REQUIRED STATE AGENCY FINDINGS

FINDINGS
C = Conforming
CA = Conforming as Conditioned
NC = Nonconforming
NA = Not Applicable

Decision Date: April 27, 2021
Findings Date: May 4, 2021

Project Analyst: Julie M. Faenza
Team Leader: Fatimah Wilson

COMPETITIVE REVIEW

Project ID #:	F-11993-20
Facility:	Novant Health Steele Creek Medical Center
FID #:	200889
County:	Mecklenburg
Applicants:	Novant Health, Inc. Steele Creek Development, LLC
Project:	Develop a new hospital with no more than 32 acute care beds and no more than 2 ORs pursuant to the need determinations in the 2020 SMFP

Project ID #:	F-12004-20
Facility:	South Charlotte Surgery Center
FID #:	200896
County:	Mecklenburg
Applicants:	South Charlotte Surgery Center, PLLC Antezana Management, LLC
Project:	Develop a new specialty ASF with no more than 1 OR pursuant to the need determination in the 2020 SMFP

Project ID #:	F-12006-20
Facility:	Carolinas Medical Center
FID #:	943070
County:	Mecklenburg
Applicant:	The Charlotte-Mecklenburg Hospital Authority
Project:	Add no more than 119 acute care beds pursuant to the need determination in the 2020 SMFP for a total of no more than 1,174 acute care beds upon project completion

Project ID #:	F-12008-20
Facility:	Carolinas Medical Center
FID #:	943070
County:	Mecklenburg
Applicant:	The Charlotte-Mecklenburg Hospital Authority
Project:	Add no more than 12 ORs pursuant to the need determination in the 2020 SMFP and a change of scope for Project ID #F-11815-19 (approved to add 2 ORs but would only add 1 OR) for a total of no more than 75 ORs upon completion of both projects

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Project ID #:	F-12009-20
Facility:	Atrium Health Pineville
FID #:	110878
County:	Mecklenburg
Applicant:	The Charlotte-Mecklenburg Hospital Authority
Project:	Add no more than 7 acute care beds pursuant to the need determination in the 2020 SMFP for a total of no more than 278 beds upon completion of this project, Project ID# F-11622-18 (add 38 beds), and Project ID# F-11813-19 (add 12 beds)

Each application was reviewed independently against the applicable statutory review criteria found in G.S. 131E-183(a) and the regulatory review criteria found in 10A NCAC 14C. After completing an independent analysis of each application, the Healthcare Planning and Certificate of Need Section (CON Section) also conducted a comparative analysis of all the applications. The Decision, which can be found at the end of the Required State Agency Findings (Findings), is based on the independent analysis and the comparative analysis.

This competitive review involves two health systems, in addition to an independent applicant, in Mecklenburg County – Atrium Health and Novant Health. Each health system has acute care hospitals, freestanding ambulatory surgical facilities, and numerous other facilities such as satellite emergency departments that will be discussed in these findings. Given the complexity of this review and the numerous facilities involved for each of the two health systems, the Project Analyst created the tables below listing each health system's referenced facilities and the acronyms or abbreviations used in the findings.

Atrium Health System		
Facility Name	**Type of Facility**	**Acronym/Abbreviations Used**
Atrium Health Pineville	Acute care hospital	AH Pineville
Atrium Health Union*	Acute care hospital	AH Union
Atrium Health University City	Acute care hospital	AH University City
Carolinas Medical Center	Acute care hospital	CMC CMC-Main (when referring to the specific campus)
Atrium Health Mercy	Satellite hospital campus of Carolinas Medical Center	AH Mercy CMC (when referring to the entire licensed facility)
Atrium Health Lake Norman	New hospital proposed in Project I.D. #F-12010-20	AH Lake Norman
Carolina Center for Specialty Surgery	Freestanding ambulatory surgical facility	CCSS
Atrium Health Huntersville Surgery Center	Approved freestanding ambulatory surgical facility (currently licensed as part of AH University City)	AH Huntersville

*Atrium Health Union is in Union County, not Mecklenburg County; it is included because it is discussed as part of projected utilization for all the Atrium Health facilities in Mecklenburg County.

Novant Health System		
Facility Name	**Type of Facility**	**Acronym/Abbreviations Used**
Novant Health Huntersville Medical Center	Acute care hospital	NH Huntersville
Novant Health Matthews Medical Center	Acute care hospital	NH Matthews
Novant Health Mint Hill Medical Center	Acute care hospital	NH Mint Hill
Novant Health Presbyterian Medical Center	Acute care hospital	NH Presbyterian
Novant Health Ballantyne Medical Center	Approved acute care hospital	NH Ballantyne
Novant Health Steele Creek Medical Center	Proposed new separately licensed hospital campus	NH Steele Creek
Novant Health Ballantyne Outpatient Surgery	Freestanding ambulatory surgical facility	NH Ballantyne OPS
Novant Health Huntersville Outpatient Surgery	Freestanding ambulatory surgical facility	NH Huntersville OPS
Matthews Surgery Center	Freestanding ambulatory surgical facility	Matthews Surgery Center
SouthPark Surgery Center	Freestanding ambulatory surgical facility	SouthPark

Other Acronyms/Abbreviations Used	
Acronym/Abbreviations Used	**Full Term**
ADC	Average Daily Census (# of acute care days / 365/366 days in a year)
ALOS	Average Length of Stay (average number of acute care days for patients)
ASF/ASC	Ambulatory Surgical Facility
CAGR	Compound Annual Growth Rate
CY	Calendar Year
ED	Emergency Department
FFY	Federal Fiscal Year (October 1 – September 30)
FY	Fiscal Year
HSA	Health Service Area
ICU	Intensive Care Unit
IP	Inpatient
LRA	License Renewal Application
Med/Surg or M/S	Medical/Surgical
NC OSBM	North Carolina Office of State Budget and Management
OP	Outpatient
OR	Operating Room
SMFP	State Medical Facilities Plan

REVIEW CRITERIA

G.S. 131E-183(a): The Department 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.

NC – South Charlotte Surgery Center
C – All Other Applications

Need Determinations

Acute Care Beds – Chapter 5 of the 2020 State Medical Facilities Plan (SMFP) includes a methodology for determining the need for additional acute care beds in North Carolina by service area. Application of the need methodology in the 2020 SMFP identified a need for 126 additional acute care beds in the Mecklenburg County service area. Three applications were submitted to the Healthcare Planning and Certificate of Need Section ("CON Section" or "Agency") proposing to develop a total of 158 new acute care beds in Mecklenburg County. However, pursuant to the need determination, only 126 acute care beds may be approved in this review for Mecklenburg County. See the Conclusion following the Comparative Analysis for the decision.

Only qualified applicants can be approved to develop new acute care beds. On page 36, the 2020 SMFP states:

> *"A person is a qualified applicant if he or she proposes to operate the additional acute care beds in a hospital that will provide:*
>
> *(1) a 24-hour emergency services department,*
> *(2) inpatient medical services to both surgical and non-surgical patients, and*
> *(3) if proposing a new licensed hospital, medical and surgical services on a daily basis within at least five of the following major diagnostic categories recognized by the Centers for Medicare and Medicaid services (CMS) listed below…* [listed on pages 36-37 of the 2020 SFMP]*."*

Operating Rooms (ORs) – Chapter 6 of the 2020 SMFP includes a methodology for determining the need for additional ORs in North Carolina by service area. Application of the need methodology in the 2020 SMFP identifies a need for 12 additional ORs in the Mecklenburg County service area. Three applications were submitted to the CON Section, proposing to develop a total of 15 ORs. However, pursuant to the need determination, only

12 ORs may be approved in this review for Mecklenburg County. See the Conclusion following the Comparative Analysis for the decision.

Policies – There are two policies applicable to the review of the applications submitted in response to the acute care bed and OR need determinations in the 2020 SMFP for the Mecklenburg County service area.

Policy GEN-3: Basic Principles, on pages 30-31 of the 2020 SMFP, 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-3 applies to all five applications in this review.

Policy GEN-4: Energy Efficiency and Sustainability for Health Service Facilities, on page 31 of the 2020 SMFP, states:

> *"Any person proposing a capital expenditure greater than $2 million to develop, replace, renovate or add to a health service facility pursuant to G.S. 131E-178 shall include in its certificate of need application a written statement describing the project's plan to assure improved energy efficiency and water conservation.*
>
> *In approving a certificate of need proposing an expenditure greater than $5 million to develop, replace, renovate or add to a health service facility pursuant to G.S. 131E-178, Certificate of Need shall impose a condition requiring the applicant to develop and implement an Energy Efficiency and Sustainability Plan for the project that conforms to or exceeds energy efficiency and water conservation standards incorporated in the latest editions of the North Carolina State Building Codes. The plan must be consistent with the applicant's representation in the written statement as described in paragraph one of Policy GEN-4.*
>
> *Any person awarded a certificate of need for a project or an exemption from review pursuant to G.S. 131E-184 is required to submit a plan for energy efficiency and water conservation that conforms to the rules, codes and standards implemented by the Construction Section of the Division of Health Service Regulation. The plan must be consistent with the applicant's representation in the written statement as*

described in paragraph one of Policy GEN-4. The plan shall not adversely affect patient or resident health, safety or infection control."

Policy GEN-4 applies to Project I.D. #s **F-11993-20**, **F-12006-20**, and **F-12008-20**. It does not apply to Project I.D. #s **F-12004-20** and **F-12009-20**.

Project I.D. #F-11993-20/Novant Health Steele Creek Medical Center/Develop a new hospital w/36 acute care beds & 2 ORs

Novant Health, Inc. and Steele Creek Development, LLC (hereinafter referred to as "Novant" or "the applicant") propose to develop Novant Health Steele Creek Medical Center (NH Steele Creek), a new, separately licensed hospital, with 32 acute care beds and two ORs pursuant to the need determinations in the 2020 SMFP. The new hospital will also have all necessary ancillary and support services for a hospital, including new and relocated diagnostic medical equipment.

As defined by the 2020 SMFP acute care bed methodology on page 33:

"A 'hospital under common ownership' is a hospital that is owned by the same or a related legal entity as at least one other acute care hospital in the same service area."

According to Table 5A on page 43 of the 2020 SMFP, the Novant Health System (NH System) has four existing hospitals and one approved but not yet developed hospital in Mecklenburg County:

Novant Health Presbyterian Medical Center (License H0010)
Novant Health Matthews Medical Center (License H0270)
Novant Health Huntersville Medical Center (License H0282)
Novant Health Mint Hill Medical Center (License H0290)
Novant Health Ballantyne Medical Center (Project I.D. #F-11625-18)

As of the date of these findings, the NH System has 874 existing and approved acute care beds. There are also 20 acute care beds approved in Project I.D. #F-11808-19, to be located at NH Matthews, but which are currently involved in litigation and a certificate of need for these acute care beds has not been issued. The addition of 32 new acute care beds as proposed in this application would bring the total number of acute care beds in the NH System in Mecklenburg County (including the 20 acute care beds approved in Project I.D. #F-11808-19) to 926 acute care beds.

As defined by the 2020 SMFP OR need methodology on page 51, a "health system" includes:

"…all licensed health service facilities with operating rooms located in the same service area that are owned or leased by:

1. the same legal entity (i.e., the same individual, trust or estate, partnership, corporation, hospital authority, or the State or political subdivision, agency or instrumentality of the State); or
2. the same parent corporation or holding company; or
3. a subsidiary of the same parent corporation or holding company; or
4. a joint venture in which the same parent, holding company, or a subsidiary of the same parent or holding company is a participant and has the authority to propose changes in the location or number of ORs in the health service facility."

According to Table 6A on page 64 of the 2020 SMFP, the NH System has nine existing and approved facilities with ORs in Mecklenburg County:

Novant Health Presbyterian Medical Center (License H0010)
Novant Health Matthews Medical Center (License H0270)
Novant Health Huntersville Medical Center (License H0282)
Novant Health Mint Hill Medical Center (License H0290)
Novant Health Ballantyne Medical Center (Project I.D. #F-11625-18)
SouthPark Surgery Center (License AS0068)
Novant Health Ballantyne Outpatient Surgery (License AS0098)
Novant Health Huntersville Outpatient Surgery (License AS0124)
Matthews Surgery Center (AS0136)

To develop Novant Health Ballantyne Medical Center, the two existing ORs at Novant Health Ballantyne Outpatient Surgery will be relocated to the new hospital and Novant Health Ballantyne Outpatient Surgery will close. As of the date of these findings, the NH System has 74 ORs across the nine existing and approved facilities in Mecklenburg County. The addition of two ORs as proposed in this application would bring the total number of existing and approved ORs in the NH System in Mecklenburg County to 76 ORs.

Need Determination. The applicant does not propose to develop more acute care beds or ORs than are determined to be needed in Mecklenburg County. In Section B, pages 13-14, the applicant adequately demonstrates that it meets the requirements of a "qualified applicant" as defined in Chapter 5 of the 2020 SMFP.

Policy GEN-3**.** In Section B, pages 22-24, the applicant explains why it believes its proposal is consistent with Policy GEN-3.

Policy GEN-4**.** The proposed capital expenditure for this project is greater than $2 million. In Section B, pages 25-26, the applicant describes the project's plan to improve energy efficiency and conserve water. The applicant also provides a copy of its 2020 Sustainable Energy Management Plan in Exhibit B-11.

Conclusion – The Agency reviewed the:

- Application

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

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

- The applicant does not propose to develop more acute care beds than are determined to be needed in Mecklenburg County and meets the requirements of a "qualified applicant" as defined in Chapter 5 of the 2020 SMFP to develop the proposed beds.

- The applicant does not propose to develop more ORs than are determined to be needed in Mecklenburg County.

- 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 acute care bed and OR services in Mecklenburg County.

    - The applicant adequately documents how the project will promote equitable access to acute care bed and OR services in Mecklenburg County.

    - 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.

Project I.D. #F-12004-20/South Charlotte Surgery Center/Develop a new specialty ASF focusing on vascular & general surgery w/1 OR

The applicants, South Charlotte Surgery Center, PLLC and Antezana Management, LLC (hereinafter referred to as "the applicant") propose to develop South Charlotte Surgery Center (SCSC), a new specialty ambulatory surgical facility (ASF) with one OR, to be focused on general and vascular surgery.

Need Determination. The applicant does not propose to develop more ORs than are determined to be needed in Mecklenburg County.

Policy GEN-3. In Section B, page 13, the applicant explains why it believes its proposal is consistent with Policy GEN-3. The applicant states:

> *"Overall: The planned surgical center will improve patient choice through the addition of an ASC in Steele Creek. The ASC will be strategically located at the juncture of HWY 180 & 47 across from Novant Health and many shopping centers.*

SCSC will reduce the cost to the health care system, year after year and to the residents of Mecklenburg and adjacent counties."

However, the applicant does not adequately demonstrate its proposal is consistent with Policy GEN-3 based on the following:

- The applicant does not demonstrate the need to develop the proposed project. The applicant does not adequately identify the patients it proposes to serve and does not demonstrate the need those patients have for the proposed project. The discussions regarding patient origin and analysis of need found in Criterion (3) are incorporated herein by reference. An applicant that cannot demonstrate the need to develop the proposed project cannot demonstrate that the proposed project will maximize healthcare value for resources expended in the delivery of the proposed services.

- The applicant does not demonstrate that projected utilization is based on reasonable and adequately supported assumptions. The discussion regarding projected utilization found in Criterion (3) is incorporated herein by reference. An applicant that cannot demonstrate that its projected utilization is based on reasonable and adequately supported assumptions cannot demonstrate how projected utilization will incorporate the concept of maximum value for resources expended in meeting the need identified in the SMFP.

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 because the applicant does not adequately demonstrate that the proposal is consistent with Policy GEN-3 based on the following:

- The applicant does not demonstrate how the project will maximize healthcare value for resources expended in the delivery of the proposed services.

- The applicant does not demonstrate how projected utilization incorporates the concept of maximum value for resources expended in meeting the need identified in the SMFP.

Project I.D. #F-12006-20/Carolinas Medical Center/Add 119 acute care beds

The Charlotte-Mecklenburg Hospital Authority (hereinafter referred to as "Atrium" or "the applicant") proposes to add 119 acute care beds to Carolinas Medical Center, an existing

hospital with 1,055 acute care beds, for a total of 1,174 acute care beds upon project completion.

As defined by the 2020 SMFP acute care bed methodology on page 33:

> *"A 'hospital under common ownership' is a hospital that is owned by the same or a related legal entity as at least one other acute care hospital in the same service area."*

According to Table 5A on page 43 of the 2020 SMFP, the Atrium Health System (AH System) has three existing hospitals in Mecklenburg County:

Carolinas Medical Center (License H0071)
Atrium Health Pineville (License H0042)
Atrium Health University City (License H0255)

As of the date of these findings, the AH System has 1,460 existing and approved acute care beds. In Project I.D. #F-12009-20, filed concurrently with this application and which is also part of this competitive review, Atrium proposes to add 7 acute care beds to Atrium Health Pineville. The addition of 119 new acute care beds as proposed in this application, along with the addition of 7 new acute care beds as proposed in Project I.D. #F-12009-20, would bring the total number of acute care beds in the AH System in Mecklenburg County to 1,586 acute care beds.

Need Determination. The applicant does not propose to develop more acute care beds than are determined to be needed in Mecklenburg County. In Section B, page 13, the applicant adequately demonstrates that it meets the requirements of a "qualified applicant" as defined in Chapter 5 of the 2020 SMFP.

Policy GEN-3. In Section B, pages 22-25, the applicant explains why it believes its proposal is consistent with Policy GEN-3.

Policy GEN-4. The proposed capital expenditure for this project is greater than $2 million. In Section B, page 26, the applicant describes the project's plan to improve energy efficiency and conserve water.

Conclusion – The Agency reviewed the:

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

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

- The applicant does not propose to develop more acute care beds than are determined to be needed in Mecklenburg County.

- 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 acute care bed services in Mecklenburg County.

    - The applicant adequately documents how the project will promote equitable access to acute care bed services in Mecklenburg County.

    - 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.

Project I.D. #F-12008-20/Carolinas Medical Center/Add 12 ORs

The Charlotte-Mecklenburg Hospital Authority (hereinafter referred to as "Atrium" or "the applicant") proposes to add 12 ORs to Carolinas Medical Center, an existing hospital with 62 ORs, for a total of 75 ORs upon completion of this project and Project I.D. #F-11815-19 (approved to add 2 ORs but would only add 1 OR).

As defined by the 2020 SMFP OR need methodology on page 51, a "health system" includes:

> *"…all licensed health service facilities with operating rooms located in the same service area that are owned or leased by:*
> *1. the same legal entity (i.e., the same individual, trust or estate, partnership, corporation, hospital authority, or the State or political subdivision, agency or instrumentality of the State); or*
> *2. the same parent corporation or holding company; or*
> *3. a subsidiary of the same parent corporation or holding company; or*
> *4. a joint venture in which the same parent, holding company, or a subsidiary of the same parent or holding company is a participant and has the authority to propose changes in the location or number of ORs in the health service facility."*

According to Table 6A on page 64 of the 2020 SMFP, the AH System has five existing and approved facilities with ORs in Mecklenburg County:

Carolinas Medical Center (License H0071)
Atrium Health Pineville (License H0042)
Atrium Health University City (License H0255)

Carolina Center for Specialty Surgery (License AS0058)
Atrium Health Huntersville Surgery Center (Project I.D. #F-11349-17)

As of the date of these findings, the AH System has 83 existing and approved ORs across the five existing and approved facilities in Mecklenburg County. The addition of 12 ORs as proposed in this application would bring the total number of existing and approved ORs in the AH System in Mecklenburg County to 95 ORs.

Need Determination. The applicant does not propose to develop more ORs than are determined to be needed in Mecklenburg County.

Policy GEN-3. In Section B, pages 12-15, the applicant explains why it believes its proposal is consistent with Policy GEN-3.

Policy GEN-4. The proposed capital expenditure for this project is greater than $2 million. In Section B, pages 16-17, the applicant describes the project's plan to improve energy efficiency and conserve water.

Conclusion – The Agency reviewed the:

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

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

- The applicant does not propose to develop more ORs than are determined to be needed in Mecklenburg County.

- 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 OR services in Mecklenburg County.

    - The applicant adequately documents how the project will promote equitable access to OR services in Mecklenburg County.

    - 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.

Project I.D. #F-12009-20/Atrium Health Pineville/Add 7 acute care beds

The Charlotte-Mecklenburg Hospital Authority (hereinafter referred to as "Atrium" or "the applicant") proposes to add 7 acute care beds to Atrium Health Pineville, an existing hospital with 233 acute care beds, for a total of 278 acute care beds upon completion of this project, Project ID# F-11622-18 (add 38 beds), and Project ID# F-11813-19 (add 12 beds).

As defined by the 2020 SMFP acute care bed methodology on page 33:

> *"A 'hospital under common ownership' is a hospital that is owned by the same or a related legal entity as at least one other acute care hospital in the same service area."*

According to Table 5A on page 43 of the 2020 SMFP, the Atrium Health System (AH System) has three existing hospitals in Mecklenburg County:

Carolinas Medical Center (License H0071)
Atrium Health Pineville (License H0042)
Atrium Health University City (License H0255)

As of the date of these findings, the AH System has 1,460 existing and approved acute care beds. In Project I.D. #F-12006-20, filed concurrently with this application and which is also part of this competitive review, Atrium proposes to add 119 acute care beds to Carolinas Medical Center. The addition of 7 new acute care beds as proposed in this application, along with the addition of 119 new acute care beds as proposed in Project I.D. #F-12006-20, would bring the total number of acute care beds in the AH System in Mecklenburg County to 1,586 acute care beds.

Need Determination. The applicant does not propose to develop more acute care beds than are determined to be needed in Mecklenburg County. In Section B, page 13, the applicant adequately demonstrates that it meets the requirements of a "qualified applicant" as defined in Chapter 5 of the 2020 SMFP.

Policy GEN-3. In Section B, pages 22-25, the applicant explains why it believes its proposal is consistent with Policy GEN-3.

Conclusion – The Agency reviewed the:

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

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

- The applicant does not propose to develop more acute care beds than are determined to be needed in Mecklenburg County.

- The applicant adequately demonstrates that the proposal is consistent with Policy GEN-3 for the following reasons:

    - The applicant adequately documents how the project will promote safety and quality in the delivery of acute care bed services in Mecklenburg County.

    - The applicant adequately documents how the project will promote equitable access to acute care bed services in Mecklenburg County.

    - The applicant adequately documents how the project will maximize healthcare value for the resources expended.

(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, … persons [with disabilities], the elderly, and other underserved groups are likely to have access to the services proposed.

NC – South Charlotte Surgery Center
C – All Other Applications

Project I.D. #F-11993-20/Novant Health Steele Creek Medical Center/Develop a new hospital w/36 acute care beds & 2 ORs

The applicant proposes to develop NH Steele Creek, a new, separately licensed hospital, with 32 acute care beds and two ORs pursuant to the need determinations in the 2020 SMFP.

In Section C, pages 27-30, the applicant describes the services it plans to offer at the proposed facility, including the following:

- 32 acute care beds pursuant to the need determination in the 2020 SMFP for Mecklenburg County
- 16 unlicensed observation beds
- Emergency Department (ED) with 15 treatment rooms and one isolation room
- Two shared ORs pursuant to the need determination in the 2020 SMFP for Mecklenburg County
- One dedicated C-Section OR
- One procedure room
- Imaging services, including the following:
    - One fixed CT scanner (to be relocated from NH Presbyterian)

  - Two fixed combination x-ray/fluoroscopy units
  - One nuclear medicine camera
  - Two portable ultrasound machines
  - Two full-size portable x-ray machines and one mini portable x-ray machine
  - Mobile MRI pad/contracted mobile MRI services
- Ancillary and support services

Patient Origin – Chapters 5 and 6 of the 2020 SMFP define the service area for acute care bed services and ORs as the single or multicounty service area in which the acute care beds and ORs are located. In both Chapter 5 and Chapter 6, Mecklenburg County is its own single county service area. Thus, the service area for the acute care beds and ORs is Mecklenburg County. Facilities may also serve residents of counties not included in their service area.

In Section C, pages 35-39, the applicant defines its projected area of patient origin by ZIP codes, grouped into three "Regions," as shown in the table below.

NH Steele Creek Projected Area of Patient Origin	
	ZIP Codes
Region C (Core)	28217, 28273, 28278, and 28241
Region M (Mecklenburg)	28134, 28208, 28210, 28214, 28219, 28228, 28243, 28254, 28258, 28260, 28265, 28266, 28272, 28275, 28289, 28290, and 28296
Region O (Other)	28012, 28056, 29708, 29710, 29715, 29745, 29703, and 29716

NH Steele Creek is not an existing hospital and thus has no historical patient origin.

The following tables illustrate projected patient origin for the first three full fiscal years (FYs) following project completion.

Projected Patient Origin – Inpatient Services						
Area	**FY 1 (CY 2026)**		**FY 2 (CY 2027)**		**FY 3 (CY 2028)**	
	# Patients	**% of Total**	**# Patients**	**% of Total**	**# Patients**	**% of Total**
Region C	821	48%	1,050	48%	1,302	48%
Region M	309	18%	391	18%	477	18%
Region O	243	14%	301	14%	381	14%
In-migration	335	20%	426	20%	527	20%
Total	**1,707**	**100%**	**2,168**	**100%**	**2,686**	**100%**

Source: Section C, page 32

Projected Patient Origin – Outpatient Surgical Services						
Area	FY 1 (CY 2026)		FY 2 (CY 2027)		FY 3 (CY 2028)	
	# Patients	% of Total	# Patients	% of Total	# Patients	% of Total
Region C	277	48%	354	48%	438	48%
Region M	102	18%	130	18%	160	18%
Region O	81	14%	104	14%	128	14%
In-migration	112	20%	143	20%	177	20%
Total	**572**	**100%**	**731**	**100%**	**904**	**100%**

Source: Section C, page 32

Projected Patient Origin – Other Outpatient Services						
Area	FY 1 (CY 2026)		FY 2 (CY 2027)		FY 3 (CY 2028)	
	# Patients	% of Total	# Patients	% of Total	# Patients	% of Total
Region C	14,227	48%	18,069	48%	22,386	48%
Region M	5,210	18%	6,617	18%	8,198	18%
Region O	4,163	14%	5,288	14%	6,551	14%
In-migration	5,760	20%	7,316	20%	9,064	20%
Total	**29,360**	**100%**	**37,290**	**100%**	**46,199**	**100%**

Source: Section C, page 32

Projected Patient Origin – Entire Facility						
Area	FY 1 (CY 2026)		FY 2 (CY 2027)		FY 3 (CY 2028)	
	# Patients	% of Total	# Patients	% of Total	# Patients	% of Total
Region C	15,325	48%	19,473	48%	24,126	48%
Region M	5,620	18%	7,139	18%	8,836	18%
Region O	4,487	14%	5,693	14%	7,060	14%
In-migration	6,207	20%	7,885	20%	9,768	20%
Total	**31,639**	**100%**	**40,189**	**100%**	**49,789**	**100%**

Source: Section C, page 33

In Section C, pages 33 and 35-39, the applicant provides the assumptions and methodology used to project patient origin. The applicant's assumptions are reasonable and adequately supported based on the following:

- The applicant's projected patient origin is based in part on analysis of patient origin for other Novant hospitals in Mecklenburg County.

- The applicant factors in the location of existing facilities in the area as part of projecting the area of patient origin.

- The applicant's projected area of patient origin factors in geographic features that affect travel patterns.

Analysis of Need – In Section C, page 41, the applicant states:

> *"The Agency should consider the impact of its CON decisions on the competitive balance between health systems in Mecklenburg County."*

In a competitive review, every application is first evaluated independently, as if there are no other applications in the review, to determine whether the application is conforming to all statutory and regulatory review criteria. The Project Analyst is unaware of any statutory language or court opinion that permits the Agency to consider competitive balance between health systems in any county in determining whether an individual application is conforming with all statutory and regulatory review criteria.

On page 44, the applicant further states:

> *"Novant Health fully understands that the CON program and the state health planning process do not exist to protect or increase any hospital's market share."*

The statement above is correct. Therefore, any discussion of competition and/or competitive balance in the Criterion (3) analysis and discussion focuses only on information provided in this specific application and the evaluation of whether this specific application demonstrates conformity with Criterion (3).

In Section C, pages 39-58, the applicant explains why it believes the population projected to utilize the proposed services needs the proposed services, as summarized below:

- According to the NC Office of State Budget and Management (NC OSBM), the population of Mecklenburg County is projected to increase by 15 percent between 2020 and 2028, while the statewide population is projected to increase by nine percent between 2020 and 2028. Similarly, the population age 65 and older in Mecklenburg County is projected to increase by 42 percent between 2020 and 2028, while the statewide population age 65 and older is projected to increase by 26 percent between 2020 and 2028.

- According to data from ESRI, Regions C, M, and O each have higher projected growth rates than Mecklenburg County for total population as well as the population age 65 and older, based on the combined average for the ZIP codes in each region.

- The applicant states Novant has developed a "ring" of community hospitals in Mecklenburg County to improve access and choice, and there is not currently a community hospital in southwest Mecklenburg County. The applicant states NH Steele Creek would complete this ring.

- The applicant states it believes there is a competitive imbalance between hospital systems in Mecklenburg County and states that promoting competitive balance benefits access to services, cost of services, and quality of services. The applicant states competitive balance can improve the choice of hospitals and systems for patients and physicians and lower healthcare costs. The applicant further states its experience developing NH Mint Hill, a similarly-sized community hospital that opened in 2018, shows how a new hospital can positively affect competitive balance, because it leads

to increases in total service area discharges which can offset some loss of patients by competitors.

- The applicant states there is a need for additional ED services in the Steele Creek area due to a deficit in ED treatment rooms at the existing EDs in the area. The applicant also states it needs to develop an ED as part of developing an acute care hospital and a substantial amount of NH Steele Creek admissions will originate in the ED. The applicant further states it needs to develop an ED as part of its belief that there is a need to improve the competitive balance between hospital systems in Mecklenburg County.

- The applicant states it needs two ORs to manage scheduled surgical cases in addition to surgical cases which are unplanned and originate from the ED. The applicant further states it analyzed data from multiple sources to determine that the proposed new hospital will have enough surgical cases to need two ORs.

- The applicant states medically underserved residents of the service area will benefit from increased access and community initiatives focused on increasing outreach and access to care for medically underserved populations.

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

- The applicant uses reliable and publicly available data to demonstrate the projected population growth in the area.

- The applicant provides data to support its belief that there is a need for additional ED services and that there is a need to improve the competitive balance between hospital systems in Mecklenburg County.

- The applicant provides reasonable and adequately supported data as well as practical reasons to support its belief that the new hospital will need two ORs.

- The applicant provides examples of its participation in community initiatives that increase access for medically underserved populations.

Projected Utilization – On Form C in Section Q, the applicant provides projected utilization, as illustrated in the following tables.

NH Steele Creek Projected Utilization Acute Care & Observation Beds			
	FY 1 (CY 2026)	**FY 2 (CY 2027)**	**FY 3 (CY 2028)**
Total Acute Care Beds			
# of Beds	32	32	32
# of Discharges	1,707	2,168	2,686
# of Patient Days	5,595	7,110	8,812
Observation Beds			
# of Beds	16	16	16
# of Patients	940	1,194	1,480
ALOS*	1.2	1.2	1.2

Source: Section Q, page 140
*ALOS = Average Length of Stay (in days)

NH Steele Creek Projected Utilization ED & Other Services			
	FY 1 (CY 2026)	**FY 2 (CY 2027)**	**FY 3 (CY 2028)**
Emergency Department			
# of Treatment Rooms/Beds	15	15	15
# of Visits	16,998	21,593	26,759
CT Scanner			
# of Units	1	1	1
# of Scans	9,218	11,707	14,504
# HECT Units	13,458	17,092	21,176
MRI Scanner			
# of Units	1 (mobile)	1 (mobile)	1 (mobile)
# of Procedures	2,714	3,442	4,263
# of Weighted Procedures	3,257	4,130	5,116
Ultrasound			
# of Units	2	2	2
# of Procedures	2,514	3,198	3,956
Fixed X-ray (including fluoroscopy)			
# of Units	2	2	2
# of Procedures	11,641	14,783	18,318
Nuclear Medicine			
# of Units	1	1	1
# of Procedures	693	885	1,094
Other			
Laboratory	65,236	82,854	102,650
PT/ST/OT/RT/Other	55,411	70,374	87,190
Other Outpatient Visits	29,360	37,290	46,199

Source: Section Q, pages 140-141

NH Steele Creek Projected Utilization – Surgical Services			
	FY 1 (CY 2026)	**FY 2 (CY 2027)**	**FY 3 (CY 2028)**
Procedure Rooms			
# of Rooms	1	1	1
# of Procedures	726	927	1,147
Operating Rooms			
Dedicated C-Section ORs	1	1	2
Shared ORs	2	2	2
Total # of ORs (all)	3	3	3
Total # of ORs – Planning Inventory	2	2	2
Surgical Cases			
# of C-Sections in Dedicated OR	118	150	185
# of Inpatient Cases*	119	152	188
# of Outpatient Cases	572	731	904
Total # Surgical Cases*	691	883	1,092
Case Times			
Inpatient (1)	111.6	111.6	111.6
Outpatient (1)	70.9	70.9	70.9
Surgical Hours			
Inpatient (2)	221.3	282.7	349.7
Outpatient (3)	675.9	863.8	1,068.2
Total Surgical Hours	897.2	1,146.5	1,417.9
# of ORs Needed			
Group Assignment (4)	4	4	4
Standard Hours per OR per Year (5)	1,500	1,500	1,500
ORs Needed (total hours / 1,500)	0.6	0.8	0.9

Source: Section Q, page 141
*Excludes C-Sections performed in dedicated C-Section OR
(1) From Section C, Question 9(c)
(2) (Inpatient Cases x Inpatient Case Time in minutes) / 60 minutes
(3) (Outpatient Cases x Outpatient Case Time in minutes) / 60 minutes
(4) From Section C, Question 9(a)
(5) From Section C, Question 9(b)

In Section C, pages 54-64 and 69-83, and in Section Q, pages 151-180, the applicant provides the assumptions and methodology used to project utilization, which are summarized below.

Projected Acute Care Bed Utilization

- The applicant defined its projected area of patient origin by ZIP codes, grouped into three "Regions," as shown in the table below.

NH Steele Creek Projected Area of Patient Origin	
	ZIP Codes
Region C (Core)	28217, 28273, 28278, and 28241
Region M (Mecklenburg)	28134, 28208, 28210, 28214, 28219, 28228, 28243, 28254, 28258, 28260, 28265, 28266, 28272, 28275, 28289, 28290, and 28296
Region O (Other)	28012, 28056, 29708, 29710, 29715, 29745, 29703, and 29716

Source: Section Q, pages 154-155

- The applicant used data from ESRI to calculate the current population of age subgroups in each region. The applicant then used ESRI data to determine the 2020-2025 CAGR for each age subgroup in each region and used the CAGRs to project increases in population for each age subgroup in each region through the end of the third full fiscal year.

- The applicant identified the Limited Acute Care (LAC) inpatient discharges by MS-DRG (see Exhibit B-1 for the applicant's list of LAC MS-DRGs), counted the CYs 2017-2019 total LAC discharges for all NC and SC facilities within the area of patient origin, calculated the use rate per 1,000 people and the three-year average use rates for each region in the area of patient origin and age grouping, and applied those calculated average use rates to project the total inpatient discharges through CY 2028.

- The applicant analyzed the CY 2019 market share for NH Matthews, NH Huntersville, and NH Mint Hill using the same projected area of patient origin assumptions as it used for NH Steele Creek and calculated the percent of LAC discharges for medical/surgical (med/surg) services, OB services, and total LAC discharges by region, including discharges originating outside the area of patient origin (in-migration). The applicant provides supporting documentation in Exhibit C-4.1.

- The applicant used the CY 2019 market share for NH Mint Hill as the starting point for projecting utilization at NH Steele Creek. The applicant states that while no existing hospital is identical to the proposed NH Steele Creek and its service area, NH Mint Hill is a similarly sized hospital in the same county and will offer similar services to patients with similar acuity levels. The applicant states that NH Mint Hill opened on October 1, 2018, and because it projects to open NH Steele Creek on October 1, 2025, it used the experience at NH Mint Hill between October 1 and December 31, 2018 to calculate the market share for NH Steele Creek between October 1 and December 31, 2025. The applicant states it used the same historical market share as NH Mint Hill's Regions C and M for NH Steele Creek's Regions C and M, and used a lower market share than the historical market share for NH Mint Hill's Region O because NH Steele Creek's Region O will have two new hospitals that will be operational by the time NH Steele Creek is projected to offer services.

  The Project Analyst provided a comparison between the FFY 2019 experience at NH Mint Hill and the proposed NH Steele Creek in the table below.

Comparison of FFY 2019 NH Mint Hill and the proposed NH Steele Creek		
Category	**FFY 2019 NH Mint Hill**	**Proposed NH Steele Creek**
Date Services First Offered	October 1, 2018	Projected October 1, 2025
First Full Fiscal Year	FFY 2019	Projected FFY 2026
Number of Acute Care Beds	24 med/surg 8 obstetrics 4 ICU 36 total acute care beds	22 med/surg 6 obstetrics 4 ICU 32 total acute care beds
Number of ORs	3 ORs, 1 dedicated C-Section OR	2 ORs, 1 dedicated C-Section OR
ED Treatment Bays	16 + 1 isolation room	15 + 1 isolation room
Number of CT scanners	1	1
Number of MRIs	1 (fixed)	1 (mobile, but 24/7/365 service)
Number of fixed x-ray/fluoroscopy units	2	2
Number of ultrasound machines	2	2
Number of nuclear medicine cameras	1	1
Number of portable x-ray machines	Not a category listed on the 2020 LRA	3 (2 full sized, 1 mini)

Sources: NH Mint Hill 2020 LRA; Application, Section Q

- The applicant states it could not rely on the second full fiscal year of data for NH Mint Hill as a proxy for projecting the ramp-up percentage of utilization at NH Steele Creek because the data was affected by the start of the COVID-19 pandemic. The applicant states it used the experience of NH Huntersville, the most recent Novant hospital to open in Mecklenburg County, as a starting point to project the ramp-up in utilization. The applicant states it used a more conservative ramp-up rate than the experience of NH Huntersville during its first full fiscal year.

- The applicant states it used the CY 2019 NH Mint Hill patient in-migration experience to project patient in-migration for NH Steele Creek. The applicant states it also used NH Mint Hill's CY 2019 Average Length of Stay (ALOS) for LAC discharges, which was lower than the CY 2019 ALOS for all LAC discharges from the NH Steele Creek area of patient origin.

The applicant's assumptions, methodology, and projected utilization of acute care beds at NH Steele Creek during the first three full fiscal years following project completion are summarized in the table below.

LAC Projected Discharges by Age Group and Region					
LAC Type/Age Group	**Average Use Rate***	**CY 2025**	**CY 2026**	**CY 2027**	**CY 2028**
Region C					
Med/Surg Age 0-14	14.1	359	366	373	381
Med/Surg Age 15-44	19.3	1,048	1,072	1,097	1,123
Med/Surg Age 45-64	51.5	1,439	1,466	1,493	1,521
Med/Surg Age 65+	154.3	1,973	2,073	2,178	2,288
Subtotal Med/Surg		*4,819*	*4,977*	*5,141*	*5,313*
OB Females Age 15-44	72.5	1,989	2,038	2,087	2,138
Region M					
Med/Surg Age 0-14	18.5	557	564	572	580
Med/Surg Age 15-44	27.6	1,713	1,738	1,764	1,790
Med/Surg Age 45-64	77.7	2,714	2,728	2,742	2,757
Med/Surg Age 65+	189.3	4,214	4,365	4,523	4,686
Subtotal Med/Surg		*9,198*	*9,395*	*9,601*	*9,813*
OB Females Age 15-44	83.0	2,592	2,630	2,668	2,707
Region O					
Med/Surg Age 0-14	10.1	466	475	485	494
Med/Surg Age 15-44	21.2	1,840	1,882	1,926	1,971
Med/Surg Age 45-64	55.3	3,484	3,504	3,525	3,546
Med/Surg Age 65+	186.2	7,595	7,970	8,363	8,775
Subtotal Med/Surg		*13,385*	*13,831*	*14,299*	*14,786*
OB Females Age 15-44	57.2	2,492	2,548	2,604	2,662

Source: Section Q, page 157

Note: The projected discharges are calculated by applying the Average Use Rate to the projected population for each Region based on data from ESRI.

*CY 2017-2019 3-year average use rate (discharges) per 1,000 population.

NH Steele Creek Projected Utilization – Acute Care Beds				
	Q4 2025*	CY 2026	CY 2027	CY 2028
Med/Surg				
Region C Total Discharges	1,205	4,977	5,141	5,313
Region C Projected Market Share	9.5%	12.0%	14.9%	17.9%
Region C NH-SC Discharges	114	597	766	951
Region M Total Discharges	2,300	9,395	9,601	9,813
Region M Projected Market Share	1.2%	2.5%	3.1%	3.7%
Region M NH-SC Discharges	28	235	298	363
Region O Total Discharges	3,346	13,831	14,299	14,786
Region O Projected Market Share	0.8%	1.5%	1.8%	2.2%
Region O NH-SC Discharges	27	207	257	325
In-Migration (19.1%)	40	245	312	387
Total Discharges	209	1,284	1,633	2,026
Total Patient Days (ALOS = 3.6)	752	4,622	5,879	7,294
ADC**	8.2	12.7	16.1	20.0
Obstetrics				
Region C Total Discharges	497	2,038	2,087	2,138
Region C Projected Market Share	7.6%	11.0%	13.6%	16.4%
Region C NH-SC Discharges	38	224	284	351
Region M Total Discharges	648	2,630	2,668	2,707
Region M Projected Market Share	1.2%	2.8%	3.5%	4.2%
Region M NH-SC Discharges	8	74	93	114
Region O Total Discharges	623	2,548	2,604	2,662
Region O Projected Market Share	0.6%	1.4%	1.7%	2.1%
Region O NH-SC Discharges	4	36	44	56
In-Migration (21.2%)	14	90	114	140
Total Discharges	63	423	535	660
Total Patient Days (ALOS = 2.3)	145	973	1,231	1,518
ADC**	1.6	2.7	3.4	4.2
Total Combined				
Total Discharges	272	1,707	2,168	2,686
Total Patient Days	897	5,595	7,110	8,812
Total ADC**	9.8	15.4	19.5	24.2
# of Beds	32	32	32	32
Occupancy Rate	30.6%	48.1%	60.9%	75.6%

Source: Section Q, page 158

*Q4 2025 Discharges are equal to one-fourth of the CY 2025 projected discharges.

**ADC = Average Daily Census

Projected Acute Care Bed Utilization – Intensive Care Unit Beds

The applicant states it assumed 14.4 percent of the total med/surg patient days at NH Steele Creek would be in ICU beds. The applicant states it relied on the FFY 2019 experience at NH Mint Hill because NH Mint Hill is a similarly-sized hospital (36 beds compared with the proposed 32 beds for NH Steele Creek) which also has four ICU beds, and which offers similar services to patients with similar acuity levels in the same county.

Projected Acute Care Bed Utilization – Observation Beds

The applicant states it projected utilization of the six unlicensed observation beds based on the following:

- The applicant used the FFY 2019 experience at NH Mint Hill to project the ratio of observation patients to acute care days and the ALOS for observation patients.

- The applicant states it used the FFY 2019 experience at NH Mint Hill because NH Mint Hill is a similarly-sized hospital (36 beds compared with the proposed 32 beds for NH Steele Creek) which offers similar services to patients with similar acuity levels in the same county.

Novant Health System

The NH System for acute care beds in Mecklenburg County consists of NH Matthews, NH Huntersville, NH Presbyterian, NH Mint Hill, and the approved NH Ballantyne. Pursuant to 10A NCAC 14C .3803(a), an applicant proposing to add new acute care beds to a service area must reasonably project that all acute care beds in the service area under common ownership will have a utilization of at least 75.2 percent when the projected Average Daily Census (ADC) is greater than 200 patients.

In Section C, pages 69-75, the applicant provides the assumptions and methodology used to project acute care bed utilization for the entire health system, as summarized below.

- The applicant began with each hospital's FFY 2019 acute care days as reported in the 2020 SMFP and applied a projected Mecklenburg County Growth Rate Multiplier (CGRM) of 3.25 percent to the FFY 2019 acute care days.

  On page 72, the applicant referred to the CGRM of 3.25 percent as *"…the CGRM in the Acute Care Bed Need Methodology for the Proposed 2021 SMFP."* The Proposed 2021 SMFP, which was published in July, had a projected CGRM of 2.98 percent; however, the Proposed 2021 SMFP, due to data processing issues, did not have any acute care bed days listed for NH Mint Hill. The 2021 SMFP, signed by the governor on December 29, 2020 and available to the Agency during this review, shows that Mecklenburg County's CGRM with all acute care days included is 3.25 percent.

- The applicant converted FFY acute care days to CY acute care days by using the following formula: CY 2020 = (FFY 2020 * 0.75) + (FFY 2021 * 0.25)

- Project I.D. #F-11808-19 approved NH Matthews to add 20 acute care beds; however, as of the date of these findings, that decision is under appeal and no certificate of need has been issued. The applicant included the 20 acute care beds that will be added to NH Matthews if a certificate of need is issued for Project I.D. #F-11808-19 in its assumptions.

- The applicant did not include the projected utilization of NH Steele Creek as part of the projections; it treats NH Steele Creek as if it will have a surplus of 32 acute care beds in CY 2028 for purposes of demonstrating consistency with the performance standards.

- The applicant calculated CY 2028 utilization, including the 32 acute care beds proposed to be developed as part of this project.

The applicant's projections are summarized in the table below.

Novant Health System Projected Acute Care Bed Utilization							
	NHPMC	**NHMMC**	**NHHMC**	**NHMHMC**	**NHBMC**	**NH Steele Creek**	**NH System**
FFY 2019 Acute Care Days	142,468	41,285	26,792	6,618	0	NA	217,163
FFY 2019 Acute Care Beds (Existing/Approved)	497	154	151	36	36	NA	874
Mecklenburg County Growth Rate Multiplier	1.0325	1.0325	1.0325	1.0325	1.0325	1.0325	1.0325
FFY 2028 Acute Care Days	189,989	55,056	35,729	8,825	0	0	289,599
FFY 2029 Acute Care Days	196,163	56,845	36,890	9,112	0	0	299,010
CY 2028 Acute Care Days	191,533	55,503	36,019	8,897	0	0	291,952
CY 2028 Projected Acute Care Beds	497	174*	151	36	36	32	926
CY 2028 Projected ADC							798
CY 2028 Projected Acute Care Beds							926
CY 2028 NH System Projected Occupancy							86.2%

Source: Section C, pages 70-71

*****Includes 20 acute care beds approved as part of Project I.D. #F-11808-19, which is currently under appeal.

For informational purposes, NH Mint Hill was originally approved to develop 50 new acute care beds. On November 2, 2020, the Agency issued a material compliance determination which permitted Novant to develop NH Mint Hill with 36 acute care beds instead of 50, and the remaining 14 acute care beds would be developed at NH Presbyterian. The material compliance determination did not affect the total number of acute care beds in the Novant system; only the location of some of the acute care beds, which is not relevant for the purposes of determining whether an applicant meets the required performance standard.

As shown in the table above, in the third full fiscal year following project completion, the applicant projects the utilization for all acute care beds owned by the applicant in Mecklenburg County will be 86.2 percent. This meets the performance standard promulgated in 10A NCAC 14C .3803(a), which requires an applicant proposing to add new acute care beds to a service area to reasonably project that all acute care beds in the service area under common ownership will have a utilization of at least 75.2 percent when the projected ADC is greater than 200 patients.

Comments submitted during the public comment period questioned Novant's use of the 3.25 percent annual growth rate to project growth in acute care bed days because on page 72 of the application, Novant referred to the CGRM of 3.25 percent as *"…the CGRM in the Acute Care Bed Need Methodology for the Proposed 2021 SMFP."* As noted above, the CGRM in the Acute Care Bed Need Methodology for the Proposed 2021 SMFP was

2.98 percent, although it did not include acute care days from NH Mint Hill. In the interest of providing a more complete record and as an additional analysis of the reasonableness of the applicant's projections, the Project Analyst calculated projected acute care bed utilization for the entire NH System using a CGRM of 2.78 percent, which was the published CGRM in the Acute Care Bed Need Methodology for the 2020 SMFP. The 2020 SMFP's CGRM of 2.78 percent is lower than both the published CGRM in the 2021 SMFP and the CGRM that was included in the Proposed 2021 SMFP. The Project Analyst determined that the applicant would still meet the required performance standard for the number of acute care beds it proposes to add using the CGRM of 2.78 percent as published in the 2020 SMFP. Please see the Working Papers for the calculations.

Projected utilization is reasonable and adequately supported based on the following analysis:

- The applicant based the projected utilization at NH Steele Creek on the experience of NH Mint Hill, a facility with the following characteristics:
  - Similar in size (36 acute care beds versus the proposed 32 acute care beds);
  - Similar in acuity level (almost all of its discharges were part of the LAC discharge MS-DRGs used in the methodology); and
  - Similar in location (both are in southern Mecklenburg County).

- The applicant relied on the experience of NH Mint Hill from the time that it began offering services to project utilization at NH Steele Creek at the time it will begin offering services.

- When analyzing the FFY 2019 experience at NH Mint Hill to determine the assumptions to be used to project utilization at NH Steele Creek, the applicant attempted to use assumptions as closely analogous as possible (e.g., using the same assumptions to determine the area of patient origin).

- The applicant adjusted the assumptions it used from the FFY 2019 NH Mint Hill experience to account for geographic features and the proximity of hospitals that were unique to the projected area of patient origin for NH Steele Creek.

- To project utilization for the entire NH System, the applicant used a growth rate that is lower than its recent historical system-wide growth.

- The Project Analyst determined that the applicant would meet the required performance standard for the number of acute care beds proposed to be added if it used the Mecklenburg CGRM published in the 2020 SMFP of 2.78, lower than the historical growth rate for the system, the Mecklenburg County CGRM published in the Proposed 2021 SMFP, and the Mecklenburg County CGRM published in the 2021 SMFP.

- As part of Project I.D. #F-11625-18, the applicant projected growth in acute care days that would shift to NH Ballantyne; however, the applicant meets the required performance standard even without relying on any projected growth at NH Ballantyne.

- The applicant meets the required performance standard even without projecting any utilization at the proposed NH Steele Creek.

- The applicant included the acute care beds that were approved in Project I.D. #F-11808-19 which are currently under appeal in projecting utilization of the NH system.

Projected Surgical Services Utilization – ORs

In Section Q, pages 159-160 and 169, the applicant described the assumptions and methodology for projecting utilization of surgical services, which are summarized below.

- The applicant states it projected the number of C-Section cases based on the ratio of total C-Section cases to total obstetrics patients at NH Mint Hill during FFY 2019.

- The applicant states it projected the number of inpatient surgical cases based on the ratio of inpatient surgical cases to LAC discharges at NH Mint Hill in FFY 2019.

- The applicant states it projected the number of outpatient surgical cases based on the ratio of LAC inpatient surgical cases to outpatient surgical cases at NH Mint Hill in FFY 2019.

- The applicant states it projected the number of procedure room cases based on the ratio of procedure room cases to total surgical cases at NH Mint Hill in FFY 2019.

- The applicant states it used the experience of NH Mint Hill during FFY 2019 to project utilization at NH Steele Creek because even though no existing hospital is identical to the proposed NH Steele Creek and its service area, NH Mint Hill is a similarly sized hospital in the same county and will offer similar services to patients with similar acuity levels.

The applicant's assumptions, methodology, and projected utilization of surgical services are summarized in the table below.

NH Steele Creek Projected Utilization – Surgical Services				
NH Mint Hill FFY 2019 LAC Discharges				2,011
NH Mint Hill FFY 2019 IP Surgical Cases				142
NH Mint Hill FFY 2019 Ratio of LAC Discharges to IP Surgical Cases				0.07
NH Mint Hill FFY 2019 OP Surgical Cases				683
NH Mint Hill FFY 2019 Ratio of IP Surgical Cases to OP Surgical Cases				4.81
NH Mint Hill FFY 2019 Obstetrics Discharges				375
NH Mint Hill FFY 2019 C-Section Cases				105
NH Mint Hill FFY 2019 Ratio of OB Discharges to C-Section Cases				0.28
NH Mint Hill FFY 2019 Total Surgical Cases				825
NH Mint Hill FFY 2019 Procedures in Procedure Room				865
NH Mint Hill FFY 2019 Ratio of Total Surgical Cases to Procedures				1.05
	Q4 2025	**CY 2026**	**CY 2027**	**CY 2028**
NH Steele Creek Discharges*	272	1,707	2,168	2,686
Ratio of Discharges to IP Cases	0.07	0.07	0.07	0.07
NH Steele Creek IP Cases	19	119	152	188
Ratio of IP Cases to OP Cases	4.81	4.81	4.81	4.81
NH Steele Creek OP Cases	91	572	731	904
NH Steele Creek Total Surg. Cases	110	691	883	1,092
IP Case Time – Group 4 (minutes)	111.6	111.6	111.6	111.6
OP Case Time – Group 4 (minutes)	70.9	70.9	70.9	70.9
IP Surgical Hours	35	221	283	350
OP Surgical Hours	108	676	864	1,068
Total Surgical Hours	143	897	1,147	1,418
Group 4 Standard Hours**	375	1,500	1,500	1,500
# of ORs Needed	0.38	0.60	0.77	0.95
NH Steele Creek OB Discharges	63	423	535	660
Ratio OB Discharges to C-Sections	0.28	0.28	0.28	0.28
NH Steele Creek C-Sections	18	118	150	185
NH Steele Creek Total Surg. Cases	110	691	883	1,092
Ratio of Cases to Procedures	1.05	1.05	1.05	1.05
NH Steele Creek Procedures	116	726	927	1,147

Source: Section Q, pages 159-160

*Q4 2025 Discharges are equal to one-fourth of the CY 2025 projected discharges.

** For Q4, the Standard Hours for Group 4 are calculated based on one-fourth of the hours for the year, or 375 hours.

Novant Health System

The NH System for ORs in Mecklenburg County consists of NH Matthews, NH Presbyterian, NH Huntersville, NH Mint Hill, the approved NH Ballantyne, Matthews Surgery Center, SouthPark, NH Huntersville OPS, and NH Ballantyne OPS. Pursuant to 10A NCAC 14C .2103(a), the applicant must demonstrate the need for all existing, approved, and proposed ORs in the health system at the end of the third full fiscal year, using the OR Need Methodology in the 2020 SMFP.

In the Form C Methodology and Assumptions subsection of Section Q, pages 171-178, the applicant provides the assumptions and methodology used to project utilization for all other facilities with ORs in its health system. The assumptions and methodology are summarized below.

In Project I.D. #F-11807-19, which proposed to add one OR to NH Matthews, the applicant projected OR utilization for all Novant facilities in Mecklenburg County, including projected shifts in patients to NH Mint Hill and the approved NH Ballantyne. The applicant states it adopted portions of that same methodology it used to project OR utilization in Project I.D. #F-11807-19.

- Determine historical utilization by facility – using historical data for CYs 2015-2019, the applicant calculated 4-year CAGRs for each facility for inpatient cases (as applicable) and outpatient cases. The applicant states it adopted the methodology used in Project I.D. #F-11807-19 regarding surgical cases projected at NH Matthews, NH Ballantyne, NH Ballantyne OPS, and the projected shift in surgical cases to NH Mint Hill and NH Ballantyne from other Novant facilities. The applicant states that for the remaining facilities, it used a two percent annual growth rate, roughly equivalent to the population growth factor used in the OR Methodology in both the 2020 SMFP and the 2021 SMFP. Project I.D. #F-11807-19 projected growth through CY 2026; the applicant states it projected surgical cases for CYs 2027-2028 using the same two percent annual growth rate it used for other facilities.

  The applicant states its use of the two percent annual growth rate is reasonable because its system-wide growth rate for inpatient surgical hours, outpatient surgical hours, and total surgical hours was 4.7 percent, 3.6 percent, and 3.9 percent, respectively, between FFYs 2015-2019. The Project Analyst also noted that with the exception of outpatient surgical cases at NH Matthews, all other inpatient and outpatient surgical cases at every Novant facility that was operational for the entirety of CYs 2015-2019 had a 4-year CAGR higher than two percent (outpatient surgical cases at NH Matthews had a 4-year CAGR of 0.8 percent).

- Project surgical cases through CY 2028 prior to any shifts – the applicant applied either the two percent annual growth rate or the growth rate used in Project I.D. #F-11807-19 to inpatient and outpatient surgical cases at each facility.

- Project shift of surgical cases to NH Steele Creek – the applicant calculated the CY 2019 med/surg and OB LAC market share for each Novant facility (see Exhibit C-4.1) and used that to calculate the percentage of total NH Steele Creek discharges that would shift from each Novant facility. The applicant then multiplied the percentage shift for each facility by the projected number of inpatient and outpatient surgical cases at NH Steele Creek to determine how many and what kind of surgical cases would shift from each Novant facility to NH Steele Creek.

- Project shift of surgical cases to NH Ballantyne – as part of Project I.D. #F-11807-19, the applicant projected inpatient and outpatient surgical cases would shift to NH

Ballantyne. The applicant adopted the projections in Project I.D. #F-11807-19 and projected the shift in cases from other Novant facilities to NH Ballantyne would begin in CY 2023. The applicant used the same number of projected inpatient and outpatient cases at NH Ballantyne as in Project I.D. #F-11807-19, which projected utilization through CY 2026, and grew both inpatient and outpatient surgical cases at a two percent growth rate for CYs 2027 and 2028.

- Project shift of surgical cases to NH Mint Hill – as part of Project I.D. #F-11807-19, the applicant projected inpatient and outpatient surgical cases would shift to NH Mint Hill. The applicant adopted the projected shift in cases from NH Presbyterian to NH Mint Hill as described in Project I.D. #F-11807-19: 20 inpatient cases per year will shift through CY 2028 and 80 outpatient cases will shift in CY 2020, which will grow at a 5.4 percent CAGR through CY 2028.

- Subtract shifts in surgical cases from NH facilities to determine projected OR utilization through CY 2028 – the applicant subtracted the number of surgical cases projected to shift for the relevant Novant facilities in Mecklenburg County through CY 2028 to obtain projected OR utilization at each facility.

A brief summary of the assumptions and methodology used to project OR utilization at each Novant facility follows below.

Novant Health Presbyterian – The CY 2015-2019 4-year CAGR for inpatient and outpatient surgical cases at NH Presbyterian was 2.0 percent and 2.6 percent, respectively. The applicant projected inpatient and outpatient surgical cases would grow at an annual rate of two percent between CY 2019 and CY 2028. Then the applicant made assumptions about shifts of surgical cases to NH Ballantyne and NH Mint Hill consistent with its projections in Project I.D. #F-11807-19 and shifts to NH Steele Creek as part of this proposed project. The following table illustrates projected OR utilization at NH Presbyterian.

NH Presbyterian Projected OR Utilization (CYs)										
	2019	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**
Baseline CY Inpatient Cases	8,151	8,314	8,480	8,650	8,823	8,999	9,179	9,363	9,550	9,741
Baseline CY Outpatient Cases	22,450	22,899	23,357	23,824	24,300	24,786	25,282	25,788	26,304	26,830
IP Cases Shifting to Other Facilities		-20	-20	-20	-141	-171	-206	-232	-242	-254
OP Cases Shifting to Other Facilities		-80	-84	-89	-94	-99	-122	-224	-258	-295
Total Inpatient Cases	8,151	8,294	8,460	8,630	8,682	8,828	8,973	9,131	9,308	9,487
Total Outpatient Cases	22,450	22,819	23,273	23,735	24,206	24,687	25,160	25,564	26,046	26,535
Final Inpatient Case Time (1)	186.7	186.7	186.7	186.7	186.7	186.7	186.7	186.7	186.7	186.7
Final Outpatient Case Time (1)	93.4	93.4	93.4	93.4	93.4	93.4	93.4	93.4	93.4	93.4
Total Surgical Hours (2)	**60,310**	**61,330**	**62,553**	**63,801**	**64,696**	**65,899**	**67,087**	**68,208**	**69,508**	**70,826**
Avg Annual Operating Hrs – Group 2 (3)	1,950	1,950	1,950	1,950	1,950	1,950	1,950	1,950	1,950	1,950
Number of ORs Needed (4)	30.93	31.45	32.08	32.72	33.18	33.79	34.40	34.98	35.11	36.32
Number of Existing/Approved ORs	37	37	37	37	37	37	37	37	37	37
(Surplus) / Deficit	**(6.07)**	**(5.55)**	**(4.92)**	**(4.28)**	**(3.82)**	**(3.21)**	**(2.60)**	**(2.02)**	**(1.89)**	**(0.68)**

Source: Form C Assumptions and Methodology subsection of Section Q
(1) The Final Case Time in minutes for the facility in the 2020 SMFP.
(2) Total Hours equals Surgical Cases multiplied by the Average Case Time, then divided by 60.
(3) From Steps 4d and 4e of the OR Need Methodology in Chapter 6 of the 2020 SMFP.
(4) # of ORs Needed equals Surgical Hours divided by the Standard Hours per OR per Year.

As shown in the table above, using the OR Need Methodology in Chapter 6 of the 2020 SMFP, the applicant projects a surplus of 0.68 ORs at NH Presbyterian in the third full fiscal year following project completion. Novant does not propose to add any ORs to NH Presbyterian as part of this review.

Novant Health Matthews – The applicant adopted the exact projections it made for NH Matthews in Project I.D. #F-11807-19 through CY 2026, which are briefly summarized below:

- Using FFY 2014-2018 and annualized FFY 2019 data, the applicant determined the 2-, 3-, and 4-year CAGRs for both inpatient and outpatient surgical cases. The applicant used the lowest of the three CAGRs for both inpatient (4-year CAGR of 6.3 percent) and outpatient (3-year CAGR of -1.2 percent) surgical cases to project growth.

- The applicant used the outpatient surgical case growth of -1.2 percent in its projections through CY 2023, when it projected its outpatient surgical cases would begin growing at an annual rate of 1.5 percent.

- The applicant assumed some of its inpatient and outpatient surgical cases would shift to NH Ballantyne beginning in CY 2023.

For CYs 2027 and 2028, which were not included in the projections for Project I.D. #F-11807-19, the applicant projected both inpatient and outpatient surgical cases would grow at an annual rate of two percent, consistent with other projections for its facilities in Mecklenburg County. Then the applicant made assumptions about shifts of surgical cases

to NH Steele Creek. The following table illustrates projected OR utilization at NH Matthews.

NH Matthews Projected OR Utilization (CYs)										
	2019*	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**
Baseline CY Inpatient Cases	1,742	1,852	1,969	2,093	2,115	2,227	2,347	2,500	2,550	2,601
Baseline CY Outpatient Cases	3,984	3,936	3,889	3,843	3,635	3,659	3,671	3,737	3,812	3,888
IP Cases Shifting to Other Facilities	--	--	--	--	--	--	--	-2	-3	-4
OP Cases Shifting to Other Facilities	--	--	--	--	--	--	-2	-11	-15	-18
Total Inpatient Cases	1,742	1,852	1,969	2,093	2,115	2,227	2,347	2,498	2,547	2,597
Total Outpatient Cases	3,984	3,936	3,889	3,843	3,635	3,659	3,669	3,726	3,797	3,870
Final Inpatient Case Time (1)	129.7	129.7	129.7	129.7	129.7	129.7	129.7	129.7	129.7	129.7
Final Outpatient Case Time (1)	89.4	89.4	89.4	89.4	89.4	89.4	89.4	89.4	89.4	89.4
Total Surgical Hours (2)	**9,702**	**9,868**	**10,051**	**10,250**	**9,988**	**10,266**	**10,540**	**10,952**	**11,164**	**11,380**
Avg Annual Operating Hrs – Group 4 (3)	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500
Number of ORs Needed (4)	6.47	6.58	6.70	6.83	6.66	6.84	7.03	7.30	7.44	7.59
Number of Existing/Approved ORs	6	6	6	6	6	7	7	7	7	7
(Surplus) / Deficit	**0.47**	**0.58**	**0.70**	**0.83**	**0.66**	**(0.16)**	**0.03**	**0.30**	**0.44**	**0.59**

Source: Form C Assumptions and Methodology subsection of Section Q

*CY 2019 baseline cases are the annualized CY 2019 cases as projected in Project I.D. #F-11807-19.

(1) The Final Case Time in minutes for the facility in the 2020 SMFP.

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

(3) From Steps 4d and 4e of the OR Need Methodology in Chapter 6 of the 2020 SMFP.

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

As shown in the table above, using the OR Need Methodology in Chapter 6 of the 2020 SMFP, the applicant projects a deficit of 0.59 ORs at NH Matthews in the third full fiscal year following project completion. Novant does not propose to add any ORs to NH Matthews as part of this review.

Novant Health Huntersville - The CY 2015-2019 4-year CAGR for inpatient and outpatient surgical cases at NH Huntersville was 2.6 percent and 5.9 percent, respectively. The applicant projected inpatient and outpatient surgical cases would grow at an annual rate of two percent between CY 2019 and CY 2028. Then the applicant made assumptions about shifts of surgical cases to NH Ballantyne consistent with its projections in Project I.D. #F-11807-19 and shifts to NH Steele Creek as part of this proposed project. The following table illustrates projected OR utilization at NH Huntersville.

NH Huntersville Projected OR Utilization (CYs)										
	2019	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**
Baseline CY Inpatient Cases	1,462	1,491	1,521	1,551	1,582	1,614	1,646	1,679	1,713	1,747
Baseline CY Outpatient Cases	4,095	4,177	4,261	4,346	4,433	4,522	4,612	4,704	4,798	4,894
IP Cases Shifting to Other Facilities	--	--	--	--	-110	-138	-167	-174	-178	-182
OP Cases Shifting to Other Facilities	--	--	--	--	--	--	-1	-6	-7	-9
Total Inpatient Cases*	1,462	1,491	1,521	1,551	1,472	1,476	1,479	1,505	1,535	1,565
Total Outpatient Cases	4,095	4,177	4,261	4,346	4,433	4,522	4,611	4,698	4,791	4,885
Final Inpatient Case Time (1)	135.0	135.0	135.0	135.0	135.0	135.0	135.0	135.0	135.0	135.0
Final Outpatient Case Time (1)	89.4	89.4	89.4	89.4	89.4	89.4	89.4	89.4	89.4	89.4
Total Surgical Hours (2)	**9,391**	**9,579**	**9,771**	**9,966**	**9,917**	**10,059**	**10,198**	**10,386**	**10,593**	**10,800**
Avg Annual Operating Hrs – Group 4 (3)	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500
Number of ORs Needed (4)	6.26	6.39	6.51	6.64	6.61	6.71	6.80	6.92	7.06	7.20
Number of Existing/Approved ORs	6	6	7	7	7	7	7	7	7	7
(Surplus) / Deficit	**0.26**	**0.39**	**(0.49)**	**(0.36)**	**(0.39)**	**(0.31)**	**(0.20)**	**(0.08)**	**0.06**	**0.20**

Source: Form C Assumptions and Methodology subsection of Section Q

(1) The Final Case Time in minutes for the facility in the 2020 SMFP.

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

(3) From Steps 4d and 4e of the OR Need Methodology in Chapter 6 of the 2020 SMFP.

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

As shown in the table above, using the OR Need Methodology in Chapter 6 of the 2020 SMFP, the applicant projects a deficit of 0.20 ORs at NH Huntersville in the third full fiscal year following project completion. Novant does not propose to add any ORs to NH Huntersville as part of this review.

Novant Health Mint Hill – NH Mint Hill began offering services on October 1, 2018 and has limited historical data because of the short time it has been operational. The applicant projected inpatient and outpatient surgical cases will grow at an annual rate of two percent between CY 2019 and CY 2028. Then the applicant made assumptions about shifts of surgical cases to NH Mint Hill from NH Presbyterian consistent with its projections in Project I.D. #F-11807-19. The following table illustrates projected OR utilization at NH Mint Hill.

NH Mint Hill Projected OR Utilization (CYs)										
	2019	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**
Baseline CY Inpatient Cases	140	143	146	149	152	155	158	161	164	167
Baseline CY Outpatient Cases	826	843	860	877	895	913	931	950	969	988
IP Cases Shifting from NH Presbyterian	--	20	20	20	20	20	20	20	20	20
OP Cases Shifting from NH Presbyterian	--	80	84	89	94	99	104	110	112	114
Total Inpatient Cases	140	163	166	169	172	175	178	181	184	187
Total Outpatient Cases	826	923	944	966	989	1,012	1,035	1,060	1,081	1,102
Final Inpatient Case Time (1)	111.6	111.6	111.6	111.6	111.6	111.6	111.6	111.6	111.6	111.6
Final Outpatient Case Time (1)	70.9	70.9	70.9	70.9	70.9	70.9	70.9	70.9	70.9	70.9
Total Surgical Hours (2)	**1,237**	**1,394**	**1,424**	**1,455**	**1,489**	**1,522**	**1,554**	**1,590**	**1,619**	**1,650**
Avg Annual Operating Hrs – Group 4 (3)	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500
Number of ORs Needed (4)	0.83	0.93	0.95	0.97	0.99	1.02	1.04	1.06	1.08	1.10
Number of Existing/Approved ORs	3	3	3	3	3	3	3	3	3	3
(Surplus) / Deficit	**(2.17)**	**(2.07)**	**(2.05)**	**(2.03)**	**(2.01)**	**(1.98)**	**(1.96)**	**(1.94)**	**(1.92)**	**(1.90)**

Source: Form C Assumptions and Methodology subsection of Section Q

(1) The Final Case Time in minutes listed in the 2020 SMFP for Group 4 facilities.

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

(3) From Steps 4d and 4e of the OR Need Methodology in Chapter 6 of the 2020 SMFP.

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

NH Mint Hill was originally approved to develop four ORs (to be relocated from NH Presbyterian) and a dedicated C-Section OR. On November 2, 2020, the Agency issued a material compliance determination which permitted Novant to develop NH Mint Hill with three ORs relocated from NH Presbyterian instead of four and the previously approved fourth OR would remain at NH Presbyterian.

As shown in the table above, using the OR Need Methodology in Chapter 6 of the 2020 SMFP, the applicant projects a surplus of 1.90 ORs at NH Mint Hill in the third full fiscal year following project completion. Novant does not propose to add any ORs to NH Mint Hill as part of this review. The Project Analyst notes the projected total number of surgical hours at NH Mint Hill is likely understated. NH Mint Hill's actual inpatient and outpatient case times as published in the 2021 SMFP, available to the Agency during this review, were 134.0 minutes and 91.3 minutes, respectively. If the case times for NH Mint Hill as published in the 2021 SMFP were used, NH Mint Hill's surplus would instead be 1.60 ORs.

Novant Health Ballantyne – NH Ballantyne is not projected to become operational until July 1, 2023. The applicant made assumptions about shifts of surgical cases to NH Ballantyne from NH Presbyterian, NH Huntersville, and NH Ballantyne OPS consistent with its projections in Project I.D. #F-11807-19 and extended the projections out to CY 2028 using a two percent annual growth rate. The following table illustrates projected OR utilization at NH Ballantyne.

NH Ballantyne Projected OR Utilization (CYs)						
	2023	**2024**	**2025**	**2026**	**2027**	**2028**
Total Inpatient Cases	394	492	596	614	626	639
Total Outpatient Cases	1,319	1,378	1,450	1,469	1,498	1,528
Final Inpatient Case Time (1)	111.6	111.6	111.6	111.6	111.6	111.6
Final Outpatient Case Time (1)	70.9	70.9	70.9	70.9	70.9	70.9
Total Surgical Hours (2)	**2,292**	**2,543**	**2,822**	**2,878**	**2,934**	**2,995**
Avg Annual Operating Hrs – Group 4 (3)	1,500	1,500	1,500	1,500	1,500	1,500
Number of ORs Needed (4)	1.53	1.70	1.88	1.92	1.96	2.00
Number of Existing/Approved ORs	3	3	3	3	3	3
(Surplus) / Deficit	**(1.47)**	**(1.30)**	**(1.12)**	**(1.08)**	**(1.04)**	**(1.00)**

Source: Form C Assumptions and Methodology subsection of Section Q
(1) The Final Case Time in minutes listed in the 2020 SMFP for Group 4 facilities.
(2) Total Hours = Surgical Cases multiplied by the Final Case Time for Group 4 facilities, then divided by 60.
(3) From Steps 4d and 4e of the OR Need Methodology in Chapter 6 of the 2020 SMFP.
(4) # of ORs Needed equals Surgical Hours divided by the Standard Hours per OR per Year.

As shown in the table above, using the OR Need Methodology in Chapter 6 of the 2020 SMFP, the applicant projects a surplus of 1.00 ORs at NH Ballantyne in the third full fiscal year following project completion. Novant does not propose to add any ORs to NH Ballantyne as part of this review.

Novant Health Ballantyne OP Surgery – In Project I.D. #F-11625-18, proposing the development of NH Ballantyne, the applicant was approved to relocate the two ORs at NH Ballantyne OPS to NH Ballantyne and projected all future surgical cases would shift to NH Ballantyne. NH Ballantyne OPS would then be delicensed, which is projected to take place prior to services being offered at NH Steele Creek. In Project I.D. #F-11807-19, the applicant projected cases at NH Ballantyne OPS would grow at a rate of 2.2 percent, consistent with its FFY 2015-2019 annualized 4-year CAGR, and the applicant states that it adopts the methodology used in Project I.D. F-11807-19 for NH Ballantyne OPS.

The table below shows the applicant's projections for NH Ballantyne OPS in Project I.D. #F-11807-19.

NH Ballantyne OPS Projected OR Utilization (CYs)								
	2019*	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**
Baseline CY Outpatient Cases	1,038	1,061	1,084	1,108	1,132	1,157	1,183	1,209
Cases at NH Ballantyne OPS	1,038	1,061	1,084	1,108	--	--	--	--
Cases shifting to NH Ballantyne	--	--	--	--	1,132	1,157	1,183	1,209

Sources: Project I.D. #F-11807-19, Agency Findings for 2019 Mecklenburg County Acute Care Bed and OR Review.
*CY 2019 was annualized based on FFY 2019 annualized, calculated using October 2018 – June 2019 actual data.

The Project Analyst notes projected outpatient surgical cases shifting from NH Ballantyne OPS to NH Ballantyne are likely understated. The applicant's actual CY 2019 utilization at NH Ballantyne OPS was 1,125 surgical cases; in Project I.D. #F-11807-19, the

applicant's projected utilization at NH Ballantyne OPS was lower than its actual CY 2019 utilization.

Because NH Ballantyne OPS is projected to be delicensed and cease to exist prior to the first full fiscal year of operation for NH Steele Creek, there is no projected utilization for NH Ballantyne OPS beyond the projected utilization adopted from Project I.D. #F-11807-19.

Novant Health Huntersville OP Surgery – The CY 2015-2019 4-year CAGR for outpatient surgical cases at NH Huntersville OPS was 13.8 percent. The applicant projected surgical cases would grow at an annual rate of two percent between CY 2019 and CY 2028. The following table illustrates projected OR utilization at NH Huntersville OPS.

NH Huntersville OPS Projected OR Utilization (CYs)										
	2019	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**
Outpatient Cases	3,460	3,529	3,600	3,672	3,745	3,820	3,896	3,974	4,053	4,134
Final Outpatient Case Time (1)	53.0	53.0	53.0	53.0	53.0	53.0	53.0	53.0	53.0	53.0
Total Surgical Hours (2)	**3,056**	**3,117**	**3,180**	**3,244**	**3,308**	**3,374**	**3,441**	**3,510**	**3,580**	**3,652**
Avg Annual Operating Hrs – Group 5 (3)	1,312	1,312	1,312	1,312	1,312	1,312	1,312	1,312	1,312	1,312
Number of ORs Needed (4)	2.33	2.38	2.42	2.47	2.52	2.57	2.62	2.68	2.73	2.78
Number of Existing/Approved ORs	2	2	2	2	2	2	2	2	2	2
(Surplus) / Deficit	**0.33**	**0.38**	**0.42**	**0.47**	**0.52**	**0.57**	**0.62**	**0.68**	**0.73**	**0.78**

Source: Form C Assumptions and Methodology subsection of Section Q
(1) The Final Case Time in minutes for the facility in the 2020 SMFP.
(2) Total Hours equals Surgical Cases multiplied by the Average Case Time, then divided by 60.
(3) From Steps 4d and 4e of the OR Need Methodology in Chapter 6 of the 2020 SMFP.
(4) # of ORs Needed equals Surgical Hours divided by the Standard Hours per OR per Year.

As shown in the table above, using the OR Need Methodology in Chapter 6 of the 2020 SMFP, the applicant projects a deficit of 0.78 ORs at NH Huntersville OPS in the third full fiscal year following project completion. Novant does not propose to add any ORs to NH Huntersville OPS as part of this review.

SouthPark Surgery Center – The CY 2015-2019 4-year CAGR for outpatient surgical cases at SouthPark was 2.7 percent. The applicant projected surgical cases would grow at an annual rate of two percent between CY 2019 and CY 2028. The following table illustrates projected OR utilization at SouthPark.

SouthPark Projected OR Utilization (CYs)										
	2019	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**
Outpatient Cases	11,882	12,120	12,362	12,609	12,861	13,118	13,380	13,648	13,921	14,199
Final Outpatient Case Time (1)	48.0	48.0	48.0	48.0	48.0	48.0	48.0	48.0	48.0	48.0
Total Surgical Hours (2)	**9,506**	**9,696**	**9,890**	**10,087**	**10,289**	**10,494**	**10,704**	**10,918**	**11,137**	**11,359**
Avg Annual Operating Hrs – Group 5 (3)	1,312	1,312	1,312	1,312	1,312	1,312	1,312	1,312	1,312	1,312
Number of ORs Needed (4)	7.25	7.39	7.54	7.69	7.84	8.00	8.16	8.32	8.49	8.66
Number of Existing/Approved ORs	6	6	6	6	6	6	6	6	6	6
(Surplus) / Deficit	**1.25**	**1.39**	**1.54**	**1.69**	**1.84**	**2.00**	**2.16**	**2.32**	**2.49**	**2.66**

Source: Form C Assumptions and Methodology subsection of Section Q
(1) The Final Case Time in minutes for the facility in the 2020 SMFP.
(2) Total Hours equals Surgical Cases multiplied by the Average Case Time, then divided by 60.
(3) From Steps 4d and 4e of the OR Need Methodology in Chapter 6 of the 2020 SMFP.
(4) # of ORs Needed equals Surgical Hours divided by the Standard Hours per OR per Year.

As shown in the table above, using the OR Need Methodology in Chapter 6 of the 2020 SMFP, the applicant projects a deficit of 2.66 ORs at SouthPark in the third full fiscal year following project completion. Novant does not propose to add any ORs to SouthPark as part of this review.

Matthews Surgery Center – The CY 2015-2019 4-year CAGR for outpatient surgical cases at Matthews Surgery Center was 4.7 percent. The applicant projected surgical cases would grow at an annual rate of two percent between CY 2019 and CY 2028. The following table illustrates projected OR utilization at Matthews Surgery Center.

Matthews Surgery Center Projected OR Utilization (CYs)										
	2019	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**
Outpatient Cases	2,242	2,287	2,333	2,380	2,428	2,477	2,527	2,578	2,630	2,683
Final Outpatient Case Time (1)	78.0	78.0	78.0	78.0	78.0	78.0	78.0	78.0	78.0	78.0
Total Surgical Hours (2)	**2,915**	**2,973**	**3,033**	**3,094**	**3,156**	**3,220**	**3,285**	**3,351**	**3,419**	**3,488**
Avg Annual Operating Hrs – Group 5 (3)	1,312	1,312	1,312	1,312	1,312	1,312	1,312	1,312	1,312	1,312
Number of ORs Needed (4)	2.22	2.27	2.31	2.36	2.41	2.45	2.50	2.55	2.61	2.66
Number of Existing/Approved ORs	2	2	2	2	2	2	2	2	2	2
(Surplus) / Deficit	**0.22**	**0.27**	**0.31**	**0.36**	**0.41**	**0.45**	**0.50**	**0.55**	**0.61**	**0.66**

Source: Form C Assumptions and Methodology subsection of Section Q
(1) The Final Case Time in minutes for the facility in the 2020 SMFP.
(2) Total Hours equals Surgical Cases multiplied by the Average Case Time, then divided by 60.
(3) From Steps 4d and 4e of the OR Need Methodology in Chapter 6 of the 2020 SMFP.
(4) # of ORs Needed equals Surgical Hours divided by the Standard Hours per OR per Year.

As shown in the table above, using the OR Need Methodology in Chapter 6 of the 2020 SMFP, the applicant projects a deficit of 0.66 ORs at Matthews Surgery Center in the third full fiscal year following project completion. Novant does not propose to add any ORs to Matthews Surgery Center as part of this review.

Novant Health System Combined - To meet the performance standard promulgated in 10A NCAC 14C .2103(a) in effect at the time of the submission of this application, an applicant proposing to add new ORs to a service area must demonstrate the need for all of the

existing, approved, and proposed ORs in a health system in the third full fiscal year following project completion based on the OR Need Methodology in the 2020 SMFP. Novant proposes to add two ORs to its health system as part of this project.

The following table illustrates the projected OR surpluses/deficits for each facility as well as the entire NH System for the first three full fiscal years of the proposed project.

Novant Health Projected OR Need			
	Deficits / (Surpluses)		
	1st Full FY CY 2026	2nd Full FY CY 2027	3rd Full FY CY 2028
NH Steele Creek	(1.40)	(1.23)	(1.05)
NH Presbyterian	(2.02)	(1.89)	(0.68)
NH Matthews	0.30	0.44	0.59
NH Huntersville	(0.08)	0.06	0.20
NH Mint Hill	(1.94)	(1.92)	(1.90)
NH Ballantyne	(1.08)	(1.04)	(1.00)
NH Huntersville OPS	0.68	0.73	0.78
SouthPark	2.32	2.49	2.66
Matthews Surgery Center	0.55	0.61	0.66
Total Deficit/(Surplus)	**(2.67)**	**(1.75)**	**0.56**

Sources: Section C, pages 75-83; Form C Assumptions and Methodology subsection of Section Q

As shown in the table above, including the two ORs proposed to be developed at NH Steele Creek, the NH System has a projected deficit of 0.56 ORs at the end of CY 2028. The proposal meets the standard promulgated in 10A NCAC 14C .2103(a), which requires an applicant proposing to add new ORs to a service area to demonstrate the need for all the existing, approved, and proposed ORs in a health system in the third full fiscal year following project completion based on the OR Need Methodology in the 2020 SMFP.

Projected utilization is reasonable and adequately supported based on the following analysis:

- The applicant based the projected utilization at NH Steele Creek on the experience of NH Mint Hill, a facility with the following characteristics:
  - Similar in size (36 acute care beds versus the proposed 32 acute care beds);
  - Similar in acuity level (almost all of its discharges were part of the LAC discharge MS-DRGs used in the methodology); and
  - Similar in location (both are in southern Mecklenburg County).

- The applicant relied on the experience of NH Mint Hill from the time that it began offering services to project utilization at NH Steele Creek at the time it will begin offering services.

- When analyzing the FFY 2019 experience at NH Mint Hill to determine the assumptions to be used to project utilization at NH Steele Creek, the applicant attempted to use assumptions as closely analogous as possible (e.g., using the same assumptions to determine the area of patient origin).

- The applicant projected utilization for other hospitals within its system consistent with projections made in recently approved applications.

- The applicant clearly identified where it relied on projections made in recently approved applications and where it used different projections.

- The applicant used projected growth rates that are lower than historical growth rates.

- The applicant used surgical case times for NH Mint Hill which were lower than the actual surgical case times on the FFY 2019 LRA for NH Mint Hill and still met the applicable performance standard.

Projected Emergency Department (ED) Utilization

The applicant proposes to develop an ED with 15 treatment bays and one isolation room as part of the proposed new hospital. In Section Q, page 161, the applicant projects utilization of the ED at NH Steele Creek, using the assumptions described below.

- The applicant relied on the experience of NH Mint Hill during FFY 2019, NH Mint Hill's first full fiscal year of operation, to project ED utilization at NH Steele Creek. The applicant states it based its projection on the FFY 2019 experience at NH Mint Hill because even though no existing hospital is identical to the proposed NH Steele Creek and its service area, NH Mint Hill is a similarly sized hospital in the same county and will offer similar services to patients with similar acuity levels.

- The applicant calculated the NH Mint Hill FFY 2019 ratio of ED visits resulting in inpatient admission/discharge to total acute care discharges. The applicant then applied that ratio to the projected total acute care discharges at NH Steele Creek to project ED visits to NH Steele Creek that will result in an inpatient admission/discharge.

- The applicant calculated the NH Mint Hill FFY 2019 ratio of ED visits that were outpatient-only visits to ED visits resulting in inpatient admission/discharge. The applicant then applied that ratio to the projected ED visits that will result in an inpatient admission/discharge to project outpatient-only ED visits to NH Steele Creek.

The following table summarizes the assumptions used and projected utilization of the ED at NH Steele Creek.

NH Steele Creek ED Visits				
NH Mint Hill FFY 2019 Total Acute Care Discharges				2,011
NH Mint Hill FFY 2019 ED Visits Resulting in IP Stay				1,516
Ratio of IP ED Visits to Total Acute Care Discharges				0.75
NH Mint Hill FFY 2019 OP-Only ED Visits				18,613
Ratio of OP-Only ED Visits to IP ED Visits				12.28
	Q4 CY 2025	**CY 2026**	**CY 2027**	**CY 2028**
NH Steele Creek Discharges	272	1,707	2,168	2,686
Projected IP ED Visits (0.75 ratio)	204	1,280	1,626	2,015
Projected OP-Only ED Visits (12.28 ratio)	2,505	15,718	19,967	24,744
Total Projected ED Visits	2,709	16,998	21,593	26,759

Source: Section Q, page 161

Projected ED utilization at NH Steele Creek is reasonable and adequately supported based on the following:

- The applicant based the projected utilization at NH Steele Creek on the experience of NH Mint Hill, a facility with the following characteristics:
  - Similar in size (36 acute care beds versus the proposed 32 acute care beds);
  - Similar in acuity level (almost all of its discharges were part of the LAC discharge MS-DRGs used in the methodology); and
  - Similar in location (both are in southern Mecklenburg County).

- The applicant relied on the experience of NH Mint Hill from the time that it began offering services to project utilization at NH Steele Creek at the time it will begin offering services.

- When analyzing the FFY 2019 experience at NH Mint Hill to determine the assumptions to be used to project utilization at NH Steele Creek, the applicant attempted to use assumptions as closely analogous as possible (e.g., using the same assumptions to determine the area of patient origin).

Projected Utilization for All Other Service Components

The applicant proposes to develop other ancillary service components at NH Steele Creek. In Section Q, pages 161-163, the applicant projects utilization of the other ancillary service components, using the assumptions described below.

- The applicant proposes to utilize one CT scanner (to be relocated from NH Presbyterian), two fixed combination x-ray/fluoroscopy units, one nuclear medicine camera, two portable ultrasound units, two portable full-sized x-ray machines, one portable mini x-ray machine, laboratory services, physical therapy, speech therapy, occupational therapy, respiratory therapy, and other services such as sleep center, lactation, ECG testing, cardiopulmonary, and wound care services.

- The applicant relied on the experience of NH Mint Hill during FFY 2019, NH Mint Hill's first full fiscal year of operation, to project utilization of other ancillary service components at NH Steele Creek. The applicant states it used the experience of NH Mint Hill during FFY 2019 to project utilization at NH Steele Creek because even though no existing hospital is identical to the proposed NH Steele Creek and its service area, NH Mint Hill is a similarly sized hospital in the same county and will offer similar services to patients with similar acuity levels.

- The applicant states that it used the NH Mint Hill FFY 2019 ratio of inpatient units of service (e.g., inpatient MRI scans, inpatient laboratory units) to total acute care discharges for each type of ancillary service to project inpatient units of service for other ancillary services at NH Steele Creek.

- The applicant states that it used the NH Mint Hill FFY 2019 ratio of outpatient units of service (e.g., outpatient MRI scans, outpatient laboratory units) to inpatient units of service for each type of ancillary service to project outpatient units of service for other ancillary services at NH Steele Creek.

The following tables summarize the assumptions and methodology used by the applicant and the actual projected utilization of other ancillary services at NH Steele Creek.

NH Mint Hill FFY 2019 Other Ancillary Services Utilization and Ratios					
Category	**Total Discharges**	**IP Utilization**	**Ratio**	**OP Utilization**	**Ratio**
MRI Scans	2,011	245	0.12	3,000	12.24
Ultrasound Procedures	2,011	283	0.14	2,695	9.52
Fixed X-ray/Fluoroscopy	2,011	2,303	1.15	11,361	4.93
Nuclear Medicine	2,011	139	0.07	670	4.82
Laboratory Units	2,011	30,988	15.41	45,870	1.48
PT/OT/ST/RT/Other*	2,011	50,993	25.36	14,375	0.28

Source: Section Q, pages 161-163

*Other includes sleep center, lactation, ECG department, cardiopulmonary, and wound care

NH Mint Hill FFY 2019 Other MRI/CT Projections & Non-Surgical OP Visits	
CT Scans	
NH Mint Hill FFY 2019 Acute Care Discharges	2,011
NH Mint Hill FFY 2019 Total CT Scans	10,864
NH Mint Hill FFY 2019 Total HECT Units	15,857
Ratio of FFY 2019 CT Scans to Acute Care Discharges	5.40
Ratio of FFY 2019 HECT Units to CT Scans	1.46
MRI Scans	
NH Mint Hill FFY 2019 Total MRI Scans	3,245
NH Mint Hill FFY 2019 Total Weighted MRI Procedures	3,894
Ratio of FFY 2019 Weighted MRI Procedures to MRI Scans	1.20
Non-Surgical OP Visits*	
NH Mint Hill FFY 2019 Acute Care Discharges	2,011
NH Mint Hill FFY 2019 Total Non-Surgical OP Visits	34,594
Ratio of Non-Surgical OP Visits to Acute Care Discharges	17.20

Source: Section Q, pages 161-163

*Includes OP visits and OP ED visits, but excludes OP ED visits with OR services and OP gastrointestinal endoscopy cases

NH Steele Creek Projected Other Ancillary Service Component Use					
	Ratios	**Q4 CY 2025**	**CY 2026**	**CY 2027**	**CY 2028**
Acute Care Discharges		272	1,707	2,168	2,686
CT – Total Scans					
Total Scans (IP and OP)	**5.40**	**1,469**	**9,218**	**11,707**	**14,504**
Total HECT Units	**1.46**	**2,145**	**13,458**	**17,092**	**21,176**
MRI Procedures					
Inpatient	0.12	33	205	260	322
Outpatient	12.24	404	2,509	3,182	3,941
Total		**437**	**2,714**	**3,442**	**4,263**
Weighted Procedures	1.20	**524**	**3,257**	**4,130**	**5,116**
Ultrasound					
Inpatient	0.14	38	239	304	376
Outpatient	9.52	362	2,275	2,894	3,580
Total		**400**	**2,514**	**3,198**	**3,956**
Fixed X-ray/Fluoroscopy					
Inpatient	1.15	313	1,963	2,493	3,089
Outpatient	4.93	1,543	9,678	12,290	15,229
Total		**1,856**	**11,641**	**14,783**	**18,318**
Nuclear Medicine					
Inpatient	0.07	19	119	152	188
Outpatient	4.82	92	574	733	906
Total		**111**	**693**	**885**	**1,094**
Laboratory					
Inpatient	15.41	4,192	26,305	33,409	41,391
Outpatient	1.48	6,204	38,931	49,445	61,259
Total		**10,396**	**65,236**	**82,854**	**102,650**
PT/OT/ST/RT/Other					
Inpatient	25.36	6,898	43,290	54,980	68,117
Outpatient	0.28	1,931	12,121	15,394	19,073
Total		**8,829**	**55,411**	**70,374**	**87,190**
Non-Surgical OP Visits	17.20	**4,678**	**29,360**	**37,290**	**46,199**

Source: Section Q, pages 161-163

Projected utilization is reasonable and adequately supported based on the following:

- The applicant based the projected utilization at NH Steele Creek on the experience of NH Mint Hill, a facility with the following characteristics:
  - Similar in size (36 acute care beds versus the proposed 32 acute care beds);
  - Similar in the type and volume of ancillary services provided (both with one nuclear medicine camera, both with one CT scanner, etc.);
  - Similar in acuity level (almost all of its discharges were part of the LAC discharge MS-DRGs used in the methodology); and
  - Similar in location (both are in southern Mecklenburg County).

- The applicant relied on the experience of NH Mint Hill from the time that it began offering services to project utilization at NH Steele Creek at the time it will begin offering services.

- When analyzing the FFY 2019 experience at NH Mint Hill to determine the assumptions to be used to project utilization at NH Steele Creek, the applicant attempted to use assumptions as closely analogous as possible (e.g., using the same assumptions to determine the area of patient origin).

Access to Medically Underserved Groups – In Section C, page 65, the applicant states:

> *"NH Steele Creek will improve access to acute care services for area residents. NH makes services accessible to indigent patients without regard to ability to pay. NH Steele Creek will provide services to all persons regardless of race, sex, age, religion, creed, disability, national origin, or ability to pay."*

On pages 65-66, the applicant provides the estimated percentage for each medically underserved group, as shown in the following table.

Medically Underserved Groups	Percentage of Total Patients
Racial and ethnic minorities	44%
Women	60%
Persons age 65 and older	24%
Medicare beneficiaries	38.3%
Medicaid recipients	13.5%

In Section C, page 65, the applicant states it does not keep data on low income persons and persons with disabilities.

The applicant adequately describes the extent to which all residents of the service area, including underserved groups, are likely to have access to the proposed services based on the following:

- The applicant provides its Patient Non-Discrimination Policy in Exhibit B-10.14, which states it does not exclude or otherwise discriminate against medically underserved groups.

- The applicant provides its Charity Care policy in Exhibit L-4.1.

- The applicant provides examples of community initiatives it is involved with that provide care to medically underserved patients.

- The applicant provides information about interpreter options for people who do not speak English, including American Sign Language.

- The applicant provides information about Novant's CMS Health Equity Award received in March 2018.

Conclusion – The Agency reviewed the:

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

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

Project I.D. #F-12004-20/South Charlotte Surgery Center/Develop a new specialty ASF focusing on vascular & general surgery w/1 OR

The applicant proposes to develop SCSC, a new specialty ASF with one OR, to be focused on general and vascular surgery.

In Section C, page 15, the applicant states SCSC will be utilized by physicians with South Charlotte General and Vascular Surgery (SCGVS), an independent surgical practice, along with other surgeons who have expressed an interest in utilizing the ASF.

Patient Origin – On page 51, the 2020 SMFP states, *"An operating room's 'service area' is the service area in which the room is located. The operating room service areas are the single or multicounty groupings as shown in Figure 6.1."* In Figure 6.1 on page 57 of the 2020 SMFP, Mecklenburg County is shown as a single county OR service area. Thus, the service area for this review consists of Mecklenburg County. Facilities may also serve residents of counties not included in the service area.

SCSC is not an existing facility and thus has no historical patient origin. In Section C, page 17, the applicant provides historical patient origin, which appears to be based on CY 2019 surgical cases performed in ASFs by three SCGVS physicians identified on Form C in Section Q. The tables below show the information provided on page 17 and from Form C in Section Q.

SCGVS Physicians – CY 2019 Case Volume	
Name	**2019 Cases (from ASFs)**
Dr. Steve Weston	20
Dr. James Antezana	319
Dr. Elias Arbid	44
Total	**383**

Source: Form C, Section Q

SCGVS Physician Historical Patient Origin		
County	CY 2019	
	# of Patients	% of Patients
Mecklenburg (NC)	164	42.9%
Gaston (NC)	56	14.7%
York (SC)	55	14.3%
Lancaster (SC)	38	10.0%
Union (NC)	25	6.5%
Other NC Counties (36)	17	4.5%
Chester (SC)	7	1.9%
Other SC Counties (13)	7	1.8%
Cleveland (NC)	5	1.4%
Cabarrus (NC)	4	1.1%
Others	3	0.9%
Total	**383**	**100.0%**

Source: Section C, page 17

In Section C, page 18, the applicant provides projected patient origin for the first three full fiscal years following project completion, as shown in the table below.

SCSC – Projected (CYs 2023-2025) Patient Origin						
County	Projected FY 1 (CY 2023)		Projected FY 2 (CY 2024)		Projected FY 3 (CY 2025)	
	# Patients	% Patients	# Patients	% Patients	# Patients	% Patients
Mecklenburg (NC)	227	42.9%	232	42.9%	237	42.9%
Gaston (NC)	78	14.7%	80	14.7%	81	14.7%
York (SC)	76	14.3%	77	14.3%	79	14.3%
Lancaster (SC)	53	10.0%	54	10.0%	55	10.0%
Union (NC)	34	6.5%	35	6.5%	36	6.5%
Chester (SC)	10	1.9%	10	1.9%	10	1.9%
Cleveland (NC)	8	1.4%	8	1.4%	8	1.4%
Cabarrus (NC)	6	1.1%	6	1.1%	6	1.1%
Others	38	7.2%	39	7.2%	40	7.2%
Total	**530**	**100.0%**	**541**	**100.0%**	**552**	**100.0%**

However, the applicant's assumptions are not reasonable and adequately supported based on the following:

- The applicant did not provide any information in the application as submitted to explain how it projected its patient origin.

- Historical patient origin is based on surgeries performed at existing facilities in different locations. The proposed project involves a new facility in a new location and the applicant does not provide any information in the application as submitted to explain why the projected patient origin, with a facility in a new location, would be consistent with the historical patient origin of numerous other facilities in different locations.

- The historical patient origin is based on surgeries performed by three surgeons, but projected patient origin is based on those three surgeons plus three additional surgeons. The applicant provides no data in the application as submitted to explain why adding cases from three new surgeons would result in projected patient origin being consistent with historical patient origin.

Analysis of Need – Throughout the application, the applicant explains why it believes the population projected to utilize the proposed services needs the proposed services:

- Approximately 52 percent of SCGVS' patients reside in the southwestern Charlotte area, including parts of York and Lancaster counties in South Carolina. The applicant states there are no ASFs in this area; the nearest ASFs are in York County, South Carolina, and of the three in that area, only one provides vascular and general surgery. (Section C, page 16)

- The applicant states the Steele Creek area has grown significantly due to infrastructure upgrades and improvements, such as upgrades to infrastructure, widening of NC 49, and the opening of I-485. The applicant states Steele Creek is the fastest growing region of the Charlotte area. (Section C, page 16)

- The applicant states the population in Mecklenburg and Gaston counties in North Carolina and York and Lancaster counties in South Carolina has been growing at an average annual growth rate of 2.1 percent per year. (Section C, page 19)

- The applicant states that there are a number of ASFs in "the Charlotte area" (which appears to be comprised of Mecklenburg and Gaston counties in North Carolina and York and Lancaster counties in South Carolina) but that residents of Steele Creek who need vascular surgery do not have close and convenient access to ASFs that perform more than a small percentage of vascular surgeries compared with their total surgeries. (Section E, page 29)

- The applicant states the specialty ASF would be unique compared to other ASFs in the area; currently, the only other specialty ASF that would provide any type of vascular surgery is the approved but not yet developed Metrolina Vascular Access Care. The applicant states that it will provide more access to vascular surgical services than Metrolina Vascular Access Care (which is focused on providing vascular services for dialysis patients) and will improve access to residents of southwestern Charlotte and York County in South Carolina. (Section G, page 35; Section N, page 49)

- The applicant states Medicare has recently begun permitting reimbursement for more vascular surgical procedures in ASFs and more vascular surgeries will be directed to ASFs because of lower costs and higher quality. (Section N, page 50)

However, the information is not reasonable and adequately supported based on the following:

- The applicant states documentation of the population increase referenced in Section C, page 19 is included in Exhibit C.4b. However, Exhibit C.4b contains only a summary of total population growth in each of the four counties between 2010 and 2019, not average yearly growth. The Project Analyst was able to determine from the information provided by the applicant in Exhibit C.4b that the Compound Annual Growth Rate (CAGR) for the combined population in those four counties was roughly 2.3 percent between 2010 and 2019. However, the applicant provides no information in the application as submitted to explain why it believes there is a correlation between general population increases and the need for a new specialty ASF focused on vascular and general surgery.

- The applicant states in Section E, page 29 that residents of Steele Creek who need vascular surgery do not have access to ASFs that perform more than a small percentage of vascular surgeries compared with total surgeries. However, the applicant does not explain why residents of Steele Creek who need vascular surgery need access to ASFs that perform a higher percentage of vascular surgeries.

Projected Utilization – SCSC is not an existing facility and thus has no historical utilization. On Form C in Section Q, the applicant provides projected utilization for the first three full fiscal years following project completion as shown in the table below.

SCSC Projected Utilization – Interim and FYs 1-3				
	Interim*	Projected FYs 1-3		
	July – Dec 2022	CY 2023	CY 2024	CY 2025
# Surgical Cases	260	530	541	552
Final Outpatient Case Time (1)	71.2	71.2	71.2	71.2
Total Surgical Hours (2)	309	631	644	657
Avg Annual Operating Hrs – Group 6 (3)	666	1,312	1,312	1,312
# of ORs Needed (4)	0.46	0.48	0.49	0.50
# of Proposed ORs	1	1	1	1
(Surplus)/Deficit	(0.54)	(0.52)	(0.51)	(0.50)

*Calculations are based on a 6-month period.
(1) The Final Case Time in minutes listed in the 2020 SMFP for Group 6 facilities.
(2) Total Hours = Surgical Cases multiplied by Final Case Time for Group 6 facilities, then divided by 60.
(3) From Steps 4d and 4e of the OR Need Methodology in Chapter 6 of the 2020 SMFP.
(4) # of ORs Needed equals Surgical Hours divided by the Standard Hours per OR per Year.

In Section C, pages 15 and 19, and on Form C in Section Q, the applicant provides the assumptions and methodology used to project utilization, which are summarized below.

- On Form C in Section Q, the applicant provided the number of CY 2019 surgical cases for three SCGVS physicians as well as the number of CY 2019 surgical cases for three additional physicians it identified in Section C, page 15 as being interested in utilizing SCSC.
  - Existing SCGVS physicians: Dr. Steve Weston, Dr. James Antezana, and Dr. Elias Arbid.

- Interested SCSC physicians: Dr. Peter Ford, Dr. Inderjeet Singh, and Dr. Carlos Sicilia.

- In Section C, page 19, the applicant states it projected growth in utilization by two percent per year to be consistent with population growth in the area.

- On Form C in Section Q, the applicant projected the CY 2019 cases for Drs. Weston, Antezana, and Arbid would grow by two percent between CY 2019 and July 2022, and then at an annual rate of two percent for the first three full fiscal years (CYs 2023-2025).

- On Form C in Section Q, the applicant assumed Drs. Ford and Sicilia would perform 10 percent of annual surgical cases at SCSC and Dr. Inderjeet Singh would perform eight percent of annual surgical cases at SCSC.

The applicant's assumptions, methodology, and projected utilization for ORs are summarized in the table below.

SCSC – Historical, Interim, and Projected Utilization					
	Historical	Interim*	Projected FYs 1-3		
	CY 2019	July – December 2022	CY 2023	CY 2024	CY 2025
Dr. Steve Weston (SCGVS)	20	10	21	21	22
Dr. James Antezana (SCGVS)	319	163	332	339	345
Dr. Elias Arbid (SCGVS)	44	23	46	47	48
Dr. Peter Ford (independent – 10%)	557	28	57	58	59
Dr. Carlos Sicilia (independent – 10%)	357	18	36	37	38
Dr. Inderjeet Singh (independent – 8%)	473	19	39	39	40
Total # of Surgical Cases	1,770	260	530	541	552
Final Outpatient Case Time (1)		71.2	71.2	71.2	71.2
Total Surgical Hours (2)		309	631	644	657
Avg Annual Operating Hrs – Group 6 (3)		666	1,312	1,312	1,312
# of ORs Needed (4)		0.46	0.48	0.49	0.50
# of Proposed ORs		1	1	1	1
(Surplus)/Deficit		(0.54)	(0.52)	(0.51)	(0.50)

*Calculations are based on a 6-month period.
(1) The Final Case Time in minutes listed in the 2020 SMFP for Group 6 facilities.
(2) Total Hours equals Surgical Cases multiplied by the Final Case Time for Group 6 facilities, then divided by 60.
(3) From Steps 4d and 4e of the OR Need Methodology in Chapter 6 of the 2020 SMFP.
(4) # of ORs Needed equals Surgical Hours divided by the Standard Hours per OR per Year.

However, projected utilization is not reasonable and adequately supported based on the following:

- The applicant does not provide any information in the application as submitted to support the projected growth rate of surgical cases.

SCSC is not an existing facility and thus has no historical utilization to rely upon. The applicant provided the CY 2019 case numbers for the six physicians that are projected to perform surgeries at SCSC once it opens and provided information about the historical population growth of Mecklenburg County and three surrounding counties. However, the applicant provides no information in the application as submitted to explain why historical population growth is a reasonable and adequately supported basis for projecting future utilization based on a single year of data.

Further, the applicant does not explain why it projected a growth rate of two percent for a 30-month period (January 2020 – June 2022) for the three SCGVS surgeons and appeared to project no growth in surgical cases from the other three interested surgeons during the same time period but projects a two percent annual growth rate beginning in July 2022 through the third full fiscal year following project completion.

- The applicant does not provide any information in the application as submitted to support the projections regarding utilization by Drs. Ford, Sicilia, and Singh.

  The application repeatedly described the interest of Drs. Ford, Silicia, and Singh in utilizing the proposed specialty ASF upon project completion (see Section A, pages 6-7 and 11; Section C, pages 15 and 20; and Section I, page 40). However, the applicant provided no information in the application as submitted to support the statements that Drs. Ford, Sicilia, and Singh are interested in utilizing the facility. While letters of support from physicians are not required to demonstrate interest from physicians, the applicant still must provide adequate support for the projections it makes. There is no other support in the application as submitted to demonstrate the interest of these physicians.

  Further, the applicant does not explain how it determined the number of appropriate general and vascular surgical cases during CY 2019 for each of the three physicians from different practices than SCGVS, or how it determined the percentage of cases projected to be performed at SCSC by the three physicians. It is reasonable to believe that physicians from the same practice, such as SCGVS, would know the number of surgical cases other physicians performed; however, the applicant states the three physicians are not affiliated with SCGVS. There is no information in the application as submitted to explain how the applicant determined the appropriate number of surgical cases each of the three physicians performed during CY 2019 or why it was reasonable to believe 10 percent of eligible surgical cases from Drs. Ford and Sicilia and eight percent of eligible surgical cases from Dr. Singh would be performed at SCSC.

- The applicant appears to propose to develop a procedure room in the proposed specialty ASF but provided no information in the application as submitted to demonstrate why a procedure room is necessary.

  In Exhibit K.1b, the applicant provides line drawings of the floor plan of the proposed ASF. On the floor plan, there is a large open area labeled “Cath Lab 01” and another large open area labeled “Cath Lab 02.” Comments submitted during the public

comment period took issue with the labeling of these spaces; in the response to those public comments, the applicant states *"Non OR procedures will be conducted in…'Cath Lab 2'."* The applicant does not specify what it means by "non OR procedures," but it is reasonable to believe that the applicant is projecting to perform the type of surgical procedures eligible to be performed in a procedure room, since Cath Lab 01 and Cath Lab 02 appear to be similar in size and design and both are adjacent to a control room with equipment storage.

An applicant must demonstrate the need for all the services it proposes to develop, including services which are not specifically identified as a new institutional health service under the CON statutes (e.g. emergency departments, observation beds, and procedure rooms). The application as submitted does not discuss the development of a procedure room at all. The applicant did not provide any information in the application as submitted to demonstrate the need to develop a procedure room in the ASF or any projected utilization of the procedure room.

Access – In Section C, page 23, the applicant states:

> *"South Charlotte Surgery Center (SCSC) will provide services to all patients under the same policies as provided by the surgical group practice, SCGVS. In that regard, SCGVS provides services to all patients regardless of their ability to pay and currently accepts assignments for Medicare and Medicaid. Currently, SCGVS group provides 1 to 2 percent of indigent care. During this COVID crisis, SCGVS has extended financial assistance to many of their patients who have lost their jobs or who are financial* [sic] *affected. Both Dr. Antezana and Norma Cano, FNP both speak Spanish and cater to many of the Hispanic population in the area. Furthermore, in cases when a female patient feels more comfortable with a female clinician, the Nurse Practioner* [sic] *addresses those concerns directly first with those patients. The proposed ASC facility is being designed to accommodate* [persons with disabilities] *and elderly for accessing the building."*

The applicant adequately describes the extent to which all residents of the service area, including underserved groups, are likely to have access to the proposed services based on the following:

- The applicant states it currently serves low income persons, Medicare beneficiaries, and Medicaid recipients at SCGVS and describes its plans to continue to provide care and access for those patients.

- The applicant identifies how it currently provides and will continue to provide access to Spanish-speaking patients.

- The applicant identifies how it currently provides and will continue to provide access for women.

- The applicant describes the plans to develop the proposed ASF so that it will accommodate the accessibility needs of elderly patients and persons with disabilities.

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 all the reasons described above.

Project I.D. #F-12006-20/Carolinas Medical Center/Add 119 acute care beds

The applicant proposes to add 119 acute care beds to Carolinas Medical Center, an existing hospital with 1,055 acute care beds, for a total of 1,174 acute care beds upon project completion.

In an application filed during the same review period but which was not part of this competitive review (Project I.D. #F-12010-20), the applicant proposed to develop Atrium Health Lake Norman, a new hospital, in part by relocating the 18 acute care beds approved in Project I.D. #F-11811-19 to the proposed Atrium Health Lake Norman. The Agency issued a decision denying Project I.D. #F-12010-20 on April 12, 2021. Therefore, the discussion in this criterion will not include any analysis related to the development of AH Lake Norman.

Further, since Project I.D. #F-12010-20 was denied, the description of this project will change. Instead of potentially being approved for a total of 1,174 acute care beds upon project completion, Carolinas Medical Center will potentially be approved for a total of 1,192 acute care beds upon completion of this project and Project I.D. #F-11811-19 (add 18 beds). The updated description will be used going forward.

Patient Origin – On page 33, the 2020 SMFP defines the service area for acute care beds as *"the service area in which the bed is located. The acute care bed service areas are the single and multicounty groupings shown in Figure 5.1."* Figure 5.1, on page 38, shows Mecklenburg County as its own acute care bed service area. Thus, the service area for this facility is Mecklenburg County. Facilities may also serve residents of counties not included in their service area.

The following table illustrates current and projected patient origin.

CMC Current & Projected Patient Origin – Adult Acute Care Beds								
County	Last FY (CY 2019)		FY 1 (CY 2028)		FY 2 (CY 2029)		FY 3 (CY 2030)	
	# Days	% of Total	# Days	% of Total	# Days	% of Total	# Days	% of Total
Mecklenburg	51,582	49.5%	65,482	50.0%	66,520	50.0%	67,573	50.0%
Gaston	7,277	7.0%	9,684	7.4%	9,839	7.4%	9,997	7.4%
York (SC)	7,120	6.8%	8,252	6.3%	8,370	6.3%	8,489	6.3%
Union	5,301	5.1%	3,850	2.9%	3,907	2.9%	3,965	2.9%
Cleveland	3,719	3.6%	4,949	3.8%	5,028	3.8%	5,109	3.8%
Cabarrus	3,067	2.9%	4,081	3.1%	4,147	3.1%	4,213	3.1%
Lancaster (SC)	2,920	2.8%	3,886	3.0%	3,949	3.0%	4,012	3.0%
Lincoln	2,381	2.3%	3,169	2.4%	3,220	2.4%	3,271	2.4%
Other Counties*	20,931	20.1%	27,542	21.0%	27,978	21.0%	28,420	21.0%
Total	**104,298**	**100.0%**	**130,896**	**100.0%**	**132,957**	**100.0%**	**135,050**	**100.0%**

Source: Section C, pages 31-32

*Other: Alamance, Alexander, Alleghany, Anson, Ashe, Avery, Bladen, Brunswick, Buncombe, Burke, Caldwell, Carteret, Catawba, Chatham, Cherokee, Clay, Columbus, Craven, Cumberland, Davidson, Davie, Duplin, Edgecombe, Forsyth, Franklin, Graham, Granville, Greene, Guilford, Halifax, Harnett, Haywood, Henderson, Hoke, Iredell, Jackson, Johnston, Lee, Lenoir, Macon, Madison, Martin, McDowell, Mitchell, Montgomery, Moore, Nash, New Hanover, Onslow, Orange, Pamlico, Pender, Pitt, Polk, Randolph, Richmond, Robeson, Rockingham, Rowan, Rutherford, Sampson, Scotland, Stanly, Stokes, Surry, Swain, Transylvania, Vance, Wake, Watauga, Wayne, Wilkes, Yadkin, and Yancey counties in North Carolina as well as other states.

In Section C, page 33, the applicant provides the assumptions and methodology used to project patient origin. The applicant states projected patient origin is based on its historical patient origin with adjustments for projected shifts in patients. The applicant's assumptions are reasonable and adequately supported based on the following:

- The applicant based its projected patient origin in part on its historical patient origin.
- The applicant adequately explains the reasons it adjusted its historical patient origin as part of projecting future patient origin.

Analysis of Need – In Section C, pages 33-49, the applicant combined its discussion of need for additional acute care beds at CMC with discussion of the Atrium system need for acute care beds and comparisons which are not part of the analysis of whether the application is conforming with Criterion (3). In a competitive review, every application is first evaluated independently, as if there are no other applications in the review, to determine whether the application is conforming to all statutory and regulatory review criteria. Therefore, the discussion in this section focuses only on the need as it relates to CMC in this specific application under review.

In Section C, page 42, Atrium states the need for 126 acute care beds in Mecklenburg County was generated entirely by Atrium facilities. However, anyone may apply to meet the need, not just Atrium. Atrium has the burden of demonstrating the need for the proposed acute care beds in its applications as submitted. In Section C, page 45, the applicant states:

> *"*[Atrium] *acknowledges that a provider that generates the need for additional capacity is not entitled to that need; it must submit an approvable application and demonstrate that it has the most effective alternative for the entire allocation."*

In Section C, pages 49-60, the applicant explains why it believes the population projected to utilize the proposed services needs the proposed services, as summarized below:

- The applicant states CMC's Case Mix Index, a measure of the complexity of patient cases and resources needed for those patients, is the highest of any hospital in Mecklenburg County.

- The applicant states that, despite efforts to alleviate high utilization by shifting patients to different Atrium hospitals, CMC's acute care days and ADC have increased at a 2.5 percent CAGR between CY 2016-CY 2020 normalized.

- The applicant states CMC's acute care bed average annual utilization was above 80 percent for each of the years between CY 2016-2020 normalized.

- CMC's utilization rates are based on its midnight census, which is one of the least busy times of day at the hospital. The applicant states that, during the day when the hospital is busier, capacity constraints are higher than the 87 percent utilization rate reflected based on the midnight census.

- Because of a lack of capacity, some CMC patients have had to stay in the Post-Anesthesia Care Unit (PACU) after surgery due to the lack of an available bed. Additionally, some patients have had to remain in an OR after a surgery is complete because of the resulting lack of space in the PACU, which the applicant states is not ideal because patients can start to recover from anesthesia while still waiting in the OR for a space in the PACU. The applicant further patients in the ED that required admission to CMC waited an average of six hours for an available hospital bed.

- The applicant states that CMC admits a higher percentage of ED patients than the national average – 22.8 percent in CY 2019 versus the national average of 10.4 percent (per The Centers for Disease Control in February 2020). The applicant states this is likely due to CMC's status as the only quaternary care facility in the region.

- According to ESRI, the population of the area served by Mecklenburg County facilities – the NC counties in HSA III along with three counties in South Carolina adjacent to the NC border – are projected to grow by an average of 8.6 percent between 2020 and 2025. The applicant further states that Mecklenburg County in NC and York County in SC are two of the fastest-aging counties in NC and SC, which means there is increased support for more acute care beds since older residents typically utilize healthcare services at higher rates than younger residents.

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

- The applicant uses verifiable historical data from CMC to support its belief that it needs additional acute care bed capacity at CMC.

- The applicant identifies circumstances unique to CMC, such as its quaternary care status, that impact the need for additional acute care beds.

- The applicant provides reliable data, makes reasonable statements about the data, and uses reasonable assumptions about the data to demonstrate the projected population growth in the area and the projected growth of the population age 65 and older in the area.

Projected Utilization – On Form C in Section Q, the applicant provides projected utilization, as illustrated in the following table.

CMC-Main Adult Med/Surg Acute Care Bed Projected Utilization			
	FY 1 (CY 2028)	FY 2 (CY 2029)	FY 3 (CY 2030)
# of Beds	446	446	446
# of Admissions	25,781	26,187	26,599
# of Acute Care Days	130,896	132,957	135,050

The table above, from Form C in Section Q, assumed that Project I.D. #F-12010-20 was approved. The Project Analyst recalculated projected utilization below by removing the effect of AH Lake Norman on the projected utilization.

In the Form C Utilization – Assumptions and Methodology subsection of Section Q, the applicant provides the assumptions and methodology used to project utilization, which are summarized below.

- The applicant calculated CY 2020 "normalized" utilization as the starting point of projected utilization. The applicant states it calculated the "normalized" utilization by calculating the historical utilization by month of the year, using year-to-date utilization through September 2020, and using the data and calculations to annualize year-to-date volume. The applicant states it chose this approach rather than averaging the year-to-date utilization by month and multiplying it by 12 months to avoid possible over- or underrepresentation of utilization due to impacts of the pandemic.

- Due to projected capacity constraints, the applicant states it projected an annual growth rate of 1.0 percent for acute care days at CMC-Main beginning with CY 2020 "normalized" through CY 2026. The applicant then calculated the CY 2016-2019 CAGR for CMC-Main's total acute care days and uses three-fourths of the calculated 4-year CAGR to project future growth in acute care days beginning with CY 2027 through the end of the third full fiscal year (CY 2030). The applicant states it believes the CY 2020 "normalized" utilization is a more accurate reflection of projected utilization due to the impacts of the pandemic.

- The applicant projected a shift of acute care days to Piedmont Fort Mill Medical Center, a hospital that will be developed in South Carolina, consistent with its projections in previous acute care bed applications. The applicant states that, since previous applications assumed Atrium would be developing the hospital in South Carolina instead of a different entity, it adjusted the previous projections accordingly. The applicant first applied an annual growth rate of 2.8 percent to the acute care days it projected to shift to Piedmont Fort Mill Medical Center in previous applications. The previous applications had projected utilization out to CY 2026 and the applicant continued those projections out to CY 2030, the third full fiscal year following project completion. The applicant states patients admitted to Piedmont Fort Mill Medical Center through the ED may be more likely to continue their care at Piedmont Fort Mill Medical Center and calculated CMC-Main's CY 2019 ratio of ED admissions to total acute care admissions. The applicant then applied the ratio to the total number of acute care days it previously projected to shift from CMC-Main to Piedmont Fort Mill Medical Center.

- The applicant projected a shift of acute care days to AH Union, and states it used the assumptions and methodology used in previously approved applications (Project I.D. #s F-11618-18 and F-11811-19) to determine the number of acute care days projected to shift from CMC-Main to AH Union. The applicant states that, when previous applications did not project shifts through the end of CY 2030, it used a 1.75 percent growth rate, consistent with Project I.D. #F-11618-18, to project growth in the number of acute care days projected to shift from CMC-Main to AH Union through CY 2030.

- The applicant projected a shift in acute care days from CMC-Main to AH Mercy, consistent with projections in Project I.D. #s F-11268-16 and F-11811-19.

- The applicant subtracted the number of acute care days projected to shift to different facilities to obtain projected acute care bed utilization at CMC-Main through CY 2030.

- The applicant calculated total acute care discharges and med/surg acute care discharges at CMC-Main by using its CY 2019 ratio of med/surg acute care days to total acute care days and its CY 2019 ALOS for total acute care days (6.30 days) and for med/surg acute care days (5.08 days).

The table below summarizes the assumptions and methodology used to project acute care bed utilization at CMC-Main.

CMC-Main Total Acute Care Bed Projected Utilization					
	CY 2020*	CY 2027	CY 2028	CY 2029	CY 2030
Total Baseline Acute Care Days	286,103	308,568	313,511	318,533	323,635
Shift to Piedmont Fort Mill Medical Center	--	-2,687	-2,761	-2,838	-2,917
Shift to AH Union	--	-7,113	-7,237	-7,364	-7,493
Shift to AH Mercy	--	-2,911	-2,911	-2,911	-2,911
Projected Total Acute Care Days	286,103	295,857	300,602	305,420	310,314
ADC	784	811	824	837	850
Beds	859	978	978	978	978
Occupancy %	91.3%	82.9%	84.2%	85.6%	86.9%
Total Discharges (based on 6.30 ALOS)		46,961	47,715	48,479	49,256
Ratio of Med/Surg Occupancy to Total Occupancy		0.97	0.97	0.97	0.97
Projected Med/Surg Acute Care Days		128,930	130,883	132,999	135,116
Med/Surg Discharges (based on 5.08 ALOS)		25,380	25,764	26,181	26,598

Source: Section Q, Form C Assumptions and Methodology as modified by Project Analyst due to the denial of Project I.D. #F-12010-20.
*CY 2020 "normalized" utilization – based on historical seasonal utilization and year-to-date utilization through September, excluding March, April, and May.

Atrium Health System

The AH System in Mecklenburg County consists of CMC (including AH Mercy), AH Pineville, and AH University City. Pursuant to 10A NCAC 14C .3803(a), an applicant proposing to add new acute care beds to a service area must reasonably project that all acute care beds in the service area under common ownership will have a utilization of at least 75.2 percent when the projected ADC is greater than 200 patients.

In the Form C Utilization – Assumptions and Methodology subsection of Section Q, the applicant projects acute care bed utilization for the entire health system as summarized below.

Since 2013, Atrium applications involving acute care bed utilization projections have included assumptions and methodology projecting shifts in acute care days between hospitals in both Mecklenburg County and surrounding counties. The applicant states it will project shifts in acute care days between hospitals in Mecklenburg County and in surrounding counties consistent with previously approved applications.

- The applicant calculated CY 2020 "normalized" utilization for each facility as the starting point of projected utilization. The applicant states it calculated the "normalized" utilization by calculating the historical utilization by month of the year, using year-to-date utilization through September 2020, and using the data and calculations to annualize year-to-date volume. The applicant states it chose this approach rather than averaging the year-to-date utilization by month and multiplying it by 12 months to avoid possible over- or underrepresentation of utilization due to impacts of the pandemic.

- Determine historical utilization and projected growth rate by hospital – the applicant calculated the CY 2016-2019 CAGR for each hospital. The applicant projected acute care days at each hospital would grow at either three-fourths of the facility's 4-year CAGR or three-fourths of Atrium Health system-wide 4-year CAGR, based on whether the applicant believes the facility's historical growth is more representative of recent trends or whether the Atrium Health system-wide historical growth is more representative of recent trends. The applicant states that, due to projected capacity constraints, the growth rate it used to project utilization of acute care beds at AH Pineville decreased to 1.0 percent annually between CYs 2027-2030.

- Project acute care days through CY 2030 prior to any shifts – the applicant applied the projected growth rate to determine projected utilization at each hospital through CY 2030.

- Project shift of acute care days to Piedmont Fort Mill Medical Center – beginning with applications in 2013, the applicant projected a shift in acute care days to Piedmont Fort Mill Medical Center in South Carolina. The applicant states that, since previous applications assumed Atrium would be developing the hospital in South Carolina instead of a different entity, it adjusted the previous projections accordingly. The applicant states patients admitted to Piedmont Fort Mill Medical Center through the ED may be more likely to continue their care at Piedmont Fort Mill Medical Center, and for each Atrium hospital, it calculated the ratio of CY 2019 acute care days from patients who were admitted through the ED to total acute care days. The applicant then applied the ratio to the total number of acute care days it previously projected to shift from each Atrium hospital to Piedmont Fort Mill Medical Center.

- Project shift of acute care days to AH Union – the applicant states it used the assumptions and methodology from previously approved applications (Project I.D. #s F-11618-18, F-11621-18, F-11812-19, and F-11813-19) to determine the number of acute care days projected to shift from Atrium hospitals in Mecklenburg County to AH Union. The applicant states that when previous applications did not project shifts through the end of CY 2030, it used a 1.75 percent growth rate, consistent with Project I.D. #F-11618-18, to project growth in the number of surgical cases projected to shift from Atrium facilities in Mecklenburg County to AH Union through CY 2030.

- Project shift of acute care days from CMC-Main to AH Mercy – the applicant states it used the assumptions and methodology from Project I.D. #s F-11268-16 and F-11811-19 to project the number of acute care days that would shift from CMC-Main to AH-Mercy.

- Subtract shifts in acute care days from each Atrium hospital to determine projected utilization of acute care beds through CY 2030 – the applicant subtracted the number of acute care days projected to shift from each of the Atrium hospitals in Mecklenburg County to obtain the projected acute care days at each facility through CY 2030.

The table below summarizes the applicant's assumptions and methodology used to project shifts in acute care days from each Atrium hospital in Mecklenburg County and projected acute care days at each hospital through CY 2030.

Summary of Projected Shifts in Acute Care Days							
	4-year CAGR	Projected Growth %	CY 2020 Normalized*	CY 2027	CY 2028 (FY 1)	CY 2029 (FY 2)	CY 2030 (FY 3)
AH Pineville							
Acute Care Days	6.15%	4.61% (CYs 2021-2026), then 1.00%	74,430	98,536	99,522	100,517	101,522
Projected Shifts			--	-8,411	-8,616	-8,827	-9,043
Adjusted Acute Care Days			--	90,125	90,906	91,690	92,479
AH University City							
Acute Care Days	7.40%	2.63%	28,636	34,347	35,251	36,179	37,131
Projected Shifts				-205	-209	-213	-218
Adjusted Acute Care Days				34,142	35,042	35,966	36,913
Carolinas Medical Center**							
Acute Care Days	2.14%	1.00% (CYs 2021-2026), then 1.60%	286,103	308,568	313,511	318,533	323,635
Projected Shifts				-12,711	-12,909	-13,113	-13,321
Adjusted Acute Care Days				295,857	300,602	305,420	310,314
AH Mercy**							
Acute Care Days	6.08%	2.63%	49,159	58,962	60,514	62,106	63,741
Projected Shifts				719	675	630	584
Adjusted Acute Care Days				59,681	61,189	62,736	64,325

Source: Section Q, Form C Assumptions and Methodology as modified by the Project Analyst due to the denial of Project I.D. #F-12010-20.

*CY 2020 "normalized" utilization – based on historical seasonal utilization and year-to-date utilization through September, excluding March, April, and May.

**Carolinas Medical Center's license includes AH Mercy as a satellite campus. The campuses are displayed separately because the applicant calculated growth rates separately for each campus.

Atrium Health System Summary – The following table illustrates projected utilization for all acute care beds at all Atrium hospitals in Mecklenburg County.

Mecklenburg County - Atrium Projected Total Acute Care Bed Utilization			
	FY 1 (CY 2028)	FY 2 (CY 2029)	FY 3 (CY 2030)
Atrium Health Pineville	90,906	91,690	92,479
Atrium Health University City	35,042	35,966	36,913
Carolinas Medical Center	300,602	305,420	310,314
Atrium Health Mercy	61,189	62,736	64,325
Projected Total Acute Care Bed Days	487,737	495,811	504,032
Average Daily Census (ADC)	1,336	1,358	1,381
Total # of Beds	1,586	1,586	1,586
Occupancy %	84.3%	85.6%	87.1%

Source: Section Q, Form C Assumptions and Methodology as modified by the Project Analyst due to the denial of Project I.D. #F-12010-20.

As shown in the table above, in the third operating year following project completion, the applicant projects the average utilization for all acute care beds owned by the applicant in

Mecklenburg County will be 87.1 percent. This meets the performance standard promulgated in 10A NCAC 14C .3803(a), which requires an applicant proposing to add new acute care beds to a service area to reasonably project that all acute care beds in the service area under common ownership will have a utilization of at least 75.2 percent when the projected ADC is greater than 200 patients.

Please note that while the Project Analyst recalculated the projected utilization above to remove the impact of AH Lake Norman on projected utilization, it did not change the projected total acute care bed days for the Atrium system as shown in the table above. Project I.D. #F-12010-20 assumed as part of its projected utilization that all acute care days would shift from existing hospitals in Mecklenburg County; thus, while the number of projected acute care days at each Atrium hospital in Mecklenburg County changed, the projected total number of acute care days for the system as a whole did not change.

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

- The applicant relies on its historical utilization to project future utilization.
- The applicant relies on assumptions consistent with previously approved projects to project future utilization.
- The applicant uses a lower growth rate than the historical growth rate to project utilization.
- The applicant accounts for projected times of limited capacity in its utilization projections.

Access to Medically Underserved Groups – In Section C, page 66, the applicant states:

> *"CMC provides services to all persons in need of medical care, regardless of race, color, religion, national origin, sex, age, disability, or source of payment…*
>
> *…Patients lacking coverage receive financial counseling to determine eligibility for financial assistance. Patients who do not qualify for financial assistance will be offered an installment payment plan. Patients will receive the appropriate medical screening examination and any necessary stabilizing treatment for emergency medical conditions, regardless of ability to pay."*

In Section C, page 67, the applicant provides the estimated percentage for each medically underserved group, as shown in the following table.

Medically Underserved Groups	% of Total Patients
Racial and ethnic minorities	52.7%
Women	48.4%
Persons age 65 and older	38.4%
Medicare beneficiaries	47.2%
Medicaid recipients	15.7%

In Section C, page 67, the applicant states it does not keep data on low income persons and persons with disabilities.

The applicant adequately describes the extent to which all residents of the service area, including underserved groups, are likely to have access to the proposed services based on the following:

- The applicant provides its Patient Non-Discrimination Policy in Exhibit B.10-4, which states it does not exclude or otherwise discriminate against medically underserved groups.

- The applicant provides copies of its financial policies in Exhibit L.4-1.

Conclusion – The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Responses to written 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 described above.

Project I.D. #F-12008-20/Carolinas Medical Center/Add 12 ORs

The applicant proposes to add 12 ORs to Carolinas Medical Center, an existing hospital with 62 ORs, for a total of 75 ORs upon completion of this project and Project I.D. #F-11815-19 (approved to add 2 ORs but would only add 1 OR).

In an application filed during the same review period but which was not part of this competitive review (Project I.D. #F-12010-20), the applicant proposed to develop Atrium Health Lake Norman, a new hospital, in part by relocating one OR approved in Project I.D. #F-11815-19 to the proposed Atrium Health Lake Norman. The Agency issued a decision denying Project I.D. #F-12010-20 on April 12, 2021. Therefore, the discussion in this criterion will not include any analysis related to the development of AH Lake Norman.

Further, since Project I.D. #F-12010-20 was denied, the description of the project under review will change. Instead of potentially being approved for a total of 75 ORs upon completion of this project and Project I.D. #F-11815-19 (approved to add 2 ORs but would

only add 1 OR), Carolinas Medical Center will potentially be approved for a total of 76 ORs upon completion of this project and Project I.D. #F-11815-19 (add 2 ORs). The updated description will be used going forward.

Patient Origin – On page 51, the 2020 SMFP states, *"An operating room's 'service area' is the service area in which the room is located. The operating room service areas are the single or multicounty groupings as shown in Figure 6.1."* In Figure 6.1 on page 57 of the 2020 SMFP, Mecklenburg County is shown as a single county OR service area. Thus, the service area for this review consists of Mecklenburg County. Facilities may also serve residents of counties not included in the service area.
The following table illustrates current and projected patient origin.

CMC Current and Projected Patient Origin - ORs								
County	Current (CY 2019)		FY 1 (CY 2028)		FY 2 (CY 2029)		FY 3 (CY 2030)	
	# Patients	% of Total	# Patients	% of Total	# Patients	% of Total	# Patients	% of Total
Mecklenburg	10,975	34.9%	12,366	34.8%	13,077	34.7%	13,792	34.7%
York (SC)	2,377	7.6%	2,734	7.7%	2,890	7.7%	3,048	7.7%
Gaston	2,294	7.3%	2,760	7.8%	2,915	7.7%	3,070	7.7%
Union	1,629	5.2%	913	2.6%	1,004	2.7%	1,096	2.8%
Cabarrus	1,548	4.9%	1,863	5.2%	1,967	5.2%	2,072	5.2%
Cleveland	1,417	4.5%	1,705	4.8%	1,800	4.8%	1,897	4.8%
Lancaster (SC)	1,229	3.9%	1,478	4.2%	1,561	4.1%	1,644	4.1%
Lincoln	852	2.7%	1,025	2.9%	1,083	2.9%	1,141	2.9%
Stanly	751	2.4%	904	2.5%	954	2.5%	1,005	2.5%
Catawba	751	2.4%	904	2.5%	954	2.5%	1,005	2.5%
Iredell	681	2.2%	580	1.6%	617	1.6%	655	1.7%
Other Counties*	6,933	22.1%	8,343	23.5%	8,809	23.4%	9,279	23.4%
Total	**31,437**	**100.0%**	**35,573**	**100.0%**	**37,632**	**100.0%**	**39,704**	**100.0%**

Source: Section C, pages 22-23
*Other: Alamance, Alexander, Alleghany, Anson, Ashe, Avery, Beaufort, Bladen, Brunswick, Buncombe, Burke, Caldwell, Chatham, Cherokee, Clay, Columbus, Cumberland, Dare, Davidson, Davie, Duplin, Forsyth, Franklin, Graham, Greene, Guilford, Halifax, Harnett, Haywood, Henderson, Hoke, Jackson, Johnston, Lee, Lenoir, Macon, Madison, Martin, McDowell, Mitchell, Montgomery, Moore, Nash, New Hanover, Onslow, Orange, Pamlico, Pender, Pitt, Polk, Randolph, Richmond, Robeson, Rockingham, Rowan, Rutherford, Sampson, Scotland, Stokes, Surry, Swain, Transylvania, Vance, Wake, Watauga, Wilkes, Yadkin, and Yancey counties in North Carolina as well as other states.

In Section C, page 24, the applicant provides the assumptions and methodology used to project patient origin. The applicant states projected patient origin is based on its historical patient origin with adjustments for projected shifts in patients. The applicant's assumptions are reasonable and adequately supported based on the following:

- The applicant based its projected patient origin in part on its historical patient origin.
- The applicant adequately explains the reasons it adjusted its historical patient origin as part of projecting future patient origin.

Analysis of Need – In Section C, pages 25-35 and 41-43, the applicant combined its discussion of need for additional ORs at CMC with discussion of the Atrium system need for ORs and comparisons which are not part of the analysis of whether the application is conforming with Criterion (3). In a competitive review, every application is first evaluated independently, as if there are no other applications in the review, to determine whether the application is conforming to all statutory and regulatory review criteria. Therefore, the discussion in this section focuses only on the need as it relates to CMC in this specific application under review.

In Section C, page 30, Atrium states CMC's combined license generated a need for almost 17 ORs and the adjustment of projected need due to the six ORs in the 2019 SMFP need determination resulted in the projected need for 12 ORs in the 2020 SMFP. However, anyone may apply to meet the need, not just Atrium. Atrium has the burden of demonstrating the need for the proposed ORs in its applications as submitted. In Section C, page 32, the applicant states:

> *"*[Atrium] *acknowledges that a provider that generates the need for additional capacity is not entitled to that need; it must submit an approvable application and demonstrate that it has the most effective alternative for the entire allocation."*

In Section C, pages 27-49, the applicant explains why it believes the population projected to utilize the proposed services needs the proposed services, as summarized below:

- In the 2018, 2019, and 2020 SMFPs, the applicant states Atrium hospitals had a projected operating deficit of 17.53 ORs, 13.28 ORs, and 18.31 ORs, respectively. The applicant states this continued (projected) deficit of ORs is evidence of the demand for surgical services at Atrium facilities and the need for additional ORs.

- The applicant states the methodology in the SMFP has historically underestimated projected growth of surgical hours for Atrium facilities. The applicant states that, in FFY 2018, Atrium facilities provided more surgical hours than the 2019 SMFP projected Atrium facilities would provide in FFY 2021.

- Trends in inpatient surgery such as advanced imaging techniques in the OR have led to increasingly complex surgeries that have lengthier case times and contribute to the increase in OR need for some facilities.

- The applicant states that CMC is a Level 1 Trauma Center, offers solid organ transplantation, and is the area's only quaternary academic medical center; as such, it fills a vital role in the region.

- The applicant states that CMC performs more surgical cases than any other facility in Mecklenburg County and almost twice as many surgical cases as the next-highest provider.

- The applicant states that surgical volumes in Mecklenburg County have grown at higher rates than the state average. Outpatient surgical cases in Mecklenburg County are increasing more quickly than inpatient surgical cases. While the number of outpatient cases performed at ASFs have higher growth rates than outpatient cases performed at hospitals, the increase in the number of outpatient cases performed in hospitals is higher numerically than the increase in outpatient cases performed in ASFs. The applicant states that OR projects under development in Mecklenburg County will lead to increased capacity at ASFs in the coming years and it is more important to provide additional OR capacity at hospitals based on the needs of patients in hospital outpatient and inpatient settings.

- The applicant states that, because of the existing capacity constraints, CMC is unable to recruit surgeons who have subspecialized training, and it is forced to schedule procedures three to four months out in some situations.

- As part of the proposed project, the applicant proposes to acquire two da Vinci robots for surgery at CMC-Main. The applicant states robotic surgery results in shorter hospital stays for patients than non-robotic surgery. The applicant further states robotic-assisted cases have smaller incisions, fewer complications, a reduction in post-surgical pain, and patients save money.

- According to ESRI, the population of the area served by Mecklenburg County facilities – the NC counties in HSA III along with three counties in South Carolina adjacent to the NC border – are projected to grow by an average of 8.6 percent between 2020 and 2025. The applicant further states that Mecklenburg County in NC and York County in SC are two of the fastest-aging counties in NC and SC, which means there is increased support for more ORs since older residents typically utilize healthcare services at higher rates than younger residents.

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

- The applicant uses verifiable historical data from CMC to support its belief that it needs additional OR capacity at CMC.

- The applicant identifies circumstances unique to CMC, such as its quaternary care status, that impact the need for additional ORs.

- The applicant provides reliable data, makes reasonable statements about the data, and uses reasonable assumptions about the data to demonstrate the projected population growth in the area and the projected growth of the population age 65 and older in the area.

Projected Utilization – On Form C in Section Q, the applicant provides projected utilization, as illustrated in the following table.

CMC Projected Utilization – ORs			
	FY 1 (CY 2028)	**FY 2 (CY 2029)**	**FY 3 (CY 2030)**
Operating Rooms			
Dedicated C-Section ORs	4	4	4
Other Inpatient ORs	6	6	6
Shared ORs	39	39	39
Dedicated Ambulatory ORs	10	10	10
Total # of ORs	59	59	59
Excluded # of ORs	5	5	5
Total # of ORs – Planning Inventory	54	54	54
Surgical Cases			
# of Inpatient Cases (1)	18,341	19,380	20,426
# of Outpatient Cases	17,232	18,252	19,278
Total # Surgical Cases (1)	35,573	37,632	39,704
Case Times			
Inpatient (2)	224.0	224.0	224.0
Outpatient (2)	147.4	147.4	147.4
Surgical Hours			
Inpatient (3)	68,475	72,354	76,257
Outpatient (4)	42,333	44,839	47,360
Total Surgical Hours	110,808	117,192	123,616
# of ORs Needed			
Group Assignment (5)	1	1	1
Standard Hours per OR per Year (6)	1,950	1,950	1,950
ORs Needed (total hours / 1,950)	56.82	60.10	63.39

(1) Excluding C-Sections performed in a dedicated C-Section OR
(2) From Section C, Question 6(c)
(3) [Inpatient Cases (exclude C-Sections performed in dedicated C-Section ORs) x Inpatient Case Time in minutes] / 60 minutes
(4) (Outpatient Cases x Outpatient Case Time in minutes) / 60 minutes
(5) From Section C, Question 6(a)
(6) From Section C, Question 6(b)

The table above, from Form C in Section Q, assumed that Project I.D. #F-12010-20 was approved. The Project Analyst recalculated projected utilization below by removing the effect of AH Lake Norman on the projected utilization.

In the Form C Utilization – Assumptions and Methodology subsection of Section Q, the applicant provides the assumptions and methodology used to project utilization, which are summarized below.

- The applicant calculated CY 2020 "normalized" utilization as the starting point of projected utilization. The applicant states it calculated the "normalized" utilization by calculating the historical percent of inpatient and outpatient surgical cases by month of the year, using year-to-date utilization through September 2020, and using the data and calculations to annualize year-to-date volume. The applicant states it chose this approach rather than averaging the year-to-date utilization by month and multiplying it

by 12 months to avoid possible over- or underrepresentation of utilization due to impacts of the pandemic.

- The applicant calculated the 4-year (CY 2015-2019) CAGR for inpatient and outpatient surgical cases at CMC-Main. The 4-year CAGR for inpatient surgical cases was -0.3 percent, the 4-year CAGR for outpatient surgical cases was -2.7 percent, and the 4-year CAGR for the combined total of surgical cases was -1.5 percent. The applicant projected a 1.97 percent annual growth rate for both inpatient and outpatient surgical cases at CMC-Main, which the applicant states it chose because it was the annual equivalent of the Mecklenburg County Growth Factor in Chapter 6 of the 2020 SMFP.

  The applicant states the projected growth rate for inpatient and outpatient surgical cases at CMC-Main is also appropriate because it has the highest OR utilization rate in the state despite taking steps to reduce utilization, its case times are increasing as case acuity has increased, and the applicant states the projected growth rate is a fundamental assumption in the projected OR need methodology in the 2020 SMFP. The applicant states application of that projected OR need methodology resulted in the existing need determination and the need was generated entirely by Atrium.

- The applicant applied the projected growth rate to the CY 2020 "normalized" utilization. The applicant states it believes the CY 2020 "normalized" utilization is a more accurate reflection of projected utilization due to the impacts of the pandemic, such as a slower rebound in outpatient elective surgical cases.

- The applicant projected a shift of surgical cases to Piedmont Fort Mill Medical Center, a hospital that will be developed in South Carolina, consistent with its projections in previous OR applications. The applicant states that, since previous applications assumed Atrium would be developing the hospital in South Carolina instead of a different entity, it adjusted the previous projections accordingly. The applicant first applied an annual growth rate of 2.8 percent to the cases it projected to shift to Piedmont Fort Mill Medical Center in previous applications. The previous applications had projected utilization out to CY 2026 and the applicant continued those projections out to CY 2030, the third full fiscal year following project completion. The applicant states patients admitted to Piedmont Fort Mill Medical Center through the ED may be more likely to continue their care at Piedmont Fort Mill Medical Center and calculated CMC-Main's CY 2019 ratio of surgical patients who were admitted through the ED to the total number of acute care admissions. The applicant then applied the ratio to the total number of surgical cases it previously projected to shift from CMC-Main to Piedmont Fort Mill Medical Center.

- The applicant projected a shift of surgical cases to AH Union, and states it used the assumptions and methodology from previously approved applications (Project I.D. #s F-11618-18, F-11620-18, and F-11815-19) to determine the number of surgical cases projected to shift from CMC-Main to AH Union. The applicant states that, when previous applications did not project shifts through the end of CY 2030, it used a 1.75

percent growth rate, consistent with Project I.D. #F-11618-18, to project growth in the number of surgical cases projected to shift from CMC-Main to AH Union.

- The applicant states that, based on discussions with surgical leadership and administration at CMC-Main, it believes the 12 proposed ORs will provide CMC-Main with sufficient capacity to expand the number of surgeries it performs as well as to recruit new surgeons. The applicant provides letters of support from surgical leaders at CMC-Main in Exhibit I-2 stating they believe the addition of 12 ORs to CMC-Main will allow existing and newly recruited surgeons to perform an additional 5,596 cases per year across 11 different specialties. The applicant states that based on its CY 2016 – 2020 "normalized" historical ratio of inpatient to outpatient surgical cases, it projected the cases will be a 50/50 split of inpatient and outpatient surgical cases. The applicant further projected there would be a ramp-up period over four years of 25, 50, 75, and 100 percent for April-December 2027, CY 2028, CY 2029, and CY 2030, respectively.

- The applicant states it used the assumptions and methodology from Project I.D. #s F-11268-16 and F-11815-19 to project the number of surgical cases that would shift from CMC-Main to AH-Mercy.

- The applicant states it used the assumptions and methodology from Project I.D. #s F-11619-18 and F-11815-19 to project the number of surgical cases that would shift from CMC-Main to CCSS.

- The applicant subtracted the number of surgical cases projected to shift to different facilities from CMC-Main to obtain projected OR utilization through CY 2030.

The table below summarizes the assumptions and methodology used to project OR utilization at CMC-Main.

CMC-Main Projected OR Utilization					
	CY 2020*	**CY 2027**	**CY 2028**	**CY 2029**	**CY 2030**
Baseline Inpatient Cases	15,543	17,816	18,166	18,524	18,889
Baseline Outpatient Cases	15,648	17,936	18,289	18,649	19,016
IP Cases to Piedmont Fort Mill	--	-123	-127	-130	-134
IP Cases to AH Union	--	-464	-472	-481	-489
IP Cases to AH Mercy	--	-432	-432	-432	-432
IP Cases – Projected Increase	--	700	1,399	2,099	2,798
OP Cases to AH Union	--	-566	-576	-586	-596
OP Cases to AH Mercy	--	-768	-768	-768	-768
OP Cases to CCSS	--	-225	-225	-225	-225
OP Cases – Projected Increase	--	700	1,399	2,099	2,798
Total Inpatient Cases	15,543	17,497	18,534	19,580	20,632
Total Outpatient Cases	15,648	17,077	18,119	19,169	20,225
Final Inpatient Case Time (1)	224.0	224.0	224.0	224.0	224.0
Final Outpatient Case Time (1)	147.4	147.4	147.4	147.4	147.4
Total Surgical Hours (2)	**96,469**	**107,275**	**113,706**	**120,191**	**126,712**
Average Annual Operating Hours – Group 1 (3)	1,950	1,950	1,950	1,950	1,950
Number of ORs Needed (4)	49.47	55.01	58.31	61.63	64.98
Number of Existing/Approved ORs	42	43	43	43	43
(Surplus) / Deficit	**7.47**	**12.01**	**15.31**	**18.64**	**21.98**

Source: Section Q, Form C Methodology and Assumptions as modified by the Project Analyst due to the denial of Project I.D. #F-12010-20.
*CY 2020 "normalized" utilization – based on historical seasonal utilization and year-to-date utilization through September, excluding March, April, and May.
(1) The Final Case Time in minutes for the facility in the 2020 SMFP.
(2) Total Hours equals Surgical Cases multiplied by the Average Case Time, then divided by 60.
(3) From Table 6B in the 2020 SMFP.
(4) # of ORs Needed equals Surgical Hours divided by the Standard Hours per OR per Year.

As shown in the table above, using the OR Need Methodology in Chapter 6 of the 2020 SMFP, the applicant projects a deficit of 21.98 ORs at CMC-Main in the third full fiscal year following project completion. Atrium proposes to add 12 additional ORs at CMC-Main.

Atrium Health System

The AH System in Mecklenburg County consists of Atrium Health Huntersville (AH Huntersville), Carolina Center for Specialty Surgery (CCSS), CMC (including AH Mercy), AH Pineville, and AH University City. Pursuant to 10A NCAC 14C .2103(a), the applicant must demonstrate the need for all existing, approved, and proposed ORs in the health system at the end of the third full fiscal year following project completion using the OR Need Methodology in the 2020 SMFP.

In the Form C Utilization – Assumptions and Methodology subsection of Section Q, the applicant provides the assumptions and methodology used to project utilization at all other facilities with ORs in its health system in Mecklenburg County. The assumptions and methodology are summarized below.

Since 2015, Atrium applications involving OR utilization projections have included assumptions and methodology projecting shifts in surgical cases between facilities in both Mecklenburg County and surrounding counties. The applicant states it will project shifts in surgical cases between facilities in Mecklenburg County and in surrounding counties consistent with previously approved applications.

- The applicant calculated CY 2020 "normalized" utilization for each facility as the starting point of projected utilization. The applicant states it calculated the "normalized" utilization by calculating the historical utilization by month of the year, using year-to-date utilization through September 2020, and using the data and calculations to annualize year-to-date volume. The applicant states it chose this approach rather than averaging the year-to-date utilization by month and multiplying it by 12 months to avoid possible over- or underrepresentation of utilization due to impacts of the pandemic.

- Determine historical utilization by facility – The applicant calculated 4-year (CY 2015-2019) CAGRs for inpatient and outpatient surgical cases at each facility.

- Project surgical cases through CY 2030 prior to any shifts – for each facility, the applicant projected inpatient and outpatient surgical cases through CY 2030 by using the 4-year CAGR if the 4-year CAGR was positive and using no growth rate if the 4-year CAGR was negative.

- Project shift of surgical cases to Piedmont Fort Mill Medical Center – beginning with applications in 2015, the applicant projected a shift in surgical cases to Piedmont Fort Mill Medical Center in South Carolina. The applicant states that, since previous applications assumed Atrium would be developing the hospital in South Carolina instead of a different entity, it adjusted the previous projections accordingly. The applicant first applied an annual growth rate of 2.8 percent to the cases it projected to shift to Piedmont Fort Mill Medical Center in previous applications. The previous applications had projected utilization out to CY 2026 and the applicant continued those projections out to CY 2030, the third full fiscal year following project completion. The applicant states patients admitted to Piedmont Fort Mill Medical Center through the ED may be more likely to continue their care at Piedmont Fort Mill Medical Center, and for each Atrium hospital, it calculated the ratio of CY 2019 surgical patients who were admitted through the ED to the total number of acute care admissions. The applicant then applied the ratio to the total number of surgical cases it previously projected to shift from each Atrium facility to Piedmont Fort Mill Medical Center.

- Project shift of surgical cases to AH Union – the applicant states it used the assumptions and methodology from previously approved applications (Project I.D. #s F-11618-18, F-11621, and F-11814-19) to determine the number of surgical cases projected to shift care from Atrium facilities in Mecklenburg County to AH Union. The applicant states that when previous applications did not project shifts through the end of CY 2030, it used a 1.75 percent growth rate, consistent with Project I.D. #F-11618-18, to project

growth in the number of surgical cases projected to shift from Atrium facilities in Mecklenburg County to AH Union through CY 2030.

- Project shift of surgical cases from CMC-Main to AH Mercy – the applicant states it used the assumptions and methodology from Project I.D. #F-11268-16 (relocate one OR to AH Mercy) to project the number of surgical cases that would shift from CMC-Main to AH-Mercy.

- Project shift of surgical cases from CMC-Main to CCSS – the applicant states it used the assumptions and methodology from Project I.D. #F-11619-18 (add one OR to CCSS) to project the number of surgical cases that would shift from CMC-Main to CCSS.

- Subtract shifts in surgical cases from each Atrium facility to determine projected OR utilization through CY 2030 – the applicant subtracted the number of surgical cases projected to shift to different facilities from each of the Atrium facilities in Mecklenburg County to obtain projected OR utilization at each facility through CY 2030.

A brief summary of the assumptions, methodology, and projected OR utilization for each Atrium facility follows below.

Atrium Health Pineville – The applicant projected growth for inpatient surgical cases at an annual rate of 5.1 percent, consistent with the CY 2016-2019 CAGR, and projected no growth for outpatient surgical cases. Then the applicant made assumptions about shifts of surgical cases to other facilities in Union County and South Carolina. The following table illustrates projected OR utilization at AH Pineville.

AH Pineville Projected OR Utilization					
	CY 2020*	**CY 2027**	**CY 2028**	**CY 2029**	**CY 2030**
Baseline Inpatient Cases	3,357	4,751	4,993	5,247	5,514
Baseline Outpatient Cases	4,066	4,066	4,066	4,066	4,066
Inpatient Cases Shifting to Other Facilities	--	-299	-306	-313	-320
Outpatient Cases Shifting to Other Facilities	--	-202	-206	-210	-213
Total Inpatient Cases	3,357	4,452	4,687	4,934	5,194
Total Outpatient Cases	4,066	3,864	3,860	3,856	3,853
Final Inpatient Case Time (1)	176.0	176.0	176.0	176.0	176.0
Final Outpatient Case Time (1)	107.0	107.0	107.0	107.0	107.0
Total Surgical Hours (2)	**17,098**	**19,950**	**20,633**	**21,350**	**22,107**
Average Annual Operating Hours – Group 3 (3)	1,755	1,755	1,755	1,755	1,755
Number of ORs Needed (4)	9.74	11.37	11.76	12.17	12.60
Number of Existing/Approved ORs	11	13	13	13	13
(Surplus) / Deficit	**(1.26)**	**(1.63)**	**(1.24)**	**(0.83)**	**(0.40)**

Source: Section Q, Form C Methodology and Assumptions, as modified by the Project Analyst due to the denial of Project I.D. #F-12010-20.
*CY 2020 "normalized" utilization – based on historical seasonal utilization and year-to-date utilization through September, excluding March, April, and May.
(1) The Final Case Time in minutes for the facility in the 2020 SMFP.
(2) Total Hours equals Surgical Cases multiplied by the Average Case Time, then divided by 60.
(3) From Table 6B in the 2020 SMFP.
(4) # of ORs Needed equals Surgical Hours divided by the Standard Hours per OR per Year.

As shown in the table above, using the OR Need Methodology in Chapter 6 of the 2020 SMFP, the applicant projects a surplus of 0.40 ORs in the third full fiscal year following project completion. Atrium does not propose to add any additional ORs to AH Pineville as part of this review.

Atrium Health University City – Project I.D. #F-11349-17, proposing to develop AH Huntersville Surgery by separately licensing one OR currently on the AH University City License, is still under development as of the date of these findings. After the project is complete, AH University City will have seven ORs.

The applicant projected growth for inpatient surgical cases at an annual rate of 2.6 percent, consistent with the CY 2016-2019 CAGR, and projected no growth for outpatient surgical cases. Then the applicant made assumptions about shifts of surgical cases to other facilities in Union County and South Carolina. The following table illustrates projected utilization at AH University City.

AH University City Projected OR Utilization					
	CY 2020*	**CY 2027**	**CY 2028**	**CY 2029**	**CY 2030**
Baseline Inpatient Cases	1,080	1,296	1,330	1,365	1,401
Baseline Outpatient Cases	3,517	3,517	3,517	3,517	3,517
Inpatient Cases Shifting to Other Facilities	--	-11	-12	-12	-12
Outpatient Cases Shifting to Other Facilities	--	-13	-13	-13	-13
Total Inpatient Cases	1,080	1,285	1,318	1,353	1,389
Total Outpatient Cases	3,517	3,504	3,504	3,504	3,504
Final Inpatient Case Time (1)	123.9	123.9	123.9	123.9	123.9
Final Outpatient Case Time (1)	76.7	76.7	76.7	76.7	76.7
Total Surgical Hours (2)	**6,726**	**7,132**	**7,200**	**7,273**	**7,348**
Average Annual Operating Hours – Group 4 (3)	1,500	1,500	1,500	1,500	1,500
Number of ORs Needed (4)	4.48	4.76	4.80	4.85	4.90
Number of Existing/Approved ORs	7	7	7	7	7
(Surplus) / Deficit	**(2.52)**	**(2.25)**	**(2.20)**	**(2.15)**	**(2.10)**

Source: Section Q, Form C Methodology and Assumptions, as modified by the Project Analyst due to the denial of Project I.D. #F-12010-20.

*CY 2020 "normalized" utilization – based on historical seasonal utilization and year-to-date utilization through September, excluding March, April, and May. The applicant also normalized the number of outpatient gynecology and dental cases based on a slower return to "normal."

(1) The Final Case Time in minutes for the facility in the 2020 SMFP.

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

(3) From Table 6B in the 2020 SMFP.

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

As shown in the table above, using the OR Need Methodology in Chapter 6 of the 2020 SMFP, the applicant projects a surplus of 2.10 ORs at AH University City in the third full fiscal year following project completion. Atrium does not propose to add any additional ORs to AH University City as part of this review.

Atrium Health Mercy – The applicant projected no growth for inpatient surgical cases and projected growth for outpatient surgical cases at an annual rate of 3.0 percent, consistent with the CY 2016-2019 CAGR. Then the applicant made assumptions about shifts of surgical cases from CMC-Main and shifts of surgical cases to other facilities in Union County and South Carolina. The following table illustrates projected utilization at AH Mercy.

AH Mercy Projected OR Utilization					
	CY 2020*	**CY 2027**	**CY 2028**	**CY 2029**	**CY 2030**
Baseline Inpatient Cases	5,335	5,335	5,335	5,335	5,335
Baseline Outpatient Cases	5,539	6,809	7,012	7,222	7,438
Net Inpatient Cases Shifting from Other Facilities	--	140	136	131	125
Net Outpatient Cases Shifting from Other Facilities	--	430	425	418	412
Total Inpatient Cases	5,335	5,476	5,471	5,466	5,460
Total Outpatient Cases	5,539	7,239	7,437	7,640	7,850
Final Inpatient Case Time (1)**	224.0	224.0	224.0	224.0	224.0
Final Outpatient Case Time (1)**	147.4	147.4	147.4	147.4	147.4
Total Surgical Hours (2)	**33,525**	**38,228**	**38,695**	**39,176**	**39,669**
Average Annual Operating Hours – Group 1 (3)	1,950	1,950	1,950	1,950	1,950
Number of ORs Needed (4)	17.19	19.61	19.85	20.09	20.34
Number of Existing/Approved ORs	15	16	16	16	16
(Surplus) / Deficit	**2.19**	**3.60**	**3.84**	**4.09**	**4.34**

Source: Section Q, Form C Methodology and Assumptions, as modified by the Project Analyst due to the denial of Project I.D. #F-12010-20.

*CY 2020 "normalized" utilization – based on historical seasonal utilization and year-to-date utilization through September, excluding March, April, and May.

**Because AH Mercy operates under CMC's license, it must use the CMC inpatient and outpatient case times in the 2020 SMFP along with the Average Annual Operating Hours for CMC.

(1) The Final Case Time in minutes for the facility in the 2020 SMFP.

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

(3) From Table 6B in the 2020 SMFP.

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

As shown in the table above, using the OR Need Methodology in Chapter 6 of the 2020 SMFP, the applicant projects a deficit of 4.34 ORs at AH Mercy in the third full fiscal year following project completion. The applicant does not propose to add any additional ORs to AH Mercy as part of this review.

Carolinas Medical Center/Atrium Health Mercy Combined – Because CMC-Main and AH Mercy are on the same hospital license, their combined utilization is the basis for the relevant surplus or deficit. The table below shows the combined projected utilization at CMC-Main and AH Mercy.

CMC Projected OR Utilization					
	CY 2020*	**CY 2027**	**CY 2028**	**CY 2029**	**CY 2030**
CMC-Main IP Cases	15,543	17,497	18,534	19,580	20,632
CMC-Main OP Cases	15,648	17,077	18,119	19,169	20,225
AH Mercy IP Cases	5,335	5,476	5,471	5,466	5,460
AH Mercy OP Cases	5,539	7,239	7,437	7,640	7,850
Combined Total Inpatient Cases	20,878	22,973	24,005	25,046	26,092
Combined Total Outpatient Cases	21,187	24,316	25,556	26,809	28,075
Final Inpatient Case Time (1)	224.0	224.0	224.0	224.0	224.0
Final Outpatient Case Time (1)	147.4	147.4	147.4	147.4	147.4
Total Surgical Hours (2)	**129,994**	**145,503**	**152,401**	**159,367**	**166,381**
Average Annual Operating Hours – Group 1 (3)	1,950	1,950	1,950	1,950	1,950
Number of ORs Needed (4)	66.66	74.62	78.15	81.73	85.32
Number of Existing/Approved ORs	57	59	59	59	59
(Surplus) / Deficit	**9.66**	**15.62**	**19.15**	**22.73**	**26.32**

Source: Section Q, Form C Methodology and Assumptions, as modified by the Project Analyst due to the denial of Project I.D. #F-12010-20.
*CY 2020 "normalized" utilization – based on historical seasonal utilization and year-to-date utilization through September, excluding March, April, and May.
(1) The Final Case Time in minutes for the facility in the 2020 SMFP.
(2) Total Hours equals Surgical Cases multiplied by the Average Case Time, then divided by 60.
(3) From Table 6B in the 2020 SMFP.
(4) # of ORs Needed equals Surgical Hours divided by the Standard Hours per OR per Year.

As shown in the table above, using the OR Need Methodology in Chapter 6 of the 2020 SMFP, the applicant projects a deficit of 26.32 ORs on CMC's license in the third full fiscal year following project completion.

Atrium Health Huntersville Surgery – Currently, AH Huntersville is a separate building with one OR and one procedure room that is licensed as part of AH University City. In Project I.D. #F-11349-17, AH Huntersville was approved to become a separately licensed ASF with one OR. The development of the ASF is not yet complete as of the date of these findings.

The applicant projected growth in surgical cases using an annual growth rate of 2.1 percent, consistent with the CY 2016-2019 CAGR. In the Form C Methodology and Assumptions subsection of Section Q, the applicant states it used the 2019 LRA case time for AH Huntersville, adjusted as if it were currently listed as a separate facility in the 2020 SMFP to a Final Case Time of 59.8 minutes, since AH Huntersville is *"an existing facility with publicly reported historical case times."* While AH Huntersville is not considered an existing facility, the projected case time is lower than the corresponding case time for newly licensed ASFs in Group 6. The following table illustrates projected utilization at AH Huntersville.

AH Huntersville Projected OR Utilization					
	CY 2020*	**CY 2027**	**CY 2028**	**CY 2029**	**CY 2030**
Total Outpatient Cases	939	1,083	1,105	1,128	1,151
Final Outpatient Case Time (1)	59.8	59.8	59.8	59.8	59.8
Total Surgical Hours (2)	**936**	**1,080**	**1,101**	**1,124**	**1,147**
Average Annual Operating Hours – Group 6 (3)	1,312	1,312	1,312	1,312	1,312
Number of ORs Needed (4)	0.71	0.82	0.84	0.86	0.87
Number of Existing/Approved ORs	1	1	1	1	1
(Surplus) / Deficit	**(0.29)**	**(0.18)**	**(0.16)**	**(0.14)**	**(0.13)**

Source: Section Q, Form C Methodology and Assumptions
*The applicant states this is CY 2020 "normalized" utilization – based on historical seasonal utilization and year-to-date utilization through September, excluding March, April, and May; however, the applicant also states this is adjusted to reflect a shift in certain cases to procedure rooms in the future.
(1) The Adjusted Case Time in minutes for the facility as it would display in the 2020 SMFP based on the 2019 LRA.
(2) Total Hours equals Surgical Cases multiplied by the Average Case Time, then divided by 60.
(3) From Table 6B in the 2020 SMFP.
(4) # of ORs Needed equals Surgical Hours divided by the Standard Hours per OR per Year.

As shown in the table above, using the OR Need Methodology in Chapter 6 of the 2020 SMFP, the applicant projects a surplus of 0.13 ORs in the third full fiscal year following project completion. The applicant does not propose to add any additional ORs to AH Huntersville as part of this review.

Carolina Center for Specialty Surgery – The applicant projected growth in surgical cases using an annual growth rate of 1.97 percent, lower than the 4-year CAGR for surgical cases at CCSS of 12.9 percent. Then the applicant made assumptions about shifts of surgical cases from CMC-Main. The following table illustrates projected OR utilization at CCSS.

CCSS Projected OR Utilization					
	CY 2020*	**CY 2027**	**CY 2028**	**CY 2029**	**CY 2030**
Baseline Outpatient Cases	2,683	3,075	3,136	3,197	3,260
Outpatient Cases Shifting From CMC	--	225	225	225	225
Total Outpatient Cases	2,683	3,300	3,361	3,422	3,485
Final Outpatient Case Time (1)	68.0	68.0	68.0	68.0	68.0
Total Surgical Hours (2)	**3,041**	**3,740**	**3,809**	**3,878**	**3,950**
Average Annual Operating Hours – Group 6 (3)	1,312	1,312	1,312	1,312	1,312
Number of ORs Needed (4)	2.32	2.85	2.90	2.96	3.01
Number of Existing/Approved ORs	3	3	3	3	3
(Surplus) / Deficit	**(0.68)**	**(0.15)**	**(0.10)**	**(0.04)**	**0.01**

Source: Section Q, Form C Methodology and Assumptions
*CY 2020 "normalized" utilization – based on historical seasonal utilization and year-to-date utilization through September, excluding March, April, and May.
(1) The Final Case Time in minutes for the facility in the 2020 SMFP.
(2) Total Hours equals Surgical Cases multiplied by the Average Case Time, then divided by 60.
(3) From Table 6B in the 2020 SMFP.
(4) # of ORs Needed equals Surgical Hours divided by the Standard Hours per OR per Year.

As shown in the table above, using the OR Need Methodology in Chapter 6 of the 2020 SMFP, the applicant projects a deficit of 0.01 ORs in the third full fiscal year following project completion. The applicant does not propose to add any additional ORs to CCSS to part of this review.

Atrium Health System Combined – To meet the performance standard promulgated in 10A NCAC 14C .2103(a) in effect at the time of the submission of this application, an applicant proposing to add new ORs to a service area must demonstrate the need for all of the existing, approved, and proposed ORs in a health system in the third full fiscal year following project completion based on the OR Need Methodology in the 2020 SMFP. Atrium proposes to add 12 ORs to its health system as part of this project.

The following table illustrates the projected OR surpluses/deficits for each facility as well as the entire Atrium health system for the first three full fiscal years of the proposed project.

Atrium Health OR Need			
	Deficits / (Surpluses)		
	1st Full FY CY 2028	**2nd Full FY CY 2029**	**3rd Full FY CY 2030**
CMC	19.15	22.73	26.32
AH Pineville	(1.24)	(0.83)	(0.40)
AH University City	(2.20)	(2.15)	(2.10)
AH Huntersville Surgery Center	(0.16)	(0.14)	(0.13)
CCSS	(0.10)	(0.04)	0.01
Total Deficit/(Surplus)	**15.45**	**19.55**	**23.70**

Source: Section Q, Form C Methodology and Assumptions, as modified by the Project Analyst due to the denial of Project I.D. #F-12010-20.

As shown in the table above, the AH System projects a deficit of 23.70 ORs at the end of CY 2030, which would be rounded up to a deficit of 24 ORs. Atrium proposes to add a total of 12 ORs to its existing health system. This meets the standard promulgated in 10A NCAC 14C .2103(a), which requires an applicant proposing to add new ORs to a service area to demonstrate the need for all the existing, approved, and proposed ORs in a health system in the third full fiscal year following project completion based on the OR Need Methodology in the 2020 SMFP.

Discussion – There are several issues with the applicant's projected utilization which could impact the outcome of the analysis of projected utilization. Each issue is discussed below.

- *Projected utilization at CMC-Main:* In the Form C Utilization – Assumptions and Methodology subsection of Section Q, the applicant states declining utilization at Atrium facilities in Mecklenburg County during CYs 2019 and 2020 are due to a variety of factors, including the start of shifts in surgical cases to Charlotte Surgery Center – Wendover and Charlotte Surgery Center – Museum. The applicant also states that it has experience with successfully shifting patients to other facilities as part of

steps to alleviate capacity issues. However, the decline in utilization at CMC-Main is not adequately explained by the information in the application as submitted.

- In performing this analysis, the Project Analyst had access to data submitted by Atrium on LRAs submitted by each licensed facility as part of the annual license renewal process. During the review, 2021 LRA forms covering FFY 2020 were available to the Project Analyst. However, due to the uncertainty over the impact on utilization as a result of the pandemic – particularly with ORs – the Project Analyst determined it would be more appropriate to use the data from FFY 2019 provided by the applicant on the 2020 LRA. Please see the Working Papers for information about some of the impacts of the pandemic on OR utilization.

- The applicant's 2020 LRA, which contains the applicant's self-reported data from FFY 2019, and which was available to the Agency during this review, showed a small decrease in outpatient surgical cases at CMC-Main. However, between FFY 2018 and FFY 2019, inpatient surgical cases at CMC-Main decreased by 12.4 percent. The Project Analyst reviewed the information in the 2020 SMFP and the 2021 SMFP for other Atrium facilities nearby, such as other Atrium facilities in Mecklenburg County and facilities such as Atrium Health Union and Atrium Health Cabarrus, to see if there was an increase in inpatient utilization at those locations which would support the applicant's statements about utilization declines being the result of shifts in utilization. Of the Atrium facilities offering inpatient care whose inpatient utilization increased between FFYs 2018 and 2019 – Atrium Health Stanly, Atrium Health Cabarrus, Atrium Health Union, and AH Pineville – the increase in inpatient surgical cases was a combined total of 69 inpatient surgical cases, compared with a decrease of 1,979 inpatient surgical cases at CMC-Main. The Project Analyst also reviewed the difference in average inpatient case times for CMC-Main as well as the entire CMC license. The applicant states in its assumptions and methodology that it has begun to "backfill" the shift in outpatient cases with more complex cases that can result in increased OR case times. However, there is not a corresponding increase in surgical case times for either inpatient or outpatient surgical cases to explain the decrease in utilization; in fact, both inpatient and outpatient average surgical case times decreased between FFY 2018 and FFY 2019 for both CMC-Main and the combined CMC license.

  The information in the application as submitted does not adequately address the decline in historical utilization. While the data presented by the applicant is in CYs and the data reviewed by the Project Analyst is in FFYs, the overall trends should not be different to the degree that they are between the 2021 SMFP and the applicant's projections. The applicant's use of "normalized" CY 2020 data does not explain the discrepancy. The applicant states it used the "normalized" CY 2020 data to account in part for the decline due to the pandemic; however, the decline in utilization between FFY 2018 and FFY 2019 occurred before there had been any cases of COVID-19 anywhere in the world.

Between FFY 2018 (2020 SMFP) and FFY 2019 (2021 SMFP), the Mecklenburg County Growth Factor increased from 8.11 to 8.22; however, because that is a four-year rate, the increase was minimal – the growth rate essentially stayed the same. During that same time period, the Atrium system's OR planning inventory increased by four ORs, or an increase of approximately 5.1 percent. However, the Atrium system's combined surgical hours decreased by 7.9 percent and the Atrium system's projected deficit of ORs decreased from 16.16 to 4.85 – a decrease of approximately 11 ORs, or 70 percent. CMC's surgical hours decreased by 9.2 percent, which was due to a decrease in inpatient cases as well as both inpatient and outpatient average case times. CMC's projected OR deficit also decreased from 16.78 to 8.08 – a decrease of 51.8 percent. The Project Analyst summarized information about the Atrium health system from Chapter 6 of the 2020 and 2021 SMFPs in the table below.

Atrium Health System OR Utilization Trends				
	2020 SMFP	**2021 SMFP**	**# Change**	**% Change**
CMC IP Cases	20,867	18,828	-2,039	-9.8%
CMC IP Case Time	224.0	212.5	-11.5 min	-5.1%
CMC OP Cases	22,464	23,402	938	4.2%
CMC OP Case Time	147.4	138.9	-8.5 min	-5.8%
CMC Total Hours	133,090	120,858	-12,232	-9.2%
OR Planning Inventory	57	59	2	3.5%
Projected Surplus/Deficit	16.78	8.08	-8.70	-51.8%
AH Pineville IP Cases	3,477	3,498	21	0.6%
AH Pineville IP Case Time	176.0	190.3	14.3 min	8.1%
AH Pineville OP Cases	4,930	4,311	-619	-12.6%
AH Pineville OP Case Time	107.0	115.4	8.4 min	7.9%
AH Pineville Total Hours	18,991	19,386	395	2.1%
OR Planning Inventory	11	13	2	18.2%
Projected Surplus/Deficit	0.70	-1.05	-1.75	-250.0%
AH University City IP Cases	1,084	963	-121	-11.2%
AH University City IP Case Time	123.9	136.3	12.4 min	10.0%
AH University City OP Cases	6,745	6,216	-529	-7.8%
AH University City OP Case Time	76.7	75.0	-1.7 min	-2.2%
AH University City Total Hours	10,865	9,957	-908	-8.4%
OR Planning Inventory	7	7	0	0.0%
Projected Surplus/Deficit	0.83	0.18	-0.65	-78.3%
CCSS Cases	1,983	1,979	-4	-0.2%
CCSS Case Time	68.0	60.0	-8.0 min	-11.8%
CCSS Total Hours	2,247	1,979	-268	-11.9%
OR Planning Inventory	3	3	0	0.0%
Projected Surplus/Deficit	-1.15	-1.37	-0.22	-19.1%
Atrium Total IP Cases	25,428	23,289	-2,139	-8.4%
Atrium Total OP Cases	36,122	35,908	-214	-0.6%
Atrium Total Hours	165,193	152,180	-13,013	-7.9%
OR Planning Inventory	79	83	4	5.1%
Projected Surplus/Deficit	16.16	4.85	-11.31	-70.0%
Mecklenburg Growth Factor	8.11	8.22	0.11	1.4%

- The applicant states it used a growth rate of 1.97 percent for inpatient and outpatient surgical cases at CMC-Main (the annual equivalent of the Mecklenburg County Growth Rate used in Chapter 6 of the 2020 SMFP) because:

  "…it is a fundamental assumption in the projected operating room need methodology in the 2020 SMFP, which resulted in the need determination for 12 additional operating rooms to be located in Mecklenburg County. Furthermore,…, that need determination was generated entirely by the utilization of Atrium Health operating rooms. As such, the operating room

need determination is based on the assumption that Atrium Health operating room utilization will grow 1.97 percent annually."

The applicant also states that the projected growth rate is justified in part because CMC has the highest OR utilization of any hospital in the state.

There are several issues with the applicant's assumptions presented in the application as submitted. First, while the applicant is correct that the projected growth rate used in the OR Need Methodology in the SMFP is a fundamental assumption, the projected growth rate is based on the area's population growth rate – not based on any facility's utilization. Additionally, the OR Need Methodology produces **projected** surpluses or deficits.

Second, the projected need determination was not generated entirely by Atrium facilities. Atrium facilities generated a need for 10 of the 12 ORs projected to be needed in Mecklenburg County. Mallard Creek Surgery Center, an unaffiliated ASF, showed a deficit of 1.53 ORs. If Mallard Creek Surgery Center had not shown a deficit of ORs, the need determination in Mecklenburg County would have been 10, not 12.

Third, assuming it is true that CMC has the highest OR utilization of any hospital in the state, the applicant presents no information in the application as submitted to explain why having the highest OR utilization in the state is correlated with the use of a particular growth rate, particularly when other publicly available data calls the projected growth rate chosen by the applicant into question.

Additionally, as Atrium's own application points out, generating the need for a particular service does not entitle an applicant to that particular service – the applicant must still submit an application and demonstrate conformity with all applicable statutory and regulatory review criteria.

- In the Form C Utilization – Assumptions and Methodology subsection of Section Q, the applicant states:

  "Simply put, CMC, does not have the capacity today to increase its volume of surgical cases in light of increasingly longer case times."

  The applicant's own statements do not support a projected annual increase in utilization of 1.97 percent in both inpatient and outpatient surgical cases.

- Comments submitted during the public comment period question Atrium's assumption that it will perform an additional 5,596 surgical cases by CY 2030 based on increased demand and recruitment of additional surgeons. The comments suggest that the projection is based on letters of support from "Atrium employees," there is no additional support for the projections, and therefore they are unsupported and unreasonable.

- Letters of support are not required in any application, and the Agency does not tell applicants how to demonstrate projected utilization is reasonable and adequately supported. There is no statute or rule which says a letter of support from an individual affiliated with an applicant carries less weight than letters of support from individuals unaffiliated with an applicant.

  While the letters are from individuals affiliated with Atrium, they are from individuals in a position to have knowledge of potential capacity: the three letters projecting a total of 5,596 additional surgical cases are signed by the Surgeon-in-Chief of Atrium Health, who is also the Chair of the Department of Surgery; the Chief Surgical Officer of Atrium Health; and the Vice Chair of Education for the Atrium Musculoskeletal Institute.

  Further, other letters submitted by the applicant support the projections for individual areas of surgery encompassed by the 5,596 additional surgical cases. The table below summarizes which of the 5,596 additional surgical cases received specific additional support and from whom.

Support for Increased Surgical Cases at Carolinas Medical Center	
Number of Surgical Cases/Specialty	**Letters of Support Submitted**
458 cardiovascular & thoracic	(1) Interim Chair, Division of Cardiothoracic Surgery, Sanger Heart & Vascular Institute (1) Chief of Thoracic Surgery, Sanger Heart & Vascular Institute/Director of Thoracic Surgical Oncology, Levine Cancer Institute
458 neurosurgery	(1) President, Neuroscience Institute, Atrium Health/Treasurer, American Association of Neurological Surgery
916 orthopedic	(1) Chair, Department of Orthopaedic Surgery
458 head & neck	(1) Director, Head & Neck Cancer Center, Levine Cancer Institute
458 plastic surgery	(1) Chief, Division of Plastic Surgery
458 urology	(1) Chair, Department of Urology, Atrium Health/Chair, Urologic Oncology, Levine Cancer Institute
916 robotic	(1) Chair, Atrium Health Robotics Committee
458 trauma, acute, & emergency	(1) Chief, Division of Acute Care Surgery, Atrium Health
458 pediatric	(1) Surgeon-in-Chief, Levine Children's Hospital/Chief, Pediatric Urology, Atrium Health
458 surgical oncology, hepatobiliary, colorectal, & GYN oncology	(1) Chief, Division of Surgical Oncology, Levine Cancer Institute (1) Chief, Division of Hepatobiliary Surgery, Atrium Health (1) Chief, Division of General Surgery/Chief, Section of Colon & Rectal Surgery, Carolinas Medical Center (1) Director, Division of Gynecologic Oncology, Levine Cancer Institute
100 transplant	(1) Chief, Division of Abdominal Transplant Surgery, Atrium Health/Surgical Director, Kidney Transplant

- The Project Analyst reviewed historical LRAs for all facilities with ORs in Mecklenburg County, beginning with the 2011 LRAs covering FFY 2010, to see if any facilities which had added ORs had increases in surgical case utilization that would support such projections. Between FFY 2010 and FFY 2011, CMC-Main increased its planning inventory of ORs by four ORs, from 38 to 42 ORs, pursuant

to Project I.D. #F-8091-08. Between FFY 2010 and FFY 2015, there was a maximum increase of 837 inpatient surgical cases and 1,719 outpatient surgical cases. Multiplied by three to approximate the number of surgical cases that would increase with 12 additional ORs instead of four, there was an increase of 7,668 surgical cases, which is more than the applicant's projected increase of 5,596 surgical cases. Therefore, the historical record supports a projection of an additional 5,596 surgical cases after the addition of 12 ORs.

While the applicant's projected increase in surgical cases due to the recruitment of new surgeons and additional capacity is reasonable and adequately supported by the application and publicly available information, the projected growth rate of inpatient and outpatient surgical cases at CMC-Main is not. The Project Analyst recalculated utilization at CMC-Main using no annual growth in either inpatient or outpatient surgical cases, beginning with the applicant's CY 2020 "normalized" utilization, which is summarized in the table below. Please see the Working Papers for complete calculations.

CMC-Main Projected OR Utilization – Revised (no annual growth)					
	CY 2020*	**CY 2027**	**CY 2028**	**CY 2029**	**CY 2030**
Baseline Inpatient Cases	15,543	15,543	15,543	15,543	15,543
Baseline Outpatient Cases	15,648	15,648	15,648	15,648	15,648
IP Cases to Piedmont Fort Mill	--	-123	-127	-130	-134
IP Cases to AH Union	--	-464	-472	-481	-489
IP Cases to AH Mercy	--	-432	-432	-432	-432
IP Cases – Projected Increase	--	700	1,399	2,099	2,798
OP Cases to AH Union	--	-566	-576	-586	-596
OP Cases to AH Mercy	--	-768	-768	-768	-768
OP Cases to CCSS	--	-225	-225	-225	-225
OP Cases – Projected Increase	--	700	1,399	2,099	2,798
Total Inpatient Cases	15,543	15,224	15,911	16,599	17,286
Total Outpatient Cases	15,648	14,789	15,478	16,168	16,857
Final Inpatient Case Time (1)	224.0	224.0	224.0	224.0	224.0
Final Outpatient Case Time (1)	147.4	147.4	147.4	147.4	147.4
Total Surgical Hours (2)	**96,469**	**93,168**	**97,425**	**101,689**	**105,946**
Average Annual Operating Hours – Group 1 (3)	1,950	1,950	1,950	1,950	1,950
Number of ORs Needed (4)	49.47	47.78	49.96	52.15	54.33
Number of Existing/Approved ORs	42	43	43	43	43
(Surplus) / Deficit	**7.47**	**4.78**	**6.96**	**9.15**	**11.33**

Source: Section Q, Form C Methodology and Assumptions, as revised by the Project Analyst
*CY 2020 "normalized" utilization – based on historical seasonal utilization and year-to-date utilization through September, excluding March, April, and May.
(1) The Final Case Time in minutes for the facility in the 2020 SMFP.
(2) Total Hours equals Surgical Cases multiplied by the Average Case Time, then divided by 60.
(3) From Table 6B in the 2020 SMFP.
(4) # of ORs Needed equals Surgical Hours divided by the Standard Hours per OR per Year.

To determine whether the applicant would meet the required performance standard with no annual growth in inpatient and outpatient cases at CMC-Main, the Project Analyst then combined the revised projected utilization for CMC-Main with AH Mercy, then

recalculated the projected deficits and surpluses for the entire Atrium system to determine whether the revised calculations would meet the applicable performance standard, as shown in the table below.

Atrium Health OR Need – Revised (no annual growth CMC-Main)			
	Deficits / (Surpluses)		
	1st Full FY CY 2028	2nd Full FY CY 2029	3rd Full FY CY 2030
CMC	10.81	13.24	15.67
AH Pineville	(1.24)	(0.83)	(0.40)
AH University City	(2.20)	(2.15)	(2.10)
AH Huntersville Surgery Center	(0.16)	(0.14)	(0.13)
CCSS	(0.10)	(0.04)	0.01
Total Deficit/(Surplus)	**7.11**	**10.07**	**13.06**

Source: Section Q, Form C Methodology and Assumptions, as revised by the Project Analyst

As shown in the table above, the Project Analyst's revised calculations at CMC-Main result in an Atrium health system deficit of 13.06 ORs at the end of CY 2030, which would be rounded down to a deficit of 13 ORs. Thus, even projecting no annual growth in inpatient and outpatient surgical cases at CMC-Main, projected utilization would meet the required performance standard promulgated in 10A NCAC 14C .2103(a).

Comments received during the public comment period suggested that beginning the projections with CY 2020 "normalized" utilization but using projected growth rates from CYs 2016-2019 was not an appropriate way to calculate projected utilization. The comments suggested that the projections should more appropriately start with data from the 2021 LRA with data for FFY 2019, much as the SMFP uses for projections.

There is no statute or rule requiring an applicant to begin projected utilization at a particular point in time; while projected utilization must be reasonable and adequately supported, there is not a required starting point for projected utilization to be found reasonable and adequately supported.

However, given that there were numerous issues with lack of support for the projected growth rate for CMC-Main, and in the interest of providing a more complete record and analysis, the Project Analyst recalculated projected utilization for the entire Atrium system by beginning all projections with the FFY 2019 utilization as reported by Atrium and projecting no annual growth in utilization at CMC-Main. For ease of calculation, the Project Analyst treated FFY 2019 as equivalent to CY 2020. The table below summarizes the Project Analyst's calculations. Please see the Working Papers for complete calculations.

CMC Projected OR Utilization – Revised (no annual growth CMC-Main, FFY 2019 start)					
	FFY 2019	**CY 2027**	**CY 2028**	**CY 2029**	**CY 2030**
CMC-Main IP Cases	13,837	13,518	14,205	14,893	15,580
CMC-Main OP Cases	16,829	15,970	16,659	17,349	18,038
AH Mercy IP Cases	4,991	5,132	5,127	5,122	5,116
AH Mercy OP Cases	6,573	8,514	8,751	8,994	9,246
Combined Total Inpatient Cases	18,828	18,650	19,332	20,015	20,696
Combined Total Outpatient Cases	23,402	24,484	25,410	26,343	27,284
Final Inpatient Case Time (1)	224.0	224.0	224.0	224.0	224.0
Final Outpatient Case Time (1)	147.4	147.4	147.4	147.4	147.4
Total Surgical Hours (2)	**127,782**	**129,776**	**134,598**	**139,439**	**144,292**
Average Annual Operating Hours – Group 1 (3)	1,950	1,950	1,950	1,950	1,950
Number of ORs Needed (4)	65.53	66.55	69.02	71.51	74.00
Number of Existing/Approved ORs	58	59	59	59	59
(Surplus) / Deficit	**7.53**	**7.55**	**10.02**	**12.51**	**15.00**

Source: Section Q, Form C Methodology and Assumptions, as revised by the Project Analyst
(1) The Final Case Time in minutes for the facility in the 2020 SMFP.
(2) Total Hours equals Surgical Cases multiplied by the Average Case Time, then divided by 60.
(3) From Table 6B in the 2020 SMFP.
(4) # of ORs Needed equals Surgical Hours divided by the Standard Hours per OR per Year.

The Project Analyst again recalculated the projected deficits and surpluses for the entire Atrium system to determine whether the revised calculations would meet the applicable performance standard, as shown in the table below.

Atrium Health OR Need – Revised (no annual growth CMC-Main, FFY 2019 start)			
	Deficits / (Surpluses)		
	1st Full FY CY 2028	**2nd Full FY CY 2029**	**3rd Full FY CY 2030**
CMC	10.02	12.51	15.00
AH Pineville	(0.64)	(0.21)	0.24
AH University City	(1.63)	(1.59)	(1.55)
AH Huntersville Surgery Center	0.33	0.35	0.38
CCSS	(0.81)	(0.77)	(0.73)
Total Deficit/(Surplus)	**7.28**	**10.30**	**13.35**

Source: Section Q, Form C Methodology and Assumptions, as revised by the Project Analyst

As shown in the table above, the Project Analyst's recalculated projected utilization results in an Atrium health system deficit of 13.35 ORs at the end of CY 2030, which would be rounded down to a deficit of 13 ORs. The recalculated projected utilization assumed the following potentially detrimental factors:

- Even though the applicant believed CY 2020 "normalized" was a more realistic reflection of utilization, the calculations instead began with FFY 2019 utilization data.

- The calculations projected no growth at all in the baseline CMC-Main inpatient and outpatient surgical cases.

- For convenience, the calculations treat FFY 2019 as CY 2020 – which excludes three months of potential utilization growth at other facilities.

The Project Analyst kept all other assumptions the same as those made by Atrium in Section Q of the application, including the reduction of cases at AH Huntersville Surgery that are projected to shift to procedure rooms.

Despite the recalculated projected utilization having assumptions that are potentially detrimental to Atrium, the recalculated projected utilization still meets the required performance standard promulgated in 10A NCAC 14C .2103(a).

Additionally, all of the above utilization projections that demonstrate Atrium's projected utilization meets the required performance standard have been adjusted by removing any impact of projections from Project I.D. #F-12010-20 (proposing to develop AH Lake Norman), because the application was denied by the Agency on April 12, 2021. The removal of projections related to Project I.D. #F-12010-20 did not change the determination of whether the applicant's projected utilization (in any version) is reasonable and adequately supported. See the Working Papers for further information.
Projected utilization is reasonable and adequately supported for the following reasons:

- The applicant relied on its historical utilization to project future utilization.

- The applicant relied on assumptions consistent with previously approved projects to project future utilization.

- At most facilities, when historical utilization was negative, the applicant projected no growth in surgical cases.

- The applicant provided support for the projected addition of 5,596 surgical cases during the first three full fiscal years following project completion.

- Publicly available data supports the applicant's projected addition of 5,596 surgical cases during the first three full fiscal years following project completion.

- While use of an annual growth rate for CMC-Main was not reasonable and adequately supported, based on a lack of support in the application as submitted and the historical decline in utilization, CMC's current utilization is high enough to reasonably project the applicant would meet the required performance standard, even when using assumptions potentially detrimental to the applicant.

- The applicant's projected utilization, including adjusted assumptions, was not negatively impacted by the Agency's denial of Project I.D. #F-12010-20 on April 12, 2021.

Access to Medically Underserved Groups – In Section C, page 55, the applicant states:

> *"CMC provides services to all persons in need of medical care, regardless of race, color, religion, national origin, sex, age, disability, or source of payment…*
>
> *…Patients lacking coverage receive financial counseling to determine eligibility for financial assistance. Patients who do not qualify for financial assistance will be offered an installment payment plan. Patients will receive the appropriate medical screening examination and any necessary stabilizing treatment for emergency medical conditions, regardless of ability to pay."*

In Section C, page 56, the applicant provides the estimated percentage for each medically underserved group, as shown in the following table.

Medically Underserved Groups	Percentage of Total Patients
Racial and ethnic minorities	47.6%
Women	43.5%
Persons age 65 and older	26.0%
Medicare beneficiaries	29.5%
Medicaid recipients	18.8%

In Section C, page 56, the applicant states it does not keep data on low income persons and persons with disabilities.

The applicant adequately describes the extent to which all residents of the service area, including underserved groups, are likely to have access to the proposed services based on the following:

- The applicant provides its Patient Non-Discrimination Policy in Exhibit B.3-4, which states it does not exclude or otherwise discriminate against medically underserved groups.

- The applicant provides copies of its financial policies in Exhibit L.4-1.

Conclusion – The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Responses to written 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 described above.

Project I.D. #F-12009-20/Atrium Health Pineville/Add 7 acute care beds

The applicant proposes to add 7 acute care beds to Atrium Health Pineville, an existing hospital with 233 acute care beds, for a total of 278 acute care beds upon completion of this project, Project I.D. #F-11622-18 (add 38 beds), and Project I.D. #F-11813-19 (add 12 beds).

On August 5, 2020, Atrium requested a determination from the Agency that licensing the 12 acute care beds approved in Project I.D. #F-11813-19 in temporary existing space would be in material compliance with the conditions of its certificate of need. Atrium had proposed to develop the 12 acute care beds in a patient tower under construction (along with the 38 acute care beds approved in Project I.D. #F-11622-18); however, Atrium requested Agency approval to license the 12 acute care beds and to house them temporarily in existing space that was currently used for unlicensed observation beds. Atrium stated that allowing them to license the 12 beds at that time and in that location would allow them to have additional capacity that they needed and that once the patient tower, including the space designated for the 12 acute care beds as part of Project I.D. #F-11813-19 was complete, Atrium would move the 12 licensed beds to their originally proposed location.

The Agency notified Atrium that their request was in material compliance with their certificate of need on August 10, 2020, and Atrium subsequently licensed the 12 beds approved in Project I.D. #F-11813-19. Thus, while the 233 existing acute care beds at AH Pineville includes the 12 acute care beds from Project I.D. #F-11813-19, that project is not yet complete.

In Section C, page 28, the applicant states the 7 acute care beds proposed in this application will be located in the space currently housing the 12 acute care beds from Project I.D. #F-11813-19 once the new patient tower under construction is complete and the beds Atrium had originally proposed to house in the new patient tower (as part of an Agency-approved exemption request, Record #2681, dated August 23, 2018 and as approved in Project I.D. #s F-11622-18 and F-11813-19) were relocated into the new patient tower.

Patient Origin – On page 33, the 2020 SMFP defines the service area for acute care beds as *"the service area in which the bed is located. The acute care bed service areas are the single and multicounty groupings shown in Figure 5.1."* Figure 5.1, on page 38, shows Mecklenburg County as its own acute care bed service area. Thus, the service area for this facility is Mecklenburg County. Facilities may also serve residents of counties not included in their service area.

The following table illustrates current and projected patient origin.

AH Pineville Current & Projected Patient Origin – Adult Med/Surg Beds								
County	Last FY (CY 2019)		FY 1 (CY 2022)		FY 2 (CY 2023)		FY 3 (CY 2024)	
	# Days	% of Total	# Days	% of Total	# Days	% of Total	# Days	% of Total
Mecklenburg	23,725	42.9%	26,446	43.8%	27,666	44.0%	28,866	47.0%
York (SC)	16,468	29.8%	18,357	30.4%	19,204	30.6%	16,308	26.5%
Lancaster (SC)	6,290	11.4%	7,011	11.6%	7,335	11.7%	7,673	12.5%
Union	4,023	7.3%	3,244	5.4%	3,008	4.8%	2,767	4.5%
Chester (SC)	919	1.7%	1,024	1.7%	1,071	1.7%	1,120	1.8%
Gaston	681	1.2%	760	1.3%	795	1.3%	831	1.4%
Other Counties*	3,203	5.8%	3,570	5.9%	3,735	5.9%	3,907	6.4%
Total	**55,310**	**100.0%**	**60,411**	**100.0%**	**62,813**	**100.0%**	**61,473**	**100.0%**

Source: Section C, pages 30-31

*Other: Alamance, Alexander, Alleghany, Anson, Avery, Brunswick, Buncombe, Burke, Cabarrus, Caldwell, Camden, Catawba, Cherokee, Cleveland, Cumberland, Davidson, Davie, Durham, Forsyth, Gates, Guilford, Haywood, Iredell, Lincoln, Macon, McDowell, Mitchell, Montgomery, New Hanover, Orange, Pasquotank, Polk, Richmond, Robeson, Rowan, Rutherford, Stanly, Stokes, Surry, Transylvania, Wake, Watauga, Wayne, and Wilkes counties in North Carolina as well as other states.

In Section C, page 32, the applicant provides the assumptions and methodology used to project its patient origin. The applicant states projected patient origin is based on its historical patient origin with adjustments for projected shifts in patients. The applicant's assumptions are reasonable and adequately supported based on the following:

- The applicant based its projected patient origin in part on its historical patient origin.
- The applicant adequately explains the reasons it adjusted its historical patient origin as part of projecting future patient origin.

Analysis of Need – In Section C, pages 32-48, the applicant combined its discussion of need for additional acute care beds at AH Pineville with discussion of the Atrium system need for acute care beds and comparisons which are not part of the analysis of whether the application is conforming with Criterion (3). In a competitive review, every application is first evaluated independently, as if there are no other applications in the review, to determine whether the application is conforming to all statutory and regulatory review criteria. Therefore, the discussion in this section focuses only on the need as it relates to AH Pineville in this specific application under review.

In Section C, page 41, Atrium states the need for 126 acute care beds in Mecklenburg County was generated entirely by Atrium facilities. However, anyone may apply to meet the need, not just Atrium. Atrium has the burden of demonstrating the need for the proposed acute care beds in its applications as submitted. In Section C, page 44, the applicant states:

> *"*[Atrium] *acknowledges that a provider that generates the need for additional capacity is not entitled to that need; it must submit an approvable application and demonstrate that it has the most effective alternative for the entire allocation."*

In Section C, pages 48-57, the applicant explains why it believes the population projected to utilize the proposed services needs the proposed services, as summarized below:

- The applicant states AH Pineville's occupancy rate has increased at a 3.2 percent CAGR between CY 2016-CY 2020 normalized.

- The applicant states AH Pineville's acute care bed average annual utilization was above 80 percent during CYs 2016-2018 and above 90 percent for CYs 2019-2020 normalized.

- The applicant states AH Pineville has the highest utilization rate of all Atrium hospitals in Mecklenburg County.

- The applicant states that, because of a lack of capacity, some AH Pineville patients have had to stay in the PACU after surgery due to the lack of an available bed. AH Pineville has been using maternity beds as a temporary PACU, and the applicant states this arrangement is not ideal for keeping non-obstetrics patients segregated from obstetrics patients.

- The applicant states AH Pineville has been increasing its medical staff. The applicant further states that, as a tertiary care facility in South Charlotte, the applicant expects AH Pineville's medical staff to continue to grow due to planned recruitment efforts.

- According to ESRI, the population of the area served by Mecklenburg County facilities – the NC counties in HSA III along with three counties in South Carolina adjacent to the NC border – are projected to grow by an average of 8.6 percent between 2020 and 2025. The applicant further states that Mecklenburg County in NC and York County in SC are two of the fastest-aging counties in NC and SC, which means there is increased support for more acute care beds since older residents typically utilize healthcare services at higher rates than younger residents.

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

- The applicant uses verifiable historical data from AH Pineville to support its belief that it needs additional acute care bed capacity at AH Pineville.

- The applicant identifies circumstances unique to AH Pineville, such as its high utilization rate and challenges in handling surgical patients waiting for acute care beds, that impact the need for additional acute care beds.

- The applicant provides reliable data, makes reasonable statements about the data, and uses reasonable assumptions about the data to demonstrate the projected population growth in the area and the projected growth of the population age 65 and older in the area.

Projected Utilization – On Form C in Section Q, the applicant provides projected utilization, as illustrated in the following table.

AH Pineville Adult Med/Surg Acute Care Bed Projected Utilization			
	FY 1 (CY 2022)	**FY 2 (CY 2023)**	**FY 3 (CY 2024)**
# of Beds	204	204	204
# of Admissions	15,056	15,655	15,321
# of Acute Care Days	60,411	62,813	61,473

In an application filed during the same review period but which is not part of this competitive review (Project I.D. #F-12010-20), the applicant proposed to develop Atrium Health Lake Norman, a new hospital, by relocating the 18 acute care beds approved in Project I.D. #F-11811-19 to the proposed Atrium Health Lake Norman. The Agency issued a decision denying Project I.D. #F-12010-20 on April 12, 2021. Therefore, the discussion in this criterion will not include any analysis related to the development of AH Lake Norman. The table above, from Form C in Section Q, assumes that Project I.D. #F-12010-20 was approved. The Project Analyst recalculated projected utilization below by removing the effect of AH Lake Norman on the projected utilization.

In the Form C Utilization – Assumptions and Methodology subsection of Section Q, the applicant provides the assumptions and methodology used to project utilization, which are summarized below.

- The applicant calculated CY 2020 "normalized" utilization as the starting point of projected utilization. The applicant states it calculated the "normalized" utilization by calculating the historical utilization by month of the year, using year-to-date utilization through September 2020, and using the data and calculations to annualize year-to-date volume. The applicant states it chose this approach rather than averaging the year-to-date utilization by month and multiplying it by 12 months to avoid possible over- or underrepresentation of utilization due to impacts of the pandemic.

- The applicant calculated the CY 2016-2019 4-year CAGR for AH Pineville's total acute care days and uses three-fourths of the calculated 4-year CAGR to project future growth in acute care days at AH Pineville. The applicant states it believes the CY 2020 "normalized" utilization is a more accurate reflection of projected utilization due to the impacts of the pandemic.

- The applicant projected a shift of acute care days to Piedmont Fort Mill Medical Center, a hospital that will be developed in South Carolina, consistent with its projections in previous acute care bed applications. The applicant states that, since previous applications assumed Atrium would be developing the hospital in South Carolina instead of a different entity, it adjusted the previous projections accordingly. The applicant states patients admitted to Piedmont Fort Mill Medical Center through the ED may be more likely to continue their care at Piedmont Fort Mill Medical Center and calculated AH Pineville's CY 2019 ratio of ED admissions to total acute care admissions. The applicant then applied the ratio to the total number of acute care days

it previously projected to shift from AH Pineville to Piedmont Fort Mill Medical Center.

- The applicant projected a shift of acute care days to AH Union, and states it used the assumptions and methodology used in previously approved applications (Project I.D. #s F-11618-18, F-11622-18, and F-11813-19) to determine the number of acute care days projected to shift from AH Pineville to AH Union.

- The applicant calculated total acute care discharges and med/surg acute care discharges at AH Pineville by using its CY 2019 ratio of med/surg acute care days to total acute care days and its CY 2019 ALOS for total acute care days (4.21 days) and for med/surg acute care days (4.01 days).

The table below summarizes the assumptions and methodology used to project acute care bed utilization at AH Pineville.

AH Pineville Total Acute Care Bed Projected Utilization					
	CY 2020*	**CY 2021**	**CY 2022**	**CY 2023**	**CY 2024**
Total Baseline Acute Care Days	74,430	77,864	81,456	85,214	89,146
Shift to Piedmont Fort Mill Medical Center	--	--	--	--	-4,996
Shift to AH Union	--	-806	-1,639	-2,224	-2,829
Projected Total Acute Care Days	74,430	77,058	79,817	82,990	81,321
ADC	204	211	219	227	223
Beds	233	233	278	278	278
Occupancy %	87.5%	90.6%	78.7%	81.8%	80.1%
Total Discharges (based on 4.21 ALOS)	17,679	18,304	18,959	19,713	19,316
Ratio of Med/Surg Occupancy to Total Occupancy	0.757	0.757	0.757	0.757	0.757
Projected Med/Surg Acute Care Days	56,344	58,333	60,421	62,823	61,560
Med/Surg Discharges (based on 4.01 ALOS)	14,051	14,547	15,068	15,667	15,352

Source: Section Q, Form C Assumptions and Methodology as modified by the Project Analyst due to the denial of Project I.D. #F-12010-20.
*CY 2020 "normalized" utilization – based on historical seasonal utilization and year-to-date utilization through September, excluding March, April, and May.

Atrium Health System

The AH System in Mecklenburg County consists of CMC (including AH Mercy), AH Pineville, and AH University City. Pursuant to 10A NCAC 14C .3803(a), an applicant proposing to add new acute care beds to a service area must reasonably project that all acute care beds in the service area under common ownership will have a utilization of at least 75.2 percent when the projected ADC is greater than 200 patients.

In Section Q, the applicant provides the assumptions and methodology used to project acute care bed utilization for all other hospitals in its health system in Mecklenburg County. The assumptions and methodology are summarized below.

Since 2013, Atrium applications involving acute care bed utilization projections have included assumptions and methodology projecting shifts in acute care days between hospitals in both Mecklenburg County and surrounding counties. The applicant states it will project shifts in acute care days between hospitals in Mecklenburg County and in surrounding counties consistent with previously approved applications.

- The applicant calculated CY 2020 "normalized" utilization for each facility as the starting point of projected utilization. The applicant states it calculated the "normalized" utilization by calculating the historical utilization by month of the year, using year-to-date utilization through September 2020, and using the data and calculations to annualize year-to-date volume. The applicant states it chose this approach rather than averaging the year-to-date utilization by month and multiplying it by 12 months to avoid possible over- or underrepresentation of utilization due to impacts of the pandemic.

- Determine historical utilization and projected growth rate by hospital – the applicant calculated the CY 2016-2019 CAGR for each hospital. The applicant projects acute care days at each hospital will grow at either three-fourths of the facility's 4-year CAGR or three-fourths of Atrium Health system-wide 4-year CAGR, based on whether the applicant believes the facility's historical growth is more representative of recent trends or whether the Atrium Health system-wide historical growth is more representative of recent trends. For CMC-Main, the applicant projected a one percent annual growth rate through CY 2024 due to projected capacity constraints.

- Project acute care days through CY 2024 prior to any shifts – the applicant applied the projected growth rate to determine projected utilization at each hospital through CY 2024.

- Project shift of acute care days to Piedmont Fort Mill Medical Center – beginning with applications in 2013, the applicant projected a shift in acute care days to Piedmont Fort Mill Medical Center in South Carolina. The applicant states that, since previous applications assumed Atrium would be developing the hospital in South Carolina instead of a different entity, it adjusted the previous projections accordingly. The applicant states patients admitted to Piedmont Fort Mill Medical Center through the ED may be more likely to continue their care at Piedmont Fort Mill Medical Center, and for each Atrium hospital, it calculated the ratio of CY 2019 acute care days from patients who were admitted through the ED to total acute care days. The applicant then applied the ratio to the total number of acute care days it previously projected to shift from each Atrium hospital to Piedmont Fort Mill Medical Center.

- Project shift of acute care days to AH Union – the applicant states it used the assumptions and methodology from previously approved applications (Project I.D. #s F-11618-18, F-11811-19, and F-11812-19) to determine the number of acute care days projected to shift from Atrium hospitals in Mecklenburg County to AH Union.

- Subtract shifts in acute care days from each Atrium hospital to determine projected utilization of acute care beds through CY 2024 – the applicant subtracted the number of acute care days projected to shift from each of the Atrium hospitals in Mecklenburg County to obtain the projected acute care days at each facility through CY 2024.

The table below summarizes the applicant's assumptions and methodology used to project shifts in acute care days from each Atrium hospital in Mecklenburg County and projected acute care days at each hospital through CY 2024.

Summary of Projected Shifts in Acute Care Days							
	4-year CAGR	Projected Growth %	CY 2020 Normalized*	CY 2021	CY 2022 (FY 1)	CY 2023 (FY 2)	CY 2024 (FY 3)
AH Pineville							
Acute Care Days	6.15%	4.61%	74,430	77,864	81,456	85,214	89,146
Projected Shifts			--	-806	-1,639	-2,224	-7,825
Adjusted Acute Care Days			--	77,058	79,817	82,990	81,321
AH University City							
Acute Care Days	7.40%	2.63%	28,636	29,390	30,164	30,957	31,772
Projected Shifts			--	-39	-79	-107	-193
Adjusted Acute Care Days			--	29,351	30,085	30,850	31,579
Carolinas Medical Center**							
Acute Care Days	2.14%	1.00%	286,103	288,964	291,853	294,772	297,720
Projected Shifts			--	-4,834	-6,824	-8,219	-12,138
Adjusted Acute Care Days			--	284,130	285,029	286,553	285,582
AH Mercy**							
Acute Care Days	6.08%	2.63%	49,159	50,452	51,780	53,143	54,541
Projected Shifts			--	2,463	2,000	1,674	845
Adjusted Acute Care Days			--	52,915	53,780	54,817	55,386

Source: Section Q, Form C Assumptions and Methodology as modified by the Project Analyst due to the denial of Project I.D. #F-12010-20.

*CY 2020 "normalized" utilization – based on historical seasonal utilization and year-to-date utilization through September, excluding March, April, and May.

**Carolinas Medical Center's license includes AH Mercy as a satellite campus. The campuses are displayed separately because the applicant calculated growth rates separately for each campus.

Atrium Health System Summary – The following table illustrates projected utilization for all acute care beds at all Atrium hospitals in Mecklenburg County.

Mecklenburg County - Atrium Projected Total Acute Care Bed Utilization			
	FY 1 (CY 2022)	FY 2 (CY 2023)	FY 3 (CY 2024)
Atrium Health Pineville	79,817	82,990	81,321
Atrium Health University City	30,085	30,850	31,579
Carolinas Medical Center	285,029	286,553	285,582
Atrium Health Mercy	53,780	54,817	55,386
Projected Total Acute Care Bed Days	448,711	455,210	453,868
Average Daily Census (ADC)	1,229	1,247	1,243
Total # of Beds	1,438	1,438	1,467
Occupancy %	85.5%	86.7%	84.8%

Source: Section Q, Form C Assumptions and Methodology as modified by the Project Analyst due to the denial of Project I.D. #F-12010-20.

As shown in the table above, in the third operating year following project completion, the applicant projects the average utilization for all acute care beds owned by the applicant in Mecklenburg County will be 84.8 percent. This meets the performance standard promulgated in 10A NCAC 14C .3803(a), which requires an applicant proposing to add new acute care beds to a service area to reasonably project that all acute care beds in the service area under common ownership will have a utilization of at least 75.2 percent when the projected ADC is greater than 200 patients.

Please note that while the Project Analyst recalculated the projected utilization above to remove the impact of AH Lake Norman on projected utilization, it did not change the projected total acute care bed days for the Atrium system as shown in the table above. Project I.D. #F-12010-20 assumed as part of its projected utilization that all acute care days would shift from existing hospitals in Mecklenburg County; thus, while the number of projected acute care days at each Atrium hospital in Mecklenburg County changed, the projected total number of acute care days for the system as a whole did not change.

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

- The applicant relied on historical utilization to project future utilization.
- The applicant relied on assumptions consistent with previously approved projects to project future utilization.
- The applicant used a lower growth rate than the historical growth rate to project utilization.
- The applicant accounted for projected times of limited capacity in its utilization projections.

Access to Medically Underserved Groups – In Section C, page 62, the applicant states:

"Atrium Health Pineville provides services to all persons in need of medical care, regardless of race, color, religion, national origin, sex, age, disability, or source of payment…

…Patients lacking coverage receive financial counseling to determine eligibility for financial assistance. Patients who do not qualify for financial assistance will be offered an installment payment plan. Patients will receive the appropriate medical screening examination and any necessary stabilizing treatment for emergency medical conditions, regardless of ability to pay."

In Section C, page 63, the applicant provides the estimated percentage for each medically underserved group, as shown in the following table.

Medically Underserved Groups	Percentage of Total Patients
Racial and ethnic minorities	38.0%
Women	46.9%
Persons age 65 and older	61.8%
Medicare beneficiaries	66.1%
Medicaid recipients	6.5%

In Section C, page 63, the applicant states it does not keep data on low income persons and persons with disabilities.

The applicant adequately describes the extent to which all residents of the service area, including underserved groups, are likely to have access to the proposed services based on the following:

- The applicant provides its Patient Non-Discrimination Policy in Exhibit B.10-4, which states it does not exclude or otherwise discriminate against medically underserved groups.

- The applicant provides copies of its financial policies in Exhibit L.4-1.

Conclusion – The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Responses to written 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 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, … persons [with disabilities], and other underserved groups and the elderly to obtain needed health care.

C – Novant Health Steele Creek Medical Center
NA – All Other Applications

Project I.D. #F-11993-20/Novant Health Steele Creek Medical Center/Develop a new hospital w/36 acute care beds & 2 ORs

The applicant proposes to develop NH Steele Creek, a new, separately licensed hospital, with 32 acute care beds and two ORs pursuant to the need determinations in the 2020 SMFP.

In Section D, page 86, the applicant states it plans to relocate one existing CT scanner from NH Presbyterian to the proposed NH Steele Creek. The applicant states NH Presbyterian's license currently has four CT scanners; after relocating one to NH Steele Creek, NH Presbyterian's license will have three CT scanners remaining.

In Section D, page 86, the applicant explains why it believes the needs of the population presently utilizing the services to be relocated, reduced, or eliminated will be adequately met following completion of the project. On page 86, the applicant states:

> *"…the remaining three CT scanners at NH Presbyterian can manage this volume as the HECTs per scanner at NH Presbyterian will be comparable to the 24,375 HECTs per scanner reported on NH Matthews' 2020 LRA. Should NH Presbyterian need additional CT scanning capacity, it can apply* [to the Agency for approval] *for an additional CT scanner if the cost is greater than $750,000 or seek to purchase a CT scanner for less than $750,000 without having to file a CON application."*

This information is reasonable and adequately supported based on the following:

- The applicant has experience at an existing facility with providing a similar number of HECT units per CT scanner.

- The applicant identifies ways it can increase future CT scanner capacity if it becomes necessary.

On Form D in Section Q, the applicant projects utilization for the CT scanners that will remain at NH Presbyterian through the first full fiscal year following project completion, as shown in the table below.

NH Presbyterian CT Scanner Projected Utilization through CY 2026									
	2019	2020	2021	2022	2023	2024	Q1-Q3 2025	Q4 2025	2026
Number of CT Scanners	4	4	4	4	4	4	4	3	3
Number of CT Scans	42,921	43,779	44,655	45,548	46,459	47,388	36,252	12,084	49,302
Number of HECT Units	62,109	63,479	64,749	66,044	67,365	68,712	52,565	17,522	71,488

In Section Q, page 183, the applicant provides the assumptions and methodology used to project utilization, which are summarized below.

- The applicant projected growth in the number of CT scans by projecting FFY 2019 historical scans would grow at an annual growth rate of two percent based on the 2019-2013 Mecklenburg County population CAGR as published in the Proposed 2021 SMFP and converting the FFY scans to CYs.

- The applicant projected the number of HECT units based on the average FFY 2017-2019 NH Presbyterian HECTs per scan, as reported on NH Presbyterian's LRAs, and applying that average to the projected number of CT scans.

Projected utilization is reasonable and adequately supported based on the following:

- The applicant projects the number of CT scans based on publicly available population growth data.

- The applicant projects the number of HECT units per scan based on the applicant's own historical experience.

Access to Medically Underserved Groups – In Section D, page 89, the applicant states:

> *"The relocation of a CT scanner from NH Presbyterian to NH Steele Creek will have no adverse effect on the groups listed above. NH Presbyterian will continue to meet all patient needs. There will be a positive effect of having a new point of service for inpatients and emergency department patients who need CT scans."*

The applicant adequately demonstrates that the needs of medically underserved groups that will continue to use acute care beds, ORs, and other services will be adequately met following completion of the project for the following reasons:

- The applicant identifies ways it can increase future CT scanner capacity if it becomes necessary.

- The applicant states it will continue to meet all patient needs at NH Presbyterian.

Conclusion – The Agency reviewed the:

- Application

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

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

- The applicant adequately demonstrates that the needs of the population currently using the services to be reduced, eliminated, or relocated will be adequately met following project completion for all the reasons described above.

- The applicant adequately demonstrates that the project will not adversely impact the ability of underserved groups to access these services following project completion for all the reasons described above.

Project I.D. #F-12004-20/South Charlotte Surgery Center/Develop a new specialty ASF focusing on vascular & general surgery w/1 OR

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

Project I.D. #F-12006-20/Carolinas Medical Center/Add 119 acute care beds

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

Project I.D. #F-12008-20/Carolinas Medical Center/Add 12 ORs

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

Project I.D. #F-12009-20/Atrium Health Pineville/Add 7 acute care beds

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

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

NC – South Charlotte Surgery Center
C – All Other Applications

Project I.D. #F-11993-20/Novant Health Steele Creek Medical Center/Develop a new hospital w/36 acute care beds & 2 ORs

The applicant proposes to develop NH Steele Creek, a new, separately licensed hospital, with 32 acute care beds and two ORs pursuant to the need determinations in the 2020 SMFP.

In Section E, pages 91-93, the applicant describes the alternatives considered and explains why each alternative is either more costly or less effective than the alternative proposed in this application to meet the need. The alternatives considered were:

- Maintain the Status Quo: the applicant states doing nothing would not improve access to inpatient and outpatient services in southwest Mecklenburg County, would not meet the need for additional acute care beds and ORs in Mecklenburg County, and would not result in what the applicant sees as a necessary change to the competitive balance in Mecklenburg County; therefore, this was not an effective alternative.

- Add Beds/ORs to an Existing NH Hospital: the applicant states that adding beds and ORs to an existing NH hospital would not improve access to inpatient and outpatient services in southwest Mecklenburg County; therefore, this was not an effective alternative.

- Develop a New Hospital at a Different Location: the applicant states that developing a new hospital at a different location would not improve access to inpatient and outpatient services in southwest Mecklenburg County; therefore, this was not an effective alternative.

- Develop a Different Number of Acute Care Beds: the applicant states the proposed number of beds is based on the projected utilization in the third full fiscal year following project completion and constructing fewer beds would be inefficient; therefore, this was not an effective alternative.
- Develop a Different Number of ORs: the applicant states two ORs is the fewest number of ORs with which a community hospital can safely operate and proposing fewer ORs would not be safe; therefore, this was not an effective alternative.

- Not Offering Obstetrics Services Upon Opening or Offering Different Services: the applicant states its historical experience operating community hospitals in Mecklenburg County, including the recent development of NH Mint Hill, demonstrates that the proposed complement of services which includes obstetrics is appropriate for the size of this community hospital; therefore, this was not an effective alternative.

- Relocate Existing Acute Care Beds and ORs from Other NH Hospitals: the applicant states it has recently developed NH Mint Hill by relocating existing beds and ORs and it has been approved to develop NH Ballantyne by relocating existing beds and ORs, all of which came from NH Presbyterian's license. The applicant states at the time of those proposals the patient volume and market share made it appropriate to shift existing resources, but that in recent years its market share has increased, and relocating existing assets from NH Presbyterian is no longer feasible because it will likely have a deficit of acute care beds in the future. The applicant further states relocating existing assets from NH Mint Hill was not appropriate because it is in its second full operating year and patient volume is not yet stable; NH Matthews has a projected deficit of 39 beds in CY 2028; and NH Huntersville has a projected surplus of only four beds in CY

2028 and relocating those beds would not eliminate the need to develop new acute care beds. Therefore, this was not an effective alternative.

On pages 91-93, the applicant states its proposed project is the most effective alternative because it will improve access to inpatient and outpatient services in southwest Mecklenburg County, will meet the need for additional acute care beds and ORs in Mecklenburg County, and would result in what the applicant sees as a necessary change to the competitive balance in Mecklenburg County.

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

- The applicant provides credible information to explain why it believes the proposed project is the most effective alternative.

- The application is conforming to all other statutory and regulatory review criteria.

Conclusion – The Agency reviewed the:

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

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

Project I.D. #F-12004-20/South Charlotte Surgery Center/Develop a new specialty ASF focusing on vascular & general surgery w/1 OR

The applicant proposes to develop SCSC, a new specialty ASF with one OR, to be focused on general and vascular surgery.

In Section E, page 29, the applicant states there are no alternative methods of meeting the need for the proposed project. The applicant states:

> *"…access to OP ASC for the Steele Creek residents are non-existent to these residents* [sic]. *Many of NC ASCs are located east, north, and central to Charlotte. Residents of the* [sic] *Steele Creek would be required to travel to these areas often facing difficult traffic. The closest multi-specialty OR is the Carolina Surgical Center owned by the local hospital, Piedmont Health but only conducts less than 0.12% of Vascular Surgery. Furthermore, none of the ASCs listed below are not* [sic] *single specialty vascular ASF providing similar vascular procedures."*

However, the applicant does not adequately demonstrate that the alternative proposed in this application is the most effective alternative to meet the need based on the following:

- The applicant does not provide credible information to explain why it believes the proposed project is the most effective alternative. The applicant does not discuss any alternatives to this specific proposal despite including information in its application showing that patients needing the services proposed in the application are already receiving those services. Further, the applicant provides no support for its statement that residents of the Steele Creek area often face "difficult traffic" while traveling to receive the proposed services and the applicant does not explain why a certain percentage of vascular surgery performed at a single ASF makes it a less effective alternative.

- The applicant does not demonstrate the need it has to develop the proposed project. The applicant does not adequately identify the patients it proposes to serve, does not demonstrate the need those patients have for the proposed project, and does not demonstrate that projected utilization is based on reasonable and adequately supported assumptions. The discussions regarding patient origin and analysis of need, including projected utilization, found in Criterion (3) are incorporated herein by reference. An applicant that does not demonstrate the need it has to develop the proposed project cannot demonstrate that the proposed project is the most effective alternative to meet the need.

- The applicant does not demonstrate that projected capital and working capital costs are based on reasonable and adequately supported assumptions, that financing is available for the capital and working capital needs of the project, and that the financial feasibility of the proposal is based upon reasonable projections of revenues and operating expenses. The discussions regarding projected capital and working capital costs, availability of funds, and financial feasibility found in Criterion (5) are incorporated herein by reference. An applicant that does not demonstrate the availability of funds or that projections of capital costs, working capital costs, and revenues and operating expenses are based on reasonable and adequately supported assumptions cannot demonstrate that the proposed project is the most effective alternative to meet the need.

- An applicant that does not demonstrate the need to develop the proposed project cannot demonstrate that development of a new specialty ASF with one OR, in addition to the existing and approved ORs in Mecklenburg County, would not be unnecessarily duplicative. The discussion regarding unnecessary duplication found in Criterion (6) is incorporated herein by reference. An applicant that does not demonstrate that the proposed project is not unnecessarily duplicative cannot demonstrate that the proposed project is the most effective alternative to meet the need.

- The applicant did not demonstrate that the cost, design, and means of construction represent the most reasonable alternative for the proposal and did not demonstrate that 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. The discussions regarding the cost, design, and means of construction proposed and undue increases in costs to the applicant or to the public found in Criterion (12) are incorporated herein by reference. Because the application did not demonstrate that the proposed cost, design, and means of construction represent the most reasonable alternative for the proposal and did not demonstrate it would not unduly increase costs to the applicant or to the public, it cannot be the most effective alternative.

- Because the applicant did not demonstrate the need to develop a new specialty ASF with one OR, it cannot demonstrate that any enhanced competition in the service area includes a positive impact on the cost-effectiveness of the proposed services. The discussion regarding the impact of any enhanced competition on the cost-effectiveness of the services proposed found in Criterion (18a) is incorporated herein by reference. A proposed project that does not show a positive impact on the cost-effectiveness of the proposed services as the result of any enhanced competition cannot be the most effective alternative to meet the need.

- The application is not conforming to all statutory and regulatory review criteria. An application that cannot be approved cannot be an effective alternative to meet the need.

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 reasons stated above.

Project I.D. #F-12006-20/Carolinas Medical Center/Add 119 acute care beds

The applicant proposes to add 119 acute care beds to Carolinas Medical Center, an existing hospital with 1,055 acute care beds, for a total of 1,192 acute care beds upon completion of this project and Project I.D. #F-11811-19 (add 18 beds).

In Section E, pages 77-79, the applicant describes the alternatives considered and explains why each alternative is either more costly or less effective than the alternative proposed in this application to meet the need. The alternatives considered were:

- Maintain the Status Quo: the applicant states maintaining the status quo would result in continued delays in treatment for patients, would provide limited options to accommodate future growth, and is not a realistic option for the only quaternary care facility in the region; therefore, this was not an effective alternative.

- Develop the New Beds in Existing Space at CMC: the applicant states there are not enough existing spaces that could easily be converted to acute care bed space without extensive renovations and loss of other space in the process. The applicant further states renovations to upfit existing space for some of the acute care beds would be disruptive to current operations and is not practical, given the development of the patient tower; therefore, this was not an effective alternative.

- Develop a Different Number of Beds: the applicant states that developing fewer acute care beds would not meet the need for additional capacity, and developing more acute care beds would prevent the development of additional acute care bed capacity at AH Pineville; therefore, this was not an effective alternative.

On pages 77-79, the applicant states its proposed project is the most effective alternative because it will improve capacity limitations, is the least disruptive alternative for operations, and developing the 119 acute care beds as part of the new patient tower can be done efficiently and at a reasonable cost.

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

- The applicant provides credible information to explain why it believes the proposed project is the most effective alternative.

- The application is conforming to all other statutory and regulatory review criteria.

Conclusion – The Agency reviewed the:

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

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

Project I.D. #F-12008-20/Carolinas Medical Center/Add 12 ORs

The applicant proposes to add 12 ORs to Carolinas Medical Center, an existing hospital with 62 ORs, for a total of 76 ORs upon completion of this project and Project I.D. #F-11815-19 (add 2 ORs).

In Section E, pages 66-67, the applicant describes the alternatives considered and explains why each alternative is either more costly or less effective than the alternative proposed in this application to meet the need. The alternatives considered were:

- Maintain the Status Quo: the applicant states maintaining the status quo would result in continued delays in treatment for patients, would provide limited options to accommodate future growth, and do nothing to alleviate existing limitations on recruiting additional surgical specialists; therefore, this was not an effective alternative.

- Develop the ORs in Existing Space at CMC: the applicant states that there is not sufficient space to develop all 12 ORs in existing space at CMC, and renovations to upfit existing space for some of the ORs would be disruptive to current operations; therefore, this was not an effective alternative.

- Develop Fewer Than 12 ORs: the applicant states that developing fewer ORs would not meet the need for additional capacity; therefore, this was not an effective alternative.

On pages 66-67, the applicant states its proposed project is the most effective alternative because it will improve capacity limitations, is the least disruptive alternative for operations, and developing the 12 ORs as part of the new patient tower can be done efficiently and at a reasonable cost.

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

- The applicant provides credible information to explain why it believes the proposed project is the most effective alternative.

- The application is conforming to all other statutory and regulatory review criteria.

Conclusion – The Agency reviewed the:

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

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

Project I.D. #F-12009-20/Atrium Health Pineville/Add 7 acute care beds

The applicant proposes to add 7 acute care beds to Atrium Health Pineville, an existing hospital with 233 acute care beds, for a total of 278 acute care beds upon completion of this project, Project ID# F-11622-18 (add 38 beds), and Project ID# F-11813-19 (add 12 beds).

In Section E, pages 73-74, the applicant describes the alternatives considered and explains why each alternative is either more costly or less effective than the alternative proposed in this application to meet the need. The alternatives considered were:

- Maintain the Status Quo: the applicant states maintaining the status quo would result in continued delays in treatment for patients and would provide limited options to accommodate future growth; therefore, this was not an effective alternative.

- Develop a Different Number of Beds: the applicant states that developing fewer acute care beds would not meet the need for additional capacity, and developing more acute care beds would prevent the development of additional acute care bed capacity at CMC-Main; therefore, this was not an effective alternative.

On pages 73-74, the applicant states its proposed project is the most effective alternative because it will improve capacity limitations and can be done in existing space which is a more cost-effective approach.

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

- The applicant provides credible information to explain why it believes the proposed project is the most effective alternative.

- The application is conforming to all other statutory and regulatory review criteria.

Conclusion – The Agency reviewed the:

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

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

NC – South Charlotte Surgery Center
C – All Other Applications

Project I.D. #F-11993-20/Novant Health Steele Creek Medical Center/Develop a new hospital w/36 acute care beds & 2 ORs

The applicant proposes to develop NH Steele Creek, a new, separately licensed hospital, with 32 acute care beds and two ORs pursuant to the need determinations in the 2020 SMFP.

Capital and Working Capital Costs – On Form F.1a in Section Q, the applicant projects the total capital cost of the project as shown in the table below.

Purchase of Land/Site Preparation/Landscaping	$22,493,063
Construction Costs	$91,517,729
Architect/Engineering Fees	$5,231,623
Medical Equipment	$19,028,712
Non-Medical Equipment/Furniture	$5,210,834
Consultant Fees	$100,000
Interest During Construction	$7,962,594
IT/Low voltage communications	$11,482,570
Other (Security, DHSR, Inspections)	$6,238,254
Contingency	$9,321,724
Total	**$178,587,103**

The applicant provides its assumptions and methodology for projecting capital cost in Section Q and Exhibits F-1.1, F-1.2, K-4.1, and K-4.2. The applicant adequately demonstrates that the projected capital cost is based on reasonable and adequately supported assumptions based on the following:

- In Section Q immediately following Form F.1a, the applicant provides information on what costs are included in the calculation of each line item in the projected capital cost.

- In Exhibit F-1.2, the applicant provides an itemized list of equipment it proposes to acquire, and which is included in the projected capital cost.

- In Exhibits K-4.1 and K-4.2, the applicant provides documentation of the cost of the land acquired and the deed for the land and which are consistent with representations made by the applicant in Section Q.

In Section F, pages 97-98, the applicant projects that start-up costs will be $4,699,199 and initial operating expenses will be $6,153,983, for a total working capital cost of $10,853,183. On page 98, the applicant provides the assumptions and methodology used to project the working capital needs of the project. The applicant adequately demonstrates that the projected working capital needs of the project are based on reasonable and adequately supported assumptions based on the following:

- The applicant explains how it calculated the projected start-up costs and what the applicant used as the basis for projecting the start-up costs.

- The applicant explains the assumptions it made in projecting the initial operating expenses and provided an estimated cash flow summary for the first five months of operation to support its projections.

Availability of Funds – In Section F, pages 96-97, the applicant states the entire projected capital expenditure of $178,587,103 will be funded by Novant's accumulated reserves. In Section F, page 99, the applicant states all of the working capital costs will be funded by Novant's accumulated reserves.

In Exhibit F-2.1, the applicant provides a letter dated November 13, 2020 from the Senior Vice President of Operational Finance & Revenue Cycle for Novant, stating that Novant has sufficient accumulated reserves to fund all projected capital and working capital costs and committing to providing that funding to develop the proposed project.

Exhibit F-2.2 contains a copy of the audited Annual Financial Report for Novant Health, Inc. and Affiliates for the years ending December 31, 2019 and 2018. According to the audited Annual Financial Report, as of December 31, 2019, Novant had adequate cash and assets to fund all the capital needs and all the working capital needs of the proposed project.

The applicant adequately demonstrates the availability of sufficient funds for the capital and working capital needs of the project based on the following:

- The applicant provides a letter from the appropriate Novant official confirming the availability of the funding proposed for the capital and working capital needs of the project and the commitment to use those funds to develop the proposed project.

- The applicant provides adequate documentation of the accumulated reserves it proposes to use to fund the capital and working capital needs of the project.

Financial Feasibility – The applicant provided pro forma financial statements for the first three full fiscal years of operation following project completion. In Form F.2, the applicant projects operating expenses will exceed revenues in the first two full fiscal years following project completion, but revenues will exceed operating expenses in the third full fiscal year following project completion, as shown in the table below.

NH Steele Creek Revenues and Operating Expenses – Entire Facility			
	1st Full FY CY 2026	2nd Full FY CY 2027	3rd Full FY CY 2028
Total Gross Revenues (Charges)	$183,265,623	$239,929,012	$306,102,256
Total Net Revenue	$47,259,535	$61,882,099	$78,945,427
Total Operating Expenses (Costs)	$55,022,761	$63,432,695	$73,173,623
Net Income/(Losses)	**($7,763,225)**	**($1,550,596)**	**$5,771,804**

The applicant also provided pro forma financial statements for the first three full fiscal years of operation by line of service. The tables below summarize the projections from Form F.2 for inpatient services, outpatient surgery services, and non-surgical outpatient services.

NH Steele Creek Revenues and Operating Expenses – Inpatient Services*			
	1st Full FY CY 2026	2nd Full FY CY 2027	3rd Full FY CY 2028
Total Gross Revenues (Charges)	$50,467,639	$66,020,069	$84,248,064
Total Net Revenue	$12,816,873	$16,766,602	$21,395,824
Total Operating Expenses (Costs)	$28,203,895	$33,161,943	$38,946,801
Net Income/(Losses)	**($15,387,022)**	**($16,395,341)**	**($17,550,977)**

*Includes nursing units, surgery revenue, ED services and imaging provided to an admitted patient revenue; all services to obstetrics patients and newborn revenue; all ancillary services revenue due to inpatient admission. (**Source:** Section Q, page 192)

NH Steele Creek Revenues and Operating Expenses – Outpatient Surgical Services*			
	1st Full FY CY 2026	2nd Full FY CY 2027	3rd Full FY CY 2028
Total Gross Revenues (Charges)	$22,970,057	$30,235,744	$38,513,140
Total Net Revenue	$7,214,952	$9,497,122	$12,097,073
Total Operating Expenses (Costs)	$7,615,847	$8,686,663	$9,874,086
Net Income/(Losses)	**($400,895)**	**$810,459**	**$2,222,987**

*Includes all revenue associated with an outpatient surgery patient, including observation, ED, and imaging services revenue; all ancillary services revenue due to outpatient surgery. (**Source:** Section Q, page 192)

NH Steele Creek Revenues and Operating Expenses – Non-Surgical Outpatient Services*			
	1st Full FY CY 2026	2nd Full FY CY 2027	3rd Full FY CY 2028
Total Gross Revenues (Charges)	$109,827,926	$143,673,199	$183,341,051
Total Net Revenue	$27,227,710	$35,618,375	$45,452,529
Total Operating Expenses (Costs)	$19,203,018	$21,584,088	$24,352,735
Net Income/(Losses)	**$8,024,692**	**$14,034,286**	**$21,099,794**

*Includes ED services, observation, outpatient imaging, outpatient nuclear medicine, and any other outpatient services revenue not previously accounted for; all ancillary services revenue due to non-surgical outpatient services. (**Source:** Section Q, page 192)

The assumptions used by the applicant in preparation of the pro forma financial statements are provided immediately following Forms F.2 and F.3 in Section Q. The applicant adequately demonstrates that the financial feasibility of the proposal is reasonable and adequately supported based on the following:

- The applicant clearly details the sources of information it uses to make its projections.
- The applicant based its projections on the historical experience of its other facilities.

- The applicant adjusted the historical experience of other facilities to account for the differences in the current proposal.

- The applicant relies on credible external data sources in making its projections.

- Projected utilization is based on reasonable and adequately supported assumptions. See the discussion regarding projected utilization in Criterion (3) which is incorporated herein by reference.

Conclusion – The Agency reviewed the:

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

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

- The applicant adequately demonstrates that the capital and working capital costs are based on reasonable and adequately supported assumptions for all the reasons described above.

- The applicant adequately demonstrates availability of sufficient funds for the capital and working capital needs of the proposal for all the reasons described above.

- 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 revenues and operating expenses for all the reasons described above.

Project I.D. #F-12004-20/South Charlotte Surgery Center/Develop a new specialty ASF focusing on vascular & general surgery w/1 OR

The applicant proposes to develop SCSC, a new specialty ASF with one OR, to be focused on general and vascular surgery.

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.

Construction/Renovation Contracts	$510,000
Medical Equipment	$100,000
Non-Medical Equipment	$137,500
Financing Costs/Interest	$63,500
Architect/Engineering Fees	$90,636
Consultant Fees	$52,000
Marketing/Advertising	$2,000
Total	**$955,636**

In Section Q, the applicant provides the assumptions used to project the capital cost. However, the applicant does not adequately demonstrate that the projected capital cost is based on reasonable and adequately supported assumptions based on the following:

- Exhibit F.2b contains a commitment letter from TowneBank which includes a Development Cost Analysis. According to the letter from TowneBank, the medical office building will be 20,505 square feet. According to the applicant, the ASF portion of the facility will be 4,250 square feet, as noted on Form F.1a.

- On Form F.1a in Section Q, the applicant states that the amount of the Architect/Engineering Fees *"*[r]*epresents a pro-rata allocation of 50% of the total budget to the ASC Project*[.]*"* According to the Development Cost Analysis in Exhibit F.2b, the cost of the Architect/Engineering Fees for development of the 20,505 square foot building will be $267,711. The amount projected by the applicant is $90,636 – approximately 33.9 percent of the amount shown in the Development Cost Analysis. The applicant provides no information in the application as submitted to explain how it calculated the "pro-rata allocation of 50 percent of the total ASF budget" that appears to be different from the documentation provided by the applicant.

- On Form F.1a in Section Q, the applicant states it calculated the cost of the Construction/Renovation Contracts by multiplying the cost to develop each square foot of the building by the total square footage of the proposed ASF. The applicant states the building cost will be $120 per square foot and the ASF will be 4,250 square feet. According to the Development Cost Analysis in Exhibit F.2b, the "Building Cost Shell" for the 20,505 square foot medical office building is $4,518,415 – which is approximately $220 per square foot. The applicant provides no information in the application as submitted to explain how it calculated the building cost at $120 per square foot when the documentation provided by the applicant appears to show construction costs to be $220 per square foot.

In Section F, page 31, the applicant projects that start-up costs will be $216,450 and initial operating expenses will be $227,593 for a total working capital of $444,043. In Exhibit F.3d, the applicant provides the assumptions and methodology used to project the working capital needs of the project. However, the applicant does not adequately demonstrate that the projected working capital needs of the project are based on reasonable and adequately supported assumptions based on the following:

- In Section F, page 31, the applicant states the estimated start-up period is three months and the estimated initial operating period is six months. In Section F, page 32, the applicant states the assumptions for the working capital costs can be found in Exhibit F.3d.

- Exhibit F.3d has detailed assumptions for the start-up costs but no assumptions for the initial operating expenses other than the projected cost of the initial operating expenses.

- The applicant projects an interim period of six months of operation prior to the start of the first full fiscal year (July – December 2022). On Form F.3 in Section Q, the applicant projects the total expenses for the interim period of July – December 2022 will be $363,721.

- In Exhibit F.4a, the applicant provides the assumptions used for Forms F.2 and F.3. The assumptions in Exhibit F.4a project the total fixed expenses as $331,385 and the total expenses as $375,460 for the interim period of July – December 2022.

- The applicant does not explain in the application as submitted how it projected the initial operating expenses, the expenses for the first six months of operation are at least $100,000 more than the applicant projects for its initial operating expenses, and provides no other information in the application as submitted that supports the projection of $227,593 in initial operating expenses.

Availability of Funds – In Section F, pages 30-31, the applicant states the capital cost will be funded with a loan. In Section F, pages 32-33, the applicant states SCGVS would commit the necessary funds for the working capital costs, and states the land owned by Dr. James Antezana (where the project will be developed) can be leveraged for an equity loan in excess of $1 million.

Exhibit F.2b contains a commitment letter dated December 11, 2019 from TowneBank, outlining terms of a possible loan of up to $6,979,000 to develop the medical office building, including the proposed project.

However, the applicant does not adequately demonstrate availability of sufficient funds for the capital and working capital needs of the project based on the following:

- The commitment letter from TowneBank has a Commitment Expiration clause, which states:

  > *"This commitment will expire, if not accepted in writing, by December 23, 2019. After acceptance, this commitment shall be voidable at the Bank's option if the loan does not close on or before February 6, 2020."*

  The commitment letter from TowneBank appears to be signed by Dr. James Antezana, but the signature date is blank. Further, even assuming the commitment was accepted in writing, the applicant provides no information in the application as submitted to suggest that TowneBank would still be willing to proceed with the loan, more than a year after the bank acquired the option to void the commitment on its own terms.

- The applicant provides no documentation about the availability of any funding for working capital costs from SCGVS and provides no information to document the value of the land owned or its availability to be leveraged for an equity loan of any amount.

Financial Feasibility – The applicant provides pro forma financial statements for the first three full fiscal years of operation following completion of the project. On Form F.2 in Section Q, the applicant projects that revenues will exceed operating expenses during the first three full fiscal years following project completion, as shown in the table below.

SCSC Revenues & Operating Expenses – FYs 1-3 (CYs 2023-2025)			
	FY 1 (CY 2023)	FY 2 (CY 2024)	FY 3 (CY 2025)
Total Surgical Cases	530	541	552
Total Gross Revenues (Charges)	$11,438,810	$11,784,262	$12,140,146
Total Net Revenue	$2,719,254	$2,773,639	$2,829,112
Average Net Revenue per Surgical Case	$5,131	$5,127	$5,125
Total Operating Expenses (Costs)*	$766,425	$782,363	$808,682
Average Operating Expense per Surgical Case	$1,446	$1,446	$1,465
Net Income	$1,952,829	$1,991,276	$2,020,430

***Note:** The Total Expenses on Form F.3, as carried over to Form F.2, are different than the Total Expenses in the assumptions and methodology found in Exhibit F.4a. The difference is due to Form F.2 asking the applicant to list Bad Debt in a separate category from Expenses on Form F.2, and Bad Debt is included in the Total Expenses assumptions in Exhibit F.4a.

The assumptions used by the applicant in preparation of the pro forma financial statements are provided in Exhibit F.4a. However, the applicant does not adequately demonstrate that the financial feasibility of the proposal is reasonable and adequately supported because projected utilization is not based on reasonable and adequately supported assumptions. The discussion regarding projected utilization in Criterion (3) is incorporated herein by reference. Therefore, projected revenues and operating expenses, which are based in part on projected utilization, are also questionable.

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:

- The applicant does not adequately demonstrate that the capital and working capital costs are based on reasonable and adequately supported assumptions for all the reasons described above.

- The applicant does not adequately demonstrate availability of sufficient funds for the capital and working capital needs of the proposal for all the reasons described above.

- The applicant does not adequately demonstrate that the financial feasibility of the proposal is based upon reasonable projections of revenues and operating expenses for all the reasons described above.

Project I.D. #F-12006-20/Carolinas Medical Center/Add 119 acute care beds

The applicant proposes to add 119 acute care beds to Carolinas Medical Center, an existing hospital with 1,055 acute care beds, for a total of 1,192 acute care beds upon completion of this project and Project I.D. #F-11811-19 (add 18 beds).

Capital and Working Capital Costs – On Form F.1a in Section Q, the applicant projects the total capital cost of the project as shown in the table below.

Site Preparation/Landscaping	$1,469,443
Construction Costs	$56,542,722
Architect/Engineering Fees	$7,917,107
Medical Equipment	$12,654,754
Non-Medical Equipment/Furniture	$1,938,755
Consultant Fees	$200,000
Financing Costs	$440,584
Interest During Construction	$8,883,740
Other (Security, Info Systems, Internal allocation)	$14,850,034
Total	**$104,897,139**

The applicant provides its assumptions and methodology for projecting capital cost in Section Q. The applicant adequately demonstrates that the projected capital cost is based on reasonable and adequately supported assumptions based on the following:

- In Section Q immediately following Form F.1a, the applicant provides assumptions about costs included in the calculation of each line item in the projected capital cost.

- The applicant states much of the projections are based on Atrium's history or the project architect's history in developing similar projects.

In Section F, page 82, the applicant states that there are no projected start-up expenses or initial operating expenses because the project does not involve a new service. This information is reasonable and adequately supported because CMC-Main is an existing hospital and will continue to operate during and after development of the proposed project.

Availability of Funds – In Section F, pages 80-81, the applicant states the entire projected capital expenditure of $104,897,139 will be funded with Atrium's accumulated reserves.

In Exhibit F.2-1, the applicant provides a letter dated November 16, 2020 from the Executive Vice President and Chief Financial Officer for Atrium, stating that Atrium has

sufficient accumulated reserves to fund the projected capital cost and committing to providing that funding to develop the proposed project.

Exhibit F.2-2 contains a copy of Atrium's Basic Financial Statements and Other Financial Information for the year ending December 31, 2019. According to the Basic Financial Statements, as of December 31, 2019, Atrium had adequate cash and assets to fund all the capital needs of the proposed project.

The applicant adequately demonstrates the availability of sufficient funds for the capital needs of the project based on the following:

- The applicant provides a letter from the appropriate Atrium official confirming the availability of the funding proposed for the capital needs of the project and the commitment to use those funds to develop the proposed project.

- The applicant provides adequate documentation of the accumulated reserves it proposes to use to fund the capital needs of the project.

Financial Feasibility – The applicant provided pro forma financial statements for the first three full fiscal years of operation following project completion. In Form F.2, the applicant projects revenues will exceed operating expenses in each of the first three full fiscal years following project completion, as shown in the table below.

Revenues and Operating Expenses – CMC-Main Adult General Med/Surg Beds			
	1st Full FY CY 2028	2nd Full FY CY 2029	3rd Full FY CY 2030
Total Discharges	25,781	26,187	26,599
Total Gross Revenues (Charges)	$446,467,001	$467,101,914	$488,686,378
Total Net Revenue	$121,025,523	$126,619,108	$132,470,092
Total Net Revenue per Discharge	$4,694	$4,835	$4,980
Total Operating Expenses (Costs)	$115,107,840	$119,563,476	$124,222,997
Total Operating Expenses per Discharge	$4,465	$4,566	$4,670
Net Income/(Losses)	**$5,917,683**	**$7,055,632**	**$8,247,094**

The assumptions used by the applicant in preparation of the pro forma financial statements are provided immediately following Forms F.2 and F.3 in Section Q. The applicant adequately demonstrates that the financial feasibility of the proposal is reasonable and adequately supported based on the following:

- The applicant clearly details the sources of data used to project revenues and expenses.

- The applicant based its projections on its own historical experience.

- Projected utilization is based on reasonable and adequately supported assumptions. See the discussion regarding projected utilization in Criterion (3) which is incorporated herein by reference.

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 adequately demonstrates that the capital cost is based on reasonable and adequately supported assumptions for all the reasons described above.

- The applicant adequately demonstrates availability of sufficient funds for the capital needs of the proposal for all the reasons described above.

- 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 revenues and operating expenses for all the reasons described above.

Project I.D. #F-12008-20/Carolinas Medical Center/Add 12 ORs

The applicant proposes to add 12 ORs to Carolinas Medical Center, an existing hospital with 62 ORs, for a total of 76 ORs upon completion of this project and Project I.D. #F-11815-19 (add 2 ORs).

Capital and Working Capital Costs – On Form F.1a in Section Q, the applicant projects the total capital cost of the project as shown in the table below.

Site Preparation/Landscaping	$282,393
Construction Costs	$11,596,139
Architect/Engineering Fees	$1,564,854
Medical Equipment	$15,146,120
Non-Medical Equipment/Furniture	$294,116
Consultant Fees	$200,000
Financing Costs	$153,618
Interest During Construction	$2,167,025
Other (Security, Info Systems, Internal allocation)	$4,239,674
Total	**$35,643,939**

The applicant provides its assumptions and methodology for projecting capital cost in Section Q. The applicant adequately demonstrates that the projected capital cost is based on reasonable and adequately supported assumptions based on the following:

- In Section Q immediately following Form F.1a, the applicant provides assumptions about costs included in the calculation of each line item in the projected capital cost.

- The applicant states much of the projections are based on Atrium's history or the project architect's history in developing similar projects.

In Section F, page 70, the applicant states that there are no projected start-up expenses or initial operating expenses because the project does not involve a new service. This information is reasonable and adequately supported because CMC-Main is an existing hospital and will continue to operate during and after development of the proposed project.

Availability of Funds – In Section F, pages 68-69, the applicant states the entire projected capital expenditure of $35,643,939 will be funded with Atrium's accumulated reserves.

In Exhibit F.2-1, the applicant provides a letter dated November 16, 2020 from the Executive Vice President and Chief Financial Officer for Atrium, stating that Atrium has sufficient accumulated reserves to fund the projected capital cost and committing to providing that funding to develop the proposed project.

Exhibit F.2-2 contains a copy of Atrium's Basic Financial Statements and Other Financial Information for the year ending December 31, 2019. According to the Basic Financial Statements, as of December 31, 2019, Atrium had adequate cash and assets to fund all the capital needs of the proposed project.

The applicant adequately demonstrates the availability of sufficient funds for the capital needs of the project based on the following:

- The applicant provides a letter from the appropriate Atrium official confirming the availability of the funding proposed for the capital needs of the project and the commitment to use those funds to develop the proposed project.

- The applicant provides adequate documentation of the accumulated reserves it proposes to use to fund the capital needs of the project.

Financial Feasibility – The applicant provided pro forma financial statements for the first three full fiscal years of operation following project completion. In Form F.2, the applicant projects revenues will exceed operating expenses in each of the first three full fiscal years following project completion, as shown in the table below.

Revenues and Operating Expenses – CMC-Main Surgical Services			
	1st Full FY CY 2028	2nd Full FY CY 2029	3rd Full FY CY 2030
Total Surgical Cases	35,573	37,632	39,704
Total Gross Revenues (Charges)	$2,384,348,010	$2,598,027,914	$2,823,273,366
Total Net Revenue	$702,696,200	$765,670,252	$832,052,812
Total Net Revenue per Surgical Case	$19,754	$20,346	$20,956
Total Operating Expenses (Costs)	$316,291,107	$343,036,274	$371,326,920
Total Operating Expenses per Surgical Case	$8,891	$9,116	$9,352
Net Income/(Losses)	**$386,405,093**	**$422,633,978**	**$460,725,892**

The assumptions used by the applicant in preparation of the pro forma financial statements are provided immediately following Forms F.2 and F.3 in Section Q. The applicant adequately demonstrates that the financial feasibility of the proposal is reasonable and adequately supported based on the following:

- The applicant clearly details the sources of data used to project revenues and expenses.

- The applicant based its projections on its own historical experience.

- Projected utilization is based on reasonable and adequately supported assumptions. See the discussion regarding projected utilization in Criterion (3) which is incorporated herein by reference.

- To the extent that the specific utilization projections used in making the financial projections may be questionable, the applicant demonstrates it has more than adequate assets to absorb any potential losses that might occur if the adjusted projected utilization was used. See the discussion regarding projected utilization in Criterion (3) which is incorporated herein by reference.

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 adequately demonstrates that the capital cost is based on reasonable and adequately supported assumptions for all the reasons described above.

- The applicant adequately demonstrates availability of sufficient funds for the capital needs of the proposal for all the reasons described above.

- 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 revenues and operating expenses for all the reasons described above.

Project I.D. #F-12009-20/Atrium Health Pineville/Add 7 acute care beds

The applicant proposes to add 7 acute care beds to Atrium Health Pineville, an existing hospital with 233 acute care beds, for a total of 278 acute care beds upon completion of this project, Project ID# F-11622-18 (add 38 beds), and Project ID# F-11813-19 (add 12 beds).

Capital and Working Capital Costs – On Form F.1a in Section Q, the applicant projects the total capital cost of the project as shown in the table below.

Construction Costs	$75,000
Architect/Engineering Fees	$50,000
Medical Equipment	$105,000
Furniture	$35,000
Consultant Fees	$100,000
Other (Security, Info Systems, Internal allocation)	$90,000
Total	**$455,000**

The applicant provides its assumptions and methodology for projecting capital cost in Section Q. The applicant adequately demonstrates that the projected capital cost is based on reasonable and adequately supported assumptions based on the following:

- In Section Q immediately following Form F.1a, the applicant provides assumptions about costs included in the calculation of each line item in the projected capital cost.

- The applicant states much of the projections are based on Atrium's history or the project architect's history in developing similar projects.

In Section F, page 77, the applicant states that there are no projected start-up expenses or initial operating expenses because the project does not involve a new service. This information is reasonable and adequately supported because AH Pineville is an existing hospital and will continue to operate during and after development of the proposed project.

Availability of Funds – In Section F, pages 75-76, the applicant states the entire projected capital expenditure of $455,000 will be funded with Atrium's accumulated reserves.

In Exhibit F.2-1, the applicant provides a letter dated November 16, 2020 from the Executive Vice President and Chief Financial Officer for Atrium, stating that Atrium has sufficient accumulated reserves to fund the projected capital cost and committing to providing that funding to develop the proposed project.

Exhibit F.2-2 contains a copy of Atrium's Basic Financial Statements and Other Financial Information for the year ending December 31, 2019. According to the Basic Financial Statements, as of December 31, 2019, Atrium had adequate cash and assets to fund all the capital needs of the proposed project.

The applicant adequately demonstrates the availability of sufficient funds for the capital needs of the project based on the following:

- The applicant provides a letter from the appropriate Atrium official confirming the availability of the funding proposed for the capital needs of the project and the commitment to use those funds to develop the proposed project.

- The applicant provides adequate documentation of the accumulated reserves it proposes to use to fund the capital needs of the project.

Financial Feasibility – The applicant provided pro forma financial statements for the first three full fiscal years of operation following project completion. In Form F.2, the applicant projects revenues will exceed operating expenses in each of the first three full fiscal years following project completion, as shown in the table below.

Revenues and Operating Expenses – AH Pineville Med/Surg Beds			
	1st Full FY CY 2022	2nd Full FY CY 2023	3rd Full FY CY 2024
Total Discharges	15,056	15,655	15,321
Total Gross Revenues (Charges)	$201,687,577	$215,996,860	$217,729,737
Total Net Revenue	$50,018,995	$53,567,731	$53,997,488
Total Net Revenue per Discharge	$3,322	$3,422	$3,524
Total Operating Expenses (Costs)	$40,883,081	$43,483,737	$43,760,495
Total Operating Expenses per Discharge	$2,715	$2,778	$2,856
Net Income/(Losses)	**$9,135,914**	**$10,083,994**	**$10,236,993**

The assumptions used by the applicant in preparation of the pro forma financial statements are provided immediately following Forms F.2 and F.3 in Section Q. The applicant adequately demonstrates that the financial feasibility of the proposal is reasonable and adequately supported based on the following:

- The applicant clearly details the sources of data used to project revenues and expenses.
- The applicant based its projections on its own historical experience.
- Projected utilization is based on reasonable and adequately supported assumptions. See the discussion regarding projected utilization in Criterion (3) which is incorporated herein by reference.

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 adequately demonstrates that the capital cost is based on reasonable and adequately supported assumptions for all the reasons described above.
- The applicant adequately demonstrates availability of sufficient funds for the capital needs of the proposal for all the reasons described above.
- 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 revenues and operating expenses for all the reasons described above.

(6) The applicant shall demonstrate that the proposed project will not result in unnecessary duplication of existing or approved health service capabilities or facilities.

NC – South Charlotte Surgery Center
C – All Other Applications

The 2020 SMFP includes need determinations for 126 acute care beds and 12 ORs in the Mecklenburg County service area.

Acute Care Beds – On page 33, the 2020 SMFP defines the service area for acute care beds as *"the service area in which the bed is located. The acute care bed service areas are the single and multicounty groupings shown in Figure 5.1."* Figure 5.1, on page 38, shows Mecklenburg County as its own acute care bed planning area. Thus, the service area for this facility is Mecklenburg County. Facilities may also serve residents of counties not included in their service area.

As of the date of this decision, there are 2,334 existing and approved acute care beds, allocated between eight existing and approved hospitals owned by two providers (Atrium and Novant) in the Mecklenburg County Service Area, as illustrated in the following table.

Mecklenburg County Acute Care Hospital Campuses	
Facility	**Existing/Approved Beds**
AH Pineville	233 (+38)
AH University City	100 (+16)
CMC-Main*	1,055 (+18)
Atrium Total	**1,460**
NH Ballantyne Medical Center	0 (+36)
NH Huntersville Medical Center	139 (+12)
NH Health Matthews Medical Center	154
NH Health Presbyterian Medical Center	519 (-22)
NH Mint Hill Medical Center	36
Novant Total	**874**
Mecklenburg County Total	**2,334**

Source: Table 5A, 2021 SMFP; applications under review; 2021 LRAs; Agency records.
Note: Numbers in parentheses reflect approved changes in bed inventory which have not yet been developed.
*Includes the AH Mercy campus licensed as part of CMC.

In the 2019 Mecklenburg County Acute Care Bed Review, Project I.D. #F-11808-19 approved NH Matthews to add 20 acute care beds; however, as of the date of this review, that decision is under appeal and the 20 acute care beds awarded to NH Matthews are not included in the table above since no certificate of need has been issued.

Operating Rooms – On page 51, the 2020 SMFP defines the service area for ORs as *"…the service area in which the* [operating] *room is located. The operating room service areas are the single or multicounty groupings as shown in Figure 6.1."* Figure 6.1, on page 57, shows Mecklenburg County as its own OR planning area. Thus, the service area for

this facility is Mecklenburg County. Facilities may also serve residents of counties not included in their service area.

Not including dedicated C-Section ORs and trauma ORs, there are 165 existing and approved ORs in Mecklenburg County, allocated between 18 existing and approved facilities, as shown in the table below.

Mecklenburg County OR Inventory						
Facility	**IP ORs**	**OP ORs**	**Shared ORs**	**Excluded C-Section and Trauma ORs**	**CON Adjustments**	**Total ORs**
AH Huntersville Surgery Center	0	0	0	0	1	1
AH Pineville	3	0	10	-2	2	13
AH University City	1	1	7	-1	-1	7
CCSS	0	3	0	0	0	3
CMC	9	11	42	-5	2	59
Atrium Health System Total	**13**	**15**	**59**	**-8**	**4**	**83**
Charlotte Surgery Center – Museum	0	6	0	0	0	6
Charlotte Surgery Center – Wendover	0	6	0	0	0	6
Charlotte Surgery Center System Total	**0**	**12**	**0**	**0**	**0**	**12**
Matthews Surgery Center	0	2	0	0	0	2
NH Ballantyne*	0	0	0	0	2	2
NH Ballantyne OPS*	0	2	0	0	-2	0
NH Huntersville	2	0	6	-2	1	7
NH Huntersville OPS	0	2	0	0	0	2
NH Mint Hill	1	0	3	-1	0	3
NH Matthews	2	0	6	-2	0	6
NH Presbyterian	6	6	28	-3	0	37
SouthPark Surgery Center	0	6	0	0	0	6
Novant Health System Total	**11**	**18**	**43**	**-8**	**1**	**65**
Carolinas Ctr for Ambulatory Dentistry**	0	2	0	0	0	2
Mallard Creek Surgery Center**	0	2	0	0	0	2
Metrolina Vascular Access Care	0	0	0	0	1	1
Total	**24**	**49**	**102**	**-16**	**6**	**165**

Sources: Table 6A, 2020 SMFP; 2021 LRAs; Agency records

*NH Ballantyne, an approved hospital under development, will have 2 ORs that will be relocated from NH Ballantyne OPS, which will close once the ORs are relocated to NH Ballantyne.

**These facilities are part of demonstration projects and the ORs are not included in the SMFP need determination calculations.

In the 2019 Mecklenburg County OR Review, Project I.D. #F-11807-19 approved NH Matthews to add one additional OR; however, as of the date of this review, that decision is under appeal and the OR awarded to NH Matthews is not included in the table above since no certificate of need has been issued.

Project I.D. #F-11993-20/Novant Health Steele Creek Medical Center/Develop a new hospital w/36 acute care beds & 2 ORs

The applicant proposes to develop NH Steele Creek, a new, separately licensed hospital, with 32 acute care beds and two ORs pursuant to the need determinations in the 2020 SMFP.

In Section G, pages 103-109, the applicant explains why it believes its proposal would not result in the unnecessary duplication of existing or approved acute care bed, OR, ED services, and other services in Mecklenburg County. On page 103, the applicant states:

> *"The 2020 SMFP shows a need for 126 acute care beds and 12 operating rooms in Mecklenburg County. Therefore, the county-level acute care beds and operating rooms requested in this application are part of the needed assets…*
>
> *NH Steele Creek will not unnecessarily duplicate existing and approved facilities. Some duplication of capacity is a necessary prerequisite for competition and for physician and patient choice. Projected population growth in the service area will increase total demand for services."*

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

- There is a need determination in the 2020 SMFP for the proposed acute care beds and ORs.
- The applicant provides information to document the basis for the assumptions it makes about duplication of services.
- The applicant adequately demonstrates that the proposed acute care beds and ORs are needed in addition to the existing and approved acute care beds and ORs.

Conclusion – The Agency reviewed the:

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

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

Project I.D. #F-12004-20/South Charlotte Surgery Center/Develop a new specialty ASF focusing on vascular & general surgery w/1 OR

The applicant proposes to develop SCSC, a new specialty ASF with one OR, to be focused on general and vascular surgery.

In Section G, pages 35-36, the applicant explains why it believes its proposal would not result in the unnecessary duplication of existing or approved OR services in Mecklenburg County. On page 35, the applicant states:

> *"The single specialty ASC proposed by the applicant would be unique compared to the other ASCs in the service area. Metrolina Vascular Access Care…specializ*[es] *in interventional vascular nephrology for dialysis access. SCSC, on the other hand, would provide interventional vascular surgery for the veins, arteries, and heart. There are no other single specialty vascular surgery ASCs in the Charlotte area that provides* [sic] *these types of procedures. Furthermore, as discussed in the overview, the new location in the Steele Creek area of Charlotte provides improved access to the residents of the South west* [sic] *side of Charlotte and York County residents for whom* [sic] *a majority of SCGVS patients reside."*

However, 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 based on the following analysis:

- The applicant does not demonstrate the need it has to develop the proposed project. The applicant does not adequately identify the patients it proposes to serve, does not demonstrate the need those patients have for the proposed project, and does not demonstrate that projected utilization is based on reasonable and adequately supported assumptions. The discussions regarding patient origin and analysis of need, including projected utilization, found in Criterion (3) are incorporated herein by reference.

- Because the applicant does not demonstrate the need it has to develop the proposed project, it cannot demonstrate that the proposed specialty ASF with one OR is needed in addition to the existing and approved ORs in Mecklenburg County.

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 based on the reasons stated above.

Project I.D. #F-12006-20/Carolinas Medical Center/Add 119 acute care beds

The applicant proposes to add 119 acute care beds to Carolinas Medical Center, an existing hospital with 1,055 acute care beds, for a total of 1,192 acute care beds upon completion of this project and Project I.D. #F-11811-19 (add 18 beds).

In Section G, page 87, the applicant explains why it believes its proposal would not result in the unnecessary duplication of existing or approved OR services in Mecklenburg County. On page 87, the applicant states:

> *"The 2020 SMFP includes a need determination for 126 additional acute care beds in Mecklenburg County. In particular, Table 5A identifies the total system-wide need for* [Atrium] *as 202 acute care beds. Thus, even with the approval of the two complementary applications, facilities in Mecklenburg County, specifically* [Atrium] *facilities, are expected to continue to have a deficit of acute care beds. …, CMC's acute care bed utilization is projected to continue increasing and will necessitate the proposed 119 additional acute care beds to meet the needs of its patients. As the only hospital in the region that provides quaternary level care, no other provider can meet the needs of CMC's patients."*

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

- There is a need determination in the 2020 SMFP for the proposed acute care beds.

- The applicant provides information to document the basis for the assumptions it makes about duplication of services.

- The applicant adequately demonstrates that the proposed acute care beds are needed in addition to the existing and approved acute care beds.

Conclusion – The Agency reviewed the:

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

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

Project I.D. #F-12008-20/Carolinas Medical Center/Add 12 ORs

The applicant proposes to add 12 ORs to Carolinas Medical Center, an existing hospital with 62 ORs, for a total of 76 ORs upon completion of this project and Project I.D. #F-11815-19 (add 2 ORs).

In Section G, page 75, the applicant explains why it believes its proposal would not result in the unnecessary duplication of existing or approved OR services in Mecklenburg County. On page 75, the applicant states:

> *"The 2020 SMFP includes a need determination for 12 additional operating rooms in Mecklenburg County. In particular, Table 6B identifies the total system-wide*

> *need for* [Atrium] *as 16.16 operating rooms, which is capped at a total county-wide need of 12 additional operating rooms. Thus, even with the approval of the proposed project, facilities in Mecklenburg County, specifically* [Atrium] *facilities, are expected to continue to have a deficit of operating rooms. …, CMC performs more surgical cases than any other facility in Mecklenburg County and has a need for additional operating room capacity to meet the needs of its patient population. As the only Level I trauma center and quaternary academic medical center in the region, no other provider can meet the unique needs of CMC's patients."*

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

- There is a need determination in the 2020 SMFP for the proposed ORs.
- The applicant provides information to document the basis for the assumptions it makes about duplication of services.
- The applicant adequately demonstrates that the proposed ORs are needed in addition to the existing and approved ORs.

Conclusion – The Agency reviewed the:

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

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

Project I.D. #F-12009-20/Atrium Health Pineville/Add 7 acute care beds

The applicant proposes to add 7 acute care beds to Atrium Health Pineville, an existing hospital with 233 acute care beds, for a total of 278 acute care beds upon completion of this project, Project ID# F-11622-18 (add 38 beds), and Project ID# F-11813-19 (add 12 beds).

In Section G, page 82, the applicant explains why it believes its proposal would not result in the unnecessary duplication of existing or approved OR services in Mecklenburg County. On page 82, the applicant states:

> *"The 2020 SMFP includes a need determination for 126 additional acute care beds in Mecklenburg County. In particular, Table 5A identifies the total system-wide need for* [Atrium] *facilities as 202 acute care beds. Thus, even with the approval of the two complementary applications to add acute care beds at Atrium Health Pineville and CMC, facilities in Mecklenburg County, specifically* [Atrium] *facilities, are expected to continue to have a deficit of acute care beds. …, Atrium*

Health Pineville's acute care bed utilization is projected to continue increasing and will necessitate the proposed seven additional acute care beds to meet the needs of patients who choose care at its facility. As the only tertiary hospital in Mecklenburg County located outside of the center city area, no other provider can meet the needs of Atrium Health Pineville's patients."

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

- There is a need determination in the 2020 SMFP for the proposed acute care beds.
- The applicant provides information to document the basis for the assumptions it makes about duplication of services.
- The applicant adequately demonstrates that the proposed acute care beds are needed in addition to the existing and approved acute care beds.

Conclusion – The Agency reviewed the:

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

Based on that review, the Agency concludes that the application is conforming to this criterion for all the reasons described 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 Applications

Project I.D. #F-11993-20/Novant Health Steele Creek Medical Center/Develop a new hospital w/36 acute care beds & 2 ORs

The applicant proposes to develop NH Steele Creek, a new, separately licensed hospital, with 32 acute care beds and two ORs pursuant to the need determinations in the 2020 SMFP.

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

NH Steele Creek Projected Staffing – FYs 1-3			
Position	**FY 1 CY 2026**	**FY 2 CY 2027**	**FY 3 CY 2028**
Certified Registered Nursing Assistants	7.0	7.0	7.0
Registered Nurses	70.2	82.2	97.2
Surgical Technicians	10.6	10.6	10.6
Aides/Orderlies	23.2	28.8	34.3
Clerical Staff	13.7	13.7	13.7
Laboratory Technicians	12.2	12.2	12.2
Radiology Technologists	18.5	18.5	18.5
Pharmacists	2.8	4.4	4.4
Pharmacy Technicians	4.0	4.0	4.0
Physical Therapists	0.9	1.0	1.0
Physical Therapy Assistants	0.8	1.0	1.0
Speech Therapists	0.4	0.5	0.6
Occupational Therapists	0.8	1.0	1.0
Respiratory Therapists	4.8	4.8	4.8
Social Workers	1.0	1.3	1.5
Medical Records	1.0	1.0	1.5
Central Sterile Supply	4.0	4.0	4.0
Materials Management	2.0	2.0	2.0
Maintenance/Engineering	3.0	3.0	3.0
Administrator	19.3	19.3	20.3
Director of Nursing	1.0	1.0	1.0
Health Educator	0.5	0.5	0.5
Public Safety	10.6	10.6	10.6
Sleep Technologists	4.3	4.3	4.3
Total Staffing	**216.6**	**236.7**	**259.0**

The assumptions and methodology used to project staffing are provided in Section Q, page 207, on Form H Assumptions. 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 Section H, pages 110-113, the applicant describes the methods to be used to recruit or fill new positions and its proposed training and continuing education programs. The applicant provides supporting documentation in Exhibits H-2.1, H-2.2, H-2.3, H-2.4, H-2.5, and H-3.

The applicant adequately demonstrates the availability of sufficient health manpower and management personnel to provide the proposed services based on the following:

- The applicant adequately demonstrates it has experience in acquiring sufficient personnel to provide services and the ways it has done so in the past that will be used for the proposed project.

- The applicant adequately documents the number of FTEs it projects will be needed to offer the proposed services.

- The applicant accounts for projected salaries and other costs of employment in its projected operating expenses found on Form F.3 in Section Q.

- The applicant provides adequate documentation of its proposed recruitment, training, and continuing education programs.

Conclusion – The Agency reviewed the:

- Application
- Exhibits to the application

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

Project I.D. #F-12004-20/South Charlotte Surgery Center/Develop a new specialty ASF focusing on vascular & general surgery w/1 OR

The applicant proposes to develop SCSC, a new specialty ASF with one OR, to be focused on general and vascular surgery.

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

SCSC Projected Staffing (FTEs) – FYs 1-3 (CYs 2023-2025)			
	FY 1 (CY 2023)	FY 2 (CY 2024)	FY 3 (CY 2025)
Registered Nurses	2.10	2.10	2.20
Licensed Practical Nurses	1.05	1.05	1.05
Administrator	0.50	0.50	0.50
Business Office	1.60	1.60	1.60
TOTAL	**5.25**	**5.25**	**5.35**

The assumptions and methodology used to project staffing are provided on Form H in Section Q and in Exhibit F.4a. 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, and in Exhibit F.4a. In Section H, page 37, the applicant describes the methods to be used to recruit or fill new positions and its proposed training and continuing education programs.

The applicant adequately demonstrates the availability of sufficient health manpower and management personnel to provide the proposed services based on the following:

- The applicant adequately budgets for the costs of the FTEs it projects to use at the proposed facility.

- The applicant describes its plan to recruit and fill new positions that is consistent with the location of the proposed facility.

- The applicant states that Acumen Healthcare, which the applicant has hired to assist in the development and administration of SCSC, provides training to staff.

Conclusion – The Agency reviewed the:

- Application
- Exhibits to the application

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

Project I.D. #F-12006-20/Carolinas Medical Center/Add 119 acute care beds

The applicant proposes to add 119 acute care beds to Carolinas Medical Center, an existing hospital with 1,055 acute care beds, for a total of 1,192 acute care beds upon completion of this project and Project I.D. #F-11811-19 (add 18 beds).

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

CMC-Main Adult General Med/Surg Beds Current & Projected Staffing				
Position	**Current**	**Projected – FYs 1-3**		
	12/31/2019	**CY 2028**	**CY 2029**	**CY 2030**
Registered Nurses	429.1	538.6	547.1	555.7
Licensed Practical Nurses	2.0	2.5	2.6	2.6
Aides/Orderlies	9.8	12.3	12.5	12.7
Clerical Staff	7.0	8.8	8.9	9.1
Administrator	11.3	14.2	14.4	14.6
Technicians	159.8	200.5	203.7	206.9
Temporary Help	2.5	3.1	3.1	3.2
Total Staffing	**621.5**	**780.0**	**792.3**	**804.8**

The assumptions and methodology used to project staffing are provided on Form H Assumptions immediately following Form H 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 Section H, pages 89-90, the applicant describes the methods to be used to recruit or fill new positions and its existing training and continuing education programs.

The applicant adequately demonstrates the availability of sufficient health manpower and management personnel to provide the proposed services based on the following:

- The applicant adequately demonstrates it has experience in acquiring sufficient personnel to provide services and the ways it has done so in the past that will be used for the proposed project.

- The applicant adequately documents the number of FTEs it projects will be needed to offer the proposed services.

- The applicant's projections for FTEs are based on its own historical experience.

- The applicant accounts for projected salaries and other costs of employment in its projected operating expenses found on Form F.3 in Section Q.

- The applicant provides adequate documentation of its proposed recruitment, training, and continuing education programs.

Conclusion – The Agency reviewed the:

- Application
- Exhibits to the application

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

Project I.D. #F-12008-20/Carolinas Medical Center/Add 12 ORs

The applicant proposes to add 12 ORs to Carolinas Medical Center, an existing hospital with 62 ORs, for a total of 76 ORs upon completion of this project and Project I.D. #F-11815-19 (add 2 ORs).

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

CMC-Main Surgical Services Current & Projected Staffing				
Position	**Current**	**Projected – FYs 1-3**		
	12/31/2019	**CY 2028**	**CY 2029**	**CY 2030**
Registered Nurses	234.7	265.6	281.0	296.5
Licensed Practical Nurses	4.5	5.1	5.4	5.7
Surgical Technicians	157.5	178.2	188.5	198.9
Aides/Orderlies	59.4	67.2	71.1	75.0
Clerical Staff	27.1	30.7	32.4	34.2
Housekeeping	0.4	0.5	0.5	0.5
Administrator	5.3	6.0	6.4	6.7
Business Office	13.7	15.5	16.4	17.3
Specialist	3.5	4.0	4.2	4.5
Temporary Help	6.7	7.6	8.0	8.5
Total Staffing	**512.9**	**580.3**	**613.9**	**647.7**

The assumptions and methodology used to project staffing are provided on Form H Assumptions immediately following Form H 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 Section H, pages 76-77, the applicant describes the methods

to be used to recruit or fill new positions and its existing training and continuing education programs.

The applicant adequately demonstrates the availability of sufficient health manpower and management personnel to provide the proposed services based on the following:

- The applicant adequately demonstrates it has experience in acquiring sufficient personnel to provide services and the ways it has done so in the past that will be used for the proposed project.

- The applicant adequately documents the number of FTEs it projects will be needed to offer the proposed services.

- The applicant's projections for FTEs are based on its own historical experience.

- The applicant accounts for projected salaries and other costs of employment in its projected operating expenses found on Form F.3 in Section Q.

- The applicant provides adequate documentation of its proposed recruitment, training, and continuing education programs.

Conclusion – The Agency reviewed the:

- Application
- Exhibits to the application

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

Project I.D. #F-12009-20/Atrium Health Pineville/Add 7 acute care beds

The applicant proposes to add 7 acute care beds to Atrium Health Pineville, an existing hospital with 233 acute care beds, for a total of 278 acute care beds upon completion of this project, Project ID# F-11622-18 (add 38 beds), and Project ID# F-11813-19 (add 12 beds).

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

AH Pineville Med/Surg Beds Current & Projected Staffing				
Position	**Current**	**Projected – FYs 1-3**		
	12/31/2019	**CY 2022**	**CY 2023**	**CY 2024**
Registered Nurses	201.86	220.48	229.24	224.35
Aides/Orderlies	7.77	8.49	8.82	8.64
Clerical Staff	3.61	3.94	4.10	4.01
Administrator	5.98	6.53	6.79	6.65
Technicians	85.46	93.34	97.05	94.98
Temporary Help	15.78	17.24	17.92	17.54
Total Staffing	**320.46**	**350.02**	**363.93**	**356.17**

The assumptions and methodology used to project staffing are provided on Form H Assumptions immediately following Form H 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 Section H, pages 84-85, the applicant describes the methods to be used to recruit or fill new positions and its existing training and continuing education programs.

The applicant adequately demonstrates the availability of sufficient health manpower and management personnel to provide the proposed services based on the following:

- The applicant adequately demonstrates it has experience in acquiring sufficient personnel to provide services and the ways it has done so in the past that will be used for the proposed project.

- The applicant adequately documents the number of FTEs it projects will be needed to offer the proposed services.

- The applicant's projections for FTEs are based on its own historical experience.

- The applicant accounts for projected salaries and other costs of employment in its projected operating expenses found on Form F.3 in Section Q.

- The applicant provides adequate documentation of its proposed recruitment, training, and continuing education programs.

Conclusion – The Agency reviewed the:

- Application
- Exhibits to the application

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

NC – South Charlotte Surgery Center
C – All Other Applications

Project I.D. #F-11993-20/Novant Health Steele Creek Medical Center/Develop a new hospital w/36 acute care beds & 2 ORs

The applicant proposes to develop NH Steele Creek, a new, separately licensed hospital, with 32 acute care beds and two ORs pursuant to the need determinations in the 2020 SMFP.

Ancillary and Support Services – In Section I, page 114, the applicant identifies the necessary ancillary and support services for the proposed services. In Section I, pages 114-115, the applicant explains how each ancillary and support service will be made available and provides supporting documentation in Exhibits C-1.1, C-1.2, C-1.3, C-1.4, C-1.5, I-2.1, and I-2.2. The applicant adequately demonstrates that the necessary ancillary and support services will be made available based on the following:

- The applicant specifically identifies the proposed providers of the ancillary and support services.
- In Exhibits C-1.3 and C-1.4, the applicant provides letters from proposed providers of ancillary and support services.
- In Exhibit I-2.1, the applicant provides a list of facilities with which Novant has transfer agreements with.

Coordination – The proposed project will be a new hospital that will be part of an established healthcare system in Mecklenburg County. In Section I, pages 115-118, the applicant describes Novant's existing and proposed relationships with other local health care and social service providers and provides supporting documentation in Exhibits 1-2.1, I-3.1, and I-3.2. The applicant adequately demonstrates that the proposed services will be coordinated with the existing health care system based on the following:

- The applicant is part of a large and existing healthcare system in Mecklenburg County.
- The applicant provides letters of support from local physicians and healthcare providers documenting their willingness to work for Novant and to refer patients to Novant.

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 all the reasons described above.

Project I.D. #F-12004-20/South Charlotte Surgery Center/Develop a new specialty ASF focusing on vascular & general surgery w/1 OR

The applicant proposes to develop SCSC, a new specialty ASF with one OR, to be focused on general and vascular surgery.

Ancillary and Support Services – In Section I, page 39, with regard to identification of ancillary and support services and how they will be made available, the applicant states the following:

> *"Regular ancillary support such as imaging or laboratory for vascular surgical procedures are generally not required during the operation. These ancillary needs will generally be ordered by the physician at their offices prior to the surgery. In these cases, the patient will be directed, subject to the insurance networks* [sic] *list of providers, to local ancillary vendors such as an Independent Imaging Center or Lab (i.e. Lab Corp)."*

However, the applicant does not adequately demonstrate that the necessary ancillary and support services will be made available based on the following:

- Surgical procedures performed in an OR almost always involve the use of medications to induce conscious sedation or the use of anesthetics such as propofol, which require trained medical professionals to administer and monitor. The applicant does not identify any of these types of medical professionals in its projected staffing and does not otherwise explain how these services will be provided.

- In Section A, page 11, the applicant states it will utilize the services of Acumen Healthcare to assist in the development and operation of the proposed specialty ASF. While it is possible ancillary services will be coordinated by and through Acumen Healthcare pursuant to a management agreement, the applicant provides nothing in the application as submitted to explain whether ancillary and support services will be managed by Acumen Healthcare.

Coordination – In Section I, pages 39-40, the applicant describes its efforts to develop relationships with other local health care and social service providers. The applicant adequately demonstrates that the proposed services will be coordinated with the existing health care system based on the following:

- The applicant identifies physicians outside of its SCGVS practice who have expressed interest in utilizing SCSC.

- The applicant states it plans to engage with a local hospital to set up a transfer agreement if the proposed project is approved.

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 for all the reasons described above.

Project I.D. #F-12006-20/Carolinas Medical Center/Add 119 acute care beds

The applicant proposes to add 119 acute care beds to Carolinas Medical Center, an existing hospital with 1,055 acute care beds, for a total of 1,192 acute care beds upon completion of this project and Project I.D. #F-11811-19 (add 18 beds).

Ancillary and Support Services – In Section I, page 91, the applicant identifies the necessary ancillary and support services for the proposed services. In Section I, page 91, the applicant explains how each ancillary and support service is made available and provides supporting documentation in Exhibit I.1. The applicant adequately demonstrates that the necessary ancillary and support services will be made available based on the following:

- The applicant is currently providing the necessary ancillary and support services at the same facility where it proposes to develop the additional acute care beds.

- In Exhibit I.1, the applicant provides a letter from a facility executive at CMC, attesting to the existence of the necessary ancillary and support services and committing to continue to provide the necessary ancillary and support services for the proposed project.

Coordination – In Section I, pages 91-92, the applicant describes CMC's existing and proposed relationships with other local health care and social service providers and provides supporting documentation in Exhibits 1.2 and I.3. The applicant adequately demonstrates that the proposed services will be coordinated with the existing health care system based on the following:

- The applicant is part of a large and existing healthcare system in Mecklenburg County that is currently offering the same services it proposes to develop.

- The applicant provides letters of support from local physicians and healthcare providers documenting their support for Atrium.

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 all the reasons described above.

Project I.D. #F-12008-20/Carolinas Medical Center/Add 12 ORs

The applicant proposes to add 12 ORs to Carolinas Medical Center, an existing hospital with 62 ORs, for a total of 76 ORs upon completion of this project and Project I.D. #F-11815-19 (add 2 ORs).

Ancillary and Support Services – In Section I, page 78, the applicant identifies the necessary ancillary and support services for the proposed services. In Section I, page 78, the applicant explains how each ancillary and support service is made available and provides supporting documentation in Exhibit I.1. The applicant adequately demonstrates that the necessary ancillary and support services will be made available based on the following:

- The applicant is currently providing the necessary ancillary and support services at the same facility where it proposes to develop the additional ORs.

- In Exhibit I.1, the applicant provides a letter from a facility executive at CMC, attesting to the existence of the necessary ancillary and support services and committing to continue to provide the necessary ancillary and support services for the proposed project.

Coordination – In Section I, pages 78-79, the applicant describes CMC's existing and proposed relationships with other local health care and social service providers and provides supporting documentation in Exhibits 1.2 and I.3. The applicant adequately demonstrates that the proposed services will be coordinated with the existing health care system based on the following:

- The applicant is part of a large and existing healthcare system in Mecklenburg County that is currently offering the same services it proposes to develop.

- The applicant provides letters of support from local physicians and healthcare providers documenting their support for Atrium.

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 all the reasons described above.

Project I.D. #F-12009-20/Atrium Health Pineville/Add 7 acute care beds

The applicant proposes to add 7 acute care beds to Atrium Health Pineville, an existing hospital with 233 acute care beds, for a total of 278 acute care beds upon completion of this project, Project ID# F-11622-18 (add 38 beds), and Project ID# F-11813-19 (add 12 beds).

Ancillary and Support Services – In Section I, page 86, the applicant identifies the necessary ancillary and support services for the proposed services. In Section I, page 86, the applicant explains how each ancillary and support service is made available and provides supporting documentation in Exhibit I.1. The applicant adequately demonstrates that the necessary ancillary and support services will be made available based on the following:

- The applicant is currently providing the necessary ancillary and support services at the same facility where it proposes to develop the additional acute care beds.

- In Exhibit I.1, the applicant provides a letter from an Atrium executive, attesting to the existence of the necessary ancillary and support services and committing to continue to provide the necessary ancillary and support services for the proposed project.

Coordination – In Section I, pages 86-87, the applicant describes AH Pineville's existing and proposed relationships with other local health care and social service providers and provides supporting documentation in Exhibits 1.2 and I.3. The applicant adequately demonstrates that the proposed services will be coordinated with the existing health care system based on the following:

- The applicant is part of a large and existing healthcare system in Mecklenburg County that is currently offering the same services it proposes to develop.

- The applicant provides letters of support from local physicians and healthcare providers documenting their support for Atrium.

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 all the reasons described 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 are HMOs. Therefore, Criterion (10) is not applicable to this review.

(11) Repealed effective July 1, 1987.

(12) Applications involving construction shall demonstrate that the cost, design, and means of construction proposed represent the most reasonable alternative, and that the construction project will not unduly increase the costs of providing health services by the person proposing the construction project or the costs and charges to the public of providing health services by other persons, and that applicable energy saving features have been incorporated into the construction plans.

NC – South Charlotte Surgery Center
C – All Other Applications

Project I.D. #F-11993-20/Novant Health Steele Creek Medical Center/Develop a new hospital w/36 acute care beds & 2 ORs

The applicant proposes to develop NH Steele Creek, a new, separately licensed hospital, with 32 acute care beds and two ORs pursuant to the need determinations in the 2020 SMFP.

In Section K, page 120, the applicant states that the project involves constructing 185,992 building gross square feet of new space for a hospital. Line drawings are provided in Exhibit K-1.

In Section K, pages 121-122, 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. Supporting documentation is provided in Exhibits K-4.1, K-4.2, K-4.3, K-4.4, and K-4.5. The site appears to be suitable for the proposed new hospital campus based on the applicant's representations and supporting documentation.

On page 120, the applicant adequately explains how the cost, design, and means of construction represent the most reasonable alternative for the proposal based on the following:

- The applicant states Novant design staff are participating in developing the cost, design, and means of construction.

- The applicant states the design architect and Novant team developed a facility layout that maximizes efficiency.

On pages 120-121, 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 based on the following:

- The applicant states no major payor bases payment on the costs of a specific hospital.

- The applicant explains how Medicare and commercial payors calculate payments which are not hospital specific.

On page 121, 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

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

Project I.D. #F-12004-20/South Charlotte Surgery Center/Develop a new specialty ASF focusing on vascular & general surgery w/1 OR

The applicant proposes to develop SCSC, a new specialty ASF with one OR, to be focused on general and vascular surgery.

In Section K, page 42, the applicant states that the project involves constructing 4,250 square feet of new space. Line drawings are provided in Exhibit K.1b. The 4,250 square feet of newly constructed space will be part of a 20,505 square foot newly constructed medical office building (see Exhibit F.2b).

On page 43, the applicant identifies the proposed site and cites to a letter in Exhibit K.4. In Exhibit K.4 is a letter dated November 13, 2020 from FMK Architects, which provides information about zoning and special use permits for the site and the availability of water, sewer and waste disposal, and power at the site. The site appears to be suitable for the proposed ASF based on the applicant's representations and supporting documentation.

However, the applicant does not adequately demonstrate that the cost, design, and means of construction represents the most reasonable alternative based on the following:

- The applicant did not respond to Section K, Question 3(a) in the application form, which asks the applicant to explain how the cost, design, and means of construction represent the most reasonable alternative.

- There is no other information in the application as submitted that can be used to evaluate the application's conformity with this part of Criterion (12).

Further, the applicant does not adequately demonstrate that 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 based on the following:

- The applicant did not respond to Section K, Question 3(b) in the application form, which asks the applicant to explain why the project 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.

- There is no other information in the application as submitted that can be used to evaluate the application's conformity with this part of Criterion (12).

In Section B, page 14, the applicant identifies applicable energy saving features that will be incorporated into the construction plans.

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 for all the reasons described above.

Project I.D. #F-12006-20/Carolinas Medical Center/Add 119 acute care beds

The applicant proposes to add 119 acute care beds to Carolinas Medical Center, an existing hospital with 1,055 acute care beds, for a total of 1,192 acute care beds upon completion of this project and Project I.D. #F-11811-19 (add 18 beds).

In Section K, page 96, the applicant states that the project involves renovating 75,035 square feet of existing space. Line drawings are provided in Exhibit C.1-2.

On September 30, 2020, the Agency determined that a proposal from Atrium to construct a new patient tower on the campus of CMC was exempt from review, pursuant to G.S. 131E-184(g). In that request, Atrium proposed to develop a 12-story patient tower which would be adjacent to and connected to CMC. As part of that proposal, Atrium stated it planned to relocate 329 acute care beds to floors 7-12 of the proposed patient tower.

As part of this proposed project under review, the applicant plans to add 119 acute care beds to the sixth and seventh floors of the patient tower under development. The new patient tower is still under development and does not yet exist. In Section C, pages 29-30, the applicant states that it included costs for the construction of the relevant portion of the new patient tower in its capital expenditure. Thus, while the applicant states that the space will be renovated, it can also be considered new construction.

In Section K, pages 96-97, the applicant adequately explains how the cost, design, and means of construction represent the most reasonable alternative for the proposal based on the following:

- The applicant states the proposed acute care beds will be developed in the new patient tower already under construction.

- The applicant states that by developing the acute care beds in the patient tower under construction, it can add acute care bed capacity and develop it efficiently at a reasonable cost.

On page 97, 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 based on the following:

- The applicant states conservative fiscal management has allowed Atrium to set aside past excess revenues to pay for the proposed project without necessitating an increase in costs or charges.

- The applicant states that even if the proposed project is funded with debt, the applicant can do so without increasing costs or charges.

On pages 97-98, 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
- Information which was publicly available during the review and used by the Agency

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

Project I.D. #F-12008-20/Carolinas Medical Center/Add 12 ORs

The applicant proposes to add 12 ORs to Carolinas Medical Center, an existing hospital with 62 ORs, for a total of 76 ORs upon completion of this project and Project I.D. #F-11815-19 (add 2 ORs).

In Section K, page 82, the applicant states that the project involves renovating 14,420 square feet of existing space. Line drawings are provided in Exhibit C.1-2.

On September 30, 2020, the Agency determined that a proposal from Atrium to construct a new patient tower on the campus of CMC was exempt from review, pursuant to G.S. 131E-184(g). In that request, Atrium proposed to develop a 12-story patient tower which would be adjacent to and connected to CMC. As part of that proposal, Atrium stated it planned to relocate 20 ORs and related services (such as pre-op and post-op services) to the third and fourth floors of the proposed patient tower.

As part of this proposed project under review, the applicant plans to add six ORs to each of the third and fourth floors of the patient tower under development, and to upfit adjacent spaces to accommodate the 12 new ORs. The new patient tower is still under development and does not yet exist. In Section C, pages 19-20, the applicant states that it included costs for the construction of the relevant portion of the new patient tower in its capital expenditure. Thus, while the applicant states that the space will be renovated, it can also be considered new construction.

In Section K, pages 82-83, the applicant adequately explains how the cost, design, and means of construction represent the most reasonable alternative for the proposal based on the following:

- The applicant states the proposed ORs will be developed in the new patient tower already under construction.

- The applicant states that by developing the ORs in the patient tower under construction, it can add surgical capacity and develop it efficiently at a reasonable cost.

On page 83, 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 based on the following:

- The applicant states conservative fiscal management has allowed Atrium to set aside past excess revenues to pay for the proposed project without necessitating an increase in costs or charges.

- The applicant states that even if the proposed project is funded with debt, the applicant can do so without increasing costs or charges.

On pages 83-84, 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
- Information which was publicly available during the review and used by the Agency

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

Project I.D. #F-12009-20/Atrium Health Pineville/Add 7 acute care beds

The applicant proposes to add 7 acute care beds to Atrium Health Pineville, an existing hospital with 233 acute care beds, for a total of 278 acute care beds upon completion of this project, Project ID# F-11622-18 (add 38 beds), and Project ID# F-11813-19 (add 12 beds).

In Section K, page 91, the applicant states that the project involves renovating 1,631 square feet of existing space. Line drawings are provided in Exhibit C.1-3.

On page 91, the applicant adequately explains how the cost, design, and means of construction represent the most reasonable alternative for the proposal based on the following:

- The applicant states the proposed acute care beds will be developed in existing space that does not require new construction.

- The applicant states that by developing the acute care beds in existing space, it can provide additional capacity at minimal cost and with limited disruptions to existing services.

On page 92, 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 based on the following:

- The applicant states the proposed acute care beds will be developed in existing space that does not require new construction.

- The applicant states that by developing the acute care beds in existing space, it can provide additional capacity at minimal cost and with limited disruptions to existing services.

On pages 92-93, 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

Based on that review, the Agency concludes that the application is conforming to this criterion for all the reasons described 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 … persons [with disabilities], 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 – South Charlotte Surgery Center
C – All Other Applications

Project I.D. #F-11993-20/Novant Health Steele Creek Medical Center/Develop a new hospital w/36 acute care beds & 2 ORs

NH Steele Creek is not an existing facility and has no historical patient origin; however, the proposed project involves the relocation of a CT scanner from NH Presbyterian. In Section L, page 124, the applicant provides the historical payor mix during CY 2019 for CT scanner services at NH Presbyterian as well as all services at NH Presbyterian, as shown in the table below.

NH Presbyterian Historical Payor Mix – CY 2019		
Payor Category	**Entire Facility**	**CT Scanner**
Self-Pay	1.7%	13.5%
Charity Care	4.5%	--
Medicare*	40.0%	41.4%
Medicaid*	13.1%	11.3%
Insurance*	36.7%	28.8%
Workers Compensation	0.2%	0.5%
TRICARE	0.7%	0.5%
Other	3.1%	4.0%
Total	**100.0%**	**100.0%**

*Including any managed care plans.
Source: Novant internal data
Note: The applicant states charity care is captured at the patient encounter level and not at the service or procedure level and thus there is no available information on charity care provided for CT scanner services.

In Section L, page 123, the applicant provides the following comparison.

NH Presbyterian	Percentage of Total Patients Served During CY 2019	Percentage of the Population of Mecklenburg County
Female	60.6%	51.9%
Male	39.4%	48.1%
Unknown	0.0%	0.0%
64 and Younger	76.5%	88.5%
65 and Older	23.5%	11.5%
American Indian	0.3%	0.8%
Asian	2.1%	6.3%
Black or African-American	39.5%	33.0%
Native Hawaiian or Pacific Islander	0.1%	0.1%
White or Caucasian	45.9%	57.3%
Other Race	7.7%	2.5%
Declined / Unavailable	4.4%	0.0%

Source: Novant internal data; US Census Bureau

Conclusion – The Agency reviewed the:

- Application
- Exhibits to the application

Based on that review, the Agency concludes that the applicant adequately documents the extent to which medically underserved populations currently use the applicant's existing services in comparison to the percentage of the population in the applicant's service area which is medically underserved. Therefore, the application is conforming to this criterion.

Project I.D. #F-12004-20/South Charlotte Surgery Center/Develop a new specialty ASF focusing on vascular & general surgery w/1 OR

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

Project I.D. #F-12006-20/Carolinas Medical Center/Add 119 acute care beds

In Section L, page 102, the applicant provides the historical payor mix during CY 2019 for adult general med/surg acute care beds at CMC as well as for CMC as a whole, as shown in the table below.

CMC Historical Payor Mix – CY 2019		
Payor Category	**Entire Facility**	**Adult general med/surg beds**
Self-Pay	15.3%	7.6%
Medicare*	27.2%	47.2%
Medicaid*	23.5%	15.7%
Insurance*	32.2%	25.8%
Other**	1.9%	3.7%
Total	**100.0%**	**100.0%**

*Including any managed care plans.
**Includes Workers Compensation and TRICARE.
Source: Atrium Health internal data
Note: The applicant states charity care is provided to patients in any payor category and that its internal data does not include charity care as a payor source.

In Section L, pages 101-102, the applicant provides the following comparison.

CMC	Percentage of Total Patients Served During CY 2019	Percentage of the Population of Mecklenburg County
Female	59.3%	51.9%
Male	40.7%	48.1%
Unknown	0.0%	0.0%
64 and Younger	77.3%	88.5%
65 and Older	22.7%	11.5%
American Indian	0.7%	0.8%
Asian	1.3%	6.3%
Black or African-American	30.5%	33.0%
Native Hawaiian or Pacific Islander	0.2%	0.1%
White or Caucasian	43.7%	57.3%
Other Race	0.2%	2.5%
Declined / Unavailable	23.5%	0.0%

Source: Atrium Health internal data; US Census Bureau

Conclusion – The Agency reviewed the:

- Application
- Exhibits to the application

Based on that review, the Agency concludes that the applicant adequately documents the extent to which medically underserved populations currently use the applicant's existing services in comparison to the percentage of the population in the applicant's service area which is medically underserved. Therefore, the application is conforming to this criterion.

Project I.D. #F-12008-20/Carolinas Medical Center/Add 12 ORs

In Section L, page 87, the applicant provides the historical payor mix during CY 2019 for ORs at CMC as well as for CMC as a whole, as shown in the table below.

CMC Historical Payor Mix – CY 2019		
Payor Category	**Entire Facility**	**ORs**
Self-Pay	15.3%	7.5%
Medicare*	27.2%	29.5%
Medicaid*	23.5%	18.8%
Insurance*	32.2%	41.2%
Other**	1.9%	3.0%
Total	**100.0%**	**100.0%**

*Including any managed care plans.
**Includes Workers Compensation and TRICARE.
Source: Atrium Health internal data
Note: The applicant states charity care is provided to patients in any payor category and that its internal data does not include charity care as a payor source.

In Section L, page 86, the applicant provides the following comparison.

CMC	Percentage of Total Patients Served During CY 2019	Percentage of the Population of Mecklenburg County
Female	59.3%	51.9%
Male	40.7%	48.1%
Unknown	0.0%	0.0%
64 and Younger	77.3%	88.5%
65 and Older	22.7%	11.5%
American Indian	0.7%	0.8%
Asian	1.3%	6.3%
Black or African-American	30.5%	33.0%
Native Hawaiian or Pacific Islander	0.2%	0.1%
White or Caucasian	43.7%	57.3%
Other Race	0.2%	2.5%
Declined / Unavailable	23.5%	0.0%

Source: Atrium Health internal data; US Census Bureau

Conclusion – The Agency reviewed the:

- Application
- Exhibits to the application

Based on that review, the Agency concludes that the applicant adequately documents the extent to which medically underserved populations currently use the applicant's existing services in comparison to the percentage of the population in the applicant's service area which is medically underserved. Therefore, the application is conforming to this criterion.

Project I.D. #F-12009-20/Atrium Health Pineville/Add 7 acute care beds

In Section L, page 97, the applicant provides the historical payor mix during CY 2019 for med/surg acute care beds at AH Pineville as well as for AH Pineville as a whole, as shown in the table below.

AH Pineville Historical Payor Mix – CY 2019		
Payor Category	**Entire Facility**	**Med/surg beds**
Self-Pay	13.3%	5.1%
Medicare*	32.8%	66.1%
Medicaid*	13.0%	6.5%
Insurance*	38.0%	20.1%
Other**	2.9%	2.2%
Total	**100.0%**	**100.0%**

*Including any managed care plans.
**Includes Workers Compensation and TRICARE.
Source: Atrium Health internal data
Note: The applicant states charity care is provided to patients in any payor category and that its internal data does not include charity care as a payor source.

In Section L, pages 96-97, the applicant provides the following comparison.

AH Pineville	Percentage of Total Patients Served During CY 2019	Percentage of the Population of Mecklenburg County
Female	57.6%	51.9%
Male	42.4%	48.1%
Unknown	0.0%	0.0%
64 and Younger	70.0%	88.5%
65 and Older	30.0%	11.5%
American Indian	0.6%	0.8%
Asian	1.0%	6.3%
Black or African-American	23.6%	33.0%
Native Hawaiian or Pacific Islander	0.1%	0.1%
White or Caucasian	55.7%	57.3%
Other Race	0.3%	2.5%
Declined / Unavailable	18.6%	0.0%

Source: Atrium Health internal data; US Census Bureau

Conclusion – The Agency reviewed the:

- Application
- Exhibits to the application

Based on that review, the Agency concludes that the applicant adequately documents the extent to which medically underserved populations currently use the applicant's existing services in comparison to the percentage of the population in the applicant's service area which is medically underserved. Therefore, the application is conforming to this criterion.

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

NA – South Charlotte Surgery Center
C – All Other Applications

Project I.D. #F-11993-20/Novant Health Steele Creek Medical Center/Develop a new hospital w/36 acute care beds & 2 ORs

Regarding any obligation to provide uncompensated care, community service, or access by minorities and persons with disabilities, in Section L, page 124, the applicant states it has no such obligation.

In Section L, page 124, the applicant states that during the last five years no patient civil rights access complaints have been filed against any Novant hospital.

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.

Project I.D. #F-12004-20/South Charlotte Surgery Center/Develop a new specialty ASF focusing on vascular & general surgery w/1 OR

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

Project I.D. #F-12006-20/Carolinas Medical Center/Add 119 acute care beds

Regarding any obligation to provide uncompensated care, community service, or access by minorities and persons with disabilities, in Section L, page 102, the applicant states it has no such obligation.

In Section L, page 103, the applicant states that during the last five years no patient civil rights access complaints have been filed against any Atrium hospital or other affiliated entity.

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.

Project I.D. #F-12008-20/Carolinas Medical Center/Add 12 ORs

Regarding any obligation to provide uncompensated care, community service, or access by minorities and persons with disabilities, in Section L, pages 87-88, the applicant states it has no such obligation.

In Section L, page 88, the applicant states that during the last five years no patient civil rights access complaints have been filed against any Atrium hospital or other affiliated entity.

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.

Project I.D. #F-12009-20/Atrium Health Pineville/Add 7 acute care beds

Regarding any obligation to provide uncompensated care, community service, or access by minorities and persons with disabilities, in Section L, page 97, the applicant states it has no such obligation.

In Section L, page 98, the applicant states that during the last five years no patient civil rights access complaints have been filed against any Atrium hospital or other affiliated entity.

Conclusion – The Agency reviewed the:

- Application
- Exhibits to the application

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

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

NC – South Charlotte Surgery Center
C – All Other Applications

Project I.D. #F-11993-20/Novant Health Steele Creek Medical Center/Develop a new hospital w/36 acute care beds & 2 ORs

In Section L, page 125, the applicant projects the following payor mix during the third full fiscal year of operation following completion of the project, as illustrated in the following table.

NH Steele Creek Projected Payor Mix – FY 3 (CY 2028)				
Payor Category	**Entire Facility**	**Inpatient Services**	**Outpatient Surgery**	**Other OP Non-Surgical Services**
Self-Pay	10.1%	5.6%	4.4%	13.3%
Medicare*	38.3%	50.1%	34.3%	33.7%
Medicaid*	13.5%	13.8%	10.6%	14.0%
Insurance*	35.3%	27.1%	47.5%	36.6%
Workers Compensation	0.4%	0.3%	1.1%	0.3%
Other	2.3%	3.1%	2.0%	2.0%
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**

*Including any managed care plans.
Source: Novant internal data

On page 125, the applicant states that charity care is not a payor category, but it represents 4.8 percent of gross charges and is provided to patients across different payor categories.

As shown in the table above, during the third full fiscal year of operation following completion of the project, the applicant projects that 10.1 percent of total services will be provided to self-pay patients, 38.3 percent to Medicare patients, and 13.5 percent to Medicaid patients.

On page 125, the applicant provides the assumptions and methodology used to project payor mix during the third full fiscal years of operation following completion of the project. The projected payor mix is reasonable and adequately supported based on the following:

- The projected patient payor mix is based on the historical patient payor mix of the subcategory of patients expected to be clinically appropriate for the proposed services.

- The applicant identifies all external data sources and uses reliable data sources in its calculations.

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 based on the reasons stated above.

Project I.D. #F-12004-20/South Charlotte Surgery Center/Develop a new specialty ASF focusing on vascular & general surgery w/1 OR

In Section L, page 46, the applicant projects the following payor mix for the proposed services during the third full fiscal year of operation following completion of the project, as shown in the table below.

SCSC Projected Payor Mix – CY 2025	
Payor Category	**Percent of Patients/Services**
Self-Pay	2%
Charity Care	2%
Medicare*	39%
Medicaid*	2%
Insurance*	44%
Workers Comp	2%
TRICARE	9%
Total	**100%**

*Including any managed care plans

As shown in the table above, during the third full fiscal year of operation, the applicant projects that two percent of total services will be provided to self-pay patients, two percent to charity care patients, 39 percent to Medicare patients, and two percent to Medicaid patients.

On page 46, the applicant provides the assumptions and methodology used to project payor mix during the first three full fiscal years of operation following completion of the project. The projected payor mix is not reasonable and adequately supported based on the following analysis:

- In Section L, page 45, the applicant appears to respond to Section L, Question 1(b) (even though it is not applicable to this review) and provides its CY 2019 historical payor mix.

- However, the applicant does not identify whether the historical payor mix is based on all the patients in its SCGVS practice, all the patients it proposes to serve at SCSC, or any other information to provide context regarding the applicant's CY 2019 historical payor mix.

- In Section L, page 46, the applicant states it assumed there would be no change to the payor mix from CY 2019 through the first three full fiscal years following project completion. However, the applicant does not provide information in the application as submitted to understand the context of the CY 2019 historical payor mix, and thus does not provide information that the Agency could use to determine if the applicant's projected payor mix is reasonable and adequately supported.

- Further, the applicant plans to have three additional physicians who are not currently part of SCGVS serving patients at SCSC. The applicant does not explain whether the historical payor mix includes the patients from the physicians that it assumes will utilize SCSC. The Agency cannot analyze whether it is reasonable to base projected payor mix on historical payor mix without understanding the information used in presenting the historical payor mix.

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 based on the analysis above.

Project I.D. #F-12006-20/Carolinas Medical Center/Add 119 acute care beds

In Section L, page 103, the applicant projects the following payor mix during the third full fiscal year of operation following completion of the project, as illustrated in the following table.

CMC Projected Payor Mix – CY 2030		
Payor Category	**Entire Facility**	**Adult general med/surg beds**
Self-Pay	15.3%	7.6%
Medicare*	27.2%	47.2%
Medicaid*	23.5%	15.7%
Insurance*	32.2%	25.8%
Other**	1.9%	3.7%
Total	**100.0%**	**100.0%**

*Including any managed care plans.
**Includes Workers Compensation and TRICARE.
Source: Atrium Health internal data

As shown in the table above, during the third full fiscal year of operation following completion of the project, the applicant projects that 15.3 percent of total services and 7.6 percent of adult general med/surg acute care bed services will be provided to self-pay patients, 27.2 percent of total services and 47.2 percent of adult general med/surg acute care bed services to Medicare patients, and 23.5 percent of total services and 15.7 percent of adult general med/surg acute care bed services to Medicaid patients.

In Section L, page 103, the applicant states that Atrium's internal data does not track charity care as a payor source, that patients in any payor category can receive charity care, and that charity care projections are provided on Form F.2. In the assumptions immediately following Forms F.2 and F.3, however, the applicant states its projected charity care amount is the difference between the gross revenue and net revenue for self-pay patients.

On page 103, the applicant provides the assumptions and methodology used to project payor mix during the third full fiscal years of operation following completion of the project. The projected payor mix is reasonable and adequately supported based on the following:

- The projected patient payor mix is based on the historical patient payor mix.

- The applicant provides reasonable explanations for why it chose to project a payor mix identical to its historical payor mix.

Conclusion – The Agency reviewed the:

- Application
- Exhibits to the application

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

Project I.D. #F-12008-20/Carolinas Medical Center/Add 12 ORs

In Section L, page 88, the applicant projects the following payor mix during the third full fiscal year of operation following completion of the project, as illustrated in the following table.

CMC Projected Payor Mix – CY 2030		
Payor Category	**Entire Facility**	**ORs**
Self-Pay	15.3%	7.5%
Medicare*	27.2%	29.5%
Medicaid*	23.5%	18.8%
Insurance*	32.2%	41.2%
Other**	1.9%	3.0%
Total	**100.0%**	**100.0%**

*Including any managed care plans.
**Includes Workers Compensation and TRICARE.
Source: Atrium Health internal data

As shown in the table above, during the third full fiscal year of operation following completion of the project, the applicant projects that 15.3 percent of total services and 7.5 percent of OR services will be provided to self-pay patients, 27.2 percent of total services and 29.5 percent of OR services to Medicare patients, and 23.5 percent of total services and 18.8 percent of OR services to Medicaid patients.
In Section L, page 88, the applicant states that Atrium's internal data does not track charity care as a payor source, that patients in any payor category can receive charity care, and that charity care projections are provided on Form F.2. In the assumptions immediately following Forms F.2 and F.3, however, the applicant states its projected charity care amount is the difference between the gross revenue and net revenue for self-pay patients.

On page 88, the applicant provides the assumptions and methodology used to project payor mix during the third full fiscal years of operation following completion of the project. The projected payor mix is reasonable and adequately supported based on the following:

- The projected patient payor mix is based on the historical patient payor mix.

- The applicant provides reasonable explanations for why it chose to project a payor mix identical to its historical payor mix.

Conclusion – The Agency reviewed the:

- Application
- Exhibits to the application

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

Project I.D. #F-12009-20/Atrium Health Pineville/Add 7 acute care beds

In Section L, page 98, the applicant projects the following payor mix during the third full fiscal year of operation following completion of the project, as illustrated in the following table.

AH Pineville Projected Payor Mix – CY 2024		
Payor Category	**Entire Facility**	**Med/surg beds**
Self-Pay	13.3%	5.1%
Medicare*	32.8%	66.1%
Medicaid*	13.0%	6.5%
Insurance*	38.0%	20.1%
Other**	2.9%	2.2%
Total	**100.0%**	**100.0%**

*Including any managed care plans.
**Includes Workers Compensation and TRICARE.
Source: Atrium Health internal data

As shown in the table above, during the third full fiscal year of operation following completion of the project, the applicant projects that 13.3 percent of total services and 5.1 percent of med/surg acute care bed services will be provided to self-pay patients, 32.8 percent of total services and 66.1 percent of med/surg acute care bed services to Medicare patients, and 13.0 percent of total services and 6.5 percent of med/surg acute care bed services to Medicaid patients.

In Section L, page 98, the applicant states that Atrium's internal data does not track charity care as a payor source, that patients in any payor category can receive charity care, and that charity care projections are provided on Form F.2. In the assumptions immediately following Forms F.2 and F.3, however, the applicant states its projected charity care amount is the difference between the gross revenue and net revenue for self-pay patients.

On page 98, the applicant provides the assumptions and methodology used to project payor mix during the third full fiscal years of operation following completion of the project. The projected payor mix is reasonable and adequately supported based on the following:

- The projected patient payor mix is based on the historical patient payor mix.

- The applicant provides reasonable explanations for why it chose to project a payor mix identical to its historical payor mix.

Conclusion – The Agency reviewed the:

- Application
- Exhibits to the application

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

(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

Project I.D. #F-11993-20/Novant Health Steele Creek Medical Center/Develop a new hospital w/36 acute care beds & 2 ORs

In Section L, page 127, the applicant adequately describes the range of means by which patients will have access to the proposed services.

Conclusion – The Agency reviewed the:

- Application
- Exhibits to the application

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

Project I.D. #F-12004-20/South Charlotte Surgery Center/Develop a new specialty ASF focusing on vascular & general surgery w/1 OR

In Section L, page 46, the applicant adequately describes the range of means by which patients will have access to the proposed services.

Conclusion – The Agency reviewed the:

- Application
- Exhibits to the application

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

Project I.D. #F-12006-20/Carolinas Medical Center/Add 119 acute care beds

In Section L, page 104, the applicant adequately describes the range of means by which patients will have access to the proposed services.

Conclusion – The Agency reviewed the:

- Application

- Exhibits to the application

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

Project I.D. #F-12008-20/Carolinas Medical Center/Add 12 ORs

In Section L, page 89, the applicant adequately describes the range of means by which patients will have access to the proposed services.

Conclusion – The Agency reviewed the:

- Application
- Exhibits to the application

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

Project I.D. #F-12009-20/Atrium Health Pineville/Add 7 acute care beds

In Section L, page 99, the applicant adequately describes the range of means by which patients will have access to the proposed services.

Conclusion – The Agency reviewed the:

- Application
- Exhibits to the application

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

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

C – All Applications

Project I.D. #F-11993-20/Novant Health Steele Creek Medical Center/Develop a new hospital w/36 acute care beds & 2 ORs

The applicant proposes to develop NH Steele Creek, a new, separately licensed hospital, with 32 acute care beds and two ORs pursuant to the need determinations in the 2020 SMFP.

In Section M, page 128, the applicant describes the extent to which health professional training programs in the area will have access to the facility for training purposes and provides supporting documentation in Exhibit H-2.1. The applicant adequately

demonstrates that health professional training programs in the area will have access to the facility for training purposes based on the following:

- The applicant provides documentation of existing health professional training programs in the area for which it already provides access to other Novant system facilities.

- The applicant describes the steps it takes to manage clinical education training programs and identifies specific residency programs it has established for the Novant system.

Conclusion – The Agency reviewed the:

- Application
- Exhibits to the application

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

Project I.D. #F-12004-20/South Charlotte Surgery Center/Develop a new specialty ASF focusing on vascular & general surgery w/1 OR

The applicant proposes to develop SCSC, a new specialty ASF with one OR, to be focused on general and vascular surgery.

In Section M, page 48, the applicant describes the extent to which health professional training programs in the area will have access to the facility for training purposes. The applicant adequately demonstrates that health professional training programs in the area will have access to the facility for training purposes based on the following:

- The applicant states that it will coordinate with local health professional training programs in the area if it receives approval to develop the proposed project.

- The applicant identifies specific local health professional training programs in the area it will attempt to coordinate with.

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 all the reasons described above.

Project I.D. #F-12006-20/Carolinas Medical Center/Add 119 acute care beds

The applicant proposes to add 119 acute care beds to Carolinas Medical Center, an existing hospital with 1,055 acute care beds, for a total of 1,192 acute care beds upon completion of this project and Project I.D. #F-11811-19 (add 18 beds).

In Section M, page 105, the applicant describes the extent to which health professional training programs in the area have access to the facility for training purposes and provides supporting documentation in Exhibit M.1. The applicant adequately demonstrates that health professional training programs in the area will have access to the facility for training purposes based on the following:

- The applicant provides documentation of existing health professional training programs in the area which already have access to CMC.

- The applicant describes the clinical education training programs it provides access for and identifies numerous clinical education training programs it partners with to offer both training and access to its facilities.

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 all the reasons described above.

Project I.D. #F-12008-20/Carolinas Medical Center/Add 12 ORs

The applicant proposes to add 12 ORs to Carolinas Medical Center, an existing hospital with 62 ORs, for a total of 76 ORs upon completion of this project and Project I.D. #F-11815-19 (add 2 ORs).

In Section M, page 90, the applicant describes the extent to which health professional training programs in the area have access to the facility for training purposes and provides supporting documentation in Exhibit M.1. The applicant adequately demonstrates that health professional training programs in the area will have access to the facility for training purposes based on the following:

- The applicant provides documentation of existing health professional training programs in the area which already have access to CMC.

- The applicant describes the clinical education training programs it provides access for and identifies numerous clinical education training programs it partners with to offer both training and access to its facilities.

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 all the reasons described above.

Project I.D. #F-12009-20/Atrium Health Pineville/Add 7 acute care beds

The applicant proposes to add 7 acute care beds to Atrium Health Pineville, an existing hospital with 233 acute care beds, for a total of 278 acute care beds upon completion of this project, Project ID# F-11622-18 (add 38 beds), and Project ID# F-11813-19 (add 12 beds).

In Section M, page 100, the applicant describes the extent to which health professional training programs in the area have access to the facility for training purposes and provides supporting documentation in Exhibit M.1. The applicant adequately demonstrates that health professional training programs in the area will have access to the facility for training purposes based on the following:

- The applicant provides documentation of existing health professional training programs in the area which already have access to AH Pineville.

- The applicant describes the clinical education training programs it provides access for and identifies numerous clinical education training programs it partners with to offer both training and access to its facilities.

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 all the reasons described above.

(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.

NC – South Charlotte Surgery Center
C – All Other Applications

The 2020 SMFP includes need determinations for 126 acute care beds and 12 ORs in the Mecklenburg County service area.

Acute Care Beds – On page 33, the 2020 SMFP defines the service area for acute care beds as *"the service area in which the bed is located. The acute care bed service areas are the single and multicounty groupings shown in Figure 5.1."* Figure 5.1, on page 38, shows Mecklenburg County as its own acute care bed planning area. Thus, the service area for this facility is Mecklenburg County. Facilities may also serve residents of counties not included in their service area.

As of the date of this decision, there are 2,334 existing and approved acute care beds, allocated between eight existing and approved hospitals owned by two providers (Atrium and Novant) in the Mecklenburg County Service Area, as illustrated in the following table.

Mecklenburg County Acute Care Hospital Campuses	
Facility	**Existing/Approved Beds**
AH Pineville	233 (+38)
AH University City	100 (+16)
CMC-Main*	1,055 (+18)
Atrium Total	**1,460**
NH Ballantyne Medical Center	0 (+36)
NH Huntersville Medical Center	139 (+12)
NH Health Matthews Medical Center	154
NH Health Presbyterian Medical Center	519 (-22)
NH Mint Hill Medical Center	36
Novant Total	**874**
Mecklenburg County Total	**2,334**

Source: Table 5A, 2021 SMFP; applications under review; 2021 LRAs; Agency records.
Note: Numbers in parentheses reflect approved changes in bed inventory which have not yet been developed.
*Includes the AH Mercy campus licensed as part of CMC.

In the 2019 Mecklenburg County Acute Care Bed Review, Project I.D. #F-11808-19 approved NH Matthews to add 20 acute care beds; however, as of the date of this review, that decision is under appeal and the 20 acute care beds awarded to NH Matthews are not included in the table above since no certificate of need has been issued.

Operating Rooms – On page 51, the 2020 SMFP defines the service area for ORs as *"…the service area in which the* [operating] *room is located. The operating room service areas are the single or multicounty groupings as shown in Figure 6.1."* Figure 6.1, on page 57, shows Mecklenburg County as its own OR planning area. Thus, the service area for

this facility is Mecklenburg County. Facilities may also serve residents of counties not included in their service area.

Not including dedicated C-Section ORs and trauma ORs, there are 165 existing and approved ORs in Mecklenburg County, allocated between 18 existing and approved facilities, as shown in the table below.

Mecklenburg County OR Inventory						
Facility	**IP ORs**	**OP ORs**	**Shared ORs**	**Excluded C-Section and Trauma ORs**	**CON Adjustments**	**Total ORs**
AH Huntersville Surgery Center	0	0	0	0	1	1
AH Pineville	3	0	10	-2	2	13
AH University City	1	1	7	-1	-1	7
CCSS	0	3	0	0	0	3
CMC	9	11	42	-5	2	59
Atrium Health System Total	**13**	**15**	**59**	**-8**	**4**	**83**
Charlotte Surgery Center – Museum	0	6	0	0	0	6
Charlotte Surgery Center – Wendover	0	6	0	0	0	6
Charlotte Surgery Center System Total	**0**	**12**	**0**	**0**	**0**	**12**
Matthews Surgery Center	0	2	0	0	0	2
NH Ballantyne*	0	0	0	0	2	2
NH Ballantyne OPS*	0	2	0	0	-2	0
NH Huntersville	2	0	6	-2	1	7
NH Huntersville OPS	0	2	0	0	0	2
NH Mint Hill	1	0	3	-1	0	3
NH Matthews	2	0	6	-2	0	6
NH Presbyterian	6	6	28	-3	0	37
SouthPark Surgery Center	0	6	0	0	0	6
Novant Health System Total	**11**	**18**	**43**	**-8**	**1**	**65**
Carolinas Ctr for Ambulatory Dentistry**	0	2	0	0	0	2
Mallard Creek Surgery Center**	0	2	0	0	0	2
Metrolina Vascular Access Care	0	0	0	0	1	1
Total	**24**	**49**	**102**	**-16**	**6**	**165**

Sources: Table 6A, 2020 SMFP; 2021 LRAs; Agency records

*NH Ballantyne, an approved hospital under development, will have 2 ORs that will be relocated from NH Ballantyne OPS, which will close once the ORs are relocated to NH Ballantyne.

**These facilities are part of demonstration projects and the ORs are not included in the SMFP need determination calculations.

In the 2019 Mecklenburg County OR Review, Project I.D. #F-11807-19 approved NH Matthews to add one additional OR; however, as of the date of this review, that decision is under appeal and the OR awarded to NH Matthews is not included in the table above since no certificate of need has been issued.

Project I.D. #F-11993-20/Novant Health Steele Creek Medical Center/Develop a new hospital w/36 acute care beds & 2 ORs

The applicant proposes to develop NH Steele Creek, a new, separately licensed hospital, with 32 acute care beds and two ORs pursuant to the need determinations in the 2020 SMFP.

Regarding the expected effects of the proposal on competition in the service area, in Section N, page 129, the applicant states:

> *"NH Steele Creek will create a new point of service for inpatient, outpatient, and emergency services for* [Novant] *in southwestern Mecklenburg County. It completes a ring of* [Novant] *community hospitals in Mecklenburg County to more effectively compete with the dominant provider, Atrium Health. It will increase competition with Atrium Health, CaroMont Health and TENET for independent physicians and patients in its service area ZIP codes. It will alter dispatch patterns for MEDIC for patients expressing no preference for emergency services.*
>
> *NH Mint Hill is evidence of the positive effects of a new community hospital on competition. As discussed earlier in the application, opening a new point of service shifted service area patients and market share from Atrium Health to* [Novant]. *Part of this shift was due to the effect on MEDIC dispatch algorithms. NH Steele Creek will have similar effects."*

Regarding the impact of the proposal on cost effectiveness, in Section N, page 129, the applicant states:

> *"NH Steele Creek will have a positive effect on cost-effectiveness by improving competition for acute care and surgical services in the service area."*

See also Sections B, C, F, K, and Q of the application and any exhibits.

Regarding the impact of the proposal on quality, in Section N, page 129, the applicant states:

> *"Competition between health systems should lead to improved quality and improved patient experience."*

See also Sections B, C, and O of the application and any exhibits.

Regarding the impact of the proposal on access by medically underserved groups, in Section N, page 129, the applicant states:

> *"*[Novant] *provides access to medically underserved groups that equals or exceeds that provided by other area health systems. NH Steele Creek will follow the same access policies as other* [Novant] *hospitals. Novant facilities and physicians*

combine to provide access to services to Medicare, Medicaid, and uninsured patients.

[Novant's] *financial assistance policies for uninsured and underinsured patients…apply to* [Novant] *hospitals and physicians. The new competing point of service will make services more readily available to uninsured and underinsured residents of the service area.*

See also Sections B, C, D, and L of the application and any exhibits.

The applicant adequately describes the expected effects of the proposed services on competition in the service area and adequately demonstrates the proposal would have a positive impact on cost-effectiveness, quality, and access because the applicant adequately demonstrates that:

1) The proposal is cost effective because the applicant adequately demonstrated: a) the need the population to be served has for the proposal; b) that the proposal would not result in an unnecessary duplication of existing and approved health services; and c) that projected revenues and operating costs are reasonable.

2) Quality care would be provided based on the applicant's representations about how it will ensure the quality of the proposed services and the applicant's record of providing quality care in the past.

3) Medically underserved groups will have access to the proposed services based on the applicant's representations about access by medically underserved groups and the projected payor mix.

Conclusion – The Agency reviewed the:

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

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

Project I.D. #F-12004-20/South Charlotte Surgery Center/Develop a new specialty ASF focusing on vascular & general surgery w/1 OR

The applicant proposes to develop SCSC, a new specialty ASF with one OR, to be focused on general and vascular surgery.

The applicant does not address the expected effects of the proposal on competition in the service area in the application as submitted.

Regarding the impact of the proposal on cost effectiveness, in Section N, page 50, the applicant states:

> *"This ASC would be the first Vascular ASC in the area. With Medicare recently including more cardiac catherization procedures for reimbursement, Vascular* [sic] *surgical procedures will be driven into these facilities traditional* [sic] *performed in hospitals. This will result driving* [sic] *lower cost & higher quality into the vascular surgical industry."*

See also Sections C, F, and Q of the application and any exhibits.

Regarding the impact of the proposal on quality, in Section N, page 50, the applicant states:

> *"This ASC would be the first Vascular ASC in the area. With Medicare recently including more cardiac catherization procedures for reimbursement, Vascular* [sic] *surgical procedures will be driven into these facilities traditional* [sic] *performed in hospitals. This will result driving* [sic] *lower cost & higher quality into the vascular surgical industry."*

See also Sections C and O of the application and any exhibits.

Regarding the impact of the proposal on access by medically underserved groups, in Section N, page 50, the applicant states:

> *"This ASC would be the first Vascular ASC in the area. With Medicare recently including more cardiac catherization procedures for reimbursement, Vascular* [sic] *surgical procedures will be driven into these facilities traditional* [sic] *performed in hospitals. This will result driving* [sic] *lower cost & higher quality into the vascular surgical industry."*

See also Sections B, C, and L of the application and any exhibits.

However, the applicant does not adequately describe the expected effects of the proposed services on competition in the service area and does not adequately demonstrate the proposal would have a positive impact on cost-effectiveness, quality, and access based on the following analysis:

- The applicant does not describe the expected effects of the proposed services on competition in the application as submitted.

- The applicant does not adequately demonstrate the need for the proposed project. The discussion regarding need, including projected utilization, found in Criterion (3) is incorporated herein by reference. An applicant that does not demonstrate the need for the proposed project cannot demonstrate the proposal would have a positive impact on cost-effectiveness.

- The applicant does not adequately demonstrate that projected revenues and operating costs are based on reasonable and adequately supported assumptions. The discussions regarding projected utilization and revenues and operating expenses found in Criterion (3) and Criterion (5), respectively, are incorporated herein by reference. An applicant that does not demonstrate that projected revenues and operating costs are based on reasonable and adequately supported assumptions cannot demonstrate the proposal would have a positive impact on cost-effectiveness.

- The applicant does not adequately demonstrate that the proposal would not result in an unnecessary duplication of existing and approved health services. The discussion regarding unnecessary duplication found in Criterion (6) is incorporated herein by reference. An applicant that does not demonstrate that the proposal would not result in an unnecessary duplication of existing and approved health services cannot demonstrate the proposal would have a positive impact on cost-effectiveness.

- The applicant does not adequately demonstrate that medically underserved groups will have access to the proposed services. The discussion regarding access by medically underserved groups found in Criterion (13c) is incorporated herein by reference. An applicant that does not demonstrate that medically underserved groups will be served by the applicant's proposed services and the extent to which medically underserved groups are expected to utilize the proposed services cannot demonstrate that the medically underserved groups will have access to the proposed services.

Conclusion – The Agency reviewed the:

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

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

Project I.D. #F-12006-20/Carolinas Medical Center/Add 119 acute care beds

The applicant proposes to add 119 acute care beds to Carolinas Medical Center, an existing hospital with 1,055 acute care beds, for a total of 1,192 acute care beds upon completion of this project and Project I.D. #F-11811-19 (add 18 beds).

Regarding the expected effects of the proposal on competition in the service area, in Section N, page 107, the applicant states:

> *"The proposed project is expected to enhance competition in the service area by promoting cost effectiveness, quality, and access to acute care services."*

Regarding the impact of the proposal on cost effectiveness, in Section N, page 107, the applicant states:

> *"…the proposed addition of 119 acute care beds will be accomplished in a resource-responsible manner as CMC will develop the beds in the new construction that is currently under development on the CMC campus. While the project does include costs to construct the shell, core, and upfit of the floor to house the proposed beds,* [Atrium] *believes the additional acute care capacity can be developed efficiently at a reasonable cost…as part of the much larger patient tower project while also creating the necessary capacity to care for a growing number of patients."*

See also Sections B, C, F, K, and Q of the application and any exhibits.

Regarding the impact of the proposal on quality, in Section N, pages 107-108, the applicant states:

> *"CMC believes that the proposed project will promote safety and quality in the delivery of healthcare services. CMC is known for providing high quality services and expects the proposed project to expand its acute care services capacity while bolstering its high quality reputation.*
>
> [Atrium] *is dedicated to providing the highest quality care and is continually recognized locally and nationally for its commitment to delivering efficient, quality care. Each year,* [Atrium] *facilities are recognized by many of the top accrediting and ranking organizations in the industry."*

See also Sections B, C, and O of the application and any exhibits.

Regarding the impact of the proposal on access by medically underserved groups, in Section N, page 109, the applicant states:

> *"*[Atrium] *has long-promoted economic access to its services as it historically has provided services to all persons in need of medical care, regardless of race, sex, creed, age, national origin,* [disability]*, or ability to pay…. The medical center will continue to serve this population as dictated by the mission of* [Atrium]*, which is the foundation for every action taken. The mission is simple, but unique: 'To improve health, elevate hope, and advance healing – for all.' This includes the medically underserved."*

See also Sections B, C, and L of the application and any exhibits.

The applicant adequately describes the expected effects of the proposed services on competition in the service area and adequately demonstrates the proposal would have a positive impact on cost-effectiveness, quality, and access because the applicant adequately demonstrates that:

1) The proposal is cost effective because the applicant adequately demonstrated: a) the need the population to be served has for the proposal; b) that the proposal would not result in an unnecessary duplication of existing and approved health services; and c) that projected revenues and operating costs are reasonable.

2) Quality care would be provided based on the applicant's representations about how it will ensure the quality of the proposed services and the applicant's record of providing quality care in the past.

3) Medically underserved groups will have access to the proposed services based on the applicant's representations about access by medically underserved groups and the projected payor mix.

Conclusion – The Agency reviewed the:

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

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

Project I.D. #F-12008-20/Carolinas Medical Center/Add 12 ORs

The applicant proposes to add 12 ORs to Carolinas Medical Center, an existing hospital with 62 ORs, for a total of 76 ORs upon completion of this project and Project I.D. #F-11815-19 (add 2 ORs).

Regarding the expected effects of the proposal on competition in the service area, in Section N, page 92, the applicant states:

> *"The proposed project is expected to enhance competition in the service area by promoting cost effectiveness, quality, and access to surgical services."*

Regarding the impact of the proposal on cost effectiveness, in Section N, page 92, the applicant states:

> *"…the proposed addition of 12 operating rooms will be accomplished in a resource-responsible manner as CMC will develop the operating rooms on Levels 03 and 04 of the new patient tower construction that is under development on the CMC campus. While the project does include costs to construct the shell, core, and upfit of the floor to house the proposed operating rooms,* [Atrium] *believes the additional surgical capacity to care for a growing number of patients can be developed efficiently at a reasonable cost…as part of the much larger patient tower project while also creating the necessary capacity to care for a growing number of patients."*

See also Sections B, C, F, K, and Q of the application and any exhibits.

Regarding the impact of the proposal on quality, in Section N, page 92, the applicant states:

> *"CMC believes that the proposed project will promote safety and quality in the delivery of healthcare services. CMC is known for providing high quality services and expects the proposed project to expand its surgical services capacity while bolstering its high quality reputation.*
>
> [Atrium] *is dedicated to providing the highest quality care and is continually recognized locally and nationally for its commitment to delivering efficient, quality care. Each year,* [Atrium] *facilities are recognized by many of the top accrediting and ranking organizations in the industry."*

See also Sections B, C, and O of the application and any exhibits.

Regarding the impact of the proposal on access by medically underserved groups, in Section N, page 94, the applicant states:

> *"*[Atrium] *has long-promoted economic access to its services as it historically has provided services to all persons in need of medical care, regardless of race, sex, creed, age, national origin,* [disability]*, or ability to pay…. The medical center will continue to serve this population as dictated by the mission of* [Atrium]*, which is the foundation for every action taken. The mission is simple, but unique: 'To improve health, elevate hope, and advance healing – for all.' This includes the medically underserved."*

See also Sections B, C, and L of the application and any exhibits.

The applicant adequately describes the expected effects of the proposed services on competition in the service area and adequately demonstrates the proposal would have a positive impact on cost-effectiveness, quality, and access because the applicant adequately demonstrates that:

1) The proposal is cost effective because the applicant adequately demonstrated: a) the need the population to be served has for the proposal; b) that the proposal would not result in an unnecessary duplication of existing and approved health services; and c) that projected revenues and operating costs are reasonable.

2) Quality care would be provided based on the applicant's representations about how it will ensure the quality of the proposed services and the applicant's record of providing quality care in the past.

3) Medically underserved groups will have access to the proposed services based on the applicant's representations about access by medically underserved groups and the projected payor mix.

Conclusion – The Agency reviewed the:

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

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

Project I.D. #F-12009-20/Atrium Health Pineville/Add 7 acute care beds

The applicant proposes to add 7 acute care beds to Atrium Health Pineville, an existing hospital with 233 acute care beds, for a total of 278 acute care beds upon completion of this project, Project ID# F-11622-18 (add 38 beds), and Project ID# F-11813-19 (add 12 beds).

Regarding the expected effects of the proposal on competition in the service area, in Section N, page 102, the applicant states:

> *"The proposed project is expected to enhance competition in the service area by promoting cost effectiveness, quality, and access to acute care services."*

Regarding the impact of the proposal on cost effectiveness, in Section N, page 102, the applicant states:

> *"The proposed project is indicative of* [Atrium]*'s commitment to containing healthcare costs and maximizing healthcare benefit per dollar expended. The addition of seven acute care beds will be accomplished in a resource-responsible manner as the proposed project involves no change in the ground floor or Levels 01, 02, or 04 of the existing patient tower and no change in the new patient tower currently under construction. … As such,* [Atrium] *believes the additional acute care beds can be developed at Atrium Health Pineville at a minimal cost while also creating additional capacity to care for a growing number of patients – maximizing the cost effectiveness of the proposed services."*

See also Sections B, C, F, K, and Q of the application and any exhibits.

Regarding the impact of the proposal on quality, in Section N, page 102, the applicant states:

> *"Atrium Health Pineville believes that the proposed project will promote safety and quality in the delivery of healthcare services. Atrium Health Pineville is known for providing high quality services and expects the proposed project to expand its acute care services capacity while bolstering its high quality reputation.*

> [Atrium] *is dedicated to providing the highest quality care and is continually recognized locally and nationally for its commitment to delivering efficient, quality care. Each year,* [Atrium] *facilities are recognized by many of the top accrediting and ranking organizations in the industry."*

See also Sections B, C, and O of the application and any exhibits.

Regarding the impact of the proposal on access by medically underserved groups, in Section N, page 104, the applicant states:

> *"*[Atrium] *has long-promoted economic access to its services as it historically has provided services to all persons in need of medical care, regardless of race, sex, creed, age, national origin,* [disability]*, or ability to pay…. The medical center will continue to serve this population as dictated by the mission of* [Atrium]*, which is the foundation for every action taken. The mission is simple, but unique: 'To improve health, elevate hope, and advance healing – for all.' This includes the medically underserved."*

See also Sections B, C, and L of the application and any exhibits.

The applicant adequately describes the expected effects of the proposed services on competition in the service area and adequately demonstrates the proposal would have a positive impact on cost-effectiveness, quality, and access because the applicant adequately demonstrates that:

1) The proposal is cost effective because the applicant adequately demonstrated: a) the need the population to be served has for the proposal; b) that the proposal would not result in an unnecessary duplication of existing and approved health services; and c) that projected revenues and operating costs are reasonable.

2) Quality care would be provided based on the applicant's representations about how it will ensure the quality of the proposed services and the applicant's record of providing quality care in the past.

3) Medically underserved groups will have access to the proposed services based on the applicant's representations about access by medically underserved groups and the projected payor mix.

Conclusion – The Agency reviewed the:

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

Based on that review, the Agency concludes that the application is conforming to this criterion based on all 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 – South Charlotte Surgery Center
C – All Other Applications

Project I.D. #F-11993-20/Novant Health Steele Creek Medical Center/Develop a new hospital w/36 acute care beds & 2 ORs

The applicant proposes to develop NH Steele Creek, a new, separately licensed hospital, with 32 acute care beds and two ORs pursuant to the need determinations in the 2020 SMFP.

On Form A in Section Q, the applicant identifies hospitals located in North Carolina owned, operated, or managed by the applicant or a related entity. The applicant identified 11 other hospitals in North Carolina.

In Section O, page 134, the applicant states that during the 18 months immediately preceding the submittal of the application, there were no incidents related to quality of care at any of the 11 hospitals. According to the files in the Acute and Home Care Licensure and Certification Section, DHSR, during the 18 months immediately preceding submission of the application through the date of this decision, there were incidents related to quality of care that occurred in three of the 11 hospitals. All three hospitals have resolved the issues and are back in compliance. 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 11 hospitals, the applicant provided sufficient evidence that quality care has been provided in the past. Therefore, the application is conforming to this criterion.

Project I.D. #F-12004-20/South Charlotte Surgery Center/Develop a new specialty ASF focusing on vascular & general surgery w/1 OR

Neither the applicant nor any related entities own, operate, or manage an existing health service facility located in North Carolina. Therefore, Criterion (20) is not applicable to this review.

Project I.D. #F-12006-20/Carolinas Medical Center/Add 119 acute care beds

The applicant proposes to add 119 acute care beds to Carolinas Medical Center, an existing hospital with 1,055 acute care beds, for a total of 1,192 acute care beds upon completion of this project and Project I.D. #F-11811-19 (add 18 beds).

On Form A in Section Q, the applicant identifies the hospitals located in North Carolina owned, operated, or managed by the applicant or a related entity. The applicant identified a total of 13 hospitals in North Carolina.

In Section O, page 114, the applicant states that during the 18 months immediately preceding the submittal of the application, there were no incidents related to quality of care at any of the 13 hospitals. According to the files in the Acute and Home Care Licensure and Certification Section, DHSR, during the 18 months immediately preceding submission of the application through the date of this decision, there were no incidents related to quality of care that occurred in any of the 13 hospitals. 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 13 hospitals, the applicant provided sufficient evidence that quality care has been provided in the past. Therefore, the application is conforming to this criterion.

Project I.D. #F-12008-20/Carolinas Medical Center/Add 12 ORs

The applicant proposes to add 12 ORs to Carolinas Medical Center, an existing hospital with 62 ORs, for a total of 76 ORs upon completion of this project and Project I.D. #F-11815-19 (add 2 ORs).

On Form A in Section Q, the applicant identifies hospitals and ASFs located in North Carolina owned, operated, or managed by the applicant or a related entity. The applicant identified 13 hospitals and 6 ASFs in North Carolina.

In Section O, page 98, the applicant states that during the 18 months immediately preceding the submittal of the application, there were no incidents related to quality of care at any of the 13 hospitals and 6 ASFs. According to the files in the Acute and Home Care Licensure and Certification Section, DHSR, during the 18 months immediately preceding submission of the application through the date of this decision, there were no incidents related to quality of care that occurred in any of the 19 hospitals and ASFs. 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 19 hospitals and ASFs, the applicant provided sufficient evidence that quality care has been provided in the past. Therefore, the application is conforming to this criterion.

Project I.D. #F-12009-20/Atrium Health Pineville/Add 7 acute care beds

The applicant proposes to add 7 acute care beds to Atrium Health Pineville, an existing hospital with 233 acute care beds, for a total of 278 acute care beds upon completion of this project, Project ID# F-11622-18 (add 38 beds), and Project ID# F-11813-19 (add 12 beds).

On Form A in Section Q, the applicant identifies the hospitals located in North Carolina owned, operated, or managed by the applicant or a related entity. The applicant identified a total of 13 hospitals in North Carolina.

In Section O, page 109, the applicant states that during the 18 months immediately preceding the submittal of the application, there were no incidents related to quality of care at any of the 13 hospitals. According to the files in the Acute and Home Care Licensure and Certification Section, DHSR, during the 18 months immediately preceding submission

of the application through the date of this decision, there were no incidents related to quality of care that occurred in any of the 13 hospitals. 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 13 hospitals, the applicant provided sufficient evidence that quality care has been provided in the past. Therefore, the application is conforming to this criterion.

(21) Repealed effective July 1, 1987.

G.S. 131E-183 (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.

NC – South Charlotte Surgery Center
C – All Other Applications

SECTION .2100 – CRITERIA AND STANDARDS FOR SURGICAL SERVICES AND OPERATING ROOMS are applicable to:

- Project I.D. #F-11993-20/**Novant Health Steele Creek Medical Center**/Develop a new hospital with 32 acute care beds and two ORs
- Project I.D. #F-12004-20/**South Charlotte Surgery Center**/Develop one OR
- Project I.D. #F-12008-20/**Carolinas Medical Center**/Add 12 new ORs

10A NCAC 14C .2103 PERFORMANCE STANDARDS

(a) An applicant proposing 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 applicant's third full fiscal year following completion 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- **Novant Health Steele Creek Medical Center.** This proposal would add two new ORs to NH Steele Creek, a new hospital. The applicant projects sufficient surgical cases and hours to demonstrate the need for two additional ORs in the applicant's health system in the third full fiscal year following completion of the proposed project based on the OR Need Methodology in the 2020 SMFP. The discussion regarding projected utilization found in Criterion (3) is incorporated herein by reference.

-NC- **South Charlotte Surgery Center.** This proposal would add one new OR to SCSC, a new specialty ASF. The applicant projected a need for 0.5 ORs by the end of the third full fiscal year following project completion, which would be rounded up to one. However, the applicant does not adequately demonstrate the need for the proposed project, or that projected utilization is reasonable and adequately supported. The discussions regarding analysis of need and projected utilization found in Criterion (3) are incorporated herein by reference. Because the applicant does not demonstrate the need for the proposed project or that projected utilization is reasonable and adequately supported, the applicant cannot demonstrate the need for the one new OR based on the OR Need Methodology in the 2020 SMFP. Therefore, the application is not conforming with this Rule.

-C- **Carolinas Medical Center.** This proposal would add 12 new ORs to CMC. The applicant projects sufficient surgical cases and hours to demonstrate the need for 12 additional ORs in the applicant's health system in the third full fiscal year following completion of the proposed project based on the OR Need Methodology in the 2020 SMFP. The discussion regarding projected utilization found in Criterion (3) is incorporated herein by reference.

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

-C- **Novant Health Steele Creek Medical Center.** In Section C, pages 54-57 and 75-83, and Section Q, the applicant provides the assumptions and data supporting the methodology for its utilization projections. The discussion regarding utilization found in Criterion (3) is incorporated herein by reference.

-C- **South Charlotte Surgery Center.** In Section C, pages 15 and 19, and on Form C in Section Q, the applicant provides the assumptions and data supporting the methodology for its utilization projections.

-C- **Carolinas Medical Center.** In Section Q, the applicant provides the assumptions and data supporting the methodology for its utilization projections. The discussion regarding utilization found in Criterion (3) is incorporated herein by reference.

SECTION .3800 – CRITERIA AND STANDARDS FOR ACUTE CARE BEDS are applicable to:

- Project I.D. #F-11993-20/**Novant Health Steele Creek Medical Center**/Develop a new hospital with 32 acute care beds and two ORs
- Project I.D. #F-12006-20/**Carolinas Medical Center**/Add 119 new acute care beds
- Project I.D. #F-12009-20/**Atrium Health Pineville**/Add 7 new acute care beds

10A NCAC 14C .3803 PERFORMANCE STANDARDS

(a) An applicant proposing to develop new acute care beds shall demonstrate that the projected average daily census (ADC) of the total number of licensed acute care beds proposed to be licensed within the service area, under common ownership with the

applicant, divided by the total number of those licensed acute care beds is reasonably projected to be at least 66.7 percent when the projected ADC is less than 100 patients, 71.4 percent when the projected ADC is 100 to 200 patients, and 75.2 percent when the projected ADC is greater than 200 patients, in the third operating year following completion of the proposed project or in the year for which the need determination is identified in the State Medical Facilities Plan, whichever is later.

-C- **Novant Health Steele Creek Medical Center.** The applicant proposes to develop 32 acute care beds at NH Steele Creek, a new hospital. The projected ADC of the total number of licensed acute care beds proposed to be licensed within the service area and owned by Novant is greater than 200. The applicant adequately demonstrates that the projected utilization of the total number of licensed acute care beds proposed to be licensed within the service area and which are owned by Novant is reasonably projected to be at least 75.2 percent by the end of the third operating year following completion of the proposed project. The discussion regarding projected utilization found in Criterion (3) is incorporated herein by reference.

-C- **Carolinas Medical Center.** The applicant proposes to develop 119 acute care beds at CMC. The projected ADC of the total number of licensed acute care beds proposed to be licensed within the service area and owned by Atrium is greater than 200. The applicant adequately demonstrates that the projected utilization of the total number of licensed acute care beds proposed to be licensed within the service area and which are owned by Atrium is reasonably projected to be at least 75.2 percent by the end of the third operating year following completion of the proposed project. The discussion regarding projected utilization found in Criterion (3) is incorporated herein by reference.

-C- **Atrium Health Pineville.** The applicant proposes to develop seven acute care beds at AH Pineville. The projected ADC of the total number of licensed acute care beds proposed to be licensed within the service area and owned by Atrium is greater than 200. The applicant adequately demonstrates that the projected utilization of the total number of licensed acute care beds proposed to be licensed within the service area and which are owned by Atrium is reasonably projected to be at least 75.2 percent by the end of the third operating year following completion of the proposed project. The discussion regarding projected utilization found in Criterion (3) is incorporated herein by reference.

(b) An applicant proposing to develop new acute care beds shall provide all assumptions and data used to develop the projections required in this rule and demonstrate that they support the projected inpatient utilization and average daily census.

-C- **Novant Health Steele Creek Medical Center.** See Section C, pages 39-58, for the applicant's discussion of need, and Section C, pages 54-64 and 69-75 along with Section Q for the applicant's data, assumptions, and methodology used to project utilization. The discussions regarding analysis of need and projected utilization found in Criterion (3) are incorporated herein by reference.

-C- **Carolinas Medical Center.** See Section C, pages 49-60, for the applicant's discussion of need, and Section Q for the applicant's data, assumptions, and methodology used to project utilization. The discussions regarding analysis of need and projected utilization found in Criterion (3) are incorporated herein by reference.

-C- **Atrium Health Pineville.** See Section C, pages 48-57, for the applicant's discussion of need, and Section Q for the applicant's data, assumptions, and methodology used to project utilization. The discussions regarding analysis of need and projected utilization found in Criterion (3) are incorporated herein by reference.

COMPARATIVE ANALYSIS FOR ACUTE CARE BEDS

Pursuant to G.S. 131E-183(a)(1) and the 2020 State Medical Facilities Plan, no more than 126 acute care beds may be approved for Mecklenburg County in this review. Because the applications in this review collectively propose to develop 158 additional acute care beds in Mecklenburg County, all applications cannot be approved for the total number of beds proposed. Therefore, after considering all 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.

Below is a brief description of each project included in the Acute Care Bed Comparative Analysis.

- Project I.D. #F-11993-20 / **Novant Health Steele Creek Medical Center** / Develop 32 acute care beds pursuant to the 2020 SMFP need determination as part of developing a new hospital
- Project I.D. #F-12006-20 / **Carolinas Medical Center** / Develop 119 additional acute care beds pursuant to the 2020 SMFP Need Determination
- Project I.D. #F-12009-20 / **Atrium Health Pineville** / Develop 7 additional acute care beds pursuant to the 2020 SMFP Need Determination

As the above description of each proposed project indicates, one applicant is seeking to develop 32 acute care beds at a new, separately licensed hospital, one applicant is proposing to add 119 acute care beds to its existing quaternary care hospital, and one applicant is proposing to add 7 acute care beds to its existing tertiary care hospital. The proposed new hospital would be a small, community hospital with 32 beds, treating patients with low acuity levels, and projects 8,812 acute care days and 2,686 discharges in its third full fiscal year (CY 2028). The 7 acute care beds are proposed to be added to a tertiary care medical center, which would have 278 acute care beds and projects 61,473 acute care days and 15, 321 discharges in only 204 of those 278 acute care beds during its third full fiscal year (CY 2024). The 119 acute care beds are proposed to be added to a Level I trauma quaternary care academic medical center, which would have 1,174 acute care beds and projects 135,050 acute care days and 26,599 discharges in only 446 of those 1,174 acute care beds during its third full fiscal year (CY 2030). The proposed new hospital projects significantly lower numbers of acute care days and discharges than the tertiary and quaternary care hospitals project with a lower bed complement than they are licensed for. The proposed new hospital will have 11.5 percent of the acute care beds that the tertiary care center will have. The proposed new hospital will have 2.7 percent of the acute care beds and the tertiary care hospital will have 23.7 percent of the acute care beds that the quaternary care center will have. Because of the significant differences in types of facilities, numbers of total acute care beds, numbers of projected acute care days and discharges, levels of patient acuity which can be served, total revenues and expenses, and the differences in presentation of pro forma financial statements, some 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.

Further, the analysis of comparative factors and what conclusions the Agency reaches (if any) with regard to specific comparative analysis factors is determined in part by whether or not the applications included in the review provide data that can be compared and whether or not such a comparison would be of value in evaluating the competitive applications.

Conformity with Review Criteria

Table 5B on page 48 of the 2020 SMFP identifies a need for 126 additional acute care beds in Mecklenburg County. As shown in Table 5A, page 43, the Novant Health system shows a projected surplus of 78 acute care beds for 2022 and the Atrium Health system shows a projected deficit of 202 acute care beds for 2022, which in combination with the need determination from the 2019 SMFP results in the Mecklenburg County need determination for 126 acute care beds. However, the application process is not limited to the provider (or providers) that show a deficit and create the need for additional acute care beds. Any provider can apply to develop the 126 acute care beds in Mecklenburg County. Furthermore, it is not necessary that an existing provider have a projected deficit of acute care beds to apply for more acute care beds. However, it is necessary that an applicant adequately demonstrate the need to develop its project, as proposed.

All three applications are conforming to all applicable statutory and regulatory review criteria. Therefore, with regard to conformity with review criteria, all three applications are equally effective alternatives.

Scope of Services

Generally, the application proposing to provide the greatest scope of services is the more effective alternative with regard to this comparative factor.

Carolinas Medical Center and **Atrium Health Pineville** are both existing acute care hospitals which provide numerous types of medical services. **Novant Health Steele Creek Medical Center** is a proposed new separately licensed hospital; however, it will not provide as many types of medical services as **Carolinas Medical Center**, a Level I trauma center and a quaternary care academic medical center, and **Atrium Health Pineville**, a tertiary care hospital.

Therefore, **Carolinas Medical Center** and **Atrium Health Pineville** are more effective alternatives with respect to this comparative factor and **Novant Health Steele Creek Medical Center** is a less effective alternative.

Geographic Accessibility

As of the date of this decision, there are 2,354 existing and approved acute care beds, allocated between eight existing and approved hospitals owned by two providers (Atrium and Novant) in the Mecklenburg County Service Area, as illustrated in the following table.

Mecklenburg County Acute Care Hospital Campuses	
Facility	**Existing/Approved Beds**
AH Pineville	233 (+38)
AH University City	100 (+16)
CMC-Main*	1,055 (+18)
Atrium Total	**1,460**
NH Ballantyne Medical Center	0 (+36)
NH Huntersville Medical Center	139 (+12)
NH Health Matthews Medical Center**	154 (+20)
NH Health Presbyterian Medical Center	519 (-22)
NH Mint Hill Medical Center	36
Novant Total	**894**
Mecklenburg County Total	**2,354**

Source: Table 5A, 2021 SMFP; applications under review; 2021 LRAs; Agency records.
Note: Numbers in parentheses reflect approved changes in bed inventory which have not yet been developed.
*Includes the AH Mercy campus licensed as part of CMC.
**Includes the 20 acute care beds awarded to NH Matthews in Project I.D. #F-11808-19.

There are 1,722 existing and approved acute care beds within the municipal boundaries of Charlotte, 271 existing and approved acute care beds within the municipal boundaries of Pineville, 174 existing and approved acute care beds within the municipal boundaries of Matthews, 151 existing and approved acute care beds within the municipal boundaries of Huntersville, and 36 acute care beds in unincorporated Mecklenburg County adjacent to Mint Hill and Charlotte municipal boundaries. Two of the three applications propose to develop new acute care beds within the municipal boundaries of Charlotte and one of the three applications proposes to develop new acute care beds within the municipal boundaries of Pineville.

According to the Mecklenburg County government, the city of Charlotte is 303 square miles – more than half of the land area of Mecklenburg County. There are numerous smaller areas or neighborhoods of Charlotte with their own names – for example, Atrium has a satellite ED in the Steele Creek area known as Atrium Health Steele Creek ED and Atrium Health University City is located in the University City region of Charlotte. Novant Health Ballantyne Medical Center, Novant's approved but not yet operational hospital, is being developed in the Ballantyne area of Charlotte.

Steele Creek is a region in southwestern Mecklenburg County which dates back to colonial times; it was previously its own township, but was part of unincorporated Mecklenburg County for a time and now more and more of it is being annexed by the city of Charlotte.[1] There are no acute care beds in the Steele Creek region. The closest acute care beds in Mecklenburg County to the Steele Creek area are those at Atrium Health Pineville, with its 271 existing and approved acute care beds, and the approved but not yet developed Novant Health Ballantyne Medical Center, which will have 36 acute care beds.

Novant Health Steele Creek Medical Center proposes to develop 32 acute care beds as part of developing a new hospital. The proposed location of **Novant Health Steele Creek Medical**

[1] https://www.steelecreekresidents.org/Newspages/news364_WhereisSteeleCreek.htm, accessed April 13, 2021.

Center is in a part of Steele Creek that is now part of the city of Charlotte. **Carolinas Medical Center** proposes to add 119 acute care beds to its existing hospital campus near the center of Charlotte. **Carolinas Medical Center's** two campuses, located within several miles of each other, have a combined total of 1,073 existing and approved acute care beds. Additionally, Novant Health Presbyterian Medical Center's two campuses are close to the campuses of **Carolinas Medical Center** and which have another 497 existing and approved acute care beds. **Atrium Health Pineville** proposes to add 7 acute care beds to its existing campus with 271 acute care beds in Pineville.

Novant Health Steele Creek Medical Center proposes to develop acute care beds in an area of Charlotte with no existing or approved acute care beds. **Carolinas Medical Center** proposes to develop acute care beds at its existing facility in an area of Charlotte with a total of 1,570 existing and approved acute care beds. **Atrium Health Pineville** proposes to develop acute care beds at its existing facility in Pineville with a total of 271 existing and approved acute care beds. Therefore, regarding this comparative factor, the application submitted by **Novant Health Steele Creek Medical Center** is the most effective alternative and the application submitted by **Atrium Health Pineville** is a more effective than the application submitted by **Carolinas Medical Center**.

Historical Utilization

The table below shows acute care bed utilization for existing facilities based on acute care days as reported in Table 5A of the 2021 SMFP. Generally, the applicant with the higher historical utilization is the more effective alternative with regard to this comparative analysis factor. However, all three applicants are not existing providers of acute care bed services in Mecklenburg County. Novant Health Steele Creek Medical Center is not an existing facility and thus has no historical utilization.

Mecklenburg County Historical Acute Care Bed Utilization (Table 5A of 2021 SMFP)					
Facility	**FFY 2019 Acute Care Days**	**ADC**	**# of Acute Care Beds***	**Utilization**	**Proj. (Surplus)/Deficit**
CMC	321,862	882	1,055	83.6%	209
AH Pineville	71,985	197	221	89.1%	27
Atrium System	421,703	1,155	1,376	83.9%	250
Novant System	217,163	595	848	70.2%	29

*Existing acute care beds during FFY 2019 only.

As shown in the table above, **Atrium Health Pineville** has a higher historical utilization than **Carolinas Medical Center**. **Novant Health Steele Creek Medical Center** is not an existing facility and as such has no historical utilization.

Further, while both Novant and Atrium offer acute care bed services at multiple locations within Mecklenburg County, Atrium has the highest projected system-wide deficit of acute care beds in this competitive review. While projected system-wide deficit of acute care beds is not a factor in whether or not an applicant can demonstrate conformity with applicable statutory and regulatory review criteria, a higher projected system-wide deficit of acute care beds can, in certain situations, indicate higher historical utilization than a projected system-wide surplus of acute care beds. In

this specific situation, Atrium's projected system-wide deficit of acute care beds does indicate a higher historical utilization level than Novant's system-wide surplus of acute care beds.
Therefore, with regard to historical utilization, **Atrium Health Pineville** is the most effective alternative, and **Carolinas Medical Center** is a more effective alternative than **Novant Health Steele Creek Medical Center**.

Competition (Patient Access to a New or Alternative Provider)

There are 2,354 existing and approved acute care beds located in Mecklenburg County. **Carolinas Medical Center** and **Atrium Health Pineville** are affiliated with Atrium Health, which currently controls 1,460 of the 2,354 acute care beds in Mecklenburg County, or 62.0 percent. **Novant Health Steele Creek Medical Center** is affiliated with Novant Health, which currently controls 894 of the 2,354 acute care beds in Mecklenburg County, or 38.0 percent.

If **Carolinas Medical Center** and **Atrium Health Pineville** both have their applications approved, Atrium would control 1,586 of the 2,480 existing or approved acute care beds in Mecklenburg County, or 64.0 percent. If **Novant Health Steele Creek Medical Center's** application is approved, Novant Health would control 926 of the 2,480 existing and approved acute care beds in Mecklenburg County, or 37.3 percent.

Therefore, with regard to competition, the application submitted by **Novant Health Steele Creek Medical Center** is the more effective alternative, and the applications submitted by **Carolinas Medical Center** and **Atrium Health Pineville** are less effective alternatives.

Access by Service Area Residents

On page 33, the 2020 SMFP defines the service area for acute care beds as *"the acute care bed service area in which the bed is located. The acute care bed service areas are the single and multicounty groupings shown in Figure 5.1."* Figure 5.1, on page 38, shows Mecklenburg County as its own acute care bed service area. Thus, the service area for this facility is Mecklenburg County. Facilities may also serve residents of counties not included in their service area. Generally, the application projecting to serve the highest percentage of Mecklenburg County residents is the more effective alternative with regard to this comparative factor since the need determination is for 126 additional acute care beds to be located in Mecklenburg County.

However, the acute care bed need determination methodology is based on utilization of all patients that utilize acute care beds in Mecklenburg County and is not based on patients originating from Mecklenburg County. Further, Mecklenburg County is a large urban county with over one million residents, two large health systems plus numerous smaller healthcare groups, and is on the border of North Carolina and South Carolina.

Considering the discussion above, the Agency believes that in this specific instance attempting to compare the applicants based on the projected acute care bed access of Mecklenburg County residents has little value.

Access by Underserved Groups

"Underserved groups" is defined in G.S. 131E-183(a)(13) as follows:

> *"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 access by underserved groups, the applications in this review are compared with respect to three underserved groups: charity care patients (i.e., medically indigent or low-income persons), Medicare patients, and Medicaid patients. Access by each group is treated as a separate factor.

Projected Charity Care

The following table shows projected charity care during the third full fiscal year following project completion for each facility. Generally, the application projecting to provide the most charity care is the more effective alternative with regard to this comparative factor.

Projected Charity Care – 3rd Full FY			
Applicant	**Total Charity Care**	**Av. Charity Care per Patient**	**% of Gross Revenue**
NH Steele Creek	$4,027,249	$1,499	4.8%
Carolinas Medical Center	$36,881,937	$1,387	7.5%
AH Pineville	$11,013,117	$718	5.1%

Sources: Forms C and F.2 for each applicant

In Section L, page 125, **Novant Health Steele Creek Medical Center** says it does not track charity care as a payor source, charity care represents 4.8 percent of gross revenue, and it is provided to patients across all payor categories. Further, **Novant Health Steele Creek Medical Center**, which is proposing to develop a new hospital with many components, has pro forma financial statements that are structured differently than **Carolinas Medical Center** and **Atrium Health Pineville**, which are proposing projects that only involve acute care beds.

In Section L, page 103, **Carolinas Medical Center** says its internal data does not track charity care as a payor source and charity care is provided to patients across all payor categories. However, in the assumptions immediately following Forms F.2 and F.3, the applicant states projected charity care is the difference between projected gross revenue and projected net revenue for self-pay patients.

In Section L, page 98, **Atrium Health Pineville** says its internal data does not track charity care as a payor source and charity care is provided to patients across all payor categories. However, in the assumptions immediately following Forms F.2 and F.3, the applicant states projected charity care is the difference between projected gross revenue and projected net revenue for self-pay patients.

Based on the differences in how each applicant categorizes charity care and the differences in presentation of pro forma financial statements, the Agency determined it could not make a valid comparison of the charity care provided by each applicant for purposes of evaluating which application was more effective with regard to this comparative factor.

However, even if the applicants had provided pro forma financial statements in a manner that would allow the Agency to compare reasonably similar kinds of data, differences in the acuity level of patients at each facility, and the level of care (community hospital, tertiary care hospital, and quaternary care academic medical center) at each facility would make any comparison of little value.

Projected Medicare

The following table shows projected Medicare revenue during the third full fiscal year following project completion for each facility. Generally, the application projecting the highest Medicare revenue is the more effective alternative with regard to this comparative factor to the extent the Medicare revenue represents the number of Medicare patients served.

Projected Medicare Revenue – 3rd Full FY			
Applicant	**Total Medicare Rev.**	**Av. Medicare Rev./Patient**	**% of Gross Rev.**
NH Steele Creek	$42,239,155	$15,726	50.1%
Carolinas Medical Center	$230,642,660	$8,671	47.2%
AH Pineville	$143,993,629	$9,398	66.1%

Sources: Forms C and F.2 for each applicant

Based on the differences in presentation of pro forma financial statements, the Agency determined it could not make a valid comparison for purposes of evaluating which application was more effective with regard to this comparative factor. **Novant Health Steele Creek Medical Center**, which is proposing to develop a new hospital with many components, has pro forma financial statements that are structured differently than **Carolinas Medical Center** and **Atrium Health Pineville**, which are proposing projects that only involve acute care beds.

However, even if the applicants had provided pro forma financial statements in a manner that would allow the Agency to compare reasonably similar kinds of data, differences in the acuity level of patients at each facility, and the level of care (community hospital, tertiary care hospital, and quaternary care academic medical center) at each facility would make any comparison of little value.

Projected Medicaid

The following table shows projected Medicaid revenue during the third full fiscal year following project completion for each facility. Generally, the application projecting the highest Medicaid revenue is the more effective alternative with regard to this comparative factor to the extent the Medicaid revenue represents the number of Medicaid patients served.

Projected Medicaid Revenue – 3rd Full FY			
Applicant	**Total Medicaid Rev.**	**Av. Medicaid Rev./Patient**	**% of Gross Rev.**
NH Steele Creek	$11,620,222	$4,326	13.8%
Carolinas Medical Center	$76,488,467	$2,876	15.7%
AH Pineville	$14,047,694	$917	6.5%

Sources: Forms C and F.2 for each applicant

Based on the differences in presentation of pro forma financial statements, the Agency determined it could not make a valid comparison for purposes of evaluating which application was more effective with regard to this comparative factor. **Novant Health Steele Creek Medical Center**, which is proposing to develop a new hospital with many components, has pro forma financial statements that are structured differently than **Carolinas Medical Center** and **Atrium Health Pineville**, which are proposing projects that only involve acute care beds.

However, even if the applicants had provided pro forma financial statements in a manner that would allow the Agency to compare reasonably similar kinds of data, differences in the acuity level of patients at each facility, and the level of care (community hospital, tertiary care hospital, and quaternary care academic medical center) at each facility would make any comparison of little value.

Projected Average Net Revenue per Patient

The following table shows the projected average net revenue per patient in the third full fiscal year following project completion for each facility. Generally, the application projecting the lowest average net revenue per patient is the more effective alternative with regard to this comparative factor to the extent the average reflects a lower cost to the patient or third-party payor.

Projected Average Net Revenue per Patient – 3rd Full FY			
Applicant	**Total # of Patients**	**Net Revenue**	**Average Net Revenue per Patient**
NH Steele Creek	2,686	$21,395,824	$7,966
Carolinas Medical Center	26,599	$132,470,092	$4,980
AH Pineville	15,321	$53,997,488	$3,524

Sources: Forms C and F.2 for each applicant

Based on the differences in presentation of pro forma financial statements, the Agency determined it could not make a valid comparison for purposes of evaluating which application was more effective with regard to this comparative factor. **Novant Health Steele Creek Medical Center**, which is proposing to develop a new hospital with many components, has pro forma financial statements that are structured differently than **Carolinas Medical Center** and **Atrium Health Pineville**, which are proposing projects that only involve acute care beds.

However, even if the applicants had provided pro forma financial statements in a manner that would allow the Agency to compare reasonably similar kinds of data, differences in the acuity level of patients at each facility, and the level of care (community hospital, tertiary care hospital, and quaternary care academic medical center) at each facility would make any comparison of little value.

Projected Average Operating Expense per Patient

The following table shows the projected average operating expense per patient in the third full fiscal year following project completion for each facility. Generally, the application projecting the lowest average operating expense per patient is the more effective alternative with regard to this comparative factor to the extent it reflects a more cost-effective service which could also result in lower costs to the patient or third-party payor.

Projected Operating Expense per Patient – 3rd Full FY			
Applicant	**Total # of Patients**	**Operating Expense**	**Average Operating Expense per Patient**
NH Steele Creek	2,686	$38,946,801	$14,500
Carolinas Medical Center	26,599	$124,222,997	$4,670
AH Pineville	15,321	$43,760,495	$2,856

Sources: Forms C and F.2 for each applicant

Based on the differences in presentation of pro forma financial statements, the Agency determined it could not make a valid comparison for purposes of evaluating which application was more effective with regard to this comparative factor. **Novant Health Steele Creek Medical Center**, which is proposing to develop a new hospital with many components, has pro forma financial statements that are structured differently than **Carolinas Medical Center** and **Atrium Health Pineville**, which are proposing projects that only involve acute care beds.

However, even if the applicants had provided pro forma financial statements in a manner that would allow the Agency to compare reasonably similar kinds of data, differences in the acuity level of patients at each facility, and the level of care (community hospital, tertiary care hospital, and quaternary care academic medical center) at each facility would make any comparison of little value.

SUMMARY

Due to significant differences in the size of hospitals, levels of acuity each hospital can serve, 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 and reporting in like formats.

The following table lists the comparative factors and states which application is the more effective alternative with regard to that particular comparative factor. Note: the comparative factors are listed in the same order they are discussed in the Comparative Analysis, which should not be construed to indicate an order of importance.

Comparative Factor	NH Steele Creek	CMC	AH Pineville
Conformity with Review Criteria	Yes	Yes	Yes
Scope of Services	Less Effective	**More Effective**	**More Effective**
Geographic Accessibility	**Most Effective**	Less Effective	**More Effective**
Historical Utilization	Less Effective	**More Effective**	**Most Effective**
Competition/Access to New Provider	**More Effective**	Less Effective	Less Effective
Access by Service Area Residents	Not Evaluated	Not Evaluated	Not Evaluated
Access by Underserved Groups			
Projected Charity Care	Inconclusive	Inconclusive	Inconclusive
Projected Medicare	Inconclusive	Inconclusive	Inconclusive
Projected Medicaid	Inconclusive	Inconclusive	Inconclusive
Projected Average Net Revenue per Case	Inconclusive	Inconclusive	Inconclusive
Projected Average Operating Expense per Case	Inconclusive	Inconclusive	Inconclusive

- With respect to Conformity with Review Criteria, **Novant Health Steele Creek Medical Center**, **Carolinas Medical Center**, and **Atrium Health Pineville** offer equally effective alternatives. See Comparative Analysis for discussion.

- With respect to Scope of Services, **Carolinas Medical Center** and **Atrium Health Pineville** offer more effective alternatives. See Comparative Analysis for discussion.

- With respect to Geographic Accessibility, **Novant Health Steele Creek Medical Center** offers the most effective alternative and **Atrium Health Pineville** offers a more effective alternative than **Carolinas Medical Center**. See Comparative Analysis for discussion.

- With respect to Historical Utilization, **Atrium Health Pineville** offers the most effective alternative and **Carolinas Medical Center** offers a more effective alternative than **Novant Health Steele Creek Medical Center**. See Comparative Analysis for discussion.

- With respect to Competition/Access to New Provider, **Novant Health Steele Creek Medical Center** offers the more effective alternative. See Comparative Analysis for discussion.

CONCLUSION

G.S. 131E-183(a)(1) states that the need determination in the SMFP is the determinative limit on the number of acute care beds that can be approved by the Healthcare Planning and Certificate of Need Section. Approval of all applications submitted during this review would result in acute care beds in excess of the need determination for Mecklenburg County. All applications submitted for acute care beds in this review are conforming to all applicable statutory and regulatory review criteria and are approvable standing alone. However, collectively they propose 158 acute care beds while the need determination is for 126 acute care beds; therefore, only 126 acute care beds can be approved.

As discussed above, **Atrium Health Pineville** was determined to be the most or more effective alternative for three factors:

- Scope of Services
- Geographic Accessibility
- Historical Utilization

As discussed above, **Novant Health Steele Creek Medical Center** was determined to be the most or more effective alternative for two factors:

- Geographic Accessibility
- Competition/Access to a New Provider

As discussed above, **Carolinas Medical Center** was determined to be the more effective alternative for two factors:

- Scope of Services
- Historical Utilization

With regard to acute care beds, the application submitted by **Atrium Health Pineville** is comparatively superior and is approved as submitted.

The **Novant Health Steele Creek Medical Center** application and the **Carolinas Medical Center** application are both effective alternatives. It is possible to approve the application for **Novant Health Steele Creek Medical Center** while partially approving the application for **Carolinas Medical Center**, but it is not possible to approve the application for **Carolinas Medical Center** as submitted as well as partially approve the application for **Novant Health Steele Creek Medical Center**. Additionally, the **Novant Health Steele Creek Medical Center** application was the most effective alternative for one comparative factor and a more effective alternative for a second comparative factor; while the **Carolinas Medical Center** application is an effective alternative, it was not the most effective alternative for any comparative factor. Because of that, the application for **Novant Health Steele Creek Medical Center** is approved as submitted and the application for **Carolinas Medical Center** is approved to develop 87 acute care beds instead of 119 acute care beds as proposed.

Based upon the independent review of each application and the Comparative Analysis, the following applications are approved as submitted:

- **Project I.D. F-11993-20 / Novant Health Steele Creek Medical Center / Develop a new hospital with no more than 32 acute care beds and no more than 2 ORs pursuant to the need determinations in the 2020 SMFP**

- **Project I.D. #F-12006-20 / Atrium Health Pineville / Add no more than 7 acute care beds pursuant to the need determination in the 2020 SMFP for a total of no more than 278 beds upon completion of this project, Project I.D. #F-11622-18 (add 38 beds), and Project I.D. #F-11813-19 (add 12 beds)**

And the following application is approved as modified in the description below:

- **Project I.D. F-12006-20 / Carolinas Medical Center / Add no more than 87 acute care beds pursuant to the need determination in the 2020 SMFP for a total of no more than 1,160 acute care beds upon completion of this project and Project I.D. #F-11811-19 (add 18 beds)**

Project I.D. #F-11993-20 is approved subject to the following conditions.

1. Novant Health, Inc. and Steele Creek Development, LLC (hereinafter certificate holder) shall materially comply with all representations made in the certificate of need application.

2. The certificate holder shall develop a new, separately licensed hospital, with no more than 32 acute care beds and no more than two shared ORs pursuant to the need determinations in the 2020 SMFP.

3. The certificate holder shall also develop no more than one dedicated C-Section OR, no more than one procedure room, and relocate no more than one CT scanner from Novant Health Presbyterian Medical Center to the new, separately licensed hospital, to be named Novant Health Steele Creek Medical Center.

4. Upon completion of the project, Novant Health Steele Creek Medical Center shall be licensed for no more than 32 acute care beds and no more than three ORs, including one dedicated C-Section OR.

5. Progress Reports:
   a. Pursuant to G.S. 131E-189(a), the certificate holder shall submit periodic reports on the progress being made to develop the project consistent with the timetable and representations made in the application on the Progress Report form provided by the Healthcare Planning and Certificate of Need Section. The form is available online at: https://info.ncdhhs.gov/dhsr/coneed/progressreport.html.
   b. The certificate holder shall complete all sections of the Progress Report form.
   c. The certificate holder shall describe in detail all steps taken to develop the project since the last progress report and should include documentation to substantiate each step taken as available.
   d. Progress reports shall be due on the first day of every third month. The first progress report shall be due on September 1, 2021. The second progress report shall be due on December 1, 2021 and so forth.

6. The certificate holder 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.

7. The certificate holder 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.

8. No later than three months after the last day of each of the first three full fiscal years of operation following initiation of the services authorized by this certificate of need, the certificate holder 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.

9. The certificate holder 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.

Project I.D. #F-12006-20 is approved subject to the following conditions.

1. The Charlotte-Mecklenburg Hospital Authority (hereinafter certificate holder) shall materially comply with all representations made in the certificate of need application.

2. The certificate holder shall develop no more than 87 additional acute care beds at Carolinas Medical Center for a total of no more than 1,160 acute care beds upon completion of this project and Project I.D. #F-11811-19 (add 18 beds).

3. Upon completion of the project, Carolinas Medical Center shall be licensed for no more than 1,160 acute care beds.

4. Progress Reports:
   a. Pursuant to G.S. 131E-189(a), the certificate holder shall submit periodic reports on the progress being made to develop the project consistent with the timetable and representations made in the application on the Progress Report form provided by the Healthcare Planning and Certificate of Need Section. The form is available online at: https://info.ncdhhs.gov/dhsr/coneed/progressreport.html.
   b. The certificate holder shall complete all sections of the Progress Report form.
   c. The certificate holder shall describe in detail all steps taken to develop the project since the last progress report and should include documentation to substantiate each step taken as available.
   d. Progress reports shall be due on the first day of every third month. The first progress report shall be due on September 1, 2021. The second progress report shall be due on December 1, 2021, and so forth.

5. The certificate holder shall not acquire as part of this project any equipment that is not included in the project's proposed capital expenditures in Section Q of the application and that would otherwise require a certificate of need.

6. The certificate holder shall develop and implement an Energy Efficiency and Sustainability Plan for the project that conforms to or exceeds energy efficiency and water conservation standards incorporated in the latest editions of the North Carolina State Building Codes.

7. No later than three months after the last day of each of the first three full fiscal years of operation following initiation of the services authorized by this certificate of need, the certificate holder shall submit, on the form provided by the Healthcare Planning and Certificate of Need Section, an annual report containing the:
   a. Payor mix for the services authorized in this certificate of need.
   b. Utilization of the services authorized in this certificate of need.
   c. Revenues and operating costs for the services authorized in this certificate of need.
   d. Average gross revenue per unit of service.
   e. Average net revenue per unit of service.
   f. Average operating cost per unit of service.

8. The certificate holder 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.

Project I.D. #F-12009-20 is approved subject to the following conditions.

1. The Charlotte-Mecklenburg Hospital Authority (hereinafter certificate holder) shall materially comply with all representations made in the certificate of need application.

2. The certificate holder shall develop no more than 7 additional acute care beds at Atrium Health Pineville for a total of no more than 278 acute care beds upon completion of this project, Project I.D. #F-11622-18 (add 38 beds), and Project I.D. #F-11813-19 (add 12 beds).

3. Upon completion of the project, Atrium Health Pineville shall be licensed for no more than 278 acute care beds.

4. Progress Reports:
   a. Pursuant to G.S. 131E-189(a), the certificate holder shall submit periodic reports on the progress being made to develop the project consistent with the timetable and representations made in the application on the Progress Report form provided by the Healthcare Planning and Certificate of Need Section. The form is available online at: https://info.ncdhhs.gov/dhsr/coneed/progressreport.html.
   b. The certificate holder shall complete all sections of the Progress Report form.
   c. The certificate holder shall describe in detail all steps taken to develop the project since the last progress report and should include documentation to substantiate each step taken as available.
   d. Progress reports shall be due on the first day of every third month. The first progress report shall be due on September 1, 2021. The second progress report shall be due on December 1, 2021, and so forth.

5. The certificate holder shall not acquire as part of this project any equipment that is not included in the project's proposed capital expenditures in Section Q of the application and that would otherwise require a certificate of need.

6. No later than three months after the last day of each of the first three full fiscal years of operation following initiation of the services authorized by this certificate of need, the certificate holder 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.

7. The certificate holder 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.

COMPARATIVE ANALYSIS FOR OPERATING ROOMS

Pursuant to G.S. 131E-183(a)(1) and the 2020 State Medical Facilities Plan, no more than 12 ORs may be approved for Mecklenburg County in this review. Because the three applications in this review collectively propose to develop 15 additional ORs in Mecklenburg County, all the applications cannot be approved for the total number of ORs proposed. Therefore, after considering all 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 proposals should be approved.

Below is a brief description of each project included in the Operating Room Comparative Analysis:

- Project I.D. #F-11993-20 / **Novant Health Steele Creek Medical Center** / Develop two ORs pursuant to the 2020 SMFP need determination as part of developing a new hospital
- Project I.D. #F-12004-20 / **South Charlotte Surgery Center** / Develop a new specialty ASF with one OR pursuant to the 2020 SMFP need determination
- Project I.D. #F-12008-20/**Carolinas Medical Center** / Add 12 additional ORs pursuant to the 2020 SMFP need determination for a total of 75 ORs upon completion of this project and related projects

As the above description of each proposed project indicates, one applicant is seeking to develop two ORs at a new, separately licensed hospital, one applicant is proposing a new specialty ASF with one OR, and one applicant is proposing to add 12 ORs to its existing hospital. The ASF projects to perform 552 surgeries in its third full fiscal year (CY 2025). The proposed new hospital would be a small, community hospital with 32 beds and two ORs, treating patients with low acuity levels, and projects to perform 1,092 surgeries in its third full fiscal year (CY 2028). The final project proposes to add ORs to a Level I trauma quaternary care academic medical center, which would have 71 ORs (excluding dedicated C-Section ORs) and projects to perform 39,704 surgeries in its third full fiscal year (CY 2030). The proposed new hospital projects twice as many surgeries as projected by the proposed ASF and the existing hospital projects an exponentially higher number of surgeries than projected by the proposed ASF and the proposed new hospital. Because of the significant differences in types of facilities, numbers of total ORs, 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 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.

Further, the analysis of comparative factors and what conclusions the Agency reaches (if any) with regard to specific comparative analysis factors is determined in part by whether or not the applications included in the review provide data that can be compared and whether or not such a comparison would be of value in evaluating the competitive applications.

Conformity with Review Criteria

Table 6C on page 83 of the 2020 SMFP identifies a need for 12 additional ORs in Mecklenburg County. As shown in Table 6B, pages 76-77, the Novant Health system shows a projected surplus of

5.58 ORs for 2022 and the Atrium Health system shows a projected deficit of 16.16 ORs for 2022. However, the application process is not limited to the provider (or providers) that show a deficit and create the need for additional ORs. Any provider can apply to develop the 12 ORs in Mecklenburg County. Furthermore, it is not necessary that an existing provider have a projected deficit of ORs to apply for more ORs. However, it is necessary that an applicant adequately demonstrate the need to develop its project, as proposed.

The applications submitted by **Novant Health Steele Creek Medical Center** and **Carolinas Medical Center** are conforming to all applicable statutory and regulatory review criteria. However, the application submitted by **South Charlotte Surgery Center** is not conforming to all applicable statutory and regulatory review criteria. An application that is not conforming to all applicable statutory and regulatory review criteria cannot be approved. Therefore, regarding this comparative factor, the applications submitted by **Novant Health Steele Creek Medical Center** and **Carolinas Medical Center** are equally effective alternatives and more effective than the application submitted by **South Charlotte Surgery Center**.

Scope of Services

Generally, the application proposing to provide the greatest scope of services is the more effective alternative with regard to this comparative factor.

Carolinas Medical Center is an existing acute care hospital which provides numerous types of surgical services. **Novant Health Steele Creek Medical Center** is a proposed acute care hospital; however, it will not provide as many types of surgical services as **Carolinas Medical Center**. **South Charlotte Surgery Center** is a proposed specialty ASF that will perform a limited number of vascular and general surgeries and will not provide as many types of surgical services as **Novant Health Steele Creek Medical Center** or **Carolinas Medical Center**.

Therefore, **Carolinas Medical Center** is the more effective alternative with respect to this comparative factor and **Novant Health Steele Creek Medical Center** and **South Charlotte Surgery Center** are less effective alternatives.

Patient Access to Lower Cost Surgical Services

There are currently 166 existing or approved ORs (excluding dedicated C-Section and trauma ORs) in the Mecklenburg County OR service area. ORs can be licensed as part of a hospital or an ASF. Based on the applications, written comments, and response to comments, many outpatient surgical services can be appropriately performed in either a hospital-based OR (either shared inpatient/outpatient ORs or dedicated ambulatory surgery ORs) or in an OR located at an ASF. However, the cost for that same service will often be much higher if performed in a hospital-based OR or, conversely, much less expensive if performed in an OR located at an ASF. While many outpatient surgical services can be performed in an OR located at an ASF, not all of them are appropriate for an OR located at an ASF, and inpatient surgical services must be performed in a hospital-based OR.

The following table identifies the existing and approved inpatient (IP), outpatient/dedicated ambulatory surgery (OP), and shared inpatient/outpatient ORs in Mecklenburg County.

	Total ORs*	IP ORs	% IP of Total ORs	OP ORs**	% OP of Total ORs	Shared ORs	% Shared of Total ORs
Mecklenburg County ORs	166	9	5.4%	46	27.7%	100	60.2%

Sources: 2021 SMFP, Agency records

*Includes existing and approved ORs and excludes dedicated C-Section and designated trauma ORs.

**Includes two single-specialty demonstration project ORs at Valleygate Dental Surgery Center.

The table below shows the percentage of total Mecklenburg County surgical cases that were outpatient surgeries in FFY 2019, based on data reported in the 2021 SMFP.

Outpatient Surgical Cases as Percent of Total Mecklenburg County Surgical Cases					
Facility	**Type of ORs**	**IP Cases**	**OP Cases**	**Total Cases**	**OP %**
Atrium Health Pineville	Hospital/Shared	3,498	4,311	7,809	55.2%
Atrium Health University City	Hospital/Shared	963	6,216	7,179	86.6%
Carolina Center for Specialty Surgery	ASF	-	1,979	1,979	100.0%
Carolinas Medical Center	Hospital/Shared	18,828	23,402	42,230	55.4%
Charlotte Surgery Center – Museum	ASF	-	7,910	7,910	100.0%
Charlotte Surgery Center – Wendover	ASF	-	179	179	100.0%
Mallard Creek Surgery Center	ASF	-	1,806	1,806	100.0%
Matthews Surgery Center	ASF	-	2,159	2,159	100.0%
Novant Health Ballantyne OP Surgery	ASF	-	1,059	1,059	100.0%
Novant Health Huntersville Medical Center	Hospital/Shared	1,437	4,009	5,446	73.6%
Novant Health Huntersville OP Surgery	ASF	-	3,399	3,399	100.0%
Novant Health Matthews Medical Center	Hospital/Shared	1,704	3,957	5,661	69.9%
Novant Health Mint Hill Medical Center	Hospital/Shared	142	683	825	82.8%
Novant Health Presbyterian Medical Center	Hospital/Shared	8,087	22,399	30,486	73.5%
SouthPark Surgery Center	ASF	-	11,900	11,900	100.0%
Valleygate Dental Surgery Center Charlotte	ASF	-	636	636	100.0%
Totals		**34,659**	**73,605**	**108,264**	**70.0%**

Source: Table 6B, 2021 SMFP

As the table above shows, 70 percent of the total Mecklenburg County surgical cases in FFY 2019 were outpatient surgical cases. Mecklenburg County currently has 16 existing and approved ASFs. Based on the fact that 70 percent of Mecklenburg County's FFY 2019 surgical cases were ambulatory surgery cases and that dedicated ambulatory surgery ORs represent 27.7 percent of the total existing and approved Mecklenburg County ORs, projects proposing the development of dedicated ambulatory surgery ORs would represent more effective alternatives.

Therefore, the application submitted by **South Charlotte Surgery Center** is the more effective proposal with respect to this comparative factor and the applications submitted by **Novant Health Steele Creek Medical Center** and **Carolinas Medical Center** are less effective with respect to this comparative factor.

Geographic Accessibility

Not including dedicated C-Section ORs and trauma ORs, there are 166 existing and approved ORs in Mecklenburg County, allocated between 18 facilities, as shown in the table below.

Mecklenburg County OR Inventory						
Facility	**IP ORs**	**OP ORs**	**Shared ORs**	**Excluded C-Section and Trauma ORs**	**CON Adjustments**	**Total ORs**
AH Huntersville Surgery Center	0	0	0	0	1	1
AH Pineville	3	0	9	-2	3	13
AH University City	1	1	7	-1	-1	7
CCSS	0	2	0	0	1	3
CMC	10	9	41	-5	4	59
Atrium Health System Total	**14**	**12**	**57**	**-8**	**8**	**83**
Charlotte Surgery Center – Museum	0	6	0	0	0	6
Charlotte Surgery Center – Wendover	0	6	0	0	0	6
Charlotte Surgery Center System Total	**0**	**12**	**0**	**0**	**0**	**12**
Matthews Surgery Center	0	2	0	0	0	2
NH Ballantyne*	0	0	0	0	2	2
NH Ballantyne OPS*	0	2	0	0	-2	0
NH Huntersville	1	0	6	-1	1	7
NH Huntersville OPS	0	2	0	0	0	2
NH Mint Hill	1	0	2	-1	0	3
NH Matthews**	2	0	6	-2	1	7
NH Presbyterian	6	6	28	-3	0	37
SouthPark Surgery Center	0	6	0	0	0	6
Novant Health System Total	**10**	**18**	**43**	**-7**	**2**	**66**
Carolinas Ctr for Ambulatory Dentistry***	0	2	0	0	0	2
Mallard Creek Surgery Center***	0	2	0	0	0	2
Metrolina Vascular Access Care	0	0	0	0	1	1
Total	**24**	**46**	**100**	**-15**	**11**	**166**

Sources: Table 6A, 2021 SMFP; 2021 LRAs; Agency records

*NHBMC, an approved hospital under development, will have 2 ORs that will be relocated from NHBOS, which will close once the ORs are relocated to NHBMC.

**The OR listed under CON Adjustments for NH Matthews is the OR awarded pursuant to Project I.D. #F-11807-19, which is currently under appeal.

***These facilities are part of demonstration projects and the ORs are not included in the SMFP need determination calculations.

There are 131 existing and approved ORs within the municipal boundaries of Charlotte, 13 existing and approved ORs within the municipal boundaries of Pineville, 10 ORs within the municipal boundaries of Huntersville, 9 existing and approved ORs within the municipal boundaries of Matthews, and 3 ORs in unincorporated Mecklenburg County adjacent to Mint Hill and Charlotte municipal boundaries. All three applications propose to develop new ORs within the municipal boundaries of Charlotte.

According to the Mecklenburg County government, the city of Charlotte is 303 square miles – more than half of the land area of Mecklenburg County. There are numerous smaller areas or

neighborhoods of Charlotte with their own names – for example, Atrium has a satellite ED in the Steele Creek area known as Atrium Health Steele Creek ED and Atrium Health University City is located in the University City region of Charlotte. Novant Health Ballantyne Medical Center, Novant's approved but not yet operational hospital, is being developed in the Ballantyne area of Charlotte.

Steele Creek is a region in southwestern Mecklenburg County which dates back to colonial times; it was previously its own township, but was part of unincorporated Mecklenburg County for a time and now more and more of it is being annexed by the city of Charlotte.[2] There are no ORs in the Steele Creek region. The closest ORs in Mecklenburg County to the Steele Creek area are those at Atrium Health Pineville, with its 13 existing and approved ORs, and Novant Health Ballantyne Outpatient Surgery Center, with its two existing ORs that will be relocated to develop Novant Health Ballantyne Medical Center.

Novant Health Steele Creek Medical Center proposes to develop two ORs as part of developing a new hospital. The proposed location of **Novant Health Steele Creek Medical Center** is in a part of Steele Creek that is now part of the city of Charlotte. **South Charlotte Surgery Center** proposes to develop one OR as a specialty ASF in a part of Steele Creek that is now part of the city of Charlotte. **Carolinas Medical Center** proposes to add 12 ORs to its existing hospital campus near the center of Charlotte. **Carolinas Medical Center's** two campuses, located within several miles of each other, have a combined total of 59 existing and approved ORs. Other facilities close to the campuses of **Carolinas Medical Center** with ORs include Novant Health Presbyterian Medical Center's two campuses with 37 ORs, Carolina Center for Specialty Surgery with three ORs, and the two campuses of Charlotte Surgery Center with a combined 12 ORs.

Novant Health Steele Creek Medical Center and **South Charlotte Surgery Center** propose to develop ORs in an area of Charlotte with no existing or approved ORs. **Carolinas Medical Center** proposes to develop ORs at its existing facility in an area of Charlotte with a total of 111 existing and approved ORs. Therefore, regarding this comparative factor, the applications submitted by **Novant Health Steele Creek Medical Center** and **South Charlotte Surgery Center** are equally effective alternatives and more effective than the application submitted by **Carolinas Medical Center**.

Historical Utilization

Generally, the application submitted by the applicant with the highest utilization of its available surgical services is the more effective alternative with regard to this comparative factor. However, all three applicants are not existing providers of surgical services in Mecklenburg County.

Carolinas Medical Center is the only existing facility proposing to develop ORs which is existing and has historical utilization. Neither **Novant Health Steele Creek Medical Center** nor **South Charlotte Surgery Center** are existing facilities and as such have no historical utilization.

[2] https://www.steelecreekresidents.org/Newspages/news364_WhereisSteeleCreek.htm, accessed April 13, 2021.

Further, while both Novant and Atrium offer surgical services at multiple locations within Mecklenburg County, Atrium has the highest projected system-wide deficit of ORs out of any applicants in this competitive review. While a projected system-wide deficit or surplus of ORs is not a factor in whether or not an applicant can demonstrate conformity with applicable statutory and regulatory review criteria, a projected system-wide deficit of ORs can, in certain situations, indicate higher historical utilization than a projected system-wide surplus of ORs. In this specific situation, Atrium's projected system-wide deficit of ORs does indicate a higher historical utilization level than Novant's system-wide surplus of ORs.

Therefore, with regard to historical utilization, **Carolinas Medical Center** is the more effective alternative, and **Novant Health Steele Creek Medical Center** and **South Charlotte Surgery Center** are less effective alternatives.

Competition (Patient Access to a New or Alternative Provider)

Generally, the application proposing to increase competition and patient access to a new or alternative provider in the service area is the more effective alternative with regard to this comparative factor. The introduction of a new provider in the service area would be the most effective alternative based on the assumption that increased patient choice would encourage all providers in the service area to improve quality or lower costs in order to compete for patients. However, the expansion of an existing provider that currently controls fewer ORs than another provider would also presumably encourage all providers in the service area to improve quality or lower costs in order to compete for patients.

There are 166 existing and approved ORs (excluding dedicated C-Section ORs and trauma ORs) located in Mecklenburg County. The table below shows the number and percentage of ORs in which each applicant or health system has ownership.

ORs in Mecklenburg County by Health System/Applicant		
Health System (Applicants)	**Number of ORs**	**Percent of ORs**
Atrium (Carolinas Medical Center)	95	57.2%
Novant (NH Steele Creek Medical Center)*	66	39.8%
Others	5	3.0%
South Charlotte Surgery Center	0	0.0%
Total	166	100.0%

*Includes the OR awarded to NH Matthews in Project I.D. #F-11807-19 which is under appeal.

The table above includes the ORs for both campuses of Charlotte Surgery Center in the total for Atrium Health. While the two surgery centers may not be associated with Atrium Health for purposes of determining need in the SMFP, LRAs for Atrium hospitals document that Atrium Health owns 45 percent of the two surgery centers, the largest ownership stake out of any of the entities in the joint venture; Atrium relocated existing ORs from CMC and AH University City to Charlotte Surgery Center – Wendover Campus as part of Project I.D. #F-11106-15; and Atrium has included projections for both campuses of Charlotte Surgery Center in its current and historical applications for ORs.

There is a need determination in the 2020 SMFP for 12 ORs, which would increase the total number of existing and approved ORs (excluding dedicated C-Section ORs and trauma ORs) located in Mecklenburg County to 178 ORs. The table below shows the number of ORs and percentage of the total each applicant or health system would control if all applications were approved as submitted.

ORs in Mecklenburg County by Health System/Applicant		
Health System (Applicants)	**Number of ORs**	**Percent of ORs**
Atrium (Carolinas Medical Center)	107	60.1%
Novant (NH Steele Creek Medical Center)*	68	38.2%
Others	5	2.8%
South Charlotte Surgery Center	1	0.6%

Note: Even though the sum of the ORs is higher than 178, the percent of ORs controlled by each health system/applicant was calculated assuming a total of 178 ORs.
*Includes the OR awarded to NH Matthews in Project I.D. #F-11807-19 which is under appeal.

If **Carolinas Medical Center's** application is approved as submitted, Atrium would control 107 of the 178 existing and approved ORs located in Mecklenburg County, or 60.1 percent. If **Novant Health Steele Creek Medical Center's** application is approved as submitted, Novant Health would control 68 of the 168 existing and approved ORs located in Mecklenburg County, or 38.2 percent. If **South Charlotte Surgery Center's** application could be approved as submitted, **South Charlotte Surgery Center** would control one of the 178 existing and approved ORs located in Mecklenburg County, or 0.6 percent.

Even if the two campuses of Charlotte Surgery Center were not included in Atrium Health's total, Atrium Health would currently control exactly 50 percent of the existing and approved ORs in Mecklenburg County, and if all Atrium Health applications were approved as submitted, Atrium Health would control 95 of the 178 existing and approved ORs in Mecklenburg County, or 53.4 percent.

Therefore, with regard to increasing competition for surgical services in Mecklenburg County, the application submitted by **South Charlotte Surgery Center** is the most effective alternative and the application submitted by **Novant Health Steele Creek Medical Center** is a more effective alternative than the application submitted by **Carolinas Medical Center**.

Access by Service Area Residents

On page 51, the 2020 SMFP defines the service area for ORs as *"…the service area in which the room is located. The operating room service areas are the single or multicounty groupings as shown in Figure 6.1."* Figure 6.1, on page 57, shows Mecklenburg County as a single county OR service area. Thus, the service area for this facility is Mecklenburg County. Facilities may also serve residents of counties not included in their service area. Generally, the application projecting to serve the highest percentage of Mecklenburg County residents is the more effective alternative with regard to this comparative factor since the need determination is for 12 additional ORs to be located in Mecklenburg County.

However, the OR need determination methodology is based on utilization of all patients that utilize surgical services in Mecklenburg County and is not based on patients originating from Mecklenburg County. Further, Mecklenburg County is a large urban county with over one million residents, two large health systems plus other smaller healthcare groups, and is on the border of North Carolina and South Carolina.

Considering the discussion above, the Agency believes that in this specific instance attempting to compare the applicants based on the projected OR access of Mecklenburg County residents has little value.

Access by Underserved Groups

"Underserved groups" is defined in G.S. 131E-183(a)(13) as follows:

> *"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 access by underserved groups, the applications in this review are compared with respect to three underserved groups: charity care patients (i.e., medically indigent or low-income persons), Medicare patients, and Medicaid patients. Access by each group is treated as a separate factor.

Projected Charity Care

The following table shows projected charity care during the third full fiscal year following project completion for each facility. Generally, the application projecting to provide the most charity care is the more effective alternative with regard to this comparative factor.

Projected Charity Care – 3rd Full FY			
Applicant	**Total Charity Care**	**Av. Charity Care per Case**	**% of Gross Revenue**
NH Steele Creek IP (includes ORs)*	$4,027,249	$21,422	4.8%
NH Steele Creek OP Surgical Cases	$1,841,016	$2,037	4.8%
South Charlotte Surgery Center	$184,471	$334	1.5%
Carolinas Medical Center	$210,342,694	$5,298	7.5%

Sources: Forms C and F.2 for each applicant
*Based on 188 inpatient surgical cases; however, the projected financial information is for all inpatients, including those who do not utilize surgical services.

In Section L, page 125, **Novant Health Steele Creek Medical Center** says it does not track charity care as a payor source, charity care represents 4.8 percent of gross revenue, and it is provided to patients across all payor categories. Further, **Novant Health Steele Creek Medical Center**, which is proposing to develop a new hospital with many components, has pro forma financial statements that are structured differently than **South Charlotte Surgery Center** and **Carolinas Medical Center**, which are proposing projects that only involve ORs.

In Exhibit F.4a, **South Charlotte Surgery Center** projects 11 cases in its third full fiscal year will be charity care cases, and projects a dollar amount for those specific 11 cases.

In Section L, page 88, **Carolinas Medical Center** says its internal data does not track charity care as a payor source and charity care is provided to patients across all payor categories. However, in the assumptions immediately following Forms F.2 and F.3, the applicant states projected charity care is the difference between projected gross revenue and projected net revenue for self-pay patients.

Based on the differences in how each applicant categorizes charity care and the differences in presentation of pro forma financial statements, the Agency determined it could not make a valid comparison of the charity care provided by each applicant for purposes of evaluating which application was more effective with regard to this comparative factor.

However, even if the applicants had provided pro forma financial statements in a manner that would allow the Agency to compare reasonably similar kinds of data, differences in the acuity level of patients at each facility, the level of care (specialty ASF, community hospital, and quaternary care academic medical center) at each facility, and the number and types of surgical services proposed by each of the facilities would make any comparison of little value.

Projected Medicare

The following table shows projected Medicare revenue during the third full fiscal year following project completion for each facility. Generally, the application projecting the highest Medicare revenue is the more effective alternative with regard to this comparative factor to the extent the Medicare revenue represents the number of Medicare patients served.

Projected Medicare Revenue – 3rd Full FY			
Applicant	**Total Medicare Rev.**	**Av. Medicare Rev./Case**	**% of Gross Rev.**
NH Steele Creek IP (includes ORs)*	$42,239,155	$224,676	50.1%
NH Steele Creek OP Surgical Cases	$13,223,973	$14,628	34.3%
South Charlotte Surgery Center	$4,734,657	$8,577	39.0%
Carolinas Medical Center	$832,867,535	$20,977	29.5%

Sources: Forms C and F.2 for each applicant
*Based on 188 inpatient surgical cases; however, the projected financial information is for all inpatients, including those who do not utilize surgical services.

Based on the differences in presentation of pro forma financial statements, the Agency determined it could not make a valid comparison for purposes of evaluating which application was more effective with regard to this comparative factor. **Novant Health Steele Creek Medical Center**, which is proposing to develop a new hospital with many components, has pro forma financial statements that are structured differently than **South Charlotte Surgery Center** and **Carolinas Medical Center**, which are proposing projects that only involve ORs.

However, even if the applicants had provided pro forma financial statements in a manner that would allow the Agency to compare reasonably similar kinds of data, differences in the acuity

level of patients at each facility, the level of care (specialty ASF, community hospital, and quaternary care academic medical center) at each facility, and the number and types of surgical services proposed by each of the facilities would make any comparison of little value.

Projected Medicaid

The following table shows projected Medicaid revenue during the third full fiscal year following project completion for each facility. Generally, the application projecting the highest Medicaid revenue is the more effective alternative with regard to this comparative factor to the extent the Medicaid revenue represents the number of Medicaid patients served.

Projected Medicaid Revenue – 3rd Full FY			
Applicant	**Total Medicaid Rev.**	**Av. Medicaid Rev./Case**	**% of Gross Rev.**
NH Steele Creek IP (includes ORs)*	$11,620,222	$61,810	13.8%
NH Steele Creek OP Surgical Cases	$4,081,978	$4,515	10.6%
South Charlotte Surgery Center	$242,803	$440	2.0%
Carolinas Medical Center	$531,657,831	$13,391	18.8%

Sources: Forms C and F.2 for each applicant
*Based on 188 inpatient surgical cases; however, the projected financial information is for all inpatients, including those who do not utilize surgical services.

Based on the differences in presentation of pro forma financial statements, the Agency determined it could not make a valid comparison for purposes of evaluating which application was more effective with regard to this comparative factor. **Novant Health Steele Creek Medical Center**, which is proposing to develop a new hospital with many components, has pro forma financial statements that are structured differently than **South Charlotte Surgery Center** and **Carolinas Medical Center**, which are proposing projects that only involve ORs.

However, even if the applicants had provided pro forma financial statements in a manner that would allow the Agency to compare reasonably similar kinds of data, differences in the acuity level of patients at each facility, the level of care (specialty ASF, community hospital, and quaternary care academic medical center) at each facility, and the number and types of surgical services proposed by each of the facilities would make any comparison of little value.

Projected Average Net Revenue per Surgical Case

The following table shows the projected average net surgical revenue per surgical case in the third full fiscal year following project completion for each facility. Generally, the application projecting the lowest average net revenue per surgical case is the more effective alternative with regard to this comparative factor to the extent the average reflects a lower cost to the patient or third-party payor.

Projected Average Net Revenue per Surgical Case – 3rd Full FY			
Applicant	**Total # of Cases**	**Net Revenue**	**Average Net Revenue per Case**
NH Steele Creek IP (includes ORs)*	188	$21,395,824	$113,808
NH Steele Creek OP Surgical Cases	904	$12,097,073	$13,382
South Charlotte Surgery Center	552	$2,829,112	$5,284
Carolinas Medical Center	39,704	$832,052,812	$20,956

Sources: Forms C and F.2 for each applicant
*Based on 188 inpatient surgical cases; however, the projected financial information is for all inpatients, including those who do not utilize surgical services.

Based on the differences in presentation of pro forma financial statements, the Agency determined it could not make a valid comparison for purposes of evaluating which application was more effective with regard to this comparative factor. **Novant Health Steele Creek Medical Center**, which is proposing to develop a new hospital with many components, has pro forma financial statements that are structured differently than **South Charlotte Surgery Center** and **Carolinas Medical Center**, which are proposing projects that only involve ORs.

However, even if the applicants had provided pro forma financial statements in a manner that would allow the Agency to compare reasonably similar kinds of data, differences in the acuity level of patients at each facility, the level of care (specialty ASF, community hospital, and quaternary care academic medical center) at each facility, and the number and types of surgical services proposed by each of the facilities would make any comparison of little value.

Projected Average Operating Expense per Surgical Case

The following table shows the projected average operating expense per surgical case in the third full fiscal year following project completion for each facility. Generally, the application projecting the lowest average operating expense per surgical case is the more effective alternative with regard to this comparative factor to the extent it reflects a more cost-effective service which could also result in lower costs to the patient or third-party payor.

Projected Operating Expense per Surgical Case – 3rd Full FY			
Applicant	**Total # of Cases**	**Operating Expense**	**Average Operating Expense per Case**
NH Steele Creek IP (includes ORs)*	188	$38,946,801	$207,164
NH Steele Creek OP Surgical Cases	904	$9,874,086	$10,923
South Charlotte Surgery Center	552	$808,682	$1,465
Carolinas Medical Center	39,704	$371,326,920	$9,352

Sources: Forms C and F.2 for each applicant
*Based on 188 inpatient surgical cases; however, the projected financial information is for all inpatients, including those who do not utilize surgical services.

Based on the differences in presentation of pro forma financial statements, the Agency determined it could not make a valid comparison for purposes of evaluating which application was more effective with regard to this comparative factor. **Novant Health Steele Creek Medical Center**, which is proposing to develop a new hospital with many components, has pro forma financial statements that are structured differently than **South Charlotte Surgery Center** and **Carolinas Medical Center**, which are proposing projects that only involve ORs.

However, even if the applicants had provided pro forma financial statements in a manner that would allow the Agency to compare reasonably similar kinds of data, differences in the acuity level of patients at each facility, the level of care (specialty ASF, community hospital, and quaternary care academic medical center) at each facility, and the number and types of surgical services proposed by each of the facilities would make any comparison of little value.

SUMMARY

The following table lists the comparative factors and states which application is the more effective alternative with regard to that particular comparative factor. Note: the comparative factors are listed in the same order they are discussed in the Comparative Analysis, which should not be construed to indicate an order of importance.

Comparative Factor	NH Steele Creek	South Charlotte Surgery Ctr.	CMC
Conformity with Review Criteria	Yes	No	Yes
Scope of Services	Less Effective	Not Approvable	**More Effective**
Patient Access to Lower Cost Surgical Services	Less Effective	Not Approvable	Less Effective
Geographic Accessibility	**More Effective**	Not Approvable	Less Effective
Historical Utilization	Less Effective	Not Approvable	**More Effective**
Competition/Access to New Provider	**More Effective**	Not Approvable	Less Effective
Access by Service Area Residents	Not Evaluated	Not Evaluated	Not Evaluated
Access by Underserved Groups			
Projected Charity Care	Inconclusive	Inconclusive	Inconclusive
Projected Medicare	Inconclusive	Inconclusive	Inconclusive
Projected Medicaid	Inconclusive	Inconclusive	Inconclusive
Projected Average Net Revenue per Case	Inconclusive	Inconclusive	Inconclusive
Projected Average Operating Expense per Case	Inconclusive	Inconclusive	Inconclusive

The **South Charlotte Surgery Center** application is not an effective alternative with respect to Conformity with Review Criteria; therefore, it is not approvable and will not be further discussed in the comparative evaluation below:

- With respect to Conformity with Review Criteria, of the approvable applications, **Novant Health Steele Creek Medical Center** and **Carolinas Medical Center** offer equally effective alternatives. See Comparative Analysis for discussion.

- With respect to Scope of Services, of the approvable applications, **Carolinas Medical Center** offers the more effective alternative. See Comparative Analysis for discussion.

- With respect to Patient Access to Lower Cost Surgical Services, of the approvable applications, **Novant Health Steele Creek Medical Center** and **Carolinas Medical Center** offer equally effective alternatives. See Comparative Analysis for discussion.

- With respect to Geographic Accessibility, of the approvable applications, **Novant Health Steele Creek Medical Center** offers the more effective alternative. See Comparative Analysis for discussion.

- With respect to Historical Utilization, of the approvable applications, **Carolinas Medical Center** offers the more effective alternative. See Comparative Analysis for discussion.

- With respect to Competition/Access to New Provider, of the approvable applications, **Novant Health Steele Creek Medical Center** offers the more effective alternative. See Comparative Analysis for discussion.

CONCLUSION

G.S. 131E-183(a)(1) states that the need determination in the SMFP is the determinative limit on the number of ORs that can be approved by the Healthcare Planning and Certificate of Need Section. Approval of all applications submitted during this review would result in ORs in excess of the need determination for Mecklenburg County. However, the application submitted by **South Charlotte Surgery Center** is not approvable and therefore cannot be considered an effective alternative.

The two remaining applications submitted by **Novant Health Steele Creek Medical Center** and **Carolinas Medical Center** are conforming to all applicable statutory and regulatory review criteria and are approvable standing alone. However, collectively they propose 14 ORs while the need determination is for 12 ORs; therefore, only 12 ORs can be approved.

As discussed above, **Novant Health Steele Creek Medical Center** was determined to be the more effective alternative for two factors:

- Geographic Accessibility
- Competition/Access to a New Provider

As discussed above, **Carolinas Medical Center** was determined to be the more effective alternative for two factors:

- Scope of Services
- Historical Utilization

As discussed above, both applications were determined to be equally effective alternatives for the factor evaluating Patient Access to Lower Cost Surgical Services.

The **Novant Health Steele Creek Medical Center** application and the **Carolinas Medical Center** application are both effective alternatives. It is possible to approve the application for **Novant Health Steele Creek Medical Center** while partially approving the application for **Carolinas Medical Center**, but it is not possible to approve the application for **Carolinas Medical Center** as submitted as well as partially approve the application for **Novant Health Steele Creek Medical Center**. Further, the **Novant Health Steele Creek Medical Center** application was a more effective alternative than **Carolinas Medical Center** with regard to the acute care bed comparative analysis, and pursuant to Chapter 5 of the 2020 SMFP, a "qualified applicant" to develop new acute care beds must be able to provide surgical services to inpatients. Because of that analysis,

the application for **Novant Health Steele Creek Medical Center** is approved as submitted and the application for **Carolinas Medical Center** is approved to develop 10 ORs instead of 12 ORs as proposed.

Based upon the independent review of each application and the Comparative Analysis, the following application is approved as submitted:

- **Project I.D. F-11993-20 / Novant Health Steele Creek Medical Center / Develop a new hospital with no more than 32 acute care beds and no more than 2 ORs pursuant to the need determinations in the 2020 SMFP**

And the following application is approved as modified in the description below:

- **Project I.D. F-12008-20 / Carolinas Medical Center / Add no more than 10 ORs pursuant to the need determination in the 2020 for a total of no more than 74 ORs upon completion of this project and Project I.D. #F-11815-19 (add 2 ORs)**

Project I.D. #F-11993-20 is approved subject to the following conditions.

1. Novant Health, Inc. and Steele Creek Development, LLC (hereinafter certificate holder) shall materially comply with all representations made in the certificate of need application.

2. The certificate holder shall develop a new, separately licensed hospital, with no more than 32 acute care beds and no more than two shared ORs pursuant to the need determinations in the 2020 SMFP.

3. The certificate holder shall also develop no more than one dedicated C-Section OR, no more than one procedure room, and relocate no more than one CT scanner from Novant Health Presbyterian Medical Center to the new, separately licensed hospital, to be named Novant Health Steele Creek Medical Center.

4. Upon completion of the project, Novant Health Steele Creek Medical Center shall be licensed for no more than 32 acute care beds and no more than three ORs, including one dedicated C-Section OR.

5. Progress Reports:
   a. Pursuant to G.S. 131E-189(a), the certificate holder shall submit periodic reports on the progress being made to develop the project consistent with the timetable and representations made in the application on the Progress Report form provided by the Healthcare Planning and Certificate of Need Section. The form is available online at: https://info.ncdhhs.gov/dhsr/coneed/progressreport.html.
   b. The certificate holder shall complete all sections of the Progress Report form.
   c. The certificate holder shall describe in detail all steps taken to develop the project since the last progress report and should include documentation to substantiate each step taken as available.

d. Progress reports shall be due on the first day of every third month. The first progress report shall be due on September 1, 2021. The second progress report shall be due on December 1, 2021 and so forth.

6. The certificate holder 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.

7. The certificate holder 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.

8. No later than three months after the last day of each of the first three full fiscal years of operation following initiation of the services authorized by this certificate of need, the certificate holder 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.

9. The certificate holder 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.

Project I.D. #F-12008-20 is approved subject to the following conditions.

1. The Charlotte-Mecklenburg Hospital Authority (hereinafter certificate holder) shall materially comply with all representations made in the certificate of need application.

2. The certificate holder shall develop no more than 10 additional ORs at Carolinas Medical Center for a total of no more than 74 ORs upon completion of this project and Project I.D. #F-11815-19 (add two ORs).

3. Upon completion of the project, Carolinas Medical Center shall be licensed for no more than 74 ORs, including five dedicated C-Section ORs.

4. Progress Reports:
   a. Pursuant to G.S. 131E-189(a), the certificate holder shall submit periodic reports on the progress being made to develop the project consistent with the timetable and representations made in the application on the Progress Report form provided by the

Healthcare Planning and Certificate of Need Section. The form is available online at: https://info.ncdhhs.gov/dhsr/coneed/progressreport.html.

b. The certificate holder shall complete all sections of the Progress Report form.
c. The certificate holder shall describe in detail all steps taken to develop the project since the last progress report and should include documentation to substantiate each step taken as available.
d. Progress reports shall be due on the first day of every third month. The first progress report shall be due on September 1, 2021. The second progress report shall be due on December 1, 2021, and so forth.

5. The certificate holder shall not acquire as part of this project any equipment that is not included in the project's proposed capital expenditures in Section Q of the application and that would otherwise require a certificate of need.

6. The certificate holder shall develop and implement an Energy Efficiency and Sustainability Plan for the project that conforms to or exceeds energy efficiency and water conservation standards incorporated in the latest editions of the North Carolina State Building Codes.

7. No later than three months after the last day of each of the first three full fiscal years of operation following initiation of the services authorized by this certificate of need, the certificate holder shall submit, on the form provided by the Healthcare Planning and Certificate of Need Section, an annual report containing the:
   a. Payor mix for the services authorized in this certificate of need.
   b. Utilization of the services authorized in this certificate of need.
   c. Revenues and operating costs for the services authorized in this certificate of need.
   d. Average gross revenue per unit of service.
   e. Average net revenue per unit of service.
   f. Average operating cost per unit of service.

8. The certificate holder 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.