY2018. In other words, the CAGR was negative. Also, the actual FY2018 surgical case volume reported by the applicants in their 2019 LRAs (19,130 surgical cases) was lower than the FY2018 surgical case volume (20,975 surgical cases) projected by the applicants in Section Q, Form C of the application. The applicants' utilization projections for the hospital for the period from FY2017 through FY2023 are based on the assumption that surgical case growth rates at the hospital will increase at an average of 0.96 percent per year. The applicants' projected utilization is not reasonable and adequately supported for the following reasons:

- The applicants' utilization projections for WakeMed for the period FY2018 through the third year of the proposed project (FY2023) vary significantly from the applicants' historical growth rates in surgical cases from 2012 to 2018.
- The applicants did not provide adequate documentation in the application as submitted to support their assumption that surgical cases will grow at an average annual rate of 0.96 percent (after the proposed shifts of surgical cases to the proposed North Raleigh and Cary ASCs) from FY2017 to FY2024.

In Section Q, the applicants provide projected utilization for the eight dedicated ambulatory surgery operating rooms at the Capital City Surgery Center, as illustrated in the following table.

Projected Capital City Surgery Center Utilization

Operating Rooms	Year 1 FY2021	Year 2 FY2022	Year 3 FY2023
Dedicated Ambulatory ORs	8	8	8
Outpatient Surgical Cases	5,847	6,076	6,315
Surgical Case Times	68.6	68.6	68.6
Totals Surgical Hours	6,685.1	6,946.9	7,220.2
Group Assignment	6	6	6
Standard Hours per OR per Year	1,312.5	1,312.5	1,312.5
Total Surgical Hours/Standard Hours Per OR per Year	5.09	5.29	5.50

Source: Section Q, Form C.

The applicants based the utilization projections shown above on surgical case times of 68.6 minutes for ambulatory case times, which correspond to the average case times for Group 6 in the operating room need methodology in the 2018 SMFP. Table 6B of the 2018 SMFP shows that Capital City Surgery Center had surgical case times 67.9 minutes for ambulatory case times. However, the use of the average case time did not have a material impact on the applicants' utilization projections.

The following table shows the total surgical cases at Capital City Surgery Center (CCSC) from FY2013 to FY2017 based on data reported to DHSR on the License Renewal Application forms for the years 2014 to 2018.

Capital City Surgery Center Surgical Cases, FY2013-FY2018

	FY2013	FY2014	FY2015*	FY2016	FY2017	FY2018	CAGR FY2013- FY2018
Total Surgical Cases	5,276	6,647	6,647	6,123	5,388	4,247	-4.25%
Percent Change		26.0%	0.0%	-7.9%	-12.0%	-21.2%	

Source: License Renewal Application forms, 2014-2019.

*The applicants reported identical utilization statistics CCSC in FY2014 and FY2015, probably erroneously.

The following table shows the applicant's total projected surgical cases at Capital City Surgery Center from FY2017 to FY2024, after the projected shift of surgical cases to the proposed North Raleigh and Cary ASCs, based on data in Form C, Section Q of the application.

Projected Capital City Surgery Center Surgical Utilization

	FY2017	FY2018	FY2019	FY2020	PY 1 FY2021	PY 2 FY2022	PY 3 FY2023	CAGR FY2017- FY2023
Total Surgical Cases	5,388	5,600	5,820	6,049	5,847	6,076	6,315	2.68%
Percent Change	-12.0%	3.9%	3.9%	3.9%	-3.3%	3.9%	3.9%	

Source: Section Q.

As shown in the tables above, the historical growth rates for surgical case volumes at CCSC averaged -4.25 percent per year from FY2013 to FY2018. In other words, the CAGR was negative. Also, the actual FY2018 surgical case volume reported by the applicant in its 2019 LRAs (4,247 surgical cases) was lower than the FY2018 surgical case volume (5,600 surgical cases) projected by the applicant's in Section Q, Form C of the application. The applicant's utilization projections for the ambulatory surgery center for the period from FY2017 through FY2023 are based on the assumption that surgical case growth rates will average 2.68 percent per year. The applicant's projected utilization is not reasonable and adequately supported for the following reasons:

- The applicant's utilization projections for CCSC for the period FY2018 through the third year of the proposed project (FY2023) vary significantly from the applicant's historical growth rates in surgical cases from FY2013 to FY2018.
- The applicant did not provide adequate documentation to support its assumption that surgical case volumes will grow at an average annual rate of 2.68 percent from FY2017 to FY2023.

WakeMed Health Care System-Wake County

The following table shows the total surgical cases at all WakeMed surgical facilities in Wake County from FY2012 to FY2018 based on data reported to DHSR on the License Renewal Application forms for the years 2013 to 2019.

WakeMed Health Care System Surgical Cases, FY2012-FY2018

	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	CAGR FY2012- FY2018
Total Surgical Cases*	28,294	30,124	30,514	30,388	31,594	31,169	31,306	1.70%
Percent Change		6.5%	1.3%	-0.4%	4.0%	-1.3%	0.4%	

Source: License Renewal Application forms, 2013-2019.

*Excludes C-Section procedures in dedicated C-Section operating rooms.

The following table shows the applicant's total projected surgical cases at all existing and proposed WakeMed surgical facilities in Wake County from FY2017 to FY2023 based on data in Form C, Section Q of the application.

Projected WakeMed Health Care System Surgical Cases, FY2017-FY2023

	FY2017	FY2018	FY2019	FY2020	PY 1 FY2021	PY 2 FY2022	PY 3 FY2023	CAGR FY2017- FY2023
Total Surgical Cases	31,169	35,225	36,199	37,204	38,238	39,302	40,399	4.42%
Percent Change	-1.3%	13.0%	2.8%	2.8%	2.8%	2.8%	2.8%	

Source: Section Q.

As shown in the tables above, the historical growth rates for surgical cases at WakeMed surgical facilities in Wake County averaged 1.7 percent per year from FY2012 to FY2018.

However, the applicant’s utilization projections for all existing and proposed WakeMed surgical facilities in Wake County for the period from FY2017 through FY2023 are based on the assumption that surgical case volumes will increase at an average rate of 4.42 percent per year over the six-year period. The applicants’ projected surgical case growth rate from FY2017 to FY2018 of 13 percent is significantly higher than their historical experience. In fact, the actual FY2018 surgical case volume reported by the applicants in their 2019 LRAs (31,306 surgical cases) was significantly lower than the FY2018 surgical case volume (35,225 surgical cases) projected by the applicants in Section Q, Form C of the application. The applicant’s projected utilization is not reasonable and adequately supported for the following reasons:

- The applicant’s utilization projections for WakeMed surgical facilities in Wake County for the period FY2018 through the third year of the proposed project (FY2023) vary significantly from the applicant’s historical growth rates in surgical case volumes from FY2012 to FY2018.
- The applicant did not provide adequate documentation in the application as submitted to support its assumption that surgical case volumes at all existing and proposed WakeMed surgical facilities in Wake County will grow at an average annual rate of 4.42 percent per year from FY2017 to FY2023.

Access

In Section C.8, pages 33-34, the applicant states it is committed to providing services to all patients, and will not discriminate against anyone based on income, payer status, race, ethnicity, age, sex, physical handicap, or the patient’s ability to pay. In Section L.3, page 83, the applicant projects the following payor mix during the second full fiscal year (FY2022) of operation following completion of the project, as illustrated in the following table.

Payor Source	Operating Rooms	Procedure Rooms
Self-Pay	3.0%	2.1%
Medicare *	16.8%	41.9%
Medicaid *	4.2%	2.5%
Insurance *	72.3%	50.2%
Workers Compensation	1.7%	0.6%
TRICARE	1.1%	1.4%
Other	1.0%	1.3%
Total	100.0%	100.0%

* Including any managed care plans

The projected payor mix is reasonable and adequately supported.

Conclusion

The Agency reviewed the:

- Application

- Exhibits to the application
- Written comments
- Responses to comments

Based on that review, the Agency concludes that the application is not conforming to this criterion for the following reasons:

- Projected utilization is not based upon reasonable and adequately supported assumptions for all the reasons described above.
- The applicant does not adequately demonstrate the need for two additional operating rooms at WakeMed ASC-Cary for all the reasons described above.

- (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

All Applications

None of the applications in this review propose to reduce or eliminate a service, or to 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.

C

RAC ASC

OrthoNC ASC

NC

Rex ASC-Garner

UNC Panther Creek ASC

Rex Hospital

Duke Green Level ASC

WakeMed ASC-North Raleigh

WakeMed ASC-Cary

RAC ASC. RAC ASC propose to develop a new ambulatory surgery center in Raleigh with one operating room and two procedure rooms focused on vascular access procedures for patients with end stage renal disease.

In Section E, pages 46-47, the applicants describe the alternatives they considered and explain why each alternative is either more costly or less effective than the alternative proposed in this application to meet the need. The alternatives considered were:

- Maintain the status quo
- Expand the existing vascular access centers (VACs) in Raleigh and Cary
- Provide vascular access services in general ASCs
- Develop the project as proposed

On page 47, the applicants state that their proposal is the most effective alternative because,

“Developing a new ESRD-focused ASC as proposed is the most efficient, cost-effective alternative because it will maximize patient access, support increased demand for ESRD services and improve coordination of care.”

The applicants provide supporting documentation in Section C.4.

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

- Maintaining the status quo would not be responsive to growing volume and complexity of operating room-appropriate procedures for ESRD patients in the service area.
- Expansion of the existing VACs in Raleigh and Cary would not address the need because those VACs are unlicensed physician office settings and are not adequate for complex cases that require more advanced procedures.
- Providing vascular access services to ESRD patients in multispecialty or general purpose ASCs is less effective in terms of patient outcomes, including fewer hospitalizations, fewer infections, lower mortality rates and lower costs of care.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Responses to comments

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

Rex ASC-Garner. Rex ASC-Garner propose to develop a new multi-specialty ambulatory surgery center in Garner with two operating rooms and two procedure rooms.

In Section E, pages 69-70, the applicants describe the alternatives they considered and explain why each alternative is either more costly or less effective than the alternative proposed in this application to meet the need. The alternatives considered were:

- Maintain the status quo
- Develop an ASC with a different number of operating rooms
- Develop an ASC in a different location
- Develop the project as proposed

On page 70, the applicants state that their proposal is the most effective alternative because,

“Compared to these alternatives, UNC REX believes that the proposed project to develop a new freestanding ASC with two operating rooms in Garner is [sic] most effective alternative to meet a portion of the need for additional operating rooms in Wake County.”

The applicants provide supporting documentation in Section C.4.

However, the applicants do not adequately demonstrate that the alternative proposed in this application is the most effective alternative to meet the identified need because the application is not conforming to all statutory and regulatory review criteria. See Criteria (1), (3), (5), (6), (18a), and 10A NCAC 14C .2103. An application that cannot be approved cannot be the most effective alternative.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Responses to comments

Based on that review, the Agency concludes that the application is not conforming to this criterion for all the reasons stated above.

UNC Panther Creek ASC. UNC Panther Creek ASC proposes to develop a new multi-specialty ambulatory surgery center in Cary with two operating rooms and two procedure rooms.

In Section E, pages 68-69, 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
- Develop an ASC with a different number of operating rooms

- Develop an ASC in a different location
- Develop the project as proposed

On page 69, the applicant states its proposal is the most effective alternative because,

“Compared to these alternatives, UNC Hospitals believes that the proposed project to develop a new freestanding ASC with two operating rooms in West Cary is [sic] most effective alternative to meet a portion of the need for additional operating rooms in Wake County.”

The applicant provides supporting documentation in Section C.4.

However, the applicant does not adequately demonstrate that the alternative proposed in this application is the most effective alternative to meet the identified need because the application is not conforming to all statutory and regulatory review criteria. See Criteria (1), (3), (5), (6), (18a), and 10A NCAC 14C .2103. An application that cannot be approved cannot be the most effective alternative.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Responses to comments

Based on that review, the Agency concludes that the application is not conforming to this criterion for all the reasons stated above.

Rex Hospital. Rex Hospital proposes to develop two additional operating rooms at the existing hospital in Raleigh.

In Section E, pages 71-72, 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
- Develop a different number of operating rooms
- Develop the operating rooms in a different location
- Develop the project as proposed

On page 72, the applicant states its proposal is the most effective alternative because,

“Compared to these alternatives, UNC REX believes that the proposed project to add two operating rooms at UNC REX Hospital the least costly and most effective

alternative to meet a portion of the need for additional operating rooms in Wake County.”

The applicant provides supporting documentation in Section C.4.

However, the applicant does not adequately demonstrate that the alternative proposed in this application is the most effective alternative to meet the identified need because the application is not conforming to all statutory and regulatory review criteria. See Criteria (1), (3), (6), (18a), and 10A NCAC 14C .2103. An application that cannot be approved cannot be the most effective alternative.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Responses to comments

Based on that review, the Agency concludes that the application is not conforming to this criterion for all the reasons stated above.

Duke Green Level ASC. Duke Green Level ASC proposes to develop a new multi-specialty ambulatory surgery center in Cary with four operating rooms and four procedure rooms.

In Section E, pages 56-62, 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
- Develop six operating rooms at Duke Raleigh Hospital (DRAH)
- Relocate operating rooms from DRAH to develop a new ASC
- Develop the ASC in another location
- Develop a different number of operating rooms at the Green Level site
- Develop the project as proposed

On page 60, the applicant states its proposal is the most effective alternative because,

“Duke Health at Green Level is being developed to achieve the following:

- *enhance geographic access to ambulatory services,*
- *provide access to services for communities DUHS serves,*
- *align primary and specialty care services;*
- *continue to ensure access and services to Wake County and increase lives touched across the local community;*

- *maximize existing DUHS capacity;*
- *where possible and strategically appropriate, consolidate smaller sites for efficiency and community visibility; and*
- *demonstrate to payers that DUHS is an essential network participant within current and emerging value-based care networks.”*

The applicant provides supporting documentation in Section C.4.

However, the applicant does not adequately demonstrate that the alternative proposed in this application is the most effective alternative to meet the identified need because the application is not conforming to all statutory and regulatory review criteria. See Criteria (1), (3), (5), (6), (18a), and 10A NCAC 14C .2103. An application that cannot be approved cannot be the most effective alternative.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Responses to comments

Based on that review, the Agency concludes that the application is not conforming to this criterion for all the reasons stated above.

OrthoNC ASC. OrthoNC ASC proposes to develop a new single-specialty ambulatory surgery center in Raleigh with one operating room and one procedure room focused on orthopedic and pain management procedures.

In Section E, pages 40-43, 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:

- Construct a new facility rather than upfit leased space
- Develop a multispecialty ASC
- Develop the ASC in a different location
- Maintain the status quo
- Develop an ASC with more than one operating room
- Develop an ASC without a procedure room
- Develop the project as proposed

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

- Constructing a new facility rather than upfitting leased space is less effective due to the higher capital costs and longer time it would take to become operational.
- Developing a multispecialty ASC rather than a single-specialty ASC would increase the project costs and reduce operational efficiency.
- Developing the ASC in a different location is less effective because the proposed ASC will be located in the building that is shared with Orthopaedic Specialists of NC.
- Maintaining the status quo would not be responsive to the need for additional operating rooms in Wake County as identified by the 2018 SMFP, nor would it address the need for additional operating room block time for OrthoNC's surgeons.
- Developing an ASC with more than one operating room is less effective because, at the current time, the ambulatory surgical case volumes for OrthoNC surgeons supports the need for one operating room.
- Developing the ASC without a procedure room is less effective because it would not reduce the cost of the project significantly and the additional procedures that could be performed in the procedure room contribute to the financial feasibility of the project.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Responses to comments

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

WakeMed ASC-North Raleigh. WakeMed ASC-North Raleigh proposes to develop a new multi-specialty ambulatory surgery center in Raleigh with two operating rooms and two procedure rooms.

In Section E, pages 46-49, the applicants describe the alternatives they considered and explain why each alternative is either more costly or less effective than the alternative proposed in this application to meet the need. The alternatives considered were:

- Maintain the status quo
- Develop additional hospital-based operating rooms
- Develop the ASC in a different location in Wake County
- Develop a freestanding single-specialty ASC
- Develop a freestanding multispecialty ASC with more than two operating rooms
- Develop the project as proposed

On page 49, the applicants state their proposal is the most effective alternative because,

“The chosen alternative, the development of a freestanding multispecialty ambulatory surgery facility in northern Wake County, offers several advantages. First, the proposed location, on the campus of WakeMed North Hospital, will enhance convenience to patients in one of the fastest growing regions and provide an additional lower-cost setting for outpatient surgical cases. Local surgeons can maximize their efficiency by performing cases at both the new ASF and WakeMed North Hospital, obviating the need to travel between facilities in disparate locations.”

The applicants provide supporting documentation in Section C.4.

However, the applicants do not adequately demonstrate that the alternative proposed in this application is the most effective alternative to meet the identified need because the application is not conforming to all statutory and regulatory review criteria. See Criteria (1), (3), (5), (6), (18a), and 10A NCAC 14C .2103. An application that cannot be approved cannot be the most effective alternative.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Responses to comments

Based on that review, the Agency concludes that the application is not conforming to this criterion for all the reasons stated above.

WakeMed ASC-Cary. WakeMed ASC-Cary proposes to develop a new multi-specialty ambulatory surgery center in Cary with two operating rooms and two procedure rooms.

In Section E, pages 46-49, 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
- Develop additional hospital-based operating rooms
- Develop the ASC in a different location in Wake County
- Develop a freestanding single-specialty ASC
- Develop a freestanding multispecialty ASC with more than two operating rooms
- Develop the project as proposed

On page 49, the applicant states its proposal is the most effective alternative because,

“The chosen alternative, the development of a freestanding multispecialty ambulatory surgery facility in the Cary area, offers several advantages. First, the proposed location, in a planned medical office building adjacent to WakeMed Cary Hospital, will enhance convenience to patients in Wake County’s fastest growing area and provide an additional lower-cost setting for outpatient surgical cases. Local surgeons can maximize their efficiency by performing cases at both the new ASF and WakeMed Cary Hospital, obviating the need to travel between facilities in disparate locations.”

The applicant provides supporting documentation in Section C.4.

However, the applicant does not adequately demonstrate that the alternative proposed in this application is the most effective alternative to meet the identified need because the application is not conforming to all statutory and regulatory review criteria. See Criteria (1), (3), (5), (6), (18a), and 10A NCAC 14C .2103. An application that cannot be approved cannot be the most effective alternative.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Responses to comments

Based on that review, the Agency concludes that the application is not conforming to this criterion for all the reasons stated above.

- (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

RAC ASC
Rex Hospital
OrthoNC ASC

NC

Rex ASC-Garner
UNC Panther Creek ASC
Duke Green Level ASC
WakeMed ASC-North Raleigh
WakeMed ASC-Cary

RAC ASC. RAC Surgery Center, LLC and Fresenius Vascular Care Raleigh MSO, LLC propose to develop a new ambulatory surgery center in Raleigh with one operating room and two procedure rooms focused on vascular access procedures for patients with end stage renal disease.

Capital and Working Capital Costs

In Section Q, page 83, the applicants project the total capital cost of the project, as shown in the table below.

Site Costs	\$350,000
Construction Costs	\$875,443
Miscellaneous Costs	\$774,557
Total	\$2,000,000

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

In Section F.3, page 51, the applicants state there will be no start-up costs or initial operating expenses because Fresenius Vascular Care Raleigh MSO, LLC is an existing operational entity.

Availability of Funds

In Section F.2, page 49, the applicants state that the capital cost will be funded as shown in the table below.

Sources of Capital Cost Financing

Type	RAC Surgery Center, LLC	Fresenius Vascular Care Raleigh MSO, LLC	Total
Loans	\$	\$2,000,000	\$ 2,000,000
Accumulated reserves or OE *	\$	\$	\$
Bonds	\$	\$	\$
Other (Specify)	\$	\$	\$
Total Financing	\$	\$2,000,000	\$2,000,000

* OE = Owner's Equity

In Section F.2, page 50, the applicants state that the \$2,000,000 in project capital costs for the proposed ASC will be funded by a line of credit from National Medical Care, Inc, which is a wholly owned affiliate of Fresenius Medical Care (FMC), the applicants' parent corporation. Exhibit F-2.1 contains a letter from the Senior Vice President and Treasurer for National Medical Care, Inc. stating that a loan will be made available to Fresenius Vascular Care Raleigh MSO, LLC for the capital costs of the project. Exhibit F-2.3 contains the 2017 Annual Report for Fresenius Medical Care which indicate FMC had \$978 million in cash and cash equivalents as of December 31, 2017.

Financial Feasibility

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

	Project Year 1 CY2020	Project Year 2 CY2021	Project Year 3 CY2022
Total Operating Room Cases	1,329	1,572	1,625
Total Gross OR Revenues (Charges)	\$19,079,141	\$21,924,780	\$22,448,253
Total Net OR Revenue	\$6,400,383	\$7,354,995	\$7,530,602
Average Net Revenue per OR Case	\$4,816	\$4,679	\$4,634
Total Procedure Room (PR) Cases	4,491	4,897	5,069
Total Gross PR Revenues (Charges)*	\$16,638,364	\$18,154,050	\$18,601,547
Total Net PR Revenue	\$5,581,588	\$6,090,047	\$6,240,167
Average Net Revenue per Procedure	\$1,243	\$1,244	\$1,231
Total Gross Revenue	\$35,717,505	\$40,078,830	\$41,049,800
Total Net Revenue	\$11,981,971	\$13,445,042	\$13,770,769
Total Operating Expenses (Costs)	\$7,571,934	\$7,990,231	\$8,194,479
Net Income	\$4,410,037	\$5,454,811	\$5,576,290

Totals may not sum due to rounding

*The applicants' Form F.4 Gross Revenue Worksheet shows an incorrect number of procedures and gross revenues for procedure room cases. However, in their response to comments, the applicants state the error does not impact the net revenue and net income calculations.

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
- Written comments
- Responses to comments

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

- The applicants adequately demonstrate that the capital costs are based on reasonable and adequately supported assumptions.

- The applicants adequately demonstrate availability of sufficient funds for the capital needs of the proposal.
- The applicants adequately demonstrate sufficient funds for the operating needs of the proposal and that the financial feasibility of the proposal is based upon reasonable projections of costs and charges.

Rex ASC-Garner. Rex Surgery Center of Garner, LLC and Rex Hospital, Inc. propose to develop a new multi-specialty ambulatory surgery center in Garner with two operating rooms and two procedure rooms.

Capital and Working Capital Costs

In Section Q, Form F.1a, the applicants project the total capital cost of the project, as shown in the table below.

Site Costs	\$2,751,366
Construction Costs	\$8,907,207
Miscellaneous Costs	\$4,504,821
Total	\$16,163,394

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

In Section F.3, pages 73-74, the applicants project that start-up costs will be \$293,201 and initial operating expenses will be \$1,330,386 for a total working capital of \$1,623,587. On pages 73-74, the applicants provide the assumptions and methodology used to project the working capital needs of the project.

Availability of Funds

In Section F.2, page 73, the applicants state that the capital cost will be funded, as shown in the table below.

Sources of Capital Cost Financing

Type	Rex Surgery Center of Garner, LLC	Rex Hospital, Inc.	Total
Loans	\$	\$	\$
Accumulated reserves or OE *	\$	\$16,163,394	\$16,163,394
Bonds	\$	\$	\$
Other (Specify)	\$	\$	\$
Total Financing	\$	\$16,163,394	\$16,163,394

* OE = Owner's Equity

In Section F.3, page 75, the applicants state that the working capital needs of the project will be funded, as shown in the table below.

Sources of Financing for Working Capital		Amount
(a)	Loans	\$
(b)	Accumulated Reserves of Rex Hospital, Inc.	\$1,623,578
(c)	Lines of credit	\$
(d)	Bonds	\$
(e)	Total *	\$1,623,578

In Section F.2, page 73, the applicants state that the \$16,163,394 capital cost for the proposed ASC will be funded by the accumulated reserves of Rex Hospital, Inc. In Section F.3, page 75, the applicants state that the \$1,623,578 working capital costs for the proposed ASC will be funded by the accumulated reserves of Rex Hospital, Inc. Exhibit F.2 contains a letter from the Chief Financial Officer for Rex Hospital, Inc. documenting that the funds will be made available for the capital and working capital costs of the project. Exhibit F.2 contains the most recent audited financial statements for Rex Healthcare, Inc. which indicate the hospital had \$61 million in cash and cash equivalents, \$1.2 billion in assets, and \$509 million in net assets, as of June 30, 2017.

Financial Feasibility

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

	Project Year 1 FY2022	Project Year 2 FY2023	Project Year 3 FY2024
Total Operating Room Cases	995	1,493	1,990
Total Gross OR Revenues (Charges)	\$7,627,960	\$11,785,199	\$16,185,006
Total Net OR Revenue	\$2,943,012	\$4,546,953	\$6,244,482
Average Net Revenue per OR Case	\$2,958	\$3,046	\$3,138
Total Procedure Room (PR) Cases	106	158	211
Total Gross PR Revenues (Charges)	\$382,784	\$591,401	\$812,190
Total Net PR Revenue	\$147,685	\$228,174	\$313,358
Average Net Revenue per Procedure	\$1,393	\$1,444	\$1,485
Total Gross Revenue	\$8,010,744	\$12,376,600	\$16,997,196
Total Net Revenue	\$3,016,999	\$4,661,264	\$6,401,469
Total Operating Expenses (Costs)	\$3,968,873	\$5,022,702	\$6,183,235
Net Income	(\$951,874)	(\$361,438)	\$218,234

Totals may not sum due to rounding

However, the assumptions used by the applicants in preparation of the pro forma financial statements are not reasonable and adequately supported because projected utilization is not based on reasonable and adequately supported assumptions. The discussion regarding projected utilization found in Criterion (3) is incorporated herein by reference. Therefore,

since projected revenues and expenses are based at least in part on projected utilization, projected revenues and expenses are not adequately supported.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Responses to comments

Based on that review, the Agency concludes that the application is not conforming to this criterion because the applicant does not adequately demonstrate that financial feasibility of the proposal is based upon reasonable projections of costs and charges.

UNC Panther Creek ASC. University of North Carolina Hospitals at Chapel Hill d/b/a UNC Health Care Panther Creek Ambulatory Surgery Center proposes to develop a new multi-specialty ambulatory surgery center in Cary with two operating rooms and two procedure rooms.

Capital and Working Capital Costs

In Section Q, Form F.1a, the applicant projects the total capital cost of the project, as shown in the table below.

Site Costs	\$1,722,366
Construction Costs	\$10,057,798
Miscellaneous Costs	\$4,842,830
Total	\$16,622,994

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

In Section F.3, pages 72-73, the applicant projects that start-up costs will be \$242,420 and initial operating expenses will be \$320,451 for a total working capital of \$562,871. On pages 72-73, 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 71, the applicant states that the capital cost will be funded, as shown in the table below.

Sources of Capital Cost Financing

Type	UNC Hospitals	Total
Loans	\$	\$
Accumulated reserves or OE *	\$16,622,994	\$16,622,994
Bonds	\$	\$
Other (Specify)	\$	\$
Total Financing	\$16,622,994	\$16,622,994

* OE = Owner's Equity

In Section F.3, page 73, the applicant states that the working capital needs of the project will be funded as shown in the table below.

Sources of Financing for Working Capital		Amount
(a)	Loans	\$
(b)	Accumulated Reserves of UNC Hospitals	\$562,871
(c)	Lines of credit	\$
(d)	Bonds	\$
(e)	Total *	\$562,871

In Section F.2, page 71, the applicant states that the \$16,622,994 capital cost for the proposed ASC will be funded by the accumulated reserves of UNC Hospitals. In Section F.3, page 73, the applicant states that the \$562,871 working capital cost for the proposed ASC will be funded by the accumulated reserves of UNC Hospitals. Exhibit F.2 contains a letter from the Executive Vice President and Chief Financial Officer for UNC Hospitals documenting that the funds will be made available for the capital and working capital costs of the project. Exhibit F.2 contains the most recent audited financial statements for UNC Hospitals at Chapel Hill which indicate the hospital had \$190 million in cash and cash equivalents, \$2.1 billion in assets, and \$1.3 billion in net assets, as of June 30, 2016.

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.3, the applicant projects that revenues will exceed operating expenses in the second and third operating years of the project, as shown in the table below.

	Project Year 1 FY2022	Project Year 2 FY2023	Project Year 3 FY2024
Total Operating Room Cases	938	1,406	1,875
Total Gross OR Revenues (Charges)	\$7,056,282	\$10,901,955	\$14,972,019
Total Net OR Revenue	\$2,882,652	\$4,453,697	\$6,116,410
Average Net Revenue per OR Case	\$3,073	\$3,168	\$3,262
Total Procedure Room (PR) Cases	245	368	490
Total Gross PR Revenues (Charges)	\$872,743	\$1,348,388	\$1,851,786
Total Net PR Revenue	\$356,535	\$550,847	\$756,497
Average Net Revenue per Procedure	\$1,455	\$1,497	\$1,544
Total Gross Revenue	\$7,929,025	\$12,250,343	\$16,823,805
Total Net Revenue	\$3,166,241	\$4,891,843	\$6,718,131
Total Operating Expenses (Costs)	\$3,541,004	\$4,480,888	\$5,521,460
Net Income	(\$374,763)	\$410,955	\$1,196,671

Totals may not sum due to rounding

However, the assumptions used by the applicant in preparation of the pro forma financial statements are not reasonable and adequately supported because projected utilization is not based on reasonable and adequately supported assumptions. The discussion regarding projected utilization found in Criterion (3) is incorporated herein by reference. Therefore, since projected revenues and expenses are based at least in part on projected utilization, projected revenues and expenses are not adequately supported.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Responses to comments

Based on that review, the Agency concludes that the application is not conforming to this criterion because the applicant does not adequately demonstrate that financial feasibility of the proposal is based upon reasonable projections of costs and charges.

Rex Hospital. Rex Hospital proposes to develop two additional operating rooms at the main hospital in Raleigh.

Capital and Working Capital Costs

In Section Q, Form F.1a, the applicant projects the total capital cost of the project, as shown in the table below.

Site Costs	\$0
Construction Costs	\$170,000
Miscellaneous Costs	\$619,000
Total	\$789,000

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

In Section F.3, page 75, the applicant states there will be no start-up costs or initial operating expenses because the project does not involve a new service.

Availability of Funds

In Section F.2, page 74, the applicant states that the capital cost will be funded, as shown in the table below.

Sources of Capital Cost Financing

Type	Rex Hospital, Inc.	Total
Loans	\$	\$
Accumulated reserves or OE *	\$789,000	\$789,000
Bonds	\$	\$
Other (Specify)	\$	\$
Total Financing	\$789,000	\$789,000

* OE = Owner's Equity

In Section F.2, page 75, the applicant states that the \$789,000 in project capital costs for the proposed operating rooms will be funded by the accumulated reserves of Rex Hospital, Inc. Exhibit F.2 contains a letter from the Chief Financial Officer for Rex Hospital, Inc. documenting that the funds will be made available for the capital costs of the project. Exhibit F.2 contains the most recent audited financial statements for Rex Healthcare, Inc. which indicate the hospital had \$61 million in cash and cash equivalents, \$1.2 billion in assets, and \$509 million in net assets, as of June 30, 2017.

Financial Feasibility

The applicant provided pro forma financial statements for the surgical services at Rex Hospital 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 each of the first three operating years of the project, as shown in the table below.

	Project Year 1 FY2022	Project Year 2 FY2023	Project Year 3 FY2024
Total Surgical Cases	20,873	20,706	20,528
Total Gross Revenues (Charges)	\$670,070,952	\$684,655,099	\$699,144,711
Total Net Revenue	\$244,897,533	\$250,225,122	\$255,518,178
Average Net Revenue per Case	\$11,733	\$12,085	\$12,447
Total Operating Expenses (Costs)	\$174,049,929	\$178,259,819	\$182,498,840
Average Operating Expense per Case	\$8,339	\$8,609	\$8,890
Net Income	\$70,847,604	\$71,965,303	\$73,019,338

Totals may not sum due to rounding

The assumptions used by the applicant in preparation of the pro forma financial statements for the operating rooms are not reasonable and adequately supported to the extent they are based on projected utilization of the operating rooms. The discussion regarding projected utilization found in Criterion (3) is incorporated herein by reference. However, the impact of the overstated revenues and expenses on the financial feasibility of surgical services is minor and not likely to cause expenses to exceed revenues.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Responses to comments

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 costs are based on reasonable and adequately supported assumptions.
- The applicant adequately demonstrates availability of sufficient funds for the capital needs of the proposal.
- The applicant adequately demonstrates sufficient funds for the operating needs of the proposal.

Duke Green Level ASC. Duke University Health System, Inc. d/b/a Green Level Ambulatory Surgery Center proposes to develop a new multi-specialty ambulatory surgery center in Cary with four operating rooms and four procedure rooms.

Capital and Working Capital Costs

In Section Q, Form F.1a, the applicant projects the total capital cost of the project, as shown in the table below.

Site Costs	\$500,000
Construction Costs	\$21,260,000
Miscellaneous Costs	\$12,540,000
Total	\$34,300,000

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

In Section F.3, pages 66-67, the applicant projects that start-up costs will be \$400,000 and initial operating expenses will be \$1,000,000 for a total working capital of \$1,400,000. On pages 66-67, 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 65, the applicant states that the capital cost will be funded, as shown in the table below.

Sources of Capital Cost Financing

Type	Duke University Health System	Total
Loans	\$	\$
Accumulated reserves or OE *	\$34,300,000	\$34,300,000
Bonds	\$	\$
Other (Specify)	\$	\$
Total Financing	\$34,300,000	\$34,300,000

* OE = Owner's Equity

In Section F.3, page 67, the applicant states that the working capital needs of the project will be funded as shown in the table below.

Sources of Financing for Working Capital		Amount
(a)	Loans	\$
(b)	Accumulated Reserves of DUHS	\$1,400,000
(c)	Lines of credit	\$
(d)	Bonds	\$
(e)	Total *	\$1,400,000

In Section F.2, page 66, the applicant states that the \$34,300,000 capital cost for the proposed ASC will be funded by the accumulated reserves of Duke University Health System, Inc. (DUHS). In Section F.3, page 67, the applicant states that the \$1.4 million working capital cost for the proposed ASC will be funded by the accumulated reserves of DUHS. Exhibit 13 contains a letter from the Chief Financial Officer for DUHS documenting that the funds will be made available for the capital and working capital costs of the project. Exhibit 13 also contains the audited financial statements for DUHS which indicate the health system had \$182 million in cash and cash equivalents, \$5.6 billion in assets, and \$2.9 billion in net assets, as of June 30, 2017.

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.3, the applicant projects that revenues will exceed operating expenses in the second and third operating years of the project, as shown in the table below.

	Project Year 1 FY2022	Project Year 2 FY2023	Project Year 3 FY2024
Total Operating Room Cases	2,278	3,327	4,770
Total Gross OR Revenues (Charges)	\$21,484,217	\$31,371,213	\$44,979,034
Total Net OR Revenue	\$7,590,848	\$11,126,465	\$15,978,168
Average Net Revenue per OR Case	\$3,332	\$3,344	\$3,350
Total Procedure Room (PR) Cases	687	1,007	1,517
Total Gross PR Revenues (Charges)	\$1,804,326	\$2,643,318	\$3,982,316
Total Net PR Revenue	\$696,842	\$1,014,222	\$1,519,219
Average Net Revenue per Procedure	\$1,014	\$1,007	\$1,001
Total Gross Revenue	\$23,288,543	\$34,014,531	\$48,961,350
Total Net Revenue	\$7,636,900	\$11,190,164	\$16,129,180
Total Operating Expenses (Costs)	\$8,439,469	\$10,984,302	\$13,804,670
Net Income	(\$802,569)	\$205,862	\$2,324,510

Totals may not sum due to rounding

However, the assumptions used by the applicant in preparation of the pro forma financial statements are not reasonable and adequately supported because projected utilization is not based on reasonable and adequately supported assumptions. The discussion regarding projected utilization found in Criterion (3) is incorporated herein by reference. Therefore, since projected revenues and expenses are based at least in part on projected utilization, projected revenues and expenses are not adequately supported.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Responses to comments

Based on that review, the Agency concludes that the application is not conforming to this criterion because the applicant does not adequately demonstrate that financial feasibility of the proposal is based upon reasonable projections of costs and charges.

OrthoNC ASC. OrthoNC ASC, Inc. proposes to develop a new single-specialty ambulatory surgery center in Raleigh with one operating room and one procedure room focused on orthopedic and pain management procedures.

Capital and Working Capital Costs

In Section Q, Form F.1a, the applicant projects the total capital cost of the project, as shown in the table below.

Site Costs	\$0
Construction Costs	\$1,761,506
Miscellaneous Costs	\$2,134,093
Total	\$3,895,599

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

In Section F.3, pages 46-47, the applicant projects that start-up costs will be \$231,294 and initial operating expenses will be \$696,316 for a total working capital of \$1,000,000. On pages 46-47 and in Section Q, pages 85-86, 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 45, the applicant states that the capital cost will be funded, as shown in the table below.

Sources of Capital Cost Financing

Type	OrthoNC ASC	Total
Loans	\$3,895,599	\$3,895,599
Accumulated reserves or OE *	\$	\$
Bonds	\$	\$
Other (Specify)	\$	\$
Total Financing	\$3,895,599	\$3,895,599

* OE = Owner's Equity

In Section F.3, page 47, the applicant states that the working capital needs of the project will be funded, as shown in the table below.

Sources of Financing for Working Capital		Amount
(a)	Loans	\$
(b)	Accumulated Reserves	\$
(c)	Lines of credit	\$1,000,000
(d)	Bonds	\$
(e)	Total *	\$1,000,000

In Section F.2, page 45, the applicant states that the \$3,895,599 capital cost for the proposed ASC will be funded by loans. In Section F.3, page 47, the applicant states that the \$1 million

working capital cost for the proposed ASC will be funded by a line of credit. Exhibit F-2 contains three letters from Pinnacle Financial Partners documenting that the funds will be made available for the capital and working capital costs of the project.

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.3, the applicant projects that revenues will exceed operating expenses in each of the first three operating years of the project, as shown in the table below.

	Project Year 1 FY2021	Project Year 2 FY2022	Project Year 3 FY2023
Total Operating Room Cases	1,159	1,194	1,230
Total Gross OR Revenues (Charges)	\$9,110,291	\$9,665,107	\$10,253,712
Total Net OR Revenue	\$3,712,272	\$3,823,640	\$3,938,349
Average Net Revenue per OR Case	\$3,203	\$3,202	\$3,202
Total Procedure Room (PR) Cases	1,811	1,866	1,922
Total Gross PR Revenues (Charges)	\$1,157,358	\$1,227,842	\$1,302,617
Total Net PR Revenue	\$498,256	\$513,204	\$528,600
Average Net Revenue per Procedure	\$275	\$275	\$275
Total Gross Revenue	\$10,267,649	\$10,892,949	\$11,556,329
Total Net Revenue	\$4,210,527	\$4,336,843	\$4,466,949
Total Operating Expenses (Costs)	\$3,032,332	\$3,380,208	\$3,467,036
Net Income	\$1,178,195	\$956,635	\$999,913

Totals may not sum due to rounding

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
- Written comments
- Responses to comments

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.

WakeMed ASC-North Raleigh. WakeMed Surgery Center-North Raleigh, LLC and WakeMed propose to develop a new multi-specialty ambulatory surgery center in Raleigh with two operating rooms and two procedure rooms.

Capital and Working Capital Costs

In Section Q, Form F.1a, the applicants project the total capital cost of the project, as shown in the table below.

Site Costs	\$750,000
Construction Costs	\$5,145,000
Miscellaneous Costs	\$5,420,130
Total	\$11,315,130

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

In Section F.3, pages 53-54, the applicants project that start-up costs will be \$703,288 and initial operating expenses will be \$796,712 for a total working capital of \$1,500,000. On pages 53-54, the applicants provide the assumptions and methodology used to project the working capital needs of the project.

Availability of Funds

In Section F.2, page 52, the applicants state that the capital cost will be funded, as shown in the table below.

Sources of Capital Cost Financing			
Type	WakeMed Surgery Center-North Raleigh, LLC	WakeMed	Total
Loans	\$7,658,697	\$3,656,433	\$11,315,130
Accumulated reserves or OE *	\$	\$	\$
Bonds	\$	\$	\$
Other (Specify)	\$	\$	\$
Total Financing	\$7,658,697	\$3,656,433	\$11,315,130

* OE = Owner's Equity

In Section F.3, page 54, the applicants state that the working capital needs of the project will be funded, as shown in the table below.

Sources of Financing for Working Capital		Amount
(a)	Loans	\$
(b)	Accumulated Reserves of Rex Hospital, Inc.	\$
(c)	Lines of credit	\$1,500,000
(d)	Bonds	\$
(e)	Total *	\$1,500,000

In Section F.2, page 52, the applicants state that the \$11,315,130 capital cost for the proposed ASC will be funded by the loans. In Section F.3, page 54, the applicants state that the \$1,500,000 working capital cost for the proposed ASC will be funded by a line of credit. Exhibit F.2 contains two letters from Wells Fargo Bank documenting that the funds will be made available for the capital and working capital costs of the project.

Financial Feasibility

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

	Project Year 1 FY2021	Project Year 2 FY2022	Project Year 3 FY2023
Total Operating Room Cases	2,449	2,850	3,152
Total Gross OR Revenues (Charges)	\$11,350,260	\$13,550,570	\$14,942,616
Total Net OR Revenue	\$6,312,722	\$7,545,426	\$8,288,066
Average Net Revenue per OR Case	\$2,578	\$2,648	\$2,629
Total Procedure Room (PR) Cases	1,155	1,215	1,280
Total Gross PR Revenues (Charges)	\$3,133,754	\$3,266,554	\$3,478,730
Total Net PR Revenue	\$1,467,149	\$1,475,538	\$1,552,846
Average Net Revenue per Procedure	\$1,270	\$1,214	\$1,213
Total Gross Revenue	\$14,484,014	\$16,817,124	\$18,421,346
Total Net Revenue	\$7,779,871	\$9,020,964	\$9,840,912
Total Operating Expenses (Costs)	\$5,685,477	\$6,467,374	\$6,807,703
Net Income	\$2,094,394	\$2,553,590	\$3,033,209

Totals may not sum due to rounding

However, the assumptions used by the applicants in preparation of the pro forma financial statements are not reasonable and adequately supported because projected utilization is not based on reasonable and adequately supported assumptions. The discussion regarding projected utilization found in Criterion (3) is incorporated herein by reference. Therefore, since projected revenues and expenses are based at least in part on projected utilization, projected revenues and expenses are not adequately supported.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Responses to comments

Based on that review, the Agency concludes that the application is not conforming to this criterion because the applicant does not adequately demonstrate that financial feasibility of the proposal is based upon reasonable projections of costs and charges.

WakeMed ASC-Cary. WakeMed Surgery Center-Cary, LLC proposes to develop a new multi-specialty ambulatory surgery center in Cary with two operating rooms and two procedure rooms.

Capital and Working Capital Costs

In Section Q, Form F.1a, the applicant projects the total capital cost of the project, as shown in the table below.

Site Costs	\$0
Construction Costs	\$3,543,750
Miscellaneous Costs	\$5,054,988
Total	\$8,598,738

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

In Section F.3, pages 53-54, the applicant projects that start-up costs will be \$738,861 and initial operating expenses will be \$761,139 for total working capital of \$1,500,000. On pages 53-54, 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 52, the applicant states that the capital cost will be funded, as shown in the table below.

Sources of Capital Cost Financing

Type	WakeMed Surgery Center-Cary, LLC	Total
Loans	\$8,598,738	\$8,598,738
Accumulated reserves or OE *	\$	\$
Bonds	\$	\$
Other (Specify)	\$	\$
Total Financing	\$8,598,738	\$8,598,738

* OE = Owner's Equity

In Section F.3, page 47, the applicant states that the working capital needs of the project will be funded, as shown in the table below.

Sources of Financing for Working Capital		Amount
(a)	Loans	\$
(b)	Accumulated Reserves	\$
(c)	Lines of credit	\$1,500,000
(d)	Bonds	\$
(e)	Total *	\$1,500,000

In Section F.2, page 54, the applicant states that the \$8,598,738 capital cost for the proposed ASC will be funded by loans. In Section F.3, page 54, the applicant states that the \$1.5 million working capital cost for the proposed ASC will be funded by a line of credit. Exhibit F.2 contains a letter from Wells Fargo Bank documenting that the funds will be made available for the capital and working capital costs of the project.

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.3, the applicant projects that revenues will exceed operating expenses in each of the first three operating years of the project, as shown in the table below.

	Project Year 1 FY2021	Project Year 2 FY2022	Project Year 3 FY2023
Total Operating Room Cases	2,133	2,409	2,812
Total Gross OR Revenues (Charges)	\$11,573,456	\$13,512,554	\$16,058,985
Total Net OR Revenue	\$6,394,810	\$7,471,384	\$8,878,134
Average Net Revenue per OR Case	\$2,998	\$3,101	\$3,157
Total Procedure Room (PR) Cases	1,210	1,270	1,320
Total Gross PR Revenues (Charges)	\$4,000,941	\$4,041,416	\$3,956,202
Total Net PR Revenue	\$1,978,859	\$1,964,507	\$1,870,112
Average Net Revenue per Procedure	\$1,635	\$1,547	\$1,417
Total Gross Revenue	\$15,574,397	\$17,553,970	\$20,015,187
Total Net Revenue	\$8,373,669	\$9,435,891	\$10,748,246
Total Operating Expenses (Costs)	\$5,622,478	\$6,330,925	\$6,768,025
Net Income	\$2,751,191	\$3,104,966	\$3,980,221

Totals may not sum due to rounding

However, the assumptions used by the applicant in preparation of the pro forma financial statements are not reasonable and adequately supported because projected utilization is not based on reasonable and adequately supported assumptions. The discussion regarding projected utilization found in Criterion (3) is incorporated herein by reference. Therefore, since projected revenues and expenses are based at least in part on projected utilization, projected revenues and expenses are not adequately supported.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Responses to comments

Based on that review, the Agency concludes that the application is not conforming to this criterion because the applicant does not adequately demonstrate that 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
RAC ASC
OrthoNC ASC

NC
Rex ASC-Garner

UNC Panther Creek ASC
Rex Hospital
Duke Green Level ASC
WakeMed ASC-North Raleigh
WakeMed ASC-Cary

On page 57, the 2018 SMFP states, “An operating room’s service area is the operating room planning area in which the operating room is located. The operating room planning areas are the single and multicounty groupings shown in Figure 6.1.” In Figure 6.1, page 62 of the 2018 SMFP, Wake County is shown as a single-county operating room service area. Thus, the service area for this review consists of Wake County. Facilities may also serve residents of counties not included in the service area.

The following table identifies the existing and approved inpatient (IP), outpatient (OP), and shared operating rooms located in Wake County, and the inpatient and outpatient case volumes for each provider, from pages 70 and 77-78 of the 2018 SMFP.

**Wake County 2016 Operating Room Inventory and Cases
As Reported in the 2018 SMFP and on the 2017 License Renewal Applications**

	IP ORs	OP ORs	Shared ORs	Excluded C-Section, Trauma, Burn ORs	CON Adjust -ments	IP Surgery Cases	OP Surgery Cases	Group
Rex Hospital Holly Springs	0	0	0	0	3	0	0	
Rex Surgery Center of Wakefield	0	0	0	0	2	0	0	
Rex Surgery Center of Cary	0	4	0	0	0	0	3,786	6
Rex Hospital	3	3	24	-3	-5	8,557	13,026	2
Raleigh Orthopedic Surgery Center**	0	4	0	0	-1	0	3,766	6
Raleigh Orthopedic Surgery-West Cary**	0	0	0	0	1	0	0	
UNC Health Care System Total	3	11	24	-3	0			
Capital City Surgery Center	0	8	0	0	0	0	6,123	6
WakeMed (incl. WakeMed North)	8	0	20	-5	-1	8,507	9,918	2
WakeMed Cary Hospital	2	0	9	-2	1	2,914	4,132	4
WakeMed System Total	10	8	29	-7	0			
Holly Springs Surgery Center	0	0	0	0	3	0	0	
Blue Ridge Surgery Center	0	6	0	0	0	0	7,344	5
Raleigh Plastic Surgery Center^	0	1	0	0	0	0	334	6
Triangle Orthopedic Surgery Center*	0	2	0	0	0	0	2,261	
Duke Raleigh Hospital	0	0	15	0	0	4,389	10,855	3
Surgical Center for Dental Professionals*	0	0	0	0	2	0	0	
Total Wake County ORs	13	28	68	-10	5			

Source: 2018 SMFP

^Underutilized facility, excluded from need determination calculations.

*Ambulatory surgery demonstration projects included in the inventory, but not included in the need determination calculations.

**These two facilities were not listed under the UNC Health Care System in the 2018 SMFP.

As the table above indicates, as of FY2017 there were six existing or approved hospitals and ten existing or approved ambulatory surgery facilities in Wake County with a total of 13 inpatient, 28 ambulatory and 68 shared operating rooms.

The 2018 SMFP shows a need for six additional operating rooms for the Wake County service area based on the utilization of Duke Raleigh Hospital, as shown in Table 6B: Projected Operating Room Need for 2020, on page 78. However, anyone can apply to meet the need.

RAC ASC. RAC Surgery Center, LLC and Fresenius Vascular Care Raleigh MSO, LLC propose to develop a new ambulatory surgery center in Raleigh with one operating room and two procedure rooms focused on vascular access procedures for patients with end stage renal disease.

In Section G.3, pages 54-55, the applicants explain why they believe their proposal would not result in the unnecessary duplication of existing or approved operating rooms services in Wake County. The applicants state, *“The proposed project will not result in unnecessary duplication because there are currently no ESRD-focused or vascular ASCs in North Carolina.”*

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

- There is a need determination in the 2018 SMFP for six operating rooms in the Wake County service area and the applicants propose to develop one operating room.
- The applicants adequately demonstrate that the proposed operating room is needed in addition to the existing or approved operating rooms in Wake County.

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Responses to comments

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

Rex ASC-Garner. Rex Surgery Center of Garner, LLC and Rex Hospital, Inc. propose to develop a new multi-specialty ambulatory surgery center in Garner with two operating rooms and two procedure rooms.

In Section G.3, page 79, the applicants explain why they believe their proposal would not result in the unnecessary duplication of existing or approved operating room services in Wake County. The applicants state, *“As described in Section C.4, there are currently no existing or approved multi-specialty freestanding ASCs in the Garner area and it is an ideal location to provide expanded geographic access to these services.”*

However, the applicants do not adequately demonstrate that additional operating rooms are needed at the proposed ambulatory surgery center in Garner. The discussion regarding need

and projected utilization found in Criterion (3) is incorporated herein by reference. Therefore, the applicants do not adequately demonstrate that the proposal would not result in an unnecessary duplication of existing or approved services in the service area for the following reasons:

- The applicants do not adequately demonstrate that the growth rate used to project surgical cases is reasonable and adequately supported.
- The applicants do not adequately demonstrate that the proposed operating rooms are needed at Rex ASC-Garner in addition to the existing and approved operating rooms in Wake County.

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Responses to comments

Based on that review, the Agency concludes that the application is not conforming to this criterion for all the reasons stated above.

UNC Panther Creek ASC. UNC Panther Creek ASC proposes to develop a new multi-specialty ambulatory surgery center in Cary with two operating rooms and two procedure rooms.

In Section G.3, page 78, the applicant explains why it believes its proposal would not result in the unnecessary duplication of existing or approved operating rooms services in Wake County. The applicant states, *“As described in Section C.4, the western portion of Cary where the Panther Creek facility will be located currently has limited access to freestanding ASC services.”*

However, the applicant does not adequately demonstrate that additional operating rooms are needed at the proposed ambulatory surgery center in Cary. The discussion regarding need and projected utilization found in Criterion (3) is incorporated herein by reference. Therefore, the applicant does not adequately demonstrate 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 does not adequately demonstrate that the growth rate used to project surgical cases is reasonable and adequately supported.
- The applicant does not adequately demonstrate that the proposed operating rooms are needed at UNC Panther Creek ASC in addition to the existing and approved operating rooms in Wake County.

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Responses to comments

Based on that review, the Agency concludes that the application is not conforming to this criterion for all the reasons stated above.

Rex Hospital. Rex Hospital proposes to develop two additional operating rooms at the existing hospital in Raleigh.

In Section G.3, page 81, the applicant explains why it believes its proposal would not result in the unnecessary duplication of existing or approved operating rooms services in Wake County. The applicant states, *“Given the continued push to lower the total cost of care and focus on population health by all payors, including Medicare and BCBS, UNC REX Hospital needs the additional capacity proposed in the concurrent and complementary applications to serve a growing patient population. No other provider can meet the needs of UNC REX Hospital’s patients.”*

However, the applicant does not adequately demonstrate that additional operating rooms are needed at UNC REX Hospital. The discussion regarding need and projected utilization found in Criterion (3) is incorporated herein by reference. Therefore, the applicant does not adequately demonstrate 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 does not adequately demonstrate that the growth rate used to project surgical cases is reasonable and adequately supported.
- The applicant does not adequately demonstrate that the proposed operating rooms are needed at UNC REX Hospital in addition to the existing and approved operating rooms in Wake County.

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Responses to comments

Based on that review, the Agency concludes that the application is not conforming to this criterion for all the reasons stated above.

Duke Green Level ASC. Duke University Health System, Inc. d/b/a Green Level Ambulatory Surgery Center proposes to develop a new multi-specialty ambulatory surgery center in Cary with four operating rooms and four procedure rooms.

In Section G.3, pages 74-76, the applicant explains why it believes its proposal would not result in the unnecessary duplication of existing or approved operating room services in Wake County. The applicant states, *“As described previously in Section C, the need determination for six (6) ORs in the 2018 SMFP is based solely on the surgical utilization of DRAH and the need for additional surgical capacity to accommodate the growth of DUHS surgical cases in Wake County.”*

However, the applicant does not adequately demonstrate that additional operating rooms are needed at the proposed ambulatory surgery center in Cary. The discussion regarding need and projected utilization found in Criterion (3) is incorporated herein by reference. Therefore, the applicant does not adequately demonstrate 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 does not adequately demonstrate that the assumptions used to project surgical cases are reasonable and adequately supported.
- The applicant does not adequately demonstrate that the proposed operating rooms are needed at Duke Green Level ASC in addition to the existing and approved operating rooms in Wake County.

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Responses to comments

Based on that review, the Agency concludes that the application is not conforming to this criterion for all the reasons stated above.

OrthoNC ASC. OrthoNC ASC, Inc. proposes to develop a new single-specialty ambulatory surgery center in Raleigh with one operating room and one procedure room focused on orthopedic and pain management procedures.

In Section G.3, pages 53-54, the applicant explains why it believes its proposal would not result in the unnecessary duplication of existing or approved operating room services in Wake County. The applicant states, *“From the perspective of the applicant, the existing and approved surgical facilities cannot guarantee the physicians adequate block time, now or in the future, to allow them to practice efficiently.”*

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:

- There is a need determination in the 2018 SMFP for six operating rooms in the Wake County service area and the applicant proposes to develop one operating room.

- The applicant adequately demonstrates that the proposed operating room is needed in addition to the existing or approved operating rooms in Wake County.

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Responses to comments

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

WakeMed ASC-North Raleigh. WakeMed Surgery Center-North Raleigh, LLC and WakeMed propose to develop a new multi-specialty ambulatory surgery center in Raleigh with two operating rooms and two procedure rooms.

In Section G.3, pages 60-61, the applicants explain why they believe their proposal would not result in the unnecessary duplication of existing or approved operating room services in Wake County. The applicants state, *“Specifically, northern Wake County, the region where the proposed project will be located, currently has no freestanding multispecialty ASFs.”*

However, the applicants do not adequately demonstrate that additional operating rooms are needed at the proposed ambulatory surgery center in North Raleigh. The discussion regarding need and projected utilization found in Criterion (3) is incorporated herein by reference. Therefore, the applicants do not adequately demonstrate that the proposal would not result in an unnecessary duplication of existing or approved services in the service area for the following reasons:

- The applicants do not adequately demonstrate that the growth rate used to project surgical cases is reasonable and adequately supported.
- The applicants do not adequately demonstrate that the proposed operating rooms are needed at WakeMed ASC-North Raleigh in addition to the existing and approved operating rooms in Wake County.

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Responses to comments

Based on that review, the Agency concludes that the application is not conforming to this criterion for all the reasons stated above.

WakeMed ASC-Cary. WakeMed Surgery Center-Cary, LLC proposes to develop a new multi-specialty ambulatory surgery center in Cary with two operating rooms and two procedure rooms.

In Section G.3, pages 60-61, the applicant explains why it believes its proposal would not result in the unnecessary duplication of existing or approved operating room services in Wake County. The applicant states,

“The identified need can best be met by awarding a CON to CSC to develop a freestanding multispecialty ASF in Cary, and also by awarding a CON to North Raleigh Surgery Center to develop a freestanding multispecialty ASF in northern Wake County (described in a separate CON application). These two facilities will be located in the fastest-growing areas of Wake County, where there are few options for freestanding ambulatory surgery.”

However, the applicant does not adequately demonstrate that additional operating rooms are needed at the proposed ambulatory surgery center in Cary. The discussion regarding need and projected utilization found in Criterion (3) is incorporated herein by reference. Therefore, the applicant does not adequately demonstrate 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 does not adequately demonstrate that the growth rate used to project surgical cases is reasonable and adequately supported.
- The applicant does not adequately demonstrate that the proposed operating rooms are needed at WakeMed ASC-Cary in addition to the existing and approved operating rooms in Wake County.

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Responses to comments

Based on that review, the Agency concludes that the application is not conforming to this criterion for all 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

All Applicants

RAC ASC. In Section Q, Form H, the applicants provide projected staffing for the proposed services, through the first three operating years of the project, as shown in the tables on pages 93-94 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 applicants are budgeted in Form F.3, which is found in Section Q. In Sections H.2 and H.3, pages 56-57, the applicants describe the methods to be used to recruit or fill new positions and their existing training and continuing education programs. In Section H.4, page 57, the applicants identify the proposed medical director. In Exhibit H-4.1, the applicants provide a letter from the proposed medical director indicating an interest in serving as medical director for the proposed services. In Section H.4, page 57, the applicants describe their physician recruitment plans. In Exhibit H-4.2, the applicants provide supporting documentation.

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

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Responses to comments

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

Rex ASC-Garner. In Section Q, Form H, the applicants provide projected staffing for the proposed services through the first three operating years of the project.

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 applicants are budgeted in Form F.3, which is found in Section Q. In Sections H.2 and H.3, pages 81-82, the applicants describe the methods to be used to recruit or fill new positions and its existing training and continuing education programs. In Section H.4, page 83, the applicants identify the proposed medical director. In Exhibit H.4, the applicants provide a letter from the proposed medical director indicating an interest in serving as medical director for the proposed services. In Section H.4, page 83, the applicants describe their physician recruitment plans. In Exhibit I.2, the applicants provide supporting documentation.

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

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Responses to comments

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

UNC Panther Creek ASC. In Section Q, Form H, the applicant provides projected staffing for the proposed services through the first three operating years of the project.

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 80-81, the applicant describes the methods to be used to recruit or fill new positions and its existing training and continuing education programs. In Section H.4, page 81, the applicant identifies 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. In Section H.4, page 81, the applicant describes its physician recruitment plans. In Exhibit I.2, the applicant provides supporting documentation.

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
- Written comments
- Responses to comments

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

Rex Hospital. In Section Q, Form H, the applicant provides current (FY2018) and projected staffing for the proposed services through the first three operating years of the project.

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 83-84, the applicant describes the methods to be used to recruit or fill new positions

and its existing training and continuing education programs. In Section H.4, page 84, the applicant identifies the current medical director. In Exhibit H.4, the applicant provides a letter from the current medical director indicating an interest in serving as medical director for the proposed services. In Section H.4, page 85, the applicant describes its physician recruitment plans. In Exhibit I.2, the applicant provides supporting documentation.

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
- Written comments
- Responses to comments

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

Duke Green Level ASC. In Section Q, Form H, the applicant provides projected staffing for the proposed services through the first three operating years of the project.

The assumptions and methodology used to project staffing are provided in Section H.1, page 77, and 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 78-79, the applicant describes the methods to be used to recruit or fill new positions and its existing training and continuing education programs. In Section H.4, page 80, the applicant identifies the proposed co-medical directors. In Exhibit 3, the applicant provides letters from the proposed co-medical directors indicating an interest in serving as medical directors for the proposed services. In Section H.4, page 80, the applicant describes its physician recruitment plans. In Exhibit 14, the applicant provides supporting documentation.

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
- Written comments
- Responses to comments

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

OrthoNC ASC. In Section Q, Form H, the applicant provides projected staffing for the proposed services through the first three operating years of the project, as shown in the tables on pages 113-114 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 55-56, 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 56, the applicant identifies 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. In Section H.4, page 56, 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
- Written comments
- Responses to comments

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

WakeMed ASC-North Raleigh. In Section Q, Form H, the applicants provide projected staffing for the proposed services through the first three operating years of the project, as shown in the table on page 114 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 applicants are budgeted in Form F.3, which is found in Section Q. In Sections H.2 and H.3, pages 63-68, the applicants describe the methods to be used to recruit or fill new positions and its existing training and continuing education programs. In Section H.4, page 68, the applicants identify the proposed medical director. In Exhibit H.4, the applicants provide a letter from the proposed medical director indicating an interest in serving as medical director for the proposed services. In Section H.4, pages 68-69, the applicants describe their physician recruitment plans. In Exhibit I.1, the applicants provide supporting documentation.

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

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Responses to comments

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

WakeMed ASC-Cary. In Section Q, Form H, the applicant provides projected staffing for the proposed services through the first three operating years of the project, as shown in the table on page 139 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 62-67, the applicant describes the methods to be used to recruit or fill new positions and its existing training and continuing education programs. In Section H.4, page 67, the applicant identifies 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. In Section H.4, pages 67-68, the applicant describes its physician recruitment plans. In Exhibit I.2, the applicant provides supporting documentation.

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
- Written comments
- Responses to comments

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

All Applicants

RAC ASC. In Section I.1, page 59, the applicants state that the following ancillary and support services are necessary for the proposed services:

Sterile Processing	X-ray services
Anesthesiology	Patient Registration/Billing
Medical Records/Coding	Administration
Maintenance/Janitorial Services	Medical Supplies
Software/Database Services	Medical/Nursing Directors

On pages 59-60, the applicants adequately explain how each ancillary and support service will be made available and provide supporting documentation in Exhibits A-10.2, I-1 and H-4.1.

In Section I.2, page 60, the applicants describe their efforts to develop relationships with other local health care and social service providers and provide supporting documentation in Exhibit I-2.1.

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

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Responses to comments

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

Rex ASC-Garner. In Section I.1, page 85, the applicants state that the following ancillary and support services are necessary for the proposed services:

Laboratory	Diagnostic imaging
Pathology	Anesthesiology
Patient reception	Medical records

Billing and insurance

Housekeeping/Maintenance

On page 85, the applicants adequately explain how each ancillary and support service will be made available and provide supporting documentation in Exhibit I.1.

In Section I.2, page 86, the applicants describe their efforts to develop relationships with other local health care and social service providers and provide supporting documentation in Exhibit I.2.

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

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Responses to comments

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

UNC Panther Creek ASC. In Section I.1, page 83, the applicant states that the following ancillary and support services are necessary for the proposed services:

Laboratory	Diagnostic imaging
Pathology	Anesthesiology
Patient reception	Medical records
Billing and insurance	Housekeeping/Maintenance

On page 83, the applicant adequately explains how each ancillary and support service will be made available and provides supporting documentation in Exhibit I.1.

In Section I.2, page 84, the applicant describes its efforts to develop relationships with other local health care and social service providers and provides supporting documentation in Exhibit I.2.

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
- Written comments
- Responses to comments

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

Rex Hospital. In Section I.1, page 86, the applicant states that the following ancillary and support services are necessary for the proposed services:

Laboratory	Radiology
Pharmacy	Dietary
Administration	Housekeeping/Maintenance

On page 86, the applicant adequately explains how each ancillary and support service will be made available and provides supporting documentation in Exhibit I.1.

In Section I.2, page 86, the applicant describes its existing and proposed relationships with other local health care and social service providers and provides supporting documentation in Exhibit I.2.

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
- Written comments
- Responses to comments

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

Duke Green Level ASC. In Section I.1, page 82, the applicant states that the following ancillary and support services are necessary for the proposed services:

Laboratory	Diagnostic imaging
Pathology	Anesthesiology
Pharmacy	Medical records
Reception/Business office	Housekeeping/Maintenance
Administration	Laundry

On page 82, the applicant adequately explains how each ancillary and support service will be made available and provides supporting documentation in Exhibit 14.

In Section I.2, page 83, the applicant describes its efforts to develop relationships with other local health care and social service providers and provides supporting documentation in Exhibit 14.

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
- Written comments
- Responses to comments

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

OrthoNC ASC. In Section I.1, page 58, the applicant states that the following ancillary and support services are necessary for the proposed services:

Laboratory	Pharmacy
Pathology	Anesthesiology
Medical records	Billing
Housekeeping/Maintenance	Administrative/clerical

On page 58, the applicant adequately explains how each ancillary and support service will be made available and provides supporting documentation in Exhibit I-1.

In Section I.2, page 59, the applicant describes its efforts to develop relationships with other local health care and social service providers and provides supporting documentation in Exhibit I-2.

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

- Written comments
- Responses to comments

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

WakeMed ASC-North Raleigh. In Section I.1, page 70, the applicants state that the following ancillary and support services are necessary for the proposed services:

Anesthesiology	Laboratory
Accounting/billing	Patient scheduling
Human resources/payroll	Medical records
Facilities management	Sterile processing
Quality/performance improvement	Staff education
Information technology	Infection control
Materials management	Housekeeping/Maintenance

On page 70, the applicants adequately explain how each ancillary and support service will be made available and provide supporting documentation in Exhibit A.9.

In Section I.2, pages 71-74, the applicants describe their efforts to develop relationships with other local health care and social service providers and provide supporting documentation in Exhibits I.1 and I.2.

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

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Responses to comments

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

WakeMed ASC-Cary. In Section I.1, page 69, the applicant states that the following ancillary and support services are necessary for the proposed services:

Anesthesiology	Laboratory
Accounting/billing	Patient scheduling
Human resources/payroll	Medical records
Facilities management	Sterile processing

Quality/performance improvement
Information technology
Materials management

Staff education
Infection control
Housekeeping/Maintenance

On pages 69-70, the applicant adequately explains how each ancillary and support service will be made available and provides supporting documentation in Exhibit A.9.

In Section I.2, pages 70-73, the applicant describes its efforts to develop relationships with other local health care and social service providers and provides supporting documentation in Exhibits I.1 and I.2.

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
- Written comments
- Responses to comments

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

All Applications

None of the applicants 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, none of the applicants 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

All Applications

None of the applicants is 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

All Applications

RAC ASC. RAC Surgery Center, LLC and Fresenius Vascular Care Raleigh MSO, LLC propose to develop a new ambulatory surgery center in Raleigh with one operating room and two procedure rooms focused on vascular access procedures for patients with end stage renal disease. In Section K.2, page 63, the applicants state that the project involves renovating 3,400 square feet of space in an existing office building located at 3031 New Bern Avenue in Raleigh. Line drawings are provided in Exhibit K-2.

On page 63, the applicants adequately explain how the cost, design and means of construction represent the most reasonable alternative for the proposal and provides supporting documentation in Exhibit K-4.

On page 64, the applicants adequately explain why the proposal will not unduly increase the costs to the applicants of providing the proposed services or the costs and charges to the public for the proposed services.

On page 64, the applicants identify any applicable energy saving features that will be incorporated into the construction plans.

On page 65, the applicants identify the proposed site and provide 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
- Written comments
- Responses to comments

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

Rex ASC-Garner. Rex Surgery Center of Garner, LLC and Rex Hospital, Inc. propose to develop a new multi-specialty ambulatory surgery center in Garner with two operating rooms and two procedure rooms. In Section K.1, page 88, the applicants state that the project involves the construction a 20,200 square foot facility to be located on Timber Drive East in Garner. Line drawings are provided in Exhibit C.1.

On page 89, the applicants adequately explain how the cost, design and means of construction represent the most reasonable alternative for the proposal and provides supporting documentation in Exhibit F.1-1.

On pages 89-90, the applicants adequately explain why the proposal will not unduly increase the costs to the applicants of providing the proposed services or the costs and charges to the public for the proposed services.

On page 90, the applicants identify any applicable energy saving features that will be incorporated into the construction plans.

On pages 90-91, the applicants identify the proposed site and provide 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
- Written comments
- Responses to comments

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

UNC Panther Creek ASC. University of North Carolina Hospitals at Chapel Hill d/b/a UNC Health Care Panther Creek Ambulatory Surgery Center proposes to develop a new multi-specialty ambulatory surgery center in Cary with two operating rooms and two procedure rooms. In Section K.1, page 86, the applicant states that the project involves the construction a 24,400 square foot facility to be located near the intersection of NC Highway 55 and McCrimmon Parkway in Cary. Line drawings are provided in Exhibit C.1.

On page 87, 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 Exhibit F.1.

On pages 87-88, 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 88, the applicant identifies any applicable energy saving features that will be incorporated into the construction plans.

On pages 88-89, 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
- Written comments
- Responses to comments

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

Rex Hospital. Rex Hospital proposes to develop two additional operating rooms at the hospital's main campus at 4420 Lake Boone Trail in Raleigh. In Section K.2, page 89, the applicant states that the project involves the renovation of 870 square feet of existing space. Line drawings are provided in Exhibit C.1.

On page 90, 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 Exhibit F.1.

On page 90, 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 90, the applicant identifies any applicable energy saving features that will be incorporated into the construction plans.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Responses to comments

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

Duke Green Level ASC. Duke University Health System, Inc. d/b/a Green Level Ambulatory Surgery Center proposes to develop a new multi-specialty ambulatory surgery center in Cary with four operating rooms and four procedure rooms. In Section K.1, page 87, the applicant states that the project involves the upfitting of 40,000 square feet of space in a medical office building under development at 3208 Green Level West Road in Cary. Line drawings are provided in Exhibit 11.

On page 88, 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 Exhibit 10.

On pages 88-89, 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 pages 89-90, the applicant identifies any applicable energy saving features that will be incorporated into the construction plans.

On pages 90-97, 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
- Written comments
- Responses to comments

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

OrthoNC ASC. OrthoNC ASC, Inc. proposes to develop a new single-specialty ambulatory surgery center in Raleigh with one operating room and one procedure room focused on orthopedic and pain management procedures. In Section K.1, page 62, the applicant states that the project involves the upfitting of 6,000 square feet of leased space in a medical office building to be developed at 11208 Common Oaks Drive in Raleigh. Line drawings are provided in Exhibit K-3.

On page 62, 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 Exhibit F-1.

On page 63, 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 63, the applicant identifies any applicable energy saving features that will be incorporated into the construction plans.

On pages 64-65, 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
- Written comments
- Responses to comments

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

WakeMed ASC-North Raleigh. WakeMed Surgery Center-North Raleigh, LLC and WakeMed propose to develop a new multi-specialty ambulatory surgery center in Raleigh with two operating rooms and two procedure rooms. In Section K.1, page 77, the applicants state that the project involves the construction a 10,500 square foot facility to be located at 10004 Falls of Neuse Road in Raleigh. Line drawings are provided in Exhibit K.1.

On page 78, the applicants adequately explain how the cost, design and means of construction represent the most reasonable alternative for the proposal and provides supporting documentation in Exhibit F.1.

On page 78, the applicants adequately explain why the proposal will not unduly increase the costs to the applicants of providing the proposed services or the costs and charges to the public for the proposed services.

On pages 17-18, the applicants identify any applicable energy saving features that will be incorporated into the construction plans.

On pages 79-80, the applicants identify the proposed site and provide 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
- Written comments
- Responses to comments

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

WakeMed ASC-Cary. WakeMed Surgery Center-Cary, LLC proposes to develop a new multi-specialty ambulatory surgery center in Cary with two operating rooms and two procedure rooms. In Section K.1, page 75, the applicant states that the project involves the upfitting of 11,250 square feet of leased space in a medical office building to be developed on the 200 block of Ashville Avenue in Cary. Line drawings are provided in Exhibit K.1.

On page 76, 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 Exhibit F.1.

On page 76, 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 pages 17-18, the applicant identifies any applicable energy saving features that will be incorporated into the construction plans.

On pages 77-78, 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
- Written comments
- Responses to comments

Based on that review, the Agency concludes that the application is conforming to this criterion for all 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;

NA
RAC ASC
OrthoNC ASC

C
All Other Applications

RAC ASC. Neither the applicants nor any related entities owns, operates or manages an existing health service facility located in the service area. Therefore, Criterion (13a) is not applicable.

Rex ASC-Garner. In Section L, page 96, the applicants provide the historical payor mix for UNC REX Hospital's operating rooms for FY2018, as shown in the table below.

Payor Category	Operating Room Services as Percent of Total
Self Pay	2.3%
Medicare*	41.0%
Medicaid*	3.3%
Insurance*	50.7%
Other (Government, Workers Comp)	2.6%
Total	100.0%

Source: Table on page 96 of the application.

*Including any managed care plans.

In Section L, pages 94-95, the applicants provide the following comparison.

	Percentage of Total Patients Served by UNC REX Hospital during FY2018	Percentage of the Population of Wake County
Female	63.7%	51.9%
Male	36.3%	48.1%
Unknown	0.0%	0.0%
64 and Younger	61.8%	86.0%
65 and Older	38.2%	14.0%
American Indian	0.2%	0.0%
Asian	1.9%	6.6%
Black or African-American	22.0%	22.2%
Native Hawaiian or Pacific Islander	0.1%	1.1%
White or Caucasian	68.7%	67.3%
Other Race	4.7%	2.7%
Declined / Unavailable	2.5%	0.0%

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Responses to comments

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

UNC Panther Creek ASC. In Section L, page 93, the applicant provides the historical payor mix for UNC Hospital's operating rooms for FY2018, as shown in the table below.

Payor Category	Operating Room Services as Percent of Total
Self Pay	7.7%
Medicare*	25.8%
Medicaid*	23.4%
Insurance*	34.7%
Other (Government, Workers Comp)	8.5%
Total	100.0%

Source: Table on page 93 of the application.

*Including any managed care plans.

In Section L, pages 92-93, the applicant provides the following comparison.

	Percentage of Total Patients Served by UNC Hospitals during FY2018	Percentage of the Population of Wake County
Female	58.3%	51.9%
Male	41.7%	48.1%
Unknown	0.0%	0.0%
64 and Younger	71.8%	86.0%
65 and Older	28.2%	14.0%
American Indian	0.6%	0.0%
Asian	1.8%	6.6%
Black or African-American	22.4%	22.2%
Native Hawaiian or Pacific Islander	0.1%	1.1%
White or Caucasian	60.9%	67.3%
Other Race	9.0%	2.7%
Declined / Unavailable	5.1%	0.0%

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Responses to comments

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.

Rex Hospital. In Section L, page 95, the applicant provides the historical payor mix for UNC REX Hospital's operating rooms for FY2018, as shown in the table below.

Payor Category	Operating Room Services as Percent of Total
Self Pay	2.3%
Medicare*	41.0%
Medicaid*	3.3%
Insurance*	50.7%
Other (Government, Workers Comp)	2.6%
Total	100.0%

Source: Table on page 95 of the application.

*Including any managed care plans.

In Section L, pages 94-95, the applicant provides the following comparison.

	Percentage of Total Patients Served by UNC REX Hospital during FY2018	Percentage of the Population of Wake County
Female	63.7%	51.9%
Male	36.3%	48.1%
Unknown	0.0%	0.0%
64 and Younger	61.8%	86.0%
65 and Older	38.2%	14.0%
American Indian	0.2%	0.0%
Asian	1.9%	6.6%
Black or African-American	22.0%	22.2%
Native Hawaiian or Pacific Islander	0.1%	1.1%
White or Caucasian	68.7%	67.3%
Other Race	4.7%	2.7%
Declined / Unavailable	2.5%	0.0%

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Responses to comments

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.

Duke Green Level ASC. In Section L, page 100, the applicant states there is no historical payor source data because Duke Green Level ASC is not an existing facility. In Section L, page 100, the applicant provides the following comparison based on inpatients and outpatients served at Duke Raleigh Hospital (DRAH) in FY2017.

	Percentage of Inpatients Patients Served by DRAH during FY2018	Percentage of Outpatients Patients Served by DRAH during FY2018	Percentage of the Population of Service Area
Female	54.4%	54.0%	51.3%
Male	45.6%	46.0%	48.7%
Unknown	0.0%	0.0%	0.0%
64 and Younger	48.6%	58.2%	88.8%
65 and Older	51.4%	41.8%	11.2%
American Indian	0.2%	0.6%	0.8%
Asian	1.2%	1.9%	7.2%
Black or African-American	19.5%	18.6%	21.1%
Native Hawaiian or Pacific Islander	0.0%	0.1%	0.1%
White or Caucasian	74.5%	73.0%	60.6%
Other Race	2.9%	3.5%	10.2%
Declined / Unavailable	1.8%	2.3%	0.0%

Duke Green Level will be a new facility owned by DUHS. The applicant does not currently provide ambulatory surgical services in Cary. In Section L.3, page 103, the applicant states that its projected payor mix for the proposed ASC is based upon the historical outpatient surgical and non-surgical procedure payor mix for DRAH and DUH, and the surgical specialties and types of cases projected to be provided at the proposed facility.

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Responses to comments

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 at DRAH 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.

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

WakeMed ASC-North Raleigh. In Section L, page 84, the applicants state there is no historical payor source data because WakeMed Surgery Center-North Raleigh is not an existing facility.

In Section L, page 84a, the applicants provide the following comparison.

	Percentage of Total Patients Served by WakeMed during FY2017	Percentage of the Population of Wake County
Female	59.1%	51.9%
Male	40.9%	48.1%
Unknown	0.0%	0.0%
64 and Younger	80.0%	88.9%
65 and Older	20.0%	11.1%
American Indian	0.1%	1.1%
Asian	2.2%	6.6%
Black or African-American	33.5%	22.2%
Native Hawaiian or Pacific Islander	0.1%	1.1%
White or Caucasian	50.6%	67.3%
Other Race	13.3%	2.7%
Declined / Unavailable	0.1%	0.0%

WakeMed Surgery Center-North Raleigh will be a new facility. In Section L.3, page 85, the applicants state that their projected payor mix for the proposed ASC is based upon the historical outpatient surgical payor mix for WakeMed North Hospital and Capital City Surgery Center.

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Responses to comments

Based on that review, the Agency concludes that the applicants adequately document the extent to which medically underserved populations currently use the applicants' existing services at WakeMed in comparison to the percentage of the population in the applicants' service area which is medically underserved. Therefore, the application is conforming to this criterion.

WakeMed ASC-Cary. In Section L, page 80, the applicant states there is no historical payor source data because WakeMed Surgery Center-Cary is not an existing facility.

In Section L, page 81, the applicant provides the following comparison.

	Percentage of Total Patients Served by WakeMed during FY2017	Percentage of the Population of Wake County
Female	59.1%	51.9%
Male	40.9%	48.1%
Unknown	0.0%	0.0%
64 and Younger	80.0%	88.9%
65 and Older	20.0%	11.1%
American Indian	0.1%	1.1%
Asian	2.2%	6.6%
Black or African-American	33.5%	22.2%
Native Hawaiian or Pacific Islander	0.1%	1.1%
White or Caucasian	50.6%	67.3%
Other Race	13.3%	2.7%
Declined / Unavailable	0.1%	0.0%

WakeMed Surgery Center-Cary will be a new facility. In Section L.3, page 83, the applicant states that its projected payor mix for the proposed ASC is based upon the historical outpatient surgical payor mix for WakeMed Cary Hospital and Capital City Surgery Center.

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Responses to comments

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 at WakeMed 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;

NA
RAC ASC
OrthoNC ASC

C
All Other Applications

RAC ASC. Neither the applicants nor any related entities owns, operates or manages an existing health service facility located in North Carolina. Therefore, Criterion

(13b) is not applicable. In Section L, page 70, the applicants state that during the last five years no patient civil rights access complaints have been filed against the applicants or any related entity.

Rex ASC-Garner. Regarding any obligation to provide uncompensated care, community service or access by minorities and persons with disabilities, in Section L, page 96, the applicants state UNC REX has no obligations to provide uncompensated care, community service or access by minorities and persons with disabilities, but that they provide access to healthcare services to all patients needing care, regardless of their ability to pay.

In Section L, page 97, the applicants state that during the last five years no patient civil rights access complaints have been filed against UNC REX or any related entity.

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Responses to comments

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

UNC Panther Creek ASC. Regarding any obligation to provide uncompensated care, community service or access by minorities and persons with disabilities, in Section L, page 94, the applicant states it has no obligations to provide uncompensated care, community service or access by minorities and persons with disabilities.

In Section L, page 94, the applicant states that during the last five years no patient civil rights access complaints have been filed against UNC Hospitals or any related entity.

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Responses to comments

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

Rex Hospital. Regarding any obligation to provide uncompensated care, community service or access by minorities and persons with disabilities, in Section L, page 96,

the applicant states UNC REX has no obligations to provide uncompensated care, community service or access by minorities and persons with disabilities, but that that they provide access to healthcare services to all patients needing care, regardless of their ability to pay.

In Section L, page 96, the applicant states that during the last five years no patient civil rights access complaints have been filed against UNC REX or any related entity.

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Responses to comments

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

Duke Green Level ASC. Regarding any obligation to provide uncompensated care, community service or access by minorities and persons with disabilities, in Section L, page 101, the applicant states it has no obligation to provide uncompensated care, community service or access by minorities and persons with disabilities, but that DUHS provides services to all patients regardless of income, racial/ethnic origin, gender, physical or mental conditions, age, ability to pay or any other factor.

In Section L, page 102, the applicant states that during the last five years, three patient civil rights access complaints have been filed against DUHS. The applicant reports that two of the complaints have been closed without further investigation and one complaint is pending.

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Responses to comments

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

OrthoNC ASC. Neither the applicant nor any related entities owns, operates or manages an existing health service facility located in North Carolina. Therefore, Criterion (13b) is not applicable.

WakeMed ASC-North Raleigh. Regarding any obligation to provide uncompensated care, community service or access by minorities and persons with

disabilities, in Section L, page 84b, the applicants state they have no obligations to provide uncompensated care, community service or access by minorities and persons with disabilities.

In Section L, page 84b, the applicants state that during the last five years, one patient civil rights access complaint has been filed against WakeMed or any related entity. The applicants report the complaint has been closed without further investigation.

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Responses to comments

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

WakeMed ASC-Cary. Regarding any obligation to provide uncompensated care, community service or access by minorities and persons with disabilities, in Section L, page 82, the applicant states it has no obligations to provide uncompensated care, community service or access by minorities and persons with disabilities.

In Section L, page 82, the applicant states that during the last five years, one patient civil rights access complaint has been filed against WakeMed or any related entity. The applicant reports the complaint has been closed without further investigation.

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Responses to comments

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

RAC ASC. In Section L, page 70, the applicants project 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.

Payor Category	Operating Room and Procedure Room Services as Percent of Total
Self-Pay	1.4%
Charity Care	1.0%
Medicare *	56.9%
Medicaid *	6.1%
Insurance *	34.7%
Total	100.0%

Source: Table on page 70 of the application.

* Including any managed care plans

As shown in the table above, during the second full fiscal year of operation, the applicants project that 1.4% of total services will be provided to self-pay patients, 1.0% to charity care patients, 56.9% to Medicare patients and 6.1% to Medicaid patients.

On page 70, the applicants provide the assumptions and methodology used to project payor mix during the second full fiscal year of operation following completion of the project. The projected payor mix is reasonable and adequately supported because it is based on the applicants' historical (CY2017) experience.

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Responses to comments

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

Rex ASC-Garner. In Section L, page 97, the applicants project 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.

Payor Category	Operating Room and Procedure Room Services as Percent of Total
Self-Pay	3.4%
Medicare *	29.6%
Medicaid *	6.0%
Insurance *	56.2%
Other Government, Workers Comp	4.8%
Total	100.0%

Source: Table on page 97 of the application.

* Including any managed care plans

As shown in the table above, during the second full fiscal year of operation, the applicants project that 3.4% of total services will be provided to self-pay patients, 29.6% to Medicare patients and 6.0% to Medicaid patients.

On page 98, the applicants provide the assumptions and methodology used to project payor mix during the second full fiscal year of operation following completion of the project. The projected payor mix is reasonable and adequately supported because it is based on the applicants' historical experience serving patients from the Garner area.

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Responses to comments

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

UNC Panther Creek. In Section L, page 95, 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.

Payor Category	Operating Room and Procedure Room Services as Percent of Total
Self-Pay	3.9%
Medicare *	13.2%
Medicaid *	13.2%
Insurance *	66.9%
Other government, Workers Compensation	2.8%
Total	100.0%

Source: Table on page 95 of the application.

* Including any managed care plans

As shown in the table above, during the second full fiscal year of operation, the applicant projects that 3.9% of total services will be provided to self-pay patients, 13.2% to Medicare patients and 13.2% to Medicaid patients.

On page 95, 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 applicant's historical experience serving patients from the Panther Creek area.

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Responses to comments

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

Rex Hospital. In Section L, page 97, 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.

Payor Category	Operating Room Services as Percent of Total
Self-Pay	2.3%
Medicare *	41.0%
Medicaid *	3.3%
Insurance *	50.7%
Other Government, Workers Comp	2.6%
Total	100.0%

Source: Table on page 97 of the application.

* Including any managed care plans

As shown in the table above, during the second full fiscal year of operation, the applicant projects that 2.3% of total services will be provided to self-pay patients, 41.0% to Medicare patients and 3.3% to Medicaid patients.

On page 97, 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 applicant's historical (FY2018) experience.

The Agency reviewed the:

- Application

- Exhibits to the application
- Written comments
- Responses to comments

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

Duke Green Level ASC. In Section L, page 103, 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.

Payor Category	Operating Room Services as Percent of Total	Procedure Room Services as Percent of Total
Self-Pay/Charity	1.6%	1.8%
Medicare *	43.4%	33.8%
Medicaid *	4.8%	5.5%
Insurance *	43.1%	48.6%
Workers Comp, VA, TRICARE	7.0%	10.3%
Total	100.0%	100.0%

Source: Table on page 103 of the application.

* Including any managed care plans

As shown in the table above, during the second full fiscal year of operation, the applicant projects that 1.6% of surgical services will be provided to self-pay/charity patients, 43.4% to Medicare patients and 4.8% to Medicaid patients.

On pages 103-104, 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 applicant's historical experience and the surgical specialties and types of cases and procedures projected for the proposed ASC.

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Responses to comments

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

OrthoNC ASC. In Section L, page 70, 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.

Payor Category	Operating Room and Procedure Room Services as Percent of Total
Self-Pay	1%
Charity Care	2%
Medicare *	35%
Medicaid *	5%
Insurance *	54%
Workers Compensation	3%
Total	100%

Source: Table on page 70 of the application.

* Including any managed care plans

As shown in the table above, during the second full fiscal year of operation, the applicant projects that 1% of total services will be provided to self-pay patients, 2% to charity care patients, 35% to Medicare patients and 5% to Medicaid patients.

On pages 99-112, 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 experience for the surgeons who will practice at the proposed ASC.

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Responses to comments

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

WakeMed ASC-North Raleigh. In Section L, page 85, the applicants project 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.

Payor Category	Operating Room and Procedure Room Services as Percent of Total
Self-Pay	1.3%
Medicare *	21.7%
Medicaid *	6.3%
Insurance *	65.4%
Workers Compensation	2.5%
TRICARE	1.4%
Other	1.4%
Total	100.0%

Source: Table on page 85 of the application.

* Including any managed care plans

As shown in the table above, during the second full fiscal year of operation, the applicants project that 1.3% of total services will be provided to self-pay patients, 21.7% to Medicare patients and 6.3% to Medicaid patients.

On page 85 the applicants provide the assumptions and methodology used to project payor mix during the second full fiscal year of operation following completion of the project. The projected payor mix is reasonable and adequately supported because it is based on the applicants' historical experience at WakeMed North Hospital and Capital City Surgery Center.

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Responses to comments

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

WakeMed ASC-Cary. In Section L, page 83, 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.

Payor Category	Operating Room and Procedure Room Services as Percent of Total
Self-Pay	2.5%
Medicare *	22.0%
Medicaid *	3.5%
Insurance *	67.5%
Workers Compensation	2.2%
TRICARE	1.1%
Other	1.1%
Total	100.0%

Source: Table on page 83 of the application.

* Including any managed care plans

As shown in the table above, during the second full fiscal year of operation, the applicant projects that 2.5% of total services will be provided to self-pay patients, 22.0% to Medicare patients and 3.5% to Medicaid patients.

On page 83, 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 applicant's historical experience at WakeMed Cary Hospital and Capital City Surgery Center.

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Responses to comments

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

All Applications

RAC ASC. In Section L, page 71, the applicants adequately describe the range of means by which patients will have access to the proposed services.

The Agency reviewed the:

- Application
- Exhibits to the application

- Written comments
- Responses to comments

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

Rex ASC-Garner. In Section L, page 99, the applicants adequately describe the range of means by which patients will have access to the proposed services.

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Responses to comments

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

UNC Panther Creek ASC. In Section L, page 96, 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
- Written comments
- Responses to comments

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

Rex Hospital. In Section L, page 98, 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
- Written comments
- Responses to comments

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

Duke Green Level ASC. In Section L, page 105, 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
- Written comments
- Responses to comments

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

OrthoNC ASC. In Section L, page 71, 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
- Written comments
- Responses to comments

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

WakeMed ASC-North Raleigh. In Section L, page 86, the applicants adequately describe the range of means by which patients will have access to the proposed services.

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Responses to comments

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

WakeMed ASC-Cary. In Section L, page 84, 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

- Written comments
- Responses to comments

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

All Applications

All Applications. In Section M, the applicants describe the extent to which health professional training programs in the area have or will have access to the facility for training purposes and provide supporting documentation in the referenced exhibits.

The Agency reviewed the:

- Applications
- Exhibits to the applications

Based on that review, the Agency concludes that all of the applicants adequately demonstrate that the proposed services will accommodate the clinical needs of area health professional training programs, and therefore, all of the applications are 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

RAC ASC
OrthoNC ASC

NC

Rex ASC-Garner
UNC Panther Creek ASC
Rex Hospital

Duke Green Level ASC
WakeMed ASC-North Raleigh
WakeMed ASC-Cary

On page 57, the 2018 SMFP states, “An operating room’s service area is the operating room planning area in which the operating room is located. The operating room planning areas are the single and multicounty groupings shown in Figure 6.1.” In Figure 6.1, page 62 of the 2018 SMFP, Wake County is shown as a single-county operating room service area. Thus, the service area for this review consists of Wake County. Facilities may also serve residents of counties not included in the service area.

The following table identifies the existing and approved inpatient (IP), outpatient (OP), and shared operating rooms located in Wake County, and the inpatient and outpatient case volumes for each provider, from pages 70 and 77-78 of the 2018 SMFP.

**Wake County 2016 Operating Room Inventory and Cases
As Reported in the 2018 SMFP and on the 2017 License Renewal Applications**

	IP ORs	OP ORs	Shared ORs	Excluded C-Section, Trauma, Burn ORs	CON Adjust-ments	IP Surgery Cases	OP Surgery Cases	Group
Rex Hospital Holly Springs	0	0	0	0	3	0	0	
Rex Surgery Center of Wakefield	0	0	0	0	2	0	0	
Rex Surgery Center of Cary	0	4	0	0	0	0	3,786	6
Rex Hospital	3	3	24	-3	-5	8,557	13,026	2
Raleigh Orthopedic Surgery Center**	0	4	0	0	-1	0	3,766	6
Raleigh Orthopedic Surgery-West Cary**	0	0	0	0	1	0	0	
UNC Health Care System Total	3	11	24	-3	0			
Capital City Surgery Center	0	8	0	0	0	0	6,123	6
WakeMed (incl. WakeMed North)	8	0	20	-5	-1	8,507	9,918	2
WakeMed Cary Hospital	2	0	9	-2	1	2,914	4,132	4
WakeMed System Total	10	8	29	-7	0			
Holly Springs Surgery Center	0	0	0	0	3	0	0	
Blue Ridge Surgery Center	0	6	0	0	0	0	7,344	5
Raleigh Plastic Surgery Center^	0	1	0	0	0	0	334	6
Triangle Orthopedic Surgery Center*	0	2	0	0	0	0	2,261	
Duke Raleigh Hospital	0	0	15	0	0	4,389	10,855	3
Surgical Center for Dental Professionals*	0	0	0	0	2	0	0	
Total Wake County ORs	13	28	68	-10	5			

Source: 2018 SMFP

^Underutilized facility, excluded from need determination calculations.

*Ambulatory surgery demonstration projects included in the inventory, but not included in the need determination calculations.

**These two facilities were not listed as part of the UNC Health Care System in the 2018 SMFP.

As the table above indicates, as of FY2017 there were six existing or approved hospitals and ten existing or approved ambulatory surgery facilities in Wake County with a total of 13 inpatient, 28 ambulatory and 68 shared operating rooms.

The 2018 SMFP shows a need for six additional operating rooms for the Wake County service area based on the utilization of Duke Raleigh Hospital, as shown in Table 6B:

Projected Operating Room Need for 2020, on page 78. However, anyone can apply to meet the need.

RAC ASC. RAC Surgery Center, LLC and Fresenius Vascular Care Raleigh MSO, LLC propose to develop a new ambulatory surgery center in Raleigh with one operating room and two procedure rooms focused on vascular access procedures for patients with end stage renal disease.

In Section N, pages 73-74, the applicants describe the expected effects of the proposed services on competition in the service area and discuss how any enhanced competition in the service area will promote the cost-effectiveness, quality and access to the proposed services. On page 73, the applicants state,

“RAC ASC is specifically focused on providing quality care and cost-effective vascular access services to ESRD patients in Wake County and surrounding counties... If approved, RAC ASC will keep this subset of patients out of the outpatient hospital setting, most importantly emergency room, and allow them to obtain care in a more cost-effective setting.”

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

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

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- 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 all the reasons stated above.

Rex ASC-Garner. Rex Surgery Center of Garner, LLC and Rex Hospital, Inc. propose to develop a new multi-specialty ambulatory surgery center in Garner with two operating rooms and two procedure rooms.

In Section N, pages 102-106, the applicants describe the expected effects of the proposed services on competition in the service area and discuss how any enhanced competition in the service area will promote the cost-effectiveness, quality and access to the proposed services. On page 105, the applicants state,

“The proposed project will increase access to timely, clinically appropriate, and high quality surgical services in Wake County, specifically Garner. The development of the proposed Rex Surgery Center of Garner will enhance geographic access to freestanding ASC services within Wake County.”

However, the applicants do not adequately demonstrate how any enhanced competition in the service area would have a positive impact on the cost effectiveness of the proposal because they do not adequately demonstrate the need the population to be served has for the proposed services. The discussion regarding analysis of need and projected utilization found in Criterion (3) is incorporated herein by reference.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Responses to comments

Based on that review, the Agency concludes that the application is not conforming to this criterion for all the reasons stated above.

UNC Panther Creek ASC. UNC Panther Creek ASC proposes to develop a new multi-specialty ambulatory surgery center in Cary with two operating rooms and two procedure rooms.

In Section N, pages 100-103, 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 102, the applicant states,

“The proposed project will increase access to timely, clinically appropriate, and high quality surgical services in Wake County, specifically the Panther Creek area. The development of the proposed UNC Panther Creek Ambulatory Surgery Center will enhance geographic access to freestanding ASC services within Wake County.”

However, the applicant does not adequately demonstrate how any enhanced competition in the service area would have a positive impact on the cost effectiveness of the proposal because it does not adequately demonstrate the need the population to be served has for the proposed

services. The discussion regarding analysis of need and projected utilization found in Criterion (3) is incorporated herein by reference.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Responses to comments

Based on that review, the Agency concludes that the application is not conforming to this criterion for all the reasons stated above.

Rex Hospital. Rex Hospital proposes to develop two additional operating rooms at the existing hospital in Raleigh.

In Section N, pages 101-104, 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 101, the applicant states,

“As discussed further in Section C.4, UNC REX has a demonstrated ability to efficiently provide surgical services with fewer resources, which results in lower cost of care for the service. UNC REX performs more surgical cases than any other facility in Wake County, supported by a highly efficient service with lower costs.”

However, the applicant does not adequately demonstrate how any enhanced competition in the service area would have a positive impact on the cost effectiveness of the proposal because it does not adequately demonstrate the need the population to be served has for the proposed services. The discussion regarding analysis of need and projected utilization found in Criterion (3) is incorporated herein by reference.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Responses to comments

Based on that review, the Agency concludes that the application is not conforming to this criterion for all the reasons stated above.

Duke Green Level ASC. Duke University Health System, Inc. d/b/a Green Level Ambulatory Surgery Center proposes to develop a new multi-specialty ambulatory surgery center in Cary with four operating rooms and four procedure rooms.

In Section N, pages 107-110, 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 107, the applicant states,

“DUHS is the only system without a freestanding ASC in Wake County. The proposed new operating rooms will promote cost-effectiveness, quality, and access to services via creation of a new ASC to better serve local residents, and therefore will promote competition in the Wake County service area because it will enable DUHS to better meet the needs of its existing patient population, and to ensure more timely provision of and convenient access to outpatient surgical services.”

However, the applicant does not adequately demonstrate how any enhanced competition in the service area would have a positive impact on the cost effectiveness of the proposal because it does not adequately demonstrate the need the population to be served has for the proposed services. The discussion regarding analysis of need and projected utilization found in Criterion (3) is incorporated herein by reference.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Responses to comments

Based on that review, the Agency concludes that the application is not conforming to this criterion for all the reasons stated above.

OrthoNC ASC. OrthoNC ASC, Inc. proposes to develop a new single-specialty ambulatory surgery center in Raleigh with one operating room and one procedure room focused on orthopedic and pain management procedures.

In Section N, pages 73-75, 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 73, the applicant states,

“As a new alternative for patients, OrthoNC ASC will have a positive effect on competition in the proposed service area. As a single specialty ASC, the medical staff

and facility will focus on one surgical specialty, and will not have competing demands on its capital, clinical, or scheduling resources.”

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
- Responses to comments

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

WakeMed ASC-North Raleigh. WakeMed Surgery Center-North Raleigh, LLC and WakeMed propose to develop a new multi-specialty ambulatory surgery center in Raleigh with two operating rooms and two procedure rooms.

In Section N, pages 92-94, the applicants describe the expected effects of the proposed services on competition in the service area and discuss how any enhanced competition in the service area will promote the cost-effectiveness, quality and access to the proposed services. On page 93, the applicants state,

“The proposed project involves the development of a new freestanding multispecialty ASF in northern Wake County. Surgical cases performed outside acute care hospitals are generally less expensive than similar cases done in a hospital setting. WSCNR will be developed as multispecialty ASF to allow surgeons in several different specialties the option of treating patients at the facility.”

However, the applicants do not adequately demonstrate how any enhanced competition in the service area would have a positive impact on the cost effectiveness of the proposal because they do not adequately demonstrate the need the population to be served has for the proposed services. The discussion regarding analysis of need and projected utilization found in Criterion (3) is incorporated herein by reference.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Responses to comments

Based on that review, the Agency concludes that the application is not conforming to this criterion for the reasons stated above

WakeMed ASC-Cary. WakeMed Surgery Center-Cary, LLC proposes to develop a new multi-specialty ambulatory surgery center in Cary with two operating rooms and two procedure rooms.

In Section N, pages 90-92, 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 91, the applicant states,

“Cases performed in this non-hospital setting will result in cost savings to patients and third-party payers. Given that only three providers of freestanding ambulatory surgery are currently approved or in operation in WSCC’s local service area, one of which is a single-specialty ASF, the development of an additional multispecialty ASF in this region of Wake County will improve access to services and competition.”

However, the applicant does not adequately demonstrate how any enhanced competition in the service area would have a positive impact on the cost effectiveness of the proposal because it does not adequately demonstrate the need the population to be served has for the proposed services. The discussion regarding analysis of need and projected utilization found in Criterion (3) is incorporated herein by reference.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Responses to comments

Based on that review, the Agency concludes that the application is not 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.

NA

RAC ASC

OrthoNC ASC

C

All Other Applications

RAC ASC. RAC Surgery Center, LLC and Fresenius Vascular Care Raleigh MSO, LLC propose to develop a new ambulatory surgery center in Raleigh with one operating room and two procedure rooms focused on vascular access procedures for patients with end stage renal disease. In Section O.3, page 76, the applicants state neither they nor any related entity owns, operates or manages a similar existing health care facility in North Carolina. Therefore, Criterion (20) is not applicable.

Rex ASC-Garner, UNC Panther Creek ASC and Rex Hospital. Rex Surgery Center of Garner, LLC and Rex Hospital, Inc. propose to develop a new multi-specialty ambulatory surgery center in Garner with two operating rooms and two procedure rooms. UNC Panther Creek ASC proposes to develop a new multi-specialty ambulatory surgery center in Cary with two operating rooms and two procedure rooms. Rex Hospital proposes to develop two additional operating rooms at the existing hospital in Raleigh. All three entities are part of the UNC Health Care System. In Section O, the applicants identify ten health care facilities owned or managed by UNC Health Care System.

In Section O, the applicants state that, during the 18 months immediately preceding the submittal of the application, incidents related to quality of care occurred at five UNC Health Care System facilities. In Section O.3, the applicants state that all of the facilities are back in compliance with all Medicare Conditions of Participation. According to the files in the Acute and Home Care Licensure and Certification Section, DHSR, all of the facilities are back in compliance with all Medicare Conditions of Participation. After reviewing and considering information provided by the applicants and by the Acute and Home Care Licensure and Certification Section, and considering the quality of care provided at all UNC Health Care System facilities, the applicants provide sufficient evidence that quality care has been provided in the past. Therefore, the application is conforming to this criterion.

Duke Green Level ASC. Duke University Health System, Inc. d/b/a Green Level Ambulatory Surgery Center proposes to develop a new multi-specialty ambulatory surgery center in Cary with four operating rooms and four procedure rooms. Duke Green Level Ambulatory Surgery Center is part of the Duke University Health System (DUHS). In Section O, the applicant identifies one ambulatory surgery center, the James E. Davis

Ambulatory Surgery Center, and three hospitals, Duke University Hospital, Duke Regional Hospital, and Duke Raleigh Hospital, that are owned or managed by DUHS.

In Section O, the applicant states that, during the 18 months immediately preceding the submittal of the application, none of the facilities have been out of compliance with any Medicare Conditions of Participation. According to the files in the Acute and Home Care Licensure and Certification Section, DHSR, all of the facilities are in compliance with all Medicare Conditions of Participation. 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 DUHS facilities, the applicant provides sufficient evidence that quality care has been provided in the past. Therefore, the application is conforming to this criterion.

OrthoNC ASC. OrthoNC ASC, Inc. proposes to develop a new single-specialty ambulatory surgery center in Raleigh with one operating room and one procedure room focused on orthopedic and pain management procedures. In Section O.3, page 76, the applicant states neither OrthoNC nor any related entity owns, operates or manages a similar existing health care facility in North Carolina. Therefore, Criterion (20) is not applicable.

WakeMed ASC-North Raleigh and WakeMed ASC-Cary. WakeMed Surgery Center-North Raleigh, LLC and WakeMed propose to develop a new multi-specialty ambulatory surgery center in Raleigh with two operating rooms and two procedure rooms. WakeMed Surgery Center-Cary, LLC proposes to develop a new multi-specialty ambulatory surgery center in Cary with two operating rooms and two procedure rooms. Both entities are part of the WakeMed Health & Hospitals system. In Section O, the applicants identify two ambulatory surgery centers, Capital City Surgery Center and Holly Springs Surgery Center, and three hospitals, WakeMed Raleigh Campus, WakeMed Cary Hospital, and WakeMed North Family Health & Women's Hospital, that are owned or managed by WakeMed or Compass Surgical Partners, LLC, which is a member of Cary Surgery Center, LLC.

In Section O, the applicants state that, during the 18 months immediately preceding the submittal of the application, none of the facilities have been out of compliance with any Medicare Conditions of Participation. According to the files in the Acute and Home Care Licensure and Certification Section, DHSR, all of the facilities are in compliance with all Medicare Conditions of Participation. After reviewing and considering information provided by the applicants and by the Acute and Home Care Licensure and Certification Section, and considering the quality of care provided at all WakeMed facilities, the applicants provide 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

RAC ASC

OrthoNC ASC

NC

Rex ASC-Garner

UNC Panther Creek ASC

Rex Hospital

Duke Green Level ASC

WakeMed ASC-North Raleigh

WakeMed ASC-Cary

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

.2103 PERFORMANCE STANDARDS

.2103(a) A proposal to establish a new ambulatory surgical facility, to establish a new campus of an existing facility, to establish a new hospital, to increase the number of operating rooms in an existing facility (excluding dedicated C-section operating rooms), to convert a specialty ambulatory surgical program to a multispecialty ambulatory surgical program, or to add a specialty to a specialty ambulatory surgical program shall demonstrate the need for the number of proposed operating rooms in the facility that is proposed to be developed or expanded in the third operating year of the project based on the Operating Room Need Methodology set forth in the 2018 State Medical Facilities Plan. The applicant is not required to use the population growth factor.

-C- RAC ASC. This proposal would develop a new ASC with one operating room. The applicants project sufficient surgical cases and hours to demonstrate the need for one operating room in the third operating year of the project based on the Operating Room Need Methodology in the 2018 SMFP. The discussion regarding projected utilization found in Criterion (3) is incorporated herein by reference.

-NC- Rex ASC-Garner. This proposal would develop a new ASC with two operating rooms. The applicants project sufficient surgical cases and hours to demonstrate the need for two operating rooms in the third operating year of the project based on the Operating Room Need Methodology in the 2018

SMFP. However, the applicants do not adequately demonstrate that the projected utilization is based upon reasonable and adequately supported assumptions. The discussion regarding analysis of need, including projected utilization, found in Criterion (3) is incorporated herein by reference. Therefore, the application is not conforming to this Rule.

-NC- **UNC Panther Creek ASC.** This proposal would develop a new ASC with two operating rooms. The applicant projects sufficient surgical cases and hours to demonstrate the need for two operating rooms in the third operating year of the project based on the Operating Room Need Methodology in the 2018 SMFP. However, the applicant does not adequately demonstrate that the projected utilization is based upon reasonable and adequately supported assumptions. The discussion regarding analysis of need, including projected utilization, found in Criterion (3) is incorporated herein by reference. Therefore, the application is not conforming to this Rule.

-NC- **Rex Hospital.** This proposal would develop two additional operating rooms at the hospital. The applicant projects sufficient surgical cases and hours to demonstrate the need for the two operating rooms in the third operating year of the project based on the Operating Room Need Methodology in the 2018 SMFP. However, the applicant does not adequately demonstrate that the projected utilization is based upon reasonable and adequately supported assumptions. The discussion regarding analysis of need, including projected utilization, found in Criterion (3) is incorporated herein by reference. Therefore, the application is not conforming to this Rule.

-NC- **Duke Green Level ASC.** This proposal would develop a new ASC with four operating rooms. The applicant projects sufficient surgical cases and hours to demonstrate the need for four operating rooms in the third operating year of the project based on the Operating Room Need Methodology in the 2018 SMFP. However, the applicant does not adequately demonstrate that the projected utilization is based upon reasonable and adequately supported assumptions. The discussion regarding analysis of need, including projected utilization, found in Criterion (3) is incorporated herein by reference. Therefore, the application is not conforming to this Rule.

-C- **OrthoNC ASC.** This proposal would develop a new ASC with one operating room. The applicant projects sufficient surgical cases and hours to demonstrate the need for one operating room in the third operating year of the project based on the Operating Room Need Methodology in the 2018 SMFP. The discussion regarding projected utilization found in Criterion (3) is incorporated herein by reference.

-NC- **WakeMed ASC-North Raleigh.** This proposal would develop a new ASC with two operating rooms. The applicants project sufficient surgical cases and hours to demonstrate the need for two operating rooms in the third operating

year of the project based on the Operating Room Need Methodology in the 2018 SMFP. However, the applicants do not adequately demonstrate that the projected utilization is based upon reasonable and adequately supported assumptions. The discussion regarding analysis of need, including projected utilization, found in Criterion (3) is incorporated herein by reference. Therefore, the application is not conforming to this Rule.

-NC- **WakeMed ASC-Cary.** This proposal would develop a new ASC with two operating rooms. The applicant projects sufficient surgical cases and hours to demonstrate the need for two operating rooms in the third operating year of the project based on the Operating Room Need Methodology in the 2018 SMFP. However, the applicant does not adequately demonstrate that the projected utilization is based upon reasonable and adequately supported assumptions. The discussion regarding analysis of need, including projected utilization, found in Criterion (3) is incorporated herein by reference. Therefore, the application is not conforming to this Rule.

.2103(b) *A proposal to increase the number of operating rooms (excluding dedicated C-section operating rooms) in a service area shall demonstrate the need for the number of proposed operating rooms in addition to the existing and approved operating rooms in the applicant's health system in the third operating year of the proposed project based on the Operating Room Need Methodology set forth in the 2018 State Medical Facilities Plan. The applicant is not required to use the population growth factor.*

-C- **RAC ASC.** This proposal would develop a new ASC with one operating room. The applicants project sufficient surgical cases and hours to demonstrate the need for one operating room in the third operating year of the project based on the Operating Room Need Methodology in the 2018 SMFP. The discussion regarding projected utilization found in Criterion (3) is incorporated herein by reference.

-NC- **Rex ASC-Garner.** This proposal would develop a new ASC with two operating rooms. The applicants project sufficient surgical cases and hours to demonstrate the need for two operating rooms in the applicants' health system in the third operating year of the project based on the Operating Room Need Methodology in the 2018 SMFP. However, the applicants do not adequately demonstrate that the projected utilization is based upon reasonable and adequately supported assumptions. The discussion regarding analysis of need, including projected utilization, found in Criterion (3) is incorporated herein by reference. Therefore, the application is not conforming to this Rule.

-NC- **UNC Panther Creek ASC.** This proposal would develop a new ASC with two operating rooms. The applicant projects sufficient surgical cases and hours to demonstrate the need for two operating rooms in the applicant's health system in the third operating year of the project based on the Operating

Room Need Methodology in the 2018 SMFP. However, the applicant does not adequately demonstrate that the projected utilization is based upon reasonable and adequately supported assumptions. The discussion regarding analysis of need, including projected utilization, found in Criterion (3) is incorporated herein by reference. Therefore, the application is not conforming to this Rule.

-NC- **Rex Hospital.** This proposal would develop two additional operating rooms at the hospital. The applicant projects sufficient surgical cases and hours to demonstrate the need for two operating rooms in the applicant's health system in the third operating year of the project based on the Operating Room Need Methodology in the 2018 SMFP. However, the applicant does not adequately demonstrate that the projected utilization is based upon reasonable and adequately supported assumptions. The discussion regarding analysis of need, including projected utilization, found in Criterion (3) is incorporated herein by reference. Therefore, the application is not conforming to this Rule.

-NC- **Duke Green Level ASC.** This proposal would develop a new ASC with four operating rooms. The applicant projects sufficient surgical cases and hours to demonstrate the need for four operating rooms in the applicant's health system in the third operating year of the project based on the Operating Room Need Methodology in the 2018 SMFP. However, the applicant does not adequately demonstrate that the projected utilization is based upon reasonable and adequately supported assumptions. The discussion regarding analysis of need, including projected utilization, found in Criterion (3) is incorporated herein by reference. Therefore, the application is not conforming to this Rule.

-C- **OrthoNC ASC.** This proposal would develop a new ASC with one operating room. The applicant projects sufficient surgical cases and hours to demonstrate the need for one operating room in the third operating year of the project based on the Operating Room Need Methodology in the 2018 SMFP. The discussion regarding projected utilization found in Criterion (3) is incorporated herein by reference.

-NC- **WakeMed ASC-North Raleigh.** This proposal would develop a new ASC with two operating rooms. The applicants project sufficient surgical cases and hours to demonstrate the need for two operating rooms in the applicants' health system in the third operating year of the project based on the Operating Room Need Methodology in the 2018 SMFP. However, the applicants do not adequately demonstrate that the projected utilization is based upon reasonable and adequately supported assumptions. The discussion regarding analysis of need, including projected utilization, found in Criterion (3) is incorporated herein by reference. Therefore, the application is not conforming to this Rule.

-NC- **WakeMed ASC-Cary.** This proposal would develop a new ASC with two operating rooms. The applicant projects sufficient surgical cases and hours to demonstrate the need for two operating rooms in the applicant's health system

in the third operating year of the project based on the Operating Room Need Methodology in the 2018 SMFP. However, the applicant does not adequately demonstrate that the projected utilization is based upon reasonable and adequately supported assumptions. The discussion regarding analysis of need, including projected utilization, found in Criterion (3) is incorporated herein by reference. Therefore, the application is not conforming to this Rule.

.2103(c) An applicant that has one or more existing or approved dedicated C-section operating rooms and is proposing to develop an additional dedicated C-section operating room in the same facility shall demonstrate that an average of at least 365 C-sections per room were performed in the facility's existing dedicated C-section operating rooms in the previous 12 months and are projected to be performed in the facility's existing, approved, and proposed dedicated C-section rooms during the third year of operation following completion of the project.

-NA- All Applicants. None of the applicants propose to develop an additional dedicated C-section room.

.2103(d) An applicant proposing to convert a specialty ambulatory surgical program to a multispecialty ambulatory surgical program or to add a specialty area to a specialty ambulatory surgical program shall:

- (1) provide documentation to show that each existing ambulatory surgery program in the service area that performs ambulatory surgery in the same specialty area as proposed in the application is currently utilized an average of at least 1,312.5 hours per operating room per year; and*
- (2) demonstrate the need in the third operating year of the project based on the Operating Room Need Methodology set forth in the 2018 State Medical Facilities Plan. The applicant is not required to use the population growth factor.*

-NA- All Applicants. None of the applicants propose to convert a specialty ambulatory surgical program to a multispecialty ambulatory surgical program or to add a specialty area to a specialty ambulatory surgical program.

.2103(e) The applicant shall document the assumptions and provide data supporting the methodology used for each projection in this Rule.

-C- RAC ASC. In Section Q, Form C, pages 79-81, the applicants provide the assumptions and methodology used in the development of the projections required by this Rule. The discussion regarding analysis of need, including projected utilization, found in Criterion (3) is incorporated herein by reference.

-NC- Rex ASC-Garner. In Section Q, Form C, pages 1-24, the applicants provide the assumptions and methodology used in the development of the projections

required by this Rule. However, the applicants do not adequately document their assumptions or provide sufficient data to support their methodology. The discussion regarding analysis of need, including projected utilization, found in Criterion (3) is incorporated herein by reference.

- NC- **UNC Panther Creek ASC.** In Section Q, Form C, pages 1-24, the applicant provides the assumptions and methodology used in the development of the projections required by this Rule. However, the applicant does not adequately document its assumptions or provide sufficient data to support its methodology. The discussion regarding analysis of need, including projected utilization, found in Criterion (3) is incorporated herein by reference.
- NC- **Rex Hospital.** In Section Q, Form C, pages 1-24, the applicant provides the assumptions and methodology used in the development of the projections required by this Rule. However, the applicant does not adequately document its assumptions or provide sufficient data to support its methodology. The discussion regarding analysis of need, including projected utilization, found in Criterion (3) is incorporated herein by reference.
- NC- **Duke Green Level ASC.** In Section Q, Form C, pages 118-141, the applicant provides the assumptions and methodology used in the development of the projections required by this Rule. However, the applicant does not adequately document its assumptions or provide sufficient data to support its methodology. The discussion regarding analysis of need, including projected utilization, found in Criterion (3) is incorporated herein by reference.
- C- **OrthoNC ASC.** In Section Q, Form C, pages 80-82, the applicant provides the assumptions and methodology used in the development of the projections required by this Rule. The discussion regarding analysis of need, including projected utilization, found in Criterion (3) is incorporated herein by reference.
- NC- **WakeMed ASC-North Raleigh.** In Section Q, Form C, pages 111-132, the applicants provide the assumptions and methodology used in the development of the projections required by this Rule. However, the applicants do not adequately document their assumptions or provide sufficient data to support their methodology. The discussion regarding analysis of need, including projected utilization, found in Criterion (3) is incorporated herein by reference.
- NC- **WakeMed ASC-Cary.** In Section Q, Form C, pages 109-130, the applicant provides the assumptions and methodology used in the development of the projections required by this Rule. However, the applicant does not adequately document its assumptions or provide sufficient data to support its methodology. The discussion regarding analysis of need, including projected utilization, found in Criterion (3) is incorporated herein by reference.

COMPARATIVE ANALYSIS

Pursuant to N.C. Gen. Stat. § 131E-183(a)(1) and the 2018 State Medical Facilities Plan, no more than six additional operating rooms may be approved for Wake County in this review. Because the eight applications in this review collectively propose to develop 16 additional operating rooms to be located in Wake County, not all of the applications can be approved. Therefore, after considering all of the information in each application and reviewing each application individually against all applicable review criteria, the Project Analyst conducted a comparative analysis of the proposals to decide which proposal should be approved.

The following provides a brief description of each of the proposed projects being addressed in the comparative analysis:

RAC ASC. RAC Surgery Center, LLC and Fresenius Vascular Care Raleigh MSO, LLC, Project ID # J-11551-18, propose to develop a new ambulatory surgery center in Raleigh with one operating room and two procedure rooms focused on vascular access procedures for patients with end stage renal disease. The applicants propose to perform 1,625 total surgical cases in their one operating room in Project Year 3.

Rex ASC-Garner. Rex Surgery Center of Garner, LLC and Rex Hospital, Inc., Project ID #J-11553-18, propose to develop a new multi-specialty ambulatory surgery center in Garner with two operating rooms and two procedure rooms, The applicants propose to perform 1,990 total surgical cases in their two operating rooms in Project Year 3.

UNC Panther Creek ASC. University of North Carolina Hospitals at Chapel Hill d/b/a UNC Health Care Panther Creek Ambulatory Surgery Center, Project ID #J-11554-18, proposes to develop a new multi-specialty ambulatory surgery center in Cary with two operating rooms and two procedure rooms. The applicant proposes to perform 1,875 total surgical cases in its two operating rooms in Project Year 3.

Rex Hospital. Rex Hospital, Project ID #J-11555-18, proposes to develop two additional operating rooms at the main hospital in Raleigh. The applicant proposes to perform 20,528 total surgical cases in its 24 operating rooms (excluding three dedicated C-Section operating rooms) in Project Year 3.

Duke Green Level ASC. Duke University Health System, Inc. d/b/a Green Level Ambulatory Surgery Center, Project ID #J-11557-18, proposes to develop a new multi-specialty ambulatory surgery center in Cary with four operating rooms and four procedure rooms. The applicant proposes to perform 4,770 total surgical cases in its four operating rooms in Project Year 3.

OrthoNC ASC. OrthoNC ASC, Inc., Project ID # J-11561-18, proposes to develop a new ambulatory surgery center in Raleigh with one operating room and one procedure room focused on orthopedic and pain management procedures. The applicant proposes to perform 1,230 total surgical cases in its one operating room in Project Year 3.

WakeMed ASC-North Raleigh. WakeMed Surgery Center-North Raleigh, LLC and WakeMed, Project ID #J-11564-18, propose to develop a new multi-specialty ambulatory surgery center in Raleigh with two operating rooms and two procedure rooms. The applicants propose to perform 3,152 total surgical cases in their two operating rooms in Project Year 3.

WakeMed ASC-Cary. WakeMed Surgery Center-Cary, LLC, Project ID #J-11565-18, proposes to develop a new multi-specialty ambulatory surgery center in Cary with two operating rooms and two procedure rooms. The applicant proposes to perform 2,812 total surgical cases in its two operating rooms in Project Year 3.

As the above description of each proposed project indicates, two applications are proposing new single-specialty ambulatory surgery centers (ASCs) with one operating room each, five applications are proposing multispecialty ASCs, four of which propose to develop two operating rooms and one proposing four operating rooms. The ASCs each project to perform between approximately 1,200 and 4,800 surgeries in Project Year 3 (PY3). The other project proposes to add operating rooms to an acute care hospital. The hospital would have 24 operating rooms (excluding three C-section operating rooms) and projects to perform 20,528 surgeries in PY3. The hospital projects many times the number of surgeries projected by the proposed ASCs. Because of the significant differences in types of facilities, numbers of operating rooms, numbers of projected surgeries, types of proposed surgical services offered, total revenues and expenses, and the differences in presentation of pro forma financial statements, some of the comparative factors may be of less value and result in less than definitive outcomes than if all applications were for like facilities of like size proposing like services and reporting in like formats.

Conformity with Review Criteria

Table 6C, page 80, of the 2018 SMFP identifies a need for six additional operating rooms in Wake County. As shown in Table 6B, pages 77-78, the UNC Health Care system shows a projected surplus of 2.02 operating rooms and the WakeMed system shows a projected surplus of 2.72 operating rooms for 2020. Duke Raleigh Hospital shows a projected deficit of 6.77 operating rooms in 2020, which results in the Wake County need determination for six operating rooms. However, the application process is not limited to the provider (or providers) that show a deficit and create the need for additional operating rooms. Any provider can apply to develop the six operating rooms in Wake County. Furthermore, it is not necessary that an existing provider have a projected deficit of operating rooms to apply for more operating rooms. However, it is necessary that an applicant adequately demonstrate the need to develop its project, as proposed.

The **RAC ASC** and **OrthoNC ASC** applications each adequately demonstrate the need for their respective proposals and are conforming with all applicable statutory and regulatory review criteria. The **Rex ASC-Garner**, **UNC Panther Creek ASC**, **UNC REX Hospital**, **Duke Green Level ASC**, **WakeMed ASC-North Raleigh** and **WakeMed ASC-Cary** applications do not adequately demonstrate the need for their respective proposals and are nonconforming to several applicable statutory and regulatory review criteria. Therefore, the applications submitted by **RAC Surgery Center, LLC** and **Fresenius Vascular Care Raleigh MSO, LLC** and **OrthoNC ASC, Inc.** are equally effective alternatives with respect to this comparative factor and the applications submitted by

Rex Surgery Center of Garner, LLC and Rex Hospital, Inc., University of North Carolina Hospitals at Chapel Hill d/b/a UNC Health Care Panther Creek Ambulatory Surgery Center, Rex Hospital, Duke University Health System, Inc. d/b/a Green Level Ambulatory Surgery Center, WakeMed Surgery Center-North Raleigh, LLC and WakeMed and WakeMed Surgery Center-Cary, LLC are not effective alternatives with respect to this comparative factor.

Geographic Accessibility

The following table identifies the existing and approved Wake County operating rooms by location, facility name, and type of operating room. As the table below shows, the existing and approved Wake County operating rooms are located in Raleigh, North Raleigh, Cary and Holly Springs.

Wake County 2016 Operating Room Inventory by Location

Location		IP ORs	OP ORs	Shared ORs	Excluded C-Section, Trauma, Burn ORs	CON Adjustments	Total ORs
Holly Springs	Rex Hospital Holly Springs	0	0	0	0	3	3
North Raleigh	Rex Surgery Center of Wakefield	0	0	0	0	2	2
Cary	Rex Surgery Center of Cary	0	4	0	0	0	4
Raleigh	Rex Hospital	3	0	24	-3	-2	22
Raleigh	Raleigh Orthopedic Surgery Center	0	4	0	0	-1	3
Cary	Raleigh Orthopedic Surgery-West Cary	0	0	0	0	1	1
Raleigh	Capital City Surgery Center	0	8	0	0	0	8
Raleigh	WakeMed	7	0	16	-5	-1	15
North Raleigh	WakeMed North Hospital	1	0	4	-1	0	4
Cary	WakeMed Cary Hospital	2	0	9	-2	1	10
Holly Springs	Holly Springs Surgery Center	0	0	0	0	3	3
Raleigh	Blue Ridge Surgery Center	0	6	0	0	0	6
Raleigh	Raleigh Plastic Surgery Center	0	1	0	0	0	1
Raleigh	Triangle Orthopedic Surgery Center	0	2	0	0	0	2
Raleigh	Duke Raleigh Hospital	0	0	15	0	0	15
Raleigh	Surgical Center for Dental Professionals	0	0	0	0	2	2

Rex Hospital proposes to develop the additional operating rooms at an existing hospital in Raleigh. All of the other applicants propose to develop the operating rooms in new ambulatory surgery centers. **RAC ASC** proposes to develop a new ambulatory surgery center in Raleigh, **WakeMed ASC-Cary**, **UNC Panther Creek ASC**, and **Duke Green Level ASC** propose to develop new ambulatory surgery centers in Cary, **OrthoNC ASC** and **WakeMed ASC-North Raleigh** propose to develop new ambulatory surgery centers in North Raleigh, and **Rex ASC-Garner** proposes to develop a new ambulatory surgery center in Garner. Therefore, with regard to expanding geographic access to surgical services, **Rex Hospital** is the least effective alternative, and the applications submitted by the applicants proposing new ambulatory surgery centers are more effective alternatives.

Physician Support

Each application documents adequate physician support of their proposed projects. Therefore, with regard to the demonstration of physician support, the proposals are equally effective.

Patient Access to New Provider

Generally, the application proposing to increase patient access to a new provider in the service area is the more effective alternative with regard to this comparative factor.

RAC ASC. In Section O, page 76 of the application, the applicants state that they do not own or operate any existing surgical facilities anywhere in North Carolina. Therefore, this proposed facility would be a new provider of surgical services in Wake County.

Rex ASC-Garner, UNC Panther Creek ASC and Rex Hospital. The UNC Health Care System and UNC REX Hospital serve Wake County residents by providing surgical services at the following existing and approved facilities in Wake County:

- UNC REX Hospital
- Rex Surgery Center of Cary
- Rex Surgery Center of Wakefield
- Rex Hospital Holly Springs
- Raleigh Orthopedic Surgery Center
- Raleigh Orthopedic Surgery Center-West Cary

Duke Green Level ASC. Duke University Health System serves Wake County residents by providing surgical services at Duke Raleigh Hospital.

OrthoNC ASC. In Section O, page 76 of the application, the applicant states that it does not own or operate any existing surgical facilities anywhere in North Carolina. Therefore, this proposed facility would be a new provider of surgical services in Wake County.

WakeMed ASC-North Raleigh and WakeMed ASC-Cary. WakeMed serves Wake County residents by providing surgical services at the following existing facilities in Wake County:

- WakeMed Raleigh Campus
- WakeMed North Hospital
- WakeMed Cary Hospital
- Capital City Surgery Center

Therefore, with regard to introducing a new provider of surgical services in Wake County, the applications submitted by **RAC ASC** and **OrthoNC ASC** are more effective alternatives.

Patient Access to Lower Cost Surgical Services

There are currently 102 operating rooms (excluding dedicated C-Section and trauma operating rooms) in the Wake County operating room service area. Operating rooms can be licensed either under a hospital license or an ambulatory surgery center license. Based on the applications, written comments and response to comments and statements made at the public hearing, many, but not all outpatient surgical services can be appropriately performed either in a hospital licensed operating room (either shared inpatient/outpatient operating rooms or dedicated ambulatory surgery operating rooms) or in a non-hospital licensed operating room at an ambulatory surgery center; however, the cost for that same service will often be much higher in a hospital licensed operating room or, conversely, much less expensive if received in a non-hospital licensed operating room at an ASC. Nonetheless, along with inpatient surgical services, there are some outpatient surgical services that must be performed in a hospital setting.

The following table identifies the existing and approved inpatient (IP), outpatient (OP) and shared inpatient/outpatient operating rooms in Wake County.

	Total ORs*	IP ORs	% IP of Total ORs	OP ORs**	% OP of Total ORs	Shared ORs	% Shared of Total ORs
Wake County Operating Rooms	102	3	2.9%	30	29.4%	69	67.6%

Source: Proposed 2019 SMFP.

*Total operating rooms includes existing and approved operating rooms and excludes dedicated C-Section and designated trauma operating rooms.

**Includes two single-specialty demonstration project operating rooms at Triangle Orthopedic Surgery Center.

The table below shows the percentage of total Wake County surgical cases that were ambulatory surgeries in FY2017, based on data reported in the Proposed 2019 SMFP.

**Ambulatory Surgical Cases as Percent of
Total Wake County Surgical Cases**

Wake County Surgical Facility	Type of ORs	Inpatient Cases	Ambulatory (Outpatient) Cases	Total Cases	Percent Ambulatory
Blue Ridge Surgery Center	ASC	-	7,043	7,043	100%
Raleigh Plastic Surgery	ASC	-	380	380	100%
Raleigh Orthopedic Surgery	ASC	-	4,384	4,384	100%
Rex Surgery Center Wakefield	ASC	-	1,955	1,955	100%
Rex Surgery Center Cary	ASC	-	4,854	4,854	100%
Rex Hospital	Hospital Shared	8,453	10,681	19,134	56%
Capital City Surgery Center	ASC	-	5,388	5,388	100%
WakeMed	Hospital Shared	8,121	7,547	15,668	48%
WakeMed North Hospital	Hospital Shared	63	2,346	2,409	97%
WakeMed Cary Hospital	Hospital Shared	3,041	4,663	7,704	61%
Holly Springs Surgery Center	ASC	-	478	478	100%
Triangle Orthopedic Surgery	ASC	-	2,437	2,437	100%
Duke Raleigh Hospital	Hospital Shared	4,094	11,084	15,178	73%
Totals		23,772	63,240	87,012	73%

Source: Proposed 2019 SMFP, Table 6B and 2018 LRAs.

As the table above shows, 73% of the total Wake County surgical cases in FY2017 were performed as ambulatory (outpatient) surgeries. Wake County currently has nine existing and approved ASCs.

A comparison of FY2017 Wake County ASF surgical cases to total 2017 North Carolina ASF surgical cases by specialty reported in 2018 LRAs is shown in the table below:

Surgical Cases by Specialty in NC ASFs vs Wake County ASFs

Surgical Specialty	Percent of Total 2017 ASF Surgeries	Percent of 2017 Wake County ASF Surgeries
Ophthalmology	38.0%	8.4%
Orthopedics	29.1%	49.2%
Otolaryngology	16.4%	18.8%
General Surgery	5.3%	9.4%
Urology	2.4%	6.4%
Podiatry	2.2%	2.1%
Obstetrics and Gynecology	2.0%	1.5%
Neurosurgery	1.7%	1.9%
Plastic Surgery	1.5%	2.3%
Oral Surgery	0.8%	0.0%
Vascular	0.2%	0.1%
Other	0.1%	0.0%
Total Cases	100.0%	100.0%

Totals may not sum due to rounding

Source: 2018 NC LRAs for total 2017 ASF surgeries (Truven) and 2018 LRAs for FY2017 Wake County ASF surgeries

As shown in the comparison above, Wake County ASFs perform a higher percentage of orthopedic surgery and a lower percentage of ophthalmology surgery than ASFs in North Carolina on average.

Based on the fact that 73 percent of Wake County's FY2017 surgical cases were ambulatory cases and that ASF operating rooms represent 29 percent of the total Wake County operating rooms, projects proposing the development of ASF operating rooms would represent more effective alternatives.

Therefore, the applications submitted by **RAC ASC, Rex ASC-Garner, UNC Panther Creek ASC, Duke Green Level ASC, OrthoNC ASC, WakeMed ASC-North Raleigh, and WakeMed ASC-Cary** are the more effective proposals with respect to this comparative factor. The **Rex Hospital** application is less effective with respect to this comparative factor.

Access by Underserved Groups

Projected Charity Care

The following table shows each applicant’s projected charity care to be provided in the project’s third full operating year. Generally, the application proposing to provide the most charity care is the more effective alternative with regard to this comparative factor.

**CHARITY CARE
PROJECT YEAR 3**

APPLICANT	Projected Total Charity Care	Charity Care per Surgical Case	Percent of Total Net Surgical Revenue
RAC ASC	\$75,306	\$46	1.0%
Rex ASC-Garner	\$435,419	\$219	7.0%
UNC Panther Creek ASC	\$462,109	\$246	7.6%
Rex Hospital	\$12,212,701	\$595	4.8%
Duke Green Level ASC	\$823,272	\$173	5.2%
OrthoNC ASC	\$231,127	\$188	5.9%
WakeMed ASC-N. Raleigh	\$99,600	\$32	1.2%
WakeMed ASC-Cary	\$210,039	\$75	2.4%

Source: Forms F.3, F.4 and F.5 for each applicant.

As shown in the table above, **Rex Hospital** projects the most charity care in dollars, and **UNC Panther Creek ASC** projects the highest charity care per surgical case and as a percent of net revenue. Therefore, the applications submitted by **Rex Hospital** and **UNC Panther Creek ASC**, generally speaking, are the most effective alternatives with regard to access to charity care. However, the differences in the types of facilities and the number and types of surgical services proposed by each of the facilities may impact the averages shown in the table above. Thus, the result of this analysis is inconclusive.

Projected Medicare

The following table shows each applicant’s total number of projected surgical cases and the number of cases projected to be provided to Medicare patients in the applicant’s third full year of operation following completion of their projects, based on the information provided in the applicant’s pro forma financial statements in Section Q. Generally, the application proposing to serve the higher percent of total surgical cases to Medicare patients is the more effective alternative with regard to this comparative factor.

**Medicare Operating Room Cases
Project Year 3**

	Projected Total Cases	Projected Medicare Cases	% of Total Cases Provided to Medicare Recipients
RAC ASC	1,625	924	56.9%
Rex ASC-Garner	1,990	589	29.6%
UNC Panther Creek ASC	1,875	248	13.2%
Rex Hospital	20,528	8,421	41.0%
Duke Green Level ASC	4,770	2,044	42.9%
OrthoNC ASC	1,230	310	25.2%
WakeMed ASC-N. Raleigh	3,152	458	14.5%
WakeMed ASC-Cary	2,812	481	17.1%

Source: Form F.4 for each applicant.

As shown in the table above, **RAC ASC** projects 56.9% of its surgical cases will be Medicare recipients. **Duke Green Level ASC** projects 42.9% and **Rex Hospital** projects 41.0% of their cases will be Medicare cases.

The application submitted by **RAC ASC** is the most effective application with regard to serving Medicare recipients. However, the differences in the types of facilities and the number and types of surgical services proposed by each of the facilities may impact the averages shown in the table above. Thus, the result of this analysis is inconclusive.

Projected Medicaid

The following table shows each applicant's total number of projected surgical cases and the number of cases projected to be provided to Medicaid patients in the applicant's third full year of operation following completion of their projects, based on the information provided in the applicant's pro forma financial statements in Section Q. Generally, the application proposing to serve the higher percent of total surgical cases to Medicaid patients is the more effective alternative with regard to this comparative factor.

**Medicaid Operating Room Cases
Project Year 3**

	Projected Total Cases	Projected Medicaid Cases	% of Total Cases Provided to Medicaid Recipients
RAC ASC	1,625	99	6.1%
Rex ASC-Garner	1,990	120	6.0%
UNC Panther Creek ASC	1,875	247	13.2%
Rex Hospital	20,528	688	3.4%
Duke Green Level ASC	4,770	245	5.1%
OrthoNC ASC	1,230	76	6.2%
WakeMed ASC-N. Raleigh	3,152	264	8.4%
WakeMed ASC-Cary	2,812	114	4.1%

Source: Form F.4 for each applicant.

As shown in the table above, **UNC Panther Creek ASC** projects 13.2% of its surgical cases will be performed on Medicaid recipients.

The application submitted by **UNC Panther Creek ASC** is the most effective application with regard to serving Medicaid recipients. However, differences in the types of facilities and the number and types of surgical services proposed by each of the facilities may impact the averages shown in the table above. Thus, the result of this analysis is inconclusive.

Projected Average Net Revenue per Case

The following table shows the projected average net surgical revenue per OR and per surgical case in the third year of operation for each of the applicants, based on the information provided in the applicants' pro forma financial statements. Generally, the application proposing the lowest average net revenue is the more effective alternative with regard to this comparative factor.

**Revenue per Operating Room and per Surgical Case
Project Year 3**

	Net Revenue	# of Cases	Net Revenue/Case
RAC ASC	\$7,530,602	1,625	\$4,634
Rex ASC-Garner	\$6,244,482	1,990	\$3,138
UNC Panther Creek ASC	\$6,116,410	1,875	\$3,262
Rex Hospital	\$255,397,563	20,528	\$12,441
Duke Green Level ASC	\$15,978,168	4770	\$3,350
OrthoNC ASC	\$3,938,349	1,230	\$3,202
WakeMed ASC-N. Raleigh	\$8,288,066	3,152	\$2,629
WakeMed ASC-Cary	\$8,878,134	2,812	\$3,157

Source: Forms F.3, F.4 and F.5 for OR revenue in each application

As shown in the table above, **WakeMed ASC-North Raleigh** projects the lowest net revenue per surgical case in the third operating year. Therefore, the application submitted by **WakeMed ASC-North Raleigh** is the most effective application with respect to net revenue per surgical case. However, differences in the types of facilities and the number and types of surgical services proposed by each of the facilities may impact the averages shown in the table above. Thus, the

result of this analysis is inconclusive.

Projected Average Operating Expense per Case

The following table compares the projected average operating expense in the third year of operation for each of the applicants, based on the information provided in the applicants' pro forma financial statements (Form F.3). Generally, the application proposing the lowest average operating expense is the more effective alternative with regard to this comparative factor.

Operating Expense per Operating Room and per Surgical Case Project Year 3

	Operating Expense*	# of Cases	Operating Expense/Case
RAC ASC	\$8,194,479	1,625	\$5,043
Rex ASC-Garner	\$6,183,235	1,990	\$3,107
UNC Panther Creek ASC	\$5,521,460	1,875	\$2,945
Rex Hospital	\$182,498,840	20,528	\$8,890
Duke Green Level ASC	\$13,804,670	4,770	\$2,894
OrthoNC ASC	\$3,467,036	1,230	\$2,819
WakeMed ASC-N. Raleigh	\$6,807,703	3,152	\$2,160
WakeMed ASC-Cary	\$6,768,025	2,812	\$2,407

Source: Forms F.3 in each application.

*Operating expenses for the ambulatory surgery center applications include expenses for both the proposed operating rooms and procedure rooms.

As shown in the table above, **WakeMed ASC-North Raleigh** projects the lowest operating expense per surgical case in the third operating year. Therefore, the application submitted by **WakeMed ASC-North Raleigh** is the most effective application with respect to operating expense per surgical case. However, differences in the types of facilities and the number and types of surgical services proposed by each of the facilities may impact the averages shown in the table above. Thus, the result of this analysis is inconclusive.

SUMMARY

The following is a summary of the comparative analysis performed on the proposed projects submitted during this review, ranking the proposals as more effective, equally effective and less effective.

However, due to significant differences in the types of surgical facilities, types of surgical services to be offered, number of total operating rooms, total revenues and expenses, and the differences in presentation of pro forma financial statements, the comparatives may be of less value and result in less than definitive outcomes than if all applications were for like facilities of like size, proposing like services and reporting in like formats.

Comparative Factor	RAC ASC	Rex ASC Garner	UNC Panther Creek ASC	Rex Hospital	Duke Green Level ASC	OrthoNC ASC	WakeMed ASC North Raleigh	WakeMed ASC Cary
Conformity with Review Criteria	Yes	No	No	No	No	Yes	No	No
Geographic Accessibility	More Effective	Not Approvable	Not Approvable	Not Approvable	Not Approvable	More Effective	Not Approvable	Not Approvable
Physician Support	Equally Effective	Not Approvable	Not Approvable	Not Approvable	Not Approvable	Equally Effective	Not Approvable	Not Approvable
Patient Access to New Provider	More Effective	Not Approvable	Not Approvable	Not Approvable	Not Approvable	More Effective	Not Approvable	Not Approvable
Patient Access to Lower Cost Surgical Services	More Effective	Not Approvable	Not Approvable	Not Approvable	Not Approvable	More Effective	Not Approvable	Not Approvable
Access by Underserved Groups: Charity Care	Inconclusive	Inconclusive	Inconclusive	Inconclusive	Inconclusive	Inconclusive	Inconclusive	Inconclusive
Access by Underserved Groups: Medicare	Inconclusive	Inconclusive	Inconclusive	Inconclusive	Inconclusive	Inconclusive	Inconclusive	Inconclusive
Access by Underserved Groups: Medicaid	Inconclusive	Inconclusive	Inconclusive	Inconclusive	Inconclusive	Inconclusive	Inconclusive	Inconclusive
Projected Average Net Revenue per Case	Inconclusive	Inconclusive	Inconclusive	Inconclusive	Inconclusive	Inconclusive	Inconclusive	Inconclusive
Projected Average Operating Expense per Case	Inconclusive	Inconclusive	Inconclusive	Inconclusive	Inconclusive	Inconclusive	Inconclusive	Inconclusive

The **Rex ASC-Garner, UNC Panther Creek ASC, Rex Hospital, Duke Green Level ASC, WakeMed ASC-North Raleigh** and **WakeMed ASC-Cary** applications are not effective alternatives with respect to conformity with Review Criteria and therefore are not approvable and will not be further discussed in the comparative evaluation below:

- With respect to conformity with Review Criteria, of the approvable applications, **RAC ASC** and **OrthoNC ASC** offer equally effective alternatives. See Comparative Analysis for discussion.
- With respect to geographic accessibility, of the approvable applications, **RAC ASC** and **OrthoNC ASC** propose equally effective alternatives. See Comparative Analysis for discussion.
- With respect to physician support, of the approvable applications, **RAC ASC** and **OrthoNC ASC**

offer equally effective alternatives. See Comparative Analysis for discussion.

- Of the approvable applications, **RAC ASC** and **OrthoNC ASC** propose to provide access to a new provider and are therefore more effective alternatives with respect to this comparative factor. See Comparative Analysis for discussion.
- Of the approvable applications, **RAC ASC** and **OrthoNC ASC** offer equally effective alternatives with regard to offering lower-cost freestanding ambulatory surgery services, and are therefore more effective alternatives. See Comparative Analysis for discussion.

The following is a summary of the reasons the proposals submitted by **RAC Surgery Center, LLC and Fresenius Vascular Care Raleigh MSO, LLC** and **OrthoNC ASC, Inc.** are determined to be the more effective alternatives in this review:

- RAC ASC and OrthoNC ASC propose comparatively more effective geographical access.
- RAC ASC and OrthoNC ASC propose access to a new provider.
- RAC ASC and OrthoNC ASC offer comparatively lower cost freestanding ambulatory surgery services.

DECISION

Six of the eight applications were not approvable and therefore cannot be considered effective alternatives. Therefore, only the two approvable applications can be considered effective alternatives. Based upon the comparative factors as discussed and evaluated above, the applications submitted by **RAC Surgery Center, LLC and Fresenius Vascular Care Raleigh MSO, LLC, Project I.D. # J-11551-18**, and **OrthoNC ASC, Inc., Project I.D. # J-11561-18**, are the more effective alternatives proposed in this review for new operating rooms to be located in Wake County and are therefore conditionally approved. The approval of the applications submitted by Rex Surgery Center of Garner, LLC and Rex Hospital, Inc., University of North Carolina Hospitals at Chapel Hill d/b/a UNC Health Care Panther Creek Ambulatory Surgery Center, Rex Hospital, Duke University Health System, Inc. d/b/a Green Level Ambulatory Surgery Center, WakeMed Surgery Center-North Raleigh, LLC and WakeMed and WakeMed Surgery Center-Cary, LLC would result in operating rooms in excess of the need determination for Wake County. Consequently, the applications submitted by **Rex Surgery Center of Garner, LLC and Rex Hospital, Inc., Project I.D. # J-11553-18**, **University of North Carolina Hospitals at Chapel Hill d/b/a UNC Health Care Panther Creek Ambulatory Surgery Center, Project I.D. # J-11554-18**, **Rex Hospital, Inc., Project I.D. # J-11555-18**, **Duke University Health System, Inc. d/b/a Green Level Ambulatory Surgery Center, Project I.D. # J-11557-18**, **WakeMed Surgery Center-North Raleigh, LLC and WakeMed, Project I.D. # J-11564-18**, and **WakeMed Surgery Center-Cary, LLC, Project I.D. # J-11565-18** are denied.

The application submitted by **RAC Surgery Center, LLC** is approved subject to the following conditions.

1. **RAC Surgery Center, LLC and Fresenius Vascular Care Raleigh MSO, LLC shall materially comply with all representations made in the certificate of need application.**

- 2. RAC Surgery Center, LLC and Fresenius Vascular Care Raleigh MSO, LLC shall develop a new single-specialty ambulatory surgical facility by developing no more than one operating room and two procedure rooms.**
- 3. Upon completion of the project, RAC Surgery Center, LLC and Fresenius Vascular Care Raleigh MSO, LLC shall be licensed for no more than one operating room and two procedure rooms.**
- 4. RAC Surgery Center, LLC and Fresenius Vascular Care Raleigh MSO, LLC 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.**
- 5. RAC Surgery Center, LLC and Fresenius Vascular Care Raleigh MSO, LLC shall receive accreditation from the Joint Commission for the Accreditation of Healthcare Organizations, the Accreditation Association for Ambulatory Health Care or a comparable accreditation authority within two years following licensure of the facility.**
- 6. For the first three years of operation following completion of the project, RAC Surgery Center, LLC and Fresenius Vascular Care Raleigh MSO, LLC shall not increase charges more than 5% of the charges projected in Section Q of the application without first obtaining a determination from the Healthcare Planning and Certificate of Need Section that the proposed increase is in material compliance with the representations in the certificate of need application.**
- 7. The procedure rooms shall not be used for procedures that should be performed only in an operating room based on current standards of practice.**
- 8. Procedures performed in the procedure rooms shall not be reported for billing purposes as having been performed in an operating room and shall not be reported on the facility's license renewal application as procedures performed in an operating room.**
- 9. RAC Surgery Center, LLC and Fresenius Vascular Care Raleigh MSO, LLC 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.**
- 10. 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, RAC Surgery Center, LLC and Fresenius Vascular Care Raleigh MSO, 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.

11. RAC Surgery Center, LLC and Fresenius Vascular Care Raleigh MSO, LLC 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.

The application submitted by OrthoNC ASC is approved subject to the following conditions.

- 1. OrthoNC ASC, Inc. shall materially comply with all representations made in the certificate of need application.**
- 2. OrthoNC ASC, Inc. shall develop a new single-specialty ambulatory surgical facility by developing no more than one operating room and one procedure room.**
- 3. Upon completion of the project, OrthoNC ASC, Inc. shall be licensed for no more than one operating room and one procedure room.**
- 4. OrthoNC ASC, Inc. 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.**
- 5. OrthoNC ASC, Inc. shall receive accreditation from the Joint Commission for the Accreditation of Healthcare Organizations, the Accreditation Association for Ambulatory Health Care or a comparable accreditation authority within two years following licensure of the facility.**
- 6. For the first three years of operation following completion of the project, OrthoNC ASC, Inc. shall not increase charges more than 5% of the charges projected in Section Q of the application without first obtaining a determination from the Healthcare Planning and Certificate of Need Section that the proposed increase is in material compliance with the representations in the certificate of need application.**
- 7. The procedure room shall not be used for procedures that should be performed only in an operating room based on current standards of practice.**
- 8. Procedures performed in the procedure room shall not be reported for billing purposes as having been performed in an operating room and shall not be reported on the facility's license renewal application as procedures performed in an operating room.**
- 9. OrthoNC ASC, Inc. 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.

- 10. 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, OrthoNC ASC, 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.**

- 11. OrthoNC ASC, Inc. 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.**