

Comments Opposing the AdventHealth Asheville CON Application for 26 Acute Care Beds by Novant Health and Novant Health Asheville Medical Center, LLC

Filed July 31, 2024

The 2024 State Medical Facilities Plan (SMFP) found a need for 26 acute care beds in the service area including Buncombe, Graham, Madison, and Yancey Counties. Certificate of Need (CON) applications, each for 26 beds, were filed by Novant Health, Mission Hospital, and AdventHealth. The applications are very different.

- Novant Health and Novant Health Asheville Medical Center, LLC (Novant Health or NH), proposes to build a new 26-bed hospital focused on oncology care that will also improve access to emergency and outpatient services.
- MH Mission Hospital, LLLP (Mission Hospital or Mission), proposes to reclassify 26 existing observation beds at its main campus to acute care beds without changing the physical capacity of the hospital.
- AdventHealth Asheville (AdventHealth or AH) proposes to add 26 acute care beds to the 67 acute care bed hospital preliminarily approved by the Agency and under appeal by Mission Hospital, and to move the hospital from Candler to Weaverville.

The Healthcare Planning and Certificate of Need Section of the NC Division of Health Service Regulation (DHSR or the Agency) can approve none or one of the applications. Novant Health's position is that its application should be approved and the other two applications should be denied, as neither competing application conforms to all applicable CON criteria, and in a comparative review, Novant Health has the superior application. This document presents Novant Health's comments opposing the AdventHealth Asheville application. Novant Health filed comments opposing the Mission Hospital application in a separate document.

Patients Appropriate to be Served at AH Asheville

1. AdventHealth noted that AH Asheville will be a community hospital and will not offer all services needed to serve all types of acute care medical/surgical and obstetric (OB) patients. It defined a set of medical/surgical and OB patients it thinks are "appropriate to be served at AdventHealth Asheville." Much of this comment concerns Novant Health's analysis of data on these patients. While the application has text describing what patients are in or out of the set, it does not give a precise definition that lets one replicate the set exactly. Exhibit 1 describes how we approximated the set of

medical/surgical patients. Our approximation of the medical/surgical discharges in Table Q.1 differs from the application by 0.6% or less at the county level and for the entire four-county service area. Therefore, the approximation is a reasonable basis for these comments.

2. The AH Asheville application is a change of scope application because the 67-bed hospital for which the Agency granted a CON has not been built and placed in service. This is in part due to Mission Hospital's appeal of the Agency's decision to the North Carolina Court of Appeals.¹ That court has not made a decision and could award the 67 beds to Mission Hospital or to AH Asheville. It is uncertain whether the court will decide before the Agency must decide on the 2024 applications. The 2024 AH Asheville application is to add 26 beds to a 67-bed hospital. It does not propose to build a 26-bed hospital. If Mission Hospital is awarded the 67 beds, the 2024 AH Asheville application is no longer a change in scope. It cannot be implemented and must be denied. The NH Asheville application is the only one for which the outcome of the 2022 appeal has no effect.

AH Asheville's Utilization Projection is Not Reasonable and Adequately Supported
Projected Appropriate Service Area Discharges Are Too High

3. AdventHealth has assumed the total patient days for the appropriate medical/surgical patients will increase at the same compound annual growth rate (CAGR) as the population of the service area. Based on the HIDI data for 2019 to 2023, this is not a reasonable assumption. Figure 1.1 is Table Q.2 from the 2022 application. It shows discharges for the appropriate medical/surgical patients for fiscal years (FY) 2017, 2018, and 2019.

¹ Novant Health understands the Agency and Office of Administrative Hearings decisions were appealed to the North Carolina Court of Appeals (*see* Mission CON Application, page 41). The appeal has not been docketed by the Court as of the date of this comment. The Court of Appeals may not decide the case until sometime in 2025 or possibly 2026. No CON can be issued until the case is resolved.

Figure 1.1

**Table Q.2: Service Area Med/Surg Discharges Appropriate to Be Served at AdventHealth Asheville, FY2017-FY2019
Summarized by Service Area County**

| County | 2017 | 2018 | 2019 | 2-YR CAGR |
|--------------|---------------|---------------|---------------|-------------|
| Buncombe | 15,903 | 15,983 | 17,270 | 4.2% |
| Graham | 735 | 726 | 678 | -4.0% |
| Madison | 1,437 | 1,460 | 1,613 | 5.9% |
| Yancey | 1,344 | 1,429 | 1,580 | 8.4% |
| Total | 19,419 | 19,598 | 21,141 | 4.3% |

Source: Hospital Inpatient Data Industry (HIDI)

Source: AH 2022 CON Application, p. 132.

4. Figure 1.2 is Table Q.2 from the 2024 application. It shows discharges for the appropriate medical/surgical patients for FY 2021, 2022, and 2023. We assume the definition of appropriate patients is the same in both applications since the services AH Asheville will offer have not changed.

Figure 1.2

**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)

Source: AH 2024 CON Application, p. 130.

5. Figure 1.3 shows the absolute and the percentage change from 2019, the year before COVID, to 2023, the year after COVID. In all four counties the number of discharges declined. The overall decline was 2.6%. The CAGR for these discharges was -0.6%.

Figure 1.3
Actual Change in 2019–2023 Med/Surg Discharges from Table Q.2

| County | FY2019 | FY2023 | 19-23 Change | 4-YR CAGR |
|--------------|---------------|---------------|--------------|--------------|
| Buncombe | 17,270 | 17,110 | -160 | -0.2% |
| Graham | 678 | 471 | -207 | -8.7% |
| Madison | 1,613 | 1,593 | -20 | -0.3% |
| Yancey | 1,580 | 1,423 | -157 | -2.6% |
| Total | 21,141 | 20,597 | -544 | -0.6% |

Source: Figures 1.1 and 1.2.

6. Given the decline in medical/surgical discharges in the service area that are appropriate to be served at AH Asheville, AH has not provided a reasonable justification for using a positive growth factor for discharges through FY 2030. The service area is not experiencing rapid population growth. Figure 1.4 shows the population projection for the service area from page 131 of the 2024 application. The population of the entire service area is projected to grow at a CAGR of 0.6. This is just enough to offset the decline in discharges. The discharge data already reflect the aging of the population. Therefore, for the inpatient medical/surgical services AH Asheville expects to offer, the most reasonable projection is for no growth in the number of discharges through 2029. The 2024 application projected 21,353 discharges in 2029, an increase of 756 medical/surgical discharges appropriate for AH Asheville over the 2023 actual number. The difference is an overstatement of 3.6%. This factor in the AH Asheville utilization projections is not reasonable or adequately supported.

Figure 1.4
Service Area Population Projections from 2024 AH Application

| County | 2024 | 2029 | 5-Year CARG |
|--------------|----------------|----------------|-------------|
| Buncombe | 272,585 | 282,288 | 0.7% |
| Graham | 7,642 | 7,475 | -0.4% |
| Madison | 22,462 | 23,082 | 0.5% |
| Yancey | 18,937 | 19,343 | 0.4% |
| Total | 321,626 | 332,188 | 0.6% |

Source: AH 2024 CON Application, p. 131.

2024 AH Asheville Medical/Surgical Zip Code Market Shares Are Too High

7. The 2024 AH Asheville application changes the location of the hospital substantially. The Agency approved a location in Candler in central Buncombe County. The Agency's findings that the zip-code market shares and the utilization projections were reasonable and adequately supported were for that location. The 2024 application proposes a hospital in Weaverville in northern Buncombe County. The driving distance between the 2022 and 2024 sites is about 17 miles. Therefore, any criticism of the 2024 utilization projections is not a criticism of the Agency's 2022 findings. AH Asheville must justify 2024 utilization projections for its new location.

8. Increasing the number of beds does not automatically increase the number of people who use a hospital. As there is no change in the services to be offered at the Candler and Weaverville locations, the main factor justifying any change in the zip-code market shares AdventHealth assumed should be the difference in the driving distance for each location from the population centroid of the zip code. There are 31 zip codes in the AH Asheville service area. Eight zip codes are post office boxes. We used a publicly available source² to assign each post office zip code to a geographic zip code.

9. Figure 2 shows the medical/surgical market shares for Year 3 for the 2022 and 2024 applications, the change in market share, and the difference in driving distance. Positive driving distances (highlighted in yellow) indicate the zip code is closer to the Candler location. Negative driving distances indicate the zip code is closer to Weaverville. The driving distances for the geographic zip codes are assigned to the enclosed post office box zip codes.

² ZipDataMaps.com.

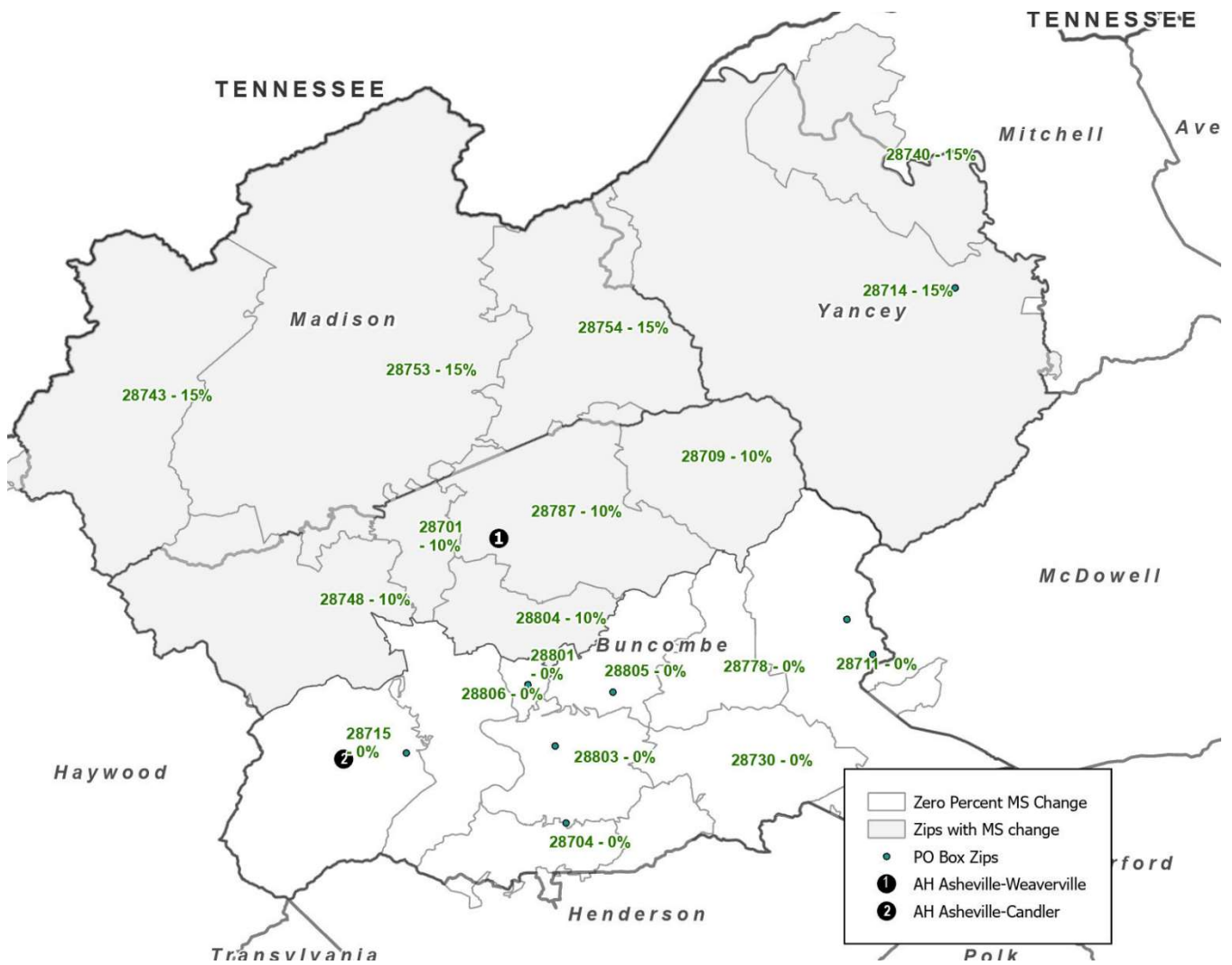
Figure 2
Assumed Market Shares for AH Asheville Medical/Surgical Patients

| Zip Code (Geographic Zip) | 2022 App Candler Y3 | 2024 App Weaverville Y3 | Y3 Change | Difference in Driving Distance |
|------------------------------|------------------------|----------------------------|-----------|-----------------------------------|
| Buncombe County | | | | |
| 28701 | 20.0% | 30.0% | 10.0% | -9.3 |
| 28704 | 10.0% | 10.0% | 0.0% | 12.3 |
| 28709 | 20.0% | 30.0% | 10.0% | -16.6 |
| 28711 | 20.0% | 20.0% | 0.0% | 3.3 |
| 28715 | 20.0% | 20.0% | 0.0% | 14.7 |
| 28728 (28715) | 20.0% | 20.0% | 0.0% | 14.7 |
| 28730 | 10.0% | 10.0% | 0.0% | 3.3 |
| 28748 | 20.0% | 30.0% | 10.0% | -2.6 |
| 28757 (28711) | 20.0% | 20.0% | 0.0% | 3.3 |
| 28770 (28711) | 20.0% | 20.0% | 0.0% | 3.3 |
| 28776 (28704) | 20.0% | 20.0% | 0.0% | 12.3 |
| 28778 | 20.0% | 20.0% | 0.0% | 4.1 |
| 28787 | 20.0% | 30.0% | 10.0% | -16.7 |
| 28801 | 20.0% | 20.0% | 0.0% | 1 |
| 28802 (28801) | 20.0% | 20.0% | 0.0% | 1 |
| 28803 | 20.0% | 20.0% | 0.0% | 3.9 |
| 28804 | 20.0% | 30.0% | 10.0% | -6.2 |
| 28805 | 20.0% | 20.0% | 0.0% | 1.1 |
| 28806 | 20.0% | 20.0% | 0.0% | 6.9 |
| 28813 (28803) | 20.0% | 20.0% | 0.0% | 3.9 |
| 28815 (28805) | 20.0% | 20.0% | 0.0% | 1.1 |
| 28816 (28806) | 20.0% | 20.0% | 0.0% | 6.9 |
| Graham County | | | | |
| 28702 | 12.0% | 20.0% | 8.0% | 14.7 |
| 28733 | 12.0% | 20.0% | 8.0% | 14.1 |
| 28771 | 12.0% | 20.0% | 8.0% | 14.7 |
| Madison County | | | | |
| 28743 | 15.0% | 30.0% | 15.0% | -5.8 |
| 28753 | 15.0% | 30.0% | 15.0% | -14.7 |
| 28754 | 15.0% | 30.0% | 15.0% | -16.6 |
| Yancey County | | | | |
| 28714 | 15.0% | 30.0% | 15.0% | -16.5 |
| 28740 | 15.0% | 30.0% | 15.0% | -15.2 |
| 28755 (28714) | 15.0% | 30.0% | 15.0% | -16.5 |

Source: Table Q.5 from the 2022 and 2024 Applications. Highlighted zip codes are now further away from the proposed hospital location.

10. Figure 3 is a map showing the zip codes for Buncombe, Madison, and Yancey Counties, the Candler and Weaverville locations, and the change in the medical/surgical market share from the 2022 to the 2024 AH Asheville application. The shaded zip codes are those for which AH changed the market share in its 2024 application. In all cases, the changes were increases. Graham County is not shown, but the increase in market share was 8% for each zip code.

Figure 3
AH Asheville Medical/Surgical Market Share Changes from 2022 to 2024



Source: ArcGIS, Table Q.5 from the 2022 and 2024 Applications.

11. Of the 31 zip codes, 11 are closer to Weaverville, and 20 are closer to Candler. Several changes in market shares between the 2022 and 2024 applications seem unreasonable, based on driving distance.

- All the zip codes in Buncombe County closer to Weaverville had a market share increase of 10%, whether the difference in driving distance was 2.6 miles or 16.6 miles. The resulting market shares were 30%, with no reasonable basis for why they were now 30% rather than any other percentage.
- All the zip codes in Madison County are closer to Weaverville, and their market shares increased from 15% to 30%. However, 28743 is only 5.6 miles closer to Weaverville, while 28753 and 28754 are 14.7 and 16.6 miles closer.
- All the Yancey County zip codes were increased from 15% to 30%, even though they are 28.3 and 36.8 miles from the Weaverville location.
- For Graham County zip codes, the market share increased from 12% to 20%, even though the Weaverville location is 14.1 to 14.7 miles farther than the Candler location.

12. AdventHealth did not decrease the market share for any zip code where the zip code was closer to Candler than to Weaverville, even where the difference in driving distance was well over the 2.6-mile difference that merited a 10% increase in market share when the zip code was closer to Weaverville. In Buncombe County there are 14 zip codes closer to Candler than to Weaverville, two by over 12 miles, but the AH Asheville market share did not decrease for any of them. Most of the zip codes closer to Candler assume a 20% market share. A 10% reduction in medical/surgical market share for those zip codes where the difference in driving time is 2.6 miles or greater would be consistent with the AH Asheville analysis. Even if the zip code market shares in the 2022 Candler application were reasonable, the medical/surgical zip code market shares in the 2024 application are not reasonable or adequately supported. It follows that the utilization projections are not reasonable or adequately supported.

AH Asheville Limited Obstetric Patient Days Are Not Reasonable

AH Asheville Limited Obstetrics

13. In the 2024 AdventHealth Asheville Application, AdventHealth projects future OB utilization at its proposed hospital based on discharges from the service area that AdventHealth claims

could be appropriately served at AdventHealth Asheville. On page 137 of the 2024 Application, AdventHealth describes in words how it did this:

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 (2024 AH Asheville Application, p. 138) provides detail for the service area OB discharges referenced in the text.

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Figure 4

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

14. AdventHealth’s data source is HIDI. AdventHealth did not provide a DRG list, or other list of codes or crosswalks, which would allow the Agency or commenters to replicate its analysis.

AdventHealth states it has identified more than 3,000 OB discharges appropriate to be served at AH Asheville and it has done so by excluding OB patient discharges that included NICU services. Novant Health has not been able to determine how AdventHealth excluded OB discharges that included NICU services using the HIDI data.³ Moreover, Novant Health has not been able to verify that the reported NICU exclusion was made at all.

15. To test the reasonableness of the 3,050 appropriate OB discharges, NH reviewed the newborn data from HIDI. The FY 2023 table below compares the OB discharges identified by Advent Health as appropriate (column A from Table Q.12) to all newborn discharges, both normal newborns and NICU newborns (Column B from HIDI). Column A exceeds Column B, meaning that after its own exclusions, AdventHealth identified more OB discharges appropriate for AH Asheville than total births (normal + NICU) in the service-area zip codes. About 17% of service-area newborns had a stay in the NICU (Column C from HIDI). If newborns without a NICU stay (Column D) approximate OB discharges without NICU services, OB discharges appropriate for AH Asheville are 23% lower than reported by AdventHealth. Therefore, AdventHealth's total OB discharges in the base year and future years could be significantly overstated, making the utilization projections unreasonable.

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³ The HIDI data include a "NICU Flag." However, this variable is only present for newborn discharges, not the mothers, and indicates the newborn had a stay in a NICU unit. There is no identifying patient information that links mothers to babies.

Figure 5
AH-Asheville Limited Obstetrics Analysis of Table Q.12. and MDC 15
(Newborns & Other Neonates with Conditions Originating in Perinatal Period)

| | A | B | C | D = B - C | |
|-----------------|---|--------------------------------|--------------------------------|-------------------------------------|----------------|
| Buncombe | Advent Health Limited Obstetrics | Total Newborns (MDC 15) | Newborns with NICU Flag | Newborns without a NICU Stay | E = D/A |
| 28701 | 43 | 40 | 7 | 33 | 77% |
| 28704 | 304 | 276 | 44 | 232 | 76% |
| 28709 | 15 | 15 | 2 | 13 | 87% |
| 28711 | 101 | 91 | 16 | 75 | 74% |
| 28715 | 315 | 282 | 50 | 232 | 74% |
| 28728 | 1 | 1 | 0 | 1 | 100% |
| 28730 | 72 | 70 | 9 | 61 | 85% |
| 28748 | 162 | 152 | 24 | 128 | 79% |
| 28757 | 2 | 2 | 0 | 2 | 100% |
| 28770 | 2 | 2 | 0 | 2 | 100% |
| 28776 | 0 | 0 | 0 | 0 | -- |
| 28778 | 76 | 77 | 14 | 63 | 83% |
| 28787 | 171 | 149 | 24 | 125 | 73% |
| 28801 | 130 | 129 | 38 | 91 | 70% |
| 28802 | 39 | 58 | 12 | 46 | 118% |
| 28803 | 329 | 301 | 46 | 255 | 78% |
| 28804 | 149 | 135 | 20 | 115 | 77% |
| 28805 | 134 | 127 | 19 | 108 | 81% |
| 28806 | 535 | 501 | 76 | 425 | 79% |
| 28813 | 2 | 0 | 0 | 0 | 0% |
| 28815 | 3 | 1 | 0 | 1 | 33% |
| 28816 | 4 | 2 | 0 | 2 | 50% |
| Total | 2,589 | 2411 | 401 | 2010 | 78% |
| Graham | A | B | C | D=B-C | E = D/A |
| 28702 | 3 | 3 | 1 | 2 | 67% |
| 28733 | 1 | 2 | 0 | 2 | 200% |
| 28771 | 74 | 72 | 15 | 57 | 77% |
| Total | 78 | 77 | 16 | 61 | 78% |
| Madison | A | B | C | D=B-C | E = D/A |
| 28743 | 17 | 16 | 4 | 12 | 71% |
| 28753 | 115 | 108 | 19 | 89 | 77% |
| 28754 | 90 | 76 | 11 | 65 | 72% |
| Total | 222 | 200 | 34 | 166 | 75% |

| Yancey | A | B | C | D=B-C | E = D/A |
|---------------------------|--------------|--------------|------------|--------------|------------|
| 28714 | 145 | 143 | 30 | 113 | 78% |
| 28740 | 16 | 13 | 1 | 12 | 75% |
| 28755 | 0 | 0 | 0 | 0 | -- |
| Total | 161 | 156 | 31 | 125 | 78% |
| Service Area Total | 3,050 | 2,844 | 482 | 2,362 | 77% |

Source: 2024 AH Asheville Application Table Q.12. HIDI, FY 2023.

16. There is nothing in the application to indicate AH Asheville will offer services other than deliveries for patients in its OB unit. While OB units admit postpartum and antepartum diagnoses in addition to deliveries, there is nothing in the application that would explain the large variance between actual births excluding NICU (Column D above) and AdventHealth’s OB discharges excluding NICU (column A above).

AH Asheville’s Obstetric Market Shares for Weaverville Are Unreasonable

17. There were no changes to the number of OB beds or the level of OB services between the 2022 and 2024 AH Asheville applications. When comparing the support for OB market shares provided in each application, the only difference is “enhanced geographic access for residents of Madison and Yancey County.” The decreased geographic access for the zip codes closer to Candler was not recognized by a decrease in market share.

18. 2022 AH Asheville Application:

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 2027 is equivalent to 19.1 percent of the total service area obstetric discharges appropriate to be served at AdventHealth Asheville (556 ÷ 2,898), 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,
- ease of access to AdventHealth Asheville, and
- convenient location for growing service area population.

19. 2024 AH Asheville Application:

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.

20. Figure 6 shows the OB market shares for Year 3 for the 2022 and 2024 applications, the change in market share, and the difference in driving distance. Location and accessibility are usually considered even more important for OB services than for medical/surgical services, but this is not reflected in AdventHealth's market share assumptions. There were no changes in the Buncombe or Graham county zip codes even though Weaverville is a greater driving distance than Candler from most of those zip codes. It is unclear why anyone from Graham County would drive to Weaverville for the OB services AH Asheville will offer. Even if the zip-code market shares in the 2022 Candler application were reasonable, the OB market share zip codes in the 2024 application are not reasonable or adequately supported. It follows that the utilization projections are not reasonable or adequately supported.

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Figure 6
Assumed Market Shares for AH Asheville Obstetric Patients

| Zip Code (Geographic Zip) | 2022 App Candler Y3 | 2024 App Weaverville Y3 | Y3 Change | Difference in Driving Distance |
|------------------------------|------------------------|----------------------------|-----------|-----------------------------------|
| Buncombe County | | | | |
| 28701 | 20.0% | 20.0% | 0.0% | -9.3 |
| 28704 | 20.0% | 20.0% | 0.0% | 12.3 |
| 28709 | 20.0% | 20.0% | 0.0% | -16.6 |
| 28711 | 20.0% | 20.0% | 0.0% | 3.3 |
| 28715 | 20.0% | 20.0% | 0.0% | 14.1 |
| 28728 (28715) | 20.0% | 20.0% | 0.0% | 14.1 |
| 28730 | 20.0% | 20.0% | 0.0% | 3.3 |
| 28748 | 20.0% | 20.0% | 0.0% | -2.6 |
| 28757 (28711) | 20.0% | 20.0% | 0.0% | 3.3 |
| 28770 (28711) | 20.0% | 20.0% | 0.0% | 3.3 |
| 28776 (28704) | 20.0% | 20.0% | 0.0% | 12.3 |
| 28778 | 20.0% | 20.0% | 0.0% | 4.1 |
| 28787 | 20.0% | 20.0% | 0.0% | -16.7 |
| 28801 | 20.0% | 20.0% | 0.0% | 1 |
| 28802 (28801) | 20.0% | 20.0% | 0.0% | 0 |
| 28803 | 20.0% | 20.0% | 0.0% | 3.9 |
| 28804 | 20.0% | 20.0% | 0.0% | -6.2 |
| 28805 | 20.0% | 20.0% | 0.0% | 1.1 |
| 28806 | 20.0% | 20.0% | 0.0% | 6.9 |
| 28813 (28803) | 20.0% | 20.0% | 0.0% | 3.9 |
| 28815 (28805) | 20.0% | 20.0% | 0.0% | 1.1 |
| 28816 (28806) | 20.0% | 20.0% | 0.0% | 6.9 |
| Graham County | | | | |
| 28702 | 15.0% | 15.0% | 0.0% | 14.7 |
| 28733 | 15.0% | 15.0% | 0.0% | 14.1 |
| 28771 | 15.0% | 15.0% | 0.0% | 14.7 |
| Madison County | | | | |
| 28743 | 15.0% | 30.0% | 15.0% | -5.8 |
| 28753 | 15.0% | 30.0% | 15.0% | -14.7 |
| 28754 | 15.0% | 30.0% | 15.0% | -16.6 |
| Yancey County | | | | |
| 28714 | 15.0% | 30.0% | 15.0% | -16.5 |
| 28740 | 15.0% | 30.0% | 15.0% | -15.2 |
| 28755 (28714) | 15.0% | 30.0% | 15.0% | -16.5 |

Source: Table Q.16 from the 2022 and 2024 AdventHealth Applications. Highlighted zip codes are now further away from the proposed hospital location.

21. The 2024 AH Asheville application has an unreasonable and unsupported number of OB patient days for its service-area zip codes. If the OB market shares in the 2022 application were reasonable, the market shares in the 2024 application are unreasonable because those in Buncombe and Graham counties do not change to reflect the change in location of the hospital. There were no market shares as high as 30% in the 2022 Application. In the 2024 Application, with no change to the number of beds or services offered, the OB market shares in Madison and Yancey Counties double to 30% with no explanation why.

AdventHealth Has Not Been a Strong Competitor in Western North Carolina

22. The Agency has the opportunity to bring a new provider and competitor to the Asheville market by approving the NH Asheville application. Approving the Mission application excludes Novant Health as a new competitor and increases Mission's market power. Approving the AH Asheville application also excludes Novant Health as a new competitor and does not substantially improve AdventHealth's ability to compete with Mission.

23. AdventHealth has owned the hospital in Hendersonville since 1984. Its service area overlaps that of Mission Hospital. In evaluating the reasonableness of AH Asheville's utilization projections and its effectiveness as a competitor, it is reasonable to look at AH Hendersonville's performance.

24. AH Hendersonville had 62 licensed beds when AdventHealth acquired it, and it has never reached an occupancy percentage where more beds were needed. Based on SMFP data, from FY 2012 to 2020, AH Hendersonville had an average occupancy of 45% and average patient days of 10,269. Patient days in 2020 (10,106) were less than in 2012 (10,635). During the COVID years of FY 2021 and 2022, and the COVID rebound year of FY 2023, its patient days increased to 11,341, 13,725, and 14,099, respectively. It is too soon to say whether it can maintain part or all of the increase as we return to more normal times.

25. It is doubtful AH Asheville can achieve the patient days it projects in the 2024 application. Figure 7 below compares the projections for AH Asheville in the 2022 and 2024 applications with the actual performance of AH Hendersonville in FY 2023. To reach 72.8% occupancy on 93 beds requires 24,703 patient days in Year 3. This is about 10,000 patient days more than ever experienced at AH Hendersonville.

Figure 7
Comparison of AH Hendersonville Acute Care Performance with AH Asheville Projections

| | 2022 AH Asheville Year 3 2027 | 2024 AH Asheville Year 3 2029 | AH Hendersonville Actual FY 2023 |
|------------------------|--|--|---|
| Total Beds | 67 | 93 | 62 |
| # of Discharges | 4,899 | 6,120 | 3,561 |
| # of Patient Days | 18,287 | 24,703 | 14,176 |
| Average Length of Stay | 3.7 | 4.0 | 4.0 |
| Occupancy Rate | 74.80% | 72.80% | 63% |

Source: Form Cs from the 2022 and 2024 AdventHealth Applications, HIDI Inpatient Database, FY 2023 (excludes rehab, psych, substance abuse, normal newborns, and NICU).

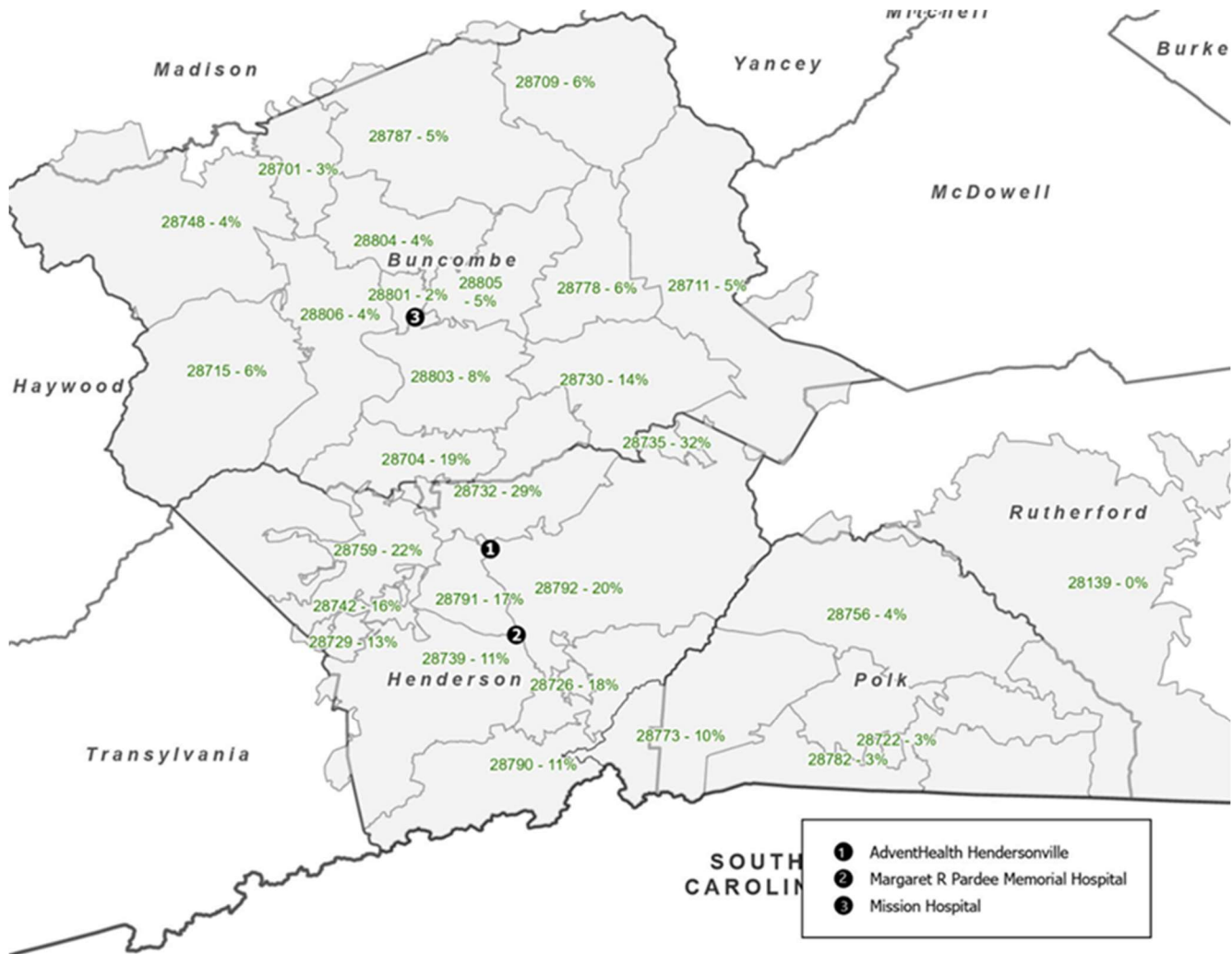
26. It is also useful to compare the market shares AdventHealth assumed for AH Asheville in the 2024 application with those for AH Hendersonville. To do so, we have limited the discharges to those AH Asheville says it will serve during the initial operating years (“Limited”).⁴

27. Figure 8 shows the zip code boundaries and AH Hendersonville limited medical/surgical market shares for zip codes in Henderson, Buncombe, and Polk Counties. AH Hendersonville is in zip code 28792. Market shares are rounded. For zip codes shown with 0% market shares AH Hendersonville had discharges but less than 0.5% market share.

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⁴ 2024 AH Asheville Application, p. 128.

Figure 8
2023 AH Hendersonville Limited Medical/Surgical Zip Code Market Shares



Source: HIDI Inpatient Database, FY 2023

28. AH Hendersonville's Limited medical/surgical market shares show it has not been a strong competitor in Henderson County. It also does not have large zip-code market shares in adjacent counties.

- It has only a 20% market share in its home zip code.
- It has market shares of 20% or greater in only 3 other Henderson County zip codes. For all other Henderson County zip codes, the market share is below 20%.
- For all except one of the zip codes on the Henderson County line, AH Hendersonville's market shares are well below 20%.

- Zip code 28735, the only zip code in which AH Hendersonville has 30% or higher Limited market share, is an outlier. The zip code is very small, covering only 3.78 miles. Only 19 Limited med/surg patients reported living in this zip code in FY 2023, and AH Hendersonville served 6 of them.
- In Polk County, next to Henderson County, AH Hendersonville has market shares of 3% to 4% in 3 of the 4 zip codes and a 10% market share in the other zip code.
- AH Hendersonville does not have a substantial number of medical/surgical discharges from any zip code in Madison or Yancey Counties and has little or no physician presence in those counties.

29. The Agency could draw two conclusions from these data. First, the reasonableness of the 20% and 30% market share assumptions in the 2024 AH Asheville utilization projections is not supported by AdventHealth's actual performance at AH Hendersonville. It has not achieved those market shares after 40 years of operation. Second, if the Agency thinks the residents of the service area will benefit from adding a strong competitor hospital and health system in Buncombe County, the Agency would be wise not to rely on AdventHealth as the sole competitor. The public interest would be best served by having AdventHealth build a 67-bed community hospital and by letting Novant Health build a 26-bed hospital focused on properly staffed oncology services and on increasing access to emergency services.

Adding 26 Acute Care Beds to AH Asheville is Not Cost-Effective

30. AdventHealth argues that adding 26 more beds to its 67-bed hospital is cost-effective because it will spread the capital and operating costs of the hospital's ancillary and support services over a larger patient volume. Implicit in this argument is AdventHealth's apparent belief that "if you build it, they will come." However, the additional 26 beds add \$109,203,668 to the capital cost.⁵ They also increase facility operating costs. If adding more beds with no new services or medical equipment does not generate more patients, then the facility will be less cost-effective. AdventHealth's 2024 utilization projections are not reasonable or adequately supported, for the reasons previously discussed. There is no reasonable certainty AH Asheville will draw more patients with 93 beds in Weaverville, where it has little or no physician presence, than with 67 beds in Candler, where it has many employed and network physicians.

⁵ 2024 Application, p. 151.

31. For a start-up community hospital, 67 beds are adequate. Novant Health has been successful with new hospitals with 50 beds or fewer. AdventHealth represented to the Agency its 67-bed hospital would be financially feasible and could deliver high-quality service. If it now proposed to offer new services, it might justify more beds, but it says, "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."⁶

32. To summarize, in its 2024 application, AH Asheville has not presented utilization projections that are reasonable and adequately supported. It unreasonably assumed the number of discharges for service-area residents for the services it intends to provide would grow at the rate of population growth when the number of discharges between FY 2019 and 2023 actually declined. It unreasonably assumed it could achieve medical/surgical market shares of 20% and 30% throughout its service area when it has not done so at AH Hendersonville after 40 years. It unreasonably assumed market share increases compared to its 2022 application because of the change in location without corresponding market share reductions in other zip codes. It unreasonably assumed adding 26 beds, but no new services, would increase the census to make the additional \$109 million capital cost cost-effective, with no reasonable basis. The public interest is best served by the Agency having AdventHealth build the 67-bed hospital and letting Novant Health enter the market as a new provider with a 26-bed, cancer-focused hospital.

AH Asheville Is Not Conforming with All Applicable CON Criteria

33. The AH Asheville application cannot be approved because it is not conforming with these applicable CON criteria: 1, Policy GEN-3, 3, 3a, 4, 5, 12, and 18a.

Criterion 1, Policy GEN-3

A certificate of need applicant applying to develop or offer a new institutional health service for which there is a need determination in the North Carolina State Medical Facilities Plan shall demonstrate how the project will promote safety and quality in the delivery of health care services while promoting equitable access and maximizing healthcare value for resources expended. A certificate of need applicant shall document its plans for providing access to services for patients with limited financial resources and demonstrate the availability of capacity to provide these

⁶ 2024 Application, p. 91.

services. A certificate of need applicant shall also document how its projected volumes incorporate these concepts in meeting the need identified in the State Medical Facilities Plan as well as addressing the needs of all residents in the proposed service area.

34. NH Asheville's previous comments are incorporated by reference into its comments on this criterion. The AH Asheville application is non-conforming with this policy. The project will not maximize healthcare value for resources expended in the delivery of the proposed services. AH Asheville offers this argument that it is conforming to this policy:

AdventHealth Asheville's proposal to add 26 acute care beds to the approved 67-bed hospital promotes scale by reducing costs, enhancing service offerings, and increasing patient capacity. The proposed project will strengthen AdventHealth Asheville's competitive position, enabling it to deliver high-quality care while operating more efficiently and effectively. As the hospital increases its capacity from 67 to 93 beds, it can spread fixed costs (such as administrative expenses, facility maintenance, and technology investments) over a larger number of patients. This reduces the average cost per patient, making the hospital more cost competitive. With greater overall capacity and larger nursing units, AdventHealth Asheville can accommodate more patients with higher acuity, further enhancing access for service area residents.

35. There is no reasonable basis to assume AH Asheville will have any more patients with 93 beds than with 67 beds. Its utilization projections in the 2024 application are unreasonable and inadequately supported. The projected patient days for service-area residents for the limited services AH Asheville proposes have not increased with the population but declined from 2019 to 2023. The increases in market shares from the 2022 application, and the lack of any market share decreases, are arbitrary and without any reasonable basis. The assumption of 20% and 30% market shares for all zip codes in the service area, regardless of distance from the hospital (e.g., zip codes in Graham and Yancey Counties and in southern Buncombe County), is unreasonable. This assumption is not supported by the zip-code market shares of AH Hendersonville, a mature facility AdventHealth has owned for 40 years.

36. A hospital spreads fixed costs only over patients it actually serves. If the project is approved, adding \$109 million in capital costs and higher fixed costs of a larger facility are certain. Whether there will be more patients over whom to spread those costs is uncertain, and the 2024 application gives the Agency no reasonable basis to accept AH Asheville's overstated and unsupported

utilization projections. Approval of this project is more likely than not to increase the average cost per patient.

37. Adding 26 beds will not increase the acuity of patients AH Asheville can accept. The 2024 application says it is adding no new service elements and no new medical equipment. It has not assumed a higher patient acuity in any part of the application. Safely accepting higher-acuity patients depends on the composition of the medical staff, the composition and experience of the hospital staff, and the availability of more medical equipment. None of those factors will be affected by approving this project.

38. Because Mission challenged the award of 67 beds to AH Asheville and no final decision has been issued by the courts, the final disposition of the 67 beds is unknown.⁷ The 26 beds are an addition to the 67 beds, and if AdventHealth does not have those beds, this project cannot be built. AH Asheville did not propose a freestanding 26-bed hospital as an alternative. The Agency cannot be sure this project can be built. It is more reasonable to approve the freestanding 26-bed hospital NH Asheville proposes.

39. Approving the AH Asheville application would require the Agency to deny the Novant Health application, which increases safety and quality for oncology patients and improves access to emergency services. How NH Asheville would increase safety and quality for oncology patients and increase access to prompt emergency services for service-area residents is discussed at length in the NH Asheville application (pages 68–77, 180; Executive Summary, pages 1–4) and is incorporated by reference in these comments.

Criterion 3

The applicant shall identify the population to be served by the proposed project and shall demonstrate the need that this population has for the services proposed, and the extent to which all residents of the area, and, in particular, low income persons, racial and ethnic minorities, women, ... persons [with disabilities], the

⁷ Novant Health understands the Agency and Office of Administrative Hearings decisions were appealed to the North Carolina Court of Appeals (*see* Mission CON Application, page 41). The appeal has not been docketed by the Court as of the date of this comment. The Court of Appeals may not decide the case until sometime in 2025 or possibly 2026. No CON can be issued until the case is resolved.

elderly, and other underserved groups are likely to have access to the services proposed.

40. NH Asheville's previous comments are incorporated by reference into its comments on this criterion. Besides adding 26 beds and \$109 million in capital costs to the approved project, AH Asheville proposes to move the hospital from Candler to Weaverville, a straight-line distance of about 10 miles. This is a significant relocation to an entirely different community. However, the 2024 application does not discuss the effects of the relocation on "*the residents of the area and, in particular, low income persons, racial and ethnic minorities, women, ... persons [with disabilities], the elderly, and other underserved groups are likely to have access to the services proposed.*" That AH Asheville thinks the relocation has effects on who will access services is shown by the changes in zip-code market shares. Failing to address the effects of the relocation and failing to show it will not have an adverse effect on access by "*low income persons, racial and ethnic minorities, women, ... persons [with disabilities], the elderly, and other underserved groups*" make the 2024 application non-conforming with Criterion 3.

41. Criterion 3 also asks for the project's utilization projections. NH Asheville's comments above show the AH Asheville utilization projections (pages 124–150) are unreasonable, arbitrary, and without adequate support. The lack of reasonable utilization projections makes the 2024 application non-conforming with Criterion 3.

Criterion 3a

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

42. NH Asheville's previous comments are incorporated by reference into its comments on this criterion. The 2024 AH Asheville application is non-conforming with this criterion. To quote the CON application form, "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*' (emphasis added). Thus, assuming a certificate of need is issued for this project, it will be valid only for the physical location of the proposed site as described below." The screenshot below is from the 2022 application.

New Facilities, Relocation of the Entire Existing Facility, or a New Campus of an Existing Acute Care Hospital

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.” (Emphasis added)

Thus, assuming a certificate of need is issued for this project, it will be valid only for the physical location of the proposed site as described below.

4. Proposed Site

a. Site Address *

| | |
|---|---------------------------|
| Street Address (be as specific as possible) | 264 Enka Heritage Parkway |
| City | Candler ⁸ |
| State | North Carolina |
| ZIP Code | 28715 |
| County | Buncombe |

* This should be the same as the address provided in Section A, Question 4.

43. The following screenshot is from the 2024 application:

4. Proposed Site

a. Site Address *

| | |
|---|--|
| Street Address (be as specific as possible) | A street address for the facility site has not yet been assigned. The facility will be located near the intersection of US Highway 70 East and Interstate 26 on Parcel Numbers 1054, 3019, 5347, 6639, and 0659. |
| City | Weaverville |
| State | North Carolina |
| ZIP Code | 28787 |
| County | Buncombe |

* This should be the same as the address provided in Section A, Question 4.

AH Asheville failed to answer Question 1.a. in Section D – Criterion (3a), which asks if the proposal involves relocating the entire facility. In response to Question 3.a, which asks if the changes “include relocating the entire health service facility to another location or campus which was **not** proposed in the previously approved application, AH Asheville responds “No”.⁸ As shown in the screenshots above, AH Asheville’s change of scope application clearly involves a change in location. The driving distance between the 2022 and 2024 sites is about 17 miles.

44. Under Criterion 3a, AH Asheville argues that the change of location does not constitute a change in scope “because AdventHealth Asheville will continue to serve the patients identified in the

⁸ AH Asheville 2024 CON Application, page 78.

previously approved project.”⁹ That statement is incorrect and contradicts statements AH Asheville makes elsewhere in its application. AH Asheville updated its market share projections between its 2022 and 2024 application. In Section Q, AdventHealth states that 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 other factors (emphasis added). It states again that “enhanced geographic access for residents of Madison and Yancey County via Weaverville site” is one of the supporting factors for its med/surg market shares.¹⁰ AH Asheville cannot credibly state that there is no change in the patients it will serve while also changing its market shares based on its new location, 17 miles away from Candler. For these reasons, and any others the Agency may determine, AH Asheville is nonconforming with Criterion 3a.

45. For these same reasons, AH Asheville is nonconforming with Criterion 12, under which it again states the Weaverville site “does not constitute a change in scope because AdventHealth Asheville will continue to serve the patients identified in the previously approved project.”¹¹

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.

46. NH Asheville's previous comments are incorporated by reference into its comments on this criterion. The 2024 AH Asheville application is non-conforming with this criterion. The least-costly alternative for AH Asheville is to develop the approved 67-bed hospital and see how well it is used before spending an additional \$109 million for additional beds it has not shown it can fill.

47. AH Asheville's arguments against a freestanding 26-bed hospital may make sense for an organization waiting to build a 67-bed hospital in the same county but are not generally valid. Novant Health has had success starting small, 25- to 50-bed community hospitals and knows how to operate them to be financially feasible to deliver high-quality services. The NH Asheville application is for a hospital focused on specific needs in the service area identified by oncologists and will improve documented problems with access to emergency department services. The Novant Health project is

⁹ AH Asheville 2024 CON Application, page 78.

¹⁰ AH Asheville 2024 CON Application, page 135.

¹¹ AH Asheville 2024 CON Application, page 106.

designed to meet physicians' standards for inpatient oncology services and to relieve delays in the Mission emergency department. Its utilization and financial projections are reasonable and adequately supported. They show the 26-bed hospital is conforming with all CON criteria.

48. AH Asheville's arguments against the status quo (not applying for more beds) are not valid.

- **Not applying would expand Mission's control of acute care beds and limit patient choice.** This reason would be valid only if Novant Health were not applying to build a 26-bed hospital that would be the third hospital provider in the service area. Patient choice will be maximized by the Agency's approval of the NH Asheville application to allow a third hospital provider in Buncombe County.
- **Adding 26 beds will enhance competition.** Mission has 835 beds and offers all the services AH Asheville will offer. In addition, it offers tertiary services and behavioral health services. AH Asheville's competitive position will be the same whether it has 67 or 93 beds since it will offer the same services with either bed count. The best way to enhance competition with Mission is for Novant Health to enter the market as a third provider.
- **Adding 26 beds will make AH Asheville more cost-effective.** The fallacy with this argument is it unreasonably assumes that adding beds will add the patients to fill them. AH Asheville has no reasonable basis to assume they can attract the necessary patients.

Criterion 5

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

49. NH Asheville's previous comments are incorporated by reference into its comments on this criterion. The 2024 AH Asheville application is non-conforming with this criterion. The financial projections depend on the utilization projections for the revenue component. As discussed above, AH Asheville's utilization projections are overstated, unreasonable, and without adequate support. Without reliable utilization projections, AH Asheville has not and cannot demonstrate the long-term financial feasibility of the proposal. Therefore, the 2024 application is non-conforming with Criterion 5.

Criterion 18a

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

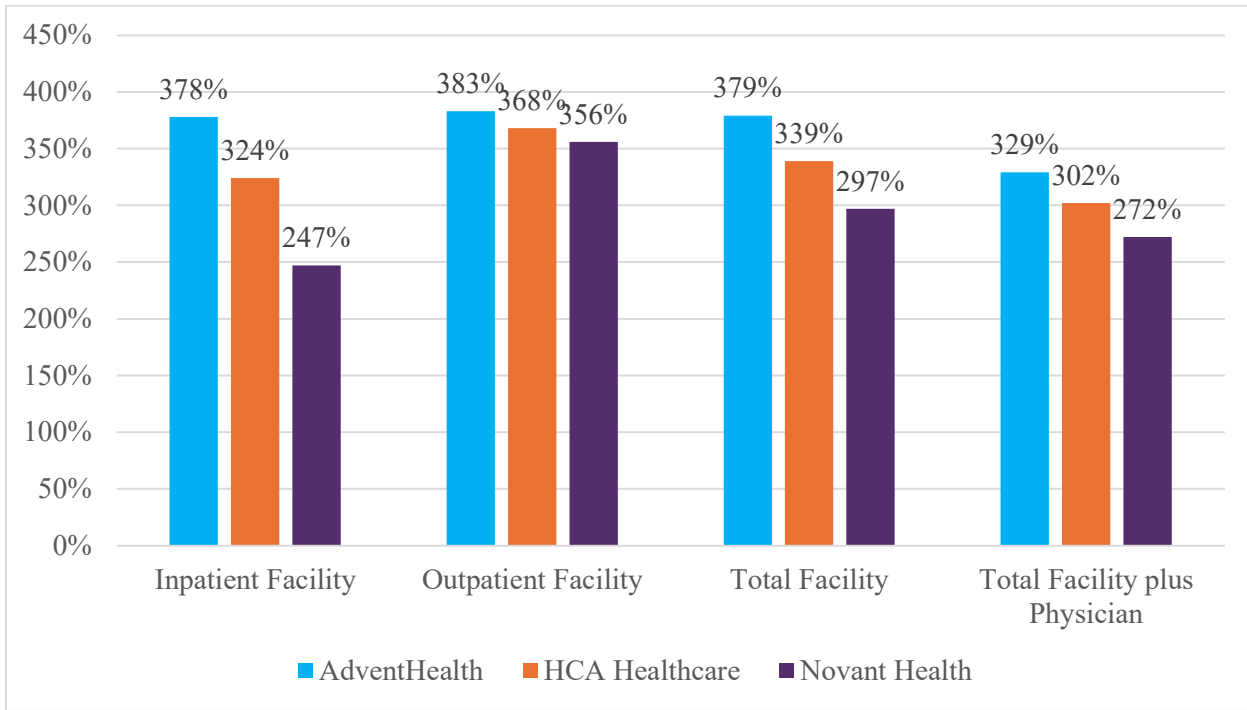
50. NH Asheville's previous comments are incorporated by reference into its comments on this criterion. The 2024 AH Asheville application is non-conforming with this criterion. If finally approved, the 2022 AH Asheville application will have a positive effect on competition in the service area. The approval of the 2024 AH Asheville application, however, will reduce competition in the service area by preventing approval of the NH Asheville application. NH Asheville will be a new provider in the service area and increase competition for inpatient, outpatient, and emergency services. It will give consumers the option of proper inpatient oncology services. It will improve patients' access to emergency department services.

51. NH Asheville will benefit consumers by offering better negotiated rates than Mission or AH AdventHealth. Data from RAND shows Novant Health facilities in North Carolina have lower rates¹² than the HCA and AdventHealth hospitals in western North Carolina for both inpatient and outpatient facility services. The table below compares rates across all 3 systems.

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¹² Rates are defined by RAND as "the average amount paid by a commercial plan (including patient cost shares and weighted claims value)" and are reported as a percent of what Medicare would have paid for the same service. See Exhibit B-2.3 to NH Asheville's CON application for a glossary of definitions and the data used for the table.

Figure 9
Hospital Systems by Price Metric (as a Percent of Medicare)



52. Competition will have a favorable effect on oncology services because NH Asheville will have proper staffing and will cause Mission to improve the staffing and quality of its oncology services to reduce the loss of physicians and patients to NH Asheville. AH Asheville does not propose any emphasis on oncology services and does not discuss them in either the 2022 or 2024 applications. Competition will have a favorable effect on emergency services by reducing access times for patients and wait times for EMS units. The 2024 AH Asheville application proposes no expansion of the emergency department from the 2022 application. Competition will have a favorable effect on negotiated rates by making Novant’s rates, which are lower than Mission’s or AdventHealth’s, available at NH Asheville.

Performance Standards

53. With 93 beds, AH Asheville must have 66.7% occupancy to meet the performance standard. With correct patient day calculations and reasonable market share assumptions, it does not. The application says the medical/surgical average length of stay is 4.2. The table below shows the calculations in the application are incorrect and patient days are overstated in each year.

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

| | FY2028 | FY2029 | FY2030 |
|------------------------------|---------------|---------------|---------------|
| Q.9 Discharges | 1,912 | 3,847 | 5,403 |
| Q.9 ALOS | 4.2 | 4.2 | 4.2 |
| Q.9 Days of Care | 8,099 | 16,293 | 22,883 |
| Days of Care (Calculated) | 8,030 | 16,157 | 22,693 |
| Overstated Days (Calculated) | 69 | 136 | 190 |

54. With the corrected ALOS calculation and no change to OB patient days, a reduction of 1,907 medical/surgical patient days (454 discharges) would bring occupancy for the entire 93-bed hospital below the threshold 66.7%. A more-than-reasonable reduction of only 3 percentage points in the average market shares of the zip codes farther from Weaverville than Candler reduces utilization in Year 3 by 1,939 patient days. This is very small compared to their 10–15% market share point increases due to enhanced geographic location. Figure 10 shows the calculation for the 17 zip codes closer to Candler. AH Asheville does not meet the performance standard and must be denied.

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Figure 10
Reduction in Medical/surgical Patients Days for AH Asheville with Corrected ALOS and Reasonable Average Reduction in Market Shares for Zip Codes Closer to Candler Location

| Zip Code | PY3 Projected Market Share | PY3 Projected Discharges | Market Share Reduction for Distance | PY3 Adjusted Market Share | PY3 Adjusted Discharges | PY3 Reduced Discharges (Projected – Adjusted) |
|--|----------------------------|--------------------------|-------------------------------------|---------------------------|-------------------------|---|
| 28704 | 10% | 125 | 3.0% | 7.0% | 88 | 37 |
| 28711 | 20% | 181 | 3.0% | 17.0% | 154 | 27 |
| 28715 | 20% | 370 | 3.0% | 17.0% | 315 | 55 |
| 28728 | 20% | 13 | 3.0% | 17.0% | 11 | 2 |
| 28730 | 10% | 57 | 3.0% | 7.0% | 40 | 17 |
| 28757 | 20% | 7 | 3.0% | 17.0% | 6 | 1 |
| 28770 | 20% | 4 | 3.0% | 17.0% | 3 | 1 |
| 28776 | 20% | 6 | 3.0% | 17.0% | 5 | 1 |
| 28778 | 20% | 158 | 3.0% | 17.0% | 134 | 24 |
| 28801 | 20% | 276 | 3.0% | 17.0% | 235 | 41 |
| 28803 | 20% | 444 | 3.0% | 17.0% | 377 | 67 |
| 28805 | 20% | 271 | 3.0% | 17.0% | 230 | 41 |
| 28806 | 20% | 542 | 3.0% | 17.0% | 461 | 81 |
| 28813 | 20% | 7 | 3.0% | 17.0% | 6 | 1 |
| 28815 | 20% | 7 | 3.0% | 17.0% | 6 | 1 |
| 28816 | 20% | 15 | 3.0% | 17.0% | 13 | 2 |
| 28702 | 20% | 5 | 3.0% | 17.0% | 4 | 1 |
| 28733 | 20% | 1 | 3.0% | 17.0% | 1 | 0 |
| 28771 | 20% | 86 | 3.0% | 17.0% | 73 | 13 |
| Subtotal Reduced Med/Surg Discharges | | | | | | 413 |
| w/ 10% In migration ¹³ | | | | | | 459 |
| Adjusted Med/Surg Discharges (Q.23 Less Reduction) | | | | | | 4,944 |
| Adjusted Med/Surg Days (4.2 ALOS) | | | | | | 20,765 |
| OB Days (Q.23) | | | | | | 1,819 |
| Total Days | | | | | | 22,584 |
| Beds | | | | | | 93 |
| Occupancy | | | | | | 66.5% |

55. Further, it is unreasonable to expect any OB patients from Graham County will travel to Weaverville, let alone for the AH Asheville market share to be the same as that for the Candler location.

¹³ In Section Q, Table Q.8, AdventHealth calculated its total discharges for each county and then added 10% immigration. Because the service area total discharges are reduced, immigration would be reduced as well.

The application gives no reason Graham County residents would use the hospital. Assuming no OB days in Year 3 from Graham County would further reduce utilization and occupancy. This is an additional reason the AH Asheville application does not meet the performance standard and must be denied.

Comparative Review Factors

56. NH Asheville's previous comments are incorporated by reference into its comments on comparative review of the Mission and NH Asheville applications.

57. NH Asheville's application will give service-area residents a new provider to compete with Mission and, possibly, AH Asheville. It will offer more, properly staffed, inpatient and outpatient oncology services. It will offer more access to emergency services, with reduced delays for patients and first responders. It will add more acute care inpatient and outpatient services capacity to the service area.

58. AH Asheville's 2024 application will give service-area residents nothing significant they would not have if the AH Asheville application is denied. It offers no new provider, no new services, no improved oncology or other services, and no improved access to emergency services. It offers 26 beds for acute care inpatients but does not show it can attract the patients to fill them. NH Asheville also offers 26 acute care beds, and the patients it diverts from Mission and AH Asheville to fill them make general acute care capacity available at those two facilities.

59. In summary, the NH Asheville application improves quality and access to healthcare services and delivers the benefits of competition for residents of the service area. The AH Asheville application does nothing to improve quality and access to healthcare services beyond what the 2022 application accomplishes. Approval of the AH Asheville application prevents approval of the NH Asheville application That denies the service area a third hospital provider, specialized oncology services, and expanded emergency services. For these reasons, the Agency should consider the NH Asheville application to be superior to the AH Asheville application.