

REQUIRED STATE AGENCY FINDINGS

FINDINGS

C = Conforming

CA = Conforming as Conditioned

NC = Nonconforming

NA = Not Applicable

Decision Date: October 31, 2023

Findings Date: October 31, 2023

Project Analyst: Crystal Kearney

Co-Signer: Gloria C. Hale

Project ID #: G-12420-23

Facility: Wake Forest Baptist Medical Center

FID #: 943495

County: Forsyth

Applicant: North Carolina Baptist Hospital

Project: Cost overrun for Project ID# G-8460-10 (Construction of a new building to include 8 operating rooms, two procedure rooms, and related clinical space pursuant to Policy AC-3)

REVIEW CRITERIA

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

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

C

North Carolina Baptist Hospital (hereinafter referred to as the “applicant”) proposes a cost overrun (COR) for previously approved Project ID #G-8460-10 (construction of a new building on the hospital campus in Winston -Salem, to include eight (8) operating rooms (seven new and one relocated from the hospital main campus building) two procedure rooms, one robotic surgery training room, and one simulation operating room, pursuant to Policy AC-3).

A certificate of need was issued on April 2, 2013 for Project ID #G-8460-10 and authorized a capital expenditure of \$43,691,357. The current application exceeds 115% of the originally approved capital cost for Project ID #G-8460-10 for a total combined capital expenditure of \$78,431,045. The applicant states that this cost overrun application is necessary due to increased costs, primarily related to construction and site preparation, since the issuance of the

original certificate of need. The applicant proposes no material change in scope from the originally approved project in this application.

Need Determination

There were no need determinations in the 2023 State Medical Facilities Plan (SMFP) applicable to Project ID #G-8460-10 and the applicant proposes no changes in the current application which would affect that determination. The applicant does not propose to increase the number of licensed beds in any category, add any new health services, or acquire equipment for which there is a need determination in the 2023 SMFP. Therefore, there are no need determinations applicable to this review.

Policies

Project ID #G-8460-10 was found to be consistent with *Policy GEN-4: Energy Efficiency and Sustainability for Health Service Facilities* as published in the 2023 SMFP.

For this review, *Policy GEN-4: Energy Efficiency and Sustainability for Health Service Facilities*, as published in the 2023 SMFP, also applies.

Policy GEN-4: Energy Efficiency and Sustainability for Health Service Facilities, on page 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 capital expenditure of the project is greater than \$4 million. In Section B, pages 26- 27, the applicant describes its plan to assure improved energy efficiency and water conservation.

Conclusion

The Agency reviewed the:

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

Based on that review, the Agency concludes that the application is conforming to this criterion because the applicant adequately demonstrates that the proposal is consistent with Policy GEN-4 based on the following:

- The applicant states that its plan will conform to or will exceed energy efficiency and water conservation standards incorporated in the latest editions of the North Carolina State Building Codes.
- The applicant states it will work with experienced architects and engineers to ensure energy efficient systems are part of the design.

(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 a cost overrun for Project ID #G-8460-10 for construction of a new building on the hospital campus in Winston-Salem, to include eight (8) operating rooms (seven new and one relocated from the hospital main campus building), two procedure rooms, one robotic surgery training room, and one simulation operating room. The ambulatory surgical center will be called Atrium Health Wake Forest Baptist Outpatient Surgery – Cloverdale.

Project ID #G-8460-10 proposed the expansion of North Carolina Baptist Hospital's (NCBH) surgical services program. On May 9, 2018, the applicant received a material compliance approval by the Agency to develop the project in renovated space on the hospital campus. The applicant now proposes to develop the project in a newly- constructed building, commensurate with its original proposal in Project ID #G-8460-10. The building will be located on the NCBH campus and will be approximately 54,632 square feet. The project will expand and enhance NCBH's ability to provide ambulatory surgical services. A certificate of need was issued on April 2, 2013 for Project ID #G-8460-10 and authorized a capital expenditure of \$43,691,357. The current application proposes a capital cost increase of \$34,739,688 (a 79.5% increase) over

the previously approved capital expenditure for a total combined capital expenditure of \$78,431,045. The applicant states that this cost overrun application is necessary due to increased costs, primarily related to construction and site preparation, since the issuance of the original certificate of need. The applicant proposes no material change in scope from the originally approved project in this application.

Patient Origin

In Section C, pages 40-41, the applicant states it does not project any changes to its projected patient origin from its original project, Project ID #G-8460-10, which was found to be reasonable and adequately supported upon settlement. No changes are proposed in this application which would affect that determination.

Analysis of Need

The following table compares the capital cost approved in Project ID #G-8460-10, the changes proposed in this application, and the new projected capital costs, as reported on Form F.1b in Section Q.

	Previously Approved Capital Cost (Project ID #G-8460-10)	New Total Capital Cost	Difference (Capital Cost for this Project)
Building Purchase Price			
Purchase Price – Land			
Closing Costs			
Site Preparation	\$4,008,285	\$6,319,358	\$2,311,073
Construction/Renovation Contract(s)	\$23,180,382	\$36,540,000	\$13,359,618
Landscaping			
Architect/Engineering Fees			
Medical Equipment	\$4,331,077	\$21,490,946	\$17,159,869
Non-Medical Equipment	\$4,083,446	\$2,317,500	-\$1,765,946
Furniture	\$344,403	\$1,030,600	\$686,197
Consultant Fees	\$2,894,906	\$3,378,022	\$483,116
Financing Costs			
Interest During Construction	\$1,172,479		-\$1,172,479
Other	\$3,676,379	\$7,354,619	\$3,678,240
Total Capital Cost	\$43,691,357	\$78,431,045	\$34,739,688

In Section C, pages 37-41, the applicant states that the cost overrun application is necessary due to increased costs, primarily related to construction and site preparation, since the issuance of the original certificate of need. The applicant states the reason behind the increases is primarily related to costs that increased significantly during the COVID-19 pandemic and were known to affect the construction industry in particular. The applicant also explained any projected decreases in capital expenditures for certain categories of spending.

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

- The applicant provides a letter from the project architect in Exhibit C.8.1 that explains the difference in the proposed cost and the original costs, including medical equipment.
- The applicant explains how construction, labor, and material costs have increased significantly since the original application was approved.
- The applicant explains the impact on costs due to major disruptions such as clogged shipping ports, construction labor shortages, and shifts in construction demand.

Projected Utilization of ORs

Step 1:

In Section Q, pages 96- 98, the applicant provides historical and projected utilization at North Carolina Baptist Hospital, as illustrated in the following tables.

North Carolina Baptist Hospital – Historical and Interim OR Utilization	Last Full FY 2022	Interim Full FY 2023	Interim Full FY 2024	Interim Full FY 2025
Operating Rooms				
Other Dedicated Inpatient ORs	4	4	4	4
Shared ORs	36	36	36	36
Dedicated Ambulatory ORs	0	0	0	0
Total # of ORs	40	40	40	40
# of Excluded ORs	2	2	2	2
Adjusted Planning Inventory	38	38	38	38
Surgical Cases				
# of Inpatient Surgical Cases	12,843	13,649	13,695	13,741
# of Outpatient Surgical Cases	16,373	16,750	16,873	16,996
Total # of Surgical Cases	29,216	30,398	30,567	30,737

Source: Section Q, Form C.3a page 96

North Carolina Baptist Hospital – Projected OR Utilization upon Project Completion	1 st Full FY 2026	2 nd Full FY 2027	3 rd Full FY 2028
Operating Rooms			
Other Dedicated Inpatient ORs	4	4	4
Shared ORs	35	35	35
Dedicated Ambulatory ORs	8	8	8
Total # of ORs	47	47	47
# of Excluded ORs	2	2	2
Adjusted Planning Inventory	45	45	45
Surgical Cases			
# of Inpatient Surgical Cases	13,787	13,833	13,880
# of Outpatient Surgical Cases	17,121	17,247	17,373
Total # of Surgical Cases	30,908	31,080	31,253

Source: Section Q, Form C.3b page 97

North Carolina Baptist Hospital – Cloverdale ASC Projected OR Utilization upon Project Completion	1 st Full FY 2026	2 nd Full FY 2027	3 rd Full FY 2028
Operating Rooms – Number of Rooms by Type			
Dedicated Ambulatory ORs	8	8	8
Total # of ORs	8	8	8
# of Excluded ORs			
Adjusted Planning Inventory	8	8	8
Surgical Cases			
# of Outpatient Surgical Cases	8,277	8,338	8,399
Total # of Surgical Cases	8,277	8,338	8,399

Source: Section Q, Form C.3b page 98

In Section Q, the applicant provides the assumptions and methodology used to project OR utilization, which is summarized below.

**Historical NCBH Inpatient and Outpatient Surgery Cases
 CY 2020- CY 2023**

	CY 2020	CY 2021	CY 2022	CY 2023	3-Yr CAGR
Inpatient	13,512	13,496	12,843	13,649	0.3%
Outpatient	14,509	17,381	16,373	16,750	4.9%
Total	28,021	30,877	29,216	30,398	2.8%

Source: Section Q, page 99

In Section Q, the applicant states the NCBH operating rooms are well utilized, performing 29,216 surgical cases last year, on track to exceed 30,000 cases for CY2023. As the table shows, the three- year compound annual growth rate (CAGR) for combined inpatient and outpatient surgical cases performed at NCBH is 2.8%, and the three-year CAGR for outpatient surgical cases performed at NCBH is 4.9%.

Step 2:

NCBH projected increasing utilization based on an annual growth rate of 0.34%, which is equal to the historical 3-year CAGR for inpatient cases at NCBH. To project outpatient surgical cases at NCBH from CY2024 through CY2028, NCBH conservatively projected increasing utilization based on an annual growth of 0.73%, which is equal to the projected 5-year CAGR of 0.73% for the Forsyth County population between CY2023 and CY2028, as portrayed in the following table.

	CY2023	CY2024	CY2025	CY2026	CY2027	CY2028	5-Yr CAGR
Forsyth County	388,365	390,943	393,717	396,647	399,693	402,829	0.73%
North Carolina	10,794,463	10,918,935	11,038,826	11,154,686	11,270,518	11,387,716	1.08%

Source: North Carolina Office of State Budget and Management (NCOSBM), vintage 2022

These projected growth rates are reasonable and conservative because they are either equal to (inpatient) or less than (outpatient) NCBH’s historical growth rates for surgical cases since CY2020. The Advisory Board developed projections for ambulatory surgery utilization in North Carolina. As summarized below, this projection represents a 5-year CAGR of 1.83%, substantially higher than the NCBH growth assumption of 0.73%.

North Carolina Ambulatory Surgery Cases Utilization

	2021	2026	2031	5-Yr CAGR	10-Yr CAGR
Outpatient Surgery	2,645,679	2,914,241	3,190,597	1.83%	1.89%

Source: The Advisory Board

In Section Q, page 100, the applicant provides projected annual growth rates. The following table illustrates projected inpatient and outpatient surgical cases at NCBH through CY2028.

**Projected Total NCBH Inpatient and Outpatient Surgery Cases
 CY2024 – CY 2028**

	CY 2024	CY 2025	CY2026	CY2027	CY2028	4-Yr CAGR
Inpatient	13,695	13,741	13,787	13,833	13,880	0.34%
Outpatient	16,873	16,996	17,121	17,247	17,373	0.73%
Total	30,567	30,737	30,908	31,080	31,253	0.56%

Step 3:

As previously stated, Atrium Health Wake Forest Baptist Outpatient Surgery – Cloverdale is being constructed on NCBH’s Winston-Salem hospital campus and will have dedicated ambulatory surgery operating rooms which will operate under the NCBH license. NCBH anticipates that certain outpatient surgical cases in several surgical specialties will shift from

the surgical suites located in the NCBH hospital patient tower and be performed at the dedicated outpatient surgery ORs at Atrium Health Wake Forest Baptist Outpatient Surgery – Cloverdale during the initial three project years, as portrayed in the following table.

**Projected NCBH Outpatient Surgery Cases to be Performed
 at Atrium Health Wake Forest Baptist Outpatient Surgery – Cloverdale
 FY2026- FY2028**

	FY2026	FY2027	FY2028	2-Yr-CAGR
Orthopedics	2,058	2,073	2,088	0.73%
Urology	1,780	1,793	1,806	0.73%
General	1,710	1,723	1,735	0.73%
Otolaryngology	1,641	1,653	1,665	0.73%
Plastics	1,088	1,096	1,104	0.73%
Total OP Surgery Cases	8,277	8,338	8,399	0.73%

Projected Utilization of Procedure Rooms

In Section Q, page 106, the applicant provides projected utilization of the proposed procedure rooms at Cloverdale, as illustrated in the following table.

**Projected Atrium Health Wake Forest Baptist Outpatient Surgery
 Cloverdale Procedure Room Procedures, FY2026-FY2028**

	FY2026	FY2027	FY2028	2- Yr CAGR
Pain Services	621	625	630	0.73%
Urology	303	305	307	0.73%
Orthopedics	124	125	126	0.73%
General	39	39	39	0.73%
Podiatry	2	2	2	0.73%
Total	1,088	1,096	1,104	0.73%

Source: application, page 106

In Section Q, page 106, the applicant provides the assumptions and methodology used to project utilization, which is summarized above.

Step 1:

The applicant provides a table of the hospital’s procedure room utilization in CY 2022 on pages 103-106.

The applicant projects that during the first operating year, 25 percent of the hospital’s procedures will shift to Cloverdale.

Step 2:

Projection of procedures is then increased by the projected annual Forsyth County population growth rate of 0.73% for the second and third operating years of the project.

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

- The applicant bases its projections on historical procedure room utilization at the hospital.
- The applicant uses a conservative growth rate equal to the projected county growth rate.

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

- The additional OR capacity will serve to help accommodate the growing School of Medicine surgical facility members who practice at NCBH.
- The methodology for projecting OR utilization at NCBH (including at the on-campus Atrium Health Wake Forest Baptist Outpatient Surgery-Cloverdale are reasonable and based on supported assumptions.
- The projected outpatient growth rate at NCBH, including in the on-campus Atrium Health Wake Forest Baptist Health Outpatient Surgery Center- Clemmons, is based on projected Forsyth County population growth, and is less than the historical CAGR for outpatient surgical cases at NCBH and at the applicant's Clemmons facility.
- Each of the steps of the previously described methodologies are based on NCBH's experience providing surgical services, and the methodologies are well supported by the quantitative data provided in this application, as well as surgeon letters of support in Exhibit I.3.2.

Access to Medically Underserved Groups

In Section C, pages 45, the applicant states:

“Access by medically underserved groups will be different from what was projected in the previously approved 2010 CON application only in terms of the percentage of care provided to underserved groups.”

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

Group	Estimated Percentage of Total Patients During the Third Full Fiscal Year
Low income persons	14.3%
Racial and ethnic minorities	34.3%
Women	52.3%
Persons with Disabilities	7.9%
Persons 65 and older	35.0%
Medicare beneficiaries	35.3%
Medicaid recipients	10.8%

Source: Table on page 44 of the application

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.

Conclusion

The Agency reviewed the:

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

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

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

NA

The applicant proposes a cost overrun for Project ID #G-8460-10 for construction of a new building on the hospital campus in Winston-Salem, to include eight (8) operating rooms (seven new and one relocated from the hospital main campus building), two procedure rooms, one robotic surgery training room, and one simulation operating room.

In Project ID #G-8460-10, this criterion was found to be not applicable. No changes are proposed in this application which would affect that determination. 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 a cost overrun for Project ID# G-8460-10 for construction of a new building on the hospital campus in Winston-Salem, to include eight (8) operating rooms (seven new and one relocated from the hospital main campus building), two procedure rooms, one robotic surgery training room, and one simulation operating room.

In Section E, page 50, the applicant discusses why it believes there are no alternatives to meet the need. The applicant states:

- NCBH is well into the design and development of the on-campus Atrium Health Wake Forest Baptist Outpatient Surgery- Cloverdale building. NCBH has spent \$440,500 for site preparation, and has paid architects, engineers, and consultants nearly \$1.8 million toward architectural construction design development and mechanical, electrical, plumbing, structural, and interior design.
- NCBH has invested over \$2,239,070 on planning, development and construction of the project, and is committed to completing the on-campus outpatient surgery center project in order to address the need for improved access to ambulatory surgical services and surgical clinical training.
- The additional operating rooms are essential in order to alleviate the demand on the existing operating rooms at NCBH, due to the growing surgical faculty at the School of Medicine, and the long trend of increasing surgical cases at NCBH.

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

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

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. **North Carolina Baptist Hospital (hereinafter certificate holder) shall materially comply with the representations in this application and the representations in Project ID #G-8460-10. Where representations conflict, the certificate holder shall materially comply with the last made representation.**
 2. **The certificate holder shall develop a new building on the campus of Wake Forest Baptist Medical Center to include 8 operating rooms, two procedure rooms, and related clinical space pursuant to Policy AC-3 as approved in the certificate of need for Project ID #G-8460-10, with no change of scope in the development of the proposed project.**
 3. **The total combined capital expenditure for this project and Project ID #G-8460-10 is \$78,431,045, an increase of \$34,739,688 over the capital expenditure of \$43,691,357 previously approved in Project ID #G-8460-10.**
 4. **The certificate holder shall develop and implement an Energy Efficiency and Sustainability Plan for the project that conforms to or exceeds energy efficiency and water conservation standards incorporated in the latest editions of the North Carolina State Building Codes.**
 5. **Progress Reports:**
 - a. **Pursuant to G.S. 131E-189(a), the certificate holder shall submit periodic reports on the progress being made to develop the project consistent with the timetable and representations made in the application on the Progress Report form provided by the Healthcare Planning and Certificate of Need Section. The form is available online at: <https://info.ncdhhs.gov/dhsr/coneed/progressreport.html>.**
 - b. **The certificate holder shall complete all sections of the Progress Report form.**
 - c. **The certificate holder shall describe in detail all steps taken to develop the project since the last progress report and should include documentation to substantiate each step taken as available.**
 - d. **The first progress report shall be due on June 1, 2024.**
 6. **The certificate holder shall not acquire as part of this project any equipment that is not included in the project's proposed capital expenditures in Section Q of the application and that would otherwise require a certificate of need.**
 7. **The certificate holder shall 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.

The applicant proposes a cost overrun for Project ID# G-8460-10 for construction of a new building on the hospital campus in Winston-Salem, to include eight (8) operating rooms (seven new and one relocated from the hospital main campus building), two procedure rooms, one robotic surgery training room, and one simulation operating room.

Capital and Working Capital Costs

The certificate of need for Project ID #G-8460-10 approved a capital expenditure of \$43,691,357. The applicant states that in order to develop the previously approved project, a total capital expenditure of \$78,431,045, will be required which is 179.5% of the originally approved capital expenditure, and which exceeds the 115% statutory limit for capital expenditures in an approved project.

The following table compares the capital cost approved in Project ID #G-8460-10, the changes in costs proposed in this application, and the new total projected capital costs, as reported on Form F.1b in Section Q.

	Previously Approved Capital Cost (Project ID #G-8460-10)	New Total Capital Cost	Difference (Capital Cost for this Project)
Building Purchase Price			
Purchase Price – Land			
Closing Costs			
Site Preparation	\$4,008,285	\$6,319,358	\$2,311,073
Construction/Renovation Contract(s)	\$23,180,382	\$36,540,000	\$13,359,618
Landscaping			
Architect/Engineering Fees			
Medical Equipment	\$4,331,077	\$21,490,946	\$17,159,869
Non-Medical Equipment	\$4,083,446	\$2,317,500	-\$1,765,946
Furniture	\$344,403	\$1,030,600	\$686,197
Consultant Fees	\$2,894,906	\$3,378,022	\$483,116
Financing Costs			
Interest During Construction	\$1,172,479		-\$1,172,479
Other	\$3,676,379	\$7,354,619	\$3,678,240
Total Capital Cost	\$43,691,357	\$78,431,045	\$34,739,688

In Section C, pages 37-41, the applicant provides the assumptions used to project the capital cost. The applicant adequately demonstrates that the projected capital cost is based on reasonable and adequately supported assumptions based on the following:

- The cost overrun application is necessary due to increased costs, primarily related to construction and site preparation, since the issuance of the original certificate of need.
- The applicant states the reason behind the increases is primarily related to costs that increased significantly during the COVID-19 pandemic and were known to affect the construction industry in particular.

In Section F, page 59, the applicant states there will be no start-up costs or initial operating expenses because the proposal involves an existing health service facility.

Availability of Funds

In Section F, pages 57-58, the applicant states that the capital cost will be funded by the accumulated reserves of NCBH.

Exhibit F.5-2 contains a letter dated July 27, 2023, from the Senior Vice President and Chief Financial Officer of Atrium Health Wake Forest Baptist (AHWFB). The letter states AHWFB will fund the capital costs with accumulated reserves and commits to using the available accumulated reserves to develop the proposed project.

Exhibit F.5-3 contains Advocate Aurora Health and Atrium Health's Combined Financial Statements and Other Financial Information for the year ending March 31, 2023. According to the Combined Financial Statements, as of March 31, 2023 the applicant had adequate cash and assets to fund the proposed project.

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

- The applicant provides appropriate documentation to confirm the availability of the accumulated reserves it plans to use to develop the proposed project.
- The applicant provides documentation from an appropriate official committing the funds to the proposed project.

Financial Feasibility

In Section F, pages 55-57, the applicant states the financial projections it previously provided in Project ID #G-8460-10 will change, even though the applicant is not proposing a change to the scope of the project, because the facility will now offer services later than originally anticipated and inflation will impact revenues.

The applicant provided pro forma financial statements for the first three full fiscal years of operation following completion of the project.

On Form F.2b in Section Q, the applicant projects that revenues will exceed operating expenses for each of the first three full fiscal years of the proposed project, as shown in the table below.

	1 st Full Fiscal Year	2 nd Full Fiscal Year	3 rd Full Fiscal Year
Total Cases	9,365	9,434	9,503
Total Gross Revenue (Charges)	\$367,472,019	\$381,274,395	\$395,595,182
Total Net Revenue	\$56,022,034	\$58,126,240	\$60,309,480
Average Net Revenue per case	\$5,982	\$6,161	\$6,346
Total Operating Expenses (Costs)	\$39,547,360	\$40,415,206	\$41,303,417
Average Operating Expense per case	\$4,223	\$4,284	\$4,346
Net Income/(Loss)	\$16,474,674	\$17,711,034	\$19,006,062

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

- The applicant states that the changes to the projected revenues are associated with the updated and increased facility charges resulting from the passage of time from the original 2010 CON application.
- The applicant states that the proposed project’s projected operating expenses are associated with the updated and increased facility operational expenses associated with the passage of time from the original 2010 CON application.

Conclusion

The Agency reviewed the:

- Application
- Exhibits of 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 costs are based on reasonable and adequately supported assumptions for all the reasons described above.
- The applicant adequately demonstrates availability of sufficient funds for the capital 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 a cost overrun for Project ID# G-8460-10 for construction of a new building on the hospital campus in Winston-Salem, to include eight (8) operating rooms (seven new and one relocated from the hospital main campus building), two procedure rooms, one robotic surgery training room, and one simulation operating room.

The 2023 SMFP, on page 47, defines the service area for operating rooms as “. . . *the single or multicounty grouping shown in Figure 6.1.*” Figure 6.1 in the 2023 SMFP shows Forsyth County as its own operating room service area. The facility will be located in Forsyth County; thus, the service area for this facility is Forsyth County. Facilities may also serve residents of counties not included in their service area.

The applicant adequately demonstrated that the proposed project would not result in unnecessary duplication of existing or approved hospitals in Forsyth County upon settlement of Project ID #G-8460-10. The applicant does not propose any changes in this cost overrun application which would affect that determination.

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 a cost overrun for Project ID #G-8460-10 for construction of a new building on the hospital campus in Winston-Salem, to include eight (8) operating rooms (seven new and one relocated from the hospital main campus building), two procedure rooms, one robotic surgery training room, and one simulation operating room.

The application for Project ID #G-8460-10 adequately demonstrated the availability of resources, including health manpower and management personnel to provide the proposed services, and no changes are proposed in this application which would affect that determination.

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.

- (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 a cost overrun for Project ID #G-8460-10 for construction of a new building on the hospital campus in Winston-Salem, to include eight (8) operating rooms (seven new and one relocated from the hospital main campus building), two procedure rooms, one robotic surgery training room, and one simulation operating room.

The application for Project ID #G-8460-10 adequately demonstrated the availability of the ancillary and support services necessary to the provision of the proposed services and adequately demonstrated the proposed services would be coordinated with the existing healthcare system. No changes are proposed in this application which would affect that determination.

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.

- (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 a cost overrun for Project ID #G-8460-10 for construction of a new building on the hospital campus in Winston-Salem, to include eight (8) operating rooms (seven new and one relocated from the hospital main campus building), two procedure rooms, one robotic surgery training room, and one simulation operating room.

In May 2018 NCBH sought and received DHSR material compliance approval to develop the project in existing NCBH hospital space rather than at the on-campus Cloverdale site identified in the original CON application. However, NCBH has subsequently returned to the originally approved plan to develop Atrium Health Wake Forest Baptist Outpatient Surgery – Cloverdale at the on-campus location on Cloverdale Avenue, as described and documented in this cost overrun application.

In Section K, page 71, the applicant states that the project involves constructing 56,632 square feet of new space which is a smaller building than originally proposed. In Project ID #G-8460-10, the applicant proposed to develop a 72,300 square foot building. Line drawings are provided in Exhibit K.5. Atrium Health Wake Forest Baptist Outpatient Surgery – Cloverdale building will be constructed at the location identified in the originally approved 2010 CON application.

On page 71-72, the applicant identifies the proposed site and provides information about the 7.48-acre site owned by NCBH and is zoned C-L (Campus- Limited Use) which is appropriate for use as an ASF facility. The site appears to be suitable for the proposed ASF based on the applicant's representations and supporting documentation.

On page 73, 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 design and construction of the proposed project is the most reasonable based on the expertise, knowledge and experience of the contractor, architect and AHWFB which has extensive experience developing health facilities and operating rooms. Refer to Exhibit C.8.1.
- The overall layout of the ambulatory surgery building is based on a configuration that provides the most efficient circulation and throughput for the patients and caregivers. In addition, it is sized to prevent unnecessary costs.

On pages 73-74, 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 that its updated cost estimate and the projected service costs and charges will not unduly increase its costs or the charges to the public.
- The proposed project's increased OR capacity is needed to provide better access for ambulatory surgery patients.
- The applicant states it has set aside excess revenues to be able to pay for the projects like these without needing to increase costs or charges to patients.

On page 74, the applicant identifies any applicable energy saving features that will be incorporated into the construction plans.

Conclusion

The Agency reviewed the:

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

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

- (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 Project ID #G-8460-10, the Agency determined the applicant adequately demonstrated 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. The applicant proposes no changes in the current application which would affect that determination.

Conclusion

The Agency reviewed the:

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

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

- (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

In Project ID #G-8460-10, the Agency determined the application was conforming to this criterion. The applicant proposes no changes in the current application which would affect that determination.

Conclusion

The Agency reviewed the:

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

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

- (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, pages 80-81, the applicant projects the following payor mix for the proposed services during the third full fiscal year (07/01/2027 to 6/30/2028) of operation following completion of the project, as shown in the table below.

**NCBH- Atrium Health Wake Forest Baptist
 Outpatient Surgery- Cloverdale Operating Rooms**

Payor Category	Percent of Total Patients Served
Self-Pay	3.37%
Charity Care (included in self-pay)	NA
Medicare*	35.28%
Medicaid*	10.76%
Insurance*	41.89%
Workers Compensation	1.82%
TRICARE	0.56%
Other (describe)	6.32%
Total	100.00%

Source: Table on page 80 of the application.

*Including any managed care plans.

**NCBH- Atrium Health Wake Forest Baptist
 Outpatient Surgery- Cloverdale Procedure Rooms**

Payor Category	Percent of Total Patients Served
Self-Pay	1.11%
Charity Care (included in self-pay)	NA
Medicare*	51.05%
Medicaid*	7.94%
Insurance*	30.09%
Workers Compensation	2.35%
TRICARE	0.47%
Other (describe)	6.99%
Total	100.00%

Source: Table on page 81 of the application.

*Including any managed care plans.

As shown in the tables above, during the third full fiscal year of operation for OR services, the applicant projects that 3.37% of total operating room services will be provided to self-pay patients, 35.28% to Medicare patients and 10.76% to Medicaid patients. For procedures, the applicant projects that 1.11% will be provided to self-pay patients, 51.05% to Medicare patients and 7.94% to Medicaid patients.

On pages 80-81, the applicant provides the assumptions and methodology used to project payor mix during the third full fiscal year of operation following completion of the project. The projected payor mix is reasonable and adequately supported based on the following:

- The applicant based projected percentages on the historical payor mix for the services at NCBH.
- NCBH has assumed that the projected payor mix will remain consistent through the project years.

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 reasons stated above.

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

C

In Project ID #G-8460-10, the Agency determined the applicant adequately demonstrated it would offer a range of means by which a person would have access to its services. The applicant proposes no changes in the current application which would affect that determination.

Conclusion

The Agency reviewed the:

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

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

- (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 a cost overrun for Project ID# G-8460-10 for construction of a new building on the hospital campus in Winston-Salem, to include eight (8) operating rooms (seven new and one relocated from the hospital main campus building), two procedure rooms, one robotic surgery training room, and one simulation operating room.

In Project ID #G-8460-10, the Agency determined the applicant adequately demonstrated that the proposed health services would accommodate the clinical needs of health professional training programs in the area. The applicant proposes no changes in the current application which would affect that determination.

Conclusion

The Agency reviewed the:

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

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

- (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 a cost overrun for Project ID# G-8460-10 for construction of a new building on the hospital campus in Winston-Salem, to include eight (8) operating rooms (seven new and one relocated from the hospital main campus building), two

procedure rooms, one robotic surgery training room, and one simulation operating room.

The 2023 SMFP, on page 47, defines the service area for operating rooms as “. . . *the single or multicounty grouping shown in Figure 6.1.*” Figure 6.1 in the 2023 SMFP shows Forsyth County as its own operating room service area. The facility will be located in Forsyth County; thus, the service area for this facility is Forsyth County. Facilities may also serve residents of counties not included in their service area.

The applicant adequately demonstrated the expected effects of the proposed services on competition in Forsyth County and how any enhanced competition would have a positive impact on the cost effectiveness, quality, and access to the services proposed upon settlement of Project ID #G-8460-10. The applicant does not propose any changes in this cost overrun application which would affect that determination.

Conclusion

The Agency reviewed the:

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

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

- (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 a cost overrun for Project ID# G-8460-10 for construction of a new building on the hospital campus in Winston-Salem, to include eight (8) operating rooms (seven new and one relocated from the hospital main campus building), two procedure rooms, one robotic surgery training room, and one simulation operating room.

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 identifies a total of 10 of this type of facility located in North Carolina.

In Section O, page 92, the applicant states that, during the 18 months immediately preceding the submittal of the application, there were no incidents which resulted in a finding of immediate jeopardy at any of the facilities listed on Form O. According to

the files in the Acute and Home Care Licensure and Certification Section, DHSR, during the 18 months immediately preceding submission of the application through the date of this decision, incidents related to quality of care occurred in one of these facilities; however, the facility is now back in compliance. After reviewing and considering information provided by the applicant and by the Acute and Home Care Licensure and Certification Section and considering the quality of care provided at all 10 facilities, the applicant provided sufficient evidence that quality care has been provided in the past. Therefore, the application is conforming to this criterion.

(21) Repealed effective July 1, 1987.

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

NA

The applicant proposes a cost overrun (COR) for previously approved Project ID #G-8460 -10 (construction of a new building on the hospital campus in Winston -Salem, to include eight (8) operating rooms (seven new and one relocated from the hospital main campus building) two procedure rooms, one robotic surgery training room, and one simulation operating room, pursuant to Policy AC-3).

The Criteria and Standards for Computed Tomography Equipment promulgated in 10A NCAC 14C .2300 were applicable to originally approved Project ID #G-8460-10 which was found to be conforming upon settlement. The administrative rules promulgated in 10A NCAC 14C .2300 were repealed on January 1, 2022. There are no administrative rules applicable to this review.