AdventHealth Asheville, Inc.
CON Change of Scope and Cost Overrun for Project ID B-012233-22
Project ID B-012526-24
Opposition on Behalf of MH Mission Hospital, LLLP

Introduction

AdventHealth Asheville, Inc. ("AdventHealth Asheville") has filed an application Project ID #B-012526-24 ("2024 CON Application" or "2024 Project" or "2024 Change of Scope") to change the scope of its Buncombe County hospital project (Project ID #B-012233-22) ("2022 CON Application" or "2022 Project"). The 2024 CON application contains the same flaws as the 2022 Project, and additional flaws have compounded this unsupportable hospital project. The term AdventHealth is used collectively to refer to AdventHealth Asheville and AdventHealth Hendersonville, the existing community hospital in adjacent Henderson County.

History of Bed Need in Buncombe County

Due to Mission Hospital's high level of utilization, the 2022 SMFP recognized a need determination of 67 beds for the Buncombe, Graham, Madison, and Yancey County service area. In response to the 2022 SMFP need determination, the Agency initially approved AdventHealth Asheville's application for a new 67-bed hospital in Buncombe County (See Project ID B-12233-22). That decision, along with the denial of Mission Hospital's competing 67 bed addition was appealed. The Agency decision was recently upheld by the Administrative Law Judge. This decision has now been appealed further to the Court of Appeals. As a result, there are many unresolved issues with the initial AdventHealth Asheville project, including the highly contested issue of whether a new hospital can be licensed without a general-purpose operating room ("OR"), which has never been proposed, approved, or implemented in North Carolina previously.
As Mission Hospital's 67 bed addition was denied, Mission has not had any relief to address its high occupancy rates. Since the 2022 acute care bed application, Mission's utilization has only continued to grow, resulting in a need for 31 beds in 2023[1] and 2024 SMFP need determination of 26 acute care beds (in addition to the 67 beds already recognized in 2022) for a total of 93 needed beds based on Mission's utilization. Based on the most recent FY 2023 data, **Mission Hospital's high utilization levels generated a need for 222 beds cumulatively from the 2022, 2024, and 2025 SMFP acute care bed need calculations. Mission has been operating at over 90% occupancy for most days in July 2024 and is forced to turn away patients in need of transfer from other hospitals due to capacity constraints.**

It was also noted by members of the Acute Care Committee that other tertiary facilities in NC are having to hold patients in their EDs due to insufficient bed capacity, and this is supported in the draft 2025 SMFP by the high bed need, which appears almost exclusively in counties with tertiary providers like Buncombe County. This need calculation continues to show that the demand for high acuity services and tertiary/specialty care is growing across the state even with the approval of additional small community hospitals. This growing need indicates that approval of beds in small community hospitals will not meet the acute care bed needs of counties in which tertiary medical centers have driven the need for more beds.

[1] UNC Pardee Hospital, a provider located outside the service area, petitioned to remove need for 31 beds from the 2023 SMFP and was approved. Despite Mission's objections to the petition and its continuously high occupancy rate, the SHCC decided to remove the bed need determination from 2023 SMFP acute care bed need.

Mission Hospital, AdventHealth Asheville, and Novant Health Asheville Medical Center, LLC ("Novant Health Asheville"), are now seeking approval for the 26 bed need determination for Buncombe County in the 2024 SMFP. AdventHealth Asheville proposes to add 26 beds to a hospital that is still under appeal and will not be constructed for a number of years. Novant Health Asheville proposes a new small 26-bed hospital focused narrowly on oncology and general surgery services supported by two select physician practices. Mission Hospital is seeking to add beds immediately to address its critical shortage of beds recognized in the SMFP need determinations and in its temporary bed increases granted by the Acute Care License and Certification Section. Mission Hospital's bed need is immediate. The high demand for Mission Hospital's tertiary, trauma, high-acuity, and specialty services continues to increase. Mission's CEO requested temporary approval on April 22, 2024, for an increase in bed capacity under North Carolina General Statute 131E-83. The Agency approved Mission's temporary increase in bed capacity of 73 beds, bringing the total to 806, on May 8, 2024. A second temporary approval was granted on June 26, 2024. On July 11, 2021, Mission Hospital operated at a census of 721 full beds out of 733 CON approved and licensed acute care beds (including NICU) for an occupancy rate of 98.4%. With 73 emergency temporary beds, Mission Hospital still operated at over 90% occupancy of its licensed beds for most of July, far above the need occupancy threshold in the SMFP. **It is not practical from a health planning standpoint to award the bed need to a new hospital that will not be online for several years and leave Mission Hospital to continue to use emergency, temporary beds for the foreseeable future.**

While AdventHealth Asheville must independently demonstrate consistency with the Project Review Criteria, it is important in reviewing the 2024 Change of Scope application to consider what is driving the need in the SMFP and whether AdventHealth's new, low acuity hospital, without a general licensed OR can meet such need. As will be shown, AdventHealth Asheville's application is non-conforming with numerous Project Review Criteria.

AdventHealth's Community Connection is Self-Serving

AdventHealth's Introduction to its CON application sets the tone for its entire project. The basis for need for AdventHealth Asheville is not patient demand. It is not about the types of services they will offer or the location of such services. It is all about public criticism of Mission Hospital. This is clearly not a basis for need.

AdventHealth claims they have connected with the community to garner support for their new hospital. However, in attempting to garner support it is unclear if AdventHealth shared the following, critical and revealing information:

- AdventHealth's hospital will not have general operating rooms licensed by the State and fully accredited to ensure quality and safety.
- Their hospital would not offer numerous higher acuity and emergency services.
- When community members or their loved ones need higher acuity services, they will need to be transferred to a tertiary hospital like Misson Hospital as they cannot be serviced at AdventHealth.
- Should AdventHealth's beds be approved, Mission Hospital could not have these beds and will continue to have insufficient high acuity beds for community members, their family, and their friends who need trauma and complex high acuity services.
- Community members will continue to have long wait times at Mission ED because of the lack of beds.

The demand for AdventHealth Asheville can be easily measured by the utilization of their similar small community hospital affiliate AdventHealth Hendersonville as a surrogate. AdventHealth Hendersonville has operated 62 acute care beds in Henderson County, **just 5 miles south of the Buncombe County line**, serving Buncombe County and service area residents for decades. In FY 2023, AdventHealth Hendersonville reported an average daily census of 36.8 or just 59% occupancy of its 62 beds. AdventHealth Hendersonville has plenty of capacity to serve additional low acuity patients from Western North Carolina. AdventHealth Asheville will offer fewer and even lower acuity services than AdventHealth Hendersonville. Currently there is not a demand for additional low-acuity, community hospital beds in the service area. AdventHealth Asheville has not demonstrated the need for 26 additional beds at a hospital that has not even been constructed or served its first patient.

New Site Location

One critical aspect of this project is the significant change in site for the proposed hospital. The proposed new hospital will move from west Buncombe County in the Candler area to northern Buncombe County in Weaverville. The first time AdventHealth mentions the new site of the hospital is on page 46. AdventHealth does not acknowledge the reason for the relocation from its previous site, which was an EPA Brownsfield site.

The new site location is in a different part of Buncombe County, approximately 15 driving miles and over 20 minutes away, yet AdventHealth Asheville does not acknowledge how this change in location will impact the need for its project. In Section C and Section Q of its Application, there is no recognition of how the change in location will result in modification to the utilization projections. While there are unsupported changes to the utilization projections (discussed in detail below) they are not linked in any way to the new site location.

AdventHealth also downplays the issues with its new site, which will require parcels to be annexed by the City of Weaverville and all parcels to be rezoned. It is highly unlikely that this will be accomplished in the time frame set forth for the development of AdventHealth Asheville opening in October 2027 as set forth in Section P.

AdventHealth Asheville's Application is Inaccurate and Inflammatory

In its Application, AdventHealth Asheville criticizes Mission Hospital on numerous fronts, many of which are unsupported allegations or references to lawsuits that are still pending and have not been resolved. As such, the claims behind such lawsuits are simply unproven allegations. These criticisms have no role in a CON review or healthcare planning, and such allegations have nothing to do with the CON review criteria. Therefore, AdventHealth's arguments should be disregarded. Likewise, claims regarding Mission's alleged monopoly are unfounded and have no role in the CON process. There is nothing unique about Mission Hospital as the sole provider in a county and the role as a tertiary hospital as a sole county provider. For example, other sole providers in a county include UNC Medical Center, Novant Health New Hanover Regional Medical Center, and ECU Health Medical Center to name a few.

Criterion (1)

Qualified Applicant and the Requirement to Provide Surgical Services

It is questionable whether AdventHealth Asheville was and is a qualified applicant to develop a new hospital. This issue was raised in the opposition to and appeal of AdventHealth's original 2022 CON application for a new 67-bed hospital. This matter is still before the Court of Appeals and remains without final resolution, highlighting potential gaps in regulatory oversight. It would be unreasonable to approve more beds for a hospital that is still under appeal and subject to judicial review.

All other new acute care hospitals in the state approved under either a need determination or even through a transfer of beds and ORs include at least one general licensed OR. **This includes all new hospitals approved after the Agency's initial approval of AdventHealth in 2022**. The choice of all other applicants to include an OR underscores the collective understanding of the North Carolina hospital community that it is critical for a hospital to have at least 1 general licensed OR and the potential implication for patient care of not including this critical hospital component.

It is unclear how a licensed Ambulatory Surgery Center must have a minimum of 1 licensed OR and cannot be a licensed Ambulatory Surgery Center with just procedure rooms, yet AdventHealth can develop a licensed hospital without a licensed general purpose OR and only a Dedicated C-Section OR. This is unrealistic as hospitals typically treat higher acuity patients, especially surgical patients who require a general OR to perform the procedure over an Ambulatory Surgery Center. Moreover, a C-Section room is limited in scope and not considered for planning for ORs in the SMFP.

Dedicated C-Section ORs (nor procedure rooms) are not held to same standard and strict regulation as general purpose ORs due to the difference in complexity of procedures approved to be performed in each, raising questions about the quality of care if this is considered the designated OR. Moreover, if the dedicated C-Section OR is the "room" that is used to meet the qualified applicant requirement, then that hospital is only providing surgical services in an operating room in one medical diagnostic category ("MDC") – MDC 14: Pregnancy, childbirth, and puerperium. See page the 2024 SMFP pages 34-35.

Even if AdventHealth is permitted to operate a hospital without at least one licensed OR, it is prudent to question whether it is wise to do so from a quality and patient safety perspective. Neither licensure nor any accrediting body will review or assess AdventHealth's procedure rooms to ensure that they meet the same quality or safety standards as general operating rooms.

Notably, AdventHealth's hospital line drawing in Exhibit K.5-1 shows all ORs and not procedure rooms. This implies that despite there being no need for additional ORs in the 2024 SMFP, AdventHealth proposes to add 6 ORs as labeled in their drawings. **Essentially, AdventHealth is adding a service for which there is no need and for which they have not received CON approval.** This undermines health planning and the intent and purposes of the SHCC's planning efforts and the SMFP signed by the Governor.

AdventHealth states that it will offer both surgical and non-surgical services, even though they only have one Dedicated C-section OR and no general licensed OR. (See AdventHealth application page 24). Again, this presents concerns as AdventHealth proposes to perform the surgical services they mention inappropriately in the procedure rooms. As previously mentioned, based on their drawings, these procedures rooms are actually operating rooms, but AdventHealth has not obtained the appropriate approval to develop and run even one licensed operating room let alone six as shown in their drawings. AdventHealth's

utilization projection supports the premise that it is developing operating rooms in contravention of the SMFP's lack of a need determination. Furthermore, these rooms will not receive the necessary evaluation by DSHR's Construction Section to ensure that they will meet the safety standards needed to perform such surgical procedures.

AdventHealth did not update or include an analysis to show the patients they will serve by MDC in relation to the qualified applicant requirement. However, their utilization will no doubt change to accommodate the difference in geographic accessibility to residents in the planning area due to the new location, which is about 20 miles away from the original, proposed site. AdventHealth simply claims no change is needed.

Instead, AdventHealth uses the same ambiguous limiting factor used in its original CON application, which limits the MSDRG to weight case less than 3.5. This limitation still included many MSDRGs that must be performed in a general-purpose operating room (See AdventHealth application page 60). The issue of performing MSDRGs that require an OR remains unresolved as the original CON is still under appeal, and the ORs, as well as patients by MDC, are still contested matters. So far, there have been no updates provided to show that AdventHealth Asheville meets this requirement in the SMFP under the change of scope application.

Examples of surgical cases that AdventHealth Asheville includes in its utilization projections, based on the description of assumptions in Section Q, are provided below as Figure 1. These are surgical cases that do not belong in a procedure room, do not belong in a hospital without a general licensed OR, and are higher acuity than will be provided in a small new community hospital. The fact that these cases are inappropriate is further underscored by how few cases in these DRGs were provided by AdventHealth Hendersonville in CY2023, even with its 5 fully licensed general ORs in Hendersonville, NC. It is simply inappropriate to include these types of cases in AdventHealth Asheville's projected utilization, and it is highly questionable in terms of quality and safety for AdventHealth to suggest it would provide such procedures.

Figure 1

Surgical Procedures Included in AdventHealth Asheville's Projections That are Not Appropriate for a Low Acuity Hospital without a Licensed OR

DRG	DRG Description	Weight	Market Cases	AdventHealth Hendersonville Cases
469	MAJOR HIP AND KNEE JOINT REPLACEMENT OR REATTACHMENT OF LOWER EXTREMITY WITH MCC OR TOTAL ANKLE REPLACEMENT	3.2314	24	3
665	PROSTATECTOMY WITH MCC	3.0603	2	0
521	HIP REPLACEMENT WITH PRINCIPAL DIAGNOSIS OF HIP FRACTURE WITH MCC	3.0192	48	2
462	BILATERAL OR MULTIPLE MAJOR JOINT PROCEDURES OF LOWER EXTREMITY WITHOUT MCC	2.9856	20	1
480	HIP AND FEMUR PROCEDURES EXCEPT MAJOR JOINT WITH MCC	2.966	95	5
468	REVISION OF HIP OR KNEE REPLACEMENT WITHOUT CC/MCC	2.7893	71	9
208	RESPIRATORY SYSTEM DIAGNOSIS WITH VENTILATOR SUPPORT <=96 HOURS	2.6001	29	2
164	MAJOR CHEST PROCEDURES WITH CC	2.5827	64	0
659	KIDNEY AND URETER PROCEDURES FOR NON-NEOPLASM WITH MCC	2.5769	27	3
327	STOMACH, ESOPHAGEAL AND DUODENAL PROCEDURES WITH CC	2.5613	39	0
982	EXTENSIVE O.R. PROCEDURES UNRELATED TO PRINCIPAL DIAGNOSIS WITH CC	2.5082	15	2
330	MAJOR SMALL AND LARGE BOWEL PROCEDURES WITH CC	2.4554	165	14
417	LAPAROSCOPIC CHOLECYSTECTOMY WITHOUT C.D.E. WITH MCC	2.3777	48	2
493	LOWER EXTREMITY AND HUMERUS PROCEDURES EXCEPT HIP, FOOT AND FEMUR WITH CC	2.3758	71	1
483	MAJOR JOINT OR LIMB REATTACHMENT PROCEDURES OF UPPER EXTREMITIES	2.3576	59	1
350	INGUINAL AND FEMORAL HERNIA PROCEDURES WITH MCC	2.357	4	0
629	OTHER ENDOCRINE, NUTRITIONAL AND METABOLIC O.R. PROCEDURES WITH CC	2.2438	29	0
141	MAJOR HEAD AND NECK PROCEDURES WITH CC	2.2326	16	0
475	AMPUTATION FOR MUSCULOSKELETAL SYSTEM AND CONNECTIVE TISSUE DISORDERS WITH CC	2.2212	18	2
522	HIP REPLACEMENT WITH PRINCIPAL DIAGNOSIS OF HIP FRACTURE WITHOUT MCC	2.1729	107	6
655	MAJOR BLADDER PROCEDURES WITHOUT CC/MCC	2.1587	7	1
808	MAJOR HEMATOLOGICAL AND IMMUNOLOGICAL DIAGNOSES EXCEPT SICKLE CELL CRISIS AND COAGULATION DISORDERS WITH MCC	2.141	8	0
336	PERITONEAL ADHESIOLYSIS WITH CC	2.127	33	2
481	HIP AND FEMUR PROCEDURES EXCEPT MAJOR JOINT WITH CC	2.1124	192	9
857	POSTOPERATIVE OR POST-TRAUMATIC INFECTIONS WITH O.R. PROCEDURES WITH CC	2.109	26	3
835	ACUTE LEUKEMIA WITHOUT MAJOR O.R. PROCEDURES WITH CC	2.0971	6	0
314	OTHER CIRCULATORY SYSTEM DIAGNOSES WITH MCC	2.0826	21	0
908	OTHER O.R. PROCEDURES FOR INJURIES WITH CC	2.0565	33	0
854	INFECTIOUS AND PARASITIC DISEASES WITH O.R. PROCEDURES WITH CC	2.0556	140	0
	Total		**1,417**	**68**

Source: CY 2023 HIDI Analytics

<u>AdventHealth is Non-Conforming with Policy GEN-3</u>

AdventHealth Asheville does not meet the quality component of Policy GEN-3. AdventHealth cannot ensure the quality and safety of its care when they are performing surgical procedures without at least one general purpose licensed operating room. Neither licensure nor accreditation will review the "procedure rooms" to ensure they meet appropriate safety and quality standards. Even if AdventHealth is permitted to build a new hospital without a general purpose OR, it is not prudent to do so and does not ensure that quality and safety of its patient population is protected.

AdventHealth Asheville also does not meet the cost effectiveness component of Policy GEN-3. AdventHealth claims it will be more cost effective for it to spread operating costs over more beds but ignores the fact that its occupancy rate is low, and many beds are empty. In 2022, AdventHealth Asheville projected to operate 67 beds at 74.8 percent occupancy. That equates to 17 empty beds on an average day. Now in 2024, AdventHealth Asheville plans to spend an additional $109 million in capital costs to operate 93 beds at 72.8 percent occupancy. This equates to 25 empty beds on an average day. The number of empty beds is even higher than in the 2022 application and equals almost exactly the need in the 2024 SMFP. AdventHealth will not serve to meet the need in Buncombe, Graham, Madison, and Yancey Counties.

AdventHealth also ignores the number of additional incremental staff required to operate the new hospital. In 2022, AdventHealth projected it would need 219 incremental staff to operate the new hospital, many of whom would duplicate staff already in place at AdventHealth Hendersonville. Now, AdventHealth projects 246.5 incremental staff.

AdventHealth should not be found conforming with Criterion (1).

Criterion (3)

AdventHealth filed a Change of Scope to add more beds and relocate the hospital approximately 20 miles from its original proposed location to a different part of Buncombe County. However, simply increasing the number of beds without adding any new service lines or recruiting new specialists will not ensure these beds are well utilized. Additionally, AdventHealth provides minimal information on how the change of location will impact the project, merely stating that they will "meet the same need" without providing detailed explanations or strategies. As a result, AdventHealth fails to appropriately document the need for its change of scope and its utilization and cannot be found conforming with Criterion (3).

As mentioned in Criterion (1), AdventHealth does not demonstrate that they will serve at least five MDCs on a daily basis and fails to justify the quality, safety, and responsibility of providing surgical services in a hospital without a licensed OR. This flaw continues to undermine their projected need and is still the subject of appeal for their 2022 CON project. AdventHealth does not provide an actual DRG definition of what it included, making it impossible to verify the reasonability or determine what types of patients are included in those served by AdventHealth with DRG weights less than 3.5.

<u>AdventHealth Does Not Appropriately Define its Patient Population to be Served</u>

It is unclear which DRGs AdventHealth proposes to serve. On pages 59-60 and 128 of AdventHealth's application, it is suggested that AdventHealth only considered DRGs in the planning area that AdventHealth Hendersonville serves that can appropriately be served at AdventHealth Asheville. However, there is no DRG list provided, thus there is no way to confirm that AdventHealth's projections are based on DRGs that AdventHealth Asheville has the capabilities of serving. Furthermore, just because AdventHealth Hendersonville serves one patient in a DRG does not mean it is appropriate for AdventHealth Asheville or serves as a valid basis for a reasonable projection. This is especially true as AdventHealth Hendersonville has five general ORs and AdventHealth Asheville will not have any.

AdventHealth Hendersonville is an appropriate surrogate for the types of patients AdventHealth Asheville proposes to serve. In fact, AdventHealth Hendersonville provides more services than AdventHealth Asheville can or will provide, including those needing services in a licensed general operating room. In CY 2023, only 6.24% of AdventHealth Hendersonville's patients had a DRG relative weight over 2.0 as shown in Figure 2. Conversely, over 93% of AdventHealth Hendersonville's patients have a relative weight of less than 2.0. Moreover, 79.5% of AdventHealth Hendersonville's patients have a relative weight of less than 1.5.

Figure 2

AdventHealth Hendersonville's Distribution of Patients by DRG Weight

DRG Weight	% of Patients	Cumulative %
3.5 or greater	0.4%	0.37%
3.0 to 3.499	0.6%	0.96%
2.5 to 2.99	1.4%	2.34%
2.0 to 2.49	3.9%	6.24%
1.5 to 1.99	17.9%	24.13%
1.0 to 1.499	40.5%	64.66%
0.5 to 0.99	30.5%	95.14%
< 0.5	4.9%	100.00%
Total	**100.00%**	

Not appropriate for AdventHealth Asheville

93% < 2.0
79.5% < 1.5

Source: CY 2023 HIDI Analytics.

By contrast, 25% of Mission Hospital's 2023 patients had DRG relative weights of over 2.0 and 11.6% were over 3.5% as shown in Figure 3, below. That means that over 25% of Mission's patients are not appropriate for AdventHealth Asheville to serve. These higher acuity patients account for 40% of Mission Hospital's patient days because of their longer ALOS.

Figure 3

Mission Hospital's Distribution of Patients by DRG Weight

DRG Weight	% of Patients	Cumulative %
3.5 or greater	11.6%	11.61%
3.0 to 3.499	3.1%	14.68%
2.5 to 2.99	3.7%	18.33%
2.0 to 2.49	7.0%	25.37%
1.5 to 1.99	24.2%	49.56%
1.0 to 1.499	22.1%	71.66%
0.5 to 0.99	28.2%	99.86%
< 0.5	0.1%	100.00%
Total	**100.00%**	

Not appropriate for AdventHealth Asheville

Source: CY 2023 HIDI Analytics

It should be noted that AdventHealth's health planning consultant has used a 2.0 relative weight cut off in projecting need for other new small community hospitals with a general licensed OR but chose to use a 3.5 relative weight cut off here without any quantitative support. No rationale is provided in its application for AdventHealth Asheville to serve any meaningful number of patients with a DRG relative weight over 2.0.

<u>AdventHealth Fails to Exclude Additional Patient Population That It Will Not Serve.</u>

AdventHealth fails to exclude pediatric patients, even though they will have no medical staff or specialized capability to serve these patients. In CY 2023, AdventHealth Hendersonville only admitted 10 pediatric patients for conditions other than obstetrics related care. Pediatric patients should have been excluded from the patient base to be served by AdventHealth Asheville furthering limiting any projected need and utilization.

Additionally, AdventHealth Asheville does not limit surgical procedures beyond the initially listed exclusions such as cardiac surgery, neurosurgery, and trauma. It is unreasonable for AdventHealth Asheville to project serving a full range of surgical patients when it does not have a licensed OR. Even if permitted to build and license a facility without a general-purpose OR, which is still in dispute, it is neither appropriate nor prudent to serve an unspecified range of surgical patients.

AdventHealth's non-OB population to be served should have been reduced for these three factors:

- Patients with DRG relative weight > 2.0;
- Pediatric patients; and
- Patients with general surgery procedures.

When these categories are eliminated, the pool of patients that are appropriate for AdventHealth Asheville to serve is substantially reduced as shown in Figure 4. The more appropriate base of patients that AdventHealth Asheville will serve is about 64% of the total market for 2023 that AdventHealth used as the starting point for its projections on page 130.

Figure 4
Comparison of Advent Non-OB Market Projection versus Appropriate Cases

County	2023 CON page 130	DRGs <2.0 Weight	DRGs <2.0 Weight Age > 17	DRGs >1 Case Patients >17 No Surgery DRGs	% of AH's Defined Population
Buncombe	17,110	14,569	13,964	11,037	64.5%
Graham	471	395	369	279	59.2%
Madison	1,593	1,360	1,311	1,027	64.5%
Yancey	1,423	1,219	1,160	931	65.4%
Total	**20,597**	**17,543**	**16,804**	**13,274**	64.4%

Source: CY 2023 HIDI Analytics. AdventHealth CON page 130.

AdventHealth Ignores that the Bed Need was Generated by High Acuity Utilization at Mission

AdventHealth ignores that the bed need was generated by high acuity utilization at Mission and that a very large percentage of Mission's patients are high acuity patients who AdventHealth Asheville cannot and will not serve. Because the SMFP bed need calculation is run from patient days, 40% of the need identified in the SMFP is not appropriate for AdventHealth Asheville to serve. That does not even exclude many types of patients that AdventHealth admits it will not serve, the multiple trauma and specialty patients it cannot serve, and those patients listed above who AdventHealth Asheville is inappropriate to serve and who AdventHealth neglected to exclude from their analysis of need and utilization

Simply looking at the actual patients served by AdventHealth Hendersonville and Mission Hospital in CY 2023 demonstrates the variance in DRG weights or acuity that each hospital can serve as shown in **Figures 2 and 3** above.

When you consider the types of patients that AdventHealth should have excluded and who are not appropriate for the setting, the percentage of patients drops dramatically. Patients such as pediatric patients,

trauma patients, and patients transferred from other acute care hospitals for specialty or complex services comprise over 10% of Mission's patient days. Patients from outside of the 4-county service area, from which AdventHealth only projects a small amount of its patient volume comprise another 13% of patient days. When all of these types of patients are removed, only about 31.6% of Mission's patient days would be appropriate for AdventHealth Asheville to serve as shown in Figure 5.

Figure 5
Mission Hospital Acute Care Patient Volume by Category

	Admissions	Patient Days	% of Total	Cumulative %
Total Mission Patient Days	40,312	219,468		
Less DRGs >2.0 relative weight	(10,226)	(88,191)	40.2%	
Less Advent Exclusion Categories (< 2.0)	(1,441)	(4,877)	2.2%	42.4%
Less Pediatric Patient (<2.0)	(1,558)	(3,996)	1.8%	44.2%
Less Trauma Patients	(508)	(2,813)	1.3%	45.5%
Less Patients Transferred from Hospitals	(4,054)	(21,672)	9.9%	55.4%
Patients from Outside the Service Area	(6,800)	(28,530)	13.0%	68.4%
Remaining Patients Appropriate for AdventHealth Asheville	**15,725**	**69,389**	**31.6%**	

Source: CY 2023 HIDI Analytics.

With a bed need for 26 beds generated from all 100% of Mission's patient days, just 8.2 beds (26 beds x 31.6%) would be allocated to patients who would be appropriate for AdventHealth Asheville to serve. When considered in the context of AdventHealth's entire project, including the original 2022 CON application and the change of scope, the need for 93 beds again based on Mission's total patient volume, just 29.3 beds (93 x 31.6%) would be allocated for patients that would be appropriate for AdventHealth Asheville to serve. If surgical patients are eliminated, based on the fact that AdventHealth Asheville will not have a licensed general OR, then an even smaller subset of patients would be appropriate for care at AdventHealth Asheville.

AdventHealth believes it will capture a weighted average of 22.6% of appropriate patients.[2] Applying 22.6% to the 8.2 beds needed for appropriate patients show that just 1.85 beds of the 26 beds needed in the SMFP would be appropriate for AdventHealth's patients as shown in **Figure 6**.

Figure 6
SMFP Bed Need Appropriate for AdventHealth Asheville

	2022 SMFP	2024 SMFP	Total
Bed Need	67	26	93
% Appropriate for AdventHealth Asheville	31.6%	31.6%	31.6%
Bed Need for Appropriate Low Acuity Patie	**21.2**	**8.2**	**29.4**
AdventHealth Average Market Share	22.6%	22.6%	22.6%
Bed Need Met by AdventHealth	**4.8**	**1.9**	**6.6**

Source: CY 2023 HIDI Analytics. 2022 and 2024 SMFPs.

[2] Weighted average of all ZIP codes for medical/surgical and OB beds. Please not that AdventHealth does not provide any basis for its market share assumptions quantitative or otherwise.

AdventHealth Asheville does not meet the need identified in the SMFP, which is heavily driven by tertiary, complex, and specialty patients from the entire western North Carolina region and beyond who AdventHealth Asheville will not be able to serve.

AdventHealth Fails to Consider AdventHealth Hendersonville in its Need Analysis and Utilization Projections

AdventHealth entirely fails to consider AdventHealth Hendersonville in its demonstration of need and its utilization projections. AdventHealth does not provide patient origin for AdventHealth Hendersonville in its application; however, its 2024 LRA shows that 36.5 percent of its total FY 2023 admissions were from the planning area (Buncombe, Graham, Madison, and Yancey). Another 1.8 percent were from Haywood County, which is immediately adjacent to Buncombe County, the proposed AdventHealth Asheville home county. See **Figure 7**. Despite this history, AdventHealth did not project any shift in patient volume from AdventHealth Hendersonville to AdventHealth Asheville as part of the basis for its projected utilization. This is wholly unreasonable given that the proposed hospital would be more accessible for Buncombe, Madison, and Yancey County residents who choose AdventHealth Asheville for care.

Figure 7
AdventHealth Hendersonville
FY 2023 Inpatient Origin and Occupancy

County	Admissions	% of Total
Buncombe	1,182	33.4%
Madison	80	2.3%
Yancey	25	0.7%
Graham	5	0.1%
Total Planning Area	1,292	36.5%
Haywood	62	1.8%
All Other	2,183	61.7%
Total Admission	3,537	100.0%
Patient Days	13,467	
ALOS	3.81	
ADC	37	
Beds	62	
Occupancy	59.5%	

Source: 2024 LRA

In FY 2023, AdventHealth Hendersonville operated at just 59.5% occupancy of its 62 beds. If just a portion of the historical patient base in these counties shifted to AdventHealth Asheville, the Hendersonville facility would operate at such a low occupancy rate that its financial performance would be highly questionable. If the AdventHealth Hendersonville patient volume from the counties above shifts, as would be expected based on the new hospital's location, then AdventHealth Hendersonville's utilization would drop precipitously low as shown in the example set forth below. This simple analysis shows that Advent's project is highly duplicative of its existing hospital and will result in two poorly utilized, small community hospitals should Advent's project be approved. Just for an example, if AdventHealth Hendersonville's patients from each county are grown at the county population CAGR to 2027 and then 75 percent of patients are shifted (25 percent remain), AdventHealth Hendersonville would operate at only 43.5 percent occupancy as shown in Figure 8. AdventHealth's proposed project would be detrimental to another hospital in its own system.

Figure 8
AdventHealth Hendersonville Impact Analysis
Baed on FY 2027 Projected Inpatient Origin and Utilization

County	FY 2023 Admissions	FY 2027 Admissions	% Shift	FY 2027 After Shift
Buncombe	1,182	1,215	75%	304
Madison	80	82	75%	20
Yancey	25	25	75%	6
Graham	5	5	75%	1
Total Planning Area	**1,292**	**1,327**	**75%**	**332**
Haywood	62	63	75%	16
All Other	2,183	2,236		2,236
Total Admission	3,537	3,626		2,583
Patient Days	13,467			9,836
ALOS	3.81			3.81
ADC	37			27
Beds	62			62
Occupancy	59.5%			43.5%

Source: 2024 LRA

Admissions projected to grow based on the CAGR of Advent's service area population on page 131.

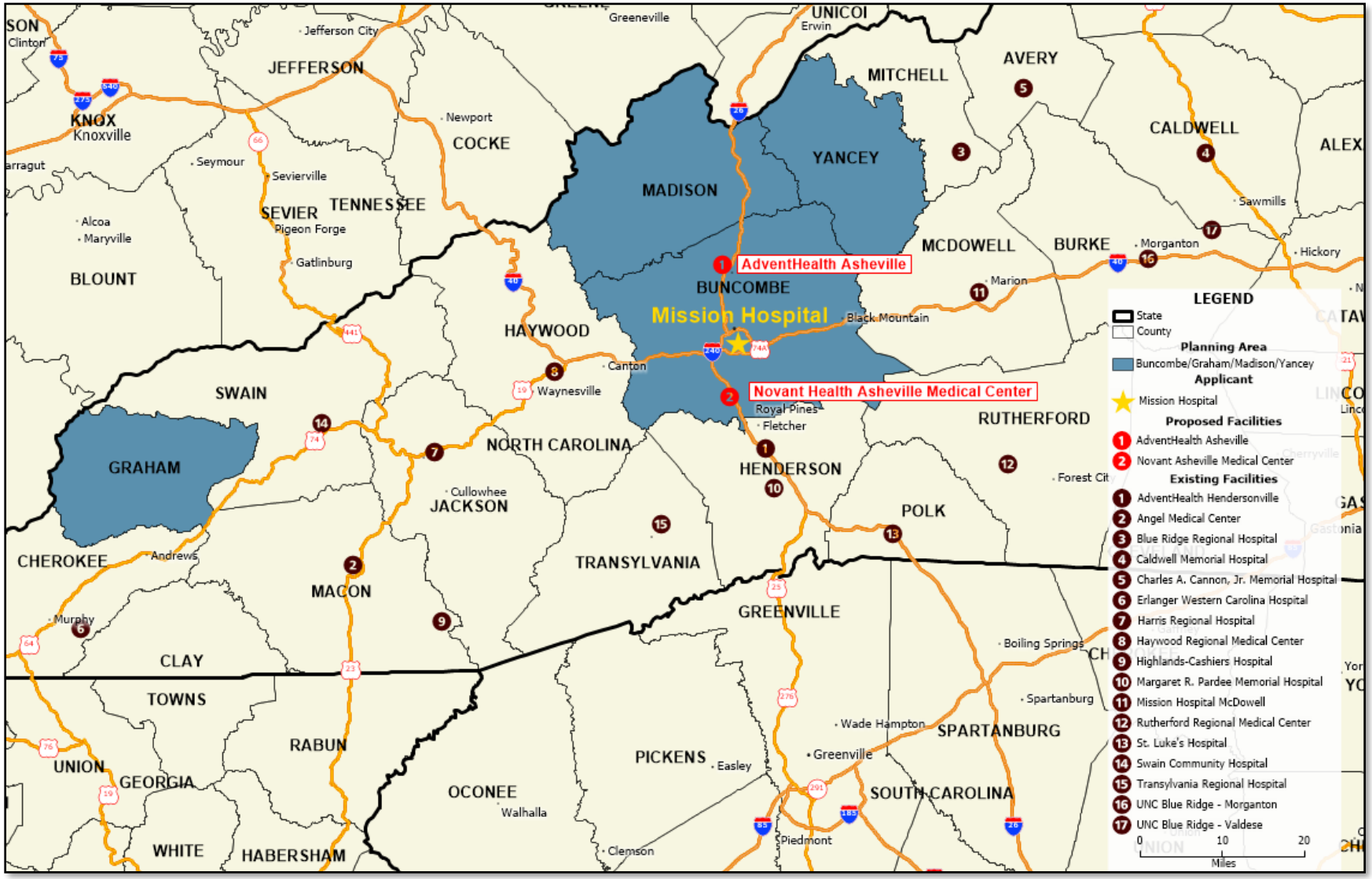
Haywood County and Henderson County CAGR based on Claritas Spotlight.

Henderson County served as a surrogate for "all other".

AdventHealth Failed to Consider Impact on Other Existing Facilities Serving the Service Area

AdventHealth failed to consider existing facilities in adjacent counties to the service area that serve the planning area and any impact it might have on these existing providers. Blue Ridge Regional Hospital is a significant provider for low acuity services for Yancey County, and Duke LifePoint Harris Regional Hospital is a significant provider for low acuity services for Graham County. Additionally, Swain Community Hospital, Erlanger Western Carolina Hospital, and multiple other small community hospitals are more accessible to Graham County residents than AdventHealth Asheville, which will be two hours away. See **Figure 9.** As will be shown, the patients who are driving to Buncombe County from Graham County (or being transported) are traveling to Mission for high acuity services and specialized care that AdventHealth Asheville will not offer. If these patients are leaving their home county for care because of their acuity, AdventHealth Asheville will not be an appropriate option for them.

Figure 9
Existing Hospital Serving AdventHealth's Proposed Service Area



Source: Maptitude

As will be discussed in more detail in Criterion (6), AdventHealth's Asheville hospital is simply duplicative of other existing small community hospitals that serve the service area. Existing providers currently serving the service area's low-acuity patients who AdventHealth proposes to address include Duke LifePoint Harris Regional Hospital, Duke LifePoint Haywood Regional Medical Center, and Blue Ridge Regional Hospital, all of which are all already operating at less than 50% occupancy and have plenty of capacity to continue to serve low acuity patients closer to home. Moreover, these hospitals can appropriately serve surgical patients, unlike AdventHealth Asheville since they all have at least one general licensed operating room as shown in Figure 10.

Figure 10

FY 2023 Utilization of Other Small Hospital Facilities Serving the Service Area

	Acute Care Bed*	Patient Days	ADC	% Occupancy	# of ORs^
DLP Harris Regional Hospital	82	11,124	30	37.2%	6
DLP Haywood Regional Medical Center	120	19,727	54	45.0%	7
Blue Ridge Regional Hospital	46	4,807	13	28.6%	3
Swain Community Hospital	48	120	0	0.7%	1
Erlanger Western Carolina Hospital	57	4182	11	20.1%	4

Source: 2024 LRAs

*Excluding NICU

^Excluding Dedicated C-Section ORs

AdventHealth's 2023 projections have raised their market share for Madison, Graham, and Yancey Counties from their original application that is under appeal. This will have an even greater impact on existing providers, particularly DLP Harris Regional Hospital, which serves Graham County, and Blue Ridge Regional Hospital, which serves Yancey County.

This level of utilization and available bed capacity points to two flaws in AdventHealth's application. First, AdventHealth's utilizations are unreasonably high relative to existing providers' actual utilization of equal or larger, more robust, facilities serving immediately adjacent counties. Second, any significant loss of patient volume from the existing providers to AdventHealth's proposed hospital could significantly impact these community hospitals, which plays an important role in ensuring access to each provider's home county residents needing acute care services.

<u>AdventHealth Utilization Projections are Unreasonable and Undocumented</u>

There are numerous unsupported and unreasonable assumptions contained in Advent's projections. As noted above, AdventHealth does not provide a DRG list, yet the description of DRGs is identical to their 2022 application. AdventHealth mentions excluding services that AdventHealth Asheville does not intend to provide and only includes DRGs with a weight less than or equal to 3.5 (AdventHealth's Application page 128). Also, there was no comparison between the 2022 and 2024 applications provided.

AdventHealth's Defined Patient Population is Inappropriate

As discussed in detail above, AdventHealth uses a DRG weight cut off of 3.5 as the basis for its projections defining its low acuity patient base. This cut off is simply unreasonable and much too high given that AdventHealth Hendersonville serves only a very small number of patients in the DRG ranges from 2.0 to 3.5. A reasonable and appropriate cut off for medical/surgical DRGs would be 2.0 given AdventHealth

Hendersonville's experience and the fact that it offers more services than AdventHealth Asheville proposes, including general licensed ORs at Advent Health Hendersonville.

AdventHealth's Proposed Base of Medical/Surgical Patients is Smaller than proposed in the 2022 Original CON

When the projected discharges are compared between the 2022 and 2024 application, it becomes clear that AdventHealth Asheville is proposing to add 26 more beds for a base of patients that is smaller than it projected in 2022. The newer market data has a lower number of discharges than the market data in the 2022 application. For convenience, a copy of AdventHealth's 2022 medical/surgical utilization projection assumptions and methodology are provided as **Attachment A**.

Comparing the 2017-2019 market trend from the 2022 CON (See Advent's 2022 Application page 132, also provided as **Attachment A** for ease of reference) to the 2021-2023 data from the 2024 CON (See Advent's application page 130) shows that 2023 discharges are lower than 2019 discharges. Advent's data also indicates that the longer-term compounded annual growth rate ("CAGR") is much lower than in either the 2022 or 2024 CON applications. This critical data was available but not presented, further undermining the reliability of Advent's projections.

This discrepancy directly contradicts AdventHealth Asheville's need for additional beds. The necessity and rationale for AdventHealth proposed expansion is undermined by the fact that their base of patients is actually smaller than initially proposed, and the growth rate is lower than previously projected as shown in Figure 11.

Figure 11

Total Service Area Demand for AdventHealth Claimed Appropriate Discharges									
	2022 CON Application				2024 CON Application				
County	2017	2018	2019	2-YR CAGR	2021	2022	2023	2-YR CAGR	CAGR 2017-2023
Buncombe	15,903	15,983	17,270	4.2%	15,951	15,876	17,110	3.6%	1.2%
Graham	735	726	678	-4.0%	539	448	471	-6.5%	-7.1%
Madison	1,437	1,460	1,613	5.9%	1,501	1,538	1,593	3.0%	1.7%
Yancey	1,344	1,429	1,580	8.4%	1,488	1,348	1,423	-2.2%	1.0%
Total	**19,419**	**19,598**	**21,141**	**4.3%**	**19,479**	**19,210**	**20,597**	**2.8%**	**1.0%**

Sources: 2017-2019 from 2022 CON application page 132. 2021-2023 from 2024 CON page 130.

AdventHealth's projected medical/surgical market demand in 2024 and 2027 was higher in its 2022 CON application than it is in its 2024 CON application as shown below in Figure 12. Again, reiterating that the overall market demand is lower. It is unreasonable for AdventHealth to suggest that it needs more than the originally proposed 67 beds when the market it proposes to serve is smaller today than it was two years ago.

Figure 12

Comparison of Overall Market Demand for AdventHealth Claimed Appropriate Discharges

	Projected 2024		Projected 2027	
County	**2022 CON**	**2024 CON**	**2022 CON**	**2024 CON**
Buncombe	17,371	17,224	17,376	17,572
Graham	678	471	678	464
Madison	1,619	1,598	1,619	1,614
Yancey	1,582	1,429	1,582	1,448
Total	**21,250**	**20,722**	**21,255**	**21,098**

Source: 2022 CON application page 136, 2024 CON application page 132

It is important to note that AdventHealth's market projections in the 2022 CON application were overstated, and now it is proposing to add 26 more beds to serve a market demand that is even lower than it was in the 2022 application. This discrepancy becomes even more apparent when Project Year 3 market demand is compared between the 2022 and 2024 applications. See **Figure 13**. With three more years of growth, the total market demand is only 1.1% larger than it was in the 2022 CON application. This marginal increase hardly supports the addition of 26 more beds, which represents a significant requested increase in bed capacity from 67 to 93 beds.

Figure 13

Comparison of Year 3 Market Demand for AdventHealth Claimed Appropriate Discharges

County	**2022 CON Year 3 (2027)**	**2024 CON Year 3 (2030)**	**% Increase**
Buncombe	17,376	17,928	3.2%
Graham	678	458	-32.4%
Madison	1,619	1,631	0.7%
Yancey	1,582	1,467	-7.3%
Total	**21,255**	**21,484**	**1.1%**

Source: 2022 CON application page 136, 2024 CON application page 132

AdventHealth's Unreasonable Increase in Market Share Capture Throughout the Service Area

Even though the market demand for AdventHealth's low acuity discharges is insufficient to support the need for additional beds and is not growing at the rate previously projected, AdventHealth projects significantly high market share capture, particularly in the rural service area counties of Graham, Yancey, and Madison.

AdventHealth provides no basis or explanation for the change in projected market share, which is unreasonable, given it projected more than double in some instances from the projections in the original 2022 CON (See AdventHealth's application page 136). See **Figure 14.**

Without any change in services and no notable change in physician medical staff, AdventHealth now claims it will capture a 30% market share in Graham County as shown below. Even the 12% market share in the original CON was unreasonable, given that AdventHealth Hendersonville, supported by the same medical staff, captured less than 1% market share of low-acuity adult patients from Graham County in 2023. AdventHealth Asheville is no more accessible to Graham County than AdventHealth Hendersonville. A Graham County resident would essentially have to pass DLP Harris regional, DLP Haywood Regional, and Mission Hospital in order to reach either AdventHealth Hendersonville or AdventHealth Asheville.

Figure 14
Comparison of 2022 CON and 2024 AdventHealth Projected Market Share

Buncombe		
Zip Code	**2022 CON**	**2024 CON**
28701	20.0%	**30.0%**
28704	10.0%	10.0%
28709	20.0%	**30.0%**
28711	20.0%	20.0%
28715	20.0%	20.0%
28728	20.0%	20.0%
28730	10.0%	10.0%
28748	20.0%	**30.0%**
28757	20.0%	20.0%
28770	20.0%	20.0%
28776	20.0%	20.0%
28778	20.0%	20.0%
28787	20.0%	**30.0%**
28801	20.0%	20.0%
28802	20.0%	20.0%
28803	20.0%	20.0%
28804	20.0%	**30.0%**
28805	20.0%	20.0%
28806	20.0%	20.0%
28813	20.0%	20.0%
28815	20.0%	20.0%
28816	20.0%	20.0%
Graham County		
Zip Code	**2022 CON**	**2024 CON**
28702	12.0%	**20.0%**
28733	12.0%	**20.0%**
28771	12.0%	**20.0%**
Madison County		
Zip Code	**2022 CON**	**2024 CON**
28743	15.0%	**30.0%**
28753	15.0%	**30.0%**
28754	15.0%	**30.0%**
Yancey County		
Zip Code	**2022 CON**	**2024 CON**
28714	15.0%	**30.0%**
28740	15.0%	**30.0%**
28755	15.0%	**30.0%**

Source: 2022 CON application page 137, 2024 CON application page 133

Similarly, AdventHealth's projections for market share increases for Madison and Yancey Counties from 15% in the 2022 CON application to 30% in the 2024 CON application are equally unrealistic and unsupported. In 2023, AdventHealth Hendersonville had approximately a 5% market share of Madison County, yet projects now that AdventHealth Asheville will capture a 30% market share of the low acuity adult med/surg patients. **Currently, AdventHealth Hendersonville only captures a 16% market share of acute care services in its own home county, Henderson, where it has operated for decades.** It is

unrealistic for AdventHealth Asheville to capture a 30% market share of Madison, Yancey, and Graham Counties.

Moreover, AdventHealth Asheville also increases its market share of five Buncombe County ZIP codes from 20% to 30% with no explanation between the 2022 application and its current application. There seems to be no support whatsoever for such changes. If AdventHealth suggests that the market share change is due to the proximity of these ZIP codes to the new location compared to the previous location in Candler, it is notable that it did not reduce market share in ZIP codes that are less accessible to the new location in Weaverville. Moreover, AdventHealth Asheville did not project a 30% market share in any single ZIP code in the 2022 CON application, including its home ZIP code in the original location.

Given the lack of overall market demand for low acuity discharges, which is supported by the data, AdventHealth's increase in market share capture compared to its original CON application is unreasonable, unsupported, and unexplained. Simply put, there is a lack of sufficient utilization to justify the need for an additional 26 beds to meet the performance standards.

AdventHealth's Projections Misalign with the Actual Market Need

For general medical/surgical services, Graham and Yancey Counties use Harris Regional Hospital and Blue Ridge Medical Center, respectively, for their low acuity services. A large percentage of patients from these counties travel to Buncombe County for high acuity services. These patients are traveling to Buncombe County for the specific care offered by Mission Hospital, which AdventHealth Asheville will not have the capabilities to provide. Thus, these patients will continue to need Mission's services, including:

- Pediatric patients
- Trauma patients
- High-acuity transfers from other hospitals
- Other high-acuity patients, such as cardiac patients excluded by AdventHealth
- Surgical patients that need surgery in a general operating room environment

When the above patients are excluded, few patients remain that would be appropriate for AdventHealth Asheville to serve, and this number is significantly less than AdventHealth's projected volume. Only 22.9% of Graham County patients traveling to Mission for care could appropriately receive care at AdventHealth Asheville, which translates to just 64 patients. Similarly, only 29.3% of Yancey County patients traveling to Mission for care could appropriately receive care at AdventHealth Asheville, which translates to just 303 patients. Please see **Figure 15**. This is far less patient volume than projected by AdventHealth and does not even consider patient choice, as some, if not many, patients will continue to choose Mission as they have in the past for continuity of care or stay closer to home at the two Duke LifePoint hospitals near Graham County.

Figure 15
Analysis of Graham and Yancey County Acute Care Patient Types Appropriate for AdventHealth Asheville to Serve

	Graham County, NC		Yancey County, NC	
	Discharges	**%**	**Discharges**	**%**
Total Mission Patients	279	100.0%	1,033	100.0%
All Other High Acuity and Excluded MS Patients	41	14.7%	208	20.1%
Adult Patient Transfers from Another Hospital	103	36.9%	208	20.1%
Adult Trauma Patients	5	1.8%	24	2.3%
Pediatric Patients Including Trauma	12	4.3%	32	3.1%
Low Acuity Surgical Patients	54	19.4%	258	25.0%
Low acuity, non-surgical, adult patients, appropriate for AdventHealth Asheville	**64**	**22.9%**	**303**	**29.3%**

Source: CY 2023 HIDI market data, AdventHealth Asheville description of appropriate patients.

AdventHealth's OB Utilization Projections are Overstated and Unrealistic

Again, AdventHealth is projecting more patient OB volume without adding any services, medical staff, or capabilities. AdventHealth will be a low acuity OB provider as it does not have Neonatal Care services and does not propose to add any in this CON application.

Without adding any services or capability, AdventHealth increases the market share that it projects from the rural Madison and Yancey service area counties as shown in **Figure 16**. There is no explanation or even acknowledgement of this change. Please see **Attachment A** for AdventHealth's 2022 OB utilization projections.

Figure 16
Comparison of 2022 CON and 2024 AdventHealth Projected OB Market Share - PY 3

Madison County		
Zip Code	**2022 CON**	**2024 CON**
28743	15.0%	**30.0%**
28753	15.0%	**30.0%**
28754	15.0%	**30.0%**
Yancey County		
Zip Code	**2022 CON**	**2024 CON**
28714	15.0%	**30.0%**
28740	15.0%	**30.0%**
28755	15.0%	**30.0%**

Source: 2022 CON application page 146, 2024 CON application page 142

Given that AdventHealth will only serve low acuity patients, they will likely have to take these patients from other small community hospitals servicing this area such as its own affiliate AdventHealth Hendersonville and Blue Ridge Regional Hospital.

Once again, AdventHealth does not provide any information to explain which OB patients it believes are appropriate to serve in its low acuity hospital, such as a DRG list. It claims that OB discharges that have

associated NICU services were excluded but there is no way to associate an OB discharge with a NICU service because the mother (OB DRG) and the neonate (NICU DRG) are separate records in the HIDI market data and cannot be linked.

A review of the 2023 HIDI data for Buncombe, Graham, Madison, and Yancey Counties shows that in fact AdventHealth included all OB patients in all DRGs including high-risk patients with comorbidities and major complications. In CY 2023, 268 service area OB patients had major complications and co-morbidities. However, it appears that AdventHealth included all of these patients with a starting 2023 market discharge figure of 3,050 for an undefined set of DRGs. When high risk DRGs are excluded, there are only 2,736 remaining service area OB patients. When patients who were transferred from another hospital, who typically need a higher level of care than AdventHealth can offer, the total number of appropriate patients is again reduced. Finally, looking at AdventHealth Hendersonville provides a good basis for low-risk OB numbers for AdventHealth Asheville. When patients in DRGs that AdventHealth Hendersonville did not serve at all or did not serve more than one patient are removed, the total number of appropriate patients is much lower, as shown in **Figure 17**:

Figure 17
AdventHealth Appropriate Low Risk/Low Acuity OB Patients

County	Low Risk OB DRGs	Patients Transferred	DRGs Advent Didn't Serve	Remaining Appropriate Patients
Buncombe County, NC	2,306	(6)	(43)	2,257
Graham County, NC	67	(2)	(5)	60
Madison County, NC	200	-	(6)	194
Yancey County, NC	163	(4)	(10)	149
Grand Total	**2,736**	**(12)**	**(64)**	**2,660**

Source: CY 2023 HIDI analytic data

High risk OB defined as DRGs with major complications and comorbities including: DRGs 783, 786, 796, 805, 817, 831. These patients have been excluded.

Once again, AdventHealth overstates the market and market share for its low-acuity hospital with no basis provided. AdventHealth's OB utilization projections are undocumented and unreasonable.

AdventHealth's Additional ICU Beds Are Not Needed

AdventHealth proposes to add ICU beds without any change in service offerings. It is unclear why AdventHealth would need to increase from 12 to 16 ICU beds with no new services.

AdventHealth projects its ICU bed utilization based on the experience of AdventHealth Hendersonville but fails to acknowledge that the Hendersonville hospital has five general licensed ORs and AdventHealth Asheville will have none. Furthermore, AdventHealth proposes far more ICU beds than any other similarly sized hospital as shown in **Figure 18**. Of the 18 similarly sized hospitals reviewed, only Watauga Medical Center, the largest existing, long-established hospital has a same sized ICU unit at 16 beds. At similarly sized hospitals, ICU beds represent approximately 10% of total bed count. The 16 proposed ICU beds will compose approximately 17% of Advent's total beds.

Figure 18
Surgical Services Ratio Comparison for Small Hospitals

Hospital	ICU Beds	Med/Surg	OB	Total Beds (No NICU)	ICU % of Beds	# of ORs	Ratio of ORs to ICU Beds
AdventHealth Asheville Change in Scope	**16**	**64**	**13**	**93**	**17.2%**	**0**	**0%**
Watauga Medical Center	16	64	11	113	14.2%	3	19%
Novant Health Thomasville	13	68	20	101	12.9%	3	23%
FirstHealth Moore Regional-Richmond	12	55	20	99	12.1%	4	33%
Caldwell UNC Health Care	12	88	10	110	10.9%	4	33%
Vidant Roanoke-Chowan Hospital	10	56	16	86	11.6%	4	40%
Annie Penn Hospital	12	98	0	110	10.9%	5	42%
Cape Fear Valley Betsy Johnson	14	112	0	126	11.1%	6	43%
Atrium Health Lincoln	10	77	10	97	10.3%	5	50%
Atrium Health Stanley	10	72	15	97	10.3%	5	50%
Northern Regional Hospital	10	65	13	100	10.0%	5	50%
UNC Rockingham Hospital	9	87	12	108	8.3%	5	56%
Lake Norman Regional	12	75	9	115	10.4%	7	58%
Haywood Regional Medical Center	12	95	6	120	10.0%	7	58%
Vidant Edgecombe Hospital	8	45	32	91	8.8%	5	63%
Davis Regional Medical Center	8	86	8	102	7.8%	5	63%
Wilkes Medical Center	8	95	17	120	6.7%	6	75%
Central Carolina Hospital	8	101	17	126	6.3%	8	100%
Sampson Regional	8	87	12	116	6.9%	9	113%
Total/Average Communty Hospitals	**11**	**79**	**13**	**108**	**10.0%**	**5**	**48%**

Source: 2023 LRAs and Advent Applications
Note: Total/Average excludes AdventHealth Asheville Change in Scope
Notes: # of ORs Exclude Dedicated C-Section ORs

It is reasonable to associate surgery with intensive care, as they go hand in hand. However, the number of ICU beds compared to the number of operating rooms proposed in this project lacks coherence. AdventHealth has increased from 12 ICU beds in 2022 to 16 ICU beds in 2024 but still has **no** ORs. Given that surgical patients typically generate a significant number of ICU days, Advent's sizeable number of ICU beds is unsupported. Again, Watauga Medical Center with the same sized ICU unit has three operating rooms to support its ICU unit.

Moreover, there is a disconnect between ICU beds and surgical services. AdventHealth does not have any OR capacity to support the ICU beds proposed.

AdventHealth's Emergency Department Utilization is Flawed

Consistent with AdventHealth's other projections, its ED utilization is flawed because it will not offer surgical services required to be provided in a licensed OR. AdventHealth relies on various ratios of inpatient admissions and ED patient volumes for existing Buncombe County residents but fails to consider that these patients are being admitted to hospitals with ORs. There are many patients who are admitted through the ED who need emergency surgery, which AdventHealth cannot provide. AdventHealth Hendersonville's own experience further undermines AdventHealth Asheville's projections. Based on FY 2023 data, 90.3% of AdventHealth Hendersonville's admissions came through the ED, and its ratio of admissions to ED visits was 12.8%. As shown below in **Figure 19**, this is completely inconsistent with the projections for AdventHealth Asheville, a similarly sized hospital with even less capabilities.

Figure 19
Inconsistent ED Admission Assumptions

	AdventHealth Hendersonville	AdventHealth Asheville
ED Visits	27,622	15,873
ED Admissions	3,195	2,540
Admissions	3,537	6,120
% of Admission From the ED	90.3%	41.5%
Ratios of Admission to ED Visits	12.8%	38.6%

Sources: CON page 148, 2024 LRA

AdventHealth's ED utilization projections are simply inconsistent with its own experience and fail to recognize that the proposed facility will not offer surgical services as needed by many ED patients. AdventHealth's assumptions are unreasonable and unsupported.

All other projections for surgery and ancillary services are similarly flawed in that they are derived from the flawed projections for medical/surgical and OB services. AdventHealth has not appropriately defined the population to be served, has not defined a need that the population has, and has not reasonably documented or supported its projected utilization. AdventHealth Asheville should be found non-conforming with Criterion (3).

Criterion (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.

AdventHealth fails to demonstrate that its project is either the least costly or most effective alternative. From a cost standpoint, adding beds to an existing facility is the more cost-effective option because it only requires building the actual beds/patient care units and associated costs. In contrast, adding beds to an approved but not yet constructed hospital not only requires constructing the beds (the only services identified as needed in the SMFP), but also requires the cost to build all required ancillary and support services needed to operate a new hospital. Mission's project is far more cost-effective.

The same is true for operating costs. Operating incremental beds in an existing hospital only requires the staff directly associated with additional beds as opposed to the clinical, administrative, support staff, services, and overhead required to support an entirely new hospital operation. The CON Statue sets forth a clear mandate to control costs. Approving large capital cost and operating cost projects when a much less costly alternative is available is inconsistent with this directive. If approved, AdventHealth will add beds to a second small hospital, duplicating their AdventHealth Hendersonville hospital, and further dilute the utilization level at both facilities. This is not cost-effective.

Please see the discussion under Criterion (12) regarding the cost of constructing a larger surgical department for a hospital that does not have an OR and will not offer surgery services. This is clearly not the least costly alternative.

In terms of effectiveness, Advent's project cannot operate as an effective hospital without operating rooms, as discussed above. It cannot offer the range of services required or projected. For these reasons and the associated discussion in Criteria (1), (3), (5), (12), and (20), AdventHealth cannot be found conforming with Criterion (4).

Criterion (5) Financial Feasibility

Project Cost

As will be discussed in additional detail under Criterion (12), AdventHealth fails to provide sufficient documentation to ensure that all costs required to develop the proposed hospital at the identified location have been appropriately included. There is insufficient documentation of the costs of land, the associated utilities, and the site preparation necessary to make this location suitable for a hospital. In Exhibit K.5-4, Site Documentation, AdventHealth does not identify a cost for the site. Instead, they include blank forms to rezone and annex two of the proposed site parcels (6639 and 0659) into Weaverville, which will be discussed in detail in Criterion (12). The architect does not identify site preparation as a distinct cost, and without support, AdventHealth allocated over $14 million for site preparation for the addition of 26 beds, extracted from the architect-specified total program cost for a 96-bed hospital. See Exhibit K.5-3 and Form F.1b.

Moreover, AdventHealth's statement that "The proposed project does not involve the development of any new service component or acquisition of any medical equipment that was not previously identified in Project ID # B-12233-22 (AdventHealth Application page 96)" is contradicted by their own Form F.1b. Form F.1b shows a significant increase in costs for medical and non-medical equipment, each rising by over two million dollars without any explanation. It is unclear if this is simply the cost associated with 26 new beds or inflation of the original equipment cost. No explanation raises concerns about the accuracy and transparency of Advent's project cost estimation.

Due to insufficiency of documentation for a project of this magnitude, AdventHealth should be found non-conforming with Criteria (5) and (12) on this basis alone.

Project Utilization

As discussed in detail in Criterion (3), Advent's projected utilization is unreasonable and unsupported given that the project does not include any ORs. The surgical patients that AdventHealth proposes to serve cannot be and should not be served in a hospital without an OR which undermines Advent's utilization projections. As a result, Advent's financial projections are unsupported.

Even if the utilization was reasonable and supported, the project is only projected to be slightly profitable in the third year of operations with a net income of $6.2 million. The removal of surgical cases or any of the high acuity patients that AdventHealth inappropriately included in its projections would reduce this net income.

For these reasons and the associated discussion in Criteria (3), (8), and (12), AdventHealth cannot be found conforming with Criterion (5).

Criterion (6) Unnecessary Duplications

AdventHealth's project duplicates the small community hospital it currently operates in Henderson County, where it already serves patients from the proposed planning area. The existing AdventHealth Hendersonville hospital has significant underutilized capacity, as noted previously. AdventHealth did not consider that some of its patients would shift to the proposed hospital and that if approved, Advent's new hospital would simply be a second duplicative small community hospital operated by AdventHealth with similar or lesser capabilities. AdventHealth Hendersonville is operating below 70% occupancy. Such duplication is unnecessary given that both hospitals will be only moderately utilized and have excess bed capacity.

AdventHealth will also duplicate other small community hospitals that serve the service area. For example, Duke LifePoint Harris Regional is a significant provider of low acuity, community hospital services to Graham County where AdventHealth projects to capture 30% market share of low acuity medical surgical patients. Likewise, Duke LifePoint Haywood Regional Medical Center is a provider to lower acuity Madison County residents. Blue Ridge Regional Hospital has over 42% market share of Yancey County, focusing on serving lower acuity patients. AdventHealth Asheville projects to capture a 30% market share of Yancey County directly and unnecessarily duplicating the services offered by Blue Ridge Regional Hospital.

For these reasons and the associated discussions regarding Criteria (1), (3), (4), and (18a), AdventHealth should be found non-conforming with Criterion (6).

Criterion (7) Availability of Resources

The healthcare industry is facing considerable staffing shortages. The proposed project will place further demands on staff availability in the planning area and region. It will require AdventHealth to compete for staff with its affiliated hospital in Henderson County and other existing facilities serving the service area, such as Haywood Regional and Blue Ridge Regional. According to Advent's proposal, the development of a new duplicative hospital will require over 460 incremental FTEs by the third year of operation. This includes over 200 nursing staff and over 90 technical and therapy staff, all of whom are in high demand and in short supply. See Section Q, Form H. AdventHealth does not clearly document how it will obtain such high staffing levels.

AdventHealth should be found non-conforming with Criterion (7).

Criterion (8) Ancillary and Support Services and Coordination

AdventHealth's project cannot meet this criterion because a required ancillary service, namely surgery, is not appropriately proposed and should not be provided as described because the project will not include a licensed and CON-approved OR. With this omission, the project cannot be approved.

The multiple ancillary and support services proposed by AdventHealth and required to be provided to operate a new hospital are completely duplicative of AdventHealth's existing small community hospital

already serving the service area. Moreover, the required resources to provide all such required ancillary and support services for a new hospital are not cost effective and further exacerbate existing clinical staffing shortages.

AdventHealth should be found non-conforming with Criterion (8).

Criterion (12) Cost and Design

Timing

It does not appear that AdventHealth has adequately planned for the timing of its project. AdventHealth claims that the full architectural drawing will be complete within two months of CON approval. See page 122. It is unlikely that AdventHealth will incur the full cost of architectural design – projected to be a little over $11 million – before approval of the CON application. Full drawings must be completed for construction contracts to be signed just 10 weeks after approval. AdventHealth also claims that construction will begin 15 days after completion of drawings (see page 122). This is unrealistic. Also, there was no documentation submitted to support AdventHealth's ownership of the site for the proposed location. Furthermore, the site does not seem to be construction ready as it needs to be rezoned, and two of the parcels need to be added to the town of Weaverville, which will be discussed in further detail below.

Site Entitlement, Conditions, and Utilities

AdventHealth does not demonstrate entitlement to any site, despite its claims of a planned location in Weaverville (parcels 0659, 1054, 3019, 5347, and 6639), ZIP Code 28787. Throughout its application, AdventHealth constantly states it owns the parcels of the proposed site in Weaverville. Yet, no deed or further documentation is provided to either identify the site or demonstrate ownership. Instead, AdventHealth only includes blank petitions for voluntary annexation and rezoning forms. Of the parcels that comprise Advent's proposed site, three (1054, 3019, and 5347) are currently zoned as residential (R-3), while the other two (6639 and 0659) are currently zoned as employment districts (EMP). AdventHealth mentions planning to file a request to rezone all parcels as commercial (C-2). However, AdventHealth did not specify when it plans to file for this change, how long the process may take, and how it may impact its project timeline. Additionally, AdventHealth does not address what will happen if their rezoning request is denied, as they cannot build a hospital on parcels that are zoned as residential and employment districts.

Furthermore, parcels 6639 and 0659 are currently not considered a part of the Town of Weaverville, so AdventHealth will have to request and receive approval from Weaverville to include the two parcels. Similar to the rezoning request, AdventHealth does not indicate when they will apply for the parcels to be included, how long the process may take, and how it may impact its project timeline. AdventHealth also does not address what will happen if Weaverville declines its request to annex those two parcels. Although AdventHealth indicated that they have met with the Mayor and Town Manager and received their support for the annexation and zoning changes, no documentation was provided to validate their claims. See page 108.

The site also needs various utilities to be upgraded to support hospital operations. AdventHealth states that the site currently has water, public sewer, and power available. However, AdventHealth mentions that the water feeder and power supply need to be upgraded, with these costs supposedly included in site development costs. See page 108. However, there is a lack of documentation supporting such costs. No

documentation was provided regarding the availability of any utilities as required. See page 108. AdventHealth failed to appropriately document the specifics of its proposed site as required by the CON Form and rules.

Given that G.S. 131E-181(a) states *"A certificate of need shall be valid only for the defined scope, physical location, and person named in the application,"* AdventHealth has failed to sufficiently document its ability to acquire and construct a hospital on the identified site.

Moreover, it does not appear to be realistic to assume the hospital will open in the Fall of 2027 when all of these annexation and zoning changes have to be completed before construction can start.

Undocumented Project Costs

As noted in the discussion regarding Criterion (5), the architect letter simply provides a round figure of $245,634,000 for construction, $11,025,000 for architectural and engineering fees, and a total program cost of $363,328,668 for the 96-bed hospital at the Weaverville site. It is unclear what these figures include and if sitework is sufficiently included in this total at $14,565,750 in Form F.1b. It is also unclear which of the components of cost are associated with the change of scope versus inflation of the original cost from the 2022 CON application.

Unnecessary Project Costs

Finally, AdventHealth includes a full surgical department in its design, clearly meant to offer "major surgical cases" in procedure rooms. This department comprises essentially the entire second floor of the proposed hospital. **Advent's architectural drawings show two large "ORs," four small "ORs," and a large "OR storage," instead of procedure rooms**, further indicating that AdventHealth plans to build and operate non-CON-approved ORs, even though their project proposes no ORs and states these spaces as procedure rooms. In addition, AdventHealth's architectural drawings show 15 post anesthesia care unit ("PACU") beds and 24 pre-op bays. Further, large staff and physician lounges, large pre-op/PACU area, and decontamination areas combined with the aforementioned rooms, beds, and bays take up an entire floor of the proposed hospital (total floor area of 55,887 square feet). This represents approximately one- fifth of the total size of the hospital, and with finishes and equipment, it represents some of the most expensive space within a typical hospital. See Exhibit K.5-1, page 4. This large surgical department is proposed without an OR need in the service area and the fact that AdventHealth is not applying for any licensed general ORs.

AdventHealth is proposing the construction of a space that cannot be used for the services it proposed (including general surgeries) and for which it has not demonstrated reasonable and reliable utilization or cost projections.

AdventHealth should be found non-conforming with Criterion (12) for the numerous reasons highlighted above.

Criterion (13) Medically Underserved Population

AdventHealth indicates that the change of scope will not have any impact on payor mix and access to care. Thus, no revised payor mix assumptions are provided. (See application page 113.) This claim is

unrealistic given the change in location of the proposed project and the significant change in patient origin associated with the new market share capture rates. The change in patient origin is clear as shown in Section C patient origin and summarized below in **Figure 20**.

Figure 20
Change in County Patient Origin

County	2022 Project	2024 Change of Scope	Change
Buncombe	77.20%	71.20%	-6.00%
Graham	1.90%	1.70%	-0.20%
Madison	5.50%	9.10%	3.60%
Yancey	5.40%	8.00%	2.60%
Other	10.00%	10.00%	
Total	100.00%	100.00%	

Sources: 2022 CON Application Bates page 51
2024 CON application page 70

Certainly, the fact that AdventHealth Asheville will serve a greater percentage of Madison and Yancey County patients and fewer Buncombe County patients will impact payor mix. This does not even consider the changes in market share by ZIP Code within Buncombe County. If AdventHealth had the ability to project utilization at a ZIP code level, then that same data would have allowed for analysis of an appropriate payor mix to align with the patients to be served. Simply relying on data from AdventHealth Hendersonville is not reasonable.

AdventHealth has not provided appropriate documentation to show that it will serve the same patients in terms of financial accessibility. It also has not shown that its projected payor mix is reasonable based on the patients to be served. AdventHealth should be found non-conforming with Criterion (13).

Criterion (18a)

The 2024 SMFP provides further guidance to the CON Section related to interpretation of the CON statute. Specifically, the SMFP discusses balancing the notion of competition with the following public health and public policy considerations:

- A competitive marketplace should favor providers that deliver the highest quality of care and best value, but only in circumstances where all competitors deliver like services to similar populations. SMFP p. 2.
- Small and rural communities that are distant from comprehensive urban medical facilities warrant special consideration. SMFP p. 3.
- The CON Section is directed to balance competition, collaboration, and innovation in health care. SMFP p. 3.
- The Agency should focus on "reducing duplicative and conflicting care." SMFP p. 3.
- "The SHCC also recognizes the importance of balanced competition and market advantage in order to encourage innovation, insofar as those innovations improve safety, quality, access and value in health care." SMFP p. 4

Based on this directive, the notion of simply adding beds to a facility that has a smaller market share under the guise of competition is simply wrong. The Agency must carefully review the facts of each competing proposal and consider whether in this specific review, in light of all the factors and the specific facts of each competing proposal, is there any reason to believe that a new competitor will improve safety, quality, cost and access. For example, the CON Section should consider the following:

- How adding beds to a small community hospital will address the specific quality of care.
- How adding beds to a hospital that is underutilized will address these factors.
- How the proposed hospital meets the requirements of a qualified applicant hospital when AdventHealth suggests it will perform "major surgical cases" without any licensed ORs.
- How a small community hospital with no ORs will "deliver like services" compared to a tertiary provider.

AdventHealth should be found non-conforming with Criterion (18a).

Criterion (20)

Advent's entire premise for the proposed hospital relies on the fact that it proposes to provide major surgical procedures in procedure rooms that are not licensed as ORs. This fact is plainly stated on page 147 of the application:

> ***"AdventHealth Asheville is approved to develop five procedure rooms that will be used for the provision of surgical services."***

AdventHealth all but admits it is planning to provide full surgical services in unlicensed procedure rooms in direct contravention of the licensing requirements that require a hospital to provide surgical services, not minor procedures. According to the North Carolina licensure regulations for hospitals found at 10A NCAC 13B Section .3000 10A NCAC 13B .2102:

(i)(3) "Community Hospital," means a general acute hospital that provides diagnostic and medical treatment, either surgical or nonsurgical, to inpatients with a variety of medical conditions, and that may provide outpatient services, anatomical pathology services, diagnostic imaging services, clinical laboratory services, operating room services, and pharmacy services, that is not defined by the categories listed in this Subparagraph and Subparagraphs (i)(1), (2), or (5) of this Rule.[3]

It clearly does not represent quality care to provide major surgical procedures in an unlicensed "procedure room" as opposed to the required OR, which is the standard of care.

Criteria and Standards – Advent's Project Does Not Conform to the Performance Standards for Acute Care Beds and Operating Rooms

Acute Care Bed Performance Standards
SECTION .3800 - CRITERIA AND STANDARDS FOR ACUTE CARE BEDS
10A NCAC 14C .3803 PERFORMANCE STANDARDS

[3] Paragraphs (1), (2), and (5) of this rule reference the definitions for Academic Medical Center Teaching Hospital, Teaching Hospital, and Mental Health Hospital, respectively.

(a) An applicant proposing to develop new acute care beds shall demonstrate that the projected average daily census (ADC) of the total number of licensed acute care beds proposed to be licensed within the service area, under common ownership with the applicant, divided by the total number of those licensed acute care beds is reasonably projected to be **at least 66.7 percent when the projected ADC is less than 100 patients**, 71.4 percent when the projected ADC is 100 to 200 patients, and 75.2 percent when the projected ADC is greater than 200 patients, in the third operating year following completion of the proposed project or in the year for which the need determination is identified in the State Medical Facilities Plan, whichever is later.

Advent's assumptions and basis for its utilization projections are fundamentally flawed by the inclusion of surgical DRGs that it cannot appropriately perform without a licensed OR. On page 128, AdventHealth describes the adjustments it made to the MSDRG list of med/surg discharges "appropriate" to be served at the proposed new hospital. Several tertiary service lines are excluded that AdventHealth does not propose to provide, including some services that the new hospital cannot perform without additional CON approval such as open-heart surgery, burns, trauma, cardiac surgery, cardiac cath, cardiac defibrillator, inpatient rehabilitation, and behavioral health. AdventHealth also adjusted for MSDRGs with a case weight greater than 3.5. However, these adjustments are unreasonable for the scope of services provided. As discussed in detail, AdventHealth included patients in its utilization projection that are inappropriate including:

- Patients with DRG relative weights that are too high for the size of the proposed community hospital;
- Pediatric patients requiring specialized services that AdventHealth will not provide;
- And surgical patients with procedures that are only appropriately provided in an OR, which AdventHealth will not have.

From this point forward, the remainder of the projection methodology is clearly flawed because the starting point is unreasonable. As discussed in detail above under Criterion (3), there are numerous additional flaws with Advent's utilization projections. Correcting only one of these issues would result in a finding that AdventHealth's projection does not meet the performance standards. As a result, AdventHealth does not meet the required Acute Care Bed Performance Standards.

OR Requirements and Performance Standards

SECTION .2100 – CRITERIA AND STANDARDS FOR SURGICAL SERVICES AND OPERATING ROOMS

10A NCAC 14C .2101 DEFINITIONS

The following definitions apply to all rules in this Section:

(1) "Approved operating rooms" means those operating rooms that were approved for a certificate of need by the CON Section prior to the date on which the applicant's proposed project was submitted to the CON Section, but that have not been licensed.

(2) "Dedicated C-section operating room" means an operating room as defined in Chapter 6 in the annual State Medical Facilities Plan.

(3) "Existing operating rooms" means those operating rooms in ambulatory surgical facilities and hospitals that were reported in the Ambulatory Surgical Facility License Renewal Application Form or in the Hospital License Renewal Application Form submitted to the Acute and Home Care Licensure and Certification Section of the Division of Health Service Regulation, and that were licensed prior to the beginning of the review period.

(4) "Health System" shall have the same meaning as defined in Chapter 6 in the annual State Medical Facilities Plan.
(5) "Operating room" means a room as defined in G.S. 131E-176(18c).

AdventHealth basically admits it will operate unlicensed ORs without CON approval and call them procedure rooms. See page 147. AdventHealth's architectural drawings show 6 Operating Rooms. If AdventHealth is developing ORs, then they are doing so without a need determination in the SMFP.

(6) "Operating Room Need Methodology" means the Methodology for Projecting Operating Room Need in Chapter 6 in the annual State Medical Facilities Plan.
(7) "Service area" means the Operating Room Service Area as defined in Chapter 6 in the annual State Medical Facilities Plan.

10A NCAC 14C .2103 PERFORMANCE STANDARDS

(a) An applicant proposing to increase the number of operating rooms, excluding dedicated C-section operating rooms, in a service area shall demonstrate the need for the number of proposed operating rooms in addition to the existing and approved operating rooms in the applicant's health system in the applicant's third full fiscal year following completion of the proposed project based on the Operating Room Need Methodology set forth in the annual State Medical Facilities Plan. The applicant is not required to use the population growth factor.

According to its architectural drawings, AdventHealth is proposing to add 6 ORs to the service area without a need in the area and without CON approval. AdventHealth cannot have it both ways:

(1) Either it is not offering surgical services in a licensed general OR and therefore cannot meet the SMFP requirements for a new acute care hospital applicant; **or**
(2) It is adding 6 ORs to the number of operating rooms in a service area and has not and cannot demonstrate the need for these ORs under the SMFP Operating Room Need Methodology.

Under no circumstances can AdventHealth be found conforming with these standards and thus cannot be approved.

(b) The applicant shall provide the assumptions and methodology used for the projected utilization required by this Rule.

The assumptions for surgical projections included in Advent's application are wholly based on the inappropriate use of procedure rooms to provide surgeries that should be appropriately performed in a licensed operating room. AdventHealth admits so on page 147 of its application and then expressly relies on surgical DRGs that include cases performed appropriately in an OR in its assumption for inpatient surgery projections. Likewise, AdventHealth relies on a ratio of inpatient to outpatient operating room cases performed at AdventHealth Hendersonville, which has 5 general operating rooms and no general procedure room.

To put a finer point on the unreasonable nature of Advent's projections, AdventHealth Hendersonville reported five general ORs in FY 2023 on its LRA. In this actual licensed surgical department, 836 inpatient cases were provided, and 5,214 outpatient cases were provided in FY 2023. In the third year of operation, AdventHealth Asheville projects to provide 1,379 inpatient surgical cases in six procedure rooms, more

than AdventHealth Hendersonville, despite not actually operating any licensed ORs. This is unreasonable and inappropriate for the patients who need surgical care in ORs and who AdventHealth proposes to serve.

AdventHealth cannot meet the surgical services performance standards that must be met if in fact AdventHealth will be providing surgical services in operating rooms, which are shown in the drawings provided in Exhibit K. If AdventHealth is adding 6 ORs as shown in its architectural drawings, then it does not meet the performance standards for 6 ORs as shown in Figure 21.

Figure 21
AdventHealth Proposed Surplus of ORs

	Inpatient	Outpatient	Total
Cases	1,379	2,482	3,861
Avg Final Case Time*	106.9	71.1	
Projected Case Time in Hours	2,457	2,941	5,398
Standard Hours per OR*			1,500
ORs Needed			3.6
ORs Proposed			6
Net Deficit / (Surplus)			**-2.4**

**Group 4 based on surgical hours*

Source: AdventHealth application page 148, 2024 SMFP.

Conclusion

There are numerous flaws and illogical or unsupported assumptions throughout AdventHealth's change of scope application that should result in a finding of non-conforming with Criteria (1), (3), (4), (5), (6), (8), (12), (13), (18a), and (20). AdventHealth's application must be denied.

Comparative Review of 2024 Buncombe County
Acute Care Bed CON Applications

Pursuant to G.S. 131E-183(a)(1) and the 2024 State Medical Facilities Plan ("SMFP"), no more than 26 acute care beds may be approved for the Buncombe/Graham/Madison/Yancey County service area in this review. Because the applications in the review collectively propose to develop 78 additional acute care beds in Buncombe County, all applicants cannot be approved for the total number of beds proposed. Therefore, after considering all review criteria, Mission conducted a comparative analysis of each proposal to demonstrate why Mission is the comparatively superior applicant and should be approved.

Below is a brief description of each project included in the Acute Care Bed Comparative Analysis.

- Project ID B-012526-24/**AdventHealth Asheville, Inc. ("AdventHealth") -** Develop 26 additional acute care beds at AdventHealth Asheville pursuant to the 2024 SMFP Need Determination. [1]
- Project ID B-012520-24/**Novant Health Asheville Medical Center, LLC ("Novant") -** Develop a new cancer-focused hospital with 26 acute care beds pursuant to the 2024 SMFP Need Determination.
- Project ID B-012518-24/**MH Mission Hospital, LLLP ("Mission") -** Develop 26 additional acute care beds at Mission's existing hospital in Asheville pursuant to the 2024 SMFP Need Determination.

The table below summarizes information from each application.

Facility Name	**Novant Health Asheville**	**AdventHealth Asheville**	**Mission Hospital**
Hospital Level of Care	Cancer-focused Community Hospital	Community Hospital	Tertiary Care Hospital
Number of Existing/Approved Beds	0	67	733
Beds Proposed to be Added	26	26	26
Total Number of Proposed Beds*	26	93	759
Third Full Fiscal Year	CY 2031	FY 2030	CY 2028
Projected Discharges - Year 3	1,036	6,120	45,279
Projected Acute Care Days - Year 3	6,976	24,703	253,597
% Occupancy - Year 3	73.5%	72.8%	91.5%

Source: Applications

**Proposed Beds = Number of existing beds + Number of Beds Requested in the application*

*** Assuming all beds requested by each applicant are approved*

Because of the significant differences in types of facilities, number of total acute care beds, number of projected acute care days and discharges, levels of patients acuity which can be served, total revenues and expenses, and differences in presentation of pro forma financial statements, some comparative factors may be of less value and result in less than definitive outcomes than if all applications were being reviewed for like facilities of similar size proposing similar services and using the same reporting formats.

[1] AdventHealth Asheville (Project ID#: B-012233-22) was recently approved but is being appealed further by Mission Hospital to the Court of Appeals.

In the following analysis, Mission describes the relative comparability of each competing applicant regarding the comparative factors typically used by the CON Section and further indicates which factors cannot be effectively compared in this review because of differences among the competing applicants.

Conformity with Review Criteria

Among the competing applicants, only the **Mission** application conforms with all applicable statutory and regulatory review criteria. **AdventHealth** and **Novant** do not conform to several statutory and regulatory review criteria. Please see detailed discussion under each criterion:

- AdventHealth and Novant are not conforming with the SMFP - Criterion (1).
    - Neither has documented that they are qualified applicants.
    - Neither has demonstrated that they will serve the population that generated the demand for beds in the 2024 SMFP.
- Novant fails to demonstrate a need for its project or that its project will enhance geographic access located right in between Mission Hospital and two community hospitals in Henderson County just to the south. – Criterion (3).
- The utilization projections for Novant and AdventHealth are both unsupported and unreasonable meaning they cannot be found conforming with Statutory Review Criterion (3) and the Acute Care Bed Performance Standards.
- AdventHealth and Novant's projects are not the least costly or most effective alternatives. – Criterion (4).
    - Approval of Novant would result in an underutilized, limited scope, small acute care hospital focused on serving the patients of just two physician practices.
    - Approval of additional beds at AdventHealth will result in a costly and unnecessary addition to a hospital that has not yet been built, opened, and is currently under appeal.
    - The approval of either Novant or AdventHealth will leave Mission with continuously high occupancy rates.
    - Only the approval of Mission will focus on the region's need for higher levels of care reflected in the ongoing need in the 2024 SFMP and address the exceedingly high and unsustainable occupancy rates at Mission Hospital.
- Due to the flawed utilization projections and related financial assumptions, neither AdventHealth nor Novant are financially feasible as presented – Criterion (5).
- Both Novant and AdventHealth represent unnecessary duplication of services. – Criterion (6).
    - AdventHealth represents a complete duplication of services offered by other small community hospitals already serving its proposed service areas that are not highly utilized and have adequate capacity to serve more patients.
    - Novant represents a duplication of cancer services and other surgical services already offered by Mission and routinely used by patients of the two practices that NH Asheville proposes to serve.

- Novant proposes duplicative and redundant ancillary and support services that are not needed and are projected to be highly underutilized as only beds are identified as needed in the SMFP. – Criterion (8).
- AdventHealth does not propose to offer a general licensed ORs and thus does not have the necessary ancillary services to operate a full-service community hospital with appropriate quality and safety standards. – Criterion (8).

- Neither AdventHealth nor Novant have reasonably documented their project and associated costs. – Criterion (12).
    - The cost of the new hospital proposed by Novant is exceedingly high, and not well documented.
    - The costs of AdventHealth's bed addition are unclear with no supporting detail as to what the additional costs involve.
- Neither AdventHealth nor Novant's site is appropriate and ready for development of a new hospital. – Criterion (12)
    - AdventHealth's site is comprised of multiple parcels, several of which are contingent on annexation by the town of Weaverville. All parcels require rezoning.
    - Novant's site is not appropriately zoned without obtaining special permits for a hospital location.
- Both AdventHealth and Novant project a payor mix that is not reflective of the demands of the service area. Criterion (13).
    - AdventHealth's payor mix is unclear as a result of the requested addition and change of location with no updated information is provided despite a significant change in the patient origin of the patients to be served.
    - Novant's payor mix is flawed as it is only based on the payor mix of two physician practices who have agreed to refer patients to its proposed hospital.
- Neither AdventHealth nor Novant conform with Criterion (18a).
    - The proposed projects from Novant and AdventHealth will not offer the range of services that actually created the bed need in the SMFP.
    - Novant will completely duplicate existing services in the market simply to meet the needs of two small physician practices.
- AdventHealth cannot meet the quality-of-care criterion or the requirements of the State's acute care licensure standards since it will not have an OR, and AdventHealth wrongly suggests that it is appropriate to offer "major surgical cases" in procedure rooms as opposed to ORs. Likewise, Novant states that the majority of its outpatient surgery cases will be performed in unlicensed procedure rooms and not in ORs as required. This similarly results in significant quality of care concerns – Criterion (20).

Therefore, **Mission** is the most effective alternative with regards to conformity with review criteria, and neither AdventHealth nor Novant are approvable.

Scope of Services

Generally, the application proposing to provide the broadest scope of services is the most effective alternative regarding this comparative factor.

Mission is an existing tertiary care provider that offers a broad range of medical and surgical services. **Mission** provides a comprehensive range of inpatient and outpatient services, including cardiology and cardiovascular surgery, general and urologic surgery, pediatrics, orthopedics, oncology, women's services, neurology, and trauma. Among the specialized programs and referral services offered at **Mission** are a state-designated high-risk pregnancy center, interventional cardiology (including cardiac catheterization, electrophysiology, and stents), cardiac surgery (including transcatheter aortic valve replacement, left ventricular assist device placement, structural heart, and bypass surgeries), inpatient dialysis, advanced imaging, and many others.

AdventHealth proposed adding beds to a small community hospital, and **Novant** proposed developing a new cancer-focused small community hospital. However, as a smaller community hospital, neither will provide a scope of services comparable to **Mission**, a Level II Adult trauma center, and a tertiary care provider. **Novant** and **AdventHealth** will not offer the range of services offered by **Mission**.

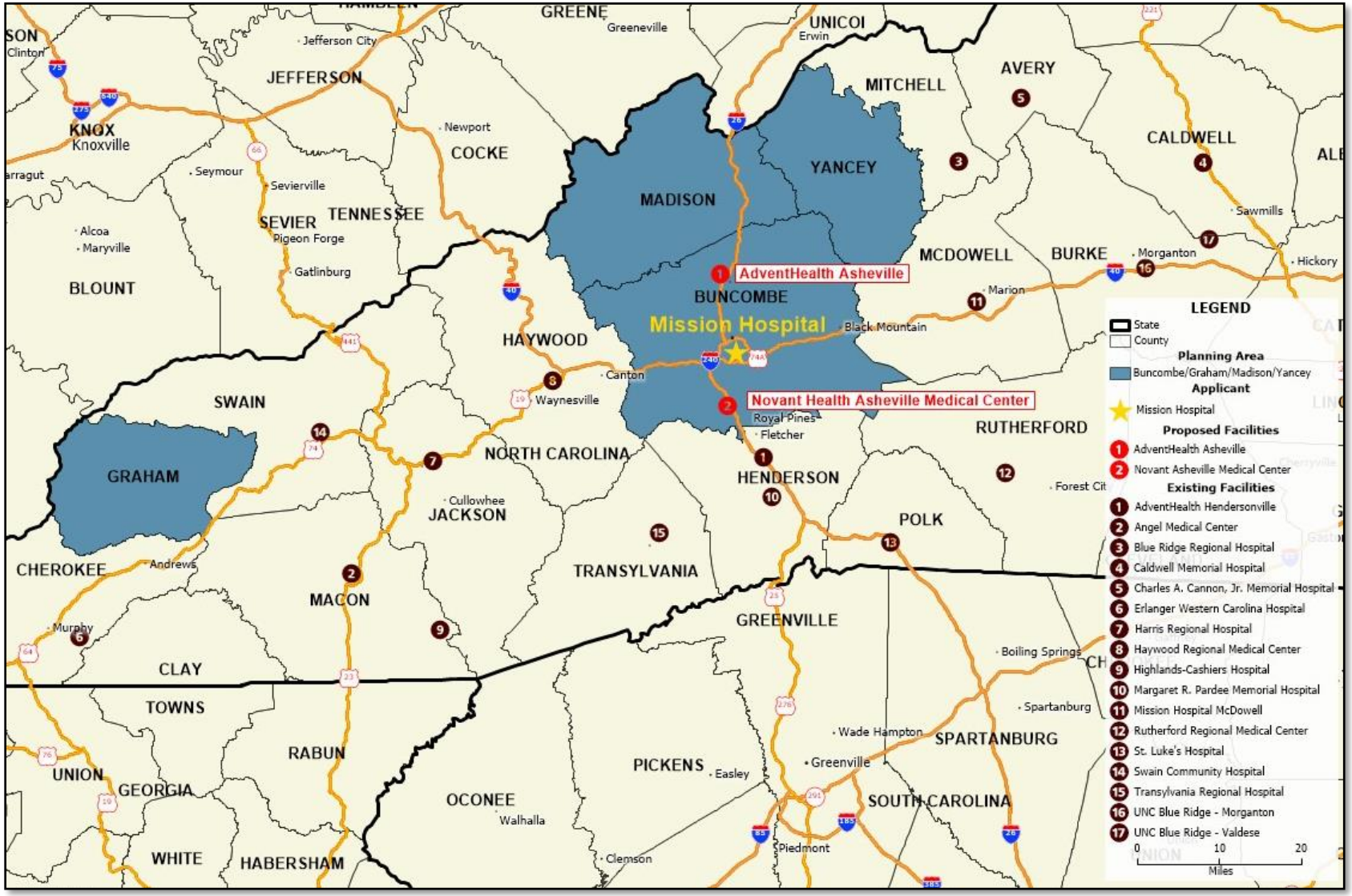
Therefore, **Mission** projects the broadest range of services, including those that drove the SMFP need for acute care beds in the service area, making it the most effective alternative with respect to this comparative factor. **AdventHealth** and **Novant** are the least effective alternatives.

Geographic Access

There are 749 existing and approved acute care beds (excluding NICU) in Buncombe County and none in Graham, Madison, and Yancey Counties, all part of the acute care planning area that generated the need. As shown in the map below, Buncombe County has one existing hospital, Mission Hospital, and one currently approved hospital, AdventHealth Asheville, that is not yet operational. **Mission** proposes adding 26 acute care beds to its existing facility, **AdventHealth** plans to add 26 beds to its approved and undeveloped hospital, and **Novant** proposes to develop a new low-acuity, cancer-focused hospital. The following maps show the locations of **Mission** and the proposed locations of **AdventHealth** and **Novant** as well as the other hospitals in the highlighted four-county, SMFP defined planning area and the surrounding areas of the western North Carolina region.

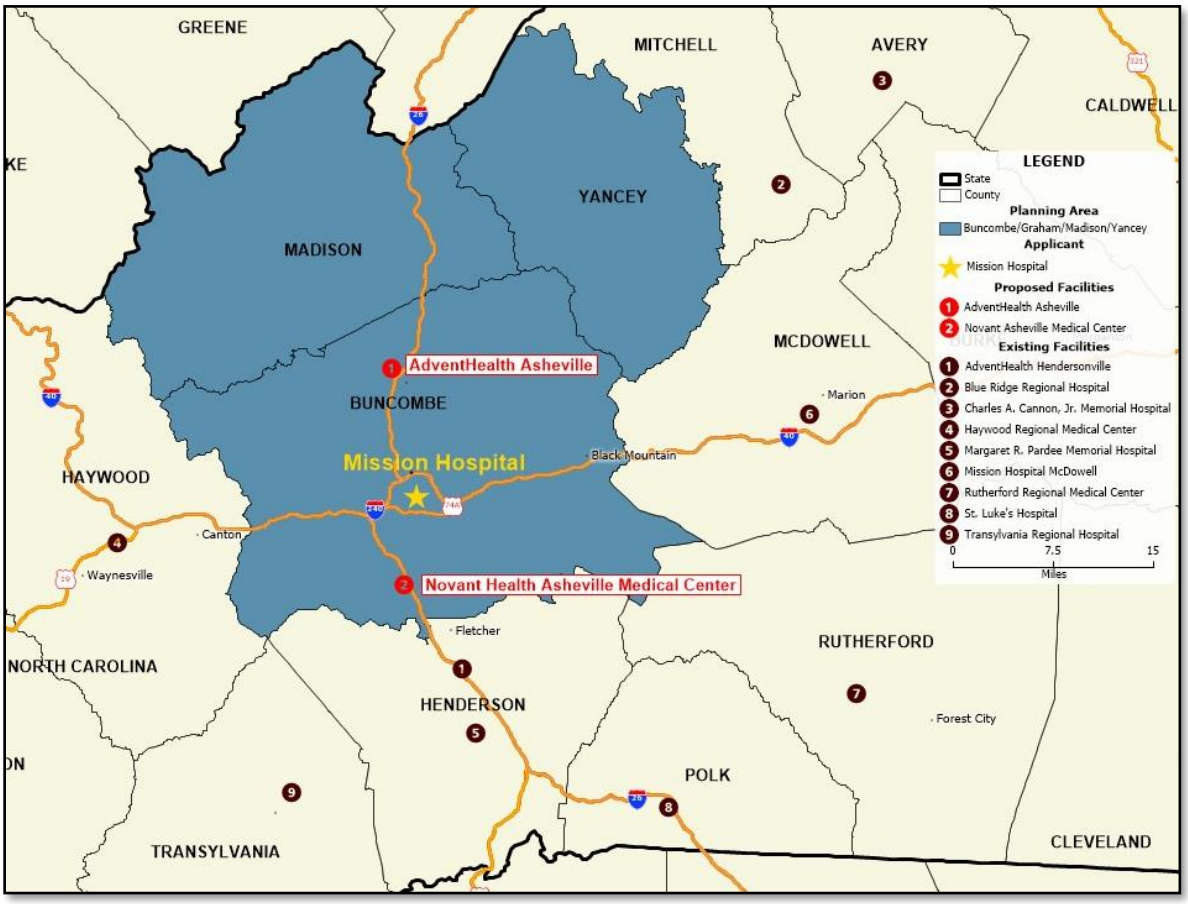
All three applicants propose to develop the acute beds in Buncombe County, within 20 miles of each other. **Novant's** proposed beds will not increase geographic access to community hospital services. It proposes to construct its hospital less than 15 miles from two existing acute care providers in Henderson County and less than ten miles from Mission Hospital. **AdventHealth's** newly proposed location in Weaverville is closer to Madison and Yancey Counties than the other applicants, and from this standpoint, will increase geographic access to acute care beds. However, AdventHealth will also take market share from other small community hospitals that currently serve Madison and Yancey Counties including Blue Ridge Regional Hospital and Duke LifePoint Haywood. Notably, **AdventHealth** will also take market share from its affiliate AdventHealth Hendersonville, although this is not considered in its projections. **Mission** is centrally located for all parts of Buncombe County and is the most accessible for residents of Graham County, who must travel from far western North Carolina and would practically have to pass Mission before traveling north to AdventHealth or south to Novant. **Mission** is the only applicant that will utilize the proposed 26-bed addition for the high acuity acute care services that generated the need for these beds in the SMFP. As a result, only **Mission** increases geographic access to acute care beds for their needed purpose. As a result, **Mission** is the most effective applicant with regard to geographic access. **AdventHealth** is effective but duplicative to other similar nearby providers, diluting the market, and **Novant** is not effective.

Buncombe, Graham, Madison and Yancey Planning Area with Existing and Approved Hospitals



Source: Maptitude

Buncombe, Madison, and Yancey Counties with Existing and Proposed Hospitals



Historical Utilization

The table below shows acute care bed utilization for existing facilities based on acute care beds and days reported on the 2024 LRAs, excluding NICU services days and beds. Generally, the applicant with the higher historical utilization is the more effective alternative with regards to this comparative analysis factor.

Historical Acute Care Bed Utilization Comparison*

Hospital/Applicant in Market	Beds	Patient Days	ADC	% Occupancy
Mission	682	216,600	593	**87.0%**
Advent Hendersonville	62	13,467	37	59.5%
Novant	NA	NA	NA	NA

Source: 2024 LRAs

**Acute care beds not including NICU services*

As shown in the Table above, **Mission's** historical utilization is higher than **AdventHealth's** existing facility, AdventHealth Hendersonville which is in Henderson County, bordering Buncombe County. **Novant** does not have an existing facility in or near the Buncombe County service area and thus has no historical utilization.

Therefore, a comparison of historical utilization cannot be effectively conducted between all three applicants. However, **Mission** is the most effective alternative among the two applicants with existing facilities in or near the service area, and its exceedingly high occupancy warrants consideration as a comparative factor.

Projected Utilization and Bed Capacity

The following table shows each facility's projected acute care bed utilization, excluding days and beds for NICU services. Generally, the applicant with the higher projected utilization is the more effective alternative regarding this comparative analysis factor in terms of the effectiveness of use of the proposed beds.

Projected Acute Care Bed Utilization Comparison - 3rd Full Fiscal Year*

Hospital/Applicant in Market	Beds	Admissions /Discharges	Patient Days	ADC	% Occupancy
Mission	636	38,113	218,491	598.61	**94.1%**
Advent**	93	6,120	24,703	67.68	72.8%
Novant	26	1,036	6,976	19.11	73.5%

Source: Each applications Form C.1b

**Acute care beds not including NICU services*

***Advent's projections are not reasonable as they include surgical inpatients with surgical cases that cannot be appropriately performed without an OR.*

As shown in the table above, **Mission's** projected utilization is higher than **AdventHealth's** and **Novant's.** As discussed above, there are also numerous flaws in the utilization assumptions and methodologies of both the **AdventHealth** and **Novant** proposals, which result in inaccurate and overstated projected utilization. Therefore, with regard to projected utilization, **Mission** is the most effective alternative; **AdventHealth** and **Novant** are the least effective alternatives.

Service to the Planning Area Counties (Access by Service Area Residents)

On page 31, 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 the multicounty grouping of Buncombe/Graham/Madison/Yancey Counties as the acute bed service area. Thus, the service area for this review is Buncombe/Graham/Madison/Yancey Counties. Facilities may also serve residents of counties not included in the service area. Generally, the application with projections indicating the most accessibility to Buncombe/Graham/Madison/Yancey County residents is the most effective alternative with regards to this comparative factor.

Inpatient Admissions from the SMFP Acute Care Planning Area

	Advent*		Novant		Mission	
	3rd Full FY		3rd Full FY		3rd Full FY	
Buncombe	4,360	79.2%	486	85.6%	21,635	86.2%
Madison	556	10.1%	48	8.5%	2,049	8.2%
Yancey	488	8.9%	27	4.8%	1,130	4.5%
Graham	103	1.9%	7	1.2%	298	1.2%
Total Planning Area	**5,507**	**100.0%**	**568**	**100.0%**	**25,112**	**100.0%**

Sources: Applications, Section C, Projected Patient Origin

**Advent's projections are flawed by the inclusion of surgical cases that cannot be performed without an OR.*

The table above shows the patient origin for admissions from the SMFP acute care planning area for each proposed facility. It is important that the agency look beyond a simple percentage when evaluating this factor and evaluate the specific function these beds will serve and whether the proposed use of the beds meets a need for the SMFP acute care service area. As a regional tertiary provider and trauma center, Mission serves patients from all parts of western North Carolina and beyond. As a result, its percentages are not comparable to a community hospital with a smaller service area. A simplistic analysis ignores this significant role and can in fact penalize the applicant serving a significant percentage of patients from outside the planning area due to its high acuity service offerings.

The table shows that **Mission** projects to serve the most patients in the SMFP planning area counties, including the most patients from Madison, Yancey, and Graham Counties. Both **AdventHealth** and **Novant** projects to serve a small fraction of the total service area patients projected by **Mission,** particularly for Madison, Yancey, and Graham Counties. It should be noted that **AdventHealth's** patient origin is flawed by the unexplained doubling of its projected market share for Madison, Graham, and Yancey Counties. While it may project a higher percentage of patients from these counties, the projection is not realistic. A small, low acuity, community hospital with limited services is not going to draw a larger percentage of patients from distant counties than a large tertiary, trauma center.

Therefore, with regard to service to the planning area, **Mission** is the most effective alternative, and **Novant** and **AdventHealth** are the least effective alternatives.

Access by Underserved Groups

"Underserved groups" is defined in G.S. 131E-183(a)(13) as follows:

> *"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 access by underserved groups, the applications in this review are compared with respect to three underserved groups: Charity Care patients (i.e., medically indigent, or low-income persons), Medicare patients, and Medicaid patients. Access by each group is treated as a separate factor.

Projected Charity Care

The following table shows projected charity care during the third full fiscal year following the completion of the project for each applicant. Generally, the application projecting to provide the most charity care is the more effective alternative with regard to this comparative factor.

Projected Charity Care - 3rd Full Fiscal Year				
Applicant	**Charity Care Revenue**	**Admissions/ Discharges**	**Estimated Charity Admissions**	**% of Total Gross Patient Revenue**
Mission*	$165,454,871	38,113	1,197	3.14%
Advent**	$19,716,743	6,120	257	4.21%
Novant	$10,245,189	1,036	54	5.22%

Source: Application Form F.2b and Form C.1b

**Mission provides a pro forma for only inpatient adult medical/surgical services that will be impacted by the proposed project.*

***Advent projects charity care patients in Section L of the Original CON (B-012233-22) but does not update Section L in its change of scope application. The equivalent of only 257 patients in Section Q. Form F.2B Cost Overrun Application.*

Due to the differences in the presentation of pro forma financial statements, the number of patients, and the level of care at each facility, it is impossible to effectively compare the applicants based on this comparative factor. **Mission**, an existing large tertiary care center proposing to add adult inpatient beds, has pro forma financial statements that are structured differently than the other applicants. **Mission** provides a projection for inpatient adult services only, the service affected by their project. **Novant** and **AdventHealth** both provide a total hospital pro forma. Projected charity care cannot be compared. Further, even if the applicants provided pro forma statements in a comparable format with similar data, differences in patient acuity and levels of care at each facility would render any comparison of little value. Therefore, the result of this analysis is inconclusive.

Projected Medicare

The following table shows projected Medicare during the third full fiscal year after each applicant's project completion Generally, the application with the highest projected provision of services to those with Medicare is the more effective alternative regarding this comparative factor.

Projected Medicare Revenue - 3rd Full Fiscal Year				
Applicant	**Medicare Revenue**	**Admissions/ Discharges**	**Estimated Medicare Admissions**	**% of Total Gross Patient Revenue**
Mission*	$3,045,062,572	38,113	22,036	57.82%
Advent	$284,628,782	6,120	3,715	60.71%
Novant	$99,576,949	1,036	526	50.75%

Source: Application Form F.2b and Form C.1b

**Mission provides a pro forma for only inpatient adult medical/surgical services that will be impacted by the proposed project.*

Due to the differences in the presentation of pro forma financial statements, the number of patients, and the level of care at each facility, it is impossible to effectively compare the applicants based on this comparative factor. **Mission**, an existing large tertiary care center proposing to add adult inpatient beds, has pro forma financial statements that are structured differently than **AdventHealth** and **Novant**. **Mission** provides a projection for inpatient adult services only, the service affected by its project. **Novant** and **AdventHealth** both provide a total hospital pro forma. Projected Medicare cannot be compared.

Further, even if the applicants provided pro forma statements in a comparable format with similar data, differences in patient acuity and levels of care at each facility would render any comparison of little value. Therefore, the result of this analysis is inconclusive.

Projected Medicaid

The following table shows projected Medicaid during the third full fiscal year following the completion of the project for each applicant. Generally, the application with the highest projected provision of services to those with Medicaid is the more effective alternative with regard to this comparative factor.

Projected Medicaid Revenue - 3rd Full Fiscal Year				
Applicant	**Medicaid Revenue**	**Admissions/ Discharges**	**Estimated Medicaid Admission**	**% of Total Gross Patient Revenue**
Mission*	$605,161,553	38,113	4,379	11.49%
Advent	$32,917,343	6,120	430	7.02%
Novant	$23,324,538	1,036	123	11.89%

Source: Application Form F.2b and Form C.1b

**Mission provides a pro forma for only inpatient adult medical/surgical services that will be impacted by the proposed project.*

Due to the differences in the presentation of pro forma financial statements, the number of patients, and the level of care at each facility, it is impossible to effectively compare the applicants based on this comparative factor. **Mission**, an existing large tertiary care center proposing to add adult inpatient beds, has pro forma financial statements that are structured differently than **Novant** and **AdventHealth**. **Mission** provides a projection for inpatient adult services only, the service affected by its project. **Novant** and **AdventHealth** both provide a total hospital pro forma. Projected Medicaid cannot be compared.

Further, even if the applicants provided pro forma statements in a comparable format with similar data, differences in patient acuity and levels of care at each facility would render any comparison of little value. Therefore, the result of this analysis is inconclusive.

Projected Average Net Revenue per Admission

The following table shows the projected average net revenue per admission in the third full fiscal year following project completion for each applicant. Generally, the application projecting the lowest average net revenue per patient is the more effective alternative regarding this comparative factor. However, differences in the acuity level of patients at each facility, the level of care (community hospital, tertiary care hospital, etc.) at each facility, and the number and types of surgical services proposed by each facility significantly impacts the simple averages shown in the table below.

Projected Average Revenue per Admission - 3rd Full FY

Applicant	**Total Admissions**	**Gross Revenue**	**Average Net Rev per Admission**
Mission	38,113	$5,266,557,559	$25,642
Advent	6,120	$468,831,242	$21,805
Novant	1,036	$196,193,488	$51,292

Note: Includes outpatient revenue as reported in total on Form F.2b

Therefore, given the extreme variation in service offerings and acuity levels between the applicants, this comparative factor is inconclusive. Also, **Novant's** average net revenue is more than double the net revenue for tertiary services offered by **Mission.** This further raises questions about the validity of Novant's projections.

Projected Average Expenses per Admission

Total Expense

The following table shows the projected average expense per admission in the third full fiscal year following project completion for each applicant. Generally, the application projecting the lowest average total expense per surgical case is the more effective alternative with regard to this comparative factor. However, in this instance the service offerings between a regional tertiary trauma provider and two small community hospitals cannot be compared which renders a comparison inconclusive.

Projected Average Expense per Admission - 3rd Full FY

Applicant	Total Admissions	Total Expense	Average Expense per Admission
Mission	38,113	$640,289,776	$16,800
Advent	6,120	$80,029,174	$13,077
Novant	1,036	$52,053,597	$50,245

Therefore, given the extreme variation in service offerings and acuity levels between the applicants, this comparative factor is inconclusive. It is interesting, however, that **Novant's** average expense per admission is more than three times the net revenue for tertiary services offered by **Mission.** This further raises questions about the validity of Novant's projections.

Project Costs

The table below shows the projected cost for each project. Generally, the applicant who projects the lowest project cost should be found to be the most effective alternative regarding this comparative analysis factor based on the directive of the CON Statute to contain costs. The Agency does not always consider project cost in the comparatives analysis, but cost containment is a basic premise of the CON statute. In this instance there are three proposals to bring 26 beds to the community which contain three vastly different costs. Thus, the cost effectiveness of the project should be considered in this comparative analysis.

Applicant	Project Cost	Variance from Low Cost Option	Cost per Bed
Mission	$1,621,000		$62,346
Advent*	$109,203,668	$107,582,668	$4,200,141
Novant	$249,475,340	$247,854,340	$9,595,205

Source: Form F.1a

**Advent Project cost only reflects the additional cost to add 26 beds to previously approved project.*

As displayed in the table above, **Mission** has the lowest project cost with Advent over $100 million higher and **Novant** almost $250 million higher. **AdventHealth** has the second lowest cost. **Novant** has the highest project cost, which is the highest project cost per bed among small hospitals approved since 2019.

Therefore, in regard to cost, **Mission** has the lowest project cost making it the most effective applicant. **Novant** and **AdventHealth** are the least effective alternatives.

Project Timing

The table below shows the date when the acute care beds will come online (when beds will be available for use) as reported in each applicant's proposal. Generally, the applicant who can have beds available the soonest is the most effective alternative regarding this comparative analysis factor. While the Agency does not always consider this factor, it is relevant as to how quickly the needs of the patients in the service area and the need identified in the SMFP can be met.

Beds Online and Available

	Date Beds Come Online	Variance from Earliest Date Option
Mission	7/1/2025	
Advent	10/1/2027	2 1/4 Years
Novant	12/1/2028	3 1/2 Years

Source: Applications

As shown in the table above, **Mission** will be the first to get beds online. Upon approval of its application, **Mission** can bring all 26 beds online in July 2025. As mentioned in **Mission's** application, **Mission** is experiencing incredibly high occupancy rates and growing demand for its high acuity services, factors that actually generated the bed need in the 2024 SMFP. If **AdventHealth** is approved, it plans to have the 26 beds online in October 2027, which is two and a quarter years after **Mission**. Additionally, the approved hospital where **AdventHealth** plans to add these beds has yet to begin construction, and the project's decision was recently appealed to the Court of Appeals, making it unclear when construction can even begin. **Novant** projects an even later date to bring beds online, which is three and a half years later than Mission's beds would begin serving patients. It should also be noted that both **AdventHealth** and **Novant** require property status changes and rezoning that can often result in years of delay, which has happened for other recent new hospital projects. Both of their timelines assume no delays.

Therefore, with regard to timing, **Mission** will have beds online more quickly than the other applicants. **Mission** is the most effective alternative regarding this comparative factor.

Competition (Patient Access to a New or Alternative Provider)

There are 800 existing and approved acute care beds located in Buncombe County and no acute care hospital beds in Graham, Madison, and Yancey Counties. Graham, Madison, and Yancey Counties are included in the planning area for the calculation of the bed need methodology due to their reliance on Mission as the regional tertiary care and trauma provider. However, planning area residents utilize numerous other community and rural hospitals in the region including UNC Pardee Hospital, AdventHealth Hendersonville, Haywood Regional Medical Center, Blue Ridge Regional Hospital, Swain County Community Hospital, and Duke Life Point Harris Regional Hospital, among others.

Mission is the only regional tertiary hospital and trauma services provider and the only applicant proposing to use the 26 acute care beds for services that are critical to the region. **AdventHealth** and **Novant** propose to use the 26 acute care beds in small community hospitals with a limited range of services at a time when there are already multiple community hospitals in the area with adequate capacity and offering the same services as those proposed by **AdventHealth** and **Novant**. **AdventHealth**'s project simply adds additional beds to an approved facility that is years from opening and does not enhance competition. **Novant**'s project proposes the development of beds for a limited cancer need, which it does not demonstrate exists. In addition, **Novant**'s entire service area and utilization is based on the provision of services to the patients of two referring providers. It is not seeking to serve the community at large. Further, Novant's project does not increase geographic access given that it is less than 15 miles from two community hospitals located in Henderson County.

In the past, the Agency has taken a rather one-dimensional approach to the competition comparative factor, often concluding that any new provider is a more effective alternative. This approach ignores or overlooks that the high and often specialized utilization of existing providers generated the need in the SMFP for a given review and that often the provider generating the need offers more complex and diverse services than those which can be offered by a new provider. These circumstances are applicable to this review.

Moreover, the cost to establish a new provider or facility is generally far higher than adding the needed beds or services to existing facilities that created the SMFP need. In such cases, approving a new provider simply because they represent new a new provider represents a costly duplication of services. Mission encourages the Agency to consider the competition factor in combination with other equally important CON Statutory criteria, such as unnecessary duplication of services, limiting costs, and serving the needs of the service area population based on the scope of services provided. This balancing of criteria is specifically directed by the SHCC on page 3 of the 2024 SMFP.

A key component in evaluating this comparative factor is the consideration of whether the applicants propose to provide and deliver like services to similar populations by the applicants. In this instance, neither **AdventHealth** nor **Novant** propose to offer like services to those already offered by **Mission** including high acuity, tertiary, and specialty care, which **Mission** proposes to expand. Further, there is underutilized capacity in the region for the services proposed by both **AdventHealth** and **Novant.** However, there are aspects of each proposal that can be compared in this comparative factor, including quality, safety, access, cost effectiveness and value. The table below provides such a comparison.

In this review, **Mission**'s project is the least costly and offers the highest acuity and broadest range of services. For these reasons, the Agency should find that the competition comparative factor is either inconclusive, due to fact that "like services" are not proposed by the applicants or find that **Mission** is the most effective alternative because it offers the highest acuity and broadest range of services

Conclusion

G.S. 131E-183(a)(1) states that the need determination in the SMFP is the determinative limit on the number of acute care beds that can be approved by the Healthcare Planning and Certificate of Need Section. Approval of all applications submitted during the review would result in acute care beds in excess of the need determination in Buncombe/Graham/Madison/Yancey Counties service area. Only **Mission's** project can be approved as it is the only applicant that conforms to all project review criteria and applicable performance standards. However, if all applicants were approvable based on these criteria, **Mission's** project is still the most effective alternative to meet the need based on the summary below. As such, **Mission's** project should be approved.

Summary of Comparative Factors

Meaure/Analysis	**Mission**	**Advent**	**Novant**
Conformity with Review Criteria	Yes	No	No
Scope of Services	Most Effective	Least Effective	Least Effective
Geographic Access	Most Effective	Effective	Least Effective
Historical Utilization	Most Effective	Least Effective	NA
Projected Utilization / Use of Beds	Most Effective	Least Effective	Least Effective
Competition/Access to New Provider	Most Effective	Inconclusive	Inconclusive
Service to the Planning Area Counties (a)	Most Effective	Least Effective	Least Effective
Projected Financial Access	Most Effective	Least Effective	Least Effective
Projected Charity Care	Inconclusive	Inconclusive	Inconclusive
Projected Medicare	Inconclusive	Inconclusive	Inconclusive
Projected Medicaid	Inconclusive	Inconclusive	Inconclusive
Projected Average Net Revenue per Admission	Inconclusive	Inconclusive	Inconclusive
Projected Average Expense per Admission	Inconclusive	Inconclusive	Inconclusive
Project Cost	Most Effective	Least Effective	Least Effective
Project Timing	Most Effective	Least Effective	Least Effective

(a) Given the variation in types of projects (small community hospitals v. regional tertiary medical center), the most reasonable method to compare service to the planning area counties is the number of patients served.

Attachment A

AdventHealth's 2022 Med/Surg, ICU, and OB Utilization Projections and Methodology

The methodology for projecting acute care utilization at AdventHealth Asheville is consistent with the methodology approved in Project ID #B-12233-22. AdventHealth has updated the methodology based on the revised project timetable (see Section P), recent discharge data, population growth rates, and the expanded number of acute care beds for the facility, i.e., 93 vs 67. The assumptions and methodology for projecting utilization for the 93-bed facility are contained in the following pages.

Due to computer rounding, numbers presented throughout this document may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.

AdventHealth Asheville

A. Med/Surg and ICU Bed Utilization

AdventHealth reviewed the FY2021-FY2023 inpatient discharges from the zip codes in the acute care multi-county service area and that could appropriately be served at AdventHealth Asheville. First, AdventHealth excluded any patient discharges that were related to services that AdventHealth does not intend to initially provide at AdventHealth Asheville during the initial operating years, including open-heart surgery, transplant services, NICU, cardiac catheterization, burns, trauma, craniotomy, defibrillator, inpatient rehabilitation, and inpatient behavioral health. AdventHealth made a second adjustment to only include the historical service area discharges of patients in DRGs with weights less than or equal to 3.5. This limitation is a conservative assumption that reflects the anticipated initial utilization and scope of services at AdventHealth Asheville. AdventHealth Asheville also excluded obstetrics discharges because obstetrics utilization is projected separately immediately following med/surg and ICU utilization. The result of this analysis for service area discharges is summarized in the following table.

Table Q.1: Service Area Med/Surg Discharges Appropriate to Be Served at AdventHealth Asheville, FY2021-FY2023

Buncombe County					
Zip Code	**FY2021**	**FY2022**	**FY2023**	**2-YR CAGR**	**22-23 Change**
28701	278	295	306	4.9%	3.7%
28704	1,177	1,134	1,138	-1.7%	0.4%
28709	193	146	191	-0.5%	30.8%
28711	860	825	883	1.3%	7.0%
28715	1,691	1,747	1,782	2.7%	2.0%
28728	69	59	61	-6.0%	3.4%
28730	534	532	546	1.1%	2.6%
28748	893	868	1,006	6.1%	15.9%
28757	19	27	33	31.8%	22.2%
28770	21	18	19	-4.9%	5.6%
28776	39	34	32	-9.4%	-5.9%
28778	661	660	747	6.3%	13.2%
28787	1,381	1,311	1,463	2.9%	11.6%
28801	1,232	1,286	1,334	4.1%	3.7%
28802	180	193	221	10.8%	14.5%
28803	1,949	1,909	2,118	4.2%	10.9%
28804	1,120	1,123	1,242	5.3%	10.6%
28805	1,116	1,155	1,306	8.2%	13.1%
28806	2,389	2,402	2,543	3.2%	5.9%
28813	41	25	31	-13.0%	24.0%
28815	36	45	33	-4.3%	-26.7%
28816	72	82	75	2.1%	-8.5%
Total	**15,951**	**15,876**	**17,110**	**3.6%**	**7.8%**
Graham County					
Zip Code	**FY2021**	**FY2022**	**FY2023**	**2-YR CAGR**	**22-23 Change**
28702	49	21	27	-25.8%	28.6%
28733	6	6	5	-8.7%	-16.7%
28771	484	421	439	-4.8%	4.3%
Total	**539**	**448**	**471**	**-6.5%**	**5.1%**
Madison County					
Zip Code	**FY2021**	**FY2022**	**FY2023**	**2-YR CAGR**	**22-23 Change**
28743	170	136	139	-9.6%	2.2%
28753	775	830	825	3.2%	-0.6%
28754	556	572	629	6.4%	10.0%
Total	**1,501**	**1,538**	**1,593**	**3.0%**	**3.6%**
Yancey County					
Zip Code	**FY2021**	**FY2022**	**FY2023**	**2-YR CAGR**	**22-23 Change**
28714	1,319	1,204	1,229	-3.5%	2.1%
28740	142	121	163	7.1%	34.7%
28755	27	23	31	7.2%	34.8%
Total	**1,488**	**1,348**	**1,423**	**-2.2%**	**5.6%**

Source: Hospital Inpatient Data Industry (HIDI)

Table Q.2: Service Area Med/Surg Discharges Appropriate to Be Served at AdventHealth Asheville, FY2021-FY2023 Summarized by Service Area County

County	FY2021	FY2022	FY2023	2-YR CAGR	22-23 Change
Buncombe	15,951	15,876	17,110	3.6%	7.8%
Graham	539	448	471	-6.5%	5.1%
Madison	1,501	1,538	1,593	3.0%	3.6%
Yancey	1,488	1,348	1,423	-2.2%	5.6%
Total	**19,479**	**19,210**	**20,597**	**2.8%**	**7.2%**

Source: Hospital Inpatient Data Industry (HIDI)

Based on FY2023 data, AdventHealth has identified over 20,000 inpatient med/surg discharges from the service area that could be appropriately served at AdventHealth Asheville.

To project med/surg discharges appropriate to be served at AdventHealth Asheville, AdventHealth applied the respective 2024-2029 population growth rates by zip code to the identified FY2023 discharges. AdventHealth assumes the annual population growth rates will extend forward through the third year of the project. For zip codes that experienced a negative growth rate during FY2022-FY2023, AdventHealth assumed no growth for respective med/surg discharges through the third year of the project.[44] This projection is conservative as the population aged 65 and older, which disproportionately utilizes inpatient hospital services, is projected to increase for service area residents. *See* discussion in Section C.8.

[44] Includes zip codes 28776, 28815, 28816, 28733, and 28753

Table Q.3: Service Area Population Growth By Zip Code

Buncombe County			
Zip Code	**2024**	**2029**	***5-YR CAGR***
28701	4,605	4,776	*0.7%*
28704	25,741	27,472	*1.3%*
28709	2,210	2,223	*0.1%*
28711	15,305	15,579	*0.4%*
28715	28,329	29,070	*0.5%*
28730	9,594	9,910	*0.7%*
28748	13,402	13,761	*0.5%*
28778	10,489	10,894	*0.8%*
28787	22,342	23,008	*0.6%*
28801	15,971	16,359	*0.5%*
28803	34,354	35,524	*0.7%*
28804	24,188	24,960	*0.6%*
28805	19,582	20,088	*0.5%*
28806	46,473	48,664	*0.9%*
Total	272,585	282,288	*0.7%*
Graham County			
Zip Code	**2024**	**2029**	***5-YR CAGR***
28702	406	380	*-1.3%*
28733	70	72	*0.6%*
28771	7,166	7,023	*-0.4%*
Total	7,642	7,475	*-0.4%*
Madison County			
Zip Code	**2024**	**2029**	***5-YR CAGR***
28743	1,989	1,991	*0.0%*
28753	11,844	12,096	*0.4%*
28754	8,629	8,995	*0.8%*
Total	22,462	23,082	*0.5%*
Yancey County			
Zip Code	**2024**	**2029**	***5-YR CAGR***
28714	16,334	16,730	*0.5%*
28740	2,603	2,613	*0.1%*
Total	18,937	19,343	*0.4%*

Source: Sg2

The following table summarizes projected service area med/surg discharges based on the respective population growth rates applied to FY2023 med/surg discharges. For information purposes, there are several Buncombe County zip codes for which Sg2 does not have available population data, including 27278, 28757, 28770, 28776, 28802, 28813, 28815, and 28816. For these respective zip codes, AdventHealth applied the overall projected population growth rate for Buncombe County (0.7%). This projection is conservative in consideration as the population aged 65 and older, which disproportionately utilizes inpatient hospital services, is projected to increase for service area residents. *See* discussion in Section C.8.

Table Q.4: Service Area Med/Surg Discharges Appropriate to Be Served at AdventHealth Asheville

Buncombe County								
Annual Growth Rate	Zip Code	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030
0.7%	28701	308	310	313	315	317	320	322
1.3%	28704	1,153	1,168	1,183	1,199	1,215	1,230	1,247
0.1%	28709	191	191	192	192	192	192	193
0.4%	28711	886	889	892	896	899	902	905
0.5%	28715	1,791	1,801	1,810	1,819	1,829	1,838	1,848
0.7%	28728	61	62	62	63	63	64	64
0.7%	28730	550	553	557	560	564	568	571
0.5%	28748	1,011	1,017	1,022	1,028	1,033	1,038	1,044
0.7%	28757	33	33	34	34	34	34	35
0.7%	28770	19	19	19	20	20	20	20
0.0%	28776	32	32	32	32	32	32	32
0.8%	28778	753	758	764	770	776	782	788
0.6%	28787	1,472	1,480	1,489	1,498	1,507	1,515	1,524
0.5%	28801	1,340	1,347	1,353	1,360	1,366	1,373	1,380
0.7%	28802	223	224	226	227	229	230	232
0.7%	28803	2,132	2,147	2,161	2,176	2,190	2,205	2,220
0.6%	28804	1,250	1,258	1,266	1,274	1,282	1,290	1,298
0.5%	28805	1,313	1,319	1,326	1,333	1,340	1,347	1,353
0.9%	28806	2,567	2,590	2,614	2,638	2,663	2,688	2,712
0.7%	28813	31	31	32	32	32	32	33
0.0%	28815	33	33	33	33	33	33	33
0.0%	28816	75	75	75	75	75	75	75
	Total	**17,224**	**17,339**	**17,455**	**17,572**	**17,690**	**17,808**	**17,928**
Graham County								
	Zip Code	**FY2024**	**FY2025**	**FY2026**	**FY2027**	**FY2028**	**FY2029**	**FY2030**
-1.3%	28702	27	26	26	26	25	25	25
0.0%	28733	5	5	5	5	5	5	5
-0.4%	28771	439	437	435	434	432	430	429
	Total	**471**	**469**	**466**	**464**	**462**	**460**	**458**
Madison County								
	Zip Code	**FY2024**	**FY2025**	**FY2026**	**FY2027**	**FY2028**	**FY2029**	**FY2030**
0.02%	28743	139	139	139	139	139	139	139
0.0%	28753	825	825	825	825	825	825	825
0.8%	28754	634	640	645	650	656	661	667
	Total	**1,598**	**1,604**	**1,609**	**1,614**	**1,620**	**1,625**	**1,631**
Yancey County								
	Zip Code	**FY2024**	**FY2025**	**FY2026**	**FY2027**	**FY2028**	**FY2029**	**FY2030**
0.5%	28714	1,235	1,241	1,247	1,253	1,259	1,265	1,271
0.1%	28740	163	163	163	164	164	164	164
0.4%	28755	31	31	31	32	32	32	32
	Total	**1,429**	**1,435**	**1,442**	**1,448**	**1,454**	**1,460**	**1,467**

AdventHealth projects the following med/surg discharge market share by zip code to be served at the 93-bed facility during the first three project years.

Table Q.5: Percent of Service Area Med/Surg Discharges Appropriate to be Served at AdventHealth Asheville

Buncombe County			
Zip Code	**PY1**	**PY2**	**PY3**
28701	10.0%	20.0%	30.0%
28704	5.0%	10.0%	10.0%
28709	10.0%	20.0%	30.0%
28711	7.5%	15.0%	20.0%
28715	7.5%	15.0%	20.0%
28728	7.5%	15.0%	20.0%
28730	5.0%	10.0%	10.0%
28748	10.0%	20.0%	30.0%
28757	7.5%	15.0%	20.0%
28770	7.5%	15.0%	20.0%
28776	7.5%	15.0%	20.0%
28778	7.5%	15.0%	20.0%
28787	10.0%	20.0%	30.0%
28801	7.5%	15.0%	20.0%
28802	7.5%	15.0%	20.0%
28803	7.5%	15.0%	20.0%
28804	10.0%	20.0%	30.0%
28805	7.5%	15.0%	20.0%
28806	7.5%	15.0%	20.0%
28813	7.5%	15.0%	20.0%
28815	7.5%	15.0%	20.0%
28816	7.5%	15.0%	20.0%
Graham County			
Zip Code	**PY1**	**PY2**	**PY3**
28702	5.0%	10.0%	20.0%
28733	5.0%	10.0%	20.0%
28771	5.0%	10.0%	20.0%
Madison County			
Zip Code	**PY1**	**PY2**	**PY3**
28743	10.0%	20.0%	30.0%
28753	10.0%	20.0%	30.0%
28754	10.0%	20.0%	30.0%
Yancey County			
Zip Code	**PY1**	**PY2**	**PY3**
28714	10.0%	20.0%	30.0%
28740	10.0%	20.0%	30.0%
28755	10.0%	20.0%	30.0%

AdventHealth applied the annual market share percentages to the projected service area discharges appropriate to be served at AdventHealth Asheville.

Table Q.6: AdventHealth Asheville Projected Med/Surg Discharges

Buncombe County			
Zip Code	**PY1**	**PY2**	**PY3**
28701	32	64	97
28704	61	123	125
28709	19	38	58
28711	67	135	181
28715	137	276	370
28728	5	10	13
28730	28	57	57
28748	103	208	313
28757	3	5	7
28770	1	3	4
28776	2	5	6
28778	58	117	158
28787	151	303	457
28801	102	206	276
28802	17	35	46
28803	164	331	444
28804	128	258	389
28805	100	202	271
28806	200	403	542
28813	2	5	7
28815	2	5	7
28816	6	11	15
Total	**1,391**	**2,799**	**3,842**
Graham County			
Zip Code	**PY1**	**PY2**	**PY3**
28702	1	2	5
28733	0	1	1
28771	22	43	86
Total	**23**	**46**	**92**
Madison County			
Zip Code	**PY1**	**PY2**	**PY3**
28743	14	28	42
28753	83	165	248
28754	66	132	200
Total	**162**	**325**	**489**
Yancey County			
Zip Code	**PY1**	**PY2**	**PY3**
28714	126	253	381
28740	16	33	49
28755	3	6	10
Total	**145**	**292**	**440**

Table Q.7: AdventHealth Asheville Projected Med/Surg Discharges Summarized by Service Area County

County	FY2028	FY2029	FY2030
Buncombe	1,391	2,799	3,842
Graham	23	46	92
Madison	162	325	489
Yancey	145	292	440
Total	**1,721**	**3,462**	**4,863**

The annual projected market shares are materially consistent with the market share projections in the approved application. The annual market share projections have been updated based on the expanded scope and capacity of the project, i.e., 93 vs. 67 beds, the Weaverville location, and the continued support received from service area stakeholders.

AdventHealth believes the annual med/surg market share percentages are reasonable and supported based on several factors. The resulting med/surg discharges to be served at AdventHealth Asheville during FY2030 is equivalent to only 22.6 percent of the total service area discharges appropriate to be served at AdventHealth Asheville (4,863 ÷ 21,483), a small percentage of the total eligible volume and approximately 17.7 percent of the total acute care discharges for the service area.[45] The annual projected med/surg market shares and resulting discharges are also supported by several additional factors, including but not limited to:

- Medical privileges for physicians who care for patients in the service area as well as other physicians who will seek privileges at AdventHealth Asheville (see Exhibit I.2 in Project ID #B-12233-22 and this application for letters from physicians that support the proposed project and are likely to seek privileges at AdventHealth Asheville),
- Availability of a new 93-bed hospital in Buncombe County for patients and physicians seeking an alternative provider to Mission Hospital,
- Expansion of AdventHealth Asheville from 67 beds to 93 allows the facility to serve more patients, which results in greater market share capability (compared to the market share projections in Project ID #B-12233-22),
- AdventHealth's experience providing high-quality acute care services in western North Carolina,
- Documented support from a broad array of service area representatives, including employers, local government, law enforcement, healthcare providers, and educational institutions (see also discussion in Section C.8 regarding project support and Exhibit I.3),
- New point of access within Buncombe County, i.e., Weaverville,
- Enhanced geographic access for residents of Madison and Yancey County via Weaverville site,
- Modern facility design and layout,
- Ease of access to AdventHealth Asheville, and
- Convenient location for growing service area population.

Though the project involves a multi-county service area, Buncombe County is a regional destination for healthcare in Western North Carolina. Patients from numerous counties in western North Carolina and beyond travel to Buncombe County for healthcare services both inpatient and outpatient. Thus, consistent with its experience providing acute

[45] Total eligible volume is based on the inpatient discharges that can be appropriately served at AdventHealth Asheville. Total discharges includes all inpatient discharges for the acute care service area.

care services in western North Carolina, AdventHealth expects AdventHealth Asheville will serve some patients that originate from outside the acute care service area. Of the acute care discharges served at AdventHealth Hendersonville during FY2023, 47.6 percent originated from outside the acute care service area, i.e., Henderson County. To project in-migration for med/surg discharges, AdventHealth conservatively projects 10 percent of total med/surg discharges will originate from outside the acute care service area. This in-migration rate is consistent with the rate utilized in Project ID #B-12233-22.

Table Q.8: AdventHealth Asheville Projected Med/Surg Discharges Summarized by Service Area County

County	FY2028	FY2029	FY2030
Buncombe	1,391	2,799	3,842
Graham	23	46	92
Madison	162	325	489
Yancey	145	292	440
In-Migration	191	385	540
Total	**1,912**	**3,847**	**5,403**

Patient Days of Care

To project patient days for the projected med/surg discharges, AdventHealth utilized the FY2023 average length of stay (ALOS) for the service area med/surg discharges appropriate to be served AdventHealth Asheville (4.2 days).

Table Q.9: AdventHealth Asheville Med/Surg Discharges and Days of Care (Excluding Obstetrics)

	FY2028	FY2029	FY2030
Discharges	1,912	3,847	5,403
ALOS	4.2	4.2	4.2
Days of Care	**8,099**	**16,293**	**22,883**

ALOS Data Source: HIDI FY2023 data for the service area med/surg days of care and discharges appropriate to be served AdventHealth Asheville

ICU Bed Utilization

AdventHealth Asheville is approved to develop 12 ICU beds. Four of the proposed 26 additional acute care beds will be developed as ICU beds (4 ICU & 22 general med/surg).

Historically, ICU days of care have comprised approximately 24 percent of total days of care at AdventHealth Hendersonville as shown in the following table.

Table Q.10 AdventHealth Hendersonville ICU Days, FY2021-FY2023

	FY2021	FY2022	FY2023
Total Acute Care Days	11,096	12,984	13,467
ICU Days of Care	2,683	3,130	3,306
% ICU Days	24.2%	24.1%	24.5%

Source: AdventHealth Hendersonville License Renewal Applications

Consistent with its assumptions in Project ID B-12233-22, AdventHealth conservatively projects that ICU days as a percentage of the total med/surg and ICU days to be served AdventHealth Asheville will gradually increase from 12 percent to approximately 20 percent during the first three project years. AdventHealth believes this assumption is reasonable and conservative because it anticipates the patients to be served at the proposed new hospital will generally be representative of the population historically served at AdventHealth Hendersonville. Henderson County is contiguous to Buncombe County and residents of Buncombe County travel to Henderson County to receive acute care services at AdventHealth Hendersonville. Residents of Graham, Madison, and Yancey counties also receive acute care services at AdventHealth Hendersonville. Additionally, AdventHealth Hendersonville provides acute care services that are comparable to the scale and scope of the proposed new acute care hospital in Buncombe County. Therefore, AdventHealth Hendersonville is a reasonable proxy for projecting ICU utilization for the proposed project. The following table demonstrates projected ICU bed utilization at AdventHealth Asheville.

Table Q.11: AdventHealth Asheville ICU Days of Care

	FY2028	FY2029	FY2030
Med/Surg and ICU Acute Care Days	8,099	16,293	22,883
% ICU Days	12.0%	15.0%	20.0%
ICU Days of Care	**972**	**2,444**	**4,577**

Note: the ICU days of care are included in the total med/surg days of care reflected in Table Q.9.

Obstetrics Discharges & C-Sections

The proposed project does not involve development of additional labor and delivery beds.

The following describes the assumptions and methodology used to project obstetrics discharges, days of care, and C-sections at AdventHealth Asheville, which is consistent with the methodology approved in Project ID #B-12233-22. AdventHealth has updated the methodology based on the revised project timetable (see Section P), recent discharge data, and population growth rates.

AdventHealth reviewed the FY2021-FY2023 obstetric (OB) inpatient discharges from the zip codes in the acute care multi-county service area and that could appropriately be served at AdventHealth Asheville. AdventHealth excluded OB patient discharges that included NICU services. The result of this analysis for service area OB discharges is summarized in the following table.

Table Q.12: Service Area OB Discharges Appropriate to Be Served at AdventHealth Asheville, FY2021-FY2023

Buncombe County				
Zip Code	**FY2021**	**FY2022**	**FY2023**	**2-YR CAGR**
28701	48	55	43	-5.4%
28704	264	341	304	7.3%
28709	21	23	15	-15.5%
28711	83	105	101	10.3%
28715	313	276	315	0.3%
28728	4	3	1	-50.0%
28730	88	81	72	-9.5%
28748	127	135	162	12.9%
28757	1	2	2	41.4%
28770	1	2	2	41.4%
28776	3	2		
28778	94	88	76	-10.1%
28787	176	203	171	-1.4%
28801	122	142	130	3.2%
28802	13	40	39	73.2%
28803	298	272	329	5.1%
28804	174	147	149	-7.5%
28805	160	132	134	-8.5%
28806	525	520	535	0.9%
28813		3	2	
28815		2	3	
28816	3	2	4	15.5%
Total	**2,518**	**2,576**	**2,589**	**1.4%**
Graham County				
Zip Code	**FY2021**	**FY2022**	**FY2023**	**2-YR CAGR**
28702	4	1	3	-13.4%
28733			1	
28771	68	79	74	4.3%
Total	**72**	**80**	**78**	**4.1%**
Madison County				
Zip Code	**FY2021**	**FY2022**	**FY2023**	**2-YR CAGR**
28743	17	23	17	0.0%
28753	115	100	115	0.0%
28754	82	67	90	4.8%
Total	**214**	**190**	**222**	**1.9%**
Yancey County				
Zip Code	**FY2021**	**FY2022**	**FY2023**	**2-YR CAGR**
28714	149	157	145	-1.4%
28740	22	22	16	-14.7%
28755	1	1		-100.0%
Total	**172**	**180**	**161**	**-3.3%**

Source: HIDI

Table Q.13: Service Area OB Discharges Appropriate to Be Served at AdventHealth Asheville, FY2021-FY2023 Summarized by Service Area County

County	FY2021	FY2022	FY2023	2-YR CAGR
Buncombe	2,518	2,576	2,589	2.6%
Graham	72	80	78	-7.9%
Madison	214	190	222	16.3%
Yancey	172	180	161	-6.2%
Total	**2,976**	**3,026**	**3,050**	**2.6%**

Source: HIDI

AdventHealth has identified approximately over 3,000 OB discharges from the service area appropriate for AdventHealth Asheville.

To project OB discharges appropriate to be served at AdventHealth Asheville, AdventHealth applied the respective 2024-2029 population growth rates for females aged 15-44 by zip code. AdventHealth assumes the annual population growth rates will extend forward through the third year of the project. For zip codes that experienced a negative CAGR, AdventHealth assumed no growth for respective OB discharges through the third year of the project.

Table Q.14: Service Area Population Growth By Zip Code, Females Aged 15-44

Buncombe County			
Zip Code	**2024**	**2029**	***5-YR CAGR***
28701	834	833	*0.0%*
28704	5,131	5,272	*0.5%*
28709	376	377	*0.1%*
28711	2,555	2,526	*-0.2%*
28715	5,121	5,177	*0.2%*
28730	1,582	1,607	*0.3%*
28748	2,395	2,429	*0.3%*
28778	1,991	1,998	*0.1%*
28787	3,572	3,582	*0.1%*
28801	3,946	3,830	*-0.6%*
28803	6,644	6,620	*-0.1%*
28804	4,458	4,429	*-0.1%*
28805	3,373	3,297	*-0.5%*
28806	10,637	10,627	*0.0%*
Total	52,615	52,604	*0.0%*
Graham County			
Zip Code	**2024**	**2029**	***5-YR CAGR***
28702	55	53	*-0.7%*
28733	7	11	*9.5%*
28771	1,106	1,112	*0.1%*
Total	1,168	1,176	*0.1%*
Madison County			
Zip Code	**2024**	**2029**	***5-YR CAGR***
28743	271	260	*-0.8%*
28753	1,930	1,930	*0.0%*
28754	1,548	1,576	*0.4%*
Total	3,749	3,766	*0.1%*
Yancey County			
Zip Code	**2024**	**2029**	***5-YR CAGR***
28714	2,379	2,406	*0.2%*
28740	382	384	*0.1%*
Total	2,761	2,790	*0.2%*

Source: Sg2

The following table summarizes projected service area obstetric discharges based on the respective population growth rates applied to FY2023 obstetric discharges. For information purposes, there are several Buncombe County zip codes for which Sg2 does not have available data, including 27278, 28757, 28770, 28776, 28802, 28813, 28815, and 28816. For these respective zip codes, AdventHealth conservatively assumes no annual growth.

Table Q.15: Service Area OB Discharges Appropriate to Be Served at AdventHealth Asheville

Buncombe County							
Annual Growth Rate	**Zip Code**	**FY2024**	**FY2025**	**FY2026**	**FY2027**	**FY2028**	**FY2029**
0.0%	28701	43	43	43	43	43	43
0.5%	28704	306	307	309	309	311	312
0.0%	28709	15	15	15	15	15	15
-0.2%	28711	101	101	100	100	100	100
0.2%	28715	316	316	317	317	318	318
0.0%	28728	1	1	1	1	1	1
0.0%	28730	72	72	72	72	72	72
0.3%	28748	162	163	163	163	164	164
0.0%	28757	2	2	2	2	2	2
0.0%	28770	2	2	2	2	2	2
0.0%	28776	0	0	0	0	0	0
0.0%	28778	76	76	76	76	76	76
0.0%	28787	171	171	171	171	171	171
-0.6%	28801	129	128	128	128	127	126
0.0%	28802	39	39	39	39	39	39
-0.1%	28803	329	329	328	328	328	328
-0.1%	28804	149	149	148	148	148	148
-0.5%	28805	133	133	132	132	132	131
0.0%	28806	535	535	535	535	535	534
0.0%	28813	2	2	2	2	2	2
0.0%	28815	3	3	3	3	3	3
0.0%	28816	4	4	4	4	4	4
	Total	**2,590**	**2,590**	**2,591**	**2,591**	**2,592**	**2,592**
Graham County							
Annual Growth Rate	**Zip Code**	**FY2024**	**FY2025**	**FY2026**	**FY2027**	**FY2028**	**FY2029**
-0.7%	28702	3	3	3	3	3	3
9.5%	28733	1	1	1	1	1	2
0.0%	28771	74	74	74	74	74	74
	Total	**78**	**78**	**78**	**78**	**78**	**78**
Madison County							
Annual Growth Rate	**Zip Code**	**FY2024**	**FY2025**	**FY2026**	**FY2027**	**FY2028**	**FY2029**
-0.8%	28743	17	17	17	17	16	16
0.0%	28753	115	115	115	115	115	115
0.4%	28754	90	91	91	91	91	92
	Total	**222**	**222**	**223**	**223**	**223**	**223**
Yancey County							
Annual Growth Rate	**Zip Code**	**FY2024**	**FY2025**	**FY2026**	**FY2027**	**FY2028**	**FY2029**
0.0%	28714	145	145	145	145	145	145
0.0%	28740	16	16	16	16	16	16
0.0%	28755	0	0	0	0	0	0
	Total	**161**	**161**	**161**	**161**	**161**	**161**

AdventHealth projects the following OB market share by zip code to be served at AdventHealth Asheville during the first three project years.

Table Q.16: Percent of Service Area OB Discharges Appropriate to be Served at AdventHealth Asheville

Buncombe County			
Zip Code	**PY1**	**PY2**	**PY3**
28701	10.0%	15.0%	20.0%
28704	10.0%	15.0%	20.0%
28709	10.0%	15.0%	20.0%
28711	10.0%	15.0%	20.0%
28715	10.0%	15.0%	20.0%
28728	10.0%	15.0%	20.0%
28730	10.0%	15.0%	20.0%
28748	10.0%	15.0%	20.0%
28757	10.0%	15.0%	20.0%
28770	10.0%	15.0%	20.0%
28776	10.0%	15.0%	20.0%
28778	10.0%	15.0%	20.0%
28787	10.0%	15.0%	20.0%
28801	10.0%	15.0%	20.0%
28802	10.0%	15.0%	20.0%
28803	10.0%	15.0%	20.0%
28804	10.0%	15.0%	20.0%
28805	10.0%	15.0%	20.0%
28806	10.0%	15.0%	20.0%
28813	10.0%	15.0%	20.0%
28815	10.0%	15.0%	20.0%
28816	10.0%	15.0%	20.0%
Graham County			
Zip Code	**PY1**	**PY2**	**PY3**
28702	5.0%	10.0%	15.0%
28733	5.0%	10.0%	15.0%
28771	5.0%	10.0%	15.0%
Madison County			
Zip Code	**PY1**	**PY2**	**PY3**
28743	10.0%	20.0%	30.0%
28753	10.0%	20.0%	30.0%
28754	10.0%	20.0%	30.0%
Yancey County			
Zip Code	**PY1**	**PY2**	**PY3**
28714	10.0%	20.0%	30.0%
28740	10.0%	20.0%	30.0%
28755	10.0%	20.0%	30.0%

AdventHealth applied the annual obstetric market share percentages to the projected obstetric service area discharges appropriate to be served at AdventHealth Asheville.

Table Q.17: AdventHealth Asheville Projected OB Discharges

Buncombe County			
Zip Code	**PY1**	**PY2**	**PY3**
28701	4	6	9
28704	31	47	63
28709	2	2	3
28711	10	15	20
28715	32	48	64
28728	0	0	0
28730	7	11	14
28748	16	25	33
28757	0	0	0
28770	0	0	0
28776	0	0	0
28778	8	11	15
28787	17	26	34
28801	13	19	25
28802	4	6	8
28803	33	49	66
28804	15	22	30
28805	13	20	26
28806	53	80	107
28813	0	0	0
28815	0	0	1
28816	0	1	1
Total	**259**	**389**	**519**
Graham County			
Zip Code	**PY1**	**PY2**	**PY3**
28702	0	0	0
28733	0	0	0
28771	4	7	11
Total	**4**	**8**	**12**
Madison County			
Zip Code	**PY1**	**PY2**	**PY3**
28743	2	3	5
28753	12	23	35
28754	9	18	28
Total	**22**	**45**	**67**
Yancey County			
Zip Code	**PY1**	**PY2**	**PY3**
28714	15	29	44
28740	2	3	5
28755	0	0	0
Total	**16**	**32**	**48**

Table Q.18: AdventHealth Asheville Projected OB Discharges Summarized by Service Area County

County	FY2028	FY2029	FY2030
Buncombe	259	389	519
Graham	4	8	12
Madison	22	45	67
Yancey	16	32	48
Total	**301**	**473**	**646**

AdventHealth believes the annual obstetric market share percentages are reasonable and supported based on several factors. The resulting obstetric discharges to be served at AdventHealth Asheville during 2030 is equivalent to 21 percent of the total service area obstetric discharges appropriate to be served at AdventHealth Asheville (646 ÷ 3,056), a small percentage of the total eligible volume and an even smaller percentage of total projected obstetric discharges for the service area. The annual projected obstetric market shares and resulting discharges are also supported by several additional factors, including but not limited to:

- Medical privileges for physicians who care for patients in the service area as well as other physicians who will seek privileges at AdventHealth Asheville (see Exhibit I.2 for letters from physicians that support the proposed project and are likely to seek privileges at AdventHealth Asheville),
- Availability of a new hospital in Buncombe County for patients and physicians seeking an alternative provider to Mission Hospital,
- AdventHealth's experience providing high-quality acute care services in western North Carolina,
- Documented support from a broad array of service area representatives, including employers, local government, law enforcement, churches, healthcare providers, and educational institutions,
- modern facility design and layout,
- enhanced geographic access for residents of Madison and Yancey County,
- ease of access to AdventHealth Asheville, and
- convenient location for growing service area population.

Consistent with its experience providing acute care services in western North Carolina, AdventHealth expects AdventHealth Asheville will serve some patients that originate from outside the acute care service area. AdventHealth Hendersonville's FY2023 in-migration percentage was 48 percent. That is to say that, of the acute care discharges served at AdventHealth during FY2023, 48 percent originated from outside the acute care service area (i.e., Henderson County). Consistent with its assumption in Project ID #B-12233-22, AdventHealth conservatively projects 10 percent of total OB discharges will originate from outside the acute care service area.

Table Q.19: AdventHealth Asheville Projected OB Discharges Summarized by Service Area County

County	FY2028	FY2029	FY2030
Buncombe	259	389	519
Graham	4	8	12
Madison	22	45	67
Yancey	16	32	48
In-migration	33	53	72
Total OB IP Discharges	**335**	**526**	**717**

Patient Days of Care

To project patient days for the projected OB discharges, AdventHealth utilized the FY2023 average length of stay (ALOS) for the service area OB discharges appropriate to be served AdventHealth Asheville (2.54 days).

Table Q.20: AdventHealth Asheville OB Discharges and Days of Care

	FY2028	FY2029	FY2030
Discharges	335	526	717
ALOS	2.54	2.54	2.54
Days of Care	849	1,334	1,819

C-Section Surgical Cases

During FY2023, C-section deliveries have comprised 30.5 percent of total births at AdventHealth Hendersonville as shown in the following table.

Table Q.21: AdventHealth Hendersonville C-Section Utilization, FY2023

	FY2023
Total Births	548
C-Section Births	167
% C-Section Births	30.5%

Source: 2024 AdventHealth Hendersonville License Renewal Application

Consistent with the assumption included in Project ID B-12233-22, AdventHealth reasonably projects that C-section deliveries as a percentage of the total births at AdventHealth Asheville will equal 27.3 percent during the first three project years. This assumption is conservative compared to AdventHealth Hendersonville's experience during FY2023 in which 30.5 percent of births were delivered via Cesarian Section (167 ÷ 548). The following table demonstrates projected C-Section utilization at AdventHealth Asheville.