

REQUIRED STATE AGENCY FINDINGS

FINDINGS

C = Conforming

CA = Conforming as Conditioned

NC = Nonconforming

NA = Not Applicable

Decision Date: January 28, 2022
Findings Date: February 4, 2022

Project Analyst: Mike McKillip
Assistant Chief: Lisa Pittman

COMPETITIVE REVIEW

Project ID #: J-12114-21
Facility: WakeMed North Hospital
FID #: 990974
County: Wake
Applicant: WakeMed
Project: Develop no more than one OR pursuant to the need determination in the 2021 SMFP for a total of 6 ORs (including 1 C-Section OR) upon project completion

Project ID #: J-12115-21
Facility: WakeMed
FID #: 943528
County: Wake
Applicant: WakeMed
Project: Develop no more than one OR pursuant to the need determination in the 2021 SMFP for a total of 23 ORs (including 3 C-Section ORs)

Project ID #: J-12119-21
Facility: Raleigh Orthopaedic Surgery Center
FID #: 080609
County: Wake
Applicant: Orthopaedic Surgery Center of Raleigh, LLC
Project: Develop no more than one OR pursuant to the need determination in the 2021 SMFP for a total of 4 ORs

Project ID #: J-12122-21
Facility: Rex Hospital
FID #: 953429
County: Wake
Applicant: Rex Hospital, Inc.
Project: Develop no more than two ORs pursuant to the need determination in the 2021 SMFP for a total of 32 ORs upon completion of this project and Project J-8669-11

Each application was reviewed independently (or standing alone) against the applicable statutory review criteria found in G.S. 131E-183(a) and the regulatory review criteria found in 10A NCAC 14C. After reviewing each application independently, the Healthcare Planning and Certificate of Need Section (CON Section) conducted a comparative analysis of all the applications to aid in determining which applications to approve. The Decision is at the end of these Required State Agency Findings (Findings), after the Comparative Analysis.

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

All Applications

Need Determination

The 2021 State Medical Facilities Plan (SMFP) includes a need methodology for determining the need for additional operating rooms in North Carolina by service area. Application of the need methodology in the 2021 SMFP identified a need for three additional operating rooms in the Wake County service area. Four applications were received by the Healthcare Planning and Certificate of Need Section (CON Section) proposing to develop a total of five new operating rooms. However, pursuant to the need determination, only three operating rooms may be approved in this review.

Policies

Two policies in Chapter 4 of the 2021 SMFP are applicable to the applications received in response to the need determination.

Policy GEN-3

Policy GEN-3 states:

“A certificate of need applicant applying to develop or offer a new institutional health service for which there is a need determination in the North Carolina State Medical Facilities Plan shall demonstrate how the project will promote safety and quality in the delivery of health care services while promoting equitable access and maximizing healthcare value for resources expended. A certificate of need

applicant shall document its plans for providing access to services for patients with limited financial resources and demonstrate the availability of capacity to provide these services. A certificate of need applicant shall also document how its projected volumes incorporate these concepts in meeting the need identified in the State Medical Facilities Plan as well as addressing the needs of all residents in the proposed service area.”

Policy GEN-4

Policy GEN-4 states:

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

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

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

Project ID # J-12114-21/WakeMed North Hospital/Add 1 OR

WakeMed [WakeMed North Hospital] proposes to develop no more than one shared operating room at WakeMed North Hospital for a total of no more than 6 operating rooms (5 operating rooms and one C-section operating room) pursuant to the need determination in the 2021 SMFP.

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

Policy GEN-3. In Section B, pages 26-32, the applicant explains why it believes its application is conforming to Policy GEN-3.

Policy GEN-4. The proposed capital expenditure for this project is greater than \$5 million. In Section B, pages 33-34, the applicant describes the project's plan to improve energy efficiency and conserve water. The applicant adequately demonstrates that the application includes a written statement describing the project's plan to assure improved energy efficiency and water conservation.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

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

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

Project ID # J-12115-21/WakeMed Raleigh Campus/Add 1 OR

WakeMed [WakeMed] proposes to develop no more than one shared operating room at WakeMed Raleigh Campus for a total of no more than 23 operating rooms (20 operating rooms and three C-section operating rooms) pursuant to the need determination in the 2021 SMFP.

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

Policy GEN-3. In Section B, pages 26-32, the applicant explains why it believes its application is conforming to Policy GEN-3.

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

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

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

- The applicant does not propose to develop more operating rooms than are determined to be needed in the service area.
- The applicant adequately demonstrates that the proposal is consistent with Policy GEN-3 for the following reasons:
 - The applicant adequately documents how the project will promote safety and quality in the delivery of operating room services in Wake County;
 - The applicant adequately documents how the project will promote equitable access to operating room services in Wake County; and
 - The applicant adequately documents how the project will maximize healthcare value for the resources expended.

Project ID # J-12119-21/OSCR/Add 1 OR

Orthopaedic Surgery Center of Raleigh, LLC [OSCR] proposes to add one new operating room for a total of four operating rooms.

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

Policy GEN-3. In Section B.3, pages 27-34, the applicant explains why it believes its application is conforming to Policy GEN-3.

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

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

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

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

- The applicant adequately demonstrates that the proposal is consistent with Policy GEN-3 for the following reasons:
 - The applicant adequately documents how the project will promote safety and quality in the delivery of operating room services in Wake County;
 - The applicant adequately documents how the project will promote equitable access to operating room services in Wake County; and
 - The applicant adequately documents how the project will maximize healthcare value for the resources expended.

Project ID # J-12122-21/UNC REX Hospital/Add 2 ORs

UNC REX Hospital proposes to develop no more than two operating rooms pursuant to the need determination in the 2021 SMFP for a total of 32 operating rooms upon completion of this project and Project J-8669-11.

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

Policy GEN-3. In Section B, pages 27-31, the applicant explains why it believes its application is conforming to Policy GEN-3.

Policy GEN-4. The proposed capital expenditure for this project is greater than \$2 million but less than \$5 million. In Section B, pages 32-33, the applicant describes the project's plan to improve energy efficiency and conserve water. The applicant adequately demonstrates that the application includes a written statement describing the project's plan to assure improved energy efficiency and water conservation.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

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

- The applicant does not propose to develop more operating rooms than are determined to be needed in the service area.
- The applicant adequately demonstrates that the proposal is consistent with Policy GEN-3 and Policy GEN-4 for the following reasons:
 - The applicant adequately documents how the project will promote safety and quality in the delivery of operating room services in Wake County;
 - The applicant adequately documents how the project will promote equitable access to operating room services in Wake County; and

- The applicant adequately documents how the project will maximize healthcare value for the resources expended.
 - The applicant adequately demonstrates that the application includes a written statement describing the project’s plan to assure improved energy efficiency and water conservation.
- (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
 All Applications

Project ID # J-12114-21/WakeMed North Hospital/Add 1 OR

WakeMed proposes to develop no more than one shared operating room at WakeMed North Hospital for a total of no more than six operating rooms (five shared operating rooms and one dedicated C-section operating room) pursuant to the need determination in the 2021 SMFP. WakeMed North Hospital is licensed as part of WakeMed Raleigh Campus. WakeMed Raleigh Campus has 23 operating rooms, including four dedicated open-heart surgery operating rooms, 16 shared operating rooms and three dedicated C-section operating rooms. The following table summarizes the current and proposed operating rooms at WakeMed North Hospital.

**WakeMed North Hospital
 Current and Proposed Operating Room Inventory**

Operating Room Type	Current	Proposed	Future
Dedicated Inpatient	0	0	0
Shared Inpatient/Outpatient	4	1	5
Dedicated C-Section	1	0	1
Total ORs	5	1	6
Total ORs excluding C-Section	4	1	5

Source: Table on page 40 of the application.

Patient Origin

On page 49, the 2021 SMFP states, “An OR’s service area is the single or multicounty grouping shown in Figure 6.1.” In Figure 6.1, page 55 of the 2021 SMFP, Wake County is shown as a single-county operating room service area. Thus, the service area for this facility consists of Wake County. Facilities may also serve residents of counties not included in their service area.

In Section C.2, the applicant provides the historical patient origin for the operating rooms at WakeMed North Hospital, as summarized in the table below.

County or ZIP Code	Last Full Fiscal Year of Operation FFY2020	
	Patients	% of Total
27587- Wake Forest	496	15.4%
27616-Raleigh	225	7.0%
27614-Raleigh	194	6.0%
27549-Louisburg	154	4.8%
27615-Raleigh	143	4.4%
27596-Youngsville	140	4.3%
27545-Knightdale	136	4.2%
27610-Raleigh	125	3.9%
27591-Wendell	116	3.6%
27597-Zebulon	113	3.5%
27525-Franklinton	99	3.1%
27613-Raleigh	89	2.8%
27604-Raleigh	79	2.4%
27609-Raleigh	57	1.8%
27571-Rolesville	56	1.7%
27617-Raleigh	46	1.4%
27612-Raleigh	36	1.1%
27508-Bunn	11	0.3%
All Other Wake	303	9.4%
All Other Franklin	9	0.3%
All Other Johnston	105	3.3%
All Other Harnett	24	0.7%
All Other Vance County	71	2.2%
All Other NC Counties*	387	12.0%
Out of State	15	0.5%
Total	3,229	100.0%

Source: Section C.2, pages 41-42 of the application.

*Applicant identifies the counties in the "All Other NC Counties" category on page 42 of the application.

In Section C.3, page 43, the applicant provides a table showing projected patient origin for the operating rooms at WakeMed North Hospital in the third full fiscal year of operation for the proposed project, as summarized below.

County or ZIP Code	Third Full Fiscal Year of Operation FFY2026	
	Patients	% of Total
27587- Wake Forest	682	15.4%
27616-Raleigh	309	7.0%
27614-Raleigh	267	6.0%
27549-Louisburg	212	4.8%
27615-Raleigh	197	4.4%
27596-Youngsville	193	4.3%
27545-Knightdale	187	4.2%
27610-Raleigh	172	3.9%
27591-Wendell	160	3.6%
27597-Zebulon	155	3.5%
27525-Franklinton	136	3.1%
27613-Raleigh	122	2.8%
27604-Raleigh	109	2.4%
27609-Raleigh	78	1.8%
27571-Rolesville	77	1.7%
27617-Raleigh	63	1.4%
27612-Raleigh	50	1.1%
27508-Bunn	15	0.3%
All Other Wake	417	9.4%
All Other Franklin	12	0.3%
All Other Johnston	144	3.3%
All Other Harnett	33	0.7%
All Other Vance County	98	2.2%
All Other NC Counties*	532	12.0%
Out of State	21	0.5%
Total	4,441	100.0%

Source: Section C.3, page 43 of the application.

*Applicant identifies the counties in the "All Other NC Counties" category on pages 43-44 of the application.

In Section C.3, pages 42-43, the applicant provides the assumptions and methodology used to project its patient origin. The applicant's assumptions are reasonable and adequately supported because they are based on the applicant's historical (FFY2020) patient origin for surgical services at WakeMed North Hospital.

Analysis of Need

In Section C.4, pages 45-71, the applicant explains why it believes the population projected to utilize the proposed services needs the proposed services, as summarized below:

- The historical and projected growth and aging of the proposed service area population, and particularly in northern Wake County.

- The historical growth in surgical case volumes in Wake County, particularly for hospital-based surgical providers.
- The historical utilization trends for surgical services at WakeMed Raleigh Campus and WakeMed North Hospital, particularly for inpatient surgical services, and the need for additional hospital-based operating rooms.
- The shift of greater surgical cases volumes from WakeMed Raleigh Campus to WakeMed North Hospital, and the higher complexity and acuity of the surgical cases at WakeMed North.
- The increase in emergency department visits at WakeMed North Hospital, increasing acute care bed utilization, and increasing robotics surgical cases, all of which have increased the need for inpatient surgical capacity.
- The increasing need for add-on and after-hours surgical cases at WakeMed North Hospital, and the inability to offer adequate operating room scheduling times to the hospital's surgeons.

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

- The applicant provides population growth projections for the proposed service area based on data from Claritas.
- The applicant provides information and data to support their assertions regarding the historical growth in surgical case volumes in Wake County and at WakeMed Raleigh Campus and WakeMed North Hospital.

Projected Utilization

In Section C.5, page 75, the applicant provides a table showing the operating room inventories for WakeMed's existing Wake County surgical facilities, which is summarized below:

**WakeMed System
 Operating Room Inventory by Facility**

Facility	# Dedicated C-Section ORs	# of Inpatient ORs (excluding C-section ORs)	# of Shared ORs	# of Dedicated Ambulatory ORs	# of Exclusions*	Total # of ORs less Exclusions
WakeMed (Includes WakeMed North Hospital)	4	4	20	0	-5	23
WakeMed Cary Hospital	2	0	10	0	-2	10
Capital City Surgery Center	0	0	0	7	0	7
WakeMed Surgery Center-Cary**	0	0	0	1	0	1
WakeMed Surgery Center-North Raleigh**	0	0	0	1	0	1

Source: Table in Section C.5, page 75.

*Total exclusions for WakeMed include four dedicated C-section operating rooms (three at WakeMed Raleigh Campus and one at WakeMed North Hospital) and one shared operating room at WakeMed Raleigh Campus for its designation as a Level I Trauma Center.

**Approved but not operational.

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

WakeMed North Hospital

In Section Q, the applicant provides projected utilization of the shared operating rooms at the WakeMed North Hospital, as illustrated in the following table.

Projected WakeMed North Hospital Operating Room Utilization

Operating Rooms	Year 1 FFY2024	Year 2 FFY2025	Year 3 FFY2026
Shared Operating Rooms	5	5	5
Inpatient Surgical Cases	848	951	1,055
Outpatient Surgical Case	2,910	3,119	3,386
Total Surgical Cases	3,758	4,070	4,441
Inpatient Surgical Case Times	192.1	192.1	192.1
Outpatient Surgical Case Times	125.3	125.3	125.3
Inpatient Surgical Hours	2,715	3,045	3,378
Outpatient Surgical Hours	6,077	6,514	7,071
Total Surgical Hours	8,792	9,559	10,449
Group Assignment	2	2	2
Standard Hours per OR per Year	1,950	1,950	1,950
Total Surgical Hours/Standard Hours Per OR per Year	4.51	4.90	5.36

Source: Section Q, Form C.

WakeMed Raleigh (Excluding WakeMed North Hospital)

In Section Q, the applicant provides projected utilization of the four open heart and 15 shared operating rooms at WakeMed Raleigh Campus, as illustrated in the following table.

Projected WakeMed Raleigh Utilization

Operating Rooms	Year 1 FFY2024	Year 2 FFY2025	Year 3 FFY2026
Open Heart Operating Rooms	4	4	4
Shared Operating Rooms*	14	14	14
Inpatient Surgical Cases	7,704	7,647	7,591
Outpatient Surgical Case	8,211	8,360	8,589
Total Surgical Cases	15,915	16,007	16,180
Inpatient Surgical Case Times	192.1	192.1	192.1
Outpatient Surgical Case Times	125.3	125.3	125.3
Inpatient Surgical Hours	24,667	24,484	24,302
Outpatient Surgical Hours	17,151	17,463	17,942
Total Surgical Hours	41,817	41,947	42,244
Group Assignment	2	2	2
Standard Hours per OR per Year	1,950	1,950	1,950
Total Surgical Hours/Standard Hours Per OR per Year	21.44	21.51	21.66

Source: Section Q, page 163.

*The applicant states it has deducted one shared operating room from the total number of shared operating rooms because WakeMed Raleigh Campus is designated as a Level I trauma center.

WakeMed Cary Hospital

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

Projected WakeMed Cary Hospital Operating Room Utilization

Operating Rooms	Year 1 FFY2024	Year 2 FFY2025	Year 3 FFY2026
Shared Operating Rooms	10	10	10
Inpatient Surgical Cases	3,196	3,257	3,319
Outpatient Surgical Case	3,890	3,762	3,636
Total Surgical Cases			
Inpatient Surgical Case Times	141.0	141.0	141.0
Outpatient Surgical Case Times	77.5	77.5	77.5
Inpatient Surgical Hours	7,512	7,654	7,800
Outpatient Surgical Hours	5,024	4,859	4,696
Total Surgical Hours	12,536	12,513	12,496
Group Assignment	4	4	4
Standard Hours per OR per Year	1,500	1,500	1,500
Total Surgical Hours/Standard Hours Per OR per Year	8.36	8.34	8.33

Source: Section Q, page 164.

Capital City Surgery Center

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

Projected Capital City Surgery Center Operating Room Utilization

Operating Rooms	Year 1 FFY2024	Year 2 FFY2025	Year 3 FFY2026
Dedicated Ambulatory ORs*	7	7	7
Outpatient Surgical Cases	7,757	8,054	8,353
Surgical Case Times	60.3	60.3	60.3
Totals Surgical Hours	7,796	8,094	8,395
Group Assignment	6	6	6
Standard Hours per OR per Year	1,312	1,312	1,312
Total Surgical Hours/Standard Hours Per OR per Year	5.94	6.17	6.40

Source: Section Q, page 165.

*In Project I.D. # J-11564-18, the applicant was approved to relocate one dedicated ambulatory surgery operating room from CCSC to a new ASC, WakeMed Surgery Center-North Raleigh, reducing the number of operating rooms at CCSC from eight to seven.

WakeMed Surgery Center-North Raleigh

In Section Q, the applicant provides projected utilization of the one operating room at the approved (Project I.D. # J-11564-18) ambulatory surgery center in North Raleigh as illustrated in the following table.

**WakeMed Surgery Center-North Raleigh
 Projected Operating Room Utilization**

Operating Rooms	Year 1 FFY2024	Year 2 FFY2025	Year 3 FFY2026
Dedicated Ambulatory ORs	1	1	1
Outpatient Surgical Cases	1,743	1,821	1,856
Surgical Case Times	69.5	69.5	69.5
Totals Surgical Hours	2,019	2,109	2,149
Group Assignment	6	6	6
Standard Hours per OR per Year	1,312	1,312	1,312
Total Surgical Hours/Standard Hours Per OR per Year	1.54	1.61	1.64

Source: Section Q, page 165.

WakeMed Surgery Center-Cary

In Section Q, the applicant provides projected utilization of the one operating room at the approved (Project I.D. # J-11565-18) ambulatory surgery center in Cary as illustrated in the following table.

**WakeMed Surgery Center-Cary
 Projected Operating Room Utilization**

Operating Rooms	Year 1 FFY2024	Year 2 FFY2025	Year 3 FFY2026
Dedicated Ambulatory ORs	1	1	1
Outpatient Surgical Cases	1,516	1,579	1,609
Surgical Case Times	69.5	69.5	69.5
Totals Surgical Hours	1,756	1,829	1,864
Group Assignment	6	6	6
Standard Hours per OR per Year	1,312	1,312	1,312
Total Surgical Hours/Standard Hours Per OR per Year	1.34	1.39	1.42

Source: Section Q, page 166.

In Section Q, pages 152-162, the applicant provides the assumptions and methodology used to project utilization at the existing and approved WakeMed surgical facilities in Wake County, which is summarized below.

Step 1: The applicant reviewed the historical surgical case volumes at each of the surgical facilities operating in Wake County from FY2017 to FY2020 (excluding cases performed in dedicated C-section operating rooms) and calculated the compound average growth rates (CAGR) for inpatient and outpatient surgical cases, as shown in the table on page 153.

Step 2: The applicant “*annualized*” the FY2021 surgical case volumes for each WakeMed surgical facility in Wake County based on actual surgical case volume data from FY2021, combined with surgical case volume data from FY2019 (“*pre-COVID levels*”), as shown in the tables on page 154 of the application.

Step 3: The applicant projects surgical case volumes for each WakeMed surgical facility in Wake County for FY2022 through FY2026, with the exception of the inpatient surgical case volumes for WakeMed Cary Hospital, based on a linear regression model as applied to the surgical case volume data from FY2017 through FY2021. The applicant states the addition of 30 acute care beds at WakeMed Cary Hospital is expected to increase the utilization of inpatient surgical services at the hospital at a higher rate than would be calculated by a linear regression model. Therefore, the applicant projects inpatient surgical case volumes at WakeMed Cary Hospital will increase at the rate of 1.9 percent per year, which is the projected annual rate of increase in the Wake County population. See the table on page 157 of the application.

Step 4: The applicant states that it expects some outpatient surgical case volume will shift from its existing Wake County surgical facilities to the approved WakeMed Surgery Center-Cary facility (Project I.D. # J-11564-18), and also to the approved WakeMed Surgery Center-North Raleigh facility (Project I.D.# J-11565-18). On page 157, the applicant states, “*[I]n addition to new ASF cases created by population growth in Wake County, a certain percentage of its existing hospital-based outpatient surgery volume will shift to these new facilities, as physician practice patterns change and new ASFs are developed in closer proximity to physician offices and to local residents.*” Based on that assumption, the applicant projected the number of surgical cases that will shift from WakeMed’s existing surgical facilities to the two approved ASCs through FFY2025, as shown in the tables on page 158 of the application.

Step 5: The applicant projects outpatient surgical case volumes at WakeMed Surgery Center-Cary and WakeMed Surgery Center-North Raleigh will increase at the rate of 1.9 percent from FY2025 to FY2026, which is the projected annual rate of increase in the Wake County population. See the table on page 158 of the application.

Step 6: The applicant projects procedure room utilization for WakeMed North Hospital through FY2026 based on “*historical utilization, population growth and conversations WakeMed physicians.*” See the tables on page 159 of the application. The applicant provides a summary of the historical and projected inpatient and outpatient surgical case volumes for each of the existing and approved WakeMed surgical facilities in Wake County through the first three full fiscal years of operation of the proposed project on page 160 of the application.

Step 7: Based on the applicant’s projections of inpatient and outpatient surgical cases for each of their existing and approved surgical facilities, the applicant applied the operating room need methodology from the 2021 SMFP to project the operating room utilization as a percent of total operating room capacity for each existing and approved WakeMed facility through the first three operating years of the proposed project, as shown in the tables on pages 161-162 of the application.

Step 8: Based on the applicant’s projections of inpatient and outpatient surgical cases for each of their existing and approved surgical facilities, the applicant projects the total number of surgical operating rooms needed in the WakeMed System in the first three operating years of the proposed project, as shown in the tables on pages 163-167 of the application.

The following table shows the total surgical cases at all WakeMed surgical facilities in Wake County from FY2012 to FY2020 based on data reported to DHSR on the License Renewal Application forms for the years 2013 to 2021.

WakeMed Health Care System Surgical Cases, FY2012-FY2020

	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	CAGR FY2012- FY2020
Surgical Cases*	28,136	30,124	30,514	30,388	31,594	31,169	33,761	32,968	31,749	1.52%
Percent Change		7.1%	1.3%	-0.4%	4.0%	-1.3%	8.3%	-2.3%	-3.7%	

Source: License Renewal Application forms, 2013-2021.

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

The following table shows the applicant’s total projected surgical cases at all existing, approved and proposed WakeMed surgical facilities in Wake County from FY2021 to FY2026 based on data in Section Q of the application.

Projected WakeMed Health Care System Surgical Cases, FY2021-FY2026

	FY2021*	FY2022	FY2023	PY 1 FY2024	PY 2 FY2025	PY 3 FY2026	CAGR FY2021- FY2026
WakeMed Cary Hospital	7,691	7,390	7,155	7,086	7,019	6,955	
WakeMed Raleigh Campus	16,860	16,447	16,065	15,915	16,007	16,180	
WakeMed North Hospital	3,948	4,323	4,451	3,758	4,071	4,440	
Capital City Surgery Center	7,211	7,509	7,721	7,757	8,054	8,353	
WakeMed Surgery Center North	---	---	417	1,743	1,821	1,856	
WakeMed Surgery Center Cary	---	817	1,457	1,516	1,579	1,609	
Total Surgical Cases	35,710	36,486	37,266	37,775	38,551	39,393	1.98%
Percent Change	12.48%	2.17%	2.14%	1.37%	2.05%	2.18%	

Source: Table in Section Q, page 160 of the application.

*The applicant states that FY2021 surgical case volumes were annualized based on nine months of actual data for October 2020-June 2021. The applicant states it used 2019 surgical case volume data for July-September rather than the 2021 surgical case volumes “in order to not overstate projected volumes based on the rebound and pent-up demand” from the effects of COVID-19 pandemic.

As shown in the tables above, the historical growth rates for surgical cases at WakeMed surgical facilities in Wake County averaged 1.52 percent per year from FY2012 to FY2020. The applicant’s utilization projections for all existing, approved and proposed WakeMed surgical facilities in Wake County for the period from FY2021 through FY2026 are based on the assumption that surgical case volumes will increase at an average rate of 1.98 percent per year over the five-year period.

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

- The applicant’s projections of total inpatient and outpatient surgical case volumes by year at its existing and approved surgical facilities are supported by the historical

growth rates of surgical case volumes at WakeMed surgical facilities from FY2012 to FY2020, and by projected population growth and aging in the Wake County service area.

- Exhibit I-2 (Tab 8) contains copies of letters from surgeons expressing support for the proposed project and their intention to perform surgical cases at the facility.

Access to Medically Underserved Groups

In Section C.6, page 75, the applicant states it ensures access to healthcare services for all patients, regardless of income, payor status, gender, race, ethnicity, or physical handicap. On page 82 of the application, the applicant provides the estimated percentage for each medically underserved group, as shown in the following table.

Estimated Percentages of Patients by Group	
Low income persons	4.2%
Racial and ethnic minorities	31.7%
Women	68.9%
Persons with disabilities	NA
Persons 65 and older	33.6%
Medicare beneficiaries	28.5%
Medicaid recipients	22.2%

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.

Conclusion

The Agency reviewed the:

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

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

- The applicant adequately identifies the population to be served.
- The applicant adequately explains why the population to be served needs the services proposed in this application.
- Projected utilization is reasonable and adequately supported.
- The applicant describes the extent to which all residents, including underserved groups, are likely to have access to the proposed services and adequately supports its assumptions.

Project ID # J-12115-21/WakeMed Raleigh Campus/Add 1 OR

WakeMed proposes to develop no more than one shared operating room at WakeMed Raleigh Campus for a total of no more than 23 operating rooms (20 operating rooms and three C-section operating rooms) pursuant to the need determination in the 2021 SMFP. WakeMed North Hospital, which has four share operating rooms and one dedicated C-section operating room, is licensed as part of WakeMed Raleigh Campus. The following table summarizes the current and proposed operating rooms at WakeMed Raleigh Campus.

**WakeMed Raleigh Campus
 Current and Proposed Operating Room Inventory**

Operating Room Type	Current	Proposed	Future
Dedicated Inpatient	4	0	4
Shared Inpatient/Outpatient	15	1	16
Dedicated C-Section	3	0	3
Total ORs	22	1	23
Less: Trauma OR exclusion	-1	0	-1
Total ORs Less C-Section and Trauma OR Exclusions	18	1	19

Source: Table on page 39 of the application.

Patient Origin

On page 49, the 2021 SMFP states, “An OR’s service area is the single or multicounty grouping shown in Figure 6.1.” In Figure 6.1, page 55 of the 2021 SMFP, Wake County is shown as a single-county operating room service area. Thus, the service area for this facility consists of Wake County. Facilities may also serve residents of counties not included in their service area.

In Section C.2, the applicant provides the historical patient origin for the operating rooms at WakeMed Raleigh Campus, as summarized in the table below.

County	Last Full Fiscal Year of Operation FFY2020	
	Patients	% of Total
Wake	9,873	63.5%
Johnston	1,492	9.6%
Franklin	797	5.1%
Harnett	572	3.7%
Nash	410	2.6%
Durham	308	2.0%
Wilson	290	1.9%
Cumberland	189	1.2%
Wayne	175	1.1%
Sampson	167	1.1%
All Other NC Counties*	1,144	7.4%
Out of State	141	0.9%
Total	15,558	100.0%

Source: Section C.2, pages 40-41 of the application.

*Applicant identifies the counties in the "All Other NC Counties" category on page 41 of the application.

In Section C.3, page 42, the applicant provides a table showing projected patient origin for the operating rooms at WakeMed Raleigh Campus in the third full fiscal year of operation for the proposed project, as summarized below.

County	Third Full Fiscal Year of Operation FFY2025	
	Patients	% of Total
Wake	10,158	63.5%
Johnston	1,535	9.6%
Franklin	820	5.1%
Harnett	589	3.7%
Nash	422	2.6%
Durham	317	2.0%
Wilson	298	1.9%
Cumberland	194	1.2%
Wayne	180	1.1%
Sampson	172	1.1%
All Other NC Counties*	1,177	7.4%
Out of State	145	0.9%
Total	16,007	100.0%

Source: Section C.3, page 42 of the application.

*Applicant identifies the counties in the "All Other NC Counties" category on page 42 of the application.

In Section C.3, pages 41-42, the applicant provides the assumptions and methodology used to project its patient origin. The applicant's assumptions are reasonable and adequately supported

because they are based on the applicant's historical (FFY2020) patient origin for surgical services at WakeMed Raleigh Campus.

Analysis of Need

In Section C.4, pages 44-62, the applicant explains why it believes the population projected to utilize the proposed services needs the proposed services, as summarized below:

- The historical and projected growth and aging of the proposed service area population, and particularly in Wake County.
- The historical growth in surgical case volumes in Wake County, particularly for hospital-based surgical providers.
- The historical utilization trends for surgical services at WakeMed, particularly for inpatient surgical services, and the need for additional hospital-based operating rooms.
- The capacity constraints at WakeMed Raleigh Campus, and the increasing acuity of patients due to delays in treatment caused by the COVID pandemic.
- The increase in emergency department visits at WakeMed, and increasing pediatric and robotic surgical cases, all of which have increased the need for inpatient surgical capacity.
- The increasing need for add-on and after-hours surgical cases at WakeMed, and the inability to offer adequate operating room scheduling times to the hospital's surgeons.

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

- The applicant provides population growth projections for the proposed service area based on data from Claritas.
- The applicant provides information and data to support their assertions regarding the historical growth in surgical case volumes in Wake County and at WakeMed Raleigh Campus and WakeMed North Hospital.

Projected Utilization

In Section C.5, page 75, the applicant provides a table showing the operating room inventories for WakeMed's existing Wake County surgical facilities, which is summarized below:

**WakeMed System
 Operating Room Inventory by Facility**

Facility	# Dedicated C-Section ORs	# of Inpatient ORs (excluding C-section ORs)	# of Shared ORs	# of Dedicated Ambulatory ORs	# of Exclusions*	Total # of ORs less Exclusions
WakeMed (Includes WakeMed North Hospital)	4	4	20	0	-5	23
WakeMed Cary Hospital	2	0	10	0	-2	10
Capital City Surgery Center	0	0	0	7	0	7
WakeMed Surgery Center-Cary**	0	0	0	1	0	1
WakeMed Surgery Center-North Raleigh**	0	0	0	1	0	1

Source: Table in Section C.5, page 66.

*Total exclusions for WakeMed include four dedicated C-section operating rooms (three at WakeMed Raleigh Campus and one at WakeMed North Hospital) and one shared operating room at WakeMed Raleigh Campus for its designation as a Level I Trauma Center.

**Approved but not operational.

In Section Q, the applicant provides utilization projections for WakeMed Raleigh Campus, and for WakeMed’s other existing and approved Wake County surgical facilities through the first three operating years of the proposed project as discussed below.

WakeMed Raleigh (Excluding WakeMed North Hospital)

In Section Q, the applicant provides projected utilization of the four open heart and 15 shared operating rooms at WakeMed Raleigh Campus, as illustrated in the following table.

Projected WakeMed Raleigh Utilization

Operating Rooms	Year 1 FFY2023	Year 2 FFY2024	Year 3 FFY2025
Open Heart Operating Rooms	4	4	4
Shared Operating Rooms*	15	15	15
Inpatient Surgical Cases	7,761	7,704	7,647
Outpatient Surgical Cases	8,304	8,211	8,360
Total Surgical Cases	16,065	15,915	16,007
Inpatient Surgical Case Times	192.1	192.1	192.1
Outpatient Surgical Case Times	125.3	125.3	125.3
Inpatient Surgical Hours	24,848	24,666	24,483
Outpatient Surgical Hours	17,342	17,147	17,458
Total Surgical Hours	42,190	41,813	41,942
Group Assignment	2	2	2
Standard Hours per OR per Year	1,950	1,950	1,950
Total Surgical Hours/Standard Hours Per OR per Year	21.6	21.4	21.5

Source: Section Q, Form C.

*The applicant states it has deducted one shared operating room from the total number of shared operating rooms because WakeMed Raleigh Campus is designated as a Level I trauma center.

WakeMed North Hospital

In Section Q, the applicant provides projected utilization of the shared operating rooms at the WakeMed North Hospital, as illustrated in the following table.

Projected WakeMed North Hospital Operating Room Utilization

Operating Rooms	Year 1 FFY2023	Year 2 FFY2024	Year 3 FFY2025
Shared Operating Rooms	4	4	4
Inpatient Surgical Cases	744	848	951
Outpatient Surgical Case	3,707	3,182	3,396
Total Surgical Cases	4,451	4,030	4,347
Inpatient Surgical Case Times	192.1	192.1	192.1
Outpatient Surgical Case Times	125.3	125.3	125.3
Inpatient Surgical Hours	2,383	2,714	3,046
Outpatient Surgical Hours	7,743	6,646	7,095
Total Surgical Hours	10,126	9,360	10,141
Group Assignment	2	2	2
Standard Hours per OR per Year	1,950	1,950	1,950
Total Surgical Hours/Standard Hours Per OR per Year	5.19	4.80	5.20

Source: Section Q, page 149.

WakeMed Cary Hospital

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

Projected WakeMed Cary Hospital Operating Room Utilization

Operating Rooms	Year 1 FFY2023	Year 2 FFY2024	Year 3 FFY2025
Shared Operating Rooms	10	10	10
Inpatient Surgical Cases	3,137	3,196	3,257
Outpatient Surgical Case	4,018	3,890	3,762
Total Surgical Cases	7,155	7,086	7,019
Inpatient Surgical Case Times	141.0	141.0	141.0
Outpatient Surgical Case Times	77.5	77.5	77.5
Inpatient Surgical Hours	7,372	7,512	7,654
Outpatient Surgical Hours	5,190	5,024	4,859
Total Surgical Hours	12,561	12,536	12,513
Group Assignment	4	4	4
Standard Hours per OR per Year	1,500	1,500	1,500
Total Surgical Hours/Standard Hours Per OR per Year	8.37	8.36	8.34

Source: Section Q, page 150.

Capital City Surgery Center

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

Projected Capital City Surgery Center Operating Room Utilization

Operating Rooms	Year 1 FFY2023	Year 2 FFY2024	Year 3 FFY2025
Dedicated Ambulatory ORs*	7	7	7
Outpatient Surgical Cases	7,721	7,757	8,054
Surgical Case Times	60.3	60.3	60.3
Totals Surgical Hours	7,760	7,796	8,094
Group Assignment	6	6	6
Standard Hours per OR per Year	1,312	1,312	1,312
Total Surgical Hours/Standard Hours Per OR per Year	5.91	5.94	6.17

Source: Section Q, page 151.

*In Project I.D. # J-11564-18, the applicant was approved to relocate one dedicated ambulatory surgery operating room from CCSC to a new ASC, WakeMed Surgery Center-North Raleigh, reducing the number of operating rooms at CCSC from eight to seven.

WakeMed Surgery Center-North Raleigh

In Section Q, the applicant provides projected utilization of the one operating room at the approved (Project I.D. # J-11564-18) ambulatory surgery center in North Raleigh as illustrated in the following table.

**WakeMed Surgery Center-North Raleigh
 Projected Operating Room Utilization**

Operating Rooms	Year 1 FFY2023	Year 2 FFY2024	Year 3 FFY2025
Dedicated Ambulatory ORs	1	1	1
Outpatient Surgical Cases	417	1,743	1,821
Surgical Case Times	69.5	69.5	69.5
Totals Surgical Hours	483	2,019	2,109
Group Assignment	6	6	6
Standard Hours per OR per Year	1,312	1,312	1,312
Total Surgical Hours/Standard Hours Per OR per Year	0.37	1.54	1.61

Source: Section Q, page 151.

WakeMed Surgery Center-Cary

In Section Q, the applicant provides projected utilization of the one operating room at the approved (Project I.D. # J-11565-18) ambulatory surgery center in Cary as illustrated in the following table.

**WakeMed Surgery Center-Cary
 Projected Operating Room Utilization**

Operating Rooms	Year 1 FFY2023	Year 2 FFY2024	Year 3 FFY2025
Dedicated Ambulatory ORs	1	1	1
Outpatient Surgical Cases	1,457	1,516	1,579
Surgical Case Times	69.5	69.5	69.5
Totals Surgical Hours	1,688	1,756	1,829
Group Assignment	6	6	6
Standard Hours per OR per Year	1,312	1,312	1,312
Total Surgical Hours/Standard Hours Per OR per Year	1.29	1.34	1.39

Source: Section Q, page 152.

In Section Q, pages 152-162, the applicant provides the assumptions and methodology used to project utilization at the existing and approved WakeMed surgical facilities in Wake County, which is summarized below.

Step 1: The applicant reviewed the historical surgical case volumes at each of the surgical facilities operating in Wake County from FY2017 to FY2020 (excluding cases performed in dedicated C-section operating rooms) and calculated the compound average growth rates (CAGR) for inpatient and outpatient surgical cases, as shown in the table on page 141.

Step 2: The applicant “*annualized*” the FY2021 surgical case volumes for each WakeMed surgical facility in Wake County based on actual surgical case volume data from FY2021, combined with surgical case volume data from FY2019 (“*pre-COVID levels*”), as shown in the tables on page 142 of the application.

Step 3: The applicant projects surgical case volumes for each WakeMed surgical facility in Wake County for FY2022 through FY2025, with the exception of the inpatient surgical case volumes for WakeMed Cary Hospital, based on a linear regression model as applied to the surgical case volume data from FY2017 through FY2021. The applicant states the addition of 30 acute care beds at WakeMed Cary Hospital is expected to increase the utilization of inpatient surgical services at the hospital at a higher rate than would be calculated by a linear regression model. Therefore, the applicant projects inpatient surgical case volumes at WakeMed Cary Hospital will increase at the rate of 1.9 percent per year, which is the projected annual rate of increase in the Wake County population. See the table on page 144 of the application.

Step 4: The applicant states that it expects some outpatient surgical case volume will shift from its existing Wake County surgical facilities to the approved WakeMed Surgery Center-Cary facility (Project I.D. # J-11564-18), and also to the approved WakeMed Surgery Center-North Raleigh facility (Project I.D.# J-11565-18). On page 145, the applicant states, “*[I]n addition to new ASF cases created by population growth in Wake County, a certain percentage of its existing hospital-based outpatient surgery volume will shift to these new facilities, as physician practice patterns change and new ASFs are developed in closer proximity to physician offices and to local residents.*” Based on that assumption, the applicant projected the number of surgical cases that will shift from WakeMed’s existing surgical facilities to the two approved ASCs through FFY2025, as shown in the tables on pages 145-146 of the application.

Step 5: Based on the applicant’s projections of inpatient and outpatient surgical cases for each of their existing and approved surgical facilities, the applicant applied the operating room need methodology from the 2021 SMFP to project the operating room utilization as a percent of total operating room capacity for each existing and approved WakeMed facility through the first three operating years of the proposed project, as shown in the tables on pages 147-148 of the application.

Step 6: Based on the applicant’s projections of inpatient and outpatient surgical cases for each of their existing and approved surgical facilities, the applicant projects the total number of surgical operating rooms needed in the WakeMed System in the first three operating years of the proposed project, as shown in the tables on pages 149-152 of the application.

WakeMed Health Care System-Wake County

The following table shows the total surgical cases at all WakeMed surgical facilities in Wake County from FY2012 to FY2020 based on data reported to DHSR on the License Renewal Application forms for the years 2013 to 2021.

WakeMed Health Care System Surgical Cases, FY2012-FY2020

	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	CAGR FY2012- FY2020
Surgical Cases*	28,136	30,124	30,514	30,388	31,594	31,169	33,761	32,968	31,749	1.52%
Percent Change		7.1%	1.3%	-0.4%	4.0%	-1.3%	8.3%	-2.3%	-3.7%	

Source: License Renewal Application forms, 2013-2021.

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

The following table shows the applicant’s total projected surgical cases at all existing, approved and proposed WakeMed surgical facilities in Wake County from FY2021 to FY2025 based on data in Section Q of the application.

Projected WakeMed Health Care System Surgical Cases, FY2021-FY2025

	FY2021*	FY2022	PY 1 FY2023	PY 2 FY2024	PY 3 FY2025	CAGR FY2021- FY2025
WakeMed Cary Hospital	7,691	7,390	7,155	7,086	7,019	
WakeMed Raleigh Campus	16,860	16,447	16,065	15,915	16,007	
WakeMed North Hospital	3,948	4,323	4,451	4,029	4,348	
Capital City Surgery Center	7,211	7,509	7,721	7,757	8,054	
WakeMed Surgery Center North			417	1,743	1,821	
WakeMed Surgery Center Cary		817	1,457	1,516	1,579	
Total Surgical Cases	35,710	36,486	37,266	38,046	38,828	2.11%
Percent Change	12.48%	2.17%	2.14%	2.09%	2.06%	

Source: Table in Section Q, page 146 of the application.

*The applicant states that FY2021 surgical case volumes were annualized based on nine months of actual data for October 2020-June 2021. The applicant states it used 2019 surgical case volume data for July-September rather than the 2021 surgical case volumes “in order to not overstate projected volumes based on the rebound and pent-up demand” from the effects of COVID-19 pandemic.

As shown in the tables above, the historical growth rates for surgical cases at WakeMed surgical facilities in Wake County averaged 1.52 percent per year from FY2012 to FY2020. The applicant’s utilization projections for all existing, approved and proposed WakeMed surgical facilities in Wake County for the period from FY2021 through FY2025 are based on the assumption that surgical case volumes will increase at an average rate of 2.11 percent per year over the five-year period.

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

- The applicant’s projections of total inpatient and outpatient surgical case volumes by year at its existing and approved surgical facilities are supported by the historical growth rates of surgical case volumes at WakeMed surgical facilities from FY2012 to FY2020, and by projected population growth and aging in the Wake County service area.
- Exhibit I-2 (Tab 8) contains copies of letters from surgeons expressing support for the proposed project and their intention to perform surgical cases at the facility.

Access to Medically Underserved Groups

In Section C.6, page 67, the applicant states it ensures access to healthcare services for all patients, regardless of income, payor status, gender, race, ethnicity, or physical handicap. On page 74 of the application, the applicant provides the estimated percentage for each medically underserved group, as shown in the following table.

Estimated Percentages of Patients by Group	
Low income persons	8.7%
Racial and ethnic minorities	41.0%
Women	46.6%
Persons with disabilities	NA
Persons 65 and older	22.7%
Medicare beneficiaries	29.7%
Medicaid recipients	20.2%

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.

Conclusion

The Agency reviewed the:

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

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

- The applicant adequately identifies the population to be served.
- The applicant adequately explains why the population to be served needs the services proposed in this application.
- Projected utilization is reasonable and adequately supported.
- The applicant describes the extent to which all residents, including underserved groups, are likely to have access to the proposed services and adequately supports its assumptions.

Project ID # J-12119-21/OSCR/Add 1 OR

OSCR proposes to add one new operating room for a total of four operating rooms pursuant to the need determination in the 2021 SMFP. In Section A.1, page 16, the applicant states that

Orthopaedic Surgery Center of Raleigh, LLC is a joint venture between Raleigh Orthopaedic Clinic, PA and UNC REX Healthcare.

Patient Origin

On page 49, the 2021 SMFP states, “An OR’s service area is the single or multicounty grouping shown in Figure 6.1.” In Figure 6.1, page 55 of the 2021 SMFP, Wake County is shown as a single-county operating room service area. Thus, the service area for this facility consists of Wake County. Facilities may also serve residents of counties not included in their service area.

In Section C.2, page 37, the applicant provides the historical patient origin for the operating rooms at OSCR, as summarized in the table below.

County	Last Full Fiscal Year of Operation SFY2021	
	Patients	% of Total
Wake	4,884	73.4%
Johnston	457	6.9%
Harnett	245	3.7%
Franklin	138	2.1%
Durham	104	1.6%
Wayne	79	1.2%
Sampson	73	1.1%
Other*	672	10.1%
Total	6,652	100.0%

Source: Section C.2, page 37 of the application.

*Applicant identifies the counties in the “Other” category below the table on page 37 of the application.

In Section C.3, page 39, the applicant provides a table showing projected patient origin for the operating rooms at OSCR in the third full fiscal year of operation for the proposed project, as summarized below.

County	Third Full Fiscal Year of Operation SFY2026	
	Patients	% of Total
Wake	3,183	73.4%
Johnston	298	6.9%
Harnett	160	3.7%
Franklin	90	2.1%
Durham	68	1.6%
Wayne	51	1.2%
Sampson	48	1.1%
Other*	438	10.1%
Total	4,338	100.0%

Source: Section C.3, page 39 of the application.

*Applicant identifies the counties in the "Other" category below the table on page 39 of the application.

In Section C.3, page 38, the applicant provides the assumptions and methodology used to project its patient origin. The applicant's assumptions are reasonable and adequately supported because they are based on the applicant's historical (SFY2021) patient origin for surgical services at OSCR.

Analysis of Need

In Section C.4, pages 40-63, the applicant explains why it believes the population projected to utilize the proposed services needs the proposed services, as summarized below:

- The historical growth in surgical services utilization in North Carolina and Wake County, and the increase in the demand for ambulatory surgery services resulting from a significant shift of healthcare from inpatient to outpatient settings.
- The historical growth in orthopedic surgical cases, particularly in the ambulatory surgery center setting, in the Wake County service area.
- The historical and projected growth in surgical case volumes at Raleigh Orthopaedic Surgery Center.
- The high utilization of existing UNC Health System surgical facilities in Wake County.
- The projected growth and aging of the Wake County service area population.

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

- The applicant provides data and information to support their assertions regarding the trends toward increasing demand for ambulatory surgery and ASC facilities, particularly for orthopedic surgical cases.
- The applicant provides population growth projections for the proposed service area based on data from the North Carolina Office of State Budget and Management (NCOSBM).
- The applicant provides information and data to support their assertions regarding the projected growth in orthopedic surgical case volumes in Wake County ASCs.

Projected Utilization

In Section C.5, page 68, the applicant provides a table showing the operating room inventories for UNC REX Healthcare’s existing Wake County surgical facilities, which is summarized below:

**UNC REX Healthcare System
 Operating Room Inventory by Facility**

Facility	# Dedicated C-Section ORs	# of Inpatient ORs (excluding C-section ORs)	# of Shared ORs	# of Dedicated Ambulatory ORs	# of Exclusions*	Total # of ORs less Exclusions
Rex Surgery Center of Wakefield	0	0	0	2	0	2
Rex Surgery Center of Cary	0	0	0	4	0	4
UNC REX Hospital	3	0	25	0	1*	27
Raleigh Orthopaedic Surgery Center	0	0	0	3	0	3
Raleigh Orthopaedic Surgery Center-West Cary	0	0	0	1	0	1
Orthopaedic Surgery Center of Garner**	0	0	0	1	0	1

Source: Table in Section C.5, page 68.

*The applicant states total exclusions for UNC REX Hospital is the net of 3 dedicated C-section rooms and a CON adjustment of 2 operating rooms in the Proposed 2022 SMFP.

**Approved but not operational.

In Section Q, the applicant provides utilization projections for Raleigh Orthopaedic Surgery Center, and for UNC REX Healthcare’s other existing and approved Wake County surgical facilities through the first three operating years of the proposed project as discussed below.

Raleigh Orthopaedic Surgery Center

In Section Q, the applicant provides projected utilization of the operating rooms at the existing ambulatory surgery center in Raleigh during the first three full fiscal operating years of the proposed project, as illustrated in the following table.

Projected Raleigh Orthopaedic Surgery Center Operating Room Utilization

Operating Rooms	Year 1 SFY2024	Year 2 SFY2025	Year 3 SFY2026
Dedicated Ambulatory ORs	4	4	4
Outpatient Surgical Cases	3,403	3,427	3,453
Surgical Case Times	82	82	82
Totals Surgical Hours	4,651	4,684	4,719
Group Assignment	6	6	6
Standard Hours per OR per Year	1,312	1,312	1,312
Total Surgical Hours/Standard Hours Per OR per Year	3.5	3.6	3.6

Source: Section Q, Form C.

In Section Q, the applicant provides the assumptions and methodology used to project utilization, which is summarized as follows:

Step 1-The applicant calculated the growth rates in surgical case volumes for ROSC from 2019 to 2021. See table on page 15 of Section Q.

Step 2-The applicant projected operating room and procedure room cases for ROSC from SFY2022 to SFY2026 based on the assumptions that surgical case volumes would increase by 3.6, annually. See table on page 16 of Section Q.

Step 3-The applicant projected the operating room and procedure room cases for those surgeons that will shift surgical cases to the approved Orthopaedic Surgery Center of Garner facility (Project I.D. # J-11962-20) from SFY2024 to SFY2026. See tables on pages 16-17 of Section Q.

Step 4-Based on the utilization projections included in the application for ROSC-West Cary (Project I.D. # J-11161-16), the applicant projects 1,136 surgical cases per year will shift from ROSC to ROSC-West Cary through the first three full fiscal years of operation of the proposed project. See pages 17-18 of Section Q in the application.

Step 5-Based on the applicant’s projected shifts in surgical cases volumes from ROSC to Orthopaedic Surgery Center of Garner and ROSC-West Cary, the applicant projects the surgical case volumes that will remain at ROSC through the first three full fiscal years of operation of the proposed project. See the table on page 19 of Section Q in the application.

The applicant’s projected utilization is reasonable and adequately supported for the following reasons:

- The applicant’s utilization projections for Raleigh Orthopaedic Surgery Center for the period SFY2022 through the third year of the proposed project (SFY2026) are supported by the applicant’s historical volume of surgical cases.
- The applicant’s utilization projections are supported by letters from physicians who have expressed support for the proposed project. See Exhibit I.2.

Raleigh Orthopaedic Surgery Center-West Cary

In Section Q, the applicant provides projected utilization of the operating room at the new ambulatory surgery center in Cary (Project I.D. # J-11161-16) during the first three full fiscal operating years of the proposed project, as illustrated in the following table.

**Raleigh Orthopaedic Surgery Center-West Cary
 Projected Operating Room Utilization**

Operating Rooms	Year 1 SFY2024	Year 2 SFY2025	Year 3 SFY2026
Dedicated Ambulatory ORs	1	1	1
Outpatient Surgical Cases	1,136	1,136	1,136
Surgical Case Times	69.5	69.5	69.5
Totals Surgical Hours	1,316	1,316	1,316
Group Assignment	6	6	6
Standard Hours per OR per Year	1,312	1,312	1,312
Total Surgical Hours/Standard Hours Per OR per Year	1.0	1.0	1.0

Source: Section Q, page 19.

In Section Q, the applicant provides the assumptions and methodology used to project utilization. Specifically, the applicant states projected utilization of the ambulatory surgical operating room at ROSC-West Cary is based on the utilization projections in the previously approved CON application (Project I.D. #J-11161-16), and the assumption that the Year 3 surgical case volume (1,136 surgical cases) will remain constant through the first three operating years of the proposed project.

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

- The applicant’s utilization projections are supported by the historical utilization experience of the Raleigh Orthopaedic Surgery Center’s existing operating rooms.
- The applicant’s utilization projections are supported by letters from physicians who have expressed support for the proposed project. See Exhibit I.2.

Orthopaedic Surgery Center of Garner

Effective August 12, 2021, the applicant was approved to develop the Orthopaedic Surgery Center of Garner (Project I.D. # J-11962-20), which is a new ambulatory surgery center with one operating room. In Section Q, the applicant provides projected utilization of the operating room at the proposed ambulatory surgery center in Garner during the first three full fiscal operating years of the proposed project, as illustrated in the following table.

Projected Orthopaedic Surgery Center of Garner Operating Room Utilization

Operating Rooms	Year 1 SFY2024	Year 2 SFY2025	Year 3 SFY2026
Dedicated Ambulatory ORs	1	1	1
Outpatient Surgical Cases	1,634	1,830	2,031
Surgical Case Times	69.5	69.5	69.5
Totals Surgical Hours	1,893	2,119	2,353
Group Assignment	6	6	6
Standard Hours per OR per Year	1,312	1,312	1,312
Total Surgical Hours/Standard Hours Per OR per Year	1.4	1.6	1.8

Source: Section Q, page 17.

In Section Q, the applicant the applicant states projected utilization of the ambulatory surgical operating room at Orthopaedic Surgery Center of Garner is based on the utilization projections in the previously approved CON application (Project I.D. #J-11962-20).

The applicant’s projected utilization is reasonable and adequately supported for the following reasons:

- The applicant’s utilization projections are supported by the historical utilization experience of the Raleigh Orthopaedic Surgery Center’s existing operating rooms.
- The applicant’s utilization projections are supported by letters from physicians who have expressed support for the proposed project. See Exhibit I.2.

UNC REX Hospital

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

Projected UNC REX Hospital Utilization

Operating Rooms	Year 1 SFY2024	Year 2 SFY2025	Year 3 SFY2026
Shared Operating Rooms	26	26	26
Inpatient Surgical Cases	6,923	7,075	7,230
Outpatient Surgical Case	11,723	11,792	11,862
Total Surgical Cases	18,646	18,867	19,092
Inpatient Surgical Case Times	183.0	183.0	183.0
Outpatient Surgical Case Times	137.0	137.0	137.0
Inpatient Surgical Hours	21,115	21,579	22,052
Outpatient Surgical Hours	26,768	26,925	27,085
Total Surgical Hours	47,881	48,503	49,136
Group Assignment	2	2	2
Standard Hours per OR per Year	1,950	1,950	1,950
Total Surgical Hours/Standard Hours Per OR per Year	24.6	24.9	25.2

Source: Section Q, pages 8-9.

In Section Q, the applicant provides the assumptions and methodology used to project utilization. Specifically, the applicant states projected utilization of the hospital’s operating rooms is based on the assumption that inpatient surgical case volumes will increase by an average annual growth rate of 2.2 percent, based on the historical growth rates for inpatient surgical case volumes from SFY2015 to SFY2019 and the projected population growth and aging in the Wake County service area. The applicant assumes outpatient surgical case volumes will increase at an average annual growth rate of 0.6 percent through the first three operating years of the proposed project based on the historical growth rates for outpatient surgical case volumes from SFY2015 to SFY2019 and the projected population growth and aging in the Wake County service area. Also, the applicant states the projections are supported by the addition of new surgeons and other subspecialty services from UNC Faculty Practice Plan, which will result in an increase in the utilization of surgical services at UNC REX Hospital.

The applicant projects that surgical cases will shift from UNC REX Hospital to UNC REX Holly Springs Hospital when that facility becomes operational (See Section Q, pages 6-7). The applicant provides the projected utilization of the operating rooms at UNC REX Hospital after the projected shifts in surgical cases, as summarized in the following table.

Projected UNC REX Hospital Surgical Utilization after Shifts

	FY2022	FY2023	PY 1 FY2024	PY 2 FY2025	PY 3 FY2026
Inpatient Surgical Cases	7,362	7,524	7,689	7,857	8,030
Outpatient Surgical Cases	12,969	13,046	13,123	13,201	13,279
Inpatient Cases Shifted to UNC REX Holly Springs Hospital	-269	-556	-766	-783	-800
Outpatient Cases Shifted to UNC REX Holly Springs Hospital	-473	-1,007	-1,400	-1,409	-1,417
Inpatient Cases after Shifts	7,093	6,967	6,923	7,075	7,230
Outpatient Cases after Shifts	12,496	12,038	11,723	11,792	11,862

Source: Section Q, page 7.

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

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

UNC REX Holly Springs Hospital

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

Projected UNC REX Holly Springs Hospital Operating Room Utilization

Operating Rooms	Year 1 SFY2024	Year 2 SFY2025	Year 3 SFY2026
Shared Operating Rooms	3	3	3
Inpatient Surgical Cases	851	870	889
Outpatient Surgical Case	1,556	1,565	1,575
Total Surgical Cases	2,407	2,435	2,464
Inpatient Surgical Case Times	183.0	183.0	183.0
Outpatient Surgical Case Times	137.0	137.0	137.0
Inpatient Surgical Hours	2,596	2,654	2,711
Outpatient Surgical Hours	3,553	3,573	3,596
Total Surgical Hours	6,148	6,227	6,308
Group Assignment	2	2	2
Standard Hours per OR per Year	1,950	1,950	1,950
Total Surgical Hours/Standard Hours Per OR per Year	3.2	3.2	3.2

Source: Section Q, page 10.

In Section Q, the applicant provides the assumptions and methodology used to project utilization. Specifically, the applicant states projected utilization is based on the surgical utilization projections in the previously approved CON application (Project I.D. #J-8669-11), and annual surgical case growth rates of 2.2 and 0.6 percent for inpatient and outpatient surgical cases, respectively. Also, the applicant states the utilization projections are further supported by the fact that since that approval, the southern Wake County area of Holly Springs and Fuquay-Varina have grown substantially.

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

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

Rex Surgery Center of Wakefield

In Section Q, the applicant provides projected utilization of the two operating rooms at the existing ambulatory surgery center in Wakefield during the first three full fiscal operating years of the proposed project, as illustrated in the following table.

Projected Rex Surgery Center of Wakefield Operating Room Utilization

Operating Rooms	Year 1 SFY2024	Year 2 SFY2025	Year 3 SFY2026
Dedicated Ambulatory ORs	2	2	2
Outpatient Surgical Cases	3,073	3,207	3,347
Surgical Case Times	59.4	59.4	59.4
Totals Surgical Hours	3,043	3,175	3,314
Group Assignment	6	6	6
Standard Hours per OR per Year	1,312	1,312	1,312
Total Surgical Hours/Standard Hours Per OR per Year	2.3	2.4	2.5

Source: Section Q, page 12.

In Section Q, the applicant provides the assumptions and methodology used to project utilization. Specifically, the applicant states, “*REX Surgery Center of Wakefield’s operating room utilization is assumed to increase 4.4 percent annually from SFY 2022 to 2026, equivalent to the UNC Health system outpatient surgery CAGR from SFY 2015 to 2019.*”

The applicant’s projected utilization is reasonable and adequately supported for the following reasons:

- The applicant’s utilization projections for Rex Surgery Center of Wakefield for the period SFY2022 through the third year of the proposed project (SFY2026) are supported by the applicant’s historical growth rates for outpatient surgical cases.
- The applicant’s utilization projections are supported by letters from physicians who have expressed support for the proposed project. See Exhibit I.2.

Rex Surgery Center of Cary

In Section Q, the applicant provides projected utilization of the four operating rooms at the existing ambulatory surgery center in Cary during the first three full fiscal operating years of the proposed project, as illustrated in the following table.

Projected Rex Surgery Center of Cary Utilization

Operating Rooms	Year 1 SFY2024	Year 2 SFY2025	Year 3 SFY2026
Dedicated Ambulatory ORs	4	4	4
Outpatient Surgical Cases	3,283	3,155	3,033
Surgical Case Times	66.0	66.0	66.0
Totals Surgical Hours	3,611	3,471	3,336
Group Assignment	6	6	6
Standard Hours per OR per Year	1,312	1,312	1,312
Total Surgical Hours/Standard Hours Per OR per Year	2.8	2.6	2.5

Source: Section Q, page 13.

In Section Q, the applicant provides the assumptions and methodology used to project utilization. Specifically, the applicant states projected utilization of the four dedicated

ambulatory surgical operating rooms is based on the assumption that surgical case volumes will decline by 3.9 percent per year based on the historical utilization rate of the facility from SFY2015 to SFY2019.

The applicant’s projected utilization is reasonable and adequately supported for the following reasons:

- The applicant’s utilization projections for Rex Surgery Center of Cary for the period SFY2022 through the third year of the proposed project (SFY2026) are supported by the applicant’s historical utilization for the facility from SFY2015 to SFY2019.
- The applicant’s utilization projections are supported by letters from physicians who have expressed support for the proposed project. See Exhibit I.2.

UNC REX Health Care System-Wake County

In Section Q, page 3, the applicant states,

“As discussed previously, inpatient surgical volume was most impacted by the pandemic, as UNC REX intentionally postponed elective inpatient cases because of the need to maintain bed capacity during the various times of peak COVID-19 impact. Although some cases historically have been shifted from inpatient to outpatient, the depressed number of inpatient cases in the past two years is due to the periodic suspension of elective cases, not an overall trend that is expected to continue. As such, UNC REX believes pre-pandemic growth trends are more reasonable indicators of future growth.”

The following table shows the total surgical cases at all UNC REX surgical facilities in Wake County from FY2012 to FY2019 based on data reported to DHSR on the License Renewal Application forms for the years 2013 to 2020.

UNC REX Health Care System Surgical Cases, FY2012-FY2019

	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	CAGR FY2012- FY2019
Total Surgical Cases*	28,271	28,781	28,956	29,084	29,135	30,327	30,427	32,504	2.01%
Percent Change		1.8%	0.6%	0.4%	0.2%	4.1%	0.3%	6.8%	

Source: License Renewal Application forms, 2013-2020.

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

The following table shows the applicant’s total projected surgical cases at all existing, approved and proposed UNC REX surgical facilities in Wake County from SFY2020 to SFY2026 based on data in Form C, Section Q of the application.

Projected UNC REX Health Care System Surgical Cases, SFY2021-SFY2026

	2021	2022	2023	PY 1 2024	PY 2 2025	PY 3 2026	CAGR 2021- 2026
UNC REX Hospital	20,096	19,589	19,006	18,645	18,867	19,092	
REX Holly Springs Hospital		824	1,737	2,402	2,435	2,463	
Rex Surgery Center of Wakefield	2,704	2,822	2,945	3,073	3,207	3,347	
Rex Surgery Center of Cary	3,697	3,553	3,415	3,283	3,155	3,033	
Raleigh Orthopedic Surgery Center	3,427	2,747	2,583	3,403	3,427	3,453	
Raleigh Orthopedic Surgery Center-West		802	1,092	1,136	1,136	1,136	
Orthopaedic Surgery of Garner			1,634	1,830	2,031	2,067	
Total Surgical Cases	29,924	30,337	32,412	33,772	34,258	34,591	2.94%
Percent Change	1.38%	6.84%	4.20%	1.44%	0.97%		

Source: Section Q, Form C combined.

As shown in the tables above, the historical growth rates for surgical cases at UNC REX surgical facilities in Wake County averaged 2.01 percent per year from FY2012 to FY2019. The applicant’s utilization projections for all existing and approved UNC REX surgical facilities in Wake County for the period from SFY2021 through SFY2026 are based on the assumption that surgical case volumes will increase at an average rate of 2.94 percent per year over the five-year period.

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

- The applicant’s utilization projections are supported by the historical utilization experience of the UNC REX Health Care System’s existing operating rooms, and by the projected Wake County population growth.
- The applicant’s utilization projections are supported by letters from physicians who have expressed support for the proposed project. See Exhibit I.2.

Access to Medically Underserved Groups

In Section C.8, page 69, the applicant states it will provide services without regard to race, color, national origin, disability, or age, and will not discriminate with regard to patient care access on the basis of income, ability to pay, or any other factor which might restrict access to services. On page 69, the applicant provides the estimated percentage for each medically underserved group, as shown in the following table.

Estimated Percentages of Patients by Group	
Low income persons	NA
Racial and ethnic minorities	20.9%
Women	51.4%
Persons with disabilities	NA
The elderly	21.3%
Medicare beneficiaries	20.1%
Medicaid recipients	1.4%

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.

Conclusion

The Agency reviewed the:

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

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

- The applicant adequately identifies the population to be served.
- The applicant adequately explains why the population to be served needs the services proposed in this application.
- Projected utilization is reasonable and adequately supported.
- The applicant describes the extent to which all residents, including underserved groups, are likely to have access to the proposed services and adequately supports its assumptions.

Project ID # J-12122-21/UNC REX Hospital/Add 2 ORs

UNC REX Hospital proposes to develop no more than two operating rooms pursuant to the need determination in the 2021 SMFP for a total of 32 operating rooms upon completion of this project and Project J-8669-11.

Patient Origin

On page 49, the 2021 SMFP states, “An OR’s service area is the single or multicounty grouping shown in Figure 6.1.” In Figure 6.1, page 55 of the 2021 SMFP, Wake County is shown as a single-county operating room service area. Thus, the service area for this facility

consists of Wake County. Facilities may also serve residents of counties not included in their service area.

In Section C.2, page 36, the applicant provides the historical patient origin for the operating rooms at UNC REX Hospital, as summarized in the table below.

County	Last Full Fiscal Year of Operation SFY2021	
	Patients	% of Total
Wake	12,656	63.0%
Johnston	1,555	7.7%
Harnett	812	4.0%
Franklin	673	3.3%
Wayne	523	2.6%
Nash	449	2.2%
Wilson	399	2.0%
Sampson	362	1.8%
Durham	297	1.5%
Cumberland	197	1.0%
Other*	2,173	10.8%
Total	20,096	100.0%

Source: Section C.2, page 36 of the application.

*Applicant identifies the counties in the "Other" category below the table on page 36 of the application.

The following table illustrates projected patient origin for the applicant's operating rooms in the third full operating year of the project.

County	Third Full Fiscal Year of Operation SFY2027	
	Patients	% of Total
Wake	12,168	63.0%
Johnston	1,495	7.7%
Harnett	781	4.0%
Franklin	647	3.3%
Wayne	503	2.6%
Nash	432	2.2%
Wilson	384	2.0%
Sampson	348	1.8%
Durham	286	1.5%
Cumberland	189	1.0%
Other*	2,089	10.8%
Total	19,321	100.0%

Source: Section C.3, page 39 of the application.

*Applicant identifies the counties in the "Other" category below the table on page 39 of the application.

In Section C.3, page 38, the applicant provides the assumptions and methodology used to project its patient origin. The applicant's assumptions are reasonable and adequately supported because they are based on the SFY2021 patient origin for UNC REX Hospital's surgical services.

Analysis of Need

In Section C.4, pages 41-57, the applicant explains why it believes the population projected to utilize the proposed services needs the proposed services, as summarized below:

- The increasing demand for surgical services statewide and in Wake County.
- The expansion of ambulatory surgery center operating rooms and the relatively high utilization rates for the existing hospital-based operating rooms in the Wake County service area.
- The high utilization of existing UNC Health System surgical facilities in Wake County and the need for additional capacity to meet the additional surgical cases expected from new and expanded physician relationships and services, such as pediatric surgical specialties.
- The need for additional surgical capacity due to the increase in patient acuity and longer surgical case times.

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

- The applicant provides data and information to support their assertions regarding the trends toward increasing demand for surgical services and the high utilization of existing hospital-based operating rooms in the Wake County service area.
- The applicant provides information and data to support their assertions regarding the projected growth in surgical case volumes at UNC Health Care facilities in the Wake County service area.

Projected Utilization

In Section C.5, page 63, the applicant provides a table showing the operating room inventories for UNC REX Healthcare's existing Wake County surgical facilities, which is summarized below:

**UNC REX Healthcare System
 Operating Room Inventory by Facility**

Facility	# Dedicated C-Section ORs	# of Inpatient ORs (excluding C-section ORs)	# of Shared ORs	# of Dedicated Ambulatory ORs	# of Exclusions*	Total # of ORs less Exclusions
Rex Surgery Center of Wakefield	0	0	0	2	0	2
Rex Surgery Center of Cary	0	0	0	4	0	4
UNC REX Hospital	3	0	25	0	1*	27
Raleigh Orthopaedic Surgery Center	0	0	0	3	0	3
Raleigh Orthopaedic Surgery Center-West Cary	0	0	0	1	0	1
Orthopaedic Surgery Center of Garner**	0	0	0	1	0	1

Source: Table in Section C.5, page 68.

*The applicant states total exclusions for UNC REX Hospital is the net of 3 dedicated C-section rooms and a CON adjustment of 2 operating rooms in the Proposed 2022 SMFP.

**Approved but not operational.

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

UNC REX Hospital

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

Projected UNC REX Hospital Utilization

Operating Rooms	Year 1 SFY2025	Year 2 SFY2026	Year 3 SFY2027
Shared Operating Rooms	26	26	26
Inpatient Surgical Cases	7,075	7,230	7,388
Outpatient Surgical Case	11,792	11,862	11,933
Total Surgical Cases	18,867	19,092	19,321
Inpatient Surgical Case Times	183.0	183.0	183.0
Outpatient Surgical Case Times	137.0	137.0	137.0
Inpatient Surgical Hours	21,579	22,052	22,534
Outpatient Surgical Hours	26,925	27,085	27,247
Total Surgical Hours	48,503	49,136	49,781
Group Assignment	2	2	2
Standard Hours per OR per Year	1,950	1,950	1,950
Total Surgical Hours/Standard Hours Per OR per Year	24.9	25.2	25.5

Source: Section Q, Form C.

In Section Q, the applicant provides the assumptions and methodology used to project utilization. Specifically, the applicant states projected utilization of the hospital’s operating rooms is based on the assumption that inpatient surgical case volumes will increase by an average annual growth rate of 2.2 percent, based on the historical growth rates for inpatient surgical case volumes from SFY2015 to SFY2019 and the projected population growth and aging in the Wake County service area. The applicant assumes outpatient surgical case volumes will increase at an average annual growth rate of 0.6 percent through the first three operating years of the proposed project based on the historical growth rates for outpatient surgical case volumes from SFY2015 to SFY2019 and the projected population growth and aging in the Wake County service area. Also, the applicant states the projections are supported by the addition of new surgeons and other subspecialty services from UNC Faculty Practice Plan, which will result in an increase in the utilization of surgical services at UNC REX Hospital.

The applicant projects that surgical cases will shift from UNC REX Hospital to UNC REX Holly Springs Hospital when that facility becomes operational (See Section Q, pages 6-7). The applicant provides the projected utilization of the operating rooms at UNC REX Hospital after the projected shifts in surgical cases, as summarized in the following table.

Projected UNC REX Hospital Surgical Utilization after Shifts

	FY2022	FY2023	FY2024	PY 1 FY2025	PY 2 FY2026	PY 3 FY2027
Inpatient Surgical Cases	7,362	7,524	7,689	7,857	8,030	8,206
Outpatient Surgical Cases	12,969	13,046	13,123	13,201	13,279	13,358
Inpatient Cases Shifted to UNC REX Holly Springs Hospital	-269	-556	-766	-783	-800	-817
Outpatient Cases Shifted to UNC REX Holly Springs Hospital	-473	-1,007	-1,400	-1,409	-1,417	-1,426
Inpatient Cases after Shifts	7,093	6,967	6,923	7,075	7,230	7,388
Outpatient Cases after Shifts	12,496	12,038	11,723	11,792	11,862	11,933

Source: Section Q, page 7.

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

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

UNC REX Holly Springs Hospital

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

Projected UNC REX Holly Springs Hospital Operating Room Utilization

Operating Rooms	Year 1 SFY2025	Year 2 SFY2026	Year 3 SFY2027
Shared Operating Rooms	3	3	3
Inpatient Surgical Cases	870	889	908
Outpatient Surgical Case	1,565	1,575	1,584
Total Surgical Cases	2,435	2,464	2,492
Inpatient Surgical Case Times	183.0	183.0	183.0
Outpatient Surgical Case Times	137.0	137.0	137.0
Inpatient Surgical Hours	2,654	2,711	2,770
Outpatient Surgical Hours	3,573	3,596	3,617
Total Surgical Hours	6,227	6,308	6,387
Group Assignment	2	2	2
Standard Hours per OR per Year	1,950	1,950	1,950
Total Surgical Hours/Standard Hours Per OR per Year	3.2	3.2	3.3

Source: Section Q, Form C.

In Section Q, the applicant provides the assumptions and methodology used to project utilization. Specifically, the applicant states projected utilization is based on the surgical utilization projections in the previously approved CON application (Project I.D. #J-8669-11), and annual surgical case growth rates of 2.2 and 0.6 percent for inpatient and outpatient surgical cases, respectively. Also, the applicant states the utilization projections are further supported by the fact that since that approval, the southern Wake County area of Holly Springs and Fuquay-Varina have grown substantially.

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

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

Rex Surgery Center of Wakefield

In Section Q, the applicant provides projected utilization of the two operating rooms at the existing ambulatory surgery center in Wakefield during the first three full fiscal operating years of the proposed project, as illustrated in the following table.

Projected Rex Surgery Center of Wakefield Operating Room Utilization

Operating Rooms	Year 1 SFY2025	Year 2 SFY2026	Year 3 SFY2027
Dedicated Ambulatory ORs	2	2	2
Outpatient Surgical Cases	3,207	3,347	3,493
Surgical Case Times	59.4	59.4	59.4
Totals Surgical Hours	3,175	3,314	3,458
Group Assignment	6	6	6
Standard Hours per OR per Year	1,312	1,312	1,312
Total Surgical Hours/Standard Hours Per OR per Year	2.4	2.5	2.6

Source: Section Q, Form C.

In Section Q, the applicant provides the assumptions and methodology used to project utilization. Specifically, on page 11 of Section Q, the applicant states, “*REX Surgery Center of Wakefield’s operating room utilization is assumed to increase 4.4 percent annually from SFY 2022 to 2027, equivalent to the UNC Health system outpatient surgery CAGR from SFY 2015 to 2019.*”

The applicant’s projected utilization is reasonable and adequately supported for the following reasons:

- The applicant’s utilization projections for Rex Surgery Center of Wakefield for the period SFY2022 through the third year of the proposed project (SFY2027) are supported by the applicant’s historical growth rates for outpatient surgical cases.
- The applicant’s utilization projections are supported by letters from physicians who have expressed support for the proposed project. See Exhibit I.2.

Rex Surgery Center of Cary

In Section Q, the applicant provides projected utilization of the four operating rooms at the existing ambulatory surgery center in Cary during the first three full fiscal operating years of the proposed project, as illustrated in the following table.

Projected Rex Surgery Center of Cary Operating Room Utilization

Operating Rooms	Year 1 SFY2025	Year 2 SFY2026	Year 3 SFY2027
Dedicated Ambulatory ORs	4	4	4
Outpatient Surgical Cases	3,155	3,033	2,915
Surgical Case Times	66.0	66.0	66.0
Totals Surgical Hours	3,471	3,336	3,206
Group Assignment	6	6	6
Standard Hours per OR per Year	1,312	1,312	1,312
Total Surgical Hours/Standard Hours Per OR per Year	2.6	2.5	2.4

Source: Section Q, Form C.

In Section Q, the applicant provides the assumptions and methodology used to project utilization. Specifically, the applicant states projected utilization of the four dedicated ambulatory surgical operating rooms is based on the assumption that surgical case volumes will decline by 3.9 percent per year based on the historical utilization rate of the facility from SFY2015 to SFY2019.

The applicant’s projected utilization is reasonable and adequately supported for the following reasons:

- The applicant’s utilization projections for Rex Surgery Center of Cary for the period SFY2022 through the third year of the proposed project (SFY2027) are supported by the applicant’s historical utilization for the facility from SFY2015 to SFY2019.
- The applicant’s utilization projections are supported by letters from physicians who have expressed support for the proposed project. See Exhibit I.2.

Raleigh Orthopaedic Surgery Center

In Section Q, the applicant provides projected utilization of the operating rooms at the existing ambulatory surgery center in Raleigh during the first three full fiscal operating years of the proposed project, as illustrated in the following table.

Projected Raleigh Orthopaedic Surgery Center Operating Room Utilization

Operating Rooms	Year 1 SFY2025	Year 2 SFY2026	Year 3 SFY2027
Dedicated Ambulatory ORs	4	4	4
Outpatient Surgical Cases	3,427	3,453	3,652
Surgical Case Times	82	82	82
Totals Surgical Hours	4,684	4,719	4,991
Group Assignment	6	6	6
Standard Hours per OR per Year	1,312	1,312	1,312
Total Surgical Hours/Standard Hours Per OR per Year	3.6	3.6	3.8

Source: Section Q, Form C.

In Section Q, the applicant provides the assumptions and methodology used to project utilization, which is summarized as follows:

Step 1-The applicant calculated the growth rates in surgical case volumes for ROSC from 2019 to 2021. See table on page 15 of Section Q.

Step 2-The applicant projected operating room and procedure room cases for ROSC from SFY2022 to SFY2026 based on the assumptions that surgical case volumes would increase by 3.6, annually. See table on page 16 of Section Q.

Step 3-The applicant projected the operating room and procedure room cases for those surgeons that will shift surgical cases to the approved Orthopaedic Surgery Center of Garner facility (Project I.D. # J-11962-20) from SFY2024 to SFY2026. See tables on pages 16-17 of Section Q.

Step 4-Based on the utilization projections included in the application for ROSC-West Cary (Project I.D. # J-11161-16), the applicant projects 1,136 surgical cases per year will shift from ROSC to ROSC-West Cary through the first three full fiscal years of operation of the proposed project. See pages 17-18 of Section Q in the application.

Step 5-Based on the applicant’s projected shifts in surgical cases volumes from ROSC to Orthopaedic Surgery Center of Garner and ROSC-West Cary, the applicant projects the surgical case volumes that will remain at ROSC through the first three full fiscal years of operation of the proposed project. See the table on page 19 of Section Q in the application.

The applicant’s projected utilization is reasonable and adequately supported for the following reasons:

- The applicant’s utilization projections for Raleigh Orthopaedic Surgery Center for the period SFY2022 through the third year of the proposed project (SFY2027) are supported by the applicant’s historical volume of surgical cases.
- The applicant’s utilization projections are supported by letters from physicians who have expressed support for the proposed project. See Exhibit I.2.

Raleigh Orthopaedic Surgery Center-West Cary

In Section Q, the applicant provides projected utilization of the operating room at the new ambulatory surgery center in Cary (Project I.D. # J-11161-16) during the first three full fiscal operating years of the proposed project, as illustrated in the following table.

**Raleigh Orthopaedic Surgery Center-West Cary
 Projected Operating Room Utilization**

Operating Rooms	Year 1 SFY2025	Year 2 SFY2026	Year 3 SFY2027
Dedicated Ambulatory ORs	1	1	1
Outpatient Surgical Cases	1,136	1,136	1,136
Surgical Case Times	69.5	69.5	69.5
Totals Surgical Hours	1,316	1,316	1,316
Group Assignment	6	6	6
Standard Hours per OR per Year	1,312	1,312	1,312
Total Surgical Hours/Standard Hours Per OR per Year	1.0	1.0	1.0

Source: Section Q, Form C.

In Section Q, the applicant provides the assumptions and methodology used to project utilization. Specifically, the applicant states projected utilization of the ambulatory surgical operating room at ROSC-West Cary is based on the utilization projections in the previously approved CON application (Project I.D. #J-11161-16), and the assumption that the Year 3 surgical case volume (1,136 surgical cases) will remain constant through the first three operating years of the proposed project.

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

- The applicant’s utilization projections are supported by the historical utilization experience of the Raleigh Orthopaedic Surgery Center’s existing operating rooms.
- The applicant’s utilization projections are supported by letters from physicians who have expressed support for the proposed project. See Exhibit I.2.

Orthopaedic Surgery Center of Garner

Effective August 12, 2021, the applicant was approved to develop the Orthopaedic Surgery Center of Garner (Project I.D. # J-11962-20), which is a new ambulatory surgery center with one operating room. In Section Q, the applicant provides projected utilization of the operating room at the proposed ambulatory surgery center in Garner during the first three full fiscal operating years of the proposed project, as illustrated in the following table.

Projected Orthopaedic Surgery Center of Garner Operating Room Utilization

Operating Rooms	Year 1 SFY2025	Year 2 SFY2026	Year 3 SFY2027*
Dedicated Ambulatory ORs	1	1	1
Outpatient Surgical Cases	1,830	2,031	2,067
Surgical Case Times	69.5	69.5	69.5
Totals Surgical Hours	2,119	2,353	2,394
Group Assignment	6	6	6
Standard Hours per OR per Year	1,312	1,312	1,312
Total Surgical Hours/Standard Hours Per OR per Year	1.6	1.8	1.8

Source: Section Q, page 17.

*In Project I.D. # J-11962-20, the first three project years were SFY2024-SFY2026. The applicant states, “SFY27 volume was projected using the same annual growth rate assumed in Project ID # J-11962-20.”

In Section Q, the applicant the applicant states projected utilization of the ambulatory surgical operating room at Orthopaedic Surgery Center of Garner is based on the utilization projections in the previously approved CON application (Project I.D. #J-11962-20).

The applicant’s projected utilization is reasonable and adequately supported for the following reasons:

- The applicant’s utilization projections are supported by the historical utilization experience of the Raleigh Orthopaedic Surgery Center’s existing operating rooms.
- The applicant’s utilization projections are supported by letters from physicians who have expressed support for the proposed project. See Exhibit I.2.

UNC REX Health Care System-Wake County

In Section Q, page 3, the applicant states,

“As discussed previously, inpatient surgical volume was most impacted by the pandemic, as UNC REX intentionally postponed elective inpatient cases because of the need to maintain bed capacity during the various times of peak COVID-19 impact.”

Although some cases historically have been shifted from inpatient to outpatient, the depressed number of inpatient cases in the past two years is due to the periodic suspension of elective cases, not an overall trend that is expected to continue. As such, UNC REX believes pre-pandemic growth trends are more reasonable indicators of future growth.”

The following table shows the total surgical cases at all UNC REX surgical facilities in Wake County from FY2012 to FY2019 based on data reported to DHSR on the License Renewal Application forms for the years 2013 to 2020.

UNC REX Health Care System Surgical Cases, FY2012-FY2019

	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	CAGR FY2012- FY2019
Total Surgical Cases*	28,271	28,781	28,956	29,084	29,135	30,327	30,427	32,504	2.01%
Percent Change		1.8%	0.6%	0.4%	0.2%	4.1%	0.3%	6.8%	

Source: License Renewal Application forms, 2013-2020.

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

The following table shows the applicant’s total projected surgical cases at all existing, approved and proposed UNC REX surgical facilities in Wake County from SFY2020 to SFY2026 based on data in Form C, Section Q of the application.

Projected UNC REX Health Care System Surgical Cases, SFY2021-SFY2026

	2021	2022	2023	2024	PY 1 2025	PY 2 2026	PY 3 2027	CAGR 2021- 2027
UNC REX Hospital	20,096	19,589	19,006	18,645	18,867	19,092	19,321	
UNC REX Holly Springs Hospital		824	1,737	2,402	2,435	2,463	2,492	
Rex Surgery Center of Wakefield	2,704	2,822	2,945	3,073	3,207	3,347	3,493	
Rex Surgery Center of Cary	3,697	3,553	3,415	3,283	3,155	3,033	2,915	
Raleigh Orthopedic Surgery Center	3,427	2,747	2,583	3,403	3,427	3,453	3,652	
Raleigh Orthopedic Surgery-West		802	1,092	1,136	1,136	1,136	1,136	
Orthopaedic Surgery-Garner			1,634	1,830	2,031	2,067	2,067	
Total Surgical Cases	29,924	30,337	32,412	33,772	34,258	34,591	35,076	2.68%
Percent Change		1.38%	6.84%	4.20%	1.44%	0.97%	1.40%	

Source: Section Q, Form C combined.

As shown in the tables above, the historical growth rates for surgical cases at UNC REX surgical facilities in Wake County averaged 2.01 percent per year from FY2012 to FY2019. The applicant’s utilization projections for all existing and approved UNC REX surgical facilities in Wake County for the period from SFY2021 through SFY2027 are based on the assumption that surgical case volumes will increase at an average rate of 2.68 percent per year over the five-year period.

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

- The applicant’s utilization projections are supported by the historical utilization experience of the UNC REX Health Care System’s existing operating rooms, and by the projected Wake County population growth.
- The applicant’s utilization projections are supported by letters from physicians who have expressed support for the proposed project. See Exhibit I.2.

Access to Medically Underserved Groups

In Section C.8, page 64, the applicant states it will provide services without regard to race, color, national origin, disability, or age, and will not discriminate with regard to patient care access on the basis of income, ability to pay, or any other factor which might restrict access to services. On page 68, the applicant provides the estimated percentage for each medically underserved group, as shown in the following table.

Estimated Percentages of Patients by Group	
Low income persons	NA
Racial and ethnic minorities	36.0%
Women	61.5%
Persons with disabilities	NA
The elderly	36.9%
Medicare beneficiaries	40.2%
Medicaid recipients	5.3%

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.

Conclusion

The Agency reviewed the:

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

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

- The applicant adequately identifies the population to be served.
- The applicant adequately explains why the population to be served needs the services proposed in this application.
- Projected utilization is reasonable and adequately supported.
- The applicant describes the extent to which all residents, including underserved groups, are likely to have access to the proposed services and adequately supports its assumptions.

- (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 [persons with disabilities], and other underserved groups and the elderly to obtain needed health care.

NA

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

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

C

All Applications

Project ID # J-12114-21/WakeMed North Hospital/Add 1 OR

WakeMed proposes to develop no more than one shared operating room at WakeMed North Hospital for a total of no more than six operating rooms (five shared operating rooms and one dedicated C-section operating room) pursuant to the need determination in the 2021 SMFP.

In Section E.2, pages 91-93, 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:

The alternatives considered were:

- Maintain the status quo
- Develop an operating room with no additional support space
- Develop new procedure room rather than an operating room
- Develop an ambulatory surgery facility
- Relocate existing operating rooms within the WakeMed system
- Develop the project as proposed

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

- Maintaining the status quo would not address the growing demand for surgical services and capacity constraints at WakeMed North Hospital.
- Developing an operating room with no additional support space is less effective because an increase operating capacity requires commensurate increases in support space in order to be effective.

- Develop a new procedure room rather than an operating room is less effective because the surgical needs for patients with increasing acuity levels at WakeMed North Hospital cannot be met without operating rooms.
- Developing an ambulatory surgery center is less effective because it would not address the growing need for hospital-based operating room capacity.
- Relocating existing operating rooms from other WakeMed facilities was determined to be less effective because the facilities need the operating rooms due to high and growing utilization of the existing operating rooms.

Conclusion

The Agency reviewed the:

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

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

Project ID # J-12115-21/WakeMed Raleigh Campus/Add 1 OR

WakeMed proposes to develop no more than one shared operating room at WakeMed Raleigh Campus for a total of no more than 23 operating rooms (20 operating rooms and three C-section operating rooms) pursuant to the need determination in the 2021 SMFP.

In Section E.2, pages 83-84, 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:

The alternatives considered were:

- Maintain the status quo
- Relocate existing operating rooms within the WakeMed system
- Develop the project as proposed

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

- Maintaining the status quo would not address the growing demand for surgical services and capacity constraints at WakeMed Raleigh Campus.
- Relocating existing operating rooms from other WakeMed facilities was determined to be less effective because the facilities need the operating rooms due to high and growing utilization of the existing operating rooms.

Conclusion

The Agency reviewed the:

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

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

Project ID # J-12119-21/OSCR/Add 1 OR

OSCR proposes to add one new operating room for a total of four operating rooms pursuant to the need determination in the 2021 SMFP.

In Section E.2, pages 80-81, 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:

The alternatives considered were:

- Maintain the status quo
- Develop a different number of operating rooms
- Develop the operating rooms at a different location
- Develop the project as proposed

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

- Maintaining the status quo would not address the need identified by the applicant for additional surgical capacity for the OSCR facility.
- Developing a different number of operating rooms is less effective because the applicant determined that the development of one operating in an ASF setting two operating rooms in a hospital-based setting represents the best balance to meet the needs for surgical capacity in the healthcare system.
- Developing the operating room in a different location is less effective because the OSCR facility has the highest need based on the historical and projected utilization of the operating rooms.

Conclusion

The Agency reviewed the:

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

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

Project ID # J-12122-21/UNC REX Hospital/Add 2 ORs

UNC REX Hospital proposes to develop no more than two operating rooms pursuant to the need determination in the 2021 SMFP for a total of 32 operating rooms upon completion of this project and Project J-8669-11.

In Section E.2, pages 79-80, the applicant describes the alternatives it considered and explains why each alternative is either more costly or less effective than the alternative proposed in this application to meet the need. The alternatives considered were:

- Maintain the status quo
- Develop a different number of operating rooms
- Develop the operating rooms in a different location

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

- Maintaining the status quo would not address the growing demand for surgical services at UNC REX Hospital.
- Developing less than two operating rooms at UNC REX Hospital is less effective because it would not address the growing demand for surgical services, and developing all three operating rooms at the hospital is less effective because it does not balance the need for additional capacity for both hospital-based and ASF operating rooms.
- Developing operating rooms at another location is less effective because there is a need for additional hospital-based surgical capacity, and UNC REX Hospital is the only existing hospital surgical facility. The applicant states that it anticipates that UNC REX Holly Springs Hospital will have sufficient operating rooms capacity when it begins operations.

Conclusion

The Agency reviewed the:

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

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

- (5) Financial and operational projections for the project shall demonstrate the availability of funds for capital and operating needs as well as the immediate and long-term financial feasibility of the proposal, based upon reasonable projections of the costs of and charges for providing health services by the person proposing the service.

C
All Applications

Project ID # J-12114-21/WakeMed North Hospital/Add 1 OR

WakeMed proposes to develop no more than one shared operating room at WakeMed North Hospital for a total of no more than six operating rooms (five shared operating rooms and one dedicated C-section operating room) pursuant to the need determination in the 2021 SMFP.

Capital and Working Capital Costs

In Section Q, Form F.1a, page 168, the applicant projects the total capital cost of the project, as shown in the table below.

Site Preparation	\$336,017
Construction/Renovation Contract	\$5,308,177
Architect/Engineering Fees	\$536,066
Medical Equipment	\$2,894,080
Non-Medical Equipment	\$189,200
Consultant Fees	\$75,000
Other (permitting , inflation)	\$128,735
Total	\$9,467,275

In Section Q, page 169, the applicant provides the assumptions used to project the capital cost.

In Section F.3, page 96, the applicant states there will be no start-up costs or initial operating expenses because WakeMed North Hospital is an existing hospital.

Availability of Funds

In Section F.2, page 95, the applicant states the capital cost will be funded as shown in the table below.

Sources of Capital Cost Financing

Type	WakeMed
Loans	\$0
Accumulated reserves or OE *	\$9,467,275
Bonds	\$0
Other (Specify)	\$0
Total Financing	\$9,467,275

* OE = Owner's Equity

Exhibit F.2 contains an August 9, 2021 letter from a Vice President, Finance for WakeMed documenting that the funds will be made available for the capital costs of the project. Exhibit F.2 contains the audited financial statements for WakeMed which indicate the hospital had \$138 million in cash and cash equivalents as of September 30, 2020. The applicant adequately demonstrates the availability of sufficient funds for the capital needs of the project.

Financial Feasibility

The applicant provides 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 each of the first three full fiscal years of operation, as shown in the table below.

	Project Year 1 FFY2024	Project Year 2 FFY2025	Project Year 3 FFY2026
Total Surgical Cases	3,758	4,070	4,441
Total Gross Revenues (Charges)	\$221,008,304	\$246,006,152	\$274,642,269
Total Net Revenue	\$60,596,398	\$67,286,825	\$75,008,160
Average Net Revenue per Case	\$16,125	\$16,532	\$16,890
Total Operating Expenses (Costs)	\$32,673,932	\$36,857,266	\$40,648,547
Average Operating Expense per Case	\$8,695	\$9,056	\$9,153
Net Income	\$27,922,466	\$30,429,559	\$34,359,613

Totals may not sum due to rounding

The assumptions used by the applicant in preparation of the pro forma financial statements are provided in Section Q of the application. The assumptions used by the applicant in preparation of the pro forma financial statements are reasonable, including projected utilization, costs and charges. See Section Q of the application for the assumptions used regarding costs and charges. The discussion regarding projected utilization found in Criterion (3) is incorporated herein by reference.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

- Written comments
- Responses to comments

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

- 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.
- The applicant adequately demonstrates that the capital costs are based on reasonable and adequately supported assumptions.
- The applicant adequately demonstrates availability of sufficient funds for the capital needs of the proposal.
- The applicant adequately demonstrates sufficient funds for the operating needs of the proposal and that the financial feasibility of the proposal is based upon reasonable projections of costs and charges.

Project ID # J-12115-21/WakeMed Raleigh Campus/Add 1 OR

WakeMed proposes to develop no more than one shared operating room at WakeMed Raleigh Campus for a total of no more than 23 operating rooms (20 operating rooms and three C-section operating rooms) pursuant to the need determination in the 2021 SMFP.

Capital and Working Capital Costs

In Section Q, Form F.1a, page 154, the applicant projects the total capital cost of the project, as shown in the table below.

Construction/Renovation Contract	\$335,350
Architect/Engineering Fees	\$55,250
Medical Equipment	\$1,249,600
Non-Medical Equipment	\$47,300
Consultant Fees	\$60,000
Financing Costs	\$26,906
Interest During Construction	\$80,719
Other (permitting, inflation)	\$46,250
Total	\$1,901,375

In Section Q, page 155, the applicant provides the assumptions used to project the capital cost.

In Section F.3, page 86, the applicant states there will be no start-up costs or initial operating expenses because WakeMed Raleigh Campus is an existing hospital.

Availability of Funds

In Section F.2, page 85, the applicant states the capital cost will be funded as shown in the table below.

Sources of Capital Cost Financing	
Type	WakeMed
Loans	\$0
Accumulated reserves or OE *	\$1,901,375
Bonds	\$0
Other (Specify)	\$0
Total Financing	\$1,901,375

* OE = Owner's Equity

Exhibit F.2 contains an August 9, 2021 letter from a Vice President, Finance for WakeMed documenting that the funds will be made available for the capital costs of the project. Exhibit F.2 contains the audited financial statements for WakeMed which indicate the hospital had \$138 million in cash and cash equivalents as of September 30, 2020. The applicant adequately demonstrates the availability of sufficient funds for the capital needs of the project.

Financial Feasibility

The applicant provides 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 each of the first three full fiscal years of operation, as shown in the table below.

	Project Year 1 FFY2023	Project Year 2 FFY2024	Project Year 3 FFY2025
Total Surgical Cases	16,065	15,915	16,007
Total Gross Revenues (Charges)	\$1,366,916,229	\$1,394,179,155	\$1,429,358,207
Total Net Revenue	\$293,564,122	\$299,399,699	\$307,085,870
Average Net Revenue per Case	\$18,274	\$18,812	\$19,184
Total Operating Expenses (Costs)	\$127,263,363	\$130,197,340	\$133,778,567
Average Operating Expense per Case	\$7,922	\$8,181	\$8,358
Net Income	\$166,300,759	\$169,202,341	\$173,307,303

Totals may not sum due to rounding

The assumptions used by the applicant in preparation of the pro forma financial statements are provided in Section Q of the application. The assumptions used by the applicant in preparation of the pro forma financial statements are reasonable, including projected utilization, costs and charges. See Section Q of the application for the assumptions used regarding costs and charges. The discussion regarding projected utilization found in Criterion (3) is incorporated herein by reference.

Conclusion

The Agency reviewed the:

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

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

- 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.
- The applicant adequately demonstrates that the capital costs are based on reasonable and adequately supported assumptions.
- The applicant adequately demonstrates availability of sufficient funds for the capital needs of the proposal.
- The applicant adequately demonstrates sufficient funds for the operating needs of the proposal and that the financial feasibility of the proposal is based upon reasonable projections of costs and charges.

Project ID # J-12119-21/OSCR/Add 1 OR

OSCR proposes to add one new operating room for a total of four operating rooms pursuant to the need determination in the 2021 SMFP.

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.

Medical Equipment	\$382,260
Other	\$38,226
Total	\$420,486

In Section Q, page 18, the applicant provides the assumptions used to project the capital cost.

In Section F.3, page 84, the applicant states there will be no start-up costs or initial operating expenses because OSCR is an existing ASF.

Availability of Funds

In Section F.2, page 83, the applicant states the capital cost will be funded as shown in the table below.

Sources of Capital Cost Financing

Type	Orthopaedic Surgery Center of Raleigh
Loans	\$ 0
Accumulated reserves or OE *	\$420,486
Bonds	\$0
Total Financing	\$420,486

* OE = Owner's Equity

Exhibit F.2 contains an August 16, 2021 letter from the Treasurer for Orthopaedic Surgery Center of Raleigh, LLC expressing its intention to fund the capital costs of the project. Exhibit F.2 also contains a copy of the balance sheet for OSCR as of June 30, 2021 indicating that the applicant has adequate assets to fund the proposed project. The applicant adequately demonstrates the availability of sufficient funds for the capital needs of the project.

Financial Feasibility

The applicant provides 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 each of the first three full fiscal years of operation, as shown in the table below.

	Project Year 1 SFY2024	Project Year 2 SFY2025	Project Year 3 SFY2026
Total Surgical Cases	3,403	3,427	3,453
Total Gross Revenues (Charges)	\$101,049,953	\$104,930,005	\$108,999,420
Total Net Revenue	\$19,937,106	\$20,699,515	\$21,499,015
Average Net Revenue per Case	\$5,859	\$6,040	\$6,226
Total Operating Expenses (Costs)	\$17,060,066	\$17,643,388	\$18,250,375
Average Operating Expense per Case	\$5,013	\$5,148	\$5,285
Net Income	\$2,877,040	\$3,056,127	\$3,248,640

Totals may not sum due to rounding

The assumptions used by the applicant in preparation of the pro forma financial statements are provided in Section Q of the application. The assumptions used by the applicant in preparation of the pro forma financial statements are reasonable, including projected utilization, costs and charges. See Section Q of the application for the assumptions used regarding costs and charges. The discussion regarding projected utilization found in Criterion (3) is incorporated herein by reference.

Conclusion

The Agency reviewed the:

- Application

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

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

- 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.
- The applicant adequately demonstrates that the capital costs are based on reasonable and adequately supported assumptions.
- The applicant adequately demonstrates availability of sufficient funds for the capital needs of the proposal.
- The applicant adequately demonstrates sufficient funds for the operating needs of the proposal and that the financial feasibility of the proposal is based upon reasonable projections of costs and charges.

Project ID # J-12122-21/UNC REX Hospital/Add 2 ORs

UNC REX Hospital proposes to develop no more than two operating rooms pursuant to the need determination in the 2021 SMFP for a total of 32 operating rooms upon completion of this project and Project J-8669-11.

Capital and Working Capital Costs

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

Construction/Renovation Contract	\$2,489,710
Architect/Engineering Fees	\$186,729
Medical Equipment	\$1,102,646
Nonmedical Equipment	\$275,662
Consultant Fees	\$37,346
Other	\$122,500
Total	\$4,214,593

In Section Q, page 16, the applicant provides the assumptions used to project the capital cost.

In Section F.3, page 83, the applicant states there will be no start-up costs or initial operating expenses because UNC REX Hospital is an existing hospital.

Availability of Funds

In Section F.2, page 81, the applicant states the capital cost will be funded as shown in the table below.

Sources of Capital Cost Financing

Type	Rex Hospital, Inc.
Loans	\$
Accumulated reserves or OE *	\$4,214,593
Bonds	\$
Other (Specify)	\$
Total Financing	\$4,214,593

* OE = Owner's Equity

Exhibit F.2 contains an August 16, 2021 letter from a Chief Financial Officer for Rex Hospital, Inc. documenting that the funds will be made available for the capital costs of the project. Exhibit F.2 contains the audited financial statements for Rex Healthcare, Inc. which indicate the hospital had adequate cash and cash equivalents as of June 30, 2020 to fund the proposed project. The applicant adequately demonstrates the availability of sufficient funds for the capital needs of the project.

Financial Feasibility

The applicant provides 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 each of the first three full fiscal years of operation, as shown in the table below.

	Project Year 1 SFY2025	Project Year 2 SFY2026	Project Year 3 SFY2027
Total Surgical Cases	18,867	19,092	19,321
Total Gross Revenues (Charges)	\$615,291,823	\$641,316,384	\$668,480,841
Total Net Revenue	\$208,913,098	\$217,749,347	\$226,972,630
Average Net Revenue per Case	\$11,073	\$11,405	\$11,747
Total Operating Expenses (Costs)	\$186,322,652	\$193,389,589	\$200,739,284
Average Operating Expense per Case	\$9,876	\$10,129	\$10,390
Net Income	\$22,590,446	\$24,359,758	\$26,233,346

Totals may not sum due to rounding

The assumptions used by the applicant in preparation of the pro forma financial statements are provided in Section Q of the application. The assumptions used by the applicant in preparation of the pro forma financial statements are reasonable, including projected utilization, costs and charges. See Section Q of the application for the assumptions used regarding costs and charges. The discussion regarding projected utilization found in Criterion (3) is incorporated herein by reference.

Conclusion

The Agency reviewed the:

- Application

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

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

- 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.
 - The applicant adequately demonstrates that the capital costs are based on reasonable and adequately supported assumptions.
 - The applicant adequately demonstrates availability of sufficient funds for the capital needs of the proposal.
 - The applicant adequately demonstrates sufficient funds for the operating needs of the proposal and that the financial feasibility of the proposal is based upon reasonable projections of costs and charges.
- (6) The applicant shall demonstrate that the proposed project will not result in unnecessary duplication of existing or approved health service capabilities or facilities.

C
All Applications

On page 49, the 2021 SMFP states, “An OR’s service area is the single or multicounty grouping shown in Figure 6.1.” In Figure 6.1, page 55 of the 2021 SMFP, Wake County is shown as a single-county operating room service area. Thus, the service area for these facilities consists of Wake County. Facilities may also serve residents of counties not included in their service area.

The following table identifies the existing and approved inpatient (IP), outpatient (OP), and shared operating rooms located in Wake County, and the inpatient and outpatient case volumes for each provider, from pages 68-69 and pages 81-82 of the 2022 SMFP.

Wake County Operating Room Inventory and Cases

	IP ORs	OP ORs	Shared ORs	Excluded C-Section, Trauma, Burn ORs	CON Adjust-ments	Adjusted Planning Inventory	IP Surgery Cases	OP Surgery Cases
Duke Health Green Level ASC	0	0	0	0	1	1	0	0
Duke Health Garner ASC	0	0	0	0	1	1	0	0
Duke Raleigh Hospital	0	0	15	0	0	15	3,369	6,575
Duke University Health System Total	0	0	15	0	2	17		
Rex Surgery Center of Cary	0	4	0	0	0	4	0	3,810
Raleigh Orthopedic Surgery Center	0	3	0	0	0	3	0	4,126
Rex Surgery Center of Wakefield	0	2	0	0	0	2	0	2,325
Raleigh Orthopedic Surgery-West Cary	0	1	0	0	0	1	0	0
Rex Hospital (incl. Rex Holly Springs)	3	0	25	-3	-1	27	7,631	10,839
Orthopaedic Surgery Center of Garner	0	0	0	0	1	1	0	0
UNC Health Care System Total	3	10	25	-3	0	38		
WakeMed Surgery Center-Cary	0	0	0	0	1	1	0	0
WakeMed Surgery Center-North Raleigh	0	0	0	0	1	1	0	0
Capital City Surgery Center	0	8	0	0	-1	7	0	6,055
WakeMed (incl. WakeMed North)	8	0	20	-5	-1	22	7,952	11,194
WakeMed Cary Hospital	2	0	9	-2	1	10	2,867	3,681
WakeMed System Total	10	8	29	-7	1	41		
OrthoNC ASC	0	0	0	0	1	1	0	0
RAC Surgery Center	0	0	0	0	1	1	0	0
Surgical Center for Dental Professionals*	0	2	0	0	0	0	0	360
Blue Ridge Surgery Center	0	6	0	0	0	6	0	4,938
Raleigh Plastic Surgery Center^	0	1	0	0	0	1	0	303
Triangle Orthopedic Surgery Center	0	2	0	0	1	3	0	2,497
Wake Spine and Specialty Surgery Center	0	0	0	0	1	1	0	0
Holly Springs Surgery Center	0	3	0	0	0	3	0	2,266
Valleygate Surgery Center	0	0	0	0	1	1	0	0
Total Wake County ORs	13	32	69	-10	11	113		

Source: 2022 SMFP, Table 6A and Table 6B. The table also includes three projects approved pursuant to the 2020 need determination.

^Underutilized facility, excluded from need determination calculations.

*Ambulatory surgery demonstration project included in the inventory, but not included in the need determination calculations.

As the table above indicates, there are six existing or approved hospitals in Wake County (Duke Raleigh Hospital, UNC REX Hospital, Rex Holly Springs Hospital, WakeMed Raleigh Campus, Wake North Hospital, and WakeMed Cary Hospital) with a total adjusted planning inventory of 74 operating rooms. There are 19 existing or approved ambulatory surgery facilities in Wake County with a total adjusted planning inventory of 39 operating rooms. The 2021 SMFP shows a need for three additional operating rooms for the Wake County service area.

Project ID # J-12114-21/WakeMed North Hospital/Add 1 OR

WakeMed proposes to develop no more than one shared operating room at WakeMed North Hospital for a total of no more than six operating rooms (five shared operating rooms and one dedicated C-section operating room) pursuant to the need determination in the 2021 SMFP.

In Section G.2, pages 104-105, the applicant explains why it believes its proposal would not result in the unnecessary duplication of existing or approved operating rooms services in Wake County. The applicant states, *“It is very clear that WakeMed has a need for additional OR capacity to address significant constraints as documented. As such, the proposed project will not duplicate any other existing surgical service or provider.”*

The applicant adequately demonstrates that the proposal would not result in an unnecessary duplication of existing or approved services in the service area for the following reasons:

- There is a need determination in the 2021 SMFP for three operating rooms in the Wake County service area and the applicant proposes to develop one operating room.
- The applicant adequately demonstrates that the proposed operating room is needed in addition to the existing or approved operating rooms in Wake County.

Conclusion

The Agency reviewed the:

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

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

Project ID # J-12115-21/WakeMed Raleigh Campus/Add 1 OR

WakeMed proposes to develop no more than one shared operating room at WakeMed Raleigh Campus for a total of no more than 23 operating rooms (20 operating rooms and three C-section operating rooms) pursuant to the need determination in the 2021 SMFP.

In Section G.2, pages 94-95, the applicant explains why it believes its proposal would not result in the unnecessary duplication of existing or approved operating rooms services in Wake County. The applicant states, *“It is very clear that WakeMed has a need for additional OR capacity to address significant constraints as documented. As such, the proposed project will not duplicate any other existing surgical service or provider.”*

The applicant adequately demonstrates that the proposal would not result in an unnecessary duplication of existing or approved services in the service area for the following reasons:

- There is a need determination in the 2021 SMFP for three operating rooms in the Wake County service area and the applicant proposes to develop one operating room.
- The applicant adequately demonstrates that the proposed operating room is needed in addition to the existing or approved operating rooms in Wake County.

Conclusion

The Agency reviewed the:

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

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

Project ID # J-12119-21/OSCR/Add 1 OR

OSCR proposes to add one new operating room for a total of four operating rooms pursuant to the need determination in the 2021 SMFP.

In Section G.2, page 92, the applicant explains why it believes its proposal would not result in the unnecessary duplication of existing or approved operating room services in Wake County. The applicant states, *“Further, and as noted previously, Raleigh Orthopaedic Surgery Center transferred an operating room to Raleigh Orthopaedic Surgery Center-West Cary in 2020 in order to improve geographic access to residents of that part of Wake County and is currently operating at over 100 percent of capacity. Therefore, an additional operating room at Raleigh Orthopaedic Surgery Center would increase access to low-cost surgical services without 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 for the following reasons:

- There is a need determination in the 2021 SMFP for three operating rooms in the Wake County service area and the applicant proposes to develop one operating room.
- The applicant adequately demonstrates that the proposed operating room is needed in addition to the existing or approved operating rooms in Wake County.

Conclusion

The Agency reviewed the:

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

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

Project ID # J-12122-21/UNC REX Hospital/Add 2 ORs

UNC REX Hospital proposes to develop no more than two operating rooms pursuant to the need determination in the 2021 SMFP for a total of 32 operating rooms upon completion of this project and Project J-8669-11.

In Section G.2, page 91, the applicant explains why it believes its proposal would not result in the unnecessary duplication of existing or approved operating room services in Wake County. The applicant states, *“Of note, prior to the COVID-19 pandemic, UNC REX Hospital generated a need for additional operating rooms in the last four SMFPs. As such, UNC REX Hospital’s patients need continued access to the surgical services that UNC REX Hospital provides. Further, as described in Section C.4, UNC REX Hospital believes the best alternative to meeting the need for additional operating room capacity in Wake County requires a balanced approach that includes two additional hospital-based operating rooms at UNC REX Hospital as well as an additional operating room at Raleigh Orthopaedic Surgery Center, an existing freestanding ASF.”*

The applicant adequately demonstrates that the proposal would not result in an unnecessary duplication of existing or approved services in the service area for the following reasons:

- There is a need determination in the 2021 SMFP for three operating rooms in the Wake County service area and the applicant proposes to develop two operating rooms.
- The applicant adequately demonstrates that the proposed operating rooms are needed in addition to the existing or approved operating rooms in Wake County.

Conclusion

The Agency reviewed the:

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

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

- (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.

Project ID # J-12114-21/WakeMed North Hospital/Add 1 OR

WakeMed proposes to develop no more than one shared operating room at WakeMed North Hospital for a total of no more than six operating rooms (five shared operating rooms and one dedicated C-section operating room) pursuant to the need determination in the 2021 SMFP.

In Section Q, Form H, the applicant provides projected staffing for the proposed services through the first three operating years of the project.

The assumptions and methodology used to project staffing are provided in Section Q. Adequate operating expenses for the health manpower and management positions proposed by the applicant are budgeted in Section Q, Form F.3. In Sections H.2 and H.3, pages 106-111, 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
- Written comments
- Responses to comments

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

Project ID # J-12115-21/WakeMed Raleigh Campus/Add 1 OR

WakeMed proposes to develop no more than one shared operating room at WakeMed Raleigh Campus for a total of no more than 23 operating rooms (20 operating rooms and three C-section operating rooms) pursuant to the need determination in the 2021 SMFP.

In Section Q, Form H, the applicant provides projected staffing for the proposed services through the first three operating years of the project.

The assumptions and methodology used to project staffing are provided in Section Q. Adequate operating expenses for the health manpower and management positions proposed by the applicant are budgeted in Section Q, Form F.3. In Sections H.2 and H.3, pages 96-101, 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
- Written comments
- Responses to comments

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

Project ID # J-12119-21/OSCR/Add 1 OR

OSCR proposes to add one new operating room for a total of four operating rooms pursuant to the need determination in the 2021 SMFP.

In Section Q, Form H, the applicant provides projected staffing for the proposed services through the first three operating years of the project.

The assumptions and methodology used to project staffing are provided in Section Q. Adequate operating expenses for the health manpower and management positions proposed by the applicant are budgeted in Section Q, Form F.3. In Sections H.2 and H.3, pages 94-95, the applicant describes the methods that will be used to recruit or fill new positions and its proposed training and continuing education programs.

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

Conclusion

The Agency reviewed the:

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

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

Project ID # J-12122-21/UNC REX Hospital/Add 2 ORs

UNC REX Hospital proposes to develop no more than two operating rooms pursuant to the need determination in the 2021 SMFP for a total of 32 operating rooms upon completion of this project and Project J-8669-11.

In Section Q, Form H, the applicant provides projected staffing for the proposed services through the first three operating years of the project.

The assumptions and methodology used to project staffing are provided in Section Q. Adequate operating expenses for the health manpower and management positions proposed by the applicant are budgeted in Section Q, Form F.3. In Sections H.2 and H.3, pages 93-94, the applicant describes the methods that will be used to recruit or fill new positions and its proposed training and continuing education programs.

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

Conclusion

The Agency reviewed the:

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

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

- (8) The applicant shall demonstrate that the provider of the proposed services will make available, or otherwise make arrangements for, the provision of the necessary ancillary and support services. The applicant shall also demonstrate that the proposed service will be coordinated with the existing health care system.

C
All Applications

Project ID # J-12114-21/WakeMed North Hospital/Add 1 OR

WakeMed proposes to develop no more than one shared operating room at WakeMed North Hospital for a total of no more than six operating rooms (five shared operating rooms and one dedicated C-section operating room) pursuant to the need determination in the 2021 SMFP.

Ancillary and Support Services

In Section I.1, page 113, the applicant identifies the necessary ancillary and support services for the proposed services. On pages 113-114, the applicant explains how each ancillary and

support service is or will be made available and provides supporting documentation in Exhibit I-1 (Tab 7). The applicant adequately demonstrates that the necessary ancillary and support services will be made available.

Coordination

In Section I.2, pages 114-115, 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 (Tab 8) of the application. The applicant adequately demonstrates that the proposed services will be coordinated with the existing health care system.

Conclusion

The Agency reviewed the:

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

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

Project ID # J-12115-21/WakeMed Raleigh Campus/Add 1 OR

WakeMed proposes to develop no more than one shared operating room at WakeMed Raleigh Campus for a total of no more than 23 operating rooms (20 operating rooms and three C-section operating rooms) pursuant to the need determination in the 2021 SMFP.

Ancillary and Support Services

In Section I.1, page 102, the applicant identifies the necessary ancillary and support services for the proposed services. On pages 102-103, the applicant explains how each ancillary and support service is or will be made available and provides supporting documentation in Exhibit I-1 (Tab 7). The applicant adequately demonstrates that the necessary ancillary and support services will be made available.

Coordination

In Section I.2, pages 103-104, 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 (Tab 8) of the application. The applicant adequately demonstrates that the proposed services will be coordinated with the existing health care system.

Conclusion

The Agency reviewed the:

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

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

Project ID # J-12119-21/OSCR/Add 1 OR

OSCR proposes to add one new operating room for a total of four operating rooms pursuant to the need determination in the 2021 SMFP.

Ancillary and Support Services

In Section I.1, page 96, the applicant identifies the necessary ancillary and support services for the proposed services. On pages 96-97, the applicant explains how each ancillary and support service is made available and provides supporting documentation in Exhibit I.1. The applicant adequately demonstrates that the necessary ancillary and support services will be made available.

Coordination

In Section I.2, pages 97-98, 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 of the application. The applicant adequately demonstrates that the proposed services will be coordinated with the existing health care system.

Conclusion

The Agency reviewed the:

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

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

Project ID # J-12122-21/UNC REX Hospital/Add 2 ORs

UNC REX Hospital proposes to develop no more than two operating rooms pursuant to the need determination in the 2021 SMFP for a total of 32 operating rooms upon completion of this project and Project J-8669-11.

Ancillary and Support Services

In Section I.1, pages 95, the applicant identifies the necessary ancillary and support services for the proposed services. On pages 95-96, the applicant 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.

Coordination

In Section I.2, page 96, 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 of the application. The applicant adequately demonstrates that the proposed services will be coordinated with the existing health care system.

Conclusion

The Agency reviewed the:

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

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

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

NA
All Applications

The applicants do 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 applicants do 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

None of the applicants is an HMO. Therefore, Criterion (10) is not applicable to this review.

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

NA
OSCR

C
All Other Applications

Project ID # J-12114-21/WakeMed North Hospital/Add 1 OR

WakeMed proposes to develop no more than one shared operating room at WakeMed North Hospital for a total of no more than six operating rooms (five shared operating rooms and one dedicated C-section operating room) pursuant to the need determination in the 2021 SMFP.

In Section K, page 118, the applicant states that the project involves construction of 5,904 square feet of new space and renovation of 1,375 square feet of existing space. Line drawings are provided in Exhibit K-2 (Tab 9).

On pages 118-119, the applicant adequately explains how the cost, design and means of construction represent the most reasonable alternative for the proposal.

On page 119, 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.

In Section B, pages 33-34, the applicant identifies any applicable energy saving features that will be incorporated into the construction plans.

Conclusion

The Agency reviewed the:

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

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

Project ID # J-12115-21/WakeMed Raleigh Campus/Add 1 OR

WakeMed proposes to develop no more than one shared operating room at WakeMed Raleigh Campus for a total of no more than 23 operating rooms (20 operating rooms and three C-section operating rooms) pursuant to the need determination in the 2021 SMFP.

In Section K, page 107, the applicant states that the project involves renovation of 650 square feet of existing space. Line drawings are provided in Exhibit K-2 (Tab 9).

On page 107, the applicant adequately explains how the cost, design and means of construction represent the most reasonable alternative for the proposal.

On page 108, the applicant adequately explains why the proposal will not unduly increase the costs to the applicant of providing the proposed services or the costs and charges to the public for the proposed services.

On page 108, the applicant identifies any applicable energy saving features that will be incorporated into the construction plans.

Conclusion

The Agency reviewed the:

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

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

Project ID # J-12119-21/OSCR/Add 1 OR

OSCR proposes to add one new operating room for a total of four operating rooms pursuant to the need determination in the 2021 SMFP. In Section K, page 100, the applicant states that the project does not involve any construction or renovations to the existing facility. Therefore, this criterion is not applicable.

Project ID # J-12122-21/UNC REX Hospital/Add 2 ORs

UNC REX Hospital proposes to develop no more than two operating rooms pursuant to the need determination in the 2021 SMFP for a total of 32 operating rooms upon completion of this project and Project J-8669-11.

In Section K, page 99, the applicant states that the project involves renovation of 3,167 square feet of existing space. Line drawings are provided in Exhibit C.1.

On page 99, the applicant adequately explains how the cost, design and means of construction represent the most reasonable alternative for the proposal.

On page 100, the applicant adequately explains why the proposal will not unduly increase the costs to the applicant of providing the proposed services or the costs and charges to the public for the proposed services.

On page 100, the applicant identifies any applicable energy saving features that will be incorporated into the construction plans.

Conclusion

The Agency reviewed the:

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

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

- (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
 All Applications

Project ID # J-12114-21/WakeMed North Hospital/Add 1 OR

In Section L.1, page 122, the applicant provides the historical payor mix during FFY2020 for WakeMed North Hospital, as shown in the table below.

Payor Category	Percent of Total Patients Served
Self-Pay/Charity Care	12.1%
Medicare*	21.6%
Medicaid*	15.0%
Insurance*	46.8%
Other (TRICARE, WC, Other Govt)	4.4%
Total	100.0%

Source: Table on page 122 of the application.
 *Including any managed care plans.

In Section L.1, page 123, the applicant provides the following comparison.

	Percentage of Total Patients Served by WakeMed North Hospital during FFY2020	Percentage of the Population of Wake County
Female	68.9%	51.3%
Male	31.1%	48.7%
Unknown	0.0%	0.0%
64 and Younger	66.4%	87.0%
65 and Older	33.6%	13.0%
American Indian	0.3%	0.5%
Asian	1.3%	6.1%
Black or African-American	24.7%	20.8%
Native Hawaiian or Pacific Islander	0.1%	0.1%
White or Caucasian	64.9%	64.2%
Other Race	5.3%	8.3%
Declined / Unavailable	3.4%	0.0%

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments

- Responses to comments

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

Project ID # J-12115-21/WakeMed Raleigh Campus/Add 1 OR

In Section L.1, page 111, the applicant provides the historical payor mix during FFY2020 for WakeMed Raleigh Campus, as shown in the table below.

Payor Category	Percent of Total Patients Served
Self-Pay/Charity Care	8.5%
Medicare*	31.3%
Medicaid*	22.2%
Insurance*	33.4%
Other (TRICARE, WC, Other Govt)	4.6%
Total	100.0%

Source: Table on page 111 of the application.
 *Including any managed care plans.

In Section L.1, page 112, the applicant provides the following comparison.

	Percentage of Total Patients Served by WakeMed during FFY2020	Percentage of the Population of Wake County
Female	46.6%	51.1%
Male	53.4%	48.9%
Unknown	0.0%	0.0%
64 and Younger	77.3%	86.5%
65 and Older	22.7%	13.5%
American Indian	0.2%	0.8%
Asian	1.3%	4.8%
Black or African-American	27.7%	26.2%
Native Hawaiian or Pacific Islander	0.1%	0.1%
White or Caucasian	57.9%	58.9%
Other Race	11.7%	9.2%
Declined / Unavailable	1.0%	0.0%

The Agency reviewed the:

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

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

Project ID # J-12119-21/OSCR/Add 1 OR

In Section L.1, page 104, the applicant provides the historical patient mix for Raleigh Orthopaedic Surgery Center for SFY2021, as summarized below:

Payor Category	Percentage of Total Patients Served
Self-Pay	0.9%
Medicare*	19.2%
Medicaid*	1.3%
Insurance*	69.4%
Other (WC, TRICARE)	9.2%
Total	100.0%

Source: Table on page 104 of the application.

*Including any managed care plans.

In Section L.1, page 105, the applicant provides the following comparison.

	Percentage of Total Patients Served by Raleigh Orthopaedic Surgery Center during SFY2021	Percentage of the Population of Wake County
Female	51.4%	51.4%
Male	48.6%	48.6%
Unknown	0.0%	0.0%
64 and Younger	78.7%	88.0%
65 and Older	21.3%	12.0%
American Indian	0.5%	0.8%
Asian	2.0%	7.7%
Black or African-American	10.8%	21.0%
Native Hawaiian or Pacific Islander	0.0%	0.1%
White or Caucasian	79.1%	67.9%
Other Race	0.8%	2.5%
Declined / Unavailable	6.8%	0.0%

The Agency reviewed the:

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

Based on that review, the Agency concludes that the applicant adequately documents the extent to which medically underserved populations currently use the applicant's

existing services in comparison to the percentage of the population in the applicant’s service area which is medically underserved. Therefore, the application is conforming to this criterion.

Project ID # J-12122-21/UNC REX Hospital/Add 2 ORs

In Section L.1, page 103, the applicant provides the historical payor mix for UNC REX Hospital for SFY2021, as shown in the table below.

Payor Category	Percentage of Total Patients Served
Self-Pay	8.2%
Medicare*	40.2%
Medicaid*	5.3%
Insurance*	38.0%
Other (Workers Compensation, TRICARE)	8.3%
Total	100.0%

Source: Table on page 103 of the application.
 *Including any managed care plans.

In Section L.1, page 104, the applicant provides the following comparison.

	Percentage of Total Patients Served by UNC REX Hospital during SFY2021	Percentage of the Population of Wake County
Female	61.5%	51.4%
Male	38.3%	48.6%
Unknown	0.2%	0.0%
64 and Younger	63.1%	88.0%
65 and Older	36.9%	12.0%
American Indian	0.3%	0.8%
Asian	1.8%	7.7%
Black or African-American	26.1%	21.0%
Native Hawaiian or Pacific Islander	0.1%	0.1%
White or Caucasian	64.0%	67.9%
Other Race	5.9%	2.5%
Declined / Unavailable	1.8%	0.0%

The Agency reviewed the:

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

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

- (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
All Applications

Project ID # J-12114-21/WakeMed North Hospital/Add 1 OR

Regarding any obligation to provide uncompensated care, community service or access by minorities and persons with disabilities, in Section L, page 124, the applicant states it has no obligations under any applicable federal regulation but complies with all other federally mandated regulations related to minorities and handicapped individuals.

In Section L, page 124, the applicant states that no patient civil rights access complaints have been filed against WakeMed North Hospital in the past 18 months.

The Agency reviewed the:

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

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

Project ID # J-12115-21/WakeMed Raleigh Campus/Add 1 OR

Regarding any obligation to provide uncompensated care, community service or access by minorities and persons with disabilities, in Section L, page 113, the applicant states it has no obligations under any applicable federal regulation but complies with all other federally mandated regulations related to minorities and handicapped individuals.

In Section L, page 113, the applicant states that no patient civil rights access complaints have been filed against WakeMed Raleigh Campus in the past 18 months.

The Agency reviewed the:

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

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

Project ID # J-12119-21/OSCR/Add 1 OR

Regarding any obligation to provide uncompensated care, community service or access by minorities and persons with disabilities, in Section L, page 106, the applicant states it has no obligations under any applicable federal regulation but complies with all other federally mandated regulations related to minorities and handicapped individuals.

In Section L, page 107, the applicant states that no patient civil rights access complaints have been filed against Raleigh Orthopaedic Surgery Center in the past 18 months.

The Agency reviewed the:

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

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

Project ID # J-12122-21/UNC REX Hospital/Add 2 ORs

Regarding any obligation to provide uncompensated care, community service or access by minorities and persons with disabilities, in Section L, page 105, the applicant states,

“UNC REX Hospital has had no obligations to provide uncompensated care, community service, or access to care by medically underserved, minorities, or handicapped persons during the last three years. However, in order to maintain UNC REX Hospital’s § 501(c)(3) tax-exempt status, it is necessary to fulfill a general obligation to provide access to healthcare services for all patients needing care, regardless of their ability to pay. UNC REX Hospital does this on a routine basis for all patients regardless of referral source.”

In Section L, page 106, the applicant states that no patient civil rights access complaints have been filed against UNC REX Hospital in the past 18 months.

The Agency reviewed the:

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

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

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

C
All Applications

Project ID # J-12114-21/WakeMed North Hospital/Add 1 OR

In Section L.3, page 125, the applicant projects the following payor mix for the surgical services at WakeMed North Hospital during the third full fiscal year of operation following completion of the project, as shown in the table below.

Payor Category	Percentage of Total Patients Served
Self-Pay/Charity Care	3.1%
Medicare *	33.4%
Medicaid *	5.6%
Insurance *	53.9%
Other (WC, TRICARE)	4.0%
Total	100.0%

Source: Table on page 125 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 3.1% of total services will be provided to self-pay/charity care patients, 33.4% to Medicare patients and 5.6% to Medicaid patients.

On page 125, the applicant provides the assumptions and methodology used to project payor mix during the first three full fiscal years of operation following completion of the project. The projected payor mix is reasonable and adequately supported because it is based on the historical payor mix for surgical services at WakeMed North Hospital.

The Agency reviewed the:

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

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

Project ID # J-12115-21/WakeMed Raleigh Campus/Add 1 OR

In Section L.3, page 114, the applicant projects the following payor mix for the surgical services at WakeMed Raleigh Campus during the third full fiscal year of operation following completion of the project, as shown in the table below.

Payor Category	Percentage of Total Patients Served
Self-Pay/Charity Care	5.9%
Medicare *	40.2%
Medicaid *	17.5%
Insurance *	29.4%
Other (WC, TRICARE)	6.9%
Total	100.0%

Source: Table on page 114 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 5.9% of total services will be provided to self-pay/charity care patients, 40.2% to Medicare patients and 17.5% to Medicaid patients.

On page 114, the applicant provides the assumptions and methodology used to project payor mix during the first three full fiscal years of operation following completion of the project. The projected payor mix is reasonable and adequately supported because it is based on the historical payor mix for surgical services at WakeMed Raleigh Campus.

The Agency reviewed the:

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

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

Project ID # J-12119-21/OSCR/Add 1 OR

In Section L.3, page 107, the applicant projects the following payor mix for the surgical services at Raleigh Orthopaedic Surgery Center during the third full fiscal year of operation following completion of the project, as shown in the table below.

Payor Category	Percentage of Total Patients Served
Self-Pay	1.0%
Medicare *	20.1%
Medicaid *	1.4%
Insurance *	68.4%
Other (Workers Comp, TRICARE)	9.1%
Total	100.0%

Source: Table on page 107 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 1.0% of total services will be provided to self-pay patients, 20.1% to Medicare patients and 1.4% to Medicaid patients.

On page 107, the applicant provides the assumptions and methodology used to project payor mix during the first three full fiscal years of operation following completion of the project. The projected payor mix is reasonable and adequately supported because it is based on the historical payor mix for the existing ambulatory surgical facility.

The Agency reviewed the:

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

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

Project ID # J-12122-21/UNC REX Hospital/Add 2 ORs

In Section L.3, page 107, the applicant projects the following payor mix for the surgical services at UNC REX Hospital during the third full fiscal year of operation following completion of the project, as shown in the table below.

Payor Category	Percentage of Total Patients Served
Self-Pay	3.1%
Medicare *	40.9%
Medicaid *	4.3%
Insurance *	40.8%
Other (Workers Comp, TRICARE)	10.9%
Total	100.0%

Source: Table on page 107 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 3.1% of total services will be provided to self-pay patients, 40.9% to Medicare patients and 4.3% to Medicaid patients.

On page 107, the applicant provides the assumptions and methodology used to project payor mix during the first three full fiscal years of operation following completion of the project. The projected payor mix is reasonable and adequately supported because it is based on the historical (SFY2021) payor mix for surgical services at UNC REX Hospital.

The Agency reviewed the:

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

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

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

C
All Applications

Project ID # J-12114-21/WakeMed North Hospital/Add 1 OR

In Section L, pages 126-127, the applicant adequately describes the range of means by which patients will have access to the proposed services.

The Agency reviewed the:

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

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

Project ID # J-12115-21/WakeMed Raleigh Campus/Add 1 OR

In Section L, pages 115-116, the applicant adequately describes the range of means by which patients will have access to the proposed services.

The Agency reviewed the:

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

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

Project ID # J-12119-21/OSCR/Add 1 OR

In Section L, page 109, the applicant adequately describes the range of means by which patients will have access to the proposed services.

The Agency reviewed the:

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

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

Project ID # J-12122-21/UNC REX Hospital/Add 2 ORs

In Section L, page 108, the applicant adequately describes the range of means by which patients will have access to the proposed services.

The Agency reviewed the:

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

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

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

All Applications

All Applications. In Section M, the applicants describe the extent to which health professional training programs in the area have or will have access to the facility for training purposes and provide supporting documentation in the referenced exhibits.

The Agency reviewed the:

- Applications
- Exhibits to the applications

Based on that review, the Agency concludes that all of the applicants adequately demonstrate that the proposed services will accommodate the clinical needs of area health professional training programs, and therefore, all of the applications are conforming to this criterion.

- (15) Repealed effective July 1, 1987.
- (16) Repealed effective July 1, 1987.
- (17) Repealed effective July 1, 1987.
- (18) Repealed effective July 1, 1987.

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

C

All Applications

On page 49, the 2021 SMFP states, “*An OR’s service area is the single or multicounty grouping shown in Figure 6.1.*” In Figure 6.1, page 55 of the 2021 SMFP, Wake County is shown as a single-county operating room service area. Thus, the service area for these facilities consists of Wake County. Facilities may also serve residents of counties not included in their service area.

The following table identifies the existing and approved inpatient (IP), outpatient (OP), and shared operating rooms located in Wake County, and the inpatient and outpatient case volumes for each provider, from pages 68-69 and pages 81-82 of the 2022 SMFP.

Wake County Operating Room Inventory and Cases

	IP ORs	OP ORs	Shared ORs	Excluded C-Section, Trauma, Burn ORs	CON Adjust-ments	Adjusted Planning Inventory	IP Surgery Cases	OP Surgery Cases
Duke Health Green Level ASC	0	0	0	0	1	1	0	0
Duke Health Garner ASC	0	0	0	0	1	1	0	0
Duke Raleigh Hospital	0	0	15	0	0	15	3,369	6,575
Duke University Health System Total	0	0	15	0	2	17		
Rex Surgery Center of Cary	0	4	0	0	0	4	0	3,810
Raleigh Orthopedic Surgery Center	0	3	0	0	0	3	0	4,126
Rex Surgery Center of Wakefield	0	2	0	0	0	2	0	2,325
Raleigh Orthopedic Surgery-West Cary	0	1	0	0	0	1	0	0
UNC REX Hospital (incl. Rex Holly Springs)	3	0	25	-3	-1	27	7,631	10,839
Orthopaedic Surgery Center of Garner	0	0	0	0	1	1	0	0
UNC Health Care System Total	3	10	25	-3	0	38		
WakeMed Surgery Center-Cary	0	0	0	0	1	1	0	0
WakeMed Surgery Center-North Raleigh	0	0	0	0	1	1	0	0
Capital City Surgery Center	0	8	0	0	-1	7	0	6,055
WakeMed (incl. WakeMed North)	8	0	20	-5	-1	22	7,952	11,194
WakeMed Cary Hospital	2	0	9	-2	1	10	2,867	3,681
WakeMed System Total	10	8	29	-7	1	41		
OrthoNC ASC	0	0	0	0	1	1	0	0
RAC Surgery Center	0	0	0	0	1	1	0	0
Surgical Center for Dental Professionals*	0	2	0	0	0	0	0	360
Blue Ridge Surgery Center	0	6	0	0	0	6	0	4,938
Raleigh Plastic Surgery Center^	0	1	0	0	0	1	0	303
Triangle Orthopedic Surgery Center	0	2	0	0	1	3	0	2,497
Wake Spine and Specialty Surgery Center	0	0	0	0	1	1	0	0
Holly Springs Surgery Center	0	3	0	0	0	3	0	2,266
Valleygate Surgery Center	0	0	0	0	1	1	0	0
Total Wake County ORs	13	32	69	-10	11	113		

Source: 2022 SMFP, Table 6A and Table 6B. The table also includes three projects approved pursuant to the 2020 need determination.

^Underutilized facility, excluded from need determination calculations.

*Ambulatory surgery demonstration project included in the inventory, but not included in the need determination calculations.

As the table above indicates, there are six existing or approved hospitals in Wake County (Duke Raleigh Hospital, UNC REX Hospital, Rex Holly Springs Hospital, WakeMed Raleigh Campus, Wake North Hospital, and WakeMed Cary Hospital) with a total adjusted planning inventory of 74 operating rooms. There are 19 existing or approved ambulatory surgery facilities in Wake County with a total adjusted planning inventory of 39 operating rooms. The 2021 SMFP shows a need for three additional operating rooms for the Wake County service area.

Project ID # J-12114-21/WakeMed North Hospital/Add 1 OR

WakeMed proposes to develop no more than one shared operating room at WakeMed North Hospital for a total of no more than six operating rooms (five shared operating rooms and one dedicated C-section operating room) pursuant to the need determination in the 2021 SMFP.

In Section N, pages 131-133, the applicant describes the expected effects of the proposed services on competition in the service area and discusses how any enhanced competition in the service area will promote the cost-effectiveness, quality and access to the proposed services. On page 131, the applicant states,

“WakeMed North is in need of additional OR and procedure room capacity to continue to meet current and future demand for patients and physician referrals. The proposed project will allow WakeMed to remain competitive and thus maintain the strong competition in the service area. It will also allow WakeMed to remain prepared for long-term success by serving patients’ needs and providing them with an excellent experience.”

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
- Responses to comments

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

Project ID # J-12115-21/WakeMed Raleigh Campus/Add 1 OR

WakeMed proposes to develop no more than one shared operating room at WakeMed Raleigh Campus for a total of no more than 23 operating rooms (20 operating rooms and three C-section operating rooms) pursuant to the need determination in the 2021 SMFP.

In Section N, pages 120-122, the applicant describes the expected effects of the proposed services on competition in the service area and discusses how any enhanced competition in the service area will promote the cost-effectiveness, quality and access to the proposed services. On page 120, the applicant states,

“WakeMed Raleigh is in need of additional OR capacity to continue to meet current and future demand for patients and physician referrals. The proposed project will allow WakeMed to remain competitive and thus maintain the strong competition in the service area. It will also allow WakeMed to remain prepared for long-term success by serving patients’ needs and providing them with an excellent experience.”

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
- Responses to comments

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

Project ID # J-12119-21/OSCR/Add 1 OR

OSCR proposes to add one new operating room for a total of four operating rooms pursuant to the need determination in the 2021 SMFP.

In Section N, pages 113-114, and Section B, pages 27-34, the applicant describes the expected effects of the proposed services on competition in the service area and discusses how any

enhanced competition in the service area will promote the cost-effectiveness, quality and access to the proposed services.

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
- Responses to comments

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

Project ID # J-12122-21/UNC REX Hospital/Add 2 ORs

UNC REX Hospital proposes to develop no more than two operating rooms pursuant to the need determination in the 2021 SMFP for a total of 32 operating rooms upon completion of this project and Project J-8669-11.

In Section N, pages 112-113, and Section B, pages 27-32, the applicant describes the expected effects of the proposed services on competition in the service area and discusses how any enhanced competition in the service area will promote the cost-effectiveness, quality and access to the proposed services.

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
- Responses to comments

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 All Applications

Project ID # J-12114-21/WakeMed North Hospital/Add 1 OR

In Section Q, Form O, page 176, the applicant identifies two hospitals and three ambulatory surgical facilities (one existing and two approved) located in North Carolina owned, operated or managed by the applicant or a related entity. Thus, the applicant identifies a total of three existing facilities of this type located in North Carolina.

In Section O.5, page 141, the applicant states that, during the 18 months immediately preceding the submittal of the application, no incidents related to quality of care occurred in any of these facilities. According to the files in the Acute and Home Care Licensure Section, DHRS, during the 18 months immediately preceding submission of the application through the date of this decision, no incidents related to quality of care occurred in these facilities. After reviewing and considering information provided by the applicant and by the Acute and Home Care Licensure Section and considering the quality of care provided at all three facilities, the

applicant provided sufficient evidence that quality care has been provided in the past. Therefore, the application is conforming to this criterion.

Project ID # J-12115-21/WakeMed Raleigh Campus/Add 1 OR

In Section Q, Form O, page 163, the applicant identifies two hospitals and three ambulatory surgical facilities (one existing and two approved) located in North Carolina owned, operated or managed by the applicant or a related entity. Thus, the applicant identifies a total of three existing facilities of this type located in North Carolina.

In Section O.5, page 131, the applicant states that, during the 18 months immediately preceding the submittal of the application, no incidents related to quality of care occurred in any of these facilities. According to the files in the Acute and Home Care Licensure Section, DHSR, during the 18 months immediately preceding submission of the application through the date of this decision, no incidents related to quality of care occurred in these facilities. After reviewing and considering information provided by the applicant and by the Acute and Home Care Licensure Section and considering the quality of care provided at all three facilities, the applicant provided sufficient evidence that quality care has been provided in the past. Therefore, the application is conforming to this criterion.

Project ID # J-12119-21/OSCR/Add 1 OR

In Section Q, Form O, the applicant identifies twelve hospitals and eight ambulatory surgical facilities (six existing and two approved) located in North Carolina owned, operated or managed by the applicant or a related entity. Thus, the applicant identifies a total of 18 existing facilities of this type located in North Carolina.

In Section O.4, page 117, the applicant states that, during the 18 months immediately preceding the submittal of the application, incidents related to quality of care occurred in two of these facilities; Onslow Memorial Hospital and UNC REX Hospital. The applicant states that plans of correction for both facilities were submitted and accepted by CMS and the matters have been resolved. According to the files in the Acute and Home Care Licensure Section, DHSR, during the 18 months immediately preceding submission of the application through the date of this decision, no incidents related to quality of care occurred in any of the applicant's other facilities. After reviewing and considering information provided by the applicant and by the Acute and Home Care Licensure Section and considering the quality of care provided at all of the applicant's facilities, the applicant provided sufficient evidence that quality care has been provided in the past. Therefore, the application is conforming to this criterion.

Project ID # J-12122-21/UNC REX Hospital/Add 2 ORs

In Section Q, Form O, the applicant identifies twelve hospitals and eight ambulatory surgical facilities (six existing and two approved) located in North Carolina owned, operated or managed by the applicant or a related entity. Thus, the applicant identifies a total of 18 existing facilities of this type located in North Carolina.

In Section O.4, pages 115-116, the applicant states that, during the 18 months immediately preceding the submittal of the application, incidents related to quality of care occurred in two of these facilities; Onslow Memorial Hospital and UNC REX Hospital. The applicant states that plans of correction for both facilities were submitted and accepted by CMS and the matters have been resolved. According to the files in the Acute and Home Care Licensure Section, DHSR, during the 18 months immediately preceding submission of the application through the date of this decision, no incidents related to quality of care occurred in any of the applicant's other facilities. After reviewing and considering information provided by the applicant and by the Acute and Home Care Licensure Section and considering the quality of care provided at all of the applicant's facilities, 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.

C All Applications

The applications are conforming with all applicable Criteria and Standards for Surgical Services and Operating Rooms. The specific criteria are discussed below.

SECTION .2100 – CRITERIA AND STANDARDS FOR SURGICAL SERVICES AND OPERATING ROOMS

10A NCAC 14C .2103 PERFORMANCE STANDARDS

(a) *An applicant proposing to increase the number of operating rooms, excluding dedicated C-section operating rooms, in a service area shall demonstrate the need for the number of proposed operating rooms in addition to the existing and approved operating rooms in the applicant's health system in the applicant's third full fiscal year following completion of the proposed project based on the Operating Room Need Methodology set forth in the annual State Medical Facilities Plan. The applicant is not required to use the population growth factor.*

-C- **WakeMed North Hospital.** This proposal would develop one additional operating room at an existing hospital. The applicant projects sufficient surgical cases and hours to demonstrate the need for one operating room in the applicant's health system in the third operating year of the project based on the Operating Room Need Methodology in the 2021 SMFP. The discussion regarding projected utilization found in Criterion (3) is incorporated herein by reference.

- C- **WakeMed Raleigh Campus.** This proposal would develop one additional operating room at an existing hospital. The applicant projects sufficient surgical cases and hours to demonstrate the need for one operating room in the applicant's health system in the third operating year of the project based on the Operating Room Need Methodology in the 2021 SMFP. The discussion regarding projected utilization found in Criterion (3) is incorporated herein by reference.
- C- **OSCR.** This proposal would develop one additional operating room at an existing ambulatory surgery center. The applicant projects sufficient surgical cases and hours to demonstrate the need for one operating room in the applicant's health system in the third operating year of the project based on the Operating Room Need Methodology in the 2021 SMFP. The discussion regarding projected utilization found in Criterion (3) is incorporated herein by reference.
- C- **UNC REX Hospital.** This proposal would develop two additional operating rooms at an existing hospital. The applicant projects sufficient surgical cases and hours to demonstrate the need for two operating room in the applicant's health system in the third operating year of the project based on the Operating Room Need Methodology in the 2021 SMFP. The discussion regarding projected utilization found in Criterion (3) is incorporated herein by reference.
- (b) *The applicant shall provide the assumptions and methodology used for the projected utilization required by this Rule.*
- C- **WakeMed North Hospital.** In Section Q, pages 152-167, the applicant provides the assumptions and methodology used in the development of the projections required by this Rule. The discussion regarding analysis of need, including projected utilization, found in Criterion (3) is incorporated herein by reference.
- C- **WakeMed Raleigh Campus.** In Section Q, pages 140-153, the applicant provides the assumptions and methodology used in the development of the projections required by this Rule. The discussion regarding analysis of need, including projected utilization, found in Criterion (3) is incorporated herein by reference.
- C- **OSCR.** In Section Q, Form C Methodology and Assumptions, pages 1-23, the applicant provides the assumptions and methodology used in the development of the projections required by this Rule. The discussion regarding analysis of need, including projected utilization, found in Criterion (3) is incorporated herein by reference.
- C- **UNC REX Hospital.** In Section Q, Form C Methodology and Assumptions, pages 1-22, the applicant provides the assumptions and methodology used in the development of the projections required by this Rule. The discussion regarding analysis of need, including projected utilization, found in Criterion (3) is incorporated herein by reference.

COMPARATIVE ANALYSIS

Pursuant to G.S. 131E-183(a)(1) and the 2021 SMFP, no more than three operating rooms may be approved for Wake County in this review. Because the four applications in this review collectively propose to develop five additional operating rooms, all the applications cannot be approved. Therefore, after considering all the information in each application and reviewing each application individually against all applicable statutory and regulatory review criteria, the Project Analyst conducted a comparative analysis of the proposals to decide which proposals should be approved.

Below is a brief description of each project included in this review.

- Project I.D. # J-12114-21 / **WakeMed North Hospital** / Add one operating room for a total of 6 operating rooms (5 operating rooms and 1 dedicated C-section operating room)
- Project I.D. # J-12115-21 / **WakeMed Raleigh Campus** / Add one operating room for a total of 23 operating rooms (20 operating rooms and 3 dedicated C-section operating rooms)
- Project I.D. # J-12119-21 / **OSCR** / Add one operating room for a total of 4 operating rooms
- Project I.D. # J-12122-21 / **UNC REX Hospital** / Add two operating rooms for a total of 29 operating rooms on the main campus (26 operating rooms and 3 dedicated C-section operating rooms)

Conformity with Statutory and Regulatory Review Criteria

An application that is not conforming or conforming as conditioned with all applicable statutory and regulatory review criteria cannot be approved. All applications are conforming to all applicable statutory and regulatory review criteria. Therefore, regarding this comparative factor, all applications are equally effective alternatives.

Geographic Accessibility (Location within the Service Area)

The following table identifies the existing and approved Wake County operating rooms by location and facility name. As the table below shows, the existing and approved Wake County operating rooms are located in Raleigh, North Raleigh, Cary, Garner and Holly Springs.

Wake County Existing and Approved Operating Rooms by Location

Location	Facility Name	Adjusted Operating Room Planning Inventory*
Holly Springs	Rex Hospital Holly Springs	3
North Raleigh	Rex Surgery Center of Wakefield	2
Cary	Rex Surgery Center of Cary	4
Raleigh	UNC REX Hospital	24
Raleigh	Raleigh Orthopedic Surgery Center	3
Cary	Raleigh Orthopedic Surgery-West Cary	1
Garner	Orthopaedic Surgery Center of Garner**	1
Raleigh	Capital City Surgery Center	7
Raleigh	WakeMed	18
North Raleigh	WakeMed North Hospital	4
North Raleigh	WakeMed Surgery Center-North Raleigh	1
Cary	WakeMed Cary Hospital	10
Cary	WakeMed Surgery Center-Cary	1
Holly Springs	Holly Springs Surgery Center	3
Raleigh	Blue Ridge Surgery Center	6
Raleigh	Raleigh Plastic Surgery Center	1
Raleigh	Triangle Orthopedic Surgery Center	3
Raleigh	RAC Surgery Center	1
North Raleigh	OrthoNC Ambulatory Surgery Center	1
Raleigh	Wake Spine and Specialty Surgery Center	1
Raleigh	Duke Raleigh Hospital	15
Cary	Duke Health Green Level Ambulatory Surgery Center	1
Garner	Duke Health Garner Ambulatory Surgery Center**	1
Raleigh	Surgical Center for Dental Professionals	2
Garner	Valleygate Surgery Center**	1

*Adjusted operating room planning inventory from the 2022 State Medical Facilities Plan, Table 6B.

**Includes operating rooms that were approved for the 2020 need determination.

WakeMed Raleigh Campus and **UNC REX Hospital** propose to develop the additional operating rooms at existing hospitals in Raleigh, and **WakeMed North Hospital** proposes to develop an additional operating room at the existing hospital in North Raleigh. **OSCR** proposes to add an operating room at an existing ambulatory surgery center in Raleigh. Therefore, with regard to expanding geographic access to surgical services, all of the applications are equally effective alternatives because they all propose to develop the operating rooms in locations within the service area with existing surgical facilities.

Competition

Generally, the application proposing to increase competition in the service area is the more effective alternative with regard to this comparative factor. The introduction of a new provider in the service area would be the most effective alternative based on the assumption that increased patient choice would encourage all providers in the service area to improve quality or lower costs in order to compete for patients. However, the expansion of an existing provider that currently controls fewer operating rooms than another provider would also presumably encourage all providers in the service area to improve quality or lower costs in order to compete for patients.

The following table identifies the adjusted planning inventory of operating rooms for each applicant as a percent of the total existing and approved Wake County operating rooms, based on Table 6B of the 2022 SMFP. Table 6B shows a total of 113 existing and approved operating rooms in Wake County, excluding the need determination for three operating rooms in the 2021 SMFP.

Applicants’ Existing and Approved Wake County Operating Rooms as Percent of Total

	Adjusted Operating Room Planning Inventory	Applicants’ Operating Rooms as a Percent of Total Wake County Operating Rooms
Rex Hospital Holly Springs	3	
Rex Surgery Center of Wakefield	2	
Rex Surgery Center of Cary	4	
UNC REX Hospital	24	
Raleigh Orthopaedic Surgery Center	3	
Raleigh Orthopaedic Surgery-West Cary	1	
Orthopaedic Surgery Center of Garner	1	
UNC Health System	38	33.6%
WakeMed Surgery Center-Cary	1	
WakeMed Surgery Center-North Raleigh	1	
Capital City Surgery Center	7	
WakeMed	22	
WakeMed Cary Hospital	10	
WakeMed Health System	41	36.3%

Source: 2022 SMFP, Table 6B: Projected Operating Room Need for 2024. Also includes operating rooms approved pursuant to the 2020 SMFP operating room need determination for Wake County.

As shown in the table above, the WakeMed Health System controls 36.3 percent of the existing and approved operating rooms in Wake County, and the UNC Health System controls 33.6 percent of the existing and approved operating rooms in Wake County. Therefore, with regard to increasing competition for surgical services in Wake County, all of the applications are equally effective.

Historical Utilization

The following table shows projected operating room surplus or deficit for the existing providers of surgical services in Wake County who have submitted applications in this review. The projected operating room deficits, from the 2021 State Medical Facilities Plan, Table 6B, Projected Operating Room Need for 2023, are based on the historical utilization of existing providers of surgical services in the service area. Generally, applications proposing to develop additional operating rooms in the health systems with the highest projected operating room deficits are the more effective alternative with regard to this comparative factor.

Projected 2023 Operating Room Need for Wake County by Health System

	Adjusted Operating Room Planning Inventory	Projected Operating Room Deficit (Surplus) 2023
UNC Health System	37	4.17
WakeMed Health System	41	(1.50)

Source: 2021 SMFP, Table 6B.

As the table above shows, based on the operating room need determination methodology for Wake County in the 2021 SMFP, the UNC Health System is projected to have the highest operating room deficit in 2023. Therefore, the applications submitted by **OSCR** and **UNC REX Hospital** are the more effective proposals with respect to this comparative factor. The applications submitted by **WakeMed North Hospital** and **WakeMed Raleigh Campus** are less effective with respect to this comparative factor.

Scope of Services

The following table shows each applicant’s projected scope of services (surgical specialties) to be provided at the proposed facilities. Generally, the application proposing to provide the greatest scope of services is the more effective alternative with regard to this comparative factor.

Surgical Specialty	WakeMed North Hospital	WakeMed Raleigh Campus	OSCR	UNC REX Hospital
Cardiothoracic		X		X
Cardiovascular		X		X
Gastroenterology		X		X
General Surgery	X	X		X
Gynecology	X	X		X
Neurosurgery		X		X
Obstetrics		X		X
Open Heart Surgery		X		X
Ophthalmology	X	X		X
Oral/Dental Surgery		X		
Orthopedic	X	X	X	X
Otolaryngology	X	X		X
Pediatrics		X		X
Plastic Surgery	X	X		X
Podiatry	X	X		X
Urogynecology	X			
Urology	X	X		X
Vascular		X		X

Source: WakeMed North Hospital, page 36 of the application; WakeMed Raleigh Campus, 2021 Renewal Application for Hospital form, page 12; OSCR, Section C of the application; UNC REX Hospital, 2021 Renewal Application for Hospital form, page 12.

Therefore, the applications submitted by **WakeMed North Hospital, WakeMed Raleigh Campus and UNC REX Hospital** applications are more effective with respect to this comparative factor. The application submitted by **OSCR** is the less effective proposal with respect to this comparative factor.

Patient Access to Lower Cost Surgical Services

There are currently 113 existing or approved operating rooms (excluding dedicated C-Section and trauma operating rooms) in the Wake County operating room service area. Operating rooms can be licensed either under a hospital license or an ambulatory surgery center license. Many outpatient surgical services can be appropriately performed either in a hospital licensed operating room (either shared inpatient/outpatient operating rooms or dedicated ambulatory surgery operating rooms) or in a non-hospital licensed operating room at an ambulatory surgery center. However, the cost for that same service will often be higher in a hospital licensed operating room than if received in a non-hospital licensed operating room at an ASC. Nonetheless, along with inpatient surgical services, there are some outpatient surgical services that must be performed in a hospital setting.

The following table identifies the existing and approved inpatient (IP), outpatient (OP) and shared inpatient/outpatient operating rooms in Wake County.

	Total ORs*	IP ORs	% IP of Total ORs	OP ORs	% OP of Total ORs	Shared ORs	% Shared of Total ORs
Wake County Operating Rooms	113	3	2.7%	41	36.3%	69	61.1%

Source: 2022 SMFP.

*Total operating rooms includes existing and approved operating rooms and excludes dedicated C-Section and designated trauma operating rooms.

The table below shows the percentage of total Wake County surgical cases that were ambulatory surgeries in FY2020, based on data reported in the 2022 SMFP.

**Ambulatory Surgical Cases as Percent of
 Total Wake County Surgical Cases**

Wake County Surgical Facility	Type of ORs	Inpatient Cases	Ambulatory (Outpatient) Cases	Total Cases	Percent Ambulatory
Blue Ridge Surgery Center	ASC	-	4,938	4,938	100%
Raleigh Plastic Surgery	ASC	-	303	303	100%
Raleigh Orthopedic Surgery	ASC	-	4,126	4,126	100%
Rex Surgery Center Wakefield	ASC	-	2,325	2,325	100%
Rex Surgery Center Cary	ASC	-	3,810	3,810	100%
UNC REX Hospital	Hospital Shared	7,631	10,839	18,470	59%
Capital City Surgery Center	ASC	-	6,055	6,055	100%
WakeMed	Hospital Shared	7,952	11,194	19,146	58%
WakeMed Cary Hospital	Hospital Shared	2,867	3,681	6,548	56%
Holly Springs Surgery Center	ASC	-	2,266	2,266	100%
Triangle Orthopedic Surgery Center	ASC	-	2,497	2,497	100%
Duke Raleigh Hospital	Hospital Shared	3,369	6,575	9,944	66%
Totals		21,819	58,609	80,428	73%

Source: 2022 SMFP, Table 6B.

As the table above shows, 73% of the total Wake County surgical cases in FFY2020 were performed as ambulatory (outpatient) surgeries. Wake County currently has 19 existing and approved ASCs. Based on the fact that 73% of Wake County’s FFY2020 surgical cases were ambulatory surgery cases and that ASC operating rooms represent 36.3% of the total existing and approved Wake County operating rooms, projects proposing the development of ASC operating rooms would represent more effective alternatives.

Therefore, the application submitted by **OSCR** is a more effective proposals with respect to this comparative factor. The **WakeMed North Hospital, WakeMed Raleigh Campus** and **UNC REX Hospital** applications are less effective with respect to this comparative factor.

Access by Underserved Groups

Underserved groups are defined in G.S. 131E-183(a)(13) as follows:

“Medically underserved groups, such as medically indigent or low income persons, Medicaid and Medicare recipients, racial and ethnic minorities, women, and ... 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 access by underserved groups, applications are compared with respect to three underserved groups: charity care patients (i.e., medically indigent or low-income persons), Medicare patients and Medicaid patients. Access by each group is treated as a separate factor.

Projected Charity Care

The following table shows each applicant’s projected charity care to be provided in the project’s third full operating year. Generally, the application proposing to provide the most charity care is the more effective alternative with regard to this comparative factor.

**CHARITY CARE
PROJECT YEAR 3**

APPLICANT	Projected Total Charity Care	Charity Care per Surgical Case	Percent of Total Net Surgical Revenue
WakeMed North Hospital	\$19,068,852	\$4,294	25.4%
WakeMed Raleigh Campus	\$101,616,445	\$6,348	33.1%
OSCR	\$597,610	\$173	2.8%
UNC REX Hospital	\$14,683,220	\$760	6.5%

Source: Form F.2 for each applicant.

As shown in the table above, **WakeMed Raleigh Campus** projects the most charity care in dollars, and also projects the highest charity care per surgical case and as a percent of net revenue. Therefore, the application submitted by **WakeMed Raleigh Campus** is the most effective alternative with regard to access to charity care.

Projected Medicare

The following table shows each applicant’s percentage of gross revenue (charges) projected to be provided to Medicare patients in the applicant’s third full year of operation following completion of their projects, based on the information provided in the applicant’s pro forma financial statements in Section Q. Generally, the application proposing to provide a higher percentage to services to Medicare patients is the more effective alternative with regard to this comparative factor.

Services to Medicare Patients - Project Year 3

Applicant	Medicare Gross Revenue	Total Gross Revenue	Medicare % of Total Gross Revenue
WakeMed North Hospital	\$91,605,685	\$274,642,269	33.4%
WakeMed Raleigh Campus	\$575,177,700	\$1,429,358,207	40.2%
OSCR	\$21,154,609	\$108,999,420	19.4%
UNC REX Hospital	\$276,064,431	\$668,480,841	41.3%

Source: Form F.2 for each applicant.

As shown in the table above, **WakeMed Raleigh Campus** and **UNC REX Hospital** project more than 40 percent of their surgical services will be provided to Medicare patients. The applications submitted by **WakeMed Raleigh Campus** and **UNC REX Hospital** are the most effective applications with regard to serving Medicare patients.

Projected Medicaid

The following table shows each applicant’s percentage of gross revenue (charges) projected to be provided to Medicaid patients in the applicant’s third full year of operation following completion of their projects, based on the information provided in the applicant’s pro forma financial statements in Section Q. Generally, the application proposing to provide a higher percentage of services to Medicaid patients is the more effective alternative with regard to this comparative factor.

Services to Medicaid Patients - Project Year 3

	Medicaid Gross Revenue	Total Gross Revenue	Medicaid % of Total Gross Revenue
WakeMed North Hospital	\$15,362,579	\$274,642,269	5.6%
WakeMed Raleigh Campus	\$250,038,568	\$1,429,358,207	17.5%
OSCR	\$1,481,214	\$108,999,420	1.4%
UNC REX Hospital	\$28,817,517	\$668,480,841	4.3%

Source: Form F.2 for each applicant.

As shown in the table above, **WakeMed Raleigh Campus** projects 17.5% of its surgical services will be provided to Medicaid patients. The application submitted by **WakeMed Raleigh Campus** is the most effective application with regard to serving Medicaid recipients.

Projected Average Net Revenue per Case

The following table shows the projected average net surgical revenue per OR and per surgical case in the third year of operation for each of the applicants, based on the information provided in the applicants’ pro forma financial statements. Generally, regarding this factor, the application proposing the lowest average net revenue per patient day, surgical case or procedure is the more effective alternative since a lower average may indicate a lower cost to the patient or third-party payor.

Net Revenue per Surgical Case - Project Year 3

	Net Revenue	# of Cases	Net Revenue/Case
WakeMed North Hospital	\$75,008,160	4,441	\$16,890
WakeMed Raleigh Campus	\$307,085,870	16,007	\$19,184
OSCR	\$21,499,015	3,453	\$6,226
UNC REX Hospital	\$226,972,630	19,321	\$11,747

Source: Form F.2 for each application.

As shown in the table above, **OSCR** projects the lowest net revenue per surgical case in the third operating year. Therefore, the application submitted by **OSCR** is the most effective application with respect to net revenue per surgical case.

Projected Average Operating Expense per Case

The following table compares the projected average operating expense per surgical case in the third year of operation for each of the applicants, based on the information provided in the applicants’ pro

forma financial statements (Form F.2). Generally, the application proposing the lowest average operating expense per surgical case is the more effective alternative with regard to this comparative factor since a lower average may indicate a lower cost to the patient or third-party payor or a more cost-effective service.

Operating Expense per Surgical Case - Project Year 3

	Operating Expense	# of Surgical Cases	Operating Expense per Surgical Case
WakeMed North Hospital	\$40,648,547	4,441	\$9,153
WakeMed Raleigh Campus	\$133,778,567	16,007	\$8,358
OSCR	\$18,250,375	3,453	\$5,285
UNC REX Hospital	\$200,739,284	19,321	\$10,390

Source: Forms F.2 in each application.

As shown in the table above, **OSCR** projects the lowest average operating expense per surgical case in the third operating year. Therefore, the application submitted by **OSCR** is the most effective application with respect to operating expense per surgical case.

Summary

The following table lists the comparative factors and indicates whether each application was more effective, less effective or equally effective for each factor. The comparative factors are listed in the same order they are discussed in the Comparative Analysis which should not be construed to indicate an order of importance.

Comparative Factor	WakeMed North Hospital	WakeMed Raleigh Campus	OSCR	UNC REX Hospital
Conformity with Review Criteria	Yes	Yes	Yes	Yes
Geographic Accessibility	Equally effective	Equally effective	Equally effective	Equally effective
Competition	Equally effective	Equally effective	Equally effective	Equally effective
Historical Utilization	Less effective	Less effective	More effective	More effective
Scope of Services	More effective	More effective	Less effective	More effective
Access to Lower Cost Services	Less effective	Less effective	More effective	Less effective
Projected Charity Care	Less effective	More effective	Less effective	Less effective
Projected Medicare	Less effective	More effective	Less effective	More effective
Projected Medicaid	Less effective	More effective	Less effective	Less effective
Net Revenue per Surgical Case	Less effective	Less effective	More effective	Less effective
Operating Expense per Surgical Case	Less effective	Less effective	More effective	Less effective

All applications are conforming to all applicable statutory and regulatory review criteria, and thus all applications are approvable standing alone. However, collectively they propose a total of five operating rooms but the need determination is for only three operating rooms. Therefore, only three operating rooms can be approved.

As shown in the table above, **WakeMed Raleigh Campus** was determined to be a more effective alternative for the following four factors:

- Scope of services

- Projected charity care
- Projected Medicare
- Projected Medicaid

As shown in the table above, **OSCR** was determined to be a more effective alternative for the following four factors:

- Historical Utilization
- Patient access to lower cost surgical services
- Net revenue per surgical case
- Operating expense per surgical case

As shown in the table above, **UNC REX Hospital** was determined to be a more effective alternative for the following three factors:

- Historical Utilization
- Scope of services
- Projected Medicare

DECISION

Each application is individually conforming to the need determination in the 2021 SMFP for three additional operating rooms in Wake County as well as individually conforming to all review criteria. However, G.S. 131E-183(a)(1) states that the need determination in the SMFP is the determinative limit on the number of operating rooms that can be approved by the Healthcare Planning and Certificate of Need Section.

Based upon the independent review of each application and the Comparative Analysis, the following applications are approved:

- Project I.D. # J-12115-21 / **WakeMed Raleigh Campus** / Add one operating room for a total of 23 operating rooms (20 operating rooms and 3 dedicated C-section operating rooms)
- Project I.D. # J-12119-21 / **OSCR** / Add one operating room for a total of 4 operating rooms
- Project I.D. # J-12122-21 / **UNC REX Hospital** / Add one operating room for a total of 28 operating rooms on the main campus (25 operating rooms and 3 dedicated C-section operating rooms)

And the following application is denied:

- Project I.D. # J-12114-21 / **WakeMed North Hospital** / Add one operating room for a total of 6 operating rooms (5 operating rooms and 1 dedicated C-section operating room)

Project I.D. # J-12115-21 / **WakeMed Raleigh Campus** is approved subject to the following conditions.

1. WakeMed (hereinafter certificate holder) shall materially comply with all representations made in the certificate of need application.
2. The certificate holder shall develop no more than one shared operating room at WakeMed Raleigh Campus for a total of no more than 23 operating rooms (20 operating rooms and three dedicated C-section operating rooms) pursuant to the need determination in the 2021 SMFP. WakeMed North Hospital, which is operated under the same license, shall have no more than four shared operating rooms and one dedicated C-section operating room, upon completion of the project.
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 fourth month. The first progress report shall be due on July 1, 2022. The second progress report shall be due on November 1, 2022 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. For the first three years of operation following completion of the project, the certificate holder shall not increase charges more than 5% of the charges projected in Section Q of the application without first obtaining a determination from the Healthcare Planning and Certificate of Need Section that the proposed increase is in material compliance with the representations in the certificate of need application 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.

Project I.D. # J-12119-21 / **Orthopaedic Surgery Center of Raleigh, LLC** is approved subject to the following conditions.

1. Orthopaedic Surgery Center of Raleigh, LLC (hereinafter certificate holder) shall materially comply with all representations made in the certificate of need application.
2. The certificate holder shall develop no more than one operating room at Raleigh Orthopaedic Surgery Center pursuant to the need determination in the 2021 SMFP.
3. Upon completion of the project, Raleigh Orthopaedic Surgery Center shall be licensed for no more than four operating rooms.
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 fourth month. The first progress report shall be due on July 1, 2022. The second progress report shall be due on November 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. For the first three years of operation following completion of the project, the certificate holder shall not increase charges more than 5% of the charges projected in Section Q of the application without first obtaining a determination from the Healthcare Planning and Certificate of Need Section that the proposed increase is in material compliance with the representations in the certificate of need application shall not acquire as part of this project any equipment that is not included in the project's proposed capital expenditures in Section Q of the application and that would otherwise require a certificate of need.

7. No later than three months after the last day of each of the first three full fiscal years of operation following initiation of the services authorized by this certificate of need, the certificate holder shall submit, on the form provided by the Healthcare Planning and Certificate of Need Section, an annual report containing the:
 - a. Payor mix for the services authorized in this certificate of need.
 - b. Utilization of the services authorized in this certificate of need.
 - c. Revenues and operating costs for the services authorized in this certificate of need.
 - d. Average gross revenue per unit of service.
 - e. Average net revenue per unit of service.
 - f. Average operating cost per unit of service.
8. The certificate holder shall acknowledge acceptance of and agree to comply with all conditions stated herein to the Agency in writing prior to issuance of the certificate of need.

Project I.D. # J-12122-21 / **UNC REX Hospital** is approved subject to the following conditions.

1. Rex Hospital, Inc. (hereinafter certificate holder) shall materially comply with all representations made in the certificate of need application.
2. The certificate holder shall develop no more than one shared operating room at UNC REX Hospital for a total of 28 operating rooms on the main campus (25 operating rooms and 3 dedicated C-section operating rooms) pursuant to the need determination in the 2021 SMFP. UNC REX Holly Springs Hospital, which is operated under the same license, shall have no more than three shared operating rooms and two dedicated C-section operating rooms upon completion of this project and Project I.D. # J-12087-21 (develop a 2nd dedicated C-section operating room).
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 fourth month. The first progress report shall be due on July 1, 2022. The second progress report shall be due on November 1, 2022 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. For the first three years of operation following completion of the project, the certificate holder shall not increase charges more than 5% of the charges projected in Section Q of the application without first obtaining a determination from the Healthcare Planning and Certificate of Need Section that the proposed increase is in material compliance with the representations in the certificate of need application 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.