

REQUIRED STATE AGENCY FINDINGS

FINDINGS

C = Conforming

CA = Conforming as Conditioned

NC = Nonconforming

NA = Not Applicable

Decision Date: June 14, 2021

Findings Date: June 14, 2021

Project Analyst: Kim Meymandi

Team Leader: Fatimah Wilson

Project ID #: G-12030-21

Facility: Novant Health Kernersville Medical Center

FID #: 060620

County: Forsyth

Applicant(s): Forsyth Memorial Hospital, Inc.

Novant Health, Inc.

Project: Relocate no more than 13 existing acute care beds from Novant Health Medical Park Hospital to Novant Health Kernersville Medical Center and develop a new dedicated C-section OR. Upon project completion, there will be a total of no more than 63 beds at Novant Health Kernersville Medical Center, 4 shared ORs and 1 dedicated C-section OR

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.

C

Forsyth Memorial Hospital, Inc. and Novant Health, Inc. (hereinafter collectively referred to as “NH” or “the applicant”), proposes to relocate 13 existing acute care beds from Novant Health Medical Park Hospital (NH Medical Park Hospital) to Novant Health Kernersville Medical Center (NH Kernersville) and develop a new dedicated C-section operating room (OR).

Novant Health, Inc. is the parent company for Novant Health Forsyth Medical Center (NHFMC), NH Kernersville, and NH Medical Park Hospital. NH Kernersville operates under

the license of NHFMC and is located in Kernersville, Forsyth County, east of Winston-Salem. NHFMC and NH Medical Park Hospital are both located in Winston-Salem, Forsyth County. Upon project completion, there will be a total of no more than 63-beds at NH Kernersville; four shared ORs and one dedicated C-section OR.

Need Determination

The proposed project does not involve the addition of any new health service facility beds, services, or equipment for which there is a need determination in the 2021 State Medical Facilities Plan (SMFP). Further, the 2021 SMFP, on page 54, states:

“The need methodology excludes Dedicated C-Section ORs and associated cases from the calculation of need determinations. ...

Hospitals proposing to add a new OR for use as a dedicated C-section OR must obtain a CON but may apply for a CON without regard to the need determinations in this chapter.”

Policies

There are two policies in the 2021 SMFP that are applicable to this review: Policy AC-5: *Replacement of Acute Care Bed Capacity* and Policy GEN-4: *Energy Efficiency and Sustainability for Health Service Facilities*.

Policy AC-5: *Replacement of Acute Care Bed Capacity*, on page 20 of the 2021 SMFP, states:

*“Proposals for either partial or total replacement of acute care beds (i.e., construction of new space for existing acute care beds) shall be evaluated against the utilization of the total number of acute care beds in the applicant’s hospital in relation to utilization targets found below. For hospitals **not** designated by the Centers for Medicare & Medicaid Services as Critical Access Hospitals, in determining utilization of acute care beds, only acute care bed days of care shall be counted. For hospitals designated by the Centers for Medicare & Medicaid Services as Critical Access Hospitals, in determining utilization of acute care beds, only acute care bed “days of care” **and** swing bed days (i.e., nursing facility days of care) shall be counted in determining utilization of acute care beds. Any hospital proposing replacement of acute care beds must clearly demonstrate the need for maintaining the acute care bed capacity proposed within the application. Additionally, if the hospital is a Critical Access Hospital and swing bed days are proposed to be counted in determining utilization of acute care beds, the hospital shall also propose to remain a Critical Access Hospital and must demonstrate the need for maintaining the swing bed capacity proposed within the application. If the Critical Access Hospital does not propose to remain a Critical Access Hospital, only acute care bed days of care shall be counted in determining utilization of acute care beds and the hospital must clearly demonstrate the need for maintaining the acute care bed capacity proposed within the application.”*

<i>Facility Average Daily Census</i>	<i>Target Occupancy of Licensed Acute Care Beds</i>
<i>1-99</i>	<i>66.7%</i>
<i>100-200</i>	<i>71.4%</i>
<i>Greater than 200</i>	<i>75.2%</i>

(emphasis in original)

In Section B.5, page 29, and Section Q, the applicant projects acute care bed days of care, average daily census (ADC) and occupancy rates for the licensed acute care (AC) beds at NH Kernersville for the first three operating years (OY) after project completion, calendar years (CY), 2025, 2026, 2027 respectively, as shown in the table below.

NH Kernersville Projected Utilization – FYs 1-3			
	OY1 (CY 2025)	OY2 (CY 2026)	OY3 (CY 2027)
# of Beds	63	63	63
# of Patient Days	16,140	17,422	17,797
ADC*	44.22	47.73	48.76
Occupancy**	70.2%	75.8%	77.4%

*ADC equals total number of patient days of care divided by the number of days in that time period.

**Occupancy equals ADC divided by the number of beds.

As shown in the table above, NH Kernersville will have an ADC between 1-99 and will exceed the applicable utilization target of 66.7 percent in the third full fiscal year following project completion. Therefore, the application is consistent with Policy AC-5.

Policy GEN-4: Energy Efficiency and Sustainability for Health Service Facilities, on page 29 of the 2021 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 are required to submit a plan of energy efficiency and water conservation that conforms to the rules, codes and standards implemented by the

Construction Section of the Division of Health Service Regulation. The plan must be consistent with the applicant's representation in the written statement as described in paragraph one of Policy GEN-4. The plan shall not adversely affect patient or resident health, safety or infection control."

The proposed capital expenditure for this project is greater than \$5 million. In Section B.21, pages 38-39 and Exhibit B-21, the applicant discusses its plan to assure improved energy efficiency and water conservation and provides the Novant Health Sustainable Energy Management Plan (SEMP), which outlines Novant Health's initiatives for energy efficiency, which the applicant states, encompasses the required written statement demonstrating how the proposed project will conform to or exceed energy efficiency and water conservation standards incorporated in the latest editions of the North Carolina State Building Code.

The applicant adequately demonstrates that the application includes a written statement describing the project's plan to assure improved energy efficiency and water conservation. Therefore, the application is consistent with Policy GEN-4.

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 based on the following:

- The applicant does not propose to develop any beds, services or equipment for which there is a need determination in the 2021 SMFP.
- The applicant adequately demonstrates that the proposal is consistent with Policy GEN-4 because the application includes a written statement describing the project's plan to assure improved energy efficiency and water conservation.
- The applicant adequately demonstrates that the proposal is consistent with Policy AC-5 because the projected occupancy rate in OY3 (CY2027) for NH Kenersville will be 77.4% which exceeds the minimum required occupancy rate of 66.7% as set forth in Policy AC-5 for a facility with an average daily census of 1-99.

- (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.

C

The applicant proposes to relocate 13 existing acute care beds from NH Medical Park Hospital to NH Kernersville and develop a new dedicated C-section OR.

The applicant currently operates NH Kernersville, an acute care hospital under the license of NHFMC, offering inpatient, outpatient and emergency care with 50 acute care beds and 10 observation beds. NH Kernersville does not currently offer labor and delivery services. The proposed project involves the relocation of the following assets:

- 13 acute care beds from NH Medical Park Hospital to be used as:
 - Six labor delivery recovery and post-partum (LDRP) beds; and
 - Seven medical/surgical beds

The applicant is proposing the following new inpatient services to be located at the facility:

- One dedicated C-section OR
- Five unlicensed observation rooms

The applicant proposes to add labor and delivery services at NH Kernersville by expanding structural support on the first floor, constructing new square footage on the second floor to add the seven medical/surgical beds and two observation beds and constructing a new fourth floor to add the six LDRP beds, one dedicated C-section OR and three observation beds.

Patient Origin

The 2021 SMFP defines the service area for acute care services and ORs as the planning area in which the beds and ORs are located. Thus, the service area for the proposed project is Forsyth County. Facilities may also serve residents of counties not included in their service area.

In Section C, pages 45 and 46, the applicant provides the historical patient origin for medical/surgical services performed at NH Kernersville and NH Medical Park Hospital for the last full fiscal year (2020), as summarized in the tables below. The applicant defines its full fiscal year as the calendar year (CY).

County	NH Kernersville Medical/Surgical Historical Patient Origin*	
	Last Full FY CY2020	
	# Patients	% of Total
Forsyth	1,909	65.4%
Guilford	540	18.5%
Stokes	172	5.9%
Other^	299	10.2%
Total	2,920	100.0%

*Includes all acute care beds at NH Kernersville in CY 2020. Includes routine medical/surgical, Intermediate care, and ICU.

^Includes small numbers of patients from other counties in NC and other states.

County	NH Medical Park Hospital Medical/Surgical Historical Patient Origin*	
	Last Full FY CY2020	
	# Patients	% of Total
Forsyth	420	44.9%
Surry	69	7.4%
Stokes	67	7.2%
Davidson	66	7.1%
Davie	59	6.3%
Guilford	47	5.0%
Yadkin	45	4.8%
Wilkes	39	4.2%
Other^	123	13.2%
Total	935	100.0%

*Includes all acute care beds and patients at NH Medical Park in CY 2020. NH Medical Park does not have intermediate care or ICU beds

^ Includes small numbers of patients from other counties in NC and other states.

Neither NH Kernersville nor NH Medical Park currently offer obstetric services, therefore there is no historical patient origin to report for this service.

The following tables illustrate projected patient origin for both medical/surgical and obstetric services for the first three full fiscal years (FY) following project completion, as provided by the applicant in Section C, page 48.

Projected Patient Origin-Medical/Surgical Services at NH Kernersville						
County	1 st Full FY CY2025		2 nd Full FY CY2026		3 rd Full FY CY2027	
	# Pts	% of Total	# Pts	% of Total	# Pts	% of Total
Forsyth	2,909	65.4%	3,080	65.4%	3,080	65.4%
Guilford	823	18.5%	871	18.5%	871	18.5%
Stokes	262	5.9%	278	5.9%	278	5.9%
Other^	454	10.2%	480	10.2%	480	10.2%
Total	4,448	100.0%	4,710	100.0%	4,710	100.0%

^ Includes small numbers of patients from other counties in NC and other states as with historical patient origin.

Projected Patient Origin-Obstetric Services at NH Kernersville						
County	1 st Full FY CY2025		2 nd Full FY CY2026		3 rd Full FY CY2027	
	# Pts	% of Total	# Pts	% of Total	# Pts	% of Total
Forsyth	196	65.4%	294	65.4%	392	65.4%
Guilford	56	18.5%	83	18.5%	111	18.5%
Stokes	18	5.9%	27	5.9%	35	5.9%
Other^	31	10.2%	46	10.2%	61	10.2%
Total	300	100.0%	450	100.0%	600	100.0%

^ Includes small numbers of patients from other counties in NC and other states as with historical patient origin.

In Section C, page 47, the applicant provides the assumptions and methodology used to project its patient origin. The applicant states that the projected patient origin for medical/surgical beds is based on the historical medical/surgical patient origin percentages by county and is expected to remain the same.

The applicant states that the projected patient origin for obstetric beds is based on historical patient origin for total acute care patients by county, since NH Kernersville does not currently offer obstetric services. In response to comments submitted to the Agency, the applicant states that the assumption that patient origin for obstetrics services at NH Kernersville should be similar to past acute care patient origin at NH Kernersville is reasonable because nearly 90 percent of NH Kernersville’s acute care discharges in CY2019 and CY2020 came from Forsyth, Guilford and Stokes Counties.

The applicant’s assumptions are reasonable and adequately supported based on the following:

- The projected patient origin for medical/surgical beds is consistent with the historical patient origin for medical/surgical services at NH Kernersville.
- The projected patient origin for obstetric beds is based on historical patient origin for acute care discharges by county at NH Kernersville because obstetric services are not currently being offered and there is no historical patient origin to report.
- The applicant assumes that two providers currently practicing in the Kernersville WomanCare clinic who deliver at NHFMC will shift all deliveries to NH Kernersville.
- The applicant increases the number of projected future patients based on a reasonable growth rate.

Analysis of Need

In Section C, pages 50-69, the applicant explains why it believes the population projected to utilize the proposed services needs the proposed services, as summarized below:

- The relocation of acute care beds to NH Kernersville is necessary to maximize existing resources and meet community demands (pages 50-55).
 - The population of the service area has grown since NH Kernersville opened in 2011.
 - The opening of new medical office buildings in 2013 and 2017 and the opening of an ambulatory surgical unit in 2018 has brought more practicing physicians

- and medical services to the area and supports additional services being offered at NH Kernersville.
- Projections in CON application G-11907-20 show NH Kernersville having a deficit of 7 acute care beds and NH Medical Park having a surplus of 11 acute care beds in CY 2026.
 - The applicant updates projections taking into consideration that NH Kernersville has a current average daily census (ADC) of less than 100 and if licensed separately from the NH System, NH Kernersville would have a lower target occupancy rate (66.7%) and a higher occupancy factor (1.50). Given these considerations, the applicant projects a deficit of 17 acute care beds for NH Kernersville and a surplus of 11 acute care beds for NH Medical Park in CY 2026.
- NH Kernersville has a need for 13 additional acute care beds (pages 55-65)
 - NH Kernersville acute care discharges and patient days grew from CY 2016 to 2019 by CAGRs of 7.9% and 8.5% respectively. The applicant states that the additional beds are necessary to accommodate the hospital's growth.
 - According to ESRI, from 2020 to 2025, the projected total population growth rate is 5.6% for Kernersville and 4.9% and 4.8% respectfully for Forsyth County and Guilford County. During this same time period, ESRI projects the 65+ population will grow at a rate of 21.5% in Kernersville and 18.9% in Forsyth County and 18.3% in Guilford County. The applicant states that the projected growth in Kernersville demonstrates the need to have additional acute care services in the immediate area (page 69).
 - NH Kernersville has a four-bed intensive care unit (ICU) and a 12-bed intermediate care unit (IMU) with 24/7 offsite tele-monitoring. The applicant states that the relocation of acute care beds to NH Kernersville will enhance ICU and intermediate care workflow and patient safety and also prevent the transfer of seriously ill patients to other hospitals.
 - The applicant states that the planned expansion of NH WomanCare, which specializes in the care of women in the Kernersville area, along with the planned recruitment of additional Ob/Gyn providers is projected to increase the need for routine labor and delivery services closer to where patients reside and further supports growth in acute care utilization.
 - In its response to comments submitted to the Agency, the applicant references information in Project ID# G-11907-20 where the applicant states on page 113, *"NH Forsyth hired one new maternal-fetal medicine physician who started in late August 2019....Due to the development of its own maternal-fetal medicine program and the recruitment of new physicians to NH Forsyth, NH Forsyth expects to generate additional acute care patients by accepting the transfer of high-risk women's and NICU patients from hospitals outside of the NH System."*
 - The applicant provides multiple letters of support from community leaders, area physicians and health care administrators in support of the proposed project.

- NH Medical Park has a surplus of acute care beds and can adequately accommodate the projected acute care volume with 13 fewer beds (pages 66-68).
 - The applicant provides data to show that discharges, acute care days of service and average length of stays at NH Medical Park declined from 2017 to 2019. Since 2019, the applicant states that discharges and patient days have temporarily increased by 0.5% due to the COVID-19 pandemic and once normal operations resume the acute care bed need is projected to resemble pre-COVID numbers from 2019.
 - In its response to comments submitted to the Agency, the applicant states that NH Medical Park is a separately licensed hospital operating primarily as a surgical hospital and due to the increased use of robotics and Enhanced Recovery After Surgery (ERAS) programs patients can be discharged in less than 24 hours. These programs have converted inpatient cases to outpatient/observation cases and in CY2018 and CY2019 shortened the length of stay and because the programs have been fully implemented, NH does not expect further decreases in inpatient discharges and days. The applicant states that other factors will produce some growth in inpatient cases and days and conservatively estimates the growth to be 0.5 percent.
 - The proposed relocation of 13 existing acute care beds from NH Medical Park to NH Kenersville will leave NH Medical Park with a total of nine acute care beds upon project completion. The applicant states that the nine remaining beds are adequate to meet projected need at NH Medical Park with an occupancy rate of 40.4 percent. Without the relocation of beds, the applicant projects the occupancy rate would only be 16.5 percent at NH Medical Park at the time of project completion.
 - The applicant states that from 2017 to 2020 colorectal surgeries accounted for 40-50 percent of acute care days each year and NH has an approved plan to move this surgical specialty from NH Medical Park to NH Clemmons, further reducing the need for acute care beds at NH Medical Park.
 - The applicant states that should the situation arise where more acute care beds are needed at NH Medical Park, they have the ability to shift cases to NH Forsyth or a community hospital or reschedule.

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

- The applicant uses reasonable and clearly identified historical and demographic data to make assumptions with regard to identifying the population to be served, its projected growth, and the need the identified population has for the proposed services.
- The applicant provides reliable data, makes reasonable statements about the data, and uses reasonable assumptions about the data to demonstrate the need the population to be served has for the proposed services.
- The applicant provides reasonable information to support the need for relocating acute care beds from NH Medical Park to NH Kenersville based on documented utilization and plans for the allocation of future medical services.

Projected Utilization

In Section Q, Form C the applicant provides historical and projected utilization as illustrated in the following tables.

NH Kernersville Historical and Projected Interim Utilization					
	Prior Full FY	Interim Full FY1	Interim Full FY2	Interim Full FY3	Interim partial FY4
Total Acute Care Beds	CY 2020	CY 2021	CY 2022	CY 2023	1/1/2024-03/31/2024
# of Beds	50	50	50	50	50
# Admissions	2,920	3,536	3,745	3,966	1,050
# of Patient Days	11,373	12,235	12,958	13,722	3,633
ALOS	3.9	3.5	3.5	3.5	3.5
Occupancy Rate	62.3%	67.0%	71.0%	75.2%	79.8%

Source: Section Q, Form C, page 123

NH Kernersville Projected Utilization Upon Project Completion				
	Interim Partial FY	1ST FFY	2ND FFY	3RD FFY
Total Acute Care Beds	04/01/2024-12/31/2024	CY 2024	CY 2025	CY 2026
# of Beds	63	63	63	63
# Admissions	3,330	4,748	5,160	5,310
# of Patient Days	11,349	16,140	17,422	17,797
ALOS	3.4	3.4	3.4	3.4
Occupancy Rate	65.8%	70.2%	75.8%	77.4%

Source: Section Q, Form C, page 124

NH Forsyth Historical and Projected Interim Utilization					
	Prior Full FY	Interim Full FY1	Interim Full FY2	Interim Full FY3	Interim partial FY4
Total Acute Care Beds	CY 2020	CY 2021	CY 2022	CY 2023	01/01/2024-03/31/2024
# of Beds	779	779	765	785	785
# of Patient Days	201,662	207,821	212,821	217,946	55,800
Occupancy Rate	70.9%	73.1%	76.2%	76.1%	78.1%

Source: Section Q, Form C, page 125

NH Forsyth Projected Utilization Upon Project Completion				
	Interim Partial FY	1st Full FY	2nd Full FY	3rd Full FY
Total Acute Care Beds	04/01/2024-12/31/2024	CY 2025	CY 2026	CY 2027
# of Beds	785	785	785	785
# of Patient Days	166,949	227,835	232,990	232,615
Occupancy Rate	77.7%	79.5%	81.3%	81.2%

Source: Section Q, Form C, page 126

NH Clemmons Historical and Projected Interim Utilization					
	Prior Full FY	Interim Full FY1	Interim Full FY2	Interim Full FY3	Interim partial FY4
Total Acute Care Beds	CY 2020	CY 2021	CY 2022	CY 2023	01/01/2024-03/31/2024
# of Beds	36	36	50	50	50
# of Patient Days	4,451	5,221	5,513	7,079	1,853
Occupancy Rate	33.9%	39.7%	30.2%	38.8%	40.7%

Source: Section Q, Form C, page 127

NH Clemmons Projected Utilization Upon Project Completion				
	Interim Partial FY	1st Full FY	2nd Full FY	3rd Full FY
Total Acute Care Beds	04/01/2024-12/31/2024	CY 2025	CY 2026	CY 2027
# of Beds	50	50	50	50
# of Patient Days	5,559	7,762	8,133	8,133
Occupancy Rate	40.6%	42.5%	44.6%	44.6%

Source: Section Q, Form C, page 128

NH Forsyth Hospital License Historical and Projected Interim Utilization					
	Prior Full FY	Interim Full FY1	Interim Full FY2	Interim Full FY3	Interim partial FY4
Total Acute Care Beds	CY 2020	CY 2021	CY 2022	CY 2023	01/01/2024-03/31/2024
# of Beds	865	865	865	885	885
# of Patient Days	217,486	225,277	231,292	238,747	61,286
Occupancy Rate	68.9%	71.4%	73.3%	73.9%	76.1%

Source: Section Q, Form C, page 129

NH Forsyth Hospital License Projected Utilization Upon Project Completion				
	Interim Partial FY	1st Full FY	2nd Full FY	3rd Full FY
Total Acute Care Beds	04/01/2024-12/31/2024	CY 2025	CY 2026	CY 2027
# of Beds	50	50	50	50
# of Patient Days	5,559	7,762	8,133	8,133
Occupancy Rate	40.6%	42.5%	44.6%	44.6%

Source: Section Q, Form C, page 130

NH Kenersville Projected OR Utilization Upon Project Completion				
	Interim Partial FY	1st Full FY	2nd Full FY	3rd Full FY
	04/01/2024-12/31/2024	CY 2025	CY 2026	CY 2027
Dedicated C-Section ORs	1	1	1	1
# of C-Sections performed in dedicated C-Section ORs	52	87	131	174

Source: Section Q, Form C, page 133

NH Kenersville Historical and Projected Interim Utilization					
	Prior Full FY	Interim Full FY1	Interim Full FY2	Interim Full FY3	Interim partial FY4
	CY 2020	CY 2021	CY 2022	CY 2023	01/01/2024-03/31/2024
Total Observation Beds	10	10	10	10	10
# of Observation Beds	2,247	2,447	2,592	2,744	749
Days of Care					

Source: Section Q, Form C, page 136

NH Kenersville Projected Utilization Upon Project Completion				
	Interim Partial FY	1st Full FY	2nd Full FY	3rd Full FY
	04/01/2024-12/31/2024	CY 2025	CY 2026	CY 2027
Total Observation Beds	15	15	15	15
# of Observation Beds	2,247	3,228	3,484	3,559
Days of Care				

Source: Section Q, Form C, page 136

In Section Q, pages 137-146, the applicant provides the assumptions and methodology used to project utilization, which is summarized below.

Step 1: Project Baseline of Acute Care Utilization at NH Forsyth County Hospitals

The applicant begins its projections by determining the current inventory of acute care beds in Forsyth County based on the most recent License Renewal Applications (LRAs). The inventory of existing and approved acute care beds in Forsyth County are illustrated in the tables below.

NH System Forsyth County Existing Acute Care Beds							
Location	2021 LRA FFY 2020	Calendar Year					
		2022	2023	2024	2025	2026	2027
NH Forsyth License	865	865	885**	885	885	885	885
• NH Forsyth	779	765*	785**	785	785	785	785
• NH Kenersville	50	50	50	50	50	50	50
• NH Clemmons	36	50*	50	50	50	50	50
NH Medical Park	22	22	22	22	22	22	22
NH System-Forsyth County	887	887	907	907	907	907	907

Source: Section Q, page 138

Note: Licensed General Acute Care Beds. Excludes Psych, Rehab, Substance Abuse, IP Hospice and SNF

*14 Beds to be relocated from NH Forsyth to NH Clemmons, CON Project ID# G-8165-08

**20 Beds to be added to NH Forsyth, CON Project ID# G-11907-20

NH System Forsyth County Proposed Acute Care Beds							
Location	2021 LRA FFY 2020	Calendar Year					
		2022	2023	2024	2025	2026	2027
NH Forsyth License	865	865	885**	898***	898	898	898
• NH Forsyth	779	765*	785**	785	785	785	785
• NH Kernersville	50	50	50	63***	63	63	63
• NH Clemmons	36	50*	50	50	50	50	50
NH Medical Park	22	22	22	9***	9	9	9
NH System-Forsyth County	887	887	907	907	907	907	907

Source: Section Q, page 138

Note: Licensed General Acute Care Beds. Excludes Psych, Rehab, Substance Abuse, IP Hospice and SNF

*14 Beds to be relocated from NH Forsyth to NH Clemmons, CON Project ID# G-8165-08

**20 Beds to be added to NH Forsyth, CON Project ID# G-11907-20

***Proposed relocation of 13 beds from NH Medical Park to NH Kernersville, CON Project ID# G-12030-21

Due to the utilization data from CY 2020 being affected by the COVID-19 pandemic, the applicant uses CY 2019 data to base projections for acute care utilization at each NH hospital in Forsyth County. The applicant uses the assumptions and methodologies from CON Project ID #G-11907-20, which the Agency found reasonable and adequately supported and resulted in the approval of developing 20 acute care beds at NH Forsyth, to project acute care volumes at each NH hospital in Forsyth County without the proposed relocation of beds in this application. The applicant also states that in spite of expected growth past CY 2026, the numbers for CY 2026 were held constant to project CY 2027. The table below shows the utilization projections calculated in CON Project ID #G-11907-20.

NH Forsyth Projected Acute Care Utilization

Hospital	CY 2021	CY 2022	CY 2023	CY 2024	CY 2025	CY 2026	CY 2027
NH Kernersville Discharges	3,536	3,745	3,966	4,200	4,448	4,710	4,710
NH Kernersville Days	12,235	12,958	13,722	14,532	15,390	16,297	16,297
NH Medical Park Discharges	843	848	852	856	860	865	865
NH Medical Park Days	2,539	2,551	2,564	2,577	2,590	2,603	2,603
NH Forsyth Days	207,821	212,821	217,946	223,199	228,585	234,115	234,115
NH Clemmons Days	5,221	5,513	5,823	6,149	6,493	6,858	6,858

Source: CON Project ID #G-11907-20

Step 2: Project Utilization of Medical Surgical Services at NH Kernersville

The applicant states that because the projections in Step 1 do not consider the offering of obstetric services at NH Kernersville as proposed in this application, they are adopting these projections for future medical surgical services at NH Kernersville and will add projected obstetric services in Step 3.

NH Kernersville Projected Medical Surgical Services for Form C

Hospital	CY 2021	CY 2022	CY 2023	CY 2024	CY 2025	CY 2026	CY 2027
M/S Discharges	3,536	3,745	3,966	4,200	4,448	4,710	4,710
M/S Days	12,235	12,958	13,722	14,532	15,390	16,297	16,297

Source: Page 140 of the application

Step 3: Project Utilization of Obstetric Services

The applicant states that they plan to offer obstetric services at NH Kernersville beginning April 1, 2024 and that they project obstetric admissions will ramp up between 2024 and 2027 with obstetric patients shifting from care at NHFMC to NH Kernersville. As the applicant illustrates in tables found in Section C.4 of the application, they project obstetric admissions to grow from 180 admissions in CY 2024, which is a partial year to 600 admissions in CY 2027.

	Partial FY	1st Full FY	2nd Full FY	3rd Full FY
	04/01/2024 - 12/31/2024	04/01/2025- 12/31/2025	04/01/2026- 12/31/2026	04/01/2027- 12/31/2027
Obstetric Admissions	180	300	450	600
% of PY 3 Utilization*	40%	50%	75%	

Source: Page 140 of the application.

Note: This assumes 40% of the 600 deliveries would move over if this were a full calendar year. However, since it is nine months the calculation is: $(40\% * 600) * (9/12)$

The applicant assumes an average length of stay (ALOS) of 2.5 days for obstetric patients and a C-section rate based on 29 percent of total deliveries based on the ALOS and C-Section rate at NH Thomasville. The applicant provides the projected obstetric patient days and C-Sections illustrated in the table below.

	Partial FY	1st Full FY	2nd Full FY	3rd Full FY
	04/01/2024 - 12/31/2024	04/01/2025- 12/31/2025	04/01/2026- 12/31/2026	04/01/2027- 12/31/2027
Obstetric ALOS	2.5	2.5	2.5	2.5
Obstetric Days	450	750	1,125	1,500
C-Sections	52	87	131	174

Source: Page 140 of the application

The applicant states in terms of services and volumes, 2027 projections at NH Kernersville are most similar to that of NH Thomasville in Davidson County. Specifically, NH Thomasville has 72 operational acute care beds, offers obstetrics and ICU but does not have a Neonatal Intensive Care Unit (NICU). The applicant states that the experience at NH Thomasville provides support for the reasonableness of the obstetric projections and assumptions. In Section Q, page 141, the applicant provides 2020 LRA data for hospitals in Forsyth, Guilford and Davidson county to show that the assumptions being used from NH Thomasville are in range of other providers in the Triad that do not have NICUs.

The applicant projects NH Kernersville obstetric services will reach an occupancy rate of 68.5% by 2027. The applicant states that the target planning utilization for hospitals with an ADC less than 100 patients per day is 66.7 %. NH Kernersville is expected to exceed this percent by project year three, as shown in the table below.

	Partial FY	1st Full FY	2nd Full FY	3rd Full FY
	04/01/2024 - 12/31/2024	04/01/2025- 12/31/2025	04/01/2026- 12/31/2026	04/01/2027- 12/31/2027
Obstetric Days	450	750	1,125	1,500
ADC	1.2	2.1	3.1	4.1
LDRP Beds	6	6	6	6
Occupancy	20.0%	35.0%	51.7%	68.5%

Source: Page 141 of the application

The applicant assumes all obstetric patients will shift from NHFMC and provides the adjusted acute care utilization for NH Kenersville and NHFMC based on Steps 1, 2 and 3 as shown in the table below.

Hospital	CY 2021	CY 2022	CY 2023	CY 2024	CY 2025	CY 2026	CY 2027
Acute Care Discharges							
NH Kenersville Medical/Surgical	3,536	3,745	3,966	4,200	4,448	4,710	4,710
NH Kenersville Obstetrics				180	300	450	600
NH Kenersville Total Acute Care	3,536	3,745	3,966	4,380	4,748	5,160	5,310
Acute Care Days							
NH Kenersville Medical/Surgical	12,235	12,958	13,722	14,532	15,390	16,297	16,297
NH Kenersville Obstetrics				450	750	1,125	1,500
NH Kenersville Total Acute Care	12,235	12,958	13,722	14,982	16,140	17,422	17,797
NH Forsyth Total Acute Care	207,821	212,821	217,946	222,749	227,835	232,990	232,615

Source: Page 142 of the application

Step 4: Project Shift of Colorectal Surgical Patients from NH Medical Park to NH Clemmons

The applicant states that due to the impact of COVID-19, elective procedures were shifted from NHFMC and NH Kenersville to NH Medical Park resulting in an increase in patient days and discharges at NH Medical Park for 2020. Additionally, the applicant states that over the past three years, colorectal surgeries accounted for 42 percent of acute care discharges and 48 percent of acute care days at NH Medical Park, as shown in the table below.

NH Medical Park Historical Acute Care Utilization CY 2018-CY 2020

	Colorectal			Total Acute Care			% Colorectal			
	CY 2018	CY 2019	CY 2020	CY 2018	CY 2019	CY 2020	CY 2018	CY 2019	CY 2020	Avg
Discharges	383	370	376	894	832	935	43%	44%	40%	42%
Days	1,365	1,232	1,293	2,698	2,517	2,989	51%	49%	43%	48%

Source: Page 143 of the application

The applicant states that normal acute care data for NH Medical Park is most consistent with data from CY 2019 and uses this data as a baseline to project future acute care patients and days that will shift to NH Clemmons, if the proposed project is approved.

NH Medical Park Projected Colorectal Surgery Inpatients CY 2021- CY 2027

Surgical Inpatients to Shift	CY 2021	CY 2022	CY 2023	CY 2024	CY 2025	CY 2026	CY 2027
Discharges (44 percent)	371	373	375	377	378	381	381
Days (49 percent)	1,244	1,250	1,256	1,263	1,269	1,275	1,275

Source: Page 143 of the application

The applicant states that if this application is approved, they plan to shift all colorectal surgeries from NH Medical Park to NH Clemmons in CY 2023. The applicant provides projected acute care utilization for NH Medical Park and states that upon project completion of this proposal NH Medical Park will have an occupancy rate of 40.4 percent, which will be adequate to meet the needs of NH Medical Park’s patients. Without the relocation of beds NH Medical Park would have an occupancy rate of 16.5%. The projections provided by the applicant are shown in the table below.

NH Medical Park	CY 2021	CY 2022	CY 2023	CY 2024	CY 2025	CY 2026	CY 2027
Discharges	843	848	477	479	482	484	484
Days	2,539	2,551	1,308	1,314	1,321	1,328	1,328
ADC	7.0	7.0	3.6	3.6	3.6	3.6	3.6
Occupancy with 22 Beds	31.6%	31.8%	16.3%	16.4%	16.4%	16.5%	16.5%
Occupancy with 9 Beds	77.3%	77.7%	39.8%	40.0%	40.2%	40.4%	40.4%
Target Occupancy Factor	1.5	1.5	1.5	1.5	1.5	1.5	1.5
Acute Care Bed Need	10.4	10.5	5.4	5.4	5.4	5.5	5.5

Source: Page 144 of the application

Step 5: Project Year 3 (CY 2027) Acute Care Occupancy for the NH Forsyth License:

The NH Forsyth License includes NHFMC, NH Kernersville, and NH Clemmons. The applicant takes the projections from Steps 1, 2, 3, and 4 and summarizes the projections in the table below to show that the proposed project is consistent with Policy AC-5 for all facilities on the NH Forsyth license. The applicant states that by CY 2027 (PY 3), the NH Forsyth License will exceed the target occupancy rate of 75.2 percent for hospitals with more than 200 beds.

	CY 2021	CY 2022	CY 2023	CY 2024	CY 2025	CY 2026	CY 2027
NH Forsyth Days	207,821	212,821	217,946	222,749	227,835	232,990	232,615
NH Kernersville Days	12,235	12,958	13,722	14,982	16,140	17,422	17,797
NH Clemmons Days	5,221	5,513	7,079	7,412	7,762	8,133	8,133
NH Forsyth License Days	225,277	231,292	238,747	245,143	251,737	258,545	258,545
NH Forsyth License ADC	617	634	654	672	690	708	708
NH Forsyth License Beds	865	865	885	898	898	898	898
NH Forsyth License Occupancy	71.4%	73.3%	73.9%	74.8%	76.8%	78.9%	78.9%

Source: Page 145 of the application

Step 6: Project NH Kernersville Observation Bed Utilization

NH Kernersville currently has 10 observation beds. This project proposed to add five additional observation beds, for a total of 15 observation beds at projection completion. The applicant based the projection of observation patient days on the NH Kernersville percentage ratio of observation days to acute care days, which was .20 in both CY 2019 and CY 2020. The applicant states that the observation days are equal to the sum of all observation hours divided by 24.

NH Kernersville Historical Observation Days

	CY 2019	CY 2020
Observation Hours	52,110	53,927
Observation Days	2,171.25	2,246.96
Acute Care Days	10,898	11,373
Ratio Observation Days: Acute Care Days	0.20	0.20

Source: Page 145 of the application

NH Kernersville Projected Observation Days for Form Cs

	CY 2021	CY 2022	CY 2023	CY 2024	CY 2025	CY 2026	CY 2027
Acute Care Days	12,235	12,958	13,722	14,982	16,140	17,422	17,797
Ratio Observation Days: Acute Care Days	0.20	0.20	0.20	0.20	0.20	0.20	0.20
Observation Days	2,447	2,592	2,744	2,996	3,228	3,484	3,559

Source: Page 145 of the application

Step 7: Split CY 2024 for Forms Cs and Form D

The applicant states that for the purposes of splitting CY 2024 into a partial interim and partial project year, the applicant used CY2024 (volume/12) * 3 to project January 1 – March 31, 2024 and (volume/12) * 9 to project April 1 – December 31, 2024.

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

- The applicant relies on historical data from NH facilities to project future utilization.
- The applicant makes reasonable assumptions regarding shifts in obstetric services and colorectal surgeries to project acute care utilization at NH Kernersville and other hospitals on the NH Forsyth License.
- The applicant projects the NH Forsyth License will exceed the target occupancy rate of 75.2 percent for hospitals with an ADC greater than 200 in the first full project year (2025).

Access to Medically Underserved Groups

In Section C, page 74, the applicant states:

“Novant Health does not exclude, deny benefits to, or otherwise discriminate against patients, students, or visitors on the basis of race; color; religion; national origin; culture; language; physical or mental disabilities; genetic information; age; sex, including pregnancy, childbirth or related medical conditions; marital status; sexual orientation; gender identity or expression; socioeconomic status; or source of payment in admission to, participation in, or receipt of the services and benefits of any of its programs and other activities, whether carried out by Novant Health directly or through a contractor or other entity with whom Novant Health arranges to carry out its programs or activities. This information is communicated to patients in the ‘Patients’ Bill of Rights.’”

The applicant provides the estimated percentage for each medically underserved group, as shown in the following table.

Medically Underserved Groups	Percentage of Total Patients
Low income persons	NH does not track
Racial and ethnic minorities	28%
Women	66%
Persons with Disabilities	NH does not track
The elderly	29%
Medicare beneficiaries	34.5%
Medicaid recipients	10.4%

Source: Page 74 of the application

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 written statements about offering access to all residents of the service area; including underserved groups.
- The applicant provides its projected payor mix, which includes underserved groups, and assumes it will remain constant for the first three years of operation.

Conclusion

The Agency reviewed the:

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

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

The applicant proposes to relocate 13 existing acute care beds from NH Medical Park Hospital to NH Kenersville and develop a new dedicated C-section OR.

The applicant does not propose to reduce or eliminate any existing acute care beds; rather, the applicant proposes to relocate 13 existing acute care beds from NH Medical Park Hospital located at 1950 Hawthorne Road in Winston Salem in Forsyth County to NH Kernersville located at 1750 Kernersville Medical Center Parkway in Kernersville in Forsyth County. The two facilities are approximately 17 miles and 21 minutes driving time from each other, according to Google Maps. Thus, the acute care beds will still be accessible to the same population in the alternate facility.

In Section D, the applicant explains why it believes the needs of the population presently utilizing the services to be relocated will be adequately met following completion of the project. On page 81, the applicant states:

“When implemented, the proposed project leaves nine (9) acute care beds at NH Medical Park. As shown on Form C and discussed in Section C, nine (9) beds will be adequate to meet the needs of NH Medical Park’s acute care patients.”

In Section C, the applicant provides the projected utilization at NH Medical Park as illustrated in the following table:

NH Medical Park	CY 2021	CY 2022	CY 2023	CY 2024	CY 2025	CY 2026	CY 2027
Discharges	843	848	477	479	482	484	484
Days	2,539	2,551	1,308	1,314	1,321	1,328	1,328
ADC	7.0	7.0	3.6	3.6	3.6	3.6	3.6
Occupancy with 22 Beds	31.6%	31.8%	16.3%	16.4%	16.4%	16.5%	16.5%
Occupancy with 9 Beds	77.3%	77.7%	39.8%	40.0%	40.2%	40.4%	40.4%
Target Occupancy Factor	1.5	1.5	1.5	1.5	1.5	1.5	1.5
Acute Care Bed Need	10.4	10.5	5.4	5.4	5.4	5.5	5.5

In Section Q, the applicant provides the assumptions and methodology to project utilization. See the discussion regarding projected utilization of NH Medical Park in Criterion (3) which is incorporated herein by reference.

Access to Medically Underserved Groups

In Section D, page 81 the applicant explains why they believe the needs of the population presently utilizing the services to be relocated will be adequately met following completion of the project. On page 81, the applicant states:

“No service components will be eliminated at NH Medical Park.”

On page 74, the applicant states:

“NH makes services accessible to indigent patients without regard to ability to pay. NH Kernersville provides services to all persons regardless of race, sex, age, religion, creed, disability, national origin, or ability to pay.”

In its response to comments, the applicant states:

“The relocation of the existing 13 acute care beds from NH Medical Park NH Kenersville is not a reduction of service but a relocation of existing, underutilized beds to an area of the county where the beds will be better utilized and be more accessible.”

The applicant adequately demonstrates that the needs of the medically underserved groups that will continue to use acute care beds at NH Medical Park will be adequately met following completion of the project.

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

- The needs of the population currently using the services to be reduced or relocated will be adequately met following project completion.
- The project will not adversely impact the ability of underserved groups to access these services following project completion.

Conclusion

The Agency reviewed the:

- Application
 - Exhibits to the application
 - Information publicly available during the review and used by the Agency
 - Written comments
 - Response to comments
- (4) Where alternative methods of meeting the needs for the proposed project exist, the applicant shall demonstrate that the least costly or most effective alternative has been proposed.

CA

The applicant proposes to relocate 13 existing acute care beds from NH Medical Park Hospital to NH Kenersville and develop a new dedicated C-section OR.

In Section E, page 85, the applicant describes the alternatives it considered and explains why each alternative is either more costly or less effective than the alternative proposed in this application to meet the need. The alternatives considered were:

- Maintain the status quo-The applicant states that this alternative fails to address the need to increase acute care bed capacity at NH Kenersville.
- Move beds from another NH Facility-The applicant states they have already moved beds from NH Forsyth in order to open NH Kenersville and NH Clemmons and the remaining beds are necessary to meet patient needs. Additionally, the applicant states that moving beds from NH Clemmons would be counterproductive and not cost effective given that NH Clemmons recently opened and is still in a period of ramping up services.

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

Conclusion

The Agency reviewed the:

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

Based on that review, the Agency concludes that the application is conforming to this criterion for the reasons stated above. Therefore, the application is approved subject to the following conditions:

- 1. Forsyth Memorial Hospital, Inc. and Novant Health, Inc. (hereinafter certificate holders) shall materially comply with all representations made in the certificate of need application.**
- 2. The certificate holders shall relocate no more than 13 existing acute care beds from NH Medical Park Hospital to NH Kenersville and develop a new dedicated C-section OR.**
- 3. Upon completion of the project, NH Kenersville shall be licensed for no more than 63 acute care beds, four shared operating rooms and one dedicated C-Section operating room.**
- 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 sixth month. The first progress report shall be due on November 1, 2021. The second progress report shall be due on May 1, 2022 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.**
- (5) Financial and operational projections for the project shall demonstrate the availability of funds for capital and operating needs as well as the immediate and long-term financial feasibility of the proposal, based upon reasonable projections of the costs of and charges for providing health services by the person proposing the service.

C

The applicant proposes to relocate 13 existing acute care beds from NH Medical Park Hospital to NH Kenersville and develop a new dedicated C-section OR.

Capital and Working Capital Costs

In Section Q, Form F.1a, page 147, the applicant projects the total capital cost of the project as shown in the table below.

Site Costs	\$486,969
Construction Costs	\$29,910,294
Miscellaneous Costs	\$14,006,290
Total	\$44,403,553

In Section Q, the applicant provides the assumptions used to project the capital cost. The applicant adequately demonstrates that the projected capital cost is based on reasonable and adequately supported assumptions based on the following:

- In Exhibit F-1.1, the applicant provides documentation from an architect projecting construction plans and capital costs which are included in the projected capital cost.
- In Exhibit F-1.1, the applicant provides documentation to support prices for all the items associated with the delivery and installation of the proposed equipment and these costs are include in the projected capital cost.

Availability of Funds

In Section F, page 86, the applicant states that the capital cost will be funded as shown in the table below.

Sources of Capital Cost Financing		
Type	Novant Health	Total
Loans	\$0	\$0
Accumulated reserves or OE*	\$44,403,553	\$44,403,553
Bonds	\$0	\$0
Other (specify)	\$0	\$0
Total Financing	\$44,403,553	\$44,403,553

*Owner's Equity

In Exhibit F-2.1, the applicant provides a letter dated February 5, 2021, from the Senior Vice President of Operational Finance and Revenue Cycle for Novant Health documenting its intention to provide accumulated reserves to finance the proposed project. Exhibit F.2-2 contains the Consolidated Financial Statements for Novant Health, Inc. and affiliates for the year ending December 31, 2019 and 2018.

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

- Exhibit F.2-1 contains a letter from the Senior Vice President of Operational Finance and Revenue Cycle for Novant Health documenting that Novant Health intends to fund the total projected capital cost of the project with accumulated reserves.
- The letter in Exhibit F.2-1 states that Novant Health Inc, has \$3,336,739,000 in total assets available for capital expenditures.
- Exhibit F.2-2 contains a copy of Novant Health Inc, combined group balance sheet as of December 31, 2019, showing adequate funds to fund its portion of the project capital cost.

Financial Feasibility

The applicant provided 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

revenues will exceed operating expenses in the first three full fiscal years following completion of the project, and provided the calculations shown in the table below.

NH Kenersville Acute Care Services Projected Revenue & Expenses			
FYs 1-3 (CYs 2025-2027)			
	FY 1 (CY 2025)	FY 2 (CY 2026)	FY 3 (CY 2027)
Total Days of Care	15,390	16,297	16,297
Total Gross Revenue (Charges)	\$185,743,084	\$205,478,344	\$215,014,702
Total Net Revenue	\$69,718,081	\$77,081,382	\$80,607,809
Average Net Revenue per Day of Care	\$4,530	\$4,730	\$4,946
Total Operating Expenses (Costs)	\$64,929,935	\$70,312,519	\$73,492,254
Average Operating Expense per Day of Care	\$4,219	\$4,314	\$4,510
Net Income	\$4,788,146	\$6,768,863	\$7,115,555

The assumptions used by the applicant in preparation of the pro forma financial statements are provided 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 accounts for projected operating expenses, such as salaries, consistent with projections elsewhere in the application.
- 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
- Response to comments

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

- The applicant adequately demonstrates that the 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 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.

C

The applicant proposes to relocate 13 existing acute care beds from NH Medical Park Hospital to NH Kenersville and develop a new dedicated C-Section OR.

The 2021 SMFP defines the service area for acute care services and ORs as the planning area in which the beds and ORs are located. Thus, the service area for the proposed project is Forsyth County. Facilities may also serve residents of counties not included in their service area.

The 2021 SMFP provides the following information relative to acute care beds and operating room services in Forsyth County. Dedicated C-Section ORs are excluded from the SMFP and calculation of need determination.

Acute Care Bed Inventory-Forsyth County

Provider	Licensed Acute Care Beds	Adjustments for CONs/Previous Need	2019 Acute Care Days
NH Forsyth Medical Center License*	865	0	225,544
NH Medical Park	22	0	2,567
NC Baptist Hospital	802	4	229,112

Source: Table 5A, page 39 of the 2021 SMFP

*License includes: NHFMC, NH Hawthorne Outpatient Surgery, NH Kenersville MC, NH Clemmons MC, NH Imaging Kenersville, NH Breast Center, NH Imaging Maplewood

Currently, NHFMC is the only facility in Forsyth County with dedicated C-section ORs.

In Section G, pages 94-95, the applicant explains why they believe its proposal would not result in the unnecessary duplication of existing or approved services in Forsyth County. The applicant states:

“There is no duplication of existing facilities because the project does not increase the number of existing or approved acute care beds in Forsyth County. Both facilities are in Forsyth County.

...

The proposed project will not result in an unnecessary duplication of obstetric services in the proposed service area that provide the same service components proposed in this application. The service area is Forsyth County.

...

For uncomplicated births and for postpartum services, NH Kenersville as a small community hospital is a more comfortable environment for expectant mothers and their families than the larger hospitals with obstetric services in Forsyth and Guilford counties.”

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:

- The proposal would not result in an increase in the number of acute care beds but would simply relocate existing acute care beds.
- The applicant adequately demonstrates that the proposed relocation along with the development of a dedicated C-Section OR is needed in order to better meet the needs of the population being served.

Conclusion

The Agency reviewed the:

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

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

The applicant proposes to relocate 13 existing acute care beds from NH Medical Park Hospital to NH Kernersville and develop a new dedicated C-Section OR.

In Section Q, Form H, pages 168-171, the applicant provides current and projected full-time equivalent (FTE) staffing for the proposed services, as illustrated in the following table.

NH Kenersville Current and Projected Staffing

Position	Current and Projected FTE Positions			
	Current FTE as of 12/31/2020	1 st Full FY (CY 2025)	2 nd Full FY (CY 2026)	3 rd Full FY (CY 2027)
Medical/Surgical				
RNs	75.3	86.4	89.1	89.1
Nursing Assistants	26.8	40.0	43.1	43.1
Lab, Radiology & Surgical Techs	24.0	24.0	25	25
Pharmacy	3.7	3.7	3.8	3.8
Therapists, Social Workers & Counselors	6.7	6.7	7.0	7.0
Admin/Clerical	18.5	32.7	35.9	35.9
Other	17	32.2	35.4	35.4
Total Medical/Surgical	172	226	239	239
Obstetric Services				
RNs	0	12.6	12.6	21.0
Nursing Assistants	0	4.38	4.38	8.58
Lab, Radiology & Surgical Techs	0	5.48	5.48	5.48
Pharmacy	0	0.27	0.27	0.27
Therapists & Social Workers	0	0.35	0.35	0.35
Admin/Clerical	0	0.84	0.84	0.84
Other	0	2.24	3.24	3.24
Total Obstetric Services	0	26	27	40
Total	172	252	266	279

The assumptions and methodology used to project staffing are provided in Section Q, page 172. 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.2 and H.3, pages 96-98, the applicant describes the methods used to recruit or fill new positions and its existing training and continuing education programs. In Section I, page 99, the applicant identifies the current Director of Operations. In Exhibit I.4, the applicant provides a letter from Katie Harper, NH Kenersville Director of Operations, indicating her role in overseeing the ancillary and support services at the facility and her support for approval of the application.

The applicant adequately demonstrates the availability of sufficient health manpower and management personnel to provide the proposed services.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

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

- (8) The applicant shall demonstrate that the provider of the proposed services will make available, or otherwise make arrangements for, the provision of the necessary ancillary and support

services. The applicant shall also demonstrate that the proposed service will be coordinated with the existing health care system.

C

The applicant proposes to relocate 13 existing acute care beds from NH Medical Park Hospital to NH Kenersville and develop a new dedicated C-Section OR.

Ancillary and Support Services

In Section I, page 99, the applicant identifies the necessary ancillary and support services for the proposed services. On page 99, the applicant briefly explains how each ancillary and support service is or will be 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 specifically identifies the existing providers of the ancillary and support services.
- The applicant states the existing providers will continue to provide the necessary ancillary and support services.

Coordination

NH Kenersville is an existing facility. In Section I, page 100, the applicant describes its existing and proposed relationships with other local health care and social service providers and provides supporting documentation in Exhibit I-2.

The applicant adequately demonstrates that the proposed services will be coordinated with the existing health care system.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

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

The applicant does not project to provide the proposed services to a substantial number of persons residing in Health Service Areas (HSAs) that are not adjacent to the HSA in which the services will be offered. Furthermore, the applicant does not project to provide the proposed services to a substantial number of persons residing in other states that are not adjacent to the North Carolina county in which the services will be offered.

- (10) When applicable, the applicant shall show that the special needs of health maintenance organizations will be fulfilled by the project. Specifically, the applicant shall show that the project accommodates: (a) The needs of enrolled members and reasonably anticipated new members of the HMO for the health service to be provided by the organization; and (b) The availability of new health services from non-HMO providers or other HMOs in a reasonable and cost-effective manner which is consistent with the basic method of operation of the HMO. In assessing the availability of these health services from these providers, the applicant shall consider only whether the services from these providers:
- (i) would be available under a contract of at least 5 years duration;
 - (ii) would be available and conveniently accessible through physicians and other health professionals associated with the HMO;
 - (iii) would cost no more than if the services were provided by the HMO; and
 - (iv) would be available in a manner which is administratively feasible to the HMO.

NA

The applicant is not an HMO. Therefore, Criterion (10) is not applicable to this review.

- (11) Repealed effective July 1, 1987.
- (12) Applications involving construction shall demonstrate that the cost, design, and means of construction proposed represent the most reasonable alternative, and that the construction project will not unduly increase the costs of providing health services by the person proposing the construction project or the costs and charges to the public of providing health services by other persons, and that applicable energy saving features have been incorporated into the construction plans.

C

The applicant proposes to relocate 13 existing acute care beds from NH Medical Park Hospital to NH Kernersville and develop a new dedicated C-Section OR.

The proposal involves expanding the second floor of NH Kernersville to add seven medical/surgical beds and constructing a fourth floor to add six obstetrics beds, the dedicated C-section OR and five observation beds.

In Section K, page 103, the applicant states that the project involves constructing 51,930 square feet of new space and renovating 4,795 square feet of existing space. Line drawings are provided in Exhibit K-2.

On page 105, the applicant states that the proposed project does not involve a new facility, relocation of an entire facility or a new campus of an existing acute care hospital.

On page 103, 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 design and construction staff received input from an architect and a general contractor.
- The renovation will be in the existing building space that has existing infrastructure.
- The design architect and general contractor, based on their experience and current market costs for materials and labor, provided estimates for renovation costs.
- The general contractor and the architect for this project, having worked together with NH in the past on many projects, have an established relationship with NH.

On pages 104, 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 that the project consists of an interior renovation to an already conditioned space that will use the existing mechanical system.
- The applicant states that project cost will be spread over the increased volume.
- The applicant states that the costs and charges to the public should not increase due to this project because no major payor bases payment on the costs of a specific hospital.

On page 104, the applicant identifies any applicable energy saving features that will be incorporated into the construction plans and provides supporting documentation in Exhibit B-21.

Conclusion

The Agency reviewed the:

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

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

- (13) The applicant shall demonstrate the contribution of the proposed service in meeting the health-related needs of the elderly and of members of medically underserved groups, such as

medically indigent or low income persons, Medicaid and Medicare recipients, racial and ethnic minorities, women, and ... 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;

C

In Section L, page 106, the applicant provides the historical payor mix during CY 2020 for the proposed services, as shown in the table below.

	NH Kenersville Historical Payor Mix Last FFY, FY 2020	NH Medical Park Historical Payor Mix Last FFY, FY 2020
Payor Category	Acute Care Bed Services % of Total	Acute Care Bed Services % of Total
Self-Pay	4.1%	0.7%
Charity Care	8.0%	2.0%
Medicare	34.5%	47.3%
Medicaid	10.4%	6.3%
Insurance	38.0%	39.8%
Workers Compensation	0.6%	1.3%
TRICARE	1.2%	0.8%
Other (specify)	3.4%	1.8%
Total	100.0%	100.0%

In Section L, pages 107-108, the applicant provides the following comparison.

% of Total Patients Served by the Facility or Campus During the Last Full FY (2020)			
	NH Kenersville	NH Medical Park	Percentage of the Population of the Service Area
Female	64%	62%	52.7%
Male	36%	38%	47.3%
Unknown	0%	0%	0.00%
64 and Younger	69%	60%	83.6%
65 and Older	31%	40%	16.4%
American Indian	0%	0%	0.9%
Asian	1%	0%	2.6%
Black or African American	22%	15%	27.5%
Native Hawaiian or Pacific Islander	0%	0%	0.1%
White or Caucasian	72%	81%	66.6%
Other Race	5%	3%	2.3%
Declined / Unavailable	0%	1%	0.0%

The Agency reviewed the:

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

Based on that review, the Agency concludes that the applicant adequately documents the extent to which medically underserved populations currently use the applicant's existing services in comparison to the percentage of the population in the applicant's service area which is medically underserved. Therefore, the application is conforming to this criterion.

- (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;

C

Regarding any obligation to provide uncompensated care, community service or access by minorities and persons with disabilities, in Section L, page 108, the applicant states it has no such obligation.

In Section L, page 108, the applicant states that during the last 18 months no patient civil rights access complaints have been filed against the facility or any similar facilities owned by the applicant or a related entity and located in North Carolina.

The Agency reviewed the:

- Application
- Exhibits to the application

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

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

C

In Section L, pages 109-110, the applicant projects the following payor mix for the proposed services during the third full fiscal year (CY 2027) of operation following completion of the project, as shown in the table below.

NH Kenersville Projected Payor Mix 3rd FFY, CY 2027			
Payor Category	Total Facility	Acute Care Obstetric Services as % of Total	Acute Care Medical/Surgical Services as % of Total
Self-Pay	4.0%	0.0%	2.0%
Charity Care	8.0%	0.4%	4.8%
Medicare	34.2%	1.0%	54.8%
Medicaid	10.6%	44.2%	6.7%
Insurance	38.1%	54.1%	27.4%
Workers Compensation	0.6%	0.0%	0.2%
TRICARE	1.2%	0.0%	0.9%
Other (specify)	3.3%	0.3%	3.2%
Total	100.0%	100.0%	100.0%

As shown in the table above, during the third full fiscal year of operation, the applicant projects that for acute care medical/surgical services, 2.0% of total services will be provided to self-pay patients, 4.8% to charity care patients, 54.8% to Medicare patients and 6.7% to Medicaid patients. For acute care obstetric services, the applicant projects none of the services will be provided to self-pay patients, 0.4% to charity care patients, 1.0% to Medicare patients and 44.2% to Medicaid patients.

On page 109, the applicant provides the assumptions and methodology used to project payor mix during the third full fiscal year of operation following completion of the project. The projected payor mix is reasonable and adequately supported based on the following:

- The applicant based the projected payor mix for the entire facility by growing NH Kenersville's CY 2020 patients at the same rate as the medical/surgical discharges through CY 2025 – CY 2027. This represents the baseline for future patients without obstetric services.
- The applicant then added in projected obstetric patients to each payor category by multiplying the projected number of obstetric patients in CY 2027 by the payor mix for obstetrics services in Form F.2 and then calculated the payor mix percentages from the resulting projected baseline patients plus obstetric patients.

The Agency reviewed the:

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

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

In Section L, page 111, the applicant adequately describes the range of means by which patients will have access to the proposed services.

The Agency reviewed the:

- Application
- Exhibits to the application

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

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

C

The applicant proposes to relocate 13 existing acute care beds from NH Medical Park Hospital to NH Kenersville and develop a new dedicated C-Section OR.

In Section M, page 112, 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 H-2.1.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

Based on that review, the Agency concludes that the applicant adequately demonstrates that the proposed services will accommodate the clinical needs of area health professional training programs, and therefore, the application is conforming to this criterion.

- (15) Repealed effective July 1, 1987.
 - (16) Repealed effective July 1, 1987.
 - (17) Repealed effective July 1, 1987.
 - (18) Repealed effective July 1, 1987.
- (18a) The applicant shall demonstrate the expected effects of the proposed services on competition in the proposed service area, including how any enhanced competition will have a positive impact upon the cost effectiveness, quality, and access to the services proposed; and in the case of applications for services where competition between providers will not have a favorable impact on cost-effectiveness, quality, and access to the services proposed, the applicant shall demonstrate that its application is for a service on which competition will not have a favorable impact.

C

The applicant proposes to relocate 13 existing acute care beds from NH Medical Park Hospital to NH Kernersville and develop a new dedicated C-Section OR.

The 2021 SMFP defines the service area for acute care services and ORs as the planning area in which the beds and ORs are located. Thus, the service area for the proposed project is Forsyth County. Facilities may also serve residents of counties not included in their service area.

Acute Care Bed Inventory-Forsyth County

Provider	Licensed Acute Care Beds	Adjustments for CONs/Previous Need	2019 Acute Care Days
NH Forsyth Medical Center License	865	0	225,544
NH Medical Park	22	0	2,567
NC Baptist Hospital	802	4	229,112

Source: Table 5A, page 39 of the 2021 SMFP

Regarding the expected effects of the proposal on competition in the service area, in Section N, page 114, the applicant states:

“To compete with other hospitals in the Triad for physicians, patients and market share, NH Forsyth must have comparable services and sufficient acute care beds. Developing basic obstetric services at NH Kernersville will enable it to better compete with other general acute care hospitals in the Triad. As discussed in Section C of this application, demand for obstetric services in the NH Kernersville service area is increasing. To accommodate the growing demand for obstetric services, NH Kernersville should be allowed to provide basic obstetric services.”

Regarding the impact of the proposal on cost effectiveness, in Section N, page 114, the applicant states:

“Adding basic obstetric services at NH Kernersville will allow the hospital to compete with existing obstetric services in Winston-Salem, Greensboro and High Point for physicians and patients in the Kernersville area who must now travel to one of these cities for deliveries. The project will increase the cost-effectiveness of the acute care services NH provides in Forsyth County by reducing travel time and expense for physicians and patients in eastern Forsyth County and Guilford County who now travel to Winston-Salem, High Point, or Greensboro for services.”

See also Sections C, F, K, and Q of the application and any exhibits.

Regarding the impact of the proposal on quality, in Section N, pages 114-115, the applicant states:

“The project will improve quality of care by enabling NH Kernersville to accommodate growth in demand for inpatient surgical services by relaxing capacity constraints on medical/surgical beds. This will reduce delays in admitting patients to a bed.”

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 115, the applicant states:

“The new basic obstetric service and the NH physicians who staff it will improve access to care for underserved groups; specifically, Medicaid patients, women, racial ethnic groups, and the uninsured and low-income patients.

....

The additional acute care beds will improve access to its acute care services for underserved groups including uninsured patients and patients covered by Medicare and Medicaid.”

See also Section L and C 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
- Written comments
- Response to comments

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

- (19) Repealed effective July 1, 1987.
- (20) An applicant already involved in the provision of health services shall provide evidence that quality care has been provided in the past.

C

In Section Q, the applicant identifies the hospitals located in North Carolina owned, operated or managed by the applicant or a related entity. The applicant identifies a total of 16 hospitals located in North Carolina.

In Section O, page 119, 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 facilities. According to the files in the Acute and Home Care Licensure and Certification Section, DHSR, during the 18 months immediately preceding submission of the application through the date of this decision, incidents related to quality of care occurred in one of these facilities. The facility was back in compliance November 12, 2020. 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 16 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.

NA

The applicant proposes to relocate 13 existing acute care beds from NH Medical Park Hospital to NH Kenersville and develop a new dedicated C-Section OR. The Criteria and Standards for acute care beds and operating rooms promulgated in 10A NCAC 14C .2100 and 10A NCAC 14C .3800, are not applicable to this review because the applicant does not propose to increase the number of acute care beds in the service area and the operating rooms being proposed are for C-sections only.