

## REQUIRED STATE AGENCY FINDINGS

### FINDINGS

C = Conforming

CA = Conforming as Conditioned

NC = Nonconforming

NA = Not Applicable

Decision Date: December 20, 2023

Findings Date: December 20, 2023

Project Analyst: Cynthia Bradford

Co-signer: Gloria C. Hale

Project ID #: Q-12426-23

Facility: ECU Health Medical Center

FID #: 933410

County: Pitt

Applicant: Pitt County Memorial Hospital. Inc.

Project: Acquire and relocate no more than 16 inpatient rehabilitation beds from East Carolina Health-Heritage, Inc. for a total of no more than 91 inpatient rehabilitation beds

### REVIEW CRITERIA

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

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

NA

Pitt County Memorial Hospital. Inc. (hereinafter “the applicant”) proposes to acquire and relocate no more than 16 inpatient rehabilitation beds from East Carolina Health-Heritage, Inc. (ECU Health Edgecombe Hospital) to ECU Health Medical Center in Pitt County for a total of 91 inpatient rehabilitation beds upon project completion.

The applicant does not propose to develop any beds or services for which there is a need determination in the 2023 State Medical Facilities Plan (SMFP) or offer a new institutional health service for which there are any applicable policies in the 2023 SMFP. Therefore, Criterion (1) is not applicable to this review.

- (2) Repealed effective July 1, 1987.

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

C

The applicant proposes to acquire and relocate no more than 16 inpatient rehabilitation beds from East Carolina Health-Heritage, Inc. (ECU Health Edgecombe Hospital) to ECU Health Medical Center in Pitt County for a total of 91 inpatient rehabilitation beds upon project completion.

ECU Health Medical Center (EHMC) currently has 75 licensed inpatient rehabilitation (IP) beds. After completion of the proposed project, ECU Health Medical Center will have 91 licensed IP rehab beds.

ECU Health Edgecombe Hospital (EEDG) currently has 16 inpatient rehabilitation beds that have not been occupied since March of 2019. After completion of this project, these beds will be transferred to EHMC, and EEDG will no longer have inpatient rehabilitation beds.

**Patient Origin**

On page 107, the 2023 SMFP defines the service area for IP rehab beds as “... *the Health Service Area (HSA) in which the beds are located.*” Pitt County is part of HSA VI. Thus, the service area for this facility is HSA VI. Facilities may also serve residents of counties not included in their service area.

The following table illustrates current and projected patient origin.

ECU Health Medical Center Current & Projected Patient Origin – IP Rehab Services								
County	Last FY (10/1/21 – 9/30/22)		FY 1 (10/1/24 – 9/30/25)		FY 2 (10/1/25 – 9/30/26)		FY 3 (10/1/26 – 9/30/27)	
	# Patients	% of Total	# Patients	% of Total	# Patients	% of Total	# Patients	% of Total
Pitt	427	30.5%	516	30.5%	532	30.5%	542	30.5%
Lenoir	80	5.7%	97	5.7%	100	5.7%	102	5.7%
Beaufort	78	5.6%	94	5.6%	97	5.6%	99	5.6%
Edgecombe	74	5.3%	89	5.3%	92	5.3%	94	5.3%
Onslow	63	4.5%	76	4.5%	78	4.5%	80	4.5%
Craven	62	4.4%	75	4.4%	77	4.4%	79	4.4%
Martin	61	4.4%	74	4.4%	76	4.4%	77	4.4%
Wilson	61	4.4%	74	4.4%	76	4.4%	77	4.4%
Wayne	55	3.9%	66	3.9%	68	3.9%	70	3.9%
Halifax	48	3.4%	58	3.4%	60	3.4%	61	3.4%
Carteret	37	2.6%	45	2.6%	46	2.6%	47	2.6%
Hertford	35	2.5%	42	2.5%	44	2.5%	44	2.5%
Bertie	34	2.4%	41	2.4%	42	2.4%	43	2.4%
Greene	32	2.3%	39	2.3%	40	2.3%	41	2.3%
Nash	28	2.0%	34	2.0%	35	2.0%	36	2.0%
Washington	27	1.9%	33	1.9%	34	1.9%	34	1.9%
Northhampton	25	1.8%	30	1.8%	31	1.8%	32	1.8%
Duplin	24	1.7%	29	1.7%	30	1.7%	30	1.7%
Chowan	19	1.4%	23	1.4%	24	1.4%	24	1.4%
Jones	15	1.1%	18	1.1%	19	1.1%	19	1.1%
Dare	13	0.9%	16	0.9%	16	0.9%	17	0.9%
Hyde	10	0.7%	12	0.7%	12	0.7%	13	0.7%
Perquimans	7	0.5%	8	0.5%	9	0.5%	9	0.5%
Pasquotank	7	0.5%	8	0.5%	9	0.5%	9	0.5%
Tyrrell	4	0.3%	5	0.3%	5	0.3%	5	0.3%
Gates	3	0.2%	4	0.2%	4	0.2%	4	0.2%
Pamlico	3	0.2%	4	0.2%	4	0.2%	4	0.2%
Currituck	2	0.1%	2	0.1%	2	0.1%	3	0.1%
Camden	1	0.1%	1	0.1%	1	0.1%	1	0.1%
Outside HSA VI*	65	4.6%	79	4.6%	81	4.6%	83	4.6%
<b>Total:</b>	<b>1,400</b>	<b>100.00%</b>	<b>1,692</b>	<b>100.00%</b>	<b>1,743</b>	<b>100.00%</b>	<b>1,778</b>	<b>100.00%</b>

Source: Section C, pages 33 and 35

\*Other includes counties in North Carolina and other states

In Section C, page 36, the applicant provides the assumptions and methodology used to project patient origin. The applicant states projected patient origin is based on its historical patient origin from FY 2022. 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 they assume a 2% average annual increase in total facility volume based on historical trends.

### **Analysis of Need**

In Section C, pages 37-39, the applicant explains why it believes the population projected to utilize the proposed services needs the proposed services, as summarized below:

- The applicant states that they currently have two licensed hospital based inpatient rehabilitation facilities located at EHMC and EEDG. EEDG inpatient rehabilitation facility had been struggling to maintain appropriate staffing to maintain consistent coverage, thereby not allowing for quality patient care. Inadequate staffing has not allowed the facility to maintain occupancy requirements to keep the facility financially viable. Additionally, the facility itself is outdated, and “land locked” and cannot be upfitted without substantial capital expense. As a result of this, a decision was made to temporarily close the facility in March 2019 until options became available to assist with making the facility financially viable and be able to provide the level of quality services needed by maintaining appropriate staffing.
- The applicant states EHMC’s inpatient rehabilitation program has experienced significant growth in the past several years, even through COVID. EHMC’s occupancy rates have increased an average of 6.7% annually. Volume projections show that EHMC occupancy rate for inpatient rehabilitation beds will climb to 87.7% by the end of the third year of the proposed project.
- The applicant states that Eastern North Carolina consists of over 1.4 million people, scattered over a 29-county region. Many individuals who reside in this region are members of medically underserved populations and are also in lower socio-economic income brackets. These individuals have difficulty traveling outside of the service area due to rural roadways and cost of transportation. According to EHMC’s internal data, 3 out of 4 discharges are patients who meet the criteria of medically underserved individuals. The transfer of the 16 IP rehab beds to EHMC will help ensure that inpatient rehabilitative service needs are being met for the service area.

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

- The applicant has adequately demonstrated that EHMC has the capacity to incorporate the transfer of 16 inpatient rehabilitation beds, keep them staffed, and available to patients in the service area.
- The applicant has adequately demonstrated that they can maintain sufficient occupancy levels upon completion of the project.
- The applicant has adequately demonstrated that transferring the 16 inpatient rehabilitation beds to EHMC will provide greater access to IP rehab services to medical underserved populations in the service area.

***Projected Utilization***

In Section Q Forms C.1a and C.1b, assumptions, page 99, the applicant provides historical and projected utilization, as illustrated in the following table.

<b>ECU Health Medical Center IP Rehab Bed Historical &amp; Projected Utilization</b>						
	<b>Historical</b>	<b>Interim</b>		<b>Projected</b>		
	<b>FY 2022</b>	<b>FY 2023<sup>^</sup></b>	<b>FY 2024</b>	<b>FY 2025</b>	<b>FY 2026</b>	<b>FY 2027</b>
Beds	75	75	75	91	91	91
Discharges	1,400	1,513	1,612	1,692	1,743	1,778
Days of Care	19,186	20,386	21,756	22,844	23,529	24,000
Average Length of Stay (in days)	13.7	13.5	13.5	13.5	13.5	13.5
Occupancy Rate*	70.1%	74.5%	79.5%	83.4%	86.0%	87.7%

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

<sup>^</sup>Annualized based on 10 months of internal data

Source: EHMC internal data

In Section Q, Form C.1a & C.1b Utilization – Assumptions and Methodology, pages 99-100, the applicant provides the assumptions and methodology used to project utilization, which are summarized below.

- The applicant begins with a discussion of historical utilization as it relates to projecting future utilization. The applicant states utilization fluctuated at ECU Health Medical Center between 66.7% in FY 2019 and 70.1% in FY 2022 due to the impacts of the COVID-19 pandemic.
- The applicant states that its average growth rate from FY2018 through FY2023 annualized was 6.7%. The applicant states it believes that this growth rate is not sustainable and future annual growth in discharges will gradually decrease toward the approximate population growth rate of 1.0% for Eastern Carolina.
- The applicant projected IP rehab discharges by assuming an Average Length of Stay (ALOS) of 13.5 days based on dividing the total number of days of care FY2018-FY2022, by the total number of discharges, calculating the ADC for FYs 2018-FY2027 by dividing the total number of days of care by 365 days per year. Occupancy was calculated by dividing the ADC by the total number of licensed beds FY2018-FY 2027. The applicant assumes that historical ALOS will be reflected in future ALOS.

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

- The applicant’s projected utilization is based on historical utilization, but then is conservatively adjusted toward a growth rate that is closer to the population growth rate.
- The applicant uses an ALOS that is lower than its ALOS from FY2018 through FY2023 annualized

**Access to Medically Underserved Groups**

In Section C, page 44, the applicant states:

*“EHMC recognizes that it serves a diverse population that includes persons of all different races, religions, national origin, sexual orientation, gender identities, genders, education levels, citizenship status, English language proficiency, age, disability status, and sources of payment of care (including lack of medical insurance). EHMC (and ECU Health) is a not-for-profit corporation formed for the purpose of providing quality health services to **ALL** person’s seeking care.”*

...  
*All services provided throughout the entire ECU Health System, including inpatient rehabilitation services at EHMC, are, and would continue to be, provided in accordance with (ECU Health) policy.”*

The applicant provides the estimated percentage of total patients for each medically underserved group during the third full fiscal year, as shown in the following table.

<b>Medically Underserved Groups</b>	<b>Estimated % of Total Patients in FY 3</b>
Low-income persons	NA
Racial and ethnic minorities	47.4%
Women	44.6%
Persons with disabilities	NA
Persons 65 and older	50.7%
Medicare beneficiaries	57.3%
Medicaid recipients	15.6%

**Source:** Section C, page 44

In Section C, page 44, the applicant states that it does not maintain data on the number of low-income persons and disabled persons it serves and cannot reasonably estimate what percentage of total patients they will be; however, the applicant also states neither low-income persons nor disabled persons are denied access to services.

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

- The applicant provides a statement saying it will provide service to all residents of the service area, including underserved groups, without regard for anything other than the need for IP rehab bed services.
- The applicant provides documentation of its existing policies regarding non-discrimination in Exhibit 10 and also its financial policies listed in Exhibit 4.

## **Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application

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

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

### C

The applicant proposes to acquire and relocate no more than 16 inpatient rehabilitation beds from East Carolina Health-Heritage, Inc. (ECU Health Edgecombe Hospital) to ECU Health Medical Center in Pitt County for a total of 91 inpatient rehabilitation beds upon project completion.

In Section D, page 50, the applicant explains why it believes the needs of the population presently utilizing the services to be relocated will be adequately met following completion of the project. On page 50, the applicant states:

*“...East Carolina Health-Heritage (EEDG) temporarily suspended operations of its inpatient rehabilitation services in March 2019. As of today, this service remains temporarily closed with no plans to reopen in the near future...”*

*Patients from that community needing inpatient rehabilitative services are currently being referred and admitted to the EHMC facility for their inpatient rehabilitative care. EHMC will continue to accept these patients from that community (and beyond) upon completion of the proposed project in order to meet their inpatient rehabilitation needs.”*

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

- East Carolina Health-Heritage IP rehabilitation facility has not provided services in the service area since March 2019, therefore the impact to the community minimal.
- Patients from the community in the area near EEDG have been referred and admitted to EHMC and will continue to be served there.

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

In Section D, page 51, the applicant states:

*“The impact of the reduction of services has already been felt by all the patient types listed above. Patients from that community needing inpatient rehabilitation services, including the populations currently identified... are currently being referred and admitted to EHMC facility for their inpatient care. EHMC will continue to accept these patients from that community (including the populations listed above) [medically underserved groups] upon completion of the proposed project...”*

The applicant adequately demonstrates that the needs of medically underserved groups that need IP rehab services formerly provided at EEDG will be adequately met following completion of the project for the following reasons:

- The applicant states it does not believe the proposed project will negatively impact access by medically underserved groups because IP rehabilitation services have not been available at East Carolina Health-Heritage since March 2019 and the impact of such has already been felt in the community.
- The applicant states that any individuals identified in a medically underserved group who need inpatient rehabilitation services have been referred and are currently referred and admitted to the inpatient rehabilitation services at EHMC.

### **Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application

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

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



## CA

The applicant proposes to acquire and relocate no more than 16 inpatient rehabilitation beds from East Carolina Health-Heritage, Inc. (ECU Health Edgecombe Hospital) to ECU Health Medical Center in Pitt County for a total of 91 inpatient rehabilitation beds upon project completion.

In Section E, page 54, 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 that East Carolina Health-Heritage current model of providing inpatient rehabilitation services at EEDG continues to be unsustainable due to financial reasons, physical plant limitations, and an inability to invest in expanding services, therefore, this was not an effective alternative.
- Permanently close the beds at East Carolina Health-Heritage and not relocate the beds to EHMC: the applicant states while permanently closing the beds at EEDG without relocation will address that facility's issues, it will not address the projected need for additional capacity at EHMC, therefore, this was not an effective alternative.
- Relocate the beds to a new addition to East Carolina Health-Heritage's existing inpatient rehabilitation facility: the applicant states that EHMC has a vacated inpatient unit directly adjacent to the existing rehabilitation facility that is designed and equipped to accommodate the relocated beds. Moving to a new addition is not financially feasible, therefore, this is not an effective alternative.

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

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

### **Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application

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. Pitt County Memorial Hospital, Inc. (hereinafter certificate holder) shall materially comply with all representations made in the certificate of need application and any supplemental responses. If representations conflict, the certificate holder shall materially comply with the last made representation.**
  - 2. The certificate holder shall relocate no more than 16 inpatient rehabilitation beds from East Carolina Health-Heritage, Inc. to ECU Health Medical Center for a total of no more than 91 inpatient rehabilitative beds upon project completion.**
  - 3. Upon completion of the project, ECU Health Medical Center shall be licensed for no more than 91 inpatient rehabilitation beds.**
  - 4. Progress Reports:**
    - a. Pursuant to G.S. 131E-189(a), the certificate holder shall submit periodic reports on the progress being made to develop the project consistent with the timetable and representations made in the application on the Progress Report form provided by the Healthcare Planning and Certificate of Need Section. The form is available online at: <https://info.ncdhhs.gov/dhsr/coneed/progressreport.html>.**
    - b. The certificate holder shall complete all sections of the Progress Report form.**
    - c. The certificate holder shall describe in detail all steps taken to develop the project since the last progress report and should include documentation to substantiate each step taken as available.**
    - d. The first progress report shall be due on June 1, 2024.**
  - 5. The certificate holder shall not acquire as part of this project any equipment that is not included in the project's proposed capital expenditures in Section Q of the application and that would otherwise require a certificate of need.**
  - 6. The certificate holder shall acknowledge acceptance of and agree to comply with all conditions stated herein to the Agency in writing prior to issuance of the certificate of need.**
- (5) Financial and operational projections for the project shall demonstrate the availability of funds for capital and operating needs as well as the immediate and long-term financial feasibility of the proposal, based upon reasonable projections of the costs of and charges for providing health services by the person proposing the service.

C

The applicant proposes to acquire and relocate no more than 16 inpatient rehabilitation beds from East Carolina Health-Heritage, Inc. (ECU Health Edgecombe Hospital) to ECU Health Medical Center in Pitt County for a total of 91 inpatient rehabilitation beds upon project completion.

**Capital and Working Capital Costs**

On Form F.1a in Section Q, page 102, the applicant projects the total capital cost of the project as shown in the table below.

Other (contingency)	\$320,000
<b>Total</b>	<b>\$320,000</b>

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 its experience regarding encountering unforeseen capital costs with any project.

In Section F, page 58, the applicant states that there are no projected start-up expenses or initial operating expenses because the project does not involve a new service. This information is reasonable and adequately supported because ECU Health Medical Center is an existing and licensed facility that already provides inpatient rehabilitation services and will continue to operate during and after development of the proposed project.

**Availability of Funds**

In Section F, page 56, the applicant states the entire projected capital expenditure of \$320,000 will be funded with Pitt County Memorial Hospital, Inc's accumulated reserves.

In Exhibit 7, the applicant provides a statement dated September 11, 2023, from the Chief Financial Officer for ECU Health, stating that ECU Health has sufficient accumulated reserves to fund the projected capital cost and committing to providing that funding to develop the proposed project.

Exhibit 8 contains a copy of ECU Health's Financial Statements and Supplementary Information for the year ending September 30, 2022. According to the Basic Financial Statements, ECU Health has adequate cash and assets to fund all the capital needs of the proposed project.

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

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

**Financial Feasibility**

The applicant provided pro forma financial statements for the first three full fiscal years of operation following project completion. On the revised Form F.2b found in supplemental information for the IP Rehab facility and for the entire ECU hospital system, the applicant projects revenues will exceed operating expenses in each of the first three full fiscal years following project completion for the entire ECU hospital system, as shown in the tables below.

<b>Projected Revenues and Operating Expenses ECU Health Medical Center IP Rehab Services</b>			
	<b>FY 2025</b>	<b>FY 2026</b>	<b>FY 2027</b>
Total Discharges^^	1,692	1,743	1,778
Total Gross Revenues (Charges)	\$104,580,418	\$110,410,776	\$115,434,466
Total Net Revenue	\$52,828,323	\$55,773,502	\$58,311,196
Total Net Revenue per Discharge^	\$31,222	\$31,999	\$32,796
Total Operating Expenses (Costs)	\$55,365,176	\$58,755,252	\$61,538,497
Total Operating Expenses per Discharge^	\$32,722	\$33,709	\$34,611
<b>Net Income</b>	<b>(\$2,536,853)</b>	<b>(\$2,981,751)</b>	<b>(\$3,227,301)</b>

^^ Source: Form F.2b & Form C.1b Assumptions – supplemental information

^ May not sum due to rounding.

<b>Projected Revenues and Operating Expenses ECU Health- Entire System</b>			
	<b>FY 2025</b>	<b>FY 2026</b>	<b>FY 2027</b>
Total Discharges^^	70,153	72,278	73,290
Total Gross Revenues (Charges)	\$6,008,413,503	\$6,160,863,779	\$6,254,985,073
Total Net Revenue	\$2,427,959,592	\$2,494,459,192	\$2,541,694,666
Total Net Revenue per Discharge^	\$3,461	\$3,451	\$3,468
Total Operating Expenses (Costs)	\$2,385,293,949	\$2,427,421,264	\$2,474,220,266
Total Operating Expenses per Discharge^	\$3,400	\$3,358	\$3,376
<b>Net Income</b>	<b>\$42,665,642</b>	<b>\$67,037,928</b>	<b>\$67,474,400</b>

^^ Source: Form F.2b & Assumptions – supplemental information

^ May not sum due to rounding.

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

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

### **Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application
- Supplemental information requested by the Agency.

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

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

### C

The applicant proposes to acquire and relocate no more than 16 inpatient rehabilitation beds from East Carolina Health-Heritage, Inc. (ECU Health Edgecombe Hospital) to ECU Health Medical Center in Pitt County for a total of 91 inpatient rehabilitation beds upon project completion.

On page 107, the 2023 SMFP defines the service area for IP rehab beds as “... *the Health Service Area (HSA) in which the beds are located.*” Pitt County is part of HSA VI. Thus, the service area for this facility is HSA VI. Facilities may also serve residents of counties not included in their service area.

Table 8A on page 110 of the 2023 SMFP shows there are seven facilities with existing and approved IP rehab beds in HSA VI. Information about each facility is shown in the table below.

HSA VI – Existing/Approved IP Rehab Beds				
Facility	County	# Existing/(Approved) Beds	Days of Care 2021	Average Utilization 2021
Carolina East Medical Center	Pitt	20	3,477	47.6%
UNC Lenoir Health Care	Lenoir	17	2,023	32.6%
Nash General Hospital	Nash	23	6,335	75.4%
Rehabilitation Center at Vidant Medical Center	Pitt	75	18,625	68.0%
Vidant Edgecombe Hospital	Edgecombe	16	0	0.0%
<b>Total</b>		<b>151</b>	<b>30,460</b>	<b>55.2%</b>

Source: Table 8A, page 110, 2023 SMFP

In Section G, page 65, the applicant explains why it believes its proposal would not result in the unnecessary duplication of existing or approved acute care bed services in HSA VI. On page 65, the applicant states:

*“EHMC is not proposing to add additional beds to the service area. EHMC is proposing to transfer ownership and relocate 16 **existing** inpatient rehabilitation beds to an existing facility...*

*...the future projected volume is not based on taking ‘market share’ from existing providers in the 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 proposing to relocate existing IP rehab beds within the service area.
- The proposal would not result in an increase in the number of existing and approved IP rehab beds in HSA VI.

**Conclusion**

The Agency reviewed the:

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

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

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

C

The applicant proposes to acquire and relocate no more than 16 inpatient rehabilitation beds from East Carolina Health-Heritage, Inc. (ECU Health Edgecombe Hospital) to ECU Health Medical Center in Pitt County for a total of 91 inpatient rehabilitation beds upon project completion.

In Section Q, Form H, page 111, the applicant provides current and projected full-time equivalent (FTE) staffing for the proposed services for the first and third fiscal years following project completion, as illustrated in the following table.

ECU Health Medical Center IP Rehab Staff Positions	Current FTE Staff	Projected FTE Staff	Projected FTE Staff
	As of 07/31/2023	1st Full Fiscal Year (10/01/2024 – 09/30/25)	3rd Full Fiscal Year (10/01/2026 – 09/30/27)
Certified Nursing Assistant (CNA)	34.6	38.8	40.7
Licensed Practical Nurse (LPN)	0.6	0.7	0.7
Occupational Therapist (OT)	19.6	22.0	23.1
Physical Therapist (PT)	9.2	10.3	10.8
Physical Therapy Assistant	5.1	5.7	6.0
Recreational Therapist (RT)	7.4	8.3	8.8
Registered Nurse (RN)	61.5	69.0	72.4
Rehab Therapy Technician	4.3	4.8	5.1
Speech Language Pathologist (SLP)	6.2	6.9	7.3
Administrator, Rehabilitative Services	1.0	1.0	1.0
Assistant Manager, Nursing Rehab	4.5	4.5	4.5
Clinical Nurse Specialist	1.0	1.0	1.0
Coordinator, Rehab Admissions	4.0	4.0	4.0
Coordinator, Service Line	1.1	1.1	1.1
Director, Rehab Admissions	1.0	1.0	1.0
Executive Assistant	0.5	0.5	0.5
Manager, Nursing Rehab	2.0	2.0	2.0
Office Assistant	0.2	0.2	0.2
Patient Access Representative	2.2	3.0	3.0
Physical Therapy Clinical Specialist	1.0	1.0	1.0
Program Assistant	3.0	3.0	3.0
Program Manager, Rehabilitation	2.0	2.0	2.0
Rehab Case Manager	1.0	1.0	1.0
Rehab Equipment Tech	1.0	1.0	1.0
Supervisor, Rehabilitation Program	2.0	2.0	2.0
Technical Analyst	1.0	1.0	1.0
Unit Secretary	12.2	12.2	16.2
<b>Total</b>	<b>189.4</b>	<b>208.0</b>	<b>220.4</b>

The assumptions and methodology used to project staffing are provided on Form H Assumptions immediately following Form H in Section Q, page 112. Adequate costs for the health manpower and management positions proposed by the applicant are budgeted on Form F.3b in Section Q, page 106. In Section H, pages 67-68, the applicant describes the methods to



be used to recruit or fill new positions and its existing training and continuing education programs.

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

- The applicant adequately documents the number of FTEs it projects will be needed to offer the proposed services and explains that staff are shared with the ECU Health Medical Center main hospital staffing pool.
- 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 acquire and relocate no more than 16 inpatient rehabilitation beds from East Carolina Health-Heritage, Inc. (ECU Health Edgecombe Hospital) to ECU Health Medical Center in Pitt County for a total of 91 inpatient rehabilitation beds upon project completion.

### **Ancillary and Support Services**

In Section I, page 70, the applicant identifies the necessary ancillary and support services for the proposed services. In Section I, pages 70-71, 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 because the applicant is currently

providing the necessary ancillary and support services at the same facility where it proposes to relocate the additional IP rehab care beds.

### **Coordination**

In Section I, pages 71-72, the applicant describes ECU Health Medical Center's existing and proposed relationships with other local health care and social service providers and provides supporting documentation in Exhibit 9. The applicant adequately demonstrates that the proposed services will be coordinated with the existing health care system based on the following:

- ECU Health Medical Center is an existing facility and thus has established many relationships with area healthcare providers.
- The applicant provides documentation of patient transfer agreements from local physicians and healthcare providers in the service area.

### **Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application

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

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

NA

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

- (10) When applicable, the applicant shall show that the special needs of health maintenance organizations will be fulfilled by the project. Specifically, the applicant shall show that the project accommodates: (a) The needs of enrolled members and reasonably anticipated new

members of the HMO for the health service to be provided by the organization; and (b) The availability of new health services from non-HMO providers or other HMOs in a reasonable and cost-effective manner which is consistent with the basic method of operation of the HMO. In assessing the availability of these health services from these providers, the applicant shall consider only whether the services from these providers:

- (i) would be available under a contract of at least 5 years duration;
- (ii) would be available and conveniently accessible through physicians and other health professionals associated with the HMO;
- (iii) would cost no more than if the services were provided by the HMO; and
- (iv) would be available in a manner which is administratively feasible to the HMO.

NA

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

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

NA

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

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

C

In Section L, pages 78-79, the applicant provides the historical payor mix during FY 2022 for patients at ECU Health Medical Center (EHMC) and ECU Health Edgecombe Hospital (EEDG), as shown in the table below.

<b>ECU Health Medical Center &amp; ECU Edgecombe Hospital Historical Payor Mix – FY 2022</b>		
<b>Payor Category</b>	<b>% of Patients Served</b>	
	<b>ECU Health Medical Center</b>	<b>ECU Edgecombe Hospital</b>
Self-Pay	9.2%	9.3%
Medicare*	33.4%	42.7%
Medicaid*	24.6%	20.8%
Insurance*	30.6%	25.7%
Worker’s Compensation	0.4%	0.5%
TRICARE	1.1%	0.3%
Other	0.7%	0.8%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

\*Including any managed care plans.

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

In Section L, page 79, the applicant provides the following comparisons.

<b>ECU Health Medical Center</b>	<b>Percentage of Total Patients Served During FY 2022</b>	<b>Percentage of the Population of HSA VI</b>
Female	58.0%	50.3%
Male	41.9%	49.7%
Unknown	0.1%	0.0%
64 and Younger	72.3%	81.1%
65 and Older	27.7%	18.9%
American Indian	0.2%	1.0%
Asian	0.5%	1.5%
Black or African American	43.3%	30.4%
Native Hawaiian or Pacific Islander	Included in “Asian”	0.2%
White or Caucasian	48.0%	64.2%
Other Race	7.2%	2.7%
Declined / Unavailable	0.8%	0.0%

**Source:** EHMC internal data, and United States Census Bureau’s Quickfacts website

ECU Health Edgewcombe Hospital	Percentage of Total Patients Served During FY 2022	Percentage of the Population of HSA VI
Female	62.2%	50.3%
Male	38.8%	49.7%
Unknown	0.0%	0.0%
64 and Younger	64.5%	81.1%
65 and Older	35.5%	18.9%
American Indian	0.2%	1.0%
Asian	0.1%	1.5%
Black or African American	59.1%	30.4%
Native Hawaiian or Pacific Islander	Included in "Asian"	0.2%
White or Caucasian	36.8%	64.2%
Other Race	3.8%	2.7%
Declined / Unavailable	0.0%	0.0%

**Source:** EEDG internal data, and United States Census Bureau’s Quickfacts website

**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, pages 80-81, the applicant states it has an obligation, because of its 501c3 Non-Profit Organization status, to accept any patient requiring medically necessary treatment. The applicant provides documentation of its charity care and admission policies in Exhibit 10.

In Section L, page 81, the applicant states that no patient civil rights access complaints have been filed against EHMC 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 82, 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.

<b>ECU Health Medical Center IP Rehab Projected Payor Mix FY 2025 (10/01/2026 – 09/30/2027)</b>	
<b>Payor Category</b>	<b>% of Patients Served</b>
Self-Pay	5.1%
Medicare*	57.3%
Medicaid*	15.6%
Insurance*	19.1%
Workman's Comp	0.7%
Tricare	2.0%
Other	0.2%
<b>Total</b>	<b>100.0%</b>

\*Including any managed care plans.

**Source:** EHMC internal data

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

As shown in the table above, during the third full fiscal year of operation following completion of the project, the applicant projects that 5.1% of IP rehab services will be provided to self-pay patients, 57.3% to Medicare patients, and 15.6% to Medicaid patients.

On pages 82-83, the applicant provides the assumptions and methodology used to project payor mix during the third full fiscal year of operation following completion of the project. The projected payor mix is reasonable and adequately supported because the projected payor mix is based on the historical payor mix.

**Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application

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

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

C

In Section L, page 84, 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 acquire and relocate no more than 16 inpatient rehabilitation beds from East Carolina Health-Heritage, Inc. (ECU Health Edgecombe Hospital) to ECU Health Medical Center in Pitt County for a total of 91 inpatient rehabilitation beds upon project completion.

In Section M, pages 85-86, the applicant describes the extent to which health professional training programs in the area have access to the facility for training purposes and provides supporting documentation in Exhibit 11. The applicant adequately demonstrates that health professional training programs in the area will have access to the facility for training purposes based on the following:

- The applicant provides documentation of existing health professional training programs in the area which already have access to ECU Health Medical Center and states that it's proposal to relocated IP rehab beds will enhance training opportunities.
- 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 acquire and relocate no more than 16 inpatient rehabilitation beds from East Carolina Health-Heritage, Inc. (ECU Health Edgecombe Hospital) to ECU Health Medical Center in Pitt County for a total of 91 inpatient rehabilitation beds upon project completion.



On page 107, the 2023 SMFP defines the service area for IP rehab beds as “... *the Health Service Area (HSA) in which the beds are located.*” Pitt County is part of HSA VI. Thus, the service area for this facility is HSA IV. Facilities may also serve residents of counties not included in their service area.

Table 8A on page 110 of the 2023 SMFP shows there are seven facilities with existing and approved IP rehab beds in HSA VI. Information about each facility is shown in the table below.

<b>HSA VI – Existing/Approved IP Rehab Beds</b>				
<b>Facility</b>	<b>County</b>	<b># Existing/(Approved) Beds</b>	<b>Days of Care 2021</b>	<b>Average Utilization 2021</b>
Carolina East Medical Center	Pitt	20	3,477	47.6%
UNC Lenoir Health Care	Lenoir	17	2,023	32.6%
Nash General Hospital	Nash	23	6,335	75.4%
Rehabilitation Center at Vidant Medical Center	Pitt	75	18,625	68.0%
Vidant Edgecombe Hospital	Edgecombe	16	0	0.0%
<b>Total</b>		<b>151</b>	<b>30,460</b>	<b>55.2%</b>

Source: Table 8A, page 110, 2023 SMFP

Regarding the expected effects of the proposal on competition in the service area, in Section N, page 88, the applicant states:

*“The proposed project will foster competition in the service area by promoting high quality, delivering cost effective services, and providing enhanced access to inpatient rehabilitative services.”*

Regarding the impact of the proposal on cost effectiveness, in Section N, page 88, the applicant states:

*“ECU Health will use the proposed relocated inpatient rehabilitation beds to enhance operational efficiency of patient rehabilitation services and to increase patient access. These efforts will contain costs and improve access to the service area.”*

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

Regarding the impact of the proposal on quality, in Section N, page 88, the applicant states:

*“EHMC’s comprehensive quality assurance program ensures continuation of a high standard of care for all people in the service area.”*

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

Regarding the impact of the proposal on access by medically underserved groups, in Section N, page 88, the applicant states:

*“EHMC’s mission is to improve the health care status of the region. EHMC is dedicated to offering needed inpatient rehabilitation services to anyone in the community, especially the medically underserved populations.”*

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

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

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

### **Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application

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 acquire and relocate no more than 16 inpatient rehabilitation beds from East Carolina Health-Heritage, Inc. (ECU Health Edgecombe Hospital) to ECU Health

Medical Center in Pitt County for a total of 91 inpatient rehabilitation 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 that operate IP rehab beds. The applicant identified a total of two hospitals in North Carolina.

In Section O, page 93, the applicant states that during the 18 months immediately preceding the submittal of the application, there were no incidents involving a finding of immediate jeopardy. After reviewing and considering information provided by the applicant and DHSR Acute and Home Care Licensure & Certification Section, there is sufficient evidence that quality care has been provided in the past. Therefore, the application is conforming to this criterion.

(21) Repealed effective July 1, 1987.

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

NA

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