

## REQUIRED STATE AGENCY FINDINGS

### FINDINGS

C = Conforming

CA = Conforming as Conditioned

NC = Nonconforming

NA = Not Applicable

Decision Date: April 28, 2023

Findings Date: April 28, 2023

Project Analyst: Cynthia Bradford

Co-signer: Mike McKillip

Project ID #: J-12320-23

Facility: UNC Medical Center

FID #: 923517

County: Orange

Applicant: University of North Carolina Hospitals at Chapel Hill

Project: Develop no more than 24 Level IV NICU beds for a total of no more than 82 neonatal beds, including 72 Level IV NICU beds and 10 Level III neonatal beds

### REVIEW CRITERIA

G.S. 131E-183(a): The Department shall review all applications utilizing the criteria outlined in this subsection and shall determine that an application is either consistent with or not in conflict with these criteria before a certificate of need for the proposed project shall be issued.

- (1) The proposed project shall be consistent with applicable policies and need determinations in the 2023 State Medical Facilities Plan, the need determination of which constitutes a determinative limitation on the provision of any health service, health service facility, health service facility beds, dialysis stations, operating rooms, or home health offices that may be approved.

C

The University of North Carolina Hospitals at Chapel Hill (UNC Hospitals), the applicant, proposes to develop 24 Level IV NICU care beds for a total of no more than 82 licensed neonatal beds, including 72 Level IV NICU beds, and 10 Level III neonatal beds upon project completion.

#### **Need Determination**

The proposed project does not involve the addition of any new health service facility beds, services, or equipment for which there is a need determination in the 2023 State Medical Facilities Plan (SMFP). Therefore, no need determinations are applicable to this review.

## **Policies**

There is one policy in the 2023 SMFP that are applicable to this review.

*Policy GEN-4: Energy Efficiency and Sustainability for Health Service Facilities*, on pages 30 of the 2023 SMFP, states:

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

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

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

The proposed capital expenditure for this project is greater than \$5 million. In Section B, page 27, the applicant states it will submit an Energy Efficiency and Sustainability Plan to the Construction Section in the Division of Health Service Regulation (DHSR) that conforms to or exceeds energy efficiency and water conservation standards incorporated into the latest editions of the North Carolina State Building Code.

## **Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application

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

- The proposed project does not involve the addition of any new health service facility beds, services, or equipment for which there is a need determination in the 2023 State Medical Facilities Plan (SMFP).
  - The applicant adequately demonstrates the proposed is consistent with Policy GEN-4 because the application includes a written statement describing the project’s plan to assure improved energy efficiency and water conservation.
- (2) Repealed effective July 1, 1987.
- (3) The applicant shall identify the population to be served by the proposed project and shall demonstrate the need that this population has for the services proposed, and the extent to which all residents of the area, and in particular, low-income persons, racial and ethnic minorities, women, persons with disabilities, the elderly, and other underserved groups are likely to have access to the services proposed.

C

The applicant proposes to develop no more than 24 Level IV NICU beds for a total of no more than 82 neonatal beds upon project completion.

In Section C, page 30, the applicant describes the scope of the proposed project.

*“UNC Hospitals is proposing to develop 24 additional Level IV NICU beds in the CON-exempt renovated space on Level 06 Women’s – instead of converting existing acute care beds as contemplated in the exemption notice. If the proposed project is approved, UNC Hospitals will maintain all of its existing acute care bed licenses and add 24 licensed Level IV NICU beds. In addition to the space for 24 NICU beds, the proposed renovations include the development of a family lounge area, on call rooms, additional storage rooms, and reconfiguring space for a staff lounge/locker room and a multipurpose room”.*

**Patient Origin**

The 2023 SMFP does not define its service area for neonatal services. 10A NCAC 14C.1401 (10) states, “ ‘Neonatal service area’ means a geographic area defined by the applicant from which the patients to be admitted to the service will originate.” In Section G, page 73, the applicant identifies the proposed service area as Orange County. The following table illustrates current and projected patient origin for neonatal services, as reported by the applicant in Sections C.2(a) and C.3(b), pages 31 and 34. Facilities may also serve residents of counties not included in their service area.

UNC MEDICAL CENTER CURRENT & PROJECTED PATIENT ORIGIN – NEONATAL BEDS								
COUNTY	LAST FULL FY 07/01/2021 TO 06/30/2022		1 <sup>ST</sup> FULL FY 07/01/2024 TO 06/30/2025		2 <sup>ND</sup> FULL FY 07/01/2025 TO 06/30/2026		3 <sup>RD</sup> FULL FY 07/01/2026 TO 06/30/2027	
	# PATIENTS	% OF TOTAL	# PATIENTS	% OF TOTAL	# PATIENTS	% OF TOTAL	# PATIENTS	% OF TOTAL
Wake	198	21.5%	218	21.5%	226	21.5%	233	21.5%
Orange	95	10.3%	105	10.3%	108	10.3%	112	10.3%
Durham	84	9.1%	92	9.1%	95	9.1%	99	9.1%
Alamance	69	7.5%	76	7.5%	79	7.5%	81	7.5%
Lee	42	4.6%	47	4.6%	48	4.6%	50	4.6%
Cumberland	41	4.5%	46	4.5%	47	4.5%	49	4.5%
Johnston	41	4.5%	46	4.5%	47	4.5%	49	4.5%
Harnett	37	4.0%	41	4.0%	42	4.0%	43	4.0%
Chatham	33	3.6%	37	3.6%	38	3.6%	39	3.6%
Nash	22	2.4%	24	2.4%	25	2.4%	26	2.4%
Robeson	22	2.4%	24	2.4%	25	2.4%	26	2.4%
Sampson	17	1.8%	18	1.8%	19	1.8%	20	1.8%
Moore	16	1.7%	17	1.7%	18	1.7%	18	1.7%
Onslow	16	1.7%	17	1.7%	18	1.7%	18	1.7%
Randolph	15	1.6%	16	1.6%	17	1.6%	17	1.6%
Other	171	18.8%	192	18.8%	197	18.8%	204	18.8%
<b>Total</b>	<b>919</b>	<b>100.0%</b>	<b>1,016</b>	<b>100.0%</b>	<b>1,049</b>	<b>100.0%</b>	<b>1,084</b>	<b>100.0%</b>

Source: Section C, pages 31 and 34

\*Other includes Anson, Beaufort, Bladen, Brunswick, Buncombe, Cabarrus, Carteret, Caswell, Columbus, Craven, Duplin, Edgecombe, Forsyth, Franklin, Granville, Greene, Guilford, Halifax, Hoke, Iredell, Jones, Lenoir, Martin, Mecklenburg, Montgomery, New Hanover, Northampton, Pamlico, Pender, Person, Pitt, Richmond, Rockingham, Scotland, Vance, Wayne, and Wilson counties in NC as well as other states.

In Section C, page 33, the applicant provides the assumptions and methodology used to project patient origin, which is based on the UNC Hospitals historical neonatal patient origin. The applicant’s assumptions are reasonable and adequately supported based on the following:

- The applicant based its projected patient origin on its historical patient origin.
- The applicant states it does not expect any changes to patient origin for neonatal beds due to the addition of 24 neonatal beds proposed in this application.

**Analysis of Need**

In Section C, pages 36-42, the applicant explains why it believes the population projected to utilize the proposed services needs the proposed services, as summarized below:

- The change in the 2023 SMFP acute care bed methodology
- North Carolina and Orange County birth statistics
- The need for additional neonatal capacity at UNC Hospitals

**Change in the 2023 SMFP Acute Care Bed Methodology:** The applicant states,

*“Given the changes in the 2023 SMFP, specifically the removal of neonatal beds and days of care from the acute care bed need methodology, UNC*

*Hospitals is proposing to develop 24 additional Level IV NICU beds in the CON-exempt renovated space on Level 06 Women’s – instead of converting existing acute care beds”.*

**North Carolina and Orange County Birth Statistics:** The applicant states,

*“Infant mortality is also consistently higher in North Carolina than the U.S. overall... infant death rates are even higher in Orange County... According to statistics from the March of Dimes, more than one in 10 babies born in the state are preterm, and many of the very preterm babies require advanced medical intervention such as the neonatal services available at UNC Hospitals... March of Dimes has given North Carolina a preterm birth grade of “D,” indicating that there is a need for more resources to address these issues, particularly among minorities”.*

**Need for Additional Neonatal Capacity at UNC Hospitals:** The applicant states,

*“As demonstrated in the table below, the total number of neonatal days at UNC Hospitals has grown each year since FY 2020, and occupancy rates have consistently exceeded the performance standard for neonatal beds required by 10A NCAC 14C .1403 (75 percent occupancy)”.*

<b>Historical Utilization of UNC Hospitals’ Neonatal Beds</b>					
	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>	<b>FY 2023<sup>^</sup></b>	<b>FY20-FY23 CAGR</b>
Acute Care Days	18,347	18,610	19,543	20,233	<b>3.3%</b>
ADC	50.3	51.0	53.5	55.4	
Licensed Neonatal Beds	58	58	58	58	
Occupancy of Licensed Neonatal Beds	86.7%	87.9%	92.3%	95.6%	
Beds Needed at 75% target Occupancy	67.1	68.0	71.3	73.9	

Source: UNC Hospitals Internal Data

<sup>^</sup>Annualized based on actual July-November utilization.

Additionally, the applicant states that with current neonatal bed capacity, they have not been able to serve everyone in need of services. The applicant states that during CY2021 they had to turn away 63 neonatal cases due to capacity issues. In CY2022, that number increased to 93 (page 40).

*“UNC Hospitals has been unable to serve some of these patients because its neonatal beds are full. As shown in the table above, while the average annual occupancy rate of these beds is in the low to mid 90s, there are many occasions on which the unit is full, with no available beds. In CY 2022, UNC Hospitals was unable to serve nearly 100 neonatal patients due to its lack of capacity”.*

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

- The applicant provides historical data regarding the Hospital’s historical utilization to demonstrate the need for the additional neonatal bed capacity as proposed in this application.
- The applicant provides data, regarding the projected population growth in the area and the projected birth rates in the state, and the need neonatal population groups have for the additional acute care bed capacity.

***Projected Utilization***

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

<b>UNC HOSPITALS HISTORICAL AND INTERIM NEONATAL SERVICES UTILIZATION</b>			
<b>ACH- NEONATAL BEDS (LEVELS 2,3,4)</b>	<b>FY 2021</b>	<b>FY 2022</b>	<b>FY 2023</b>
# Neonatal of Beds	58	58	58
# of Patient Days	19,543	20,233	20,903
Occupancy Rate	92%	95.6%	98.7%

Source: Application page 107.

<b>UNC HOSPITALS PROJECTED NEONATAL SERVICES BED UTILIZATION</b>			
	<b>FY 2024</b>	<b>FY 2025</b>	<b>FY 2026</b>
# of Neonatal Beds	82	82	82
# of Patient Days	21,596	22,312	23,052
Occupancy Rate	82%	74%	77%

Source: Application page 108.

In Section Q, pages 109-110, the applicant provides the assumptions and methodology used to project utilization as summarized below:

- The applicant reviews historical inpatient utilization of neonatal services at UNC Hospitals, as shown in the following table from page 109:

<b>Historical Utilization of UNC Hospitals' Neonatal Beds</b>					
	FY2020	FY2021	FY2022	FY2023*	20-30 CAGR^
Neonatal Days	18,347	18,610	19,543	20,233	3.3%
ADC	50.3	51.0	53.5	55.4	
Licensed Neonatal Beds**	58	58	58	58	
Occupancy of Neonatal Beds	86.7%	87.9%	92.3%	95.6%	

Source: Application page 109.

\*Annualized based on actual July to November utilization

^ Compound Annual Growth Rate

\*\* Includes 10 level III and 48 level IV neonatal beds.

The applicant states utilization grew faster from FY 2021 to annualized FY 2023 (4.3 percent CAGR), despite occupancy rates between 85 to 95 percent. From FY 2022 to FY 2023, the most recent year of growth, neonatal days grew 3.5 percent. Despite faster growth in more recent years, UNC Hospitals projects that neonatal days will grow at their FY 2020 to FY 2023 growth rate, or 3.3 percent per year.

<b>Projected Utilization of UNC Hospitals' Neonatal Beds</b>						
	FY2023	FY2024	FY2025	FY2026	FY2027	2025-2027 CAGR^
Neonatal Days	20,233	20,903	21,596	22,312	23,052	3.3%
ADC	55.4	57.3	59.2	61.1	63.3	
Licensed Neonatal Beds**	58	58	82	82	85	
Occupancy of Neonatal Beds	95.6%	98.7%	82.2%	74.5%	77.0%	

Source: Application page 110.

\*Annualized based on actual July to November utilization

^ Compound Annual Growth Rate

In Section C.4, the applicant states UNC Hospitals has been unable to receive numerous requested patient transfers due to its lack of capacity, which would have resulted in thousands of additional neonatal days. Once the additional capacity is developed, UNC Hospitals expects its neonatal patient days to increase at a faster rate than it has historically.

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

- The applicant relies on its own historical growth rate to project future growth.

- The applicant projects utilization using a growth rate that is less than the historical CAGR of 3.5% and the overall growth of 8.9% in occupancy rates of neonatal patient beds from FY 2020 – FY 2023.

### **Access to Medically Underserved Groups**

In Section C, page 49, the applicant states:

*“No North Carolina citizen is presently denied access to non-elective care because of race, sex, creed, age, handicap, financial status, or lack of medical insurance. UNC Health is guided by Diversity, Equity, and Inclusion as three of its core principles, while also recognizing that its efforts are ongoing as it continues to look for ways to improve”.*

In Exhibits C.6.1, the applicant provides copies of UNC Hospital’s policies regarding access to medically underserved groups.

In Section C page 50, the applicant provides the estimated patient percentage for each medically underserved group during the third full fiscal year, as shown in the following table:

<b>MEDICALLY UNDERSERVED GROUPS</b>	<b>ESTIMATED % OF TOTAL PATIENTS IN FY 3</b>
Low-income persons	NA*
Racial and ethnic minorities	36.2%
Women	57.7%
Persons with disabilities	NA*
Persons 65 and older	30.2%
Medicare beneficiaries	34.5%
Medicaid recipients	14.6%

**Source:** Section C, page 50

\*The applicant states it does not maintain data on the number of low-income or disabled persons it serves.

In Section C, page 50, the applicant states:

*“While Medicare beneficiaries, particularly those 65 and older do not generally require neonatal services, the proposed development of additional NICU beds instead of repurposing general acute care beds will allow UNC Hospitals to maintain the acute care beds needed to serve all its patients, including Medicare patients and those 65 and older”.*

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



- The applicant provides a statement saying it will provide service to all residents of the service area, including underserved groups, without regard for anything other than the need for acute care bed services.
- The applicant has a history of providing access to all persons, including underserved groups, in need of acute care services.
- The applicant provides documentation of its existing policies regarding non-discrimination and financial access in Exhibits C.6.1.

### **Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application

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

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

NA

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

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

CA

The applicant proposes to develop no more than 24 Level IV NICU beds for a total of no more than 82 neonatal beds upon project completion.

In Section E, pages 61, 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:

- Convert Existing Acute Care Beds to Neonatal Beds: The applicant states that UNC Hospitals' existing acute care beds are highly utilized and serve a growing inpatient

population; the proposed project will allow UNC Hospitals to develop the NICU beds it needs to serve its patients without losing much needed acute care capacity.

- Develop a Different Number of Beds: The applicant states that developing fewer than 24 neonatal beds would not meet the need for additional capacity for future growth and would therefore be less effective.

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

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

### **Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application

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

- 1. University of North Carolina Hospitals at Chapel Hill (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 24 Level IV neonatal intensive care unit (NICU) beds for a total of no more than 82 neonatal beds upon completion of this project, including 72 Level IV NICU beds, and 10 Level III neonatal beds.**
- 3. Progress Reports:**
  - a. Pursuant to G.S. 131E-189(a), the certificate holder shall submit periodic reports on the progress being made to develop the project consistent with the timetable and representations made in the application on the Progress Report form provided by the Healthcare Planning and Certificate of Need Section. The form is available online at: <https://info.ncdhhs.gov/dhsr/coneed/progressreport.html>.**
  - b. The certificate holder shall complete all sections of the Progress Report form.**



Renovation Contract	\$3,415,535
Architect/Engineering Fees	\$382,316
Medical Equipment	\$2,437,319
Furniture	\$176,352
<b>Total</b>	<b>\$6,401,522</b>

The applicant provides its assumptions and methodology for projecting capital cost in Section Q, page 106. The applicant adequately demonstrates that the projected capital cost is based on reasonable and adequately supported assumptions based on the following:

- The applicant provides assumptions that explain each line item in the projected capital cost as provided in Form F.1a and page 106.
- The applicant states much of the projections are based on the applicant's history or the project architect's history in developing similar projects.

In Section F, page 64, the applicant states that there are no projected start-up expenses or initial operating expenses because the project involves expanding existing acute care services rather than adding a new service.

#### **Availability of Funds**

In Section F, page 63, the applicant shows that the entire projected capital expenditure of \$6,401,522 will be funded with the accumulated reserves of UNC Hospitals.

In Exhibit F.2, the applicant provides a February 15, 2023 letter signed by the Chief Financial Officer for UNC Hospitals confirming the availability of the funds necessary for the project and committing those funds to the project.

Exhibit F.2 also contains a copy of University Of North Carolina Hospitals at Chapel Hill Financial Statement Audit Report for the year ending June 30, 2022. According to the balance sheet on page 10, as of June 30, 2022, University Of North Carolina Hospitals at Chapel Hill had adequate cash and assets to fund all the capital needs of the proposed project.

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

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

## **Financial Feasibility**

The applicant provided pro forma financial statements for the first three full fiscal years of operation following project completion. On Form F.2b in Section Q page 112, the applicant projects revenues will exceed operating expenses in each of the first three full fiscal years following project completion, as shown in the following table:

<b>UNC HOSPITALS NICU BEDS</b>			
<b>PROJECTED REVENUES AND NET INCOME UPON PROJECT COMPLETION</b>			
	<b>FY 1 (7/1/2024-6/30/2025)</b>	<b>FY 2 (7/1/2025-6/30/2026)</b>	<b>FY 3 (7/1/2026-6/30/2027)</b>
Total Gross Revenues (Charges)	\$142,834,543	\$151,996,497	\$161,746,135
Total Net Revenue	\$59,643,344	\$63,469,096	\$67,540,247
Total Operating Expenses (Costs)	\$50,133,484	\$56,645,555	\$59,189,403
<b>Net Income</b>	<b>\$9,509,860</b>	<b>\$6,823,541</b>	<b>\$8,350,844</b>

The assumptions used by the applicant in preparation of the pro forma financial statements are provided in Section Q, pages 115. The applicant adequately demonstrates that the financial feasibility of the proposal is reasonable and adequately supported based on the following:

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

## **Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application.

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

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

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

C

The applicant proposes to develop no more than 24 Level IV NICU beds for a total of no more than 82 neonatal beds upon project completion.

The 2023 SMFP does not define its service area for neonatal services. 10A NCAC 14C.1401 (10) states, “‘Neonatal service area’ means a geographic area defined by the applicant from which the patients to be admitted to the service will originate.” In Section G, page 73, the applicant identifies the proposed service area as Orange County. Facilities may also serve residents of counties not included in their service area.

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

*“UNC Medical Center the only facility in the proposed service area (Orange County) that provides neonatal services, it is also a regional referral center and provider of specialty neonatal services for patients from all 100 North Carolina counties. Thus, the proposed project will not result in any unnecessary duplication in the proposed service area”.*

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

- The applicant is the only provider of neonatal services in Orange County.
- The applicant adequately demonstrates that the proposed neonatal beds are needed in addition to the existing and approved acute care beds.

### **Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application

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

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

C

The applicant proposes to develop no more than 24 Level IV NICU beds for a total of no more than 82 neonatal beds upon project completion.

In section Q, Form H. Page 117, the applicant provides current and projected full-time equivalent (FTE) staffing for the proposed services, as illustrated in the following table.

<b>UNC HOSPITAL'S NEONATAL BEDS CURRENT &amp; PROJECTED STAFFING</b>				
<b>POSITION</b>	<b>CURRENT</b>	<b>PROJECTED – FYS 1-3</b>		
	<b>AS OF 6/30/22</b>	<b>FY 2025</b>	<b>FY 2026</b>	<b>FY 2027</b>
Certified Nurse I	23.0	25.0	30.0	30.0
Certified Nurse II	116.0	124.0	148.0	148.0
Certified Nurse III	11.7	12.5	15.0	15.0
Certified Nurse IV	6.0	7.0	8.0	8.0
Neonatal Nurse Practitioners	26.0	30.0	33.0	33.0
Lactation Consultant	9.2	9.2	11.0	11.0
Nurse Coordinator	2.0	3.0	3.0	3.0
Surgical Technicians	17.0	18.4	22.0	22.0
Respiratory Therapists	5.0	6.0	7.0	7.0
Pharmacist	1.4	1.4	1.4	1.4
Pharmacy Technician	1.4	1.4	1.4	1.4
Clinical Registered Dietician	2.0	2.0	2.0	2.0
Dietetic Technician	1.0	1.0	1.0	1.0
Procurement Supplies Management	2.0	3.0	3.0	3.0
Clerical	0.2	0.2	0.2	0.2
<b>Total Staffing</b>	<b>223.9</b>	<b>244.1</b>	<b>286.0</b>	<b>286.0</b>

The assumptions and methodology used to project staffing are provided on page 118 in Section Q. Adequate costs for the health manpower and management positions proposed by the applicant are budgeted on Form F.3b in Section Q, Page 114. In Section H, pages 75-76, the applicant describes the methods to be used to recruit or fill new positions and its existing training and continuing education programs.

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

- The applicant adequately demonstrates it has experience in acquiring sufficient personnel to provide services and will use that experience for the proposed project.
- The applicant adequately documents the number of FTEs it projects will be needed to offer the proposed services.

- The applicant's projections for FTEs are based on its own historical experience.
- The applicant accounts for projected salaries and other costs of employment for FTEs in its projected operating expenses found on Form F.3b in Section Q.
- The applicant provides adequate documentation of its proposed recruitment, training, and continuing education programs.

### **Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application

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

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

C

The applicant proposes to develop no more than 24 Level IV NICU beds for a total of no more than 82 neonatal beds upon project completion.

### **Ancillary and Support Services**

In Section I, page 77, the applicant identifies the necessary ancillary and support services for the proposed services. In Section I, page 77, the applicant explains how each ancillary and support service is made available. The applicant adequately demonstrates that the necessary ancillary and support services will be made available based on the following:

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

### **Coordination**



In Section I, page 78, the applicant describes UNC Hospital's existing and proposed relationships with other local health care and social service providers and provides supporting documentation and support letters in Exhibit 1.2. The applicant adequately demonstrates that the proposed services will be coordinated with the existing health care system based on the following:

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

### **Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application

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

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

NA

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

- (10) When applicable, the applicant shall show that the special needs of health maintenance organizations will be fulfilled by the project. Specifically, the applicant shall show that the project accommodates: (a) The needs of enrolled members and reasonably anticipated new members of the HMO for the health service to be provided by the organization; and (b) The availability of new health services from non-HMO providers or other HMOs in a reasonable and cost-effective manner which is consistent with the basic method of operation of the HMO. In assessing the availability of these health services from these providers, the applicant shall consider only whether the services from these providers:
- (i) would be available under a contract of at least 5 years duration;

- (ii) would be available and conveniently accessible through physicians and other health professionals associated with the HMO;
- (iii) would cost no more than if the services were provided by the HMO; and
- (iv) would be available in a manner which is administratively feasible to the HMO.

NA

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

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

C

The applicant proposes to develop no more than 24 Level IV NICU beds for a total of no more than 82 neonatal beds upon project completion.

In Section K, page 81, the applicant states that the project involves renovating 12,065 square feet of existing space. Line drawings are provided in Exhibit K.1.

In Section K, page 81, 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 all 24 proposed neonatal beds will be developed in existing space in the hospital and will be developed at a more moderate cost than all new construction.
- The applicant states UNC Hospital's architect based his construction cost after a careful review of the project and on his experience with other similar projects.

On page 82, the applicant adequately explains why the proposal will not unduly increase the costs to the applicant of providing the proposed services or the costs and charges to the public for the proposed services based on the following:

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

In Section K, page 82, the applicant identifies the applicable energy saving features that will be incorporated into the construction plans and confirms that the applicant's project will conform to or exceed current energy efficiency and water standards contained in the North Carolina State Building Codes.

### **Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application

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

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

### C

In Section L, page 84, the applicant provides the historical payor mix during FY 2022 (July 1, 2021 – June 30, 2022) for acute care discharges at UNC Medical Center, as shown in the table below.

<b>UNC MEDICAL CENTER HISTORICAL PAYOR MIX FFY 2022</b>	
<b>PAYOR CATEGORY</b>	<b>% OF PATIENTS SERVED</b>
Self-Pay	7.4%
Charity Care <sup>^</sup>	
Medicare*	34.5%
Medicaid*	14.6%
Insurance*	30.1%
Workers Compensation <sup>^^</sup>	
Other (Payor) <sup>^^</sup>	13.4%
<b>Total</b>	<b>100.0%</b>

\*Including any managed care plans.

<sup>^</sup>UNC Health internal data does not include Charity Care as a payor source for patients.

<sup>^^</sup> Workers Compensation and TRICARE included in the “Other” payor category

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

<b>UNC CHAPEL HILL DISCHARGES</b>	<b>PERCENTAGE OF TOTAL PATIENTS SERVED DURING FY 2022</b>	<b>PERCENTAGE OF CUMBERLAND COUNTY POPULATION*</b>
Female	57.7%	52.3%
Male	42.3%	47.7%
Unknown	0.0%	0.0%
64 and Younger	69.8%	84.3%
65 and Older	30.2%	15.7%
American Indian	0.9%	0.6%
Asian	2.6%	7.9%
Black or African-American	22.6%	11.9%
Native Hawaiian or Pacific Islander	0.1%	0.1%
White or Caucasian	62.5%	76.7%
Other Race	10.0%	2.8%
Declined / Unavailable	1.3%	0.0%

\*The percentages can be found online using the United States Census Bureau’s QuickFacts which is at: <https://www.census.gov>

### **Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application

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

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

C

Regarding any obligation to provide uncompensated care, community service, or access by minorities and persons with disabilities, in Section L, page 86, the applicant states it has no such obligation.

In Section L, page 87, the applicant states that no patient civil rights access complaints have been filed against UNC Hospitals or other affiliated entity during the 18 months immediately prior to submission of the application.

### **Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application

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

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

C

In Section L, page 88, the applicant projects the following payor mix for neonatal services during the third full fiscal year of operation following completion of the project, as illustrated in the following table.

<b>UNC HOSPITALS NEONATAL BEDS PROJECTED PAYOR MIX FY 2027</b>	
<b>PAYOR CATEGORY</b>	<b>% OF PATIENTS SERVED</b>
Self-Pay	0.4%
Charity Care <sup>^</sup>	
Medicare*	0.0%
Medicaid*	54.4%
Insurance*	31.1%
Workers Compensation <sup>^^</sup>	
TRICARE <sup>^^</sup>	
Other (other payor) <sup>^^</sup>	14.1%
<b>Total</b>	<b>100.0%</b>

\*Including any managed care plans.

<sup>^</sup>UNC Health internal data does not include Charity Care as a payor source for patients.

<sup>^^</sup> Workers Compensation and TRICARE included in the “Other” payor category

As shown in the table above, during the third full fiscal year of operation following completion of the project, the applicant projects that 0.4% of neonatal beds will be provided to self-pay patients, 0.0% of services to Medicare patients, and 54.4% of services to Medicaid patients.

On page 87, the applicant provides the assumptions and methodology used to project payor mix during the third full fiscal years of operation following completion of the project. The projected payor mix is reasonable and adequately supported because it is based on the applicant’s historical neonatal patient payor mix.

### **Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application

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

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

C

In Section L, page 89, the applicant adequately describes the range of means by which patients will have access to the proposed services.

### **Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application

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

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

C

The applicant proposes to develop no more than 24 Level IV NICU beds for a total of no more than 82 neonatal beds upon project completion.

In Section M, pages 90-91, the applicant describes the extent to which health professional training programs in the area currently have access and will continue to have access to the facility for training purposes. The applicant adequately demonstrates that health professional training programs in the area will have access to the facility for training purposes based on the following:

- The applicant provides documentation of existing health professional training programs offered at UNC Hospitals.
- The applicant describes the clinical education training programs it provides access for and identifies numerous clinical education training programs it partners with to offer both training and access to its facilities.

**Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application

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

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

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

C

The applicant proposes to develop no more than 24 Level IV NICU beds for a total of no more than 82 neonatal beds upon project completion.

The 2023 SMFP does not define its service area for neonatal services. 10A NCAC 14C.1401 (10) states, “Neonatal service area’ means a geographic area defined by the applicant from which the patients to be admitted to the service will originate.” In Section G, page 73, the applicant identifies the proposed service area as Orange County. Facilities may also serve residents of counties not included in their service area.

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

*“The proposed project will enhance competition by ensuring that there are sufficient neonatal beds for all patients (and caregivers) across North Carolina that choose UNC Hospitals for their care. UNC Hospitals has a unique mission to serve patients from across the state, and regularly cares for patients from all 100 counties. Additional NICU beds will improve UNC Hospitals’ ability to compete with other providers.”*

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

*“...these beds will be developed in renovated, existing space which is less expensive than new construction. UNC Hospitals believes this is the most cost-effective approach to address the needs of the patients proposed to be served. Further, UNC Hospitals, as a member of the larger UNC Health system, benefits from significant cost saving measures through the consolidation of multiple services and large economies of scale. This efficiency results in lower costs that are passed to patients in the form of lower charges”.*

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

Regarding the impact of the proposal on quality, in Section N, page 94, the applicant states:

*“The proposed project will promote the provision of quality healthcare services, particularly for neonatal patients. UNC Hospitals has a demonstrated reputation for providing high quality healthcare services to its patients and the proposed*



*NICU beds will expand access to these high-quality services. UNC Health, including UNC Hospitals, has earned numerous rankings and awards that demonstrate its delivery of quality care”.*

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

Regarding the impact of the proposal on access by medically underserved groups, in Section N, page 96, the applicant states:

*“As North Carolina’s only state-owned, comprehensive, full-service hospital system, UNC Hospitals has the obligation to accept any North Carolina citizen requiring medically necessary treatment. No North Carolina citizen is presently denied access to non-elective care because of race, sex, creed, age, handicap, financial status, or lack of medical insurance”.*

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

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

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

### **Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application

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

- (19) Repealed effective July 1, 1987.

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

C

The applicant proposes to develop no more than 24 Level IV NICU beds for a total of no more than 82 neonatal beds upon project completion.

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

In Section O, pages 100-101, the applicant states that, during the 18 months immediately preceding the submittal of the application, incidents related to quality of care occurred at three of its facilities; UNC Health Blue Ridge, UNC Hospitals, and UNC Rex Hospital. The applicant states that all the problems have been corrected and all of its facilities are back in compliance. After reviewing and considering the information provided by the applicant and the Acute Care and Home Care License and Certification Section and considering the quality of care provided at all nine (9) facilities, the applicant has provided sufficient evidence that quality care has been provided in the past. Therefore, the application is conforming to this criterion.

- (21) Repealed effective July 1, 1987.

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

C

The Criteria and Standards for Neonatal Services promulgated in **10A NCAC 14C .1403** are applicable to this review. The application is conforming to all applicable criteria, as discussed below.

**10A NCAC 14C .1403 PERFORMANCE STANDARDS**

- (a) *An applicant shall demonstrate that the proposed project is capable of meeting the following standards: if an applicant is proposing to increase the total number of neonatal beds (i.e., the sum of Level II, Level III and Level IV beds), the overall average annual occupancy of the combined number of existing Level II, Level III and Level IV beds in the facility is at least 75 percent, over the 12 months immediately preceding the submittal of the proposal.*

C

The applicant proposes to develop no more than 24 Level IV NICU beds for a total of no more than 82 neonatal beds upon project completion.

The applicant provided historical utilization of the neonatal beds at UNC Hospitals, as shown in the following table from Form C page 109 of the application. The application is conforming to this rule.

<b>Historical Utilization of UNC Hospitals' Neonatal Beds</b>					
	FY2020	FY2021	FY2022	FY2023*	20-30 CAGR <sup>^</sup>
Neonatal Days	18,347	18,610	19,543	20,233	3.3%
ADC	50.3	51.0	53.5	55.4	
Licensed Neonatal Beds**	58	58	58	58	
Occupancy of Neonatal Beds	86.7%	87.9%	92.3%	95.6%	

Source: Application page 109.

\*Annualized based on actual July to November utilization.

<sup>^</sup> Compound Annual Growth Rate.

\*\* Includes 10 Level III, and 48 Level IV.

- (b) *If an applicant proposes to develop a new Level III or Level IV service, the applicant shall document that an unmet need exists in the applicant's defined neonatal service area. The need for Level III and Level IV beds shall be computed for the applicant's neonatal service area.*

NA

The applicant does not propose to develop a new Level III or Level IV service.