REQUIRED STATE AGENCY FINDINGS

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

Decision Date: March 24, 2021
Findings Date: March 24, 2021

Project Analyst: Gregory F. Yakaboski
Team Leader: Gloria C. Hale

Project ID #: R-12007-20
Facility: Sentara Albemarle Medical Center
FID #: 952933
County: Pasquotank
Applicant: Sentara Albemarle Regional Medical Center, LLC
Project: Relocate and replace the existing hospital which will be licensed for only 110 acute care beds, 8 ORs, and 1 GI endo room upon project completion

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

The applicant, Sentara Albemarle Regional Medical Center (SARMC) doing business as Sentara Albemarle Medical Center (SAMC) is an existing and operational 182 acute care bed hospital located in Elizabeth City, Pasquotank County. SAMC proposes to relocate and replace the existing hospital at another location in Elizabeth City.

Need Determination

There is no need determination in the 2020 State Medical Facilities Plan (SMFP) that is applicable to this proposed project.

Policies

There are two policies in the 2020 SMFP 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 pages 19-20 of the 2020 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.

Facility Average Daily Census	Target Occupancy of Licensed Acute Care Beds
1-99	66.7%
100-20	71.4%
Greater than 200	75.2%

SAMC is currently licensed for 182 acute care beds. As part of the proposed project to replace and relocate SAMC, the applicant also proposes to reduce the number of licensed acute care beds at SAMC from 182 to 110. In Section B, pages 17-18 and in Section Q, Form C Utilization-Assumptions and Methodology, the applicant describes the project's plan to improve energy efficiency and conserve water. The applicant adequately demonstrates that the application projects that in CY2035 the facility average daily census will be 73.5 with an occupancy rate of 66.8%, which exceeds the target occupancy rate of 66.7% for a facility with an average daily census of 99 or less. Therefore, the application is consistent with Policy AC-5.

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."

The proposed capital expenditure for this project is greater than $5.0 million. In Section B, page 23, the applicant describes the project's plan to improve energy efficiency and conserve water. The applicant adequately demonstrates that the application includes a written statement describing the project's plan to assure improved energy efficiency and water conservation. 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 adequately demonstrates that the proposal is consistent with Policy GEN-4 because the applicant adequately demonstrates that the SAMC's acute care beds will have a facility average daily census of 73.5 with an occupancy rate of 66.8% in CY2035.

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

(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

SARMC proposes to replace and relocate its existing acute care hospital, SAMC, located in Elizabeth City, Pasquotank County to another location within Elizabeth City.

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."* SAMC is proposed to be relocated within Pasquotank County. In Figure 5.1, page 38 of the 2020 SMFP, Pasquotank County is shown as being in a multi-county acute care bed service area consisting of Pasquotank, Camden, Currituck and Perquimans counties. Thus, the acute care bed service area for this facility consists of Pasquotank, Camden, Currituck and Perquimans counties. Facilities may also serve residents of counties not included in their service area.

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."* SAMC is proposed to be relocated within Pasquotank County. In Figure 6.1, page 57 of the 2020 SMFP, Pasquotank County is shown as being in a multi-county operating room service area consisting of Pasquotank, Camden, Currituck, Gates and Perquimans counties. Thus, the operating room service area for this facility consists of Pasquotank, Camden, Currituck, Gates and Perquimans counties. Facilities may also serve residents of counties not included in their service area.

The 2020 SMFP does not define the service area for GI endoscopy procedure rooms. The Criteria and Standards for Gastrointestinal Endoscopy Procedure Rooms in Licensed Health Service Facilities, promulgated in 10A NCAC 14C .3901(6) defines the service area as "*...the geographical area, as defined by the applicant using county lines, from which the applicant projects to serve patients*." In Section C, page 52, the applicant identifies the service area for SAMC as Pasquotank, Camden, Currituck and Perquimans counties, other counties and other states. Facilities may also serve residents of counties not included in their service area.

The following table illustrates historical and projected patient origin.

County	Historical (CY2019)		Third Full FY of Operation following Project Completion (CY2027)	
	Visits/Scans/Procedures	% of Total	Visits/Scans/Procedures	**% of Total**
Pasquotank	363,436	58.1%	393,299	58.1%
Perquimans	77,848	12.5%	84,617	12.5%
Camden	55,235	8.8%	59,570	8.8%
Currituck	55,222	8.8%	59,570	8.8%
Other*	73,503	11.8%	79,878	11.8%
Total	625,244	100.0%	676,935	100.0%

See Tables in Section C, pages 35 and 38, of the application
*Other includes Bertie, Chowan, Dare, Gates, Halifax, Hertford, Martin, and Northampton counties in North Carolina, as well as other states.

In Section C, page 38, the applicant provides the assumptions and methodology used to project its patient origin. The applicant's assumptions are reasonable and adequately supported based on the following reasons:

- Patient origin is not expected to be impacted by the relocation of the hospital facility approximately 5 miles from the current location within the same city.
- Patient origin is based on historical patient origin and is kept consistent through the third project year.

Analysis of Need

In Section C.4, pages 30-52, the applicant explains why it believes the population projected to utilize the proposed services needs the proposed services, as summarized below:

"The existing facility is now 60 years of age and although it has been well maintained, the age and configuration of the existing hospital facility, combined with changes in the healthcare industry, have resulted in a hospital that is out of date, has numerous facility and structural problems that cannot be easily or cost effectively remedied with renovation, and does not efficiently accommodate today's healthcare service delivery. … the primary need for the proposed replacement hospital project is qualitative in nature, not quantitative (i.e. not driven by volume of service)-to remedy age-related facility deficiencies…"

- Evolution of Healthcare (pages 39-41).
  - Increased Outpatient Utilization and Higher Acuity Patients in Hospitals
  - Increased Development of New Technology
  - Health Insurance Portability and Accountability Act (HIPPA) Privacy Rule
  - Americans with Disabilities Act (ADA) of 1990
- Existing Facility Limitations (pages 41-44).
  - Inpatient Acute Care Services
  - Surgical Services
  - Emergency, Imaging and Laboratory Services
  - Pharmacy Services

- General Facility Concerns
- Proposed Facility Benefits (pages 44-48).
  - Inpatient Acute Care Services
  - Surgical Services
  - Emergency Services
  - Medical Equipment and Imaging Services
  - Infusion Therapy Services
  - Inpatient Dialysis Services
  - Inpatient Rehabilitation and Therapy Services
  - Medical Office Buildings on the Replacement Campus

- Proposed New Location and Enhanced Access (pages 49-52).

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

- The existing hospital building is over 60 years old and in need of costly, extensive renovations.
- The design of the current hospital building is out of date and not set up to accommodate a more modern healthcare delivery system.
- The existing site is not conducive to building a replacement facility on site without major disruptions in service which would be costly in terms of both finances and patient access.

Projected Utilization

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

Acute Care Beds

Acute Care Beds: Inpatient Days of Care-Historical and Projected Utilization

	Historical	Interim	Interim	Interim	Interim	Interim	OY1	OY2	OY3
	CY2019	CY2020	CY2021	CY2022	CY2023	CY2024	CY2025	CY2026	CY2027
# of Acute Care Beds	182	182	182	182	182	110	110	110	110
Inpatient Days	17,923	17,923	17,923	17,923	17,923	18,670	19,603	20,583	21,613
ADC*	49.1	49.1	49.1	49.1	49.1	51.2	53.7	56.4	59.2
Utilization**	27.0%	27.0%	27.0%	27.0%	27.0%	46.5%	48.8%	51.3%	53.8%

*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.

Acute Care Beds: Inpatient Days of Care-Projected Utilization

	CY2028	**CY2029**	**CY2030**	**CY2031**	**CY2032**	**CY2033**	**CY2034**	**CY2035**
# of Acute Care Beds	110	110	110	110	110	110	110	110
Inpatient Days	22,693	23,828	24,304	24,791	25,286	25,792	26,308	26,834
ADC*	62.2	65.3	66.6	67.9	69.3	70.7	72.1	73.5
Utilization**	56.5%	59.3%	60.5%	61.7%	63.0%	64.2%	65.5%	66.8%

*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.

Acute Care Beds: Observation Days of Care-Historical and Projected Utilization

	Historical	**Interim**	**Interim**	**Interim**	**Interim**	**Interim**	**OY1**	**OY2**	**OY3**
	CY2019	**CY2020**	**CY2021**	**CY2022**	**CY2023**	**CY2024**	**CY2025**	**CY2026**	**CY2027**
# of Beds*	0	0	0	0	0	0	0	0	0
Observation Days	3,157	3,157	3,157	3,157	3,157	3,288	3,453	3,625	3,807

*SAMC has no dedicated observation beds. SAMC uses acute care beds for observation days.

Combination of Inpatient Days and Observation Days of Care-Historical and Projected Utilization

	Historical	**Interim**	**Interim**	**Interim**	**Interim**	**Interim**	**OY1**	**OY2**	**OY3**
	CY2019	**CY2020**	**CY2021**	**CY2022**	**CY2023**	**CY2024**	**CY2025**	**CY2026**	**CY2027**
# of Acute Care Beds	182	182	182	182	182	110	110	110	110
Inpatient Days	17,923	17,923	17,923	17,923	17,923	18,670	19,603	20,583	21,613
Observation Days	3,157	3,157	3,157	3,157	3,157	3,288	3,453	3,625	3,807
Total Days	21,080	21,080	21,080	21,080	21,080	21,958	23,056	24,208	25,420
ADC*	57.8	57.8	57.8	57.8	57.8	60.2	63.2	66.3	69.6
Utilization**	31.7%	31.7%	31.7%	31.7%	31.7%	54.7%	57.5%	60.3%	63.3%

*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.

Operating Rooms

Operating Rooms: Historical and Projected Utilization

	Historical	**Interim**	**Interim**	**Interim**	**Interim**	**Interim**	**OY1**	**OY2**	**OY3**
	CY2019	**CY2020**	**CY2021**	**CY2022**	**CY2023**	**CY2024**	**CY2025**	**CY2026**	**CY2027**
# of IP Surgical Cases	688	688	778	848	928	967	1,015	1,066	1,119
# of OP Surgical Cases	2,648	2,648	2,783	2,888	3,008	3,033	3,063	3,094	3,125
Total Surgical Cases	3,336	3,336	3,561	3,736	3,936	4,000	4,078	4,160	4,244

Dedicated C-Section Operating Rooms: Historical Utilization

	Historical	Interim	Interim	Interim	Interim	Interim	OY1	OY2	OY3
	CY2019	CY2020	CY2021	CY2022	CY2023	CY2024	CY2025	CY2026	CY2027
# of Dedicated C-Section ORs	2	2	2	2	2	1	1	1	1
C-Sections	99	99	99	99	99	103	108	114	119

GI Endoscopy Rooms

GI Endoscopy Rooms: Historical and Projected Utilization

	Historical	Interim	Interim	Interim	Interim	Interim	OY1	OY2	OY3
	CY2019	CY2020	CY2021	CY2022	CY2023	CY2024	CY2025	CY2026	CY2027
# of IP GI Endoscopy Procedures	180	180	180	180	180	188	197	207	217
# of OP GI Endoscopy Procedures	1,009	1,009	1,009	1,009	1,009	1,017	1,028	1,038	1,048
Total Procedures	1,189	1,189	1,189	1,189	1,189	1,205	1,224	1,245	1,265

Other Services and Procedures

Other Services and Procedures: Historical Utilization

	CY2017	CY2018	CY2019	CAGR
Emergency Department Visits	43,446	43,178	45,039	1.8%
CT Scanner (HECT Units)	20,622	25,369	29,827	20.3%
Fixed X-Ray (Scans)	33,115	31,626	33,224	0.2%
MRI Scanner (Weighted Scans)	3,892	4,252	4,412	6.5%
Mammography (Scans)	7,010	7,896	7,655	4.5%
Ultrasound (Scans)	8,087	7,717	8,271	1.1%
DEXA Bone Density (Scans)	943	274	1,150	10.4%
PET Scanners (Scans)*	207	358	433	44.6%
Special Procedures/Angiography (Procedures)	162	175	242	22.2%
Physical Therapy (Treatments)	37,972	57,551	63,350	31.2%
Speech Therapy (Treatments)	7,049	10,906	14,061	41.2%
Occupational Therapy (Treatments)	2,725	5,505	5,930	47.5%
Cardiac Cath Equipment (Weighted Procedures)	1,006	856	890	-6.0%
Linear Accelerators (Weighted Procedures)	5,742	5,082	5,489	-2.2%
Nuclear Medicine (Scans)	2,545	2,098	2,150	-8.1%
Infusion Therapy (Patients)	2,582	2,262	1,149	-33.3%
Procedure Room (Procedures)	158	117	115	-14.7%
Laboratory (Tests)	369,990	353,571	367,331	-0.4%
Respiratory Therapy (Treatments)	53,472	39,789	35,756	-18.2%

*Provided by Mobile Vendor

Other Services and Procedures: Projected Utilization

	OY1	OY2	OY3
	CY2025	CY2026	CY2027
Emergency Department Visits	49,481	50,965	52,494
CT Scanner (HECT Units)	32,768	33,752	34,764
Fixed X-Ray (Scans)	36,500	37,595	38,723
MRI Scanner (Weighted Scans)	4,847	4,992	5.142
Mammography (Scans)	8,410	8,662	8,922
Ultrasound (Scans)	9,087	9,359	9,640
DEXA Bone Density (Scans)	1,263	1,301	1,340
PET Scanners (Scans)*	476	490	505
Special Procedures/Angiography (Procedures)	266	274	282
Physical Therapy (Treatments)	71,795	73,949	76,167
Speech Therapy (Treatments)	15,488	15,911	16,388
Occupational Therapy (Treatments)	6,515	6,710	6,912
Cardiac Cath Equipment (Weighted Procedures)	906	915	924
Linear Accelerators (Weighted Procedures)	5,590	5,646	5,702
Nuclear Medicine (Scans)	2,190	2,255	2,323
Infusion Therapy (Procedures)	1,170	1,182	1,194
Procedure Room (Procedures)	117	118	119
Laboratory (Tests)	374,096	377,837	381,615
Respiratory Therapy (Treatments)	36,415	36,779	37,146

*Provided by Mobile Vendor

In Section Q, Form C Utilization- Assumptions and Methodology, the applicant provides the assumptions and methodology used to project utilization, which is summarized below.

- The replacement facility will be operational and offering service as of March 1, 2024.

- SAMC operates on a Calendar Year basis. The first three project years are CY2025, CY2026 and CY2027 respectively.

Acute Care Bed Utilization

- Projected no growth for inpatient days of care from CY2019 to CY2024.
- Projected growth for inpatient days of care at 5.0% from CY2024 to CY2029.
- Projected growth for inpatient days of care at 2.1% from CY2029 to CY2035.
- Adjusted CY2024 to reflect the 10 months of the year when the replacement facility will be operational.
- SAMC will decrease the number of licensed acute care beds by 72, from 182 acute care beds to 110 acute care beds upon project completion.
- Observation Days of Care were projected using the same assumptions and methodology as the Inpatient Days of Care.

Operating Room Utilization

- No base-line growth projected from CY2019 through CY2023.

- Add in projected for additional surgical cases for CY202 to CY2023 based on the recruitment of two additional surgeons, one urologist and one orthopedist, scheduled to start CY2021. See Section Q, Form C Utilization-Assumptions and Methodology, page 20.
- Inpatient surgical cases projected to grow at 5.0% from CY2024 to CY2027.
- Outpatient surgical cases projected to grow at 1.0% annually from facility opening.
- Adjusted CY2024 to reflect the 10 months of the year when the replacement facility will be operational.
- SAMC will decrease the number of ORs by one, from 8 ORs to 7 ORs upon project completion (not including dedicated C-Section ORs).

Dedicated C-Section Operating Room Utilization

- Project no growth from CY2019 through CY2023.
- Assumes C-Section utilization will be consistent with its projected inpatient obstetrics utilization.
- Project 5% annual growth upon opening of the replacement facility.
- Growth adjusted in CY2024 for 10 months, March through December, when replacement facility will be operational.
- SAMC will decrease the number of dedicated C-Section ORs by one, from 2 dedicated C-Section ORs to 1 dedicated C-Section OR upon project completion.

GI Endo Room Utilization

- No base-line growth projected from CY2019 through CY2023.
- Inpatient GI endo procedures projected to grow 5.0% from CY2024 to CY2027.
- Outpatient GI endo procedures projected to grow at 1.0% annually from facility opening.
- Adjusted CY2024 to reflect the 10 months of the year when the replacement facility will be operational.
- Combined inpatient and outpatient GI endo procedures to grow at 1.7% annually from CY2024 to CY2027.
- SAMC will decrease the number of licensed GI endoscopy rooms by two, from 3 licensed GI endoscopy rooms to 1 GI endoscopy room upon project completion.

Other Services- Utilization

Services which experienced volume growth from CY2017 to CY2019:

Services which Experienced Growth [CY2017-CY2019]	**CAGR CY2017-CY2019**
Emergency Department Visits	1.8%
CT Scanner (HECT Units)	20.3%
Fixed X-Ray (Scans)	0.2%
MRI Scanner (Weighted Scans)	6.5%
Mammography (Scans)	4.5%
Ultrasound (Scans)	1.1%
DEXA Bone Density (Scans)	10.4%
PET Scanners (Scans)*	44.6%
Special Procedures/Angiography (Procedures)	22.2%
Physical Therapy (Treatments)	31.2%
Speech Therapy (Treatments)	41.2%
Occupational Therapy (Treatments)	47.5%

*Provided by Mobile Vendor

- Projected growth of 1.0% annually through CY2023.
- Projected growth of 3.0% annually from CY2023 to CY2027.
- Growth in CY2024 adjusted to reflect the 10 months (March to December) when the replacement facility will be operational and offering services.

Services which experienced a decline in volume growth from CY2017 to CY2019:

Services which Did Not Experience Growth [CY2017-CY2019]	**CAGR CY2017-CY2019**
Cardiac Cath Equipment (Weighted Procedures)	-6.0%
Linear Accelerators (Weighted Procedures)	-2.2%
Nuclear Medicine (Scans)	-8.1%
Infusion Therapy (Patients)	-33.3%
Procedure Room (Procedures)	-14.7%
Laboratory (Tests)	-0.4%
Respiratory Therapy (Treatments)	-18.2%

- Utilization kept constant from CY2019 through CY2023.
- Projected growth of 1.0% from CY2023 to CY2027.

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

- Projected utilization is based on and supported by historical utilization experience and reasonable growth rates and projected population data including both growth and aging.
- The value of a new, modern, replacement facility on public perception and the public choosing SAMC for needed care.
- Physician recruitment, including two new surgeons and one new OB/GYN physician scheduled to join SAMC's medical staff in late CY2020 or early CY2021.

- Projected utilization is reasonable given reduction in capacity for both acute care beds and operating rooms as there will still be a surplus of acute care beds and operating rooms upon project completion as follows:
  - The 2020 SMFP, in Table 5A, page 44, shows a surplus of 91 acute care beds for the Pasquotank/Camden/Currituck/Perquimans multi-county acute care bed service area and the applicant is only proposing a reduction of 72 acute care beds.
  - The 2020 SMFP, in Table 6B, page 78, shows a surplus of 5.78 operating rooms for the Pasquotank/Camden/Currituck/Gates/Perquimans multi-county operating room service area and the applicant is only proposing a reduction of 1 operating room. [SAMC is also reducing the number of dedicated C-section ORs from 2 to 1, however dedicated C-section ORs are not included in the SMFP planning inventory.]
- Currently, under performance standards for GI Endo rooms (which are not applicable in a relocation), for an existing licensed health care facility to develop one new GI endo room the applicant must reasonably project that it will perform at least 1,500 GI Endo procedures only by the end of the second year following project completion. In CY2019, SAMC performed 1,187 GI Endo procedures in its three GI Endo Rooms and projects to perform 1,245 in CY 2026, the second year of operation following completion of this project.

Access to Medically Underserved Groups

In Section C.11, page 58, the applicant states, *"SAMC's services are and will remain accessible to low income persons, racial and ethnic minorities, women, handicapped persons, the elderly, Medicare and Medicaid recipients, the uninsured, and the underinsured."* The applicant provides the estimated percentage for each medically underserved group, as shown in the following table.

SAMC: 3rd Full Fiscal Year by Service Area

Medically Underserved Groups	Inpatient	Cancer	ED	Laboratory
Low income persons*				
Racial and ethnic minorities	35.2%	35.2%	42.7%	35.9%
Women	54.8%	40.5%	58.4%	58.9%
Handicapped Persons*				
The Elderly	51.2%	57.1%	25.5%	43.5%
Medicare beneficiaries	38.1%	38.1%	38.1%	38.1%
Medicaid recipients	16.9%	16.9%	16.9%	16.9%

Source: Table on page 59 of the application.

*On page 58, the applicant states *"SAMC does not maintain data that includes the number of low-income persons or handicapped persons it serves. … however, …. neither low income nor handicapped persons are denied access to the proposed services."*

SAMC: 3rd Full Fiscal Year by Service Area

Medically Underserved Groups	Cath. Lab	Imaging	Therapy	Surgery
Low income persons*				
Racial and ethnic minorities	35.2%	22.5%	32.6%	27.6%
Women	42.6%	58.9%	46.7%	55.2%
Handicapped Persons*				
The elderly	54.8%	44.1%	37.9%	47.9%
Medicare beneficiaries	38.1%	38.1%	38.1%	38.1%
Medicaid recipients	16.9%	16.9%	16.9%	16.9%

Source: Table on page 59 of the application.
*On page 58, the applicant states *"SAMC does not maintain data that includes the number of low-income persons or handicapped persons it serves. … however, …. neither low income nor handicapped persons are denied access to the proposed services."*

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 because it is based on SAMC CY2019 percentages for the patient population proposed to be served identified in Form C Assumptions and Methodology.

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 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

SARMC proposes to replace and relocate its existing acute care hospital, SAMC, located in Elizabeth City, Pasquotank County to another site also located within Elizabeth City.

The applicant proposes to reduce the beds/equipment/services as illustrated in the following table:

Beds/Equipment/Services	**Existing***	**Proposed**	**Increase/(Decrease)**
Acute Care Beds	182	110	(72)
Operating Rooms	10	8	(2)
GI Endo Rooms	3	1	(2)
X-Ray Equipment	5	4	(1)

*Source: SAMC's 2020 HLRA
See table on page 27 of the application.

In Section D, the applicant explains why it believes the needs of the population presently utilizing the services to be reduced and/or relocated will be adequately met following completion of the project. On page 64, the applicant states:

> *"...SAMC is proposing to relocate and replace its existing acute care hospital facility on a new site less than five miles from the existing site. SAMC does not propose to eliminate any services as part of the proposed project. ... the proposed replacement hospital will result in a reduction in the number of acute care beds, operating rooms, GI endoscopy rooms and units of medical equipment. ... SAMC projects that following development of the replacement facility, the remaining capacity will accommodate not only the current utilization of the services, but also the projected growth in each service."*

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

- The existing facility will remain operational until the replacement facility is completed assuring that there will be no lapse in services.
- The replacement facility will be located only approximately five miles from the current site and will be in the same city.
- The applicant does not propose to eliminate any services and projects, even with reduction in the services outlined in the table above remaining capacity will meet both current and projected utilization.
- The new location will serve to enhance access for residents in the multi-county service area.
- SAMC has the only licensed acute care beds in the Pasquotank/Camden/Currituck/Perquimans multi-county acute care bed service area which shows a surplus in the 2020 SMFP of 91 acute care beds. The proposed project includes a reduction of 72 licensed acute care beds at SAMC. Upon project completion, there will still be a surplus of 19 acute care beds in the Pasquotank/Camden/Currituck/Perquimans multi-county acute care bed service area.
- SAMC has the only licensed ORs in the Pasquotank/Camden/Currituck/Gates/Perquimans multi-county operating room service area which shows a surplus in the 2020 SMFP of 5.78 ORs. The proposed project includes a reduction of 1 OR at SAMC [however dedicated C-section ORs are not included in the SMFP planning inventory.] Upon project completion, there will still be a surplus of ORs in the Pasquotank/Camden/Currituck/Perquimans multi-county acute care bed service area.
- SAMC proposes to reduce its GI Endoscopy rooms from 3 to 1. Currently, under performance standards for GI Endo rooms (which are not applicable in a relocation)

for an existing licensed health care facility to develop one new GI endo room the applicant must reasonably project that at least 1,500 GI Endo procedures only by the end of the second year following project completion. In CY2019, SAMC performed 1,187 GI Endo procedures in its three GI Endo Rooms and projects to perform 1,245 in CY 2026, the second year of operation following completion of this project.

- Based on projected utilization, the beds, equipment and services being replaced and relocated, including the reductions identified, will be sufficient to both meet the current and projected patient population's needs.

In Section Q, the applicant provides projected utilization for the acute care beds, ORs, GI endo rooms and X-ray equipment being reduced, as illustrated in the following tables.

Acute Care Beds

Acute Care Beds and Observation Beds: Combined

	CY2025	**CY2026**	**CY2027**
# of Acute Care Beds	110	110	110
Inpatient Admissions	5,150	5,408	5,678
Total Days of	19,603	20,583	21,613
ADC*	53.7	56.4	59.2
Occupancy**	48.8%	51.3%	53.8%

*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.

SAMC also uses its Acute Care beds as observation beds. SAMC has no dedicated observation beds.

Acute Care Beds:
Combined Inpatient and Observation Beds Projected Utilization

	CY2025	**CY2026**	**CY2027**
# of Acute Care Beds	110	110	110
Total Inpatient Days	19,603	20,583	21,613
Total Observation Days	3,453	3,625	3,807
Total Days of	23,056	24,208	25,420
ADC*	63.2	66.3	69.6
Occupancy**	57.5%	60.3%	63.3%

*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.

Operating Rooms

	CY2025	CY2026	CY2027
# of IP Surgical Cases	1,015	1,066	1,119
IP Case Time (minutes)	111.6	111.6	111.6
IP Case Hours	1,888	1,982	2,081
# of OP Surgical Cases	3,063	3,094	3,125
OP Case Time (minutes	70.9	70.9	70.9
OP Case Hours	3,620	3,656	3,693
Total Surgical Hours	5,508	5,638	5,774
Standard Hours per OR per Year	1,500	1,500	1,500
OR's Needed (Total Surgical Hours/Standard Hours per OR per Year)	3.7	3.8	3.8
Existing ORs	8	8	8

Dedicated C-Section Operating Rooms: Historical Utilization

	CY2025	CY2026	CY2027
# of Dedicated C-Section ORs	1	1	1
C-Sections	108	114	119

GI Endoscopy Rooms

GI Endoscopy Room: Projected Utilization

	CY2025	CY2026	CY2027
# of IP GI Endoscopy Procedures	197	207	217
# of OP GI Endoscopy Procedures	1,028	1,038	1,048
Total Procedures	1,224	1,245	1,265
# of GI Endoscopy Rooms	1	1	1
Utilization Capacity based on 1500 procedures per Room	81.6%	83.0%	84.4%

X-Ray Equipment

	CY2025	CY2026	CY2027
Fixed X-Ray (Scans)	36,500	37,595	38,723
# of Units of Fixed X-Ray Equipment	4	4	4

In Section Q, the applicant provides the assumptions and methodology used to project utilization for the acute care beds, ORs, GI endo rooms and X-ray equipment being reduced , which is summarized below.

Acute Care Beds: Inpatient Days of Care

- Projected no growth for inpatient days of care from CY2019 to CY2024.
- Projected growth for inpatient days of care at 5.0% from CY2024 to CY2029.
- Adjusted CY2024 to reflect the 10 months of the year when the replacement facility will be operational.

- SAMC will decrease the number of licensed acute care beds by 72, from 182 acute care beds to 110 acute care beds upon project completion.

Acute Care Beds: Inpatient Historical and Projected Utilization

	Last FFY	OY1	OY2	OY3	CAGR CY2019 to CY2027
	CY2019	CY2025	CY2026	CY2027	
# of Acute Care Beds	182	110	110	110	
Inpatient Admissions	4,709	5,150	5,408	5,678	
Total Days of Care	17,923	19,603	20,583	21,613	
% Growth of Days					2.37%
ADC*	49.1	53.7	56.4	59.2	
Occupancy**	27.0%	48.8%	51.3%	53.8%	

*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.

SAMC also uses its Acute Care beds as observation beds. SAMC has no dedicated observation beds.

Observation Days of Care were projected using the same assumptions and methodology as the Inpatient Days of Care.

Acute Care Beds: Inpatient Historical and Projected Utilization

	CY2019	CY2025	CY2026	CY2027
# of Acute Care Beds	182	110	110	110
Total Inpatient Days	17,923	19,603	20,583	21,613
Total Observation Days	3,157	3,453	3,625	3,807
Total Days of Care	21,080	23,056	24,208	25,420
ADC*	57.8	63.2	66.3	69.6
Occupancy**	31.8%	57.5%	60.3%	63.3%

*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.

Operating Rooms

- No base-line growth projected from CY2019 through CY2023.
- Add in projected for additional surgical cases for CY2020 to CY2023 based on the recruitment of two additional surgeons, one urologist and one orthopedist, scheduled to start CY2021. See Section Q, Form C Utilization-Assumptions and Methodology, page 20.
- Inpatient surgical cases projected to grow at 5.0% from CY2024 to CY2027.
- Outpatient surgical cases projected to grow at 1.0% annually from facility opening.

- Adjusted CY2024 to reflect the 10 months of the year when the replacement facility will be operational.
- SAMC will decrease the number of ORs by one, from 8 ORs to 7 ORs upon project completion (not including dedicated C-Section ORs).

	CY2019	CY2025	CY2026	CY2027	CAGR CY2019 to CY2027
# of IP Surgical Cases	688	1,015	1,066	1,119	
IP Case Time (minutes)	104.1	111.6	111.6	111.6	
IP Case Hours	1,194	1,888	1,982	2,081	
# of OP Surgical Cases	2,648	3,063	3,094	3,125	
OP Case Time (minutes	47.2	70.9	70.9	70.9	
OP Case Hours	2,083	3,620	3,656	3,693	
Total Surgical Hours	3,277	5,508	5,638	5,774	7.34%
Standard Hours per OR per Year	1,500	1,500	1,500	1,500	
OR's Needed (Total Surgical Hours/Standard Hours per OR per Year)	2.2	3.7	3.8	3.8	
# of OR's at SAMC*	8	7	7	7	

*Not including dedicated C-Section ORs.

Dedicated C-Section Operating Rooms

- Project no growth from CY2019 through CY2023.
- Assumes C-Section utilization will be consistent with its projected inpatient obstetrics utilization.
- Project 5% annual growth upon opening of the replacement facility.
- Growth adjusted in CY2024 for 10 months, March through December, when replacement facility will be operational.
- SAMC will decrease the number of dedicated C-Section ORs by one, from 2 dedicated C-Section ORs to 1 dedicated C-Section OR upon project completion.

Dedicated C-Section Operating Rooms: Historical Utilization

	CY2017	CY2018	CY2019	CAGR
# of Dedicated C-Section ORs	2	2	2	
C-Sections	40	82	99	57.32%

Dedicated C-Section Operating Rooms: Projected Utilization

	CY2025	CY2026	CY2027
# of Dedicated C-Section ORs	1	1	1
C-Sections	108	114	119

GI Endoscopy Rooms

- No base-line growth projected from CY2019 through CY2023.
- Inpatient GI endo procedures projected to grow 5.0% from CY2024 to CY2027.
- Outpatient GI endo procedures projected to grow at 1.0% annually from facility opening.
- Adjusted CY2024 to reflect the 10 months of the year when the replacement facility will be operational.
- Combined inpatient and outpatient GI endo procedures to grow at 1.7% annually from CY2024 to CY2027.
- SAMC will decrease the number of licensed GI endoscopy rooms by two, from 3 licensed GI endoscopy rooms to 1 GI endoscopy room upon project completion.

GI Endoscopy Rooms: Historical Utilization

	CY2017	CY2018	CY2019	CAGR
# of IP GI Endoscopy Procedures	314	190	180	-24.3%
# of OP GI Endoscopy Procedures	1,738	1,124	1,009	-23.8%
Total Procedures	2,052	1,314	1,189	-23.9%
# of GI Endoscopy Rooms	3	3	3	
Capacity (1500 procedures per GI Endo Room)	4500	4500	4500	
% of Capacity	45.6%	29.1%	26.4%	

GI Endoscopy Room: Projected Utilization

	CY2024 Replacement Facility Opens	CY2025	CY2026	CY2027
# of IP GI Endoscopy Procedures	188	197	207	217
# of OP GI Endoscopy Procedures	1,017	1,028	1,038	1,048
Total Procedures	1,205	1,224	1,245	1,265
# of GI Endoscopy Rooms	1	1	1	1
Capacity (1500 procedures per GI Endo Room)	1500	1500	1500	1500
% of Capacity	80.3%	81.6%	83.0%	84.4%

X-Ray Equipment

- Projected 1.0% annual growth through CY2023.
- Projected 3.0% annual growth CY2023 through CY2027.
- Adjusted CY2024 to reflect the 10 months of the year when the replacement facility will be operational.
- SAMC will decrease the number of fixed X-Ray units by one, from 5 fixed X-ray units to 4 fixed X-ray units upon project completion.

	CY2019	CY2025	CY2026	CY2027
Fixed X-Ray (Scans)	33,224	36,500	37,595	38,723
# of Units of Fixed X-Ray Equipment	5	4	4	4
Capacity per Unit*	10,000	10,000	10,000	10,000
Total Capacity	50,000	40,000	40,00	40,000
% of Capacity	66%	91%	94%	97%

*Based on the assumption of five X-ray scans per hour, 8 hours per day, and 250 days per year (5 x 8 x 250 = 10,000)

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

- Projected utilization is based on and supported by historical utilization experience and reasonable growth rates and projected population data.
- Projected utilization of the acute care beds, ORs, GI endo room and fixed X-ray units show sufficient capacity to meet the needs of the population currently served by the acute care beds, ORs, GI endo rooms and fixed X-ray units.
- The 2020 SMFP, in Table 5A, page 44, shows a surplus of 91 acute care beds for the Pasquotank/Camden/Currituck/Perquimans multi-county acute care bed service area and the applicant is only proposing a reduction of 72 acute care beds.
- The 2020 SMFP, in Table 6B, page 78, shows a surplus of 5.78 operating rooms for the Pasquotank/Camden/Currituck/Gates/Perquimans multi-county operating room service area and the applicant is only proposing a reduction of 1 operating room. [The proposed project also includes a reduction of 1 dedicated C-section OR at SAMC however dedicated C-section ORs are not included in the SMFP planning inventory.] Upon project completion, there will still be a surplus of ORs in the Pasquotank/Camden/Currituck/Gates/Perquimans multi-county operating room service area.
- Currently, under performance standards for GI Endo rooms (which are not applicable in a relocation), for an existing licensed health care facility to develop one new GI endo room the applicant must reasonably project that it will perform at least 1,500 GI Endo procedures only by the end of the second year following project completion. In CY2019, SAMC performed 1,187 GI Endo procedures in its three GI Endo Rooms and projects to perform 1,245 in CY 2026, the second year of operation following completion of this project.

Access to Medically Underserved Groups

In Section D, page 65, the applicant states:

"SAMC is proposing to relocate and replace its existing acute care hospital facility in an effort to provide improved care and service … Further … the proposed location- less than five miles from the existing site- will serve to enhance access for residents of the multi-county service area. … In particular, SAMC projects that following development of the replacement facility, including the reduction of some capacity noted above, the remaining capacity will accommodate not only the current utilization of the services, but also projected growth in each service. As such, the proposed facility will continue to meet the need of the patients currently being served at SAMC as well as allow for growth in the future."

In Section D, page 67, the applicant states:

> *"The proposed project involves a complete replacement and relocation. No beds, services or equipment included in the proposed project will continue to be used at an existing or approved campus or facility…"*

In Section E, page 71, the applicant states:

> *" … the proposed project ... will allow SAMC to keep the existing facility operational until the replacement facility is completed, thereby preventing any lapses in care available to the residents of the multi-county service area."*

In Section D, page 68, the applicant states:

> *"…SAMC's services are and will remain accessible upon completion of the proposed project to low income persons, racial and ethnic minorities, women, handicapped persons, the elderly, Medicare and Medicaid recipients, the uninsured, and the underinsured."*

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

- The applicant states that the project will be a complete replacement and relocation with no beds, services or equipment remaining at the existing facility upon project completion and thus there will be no interruption in services during or after project completion.
- The applicant states the remaining capacity will accommodate not only the current utilization of the services, but also projected growth in each service.
- The applicant states that its services will remain accessible to medically underserved groups.

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 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.

(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 replace and relocate its existing acute care bed hospital, SAMC, located in Elizabeth City, Pasquotank County to another location in Elizabeth City including, reducing the number of acute care beds from 182 to 110, the number of operating rooms (ORs) from 10 to 8 and the number of gastrointestinal endoscopy (GI Endo) rooms from 3 to 1 upon project completion.

In Section E, pages 69-71, 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 Status Quo- The applicant states that the current SAMC facility is out-of-date, oversized, and does not represent contemporary hospital designs or standards and maintaining the status quo would adversely impact the hospital's ability to provide quality patient care and is also cost-prohibitive. This alternative was determined to be more costly and less effective than the alternative proposed.

- Renovate the Existing Facility- The applicant considered renovating the existing facility, however, the renovations necessary would be extensive and cost prohibitive in addition, and due to the facility's age, even after undertaking extensive renovations the facility might eventually have to be replaced. Furthermore, extensive renovations would result in disruption of certain patient services for long periods of time, thus negatively impacting patient access. This alternative was determined to be more costly and less effective than the alternative proposed.

- Construct a Replacement Hospital on the Existing Campus- The applicant considered replacing the existing hospital on the existing campus. However, the current site is bordered in part by the Pasquotank River, subjecting it to the risk of flooding as the facility is on lowlands near the river. In addition, the location of the existing facility, parking and commercial buildings on the site make replacing the facility onsite both costly and would lead to major disruptions in patient services. This alternative was determined to be more costly and less effective than the alternative proposed.

- Construct a Replacement Hospital with a Different Capacity-The applicant considered developing a replacement facility with less or more capacity than currently proposed. However, it was determined that this would not meet current and projected patient need for the services provided and would either result in the need for expansion in a few years or result in excess capacity. This alternative was determined to be more costly and less effective than the alternative proposed.

On page 71, the applicant states that its proposal is the most effective alternative because without any disruption in services, the design and age-related deficiencies of the existing facility will be addressed in a cost-effective manner.

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

- 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. Therefore, the application can be approved.

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 reasons stated above. Therefore, the application is approved subject to the following conditions:

1. **Sentara Albemarle Regional Medical Center, LLC (hereinafter certificate holder) shall materially comply with all representations made in the certificate of need application.**

2. **The certificate holder shall relocate and replace the existing hospital, Sentara Albemarle Medical Center, which will be licensed for no more than 110 acute care beds, 8 operating rooms, and 1 gastrointestinal endoscopy room upon project completion**

3. **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 July 1, 2021. The second progress report shall be due on October 1, 2021 and so forth.

4. 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.

5. 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.

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 replace and relocate its existing acute care bed hospital, SAMC, located in Elizabeth City, Pasquotank County to another location in Elizabeth City including, reducing the number of acute care beds from 182 to 110, the number of operating rooms (ORs) from 10 to 8 and the number of gastrointestinal endoscopy (GI Endo) rooms from 3 to 1 upon project completion.

Capital and Working Capital Costs

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

Site Costs	$8,775,000
Construction Costs	$107,576,314
Miscellaneous Costs	$42,997,199
Total	**$159,348,513**

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

In Section F, page 74, the applicant projects there will be no start-up or initial operating expenses for the project because the facility is operational, and the project does not propose a new service.

Availability of Funds

In Section F, page 72, the applicant states that the capital cost will be funded, as shown in the table below.

Sources of Capital Cost Financing

Type	SARMC	Total
Loans	$0	$0
Accumulated reserves or OE *	$159,348,513	$159,348,513
Bonds	$0	$0
Other (Specify)	$0	$0
Total Financing	$159,348,513	$159,348,513

* OE = Owner's Equity

In Exhibit F-2.1, the applicant provides a letter dated November 16, 2020 from the Executive Vice President and CFO of Sentara Healthcare stating Sentara Healthcare will commit up to $159,348,513 million of its accumulated reserves to fund the capital cost of the proposed project.

Exhibit F-2.2 contains a copy of the audited Annual Financial Report for Sentara Healthcare and Subsidiaries for the years ending December 31, 2019 and 2018. According to the annual financial report, as of December 31, 2019, NHRMC had adequate cash and assets to fund 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 individual confirming the availability of funding proposed for the capital needs of the 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 completion of the project. In Form F.2, the applicant projects that revenues will exceed operating expenses in the first three full fiscal years following completion of the project, as shown in the table below.

	1st Full Fiscal Year (CY2025)	2nd Full Fiscal Year (CY2026)	3rd Full Fiscal Year (CY2027)
Total Gross Revenues (Charges)	$608,440,271	$658,045,154	$712,326,815
Total Net Revenue	$141,626,555	$146,720,652	$152,258,171
Total Operating Expenses (Costs)	$138,577,626	$143,515,938	$148,685,667
Net Income	$3,048,929	$3,204,714	$3,572,504

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

SARMC proposes to replace and relocate its existing acute care hospital, SAMC, located in Elizabeth City, Pasquotank County to another site also located within Elizabeth City.

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."* SAMC is proposed to be relocated within Pasquotank County. In Figure 5.1, page 38 of the 2020 SMFP, Pasquotank County is shown as being in a multi-county acute care bed service area consisting of Pasquotank, Camden, Currituck and Perquimans counties. Thus, the acute care bed service area for this facility consists of Pasquotank, Camden, Currituck and Perquimans counties. Facilities may also serve residents of counties not included in their service area.

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."* SAMC is proposed to be relocated within Pasquotank County. In Figure 6.1, page 57 of the 2020 SMFP, Pasquotank County is shown as being in a multi-county operating room service area consisting of Pasquotank, Camden, Currituck, Gates and Perquimans counties. Thus, the operating room service area for this facility consists of Pasquotank, Camden, Currituck, Gates and Perquimans counties. Facilities may also serve residents of counties not included in their service area.

The 2020 SMFP does not define the service area for GI endoscopy procedure rooms. The Criteria and Standards for Gastrointestinal Endoscopy Procedure Rooms in Licensed Health Service Facilities, promulgated in 10A NCAC 14C .3901(6) defines the service area as "*...the geographical area, as defined by the applicant using county lines, from which the applicant projects to serve patients*." In Section C, page 52, the applicant identifies the service area for SAMC as Pasquotank, Camden, Currituck and Perquimans counties. Facilities may also serve residents of counties not included in their service area.

SAMC has the only acute care beds, ORs and GI endo rooms in the service area.

In Section G, page 79, the applicant explains why it believes its proposal would not result in the unnecessary duplication of existing or approved acute care beds, ORs or GI endo rooms in the service area. The applicant states:

> *"...SAMC is the only acute care hospital serving the multi-county service area. As the sole provider of acute care services in the four-county service area, the proposed replacement project will not result in unnecessary duplication."*

The applicant adequately demonstrates that the proposal would not result in an unnecessary duplication of existing or approved services in the service area because the proposal would not result in an increase in beds, equipment or services in the service area.

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 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

SARMC proposes to replace and relocate its existing acute care hospital, SAMC, located in Elizabeth City, Pasquotank County to another site also located within Elizabeth City.

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

Position	Current FTE Staff *(12/31/2019)*	Projected FTE Staff 3rd Full Fiscal Year *(CY2027)*
CRNA	0.9	1.0
Nurse Practitioners	1.0	1.1
Registered Nurses	202.2	237.1
Licensed Practical Nurses	40.1	47.6
Surgical Technicians	24.8	30.6
Aides/Orderlies	39.0	45.5
Clerical Staff	27.9	32.4
Laboratory Technicians	0.1	0.1
Radiology Technologists	36.2	41.4
Pharmacists	8.8	10.4
Pharmacy Technicians	9.6	11.3
Physical Therapists	8.1	9.1
Physical Therapy Assistants	7.5	8.6
Physical Therapy Technician	1.2	1.4
Speech Therapists	3.5	4.0
Occupational Therapists	1.6	1.8
Respiratory Therapists	10.6	12.6
Dieticians	5.9	6.9
Cooks	5.0	5.9
Dietary Aides	12.9	15.2
Social Workers	2.3	2.7
Housekeeping	33.3	39.3
Materials Management	9.3	10.9
Maintenance Engineering	16.7	19.7
Administrator	2.7	3.2
Director of Nursing	4.3	5.2
Business Office	9.3	10.8
Other (Chaplain)	1.0	1.1
Other (Guest Services)	2.5	3.0
Other (Cardiology Tech)	7.4	9.1
TOTAL	535.6	629.1

The assumptions and methodology used to project staffing are provided in Section Q. Adequate operating expenses for the health manpower and management positions proposed by the applicant are budgeted in Form F.3. In Sections H.2 and H.3, pages 81-82, the applicant describes the methods 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.

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.

(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 replace and relocate its existing acute care hospital, SAMC, located in Elizabeth City, Pasquotank County to another location within Elizabeth City.

Ancillary and Support Services

In Section I, page 83, the applicant adequately demonstrates that the necessary ancillary and support services will be made available because SAMC is an existing acute care hospital, with no new service components being proposed as part of the current project, and all necessary support and ancillary services are already in place. The SAMC facility is being replaced and relocated to a site approximately five miles, within the same city, from its current location. No disruption in services are being proposed as the existing facility will remain operational until the proposed new facility is complete. In Exhibit I.1, the President of SAMC verifies the availability of ancillary and support services for this project.

Coordination

In Section I, pages 83-84, 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. Therefore, Criterion (9) is not applicable to this review.

(10) When applicable, the applicant shall show that the special needs of health maintenance organizations will be fulfilled by the project. Specifically, the applicant shall show that the project accommodates: (a) The needs of enrolled members and reasonably anticipated new members of the HMO for the health service to be provided by the organization; and (b) The availability of new health services from non-HMO providers or other HMOs in a reasonable and cost-effective manner which is consistent with the basic method of operation of the HMO. In assessing the availability of these health services from these providers, the applicant shall consider only whether the services from these providers:

(i) would be available under a contract of at least 5 years duration;
(ii) would be available and conveniently accessible through physicians and other health professionals associated with the HMO;
(iii) would cost no more than if the services were provided by the HMO; and
(iv) would be available in a manner which is administratively feasible to the HMO.

NA

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

(11) Repealed effective July 1, 1987.

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

C

SARMC proposes to replace and relocate its existing acute care hospital, SAMC, located in Elizabeth City, Pasquotank County to another site also located within Elizabeth City.

In Section K, page 87, the applicant states that the project involves constructing 220,343 square feet of new space and renovating 3,109 square feet of existing space. Line drawings are provided in Exhibit C.1-1.

On pages 89-91, 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 C.1-3 and K.4. The site appears to be suitable for the proposed replacement hospital based on the applicant's representations and supporting documentation.

On pages 87-88, the applicant adequately explains how the cost, design and means of construction represent the most reasonable alternative for the proposal based on the following reasons:

- The project will address the design and age-related deficiencies of the existing facility without interrupting services during project development.
- The project will generate substantial cost-savings over the long-term due to lower operational costs.

On page 88, the applicant adequately explains why the proposal will not unduly increase the costs to the applicant of providing the proposed services or the costs and charges to the public for the proposed services based on the following reasons:

- The proposed project will be funded with accumulated reserves, therefore, no increase in patient charges will be implemented or needed to obtain capital for the proposed project.
- SAMC, designed and constructed decades ago, has outlived its useful life and currently is no longer conducive to contemporary healthcare standards, is inconveniently configured and is inefficient.
- Replacement of the hospital facility on the existing site would result in temporary closures, lost revenue and diminished efficiency.
- Charges and reimbursement for acute care services will not increase due to the proposed project as they are predominantly established by Medicare, Medicaid and/or negotiated private payor contracts.

On pages 88-89, 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;

C

In Section L, page 93, the applicant provides the historical payor mix during the last full fiscal year (CY2019) for the proposed services, as shown in the table below.

Payor Category	Entire Facility Services as Percent of Total
Self-Pay	11.4%
Medicare*	37.9%
Medicaid*	16.8%
Insurance*	28.1%
Other (Other Govt, Worker's Comp)	5.7%
Total	**100.0%**

Source: Table on page 93 of the application.
*Including any managed care plans.

In Section L, page 92, the applicant provides the following comparison.

	Percentage of Total Patients Served by the Facility or Campus during the Last Full FY	Percentage of the Population of Pasquotank County	Percentage of the Population of Perquimans County
Female	55.1%	51.1%	52.1%
Male	44.9%	48.9%	47.9%
Unknown	0.0%	0.0%	0.0%
64 and Younger	55.3%	82.8%	72.7%
65 and Older	44.7%	17.2%	27.3%
American Indian	0.1%	0.6%	0.5%
Asian	0.2%	1.6%	0.5%
Black or African-American	31.9%	36.6%	22.7%
Native Hawaiian or Pacific Islander	0.2%	0.1%	0.0%
White or Caucasian	65.5%	58.5%	74.6%
Other Race	2.1%	2.6%	1.7%
Declined / Unavailable	0.0%	0.0%	0.0%

	Percentage of Total Patients Served by the Facility or Campus during the Last Full FY	Percentage of the Population of Gates County	Percentage of the Population of Camden County
Female	55.1%	50.5%	50.1%
Male	44.9%	49.5%	49.9%
Unknown	0.0%	0.0%	0.0%
64 and Younger	55.3%	79.1%	83.1%
65 and Older	44.7%	20.9%	16.9%
American Indian	0.1%	0.6%	0.6%
Asian	0.2%	0.3%	2.1%
Black or African-American	31.9%	31.2%	11.5%
Native Hawaiian or Pacific Islander	0.2%	0.1%	0.1%
White or Caucasian	65.5%	65.3%	82.7%
Other Race	2.1%	2.5%	3.0%
Declined / Unavailable	0.0%	0.0%	0.0%

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;

C

Regarding any obligation to provide uncompensated care, community service or access by minorities and persons with disabilities, in Section L.2b, page 95, the applicant states,

> *"SAMC has had no obligations to provide a specific uncompensated care amount, community service, or access to care by medically underserved, minorities, or handicapped persons."*

In Section L, page 95, the applicant states that during the last five years 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, page 95, the applicant projects the following payor mix for the proposed services during the third full fiscal year (CY2027) of operation following completion of the project, as shown in the table below.

Payor Category	Services at Entire Facility as Percent of Total
Self-Pay	11.4%
Medicare*	37.9%
Medicaid*	16.8%
Insurance*	28.1%
Other (Other Govt, Worker's Comp)	5.7%
Total	**100.00%**

Source: Table on page 95 of the application.
*Including any managed care plans.

As shown in the table above, during the third full fiscal year of operation, the applicant projects that 11.4% of total services will be provided to self-pay patients, 37.9% to Medicare patients and 16.8% to Medicaid patients.

On page 96, 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 facility's historic CY2019 payor mix.

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

In Section L.5, page 97, the applicant adequately describes the range of means by which patients will have access to the proposed services.

The Agency reviewed the:

- Application
- Exhibits to the application

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

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

C

In Section M.1, page 98, the applicant describes the extent to which health professional training programs in the area have access to the facility for training purposes.

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.

C

SARMC proposes to replace and relocate its existing acute care hospital, SAMC, located in Elizabeth City, Pasquotank County to another site also located within Elizabeth City.

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."* SAMC is proposed to be relocated within Pasquotank County. In Figure 5.1, page 38 of the 2020 SMFP, Pasquotank County is shown as being in a multi-county acute care bed service area consisting of Pasquotank, Camden, Currituck and Perquimans counties. Thus, the acute care bed service area for this facility consists of Pasquotank, Camden, Currituck and Perquimans counties. Facilities may also serve residents of counties not included in their service area.

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."* SAMC is proposed to be relocated within Pasquotank County. In Figure 6.1, page 57 of the 2020 SMFP, Pasquotank County is shown as being in a multi-county operating room service area consisting of Pasquotank, Camden, Currituck, Gates and Perquimans counties. Thus, the operating room service area for this facility consists of Pasquotank, Camden, Currituck, Gates and Perquimans counties. Facilities may also serve residents of counties not included in their service area.

The 2020 SMFP does not define the service area for GI endoscopy procedure rooms. The Criteria and Standards for Gastrointestinal Endoscopy Procedure Rooms in Licensed Health Service Facilities, promulgated in 10A NCAC 14C .3901(6) defines the service area as "*...the geographical area, as defined by the applicant using county lines, from which the applicant*

projects to serve patients." In Section C, page 52, the applicant identifies the service area for SAMC as Pasquotank, Camden, Currituck and Perquimans counties. Facilities may also serve residents of counties not included in their service area.

SAMC has the only acute care beds, OR's and GI endo rooms in the service area.

Regarding the expected effects of the proposal on competition in the service area, in Section N, page 99, the applicant states:

> *"The proposed project is expected to enhance competition in the service area by promoting cost effectiveness, quality, and access to healthcare services."*

Regarding the impact of the proposal on cost effectiveness, in Section N, page 99, the applicant states:

> *"… SAMC's existing hospital facility has outlived its useful life. … replacement or renovation on the existing site would prove to be equally- if not more- costly than the proposed relocation and replacement project. … The proposed three-story 220,343 square foot replacement facility is sized to meet both current and long-term healthcare needs of the service area residents … will contribute to lower operational costs for the facility and ultimately lead to substantial long-term savings. …the proposed project will maximize value by allocating critical financial resources towards the development of a right-sized modern facility will allowing the existing facility to remain operational until the proposed replacement facility opens at the new site, preventing access issues and avoiding significant loses in revenue due to temporary closures."*

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 100, the applicant states:

> *"…the proposed project design will serve to improve patient flow within and across departments and enable the medical center to accommodate modern technological capabilities that may not have been feasible at the existing location. These improvements, in tandem with quality control contingencies… will ensure that the highest quality care possible will be provided to SAMC's patients."*

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, pages 100-101, the applicant states:

> *"SAMC has historically demonstrated a commitment to ensuring equitable access and will continue to provide such access upon completion of the proposed project. … As recognition for its diligence in ensuring equity and access for underserved groups, SAMC was named a Leader in Lesbian, Gay, Bisexual, Transgender, and Queer Healthcare Equality in the 2020 Health Equality Index Survey by the Human Rights Campaign. … In addition, and of note, SAMC has taken various measures to ensure and facilitate access to medically underserved*

populations, including: … Providing funding to the Albemarle Health Foundation Community Care Clinic, which provides primary care, pharmacy, and donated specialty care. …"

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

Based on that review, the Agency concludes that the application is conforming to this criterion based on all the reasons described 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, Form A, 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 one of this type of facility located in North Carolina.

In Section O, page 103, the applicant states that, during the 18 months immediately preceding the submittal of the application, incidents related to quality of care did not occur in this facility. 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 did not occur in this facility. After reviewing

and considering information provided by the applicant and by the Acute and Home Care Licensure and Certification Section, DHSR and considering the quality of care provided at its hospital facility, 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 replace and relocate an existing acute care hospital which does not include developing any new beds, operating rooms, services or equipment. There are no administrative rules that are applicable to proposals to replace and relocate an existing acute care hospital which does not include developing any new beds, operating rooms, services or equipment.