REQUIRED STATE AGENCY FINDINGS

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

Decision Date: November 22, 2022
Findings Date: November 22, 2022

Project Analyst: Julie M. Faenza
Co-signer: Mike McKillip

COMPETITIVE REVIEW

Project ID #:	B-12230-22
Facility:	Novant Health Asheville Medical Center
FID #:	220472
County:	Buncombe
Applicants:	Novant Health, Inc. Surgery Partners, Inc. Novant Health Asheville Medical Center, LLC
Project:	Develop a new 67 bed acute care hospital pursuant to the need determination in the 2022 SMFP and relocate one OR from Outpatient Surgery Center of Asheville, and develop one dedicated C-Section OR and three procedure rooms

Project ID #:	B-12232-22
Facility:	Mission Hospital
FID #:	943349
County:	Buncombe
Applicant:	MH Mission Hospital, LLLP
Project:	Add no more than 67 acute care beds pursuant to the need determination in the 2022 SMFP for a total of no more than 800 acute care beds upon project completion

Project ID #:	B-12233-22
Facility:	AdventHealth Asheville
FID #:	220475
County:	Buncombe
Applicants:	AdventHealth Asheville, Inc. Adventist Health System Sunbelt Healthcare Corporation
Project:	Develop a new 67-bed hospital pursuant to the need determination in the 2022 SMFP with one dedicated C-Section OR and five procedure rooms

Each application was reviewed independently against the applicable statutory review criteria found in G.S. 131E-183(a) and the regulatory review criteria found in 10A NCAC 14C. After completing an independent analysis of each application, the Healthcare Planning and Certificate of Need Section (Agency) also conducted a comparative analysis of all the applications. The Decision, which can be found at the end of the Required State Agency Findings (Findings), is based on the independent analysis and the comparative analysis.

Given the complexity of this review and the nuances of the types of care proposed, the Project Analyst created the table below listing acronyms or abbreviations used in the findings.

Acronyms/Abbreviations Used	
Acronym/Abbreviations Used	**Full Term**
ADC	Average Daily Census (# of acute care days / 365.25 days in a year)
ALOS	Average Length of Stay (average number of acute care days for patients)
CAGR	Compound Annual Growth Rate
CY	Calendar Year
ED	Emergency Department
FY	Fiscal Year
HSA	Health Service Area
ICU	Intensive Care Unit
IP	Inpatient
LRA	License Renewal Application
Med/Surg	Medical/Surgical – refers to a category of patient or acute care bed
NC OSBM	North Carolina Office of State Budget and Management
NICU	Neonatal Intensive Care Unit
OP	Outpatient
SHCC	State Health Coordinating Council
SMFP	State Medical Facilities Plan

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.

NC – Novant Health Asheville Medical Center
C – All Other Applications

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 67 additional acute care beds in the Buncombe/Graham/Madison/Yancey multicounty service area. Three applications were submitted to the Healthcare Planning and Certificate of Need Section ("CON Section" or "Agency") proposing to develop a total of 201 new acute care beds in Buncombe County. However, pursuant to the need determination, only 67 acute care beds may be approved in this review for the Buncombe/Graham/Madison/Yancey multicounty service area. See the Conclusion following the Comparative Analysis for the decision.

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]*."*

Policies – There are two policies in the 2022 SMFP which 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."*

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."*

Both policies apply to all applications.

Project ID #B-12230-22/Novant Health Asheville Medical Center/Develop a new hospital with 67 acute care beds

Novant Health, Inc., Surgery Partners, Inc., and Novant Health Asheville Medical Center, LLC (hereinafter referred to as "Novant" or "the applicant") propose to develop a new hospital, Novant Health Asheville Medical Center (NH Asheville), with 67 acute care beds pursuant to the 2022 SMFP need determination.

Need Determination. The applicant does not propose to develop more acute care beds than are determined to be needed in the Buncombe/Graham/Madison/Yancey multicounty service area. In Section B, pages 24-25, the applicant adequately demonstrates that it meets the requirements of a "qualified applicant" as defined in Chapter 5 of the 2022 SMFP.

Policy GEN-3. In Section B, pages 27-31, the applicant explains why it believes its proposal is consistent with Policy GEN-3.

However, the applicant does not adequately demonstrate how its projected volumes incorporate the concept of maximizing healthcare value for resources expended. The applicant does not adequately demonstrate the need to develop 67 new acute care beds and does not adequately demonstrate that developing 67 new acute care beds would not be an unnecessary duplication of existing and approved services. The discussions regarding projected utilization and unnecessary duplication found in Criterion (3) and Criterion (6), respectively, are incorporated herein by reference. An applicant that does not demonstrate the need for the proposed project because projected utilization is not reasonable or adequately supported cannot demonstrate that the proposed project is not an unnecessary duplication of existing and approved health care services in the service area cannot demonstrate that it will maximize healthcare value for resources expended in meeting the need identified in the 2022 SMFP. Thus, the application is not consistent with Policy GEN-3.

Policy GEN-4. The proposed capital expenditure for this project is greater than $4 million. In Section B, page 32, the applicant describes the project's plan to improve energy efficiency and conserve water.

Conclusion – The Agency reviewed the:

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

Based on that review, the Agency concludes that the application is not conforming to this criterion based on the following:

- The applicant does not adequately demonstrate the need to develop 67 new acute care beds or that developing 67 new acute care beds would not be an unnecessary duplication of existing and approved health care services.

- Therefore, the applicant does not adequately demonstrate how its projected volumes incorporate the concept of maximum healthcare value for resources expended as required in Policy GEN-3.

Project ID #B-12232-22/Mission Hospital/Add 67 acute care beds

MH Mission Hospital, LLLP (hereinafter referred to as "Mission" or "the applicant") proposes to add 67 new acute care beds to Mission Hospital (Mission), a hospital with 733 existing acute care beds, for a total of 800 acute care beds upon project completion.

Need Determination. The applicant does not propose to develop more acute care beds than are determined to be needed in the Buncombe/Graham/Madison/Yancey multicounty service area. In Section B, page 26, the applicant adequately demonstrates that it meets the requirements of a "qualified applicant" as defined in Chapter 5 of the 2022 SMFP.

Policy GEN-3. In Section B, pages 28-37, the applicant explains why it believes its proposal is consistent with Policy GEN-3.

Policy GEN-4. The proposed capital expenditure for this project is greater than $4 million. In Section B, pages 37-39, the applicant describes the project's plan to improve energy efficiency and conserve water.

<u>Conclusion</u> – The Agency reviewed the:

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

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

- The applicant does not propose to develop more acute care beds than are determined to be needed in the Buncombe/Graham/Madison/Yancey multicounty service area.

- The applicant adequately demonstrates it is a "qualified applicant" as defined in Chapter 5 of the 2021 SMFP.

- The applicant adequately demonstrates that the proposal is consistent with Policy GEN-3 and Policy GEN-4 for the following reasons:

- The applicant adequately documents how the project will promote safety and quality in the delivery of acute care bed services in the Buncombe/Graham/Madison/Yancey multicounty service area.

- The applicant adequately documents how the project will promote equitable access to acute care bed services in the Buncombe/Graham/Madison/Yancey multicounty service area.

- The applicant adequately documents how the project will maximize healthcare value for the resources expended.

- The applicant adequately demonstrates that the application includes a written statement describing the project's plan to assure improved energy efficiency and water conservation.

Project ID #B-12233-22/AdventHealth Asheville/Develop a new hospital with 67 acute care beds

AdventHealth Asheville, Inc. and Adventist Health System Sunbelt Healthcare Corporation (hereinafter referred to as "AdventHealth" or "the applicant") propose to develop a new hospital, AdventHealth Asheville, with 67 acute care beds pursuant to the 2022 SMFP need determination.

Need Determination. The applicant does not propose to develop more acute care beds than are determined to be needed in the Buncombe/Graham/Madison/Yancey multicounty service area.

In Section B, pages 24-27, the applicant documents that it meets all the requirements of a "qualified applicant" for purposes of developing new acute care beds. The applicant proposes to develop a dedicated C-Section OR and a 24-hour emergency department with 12 ED treatment rooms in addition to the 67 acute care beds. Patients who undergo C-Sections are surgical patients. The applicant provides the number of projected acute care days by MDC for each of the first three full project years. The applicant proposes to offer daily inpatient services for eight MDCs during its first full project year, including MDC 14 (pregnancy, childbirth, and the puerperium).

Therefore, the applicant adequately demonstrates that it meets the requirements of a "qualified applicant" as defined in Chapter 5 of the 2022 SMFP.

Policy GEN-3. In Section B, pages 29-34, the applicant explains why it believes its proposal is consistent with Policy GEN-3.

Policy GEN-4. The proposed capital expenditure for this project is greater than $4 million. In Section B, page 35, the applicant describes the project's plan to improve energy efficiency and conserve water.

Conclusion – The Agency reviewed the:

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

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

- The applicant does not propose to develop more acute care beds than are determined to be needed in the Buncombe/Graham/Madison/Yancey multicounty service area.

- The applicant adequately demonstrates it is a "qualified applicant" as defined in Chapter 5 of the 2021 SMFP.

- The applicant adequately demonstrates that the proposal is consistent with Policy GEN-3 and Policy GEN-4 for the following reasons:

  - The applicant adequately documents how the project will promote safety and quality in the delivery of acute care bed services in the Buncombe/Graham/Madison/Yancey multicounty service area.

  - The applicant adequately documents how the project will promote equitable access to acute care bed services in the Buncombe/Graham/Madison/Yancey multicounty service area.

  - The applicant adequately documents how the project will maximize healthcare value for the resources expended.

  - The applicant adequately demonstrates that the application includes a written statement describing the project's plan to assure improved energy efficiency and water conservation.

(2) Repealed effective July 1, 1987.

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

NC – Novant Health Asheville Medical Center
C – All Other Applications

Project ID #B-12230-22/Novant Health Asheville Medical Center/Develop a new hospital with 67 acute care beds

The applicant proposes to develop a new hospital, NH Asheville, with 67 acute care beds pursuant to the 2022 SMFP need determination.

In Section C, pages 33-45, the applicant describes its recent experience developing community hospitals and provides details about approved community hospitals currently under development in various locations throughout North Carolina. The applicant also describes the services it proposes to offer at the new hospital. The applicant states it will provide inpatient services for limited acuity levels based on the equipment requirements and practice patterns of physicians. The applicant states it will offer maternity services and proposes to develop a dedicated C-Section OR as part of the proposed project.

The applicant plans to provide intensive care unit beds and observation beds as well as 35 emergency department (ED) treatment rooms. The applicant proposes to provide imaging services, including a CT scanner, a mammography unit, a nuclear medicine camera, and plans to develop two mobile pads for mobile MRI services and any future mobile services. The applicant states it plans to station a mobile MRI onsite that will remain there continuously to provide around-the-clock services.

The applicant proposes to relocate an existing OR from Outpatient Surgery Center of Asheville (OSCA) to NH Asheville, in addition to the dedicated C-Section OR, and plans to develop three procedure rooms and a GI endoscopy procedure room. The applicant will develop all appropriate ancillary services such as post-anesthesia care units and pre-operative rooms.

The applicant plans to provide respiratory, physical, occupational, and speech therapies as well as a pharmacy and laboratory services. The applicant states that the services it develops will be appropriate for a 67-bed acute care hospital.

Patient Origin – On page 33, the 2022 SMFP defines the service area for acute care beds as *"… the single or multicounty grouping shown in Figure 5.1."* Figure 5.1, on page 38, shows Buncombe, Graham, Madison, and Yancey counties in a multicounty grouping. Thus, the service area for these facilities is the Buncombe/Graham/Madison/Yancey multicounty service area. Facilities may also serve residents of counties not included in their service area.

NH Asheville is not an existing hospital and thus has no historical patient origin. The applicant provides the historical patient origin for OSCA, because one OR will be relocated from OSCA, as shown in the table below.

Historical Patient Origin – OSCA – FY 2021		
Area	**# Patients**	**% of Total**
Buncombe	1,865	48.07%
Henderson	625	16.11%
Haywood	284	7.32%
Madison	148	3.81%
McDowell	130	3.35%
Transylvania	118	3.04%
Yancey	109	2.81%
Macon	90	2.32%
Jackson	75	1.93%
Burke	65	1.68%
Polk	56	1.44%
Swain	51	1.31%
Rutherford	51	1.31%
Mitchell	47	1.21%
Cherokee	23	0.59%
Other NC	79	2.04%
Other states	64	1.65%
Total	**3,880**	**100.00%**

Source: Section C, page 46

The following tables show projected patient origin for inpatient services, outpatient surgery services, other outpatient services, and total patients to be served at NH Asheville.

Projected Patient Origin – NH Asheville – Inpatient Services						
Area	**FY 1 (CY 2027)**		**FY 2 (CY 2028)**		**FY 3 (CY 2029)**	
	# Patients	**% of Total**	**# Patients**	**% of Total**	**# Patients**	**% of Total**
Buncombe	3,201	83.4%	4,314	83.4%	5,450	83.4%
Henderson	534	13.9%	720	13.9%	910	13.9%
Madison	53	1.4%	71	1.4%	90	1.4%
Yancey	39	1.0%	52	1.0%	65	1.0%
Graham	10	0.3%	13	0.3%	16	0.2%
Total	**3,837**	**100.0%**	**5,171**	**100.0%**	**6,531**	**100.0%**

Source: Section C, page 49

Projected Patient Origin – NH Asheville – Outpatient Surgery Services						
Area	**FY 1 (CY 2027)**		**FY 2 (CY 2028)**		**FY 3 (CY 2029)**	
	# Patients	**% of Total**	**# Patients**	**% of Total**	**# Patients**	**% of Total**
Buncombe	2,058	83.4%	3,396	83.4%	4,372	83.4%
Henderson	344	13.9%	567	13.9%	730	13.9%
Madison	34	1.4%	56	1.4%	72	1.4%
Yancey	25	1.0%	41	1.0%	53	1.0%
Graham	6	0.3%	10	0.3%	13	0.2%
Total	**2,467**	**100.0%**	**4,071**	**100.0%**	**5,239**	**100.0%**

Source: Section C, page 49

Projected Patient Origin – NH Asheville – Other Outpatient Services						
Area	FY 1 (CY 2027)		FY 2 (CY 2028)		FY 3 (CY 2029)	
	# Patients	% of Total	# Patients	% of Total	# Patients	% of Total
Buncombe	25,352	83.4%	41,017	83.4%	46,876	83.4%
Henderson	4,233	13.9%	6,849	13.9%	7,827	13.9%
Madison	423	1.4%	680	1.4%	771	1.4%
Yancey	308	1.0%	496	1.0%	563	1.0%
Graham	78	0.3%	124	0.3%	140	0.2%
Total	**30,394**	**100.0%**	**49,165**	**100.0%**	**56,178**	**100.0%**

Source: Section C, page 49

Projected Patient Origin – NH Asheville – Entire Facility						
Area	FY 1 (CY 2027)		FY 2 (CY 2028)		FY 3 (CY 2029)	
	# Patients	% of Total	# Patients	% of Total	# Patients	% of Total
Buncombe	30,610	83.4%	48,727	83.4%	56,697	83.4%
Henderson	5,111	13.9%	8,136	13.9%	9,467	13.9%
Madison	511	1.4%	808	1.4%	933	1.4%
Yancey	372	1.0%	589	1.0%	681	1.0%
Graham	94	0.3%	148	0.3%	170	0.2%
Total	**36,698**	**100.0%**	**58,406**	**100.0%**	**67,948**	**100.0%**

Source: Section C, page 50

In Section C, page 48, and in Steps 1-9 of the Utilization Methodology and Assumptions subsection of Section Q, the applicant provides the assumptions and methodology used to project patient origin. The applicant's assumptions are reasonable and adequately supported based on the following:

- The applicant's projected patient origin is based on historical patient origin of patients who received inpatient services in Buncombe County.
- The applicant considered the location of the proposed facility in conjunction with other existing facilities and the distance to travel when projecting patient origin.

Analysis of Need – In Section C, pages 51-68, 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 of the Buncombe County residents who received acute care bed services outside of Buncombe County, 93.6% of residents were admitted to hospitals located to the south of Mission Hospital. (page 53)
- The applicant states Buncombe County is the only county in western North Carolina to have an acute care bed need determination since the 2010 SMFP. The applicant further states the Buncombe/Graham/Madison/Yancey multicounty service area is the only western North Carolina service area with an acute care bed need in the Proposed 2023 SMFP. (page 54)

- The applicant states Asheville is the largest city west of Charlotte, and Buncombe County is the largest county in North Carolina that does not have a second competing hospital within the same county. (page 54)

- The applicant states that residents of the Buncombe/Graham/Madison/Yancey multicounty service area deserve access to a not-for-profit hospital alternative due to alleged issues with the transaction that resulted in Mission being acquired by HCA and ongoing concerns about complaints made against Mission. (pages 55-60)

- The applicant states projected Buncombe County and its "extended service area" (Henderson, Graham, Madison, and Yancey counties) are projected to have growing populations. The applicant states that the population ages 65 and older is projected to grow at the fastest rate and that people aged 65 and older have the highest rate of hospital utilization. (pages 61-63)

- The applicant states that, in addition to population growth, the life expectancy for residents of Buncombe County has steadily increased since 1992 (until the COVID-19 pandemic). (page 64)

- The applicant states The County Health Rankings & Roadmaps program measures health outcomes and health factors for populations in a county. The applicant states it will address the measures that lead to these calculations and improve the health outcomes and health factors for the service area. (pages 65-68)

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

- The applicant cites trusted and verifiable publicly available data to discuss population growth, utilization, and health outcomes.

- The applicant discusses concerns relevant to the patients proposed to be served, such as health outcomes and choice of providers.

Projected Utilization – On Forms C.1b – C.4b in Section Q, the applicant provides projected utilization, as illustrated in the following tables.

NH Asheville Projected Utilization – Acute Care Beds			
	FY 1 (CY 2027)	FY 2 (CY 2028)	FY 3 (CY 2029)
# of Beds	67	67	67
# of Discharges	3,837	5,171	6,531
# of Patient Days	10,974	14,788	18,680
ALOS*	2.86	2.86	2.86
Occupancy Rate	44.8%	60.4%	76.3%

*ALOS = Average Length of Stay

NH Asheville Projected Utilization – Surgical Services			
	FY 1 (CY 2027)	**FY 2 (CY 2028)**	**FY 3 (CY 2029)**
Operating Rooms			
C-Section ORs	1	1	1
Shared ORs	1	1	1
Total ORs	2	2	2
Excluded ORs	1	1	1
Surgical Cases			
C-Sections (in dedicated OR)	192	256	320
Inpatient Cases	337	454	574
Outpatient Cases	247	407	524
Total Surgical Cases	776	1,118	1,418
Inpatient Surgical Hours (1.90)	640.6	863.3	1,090.5
Outpatient Surgical Hours (1.21)	298.5	492.5	633.9
Total Surgical Hours*	939.1	1,355.8	1,724.4
Standard Hours (Group 4)	1,500	1,500	1,500
ORs Needed	0.6	0.9	1.1
GI Endoscopy			
Rooms	1	1	1
Inpatient GI Endo Cases	361	542	722
Outpatient GI Endo Cases	461	692	923
Total GI Endo Cases	823	1,234	1,645
Procedure rooms			
Rooms	3	3	3
Procedures	2,220	3,664	4,715
Procedures per Room	740	1,221	1,572

NH Asheville Projected Utilization – Medical Equipment/Other Services			
	FY 1 (CY 2027)	FY 2 (CY 2028)	FY 3 (CY 2029)
CT Scanner			
# of Units	1	1	1
# of Scans	21,501	29,004	32,396
# of HECT Units	31,817	42,919	47,939
X-Ray (includes fluoroscopy and mobile units)			
# of Units	5	5	5
# of Procedures	25,847	34,295	38,039
Mammography			
# of Units	1	1	1
# of Procedures	9,769	15,803	18,056
MRI Scanner			
# of Units	1	1	1
# of Procedures	5,137	7,853	8,966
# of Weighted Procedures	6,547	10,008	11,426
Ultrasound			
# of Units	2	2	2
# of Procedures	10,405	15,055	16,897
Nuclear Medicine Camera (SPECT)			
# of Units	1	1	1
# of Procedures	1,506	2,127	2,487
ED Visits			
# of Treatment Rooms	35	35	35
# of Visits	37,991	48,177	52,085
Observation Beds (unlicensed)			
# of Beds	8	8	8
# Days of Care	2,516	3,146	3,547
Laboratory Tests	169,693	239,049	272,564
Physical Therapy Treatments	3,149	4,117	4,959
Speech Therapy Treatments	789	1,085	1,287
Occupational Therapy Treatments	1,680	2,192	2,639
Outpatient Visits	30,394	49,165	56,178

In the Utilization Methodology and Assumptions subsection in Section Q, the applicant provides the assumptions and methodology used to project utilization for NH Asheville, which are summarized below.

Acute Care Beds

- The applicant defined its area of patient origin as Buncombe, Graham, Henderson, Madison, and Yancey counties.

- The applicant obtained the historical populations for each of these counties for 2016-2020 and also obtained the total number of acute care admissions for each of these counties for 2016-2020. The applicant then used that information to calculate a 5-year average admissions per 1,000 population for each county. (Steps 1-3)

- The applicant identified the number of acute care admissions for residents of these counties that occurred in Buncombe County and calculated the percentage of county admissions that were treated in Buncombe County for 2016-2020. The applicant used that information to calculate 5-year average county admissions treated in Buncombe County for each county. (Steps 4-5)

- The applicant obtained projected county populations for each of the five counties for 2027-2029 from the North Carolina Office of State Budget and Management (NC OSBM) and applied the 5-year average admissions per 1,000 population for each county to calculate the projected county acute care admissions for 2027-2029. The applicant next applied the 5-year average county admissions treated in Buncombe County for each county to calculate the percent of acute care admissions that would be treated in Buncombe County for 2027-2029. (Steps 6-8)

- The applicant then projected the percentage of Buncombe County acute care admissions that would be treated at NH Asheville. The applicant states it considered the lower acuity levels offered by NH Asheville, projected lower patient costs, physicians expected to provide services, and the location of NH Asheville in determining the percentage of Buncombe County acute care admissions that would be treated at NH Asheville. The applicant appears to project a "ramp-up" period between 2027 and 2029 where there is an increase each year in the percentage of Buncombe County acute care admissions for each county projected to be treated at NH Asheville. The applicant applied the percentage of Buncombe County acute care admissions for each county expected to be treated at NH Asheville to its previous calculations projecting acute care admissions to make a final projection of acute care admissions to be served by NH Asheville during 2027-2029. (Step 9)

- The applicant projected the total number of acute care days to be provided at NH Asheville by relying on the historical experience of Novant Health Mint Hill Medical Center (NH Mint Hill) in Mecklenburg County. The applicant states that NH Mint Hill is the newest community hospital it has opened and has a similar size and scope of services as the proposed NH Asheville. The applicant used the 2021 NH Mint Hill average length of stay (ALOS) for lower acuity admissions to project the number of acute care days to be served at NH Asheville during the first three full fiscal year following project completion. The applicant then calculated utilization rates based on a 67-bed facility. (Steps 10-11)

- The applicant states it validated its projections and data by identifying the number of treatable admissions in Buncombe County based on DRGs reasonable to be treated at NH Asheville from 2019. The applicant states it used data from 2019 because it was the most recent year of data that was unaffected by the impact of the COVID-19 pandemic. The applicant states it applied a population compound annual growth rate (CAGR) of 0.65% to the 2019 admissions appropriate for treatment at NH Asheville to determine what percentage of admissions it projects to treat during each of its first three full fiscal years following project completion.

The applicant states that it will capture only 28.9% of low acuity admissions in Buncombe County during its third full fiscal year and that low acuity admissions at Mission were 34.9% of the total admissions in 2019. (Step 12)

The applicant's assumptions, methodology, and projected utilization of acute care beds at NH Asheville during the first three full fiscal years following project completion are summarized in the table below.

NH Asheville Projected Utilization Calculations						
	2016	**2017**	**2018**	**2019**	**2020**	**5-Yr Average**
Buncombe						
Admissions per 1,000 population	76.9	78.5	81.6	82.9	80.3	80.1
% of Admissions in Buncombe	91.5%	91.2%	90.4%	93.0%	91.0%	91.4%
Henderson						
Admissions per 1,000 population	95.1	96.1	95.2	91.0	86.2	92.7
% of Admissions in Buncombe	32.3%	32.0%	24.6%	30.6%	33.9%	30.7%
Madison						
Admissions per 1,000 population	84.9	88.4	91.8	97.9	82.2	89.0
% of Admissions in Buncombe	93.0%	93.2%	92.8%	91.5%	92.6%	92.6%
Yancey						
Admissions per 1,000 population	89.3	93.9	101.0	112.6	98.2	99.0
% of Admissions in Buncombe	68.1%	66.8%	69.9%	67.2%	69.9%	68.4%
Graham						
Admissions per 1,000 population	122.4	118.4	108.8	107.0	97.2	110.8
% of Admissions in Buncombe	34.1%	39.3%	35.6%	39.0%	39.4%	37.5%

NH Asheville Projected Utilization Calculations			
	FY 1 (CY 2027)	FY 2 (CY 2028)	FY 3 (CY 2029)
Buncombe			
Projected Population	291,576	294,736	297,896
Resident Admissions (80.1)	23,343	23,596	23,849
Buncombe Admissions (91.4%)	21,337	21,568	21,799
#/% Served at NH Asheville	3,201 (15%)	4,314 (20%)	5,450 (25%)
Acute Care Days (ALOS 2.86)	9,154	12,337	15,587
Henderson			
Projected Population	125,213	126,578	127,943
Resident Admissions (92.7)	11,610	11,737	11,863
Buncombe Admissions (30.7%)	3,562	3,601	3,640
#/% Served at NH Asheville	534 (15%)	720 (20%)	910 (25%)
Acute Care Days (ALOS 2.86)	1,528	2,060	2,603
Madison			
Projected Population	21,611	21,680	21,752
Resident Admissions (89.0)	1,924	1,930	1,936
Buncombe Admissions (92.6%)	1,782	1,787	1,793
#/% Served at NH Asheville	53 (3%)	71 (4%)	90 (5%)
Acute Care Days (ALOS 2.86)	153	204	256
Yancey			
Projected Population	19,144	19,245	19,345
Resident Admissions (99.0)	1,895	1,905	1,915
Buncombe Admissions (68.4%)	1,296	1,303	1,310
#/% Served at NH Asheville	39 (3%)	52 (4%)	65 (5%)
Acute Care Days (ALOS 2.86)	111	149	187
Graham			
Projected Population	7,876	7,871	7,862
Resident Admissions (110.8)	872	872	871
Buncombe Admissions (37.5%)	327	327	327
#/% Served at NH Asheville	10 (3%)	13 (4%)	16 (5%)
Acute Care Days (ALOS 2.86)	28	37	47
Total Acute Care Days	10,974	14,788	18,680
Average Daily Census	30.0	40.5	51.1
Number of Beds	67	67	67
Utilization	44.8%	60.4%	76.3%

As shown in the table above, in the third full fiscal year following project completion, the applicant projects the utilization for all acute care beds at NH Asheville will be 76.3%. This meets the performance standard promulgated in 10A NCAC 14C .3803(a), which requires an applicant proposing to add new acute care beds to a service area to reasonably project that all acute care beds in the service area under common ownership will have a utilization of at least 66.7% when the projected ADC is less than 100 patients.

Observation Beds

In Step 14, the applicant projected the number of observation patients and days by applying the ratio of admissions to observation patients at NH Mint Hill for each of its first three years of operation and using the ratio to calculate the projected number of observation patients at NH Asheville. The applicant assumed observation patients had an ALOS of 1.2 days.

NH Asheville Projected Utilization – Observation Patients/Days			
	FY 1 (CY 2027)	FY 2 (CY 2028)	FY 3 (CY 2029)
Projected Admissions	3,837	5,171	6,531
NH Mint Hill Ratios*	0.55	0.51	0.45
Projected Observation Patients	2,097	2,622	2,956
ALOS*	1.2	1.2	1.2
Projected Observation Days	2,516	3,146	3,547

***Source:** NH Mint Hill internal data

Emergency Department Services

In Step 15, the applicant projected the number of ED visits by applying the ratio of ED visits to admissions at NH Mint Hill for each of its first three years of operation and using the ratio to calculate the projected number of ED visits at NH Asheville.

NH Asheville Projected Utilization – ED Visits			
	FY 1 (CY 2027)	FY 2 (CY 2028)	FY 3 (CY 2029)
Projected Admissions	3,837	5,171	6,531
NH Mint Hill Ratios*	9.9	9.3	8.0
Projected ED Visits	37,991	48,177	52,085

***Source:** NH Mint Hill internal data

Outpatient Visits

In Step 16, the applicant projected the number of outpatient visits by applying the ratio of outpatient visits to admissions at NH Mint Hill for each of its first three years of operation and using the ratio to calculate the projected number of outpatient visits at NH Asheville.

NH Asheville Projected Utilization – Outpatient Visits			
	FY 1 (CY 2027)	FY 2 (CY 2028)	FY 3 (CY 2029)
Projected Admissions	3,837	5,171	6,531
NH Mint Hill Ratios*	7.9	9.5	8.6
Projected Outpatient Visits	30,394	49,165	56,178

***Source:** NH Mint Hill internal data

Surgical Services

In Step 13, the applicant projects inpatient surgical cases by applying the ratio of NH Asheville-appropriate inpatient surgical cases to NH Asheville-appropriate admissions at NH Mint Hill during 2021 and using the ratio to calculate the projected number of inpatient surgical cases based on projected admissions at NH Asheville.

NH Asheville Projected Utilization – Inpatient Surgical Cases			
	FY 1 (CY 2027)	FY 2 (CY 2028)	FY 3 (CY 2029)
Projected Admissions	3,837	5,171	6,531
NH Mint Hill Ratio*	0.09	0.09	0.09
Projected IP Surgical Cases	337	454	574

***Source:** NH Mint Hill internal data

In Step 17, the applicant projected the number of outpatient surgical cases to be performed in the OR to be relocated and the proposed procedure rooms by calculating ratios of outpatient visits to outpatient surgical cases and procedures at NH Mint Hill during its first three years of operation. The applicant states it used a combination of the number of outpatient procedures performed in procedure rooms at NH Mint Hill and 50% of the outpatient surgical cases at NH Mint Hill to represent lower acuity cases that could be performed in procedure rooms. The applicant calculated the ratio of outpatient visits to surgical cases for each of the first three operating years for NH Mint Hill and applied the calculation to the projected number of outpatient visits at NH Asheville. The applicant then made assumptions about how many surgical cases would be performed in the OR versus the procedure rooms.

NH Asheville Projected Utilization – Outpatient Surgical Cases			
	FY 1 (CY 2027)	FY 2 (CY 2028)	FY 3 (CY 2029)
Projected Outpatient Visits	30,394	49,165	56,178
NH Mint Hill Ratios*	0.08	0.08	0.09
Projected Outpatient Surgical Cases	2,467	4,071	5,239
Surgical Cases in OR (10%)	247	407	524
Surgical Cases in Procedure Rooms (90%)	2,220	3,664	4,715

***Source:** NH Mint Hill internal data

In Step 18, the applicant projected the number of C-Section cases at NH Asheville by calculating a three-year average of C-Sections performed in Buncombe County and multiplying it by the percentages used to project how many Buncombe County hospital admissions would be treated at NH Asheville during each of its first three operating years.

NH Asheville Projected Utilization – C-Section Surgical Cases			
	FY 1 (CY 2027)	FY 2 (CY 2028)	FY 3 (CY 2029)
Average C-Sections*	1,282	1,282	1,282
NH Asheville %	15%	20%	25%
Projected C-Sections	192	256	320

***Source:** 2020-2022 License Renewal Applications (LRAs) for Mission

In Step 19, the applicant projects GI endoscopy cases by combining the number of GI endoscopy cases from a "four-county service area" that were treated in Buncombe County, based on patient origin reports for FYs 2019-2021 available on the Agency website, and calculating an average number of cases from the three years of data. The applicant then assumed a percentage of those cases would be treated at NH Asheville.

NH Asheville Projected Utilization – GI Endoscopy Cases			
	FY 1 (CY 2027)	**FY 2 (CY 2028)**	**FY 3 (CY 2029)**
Average GI Endoscopy Cases*	16,450	16,450	16,450
NH Asheville %	5.0%	7.5%	10.0%
Projected GI Endoscopy Cases	823	1,234	1,645

***Source:** FY 2019-2021 Patient Origin Reports

Because the applicant proposes to develop a new GI endoscopy room as part of developing NH Asheville, the applicant must demonstrate it meets the required performance standards promulgated in 10A NCAC 14C .3903(4), which requires the applicant to project to perform an average of at least 1,500 GI endoscopy procedures per GI endoscopy room during the third full fiscal year of operation for all GI endoscopy rooms in the defined service area. In Section C, page 81, the applicant defines the service area as Buncombe, Graham, Henderson, Madison, and Yancey counties, and projects to perform 1,645 GI endoscopy procedures in the single GI endoscopy room it will operate in the previously defined service area during the third full fiscal year following project completion.

Laboratory, Imaging, and Ancillary Services

In Step 20, the applicant projects laboratory tests by assuming an average of three laboratory tests for every acute care day, two laboratory tests for every outpatient visit, and two laboratory tests for every ED visit. The applicant then calculates the projected number of laboratory tests to be performed at NH Asheville.

NH Asheville Projected Utilization – Laboratory Tests			
	FY 1 (CY 2027)	**FY 2 (CY 2028)**	**FY 3 (CY 2029)**
Projected Acute Care Days	10,974	14,788	18,680
Lab Tests – Acute Care Days (3/day)	32,922	44,363	56,039
Projected Outpatient Visits	30,394	49,165	56,178
Lab Tests – Outpatient Visits (2/visit)	60,789	98,331	112,356
Projected ED Visits	37,991	48,177	52,085
Lab Tests – ED Visits (2/visit)	75,982	96,355	104,170
Total Laboratory Tests	169,693	239,049	272,564

In Steps 22-25, the applicant projects imaging and ancillary services for NH Asheville by calculating the number of imaging procedures or ancillary services per 1,000 low-acuity admissions, ED visits, observation patients, and outpatient visits at NH Mint Hill during 2021. The applicant then applies the calculations to the projected number of admissions, ED visits, observation patients, and outpatient visits in the first three

operating years at NH Asheville to project the total number of imaging procedures and ancillary services to be performed. Please see Section Q, Steps 22-25, for the detailed calculations.

NH Asheville Projected Utilization – Imaging Procedures & Ancillary Services			
	FY 1 (CY 2027)	FY 2 (CY 2028)	FY 3 (CY 2029)
CT Scans	21,501	29,004	32,396
MRI Scans	5,137	7,853	8,966
Ultrasounds	10,405	15,055	16,897
X-ray	25,847	34,295	38,039
Occupational Therapy Visits	1,680	2,192	2,639
Physical Therapy Visits	3,149	4,117	4,959
Speech Therapy Visits	789	1,085	1,287
Nuclear Medicine Camera (SPECT) Procedures	1,506	2,127	2,487
Mammograms	9,769	15,803	18,056

However, projected utilization is not reasonable and adequately supported, based on the following:

- Novant uses NH Mint Hill, which it identifies as its newest community hospital that is of a similar size and offers similar services to those proposed at NH Asheville, to extrapolate calculations such as acute care days. In its projections for acute care days, Novant uses the ALOS from NH Mint Hill and applies that to the projected admissions to calculate projected acute care days.

  However, NH Mint Hill is located in Mecklenburg County, a very large urban county that is the center of a metropolitan statistical area, and which has a much different population and healthcare system than the Buncombe/Graham/Madison/Yancey multicounty service area. The table below highlights some of the differences between the two facilities and two service areas.

Comparison of Buncombe and Mecklenburg counties and facilities		
Category	**Buncombe County/NH Asheville**	**Mecklenburg County/NH Mint Hill**
# of Acute Care beds	67	36
# of ORs	1 (and 1 dedicated C-Section OR)	3 (and 1 dedicated C-Section OR)
Countywide		
Number of Hospitals*	1 existing	7 existing, 3 approved
Number of Acute Care Beds*	733 existing; 0 approved	2,306 existing; 309 approved
Number of Owners of Hospitals with Acute Care Beds*	Mission Health (1)	Atrium Health (3; 1 approved) Novant Health (4; 2 approved)
Population**	319,414	1,121,482

*__Source:__ Agency records
**Population data from 2021 Standard Population Estimates, NC OSBM, last updated September 28, 2022. Population total under Buncombe County includes populations of Graham, Madison, and Yancey counties.

Novant does not explain in its application as submitted why it is reasonable to use data from NH Mint Hill, with 36 acute care beds, 3 ORs, and in a large urban county

with multiple healthcare systems, to project utilization at NH Asheville, with almost twice the number of acute care beds, one-third the number of ORs, and in a multicounty service area with less than one-third the population of Mecklenburg County.

Additionally, the applicant uses NH Mint Hill "low-acuity" admissions as a starting point for some calculations. The applicant states that in 2021 there were 1,707 "low-acuity" admissions. It is not clear whether the applicant is using CY 2021 data or FY 2021 data, such as would be found on the 2022 License Renewal Application (LRA); the applicant cites LRA data in some places and cites internal data in others. However, based on NH Mint Hill's 2022 LRA, covering October 1, 2020, through September 30, 2021, NH Mint Hill had 2,992 admissions. The applicant does not adequately explain how NH Mint Hill offers "similar services" when up to 43% of its patients (1,707 "low-acuity" admissions / 2,992 admissions = 0.43 or 43%) receive more advanced services than are proposed to be offered at NH Asheville.

- Novant's assumptions about what percentage of acute care patients treated in Buncombe County will shift to NH Asheville are not reasonable and adequately supported.

  In Section Q, under Step 9, Novant states:

  > *"…Novant Health considered the low acuity DRGs, the physicians expected to provide services at NH Asheville, the projected lower patient costs, and the location of NH Asheville. The final variable considers that residents from Madison and Yancey counties must drive past Mission Hospital and Henderson County residents must drive past NH Asheville to reach Mission Hospital."*

  Novant assumed that 3%, 4%, and 5% of patients from Graham, Madison, and Yancey counties would be treated at NH Asheville during the first, second, and third fiscal year, respectively. The applicant states that a variable considered was the need for Madison and Yancey residents to drive past Mission Hospital to reach NH Asheville. However, Graham County residents do not have to drive past Mission Hospital to reach NH Asheville, and Mission and the proposed location of NH Asheville are roughly equidistant from Graham County. The applicant used a much higher projection for the percentage of residents from Buncombe and Henderson counties that would be treated at NH Asheville even if they would have had to drive past Mission or other hospitals to get to NH Asheville. The applicant does not adequately explain the discrepancy.

  Novant used a 5-year average of percent of county admissions treated in Buncombe County as part of its methodology. For Henderson County, the 5-year average of percent of Henderson County admissions treated in Buncombe County was 30.7%. For the same time period, the 5-year average of percent of Henderson County

admissions treated in Henderson County was 66.1% - almost double the 5-year average for Buncombe County admissions.

There are two established hospitals in Henderson County. Margaret R. Pardee Hospital is larger than the proposed NH Asheville and can provide care for patients with higher acuity levels than proposed at NH Asheville but is not a tertiary care hospital. AdventHealth Hendersonville is similar in size (62 beds) to the proposed NH Asheville (67 beds) and can provide care for patients with similar acuity levels as are appropriate for NH Asheville. Based on the geography of Henderson County, the location of the two hospitals in Henderson County, and the location of Mission, most residents of Henderson County would either have to drive past Pardee and/or AdventHealth Hendersonville to get to Mission, or the drive to Pardee and/or AdventHealth Hendersonville would be shorter than it would be to get to Mission. Both Pardee and AdventHealth Hendersonville have acute care bed surpluses. Given the utilization of Henderson County hospitals by Henderson County residents, and the available capacity at Henderson County hospitals, it is likely that many or most Henderson County residents who receive care at Mission Hospital due so because of acuity level or because of other factors, such as where an accident occurs, that do not permit patient choice. The applicant does not explain in the application as submitted why Henderson County residents who historically accessed care at Mission – despite having access to Henderson County hospitals as close or closer than Mission, with capacity for inpatient care – will instead seek care in the future at a community hospital with fewer services than Mission and will avoid the existing Henderson County hospitals.

- Based on NH Mint Hill's 2020-2022 LRAs, which coincides with when NH Mint Hill opened and its first three full operating years, the average of all surgical inpatient cases (excluding C-Sections performed in a dedicated C-Section OR) is 153. In Step 13, the applicant uses "low-acuity" admissions, but then uses 150 surgical cases at NH Mint Hill – almost exactly the average number of surgical cases for the entirety of the time NH Mint Hill has been open.

  While there is not necessarily a direct ratio between the number of "low-acuity" inpatient admissions and the number of "low-acuity" inpatient surgical cases, the applicant does not explain why up to 43% of inpatient admissions at NH Mint Hill were for acuity levels higher than appropriate for NH Asheville but why nearly 100% of surgical cases would be appropriate for NH Asheville.

  Further, in Step 17 (projecting outpatient surgical cases), the applicant assumes only 50% of NH Mint Hill outpatient surgical cases would be appropriate for NH Asheville. The applicant does not explain why half of outpatient surgical cases at NH Mint Hill would have higher acuity levels than are appropriate for NH Asheville but almost all inpatient surgical cases would be NH Asheville-appropriate.

- In Step 17, the applicant states it used "a combination of OP surgical procedure cases performed at NH Mint Hill in procedure rooms and 50.0 percent of the ambulatory surgical cases…" in projecting outpatient surgical cases. However, according to NH Mint Hill's 2020-2022 LRAs, there are no procedure rooms at NH Mint Hill and there were no surgical procedures performed in unlicensed procedure rooms at NH Mint Hill. The applicant does not explain:
  - Why its LRAs report there are no unlicensed procedure rooms and no outpatient surgical procedure cases if it does, in fact, perform outpatient surgical procedure cases in procedure rooms;
  - How it was identifying surgical procedures performed at NH Mint Hill; and
  - Why, despite a lack of outpatient surgical procedure cases at NH Mint Hill, the historical number of outpatient surgical procedure cases plus one half of outpatient surgeries is nearly double the total number of outpatient surgeries performed in ORs.

- In Step 17, the applicant determined that 10% of outpatient surgical cases would be handled in the OR at NH Asheville and 90% of outpatient surgical cases would be handled in the procedure rooms. However, the applicant does not provide a reasonable explanation or adequate support for why it assumed 10% of outpatient surgical cases would be handled in the OR and 90% of outpatient surgical cases would be handled in the procedure rooms.

- In Step 18, the applicant uses C-Sections performed in Buncombe County as the basis for projecting C-Sections at NH Asheville, and assumes 15%, 20%, and 25% of those C-Sections will be handled at NH Asheville. The number of C-Sections performed in Buncombe County includes C-Sections by residents of counties other than those projected to be served by the applicant. The applicant projects that inpatient admissions – which will include C-Section patients – will originate from five specific counties and carefully calculates projected acute care days based on the data from those specific counties. The applicant uses assumptions here that are inconsistent with other assumptions it made elsewhere. The applicant does not adequately explain why it uses a different assumption in this projection. Further, the applicant calculated the percent of admissions that would be seen at NH Asheville individually for each of the five counties for projected patient origin. The percentages were not all the same as the percentages used in this calculation. The applicant does not adequately support the use of these different assumptions.

- In Step 19, the applicant states it calculated a three-year average of GI endoscopy cases treated in Buncombe County from the service area and used it as part of projecting utilization of GI endoscopy cases that would be handled at NH Asheville. However, more than half of the GI endoscopy cases that are handled in Buncombe County (regardless of patient origin) are handled at an outpatient ambulatory surgical facility

(ASF). The applicant did not exclude those GI endoscopy patients from its calculations and does not adequately support why it assumed patients receiving lower-cost GI endoscopies at an ambulatory surgical facility would instead switch to a higher-cost, outpatient hospital-based setting for GI endoscopies.

Access to Medically Underserved Groups – In Section C, pages 76-77, the applicant describes how it will provide access to medically underserved groups. On page 76, the applicant states:

> *"…NH Asheville will improve access to acute care services for area residents. Novant Health makes services accessible to indigent patients without regard to ability to pay. NH Asheville will provide services to all persons regardless of race, sex, age, religion, creed, disability, national origin, or ability to pay. NH Asheville will use Novant Health's highly regarded charity care and related policies to ensure that all patients, regardless of their ability to pay, have access to care."*

On page 78, the applicant provides the estimated percentage for each medically underserved group, as shown in the following table.

Medically Underserved Groups	% of Total Patients
Low income persons	13.3%
Racial and ethnic minorities	9.8%
Women	52.1%
Persons with disabilities	9.1%
Persons 65 and older	46.9%
Medicare beneficiaries	46.9%
Medicaid recipients	15.5%

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 its Nondiscrimination Policy, Language Access Policy, Scope of Services/Care Policy, numerous financial policies, and its Patient Bill of Rights in Exhibit C.6.

- The applicant provides a statement clearly stating that all residents of the service area, including underserved groups, are not discriminated against or turned away from the proposed services based on belonging to an underserved group.

Conclusion – The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments

- Responses to comments
- Information publicly available during the review and used by the Agency

Based on that review, the Agency concludes that the application is not conforming to this criterion for all the reasons described above.

Project ID #B-12232-22/Mission Hospital/Add 67 acute care beds

The applicant proposes to add 67 new acute care beds to Mission, a hospital with 733 licensed acute care beds, for a total of 800 acute care beds upon project completion.

Patient Origin – On page 33, the 2022 SMFP defines the service area for acute care beds as *"… the single or multicounty grouping shown in Figure 5.1."* Figure 5.1, on page 38, shows Buncombe, Graham, Madison, and Yancey counties in a multicounty grouping. Thus, the service area for these facilities is the Buncombe/Graham/Madison/Yancey multicounty service area. Facilities may also serve residents of counties not included in their service area.

The following table illustrates historical and projected patient origin.

Historical and Projected Patient Origin – Adult Acute Care Services								
Area	CY 2021		FY 1 (CY 2027)		FY 2 (CY 2028)		FY 3 (CY 2029)	
	# Patients	% of Total	# Patients	% of Total	# Patients	% of Total	# Patients	% of Total
Buncombe	19,092	46.9%	19,936	46.9%	20,171	46.9%	20,412	46.9%
Henderson	2,989	7.3%	3,121	7.3%	3,158	7.3%	3,196	7.3%
Haywood	2,968	7.3%	3,099	7.3%	3,136	7.3%	3,173	7.3%
McDowell	2,065	5.1%	2,153	5.1%	2,179	5.1%	2,205	5.1%
Madison	1,834	4.5%	1,915	4.5%	1,938	4.5%	1,961	4.5%
Macon	1,556	3.8%	1,625	3.8%	1,644	3.8%	1,664	3.8%
Transylvania	1,237	3.0%	1,292	3.0%	1,307	3.0%	1,323	3.0%
Yancey	1,135	2.8%	1,185	2.8%	1,199	2.8%	1,213	2.8%
Jackson	1,024	2.5%	1,069	2.5%	1,082	2.5%	1,095	2.5%
Swain	877	2.2%	916	2.2%	927	2.2%	938	2.2%
Rutherford	789	1.9%	824	1.9%	834	1.9%	844	1.9%
Mitchell	678	1.7%	708	1.7%	716	1.7%	725	1.7%
Burke	463	1.1%	483	1.1%	489	1.1%	495	1.1%
Cherokee	421	1.0%	440	1.0%	445	1.0%	450	1.0%
Polk	331	0.8%	346	0.8%	350	0.8%	354	0.8%
Graham	258	0.6%	269	0.6%	273	0.6%	276	0.6%
Caldwell	224	0.5%	234	0.5%	237	0.5%	239	0.5%
Avery	168	0.4%	175	0.4%	177	0.4%	180	0.4%
Clay	115	0.3%	120	0.3%	121	0.3%	123	0.3%
All other NC Counties	634	1.6%	662	1.6%	670	1.6%	678	1.6%
Other States	1,895	4.7%	1,979	4.7%	2,002	4.7%	2,026	4.7%
Total	**40,750**	**100.0%**	**42,551**	**100.0%**	**43,053**	**100.0%**	**43,568**	**100.0%**

Source: Section C, pages 44 and 46

In Section C, page 45, the applicant provides the assumptions and methodology used to project patient origin. The applicant's assumptions are reasonable and adequately supported based on the following:

- The applicant's projected patient origin is based on historical patient origin at the same facility.
- The applicant states it does not project any material change to its historical patient origin as a result of the proposed project because it is expanding the existing services that it is using to project future patient origin.

Analysis of Need – In Section C, pages 48-96, the applicant combined its discussion of need for additional acute care beds at Mission with discussion of topics relating to applications Mission believes will be submitted and comparisons which are not part of the analysis of whether the application is conforming with Criterion (3). In a competitive review, every application is first evaluated independently, as if there are no other applications in the review, to determine whether the application is conforming to all statutory and regulatory review criteria. Therefore, the discussion in this section focuses only on the need as it relates to Mission in this specific application under review.

In Section C, page 50, Mission states the need for 67 acute care beds in the Buncombe/Graham/Madison/Yancey multicounty service area was generated entirely by Mission and that the need for the proposed project is in part due to meeting the SMFP need determination established. However, anyone may apply to meet the need, not just Mission. Mission has the burden of demonstrating the need for the proposed acute care beds in its application as submitted.

In Section C, pages 48-96, the applicant explains why it believes the population projected to utilize the proposed services needs the proposed services, as summarized below:

- The applicant states the project has the support of Mission Hospital physicians, staff, and board members, and has broad community support. The applicant provides letters of support in Exhibit C-4.1. (pages 51-52)
- The applicant states it is the primary provider for residents of Buncombe, Graham, Madison, and Yancey counties, as well as many of the other surrounding counties in western North Carolina. (pages 52-60)
- Out of all the hospitals in western North Carolina, Mission has more than twice the number of acute care beds as the second largest hospital, is the only tertiary care provider, and is the only facility that is a Level II Trauma Center. (pages 60-62)

- The applicant states that, according to information from NC OSBM, population growth in Mission's projected area of patient origin, comprising 19 counties in western North Carolina, will increase by 6.2% over 10 years, or at a CAGR of 0.6%. The applicant states the population age 65 and older, which utilizes healthcare resources at higher rates than other age groups, is projected to increase faster than any other age group. (pages 62-68)

- The applicant states the Asheville area and other areas in western North Carolina have seen increasing development and the area has a growing reputation for being a retirement destination. The applicant states these individuals rely on Mission for care. (pages 69-71)

- The applicant states industry trends indicate that while inpatient discharges are projected to decrease in coming years, the acuity level of inpatients will increase, leading to more acute care days. The applicant provides articles to support its statements in Exhibits C-4.4 through C-4.6. (pages 72-73)

- The applicant states Mission has faced a number of capacity constraints, particularly with intensive care unit (ICU) and medical/surgical (med/surg) acute care services and needs additional bed capacity for those areas. The applicant further states utilization of its "stepdown" beds has been increasing and occupancy rates have been above 82%. (pages 75-82)

- The applicant states it faces capacity issues in the ED because of issues such as boarding patients while waiting for an inpatient bed and its central location in the area as compared with other major trauma centers. The applicant states it has had to decline a number of transfer requests to Mission ED because of a lack of capacity. The applicant states that due to the patient acuity of its ED patients it often has high utilization of its observation beds as well. (pages 82-93)

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

- The applicant cites trusted and verifiable publicly available data to discuss population growth.

- The applicant discusses concerns relevant to the patients proposed to be served, such as the growing popularity of the area as a retirement destination and the facility's status as a Level II Trauma care center.

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.

Mission Historical & Projected Utilization – Acute Care Beds				
	CY 2021	FY 1 (CY 2027)	FY 2 (CY 2028)	FY 3 (CY 2029)
# of Beds	733	800	800	800
# of Discharges	40,750	42,551	43,053	43,568
# of Patient Days	223,535	236,821	239,217	241,663
ALOS*	5.49	5.57	5.56	5.55
Occupancy Rate	83.6%	81.1%	81.9%	82.8%

In Section C, pages 97-100, and in the Projected Utilization Detailed Assumptions and Calculations form following Form C.1b in Section Q, the applicant provides the assumptions and methodology used to project utilization for Mission, which are summarized below.

- The applicant used LRA data and internal data to calculate the historical CAGR in acute care days by bed category from September 30, 2018, through annualized September 30, 2022. The applicant states that for the two bed categories with a negative CAGR, pediatric beds (both ICU and med/surg) and neonatal intensive care unit (NICU) beds, the CAGRs were impacted by declines in use due to COVID-19. (page 97)

- The applicant used CY 2021 acute care days to annualize acute care days for CY 2022. The applicant calculated what percentage of total acute care days for CY 2021 occurred in the first quarter (January – March) of CY 2021. The applicant then assumed the same pattern would apply for CY 2022. The applicant states that acute care days for pediatric and NICU beds appeared "somewhat anomalous" and recalculated using the first four months of CY 2021. (page 98)

- The applicant projected growth starting with CY 2022 annualized acute care days and applied different projected growth rates based on bed type for adult med/surg beds, pediatric ICU and med/surg beds, NICU beds, and obstetrics beds. The applicant projected growth based on the CAGR for population growth for its entire area of patient origin (with age/gender qualifiers when appropriate). The applicant projected growth even for bed types that had a negative historical CAGR. (pages 98-99)

- The applicant projected growth for adult ICU beds by using a weighted average of the area population growth and the historical CAGR. The applicant weighted the lower growth rate for the total adult population more heavily than the higher growth rate of adult ICU acute care days to produce a weighted average CAGR that was then applied to CY 2022 annualized acute care days. (pages 98-99)

- To calculate admissions, the applicant assumed that its most recently calculated ALOS would continue through the projection period, even though the applicant admits the ALOS underwent historical increases beginning with CY 2020 and continuing through the present. (page 99)

The applicant's assumptions, methodology, and projected utilization of acute care beds at Mission during the first three full fiscal years following project completion are summarized in the table below.

Mission Projected Utilization								
	CY 2022*	**CY 2023**	**CY 2024**	**CY 2025**	**CY 2026**	**FY 1 CY 2027**	**FY 2 CY 2028**	**FY 3 CY 2029**
Adult Med/Surg Days (0.68%)	171,852	173,022	174,200	175,386	176,580	177,782	178,992	180,210
Adult Med/Surg ALOS	6.6	6.3	6.3	6.3	6.3	6.3	6.3	6.3
Adult Med/Surg Admissions	26,092	27,464	27,651	27,839	28,028	28,219	28,411	28,605
Adult ICU Days (3.81%)	23,683	24,585	25,521	26,493	27,502	28,550	29,637	30,766
Adult ICU ALOS	3.8	3.8	3.8	3.8	3.8	3.8	3.8	3.8
Adult ICU Admissions	6,296	6,545	6,794	7,053	7,321	7,600	7,890	8,190
Pediatrics Days (0.13%)	4,626	4,632	4,638	4,644	4,650	4,656	4,662	4,668
Pediatrics ALOS	3.6	3.5	3.5	3.5	3.5	3.5	3.5	3.5
Pediatrics Admissions	1,302	1,335	1,336	1,338	1,340	1,342	1,343	1,345
NICU Days (0.36%)	12,951	12,997	13,044	13,091	13,138	13,185	13,232	13,280
NICU ALOS	18.6	17.8	17.8	17.8	17.8	17.8	17.8	17.8
NICU Admissions	696	731	734	736	739	742	744	747
Obstetrics Days (0.36%)	12,425	12,470	12,514	12,559	12,604	12,649	12,695	12,740
Obstetrics ALOS	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7
Obstetrics Admissions	4,581	4,582	4,598	4,615	4,631	4,648	4,665	4,681
Total Admissions	38,967	40,656	41,113	41,581	42,060	42,551	43,053	43,568
Average ALOS	5.8	5.6	5.6	5.6	5.6	5.6	5.6	5.6
Total Days	225,537	227,706	229,917	232,173	234,473	236,821	239,217	241,663
ADC**	617.9	623.9	629.9	636.1	642.4	648.8	655.4	662.1
Total Licensed Beds	733	745	745	745	745	800	800	800
Utilization	84.3%	83.7%	84.6%	85.4%	86.2%	81.1%	81.9%	82.8%

*CY 2022 is annualized based on January through March or January through April 2022 data.
**Average Daily Census = Number of days of care / 365.25 days per year

As shown in the table above, in the third full fiscal year following project completion, the applicant projects the utilization for all acute care beds at Mission will be 82.8%. This meets the performance standard promulgated in 10A NCAC 14C .3803(a), which requires an applicant proposing to add new acute care beds to a service area to reasonably project that all acute care beds in the service area under common ownership will have a utilization of at least 75.2% when the projected ADC is greater than 200 patients.

However, historical utilization at Mission, utilization patterns related to COVID-19, and other publicly available information make Mission's utilization projections questionable.

- In the Projected Utilization Details Assumptions and Calculations form following Form C.1b, Mission states its adult med/surg admissions exclude patients with any ICU days so as not to double count admissions. However, Mission lists the ALOS for adult med/surg patients as 6.3 days and the ALOS for adult ICU patients at 3.8 days. ICU patients are not typically discharged immediately from the ICU to home;

in fact, on page 81, Mission discusses the transition of patients from ICU beds to stepdown beds. It is unclear how to reconcile Mission's longer ALOS for adult med/surg patients with the shorter ALOS for adult ICU patients.

- In Section C, page 78, Mission states its patient days for adult ICU beds increased by a minimum of 30.1% (with some lines of service seeing higher increases) between FY 2015 and FY 2021. Based on LRAs submitted by Mission to the Agency, patient days for adult ICU beds increased by a total of 44.8% between FY 2015 and FY 2021; however, patient days for adult ICU beds increased by a total of only 2.7% between FY 2015 and FY 2019, and increased by a total of 41% between FY 2019 and FY 2021 – that is, when the COVID-19 pandemic was at its peak. Mission's patient days for adult ICU beds increased by an average of 0.9% (a CAGR of 0.7%) between FY 2015 and FY 2019. Mission uses a projected growth rate more than four times higher than its average growth rate prior to the impact of the COVID-19 pandemic and does not provide any information in the application as submitted to explain the use of projections that are so different than historical growth rates.

- Between FY 2020 and FY 2021, Mission's discharges increased by 1.4%. However, its acute care days increased by 11.5%. This appears to be in line with a statewide phenomenon noted by the State Health Coordinating Council (SHCC) in preparing the Proposed 2023 SMFP. Statewide data provided to the Agency indicates that hospitals statewide are reporting a much higher ALOS than would be expected normally. The written summary of recommendations of the Acute Care Services Committee to the SHCC published on June 1, 2022, states:

  > *"…, the Committee addressed continuing effects of the COVID-19 pandemic on bed need. Initial calculations showed that the state had a need for 1,481 additional beds. This number is about three to four times more than in a typical year. Analysis showed that the large number of needs was partly due to the fact that the overall average length of stay increased by about 20-25% from 2020 to 2021. This increase is unprecedented, but not expected to be permanent. Rather, it is most likely related to the lengthier stays of COVID patients."*

  The recommendation of the Acute Care Services Committee was to offset this seemingly artificial increase for the 2023 SMFP by using county growth rate multipliers from the 2021 SMFP, reflecting pre-pandemic years. The SHCC accepted that recommendation at the June 1, 2022 meeting.

  Mission assumes that its ALOS will remain at the same high level through its third full fiscal year following project completion as it is today, despite statewide evidence that any such increase is likely to be temporary. While Mission projects growth in acute care days by a fixed percentage, it begins its calculations based on annualized CY 2022 data, which may have a higher number of acute care days than

in future years because of the increase in ALOS as a result of the COVID-19 pandemic.

- In response to a summer petition to remove a projected need determination for the Buncombe/Graham/Madison/Yancey multicounty service area in the Proposed 2023 SMFP, the Agency prepared a report with research on Mission's historical trends with discharges, ALOS, and acute care days. The Agency report documented that Mission had seen a historical increase in its ALOS for FY 2020 and FY 2021 and a historical increase in acute care days in FY 2021. The Agency report further documented that while most hospitals that had an ADC greater than 400 (like Mission) had seen a "bounce-back" in acute care days in FY 2021 after a decrease in FY 2020, the average increase was 8%, and Mission was an "outlier" with an increase of 13%. Further analysis by the Agency demonstrated that if growth was more consistent with historical trends, there would have been a surplus in acute care beds in the Buncombe/Graham/Madison/Yancey multicounty service area after including the 67-bed need determination in the 2022 SMFP.

  The Agency ultimately recommended removal of the projected need determination for the Buncombe/Graham/Madison/Yancey multicounty service area in the Proposed 2023 SMFP. While that does not impact the current need determination that Mission is applying for, it does highlight that the current base year projections being used by Mission may be artificially high due to the impacts of the COVID-19 pandemic.

It is too soon to know whether or not hospital utilization at such high levels will continue to be normal or whether utilization will decline and fall more into line with utilization trends prior to COVID-19. Mission is not required to use a particular growth rate in projecting utilization. It does not need to use a growth rate lower than a historical growth rate, and it is free to rely on annualized utilization data. However, based on Mission's own historical growth rates and other publicly available information, Mission's use of annualized CY 2022 acute care days and assumption that historically high ALOS will remain at historical highs is questionable.

However, even if Mission projected no growth whatsoever in its acute care days between FY 2021 and the end of the third full fiscal year following project completion, Mission's existing utilization would meet the required performance standard, as shown below.

Data Source	Acute Care Days	ADC	# of Beds	Utilization (ADC / # of Beds)
2022 LRA (FY 2021)	224,049	613.4	800	76.7%
Section C, page 100 (CY 2021)	223,535	612	800	76.5%

To determine whether the starting point of projections for acute care days used by Mission would impact Mission's ability to meet the required performance standard for acute care beds, the Project Analyst recalculated utilization projections for Mission for

the first three full fiscal years following project completion. To be extremely conservative, the Project Analyst began with actual CY 2020 acute care days as reported in Section C, page 100, and used the average projected growth rate for all acute care days used by Mission (1%).

Mission Acute Care Bed Utilization										
	CY 2020 (actual)	CY 2021	CY 2022	CY 2023	CY 2024	CY 2025	CY 2026	FY 1 (CY 2027)	FY 2 (CY 2028)	FY 3 (CY 2029)
Total Days of Care	202,107	204,128	206,169	208,231	210,313	212,417	214,541	216,686	218,853	221,042
ADC	553.3	558.9	564.5	570.1	575.8	581.6	587.4	593.3	599.2	605.2
Total # of Beds	733	733	733	745	745	745	745	800	800	800
Occupancy %	75.5%	76.2%	77.0%	76.5%	77.3%	78.1%	78.8%	74.2%	74.9%	75.7%

As shown in the table above, the Project Analyst's recalculated utilization projections show projected utilization for Mission will be 75.7% during CY 2029, the third full fiscal year following project completion. This meets the performance standard promulgated in 10A NCAC 14C .3803(a), which requires an applicant proposing to add new acute care beds to a service area to reasonably project that all acute care beds in the service area under common ownership will have a utilization of at least 75.2% when the projected ADC is greater than 200 patients. The recalculated utilization projections assumed the following potentially detrimental factors:

- The starting point of the calculations is CY 2020, when acute care days were impacted due to the COVID-19 pandemic. For many hospitals in North Carolina, acute care days declined during CY 2020 due to the impact of the COVID-19 pandemic; the trend was so consistent that the SHCC adopted an alternative methodology for acute care beds in the 2022 SMFP to adjust for these declines in utilization.

- The calculations project growth of only 1% each year, lower than Mission's historical growth rate and lower than the County Growth Rate Multiplier used in the 2021 SMFP, 2022 SMFP, and which will be used in the 2023 SMFP.

Despite the recalculated utilization projections having assumptions that are potentially detrimental to Mission, the recalculated utilization projections still meet the required performance standard promulgated in 10A NCAC 14C .3803(a).

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

- The applicant relied on historical growth rates at Mission to project future utilization.

- While use of Mission's starting point for projections of acute care days is questionable, based on Mission's historical data and other publicly available information, Mission's current utilization is high enough to reasonably project the

applicant would meet the required performance standard, even when using assumptions potentially detrimental to the applicant.

Access to Medically Underserved Groups – In Section C, page 106, the applicant describes how it will provide access to medically underserved groups. On page 106, the applicant states:

> *"Mission provides services to all persons in need of medical care regardless of race, color, religion, nationality, or ability to pay. Additionally, as the only trauma center in the region and a safety net hospital, Mission serves a large amount of underserved and uninsured individuals."*

On page 107, the applicant provides the estimated percentage for each medically underserved group, as shown in the following table.

Medically Underserved Groups	% of Total Patients
Low-income persons	23.2%
Racial and ethnic minorities	11.6%
Women	53.8%
Persons aged 65 and older	46.1%
Medicare beneficiaries	50.9%
Medicaid recipients	16.9%

In Section C, page 107, the applicant states that "low-income persons" includes self-pay, charity care, and Medicaid patients. The applicant also states it does not track data on persons with disabilities.

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 its Nondiscrimination Notice in Exhibit B-20.3, its website pages about diversity, equity, and inclusion in Exhibit B-20.4, and its Charity Financial Assistance Policy for Uninsured and Underinsured Patients in Exhibit L-4.1.

- The applicant provides a statement clearly stating that all residents of the service area, including underserved groups, are not discriminated against or turned away from the proposed services based on belonging to an underserved group.

Conclusion – The Agency reviewed the:

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

- Information publicly available during the review and used by the Agency

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

Project ID #B-12233-22/AdventHealth Asheville/Develop a new hospital with 67 acute care beds

The applicant proposes to develop a new hospital, AdventHealth Asheville, with 67 acute care beds pursuant to the 2022 SMFP need determination.

In Section C, pages 40-45, the applicant describes the services proposed to be offered at the new hospital. The applicant states it will have 12 ICU beds, 13 obstetric beds, and 42 med/surg acute care beds. The applicant also plans to develop 18 observation beds.

The applicant proposes to develop a dedicated C-Section OR and five procedure rooms for surgical services. The ED at AdventHealth Asheville will have 12 exam rooms. The applicant plans to acquire imaging and diagnostic medical equipment, including a CT scanner, ultrasound units, a nuclear camera, and mini C-arm units. The applicant plans to contract to provide mobile MRI services until it is able to be licensed and develop a fixed MRI pursuant to Policy TE-3. The applicant plans to provide respiratory, physical, occupational, and speech therapies pharmacy and laboratory services, and dietary services.

On pages 36-39, the applicant describes the history of the AdventHealth system and discusses the planning steps it undertook in preparing to develop the proposed project.

Patient Origin – On page 33, the 2022 SMFP defines the service area for acute care beds as *"... the single or multicounty grouping shown in Figure 5.1."* Figure 5.1, on page 38, shows Buncombe, Graham, Madison, and Yancey counties in a multicounty grouping. Thus, the service area for these facilities is the Buncombe/Graham/Madison/Yancey multicounty service area. Facilities may also serve residents of counties not included in their service area.

AdventHealth Asheville is not an existing hospital and thus has no historical patient origin. The following tables show projected patient origin for acute care beds, surgical cases (including C-Sections), the ED, and total patients to be served at AdventHealth Asheville.

Projected Patient Origin – AdventHealth Asheville – Acute Care Beds						
Area	**FY 1 (CY 2025)**		**FY 2 (CY 2026)**		**FY 3 (CY 2027)**	
	# Patients	**% of Total**	**# Patients**	**% of Total**	**# Patients**	**% of Total**
Buncombe	1,453	78.4%	2,444	76.5%	3,782	77.2%
Graham	38	2.1%	77	2.4%	95	1.9%
Madison	89	4.8%	178	5.6%	267	5.5%
Yancey	88	4.8%	176	5.5%	265	5.4%
Other*	185	10.0%	320	10.0%	490	10.0%
Total	**1,854**	**100.0%**	**3,195**	**100.0%**	**4,899**	**100.0%**

Source: Section C, page 47
*Includes remaining counties in NC and other states.

Projected Patient Origin – AdventHealth Asheville – Surgical Cases (incl. C-Section)						
Area	**FY 1 (CY 2025)**		**FY 2 (CY 2026)**		**FY 3 (CY 2027)**	
	# Patients	**% of Total**	**# Patients**	**% of Total**	**# Patients**	**% of Total**
Buncombe	935	78.4%	1,592	76.5%	2,492	77.2%
Graham	25	2.1%	50	2.4%	63	1.9%
Madison	57	4.8%	116	5.6%	176	5.5%
Yancey	57	4.8%	115	5.5%	174	5.4%
Other*	119	10.0%	208	10.0%	323	10.0%
Total	**1,193**	**100.0%**	**2,081**	**100.0%**	**3,228**	**100.0%**

Source: Section C, page 48
*Includes remaining counties in NC and other states.

Projected Patient Origin – AdventHealth Asheville – ED						
Area	**FY 1 (CY 2025)**		**FY 2 (CY 2026)**		**FY 3 (CY 2027)**	
	# Patients	**% of Total**	**# Patients**	**% of Total**	**# Patients**	**% of Total**
Buncombe	3,767	78.4%	6,338	76.5%	9,809	77.2%
Graham	100	2.1%	200	2.4%	247	1.9%
Madison	231	4.8%	462	5.6%	693	5.5%
Yancey	229	4.8%	458	5.5%	687	5.4%
Other*	481	10.0%	829	10.0%	1,271	10.0%
Total	**4,808**	**100.0%**	**8,287**	**100.0%**	**12,706**	**100.0%**

Source: Section C, page 48
*Includes remaining counties in NC and other states.

Projected Patient Origin – AdventHealth Asheville – Entire Facility						
Area	**FY 1 (CY 2025)**		**FY 2 (CY 2026)**		**FY 3 (CY 2027)**	
	# Patients	**% of Total**	**# Patients**	**% of Total**	**# Patients**	**% of Total**
Buncombe	6,155	78.4%	10,374	76.5%	16,083	77.2%
Graham	163	2.1%	327	2.4%	404	1.9%
Madison	378	4.8%	756	5.6%	1,137	5.5%
Yancey	374	4.8%	749	5.5%	1,126	5.4%
Other*	786	10.0%	1,356	10.0%	2,083	10.0%
Total	**7,855**	**100.0%**	**13,563**	**100.0%**	**20,833**	**100.0%**

Source: Section C, page 49
*Includes remaining counties in NC and other states.

In Section C, page 49, and in Section Q, the applicant provides the assumptions and methodology used to project patient origin. The applicant's assumptions are reasonable and adequately supported based on the following:

- The applicant's projected patient origin is based on the ZIP codes of the four counties in the multicounty service area.

- The applicant considered the location of the proposed facility in conjunction with other existing facilities and the distance to travel when projecting patient origin.

Analysis of Need – In Section C, pages 51-66, 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 the need methodology used in the SMFP shows there is a need for additional acute care bed capacity in the Buncombe/Graham/Madison/Yancey multicounty service area. The applicant states that analysis of patient discharges indicates the need is best served by a facility in the southwestern part of Buncombe County. (pages 51-53)

- The applicant states there is only one hospital in Buncombe County and based on the history of that hospital as well as concerns in the community, there is a need for another hospital provider. The applicant also states that because of the existing location of Mission – a tertiary care facility located in a congested area of the city – a new community hospital in a more convenient area for patients to access is also part of the need for the proposed new hospital. (pages 53-57)

- The applicant states that while the population of the service area is projected to grow at a 0.5% CAGR between 2022 and 2027, the population of the service area age 65 and older is projected to grow at a CAGR of 2.6% between 2022 and 2027. The applicant states that the aging population has a greatly increased rate of hospital admissions and has to be considered when planning for acute care services. (pages 58-62)

- The applicant states that the AdventHealth system has an existing network of providers in the service area. The applicant also states that they have sought out community support and received endorsements from community and government leaders in all four counties comprising the multicounty service area. (pages 63-65)

- The applicant states that the proposed complementary and ancillary services – such as procedure rooms and imaging equipment – are all necessary as part of meeting the need for the projected inpatient population of the area. (pages 65-66)

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

- The applicant cites trusted and verifiable publicly available data to discuss population growth and utilization of acute care services.

- At the public hearing for the proposed project, a number of community and government leaders spoke in support of AdventHealth Asheville and described the efforts undertaken by AdventHealth Asheville to understand and meet the needs of the patients proposed to be served.

Projected Utilization – On Forms C.1b – C.4b in Section Q, the applicant provides projected utilization, as illustrated in the following tables.

AdventHealth Asheville Projected Utilization – Acute Care Beds			
	FY 1 (CY 2025)	FY 2 (CY 2026)	FY 3 (CY 2027)
# of Beds	67	67	67
# of Discharges	1,854	3,195	4,899
# of Patient Days	6,836	11,854	18,287
ALOS*	3.7	3.7	3.7
Occupancy Rate	28.0%	48.5%	74.8%

AdventHealth Asheville Projected Utilization – Surgical Services			
	FY 1 (CY 2025)	FY 2 (CY 2026)	FY 3 (CY 2027)
Operating Rooms			
C-Section ORs	1	1	1
Total ORs	1	1	1
Excluded ORs	1	1	1
Surgical Cases			
C-Sections (in dedicated OR)	81	125	168
Procedure rooms			
Rooms	5	5	5
Inpatient Procedures	397	699	1,093
Outpatient Procedures	715	1,258	1,967
Total Procedures	1,113	1,956	3,059

AdventHealth Asheville Projected Utilization Medical Equipment/Other Services			
	FY 1 (CY 2025)	FY 2 (CY 2026)	FY 3 (CY 2027)
CT Scanner			
# of Units	1	1	1
# of Scans	3,038	5,342	8,354
# of HECT Units	4,863	8,550	13,371
X-Ray (includes fluoroscopy)			
# of Units	4	4	4
# of Procedures	6,807	11,969	18,717
Nuclear Medicine Camera (SPECT)			
# of Units	1	1	1
# of Procedures	206	362	567
Ultrasound			
# of Units	3	3	3
# of Procedures	833	1,465	2,291
Echocardiography			
# of Units	1	1	1
# of Procedures	44	78	121
Interventional Radiology			
# of Units	1	1	1
# of Procedures	230	397	609
ED Visits			
# of Treatment Rooms	12	12	12
# of Visits	4,808	8,287	12,706
Observation Beds (unlicensed)			
# of Beds	18	18	18
# Days of Care	673	1,166	1,799
Laboratory Tests	55,381	97,379	152,282
Physical Therapy Treatments	5,575	9,609	14,734
Speech Therapy Treatments	657	1,133	1,738
Occupational Therapy Treatments	3,418	5,891	9,033

In the Utilization Methodology and Assumptions subsection in Section Q, the applicant provides the assumptions and methodology used to project utilization for NH Asheville, which are summarized below.

Acute Care Beds

- The applicant defined its area of patient origin as Buncombe, Graham, Madison, and Yancey counties. The applicant broke the counties down into their respective ZIP codes.

- The applicant removed any admissions for services it does not plan to offer, such as transplant services and open-heart surgery. The applicant then removed all admissions that had DRG weights greater than 3.5. The applicant states it made this

assumption to approximate the anticipated initial scope of services at AdventHealth Asheville.

- The applicant obtained the AdventHealth Asheville-appropriate acute care discharges for med/surg patients by ZIP code for FYs 2017-2019 and calculated a 2-year CAGR for each ZIP code. The applicant states it used data from FYs 2017-2019 because data for FYs 2020-2021 were likely skewed due to the effects of the COVID-19 pandemic.

- The applicant obtained projected county populations for each of the ZIP codes for 2022-2027 and calculated a 5-year population CAGR. The applicant applied each ZIP code's CAGR to the 2019 admissions, held steady through 2022, to project the number of AdventHealth Asheville-appropriate discharges for each ZIP code through 2027.

- The applicant states that for ZIP codes that had a negative CAGR, it applied no growth through 2027. The applicant also states that it did not have population data for a limited number of ZIP codes in Buncombe County, so the applicant applied the 5-year CAGR for projected population growth for all of Buncombe County.

- The applicant then projected the percentage of admissions from each ZIP code that would be treated at AdventHealth Asheville. The applicant states it considered the physician support for the proposed project, the introduction of a new hospital in Buncombe County and a new alternative choice for care, the applicant's experience offering services in western North Carolina, support from numerous community representatives, modern facility design and layout, ease of access, and convenient location (in an area with some of the highest discharges). The applicant appears to project a "ramp-up" period between 2025 and 2027 where there is an increase each year in the percentage of acute care admissions for each ZIP codes projected to be treated at AdventHealth Asheville.

- The applicant analyzed in-migration to facilities around North Carolina. The applicant states in-migration at AdventHealth Hendersonville was 48% but chose to project an in-migration rate of 10%. The applicant states only eight hospitals in North Carolina have in-migration rates lower than 10%.

- The applicant applied the AdventHealth Hendersonville FY 2019 ALOS for med/surg discharges appropriate to be treated at AdventHealth Asheville to project the total number of acute care days for med/surg patients.

- The applicant calculated the number of ICU days of care by determining the average percentage of acute care days that were ICU days of care at AdventHealth Hendersonville for FYs 2017-2019. The applicant states the average was 19.5%. The applicant assumed that 12%, 15%, and 20% of total acute care days in FYs 2025, 2026, and 2027, respectively, would be ICU days of care.

- The applicant obtained the obstetrics discharges by ZIP code for FYs 2017-2019 and calculated a 2-year CAGR for each ZIP code. The applicant states it used data from FYs 2017-2019 because data for FYs 2020-2021 were likely skewed due to the effects of the COVID-19 pandemic.

- The applicant removed any admissions for services it does not plan to offer, such as NICU services. The applicant states it made this assumption to approximate the anticipated initial scope of services at AdventHealth Asheville.

- The applicant obtained projected county populations for women ages 15-44 for each of the ZIP codes for 2022-2027 and calculated a 5-year population CAGR. The applicant applied each ZIP code's CAGR to the 2019 admissions, held steady through 2022, to project the number of AdventHealth Asheville-appropriate discharges for each ZIP code through 2027.

- The applicant states that for ZIP codes that had a negative CAGR, it applied no growth through 2027. The applicant also states that it did not have population data for a limited number of ZIP codes in Buncombe County, so the applicant projected no growth in obstetrics discharges for those ZIP codes.

- The applicant then projected the percentage of admissions from each ZIP code that would be treated at AdventHealth Asheville. The applicant states it considered the physician support for the proposed project, the introduction of a new hospital in Buncombe County and a new alternative choice for care, the applicant's experience offering services in western North Carolina, support from numerous community representatives, modern facility design and layout, ease of access, and convenient location (in an area with some of the highest discharges). The applicant appears to project a "ramp-up" period between 2025 and 2027 where each year the percentage of acute care admissions for each ZIP codes projected to be treated at AdventHealth Asheville increases.

- The applicant analyzed in-migration to facilities around North Carolina. The applicant states in-migration at AdventHealth Hendersonville was 48% but chose to project an in-migration rate of 10%. The applicant states only eight hospitals in North Carolina have in-migration rates lower than 10%.

- The applicant applied the FY 2019 ALOS for obstetrics discharges appropriate to be treated at AdventHealth Asheville to project the total number of acute care days for obstetrics patients.

The applicant's assumptions, methodology, and projected utilization of acute care beds at AdventHealth Asheville during the first three full fiscal years following project completion are summarized in the table below. For details of the utilization section broken down to the ZIP code level, please see Section Q of the application.

AdventHealth Asheville Projected Utilization Calculations				
	2017	2018	2019	2-Yr CAGR
Buncombe				
Appropriate Med/Surg Discharges	15,903	15,983	17,270	4.2%
Appropriate OB Discharges	2,429	2,512	2,459	0.6%
Graham				
Appropriate Med/Surg Discharges	735	726	678	-4.0%
Appropriate OB Discharges	88	79	92	2.2%
Madison				
Appropriate Med/Surg Discharges	1,437	1,460	1,613	5.9%
Appropriate OB Discharges	182	211	164	-5.1%
Yancey				
Appropriate Med/Surg Discharges	1,344	1,429	1,580	4.3%
Appropriate OB Discharges	170	194	183	3.8%

AdventHealth Asheville Projected Utilization Calculations			
	FY 1 2025	FY 2 2026	FY 3 2027
Buncombe			
Appropriate Med/Surg Discharges	17,373	17,374	17,376
AdventHealth Asheville Discharges	1,207	2,076	3,292
Appropriate OB Discharges	2,452	2,452	2,452
AdventHealth Asheville Discharges	245	368	490
Graham			
Appropriate Med/Surg Discharges	678	678	678
AdventHealth Asheville Discharges	34	68	81
Appropriate OB Discharges	92	92	92
AdventHealth Asheville Discharges	5	9	14
Madison			
Appropriate Med/Surg Discharges	1,619	1,619	1,619
AdventHealth Asheville Discharges	81	162	243
Appropriate OB Discharges	163	163	163
AdventHealth Asheville Discharges	8	16	24
Yancey			
Appropriate Med/Surg Discharges	1,582	1,582	1,582
AdventHealth Asheville Discharges	79	158	237
Appropriate OB Discharges	182	182	182
AdventHealth Asheville Discharges	9	18	27

AdventHealth Asheville Projected Utilization Calculations			
	FY 1 2025	FY 2 2026	FY 3 2027
Total Appropriate Service Area Med/Surg Discharges	1,401	2,464	3,854
Med/Surg Discharges – In-migration (10%)	156	274	428
Total Appropriate AdventHealth Med/Surg Discharges	1,557	2,738	4,282
ALOS (in days)	3.9	3.9	3.9
Med/Surg Acute Care Days	6,073	10,678	16,699
Total Appropriate Service Area OB Discharges	267	411	556
OB Discharges – In-migration (10%)	30	46	62
Total Appropriate AdventHealth OB Discharges	297	457	618
ALOS (in days)	2.57	2.57	2.57
OB Acute Care Days	763	1,178	1,158
Total Discharges	1,854	3,195	4,899
Total Acute Care Days	6,836	11,854	18,287
ADC	18.7	32.5	50.1
Number of Beds	67	67	67
Utilization	27.9%	48.5%	74.8%

As shown in the tables above, in the third full fiscal year following project completion, the applicant projects the utilization for all acute care beds at AdventHealth Asheville will be 74.8%. This meets the performance standard promulgated in 10A NCAC 14C .3803(a), which requires an applicant proposing to add new acute care beds to a service area to reasonably project that all acute care beds in the service area under common ownership will have a utilization of at least 66.7% when the projected ADC is less than 100 patients.

Observation Beds

The applicant projected the number of observation patients and days by applying the ratio of acute care days to observation patients at AdventHealth Hendersonville during FY 2019 and using the ratio to calculate the projected number of observation patients at AdventHealth Asheville. The applicant assumed observation patients had an ALOS of 21.5 hours, also consistent with FY 2019 at AdventHealth Hendersonville. The applicant states it relied on the experience of AdventHealth Hendersonville because it is contiguous to Buncombe County, residents of Buncombe, Graham, Madison, and Yancey counties receive care at AdventHealth Hendersonville, and AdventHealth Hendersonville is a similar size and provides a similar scope of services as projected to be offered at AdventHealth Asheville.

AdventHealth Asheville Projected Utilization – Observation Patients/Days			
	FY 1 (CY 2025)	FY 2 (CY 2026)	FY 3 (CY 2027)
Projected Acute Care Days	6,836	11,854	18,287
AdventHealth Hendersonville Ratio*	0.11	0.11	0.11
Projected Observation Patients	751	1,302	2,009
ALOS (in hours)*	21.5	21.5	21.5
Projected Observation Days	673	1,166	1,799

***Source:** AdventHealth Hendersonville internal data

Surgical Services

The applicant states it reviewed the distribution of medical versus surgical inpatient discharges for service area patients that were appropriate to receive treatment at AdventHealth Asheville. The applicant states that based on FY 2019 data from HIDI, approximately 25.5% of discharges were surgical and 74.5% were medical. The applicant states that the percentages are also consistent with its experience at AdventHealth Hendersonville. The applicant applied the projected percentages for medical and surgical patients to calculate the projected number of surgical patients at AdventHealth Asheville and assumes one surgical inpatient case per surgical inpatient discharge.

AdventHealth Asheville Projected Utilization – Inpatient Surgical Cases			
	FY 1 (CY 2025)	FY 2 (CY 2026)	FY 3 (CY 2027)
Med/Surg Discharges	1,557	2,738	4,282
Medical Inpatients (74.5%)	1,160	2,039	3,189
Surgical Inpatients/Cases (25.5%)	397	699	1,093

The applicant began projections for outpatient surgical cases by comparing the ratio of inpatient cases to outpatient cases for both Mission and AdventHealth Hendersonville during FY 2019. There was a “notable” difference in the ratios, so the applicant researched FY 2019 ratios for other community hospitals similar in size to the proposed AdventHealth Hendersonville. The applicant states there was a wide range in the ratios, with only one community hospital, Novant Health Kernersville Medical Center, showing a ratio as low as the ratio for Mission. The applicant states that, after research, it used the historical experience of Mission and the ratio of inpatient to outpatient surgical cases during FY 2019 to project outpatient surgical cases at AdventHealth Asheville.

AdventHealth Asheville Projected Utilization – Outpatient Surgical Cases			
	FY 1 (CY 2025)	FY 2 (CY 2026)	FY 3 (CY 2027)
Projected Inpatient Surgical Cases	397	699	1,093
Ratio of Mission IP Surgical/OP Surgical	1.8	1.8	1.8
Projected Outpatient Surgical Cases	715	1,258	1,967

The applicant began calculations for projecting C-Sections by looking at the experience of AdventHealth Hendersonville during FYs 2017-2019. The applicant calculated the

ratio of total births to C-Section births for each of the three years and calculated an average ratio. The applicant states it relied on the experience of AdventHealth Hendersonville because it is contiguous to Buncombe County, residents of Buncombe, Graham, Madison, and Yancey counties receive care at AdventHealth Hendersonville, and AdventHealth Hendersonville is a similar size and provides a similar scope of services as projected to be offered at AdventHealth Asheville. The applicant then applied the average ratio to projected births at AdventHealth Asheville to project C-Sections. (The applicant treats each obstetrics discharge as equivalent to one birth.)

AdventHealth Asheville Projected Utilization – C-Section Surgical Cases			
	FY 1 (CY 2025)	FY 2 (CY 2026)	FY 3 (CY 2027)
OB Discharges	297	457	618
% C-Sections	27.3%	27.3%	27.3%
Projected C-Sections	81	125	168

Emergency Department Services

The applicant reviewed the discharges of Buncombe County patients with acuity levels appropriate for AdventHealth Asheville to determine how many discharges had been admitted through the ED. The applicant reviewed data from HIDI from 2017-2019 and calculated a three-year average of 52% of discharges that had been admitted from the ED. The applicant assumed that AdventHealth Asheville would have 80% of the three-year average (41%) of its discharges originating in the ED.

The applicant then reviewed the percentage of FY 2019 Buncombe County ED visits (anywhere in North Carolina) that resulted in an inpatient admission. The applicant used the percentage of ED visits resulting in hospital admissions in conjunction with the percentage of discharges originating in the ED to project the number of ED visits during the first three full fiscal years.

AdventHealth Asheville Projected Utilization – ED Visits			
	FY 1 (CY 2025)	FY 2 (CY 2026)	FY 3 (CY 2027)
Projected Discharges	1,854	3,195	4,899
% Admitted from ED	41%	41%	41%
ED Admissions	769	1,326	2,033
ED Admissions as % of ED Visits	16%	16%	16%
Projected ED Visits	4,808	8,287	12,706

The applicant states it relied on its experience in operating hospital EDs in NC and elsewhere and consulted with the architect to determine the need for 12 ED treatment rooms as sufficient to treat the projected ED patients.

Laboratory, Imaging, and Ancillary Services

The applicant used its FY 2019 experience at AdventHealth Hendersonville, a hospital in a contiguous county with similar size and scope to the proposed AdventHealth

Asheville, to project the number of inpatient and outpatient imaging, laboratory, and ancillary services that would be provided during the first three full fiscal years. The applicant calculated the ratio of each service offered to discharges at AdventHealth Hendersonville and then applied that ratio to projected discharges for AdventHealth Asheville to project utilization of the imaging, laboratory, and ancillary services.

AdventHealth Asheville Projected Utilization – Imaging, Lab, & Ancillary			
	FY 1 (CY 2025)	**FY 2 (CY 2026)**	**FY 3 (CY 2027)**
Projected Discharges	1,557	2,738	4,282
Inpatient CT (ratio: 0.4)	687	1,208	1,890
Outpatient CT (ratio: 3.4)	2,351	4,134	6,464
Interventional Radiology (ratio: 0.1)	230	397	609
Inpatient Ultrasound (ratio: 0.2)	273	480	751
Outpatient Ultrasound (ratio: 2.1)	560	985	1,540
Inpatient X-ray (w/fluoro) (ratio: 1.7)	2,652	4,664	7,293
Outpatient X-ray (w/fluoro) (ratio: 1.6)	4,155	7,305	11,424
Inpatient SPECT (ratio: 0.1)	99	174	273
Outpatient SPECT (ratio: 1.1)	107	188	294
Inpatient Echocardiogram (ratio: 0.0)	43	75	117
Outpatient Echocardiogram (ratio: 0.04)	2	3	4
Inpatient lab (ratio: 20.9)	32,502	57,150	89,371
Outpatient lab (ratio: 0.7)	22,879	40,229	62,911
Inpatient Physical Therapy (ratio: 3.0)	5,575	9,609	14,734
Inpatient Speech Therapy (ratio: 0.4)	657	1,133	1,738
Inpatient Occupational Therapy (ratio: 1.8)	3,418	5,891	9,033

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

- The applicant uses growth rates lower than historical growth rates of AdventHealth Asheville-appropriate discharges to project utilization when historical growth rates were positive; for historical growth rates that were negative, the applicant proposes no growth at all.

- The applicant explains the basis for its assumptions about market share of different services from various locations.

- The applicant relies on its experience at AdventHealth Hendersonville, a 62-bed acute care hospital in Henderson County. Henderson County is contiguous to Buncombe County and serves patients from Buncombe, Graham, Madison, and Yancey counties, is a similar size as the proposed AdventHealth Asheville, and has services similar to those planned to be offered by AdventHealth Asheville.

- When using historical experience, the applicant only includes patients with acuity levels appropriate to be served at AdventHealth Asheville.

- When the applicant uses historical data from Mission to project outpatient surgical cases, the applicant provides research showing that the experience at Mission is

conservative compared with facilities of a similar size and offering a similar scope of services as AdventHealth Asheville projects to offer.

Access to Medically Underserved Groups – In Section C, page 70, the applicant describes how it will provide access to medically underserved groups. On page 70, 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 have access to AdventHealth Asheville, as clinically appropriate. AdventHealth does not discriminate based on race, ethnicity, age, gender, or disability. ..., a significant proportion of AdventHealth Asheville's proposed services will be provided to Medicare, Medicaid, and uninsured patients.*
>
> *The proposed new spaces will be accessible to persons with disabilities, as required by the Americans with Disabilities Act."*

On page 71, the applicant provides the estimated percentage for each medically underserved group, as shown in the following table.

Medically Underserved Groups	% of Total Patients
Low income persons	15.5%
Racial and ethnic minorities	20.0%
Women	51.1%
Persons 65 and older	48.7%
Medicare beneficiaries	48.7%
Medicaid recipients	15.5%

On page 71, the applicant states it does not retain data on the number of disabled persons it serves and states that disabled persons will not be denied access to AdventHealth Asheville.

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 its accessibility policies in Exhibit C.6.
- The applicant provides a statement clearly stating that all residents of the service area, including underserved groups, are not discriminated against or turned away from the proposed services based on belonging to an underserved group.

Conclusion – The Agency reviewed the:

- Application

- Exhibits to the application
- Remarks made at the public hearing
- Written comments
- Responses to comments
- Information publicly available during the review and used by the Agency

Based on that review, the Agency concludes that the application is conforming to this criterion for 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 – Novant Health Asheville Medical Center
NA – All Other Applications

Project ID #B-12230-22/Novant Health Asheville Medical Center/Develop a new hospital with 67 acute care beds

The applicant proposes to develop a new hospital, NH Asheville, with 67 acute care beds pursuant to the 2022 SMFP need determination.

Pursuant to the need determination in the 2018 SMFP and after the 2018 Buncombe County Competitive OR Review, Surgery Partners was issued a CON for Project ID #B-11514-18, to relocate and replace the existing OSCA facility, to add two ORs and three procedure rooms, and convert from a specialty ASF to a multispecialty ASF. The applicant now proposes to relocate one OR from OSCA to the proposed NH Asheville, which will leave four ORs and three procedure rooms at OSCA.

In Section D, page 86, 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. The applicant states:

> *"Table 6B of the 2022 SMFP shows a current surplus of 0.75 ORs at OSCA. The projected growth in surgical utilization can be accomplished in the four operating rooms and three procedure rooms, and therefore patient access will not be decreased or negatively affected. As surgical demand at OSCA increases, the facility can easily serve increased numbers of patients by expanding use of the procedure rooms with associated board and medical staff-approved policies for use of these room for surgical cases. ... Furthermore, OSCA has the capability to shift appropriate surgical cases from the operating rooms to the procedure rooms because many of the podiatric and orthopedic cases involve*

> *local anesthesia and minimally invasive surgery procedures. As a result of the transfer of one OR to NH Asheville, the vacated OR will be converted to a procedure room. The newly converted procedure room will be larger than the existing procedure rooms and has the equipment, capabilities, and staff resources to provide quality care and a broad range of surgical procedures.*
>
> *OSCA also has the capability to expand hours of operation and increase staffing resources to meet the needs of patients and continued increases in demand. These strategies enabled OSCA to achieve very high utilization at its previous facility location where it had only three operating rooms and no procedure rooms."*

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

- The applicant currently has a surplus of ORs.
- The applicant provides a reasonable explanation as for why some surgical cases could be shifted to procedure rooms.
- The applicant was able to previously manage surgical cases with an OR deficit and no procedure rooms before it applied for the CON it received.
- OSCA's 2022 LRA states it operates eight hours a day, five days per week, which supports the applicant's statement about having the ability to expand hours of operation.

On Form D.3 in Section Q, the applicant provides projected utilization, as illustrated in the following table.

Historical & Projected Utilization - OSCA							
	CY 2021	CY 2022	CY 2023	CY 2024	CY 2025	CY 2026	CY 2027
ORs	5	5	5	5	5	5	4
# OP Surgical Cases	3,959	4,463	4,552	4,643	4,736	4,831	3,628
Cases for Procedure Rooms	0	0	0	0	0	0	1,300
Surgical Case Times (min)	90	90	90	90	90	90	90
Total Surgical Hours*	5,939	6,695	6,828	6,965	7,104	7,246	5,441
Standard Hours/OR/Year	1,312	1,312	1,312	1,312	1,312	1,312	1,312
ORs Needed	4.5	5.1	5.2	5.3	5.4	5.5	4.1

*Based on surgical cases performed in an OR

On Form D.3 Assumptions immediately following Form D.3 in Section Q, the applicant provides the assumptions and methodology used to project utilization, which is summarized below.

- CY 2021 surgical cases are based on actual historical data. CY 2022 surgical cases are based on historical data from 6/1/2021 through 5/31/2022 and assume no increase in cases.

- The applicant projects growth for CYs 2023 through 2026 by assuming a 2% annual increase in utilization. The applicant states it assumes the 2% annual increase based on area population growth, physician recruitment, and cost savings for surgeries performed at ASFs.

- The applicant projects the shift in cases from an OR to a procedure room by assuming that there will be 25 cases per week that involve minimally invasive surgery, and which will be appropriate for a procedure room.

- The applicant assumes no change in its surgical case times.

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

- The applicant bases the projected utilization on actual historical utilization.

- The applicant explains the assumptions regarding what kinds of cases would be appropriate to shift to a procedure room and how many cases it projects to shift.

Access to Medically Underserved Groups – In Section D, page 87, the applicant states:

> *"The transfer of one OR from OSCA to NH Asheville will result in the existing ASF having four licensed operating rooms and three unlicensed procedure rooms. However, the overall surgery capacity of the facility will not be diminished due to the availability of the procedure rooms and the capability to extend hours of services and staffing resources.*
>
> *OSCA will continue to increase overall surgical utilization and expand access to health care services for the medically underserved by providing surgical procedures to those who are indigent, lack health insurance, or are otherwise medically underserved. OSCA is committed to providing services to all of the listed categories of patients. The facility will not discriminate against anyone due to age, race, color, religion, ethnicity, gender, disability, or ability to pay. This will not change after one OR is relocated from OSCA to NH Asheville."*

The applicant adequately demonstrates that the needs of medically underserved groups that will continue to use the existing ORs at OSCA will be adequately met following completion of the project for the following reasons:

- The applicant states it does not plan to change its existing policies to ensure care for medically underserved groups.

- The applicant describes steps it will take to maintain access.

Conclusion – The Agency reviewed the:

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

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

- 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.

Project ID #B-12232-22/Mission Hospital/Add 67 acute care beds

The applicant proposes to add 67 new acute care beds to Mission, a hospital with 733 licensed acute care beds, for a total of 800 acute care beds upon project completion.

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.

Project ID #B-12233-22/AdventHealth Asheville/Develop a new hospital with 67 acute care beds

The applicant proposes to develop a new hospital, AdventHealth Asheville, with 67 acute care beds pursuant to the 2022 SMFP need determination.

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.

NC – Novant Health Asheville Medical Center
C – All Other Applications

Project ID #B-12230-22/Novant Health Asheville Medical Center/Develop a new hospital with 67 acute care beds

The applicant proposes to develop a new hospital, NH Asheville, with 67 acute care beds pursuant to the 2022 SMFP need determination.

In Section E, pages 91-92, 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 the 2022 SMFP has a need for additional acute care beds in Buncombe County; therefore, maintaining the status quo was not an effective alternative.
- Develop a New Hospital at a Different Location: the applicant states developing a new inpatient hospital in a substantially different location would not meet the need from the 2022 SMFP for additional acute care beds in Buncombe County; therefore, developing a new hospital in a different location was not an effective alternative.
- Develop Fewer Beds: the applicant states the proposed number of licensed beds is based on utilization projections; therefore, developing fewer beds was not an effective alternative.
- Develop a New Hospital without Obstetrics: the applicant states that, based on its experience at operating community hospitals in North Carolina, the proposed obstetrics services are appropriate for a community hospital the size of NH Asheville; therefore, developing a new hospital without obstetrics was not an effective alternative.
- Develop a New Hospital with Additional Services: the applicant states that the services it proposes are based on analysis and experience, and that identified volumes are reasonable for a hospital the size of the proposed NH Asheville; therefore, developing a new hospital with additional services was not an effective alternative.
- Develop a New Hospital without an OR: the applicant states that developing the facility without an OR would minimize the acuity of cases that could be served, and which would not meet the need for access to high-quality, safe care, and increased choice; therefore, developing a new hospital without an OR was not an effective alternative.

However, the applicant does not adequately demonstrate that the alternative proposed in this application is the most effective alternative to meet the need based on the following:

- The applicant did not adequately demonstrate the need it has for the proposed project because the applicant did not demonstrate that projected utilization is based on reasonable and adequately supported assumptions. The discussion regarding analysis of need including projected utilization found in Criterion (3) is incorporated herein by reference. A proposal that is not needed by the population proposed to be served cannot be the most effective alternative.

- The applicant did not demonstrate in the application as submitted that it was conforming with the Criteria and Standards for Acute Care Beds promulgated in 10A NCAC 14C .3803(a). The discussion regarding analysis of need including projected utilization found in Criterion (3) is incorporated herein by reference. A proposal that cannot meet required performance standards cannot be the most effective alternative.

- Because the applicant did not demonstrate the need to develop the proposed project, the applicant cannot demonstrate that it needs to develop a new hospital with 67 new acute care beds in addition to the existing and approved acute care beds in the Buncombe/Graham/Madison/Yancey multicounty service area. The discussion regarding unnecessary duplication found in Criterion (6) is incorporated herein by reference. A project that is unnecessarily duplicative cannot be the most effective alternative.

- Because the applicant did not demonstrate the need to develop a new hospital with 67 new acute care beds, it cannot demonstrate that any enhanced competition in the service area includes a positive impact on the cost-effectiveness of the proposed services. An applicant that did not demonstrate the need for a proposed project cannot demonstrate the cost-effectiveness of the proposed project. The discussion regarding demonstrating 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, found in Criterion (18a) is incorporated herein by reference. A project that cannot show a positive impact on the cost-effectiveness of the proposed services as the result of any enhanced competition cannot be the most effective alternative.

- The application is not conforming to all statutory and regulatory review criteria. An application that cannot be approved cannot be the most effective alternative.

<u>Conclusion</u> – The Agency reviewed the:

- Application
- Exhibits to the application

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

Based on that review, the Agency concludes that the application is not conforming to this criterion for all the reasons stated above.

Project ID #B-12232-22/Mission Hospital/Add 67 acute care beds

The applicant proposes to add 67 new acute care beds to Mission, a hospital with 733 licensed acute care beds, for a total of 800 acute care beds upon project completion.

In Section E, pages 116-118, 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 maintaining the status quo would not address capacity issues; therefore, maintaining the status quo was not an effective alternative.

- Develop a New Hospital at a Different Location: the applicant states developing a new inpatient hospital would require extensive work, including site identification and preparation, utility and infrastructure construction, and numerous other challenges that would be costly and require lots of time. Additionally, the applicant states it would require the relocation of existing ORs and be highly disruptive to existing surgical services; therefore, developing a new hospital at a different location was not an effective alternative.

- Develop Beds in Existing Space: the applicant states that while there are some observation beds that could be converted to acute care beds, there is not enough space to develop the entire project; therefore, developing the beds in existing space was not an effective alternative by itself.

On page 118, the applicant states the proposed alternative – expanding an existing bed tower and using existing space for the remaining beds – is the most effective alternative because it allows for use of existing hospital infrastructure and allows for the development of all 67 acute care beds.

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 reasonable 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
- Written comments
- Responses to comments
- Information publicly available during the review and used by the Agency

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

Project ID #B-12233-22/AdventHealth Asheville/Develop a new hospital with 67 acute care beds

The applicant proposes to develop a new hospital, AdventHealth Asheville, with 67 acute care beds pursuant to the 2022 SMFP need determination.

In Section E, pages 80-82, 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 result in less patient choice and deprive residents of expanded access to acute care services; therefore, maintaining the status quo was not an effective alternative.

- Develop a New Hospital at a Different Location: the applicant states the site was chosen because of the ease of access for area residents as well as where the highest volume of discharges was located within the service area; therefore, developing a new hospital at a different location was not an effective alternative.

- Develop a New Hospital with a Different Number of Beds: the applicant states that developing fewer beds would be insufficient to meet the needs of service area residents and has identified thousands of discharges that could be appropriately served by the facility, and that while utilization could support a larger hospital, the 2022 SMFP need determination is capped at 67; therefore, developing a new hospital with a different number of beds 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 reasonable 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
- Remarks made at the public hearing
- Written comments
- Responses to comments
- Information publicly available during the review and used by the Agency

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

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

NC – Novant Health Asheville Medical Center
C – All Other Applications

Project ID #B-12230-22/Novant Health Asheville Medical Center/Develop a new hospital with 67 acute care beds

The applicant proposes to develop a new hospital, NH Asheville, with 67 acute care beds pursuant to the 2022 SMFP need determination.

Capital and Working Capital Costs – On Form F.1a in Section Q, the applicant projects a total capital cost of $328,729,394, as shown in the table below.

Site Preparation	$34,880,562
Construction Contracts	$190,543,583
Architect/Engineering/Consultant Fees	$11,456,064
Medical Equipment	$22,206,930
Non-Medical Equipment/Furniture	$7,425,438
Interest During Construction	$15,327,310
Other*	$27,556,306
Contingency	$17,736,061
Total	**$328,729,394**

*Other includes IT, low voltage systems, security, DHSR review, special inspections, and escalation.

The applicant does not provide any information to explain its assumptions and methodology for projecting capital costs in the pro formas or anywhere else in the application; however, the applicant provides documentation in Exhibit F.1. The applicant adequately demonstrates that the projected capital cost is based on reasonable and adequately supported assumptions based on the following:

- In Exhibit F.1, the applicant provides a certified cost estimate from an architect, stating that the applicant has reviewed the cost estimates with other projects and that based on the architect's experience, the anticipated construction cost of $238,372,349 is reasonable. (The sum of Site Preparation, Construction Costs, Landscaping, and Architect/Engineering Fees on Form F.1a equals $238,372,349.)

- In Exhibit F.1, the applicant provides a 102-page detailed listing of projected medical equipment costs and items for multiple departments.

In Section F, page 96, the applicant projects that start-up costs will be $4,811,364 and initial operating expenses will be $27,313,811 over an eight-month period for a total working capital cost of $32,125,175. On page 97, the applicant provides the assumptions and methodology used to project the working capital needs of the project.

However, the applicant does not adequately demonstrate that the projected working capital needs of the project are based on reasonable and adequately supported assumptions based on the following:

- The applicant used the experience of January – September 2018 for NH Mint Hill, prior to when NH Mint Hill was licensed and operational, and projected cost increases to determine the *"2026 start-up expenses for expenses incurred in 2026 prior to NH Asheville operating in 2027."* However, NH Mint Hill had slightly more than half of the number of acute care beds as NH Asheville will have and had two more ORs than NH Asheville will have. The applicant provides no information in the application as submitted that adequately supports the use of historical information for a facility with the type of differences between these two facilities.

- In Section F, page 100, regarding the preparation of pro formas for revenues and operating costs, the applicant states: *"Though NH Mint Hill only has 36 acute care beds, the operations and financials were scaled appropriately to adjust for NH Asheville's 67 acute care beds."* The applicant provides no information in the application as submitted that a) demonstrates that start-up costs were also scaled up to account for NH Asheville's 67 acute care beds, and b) reasonably supports the use of scaling up for some financial projections but not others.

- The application form defines "initial operating costs" as:

  "…the difference between:

  1. *total cash outflow (operating costs) during the initial operating period for the entire facility; and*
  2. *total cash inflow (revenues) during the initial operating period for the entire facility."*

The application form defines "initial operating period" as *"…the number of months, if any, during which cash outflow (operating costs) for the entire facility exceeds cash inflow (revenues) for the entire facility."*

The applicant states that the initial operating period is eight months. However, on Form F.2b, the applicant projects that operating costs will exceed revenues for the first two full fiscal years following project completion. The applicant provides no information in the application as submitted to reasonably support an initial operating period of eight months and corresponding initial operating costs as $27,313,811.

Availability of Funds – In Section F, pages 94 and 98, the applicant states the entire projected capital expenditure of $328,729,394 and entire projected working capital cost of $32,125,175 will be funded by accumulated reserves from Novant Health, Inc.

Exhibit F.2 contains a letter from the Senior Vice President of Operational Finance & Revenue Cycle at Novant Health, Inc., authorizing the use of accumulated reserves of $360,854,569 for the capital and working capital needs of the project. The letter states the accumulated reserves will come from the "Assets Limited as to use: Internally Designated for Capital Projects." The applicant also provides its Consolidated Financial Statements and Supplemental Information for the years ending December 31, 2021 and 2020.

However, the applicant does not adequately demonstrate availability of sufficient funds for the capital and working capital needs of the project based on the following:

- In the Consolidated Financial Statements and Supplemental Information, there are line items that designate "Assets limited as to use." The line items do not list any subcategories. However, none of the listed line items for "Assets limited as to use" contains enough to fund the $360,854,569 guaranteed by the Senior Vice President of Operational Finance & Revenue Cycle.

- As discussed previously, projected working capital costs are not reasonable and adequately supported, and would likely turn out to be much higher than projected by the applicant. While the applicant's total assets far exceed the projected capital and working capital costs – even if the projected working capital costs are understated – there is no information in the application as submitted to demonstrate Novant Health, Inc. would guarantee the amount of funding necessary for capital and working capital costs.

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 operating expenses will exceed revenues in the first two full fiscal years following project completion, but revenues will exceed operating expenses in the third full fiscal year following project completion, as shown in the table below.

NH Asheville Revenues and Operating Expenses – Entire Facility			
	1st Full FY CY 2027	2nd Full FY CY 2028	3rd Full FY CY 2029
Number of Admissions	3,837	5,171	6,531
Total Gross Revenues (Charges)	$380,572,004	$599,432,708	$758,586,011
Total Net Revenue	$74,380,901	$137,570,255	$174,997,647
Total Net Revenue per Admission	$19,385	$26,604	$26,795
Total Operating Expenses (Costs)	$104,190,197	$138,122,195	$158,897,292
Total Operating Expense per Admission	$27,154	$26,711	$24,330
Net Income/(Losses)	**($29,809,296)**	**($551,941)**	**$16,100,355**

The assumptions used by the applicant in preparation of the pro forma financial statements are provided immediately following Form F.2b in Section Q.

However, the assumptions used by the applicant in preparation of the pro forma financial statements are not reasonable and adequately supported because projected utilization is questionable. The discussion regarding projected utilization found in Criterion (3) is incorporated herein by reference. Therefore, since projected revenues and expenses are based at least in part on projected utilization, projected revenues and expenses are also questionable.

Conclusion – The Agency reviewed the:

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

Based on that review, the Agency concludes that the application is not conforming to this criterion for the following reasons:

- The applicant does not adequately demonstrate that the working capital costs are based on reasonable and adequately supported assumptions for all the reasons described above.

- The applicant does not adequately demonstrate availability of sufficient funds for the capital and working capital needs of the proposal for all the reasons described above.

- The applicant does not adequately demonstrate 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.

Project ID #B-12232-22/Mission Hospital/Add 67 acute care beds

The applicant proposes to add 67 new acute care beds to Mission, a hospital with 733 licensed acute care beds, for a total of 800 acute care beds upon project completion.

Capital and Working Capital Costs – On Form F.1a in Section Q, the applicant projects a total capital cost of $125,045,000, as shown in the table below.

Site Preparation/Construction Contracts	$82,747,000
Architect/Engineering/Consultant Fees	$6,734,000
Medical Equipment	$6,094,000
Non-Medical Equipment	$4,688,000
Contingency	$3,839,000
Other (Escalation, Building Fees)	$20,943,000
Total	**$125,045,000**

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 explains the various aspects of costs for various categories and provides supporting documentation in Exhibits F-1.1, F-1.2, and K-3.1.

- The applicant includes a category for building expansion due to the well-documented increase in construction costs since the start of the COVID-19 pandemic and concerns that existing costs will increase between now and when the project is under development.

In Section F, page 121, the applicant states there will be no working capital costs because Mission is an existing and operational facility. This information is reasonable and adequately supported because Mission is an existing hospital and will continue to operate during and after development of the proposed project.

Availability of Funds – In Section F, page 119, the applicant states the entire projected capital expenditure of $125,045,000 will be funded by Mission's accumulated reserves. Exhibit F-2.1 contains a letter from the applicant on behalf of the Chief Financial Officer of HCA Healthcare, Inc., the parent company of the applicant, authorizing the use of accumulated reserves for the capital needs of the project. The applicant provides HCA Healthcare, Inc.'s Form 10-K in Exhibit F-2.2, which shows that as of December 31, 2021, HCA Healthcare, Inc. had adequate cash and cash reserves available to fund 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 provided a letter from an appropriate company official committing the amount of the projected capital cost to 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.

Mission Revenues and Operating Expenses – Acute Care Services			
	1st Full FY CY 2027	2nd Full FY CY 2028	3rd Full FY CY 2029
Number of Admissions	42,551	43,053	43,568
Total Gross Revenues (Charges)	$7,592,861,587	$8,283,260,642	$9,037,398,606
Total Net Revenue	$1,491,053,419	$1,559,203,508	$1,627,667,289
Total Net Revenue per Admission	$35,042	$36,216	$37,359
Total Operating Expenses (Costs)	$1,195,697,535	$1,237,694,972	$1,281,326,999
Total Operating Expense per Admission	$28,100	$28,748	$29,410
Net Income/(Losses)	**$295,355,884**	**$321,508,536**	**$346,340,290**

The assumptions used by the applicant in preparation of the pro forma financial statements are provided immediately following Forms F.2 and F.3 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 based its projections on its own historical experience.

- Mission's projected utilization is questionable. The discussion regarding projected utilization found in Criterion (3) is incorporated herein by reference. However, HCA Healthcare, Inc. is a large health system with significant assets. Exhibit F.2-2 contains a copy of HCA Healthcare, Inc.'s Form 10-K for the year ending December 31, 2021. According to the Form 10-K, as of December 31, 2021, HCA Healthcare, Inc. had adequate cash and assets to not only fund the capital needs of the proposed project, but to also cover any potential financial shortfall that could arise if utilization is lower than the applicant projects.

Conclusion – The Agency reviewed the:

- Application
- Exhibits to the application

- Written comments
- Responses to comments

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

- 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.

Project ID #B-12233-22/AdventHealth Asheville/Develop a new hospital with 67 acute care beds

The applicant proposes to develop a new hospital, AdventHealth Asheville, with 67 acute care beds pursuant to the 2022 SMFP need determination.

Capital and Working Capital Costs – On Form F.1a in Section Q, the applicant projects a total capital cost of $254,125,000, as shown in the table below.

Purchase Price of Land/Site Preparation	$28,000,000
Construction Contracts	$173,500,000
Architect/Engineering/Consultant Fees	$9,575,000
Medical Equipment	$23,000,000
Non-Medical Equipment/Furniture	$10,000,000
Contingency	$10,000,000
CON Filing Fee	$50,000
Total	**$254,125,000**

The applicant provides its assumptions and methodology for projecting capital cost immediately following Form O 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 states the costs were projected based on AdventHealth's recent experience in developing other major projects involving the same types of services.

- The applicant provides a letter from an architect in Exhibit K.3 explaining details such as projected cost and square footage.

- The applicant provides quotes for equipment in Exhibit F.1.

In Section F, page 85, the applicant projects that start-up costs will be $5,200,000 and initial operating expenses will be $15,911,372 over a 24-month period for a total working capital cost of $21,111,372. On pages 85-86, the applicant provides the assumptions and methodology used to project the working capital needs of the project. The applicant adequately demonstrates that the projected working capital needs of the project are based on reasonable and adequately supported assumptions based on the following:

- The applicant provides an explanation of what costs are included in each category and how the costs were calculated.

- On Form F.2b, the applicant includes a net operating loss during the first and second project year which is consistent with an initial start-up period of 24 months.

Availability of Funds – In Section F, pages 83 and 86, the applicant states the entire projected capital expenditure of $254,125,000 and entire projected working capital cost of $21,111,372 will be funded by accumulated reserves from Adventist Health System Sunbelt Healthcare Corporation.

Exhibit F.2 contains a letter from the applicant on behalf of the Chief Financial Officer of Adventist Health System Sunbelt Healthcare Corporation, authorizing the use of accumulated reserves of up to $300,000,000 for the capital and working capital needs of the project. The applicant also provides its Audited Financial Statements, which shows that as of December 31, 2021, Adventist Health System Sunbelt Healthcare Corporation had adequate cash and cash reserves available to fund the proposed project.

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

- The applicant provided a letter from an appropriate company official committing the amount of the projected capital and working capital costs to the proposed project.

- The applicant provides adequate documentation of the accumulated reserves it proposes to use to fund the capital and working 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 operating expenses will exceed revenues in the first two full fiscal years following project completion, but revenues will exceed operating expenses in the third full fiscal year following project completion, as shown in the table below.

AdventHealth Asheville Revenues and Operating Expenses – Entire Facility			
	1st Full FY CY 2025	2nd Full FY CY 2026	3rd Full FY CY 2027
Number of Discharges	1,854	3,195	4,899
Total Gross Revenues (Charges)	$111,680,194	$196,829,520	$308,546,827
Total Net Revenue	$38,708,356	$68,228,603	$106,965,284
Total Net Revenue per Discharge	$20,878	$21,355	$21,834
Total Operating Expenses (Costs)	$58,190,860	$79,255,747	$104,301,204
Total Operating Expense per Discharge	$31,387	$24,806	$21,290
Net Income/(Losses)	**($19,482,504)**	**($11,027,144)**	**$2,664,080**

The assumptions used by the applicant in preparation of the pro forma financial statements are provided immediately following Form O 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 based its projections on its own historical experience at a similar sized facility offering a similar scope of services in a contiguous county.

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

Conclusion – The Agency reviewed the:

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

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 and working capital costs are based on reasonable and adequately supported assumptions for all the reasons described above.

- The applicant adequately demonstrates availability of sufficient funds for the capital and working 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.

NC – Novant Health Asheville Medical Center
C – All Other Applications

The 2022 SMFP includes a need determination for 67 acute care beds in the Buncombe/Graham/Madison/Yancey multicounty service area.

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 Buncombe, Graham, Madison, and Yancey counties in a multicounty grouping. Thus, the service area for these facilities is the Buncombe/Graham/Madison/Yancey multicounty service area. Facilities may also serve residents of counties not included in their service area.

As of the date of this decision, there are 733 existing and approved acute care beds located at one facility operated by one provider, as illustrated in the following table.

Buncombe/Graham/Madison/ Yancey Multicounty Service Area Acute Care Beds	
Facility	**Existing Beds**
Mission Hospital	733
Buncombe/Graham/Madison/Yancey Multicounty Service Area Total	**733**

Source: Table 5A, 2022 SMFP; applications under review; 2022 LRAs; Agency records.

Project ID #B-12230-22/Novant Health Asheville Medical Center/Develop a new hospital with 67 acute care beds

The applicant proposes to develop a new hospital, NH Asheville, with 67 acute care beds pursuant to the 2022 SMFP need determination.

In Section G, page 105, the applicant explains why it believes its proposal would not result in the unnecessary duplication of existing or approved acute care beds in the Buncombe/Graham/Madison/Yancey multicounty service area. The applicant states:

> *"The existing and approved counts and annual utilization of acute care beds in the county are shown on Table 5A of the 2022 SMFP. The 2022 SMFP shows a need for 67 acute care beds in the Buncombe/Graham/Madison/Yancey service area. Therefore, the county-level acute care beds requested in this application are part of the needed assets and cannot be an unnecessary duplication of assets.*

> *NH Asheville will not unnecessarily duplicate existing and approved facilities. Some duplication of capacity is a necessary prerequisite for competition and for physician and patient choice. This is especially true here, as Buncombe County has only one provider of acute care services, Mission Hospital. Projected population growth in the service area will increase total demand for services, and introduce beneficial choice and competition for patients, care providers, and payors."*

However, the applicant does not adequately demonstrate that the proposal would not result in an unnecessary duplication of existing or approved services in the service area based on the following analysis:

- The applicant did not adequately demonstrate the need it has for the proposed project because it did not demonstrate that its projected utilization is based on reasonable and adequately supported assumptions. The discussion regarding analysis of need including projected utilization found in Criterion (3) is incorporated herein by reference.

- The applicant did not demonstrate in the application as submitted that it was conforming with the Criteria and Standards for Acute Care Beds promulgated in 10A NCAC 14C .3803(a). The discussion regarding analysis of need including projected utilization found in Criterion (3) is incorporated herein by reference.

- Because the applicant did not demonstrate the need to develop a new hospital with 67 new acute care beds, it cannot demonstrate that the new hospital with 67 new acute care beds is needed in addition to the existing and approved acute care beds in the Buncombe/Graham/Madison/Yancey multicounty service area.

Conclusion – The Agency reviewed the:

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

Based on that review, the Agency concludes that the application is not conforming to this criterion for all the reasons described above.

Project ID #B-12232-22/Mission Hospital/Add 67 acute care beds

The applicant proposes to add 67 new acute care beds to Mission, a hospital with 733 licensed acute care beds, for a total of 800 acute care beds upon project completion.

In Section G, pages 129-130, the applicant explains why it believes its proposal would not result in the unnecessary duplication of existing or approved acute care beds in the

Buncombe/Graham/Madison/Yancey multicounty service area. On page 130, the applicant states:

> *"The 2022 SMFP indicated a need for 67 acute care beds in Buncombe, Graham, Madison and Yancey Counties specifically resulting from Mission Hospital's utilization. There are no other providers of acute care services in the 4-county planning area of Buncombe, Graham, Madison and Yancey counties. ... As the only tertiary provider in the service area, it is critically important that Mission has sufficient bed capacity to meet the demands for its services.*
>
> *Mission is not proposing a new service or to expand its current service area; rather, Mission is proposing additional acute care beds to better serve its existing service area. The proposed project is needed specifically to meet the existing needs of patients served by Mission Hospital. The proposed project will not duplicate services of any other existing acute care provider."*

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.
- The applicant provides information to explain why it believes the proposed project will not unnecessarily duplicate existing or approved acute care beds in the Buncombe/Graham/Madison/Yancey multicounty service area.
- The applicant adequately demonstrates that the proposed acute care beds are needed in addition to the existing and approved acute care beds. The discussion regarding demonstration of need found in Criterion (3) is incorporated herein by reference.

Conclusion – The Agency reviewed the:

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

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

Project ID #B-12233-22/AdventHealth Asheville/Develop a new hospital with 67 acute care beds

The applicant proposes to develop a new hospital, AdventHealth Asheville, with 67 acute care beds pursuant to the 2022 SMFP need determination.

In Section G, pages 92-93, the applicant explains why it believes its proposal would not result in the unnecessary duplication of existing or approved acute care beds in the Buncombe/Graham/Madison/Yancey multicounty service area. The applicant states:

> *"The proposed project will not result in unnecessary duplication of existing or approved facilities in the Buncombe/Graham/Madison/Yancey county service area. The 2022 SMFP has identified a need for 67 additional acute care beds in the multi-county service area because acute care utilization in the service area is projected to exceed the capacity of the existing acute care hospital in Buncombe County.*
>
> *…*
>
> *While Mission recently received conditional approval for two CON applications to develop freestanding emergency departments in Buncombe County, the respective freestanding emergency departments will not offer inpatient services; thus, they are not comparable in scope to the services proposed at AdventHealth Asheville and will not result in any unnecessary duplication."*

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

- There is a need determination in the 2022 SMFP for the proposed acute care beds.

- The applicant provides information to explain why it believes the proposed project will not unnecessarily duplicate existing or approved acute care beds in the Buncombe/Graham/Madison/Yancey multicounty service area.

- The applicant adequately demonstrates that the proposed acute care beds are needed in addition to the existing and approved acute care beds. The discussion regarding demonstration of need found in Criterion (3) is incorporated herein by reference.

<u>**Conclusion**</u> – The Agency reviewed the:

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

- Information publicly available during the review and used by the Agency

Based on that review, the Agency concludes that the application is conforming to this criterion for 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 – All Applications

Project ID #B-12230-22/Novant Health Asheville Medical Center/Develop a new hospital with 67 acute care beds

The applicant proposes to develop a new hospital, NH Asheville, with 67 acute care beds pursuant to the 2022 SMFP need determination.

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

NH Asheville Projected Staffing			
Position	Projected		
	FY 1 CY 2027	FY 2 CY 2028	FY 3 CY 2029
Nurse Managers/Assistant Managers	9.00	9.00	10.00
Certified Nurse Aides	58.80	58.80	68.40
Registered Nurses	170.40	170.40	170.40
Surgical Technicians	11.80	11.80	11.80
Lactation Consultant	0.50	0.50	0.50
Patient Access	16.00	18.50	22.00
Guest Services	6.70	7.70	7.70
Maintenance/Engineering	6.00	6.00	6.00
Medical Records	2.00	2.00	3.00
Public Safety	10.60	10.60	10.60
Case Managers	1.00	1.50	2.00
Laboratory	19.27	25.36	25.36
Occupational Therapy	1.66	2.00	2.00
Pharmacy	14.66	17.84	17.84
Physical Therapy	11.10	13.00	13.00
Imaging Technicians/Leaders	23.31	29.31	30.51
Surgical Unit Specialist	3.00	3.00	3.00
Operating Room Assistance	4.00	4.00	4.00
Speech Therapists	1.00	1.50	2.00
Sleep Technologists	4.30	4.30	4.30
Sterile Reprocessing	5.00	5.00	5.00
Certified Registered Nurse Anesthetists/Leads	10.00	10.00	10.00
Materials Management	3.00	3.00	3.00
Anesthesia Technicians	1.00	1.00	1.00
President	1.00	1.00	1.00
House Supervisor	4.80	4.80	4.80
Chaplain	1.00	1.00	1.00
Executive Assistant	1.00	1.00	1.00
Total Staffing	**418.30**	**442.71**	**464.41**

Note: Many categories of FTEs are consolidated on this table for brevity and clarity.

The assumptions and methodology used to project staffing are provided immediately following Form H in Section Q. Adequate costs for the health manpower and management positions proposed by the applicant are budgeted in Form F.3b, which is found in Section Q. In Section H, pages 107-111, the applicant describes the methods to be used to recruit or fill new positions and its proposed training and continuing education programs and provides supporting documentation in Exhibits H.2 and H.3.

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 provides documentation about the ways it has done so in the past that will be used for the proposed project.

- The applicant adequately documents the number of FTEs it projects will be needed to offer the proposed services.

- The applicant accounts for projected salaries and other costs of employment in its projected operating expenses found on Form F.3b in Section Q.

Conclusion – The Agency reviewed the:

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

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

Project ID #B-12232-22/Mission Hospital/Add 67 acute care beds

The applicant proposes to add 67 new acute care beds to Mission, a hospital with 733 licensed acute care beds, for a total of 800 acute care beds upon project completion.

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.

Mission Current & Projected Staffing				
Position	Current	Projected		
	Dec 2021	FY 1 CY 2027	FY 2 CY 2028	FY 3 CY 2029
Inpatient Registered Nurses	753.3	964.4	974.6	984.9
Inpatient Certified Nurse Aides/Techs	280.7	326.6	330.1	333.6
Inpatient Nursing Unit Management	143.8	169.1	170.9	172.7
Inpatient Nursing Unit Support	24.0	29.8	30.1	30.4
Certified Registered Nurse Anesthetists	14.3	15.2	15.4	15.6
Emergency Care	119.1	141.7	143.2	144.8
Trauma Care	20.2	20.4	20.4	20.4
Surgical Services	365.9	412.9	417.3	421.7
Procedural Services	94.1	100.2	101.3	102.4
Central Sterile Supply	50.3	53.6	54.2	54.7
Pathologists	13.8	14.7	14.9	15.0
Laboratory	141.7	151.0	152.6	154.2
Radiology/Imaging	100.2	106.7	107.9	109.0
Pharmacy	112.7	120.1	121.3	122.6
Physical Therapy	34.7	37.0	37.4	37.8
Speech Therapy	12.1	12.9	13.0	13.2
Audiology	1.7	1.8	1.8	1.8
Occupational Therapy	23.9	25.5	25.7	26.0
Respiratory Therapy	92.8	98.9	99.9	101.0
Housekeeping/Environmental Services	156.6	166.8	168.6	170.4
Case Management	60.8	64.8	65.5	66.2
Patient Relations	57.7	61.5	62.1	62.8
Other FTEs*	922.0	842.2	846.9	851.5
Total Staffing	**3,596.4**	**3,937.9**	**3,975.1**	**4,012.7**

* Other FTEs include contract labor, information services, maintenance/engineering, administration, business office, patient transport, quality and risk, and other undefined FTEs for which there are no projected changes to the number of FTEs 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 in Form F.3b, which is found in Section Q. In Section H, pages 131-133, the applicant describes the methods to be used to recruit or fill new positions and its 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 provides documentation about the ways it has done so in the past that will be used for the proposed project.

- The applicant adequately documents the number of FTEs it projects will be needed to offer the proposed services.

- The applicant accounts for projected salaries and other costs of employment in its projected operating expenses found on Form F.3b in Section Q.

Conclusion – The Agency reviewed the:

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

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

Project ID #B-12233-22/AdventHealth Asheville/Develop a new hospital with 67 acute care beds

The applicant proposes to develop a new hospital, AdventHealth Asheville, with 67 acute care beds pursuant to the 2022 SMFP need determination.

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

AdventHealth Asheville Projected Staffing			
Position	**Projected**		
	FY 1 CY 2025	**FY 2 CY 2026**	**FY 3 CY 2027**
Registered Nurses	67.56	99.87	138.40
Certified Nurse Aides/Nursing Assistants	14.71	25.21	39.91
Director/Assistant Director of Nursing	7.36	8.28	8.28
Staff Development Coordinator	0.92	1.84	2.76
Surgical Technicians	6.00	11.00	14.50
Laboratory Technicians	8.92	10.92	13.92
Radiology Technologists	14.04	18.76	22.76
Pharmacy	12.92	14.92	16.92
Respiratory Therapists	9.40	9.40	11.50
Dietary	9.20	15.64	23.00
Social Workers	5.52	6.44	7.36
Medical Records	1.84	2.76	3.68
Housekeeping	6.44	9.20	13.80
Central Sterile Supply	2.92	3.92	5.92
Materials Management	5.52	5.52	6.44
Maintenance/Engineering	3.68	5.52	7.36
Administration/C-Suite	2.76	2.76	2.76
Business Office/Clerical	27.90	31.58	39.40
Security	4.78	6.72	8.65
Chaplain	0.92	1.84	2.30
Sonographers	2.00	2.00	2.00
Lactation Consultant	0.92	0.92	0.92
Clinical informatics/improvement	2.76	4.60	6.44
Patient Experience	0.92	1.84	2.76
Total Staffing	**219.91**	**301.46**	**401.75**

Note: Many categories of FTEs are consolidated on this table for brevity and clarity.

The assumptions and methodology used to project staffing are provided immediately following Form O in Section Q. Adequate costs for the health manpower and management positions proposed by the applicant are budgeted in Form F.3b, which is found in Section Q. In Section H, pages 94-95, the applicant describes the methods to be used to recruit or fill new positions and its proposed training and continuing education programs and provides supporting documentation in Exhibit H.3.

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 documents the training and orientation plans it will use.

- The applicant adequately documents the number of FTEs it projects will be needed to offer the proposed services.

- The applicant accounts for projected salaries and other costs of employment in its projected operating expenses found on Form F.3b in Section Q.

Conclusion – The Agency reviewed the:

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

Based on that review, the Agency concludes that the application is conforming to this criterion for the reasons 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 – All Applications

Project ID #B-12230-22/Novant Health Asheville Medical Center/Develop a new hospital with 67 acute care beds

The applicant proposes to develop a new hospital, NH Asheville, with 67 acute care beds pursuant to the 2022 SMFP need determination.

Ancillary and Support Services – In Section I, page 113, the applicant identifies the necessary ancillary and support services for the proposed services. In Section I, pages 114-115, the applicant explains how each ancillary and support service will be made available. The applicant 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 has experience in providing ancillary and support services at its other facilities in North Carolina.

- The applicant provides a letter from a senior Novant official pledging to provide necessary ancillary and support services to NH Asheville.

Coordination – In Section I, page 115, the applicant describes NH Asheville's proposed plan to develop relationships with other local health care and social service providers. The applicant provides supporting documentation in Exhibit I.2. The applicant adequately demonstrates that the proposed services will be coordinated with the existing health care system based on the following:

- The applicant states it will make "all reasonable attempts" to execute transfer agreements with other local health care and social service providers.

- The applicant has experience in other areas of the state with establishing relationships with local health care and social service providers as it develops new hospitals.

- In Exhibit I.2, the applicant provides letters of support from local health care and social service providers.

Conclusion – The Agency reviewed the:

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

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

Project ID #B-12232-22/Mission Hospital/Add 67 acute care beds

The applicant proposes to add 67 new acute care beds to Mission, a hospital with 733 licensed acute care beds, for a total of 800 acute care beds upon project completion.

Ancillary and Support Services – In Section I, page 135, the applicant identifies the necessary ancillary and support services for the proposed services. In Section I, page 135, the applicant explains how each ancillary and support service will be made available. The applicant provides supporting documentation in Exhibits I-1.1 and I-1.2. The applicant adequately demonstrates that the necessary ancillary and support services will be made available because it currently provides those services for its existing acute care beds and will continue to do so for its proposed acute care beds.

Coordination – In Section I, page 136, the applicant describes Mission's existing and proposed relationships with other local health care and social service providers. The applicant provides supporting documentation in Exhibit C-4.1. The applicant adequately demonstrates that the proposed services will be coordinated with the existing health care system based on the following:

- The applicant is part of a large and existing healthcare system in the Buncombe/Graham/Madison/Yancey multicounty service area.

- In Exhibit C.4-1, the applicant provides letters of support from local health care and social service providers.

Conclusion – The Agency reviewed the:

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

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

Project ID #B-12233-22/AdventHealth Asheville/Develop a new hospital with 67 acute care beds

The applicant proposes to develop a new hospital, AdventHealth Asheville, with 67 acute care beds pursuant to the 2022 SMFP need determination.

Ancillary and Support Services – In Section I, page 96, the applicant identifies the necessary ancillary and support services for the proposed services. In Section I, pages 96-97, the applicant explains how each ancillary and support service will be made available. The applicant adequately demonstrates that the necessary ancillary and support services will be made available based on the following:

- The applicant has experience in providing ancillary and support services at its other hospital in Henderson County.

- The applicant is part of a large national health system that has experience in providing ancillary and support services at other hospitals.

Coordination – In Section I, pages 97-99, the applicant describes AdventHealth Asheville's proposed plan to develop relationships with other local health care and social service providers. The applicant provides supporting documentation in Exhibit I.2. The applicant adequately demonstrates that the proposed services will be coordinated with the existing health care system based on the following:

- The applicant has experience with developing relationships with other local health care and social service providers in Henderson County.

- During the public hearing for the proposed project, numerous local officials spoke about AdventHealth Asheville's attempts to reach out and meet with local members of the existing health care system.

- In Exhibit I.2, the applicant provides letters of support from local health care and social service providers.

Conclusion – The Agency reviewed the:

- Application
- Exhibits to the application
- Remarks made at the public hearing
- Written comments
- Responses to comments
- Information publicly available during the review and used by the Agency

Based on that review, the Agency concludes that the application is conforming to this criterion for 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 – All Applications

None of the applicants 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, none of the applicants 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 – All Applications

None of the applicants are HMOs. 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 – All Applications

Project ID #B-12230-22/Novant Health Asheville Medical Center/Develop a new hospital with 67 acute care beds

The applicant proposes to develop a new hospital, NH Asheville, with 67 acute care beds pursuant to the 2022 SMFP need determination.

In Section K, page 118, the applicant states that the project involves constructing a total of 247,613 square feet of new space. Line drawings are provided in Exhibit K.1.

In Section K, pages 121-122, the applicant identifies the proposed site and provides information about the current owner, zoning and special use permits for the site, and the availability of water, sewer and waste disposal, and power at the site. Supporting documentation is provided in Exhibit K.4. The site appears to be suitable for the proposed hospital based on the applicant's representations and supporting documentation.

In Section K, page 119, 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 that in Section E, it considered the alternative of developing the facility elsewhere and found that it was not a viable alternative.

- The applicant states an architect provided a certified cost estimate showing the cost to develop the proposed facility.

- The applicant details proposals to use sustainable strategies in developing the facility.

In Section K, page 119, the applicant adequately explains why the proposal will not unduly increase the costs to the applicant of providing the proposed services or the costs and charges to the public for the proposed services because the proposed facility design is based on the expertise of the project architect.

In Section K, pages 119-120, the applicant identifies any applicable energy saving features that will be incorporated into the construction plans.

Conclusion – The Agency reviewed the:

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

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

Project ID #B-12232-22/Mission Hospital/Add 67 acute care beds

The applicant proposes to add 67 new acute care beds to Mission, a hospital with 733 licensed acute care beds, for a total of 800 acute care beds upon project completion.

In Section K, page 139, the applicant states that the project involves constructing 66,553 square feet of space on top of the J Tower at Mission. The applicant also states the project involves renovating 27,278 square feet of existing space to support the expansion of the J Tower. Line drawings are provided in Exhibits K-1.1 and K-2.1.

In Section K, pages 139-140, 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 it chose to expand vertically on top of the existing J Tower due to the limited space available on the hospital campus.

- The applicant states the architects, engineers, and contractors chosen have experience in the healthcare construction industry and that the proposed project's design was based on analysis of the existing building along with input from hospital staff.

On page 140, 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 there will be no changes in charges or costs to the public and the project will not increase the costs to Mission for providing care to patients.

- The applicant states the proposed project will increase efficiencies by alleviating capacity constraints.

In Section K, page 140-141, the applicant identifies any applicable energy saving features that will be incorporated into the construction plans.

Conclusion – The Agency reviewed the:

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

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

Project ID #B-12233-22/AdventHealth Asheville/Develop a new hospital with 67 acute care beds

The applicant proposes to develop a new hospital, AdventHealth Asheville, with 67 acute care beds pursuant to the 2022 SMFP need determination.

In Section K, page 102, the applicant states that the project involves constructing a total of 226,910 square feet of new space. Line drawings are provided in Exhibit K.1.

In Section K, pages 104-105, the applicant identifies the proposed site and provides information about the current owner, zoning and special use permits for the site, and the availability of water, sewer and waste disposal, and power at the site. Supporting documentation is provided in Exhibit K.4.

Comments submitted during the public comment period state that the proposed site is a Brownfields site (a site that has environmental contamination) and that certain types of use are prohibited on the land. The Project Analyst researched information about the site. While development of the site requires notice and approval from the North Carolina Department of Environmental Quality, it does not appear that development of a hospital or other healthcare facility would be banned based on the restrictions in place. Therefore, the site appears to be suitable for the proposed hospital based on the applicant's representations and supporting documentation.

In Section K, pages 102-103, the applicant adequately explains how the cost, design, and means of construction represent the most reasonable alternative for the proposal based on the following:

- The applicant states that it worked with experienced healthcare architects in developing the plan to construct the proposed facility.

- The applicant includes a letter from an architect with a cost certification showing the cost to develop the proposed facility in Exhibit K.3.

- The applicant details proposals to use sustainable strategies in developing the facility.

In Section K, page 103, 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 it has extensive experience developing and operating acute care hospitals.

- The applicant states it relied on its experience to develop a plan consistent with the need for a 67-bed acute care hospital and appropriate size, scope, and services.

In Section K, pages 103-104, the applicant identifies any applicable energy saving features that will be incorporated into the construction plans.

Conclusion – The Agency reviewed the:

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

(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 – Mission Hospital
NA – All Other Applications

Project ID #B-12230-22/Novant Health Asheville Medical Center/Develop a new hospital with 67 acute care beds

NH Asheville is not an existing facility. Therefore, Criterion (13a) is not applicable to this review.

Project ID #B-12232-22/Mission Hospital/Add 67 acute care beds

In Section L, page 144, the applicant provides the historical payor mix during CY 2021 for the proposed services, as shown in the table below.

Mission Historical Payor Mix – CY 2021	
Payor Category	**% of Total Patients Served**
Self-Pay	5.5%
Charity Care	1.5%
Medicare*	43.3%
Medicaid*	16.2%
Insurance*	29.0%
Workers Compensation	0.3%
TRICARE	0.4%
Other (Other state/federal payor sources)	3.8%
Total	**100.0%**

*Including any managed care plans.

In Section L, page 145, the applicant provides the following comparison.

Mission	Percentage of Total Patients Served During CY 2021	Percentage of the Population of the Service Area
Female	52.8%	52.1%
Male	47.2%	47.9%
Unknown	0.0%	0.0%
64 and Younger	57.2%	79.5%
65 and Older	42.8%	20.5%
American Indian	1.4%	0.5%
Asian	0.4%	1.4%
Black or African-American	6.5%	6.3%
Native Hawaiian or Pacific Islander	0.1%	0.2%
White or Caucasian	88.0%	89.4%
Other Race	0.01%	2.2%
Declined / Unavailable	3.7%	0.0%

Source: US Census Bureau

<u>**Conclusion**</u> – The Agency reviewed the:

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

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

Project ID #B-12233-22/AdventHealth Asheville/Develop a new hospital with 67 acute care beds

AdventHealth Asheville is not an existing facility. Therefore, Criterion (13a) is not applicable to this review.

(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 – Mission Hospital
NA – All Other Applications

Project ID #B-12230-22/Novant Health Asheville Medical Center/Develop a new hospital with 67 acute care beds

NH Asheville is not an existing facility. Therefore, Criterion (13a) is not applicable to this review.

Project ID #B-12232-22/Mission Hospital/Add 67 acute care beds

Regarding any obligation to provide uncompensated care, community service, or access by minorities and persons with disabilities, in Section L, page 146, the applicant states it has no such obligation.

In Section L, page 148, the applicant states that during the 18 months immediately preceding the application deadline, no patient civil rights access complaints have been filed against the facility.

Conclusion – The Agency reviewed the:

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

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

Project ID #B-12233-22/AdventHealth Asheville/Develop a new hospital with 67 acute care beds

AdventHealth Asheville is not an existing facility. Therefore, Criterion (13a) is not applicable to this review.

(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

NC – Novant Health Asheville Medical Center
C – All Other Applications

Project ID #B-12230-22/Novant Health Asheville Medical Center/Develop a new hospital with 67 acute care beds

In Section L, pages 127-128, 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.

NH Asheville Projected Payor Mix – FY 3 (CY 2029)				
Payor Category	**Entire Facility**	**Inpatient**	**Outpatient Surgery**	**Outpatient Other**
Self-Pay	5.2%	0.7%	2.1%	6.0%
Charity Care				
Medicare*	46.9%	54.4%	44.1%	46.3%
Medicaid*	15.5%	21.1%	10.6%	15.2%
Insurance*	29.4%	18.1%	39.7%	29.8%
Other (TRICARE, Gov't, Workers Comp)	3.0%	5.6%	3.4%	2.6%
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**

*Including any managed care plans.

On page 128, the applicant states that charity care is not a payor category, but an adjustment to revenue.

As shown in the table above, during the third full fiscal year of operation following completion of the project, the applicant projects that 5.2% of total services, 0.7% of inpatient services, 2.1% of outpatient surgery services, and

6.0% of other outpatient services will be provided to self-pay patients, 46.9% of total services, 54.4% of inpatient services, 44.1% of outpatient surgery services, and 46.3% of other outpatient services to Medicare patients, and 15.5% of total services, 21.1% of inpatient services, 10.6% of outpatient surgery services, and 15.2% of other outpatient services to Medicaid patients.

On page 128, 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 applicant states the projected payor mix is based on historical payor mix for patients treated at Mission as reported on Mission's 2022 LRA and that outpatient surgery was calculated by excluding outpatient surgical cases performed at Asheville Surgery Center from the remaining outpatient surgical cases.

However, the projected payor mix is not reasonable and adequately supported because the applicant assumes the payor mix of a 67-bed community hospital offering lower acuity services will be the same as a hospital that has more than 10 times the number of beds as the proposed community hospital and based on a tertiary care hospital that is a Level II Trauma Center and provides no information in the application as submitted as to why the payor mix of Mission during FY 2021 will be comparable to the proposed NH Asheville during CY 2029.

Conclusion – The Agency reviewed the:

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

Based on that review, the Agency concludes that the application is not conforming to this criterion based on the reasons stated above.

Project ID #B-12232-22/Mission Hospital/Add 67 acute care beds

In Section L, pages 148-149, 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.

Mission Projected Payor Mix – FY 3 (CY 2029)		
Payor Category	**Entire Facility**	**Acute Care Services**
Self-Pay	5.5%	2.4%
Charity Care	1.5%	4.1%
Medicare*	43.3%	49.6%
Medicaid*	16.2%	17.5%
Insurance*	29.0%	20.9%
Workers Compensation	0.3%	0.2%
TRICARE	0.4%	0.2%
Other (Other state/federal payor sources)	3.8%	5.1%
Total	**100.0%**	**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 5.5% of total services and 2.4% of acute care services will be provided to self-pay patients, 1.5% of total services and 4.1% of acute care services to charity care patients, 43.3% of total services and 49.6% of acute care services to Medicare patients, and 16.2% of total services and 17.5% of acute care services to Medicaid patients.

On page 149, the applicant provides the assumptions and methodology used to project payor mix during the third full fiscal year of operation following completion of the project. The projected payor mix is reasonable and adequately supported based on the following:

- The projected payor mix is based on the historical payor mix from CY 2021.
- The applicant states it does not expect any significant changes to payor mix to the facility or to acute care services.
- On pages 149-150, the applicant clearly explains how it calculated the charity care payor mix.

Conclusion – The Agency reviewed the:

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

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

Project ID #B-12233-22/AdventHealth Asheville/Develop a new hospital with 67 acute care beds

In Section L, pages 109-110, 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.

AdventHealth Asheville Projected Payor Mix – FY 3 (CY 2027)					
Payor Category	**Entire Facility**	**Acute Care Beds**	**ED**	**Ambulatory Surgery**	**Radiology**
Self-Pay	6.7%	7.1%	13.0%	1.0%	3.2%
Charity Care					
Medicare*	44.2%	48.7%	33.2%	51.7%	49.5%
Medicaid*	11.1%	15.5%	17.5%	6.4%	6.4%
Insurance*	32.2%	26.6%	28.1%	36.3%	35.9%
Other**	5.7%	2.1%	8.2%	4.6%	5.0%
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

*Including any managed care plans.
**Other includes VA, Tricare, Workers Comp, and other government payors

On pages 111-112, the applicant states that charity care is provided to patients in all payor categories, ranging from 1% of coverage to 100% full write-off of costs. The applicant estimates approximately 6.7% of facility patients will receive some sort of charity care and states that charity care is included in the self-pay category in the tables above.

As shown in the table above, during the third full fiscal year of operation following completion of the project, the applicant projects that 6.7% of total services, 7.1% of acute care bed services, 13% of ED services, 1% of ambulatory surgery services, and 3.2% of radiology services will be provided to self-pay patients; 44.2% of total services, 48.7% of acute care bed services, 33.2% of ED services, 51.7% of ambulatory surgery services, and 49.5% of radiology services to Medicare patients; and 11.1% of total services, 15.5% of acute care bed services, 17.5% of ED services, 6.4% of ambulatory surgery services, and 6.4% of radiology services to Medicaid patients.

On page 111, 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 applicant states the projected payor mix is based on the FY 2021 payor mix at AdventHealth Hendersonville for each service component.

The projected payor mix is reasonable and adequately supported based on the following:

- The applicant explains what is included in each payor category.

- The applicant bases its projections on the historical experience of a hospital in a contiguous county that is a similar size and offers similar services to the proposed facility.

Conclusion – The Agency reviewed the:

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

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

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

C – All Applications

Project ID #B-12230-22/Novant Health Asheville Medical Center/Develop a new hospital with 67 acute care beds

In Section L, page 129, 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
- Written comments
- Responses to comments

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

Project ID #B-12232-22/Mission Hospital/Add 67 acute care beds

In Section L, page 150, 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
- Written comments
- Responses to comments

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

Project ID #B-12233-22/AdventHealth Asheville/Develop a new hospital with 67 acute care beds

In Section L, page 112, 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
- Written comments
- Responses to comments

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

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

C – All Applications

Project ID #B-12230-22/Novant Health Asheville Medical Center/Develop a new hospital with 67 acute care beds

The applicant proposes to develop a new hospital, NH Asheville, with 67 acute care beds pursuant to the 2022 SMFP need determination.

In Section M, page 131, the applicant describes the extent to which health professional training programs in the area will 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 states it will work to extend its existing agreements with health education programs at other Novant facilities to NH Asheville.

- In Exhibit M.1, the applicant provides a list of health professional training programs with which it has existing agreements with at its other facilities.

Conclusion – The Agency reviewed the:

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

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

Project ID #B-12232-22/Mission Hospital/Add 67 acute care beds

The applicant proposes to add 67 new acute care beds to Mission, a hospital with 733 licensed acute care beds, for a total of 800 acute care beds upon project completion.

In Section M, pages 151-153, the applicant describes the extent to which health professional training programs in the area will have access to the facility for training purposes. The applicant provides a list of medical residency programs it supports and lists multiple schools with which it partners to offer educational training opportunities. The applicant provides supporting documentation in Exhibit M-1.1.

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:

- In Exhibit M-1.1, the applicant provides a list of health professional training programs with which it is affiliated.

- In Exhibit M-1.2, the applicant provides a press release describing Mission's plan to fund health professional training educators at local community colleges.

Conclusion – The Agency reviewed the:

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

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

Project ID #B-12233-22/AdventHealth Asheville/Develop a new hospital with 67 acute care beds
The applicant proposes to develop a new hospital, AdventHealth Asheville, with 67 acute care beds pursuant to the 2022 SMFP need determination.

In Section M, page 114, the applicant describes the extent to which health professional training programs in the area will 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 states it has existing and established relationships with health professional training programs in the area because of its operation of AdventHealth Hendersonville and will extend the same agreements and cooperation for AdventHealth Asheville.

- In Exhibit M.1, the applicant provides letters from local health professional training programs willing to enter into agreements with AdventHealth Asheville.

Conclusion – The Agency reviewed the:

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

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

NC – Novant Health Asheville Medical Center
C – All Other Applications

The 2022 SMFP includes a need determination for 67 acute care beds in the Buncombe/Graham/Madison/Yancey multicounty service area.

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 Buncombe, Graham, Madison, and Yancey counties in a multicounty grouping. Thus, the service area for these facilities is the Buncombe/Graham/Madison/Yancey multicounty service area. Facilities may also serve residents of counties not included in their service area.

As of the date of this decision, there are 733 existing and approved acute care beds located at one facility operated by one provider, as illustrated in the following table.

Buncombe/Graham/Madison/ Yancey Multicounty Service Area Acute Care Beds	
Facility	**Existing Beds**
Mission Hospital	733
Buncombe/Graham/Madison/Yancey Multicounty Service Area Total	**733**

Source: Table 5A, 2022 SMFP; applications under review; 2022 LRAs; Agency records.

Project ID #B-12230-22/Novant Health Asheville Medical Center/Develop a new hospital with 67 acute care beds

The applicant proposes to develop a new hospital, NH Asheville, with 67 acute care beds pursuant to the 2022 SMFP need determination.

Regarding the expected effects of the proposal on competition in the service area, in Section N, page 133, the applicant states:

> *"NH Asheville, a not-for-profit provider, will offer a new point of service for inpatient, outpatient, and emergency services for patients in the Buncombe/Graham/Madison and Yancey County Acute Care Bed Service Area. While not unnecessarily duplicating Mission Hospital, NH Asheville will compete effectively with Mission Hospital in many service lines, offering patients, physicians, payors, and employees another choice. Competition drives down prices and improves quality."*

Regarding the impact of the proposal on cost effectiveness, in Section N, pages 134-135, the applicant states:

> *"Novant Health is delivering value and quality in outcomes through its Population Health Management programs. This approach encourages wellness and preventive care and managing existing conditions to slow or reverse the progression of disease, all while lowering the overall cost of care.*

> …
>
> *Novant Health is collaborating with payors and partners to identify payment models that match Novant Health's value-based care delivery.*
>
> …
>
> *As previously established, NH Asheville will be a part of the Novant Health system which provides many systemwide policies and initiatives which will support the proposed project, including revenue cycle process improvements, value-based care programs, and tactics to save money in a way that will not impact patients.*
>
> *The revenue cycle services team at Novant Health took on the challenges of increasing operational efficiencies and improving the patient experience. Through the consolidation of more than 100 revenue cycle services offices under one system (Epic), Novant Health has realized faster collections, increased revenue, and improved margins. As a direct result of this augmentation of Novant Health's financial position, the organization has been able to invest in projects that have a direct impact on patients.*
>
> …
>
> *In 2019, Novant Health reduced the cost of care by $50 million for the populations served across all value-based care agreements and has saved over $200 million over 5 years. Those efficiencies translate directly to reduced patient and employer premiums and reduced patient out of pocket costs."*

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

Regarding the impact of the proposal on quality, in Section N, pages 135-136, the applicant states:

> *"The Novant Health Utilization Review Plan will be used at NH Asheville. Utilization Review consists of interdisciplinary professionals and supporting team members providing a wide range of functions for patients and the organization. This includes the patients, their caregivers, internal and external partners, and the health care community. The UR team strives to ensure the achievement of quality and the most effective level(s) of care. The UR team performs evaluations for medical necessity using either InterQual or payor specific criteria for patients in the acute care, observation, and outpatient setting.*
>
> …

> *…, Novant Health has undertaken additional efforts to ensure safety and quality are woven into all discussions regarding patient care. At monthly market meetings, Institute leaders are asked to provide an update on key safety and quality metrics, progress toward identified goals and tracking to Vizient benchmarks. The Novant Health clinical variation team was established utilizing safety and quality as a key clinical input when evaluating both existing and new products. And, finally, Novant Health, under the supervision of the Chief Safety and Quality Officer has developed a comprehensive, provider-centric clinical analytics tools. These real-time, interactive dashboards allow leaders and providers to view detailed data for enhanced decision making. Specific initiatives include broad safety and quality data for all acute care facilities and ambulatory surgery centers, provider specific performance in quality, procedure quality and cost data, and specific clinical entities including sepsis and heart failure."*

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

Regarding the impact of the proposal on access by medically underserved groups, in Section N, page 137, the applicant states:

> *"NH Asheville will provide services to all persons regardless of race, sex, age, religion, creed, disability, national origin, or ability to pay. Novant Health's highly regarded charity and related policies will apply to NH Asheville."*

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

However, the applicant does not adequately demonstrate how any enhanced competition in the service area will have a positive impact on the cost-effectiveness of the proposed services. The applicant did not adequately demonstrate the need to develop 67 new acute care beds or that the project is the least costly or most effective alternative. The discussions regarding projected utilization and alternatives found in Criteria (3) and (4), respectively, are incorporated herein by reference. A project that cannot demonstrate the need for the services proposed and a project that cannot demonstrate it is the least costly or most effective alternative cannot demonstrate how any enhanced competition will have a positive impact on the cost-effectiveness of the proposal.

Conclusion – The Agency reviewed the:

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

Based on that review, the Agency concludes that the application is not conforming to this criterion based on all the reasons stated above.

Project ID #B-12232-22/Mission Hospital/Add 67 acute care beds

The applicant proposes to add 67 new acute care beds to Mission, a hospital with 733 licensed acute care beds, for a total of 800 acute care beds upon project completion.

Regarding the expected effects of the proposal on competition in the service area, in Section N, page 155, the applicant states:

> *"There are several hospitals located immediately adjacent to the service area, …. Mission works collaboratively with these providers, as the region's tertiary referral center, to meet the needs of the entire service area. Specifically, Mission works closely with community and rural hospitals to provide them with the tools to keep appropriate patients in their local community hospitals through methods including but not limited to telehealth services. … Mission Hospital is committed to improve access for patients in the region and allow patients to be safely cared for in their local communities as much as possible.*
> *These communities still rely on Mission for care of their most acute and complex patients …. Unfortunately, Mission has increasingly been forced to decline requested transfers to its tertiary services due to capacity constraints … forcing patients to be held in EDs while awaiting a bed or be transferred further from their homes and in many cases, across state lines. Through the proposed project, Mission will ensure available bed capacity to continue to meet the needs of patients transferred for high acuity services while simultaneously supporting its community partners at smaller, rural hospital to treat patients in their own local communities when possible. As such, the project will foster positive competition and collaboration with surrounding facilities."*

Regarding the impact of the proposal on cost effectiveness, in Section N, page 156, the applicant states:

> *"Mission's proposed project will have a positive impact on the cost-effectiveness, quality, and access by medically underserved groups for the proposed services. While Mission is the region's tertiary center, with the highest acuity in the region, Mission's cost per CMI-adjusted discharge is well within the range of costs of all providers in the region and the lower than all the major tertiary centers across the state …. Mission proposes to bring 12 of the 67 beds online immediately after approval in order to meet the existing significant demand for acute care services and current capacity constraints. Other than staffing there is no additional cost associated with operationalizing these 12 beds, making this a cost-effective alternative to address the immediate acute care need.*
>
> *Further, additional acute care bed capacity will allow for more efficient operations by reducing wait time in the ED for admissions and allowing bed*

> *capacity to routinely accommodate transfers from regional partners. These changes will allow Mission to maximize healthcare value through increased access to high quality and timely acute care service, including tertiary services, and offer the best care for the broad patient base that it serves."*

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

Regarding the impact of the proposal on quality, in Section N, page 156, the applicant states:

> *"Mission Hospital is dedicated to ensuring quality care and patient safety. Every year, Mission receives recognition by accrediting bodies and ranking organizations for outstanding performance in various clinical metrics. Specifically, the proposed project will serve to expand access to care by addressing capacity constraints. This will enhance quality of care by ensuring the timeliest access to acute care, including tertiary services, decreasing wait time for acute care bed availability, and ensuring the necessary bed capacity for Mission to accept transfers from its regional referral system."*

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

Regarding the impact of the proposal on access by medically underserved groups, in Section N, page 157, the applicant states:

> *"Mission provides services to all persons in need of medical care regardless of race, color, religion, nationality, or ability to pay. Additionally, as the only trauma center in the region and a safety net hospital, Mission serves a large amount of underserved and uninsured individuals. …*
>
> *…. Mission already demonstrates its service to all patients, regardless of gender, race, or ability to pay, by being one of the leading providers of indigent and charity care to patients seeking services in the region and will continue serve in this role. The approval of this project will allow Mission to continue serving all patient populations."*

See also Sections B, C, 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
- Written comments
- Responses to comments
- 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 stated above.

Project ID #B-12233-22/AdventHealth Asheville/Develop a new hospital with 67 acute care beds

The applicant proposes to develop a new hospital, AdventHealth Asheville, with 67 acute care beds pursuant to the 2022 SMFP need determination.

Regarding the expected effects of the proposal on competition in the service area, in Section N, page 115, the applicant states:

> *"Currently, there is only one acute care hospital provider in the service area; therefore, there the Buncombe/Graham/Madison/Yancey County service area lacks meaningful competition for acute care services. ....*
>
> *According to the Federal Trade Commission, competition in health care markets benefits consumers because it helps contain costs, improve quality, and encourage innovation. Similarly, the 2022 SMFP states the State Health Coordinating Council recognizes the importance of balanced competition and market advantage to encourage innovation, insofar as those innovations improve safety, quality, access, and value in health care delivery. ....*
>
> *.... The proposed project will have a positive effect on competition in the service area because it will promote cost-effectiveness, quality, and access to services for residents. Furthermore, the proposed project will allow AdventHealth to create a new point of access for hospital services in Buncombe County providing more choices for patients to receive high-quality health care close to home and more opportunities for dedicated medical professionals to continue their careers in Buncombe County."*

Regarding the impact of the proposal on cost effectiveness, in Section N, pages 115-118, the applicant states:

> *"AdventHealth's goal is to provide the highest-quality care while containing costs for patients. AdventHealth utilizes several strategies to meet this objective.*
>
> *…*
>
> *Managing the overall health of a population requires integrated data. AdventHealth supplies tools that empower providers to proactively manage their populations. Physicians use this information to close care gaps and to optimize patient outcomes.*
>
> *…*
>
> *By investing resources into higher-risk patients with solutions designed specifically for them, AdventHealth improved health outcomes for its patients. AdventHealth Asheville will leverage the experience of its parent company to explore and deploy similar patient-centric programs aimed at improving health outcomes and reducing unnecessary costs.*
>
> *…*
>
> *The integration of behavioral health and general medical services has been shown to improve patient outcomes, save money, and reduce stigma related to mental health. AdventHealth piloted a program in Hendersonville, to provide an integrated approach to improving mental and physical health.*
>
> *…*
>
> *The clinical transformation and emergency room teams at AdventHealth have transformed the way chest-pain patients are treated in the emergency room, leading to dramatic reductions in admissions and overall costs. Physicians and the clinical transformation team collaborated to create a written algorithm that was used to categorize patients into high-, medium- and low-risk populations. The results have been published and recognized in EClinicalMedicine, the online publication of The Lancet, the world's leading independent international medical journal."*

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

Regarding the impact of the proposal on quality, in Section N, page 119, the applicant states:

> *"In 2021, more than two dozen AdventHealth hospitals earned an 'A' Leapfrog Safety Grade, which uses publicly available data to analyze hospitals' performance related to preventing medical errors, injuries, accidents, infections, and other potential harms to patients in their care. Fourteen of AdventHealth's hospitals across the country (including AdventHealth Hendersonville) also received the Top Hospital award, a designation with rigorous standards for health care safety and quality met by less than 5% of the nation's hospitals evaluated by Leapfrog. Of the nation's 149 hospitals recognized as Top Hospitals, AdventHealth hospitals represent nearly a tenth of the list.*
>
> *Leading the way in many medical firsts for the region, AdventHealth Hendersonville is the first hospital in Western North Carolina to earn The Joint Commission's Gold Seal of Approval® for the Spine Center of Excellence Certification and the first to use the Navio™ Robotic Guidance Platform. AdventHealth Hendersonville consistently earns national ranking for its commitment to patient safety, earning five consecutive "A" grades in Leapfrog Group's Safety Grade survey. AdventHealth Hendersonville is a CMS 5-Star Hospital and an Age-Friendly Health System Participant.*
>
> *…*
>
> *AdventHealth Asheville will be committed to delivering high-quality care and will continue to maintain the highest standards and quality of care, consistent with the rigorous standards that AdventHealth facilities maintain in North Carolina and throughout the country."*

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

Regarding the impact of the proposal on access by medically underserved groups, in Section N, page 120, the applicant states:

> *"In total, AdventHealth invested $1.31 Billion in community investments during 2021…*
>
> *…*
>
> *In North Carolina, AdventHealth Hendersonville's 2020 Community Benefit totaled $45.57 Million.*
>
> *…*
>
> *AdventHealth Asheville will provide services to all patients regardless of income, racial/ethnic origin, gender, physical or mental conditions, age, ability to pay, or any other factor that would classify a patient as underserved. AdventHealth's financial assistance policy will apply to the proposed services."*

See also Sections B, C, 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.

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

Conclusion – The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Responses to comments
- 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 stated above.

(19) Repealed effective July 1, 1987.

(20) An applicant already involved in the provision of health services shall provide evidence that quality care has been provided in the past.

C – All Applications

Project ID #B-12230-22/Novant Health Asheville Medical Center/Develop a new hospital with 67 acute care beds

The applicant proposes to develop a new hospital, NH Asheville, with 67 acute care beds pursuant to the 2022 SMFP need determination.

On Form H in Section Q, the applicant identifies the hospitals located in North Carolina owned, operated, or managed by the applicant or a related entity. The applicant

identifies a total of 13 existing hospitals and two approved but not yet developed hospitals located in North Carolina.

In Section O, page 42 the applicant states that, during the 18 months immediately preceding the submittal of the application, there were no incidents resulting in a finding of immediate jeopardy at any of the hospitals. After reviewing and considering information provided by the applicant and considering the quality of care provided at all 13 hospitals, the applicant provided sufficient evidence that quality care has been provided in the past. Therefore, the application is conforming to this criterion.

Project ID #B-12232-22/Mission Hospital/Add 67 acute care beds

The applicant proposes to add 67 new acute care beds to Mission, a hospital with 733 licensed acute care beds, for a total of 800 acute care beds upon project completion.

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

In Section O, pages 161-163, the applicant states that during the 18 months immediately preceding the submittal of the application, there were two incidents related to quality of care resulting in a finding of immediate jeopardy at Mission. The applicant states that Mission is back in compliance as of the date of these findings. After reviewing and considering information provided by the applicant and considering the quality of care provided at all six hospitals, the applicant provided sufficient evidence that quality care has been provided in the past. Therefore, the application is conforming to this criterion.

Project ID #B-12233-22/AdventHealth Asheville/Develop a new hospital with 67 acute care beds

The applicant proposes to develop a new hospital, AdventHealth Asheville, with 67 acute care beds pursuant to the 2022 SMFP need determination.

On Form O in Section Q, the applicant identifies hospitals located in North Carolina owned, operated, or managed by the applicant or a related entity. The applicant identified AdventHealth Hendersonville as the only other hospital owned, operated, or managed by the applicant or a related entity in North Carolina.

In Section O, page 123, the applicant states that during the 18 months immediately preceding the submittal of the application, there were no incidents related to quality of care resulting in a finding of immediate jeopardy at AdventHealth Hendersonville. According to the files in the Acute and Home Care Licensure and Certification Section, DHSR, during the 18 months immediately preceding submission of the application through the date of this decision, there were no incidents related to quality of care at AdventHealth Hendersonville. After reviewing and considering information provided by the applicant and by the Acute and Home Care Licensure and Certification Section and considering the quality of care provided at AdventHealth Hendersonville, 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.

NC – Novant Health Asheville Medical Center
C – All Other Applications

SECTION .3800 – CRITERIA AND STANDARDS FOR ACUTE CARE BEDS are applicable to all projects. The specific criteria are discussed below.

10A 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.

-NC- **Novant Health Asheville Medical Center.** The applicant proposes to develop a new acute care hospital with 67 acute care beds. The projected ADC of the total number of acute care beds proposed to be licensed within the service area and owned by Novant is less than 100. The applicant projects a utilization rate of 76.3% by the end of the third operating year following completion of the proposed project.

However, the applicant does not adequately demonstrate that the projected utilization of the total number of acute care beds proposed to be licensed within the service area and which will be owned by Novant is reasonably projected to be at least 66.7% 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. Therefore, the application is not conforming with this Rule.

-C- **Mission Hospital.** The applicant proposes to develop 67 acute care beds at Mission. The projected ADC of the total number of acute care beds proposed to be licensed within the service area and owned by Mission is greater than 200. The applicant projects a utilization rate of 82.8% by the end of the third operating year following completion of the proposed project.

The applicant adequately demonstrates that the projected utilization of the total number of acute care beds proposed to be licensed within the service area and which are owned by Mission 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.

-C- **AdventHealth Asheville.** The applicant proposes to develop a new acute care hospital with 67 acute care beds. The projected ADC of the total number of acute care beds proposed to be licensed within the service area and owned by AdventHealth is less than 100. The applicant projects a utilization rate of 74.8% by the end of the third operating year following completion of the proposed project.

The applicant adequately demonstrates that the projected utilization of the total number of acute care beds proposed to be licensed within the service area and which are owned by the applicant is reasonably projected to be at least 66.7% 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.

-NC- **Novant Health Asheville Medical Center.** See Section C, pages 51-68, for the applicant's discussion of need, and Section Q, for the applicant's data, assumptions, and methodology used to project utilization. The applicant does not adequately demonstrate that the assumptions and data used to develop the projections required in this rule are reasonable and adequately support the projected inpatient utilization and average daily census. The discussions regarding analysis of need and projected utilization found in Criterion (3) are incorporated herein by reference. Therefore, the application is not conforming with this Rule.

-C- **Mission Hospital.** See Section C, pages 48-96, for the applicant's discussion of need, and Section C, pages 97-100, along with 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.

-C- **AdventHealth Asheville.** See Section C, pages 51-66, 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.

SECTION .3800 – CRITERIA AND STANDARDS FOR GASTROINTESTINAL ENDOSCOPY PROCEDURE ROOMS IN LICENSED HEALTH SERVICE FACILITIES are applicable to Novant Health Asheville Medical Center (Project ID #B-12230-22). The specific criteria are discussed below.

10A NCAC 14C .3903 PERFORMANCE STANDARDS

An applicant proposing to develop a new GI endoscopy room in a licensed health service facility shall:

(1) identify the proposed service area;

-C- **Novant Health Asheville Medical Center.** In Section C, page 81, the applicant defines the proposed service area as Buncombe, Graham, Henderson, Madison, and Yancey counties.

(2) identify all existing and approved GI endoscopy rooms owned or operated by the applicant or a related entity located in the proposed service area;

-C- **Novant Health Asheville Medical Center.** In Section C, page 81, the applicant states neither it nor any related entities owns or operates existing or approved GI endoscopy rooms in the proposed service area.

(3) provide projected utilization for each of the first three full fiscal years of operation following completion of the project for all GI endoscopy rooms identified in Item (2) of this Rule;

-C- **Novant Health Asheville Medical Center.** On Form C.3b in Section Q, the applicant provides projected utilization for each of the first three full fiscal years of operation following project completion for the proposed GI endoscopy room.

(4) project to perform an average of at least 1,500 GI endoscopy procedures per GI endoscopy room during the third full fiscal year of operation following completion of the project in the GI endoscopy rooms identified in Item (2) of this Rule; and

-NC- **Novant Health Asheville Medical Center.** On Form C.3b in Section Q, the applicant projects to perform 1,645 GI endoscopy procedures in the single GI endoscopy room in the proposed service area during the third full fiscal year of operation following completion of the project.

However, the applicant does not adequately demonstrate that projected utilization is based on reasonable and adequately supported assumptions. The discussion regarding

projected utilization found in Criterion (3) is incorporated herein by reference. Therefore, the application is not conforming with this Rule.

(5) provide the assumptions and methodology used to project the utilization required by this Rule.

-NC- **Novant Health Asheville Medical Center.** In Step 19 of Section Q, the applicant provides the assumptions and methodology used to project utilization of the proposed GI endoscopy room.

However, the applicant does not adequately demonstrate that projected utilization is based on reasonable and adequately supported assumptions. The discussion regarding projected utilization found in Criterion (3) is incorporated herein by reference. Therefore, the application is not conforming with this Rule.

COMPARATIVE ANALYSIS FOR ACUTE CARE BEDS

Pursuant to G.S. 131E-183(a)(1) and the 2022 State Medical Facilities Plan, no more than 67 acute care beds may be approved for the Buncombe/Graham/Madison/Yancey multicounty service area in this review. Because the applications in this review collectively propose to develop 201 additional acute care beds in the Buncombe/Graham/Madison/Yancey multicounty service area, all applications cannot be approved for the total number of beds proposed. Therefore, after considering all the information in each application and reviewing each application individually against all applicable review criteria, the Project Analyst conducted a comparative analysis of the proposals to decide which proposal should be approved.

Below is a brief description of each project included in the Acute Care Bed Comparative Analysis.

- Project ID #B-12230-22 / **Novant Health Asheville Medical Center** / Develop a new hospital with 67 acute care beds pursuant to the 2022 SMFP need determination
- Project ID #B-12232-22 / **Mission Hospital** / Develop 67 additional acute care beds pursuant to the 2022 SMFP Need Determination
- Project ID #B-12233-22 / **AdventHealth Asheville** / Develop a new hospital with 67 acute care beds pursuant to the 2022 SMFP need determination

The table below summarizes information about each application.

	Novant Health Asheville Medical Center	Mission Hospital	AdventHealth Asheville
Hospital Level of Care	Community	Tertiary Care Hospital	Community
Number of Existing Beds	0	733	0
Beds Proposed to be Added	67	67	67
Total Number of Proposed Beds*	67	800	67
Third Full Fiscal Year	CY 2029	CY 2029	CY 2027
Projected Acute Care Days – FY 3	18,680	241,663	18,287
Projected Discharges – FY 3	6,531	43,568	4,899
% of Beds Compared to Tertiary**	8.4%	NA	8.4%

*Proposed Beds = Number of existing beds + Number of beds requested in the application
**Assuming all beds requested by each applicant are approved

Because of the significant differences in types of facilities, numbers of total acute care beds, numbers of projected acute care days and discharges, levels of patient acuity which can be served, total revenues and expenses, and the differences in presentation of pro forma financial statements, some comparatives may be of less value and result in less than definitive outcomes than if both applications were for like facilities of like size proposing like services and reporting in like formats.

Further, the analysis of comparative factors and what conclusions the Agency reaches (if any) regarding specific comparative analysis factors is determined in part by whether the applications included in the review provide data that can be compared and whether or not such a comparison would be of value in evaluating the competitive applications.

Conformity with Review Criteria

An application that is not conforming or conforming as conditioned with all applicable statutory and regulatory review criteria cannot be approved.

Table 5B on page 47 of the 2022 SMFP identifies a need for 67 additional acute care beds in the Buncombe/Graham/Madison/Yancey multicounty service area. As shown in Table 5A, page 39, Mission Hospital shows a projected deficit of 67 acute care beds for 2024, which results in the Buncombe/Graham/Madison/Yancey multicounty service area need determination for 67 acute care beds. However, the application process is not limited to the provider (or providers) that show a deficit and create the need for additional acute care beds. Any qualifying provider can apply to develop the 67 acute care beds in the Buncombe/Graham/Madison/Yancey multicounty service area. Furthermore, it is not necessary that an existing provider have a projected deficit of acute care beds to apply for more acute care beds. However, it is necessary that an applicant adequately demonstrate the need to develop its project, as proposed.

Novant Health Asheville Medical Center's application, **Project ID #B-12230-22**, is not conforming to all applicable statutory and regulatory review criteria. The applications submitted by **Mission Hospital**, **Project ID #B-12232-22**, and **AdventHealth Asheville**, **Project ID #B-12233-22**, are both conforming to all applicable statutory and regulatory review criteria. Therefore, with regard to conformity with review criteria, the applications submitted by **Mission Hospital** and **AdventHealth Asheville** are more effective alternatives than the application submitted by **Novant Health Asheville Medical Center**.

Scope of Services

Generally, the application proposing to provide the greatest scope of services is the more effective alternative with regard to this comparative factor.

One application involves an existing acute care hospital which provides numerous types of medical services. Two other applications involve a proposed new acute care hospital proposing to offer numerous types of medical services. However, **Mission Hospital** is a Level II trauma center and a tertiary care center. **Novant Health Asheville Medical Center** and **AdventHealth Asheville** will both be smaller community hospitals that do not propose to offer all the same types of services and will not offer services for high acuity patients.

Therefore, **Mission Hospital** is the more effective alternative with respect to this comparative factor and **Novant Health Asheville Medical Center** and **AdventHealth Asheville** are less effective alternatives.

Geographic Accessibility

As of the date of this decision, there are 733 existing and approved acute care beds located at one facility operated by one provider, as illustrated in the following table.

Buncombe/Graham/Madison/ Yancey Multicounty Service Area Acute Care Beds	
Facility	**Existing Beds**
Mission Hospital	733
Buncombe/Graham/Madison/Yancey Multicounty Service Area Total	**733**

Source: Table 5A, 2022 SMFP; applications under review; 2022 LRAs; Agency records.

The following table illustrates where the existing and proposed acute care beds are or are proposed to be located within Buncombe County.

Facility	Total Beds*	Address	Location
Novant Health Asheville Medical Center	67	200 Technology Drive, Asheville	Southern Buncombe County
Mission Hospital	800	509 Biltmore Avenue, Asheville	Central Buncombe County
AdventHealth Asheville	67	264 Enka Heritage Parkway, Candler	Southwestern Buncombe County

*If all requested acute care beds are approved

There is currently one existing hospital in the Buncombe/Graham/Madison/Yancey multicounty service area.

Novant Health Asheville Medical Center proposes to develop 67 acute care beds in the southern part of Buncombe County where there are currently no existing acute care beds. **Mission Hospital** proposes to add 67 acute care beds at its existing facility in the central part of Buncombe County. **AdventHealth Asheville** proposes to develop acute care beds in the southwestern part of Buncombe County where there are currently no existing acute care beds. Therefore, **Novant Health Asheville Medical Center** and **AdventHealth Asheville** are more effective alternatives with regard to geographic accessibility and **Mission Hospital** is a less effective alternative.

Historical Utilization

The table below shows acute care bed utilization for existing facilities based on acute care days as reported in Table 5A of the 2022 SMFP. Generally, the applicant with the higher historical utilization is the more effective alternative with regard to this comparative analysis factor.

Historical Utilization – Buncombe/Graham/Madison/Yancey Multicounty Service Area					
Facility	**FFY 2021 Days**	**ADC**	**Total Beds***	**Utilization**	**Projected (Surplus)/Deficit**
Mission Hospital	207,208	567	733	77.4%	67

Sources: Table 5A, 2022 SMFP

As shown in the table above, **Mission Hospital** is the only existing facility applying to add acute care beds in the Buncombe/Graham/Madison/Yancey multicounty service area. **Novant Health Asheville Medical Center** and **AdventHealth Asheville** are not existing facilities and thus have no historical utilization.

Therefore, a comparison of historical utilization cannot be effectively evaluated.

Competition (Patient Access to a New or Alternate Provider)

Generally, the introduction of a new provider in the service area would be the most effective alternative based on the assumption that increased patient choice would encourage all providers in the service area to improve quality or lower costs in order to compete for patients. However, the expansion of an existing provider that currently controls fewer acute care beds than another provider would also presumably encourage all providers in the service area to improve quality or lower costs in order to compete for patients.

As of the date of this decision, there are 733 existing and approved acute care beds in the Buncombe/Graham/Madison/Yancey multicounty service area. **Mission Hospital** currently controls 100% of the acute care beds in the Buncombe/Graham/Madison/Yancey multicounty service area.

If **Novant Health Asheville Medical Center's** application is approved, **Novant Health Asheville Medical Center** would control 67 of the 800 existing and approved acute care beds in the Buncombe/Graham/Madison/Yancey multicounty service area, or 8.4% of the Buncombe/Graham/Madison/Yancey multicounty service area acute care beds. If **Mission Hospital's** application to add 67 beds is approved, **Mission Hospital** would still control 100% of the 800 existing and approved acute care beds in the Buncombe/Graham/Madison/Yancey multicounty service area. If **AdventHealth Asheville's** application is approved, **AdventHealth Asheville** would control 67 of the 800 existing and approved acute care beds in the Buncombe/Graham/Madison/Yancey multicounty service area, or 8.4% of the Buncombe/Graham/Madison/Yancey multicounty service area acute care beds.

Therefore, with regard to patient access to a new or alternate provider, the applications submitted by **Novant Health Asheville Medical Center** and **AdventHealth Asheville** are more effective alternatives, and the application submitted by **Mission Hospital** is the less effective alternative.

Access by Service Area Residents

On page 31, the 2021 SMFP defines the service area for acute care beds as *"... the single or multicounty grouping shown in Figure 5.1."* Figure 5.1, on page 36, shows Buncombe, Graham, Madison, and Yancey counties in a multicounty grouping. Thus, the service area for this facility is the Buncombe/Graham/Madison/Yancey multicounty service area. Facilities may also serve residents of counties not included in their service area. Generally, regarding this comparative factor, the application projecting to serve the largest number of service area residents is the more effective alternative based on the assumption that residents of a service area should be able to derive a benefit from a need determination for additional acute care beds in the service area where they live.

The following table illustrates access by service area residents during the third full fiscal year following project completion.

Projected Service to Inpatient Multicounty Service Area Residents (FY3)		
Applicant	**# Multicounty SA Residents**	**% Multicounty SA Residents**
Novant Health Asheville Medical Center	5,621	86.1%
Mission Hospital	23,862	54.8%
AdventHealth Asheville	4,409	90.0%

Sources: Project ID #B-12230-22 p.49, Project ID #B-12232-22 p.46, Project ID #B-12233-22 p.47

As shown in the table above, **Mission Hospital** projects to serve the highest number of Buncombe/Graham/Madison/Yancey multicounty service area residents and **AdventHealth Asheville** projects to serve the highest percentage of Buncombe/Graham/Madison/Yancey multicounty service area residents.

However, the acute care bed need determination methodology is based on utilization of all patients that utilize acute care beds in the Buncombe/Graham/Madison/Yancey multicounty service area and is not only based on patients originating from the Buncombe/Graham/Madison/Yancey multicounty service area. **Mission Hospital** is a Level II trauma center and the only tertiary care center in western North Carolina; it pulls in patients from many counties in western North Carolina because it offers the most advanced care in the region. Both **Novant Health Asheville Medical Center** and **AdventHealth Asheville** will be small community hospitals. Obviously, the hospitals are different types of facilities and will offer a different scope of services.

Considering the discussion above, the Agency believes that in this specific instance attempting to compare the applicants based on the projected acute care bed access of residents of the Buncombe/Graham/Madison/Yancey multicounty service area would be ineffective. Therefore, the result of this analysis is inconclusive.

Access by Underserved Groups

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

> *"Medically underserved groups, such as medically indigent or low income persons, Medicaid and Medicare recipients, racial and ethnic minorities, women, and handicapped persons, which have traditionally experienced difficulties in obtaining equal access to the proposed services, particularly those needs identified in the State Health Plan as deserving of priority."*

For access by underserved groups, the applications in this review are compared with respect to two underserved groups: Medicare patients and Medicaid patients. Access by each group is treated as a separate factor.

Projected Medicare

The following table shows projected Medicare revenue during the third full fiscal year following project completion for each facility. Generally, the application projecting the highest Medicare

revenue is the more effective alternative with regard to this comparative factor to the extent the Medicare revenue represents the number of Medicare patients served.

Projected Medicare Revenue (Inpatient) – 3rd Full FY			
Applicant	Total Medicare Rev.	Av. Medicare Rev./Discharge	% Of Gross Rev.
Novant Health Asheville Medical Center	$136,021,744	$20,827	54.4%
Mission Hospital	$4,481,645,969	$102,866	49.5%
AdventHealth Asheville	$84,337,632	$17,215	48.7%

Sources: Forms C and F.2 for each applicant

Based on the differences in presentation of pro forma financial statements, the number of patients, and the level of care at each facility, the Agency determined it could not make a valid comparison for purposes of evaluating which application was more effective with regard to this comparative factor. **Mission Hospital**, an existing large tertiary care center proposing to add adult inpatient beds, has pro forma financial statements that are structured differently than **Novant Health Asheville Medical Center**, which is proposing to develop a new community hospital less than one tenth the size of **Mission Hospital**. **AdventHealth Asheville** also proposes to develop a new community hospital less than one tenth of the size of **Mission Hospital**.

Further, even if the applicants had supplied pro forma financial statements in a manner that would allow the Agency to compare reasonably similar kinds of data, differences in the acuity level of patients at each facility and the level of care (new community hospital, existing tertiary care hospital) at each facility would make any comparison of little value. Therefore, the result of this analysis is inconclusive.

Projected Medicaid

The following table shows projected Medicaid revenue during the third full fiscal year following project completion for each facility. Generally, the application projecting the highest Medicaid revenue is the more effective alternative with regard to this comparative factor to the extent the Medicaid revenue represents the number of Medicaid patients served.

Projected Medicaid Revenue (Inpatient) – 3rd Full FY			
Applicant	Total Medicaid Rev.	Av. Medicaid Rev./Discharge	% of Gross Rev.
Novant Health Asheville Medical Center	$52,805,672	$8,085	21.1%
Mission Hospital	$1,577,929,797	$36,218	17.4%
AdventHealth Asheville	$26,842,573	$5,479	15.5%

Sources: Forms C and F.2 for each applicant

Based on the differences in presentation of pro forma financial statements, the number of patients, and the level of care at each facility, the Agency determined it could not make a valid comparison for purposes of evaluating which application was more effective with regard to this comparative factor. **Mission Hospital**, an existing large tertiary care center proposing to

add adult inpatient beds, has pro forma financial statements that are structured differently than **Novant Health Asheville Medical Center**, which is proposing to develop a new community hospital less than one tenth the size of **Mission Hospital**. **AdventHealth Asheville** also proposes to develop a new community hospital less than one tenth of the size of **Mission Hospital**.

Further, even if the applicants had supplied pro forma financial statements in a manner that would allow the Agency to compare reasonably similar kinds of data, differences in the acuity level of patients at each facility and the level of care (new community hospital, existing tertiary care hospital) at each facility would make any comparison of little value. Therefore, the result of this analysis is inconclusive.

Projected Average Net Revenue per Patient

The following table shows the projected average net revenue per patient in the third full fiscal year following project completion for each facility. Generally, the application projecting the lowest average net revenue per patient is the more effective alternative with regard to this comparative factor since a lower average may indicate a lower cost to the patient or third-party payor.

Projected Average Net Revenue per Discharge (Inpatient) – 3rd Full FY			
Applicant	**Total # of Discharges**	**Net Revenue**	**Av. Net Revenue/Discharge**
Novant Health Asheville Medical Center	6,531	$53,620,723	$8,210
Mission Hospital	43,568	$1,627,667,289	$37,359
AdventHealth Asheville	4,899	$67,158,822	$13,709

Sources: Forms C and F.2 for each applicant

Based on the differences in presentation of pro forma financial statements, the number of patients, and the level of care at each facility, the Agency determined it could not make a valid comparison for purposes of evaluating which application was more effective with regard to this comparative factor. **Mission Hospital**, an existing large tertiary care center proposing to add adult inpatient beds, has pro forma financial statements that are structured differently than **Novant Health Asheville Medical Center**, which is proposing to develop a new community hospital less than one tenth the size of **Mission Hospital**. **AdventHealth Asheville** also proposes to develop a new community hospital less than one tenth of the size of **Mission Hospital**.

Further, even if the applicants had supplied pro forma financial statements in a manner that would allow the Agency to compare reasonably similar kinds of data, differences in the acuity level of patients at each facility and the level of care (new community hospital, existing tertiary care hospital) at each facility would make any comparison of little value. Therefore, the result of this analysis is inconclusive.

Projected Average Operating Expense per Patient

The following table shows the projected average operating expense per patient in the third full

fiscal year following project completion for each facility. Generally, the application projecting the lowest average operating expense per patient is the more effective alternative since a lower average may indicate a lower cost to the patient or third-party payor or a more cost-effective service.

Projected Average Operating Expense per Discharge (Inpatient) – 3rd Full FY			
Applicant	**Total # of Discharges**	**Operating Expenses**	**Av. Operating Expense/Discharge**
Novant Health Asheville Medical Center	6,531	$79,064,440	$12,106
Mission Hospital	43,568	$1,281,326,999	$29,410
AdventHealth Asheville	4,899	$63,212,505	$12,903

Sources: Forms C and F.2 for each applicant

Based on the differences in presentation of pro forma financial statements, the number of patients, and the level of care at each facility, the Agency determined it could not make a valid comparison for purposes of evaluating which application was more effective with regard to this comparative factor. **Mission Hospital**, an existing large tertiary care center proposing to add adult inpatient beds, has pro forma financial statements that are structured differently than **Novant Health Asheville Medical Center**, which is proposing to develop a new community hospital less than one tenth the size of **Mission Hospital**. **AdventHealth Asheville** also proposes to develop a new community hospital less than one tenth of the size of **Mission Hospital**.

Further, even if the applicants had supplied pro forma financial statements in a manner that would allow the Agency to compare reasonably similar kinds of data, differences in the acuity level of patients at each facility and the level of care (new community hospital, existing tertiary care hospital) at each facility would make any comparison of little value. Therefore, the result of this analysis is inconclusive.

SUMMARY

The following table lists the comparative factors and states which application is the more effective alternative with regard to that particular comparative factor. The comparative factors are listed in the same order they are discussed in the Comparative Analysis which should not be construed to indicate an order of importance.

Comparative Factor	Novant Health Asheville Medical Center	Mission Hospital	AdventHealth Asheville
Conformity with Review Criteria	Less Effective	**More Effective**	**More Effective**
Scope of Services	Less Effective	**More Effective**	Less Effective
Geographic Accessibility	**More Effective**	Less Effective	**More Effective**
Historical Utilization	Inconclusive	Inconclusive	Inconclusive
Competition/Access to New/Alternate Provider	**More Effective**	Less Effective	**More Effective**
Access by Service Area Residents	Inconclusive	Inconclusive	Inconclusive
Access by Underserved Groups			
Projected Medicare	Inconclusive	Inconclusive	Inconclusive
Projected Medicaid	Inconclusive	Inconclusive	Inconclusive
Projected Average Net Revenue per Case	Inconclusive	Inconclusive	Inconclusive
Projected Average Operating Expense per Case	Inconclusive	Inconclusive	Inconclusive

- With respect to Conformity with Review Criteria, **Mission Hospital** and **AdventHealth Asheville** offer the more effective alternatives. See Comparative Analysis for discussion.

- With respect to Scope of Services, **Mission Hospital** offers the more effective alternative. See Comparative Analysis for discussion.

- With respect to Geographic Accessibility, **Novant Health Asheville Medical Center** and **AdventHealth Asheville** offer the more effective alternatives. See Comparative Analysis for discussion.

- With respect to Competition/Access to New Provider, **Novant Health Asheville Medical Center** and **AdventHealth Asheville** offer the more effective alternatives. See Comparative Analysis for discussion.

CONCLUSION

G.S. 131E-183(a)(1) states that the need determination in the SMFP is the determinative limit on the number of acute care beds that can be approved by the Healthcare Planning and Certificate of Need Section. Approval of all applications submitted during this review would result in acute care beds in excess of the need determination for the Buncombe/Graham/Madison/Yancey multicounty service area.

However, the application submitted by **Novant Health Asheville Medical Center** is not approvable and therefore cannot be considered an effective alternative. Consequently, the following application is denied:

Project ID #B-12230-22 / **Novant Health Asheville Medical Center** / Develop a new 67 bed acute care hospital pursuant to the need determination in the 2022 SMFP and relocate one OR from Outpatient Surgery Center of Asheville, and develop one dedicated C-Section OR and three procedure rooms

The remaining applications are individually conforming to the need determination in the 2022 SMFP for 67 acute care beds in the Buncombe/Graham/Madison/Yancey multicounty service area as well as individually conforming to all review criteria. However, G.S. 131E-183(a)(1) states that the need determination in the SMFP is the determinative limit on the number of acute care beds that can be approved by the Agency.

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

Project ID #B-12233-22 / **AdventHealth Asheville** / Develop a new 67-bed hospital pursuant to the need determination in the 2022 SMFP with one dedicated C-Section OR and five procedure rooms

And the following application is denied:

Project ID #B-12232-22 / **Mission Hospital** / Add no more than 67 acute care beds pursuant to the need determination in the 2022 SMFP for a total of no more than 800 acute care beds upon project completion

Project ID #B-12233-22, **AdventHealth Asheville**, is approved subject to the following conditions.

1. **AdventHealth Asheville, Inc. and Adventist Health System Sunbelt Healthcare Corporation (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 67 acute care beds at AdventHealth Asheville pursuant to the need determination in the 2022 SMFP.**

3. **The certificate holder shall also develop no more than 18 unlicensed observation beds, 12 emergency department exam rooms, 1 dedicated C-Section operating room, 5 unlicensed procedure rooms, 1 CT scanner, 3 portable ultrasound machines, 2 fixed x-ray machines, 2 fluoroscopic x-ray machines, 2 mini C-arms, 1 nuclear camera, and 1 echocardiogram machine at AdventHealth Asheville.**

4. **Upon completion of this project, AdventHealth Asheville shall be licensed for no more than 67 acute care beds.**

5. **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 April 1, 2023.**

6. **The certificate holder shall not acquire as part of this project any equipment that is not included in the project's proposed capital expenditures in Section Q of the application and that would otherwise require a certificate of need.**

7. **The certificate holder shall develop and implement an Energy Efficiency and Sustainability Plan for the project that conforms to or exceeds energy efficiency and water conservation standards incorporated in the latest editions of the North Carolina State Building Codes.**

8. **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.**

9. **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.**