

ATTACHMENT - REQUIRED STATE AGENCY FINDINGS

FINDINGS

C = Conforming

CA = Conditional

NC = Nonconforming

NA = Not Applicable

Decision Date: September 19, 2023

Findings Date: September 19, 2023

Project Analyst: Cynthia Bradford

Team Leader: Lisa Pittman

Project ID #: F-12390-23

Facility: CaroMont Regional Medical Center

FID #: 943184

County: Gaston

Applicants: Gaston Memorial Hospital, Incorporated
CaroMont Health, Inc.

Project: Develop no more than 24 additional acute care beds pursuant to the 2023 SMFP need determination for a total of no more than 423 beds upon completion of this project, Project ID# F-11749-19 (develop a new hospital by relocating no more than 21 acute care beds from CRMC and developing 33 acute care beds pursuant to the need determination in the 2019 SMFP), and Project ID# F-11894-20, (add 64 acute care beds pursuant to the need determination in the 2020 SMFP)

REVIEW CRITERIA FOR NEW INSTITUTIONAL HEALTH SERVICES

N.C. Gen. Stat. §131E-183(a) The Agency 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

Gaston Memorial Hospital, Incorporated (GMH) and CaroMont Health, Inc. (CaroMont), hereinafter referred to as “the applicant,” propose to develop no more than 24 additional acute care beds pursuant to the 2023 SMFP need determination for a total of no more than 423 beds upon completion of this project, Project ID# F-11749-19 (develop a new hospital by relocating no more than 21 acute care beds from CRMC and developing 33 acute care beds pursuant to the need determination in the 2019 SMFP), and Project ID# F-11894-20 (add 64 acute care beds pursuant to the need determination in the 2020 SMFP).

Need Determination

Chapter 5 of the 2023 SMFP includes a methodology for determining the need for additional acute care beds in North Carolina by service area. Table 5B on page 44 of the 2023 SMFP includes an acute care bed need determination for 48 additional acute care beds in the Gaston County service area. The 2023 SMFP, on page 34, states:

“A person who proposes to operate additional acute care beds in a hospital must show that the hospital that will provide:

- (1) a 24-hour emergency services department,*
- (2) inpatient medical services to both surgical and non-surgical patients, and*
- (3) if proposing a new licensed hospital, medical and surgical services on a daily basis within at least five of the major diagnostic categories as recognized by the Centers for Medicare and Medicaid services (CMS) as follows: ...” [as listed on pages 34-35 of the 2023 SMFP]*

CaroMont Regional Medical Center is an existing acute care hospital that meets all of these qualifications. Therefore, based on the information provided by the applicant, the applicant is qualified to apply for a certificate of need to develop the acute care beds.

The applicant does not propose to develop more new acute care beds than are determined to be needed in the 2023 SMFP for the Gaston County service area. Therefore, the application is consistent with the need determination.

Policy

There are two policies in the 2023 SMFP applicable to this review: *Policy GEN-3: Basic Principles*, and *Policy GEN-4: Energy Efficiency and Sustainability for Health Service Facilities*.

Policy GEN-3, on pages 30-31 of the 2023 SMFP, states:

“A certificate of need applicant applying to develop or offer a new institutional health service for which there is a need determination in the North Carolina State Medical Facilities Plan shall demonstrate how the project will promote safety and quality in the delivery of health care services while promoting equitable access and maximizing healthcare value for resources expended. A certificate of need applicant shall document its plans for providing access to services for patients with limited financial resources and demonstrate the availability of capacity to provide these services. A certificate of need applicant shall also document how its projected volumes incorporate these concepts in meeting the need identified in the State Medical Facilities Plan as well as addressing the needs of all residents in the proposed service area.”

Promote Safety and Quality

The applicant describes how it believes the proposed project will promote safety and quality in Section B pages 24-30, Section N.2, page 107, and referenced exhibits. The information provided by the applicant is reasonable and supports the determination that the applicant's proposal will promote safety and quality.

Promote Equitable Access

The applicant describes how it believes the proposed project will promote equitable access in Section B, pages 31-33; Section C page 61; Section L, page 102; Section N, page 108, and referenced exhibits. The information provided by the applicant is reasonable and supports the determination that the applicant's proposal will promote equitable access.

Maximize Healthcare Value

The applicant describes how it believes the proposed project will maximize healthcare value in Section B page 34; Section K, page 95, Section N, page 107; the applicant's pro forma financial statements in Section Q and referenced exhibits. The information provided by the applicant with regard to its efforts to maximize healthcare value is reasonable and supports the determination that the applicant's proposal will maximize healthcare value.

The information provided by the applicant is reasonable and adequately demonstrates how its proposal incorporates the concepts of quality, equitable access and maximum value for resources expended in meeting the need identified in the 2023 SMFP. Therefore, the application is consistent with Policy GEN-3.

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

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

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

Any person awarded a certificate of need for a project or an exemption from review pursuant to G.S. 131E-184 is required to submit a plan for energy efficiency and water conservation that conforms to the rules, codes and standards implemented by the Construction Section of the Division of Health Service Regulation. The plan must be

consistent with the applicant's representation in the written statement as described in paragraph one of Policy GEN-4. The plan shall not adversely affect patient or resident health, safety, or infection control."

The capital expenditure of the project is over \$5 million. In Section B, page 35, the applicant describes its plan to ensure energy efficiency and water conservation. The applicant adequately demonstrates that the application includes a written statement describing the project's plans to ensure improved energy efficiency and water conservation. Therefore, the application is consistent with Policy GEN-4.

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 based on the following reasons:

- The applicant does not propose to develop more acute care beds than are determined to be needed in the service area.
- The applicant adequately demonstrates that the proposal is consistent with Policy GEN-3 because the applicant adequately demonstrates how its proposal incorporates the concepts of quality, equitable access, and maximum value for resources expended in meeting the need for the proposed services as identified by the applicant.
- The applicant adequately demonstrates that the proposal is consistent with GEN-4 because the applicant adequately demonstrates that the application includes a written statement describing the project's plan to assure improved energy efficiency and water conservation.

(2) Repealed effective July 1, 1987.

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

C

The applicant proposes to develop no more than 24 additional acute care beds pursuant to the 2023 SMFP need determination for a total of no more than 423 beds upon project completion.

Patient Origin

On page 31, the 2023 SMFP defines the service area for acute care beds as “the service area in which the bed is located. The acute care bed service areas are the single and multicounty groupings shown in Figure 5.1.” The acute care beds are proposed to be located at CaroMont Regional Medical Center which is in Gaston County. Gaston County is depicted as a single county service area in Figure 5.1. Thus, the service area for the proposed new acute care beds is Gaston County. Facilities may also serve residents of counties not included in their service area.

The applicant defines its area of patient origin as selected ZIP codes in Gaston, Catawba, Cleveland, Lincoln, Mecklenburg, and Rutherford counties in North Carolina and York County in South Carolina. On page 42 of the application, the applicant grouped these ZIP codes into regions, which are listed in the table below.

CRMC Projected Area of Patient Origin	
Region	ZIP Codes
East	28012, 28032, 28120, 28164, 28214, 28216, and 28278
South	29710, 29703, and 29745
Northeast	28006 and 28037
Central & West	28016, 28017, 28020, 28021, 28033, 28034, 28038, 28042, 28052-28056, 28073, 28077, 28080, 28086, 28089, 28090, 28092, 28093, 28098, 28101, 28114, 28136, 28150-28152, 28168, and 28169

Source: Section C, page 42

The following table illustrates historical patient origin for acute inpatient discharges at CRMC for the last full fiscal year.

Historical Acute Care Bed Discharges	CaroMont Regional Medical Center	
	Last Full FY 07/01/2021 – 06/30/2022	
East	3,880	19.9%
South	947	4.9%
Northeast	84	0.4%
Central and West	13,725	70.5%
Other	825	4.2%
Total	19,461	100.0%

The following table illustrates projected patient origin for acute inpatient discharges for three full fiscal years following project completion.

CaroMont Regional Medical Center						
Projected Acute Care Bed Discharges	First Full FY of Operation following Project Completion (7/1/2026 to 6/30/2027)		Second Full FY of Operation following Project Completion (7/1/2027 to 6/30/2028)		Third Full FY of Operation following Project Completion (7/1/2028 to 6/30/2029)	
	# of Patients	% of Total	# of Patients	% of Total	# of Patients	% of Total
East	4,302	20.9%	4,441	21.2%	4,527	21.3%
South	1,294	6.3%	1,385	6.6%	1,428	6.7%
Northeast	177	0.9%	203	1.0%	209	1.0%
Central & West	13,926	67.7%	14,075	67.0%	14,218	66.8%
Other	872	4.2%	890	4.2%	902	4.2%
Total	20,572	100.0%	20,995	100.0%	21,284	100.0%

Source: Section C, page 42.

On page 43, the applicant provides the assumptions and methodology used to project its patient origin. The applicant’s assumptions are reasonable and adequately supported.

The following table illustrates projected patient discharges for the entire CRMC campus for three full fiscal years following project completion.

CaroMont Regional Medical Center						
Entire Facility or Campus	First Full FY of Operation following Project Completion (7/1/2026 to 6/30/2027)		Second Full FY of Operation following Project Completion (7/1/2027 to 6/30/2028)		Third Full FY of Operation following Project Completion (7/1/2028 to 6/30/2029)	
	# of Patients	% of Total	# of Patients	% of Total	# of Patients	% of Total
East	54,513	19.5%	54,965	19.5%	55,422	19.5%
South	9,753	3.5%	9,834	3.5%	9,916	3.5%
Northeast	10,206	3.6%	10,291	3.6%	10,377	3.6%
Central & West	199,611	71.3%	201,268	71.3%	202,939	71.3%
Other	5,723	2.0%	5,770	2.0%	5,818	2.0%
Total	279,806	100.0%	282,129	100.0%	284,471	100.0%

Source: Section C, page 43

In Section Q, Form C.1b, the applicant provides the assumptions and methodology used to project its patient origin. The applicant’s assumptions are reasonable and adequately supported.

Analysis of Need

In Section C, pages 45-54, the applicant explains why it believes the population projected to utilize the proposed services needs the proposed services, as summarized below:

- The 2023 SMFP shows a need determination for 48 acute care beds in Gaston County. (see Table 5B, page 44, of the 2023 SMFP)

- According to the North Carolina Office of State Budget and Management (NC OSBM), the population of Gaston County grew 7.8 percent between 2018 and 2023, including a growth rate of 16 percent for the population age 65 and older. While the population growth of Gaston County is expected to slow between 2023 and 2028, NC OSBM still projects an overall population growth of 3.5 percent, including a growth rate of 12 percent for the population age 65 and older. (page 46)
- The applicant cites federal data showing the population age 65 and older had more discharges, a higher use rate, and higher numbers of overnight hospital stays greater than three nights than any other age group. (page 46)
- Economic development in Gaston County is increasing, with road upgrades and expansions approved and under development, and other businesses developing and opening in the area; the applicant states this necessitates preparation for sufficient healthcare infrastructure. (page 49)
- According to The County Health Rankings & Roadmaps program, Gaston County ranks 58th out of 100 counties in NC for health outcomes and 54th out of 100 counties in NC for health factors; in comparison, Mecklenburg County ranks 6th and 9th, respectively. (page 50)
- CRMC utilization has increased for both inpatient and outpatient services, which drives the need determination for additional acute care beds. (page 54)

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

- The applicant uses clearly cited and reasonable historical and demographic data to identify the population to be served, its projected growth, and the need the identified population has for the proposed services.
- The applicant's historical growth in utilization created the current need determination for 48 additional acute care beds in the 2023 SMFP for the Gaston County Acute Care Bed Service Area.

Projected Utilization

In Section Q, the applicant provides historical, interim, and projected utilization for CRMC, as illustrated in the following table.

Historical Utilization and Interim Utilization			
CRMC Total Acute Care Beds	Last Full FY 7/1/21 -6/30/22	Interim Full FY 7/1/24 -6/30/25	Interim Full FY 7/1/25 -6/30/26
# of Beds	356	397	397
# Admissions	19,461	18,441	20,161
# of Patient Days	107,425	104,745	114,516
Average Length of Stay	5.52	5.68	5.68
Occupancy Rate	82.7%	72.3%	79.0%

Source: Section Q, Form C.1a

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

Projected Acute Care Bed Utilization

- The applicant obtained historical and projected population data for its service area from Esri Demographics, calculated Compound Annual Growth Rates (CAGR) for population growth by ZIP code, and projected population growth through the end of the third full fiscal year. The applicant also calculated the inpatient discharge use rate per 1,000 people by dividing its historical inpatient discharges (obtained from CaroMont Health) by the historical population and multiplied by 1,000. The applicant adjusted projected use rates based on its own historical trends, projected future market changes, and external data (The Advisory Board).
- The applicant obtained the historical inpatient market discharges from HIDI (Hospital Industry Data Institute) for its service area for 2022. The applicant then calculated discharge use rate per 1000 population and factored in The Advisory Board projection models.
- The applicant then projected inpatient market discharges for the interim year 2023 through the third FFY 2029.
- The applicant then obtained its inpatient discharges from HIDI for 2022.
- The applicant then calculated CRMC market share including factoring in the development of CRMC and the increase in bed capacity at CRMC.
- The applicant then projected CRMC and CRMC-Belmont discharges.

In Section Q, Form C.1b, the applicant provides projected utilization for CRMC as illustrated in the following tables.

Projected Utilization Upon Project Completion			
CRMC-Gastonia Acute Care Beds	First Full FY	Second Full FY	Third Full FY
	7/1/26 -6/30/27	7/1/27 -6/30/28	7/1/25 -6/30/29
# of Beds	423	423	423
# Discharges	20,572	20,995	21,284
# of Patient Days	116,847	119,249	120,894
Average Length of Stay	5.68	5.68	5.68
Occupancy Rate	75.7%	77.2%	78.3%

Source: Section Q, Form C.1b

Projected Utilization for CRMC – All Facilities			
CRMC All Facilities Total Acute Care Beds	First Full FY	Second Full FY	Third Full FY
	7/1/26 -6/30/27	7/1/27 -6/30/28	7/1/25 -6/30/29
# of Beds	501	501	501
# Discharges	24,680	25,987	26,336
# of Patient Days	132,505	138,204	140,150
Average Length of Stay	4.65	4.65	4.65
Occupancy Rate	72.5%	75.6%	76.6%

Source: Section Q, Form C.1b, Step 5 on pdf page 133 & 134

As shown in the table above, in the third fiscal year following completion of the project, the applicant projects that the average occupancy rate for all acute care beds owned by the applicant in Gaston County will be 78.3 percent. This meets the standard promulgated in 10A NCAC 14C .3803(a), which requires an applicant proposing to add new acute care beds to project an occupancy rate of at least 75.2 percent for health systems with a combined ADC of 201-399.

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

- The applicant operates the only hospital in Gaston County. Based on the applicant’s historical utilization and growth, the 2023 SMFP shows a need for 48 additional acute care beds in Gaston County. This need determination was driven entirely by historical utilization at the applicant’s existing facility.
- The applicant uses population, market share, and inpatient discharge rates supported by historical data and external industry sources. (pages 46-54)
- The applicant factored in the development of CRMC-Main and CRMC-Belmont (Project IDs F-11749-19 and F-11894-20).

The applicant meets the performance standard 10A NCAC 14C .3803(a), which requires an applicant proposing to add new acute care beds to project an occupancy rate of at least 75.2 percent for health systems with a combined ADC of 201-399. The applicant’s average occupancy rate during FFY3 is 78.3%

Access

In Section C, page 60, the applicant states:

“CaroMont Health makes hospital services accessible to indigent patients without regard to ability to pay. All CaroMont Health facilities and physicians provide services to all residents regardless of race/ethnicity, sex, physical or mental ability, age, and/or source of payment. ...

Acute care services will be available at CRMC to patients regardless of their race/ethnicity, sex, gender, sexual orientation, language, culture, national origin, source of payment, age, religious preference or disabilities.”

In Section C, page 60, the applicant projects an estimated percentage for each medically underserved group during the third full fiscal year of operation following completion of the project, as illustrated in the following table.

Group	Estimated Percentage of Total Patients during the Third Full Fiscal Year (07/01/2028 – 06/30/2029)
Low-income persons	18.6%
Racial and ethnic minorities	27.3%
Women	61.0%
Persons 65 and older	59.4%
Medicare beneficiaries	59.4%
Medicaid recipients	10.7%

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

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 identifies the population to be served.
- The applicant adequately explains why the population to be served needs the services proposed in this application.
- Projected utilization is reasonable and adequately supported.
- The applicant projects the extent to which all residents, including underserved groups, will have access to the proposed services (payor mix) and adequately supports its assumptions.

- (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, handicapped persons, and other underserved groups and the elderly to obtain needed health care.

NA

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

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

C

The applicant proposes to develop no more than 24 additional acute care beds pursuant to the 2023 SMFP need determination for a total of no more than 423 beds upon project completion.

In Section E, pages 71-73, the applicant describes the alternatives it 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 the current utilization at CRMC is projected to be 75.5% based on FY 2023 annualized data. CRMC is projecting a utilization rate of 78.3% in FY 2029; therefore, this is not an effective alternative.
- Backfilling Vacant Rooms as CRMC- the applicant states that the vacant rooms were built approximately 50 years ago and do not meet current safety or construction code requirements for licensed beds. Back filling will require extensive planning and renovations to bring them back into code; therefore, this is not an effective alternative.
- Construct a New Hospital in West Gaston County – Constructing a new hospital in western Gaston County would actually result in decreased patient access to care while incurring unnecessary and avoidable construction costs; 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 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. Gaston Memorial Hospital, Incorporated and CaroMont Health, Inc. (hereinafter the certificate holder) shall materially comply with all representations made in the certificate of need application.**
- 2. The certificate holder shall develop no more than 24 additional acute care beds at CaroMont Regional Medical Center for a total of no more than 423 beds upon project completion.**
- 3. Upon completion of this project, and Project ID# F-11749-19 (develop a new hospital by relocating no more than 21 acute care beds from CRMC and developing 33 acute care beds pursuant to the need determination in the 2019 SMFP, and Project ID# F-11894-20 (add 64 acute care beds pursuant to the need determination in the 2020 SMFP CaroMont Regional Medical Center shall be licensed for no more than 423 acute care beds.**
- 4. 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.**
- 5. 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.**
- 6. 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 February 1, 2024**
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.

C

The applicant proposes to develop no more than 24 additional acute care beds pursuant to the 2023 SMFP need determination for a total of no more than 423 beds upon project completion.

Capital and Working Capital Costs

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

	CRMC Capital Costs		
	Gaston Memorial Hospital, Inc.	CaroMont Health, Inc.	Total
Construction/ Renovation	\$0	\$17,814,925	\$17,814,925
Miscellaneous Costs	\$0	\$10,197,500	\$10,197,500
Total Capital Cost	\$0	\$28,012,425	\$28,012,425

In Section Q, the applicant provides the assumptions used to project the capital cost.

In Section F, page 76, the applicant states that there are no additional start-up costs or working capital needs for this project.

Availability of Funds

In Section F, page 75, the applicant states that the capital cost will be funded, as shown in the table below.

Sources of Capital Cost Financing		
Type	CaroMont Health, Inc.	Total
Loans	\$0	\$0
Accumulated reserves or OE *	\$28,012,425	\$28,012,425
Bonds	\$0	\$0
Other (Specify)	\$0	\$0
Total Financing	\$28,012,425	\$28,012,425

* OE = Owner's Equity

In Section F, page 78, the applicant states,

“CRMC does not project any additional initial operating period or initial operating costs.”

In Section F, page 75, the applicant states the capital cost and working capital cost of the proposed project, respectively, will be funded with the accumulated reserves and cash and cash equivalents of CaroMont Health, Inc.

In Exhibit F.2, the applicant provides a letter dated June 10, 2023, from the CFO for CaroMont Health, Inc., stating CaroMont Health, Inc. will commit \$28.1 million of its cash and cash equivalents to develop the proposed project and that per audited financials CaroMont Health has \$803.6 million in cash and cash equivalents.

Exhibit F.2 also contains a copy of the audited combined financial statements for CaroMont Health, Inc., and Affiliates for the years ending June 30, 2022 and 2021. According to the combined financial statements, as of June 30, 2022, CaroMont Health, Inc. had adequate cash and assets to fund the capital and working capital needs of the proposed project. The applicant adequately demonstrates availability of sufficient funds for the capital and working capital needs of the proposal.

Financial Feasibility

The applicant provided pro forma financial statements for the first three full fiscal years of operation following completion of the project. In Form F.2b, the applicant projects that for acute care beds operating expenses will not exceed revenues in the first three operating years of the project, as shown in the table below.

Projected Revenues and Net Income Upon Project Completion CRMC - Acute Care Beds	1st Full Fiscal Year 7/1/26-6/30/27	2nd Full Fiscal Year 7/1/24-6/30/28	3rd Full Fiscal Year 7/1/28-6/30/29
Total Patient Days	116,847	119,249	120,894
Total Gross Revenues (Charges)	\$457,683,566	\$490,447,378	\$522,075,524
Total Net Revenue	\$99,958,091	\$104,171,023	\$107,756,388
Average Net Revenue per Patient Days	\$855	\$874	\$891
Total Operating Expenses (Costs)	\$119,209,589	\$125,166,909	\$130,601,818
Average Operating Expense per Patient Days	\$1,020	\$1,049	\$1,080
Net Income*	(\$19,251,498)	(\$20,995,886)	(\$22,845,430)

Source: Section Q, Form F.2b

However, while the acute care bed service component shows expenses exceeding revenues for all three project years, CaroMont Health, including the acute care bed service component, overall shows revenues exceeding operating expenses for all three project years, as illustrated in the table below.

CaroMont Health and Affiliates	1 st Full Fiscal Year 7/1/26-6/30/27	2 nd Full Fiscal Year 7/1/24-6/30/28	3 rd Full Fiscal Year 7/1/28-6/30/29
Total Patient Services Net Revenue	\$998,990,358	\$1,023,965,117	\$1,049,564,245
Other Revenue [^]	\$20,644,711	\$20,851,158	\$21,059,670
Total Operating Expenses (Costs)	\$994,296,296	\$1,018,451,263	\$1,043,246,631
Net Income	\$25,338,773	\$26,365,011	\$27,377,283

Source: Section Q, Form F.2a and Form F.2b

[^] Other revenue is projected using historical trend and initiative projections

The assumptions used by the applicant in preparation of the pro forma financial statements are reasonable, including projected utilization, costs and charges. See Section Q of the application for the assumptions used regarding costs and charges. The discussion regarding projected utilization found in Criterion (3) is incorporated herein by reference.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

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

- The applicant adequately demonstrates that the capital and working capital costs are based on reasonable and adequately supported assumptions.
 - The applicant adequately demonstrates availability of sufficient funds for the capital and working capital needs of the proposal.
 - 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 costs and charges.
- (6) The applicant shall demonstrate that the proposed project will not result in unnecessary duplication of existing or approved health service capabilities or facilities.

C

The applicant proposes to develop no more than 24 additional acute care beds pursuant to the 2023 SMFP need determination for a total of no more than 423 beds upon project completion.

On page 32, the 2023 SMFP defines the service area for acute care beds as *“the service area in which the bed is located. The acute care bed service areas are the single and multicounty groupings shown in Figure 5.1.”* The acute care beds are proposed to be located at CaroMont Regional Medical Center which is in Gaston County. Gaston County is depicted as a single county service area in Figure 5.1. Thus, the service area for the proposed new acute care beds consists of Gaston County. Facilities may also serve residents of counties not included in their service area.

The applicant is the only provider of acute care beds in Gaston County.

In Section G, page 83, the applicant explains why it believes its proposal would not result in the unnecessary duplication of existing or approved acute care bed services in the defined service area. The applicant states:

“CRMC’s upfit plan will not result in the unnecessary duplication of any service component in the service area. CRMC is an existing acute care hospital, thus, all components necessary to operate as a licensed, acute care hospital already exist.”

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

- There is a need determination in the 2023 SMFP for the proposed 24 new acute care beds.
- The applicant adequately demonstrates that the proposed new 24 acute care beds are needed in addition to the existing or approved acute care beds.

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 the reasons stated above.

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

C

The applicant proposes to develop no more than 24 additional acute care beds pursuant to the 2023 SMFP need determination for a total of no more than 423 beds upon project completion.

In Section Q, Form H, the applicant provides historical 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.

CRMC Staff Positions	Historical FTE Staff	Projected FTE Staff	Projected FTE Staff
	Last Full Fiscal Year (7/1/21 – 6/30/22)	1st Full Fiscal Year (7/1/26 – 6/30/27)	3rd Full Fiscal Year (7/1/28 – 6/30/29)
Managers	45.8	43.6	47.7
Aides/Orderlies	157.9	150.4	164.4
Registered Nurses	412.5	431.7	471.9
Temporary Employees	114.6	70.3	76.9
Clerical	7.0	6.6	7.2
TOTAL	737.7	702.5	768.1

The assumptions and methodology used to project staffing are provided in Section Q, Form H. Adequate costs for the health manpower and management positions proposed by the applicant are budgeted in Form F.3, which is found in Section Q. In Section H.2 and H.3, Exhibit H.2, and on pages 85-86, the applicant describes the methods 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.

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.

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

C

The applicant proposes to develop no more than 24 additional acute care beds pursuant to the 2023 SMFP need determination for a total of no more than 423 beds upon project completion.

In Section I, page 88, the applicant identifies the necessary ancillary and support services for the proposed services. In Section I, pages 89-90, the applicant explains how each ancillary and

support service is made available. The applicant adequately demonstrates that the necessary ancillary and support services will be made available based on the following:

On pages 89-90, the applicant adequately explains how each ancillary and support service is or will be made available and provides supporting documentation in Exhibit I.1 (Tab 12).

In Section I, page 90, the applicant describes its existing and proposed relationships with other local health care and social service providers and provides supporting documentation in Exhibit I.2 (Tab 13).

The applicant adequately demonstrates that the proposed services will be coordinated with the existing health care system.

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.

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

NA

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

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

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

NA

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

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

C

The applicant proposes to develop no more than 24 additional acute care beds pursuant to the 2023 SMFP need determination for a total of no more than 423 beds upon project completion.

In Section K, page 93, the applicant states that the project involves renovating 33,366 square feet of existing space. Line drawings are provided in Exhibit K.2 (tab 14).

In Section K, page 94, the applicant adequately explains how the cost, design, and means of construction represent the most reasonable alternative for the proposal based on the following:

- The applicant states the 24 proposed acute care beds will be developed in existing space in the hospital and will require no renovation or capital cost.
- The applicant states CRMC's architect based his construction cost after a careful review of the project and on his experience with other similar projects.

On page 94, the applicant adequately explains why the proposal will not unduly increase the costs to the applicant of providing the proposed services or the costs and charges to the public for the proposed services based on the following:

- The applicant states the project will have a lower construction cost than a project developed in entirely new space, since most of the area requires only renovation rather than new construction.

In Section K, page 94, the applicant identifies the applicable energy saving features that will be incorporated into the construction plans and confirms that the applicant's project will

conform to or exceed current energy efficiency and water standards contained in the North Carolina State Building Codes.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

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

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

C

In Section L, page 97, the applicant provides the historical payor mix for the last full fiscal year prior to submission of application. This information is provided in the table below.

CaroMont Regional Medical Center	
07/01/2021 to 06/30/2022	
Payor Category	Percentage of Total Patients Served
Self-Pay	6.9%
Medicare*	51.1%
Medicaid*	12.7%
Insurance*	25.3%
Other	3.9%
Total	100.0%

* Including any managed plans

In Section L, page 98, the applicant provides the following comparison.

CaroMont Regional Medical Center	Percentage of Total Patients Served by the Facility or Campus during the Last Full FY	Percentage of the Population of the Service Area
Female	54.1%	51.6%
Male	45.9%	48.4%
64 and Younger	59.4%	83.6%
65 and Older	40.6%	16.4%
American Indian	0.2%	0.7%
Asian	0.4%	1.7%
Black or African American	18.5%	19.1%
Native Hawaiian or Pacific Islander	0.0%	0.1%
White or Caucasian	75.2%	76.0%
Other Race	5.4%	2.4%
Declined / Unavailable	0.2%	0.0%

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 handicapped persons 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.2, page 99, the applicant states:

“CRMC has had no patient civil rights equal access complaint filed in the past 18 months immediately preceding the application deadline.”

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 100, the applicant projects the following payor mix for the proposed services during the third full fiscal year of operation following completion of the project, as shown in the table below.

CaroMont Regional Medical Center Projected Payor Mix during the 3rd Full FY (07/01/2028 – 06/30/2029)		
Payor Category	Entire Facility as Percent of Total	Acute Care Beds as a Percent of Total
Self-Pay	6.9%	7.9%
Medicare*	51.1%	59.4%
Medicaid*	12.7%	10.7%
Insurance*	25.3%	18.2%
Other	3.9%	3.8%
Total	100.0%	100.0%

Source: Table on page 100 of the application.

*Including any managed care plans.

As shown in the table above, during the third full fiscal year of operation, for the entire facility the applicant projects that 6.9% of total services will be provided to self-pay patients, 51.1% to Medicare patients and 12.7% to Medicaid patients.

In Section L, page 101, 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 applicant relies on historical data from inpatient discharge data at CRMC to project future payor mix.

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 Section L, page 101, 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

In Section M, pages 103-104, the applicant describes the extent to which health professional training programs in the area will have access to the facility for training purposes and provides supporting documentation in Exhibit M.1 (tab 16).

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

Based on that review, the Agency concludes that the applicant adequately demonstrates that the proposed services does and will accommodate the clinical needs of area health professional training programs, and therefore, the application is conforming to this criterion.

- (15) Repealed effective July 1, 1987.
(16) Repealed effective July 1, 1987.
(17) Repealed effective July 1, 1987.
(18) Repealed effective July 1, 1987.
- (18a) The applicant shall demonstrate the expected effects of the proposed services on competition in the proposed service area, including how any enhanced competition will have a positive

impact upon the cost effectiveness, quality, and access to the services proposed; and in the case of applications for services where competition between providers will not have a favorable impact on cost-effectiveness, quality, and access to the services proposed, the applicant shall demonstrate that its application is for a service on which competition will not have a favorable impact.

C

The applicant proposes to develop no more than 24 additional acute care beds pursuant to the 2023 SMFP need determination for a total of no more than 423 beds upon project completion.

On page 32, the 2023 SMFP defines the service area for acute care beds as “*the service area in which the bed is located. The acute care bed service areas are the single and multicounty groupings shown in Figure 5.1.*” The acute care beds are proposed to be located at CaroMont Regional Medical Center-Belmont which is in Gaston County. Gaston County is depicted as a single county service area in Figure 5.1. Thus, the service area for the proposed new acute care beds consists of Gaston County. Facilities may also serve residents of counties not included in their service area.

The applicant is the only provider of acute care beds in Gaston County.

Regarding the expected effects of the proposal on competition in the service area, in Section N, page 106, the applicant states:

“CaroMont Health expects the development of acute care beds in the Central Tower to have a positive impact on competition in the service area.”

Regarding the impact of the proposal on cost effectiveness, in Section N, page 106, the applicant states:

“CaroMont Health projects to increase its overall volume of services in the service area region, which will increase utilization of acute care beds and of existing services offered at CRMC, resulting in greater economies of scale and efficiencies.”

Regarding the impact of the proposal on quality, in Section N, page 107, the applicant states:

“CaroMont Health is committed to providing the safest and highest quality of care by striving to eliminate patient harm. The Quality Assurance and Performance Improvement Plan provides a framework of support for the organization’s commitment to developing and sustaining a culture of high reliability.”

Regarding the impact of the proposal on access by medically underserved groups, in Section N, page 107, the applicant states:

“All CaroMont Health facilities and physicians provide services to all residents regardless of race/ethnicity, sex, physical or mental ability, age, and/or source of payment.”

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

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

Conclusion

The Agency reviewed the:

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

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

Conclusion

The Agency reviewed the:

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

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

In Section Q, Form O, 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 two of this type of facility located in North Carolina, CRMC and CRMC-Belmont.

In Section O, page 113, the applicant states that, during the 18 months immediately preceding the submittal of the application, there were no incidents related to quality of care or which resulted in a finding of immediate jeopardy at any CRMC facility. According to the files in the Acute and Home Care Licensure and Certification Section, during the 18 months immediately preceding submission of the application through the date of this decision, incidents related to quality of care did not occur at CRMC or CRMC-Belmont. 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 CRMC, 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.
- (b) The Department is authorized to adopt rules for the review of particular types of applications that will be used in addition to those criteria outlined in subsection (a) of this section and may vary according to the purpose for which a particular review is being conducted or the type of health service reviewed. No such rule adopted by the Department shall require an academic medical center teaching hospital, as defined by the State Medical Facilities Plan, to demonstrate that any facility or service at another hospital is being appropriately utilized in order for that academic medical center teaching hospital to be approved for the issuance of a certificate of need to develop any similar facility or service.

C

The application is conforming with all applicable Criteria and Standards for Acute Care Beds promulgated in 10A NCAC 14C .3800. The specific criteria are discussed below.

SECTION .3800 – CRITERIA AND STANDARDS FOR ACUTE CARE BEDS

10A NCAC 14C .3801 DEFINITIONS

The following definitions shall apply to this Section:

- (1) “Applicant hospital” means the hospital where the applicant proposes to develop the new acute care beds and includes all campuses on one license.
- (2) “Approved beds” means acute care beds in a hospital that were issued a certificate of need but are not licensed as of the application deadline for the review period.
- (3) “Average daily census (ADC)” means the total number of acute care days of care provided during a full fiscal year of operation divided by 365 days.
- (4) “Existing beds” means acute care beds in a hospital that are licensed as of the application deadline for the review period.

- (5) "Hospital system" means all hospitals in the proposed service area owned or operated by the applicant or a related entity.
- (6) "Occupancy rate" means the ADC divided by the total number of existing, approved and proposed acute care hospital beds.
- (7) "Proposed beds" means the acute care beds proposed to be developed in a hospital in the application under review.
- (8) "Qualified applicant" shall have the same meaning as defined in the annual State Medical Facilities Plan in effect as of the first day of the review period.
- (9) "Service area" shall have the same meaning as defined in the annual State Medical Facilities Plan in effect as of the first day of the review period.
- (10) "Target occupancy percentage" means:
- (a) 66.7 percent if the ADC is less than 100;
 - (b) 71.4 percent if the ADC is 100 to 200;
 - (c) 75.2 percent if the ADC is 201 to 399; or
 - (d) 78.0 percent if the ADC is greater than 400.

10A NCAC 14C .3803 PERFORMANCE STANDARDS

An applicant proposing to develop new acute care beds in a hospital pursuant to a need determination in the annual State Medical Facilities Plan in effect as of the first day of the review period shall:

- (1) document that it is a qualified applicant;
- C- In Section A, page 15, and in Exhibit A.1 the applicant documents that it is a qualified applicant.
- (2) provide projected utilization of the existing, approved, and proposed acute care beds for the applicant hospital during each of the first three full fiscal years of operation following completion of the project;
- C- The applicant provides projected utilization of the existing, approved and proposed acute care beds for CRMC during each of the first three full fiscal years of operation following completion of the project. The discussion regarding projected utilization found in Criterion (3) is incorporated herein by reference. Therefore, the application is conforming with this Rule.
- (3) project an occupancy rate of the existing, approved, and proposed acute care beds for the applicant hospital during the third full fiscal year of operation following completion of the project that equals or exceeds the target occupancy percentage;

- C- The applicant provides the projected occupancy rate of the existing, approved and proposed acute care beds for CRMC during each of the first three full fiscal years of operation following completion of the project that exceeds the target occupancy percentage. The discussion regarding projected target occupancy found in Criterion (3) is incorporated herein by reference. Therefore, the application is conforming with this Rule.

(4) provide projected utilization of the existing, approved, and proposed acute care beds for the hospital system during each of the first three full fiscal years of operation following completion of the project;

- C- The applicant provides projected utilization of the existing, approved and proposed acute care beds for CRMC hospital system during each of the first three full fiscal years of operation following completion of the project. The discussion regarding projected utilization found in Criterion (3) is incorporated herein by reference. Therefore, the application is conforming with this Rule.

(5) project an average occupancy rate of the existing, approved, and proposed acute care beds for the hospital system during the third full fiscal year of operation following completion of the project that equals or exceeds the target occupancy percentage; and

- C- The applicant provides the projected occupancy rate of the existing, approved and proposed acute care beds for CRMC hospital system during each of the first three full fiscal years of operation following completion of the project that exceeds the target occupancy percentage. The discussion regarding projected target occupancy found in Criterion (3) is incorporated herein by reference. Therefore, the application is conforming with this Rule.

(6) provide the assumptions and methodology used to project the utilization and occupancy rates required in Items (2), (3), (4), and (5) of this Rule.

- C- See Section C, pages 45-54, for the applicant's discussion of need and Section Q for the applicant's data, assumptions, and methodology used to project utilization of acute care beds and occupancy rates. The discussion regarding projected utilization and occupancy rates found in Criterion (3) is incorporated herein by reference.