

REQUIRED STATE AGENCY FINDINGS

FINDINGS

C = Conforming

CA = Conforming as Conditioned

NC = Nonconforming

NA = Not Applicable

Decision Date: May 25, 2022

Findings Date: May 25, 2022

Project Analyst: Tanya M. Saporito

Co-signer: Lisa Pittman

Project ID #: M-12178-22

Facility: Cape Fear Valley Medical Center

FID #: 943057

County: Cumberland

Applicant: Cumberland County Hospital System, Inc.

Project: Develop no more than 29 acute care beds pursuant to the 2022 SMFP need determination for a total of no more than 618 beds upon completion of this project and Project ID# M-8689-11 (add 65 beds)

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

Cumberland County Hospital System, Inc. (hereinafter “CCHS” or “the applicant”) includes Cape Fear Valley Health System, a not-for-profit corporation that operates several acute care hospitals, including Cape Fear Valley Medical Center (CFVMC) in Fayetteville. CFVMC is an acute care hospital with 524 acute care beds that provides Level 3 Trauma services as well as emergency, surgical, psychiatric and diagnostic and imaging services. In Project ID #M-8689-11, the applicant was approved to develop 65 acute care beds at Cape Fear North, a satellite hospital with acute care beds, and emergency, imaging, laboratory and pharmacy services. Through an exemption and a material compliance determination issued by the Agency in 2021, the applicant was approved to develop the 65 acute care beds at the main hospital campus rather than the Cape Fear North location. In this application, the applicant proposes to add 29 acute care beds to CFVMC, for a total of 618 licensed acute care beds at CFVMC upon project completion.

Need Determination

Chapter 5 of the 2022 State Medical Facilities Plan (SMFP) includes a methodology for determining the need for additional acute care beds in North Carolina by service area. Application of the need methodology in the 2022 SMFP identified a need for 29 additional acute care beds in the Cumberland County service area.

Only qualified applicants can be approved to develop new acute care beds. On page 37, the 2022 SMFP states:

“... A qualified applicant is a person who proposes to operate the additional acute care beds in a hospital that will provide:

- (1) a 24-hour emergency services department;*
- (2) inpatient medical services to both surgical and non-surgical patients; and*
- (3) if proposing a new licensed hospital, medical and surgical services on a daily basis within at least five of the following major diagnostic categories (MDC) recognized by the Centers for Medicare & Medicaid services (CMS) listed below... [listed on page 37 of the 2022 SFMP].”*

The applicant does not propose to develop more acute care beds than are determined to be needed in Cumberland County. In Section B, page 22 and in Exhibit B.1, the applicant adequately demonstrates that it meets the requirements of a “qualified applicant” as defined in Chapter 5 of the 2022 SMFP.

Policies

There are two policies in the 2022 SMFP that are applicable to this review.

Policy GEN-3: Basic Principles, on page 30 of the 2022 SMFP, states:

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

In Section B, pages 25-26, the applicant explains why it believes its application is conforming to Policy GEN-3. On page 25, the applicant states:

“The proposed project will promote cost-effective approaches, expand health care services to the medically underserved, and encourage quality health care service by improving access to health care services to the patient population served by CFVMC.”

Policy GEN-4: Energy Efficiency and Sustainability for Health Service Facilities, on pages 30-31 of the 2022 SMFP, states:

“Any person proposing a capital expenditure greater than \$4 million to develop, replace, renovate or add to a health service facility pursuant to G.S. 131E-178 shall include in its certificate of need application a written statement describing the project’s plan to assure improved energy efficiency and water conservation.

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

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

The proposed capital expenditure for this project is greater than \$5 million. In Exhibit F.1, the applicant provides a letter dated February 1, 2022 signed by a licensed architect that confirms the project will ensure improved energy efficiency and water conservation. In Section B, page 26, the applicant states it will submit an Energy Efficiency and Sustainability Plan to the Construction Section in the Division of Health Service Regulation (DHSR) that conforms to or exceeds energy efficiency and water conservation standards incorporated into the latest editions of the North Carolina State Building Code.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

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

- The applicant does not propose to develop more acute care beds than are determined to be needed in Cumberland County and meets the requirements of a “qualified applicant” as defined in Chapter 5 of the 2022 SMFP.
 - The applicant adequately demonstrates that the proposal is consistent with Policy GEN-3 for the following reasons:
 - The applicant adequately documents how the project will promote safety and quality in the delivery of acute care bed services in Cumberland County.
 - The applicant adequately documents how the project will promote equitable access to acute care bed services in Cumberland County.
 - The applicant adequately documents how the project will maximize healthcare value for the resources expended.
 - The applicant adequately demonstrates that the proposal is consistent with Policy GEN-4 because the applicant adequately demonstrates that the application includes a written statement in Exhibit F.1 that describes 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

The applicant proposes to add 29 acute care beds to CFVMC, for a total of 618 beds upon completion of this project and Project ID# M-8689-11 (add 65 beds).

In Section C, pages 27-29, the applicant describes the scope of the proposed project. The applicant proposes to build an additional (fifth) floor on top of its newly constructed Heart and Vascular tower to house 22 new acute care beds as well as eight existing acute care beds to be relocated from the main hospital building. The applicant states these eight acute care beds are currently located in an isolated setting which makes them difficult to use, and that relocating them to the fifth floor of the Heart and Vascular tower with the 22 new acute care beds will allow more efficient use of the beds. The applicant plans to convert the space vacated by the eight existing acute care beds into office space.

Patient Origin

On page 33, the 2022 SMFP defines the service area for acute care beds as “... *the single and multicounty groupings shown in Figure 5.1.*” Figure 5.1, on page 38, shows Cumberland County as its own acute care bed service area. Thus, the service area for this facility is Cumberland County. Facilities may also serve residents of counties not included in their service area.

The following table illustrates historical and projected patient origin for acute care services as reported by the applicant in Section C, pages 30 and 32:

| CFVMC CURRENT & PROJECTED PATIENT ORIGIN – ACUTE CARE BEDS | | | | | | | | |
|------------------------------------------------------------|----------------------------------|---------------|-------------------------------|---------------|-------------------------------|---------------|-------------------------------|---------------|
| COUNTY | LAST FY (10/1/2020-9/30/2021) | | FY 1 (10/1/2024-9/30/2025) | | FY 2 (10/1/2025-9/30/2026) | | FY 3 (10/1/2026-9/30/2027) | |
| | # PATIENTS | % OF TOTAL | # PATIENTS | % OF TOTAL | # PATIENTS | % OF TOTAL | # PATIENTS | % OF TOTAL |
| | Cumberland | 23,179 | 72.9% | 24,926 | 72.9% | 25,424 | 72.9% | 25,933 |
| Harnett | 2,003 | 6.3% | 2,154 | 6.3% | 2,197 | 6.3% | 2,241 | 6.3% |
| Robeson | 2,003 | 6.3% | 2,154 | 6.3% | 2,197 | 6.3% | 2,241 | 6.3% |
| Hoke | 1,304 | 4.1% | 1,402 | 4.1% | 1,430 | 4.1% | 1,459 | 4.1% |
| Sampson | 1,049 | 3.3% | 1,128 | 3.3% | 1,151 | 3.3% | 1,174 | 3.3% |
| Bladen | 1,017 | 3.2% | 1,094 | 3.2% | 1,116 | 3.2% | 1,138 | 3.2% |
| Other * | 1,240 | 3.9% | 1,333 | 3.9% | 1,360 | 3.9% | 1,387 | 3.9% |
| Total | 31,795 | 100.0% | 34,192 | 100.0% | 34,876 | 100.0% | 35,573 | 100.0% |

Source: Section C, pages 30 and 32

*The applicant states “other” includes less than 1% from each of the other NC counties and other states.

In Section C, page 32, the applicant provides the assumptions and methodology used to project patient origin, which is based on CFVMC’s historical acute care services patient origin. The applicant’s assumptions are reasonable and adequately supported based on the following:

- The applicant based its projected patient origin on its historical patient origin.
- The applicant states it does not expect any changes to patient origin for acute care beds due to the addition of 29 acute care beds proposed in this application.

Analysis of Need

In Section C, pages 34-45, the applicant explains why it believes the population projected to utilize the proposed services needs the proposed services, as summarized below:

- 2022 SMFP need determination – there is a need in the 2022 SMFP for 29 acute care beds in Cumberland County (pages 34-36).
- Increasing inpatient volume at CFVMC – the applicant states the hospital has consistently operated its licensed acute care beds in excess of the target occupancy factor outlined in the acute care bed need methodology in the 2022 SMFP. The applicant states the hospital has continuously obtained temporary bed capacity approvals pursuant to the Licensure Rule at 10A NCAC 13B .3111 because of its utilization, as shown in the following table from page 37:

CFVMC Acute Care Bed Utilization, FY 20

| | FY 2014 | FY 2015 | FY 2016 | FY 2017 | FY 2018 | FY 2019 | FY 2020 | FY 2021 |
|-----------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Acute Care Discharges | 29,699 | 30,150 | 30,792 | 32,355 | 33,182 | 35,291 | 33,631 | 31,795 |
| Patient Acute Care Days | 160,154 | 161,367 | 157,720 | 160,933 | 165,573 | 171,903 | 166,724 | 171,245 |
| ADC | 438.8 | 442.1 | 430.9 | 440.9 | 453.6 | 471.0 | 455.3 | 469.2 |
| Licensed Bed Capacity | 490 | 490 | 501 | 516 | 524 | 524 | 524 | 524 |
| SMFP Target Occupancy | 78.0% | 78.0% | 78.0% | 78.0% | 78.0% | 78.0% | 78.0% | 78.0% |
| Occupancy of Licensed Beds | 89.5% | 90.2% | 86.0% | 85.4% | 86.6% | 89.9% | 86.9% | 89.5% |

Source: Application page 37

The applicant states that before the COVID-19 pandemic’s impact, acute care discharges at CFVMC increased 18.8% from FY 2014-FY 2019. Even despite the impact of COVID-19 and the Governor’s Stay At Home Order, the patient census at the hospital was over 86% during FY 2020 and FY 2021. The applicant states that the COVID-19 variants continue to impact acute care utilization at the hospital in many ways, including a longer than usual average length of stay (ALOS). The ALOS for COVID-19 patients tends to be longer because of the medical complexity of COVID-19 and the comorbidities that accompany that diagnosis (pages 37-42).

- CFVMC as a teaching hospital – the applicant states CFVMC is designated as a teaching hospital and is also a strong center for medical research. The Campbell University Jerry M. Wallace School of Osteopathic Medicine’s inaugural class of 2013 enrolled 32 students and today has over 200 residents at CFVMC, according to the applicant. Additionally, in January 2021 the applicant states the hospital began developing The Center for Medical Education & Research and Neuroscience Institute, an education and research center that will continue to benefit clinical instruction and ensure additional capacity in the future. The applicant projects the Center will be complete in the summer of 2022 (page 43).
- CFVMC as a Rural Referral Center – the applicant states CFVMC is a Rural Referral Center as a result of a program established by Congress to support high volume rural hospitals that treat large numbers of complicated cases and function as regional referral centers. These hospitals also provide services at a lower cost than hospitals in more urban areas. The applicant states the proposed 29 acute care beds will help CFVMC continue to provide access to acute care services for the medically underserved population in the service area (page 43).
- Service Area Demographics – citing data from the North Carolina Office of State Budget and Management (OSBM), the applicant states that while the overall service area population is not projected to increase substantially from 2022-2027, the 65 + population is projected to increase by a compound annual growth rate (CAGR) of 2.3% during the same period. The 65+ population is more likely to utilize acute care services, comprises approximately 15% of the total service area population, and is projected to increase by approximately 16.5% during that same time (page 44).

- Economic Growth and Development – the applicant Cumberland County’s location mid-way between New York and Miami on the I-95 corridor, as well as its location as a major urban center in North Carolina positions the county to continue to be a center for economic growth and development. This growth and development help to support the increasing need for acute care services in the county and in the service area (page 45).

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

- The applicant uses verifiable historical data from CFVMC to demonstrate the need for the additional acute care bed capacity as proposed in this application.
- The applicant provides reliable data, makes reasonable statements about the data, and uses reasonable assumptions about the data to demonstrate the projected population growth in the area and the projected growth of the population age 65 and older in the area. The applicant provides reliable data regarding the need all population groups have for the additional acute care bed capacity.

Projected Utilization

On Forms C.1a and C.1b, respectively in Section Q, the applicant provides historical, interim and projected utilization, as illustrated in the following tables:

| CFVMC ACUTE CARE BED HISTORICAL UTILIZATION | | | | |
|----------------------------------------------------|-------------------------------|----------------|----------------|----------------|
| | HISTORICAL AND INTERIM | | | |
| | FY 2021 | FY 2022 | FY 2023 | FY 2024 |
| # of Beds | 524 | 544 | 544 | 544 |
| # of Discharges | 31,975 | 32,542 | 32,867 | 33,196 |
| # of Patient Days | 171,245 | 174,100 | 174,855 | 175,939 |
| ALOS* | 5.39 | 5.35 | 5.32 | 5.30 |
| Occupancy Rate | 89.5% | 87.8% | 88.1% | 88.6% |

*ALOS = Average Length of Stay (in days)

Source: application page 100

| CFVMC ACUTE CARE BED PROJECTED UTILIZATION | | | |
|---------------------------------------------------|----------------|----------------|----------------|
| | FY 2025 | FY 2026 | FY 2027 |
| # of Beds | 618 | 618 | 618 |
| # of Discharges | 34,192 | 34,876 | 35,573 |
| # of Patient Days | 181,217 | 184,842 | 188,539 |
| ALOS | 5.30 | 5.30 | 5.30 |
| Occupancy Rate | 80.3% | 81.9% | 83.6% |

Source: application page 101

In Section Q, pages 102-105, the applicant provides the assumptions and methodology used to project utilization as summarized below:

- Step 1: The applicant reviews historical inpatient utilization at CFVMC, as shown in the following table from page 102:

CFVMC Historical Acute Care Bed Utilization

| | PRE-COVID | | | | | | COVID | |
|-----------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | FY 2014 | FY 2015 | FY 2016 | FY 2017 | FY 2018 | FY 2019 | FY 2020 | FY 2021 |
| Acute Care Discharges | 29,699 | 30,150 | 30,792 | 32,355 | 33,182 | 35,291 | 33,631 | 31,795 |
| Patient Acute Care Days | 160,154 | 161,367 | 157,720 | 160,933 | 165,573 | 171,903 | 166,724 | 171,245 |
| ADC | 438.8 | 442.1 | 430.9 | 440.9 | 453.6 | 471.0 | 455.3 | 469.2 |
| Licensed Bed Capacity | 490 | 490 | 501 | 516 | 524 | 524 | 524 | 524 |
| SMFP Target Occupancy | 78.0% | 78.0% | 78.0% | 78.0% | 78.0% | 78.0% | 78.0% | 78.0% |
| Occupancy of Licensed Beds | 89.5% | 90.2% | 86.0% | 85.4% | 86.6% | 89.9% | 86.9% | 89.5% |

Source: Application page 102

Despite a utilization decrease as a result of the COVID-19 pandemic, the overall increase in utilization at CFVMC from FY 2014 to FY 2021 was 7.1% $[(31,795 / 29,699) - 1 = 0.0706]$. The applicant states that before COVID-19, the hospital’s acute care discharges increased 18.8% between FY 2014 - FY 2019, or by a compound annual growth rate (CAGR) of 3.5% $[(35,291 / 29,699) - 1 = 0.188]$. The applicant states that, despite the impact of COVID-19, the hospital’s occupancy rates remained above 85% as shown in the table above. In addition, the ALOS for COVID patients is longer than for other inpatients; therefore, the applicant states the slight decrease in utilization during COVID was offset by the increased ALOS.

- Step 2: The applicant states the project years are FYs 2025, 2026 and 2027. The three interim years are FYs 2022-2024. During the interim years, the applicant projects that 20 of the 45 acute care beds approved for Cape Fear North in Project ID# M-8689-11 and approved to be developed at the main hospital campus through a material compliance determination and an exemption will be developed during the interim years. The applicant assumes an annual growth of 2.3% from FY 2021 – FY 2022, and then 1% growth thereafter, as shown in the following table:

CFVMC INTERIM YEARS PROJECTED UTILIZATION

| | LAST FY (FY 2021) | INTERIM YEAR 1 (FY 2022) | INTERIM YEAR 2 (FY 2023) | INTERIM YEAR 3 (FY 2024) |
|---------------------------|----------------------|-----------------------------|-----------------------------|-----------------------------|
| Number of Acute Care Beds | 524 | 544 | 544 | 544 |
| # Patient Discharges | 31,795 | 32,542 | 32,867 | 33,196 |
| Annual Growth | | 2.3% | 1.0% | 1.0% |

Source: application page 103

The applicant states the projected interim growth rates are reasonable, given the historical utilization growth even during the first two COVID-19 years. In addition, as calculated by the Project Analyst above, the overall increase in patient discharges between FY 2014 and FY 2021 was 7.1%, despite the COVID-19 decrease.

The applicant states it projects inpatient days of care based on the average length of stay for projected acute care discharges and anticipates a slight decrease in ALOS based on continued efforts to manage and reduce length of stay for acute care patients.

The applicant also states it has developed several initiatives to decrease the ALOS in the future. The applicant details how it plans to reduce length of stay, stating it is more cost effective for patients and thus a desired outcome. The following table, from page 105, shows projected acute care discharges based on a decreased ALOS for both COVID and non-COVID patients:

CFVMC INTERIM YEARS PROJECTED UTILIZATION

| | LAST FY (FY 2021) | INTERIM YEAR 1 (FY 2022) | INTERIM YEAR 2 (FY 2023) | INTERIM YEAR 3 (FY 2024) |
|---------------------------|----------------------|-----------------------------|-----------------------------|-----------------------------|
| Number of Acute Care Beds | 524 | 544 | 544 | 544 |
| # Patient Discharges | 31,795 | 32,542 | 32,867 | 33,196 |
| Average Length of Stay | 5.39 | 5.35 | 5.32 | 5.30 |
| # Patient Days | 171,245 | 174,100 | 174,855 | 175,939 |
| Occupancy Rate | 89.5% | 87.8% | 88.7% | 88.6% |

Source: application page 105

- Step 3: The applicant projects acute care discharges for CFVMC following the completion of this project and the relocation of 45 total acute care beds previously approved for Cape Fear North in Project ID #M-8689-11 based on the historical utilization and the efforts to reduce the length of stay for its patients. See the following table from page 106:

CFVMC PROJECTED UTILIZATION, FIRST THREE PROJECT YEARS

| | 1 ST FY (FY 2025) | 2 ND FY (FY 2026) | 3 RD FY (FY 2027) |
|---------------------------|---------------------------------|---------------------------------|---------------------------------|
| Number of Acute Care Beds | 618 | 618 | 618 |
| # Patient Discharges | 34,192 | 34,876 | 35,573 |
| Average Length of Stay | 5.30 | 5.30 | 5.30 |
| # Patient Days | 181,217 | 184,842 | 188,539 |
| Occupancy Rate | 80.3% | 81.9% | 83.6% |

Source: application page 106

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

- The applicant relies on its own historical growth rate to project future growth.
- The applicant is the only acute care hospital in the service area and has shown its utilization exceeds the planning threshold set forth in the 2022 SMFP.
- The applicant accounts for decreased utilization during the beginning of the COVID-19 pandemic and adjusts its projected ALOS based on historical data.

- The applicant projects utilization using a growth rate that is less than the historical CAGR of 3.5% and the overall growth of 7.1% for patient days from FY 2014 – FY 2021.

Access to Medically Underserved Groups

In Section C, page 51, the applicant states:

“All individuals including low-income persons, racial and ethnic minorities, women, persons with disabilities, persons 65 and older, Medicare beneficiaries, Medicaid recipients, and other underserved groups, will continue to have access to CFVMC’s acute care services, as clinically appropriate. CFVHS does not and will not discriminate based on race, ethnicity age, gender, or disability.”

In Exhibits C.6 and L.4, the applicant provides copies of CFVHS’s policies regarding access to medically underserved groups.

In Section C page 52, the applicant provides the estimated patient percentage for each medically underserved group during the third full fiscal year, as shown in the following table.

| MEDICALLY UNDERSERVED GROUPS | ESTIMATED % OF TOTAL PATIENTS IN FY 3 |
|-------------------------------------|----------------------------------------------|
| Low income persons | 18.0% |
| Racial and ethnic minorities | 48.9% |
| Women | 50.4% |
| Persons with disabilities | -- |
| Persons 65 and older | 37.1% |
| Medicare beneficiaries | 43.9% |
| Medicaid recipients | 24.7% |

Source: Section C, page 50

In Section C, page 52, the applicant states that it does not maintain data on the number of disabled persons it serves and cannot reasonably estimate what percentage of total patients they will be; however, the applicant also states disabled persons are not and will not be denied access to services.

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

- The applicant provides a statement saying it will provide service to all residents of the service area, including underserved groups, without regard for anything other than the need for acute care bed services.
- The applicant has a history of providing access to all persons, including underserved groups, in need of acute care services.

- The applicant provides documentation of its existing policies regarding non-discrimination and financial access in Exhibits C.6 and L.4.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

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

- (3a) In the case of a reduction or elimination of a service, including the relocation of a facility or a service, the applicant shall demonstrate that the needs of the population presently served will be met adequately by the proposed relocation or by alternative arrangements, and the effect of the reduction, elimination or relocation of the service on the ability of low income persons, racial and ethnic minorities, women, ... persons [with disabilities], and other underserved groups and the elderly to obtain needed health care.

NA

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

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

CA

The applicant proposes to add 29 acute care beds to CFVMC, for a total of 618 beds upon completion of this project and Project ID# M-8689-11 (add 65 beds).

In Section E, pages 61-62, the applicant describes the alternatives considered and explains why each alternative is either more costly or less effective than the alternative proposed in this application to meet the need. The alternatives considered were:

- Maintain the Status Quo: the applicant states maintaining the status quo would prevent CFVMC from responding to the population growth and increasing demand for acute care services in the area. The applicant states the existing acute care beds operate at over 85% occupancy and ED admissions to acute care are increasing; therefore, this was not an effective alternative.
- Develop the New Beds at Cape Fear Valley North: the applicant states Project ID #M-8689-11 authorized development of a new satellite hospital, Cape Fear Valley North. Through a series of Material Compliance determinations and Exemption approvals, the

applicant was approved to develop the acute care beds approved in Project ID #M-8689-11 at the main hospital (CFVMC), partly in response to increasing demand for acute care services. Additionally, the applicant states space exists at CFVMC for 22 of the 29 acute care beds proposed in this application, whereas the construction and renovation required to develop the beds at CFV North would be substantially more costly; therefore, this was not an effective alternative.

- Convert Highsmith Rainey Specialty Hospital to an acute care hospital: Highsmith Rainey Specialty Hospital (HRSH) is a long-term acute care hospital owned by Cumberland County Hospital System, the same entity that owns Cape Fear Valley Health System, Inc. The applicant states it considered developing the 29 acute care beds at HRSH and converting that hospital back to an acute care only hospital; however, the conversion and addition of space to accommodate the 29 acute care beds would not only be more costly, but would also necessitate relocating the long term acute care beds currently in use at HRSH. Therefore, this was not an effective alternative.

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

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

Conclusion

The Agency reviewed the:

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

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

- 1. The Cumberland County Hospital System, 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 29 new acute care beds at Cape Fear Valley Medical Center, for a total of no more than 618 acute care beds upon completion of this project and Project ID #M-8689-11.**
- 3. Progress Reports:**

The applicant proposes to add 29 acute care beds to CFVMC, for a total of 618 beds upon completion of this project and Project ID# M-8689-11 (add 65 beds).

Capital and Working Capital Costs

On Form F.1a in Section Q page 107, the applicant projects the total capital cost of the project as shown in the table below:

| | |
|----------------------------|---------------------|
| Renovation Contract | \$6,635,000 |
| Architect/Engineering Fees | \$625,000 |
| Medical Equipment | \$965,000 |
| Non-Medical Equipment | \$500,000 |
| Furniture | \$100,000 |
| Consultant Fees | \$175,000 |
| Other (Contingency) | \$1,000,000 |
| Total | \$10,000,000 |

The applicant provides its assumptions and methodology for projecting capital cost in Section Q, page 114. The applicant adequately demonstrates that the projected capital cost is based on reasonable and adequately supported assumptions based on the following:

- The applicant provides assumptions that explain each line item in the projected capital cost as provided in Form F.1a and page 114.
- The applicant states much of the projections are based on the applicant's history or the project architect's history in developing similar projects.
- In Exhibit F.1, the applicant provides a February 1, 2022 letter from a registered architect confirming the construction costs listed in Form F.1a and the total capital cost are accurate.

In Section F, page 65, the applicant states that there are no projected start-up expenses or initial operating expenses because the project involves expanding existing acute care services rather than adding a new service. This information is reasonable and adequately supported because CFVMC is an existing hospital and will continue to operate during and after project development.

Availability of Funds

In Section F, page 63, the applicant shows that the entire projected capital expenditure of \$10,000,000 will be funded with the accumulated reserves of Cumberland County Hospital System, Inc. d/b/a Cape Fear Valley Health System.

In Exhibit F.2, the applicant provides a February 15, 2022 letter signed by the Chief Financial Officer for Cumberland County Hospital System, Inc. d/b/a Cape Fear Valley Health System confirming the availability of the funds necessary for the project and committing those funds to the project.

Exhibit F.2 also contains a copy of Cumberland County Hospital System, Inc. d/b/a Cape Fear Valley Health System’s Financial Statements and Other Financial Information for the year ending September 30, 2021. According to the balance sheet on page 10, as of September 30, 2021, Cumberland County Hospital System, Inc. d/b/a Cape Fear Valley Health System had adequate cash and assets to fund all the capital needs of the proposed project.

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

- The applicant provides a letter from an appropriate company official confirming the availability of sufficient funds for the capital needs of the project and committing to use those funds to develop the proposed project.
- The applicant provides adequate documentation of sufficient accumulated reserves to fund the project’s capital needs.

Financial Feasibility

The applicant provided pro forma financial statements for the first three full fiscal years of operation following project completion. On Form F.2b in Section Q page 109, the applicant projects revenues will exceed operating expenses in each of the first three full fiscal years following project completion, as shown in the following table:

| REVENUES AND OPERATING EXPENSES – CFVMC ACUTE CARE BEDS | | | |
|----------------------------------------------------------------|--------------------------------------------|--------------------------------------------|--------------------------------------------|
| | FY 1 (10/1/2024- 9/30/2025) | FY 2 (10/1/2025- 9/30/2026) | FY 3 (10/1/2026- 9/30/2027) |
| Total Discharges | 34,192 | 34,876 | 35,573 |
| Total Gross Revenues (Charges) | \$1,720,505,000 | \$1,798,788,000 | \$1,880,633,000 |
| Total Net Revenue | \$430,126,000 | \$449,697,000 | \$470,158,000 |
| Total Net Revenue per Discharge | \$12,580 | \$12,894 | \$13,217 |
| Total Operating Expenses (Costs) | \$427,959,000 | \$445,270,000 | \$463,358,000 |
| Total Operating Expenses per Discharge | \$12,516 | \$12,767 | \$13,026 |
| Net Income | \$2,167,000 | \$4,427,000 | \$6,800,000 |

The assumptions used by the applicant in preparation of the pro forma financial statements are provided in Section Q, pages 114-116. The applicant adequately demonstrates that the financial feasibility of the proposal is reasonable and adequately supported based on the following:

- The applicant clearly details the sources of data used to project revenues and expenses.
- The applicant bases projections on its historical inpatient services experience.

- Projected utilization is based on reasonable and adequately supported assumptions. See the discussion regarding projected utilization in Criterion (3) which is incorporated herein by reference.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

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

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

C

The applicant proposes to add 29 acute care beds to CFVMC, for a total of 618 beds upon completion of this project and Project ID# M-8689-11 (add 65 beds).

On page 33, the 2022 SMFP defines the service area for acute care beds as “... *the single and multicounty groupings shown in Figure 5.1.*” Figure 5.1, on page 38, shows Cumberland County as its own acute care bed service area. Thus, the service area for this facility is Cumberland County. Facilities may also serve residents of counties not included in their service area. Table 5A on page 40 of the 2022 SMFP shows that CFVMC is the only facility in Cumberland County with acute care beds.

In Section G, page 71, the applicant explains why it believes its proposal would not result in the unnecessary duplication of existing or approved acute care bed services in Cumberland County. The applicant states:

“...the Agency approved CFVHS to permanently develop 20 of the 65 acute care beds approved for Cape Fear North at CFVMC’s Main Campus on Owen Drive,

Fayetteville.... The 20 acute care beds are estimated to be operational during March 2022. In October 2021, the Agency approved CFVHS's request for material compliance regarding Project ID M-8689-11 to develop the remaining parts of the Cape Fear North project ... on a new sixth floor to be developed on the existing CFVMC main campus bed tower. The 65 approved acute care beds that are under development at CFVMC will provide needed acute care bed capacity on the main campus. However, the inclusion of CFVMC's approved 65 beds, for a total of 589 acute care beds, results in an FY2021 occupancy rate of 79.7 percent $[171,245 / 365 / 589 = 0.797]$, which exceeds the SMFP planning threshold. Therefore, the proposed 29 acute care beds are needed in addition to CFVMC's existing and approved bed capacity."

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

- There is a need determination in the 2022 SMFP for the proposed acute care beds in Cumberland County.
- The applicant is the only provider of acute care hospital services in Cumberland County.
- The applicant adequately demonstrates that the proposed acute care beds are needed in addition to the existing and approved acute care beds.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

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

- (7) The applicant shall show evidence of the availability of resources, including health manpower and management personnel, for the provision of the services proposed to be provided.

C

The applicant proposes to add 29 acute care beds to CFVMC, for a total of 618 beds upon completion of this project and Project ID# M-8689-11 (add 65 beds).

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

| CFVMC ACUTE CARE BEDS CURRENT & PROJECTED STAFFING | | | | |
|---------------------------------------------------------------|-----------------|----------------------------|----------------|----------------|
| POSITION | CURRENT | PROJECTED – FYS 1-3 | | |
| | 1/1/2022 | FY 2025 | FY 2026 | FY 2027 |
| Chief Executive Nursing Officer | 1.0 | 1.0 | 1.0 | 1.0 |
| Chief Nursing Officer | 1.0 | 1.0 | 1.0 | 1.0 |
| Patient Care Manager | 24.0 | 24.7 | 25.2 | 25.7 |
| Resource RN | 67.2 | 69.2 | 70.6 | 72.0 |
| Clinical Educator | 15.8 | 16.3 | 16.6 | 16.9 |
| RN | 649.5 | 669.0 | 682.4 | 696.0 |
| LPN | 42.1 | 43.4 | 44.2 | 45.1 |
| CNA / Nursing Assistants | 269.5 | 277.6 | 283.1 | 288.8 |
| Sitter | 3.7 | 3.8 | 3.9 | 4.0 |
| Monitor Techs | 55.0 | 56.7 | 57.8 | 58.9 |
| Department Secretary | 3.2 | 3.3 | 3.4 | 3.4 |
| Unit Secretary | 44.7 | 46.0 | 47.0 | 47.9 |
| Service Line Director | 3.0 | 3.1 | 3.2 | 3.2 |
| Nursing Supervisor | 4.7 | 4.8 | 4.9 | 5.0 |
| Total Staffing | 1,184.0 | 1,220.0 | 1,242.0 | 1,269.0 |

The assumptions and methodology used to project staffing are provided on page 116 in Section Q. Adequate costs for the health manpower and management positions proposed by the applicant are budgeted on Form F.3b in Section Q. In Section H, pages 73-74, the applicant describes the methods to be used to recruit or fill new positions and its existing training and continuing education programs.

The applicant adequately demonstrates the availability of sufficient health manpower and management personnel to provide the proposed services based on the following:

- The applicant adequately demonstrates it has experience in acquiring sufficient personnel to provide services and will use that experience for the proposed project.
- The applicant adequately documents the number of FTEs it projects will be needed to offer the proposed services.
- The applicant’s projections for FTEs are based on its own historical experience.
- The applicant accounts for projected salaries and other costs of employment for FTEs in its projected operating expenses found on Form F.3b in Section Q.
- The applicant provides adequate documentation of its proposed recruitment, training, and continuing education programs.

Conclusion

The Agency reviewed the:

- Application

- Exhibits to the application

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

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

C

The applicant proposes to add 29 acute care beds to CFVMC, for a total of 618 beds upon completion of this project and Project ID# M-8689-11 (add 65 beds).

Ancillary and Support Services

In Section I, page 75, the applicant identifies the necessary ancillary and support services for the proposed services. In Section I, page 75, the applicant explains how each ancillary and support service is made available. The applicant adequately demonstrates that the necessary ancillary and support services will be made available based on the following:

- The applicant is currently providing the necessary ancillary and support services at the same facility where it proposes to develop the additional acute care beds.
- In Exhibit I.2, the applicant provides a letter from the Chief Executive Officer of CFVMC confirming the existence of the necessary ancillary and support services and committing to continue to provide the necessary ancillary and support services for the proposed project.

Coordination

In Section I, page 76, the applicant describes CFVMC's existing and proposed relationships with other local health care and social service providers and provides supporting documentation and support letters in Exhibit 1.2. The applicant adequately demonstrates that the proposed services will be coordinated with the existing health care system based on the following:

- The applicant is the only acute care hospital in Cumberland County and thus has established many relationships with area healthcare providers.
- The applicant provides letters of support from local physicians and healthcare providers documenting their support for CFVMC.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

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

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

NA

The applicant does not project to provide the proposed services to a substantial number of persons residing in Health Service Areas (HSAs) that are not adjacent to the HSA in which the services will be offered. Furthermore, the applicant does not project to provide the proposed services to a substantial number of persons residing in other states that are not adjacent to the North Carolina county in which the services will be offered. Therefore, Criterion (9) is not applicable to this review.

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

NA

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

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

other persons, and that applicable energy saving features have been incorporated into the construction plans.

C

The applicant proposes to add 29 acute care beds to CFVMC, for a total of 618 beds upon completion of this project and Project ID# M-8689-11 (add 65 beds).

In Section K, page 79, the applicant states that the project involves constructing 2,156 square feet of new space and renovating 5,830 square feet of existing space. Line drawings are provided in Exhibit K.1.

In Section K, page 80, the applicant adequately explains how the cost, design, and means of construction represent the most reasonable alternative for the proposal based on the following:

- The applicant states 22 of the 29 proposed acute care beds will be developed in existing space in the hospital and will require no renovation nor capital cost.
- The applicant states seven of the proposed acute care beds will be located in planned space to be developed in the hospital via an exemption dated October 19, 2021, thereby allowing the applicant to maximize cost effectiveness by leveraging existing and planned spaces in the hospital.
- The applicant states CFVMC's architect based his construction cost after a careful review of the project and on his experience with other similar projects.

On page 80, the applicant adequately explains why the proposal will not unduly increase the costs to the applicant of providing the proposed services or the costs and charges to the public for the proposed services based on the following:

- The applicant states the project will have a lower construction cost than a project developed in entirely new space, since most of the area requires only renovation rather than new construction.
- The applicant states the project will not result in increased charges or projected reimbursement for acute care services.

In Section K, page 80, the applicant identifies the applicable energy saving features that will be incorporated into the construction plans and confirms that the applicant's project will conform to or exceed current energy efficiency and water standards contained in the North Carolina State Building Codes.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

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

- (13) The applicant shall demonstrate the contribution of the proposed service in meeting the health-related needs of the elderly and of members of medically underserved groups, such as medically indigent or low income persons, Medicaid and Medicare recipients, racial and ethnic minorities, women, and persons with disabilities, which have traditionally experienced difficulties in obtaining equal access to the proposed services, particularly those needs identified in the State Health Plan as deserving of priority. For the purpose of determining the extent to which the proposed service will be accessible, the applicant shall show:
- (a) The extent to which medically underserved populations currently use the applicant's existing services in comparison to the percentage of the population in the applicant's service area which is medically underserved;

C

In Section L, page 84, the applicant provides the historical payor mix during FFY 2021 (October 1, 2020 – September 30, 2021) for acute care discharges at CFVMC, as shown in the table below.

| CFVMC ACUTE CARE DISCHARGES HISTORICAL PAYOR MIX – FFY 2021 | |
|------------------------------------------------------------------------|-----------------------------|
| PAYOR CATEGORY | % OF PATIENTS SERVED |
| Self-Pay | 6.3% |
| Charity Care | 0.6% |
| Medicare* | 24.7 |
| Medicaid* | 14.0% |
| Insurance* | 15.9% |
| Workers Compensation | 0.2% |
| Other (Veterans Affairs) | 3.8% |
| Total | 100.0% |

*Including any managed care plans.

In Section L, page 84, the applicant provides the following comparison for acute care discharges at CFVMC:

| CFVMC ACUTE CARE DISCHARGES | PERCENTAGE OF TOTAL PATIENTS SERVED DURING FY 2020 | PERCENTAGE OF CUMBERLAND COUNTY POPULATION |
|-------------------------------------|----------------------------------------------------|--------------------------------------------|
| Female | 59.7% | 50.4% |
| Male | 40.3% | 49.6% |
| Unknown | -- | -- |
| 64 and Younger | 62.4% | 87.8% |
| 65 and Older | 37.6% | 12.2% |
| American Indian | 2.7% | 1.9% |
| Asian | 0.9% | 2.7% |
| Black or African-American | 45.4% | 39.1% |
| Native Hawaiian or Pacific Islander | 0.5% | 0.4% |
| White or Caucasian | 42.5% | 51.1% |
| Other Race | 7.2% | 4.8% |
| Declined / Unavailable | 0.8% | -- |

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

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

- (b) Its past performance in meeting its obligation, if any, under any applicable regulations requiring provision of uncompensated care, community service, or access by minorities and persons with disabilities to programs receiving federal assistance, including the existence of any civil rights access complaints against the applicant;

C

Regarding any obligation to provide uncompensated care, community service, or access by minorities and persons with disabilities, in Section L, page 85, the applicant states it has no such obligation.

In Section L, page 86, the applicant states that no patient civil rights access complaints have been filed against CFVMC or other affiliated entity during the 18 months immediately prior to submission of the 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.

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

C

In Section L, page 86, the applicant projects the following payor mix for acute care discharges during the third full fiscal year of operation following completion of the project, as illustrated in the following table.

| CFVMC ACUTE CARE DISCHARGES PROJECTED PAYOR MIX FY 2027 | |
|--------------------------------------------------------------------|-----------------------------|
| PAYOR CATEGORY | % OF PATIENTS SERVED |
| Self-Pay | 6.3% |
| Charity Care | 0.6% |
| Medicare* | 43.9% |
| Medicaid* | 24.7% |
| Insurance* | 15.9% |
| Workers Compensation | 0.2% |
| TRICARE | 4.6% |
| Other (Veterans Affairs) | 3.8% |
| Total | 100.0% |

*Including any managed care plans.

As shown in the table above, during the third full fiscal year of operation following completion of the project, the applicant projects that 6.3% of services will be provided to self-pay patients, 43.9% of services to Medicare patients, and 24.7% of services to Medicaid patients.

On page 86, the applicant provides the assumptions and methodology used to project payor mix during the third full fiscal years of operation following completion of the project. The projected payor mix is reasonable and adequately supported because it is based on the applicant's historical acute care patient payor mix.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

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

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

C

In Section L, page 88, the applicant adequately describes the range of means by which patients will have access to the proposed services.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

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

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

C

The applicant proposes to add 29 acute care beds to CFVMC, for a total of 618 beds upon completion of this project and Project ID# M-8689-11 (add 65 beds).

In Section M, pages 89-92, the applicant describes the extent to which health professional training programs in the area currently have access and will continue to have access to the facility for training purposes. The applicant provides supporting documentation in Exhibit M.1. The applicant adequately demonstrates that health professional training programs in the area will have access to the facility for training purposes based on the following:

- The applicant provides documentation of existing health professional training programs in the area which already have access to CFVMC.
- The applicant describes the clinical education training programs it provides access for and identifies numerous clinical education training programs it partners with to offer both training and access to its facilities.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

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

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

C

The applicant proposes to add 29 acute care beds to CFVMC, for a total of 618 beds upon completion of this project and Project ID# M-8689-11 (add 65 beds).

On page 33, the 2022 SMFP defines the service area for acute care beds as “... *the single and multicounty groupings shown in Figure 5.1.*” Figure 5.1, on page 38, shows Cumberland County as its own acute care bed service area. Thus, the service area for this facility is Cumberland County. Facilities may also serve residents of counties not included in their service area. Table 5A on page 40 of the 2022 SMFP shows that CFVMC is the only facility in Cumberland County with acute care beds.

Regarding the expected effects of the proposal on competition in the service area, in Section N, page 93, the applicant states:

“The proposed project involves expanding CFVMC’s acute care bed capacity to meet current and future demand for the facility’s highly utilized inpatient services. Therefore, the proposed project will continue to foster competition by continuing to promote cost effectiveness, quality, and access to services in the service area.”

Regarding the impact of the proposal on cost effectiveness, in Section N, page 93, the applicant states:

“The proposed project will continue CFVMC’s efforts to promote cost effectiveness in several ways. The majority of the proposed additional beds (i.e. 22) will be

located in existing space and will require no capital cost. Seven of the proposed acute care beds will be located in planned spaces to be developed via an exemption request. ... Thus, the proposed project effectively leverages existing and planned spaces to maximize cost effectiveness.”

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

Regarding the impact of the proposal on quality, in Section N, page 93, the applicant states:

“CFVHS adheres to external quality standards. ... The project will also be held to the same quality standards as existing CFVHS acute care services.

Surgeons, residents, and clinical staff will have required training and will maintain current licensure as applicable. Operation of the additional acute care beds will be consistent with current processes and will meet TJC standards. Staffing is budgeted to sustain quality standards.”

See also Sections C and O of the application and any referenced exhibits.

Regarding the impact of the proposal on access by medically underserved groups, in Section N, page 94, the applicant states:

“CFVHS has existing strategies with specific activities designed to assure services will be accessible by indigent patients without regard to ability to pay. CFVMC will not discriminate in the provision of services on the basis of age, race, religion, disability, or the patient’s ability to pay. ...

... The additional acute care beds will expand access to high quality healthcare for residents of the service area, meeting the standards set by the Joint Commission.”

See also Sections C and L of the application and any referenced exhibits.

The applicant adequately describes the expected effects of the proposed services on competition in the service area and adequately demonstrates the proposal would have a positive impact on cost-effectiveness, quality, and access because the applicant adequately demonstrates that:

- 1) The proposal is cost effective because the applicant adequately demonstrated: a) the need the population to be served has for the proposal; b) that the proposal would not result in an unnecessary duplication of existing and approved health services; and c) that projected revenues and operating costs are reasonable.
- 2) Quality care would be provided based on the applicant’s representations about how it will ensure the quality of the proposed services and the applicant’s record of providing quality care in the past.

- 3) Medically underserved groups will have access to the proposed services based on the applicant's representations about access by medically underserved groups and the projected payor mix.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

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

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

C

The applicant proposes to add 29 acute care beds to CFVMC, for a total of 618 beds upon completion of this project and Project ID# M-8689-11 (add 65 beds).

On Form O in Section Q, the applicant identifies the hospitals located in North Carolina owned, operated, or managed by the applicant or a related entity. The applicant identified a total of four hospitals in North Carolina.

In Section O, page 96, the applicant states that it is not aware of any incidents related to quality of care occurring during the 18 months immediately preceding the submittal of the application. The Acute Care Licensure and Certification Section, DHSR indicated that on February 24, 2022, CFVMC was out of compliance with the Medicare Conditions of Participation, and a re-survey is scheduled for May 2022. After reviewing and considering information provided by the applicant and considering the quality of care provided at all four hospitals, the applicant provided sufficient evidence that quality care has been provided in the past. Therefore, the application is conforming to this criterion.

- (21) Repealed effective July 1, 1987.

G.S. 131E-183 (b): The Department is authorized to adopt rules for the review of particular types of applications that will be used in addition to those criteria outlined in subsection (a) of this section and may vary according to the purpose for which a particular review is being conducted or the type of health service reviewed. No such rule adopted by the Department shall require an academic medical center teaching hospital, as defined by the State Medical Facilities Plan, to demonstrate that any facility or service at another hospital is being appropriately utilized in order for that academic medical

center teaching hospital to be approved for the issuance of a certificate of need to develop any similar facility or service.

C

The Criteria and Standards for Acute Care Beds promulgated in 10A NCAC 14C .3800 are applicable to this review. The application is conforming to all applicable criteria, as discussed below.

10 NCAC 14C .3803 PERFORMANCE STANDARDS

- (a) *An applicant proposing to develop new acute care beds shall demonstrate that the projected average daily census (ADC) of the total number of licensed acute care beds proposed to be licensed within the service area, under common ownership with the applicant, divided by the total number of those licensed acute care beds is reasonably projected to be at least 66.7 percent when the projected ADC is less than 100 patients, 71.4 percent when the projected ADC is 100 to 200 patients, and 75.2 percent when the projected ADC is greater than 200 patients, in the third operating year following completion of the proposed project or in the year for which the need determination is identified in the State Medical Facilities Plan, whichever is later.*

- C- The applicant proposes to develop 29 acute care beds at CFVMC. The projected ADC of the total number of licensed acute care beds proposed to be licensed within the service area and owned by CFVHS is greater than 200. The applicant adequately demonstrates that the projected utilization of the total number of licensed acute care beds proposed to be licensed within the service area and which are owned by CFVHS is reasonably projected to be at least 75.2% by the end of the third operating year following completion of the proposed project. The discussion regarding projected utilization found in Criterion (3) is incorporated herein by reference.

- (b) *An applicant proposing to develop new acute care beds shall provide all assumptions and data used to develop the projections required in this rule and demonstrate that they support the projected inpatient utilization and average daily census.*

- C- See Section C, pages 34-47, for the applicant's discussion of need, and Section Q for the applicant's data, assumptions, and methodology used to project utilization. The discussions regarding analysis of need and projected utilization found in Criterion (3) are incorporated herein by reference.