

## REQUIRED STATE AGENCY FINDINGS

### FINDINGS

C = Conforming

CA = Conforming as Conditioned

NC = Nonconforming

NA = Not Applicable

Decision Date: July 26, 2024

Findings Date: July 26, 2024

Project Analyst: Cynthia Bradford

Co-Signer: Lisa Pittman

Project ID #: J-12480-24

Facility: UNC Health Johnston-Clayton Campus

FID #: 61348

County: Johnston

Applicant(s): Johnston Health Services Corporation

Project: Develop no more than 12 additional acute care beds pursuant to the 2024 SMFP adjusted need determination, relocate no more than 15 acute care beds, three Level II neonatal beds, and one C-Section OR from the Smithfield campus, and add three new neonatal beds for a total of 83 acute care beds, including six neonatal beds, and two C-Section ORs.

### REVIEW CRITERIA

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

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

NC

The Johnston Health Services Corporation (hereinafter UNC Health Johnston or “the applicant”) proposes to add 12 acute care beds to UNC Health Johnston-Clayton Campus (“UNC Clayton”), an existing acute care hospital, to develop no more than 12 additional acute care beds pursuant to the 2024 SMFP adjusted need determination, relocate no more than 15 acute care beds, three Level II neonatal beds, and one C-Section OR from the Smithfield campus, and add three new neonatal beds for a total of 83 acute care beds, including six neonatal beds, and two C-Section ORs upon project completion. The applicant submitted an application (Project ID# J-12483-24) in concurrence with this application to add the remaining

12 acute beds in the 2024 SMFP adjusted need determination to UNC Health Johnston (“UNC Johnston”), a separate campus under the UNC Health Johnston license.

### **Need Determination**

Chapter 5 of the 2024 State Medical Facilities Plan (SMFP) includes a methodology for determining the need for additional acute care beds in North Carolina by service area. Application of the need methodology in the 2024 SMFP identified a need for 24 additional acute care beds in the Johnston County service area.

Only certain persons can be approved to develop new acute care beds in a hospital. On page 34, the 2024 SMFP states:

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

1. *a 24-hour emergency services department;*
2. *inpatient medical services to both surgical and non-surgical patients; and*
3. *if proposing a new licensed hospital, medical and surgical services on a daily basis within at least five of the following major diagnostic categories (MDC) recognized by the Centers for Medicare & Medicaid services (CMS) listed below... [listed on pages 34-35 of the 2024 SFMP].”*

The applicant does not propose to develop more acute care beds than are determined to be needed in Johnston County. In Section B, page 25, the applicant adequately demonstrates that it meets the requirements imposed on persons proposing to operate additional acute care beds in a hospital as outlined in Chapter 5 of the 2024 SMFP.

### **Policies**

There are two Policies in the 2024 SMFP which are applicable to this review.

*Policy GEN-3: Basic Principles*, on page 29 of the 2024 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.”*

In Section B, pages 27-31, the applicant explains why it believes its application is consistent with Policy GEN-3. On page 31, the applicant states:

*“...the proposed project incorporates the concepts of safety, quality, access, and maximum value for resources expended. The need for additional acute care services is driven by capacity constraints at UNC Health Johnston – Clayton Campus...the projected utilization demonstrates the need for the proposed project.”*

Policy GEN-4: Energy Efficiency and Sustainability for Health Service Facilities, on page 30 of the 2024 SMFP, states:

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

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

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

The proposed capital expenditure for this project is greater than \$5 million. In Section B, pages 32-33, the applicant provides a written statement describing the project’s plan to improve energy efficiency and conserve water.

However, the applicant’s projected utilization during the third operating year does not meet the required threshold of 66.7% for applicants with a combined average daily census (ADC) of less than 100 as required by 10A NCAC 14C.3803(3).

### **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 not conforming to this criterion.

- (2) Repealed effective July 1, 1987.
- (3) The applicant shall identify the population to be served by the proposed project, and shall demonstrate the need that this population has for the services proposed, and the extent to which all residents of the area, and, in particular, low income persons, racial and ethnic minorities, women, ... persons [with disabilities], the elderly, and other underserved groups are likely to have access to the services proposed.

NC

The applicant proposes to develop no more than 12 additional acute care beds pursuant to the 2024 SMFP adjusted need determination, relocate no more than 15 acute care beds, three Level II neonatal beds, and one C-Section OR from the Smithfield campus, and add three new neonatal beds for a total of 83 acute care beds, including six neonatal beds, and two C-Section ORs upon project completion.

**Patient Origin**

On page 32, the 2024 SMFP defines the service area for acute care beds as “... *the single or multicounty grouping shown in Figure 5.1.*” Figure 5.1, on page 36, shows Johnston County as its own acute care bed service area. Thus, the service area for this facility is Johnston County. Facilities may also serve residents of counties not included in their service area.

The following tables illustrate historical and projected patient origin.

<b>UNC Health Johnston- Clayton Campus Acute Care Beds Historical Patient Origin</b>		
<b>Last Full FY 07/01/2022 to 06/30/2022</b>		
	<b># of Patients</b>	<b>% of Total</b>
Johnston	2,242	71.4%
Wake	468	14.9%
Harnett	144	4.6%
Wayne	82	2.6%
Sampson	38	1.2%
Other^	166	5.3%
<b>Total</b>	<b>3,140</b>	<b>100.0%</b>

Source: Section C, page 39

^Includes 31 NC counties and other states.

<b>UNC Health Johnston- Clayton Campus Acute Care Beds Projected Patient Origin</b>						
<b>County</b>	<b>1<sup>st</sup> Full FY</b>		<b>2<sup>nd</sup> Full FY</b>		<b>3<sup>rd</sup> Full FY</b>	
	<b>07/01/2028- 06/30/2029</b>		<b>07/01/2029- 06/30/2030</b>		<b>07/01/2030- 06/30/2031</b>	
	<b>FY 2029</b>		<b>FY 2030</b>		<b>FY 2031</b>	
	<b># of Patients</b>	<b>% of Total</b>	<b># of Patients</b>	<b>% of Total</b>	<b># of Patients</b>	<b>% of Total</b>
Johnston	3,828	70.7%	3,998	70.7%	4,176	70.7%
Wake	706	13.0%	740	13.0%	775	13.0%
Harnett	259	4.8%	271	4.8%	283	4.8%
Wayne	238	4.4%	245	4.4%	254	4.4%
Sampson	106	2.0%	110	2.0%	114	2.0%
Other^	280	5.2%	292	5.2%	305	5.2%
<b>Total</b>	<b>5,417</b>	<b>100.0%</b>	<b>5,656</b>	<b>100.0%</b>	<b>5,907</b>	<b>100.0%</b>

Source: Section C, page 41

^Includes 31 NC counties and other states.

In Section C, page 41, the applicant provides the assumptions and methodology used to project its patient origin. The applicant’s assumptions are reasonable and adequately supported based on the following:

- The applicant assumes that the proposed project would not impact patient origin and projects patient origin-based FY 2023 patient origin.
- The applicant projects a 2.2 percent growth that is consistent with the projected population growth in Johnston County.

**Analysis of Need**

In Section C, page 43-64, the applicant explains why it believes the population projected to utilize the proposed services needs the proposed services, as summarized below.

- The proposed project is in response to a need determination in the 2024 SMFP for 24 additional acute care beds in Johnston County. (page 44)
- The projected growth and aging of the population in Johnston County. (pages 44-50)
- The need to expand acute care services in Johnston County is based on the recent rapid growth of patient days, the existing capacity constraints that cause patients to stay in the ED. (page 50-56) and
- UNC Health Johnston’s initiatives to expand services that will increase patient volumes. (page 56-64)

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

- There is an adjusted need determination in the 2024 SMFP for 24 additional acute care beds in Johnston County.

- The applicant provides reliable data, makes reasonable statements about the data, and uses reasonable assumptions about the data to demonstrate the projected population growth in the area and the projected growth of the population age 65 and older in the area.
- The applicant provides evidence of challenges in patient care it experiences as the result of existing capacity constraints.

Projected Utilization

In Section Q, Utilization, pages 1-3, and page 10, the applicant provides historical and projected utilization for UNC Health Johnston Clayton and UNC Health Johnston, as illustrated in the following tables.

<b>UNC Health Johnston- Clayton Campus Historical and Projected Utilization</b>					
	<b>FY 2023</b>	<b>FY 2028</b>	<b>FY 2029 (PY1)</b>	<b>FY 2030 (PY2)</b>	<b>FY 2031 (PY3)</b>
# of Beds	50	83	83	83	83
# of Discharges	3,140	4,591	5,417	5,656	5,907
# of Patients Days	11,368	15,400	17,290	18,092	18,933
ALOS**	3.6	3.4	3.2	3.2	3.2
Occupancy Rate	62.3%	50.8%	57.1%	59.7%	<b>62.5%</b>

\*\*ALOS = Average Length of Stay (in days)

However, the applicant’s projected utilization during the third operating year does not meet the required threshold of 66.7% for applicants with a combined average daily census (ADC) of less than 100 as required by 10A NCAC 14C.3803(3).

In Section Q, pages 1-20, the applicant provides the assumptions and methodology used to project utilization, which is summarized below.

***Historical Utilization***

According to UNC Health Johnston internal data, total acute care bed days representing both campuses on the UNC Health Johnston license grew significantly from FY 2019 to FY 2024, annualized. The total acute care days increased at a 6.1 percent compound annual growth rate (CAGR) over that period of time, as shown in the table below.

<b>UNC Health Johnston License Historical Acute Care Bed Utilization</b>							
	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024*	CAGR
Acute Care Days	34,088	34,021	41,401	42,850	43,831	45,887	6.1%
Licensed Acute Care Beds***	179	179	179	179	179	179	
ADC	93	93	113	117	120	126	
Discharges	9,728	9,587	9,626	9,545	9,862	10,712	
ALOS	3.5	3.5	4.3	4.5	4.4	4.3	
Occupancy %	52.2%	52.1%	63.4%	65.6%	67.1%	70.2%	

Source: Section Q, page 2

\* FY 2024 figures annualized from partial year of data (July – November 2023)

\*\*\* For the purposes of and applicability to the analysis to follow, UNC Health Johnston has included Level II neonatal beds in its totals for licensed beds as it is proposing to increase the number of neonatal beds as part of the project at the Clayton campus.

### ***UNC Health Johnston – Smithfield Campus***

UNC Health Johnston – Smithfield Campus’s acute care days grew at a 6.6 percent CAGR, while UNC Health Johnston – Clayton Campus’s acute care days grew at a 5.0 percent CAGR. Both campuses also experienced increases in ADC, ALOS, and occupancy rate, all of which drive the need for additional acute care beds at both campuses, as shown in the tables below.

<b>UNC Health Johnston – Smithfield Campus Historical Acute Care Bed Utilization</b>							
	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024*	CAGR
Acute Care Days	24,652	25,260	31,505	31,542	32,463	33,863	6.6%
Licensed Acute Care Beds***	129	129	129	129	129	129	
ADC	68	69	86	86	89	93	
Discharges	6,432	6,521	6,571	6,474	6,722	7,281	
ALOS	3.8	3.9	4.8	4.9	4.8	4.7	
Occupancy %	52.4%	53.6%	66.9%	67.0%	68.9%	71.9%	

Source: Section Q, page 2

\* FY 2024 figures annualized from partial year of data (July – November 2023)

<b>UNC Health Johnston – Clayton Campus Historical Acute Care Bed Utilization</b>							
	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024*	CAGR
Acute Care Days	9,436	8,761	9,896	11,308	11,368	12,024	5.0%
Licensed Acute Care Beds	50	50	50	50	50	50	
ADC	26	24	27	31	31	33	
Discharges	3,296	3,066	3,055	3,071	3,140	3,430	
ALOS	2.9	2.9	3.2	3.7	3.6	3.5	
Occupancy %	51.7%	48.0%	54.2%	62.0%	62.3%	65.9%	

Source: Section Q, page 3

\* FY 2024 figures annualized from partial year of data (July – November 2023)

The applicant plans to expand and consolidate numerous services across its campuses in parallel with the development of the proposed 24 acute care beds. One such consolidation is the relocation of all women’s services to UNC Health Johnston – Clayton Campus, a relocation that will result in that campus operating 28 total obstetrics (OB) beds – which are licensed acute care beds – as well as six Level II neonatal care beds. The applicant analyzed its historical obstetrics days at UNC Health Johnston – Smithfield Campus in order to project the acute care days for both campuses. Historically, obstetrics days at UNC Health Johnston – Smithfield Campus grew at a 2.1 CAGR from FY 2019 to FY 2024, as shown in the table below.

<b>UNC Health Johnston – Smithfield Campus Historical Obstetrics Days</b>							
<b>Obstetrics</b>	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024*	CAGR
Days	1,600	1,510	1,534	1,681	1,748	1,774	2.1%
Discharges	812	779	795	874	931	943	
ALOS	2.0	1.9	1.9	1.9	1.9	1.9	

Source: Section Q, page 4

\* FY 2024 figures annualized from partial year of data (July – November 2023)

The applicant projects that obstetrics days at UNC Health Johnston – Smithfield Campus will continue to grow at the historical growth rate of 2.1 percent through Project Year Three (PY3). The projected ALOS for obstetrics patients will remain constant at 1.9 days, consistent with the historical trend and most recent ALOS data for year-to-date FY 2024, as shown in the table below.

<b>UNC Health Johnston – Smithfield Campus Projected Obstetrics Days**</b>						
<b>Obstetrics</b>	FY2027	FY2028***	FY2029	FY2030 (PY1)	FY2031 (PY2)	FY2032 (PY3)
Days	1,888	1,927	1,968	2,009	2,051	2,094
Discharges	1,004	1,025	1,046	1,068	1,090	1,113
ALOS	1.9	1.9	1.9	1.9	1.9	1.9

Source: Section Q, page 4

\*\*CAGR of 2.1%

\*\*\* FY 2028 obstetrics days will be provided through January 31, 2028, at Smithfield before shifting to UNC Health Johnston – Clayton Campus following the consolidation of obstetrics beds, which have a projected operational date of February 1, 2028.

The applicant analyzed the historical rate of growth of its acute care bed days at UNC Health Johnston – Smithfield Campus excluding obstetrics days. The applicant states these acute care bed days grew at a CAGR of 6.8 percent, as shown in the table below.

<b>UNC Health Johnston – Smithfield Campus Historical Non-Obstetrics Acute Care Days</b>							
<b>Obstetrics</b>	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024*	CAGR
Days	23,052	23,750	29,971	29,861	30,715	32,088	6.8%
Discharges	5,620	5,742	5,776	5,600	5,791	6,338	
ALOS	4.1	4.1	5.2	5.3	5.3	5.1	

Source: Section Q, page 5

\* FY 2024 figures annualized from partial year of data (July – November 2023)

The applicant projected that the growth rate of non-obstetrics acute care bed days will decelerate, and the growth rate of these bed days will decrease by twenty-five percent each year through FY 2032 (PY3), as shown in the table below.

<b>UNC Health Johnston – Smithfield Campus Projected Non-Obstetrics Days</b>						
<b>Non-Obstetrics</b>	FY2027	FY2028	FY2029 (PY1)	FY2030 (PY2)	FY2031 (PY3)	FY2032 (PY4)
Days	35,494	36,708	37,963	38,936	39,602	39,940
CAGR	3.4%	3.4%	3.4%	2.6%	1.7%	0.9%
Discharges	6,960	7,198	7,444	7,635	7,765	7,831
ALOS	5.1	5.1	5.1	5.1	5.1	5.1

Source: Section Q, page 6

The applicant states that projected obstetrics days reflect the relocation of all obstetrics beds from the Smithfield Campus to the Clayton Campus as of February 1, 2028, resulting in an increased ALOS at the Smithfield Campus from 4.7 to 4.9 during that fiscal year. The first full year following transfer of women’s services, FY 2029, the ALOS will reflect the higher length of stay for the hospital without OB services. The applicant provides the projected total acute care days for the Smithfield Campus on the table below.

<b>UNC Health Johnston – Smithfield Campus Projected Total Acute Care Days</b>									
	FY2024*	FY2025	FY2026	FY2027	FY2028	FY2029 (PY1)	FY2030 (PY2)	FY2031 (PY3)	FY2032 (PY4)
Acute Care Days Excluding Obstetrics	32,088	33,186	34,320	35,494	36,708	37,963	38,936	39,602	39,940
Obstetrics Days	1,774	1,811	1,849	1,888	1,124**	0	0	0	0
Total Acute Care Days	33,863	34,997	36,170	37,382	37,832	37,963	38,936	39,602	39,940
Licensed Beds	129	129	129	129	111^	123^^	123	123	123
ADC	93	96	99	102	104	104	107	108	109
Discharges	7,205	7,446	7,696	7,953	7,720	7,444	7,635	7,765	7,831
ALOS	4.7	4.7	4.7	4.7	4.9	5.1	5.1	5.1	5.1
Occupancy %	71.9%	74.3%	76.8%	79.0%	93.7%	84.6%	86.7%	88.2%	89.0%

Source: Section Q, page 7

\* FY 2024 figures annualized from partial year of data (July – November 2023)

\*\* FY 2028 obstetrics days are annualized for seven months of service, to account for the commencement of Project Year One for UNC Health Johnston – Clayton Campus’s consolidation of obstetrics beds, which have a projected operational date of February 1, 2028.

^ 129 total acute care beds, including obstetrics – 15 OB beds – three Level II neonatal care beds = 111 total acute care beds in FY 2028 upon relocation of these beds to UNC Health Johnston - Clayton Campus.

^^ 111 total acute care beds + 12 additional acute care beds = 123 total acute care beds in FY 2029.

***UNC Health Johnston – Clayton Campus***

The applicant states UNC Health Johnston – Clayton Campus has 10 licensed acute care beds that, while designated as med/surg beds in its 2024 Hospital License Renewal Application (HLRA), are used to deliver postpartum care. In addition, the Clayton Campus operates six Labor, Delivery Recovery, and Post-partum rooms (LDRP)s, which are also licensed beds that provide obstetrics care. Combined, these 16 obstetrics beds at the Clayton Campus provided the following number of days. The applicant provides the historical total acute care days at UNC Health Johnston – Clayton Campus, including the obstetrics days and the remaining days (non-obstetrics) in the table below.

<b>UNC Health Johnston – Clayton Campus Historical Acute Care Utilization Obstetrics and Non-Obstetric Days**</b>						
	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024*
Obstetric Days	1,794	1,851	1,781	1,777	1,773	1,827
Beds	16	16	16	16	16	16
Non-Obstetric Days	7,642	6,910	8,115	9,531	9,595	10,197
Total Acute Care Days	9,436	8,761	9,896	11,308	11,368	12,024

Source: Section Q, pages 7 & 8

\* FY 2024 figures annualized from partial year of data (July – November 2023)

\*\*CAGR of 0.4%

The applicant then utilized the historical growth rate of 0.4 percent for obstetrics days at UNC Health Johnston – Clayton Campus to calculate the projected growth of obstetrics days at UNC Health Johnston – Clayton. The applicant assessed the historical growth at its Clayton campus to project the total acute care days at that location. Acute care days at UNC Health Johnston – Clayton Campus grew at a CAGR of 5.0 percent from FY 2019 to FY 2024. The applicant, historically, has projected future acute care bed days by using the historical growth rate of 5.0 percent, and has carries that growth rate through FY 2032 (PY3). The applicant projected the ALOS for acute care beds to be constant at 3.5, which is consistent with the year-to-date FY 2024 ALOS for UNC Health Johnston – Clayton Campus, as demonstrated in the table below.

<b>UNC Health Johnston – Clayton Campus Projected Total Acute Care Days</b>									
	FY2024*	FY2025	FY2026	FY2027	FY2028	FY2029 (PY1)	FY2030 (PY2)	FY2031 (PY3)	FY2032 (PY4)
Obstetrics Days^^	1,827	1,834	1,841	1,848	1,855	1,862	1,868	1,875	1,882
Non-Obstetrics Days	10,197	10,787	11,407	12,058	12,742	13,460	14,215	15,007	15,838
Total Acute Care Days Excluding Transferred Obstetrics**	12,024	12,621	13,248	13,906	14,597	15,322	16,083	16,882	17,720
Discharges Excluding Transferred Obstetrics	3,430	3,601	3,779	3,967	4,164	4,371	4,588	4,816	5,055
ALOS Excluding Transferred Obstetrics	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5

Source: Section Q, page 9

\* FY 2024 figures annualized from partial year of data (July – November 2023)

\*\*CAGR 5.0%

^^ Obstetrics days do not include the transfer of obstetrics beds and patient days from UNC Health Johnston – Smithfield Campus designated for 2028. The obstetrics days shown above consist only of the existing 16 licensed OB beds at UNC Health Johnston – Smithfield Campus. (page 8)

The applicant then projects acute care bed days for UNC Health Johnston – Clayton Campus, including obstetrics care days. The applicant states the inclusion of these additional OB and Level II neonatal beds, as well as the 12 additional acute care beds proposed in this project, will decrease ALOS from 3.5 to 3.4 in FY 2028 as those beds and patients are shifted for part of the year, with a further decrease to 3.2 in FY 2029, the first full year of the proposed project at the Clayton campus, reflecting the lower ALOS for obstetrics patients and the impact on overall ALOS for the facility. The total projected acute care days for the Clayton campus are demonstrated in the table below.

<b>UNC Health Johnston – Clayton Campus Projected Total Acute Care Days</b>									
	FY2024*	FY2025	FY2026	FY2027	FY2028	FY2029 (PY1)	FY2030 (PY2)	FY2031 (PY3)	FY2032 (PY4)
Acute Care Days Excluding Obstetrics	12,024	12,621	13,248	13,906	14,597	15,322	16,083	16,882	17,720
Obstetrics Days	0	0	0	0	803**	1,968	2,009	2,051	2,094
Total Acute Care Days	12,024	12,621	13,248	13,906	15,400	17,290	18,092	18,933	19,814
Licensed Beds	50	50	50	50	83^^	83	83	83	83
ADC	33	35	36	38	42	47	50	52	54
Discharges	3,430	3,601	3,779	3,967	4,591	5,417	5,656	5,907	6,169
ALOS	3.5	3.5	3.5	3.5	3.4	3.2	3.2	3.2	3.2
Occupancy %	65.9%	69.2%	72.6%	76.2%	50.8%	57.1%	59.7%	<b>62.5%</b>	65.4%

Source: Section Q, page 10

\* FY 2024 figures annualized from partial year of data (July – November 2023)

\*\* FY 2028 obstetrics days are annualized for five months of service, to account for the commencement of Project Year One for UNC Health Johnston – Clayton Campus’s 12 acute care beds, which have a projected operational date of January 10, 2028. The month of January has been rounded up (February through June = five months of service).

^^ 50 total acute care beds + 15 OB beds relocated from Smithfield + three Level II neonatal care beds relocated from Smithfield + 3 additional Level II neonatal care beds + 12 additional acute care beds = 83 total acute care beds, including obstetrics in FY 2028

However, as stated above, the applicant’s projected utilization during the third operating year does not meet the required threshold of 66.7% for applicants with a combined average daily census (ADC) of less than 100 as required by 10A NCAC 14C.3803(3).

***UNC Health Johnston Hospital License***

The applicant states the UNC Health Johnston system license meets the performance standard for PY3 of both proposed projects: FY 2031 for UNC Health Johnston – Clayton Campus, and FY 2032 for UNC Health Johnston – Smithfield Campus, as the ADC across the UNC Health Johnston hospital license is between 100 and 200 for both of those years. Although, in this application, UNC Clayton does not meet the performance standards in the third fiscal year of its project, the hospital system as a whole does not meet the performance standards, as shown below.

<b>UNC Health Johnston License Projected Total Acute Care Days</b>									
	FY2024*	FY2025	FY2026	FY2027	FY2028	FY2029 (PY1)	FY2030 (PY2)	FY2031 (PY3)	FY2032 (PY4)
Smithfield Total Days	33,863	34,997	36,170	37,382	37,832	37,963	38,936	39,602	39,940
Smithfield Licensed Beds	129	129	129	129	111	123	123	123	123
Clayton Total Days	12,024	12,621	13,248	13,906	15,400	17,290	18,092	18,933	19,814
Clayton Licensed Beds	50	50	50	50	83	83	83	83	83
Total Acute Care Days	45,887	47,618	49,418	51,288	53,232	55,252	57,028	58,534	59,754
Total Licensed Beds	179	179	179	179	206 <sup>^</sup>	206	206	206	206
ADC	126	130	135	141	146	151	156	160	164
Discharges	10,712	11,118	11,541	11,931	12,387	12,861	13,291	13,672	14,000
ALOS	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3
Occupancy %	70.2%	72.9%	75.6%	78.5%	75.2%	73.5%	75.8%	77.8%	79.5%

Source: Section Q, page 11

\* FY 2024 figures annualized from partial year of data (July – November 2023)

\*\* Project Year Three for UNC Health Johnston – Clayton Campus.

\*\*\* Project Year Three for UNC Health Johnston – Smithfield Campus.

<sup>^</sup> This count of total beds on the UNC Health Johnston license includes six proposed Level II neonatal care beds, the inclusion of which is included in UNC Health Johnston’s occupancy analysis performed above.

Projected utilization is not reasonable and adequately supported based on the following:

- The projected utilization of the applicant’s proposed acute care beds does not meet the Performance Standard in 10A NCAC 14C .3803.

**Access to Medically Underserved Groups**

In Section C, page 71, the applicant states:

*“UNC Health Johnston prohibits the exclusion of services to any patient on the patient’s ability to pay, in addition to the patient’s age, race, sex, creed, religion, or disability. UNC Health Johnston’s commitment to treating all patients regardless of their ability to pay is evidenced by its payor mix. UNC Health Johnston has a long and proud history of serving patients who require care, regardless of their ability to pay.”*

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

<b>Medically Underserved Groups</b>	<b>Estimated % of Total Patients in 3<sup>rd</sup> Full FY</b>
Low-income persons	
Racial and ethnic minorities	34.8%
Women	60.6%
Persons with disabilities	
Persons 65 and older	35.6%
Medicare beneficiaries	50.0%
Medicaid recipients	19.6%

Source: Section C, page 71

In Section C, pages 71-72, the applicant states that it does not maintain data on the number of low-income persons and disabled persons it serves and cannot reasonably estimate their percentage of total patients; however, the applicant also states neither low-income persons nor disabled persons are denied access to services.

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

- The applicant provides a statement saying it will provide service to all residents of the service area, including underserved groups, without regard for anything other than the need for acute care bed services.
- The applicant provides documentation of its existing policies regarding non-discrimination and financial access in Exhibits B.20-6 and B.20-7.

### **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 not conforming to this criterion for all the reasons described above.

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

NA

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

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

NC

The applicant proposes to develop no more than 12 additional acute care beds pursuant to the 2024 SMFP adjusted need determination, relocate no more than 15 acute care beds, three Level II neonatal beds, and one C-Section OR from the Smithfield campus, and add three new neonatal beds for a total of 83 acute care beds, including six neonatal beds, and two C-Section ORs upon project completion.

In Section E, page 83, 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:

Develop All 24 Beds at One Campus: The applicant states this alternative is less effective than UNC Health Johnston’s proposal of developing 12 acute care beds concurrently at each of its campuses in Smithfield and Clayton because both campuses are experiencing high levels of patient volume. The applicant believes the most effective alternative is to expand acute care capacity at both of its campuses, meaning the alternative of developing acute care beds at only the Smithfield or Clayton locations was rejected as a less effective alternative.

Develop a New Acute Care Hospital: The applicant states this alternative would be much more costly than both of UNC Health Johnston’s concurrent and complementary applications for acute care beds at its campuses at Smithfield and Clayton. Additionally, the development of a new hospital requires the duplication of multiple other services therefore this option was rejected as a less effective and more costly alternative.

The application is not conforming to all other statutory and regulatory review criteria and thus is not approvable. See criteria (1), (3), (5), (6), (18a), and the Performance Standards. A project that cannot be approved cannot be an effective alternative.

In summary, the applicant does not adequately demonstrate that the alternative proposed in this application is the most effective alternative to meet the identified need therefore, the application is not conforming to this criteria.

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

NC

The applicant proposes to develop no more than 12 additional acute care beds pursuant to the 2024 SMFP adjusted need determination, relocate no more than 15 acute care beds, three Level II neonatal beds, and one C-Section OR from the Smithfield campus, and add three new neonatal beds for a total of 83 acute care beds, including six neonatal beds, and two C-Section ORs upon project completion.

### **Capital and Working Capital Costs**

In Section Q, Form F.1a, page 9, the applicant projects the total capital cost of the project as shown in the table below.

Site Preparation	\$250,000
Construction/Renovation contract (s)	\$56,655,042
Landscaping	\$775,000
Architect/Engineering Fees	\$5,816,003
Medical Equipment	\$3,508,072
Non-Medical Equipment	\$1,190,082
Furniture	\$1,500,417
Consultant Fees (CON and Legal)	\$1,535,000
Financing Costs	\$7,490,566
Other (Admin and Contingency)	\$16,032,039
<b>Total</b>	<b>\$94,752,221</b>

In Section Q, page 10, 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:

- Cost estimates are based on the applicant and the architect’s experience with similar projects.
- In Exhibit F.1, the applicant provides a letter dated January 18, 2024, from the project architect certifying the construction costs of the project.

In Section F, page 87, the applicant states there will be no start-up costs or initial operating expenses because the proposed project does not include a new service or facility.

### **Availability of Funds**

In Section F, page 85, the applicant states the projected capital expenditure of \$94,752,221 will be funded by a \$54,752,221 loan by Johnston Health Services Corporation, and an investment of \$40,000,000 by UNC Health, a member of the applicant.

In Exhibit F.2-1, the applicant provides a letter dated February 5, 2024, from the President of Armadale Capital Inc., a licensed FHA multifamily lender, stating their commitment to providing \$54,752,221 to develop the proposed project.

In Exhibit F.2-2, the applicant provides a letter dated February 15, 2024, from the Vice President of Finance for UNC Johnston, the sole venture partner in the ownership of Johnston Health Services Corporation (JHSC), stating it will provide the remaining \$40,000,000 in funding to develop the proposed project.

In Exhibit F.2-4, The applicant provides the Financial Statement Audit Report for the UNCHCSF for the year ending June 30, 2022, verifying the availability of funds for the proposed project.

In Exhibit F.2-5, the applicant provides a letter dated February 15, 2024, from the System Chief Financial Officer stating JHSC’s investment commitment to UNC Health Johnston Campus development.

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

- The applicant provides letters from the appropriate Johnston Health Service Corporation officials, and proposed lender, confirming the availability of the funding proposed for the capital needs of the project and the commitment to use those funds to develop the proposed project.
- The applicant provides letters from project architect verifying the construction costs associated with the project.

**Financial Feasibility**

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

UNC Health Johnston- Clayton Campus Acute Care Beds	Last Full FY	1 <sup>st</sup> Full FY	2 <sup>nd</sup> Full FY	3 <sup>rd</sup> Full FY
	FY 2023 <sup>^</sup>	FY 2029	FY 2030	FY 2031
Total Patient Days <sup>^^</sup>	11,368	17,290	18,092	18,933
Total Gross Revenues (Charges)	\$29,218,673	\$50,673,697	\$54,678,164	\$59,002,058
Total Net Revenue	\$7,312,709	\$12,867,805	\$13,885,063	\$14,983,485
Total Net Revenue per Patient Day	\$643	\$744	\$766	\$791
Total Operating Expenses (Costs)	\$11,423,279	\$24,613,644	\$26,216,045	\$27,944,427
Total Operating Expenses per Patient Day	\$1,004	\$1,424	\$1,449	\$1,475
<b>Net Profit</b>	(\$4,110,570)	(\$11,745,839)	(\$12,330,982)	(\$12,960,942)

<sup>^</sup>Source: Section Q, Forms F.2a & F.2b, pages 11 & 12

<sup>^^</sup>Source: Section Q, Forms C.1a & C.1b

The applicant provided pro forma financial statements for the first three full fiscal years for UNC Health Johnston following completion of the project. On Form F.2b, pages 1-2 the applicant projects that revenues will exceed operating expenses in the first three full fiscal years following completion of the project, as shown in the table below.

UNC Health Johnston Total Facility	Last Full FY	1 <sup>st</sup> Full FY	2 <sup>nd</sup> Full FY	3 <sup>rd</sup> Full FY
	FY 2023 <sup>^</sup>	FY 2029	FY 2030	FY 2031
Total Patient Days <sup>^^</sup>	43,831	55,252	57,028	58,534
Total Gross Revenues (Charges)	\$1,351,604,703	\$1,841,897,033	\$1,939,424,554	\$2,042,122,356
Total Net Revenue	\$341,589,028	\$475,813,468	\$500,805,646	\$527,116,674
Total Net Revenue per Patient Day	\$7,793	\$8,612	\$8,782	\$9,005
Total Operating Expenses (Costs)	\$322,344,181	\$441,113,744	\$464,366,293	\$488,176,880
Total Operating Expenses per Patient Day	\$7,354	\$7,984	\$8,143	\$8,340
<b>Net Income</b>	<b>\$19,244,847</b>	<b>\$34,699,724</b>	<b>\$36,439,354</b>	<b>\$38,939,795</b>

<sup>^</sup>Source: Section Q, Form F.2a & F.2b, pages 1-2

<sup>^^</sup>Source: Section Q, Forms C.1a & C.1b

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

**Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application

Based on that review, the Agency concludes that the application is not conforming to this criterion because the applicant does not adequately demonstrate sufficient funds for the operating needs of the proposal and that the financial feasibility of the proposal is based upon reasonable projections of 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.

NC

The applicant proposes to develop no more than 12 additional acute care beds pursuant to the 2024 SMFP adjusted need determination, relocate no more than 15 acute care beds, three Level II neonatal beds, and one C-Section OR from the Smithfield campus, and add three new neonatal beds for a total of 83 acute care beds, including six neonatal beds, and two C-Section ORs upon project completion.

On page 32, the 2024 SMFP defines the service area for acute care beds as “... *the single or multicounty grouping shown in Figure 5.1.*” Figure 5.1, on page 36, shows Johnston County as its own acute care bed service area. Thus, the service area for this facility is Johnston County. Facilities may also serve residents of counties not included in their service area.

Table 5A on page 40 of the 2024 SMFP shows that UNC Health Johnston is the only facility in Johnston County with acute care beds.

In Section G, page 95, the applicant explains why it believes its proposal would not result in the unnecessary duplication of existing or approved acute care bed services in Johnston County. On page 95, the applicant states:

*“The 2024 SMFP includes a need determination for 24 additional acute care beds in Johnston County. As the only existing acute care hospital in Johnston County, the need in the 2024 SMFP was determined based entirely on the capacity constraints and increasing need for acute care services at both of UNC Health Johnston’s hospital campuses in Clayton and Smithfield...”*

*... Additionally, the historical and projected population growth of Johnston County and communities in adjacent counties indicates that more health care resources will be needed for the county, including acute care beds. Given this, neither of UNC Health Johnston’s two concurrent, complementary applications for additional acute care beds in Johnston County will result in unnecessary duplication.”*

However, the applicant’s projected utilization during the third operating year does not meet the required threshold of 66.7% for applicants with a combined average daily census (ADC) of less than 100 as required by 10A NCAC 14C.3803(3).

### **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 not conforming to this criterion for all the reasons described above.

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

C

The applicant proposes to develop no more than 12 additional acute care beds pursuant to the 2024 SMFP adjusted need determination, relocate no more than 15 acute care beds, three Level II neonatal beds, and one C-Section OR from the Smithfield campus, and add three new neonatal beds for a total of 83 acute care beds, including six neonatal beds, and two C-Section ORs upon project completion.

In Section Q, Form H, page 23 of financials, the applicant provides historical and projected full-time equivalent (FTE) staffing for the proposed services, as illustrated in the following table.

UNC Health Johnston Clayton Campus Positions	Historical FTE Staff	Projected FTE Staff		
	(06/30/2023)	1 <sup>st</sup> Full FY	2 <sup>nd</sup> Full FY	3 <sup>rd</sup> Full FY
		FY 2029	FY 2030	FY 2031
Registered Nurses	61.5	82.9	87.1	91.4
Nursing Assistants	19.6	26.4	27.7	29.1
Clinical Support Technician	0.2	0.3	0.3	0.4
Patient Services Manager	1.2	1.6	1.7	1.8
Perinatal Technician	0.1	0.1	0.1	0.1
Unit Support Technician	0.1	0.2	0.2	0.2
Health Unit Coordinator	1.5	2.0	2.2	2.3
Monitor Technician	6.2	8.3	8.7	9.1
Patient Access Intake Specialist	2.2	2.9	3.1	3.2
Lactation Specialist	1.0	1.3	1.4	1.4
<b>TOTAL</b>	<b>93.6</b>	<b>126.0</b>	<b>132.4</b>	<b>139</b>

The assumptions and methodology used to project staffing are provided in Section Q. Adequate operating expenses for the health manpower and management positions proposed by the applicant are budgeted in F.2b. In Section G, pages 97-98, 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 based on the following:

- UNC Health Johnston utilizes job postings on the UNC Health Johnston website, internet postings and resume searches, attendance at career fairs at schools and local job fairs, advertisements in local newspapers and professional journals, and international recruitment. Sign-on bonuses, loan forgiveness programs for nursing students, shadowing opportunities, and relocation assistance can be offered in order to enhance recruitment of critical staff positions.
- Retention strategies are numerous, including career ladders, flexible scheduling, differentials, and comprehensive benefit packages including tuition assistance.
- UNC Health Johnston has several policies and procedures in place to ensure proper training and continuing education programs for staff.

**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.

- (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 12 additional acute care beds pursuant to the 2024 SMFP adjusted need determination, relocate no more than 15 acute care beds, three Level II neonatal beds, and one C-Section OR from the Smithfield campus, and add three new neonatal beds for a total of 83 acute care beds, including six neonatal beds, and two C-Section ORs upon project completion.

**Ancillary and Support Services**

In Section I, page 99, the applicant identifies the necessary ancillary and support services for the proposed services. On page 99, the applicant explains how each ancillary and support service is or will be made available and provides supporting documentation in Exhibit I.1. The applicant adequately demonstrates that the necessary ancillary and support services will be made available because UNC Health Johnston Clayton Campus is an existing acute care hospital with ancillary and support services already in place to support the addition of the acute care beds.

**Coordination**

In Section I, page 100, 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. The applicant adequately demonstrates that the proposed services will be coordinated with the existing health care system based on the following:

- UNC Health Johnston has established relationships with other local healthcare and social service providers, and these relationships will continue and be enhanced following completion of the proposed project.
- In Exhibit I.2, the applicant provides letters from local health care and social service providers stating their support of the proposed project.

**Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application

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

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

NA

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

- (10) When applicable, the applicant shall show that the special needs of health maintenance organizations will be fulfilled by the project. Specifically, the applicant shall show that the project accommodates: (a) The needs of enrolled members and reasonably anticipated new members of the HMO for the health service to be provided by the organization; and (b) The availability of new health services from non-HMO providers or other HMOs in a reasonable and cost-effective manner which is consistent with the basic method of operation of the HMO. In assessing the availability of these health services from these providers, the applicant shall consider only whether the services from these providers:
- (i) would be available under a contract of at least 5 years duration;
  - (ii) would be available and conveniently accessible through physicians and other health professionals associated with the HMO;
  - (iii) would cost no more than if the services were provided by the HMO; and
  - (iv) would be available in a manner which is administratively feasible to the HMO.

NA

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

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

C

The applicant proposes to develop no more than 12 additional acute care beds pursuant to the 2024 SMFP adjusted need determination, relocate no more than 15 acute care beds, three Level

II neonatal beds, and one C-Section OR from the Smithfield campus, and add three new neonatal beds for a total of 83 acute care beds, including six neonatal beds, and two C-Section ORs upon project completion.

In Section K, page 103, the applicant states that the project involves constructing 67,130 square feet of new space and renovating 18,550 square feet of existing space. Line drawings are provided in Exhibit C.1-2.

On page 104, 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 planned physical consolidation and expansion of resources require the proposed construction to be able to provide the highest quality and most accessible care for patients.
- The proposed construction allows for the future expansion of hospital-based services at UNC Health Johnston – Clayton Campus; this expansion will likely be necessary, given the rapid growth and aging of Johnston County.
- The applicant is adding the 12 acute care beds, three neonatal beds, and relocating three neonatal beds and 15 acute care beds to expand capacity to meet future demand, specifically women's services.

On pages 104-105, 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 the new construction and renovation costs are necessary to ensure access to acute care services.
- As a member of UNC Health network, UNC Health Johnston benefits from significant cost saving measures through the consolidation of multiple services and large economies of scale.

On Section B, pages 32-33, 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

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

- (13) The applicant shall demonstrate the contribution of the proposed service in meeting the health-related needs of the elderly and of members of medically underserved groups, such as

medically indigent or low income persons, Medicaid and Medicare recipients, racial and ethnic minorities, women, and ... persons [with disabilities], which have traditionally experienced difficulties in obtaining equal access to the proposed services, particularly those needs identified in the State Health Plan as deserving of priority. For the purpose of determining the extent to which the proposed service will be accessible, the applicant shall show:

- (a) The extent to which medically underserved populations currently use the applicant's existing services in comparison to the percentage of the population in the applicant's service area which is medically underserved;

C

In Section L, page 109, the applicant provides the historical payor mix during FY2022 for the proposed services, as shown in the table below.

<b>UNC Health Johnston- Clayton Campus Historical Payor Mix 07/01/2022-06/30/2023</b>	
<b>Payor Category</b>	<b>Percent of Total</b>
Self-Pay	3.5%
Charity Care <sup>^</sup>	
Medicare*	54.7%
Medicaid*	18.4%
Insurance*	18.1%
Workers Compensation <sup>^^</sup>	
TRICARE <sup>^^</sup>	
Other (Govt, Worker's Comp) <sup>^^</sup>	5.3%
<b>Total</b>	<b>100.0%</b>

\*Including any managed care plans.

<sup>^</sup>Johnston Health internal data does not include charity care as a payor source for patients. Patients in any payor category can and do receive charity care.

<sup>^^</sup>Workers Compensation, TRICARE, Department of Corrections, and other payors are included in the Other payor category.

In Section L, page 110, the applicant provides the following comparison.

<b>UNC Health Johnston-Facility License</b>	<b>Percentage of Total Patients Served by the Facility or Campus during the Last Full FY</b>	<b>Percentage of the Population of the Service Area</b>
Female	60.6%	50.6%
Male	39.4%	49.4%
Unknown	0.1%	0.0%
64 and Younger	64.4%	85.9%
65 and Older	35.6%	14.1%
American Indian	0.3%	1.0%
Asian	0.3%	1.1%
Black or African American	22.7%	18.9%
Native Hawaiian or Pacific Islander	0.1%	0.1%
White or Caucasian	64.2%	76.3%
Other Race	11.3%	2.6%
Declined / Unavailable	1.0%	0.0%

\*The percentages can be found online using the United States Census Bureau’s QuickFacts which is at: <https://www.census.gov/quickfacts/fact/table/US/PST045218>. Just enter in the name of the county.

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 applicant adequately documents the extent to which medically underserved populations currently use the applicant’s existing services in comparison to the percentage of the population in the applicant’s service area which is medically underserved. Therefore, the application is conforming to this criterion.

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

C

Regarding any obligation to provide uncompensated care, community service or access by minorities and persons with disabilities, in Section L, page 111, the applicant states:

*“UNC Health Johnston, including UNC Health Johnston – Smithfield Campus, is under no federal obligation to provide uncompensated care, community service, or access to care by the medically underserved, minorities, or handicapped persons. However, UNC Health Johnston does provide, without obligation, a considerable amount of bad debt and charity care. In State Fiscal Year 2023, UNC Health Johnston provided approximately \$11.3 million in charity care.”*

In Section L, page 111, the applicant states that during the 18 months immediately preceding the application deadline, no patient civil rights access complaints have been filed against Atrium Health Union.

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 112, 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.

<b>UNC Health Johnston- Clayton Campus Acute Care Beds Projected Payor Mix 3<sup>rd</sup> Full FY, FY 2031</b>	
<b>Payor Category</b>	<b>Percent of Total</b>
Self-Pay	1.6%
Charity Care <sup>^</sup>	
Medicare*	50.9%
Medicaid*	23.2%
Insurance*	18.7%
Workers Compensation <sup>^^</sup>	
TRICARE <sup>^^</sup>	
Other (Govt, Worker's Comp) <sup>^^</sup>	5.6%
<b>Total</b>	<b>100.0%</b>

\*Including any managed care plans.

<sup>^</sup>Johnston Health internal data does not include charity care as a payor source for patients. Patients in any payor category can and do receive charity care.

<sup>^^</sup>Workers Compensation, TRICARE, Department of Corrections, and other payors are included in the Other payor category.

As shown in the table above, during the third full fiscal year of operation, the applicant projects that 1.6% of total services will be provided to self-pay patients, 50.9% to Medicare patients and 23.2% to Medicaid patients.

On pages 111-112, 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 it is based on the facility and the acute care bed service component's FY 2023 historical 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.

In Section L, page 114, the applicant adequately describes the range of means by which patients will have access to the proposed services.

The Agency reviewed the:

- Application
- Exhibits to the application

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

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

### C

The applicant proposes to develop no more than 12 additional acute care beds pursuant to the 2024 SMFP adjusted need determination, relocate no more than 15 acute care beds, three Level II neonatal beds, and one C-Section OR from the Smithfield campus, and add three new neonatal beds for a total of 83 acute care beds, including six neonatal beds, and two C-Section ORs upon project completion.

In Section M, page 115, the applicant describes the extent to which health professional training programs in the area have access to the facility for training purposes and provides supporting documentation in Exhibit M.1. The applicant adequately demonstrates that health professional training programs in the area have access to the facility for training purposes based on the following:

- UNC Health Johnston provides professional mentors and a site for internships/preceptorships with local universities and colleges, as well as e-learning facilities to train physicians, nurse practitioners, physician assistants, nurses, social workers, and recreational therapists who wish to study across any and all disciplines.
- In Exhibit M.1, the applicant provides an extensive list of Johnston Health's existing agreements with health professional training programs.

### **Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application

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

- (15) Repealed effective July 1, 1987.

- (16) Repealed effective July 1, 1987.
- (17) Repealed effective July 1, 1987.
- (18) Repealed effective July 1, 1987.
  
- (18a) The applicant shall demonstrate the expected effects of the proposed services on competition in the proposed service area, including how any enhanced competition will have a positive impact upon the cost effectiveness, quality, and access to the services proposed; and in the case of applications for services where competition between providers will not have a favorable impact on cost-effectiveness, quality, and access to the services proposed, the applicant shall demonstrate that its application is for a service on which competition will not have a favorable impact.

C

The applicant proposes to develop no more than 12 additional acute care beds pursuant to the 2024 SMFP adjusted need determination, relocate no more than 15 acute care beds, three Level II neonatal beds, and one C-Section OR from the Smithfield campus, and add three new neonatal beds for a total of 83 acute care beds, including six neonatal beds, and two C-Section ORs upon project completion.

On page 32, the 2024 SMFP defines the service area for acute care beds as “... *the single or multicounty grouping shown in Figure 5.1.*” Figure 5.1, on page 36, shows Johnston County as its own acute care bed service area. Thus, the service area for this facility is Johnston County. Facilities may also serve residents of counties not included in their service area.

Table 5A on page 40 of the 2024 SMFP shows that UNC Health Johnston is the only facility in Johnston County with acute care beds.

Regarding the expected effects of the proposal on competition in the service area, in Section N, page 116, the applicant states:

*“UNC Health Johnston regularly cares for patients from multiple counties in eastern North Carolina, including neighboring Wake, Harnett, and Wayne counties. As such, UNC Health Johnston believes that the proposed project will foster competition in the proposed service area.”*

Regarding the impact of the proposal on cost effectiveness, in Section B, page 30, the applicant states:

*“Increasing acute care capacity at UNC Health Johnston will allow its providers to care for patients closer to home and will reduce the likelihood that a patient must be transferred to a different facility for care, thereby maximizing the healthcare value of acute care bed services in Johnston County.”*

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

Regarding the impact of the proposal on quality, in Section B, pages 27-28, the applicant states:

*“UNC Health Johnston believes the proposed project will promote safety and quality in the provision of healthcare services to patients of the proposed service area...*

*...*

*...As UNC Health Johnston continues to expand its services, it maintains the importance of continuous quality monitoring. Each new unit and service is subject to review under the existing policies.”*

See also Section O of the application and any exhibits.

Regarding the impact of the proposal on access by medically underserved groups, in Section B, pages 29 and 30, the applicant states:

*“The proposed project will promote access to healthcare services in the service area, particularly by the medically underserved. UNC Health Johnston prohibits the exclusion of services to any patient on the basis of age, race, sex, creed, religion, disability, or the patient’s ability to pay. This is detailed further in UNC Health Johnston’s Civil Rights – Notice of Nondiscrimination Policy.”*

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

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

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

### **Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application

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

(19) Repealed effective July 1, 1987.

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

C

In Section Q, Form O, the applicant identifies the acute care hospitals located in North Carolina owned, operated or managed by the applicant or a related entity. The applicant identifies a total of 15 of this type of facility located in North Carolina.

In Section O, page 119, the applicant states that, during the 18 months immediately preceding the submittal of the application, there have been no incidents related to immediate jeopardy occurring in any of these facilities. There were incidents related to EMTALA violations at Caldwell Memorial Hospital on 4/18/24, and at Onslow Memorial Hospital on 4/24/24. Both facilities are pending CMS re-evaluation.

After reviewing and considering information provided by the applicant and considering the quality of care provided at all 15 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.

NC

The Criteria and Standards for Acute Care Beds promulgated in 10A NCAC 14C .3800 are applicable to this review. The application is not conforming to all applicable Criteria and Standards, as discussed below.

#### **10 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 B, page 25, the applicant adequately documents that it is a qualified applicant. The discussion regarding persons who can develop new acute care beds found in Criterion (1) is incorporated herein by reference.
  
- (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;*
  
- NC- In Section Q, Utilization, Table 16, page 10, the applicant provides projected utilization of all 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. However, the applicant does not adequately demonstrate that projected utilization is reasonable and adequately supported. The discussion regarding projected utilization found in Criterion (3) is incorporated herein by reference.
  
- (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;*
  
- NC- In Section Q, Utilization, Table 16, page 10, the applicant projects an occupancy rate of the existing, approved, and proposed acute care beds for the applicant hospital during the first three full fiscal year of operation following completion of the project that does not equal or exceed the target occupancy percentage of 66.7%. The discussion regarding projected utilization found in Criterion (3) is incorporated herein by reference.

UNC Health Johnston- Clayton Campus Projected Utilization			
	FY 2029 (PY1)	FY 2030 (PY2)	FY 2031 (PY3)
# of Beds	83	83	83
# of Discharges	5,417	5,656	5,907
# of Patients Days	17,290	18,092	18,933
ALOS**	3.2	3.2	3.2
Occupancy Rate	57.1%	59.7%	<b>62.5%</b>

\*\*ALOS = Average Length of Stay (in days)

- (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- In Section Q, Utilization, Table 17, page 11, the applicant provides 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. The discussion regarding projected utilization found in Criterion (3) is incorporated herein by reference.

<b>UNC Health Johnston License Projected Total Acute Care Days</b>									
	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029 (PY1)	FY2030 (PY2)	FY2031 (PY3)	FY2032 (PY4)
Smithfield Total Days	33,863	34,997	36,170	37,382	37,832	37,963	38,936	39,602	39,940
Smithfield Licensed Beds	129	129	129	129	111	123	123	123	123
Clayton Total Days	12,024	12,621	13,248	13,906	15,400	17,290	18,092	18,933	19,814
Clayton Licensed Beds	50	50	50	50	83	83	83	83	83
Total Acute Care Days	45,887	47,618	49,418	51,288	53,232	55,252	57,028	58,534	59,754
Total Licensed Beds	179	179	179	179	206 <sup>^</sup>	206	206	206	206
ADC	126	130	135	141	146	151	156	160	164
Discharges	10,712	11,118	11,541	11,931	12,387	12,861	13,291	13,672	14,000
ALOS	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3
Occupancy %	70.2%	72.9%	75.6%	78.5%	75.2%	73.5%	75.8%	77.8%	79.5%

(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 of:*

- (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; and*

-C- In Section Q, Utilization, Table 17, page 11, the applicant projects an occupancy rate of 77.8% for all existing, approved, and proposed acute care beds in the hospital system during the third full fiscal year of operation following completion of the project. The discussion regarding projected utilization and performance standards found in Criterion (3) is incorporated herein by reference.

(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.*

-NC- In Section Q, Utilization, pages 1-20, the applicant provides the assumptions and methodology used to project the utilization and occupancy rates required in Items (2), (3), (4), and (5) of this Rule. The discussion regarding projected utilization found in Criterion (3) is incorporated herein by reference.

However, the applicant does not adequately demonstrate that projected utilization of the applicant hospital is reasonable and adequately supported. Furthermore, the applicant projects

an occupancy rate for the applicant hospital during the third full fiscal year of the project that does not equal or exceed the target occupancy rate of 66.7%

<b>UNC Health Johnston- Clayton Campus Projected Utilization</b>			
	<b>FY 2029 (PY1)</b>	<b>FY 2030 (PY2)</b>	<b>FY 2031 (PY3)</b>
# of Beds	83	83	83
# of Discharges	5,417	5,656	5,907
# of Patients Days	17,290	18,092	18,933
ALOS**	3.2	3.2	3.2
Occupancy Rate	57.1%	59.7%	<b>62.5%</b>

\*\*ALOS = Average Length of Stay (in days)