

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: Julie M. Faenza

Co-signer: Gloria C. Hale

Project ID #: F-12187-22

Facility: Carolinas Rehabilitation

FID #: 943092

County: Mecklenburg

Applicant: The Charlotte-Mecklenburg Hospital Authority

Project: Relocate no more than 2 inpatient rehabilitation beds from Carolinas Rehabilitation-NorthEast for a total of no more than 72 inpatient rehabilitation 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.

NA

The Charlotte-Mecklenburg Hospital Authority (hereinafter "CMHA," "Atrium," or "the applicant") proposes to relocate two inpatient rehabilitation (IP rehab) beds from Carolinas Rehabilitation-NorthEast (CR-NE) in Cabarrus County to Carolinas Rehabilitation in Mecklenburg County for a total of 72 IP rehab beds upon project completion.

The applicant does not propose to develop any beds or services for which there is a need determination in the 2022 State Medical Facilities Plan (SMFP) or offer a new institutional health service for which there are any applicable policies in the 2022 SMFP. Therefore, Criterion (1) is not applicable to this review.

- (2) Repealed effective July 1, 1987.

- (3) The applicant shall identify the population to be served by the proposed project, and shall demonstrate the need that this population has for the services proposed, and the extent to which all residents of the area, and in particular, low income persons, racial and ethnic minorities, women, ... persons [with disabilities], the elderly, and other underserved groups are likely to have access to the services proposed.

C

The applicant proposes to relocate two IP rehab beds from CR-NE in Cabarrus County to Carolinas Rehabilitation in Mecklenburg County for a total of 72 IP rehab beds at Carolinas Rehabilitation upon project completion.

CR-NE currently has 40 licensed IP rehab beds. After completion of the proposed project, CR-NE will have 38 licensed IP rehab beds.

On January 30, 2020, in response to a request from the applicant, the Agency determined that a proposal to construct a six-story replacement building for Carolinas Rehabilitation was exempt from review. In Section C, pages 27-28, the applicant describes its plan to house the two relocated IP rehab beds on the third floor of the six-floor building.

Patient Origin

On page 109, the 2022 SMFP defines the service area for IP rehab beds as “... *the Health Service Area (HSA) in which the beds are located.*” Mecklenburg County and Cabarrus County are part of HSA III. Thus, the service area for this facility is HSA III. Facilities may also serve residents of counties not included in their service area.

The following table illustrates current and projected patient origin.

Carolinas Rehabilitation Current & Projected Patient Origin – IP Rehab Services								
County	Last FY (CY 2020)		FY 1 (CY 2023)		FY 2 (CY 2024)		FY 3 (CY 2025)	
	# Patients	% of Total	# Patients	% of Total	# Patients	% of Total	# Patients	% of Total
Mecklenburg	537	47.1%	554	47.1%	564	47.1%	574	47.1%
Gaston	86	7.5%	89	7.5%	90	7.5%	92	7.5%
Cleveland	59	5.2%	61	5.2%	62	5.2%	63	5.2%
Union	52	4.6%	54	4.6%	55	4.6%	56	4.6%
Cabarrus	43	3.8%	44	3.8%	45	3.8%	46	3.8%
York, SC	49	4.3%	51	4.3%	51	4.3%	52	4.3%
Iredell	32	2.8%	33	2.8%	34	2.8%	34	2.8%
Lincoln	24	2.1%	25	2.1%	25	2.1%	26	2.1%
Lancaster, SC	24	2.1%	25	2.1%	25	2.1%	26	2.1%
Stanly	22	1.9%	23	1.9%	23	1.9%	24	1.9%
Catawba	18	1.6%	19	1.6%	19	1.6%	19	1.6%
Rutherford	17	1.5%	18	1.5%	18	1.5%	18	1.5%
Burke	14	1.2%	14	1.2%	15	1.2%	15	1.2%
Other*	164	14.4%	169	14.4%	172	14.4%	175	14.4%
Total	1,141	100.0%	1,177	100.0%	1,198	100.0%	1,220	100.0%

Source: Section C, pages 29 and 32

*Other includes counties in North Carolina and other states

In Section C, page 31, the applicant provides the assumptions and methodology used to project patient origin. The applicant states projected patient origin is based on its historical patient origin from CY 2020. 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 due to the addition of two IP rehab beds that have historically had lower utilization.

Analysis of Need

In Section C, pages 34-39, the applicant explains why it believes the population projected to utilize the proposed services needs the proposed services, as summarized below:

- The applicant states that Carolinas Rehabilitation provides specialized care for medically complex and catastrophic injuries and routinely receives patient referrals from Carolinas Medical Center, a quaternary care academic medical center. The applicant states that it cannot provide that level of care at its other facilities in HSA III, CR-NE and Carolinas Rehabilitation – Mount Holly (CR-MH) and therefore cannot decompress by referring patients to other facilities. The applicant states that there is a waiting list for IP rehab beds at Carolinas Rehabilitation despite the availability of IP rehab beds at CR-NE and CR-MH and states that patients at CR-NE and CR-MH can more easily be moved to different facilities if necessary than patients at Carolinas Rehabilitation.
- The applicant states that, based on 2021 data from the North Carolina Office of State Budget and Management (NC OSBM), Mecklenburg County is the most populous county

in the state, is the fastest growing county in North Carolina based on numerical population growth, and is the fifth fastest growing county in North Carolina based on percentage of population growth. The applicant states NC OSBM data projects Mecklenburg County will remain at the top tier of growth in North Carolina counties through 2029. The applicant states that this population growth, especially among people age 65 and older, results in more need for IP rehab bed services because, generally, older residents utilize healthcare services more often than younger residents.

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

- The applicant explains why relocating IP rehab beds is necessary and why high utilization at Carolinas Rehabilitation cannot be decompressed by referring patients to other related facilities.
- 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.

Projected Utilization

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

Carolinas Rehabilitation IP Rehab Bed Historical & Projected Utilization						
	Historical	Interim		Projected		
	CY 2020	CY 2021	CY 2022	CY 2023	CY 2024	CY 2025
Beds	70	70	70	72	72	72
Discharges	1,141	1,260	1,127	1,177	1,198	1,220
Days of Care	19,576	19,117	19,467	20,325	20,696	21,075
Average Length of Stay (in days)	17.2	15.2	17.3	17.3	17.3	17.3
Occupancy Rate*	76.6%	74.8%	76.2%	77.3%	78.8%	80.2%

*Occupancy Rate = (Days of Care / 365 days per year) / Beds

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

- The applicant begins with a discussion of historical utilization as it relates to projecting future utilization. The applicant states utilization declined at Carolinas Rehabilitation by 8.8% between CY 2019 and CY 2020 due to the impacts of the COVID-19 pandemic. The applicant states that while it is impossible to determine how much of that decline was due to specific factors caused by the COVID-19 pandemic, it does not believe the decline will continue because there have been no inherent changes within the population or healthcare systems that would cause a permanent decrease in the need for IP rehab services.
- The applicant projects future utilization beginning with CY 2021 IP rehab patient days of care and projects days of care will increase annually by 1.8% through the end of the third

full fiscal year following project completion. The applicant states that 1.8% is NC OSBM’s projected average annual population growth rate for Mecklenburg County between 2021 and 2025.

- The applicant projects that CY 2023 days of care will increase by half of the 8.8% decrease between CY 2019 and CY 2020, or increase by 4.4%, due to the opening of the newly constructed replacement facility for Carolinas Rehabilitation. The applicant states the new building will be designed to modern standards, promote greater operational efficiencies, and lead to greater patient satisfaction, and those factors will contribute to a one-time increase in growth rate. The applicant states this is the only year with a projected increase in the overall growth rate and all other years are projected to increase at the 1.8% rate of population growth, as discussed above.
- The applicant projected IP rehab discharges by assuming an Average Length of Stay (ALOS) of 17.3 days. The applicant states 17.3 days is the average ALOS based on CYs 2017-2019, prior to disruptions caused by the COVID-19 pandemic.

The table below summarizes the assumptions and methodology used to project IP rehab bed utilization at Carolinas Rehabilitation.

Carolinas Rehabilitation IP Rehab Bed Projected Utilization					
	CY 2021	CY 2022	CY 2023	CY 2024	CY 2025
Days of Care	19,117	19,467	20,325	20,696	21,075
Projected Growth Rate		1.8%	4.4%	1.8%	1.8%
Beds	70	70	72	72	72
Average Daily Census (ADC)*		53	56	57	58
Occupancy %**		76.2%	77.3%	78.8%	80.2%
Discharges (based on ALOS of 17.3 days)		1,127	1,177	1,198	1,220

Source: Section Q, Form C Assumptions and Methodology
 *Average Daily Census = Total Patient Days / 365 days per year
 **Occupancy % = ADC / # beds

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

- The applicant considers the impacts of the COVID-19 pandemic and the general need for IP rehab services in projecting utilization.
- The applicant projects growth at the rate of population growth for Mecklenburg County.
- During CY 2023, when the applicant projects a higher growth rate than in other years, the applicant provides a rationale to explain why it believes CY 2023 will experience a higher growth rate than other years in the projected utilization calculations.

Access to Medically Underserved Groups

In Section C, page 46, the applicant states:

“CR provides services to all persons in need of medical care, regardless of race, color, religion, national origin, sex, age, disability, or source of payment. ... CMHA will continue to serve this population as dictated by the mission of CMHA, which is the foundation for every action taken. The mission is simple, but unique: ‘To improve health, elevate hope, and advance healing – for all.’ This includes the medically underserved.”

The applicant provides the estimated percentage of total patients 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	--
Racial and ethnic minorities	38.2%
Women	49.8%
Persons with disabilities	--
Persons 65 and older	27.7%
Medicare beneficiaries	42.8%
Medicaid recipients	19.3%

Source: Section C, page 47

In Section C, page 47, the applicant states that it does not maintain data on the number of low income persons and disabled persons it serves and cannot reasonably estimate what percentage of total patients they will be; however, the applicant also states neither low income persons nor disabled persons are 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 IP rehab bed services.
- The applicant provides documentation of its existing policies regarding non-discrimination in Exhibit C.6 and its financial policies in Exhibit L.4-1.

Conclusion

The Agency reviewed the:

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

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

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

C

The applicant proposes to relocate two IP rehab beds from CR-NE in Cabarrus County to Carolinas Rehabilitation in Mecklenburg County for a total of 72 IP rehab beds at Carolinas Rehabilitation upon project completion.

In Section D, page 53, the applicant explains why it believes the needs of the population presently utilizing the services to be relocated will be adequately met following completion of the project. On page 53, the applicant states:

“Given current and projected utilization, CMHA believes that the needs of the patients currently utilizing inpatient rehab services at CR-NorthEast will continue to be met following completion of the proposed project to relocate two inpatient rehab beds historically less utilized from CR-NorthEast to CR.”

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

- The applicant projects to relocate only a small number of the existing IP rehab beds at CR-NE.
- In the Form D Utilization – Assumptions and Methodology subsection of Section Q, the applicant documents declining utilization at CR-NE during CYs 2017-2019.

On Form D.1 in Section Q, the applicant provides projected utilization, as illustrated in the following table.

CR-NE IP Rehab Bed Historical & Projected Utilization				
	CY 2020	CY 2021	CY 2022	CY 2023
Beds	40	40	40	38
Discharges	668	733	756	710
Days of Care	10,685	10,457	10,656	10,014
Average Length of Stay (in days)	16.0	14.3	14.1	14.1
Occupancy Rate*	73.2%	71.6%	73.0%	72.2%

*Occupancy Rate = (Days of Care / 365 days per year) / Beds

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

- The applicant begins with a discussion of historical utilization as it relates to projecting future utilization. The applicant states utilization increased at CR-NE by 12% between CY 2019 and CY 2020 due to redirecting patients who would have historically been treated at Carolinas Rehabilitation to CR-NE. The applicant states it does not believe the increase will continue because it was the result of a specific and temporary strategy during the COVID-19 pandemic.
- The applicant projects future utilization beginning with CY 2021 IP rehab patient days of care and projects days of care will increase annually by 1.9% through the end of the third full fiscal year following project completion. The applicant states that 1.9% is NC OSBM's projected average annual population growth rate for Cabarrus County between 2021 and 2025.
- The applicant projects that CY 2023 days of care will decrease by half of the 12% increase between CY 2019 and CY 2020, or decrease by 6%, as there is a "return to normalcy" and no longer a need to redirect patients typically appropriate for Carolinas Rehabilitation to CR-NE.

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

- The applicant considers the impacts of the COVID-19 pandemic and future trends in projecting utilization.
- The applicant projects growth at the rate of population growth for Cabarrus County.
- The applicant states that there will be even more capacity for the patients continuing to receive care at CR-NE if utilization decreases by more than the 6% projected or if the historical trend of declining utilization continues.

Access to Medically Underserved Groups

In Section D, pages 53-54, the applicant states:

"...the remaining inpatient rehab capacity at CR-NorthEast will be sufficient to meet the needs of the patients that are currently utilizing inpatient rehab services at CR-NorthEast. As such, CMHA does not believe that the proposed reduction will negatively impact patients' – including the medically underserved – ability to access services at CR-NorthEast."

The applicant adequately demonstrates that the needs of medically underserved groups that will continue to use IP rehab services at CR-NE will be adequately met following completion of the project for the following reasons:

- The applicant states it does not believe the proposed project will negatively impact access by medically underserved groups.

- In its assumptions and methodology projecting utilization, the applicant states that it is possible projected utilization will be lower if historical patterns resume, which will provide even more access for medically underserved groups.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

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

- The applicant adequately demonstrates that the needs of the population currently using the services to be reduced, eliminated, or relocated will be adequately met following project completion for all the reasons described above.
 - The applicant adequately demonstrates that the project will not adversely impact the ability of underserved groups to access these services following project completion for all the reasons described above.
- (4) Where alternative methods of meeting the needs for the proposed project exist, the applicant shall demonstrate that the least costly or most effective alternative has been proposed.

CA

The applicant proposes to relocate two IP rehab beds from CR-NE in Cabarrus County to Carolinas Rehabilitation in Mecklenburg County for a total of 72 IP rehab beds at Carolinas Rehabilitation upon project completion.

In Section E, pages 57-58, 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 has already resulted in a waiting list for services because patients cannot easily be referred elsewhere for the level of care provided at Carolinas Rehabilitation; therefore, this was not an effective alternative.
- Relocate IP Rehab Beds From a Different Location: the applicant states it could have relocated IP rehab beds from CR-MH, but historical utilization at CR-MH was higher than at CR-NE, and while CR-MH experienced a decline in historical utilization, CR-NE experienced a larger decline in historical utilization; 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 Charlotte-Mecklenburg Hospital Authority (hereinafter certificate holder) shall materially comply with all representations made in the certificate of need application.**
- 2. The certificate holder shall relocate no more than 2 inpatient rehabilitation beds from Carolinas Rehabilitation – NorthEast to Carolinas Rehabilitation.**
- 3. Upon completion of the project, Carolinas Rehabilitation shall be licensed for no more than 72 inpatient rehabilitation beds and Carolinas Rehabilitation – NorthEast shall be licensed for no more than 38 inpatient rehabilitation beds.**
- 4. Progress Reports:**
 - a. Pursuant to G.S. 131E-189(a), the certificate holder shall submit periodic reports on the progress being made to develop the project consistent with the timetable and representations made in the application on the Progress Report form provided by the Healthcare Planning and Certificate of Need Section. The form is available online at: <https://info.ncdhhs.gov/dhsr/coneed/progressreport.html>.**
 - b. The certificate holder shall complete all sections of the Progress Report form.**
 - c. The certificate holder shall describe in detail all steps taken to develop the project since the last progress report and should include documentation to substantiate each step taken as available.**
 - d. The first progress report shall be due on October 1, 2022.**

5. **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.**
 6. **The certificate holder shall acknowledge acceptance of and agree to comply with all conditions stated herein to the Agency in writing prior to issuance of the certificate of need.**
- (5) Financial and operational projections for the project shall demonstrate the availability of funds for capital and operating needs as well as the immediate and long-term financial feasibility of the proposal, based upon reasonable projections of the costs of and charges for providing health services by the person proposing the service.

C

The applicant proposes to relocate two IP rehab beds from CR-NE in Cabarrus County to Carolinas Rehabilitation in Mecklenburg County for a total of 72 IP rehab beds at Carolinas Rehabilitation upon project completion.

Capital and Working Capital Costs

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

Construction Costs	\$397,000
Architect/Engineering Fees	\$25,000
Medical Equipment	\$30,000
Non-Medical Equipment/Furniture	\$27,000
Consultant Fees	\$79,000
Financing Costs	\$3,176
Interest During Construction	\$6,478
Other (Security, Info Systems, Internal allocation)	\$131,000
Total	\$698,654

The applicant provides its assumptions and methodology for projecting capital cost immediately following Form F.1a in Section Q. 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 about costs included in the calculation of each line item in the projected capital cost.
- The applicant states much of the projections are based on the applicant's history or the project architect's history in developing similar projects.
- In Exhibit F.1, the applicant provides a registered architect's certification dated January 3, 2022 stating the construction costs listed (which match those listed in Form F.1a) are accurate.

In Section F, page 61, the applicant states that there are no projected start-up expenses or initial operating expenses because the project does not involve a new service. This information is reasonable and adequately supported because Carolinas Rehabilitation is an existing and licensed facility and will continue to operate during and after development of the proposed project.

Availability of Funds

In Section F, page 59, the applicant states the entire projected capital expenditure of \$698,654 will be funded with Atrium's accumulated reserves.

In Exhibit F.2-1, the applicant provides a letter dated February 15, 2022 from the Executive Vice President and Chief Financial Officer for Atrium Health, stating that Atrium has sufficient accumulated reserves to fund the projected capital cost and committing to providing that funding to develop the proposed project.

Exhibit F.2-2 contains a copy of Atrium's Basic Financial Statements and Other Financial Information for the year ending December 31, 2020. According to the Basic Financial Statements, as of December 31, 2020, Atrium had adequate cash and assets to fund all the capital needs of the proposed project.

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

- The applicant provides a letter from the appropriate Atrium official confirming the availability of the funding proposed for the capital needs of the project and the commitment to use those funds to develop the proposed project.
- The applicant provides adequate documentation of the accumulated reserves it proposes to use to fund the capital needs of the project.

Financial Feasibility

The applicant provided pro forma financial statements for the first three full fiscal years of operation following project completion. On Form F.2b in Section Q, the applicant projects

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

Revenues and Operating Expenses – Carolinas Rehabilitation IP Rehab Services			
	FY 1 (CY 2023)	FY 2 (CY 2024)	FY 3 (CY 2025)
Total Discharges	1,177	1,198	1,220
Total Gross Revenues (Charges)	\$120,255,860	\$126,129,449	\$132,289,919
Total Net Revenue	\$38,017,160	\$39,874,011	\$41,821,555
Total Net Revenue per Discharge	\$32,300	\$33,284	\$34,280
Total Operating Expenses (Costs)	\$35,365,201	\$36,568,308	\$37,814,548
Total Operating Expenses per Discharge	\$30,047	\$30,524	\$30,996
Net Profit/(Loss)	\$2,651,959	\$3,305,703	\$4,007,007

The assumptions used by the applicant in preparation of the pro forma financial statements are provided immediately following Form F.3b in Section Q. The applicant adequately demonstrates that the financial feasibility of the proposal is reasonable and adequately supported based on the following:

- The applicant clearly details the sources of data used to project revenues and expenses.
- The applicant bases projections on its own historical experience.
- Projected utilization is based on reasonable and adequately supported assumptions. See the discussion regarding projected utilization in Criterion (3) which is incorporated herein by reference.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

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

- The applicant adequately demonstrates that the capital cost is based on reasonable and adequately supported assumptions for all the reasons described above.
- The applicant adequately demonstrates availability of sufficient funds for the capital needs of the proposal for all the reasons described above.
- The applicant adequately demonstrates sufficient funds for the operating needs of the proposal and that the financial feasibility of the proposal is based upon reasonable projections of revenues and operating expenses for all the reasons described above.

- (6) The applicant shall demonstrate that the proposed project will not result in unnecessary duplication of existing or approved health service capabilities or facilities.

C

The applicant proposes to relocate two IP rehab beds from CR-NE in Cabarrus County to Carolinas Rehabilitation in Mecklenburg County for a total of 72 IP rehab beds at Carolinas Rehabilitation upon project completion.

On page 109, the 2022 SMFP defines the service area for IP rehab beds as “... *the Health Service Area (HSA) in which the beds are located.*” Mecklenburg County and Cabarrus County are part of HSA III. Thus, the service area for this facility is HSA III. Facilities may also serve residents of counties not included in their service area.

Table 8A on page 112 of the 2022 SMFP shows there are seven facilities with existing and approved IP rehab beds in HSA III. Information about each facility is shown in the table below.

HSA III – Existing/Approved IP Rehab Beds				
Facility	County	# Existing/(Approved) Beds	Days of Care 2020	Average Utilization 2020
Atrium Health Pineville	Mecklenburg	29	9,309	87.9%
Levine Children’s Hospital (CMC)	Mecklenburg	13	3,802	80.1%
Carolinas Rehabilitation	Mecklenburg	70	20,421	79.9%
Carolinas Rehabilitation-Mount Holly	Gaston	40	10,941	74.9%
Carolinas Rehabilitation-NorthEast	Cabarrus	40	10,428	71.4%
Novant Health Presbyterian Medical Center	Mecklenburg	(10)	0	0.0%
Novant Health Rowan Medical Center	Rowan	10(-2)	2,945	100.8%
Total		210	57,846	75.4%

Source: Table 8A, page 112, 2022 SMFP

In Section G, page 69, the applicant explains why it believes its proposal would not result in the unnecessary duplication of existing or approved acute care bed services in HSA III. On page 69, the applicant states:

“Since 2016 ..., CR has continued to operate above 80 percent occupancy, Further, CR provides care for medically complex, catastrophic injuries and routinely serves patients who are much higher acuity, on average, than patients who require the general rehab services provided at CR-Mount Holly and CR-NorthEast. Sourcing existing beds from CR-NorthEast is the most effective alternative for developing additional capacity at CR and will not result in any duplication of existing inpatient rehab services given the capacity that historically has been available at CR-NorthEast and the increasing demand for CR’s specialized inpatient rehab services.”

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

- The applicant provides a level of specialized care at Carolinas Rehabilitation that it does not provide at its other locations.
- The proposal would not result in an increase in the number of existing and approved IP rehab beds in HSA III.

Conclusion

The Agency reviewed the:

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

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

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

C

The applicant proposes to relocate two IP rehab beds from CR-NE in Cabarrus County to Carolinas Rehabilitation in Mecklenburg County for a total of 72 IP rehab beds at Carolinas Rehabilitation upon project completion.

On Form H in Section Q, the applicant provides current and projected full-time equivalent (FTE) staffing for the proposed services. The applicant projects no change to its staffing as a result of the proposed project.

The assumptions and methodology used to project staffing are provided on Form H Assumptions immediately following Form H in Section Q. Adequate costs for the health manpower and management positions proposed by the applicant are budgeted on Form F.3b in Section Q. In Section H, pages 71-72, 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 documents the number of FTEs it projects will be needed to offer the proposed services and explains why it does not project an increase in staffing.
- 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 relocate two IP rehab beds from CR-NE in Cabarrus County to Carolinas Rehabilitation in Mecklenburg County for a total of 72 IP rehab beds at Carolinas Rehabilitation upon project completion.

Ancillary and Support Services

In Section I, page 73, the applicant identifies the necessary ancillary and support services for the proposed services. In Section I, pages 73-74, the applicant explains how each ancillary and support service is made available and provides supporting documentation in Exhibit I.1. The applicant adequately demonstrates that the necessary ancillary and support services will be made available based on the following:

- The applicant is currently providing the necessary ancillary and support services at the same facility where it proposes to develop the additional acute care beds.
- In Exhibit I.1, the applicant provides a letter from an administrator at Carolinas Rehabilitation, attesting to the existence of the necessary ancillary and support services and committing to continue to provide the necessary ancillary and support services for the proposed project.

Coordination

In Section I, page 74, the applicant describes Carolinas Rehabilitation's existing and proposed relationships with other local health care and social service providers and provides supporting documentation 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:

- Carolinas Rehabilitation is an existing facility 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 Atrium.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

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

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

NA

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.

NA

The applicant does not propose to construct any new space or make more than minor renovations to existing space. Therefore, Criterion (12) is not applicable to this review.

- (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, pages 82-83, the applicant provides the historical payor mix during CY 2020 for patients at Carolinas Rehabilitation and CR-NE, as shown in the table below.

Carolinas Rehabilitation & CR-NE Historical Payor Mix – CY 2020		
Payor Category	% of Patients Served	
	Carolinas Rehabilitation	CR-NE
Self-Pay	6.6%	1.7%
Medicare*	42.8%	53.1%
Medicaid*	19.3%	12.4%
Insurance*	27.1%	31.2%
Other**	4.2%	1.6%
Total	100.0%	100.0%

*Including any managed care plans.

**Includes Workers Compensation and TRICARE.

Source: Atrium Health internal data

Note: The applicant states charity care is provided to patients in any payor category and that its internal data does not include charity care as a payor source.

In Section L, page 84, the applicant provides the following comparisons.

Carolinas Rehabilitation	Percentage of Total Patients Served During CY 2020	Percentage of the Population of Mecklenburg County
Female	49.8%	51.9%
Male	50.2%	48.1%
Unknown	0.0%	0.0%
64 and Younger	72.3%	88.5%
65 and Older	27.7%	11.5%
American Indian	0.7%	0.8%
Asian	1.1%	6.3%
Black or African-American	35.0%	33.0%
Native Hawaiian or Pacific Islander	0.3%	0.1%
White or Caucasian	47.9%	57.3%
Other Race	1.1%	2.5%
Declined / Unavailable	13.9%	0.0%

Source: Atrium Health internal data

CR-NE	Percentage of Total Patients Served During CY 2020	Percentage of the Population of Cabarrus County
Female	50.8%	51.2%
Male	49.2%	48.8%
Unknown	0.0%	0.0%
64 and Younger	56.4%	86.6%
65 and Older	43.6%	13.4%
American Indian	0.6%	0.7%
Asian	0.7%	4.7%
Black or African-American	19.9%	19.6%
Native Hawaiian or Pacific Islander	0.0%	0.1%
White or Caucasian	62.1%	72.4%
Other Race	0.4%	2.5%
Declined / Unavailable	16.3%	0.0%

Source: Atrium Health internal data

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 85, the applicant states that no patient civil rights access complaints have been filed against Carolinas Rehabilitation 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 during the third full fiscal year of operation following completion of the project, as illustrated in the following table.

Carolinas Rehabilitation IP Rehab Projected Payor Mix – CY 2025	
Payor Category	% of Patients Served
Self-Pay	1.1%
Medicare*	51.0%
Medicaid*	17.9%
Insurance*	25.5%
Other**	4.5%
Total	100.0%

*Including any managed care plans.

**Includes Workers Compensation and TRICARE.

Source: Atrium Health internal data

Note: The applicant states charity care is provided to patients in any payor category and that its internal data does not include charity care as a payor source.

As shown in the table above, during the third full fiscal year of operation following completion of the project, the applicant projects that 1.1% of IP rehab services will be provided to self-pay patients, 51% of IP rehab services to Medicare patients, and 17.9% of IP rehab services to Medicaid patients.

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

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

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

- (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 relocate two IP rehab beds from CR-NE in Cabarrus County to Carolinas Rehabilitation in Mecklenburg County for a total of 72 IP rehab beds at Carolinas Rehabilitation upon project completion.

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

- The applicant provides documentation of existing health professional training programs in the area which already have access to Carolinas Rehabilitation.
- 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 relocate two IP rehab beds from CR-NE in Cabarrus County to Carolinas Rehabilitation in Mecklenburg County for a total of 72 IP rehab beds at Carolinas Rehabilitation upon project completion.

On page 109, the 2022 SMFP defines the service area for IP rehab beds as “... *the Health Service Area (HSA) in which the beds are located.*” Mecklenburg County and Cabarrus County are part of HSA III. Thus, the service area for this facility is HSA III. Facilities may also serve residents of counties not included in their service area.

Table 8A on page 112 of the 2022 SMFP shows there are seven facilities with existing and approved IP rehab beds in HSA III. Information about each facility is shown in the table below.

HSA III – Existing/Approved IP Rehab Beds				
Facility	County	# Existing/(Approved) Beds	Days of Care 2020	Average Utilization 2020
Atrium Health Pineville	Mecklenburg	29	9,309	87.9%
Levine Children’s Hospital (CMC)	Mecklenburg	13	3,802	80.1%
Carolinas Rehabilitation	Mecklenburg	70	20,421	79.9%
Carolinas Rehabilitation-Mount Holly	Gaston	40	10,941	74.9%
Carolinas Rehabilitation-NorthEast	Cabarrus	40	10,428	71.4%
Novant Health Presbyterian Medical Center	Mecklenburg	(10)	0	0.0%
Novant Health Rowan Medical Center	Rowan	10(-2)	2,945	100.8%
Total		210	57,846	75.4%

Source: Table 8A, page 112, 2022 SMFP

Regarding the expected effects of the proposal on competition in the service area, in Section N, page 91, the applicant states:

“The proposed project will enhance competition in the service area by promoting cost effectiveness, quality, and access to inpatient rehab services.”

Regarding the impact of the proposal on cost effectiveness, in Section N, page 91, the applicant states:

“...CMHA proposes to maximize existing resources by relocating two historically less utilized beds from CR-NorthEast to CR where additional capacity is needed. The development of the two beds proposed to be relocated from CR-NorthEast will allow CMHA to... creat[e] additional capacity that is needed at CR in a resource responsible and cost-effective manner.”

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

Regarding the impact of the proposal on quality, in Section N, page 91, the applicant states:

“CMHA believes that the proposed project will promote safety and quality in the delivery of healthcare services. CMHA is known for providing high quality services and expects the proposed project to expand its inpatient rehab capacity while bolstering its high quality reputation.

...CMHA is dedicated to providing the highest quality care and is continually recognized locally and nationally for its commitment to delivering efficient, quality care. Each year, CMHA facilities are recognized by many of the top accrediting and ranking organizations in the industry.”

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

Regarding the impact of the proposal on access by medically underserved groups, in Section N, page 93, the applicant states:

“The proposed project will improve access to its services in the service area, including access by those who are medically underserved. CMHA has long-promoted economic access to its services as it historically has provided services to all persons in need of medical care, regardless of race, sex, creed, age, national origin, [disability], or ability to pay.... CR will continue to serve this population as dictated by the mission of CMHA, which is the foundation for every action taken. The mission is simple, but unique: ‘To improve health, elevate hope, and advance healing – for all.’ This includes the medically underserved.”

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

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

- 1) The proposal is cost effective because the applicant adequately demonstrated: a) the need the population to be served has for the proposal; b) that the proposal would not result in an unnecessary duplication of existing and approved health services; and c) that projected revenues and operating costs are reasonable.

- 2) Quality care would be provided based on the applicant's representations about how it will ensure the quality of the proposed services and the applicant's record of providing quality care in the past.
- 3) Medically underserved groups will have access to the proposed services based on the applicant's representations about access by medically underserved groups and the projected payor mix.

Conclusion

The Agency reviewed the:

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

Based on that review, the Agency concludes that the application is conforming to this criterion based on all the reasons 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 relocate two IP rehab beds from CR-NE in Cabarrus County to Carolinas Rehabilitation in Mecklenburg County for a total of 72 IP rehab beds at Carolinas Rehabilitation upon project completion.

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 that operate IP rehab beds. The applicant identified a total of seven hospitals in North Carolina.

In Section O, page 97, the applicant states that during the 18 months immediately preceding the submittal of the application, there was one incident involving a finding of immediate jeopardy at an acute care hospital that does not operate IP rehab beds. The applicant states none of its other hospitals that operate IP rehab beds had any incidents involving a finding of immediate jeopardy. After reviewing and considering information provided by the applicant and considering the quality of care provided at all seven 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.

NA

The applicant proposes to relocate existing IP rehab beds. The Criteria and Standards for Rehabilitation Services, promulgated in 10A NCAC 14C .2800, are not applicable to this review because the applicant does not propose to develop new IP rehab beds.