

## ATTACHMENT - REQUIRED STATE AGENCY FINDINGS

### FINDINGS

C = Conforming

CA = Conditional

NC = Nonconforming

NA = Not Applicable

DECISION DATE: March 29, 2012

PROJECT ANALYST: Michael J. McKillip  
ASSISTANT CHIEF: Martha J. Frisone

PROJECT I.D. NUMBER: **F-8765-11**/Presbyterian Orthopaedic Hospital and The Presbyterian Hospital/Construct a replacement hospital and add 50 new acute care beds at the proposed replacement facility/Mecklenburg County

### REVIEW CRITERIA FOR NEW INSTITUTIONAL HEALTH SERVICES

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

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

C

The 2011 State Medical Facilities Plan (SMFP) includes a need determination for 107 acute care beds for Mecklenburg County. The 2011 SMFP states:

*“Any qualified applicant may apply for a certificate of need to acquire the needed acute care beds. A person is a qualified applicant if he or she proposes to operate the additional acute care beds in a hospital that will provide:*

- (1) a 24-hour emergency services department,*
- (2) inpatient medical services to both surgical and non-surgical patients,*  
*and*

*(3) if proposing a new licensed hospital, medical and surgical services on a daily basis within at least five of the major diagnostic categories as recognized by the Centers for Medicare and Medicaid services (CMS), as follows: ... [as listed in the 2011 SFMP].”*

The applicants are **Presbyterian Orthopaedic Hospital [POH]** and **The Presbyterian Hospital, Inc. [TPH]**. They are both owned by Novant Health, Inc. The two hospitals are currently located across the street from each other in downtown Charlotte on the same campus. The applicants propose to construct a replacement hospital for POH on the site occupied by TPH, and to add 50 new acute care beds, for a total of 64 acute care beds upon completion of this project and Project I.D. # F-7648-06 (relocate 50 acute care beds from POH to Presbyterian Hospital Mint Hill). In Section I.8, page 3, the applicants state that following completion of this project, the replacement hospital will no longer be separately licensed. Instead, the beds will be licensed as part of The Presbyterian Hospital. The applicants propose to develop only 50 of the 107 acute care beds available for Mecklenburg County in the 2011 SMFP. The applicants do not propose to develop more acute care beds than are determined to be needed in the Mecklenburg County Service Area. The applicants state, *“The proposed POH replacement facility will be physically connected by an enclosed, elevated walkway to Presbyterian Hospital,”* which currently operates a 24-hour emergency services department. In Section II.8, page 35, the applicants provide the number of patient days of care by major diagnostic category (MDC) provided at POH for the period September 2010 to August 2011. POH provided services in 10 of the MDCs listed in the 2011 SMFP. Therefore, the applicants adequately demonstrate that they will provide medical and surgical services in at least five MDCs recognized by CMS. POH adequately demonstrates that it provides inpatient medical services to both surgical and non-surgical patients. Thus, POH is a qualified applicant and the proposal is consistent with the need determination in the 2011 SMFP for acute care beds in Mecklenburg County.

### **Policy GEN-3**

Policy GEN-3: Basic Principles is also applicable to this review. Policy GEN-3 states:

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

*these concepts in meeting the need identified in the State Medical Facilities Plan as well as addressing the needs of all residents in the proposed service area.”*

With regard to Policy GEN-3, on pages 110-111, the applicants state:

*“The proposed project will promote cost-effective approaches, expand health care services to the medically underserved, and encourage quality health care services by improving access to health care services to the patient population served by POH. ... Novant’s culture embraces: Transparency, both interior and exterior; Physician Engagement; Standardization of language and processes; Crisp aim statements; and Multiple incremental changes leading to transformative change. ... Novant Health, Inc. is a national leader in cost-effective approaches for health care services, putting the patient first and focusing on affordability.”*

On pages 113-114, the applicants state:

*“Novant’s policies on Charity Care, Uninsured Discount, Catastrophic Settlement & Payment Plan, enables patients with limited financial access to access services at all Novant facilities, including POH. ... The purpose of Novant’s Charity Care Policy is to create a process to carry out Novant’s mission statement of ‘improving the health of communities, one person at a time,’ and that reflects Novant’s non-profit heritage and social accountability to the communities in which Novant is located. Thus, according to Novant’s Charity Care Policy:*

*‘individuals who are uninsured or underinsured and unable to access entitlement programs or pay their balance in full shall be considered for charity care based on established criteria. Confidentiality of information and individual dignity must be maintained for all who seek charitable services.’*

*All hospitals within the Novant system, including POH, are and will continue to be subject to this Charity Care policy. ... The application of Novant’s Charity Care policies, based on the assessment that they are among the most generous charity care policies in North Carolina, will assure that at POH access for medically underserved populations is maximized.”*

On page 115, the applicants state:

*“The following is a description of some of POH and Novant’s internal quality-focused activities and external awards and recognition for POH and Novant’s accomplishments to improve*

*and sustain the highest quality of care....*

*Please see POH's responses to Section II, Question 4 and Exhibits 18 and 19 for a copies POH and Novant's policies, procedures, and programs related to quality of care and patient safety (Novant's "First Do No Harm Program/FDNH"). POH has a focused quality management program dedicated to ongoing quality assessment and improvement to provide high quality, cost-effective health care that meets the needs of all patients and enhances clinical effectiveness and health outcomes for the population."*

POH adequately demonstrates how its proposal would promote safety and quality of care, maximize value, and promote equitable access. Therefore, the application is conforming to Policy GEN-3.

#### **Policy GEN-4**

Policy GEN-4: Energy Efficiency and Sustainability for Health Service Facilities is also applicable to this review. This policy states:

*"Any person proposing a capital expenditure greater than \$2 million to develop, replace, renovate, or add to a health service facility pursuant to G.S. 131E-178 shall include in its certificate of need application a written statement describing the project's plan to assure improved energy efficiency and water conservation.*

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

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

With regard to Policy GEN-4, on page 122, the applicants state:

*“Presbyterian Orthopaedic Hospital (“POH”) proposes to improve the efficient use of energy resources throughout its campus by creating, implementing, and following an effective Sustainable Energy Management Plan (“SEMP”). See Exhibit 10 for a copy of the 2011-2012 POH SEMP for the current POH facility.*

*The objective of POH SEMP is to promote good stewardship of our environment and community resources. In keeping with our core values of Efficiency and Financial Responsibility, our energy management program will reduce operating costs and will further enable us to provide compassionate service to a greater number of persons throughout the community.*

*The SEMP is divided into several guiding principles for Strategic Energy Management at the existing facility. Those principles include: Taking a Strategic Approach, Supporting Mission-Critical Goals, Pursuing Long-Term Change to Core Business Practices, Fostering Organizational Commitment and Involvement, Obtaining Solid Economic Returns and Using Available Resources and Assistance. ... Taking a Strategic Approach consists of actively managing energy costs. Specifically, the Novant Corporate Energy Engineer will provide a monthly analysis of consumption and cost by utility type (i.e., electricity, natural gas, and water) to assist POH in identifying areas for improvement, but also opportunities to reduce consumption per square foot.”*

The applicants adequately described the project’s plan to assure improved energy efficiency and water conservation. Thus, the application is conforming to Policy GEN-4.

### **Policy AC-5**

Because the applicants propose to construct new space to replace existing acute care beds, Policy AC-5 is applicable to this review. Policy AC-5 states:

*“Proposals for either partial or total replacement of acute care beds (i.e., construction of new space for existing acute care beds) shall be evaluated against the utilization of the total number of acute care beds in the applicant’s hospital in relation to utilization targets found below. For hospitals **not** designated by the Center for Medicare and Medicaid Services as Critical Access Hospitals, in determining utilization of acute care beds, only acute care bed*

*‘days of care’ shall be counted. For hospitals designated by the Center for Medicare and Medicaid Services as Critical Access Hospitals, in determining utilization of acute care beds, only acute care bed ‘days of care’ and swing bed days (i.e., nursing facility days of care) shall be counted in determining utilization of acute care beds. Any hospital proposing replacement of acute care beds must clearly demonstrate the need for maintaining the acute care bed capacity proposed within the application. Additionally, if the hospital is a Critical Access Hospital and swing bed days are proposed to be counted in determining utilization of acute care beds, the hospital shall also propose to remain a Critical Access Hospital and must demonstrate the need for maintaining the swing bed capacity proposed within the application. If the Critical Access Hospital does not propose to remain a Critical Access Hospital, only acute care bed “days of care” shall be counted in determining utilization of acute care beds and the hospital must clearly demonstrate the need for maintaining the acute care bed capacity proposed within the application.’*

<i>Facility Average Daily Census</i>	<i>TARGET OCCUPANCY OF LICENSED ACUTE CARE BEDS</i>
<i>1 – 99</i>	<i>66.7%</i>
<i>100 – 200</i>	<i>71.4%</i>
<i>Greater than 200</i>	<i>75.2%</i>

According to its *2011 Hospital License Renewal Application*, POH provided 11,903 days of care in FY2010 for an average daily census of 33 patients (11,903/365 = 33). Therefore, pursuant to utilization targets in Policy AC-5 of the 2011 SMFP, the current target occupancy for POH’s 64 existing licensed acute care beds is 66.7 percent.

The following table shows POH’s historical acute care bed utilization as reported in its *Hospital License Renewal Application* forms for 2009-2011, and the applicants’ projected acute care bed utilization through the first three years of the proposed project, as provided by the applicants in Section IV.1, page 147 of the application.

<b>Fiscal Year</b>	<b>Licensed Acute Care Beds*</b>	<b>Patient Days</b>	<b>Average Daily Census</b>	<b>Percent Change</b>	<b>Average Occupancy Rate</b>
--------------------	----------------------------------	---------------------	-----------------------------	-----------------------	-------------------------------

2008 Actual	140	12,803	35	---	25.1%
2009 Actual	140	11,507	32	-10.1%	22.5%
2010 Actual	140	11,903	33	3.4%	23.3%
2011 Projected**	140	11,008	30	-7.5%	21.5%
2012 Projected	64	11,008	30	0.0%	47.1%
2013 Projected	64	11,008	30	0.0%	47.1%
2014 Projected	64	11,008	30	0.0%	47.1%
2015 Projected	64	11,008	30	0.0%	47.1%
2016 Year 1	64	12,579	34	14.3%	53.8%
2017 Year 2	64	14,069	39	11.8%	60.2%
2018 Year 3	64	15,644	43	11.2%	67.0%

\*Following completion of Project I.D. # F-7386-05 to transfer 76 acute care beds to Presbyterian Hospital, POH was approved to operate 64 licensed acute care beds ( $140 - 76 = 64$ ), and following completion of Project I.D. # F-7648-06 to transfer 50 acute care beds to Presbyterian Hospital Mint Hill, POH is approved to operate 14 licensed acute care beds [ $64 - 50 = 14$ ]. The completion of this proposed project to add 50 acute care beds is scheduled to coincide with the completion of Project I.D. # F-7648-06, to transfer 50 acute care beds to Presbyterian Hospital Mint Hill. Following completion of the project, the beds will be licensed as part of The Presbyterian Hospital. The replacement facility will have 64 beds [ $64 - 50 + 50 = 64$ ].

\*\*The applicants state projected FY2011 utilization is estimated based on 10 months of actual experience.

The applicants reasonably project POH's 64 licensed acute care beds will operate above the target occupancy rate of 66.7 percent by the third operating following completion of the project. See Criterion (3) for discussion of the reasonableness of the applicants' utilization projections.

In Section I.8, page 3, the applicants state that following completion of this project, the replacement hospital will no longer be separately licensed. Instead, the beds will be licensed as part of The Presbyterian Hospital (TPH). According to its *2012 Hospital License Renewal Application*, TPH provided 147,222 days of care in FY2011 for an average daily census of 403 patients ( $147,222/365 = 403$ ). Therefore, pursuant to utilization targets in Policy AC-5 of the 2011 SMFP, the current target occupancy for TPH's existing licensed acute care beds is 75.2 percent. In Section II.8, page 43, the applicants provide a table showing the projected utilization of the total number of licensed acute care beds at TPH and POH in the first three operating years (FFY20016-FFY2018) following completion of the project, which is summarized below.

**Combined The Presbyterian Hospital and POH Inpatient Utilization  
Projected Patient Days: October 1, 2015 – September 30, 2018**

	<b>PY1: 10/1/15- 9/30/16</b>	<b>PY2: 10/1/16- 9/30/17</b>	<b>PY3: 10/1/17- 9/30/18</b>

Presbyterian Orthopaedic Hospital	12,579	14,069	15,644
The Presbyterian Hospital	150,508	150,508	150,508
Total Acute Care Days of Care	163,087	164,577	166,152
Number of Licensed Beds [64 + 539 = 603]	603	603	603
Average Daily Census	447	451	455
<b>Occupancy Rate</b>	<b>74.1%</b>	<b>74.8%</b>	<b>75.4%</b>

The applicants reasonably project the 603 licensed acute care beds at TPH and POH combined [64 + 539 = 603] will operate above the target occupancy rate of 75.2 percent by the third operating following completion of the project. See Criterion (3) for discussion of the reasonableness of the applicants’ utilization projections. The applicants adequately demonstrate the need to maintain the acute care bed capacity proposed in this application. Therefore, the application is conforming to Policy AC-5.

In summary, POH is conforming to SMFP Policy GEN-3, Policy GEN-4, Policy AC-5, and conforms to the need determination in the 2011 SMFP. Therefore, the application is conforming to this criterion.

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

C

The applicants are **Presbyterian Orthopaedic Hospital [POH]** and **The Presbyterian Hospital, Inc. [TPH]**. They are both owned by Novant Health, Inc. The two hospitals are currently located across the street from each other in downtown Charlotte on the same campus. The applicants propose to construct a replacement for POH at the intersection of Caswell Road and Fifth Street, across the street from POH’s current location at 1901 Randolph Road in downtown Charlotte, and to add 50 new acute care beds to POH, for a total of 64 acute care beds upon completion of this project and Project I.D. # F-7648-06 (relocate 50 acute care beds from POH to Presbyterian Hospital Mint Hill). On page 3, the applicants state that following completion of this project POH will be licensed as part of The Presbyterian Hospital.

In Section II.1, pages 17-18, the applicants describe the project as follows:

*“At the POH replacement hospital facility, POH proposes to operate*



- *64 acute inpatient beds, with a 32-bed Total Joint Unit (“TJU”) that will continue to provide 24-hour acute inpatient care for adult and geriatric orthopedic patients (predominantly 18-65 years old, with occasional adolescent patients ages 15-18 years old) and a 32-bed Orthopaedic Spine Unit (“OSU”) that will continue to provide 24-hour inpatient care for adolescent, adult, and geriatric orthopaedic patients; this unit also serves as a general medical/surgical unit with telemetry capability*
- *10 operating rooms providing inpatient and outpatient surgical care with sub-specialty services in Total Joint Replacement, Spine, Sports Medicine, Extremities and Trauma for neonates through geriatrics patients. Operative and support services are provided 24 hours per day, 7 days per week with call coverage 9:30 p.m.-7:00 a.m. Monday through Friday and 24-hours on Saturday and Sunday. Elective surgical procedures at POH are targeted for completion, Monday through Friday, 7 a.m. to 7 p.m.*
- *The surgical area will continue to include Surgical Instrument and Supply Processing capabilities on site at the POH replacement hospital*
- *A Prep and Recovery Area, proximate to the surgical suite, 20 patient care bays provides nursing management of patients scheduled for orthopedic surgery, some invasive radiological procedures; the nursing management of patients in Prep and Recovery includes (a) pre-surgical assessments; Phase II recovery for the post-surgical patient; observation/monitoring of some radiology patients following invasive procedures; patient/family teaching; discharge planning/instruction; cast/traction services via Orthopedic Technicians; and follow-up discharge assessment via post-op phone calls*
- *A Post Anesthesia Care Unit (“PACU”) is comprised of 14 monitored recovery beds/bays in an open setting to provide maximum patient visibility and maximum staff availability. All bedsides will continue to have cardiac monitoring invasive and non-invasive pressure monitoring, pulse oximetry and recording capabilities. Short-term management of the surgical patient in the immediate post-anesthetic period may include patients recovering from local, epidural, spinal, or general anesthesia. Patients’ needs addressed in the PACU will continue to include: Airway Management/Ventilatory Support/ Pulse Oximetry; Cardiac Monitoring; Management of cardiac compromise post-operatively; Management of Pain Control; Additional therapies including vasoactive drug administration, anti-*

*arrhythmic drug therapy; invasive and non-invasive monitoring, and the management of post-operative nausea and vomiting*

- *A full-service radiology department, based on the relocation of the existing POH radiology department imaging equipment which includes: a fixed MRI scanner, a fixed CT scanner, two portable ultrasound units, an x-ray unit, an x-ray/fluoroscopy unit, and a special procedures/angiography unit.*
- *12 new dedicated observation beds located proximate to the surgical suite and radiology, rather than in the POH bed tower; in POH's prototypical hospital design model, these observation beds will be located to allow them to serve as "universal care space" or a "Universal Care Center; this approach makes the use of the observation beds flexible to accommodate not only the typical observation patient staying less than 23 hours for observation prior to disposition (as observation patients are now reported on the state's annual hospital LRA) but also, for example, to monitor an imaging patient following a study that involved the use of a contrast agent, to monitor POH myelogram patients post-procedure, or to serve as overflow for post-operative recovery areas at peak times. This allows these unlicensed observation beds to be used in a manner that flexes the use of the beds based on time of day, day of the week, and to accommodate peak utilization in the demand for observation services.*
- *A Transitional Care Unit with 16 hospital-based SNF beds, which treats patients primarily, but not limited to orthopaedic diagnoses. TCU patients are appropriate for the 'skilled nursing' level of care as defined by Medicare guidelines. Patients' needs which will continue to be addressed in the TCU include, but are not limited to: physical therapy, occupational therapy, dressings changes that require observation by an RN; oxygen therapy; enteral feedings; administration of IV fluids and medication or insulin injections; and daily skilled observation/assessment of medication (changes, side effects, and adjustments), pain management, surgical site complications, and dehydration or malnutrition.*
- *All the current support and ancillary services, including satellite lab and satellite pharmacy at the POH replacement facility, affiliated and coordinated with the main lab and pharmacy at Presbyterian Hospital, which will be less than 100 feet from the new POH replacement facility. Presbyterian Hospital and the new POH*

*replacement facility will be connected by an elevated, enclosed walkway. In addition, other support services available to the patient care areas and which will continue to be available at the POH replacement hospital include, but are not limited to: food and nutrition services, pain management, environmental services, hospital laundry, chaplaincy services, patient relations, guest services, plant engineering, risk management, and human resources, medical resource management, public safety, and Medical Records/health Information Services. See the POH existing and proposed staffing tables in Section VII of this application.”*

The following table illustrates existing and proposed beds, equipment and services,

#### **Existing and Proposed Services at POH**

<b>POH Services and Equipment</b>	<b>Existing POH</b>	<b>Proposed POH Replacement Facility</b>
<b>Inpatient and Observation Services</b>		
Acute Care Beds	64	64
Transitional Care Unit (Nursing Care) Beds	16	16
Unlicensed Observation Beds	0	12
<b>Surgical Services</b>		
Shared Surgical Operating Rooms	12	10

Surgical Prep & Recovery Area	Yes	Yes
Post Anesthesia Care Unit	Yes	Yes
<b>Radiology Services</b>		
MRI Scanner	1	1
CT Scanner	1	1
Portable Ultrasound Units	2	2
Radiography/Fluoroscopy Units	2	2
Special procedures/angiography unit	1	1
<b>Other Ancillary Services</b>		
Laboratory Services	Yes	Yes
Rehabilitation Services	Yes	Yes
Pharmacy Services	Yes	Yes

**Population to be Served**

On page 129, the applicants state,

*“POH is a regional specialty hospital serving residents of a nine-county region which includes Mecklenburg and surrounding counties. In addition, patients from other North Carolina counties and other states represent approximately 15% of total inpatient admissions during the time period from FFY 2008 through FY 2010. Projected patient origin for each component of the proposed POH replacement facility was calculated based upon the three-year average patient origin data for FFY 2008 to FFY 2010 included in the annual POH Licensure Renewal Application (LRAs) to reflect the regional nature of POH’s service area. POH future patient origin is essentially projected to remain the same.”*

In Section III.5, page 131, the applicants project patient origin for POH’s acute care beds for the first three years of operation of the proposed project as follows:

<b>County of Patient Origin</b>	<b>Percent of Inpatient Days First Three Years of Operation (FY2016-FY2018)</b>
Mecklenburg	51.0%
Union	7.9%
Gaston	6.3%
York SC	6.3%
Lancaster SC	2.8%
Cabarrus	2.4%
Iredell	2.4%
Lincoln	2.3%

Rowan	1.1%
Other South Carolina	2.9%
All Other*	14.6%
Total	100.0%

\*The applicants provide a listing of the counties included in “All Other” in Exhibit 16 of the application.

POH adequately identifies the population proposed to be served.

**Need for the Proposed Project**

In Section III.1, pages 72-87, POH describes the factors which they state supports the need for the project, which include existing facility deficiencies (pp. 73-76), medical staff support for the replacement facility (pp. 77-78), historical utilization of POH (p. 79), projected demand for inpatient orthopedic services (pp. 80-85), and projected population growth in the POH service area (pp. 85-86).

**Projected Utilization**

Acute Care Beds

POH is currently licensed for 64 acute care beds. In Project I.D. # F-7648-06, the applicants were approved to transfer 50 acute care beds from POH to Presbyterian Hospital Mint Hill. In this application, the applicants propose to develop 50 new acute care beds at the proposed replacement hospital, for a total of 64 licensed acute care beds upon completion of this project and Project I.D. # F-7648-06 [64 – 50 + 50 = 64]. The following table shows POH’s historical acute care bed utilization as reported in its *Hospital License Renewal Application* forms for 2009-2011, and the applicants’ projected acute care bed utilization through the first three years of the proposed project, as provided by the applicants in Section IV.1, page 147 of the application.

Fiscal Year	Licensed Acute Care Beds*	Patient Days	Average Daily Census	Percent Change	Average Occupancy Rate
2008 Actual	140	12,803	35	---	25.1%
2009 Actual	140	11,507	32	-10.1%	22.5%
2010 Actual	140	11,903	33	3.4%	23.3%
2011 Projected**	140	11,008	30	-7.5%	21.5%
2012 Projected	64	11,008	30	0.0%	47.1%
2013 Projected	64	11,008	30	0.0%	47.1%
2014 Projected	64	11,008	30	0.0%	47.1%
2015 Projected	64	11,008	30	0.0%	47.1%
2016 Year 1	64	12,579	34	14.3%	53.8%

2017 Year 2	64	14,069	39	11.8%	60.2%
2018 Year 3	64	15,644	43	11.2%	67.0%

\*Following completion of Project I.D. # F-7386-05 to transfer 76 acute care beds to Presbyterian Hospital, POH was approved to operate 64 licensed acute care beds (140 – 76 = 64), and following completion of Project I.D. # F-7648-06 to transfer 50 acute care beds to Presbyterian Hospital Mint Hill, POH is approved to operate 14 licensed acute care beds [64 – 50 = 14]. The completion of this proposed project to add 50 acute care beds is scheduled to coincide with the completion of Project I.D. # F-7648-06, to transfer 50 acute care beds to Presbyterian Hospital Mint Hill. Following completion of this project, the beds will be licensed as part of The Presbyterian Hospital. The replacement hospital will have 64 beds [64 – 50 + 50 = 64].

\*\*The applicants state projected FY2011 utilization is estimated based on 10 months of actual experience.

As shown in the table above, POH projects to provide 15,644 patient days of care in the third operating year and, therefore, projects an average annual occupancy rate of 67.0 percent in the third operating year.

In Section III.1, pages 88-94, the applicants describe the assumptions and methodology used to project the number of patient days to be provided at POH during the first three years of operation as follows:

*“POH and Mecklenburg County, respectively. POH is predominantly an orthopedic surgical hospital such that inpatient orthopedic surgery patients account for over 90% of inpatient admissions. Consequently, the acute care bed need methodology utilizes projected inpatient surgical volume as a basis for projecting inpatient surgical admissions and inpatient days, inpatient medical admissions and inpatient days, and the resulting acute care bed need at POH.*

*Please note that for purposes of the acute care bed need methodology, one inpatient surgical case equals one inpatient surgical admission.*

*1. Calculate Mecklenburg County Inpatient Orthopedic Surgical Case Growth Rate*

*POH reviewed historical data for all inpatient orthopedic surgical cases performed in hospitals in Mecklenburg County for the last four years. Data in the following table is from the annual Hospital Licensure Renewal Applications submitted by all hospitals in Mecklenburg County, and reflects the significant growth in inpatient orthopedic surgery volume in the last four federal fiscal years.*

**Mecklenburg County  
Inpatient Orthopedic Surgical Cases and Growth Rate  
October 1, 2006 - September 30, 2010**

<b>FFY</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>CAGR</b>
------------	-------------	-------------	-------------	-------------	-------------

					<b>2007-2010</b>
<i>Inpatient Orthopedic Surgical Cases</i>	9,629	9,437	9,675	10,612	
<i>Annual Growth</i>		-2.0%	2.5%	9.7%	<b>3.3%</b>

Source: Exhibit 2, Table 7

*Inpatient orthopedic surgical cases in Mecklenburg County have increased at an annual rate of 3.3% since 2007 as shown in the previous table. It is important to note that from FFY 2009 to FFY 2010, inpatient orthopedic surgical volume growth exceeded 9%, while overall inpatient surgical volume in Mecklenburg County grew only 0.7% in Mecklenburg County.*

**2. Project Mecklenburg County Inpatient Orthopedic Surgical Cases**

*POH used the FFY 2007-2010 CAGR of 3.3% for Mecklenburg County inpatient orthopedic surgical cases to project inpatient orthopedic surgical cases in Mecklenburg County through FFY 2018. As discussed in the applicant’s responses in Section III.1(a), inpatient orthopedic surgical volume in Mecklenburg County is projected to grow at an annual rate of 5% over the next ten years. Therefore, the application of a historical growth rate of 3.3% results in a conservative estimate of total inpatient orthopedic surgical volume (and inpatient orthopedic surgical admissions) in Mecklenburg County.*

**Mecklenburg County  
Projected Inpatient Orthopedic Surgical Cases  
October 1, 2011 - September 30, 2018**

	<i>Actual</i>	<i>Projected</i>							
<i>FFY</i>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
<i>Inpatient Orthopedic Surgical Cases</i>	10,612	10,961	11,322	11,695	12,081	12,478	12,889	13,314	13,752
<i>Annual Growth</i>		3.3%	3.3%	3.3%	3.3%	3.3%	3.3%	3.3%	3.3%

Source: Exhibit 2, Table 2

**3. Project POH Inpatient Orthopedic Surgical Admissions**

*As discussed in response to Section III.1(a), over the last five years, inpatient acute care bed utilization at POH has been flat. Historical surgical data for POH is included in Exhibit 2, Table 16.*

*During the most recent 10 months of FFY 2011 (Oct. 1, 2010 - July 31, 2011), POH performed 2,433 inpatient orthopedic surgical cases.*

*In the last four federal fiscal years, October-July inpatient orthopedic surgical volume at POH represented on average 84.2% of total FFY (Federal Fiscal Year) inpatient orthopedic surgical*

*volume. POH reasonably assumed that inpatient orthopedic surgical volume from October 1, 2010 through July 31, 2011 represents 84.2% of total inpatient orthopedic surgical volume for FFY 2011. As a result, POH estimated that 2,889 inpatient orthopedic surgical cases will be performed in FFY 2011 (2,433/84.2%). Each inpatient orthopedic surgical case resulted in an inpatient admission. Consequently, in FFY 2011, POH estimates that it will have a total of 2,899 inpatient orthopedic surgical admissions.*

*POH conservatively projected inpatient utilization to be flat through FFY 2015. Beginning in the first year that the replacement facility becomes operational (10/1/2015-9/30/2016), POH projects growth will resume, and inpatient orthopedic surgical admissions will grow at the Mecklenburg County historical growth rate of 3.3%....*

**4. Estimate Increase in POH Inpatient Orthopedic Surgical Market Utilization**

*As discussed in Section III.1(a), the existing POH physical plant is old and in many ways inadequate for today’s orthopedic surgical procedures and recovery processes. Furthermore, surgeons associated with POH have indicated that patients prefer newer more modern facilities. See the surgeon comments in their letters of support included in Exhibit 3. POH surgeons have documented that surgical volumes and resulting admissions will increase when the POH replacement facility is operational, and their strong support for the proposed project is evidenced in letters included in Exhibit 3.*

*As a result of the strong surgeon support documented for the proposed project and the increasing demand for orthopedic surgical services discussed in response to Section III.1(a), POH reasonably projects market utilization growth of 5% over the first three Project Years. Please note that the projected increase in market utilization included in the following table is conservative. It recaptures some, but not all of the inpatient orthopedic surgical case market utilization performed at POH over the last five years.*

**Presbyterian Orthopaedic Hospital  
Projected Inpatient Orthopedic Surgical Admissions  
(Including Growth in Market Utilization)  
PYs 1 - 3: October 1, 2015 - September 30, 2018**

<i>FFY</i>	<b>2016 PY1</b>	<b>2017 PY2</b>	<b>2018 PY3</b>
<i>POH Inpatient Orthopedic Surgical Admissions,</i>	2,984	3,082	3,184



<i>Step A.3 (without increase in market utilization)</i>			
<i>POH Increase in % Inpatient Orthopedic Surgical Market Utilization Due to Replacement Facility and Expanded MD Volumes</i>	1.0%	3.0%	5.0%
<i>POH Increase Admissions Due to Increased % Market Utilization*</i>	129	399	688
<i>POH Inpatient Orthopedic Surgical Admissions</i>	3,113	3,482	3,872

Source: Exhibit 2, Table 1

\*Calculation: The increase in admissions due to market utilization = Percent in above table x total Mecklenburg County inpatient orthopedic surgical volume calculated in Step A.2.

5. Calculate POH Historical and Projected Percentage of Inpatient Orthopedic Surgical Market Utilization in Mecklenburg County

POH calculated its historical and projected percentages of the inpatient orthopedic surgical market utilization in Mecklenburg County using its historical and projected inpatient orthopedic surgical admissions.

**Presbyterian Orthopaedic Hospital  
Percent of Mecklenburg County Inpatient Orthopedic Surgical Market Utilization  
October 1, 2010 - September 30, 2018**

<b>FFY</b>	<b>Actual</b>		<b>Projected</b>						
	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
<i>Mecklenburg County Inpatient Orthopedic Surgical Market Utilization</i>	10,612	10,961	11,322	11,695	12,081	12,478	12,889	13,314	13,752
<i>POH Inpatient Orthopedic Surgical Admissions</i>	2,936	2,889	2,889	2,889	2,889	2,889	3,113	3,482	3,872
<i>POH Percent of Mecklenburg County Inpatient Orthopedic Surgical Market Utilization</i>	27.5%	26.4%	25.5%	24.7%	23.9%	23.2%	24.2%	26.2%	28.2%

Source: Exhibit 2, Tables 2, 16

Actual POH for 2010 is Trendstar data in Table 16

Please note that the 28.2% projected POH inpatient orthopedic

*surgery market utilization projected in FFY 2018 is less than the four year average POH inpatient orthopedic market utilization of 30.6% from FFY 2007 to 2010, as well as the FFY 2008 POH inpatient orthopedic market utilization of 33.6%, reflected in Exhibit 2, Table 7. The projected growth in inpatient orthopedic market utilization is substantiated by the POH surgeon letters included in Exhibit 3 and the increase in surgeons recently recruited by orthopedic groups loyal to POH as previously discussed.*

**6. Project POH Inpatient Medical and Other Non-Orthopedic Surgical Admissions and Total POH Inpatient Admissions**

*For the last five federal fiscal years, inpatient orthopedic surgical admissions have represented an average of 92.7% of total inpatient admissions to POH. Historical surgical orthopedic inpatient admissions and total inpatient admission data for POH is included in Exhibit 2, Table 6.*

*To project orthopedic medical (and other non-orthopedic surgical) inpatient admissions and total inpatient admissions for the first three project years, POH assumed that inpatient orthopedic surgical admissions will remain at 92.7% of total POH inpatient admissions for the first three project years.*

**Presbyterian Orthopaedic Hospital  
Projected Total Inpatient Admissions  
PYs 1 - 3: October 1, 2015 - September 30, 2018**

<b>FFY</b>	<b>2016 PY1</b>	<b>2017 PY2</b>	<b>2018 PY3</b>
<i>POH Inpatient Orthopedic Surgical Admissions</i>	3,113	3,482	3,872
<i>POH Inpatient Orthopedic Surgical Admissions as Percent of Total POH Admissions</i>	92.7%	92.7%	92.7%
<i>POH Inpatient Medical (and other non-orthopedic) Admissions as Percent of Total Admissions</i>	7.3%	7.3%	7.3%
<i>POH Inpatient Medical (and other non-orthopedic) Admissions</i>	247	276	307
<i>POH Total Inpatient Admissions</i>	3,360	3,758	4,178

Source: Exhibit 2, Tables 1, 6

**7. Project POH Total Acute Care Inpatient Days**

Over the most recent five federal fiscal years, the POH average length of stay has averaged 3.74 days per patient. Historical inpatient case volume and total inpatient day data for POH is included in Exhibit 2, Table 6.

To project orthopedic medical inpatient cases and total inpatient cases, POH assumed that ALOS will remain at 3.74 days per patient for the first three Project Years, as shown in the following table.

**Presbyterian Orthopaedic Hospital  
Projected Total Inpatient Days  
PYs 1 - 3: October 1, 2015 - September 30, 2018**

<b>FFY</b>	<b>2016 PY1</b>	<b>2017 PY2</b>	<b>2018 PY3</b>
POH Total Inpatient Admissions	3,360	3,758	4,178
POH ALOS	3.74	3.74	3.74
POH Total Inpatient Days	12,579	14,069	15,644

Source: Exhibit 2, Table 1

**8. Project POH Acute Care Bed Need**

Based upon POH inpatient days projected above, POH projected acute care bed need is shown in the following table.

**Presbyterian Orthopaedic Hospital  
Projected Acute Care Bed Need  
PYs 1 -3: October 1, 2015 - September 30, 2018**

<b>FY</b>	<b>2016 PY1</b>	<b>2017 PY2</b>	<b>2018 PY3</b>
POH Total Inpatient Days	12,579	14,069	15,644
POH Avg. Daily Census	34.5	38.5	42.9
POH Bed Need at 66.7% Utilization	51.7	57.8	64.3
POH Current Licensed Acute Care Bed Capacity	64	64	64
POH Beds to be Transferred to Presbyterian Hospital Mint Hill	-50	-50	-50
POH Current CON Approved and SMFP Planning Acute Care Bed Capacity	14	14	14
POH Acute Care Bed Need	50	50	50
POH New Acute Care Beds Proposed in this Application	50	50	50

Source: Exhibit 2, Table 1

*POH is projected to need 50 additional acute care beds in 2018 to backfill the 50 POH beds which have been CON-approved to be relocated to Presbyterian Hospital Mint Hill. The proposed project results in a replacement POH with 64 acute care beds (14 existing POH acute beds + 50 new acute beds)."*

The applicants' inpatient surgical case projections are based on historical inpatient orthopedic surgical case growth rates for orthopedic surgical cases performed in Mecklenburg County hospitals from FY2007 to FY2010. The applicants assume their inpatient orthopedic surgical case volumes will remain flat from FY2011 through FY2015, and then will begin increasing again in the first year of the project. Therefore, the applicants assume their market share of inpatient orthopedic surgical cases will decrease from FY2011 through FY2015. Following completion of the proposed replacement hospital, the applicants assume their market share of inpatient orthopedic surgical cases will increase by 5 percent over the first three years of operation. The applicants state their market projections are supported by POH's current medical staff of orthopedic surgeons.

Exhibit 3 contains letters from 31 orthopedic surgeons expressing support for the proposed project and their intention to perform surgeries at the replacement hospital. The applicants' projections of the percentage of patient volume at the hospital from medical and other non-orthopedic surgical cases is based on POH's historical (FY2007-FY2011) experience. The applicants' projections of inpatient days of care to be provided at POH are based on the hospital's historical (FY2007-FY2011) average length of stay. Therefore, the projected utilization of the acute care beds at POH is based on reasonable and supported assumptions. POH adequately demonstrates the need for 50 new acute care beds.

Also, in Section II.8, page 43, the applicants provide the following table showing the projected utilization of the total number of licensed acute care beds Presbyterian Healthcare will operate in the Mecklenburg County service area in the first three operating years (FFY20016-FFY2018) following completion of the project.

***Presbyterian Healthcare Mecklenburg County Inpatient Utilization  
Projected Patient Days October 1, 2015 – September 30, 2018***

	<b><i>PY1: 10/1/15- 9/30/16</i></b>	<b><i>PY2: 10/1/16- 9/30/17</i></b>	<b><i>PY3: 10/1/17- 9/30/18</i></b>
<i>Presbyterian Orthopaedic Hospital</i>	12,579	14,069	15,644
<i>Presbyterian Hospital</i>	150,508	150,508	150,508
<i>Presbyterian Hospital Huntersville</i>	24,970	26,080	26,080
<i>Presbyterian Hospital Matthews</i>	40,850	42,702	44,638
<i>Presbyterian Hospital Mint Hill</i>	0	0	0
<i>Total Acute Care Days of Care</i>	228,907	233,360	236,870
<i>Number of Licensed Beds</i>	862	862	862
<i>Average Daily Census</i>	627.1	639.3	649.0

<b>Occupancy Rate</b>	<b>72.8%</b>	<b>74.2%</b>	<b>75.3%</b>
-----------------------	--------------	--------------	--------------

As shown in the table above, the applicant’s projected average annual occupancy rate of 75.3 percent in the third operating year for Presbyterian Healthcare exceeds the 72.5 percent occupancy rate required by 10A NCAC 14C .3803(a).

In Section II.8, page 44, the applicants describe the assumptions and methodology used to project the number of patient days to be provided by Presbyterian Healthcare during the first three years of operation as follows:

*“The projected volumes reflected in the previous table are based upon holding FFY 2011 inpatient days constant at Presbyterian Hospital, as discussed above, and growing Presbyterian Hospital Matthews (PHM) at its historical five-year CAGR (Compound Annual Growth Rate) for inpatient days. Presbyterian Hospital Huntersville’s (PHH) historical five-year CAGR for inpatient days results in a total ADC exceeding licensed bed capacity, therefore, the applicant utilized an average of the historical five-year CAGR growth rate and the growth rate utilized in Project I.D. # F-8130-08 (PHH Add New Acute Beds CON Application) to project future patient days. The applicant then held patient days at PHH constant for PY 3. Please see Exhibit 2, Tables 33-41 for detailed projections and additional assumptions for each of the Presbyterian Healthcare inpatient facilities in Mecklenburg County.”*

The applicants project growth in utilization of the acute care beds at Presbyterian Hospital Matthews and Presbyterian Hospital Huntersville based on the historical rates of growth experienced at those facilities over the most recent five-year period. The applicants do not project any growth in utilization at Presbyterian Hospital. Therefore, the projected utilization of the acute care beds at Presbyterian Healthcare is based on reasonable and supported assumptions.

Operating Rooms

POH is currently licensed for 12 shared inpatient/outpatient operating rooms. The applicants propose to develop 10 shared operating rooms in the replacement hospital. However, the applicants have two previously approved projects to relocate existing POH operating rooms to other Presbyterian facilities: Project I.D. # F-7648-06, to relocate 5 existing POH operating rooms to Presbyterian Hospital Mint Hill; and Project I.D. # F-8040-08, to relocate 4 existing POH operating rooms to Presbyterian Hospital. In this application, the applicants propose to relocate 7 existing shared operating rooms from Presbyterian Hospital to POH. In Section II.8, page 51, the applicants provide the following table showing the previously approved projects that have bearing on the number of operating rooms at POH.

***Presbyterian Orthopaedic Hospital Operating Room Capacity***

	<b><i>OR Capacity</i></b>
<i>POH Existing Licensed Operating Rooms</i>	12
<i>CON Approval to Transfer from POH to Presbyterian Hospital G-Wing – CON Project I.D. # F-8040-08</i>	-4
<i>CON Approval to Transfer from POH to PHMH - CON Project I.D. # F-7648-06 (Presbyterian Hospital Mint Hill)</i>	-5
<i>Total Existing ORs at POH following CON-Approved Changes in ORs at POH</i>	3
<i>Relocation of ORs from Presbyterian Hospital to POH for this Project</i>	7
<i>Proposed Total ORs in the POH Replacement Hospital</i>	10

The following table shows POH’s historical operating room utilization as reported in its *Hospital License Renewal Application* forms for 2009-2011, and the applicants’ projected operating room utilization through the first three years of the proposed project, as provided by the applicants in Section IV.1, page 148 of the application.

<b>Fiscal Year</b>	<b>Licensed Operating Rooms</b>	<b>Outpatient Surgical Cases</b>	<b>Inpatient Surgical Cases</b>	<b>Total Surgical Cases</b>	<b>Weighted Surgical Hours*</b>	<b>Operating Rooms Required*</b>
2008 Actual	12	4,171	3,206	7,377	15,875	8.5
2009 Actual	12	3,867	2,758	6,625	14,075	7.5
2010 Actual	12	4,442	2,936	7,378	15,471	8.3
2011 Projected**	12	4,487	2,889	7,376	15,398	8.2
2012 Projected	12	4,487	2,889	7,376	15,398	8.2
2013 Projected	12	4,487	2,889	7,376	15,398	8.2
2014 Projected	12	4,487	2,889	7,376	15,398	8.2
2015 Projected	12	4,487	2,889	7,376	15,398	8.2
2016 Year 1	10	4,832	3,113	7,945	16,587	8.9
2017 Year 2	10	5,199	3,482	8,681	18,245	9.7
2018 Year 3	10	5,591	3,872	9,463	20,003	10.7

\*Weighted surgical hours based on 3.0 hours per inpatient surgical case and 1.5 hours per outpatient surgical cases. Operating rooms required based on operating room capacity of 1,872 hours per operating room per year.

\*\*The applicants state projected FY2011 utilization is estimated based on 10 months of actual experience.

In Section III.1, pages 94-100, the applicants describe the assumptions and methodology used to project the number of surgical cases to be provided at POH during the first three years of operation as follows:

*“1. Calculate Mecklenburg County Future Inpatient and Outpatient Orthopedic Surgical Volume*

*POH reviewed historical data for all inpatient and outpatient orthopedic surgical cases performed in hospitals and surgical centers in Mecklenburg County during the last four federal fiscal years (FFYs). Data in the following table was reported in the annual Hospital and Ambulatory Surgical Center Licensure Renewal Applications submitted by all surgical providers in Mecklenburg County, and reflects the significant growth in inpatient orthopedic surgery in the last four federal fiscal years.*

**Mecklenburg County  
Inpatient and Outpatient Orthopedic Surgery Cases and Growth Rates  
October 1, 2006 - September 30, 2010**

<b>FFY</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>CAGR 2007- 2010</b>
<i>Inpatient Orthopedic Surgery Cases</i>	9,629	9,437	9,675	10,612	
<i>Annual Growth</i>		-2.0%	2.5%	9.7%	<b>3.3%</b>
<i>Outpatient Orthopedic Surgery Cases</i>	17,639	19,237	19,459	20,250	
<i>Annual Growth</i>		9.1%	1.2%	4.1%	<b>4.7%</b>

Source Exhibit 2, Table 7

*Inpatient orthopedic surgical cases have increased at an annual rate of 3.3% since FFY 2007 in Mecklenburg County as shown in the previous table. It is also important to note that growth from FFY 2009 to FFY 2010 exceeded 9% during a time in which overall inpatient surgical growth was a mere 0.7% in Mecklenburg County.*

*Outpatient orthopedic surgical cases have increased at an annual rate of 4.7% since FFY 2007 in Mecklenburg County, as shown in the previous table. It is also important to note that growth occurred during a time in which overall outpatient surgical growth was only 2.0% in Mecklenburg County.*

*Based upon the four-year CAGRs (Compound Annual Growth Rates) calculated above, POH projected future orthopedic surgical cases in Mecklenburg County.*

**Mecklenburg County  
Projected Orthopedic Surgical Cases  
October 2010 – September 2018**

FFY	Actual	Projected							
	2010	2011	2012	2013	2014	2015	2016	2017	2018
Mecklenburg County Inpatient Orthopedic Surgical Market Utilization	10,612	10,961	11,322	11,695	12,081	12,478	12,889	13,314	13,752
Mecklenburg County Projected Outpatient Orthopedic Surgical Cases	20,250	21,204	22,202	23,247	24,342	25,488	26,689	27,945	29,261

Source: Exhibit 2, Table 12

## 2. Project POH Future Inpatient Orthopedic Surgical Cases

Total inpatient orthopedic surgical cases at POH, as projected in Step A.4 of the POH Acute Care Bed Need Methodology above, are reflected in the following table.

**Presbyterian Orthopaedic Hospital**  
**Projected Inpatient Orthopedic Surgical Admissions**  
**PYs 1 -3: October 1, 2015 - September 30, 2018**

FFY	2016 PY1	2017 PY2	2018 PY3
POH Inpatient Orthopedic Surgical Admissions	3,113	3,482	3,872

Source: Exhibit 2, Table 1

## 3. Project POH Future Outpatient Orthopedic Surgical Cases

During the most recent 10 months of FFY 2011 (Oct. 1, 2010 - July 31, 2011), POH performed 3,743 outpatient orthopedic surgical cases. Historical surgical data for POH is included in Exhibit 2, Table 16.

In the last four federal fiscal years, October-July outpatient orthopedic surgical volume at POH represented an average of 83.4% of total FFY outpatient orthopedic surgical volume. POH reasonably assumed that outpatient orthopedic surgical volume from October 1, 2010 through July 31, 2011 represents 83.4% of total FFY outpatient orthopedic surgical volume at POH. As a result, POH reasonably estimated that 4,487 outpatient orthopedic surgical cases will be performed in FFY 2011 (3,743/83.4%).

Outpatient surgical utilization at POH has increased slightly over the last five years, as discussed in the response to Section 111.1(a), however, overall growth is slight. Therefore, POH projected outpatient surgical utilization to remain flat through FFY 2015, prior to the opening of the POH replacement facility. That also takes into consideration the development of two new orthopedic ambulatory surgery centers in Mecklenburg County.

Beginning in the first year that the replacement facility becomes operational, POH projects growth will resume at the Mecklenburg



*County market rate. As discussed above, POH has limited opportunity to grow in the interim due to facility constraints and patient choice of newer more modern facilities. Many orthopedic surgeons consistently choose POH and will continue to do so as a result of the high quality of care provided at POH in the interim.*

*... Beginning in the first year that the replacement facility becomes operational, POH projects growth will resume, and inpatient orthopedic surgical volume will grow at the Mecklenburg County historical growth rate of 4.7%. That assumption is supported by the letters of support from orthopedic surgeons included in Exhibit 3 which reflect an estimated 2,650 additional inpatient and outpatient surgical cases as a result of the replacement POH.*

#### *4. Estimate Increase in POH Surgical Market Utilization and Project Total POH Operating Rooms Needed*

*As discussed in Section III.1(a), the existing POH physical plant is old and in many ways inadequate for today's orthopedic surgical procedures and recovery. Furthermore, surgeons associated with POH have indicated that patients prefer to seek care at newer more modern facilities. POH surgeons have documented that surgical volumes will increase with better facilities, and strongly support the proposed project as evidenced in letters included in Exhibit 3.*

*As a result of the strong surgeon support documented for the proposed project, and the increasing demand for orthopedic surgical services discussed in response to Section III.1(a), POH included an inpatient market utilization growth of 5%, discussed above, and an outpatient market utilization growth of 1.5% over the first three years of operation of the replacement POH facility.*

*POH assumed a more conservative projected growth in outpatient surgery market utilization due to the two new orthopedic ambulatory surgery centers under development in Mecklenburg County.*

#### *5. Calculate POH Historical and Projected Percentage of Inpatient and Outpatient Orthopedic Surgical Volume in Mecklenburg County*

*Based upon FFY 2011 Mecklenburg County inpatient orthopedic surgical volume projected above, POH calculated its percentage of Mecklenburg inpatient orthopedic surgical volume through FFY 2018, as shown in the following table.*

### ***Presbyterian Orthopaedic Hospital***

**Percent of Mecklenburg County Inpatient Orthopedic Surgical Volume  
October 1, 2009 - September 30, 2018**

FFY	Actual*	Projected							
	2010	2011	2012	2013	2014	2015	2016	2017	2018
Mecklenburg County Projected Inpatient Orthopedic Surgical Cases	10,612	10,961	11,322	11,695	12,081	12,478	12,889	13,314	13,752
POH Projected Inpatient Orthopedic Surgical Volume	2,936	2,889	2,889	2,889	2,889	2,889	3,113	3,482	3,872
POH Percent of Mecklenburg County Inpatient Orthopedic Surgical Market Utilization	27.5%	26.4%	25.5%	24.7%	23.9%	23.2%	24.2%	26.2%	28.2%

Source: Exhibit 2, Tables 11, 12, 16

\*Actual POH for 2010 is Trendstar data included in Exhibit 2, Table 16.

*Please note that the 28.2% projected POH inpatient orthopedic market utilization in FFY 2018 is less than the POH inpatient orthopedic market utilization of 30.6% during the period of FFY 2007 to 2010 documented in Exhibit 2, Table 7, and slightly more than POH's inpatient orthopedic market utilization of 27.5% in FFY 2010 shown in the previous table. The projected growth in inpatient orthopedic market utilization also is substantiated by the surgical volume estimated in the POH surgeon letters included in Exhibit 3.*

*Based upon FFY 2011 Mecklenburg County outpatient surgical volume projected above, POH calculated its percentage of Mecklenburg outpatient orthopedic surgical volume through FFY 2018, as shown in the following table.*

**Presbyterian Orthopaedic Hospital  
Percent of Mecklenburg County Outpatient Orthopedic Surgical Cases  
October 1, 2009 - September 30, 2018**

FFY	Actual*	Projected							
	2010	2011	2012	2013	2014	2015	2016	2017	2018
Mecklenburg County Projected Outpatient Orthopedic Surgical Cases	20,250	21,204	22,202	23,247	24,342	25,488	26,689	27,945	29,261
POH Projected Outpatient Orthopedic Surgical Cases	4,442	4,487	4,487	4,487	4,487	4,487	4,832	5,199	5,591
POH Projected Percent of Mecklenburg County Outpatient Ortho Market Utilization	21.9%	21.2%	20.2%	19.3%	18.4%	17.6%	18.1%	18.6%	19.1%

Source: Exhibit 2, Tables 11, 12, 16

\*Actual POH for 2010 is Trendstar data included in Exhibit 2, Table 16

*Please also note that the 19.1% projected POH outpatient orthopedic market utilization in FFY 2018 is consistent with the POH outpatient orthopedic market utilization of 19.2% during the*

period of FFY 2007 to 2010 documented in Exhibit 2, Table 7, and less than POH's outpatient orthopedic market utilization in FFY 2010 and FFY 2011 shown in the previous table. The projected growth in outpatient orthopedic market utilization also is substantiated by the surgical volume estimated in the POH surgeon letters included in Exhibit 3.

Many orthopedic surgeons consistently choose POH, and will continue to do so because of the high quality of care provided at POH. See the discussion of POH's quality of care found in the applicant's responses to Question III.2, regarding SMFP Policy GEN-3 and CON Application Exhibit 19. Total surgical volume at POH is projected to increase by 2,087 cases, from FFY 2011 to FFY 2018 as shown in the following table.

**Presbyterian Orthopaedic Hospital  
Total Current and Projected Surgical Volume  
October 1, 2010 - September 30, 2018**

<b>FFY</b>	<b>Estimated 2011</b>	<b>PY 1 2016</b>	<b>PY 2 2016</b>	<b>PY 3 2018</b>	<b>Net Increase in Surgical Volume</b>
<i>POH Projected Inpatient Orthopedic Surgical Volume</i>	2,889	3,113	3,482	3,872	
<i>POH Projected Outpatient Orthopedic Surgical Volume</i>	4,487	4,832	5,199	5,591	
<i>POH Projected Total Mecklenburg County Surgical Volume</i>	7,376	7,945	8,681	9,463	<b>2,087</b>

Source Exhibit 2, Table 11

The growth in surgical utilization is supported by the surgeon letters of support and the growth in surgical volume estimated by current orthopedic surgeons on the POH medical staff as described in those surgeon letters in Exhibit 3 ....

**6. Calculate POH Operating Room Need**

POH calculated projected operating room need based upon the projected inpatient and outpatient surgical volume, as shown in the following table.

***Presbyterian Orthopaedic Hospital  
Projected Operating Room Need  
October 1, 2015 - September 30, 2018***

<b><i>FFY</i></b>	<b><i>2016 PY 1</i></b>	<b><i>2017 PY 2</i></b>	<b><i>2018 PY 3</i></b>
<i>POH Inpatient Orthopedic Surgery Cases</i>	<i>3,113</i>	<i>3,482</i>	<i>3,872</i>
<i>POH Outpatient Orthopedic Surgical Cases</i>	<i>4,832</i>	<i>5,199</i>	<i>5,591</i>
<i>POH Weighted Surgical Hours</i>	<i>16,587</i>	<i>18,245</i>	<i>20,001</i>
<i>POH ORs Needed</i>	<i>8.9</i>	<i>9.7</i>	<i>10.7</i>
<i>POH ORs Proposed in this Application</i>	<i>10.0</i>	<i>10.0</i>	<i>10.0</i>

*Source: Exhibit 2, Table 11*

*As shown in the previous table, projected surgical utilization at POH can support up to 11 operating rooms (10.7 ORs needed in Year 3, rounds up to 11 ORs). The proposed POH replacement facility will include 10 operating rooms.”*

The applicants’ surgical case projections are based on historical inpatient and outpatient orthopedic surgical case growth rates for orthopedic surgical cases performed by Mecklenburg County providers from FY2007 to FY2010, as reported to DHSR in the hospital and ambulatory surgery center license renewal applications. The applicants assume their inpatient and outpatient orthopedic surgical case volumes will remain flat from FY2011 through FY2015, and then will begin increasing again in the first year of the project. Therefore, the applicants assume their market share of inpatient and outpatient orthopedic surgical cases will decrease from FY2011 through FY2015. Following completion of the proposed replacement hospital, the applicants assume their market share of inpatient orthopedic surgical cases will increase by 5 percent over the first three years of operation, and their market share of outpatient orthopedic surgical cases will increase by 1.5 percent over the first three years of operation. The applicants state their market projections are supported by POH’s current medical staff of orthopedic surgeons. Exhibit 3 contains letters from 31 orthopedic surgeons expressing support for the proposed project and their intention to perform surgeries at the replacement hospital. The applicants’ market share assumptions for inpatient and outpatient orthopedic surgical cases are consistent with their historical experience. Therefore, the projected utilization of the operating rooms at POH is based on reasonable and supported assumptions. POH adequately demonstrates the need for 10 shared operating rooms.

Transitional Care Unit (Nursing Care) Beds

POH is currently licensed for 16 transitional care unit (nursing care) beds. In this application, the applicants propose to develop 16 transitional care unit (nursing care) beds at the proposed replacement hospital. The following table shows POH’s historical transitional care unit (TCU) utilization as reported in its *Hospital License Renewal Application* forms for 2009-2011, and the applicants’

projected TCU utilization through the first three years of the proposed project, as provided by the applicants in Exhibit 2, Table 25, of the application.

<b>Fiscal Year</b>	<b>Licensed Nursing Care Beds</b>	<b>Patient Days</b>	<b>Average Daily Census</b>	<b>Percent Change</b>	<b>Average Occupancy Rate</b>
2008 Actual	16	3,921	11	---	67.1%
2009 Actual	16	4,301	12	9.7%	73.6%
2010 Actual	16	4,252	12	-1.1%	72.8%
2011 Projected*	16	3,658	10	-14.0%	62.6%
2012 Projected	16	3,658	10	0.0%	62.6%
2013 Projected	16	3,658	10	0.0%	62.6%
2014 Projected	16	3,658	10	0.0%	62.6%
2015 Projected	16	3,658	10	0.0%	62.6%
2016 Year 1	16	4,213	12	15.2%	72.1%
2017 Year 2	16	4,712	13	11.8%	80.7%
2018 Year 3	16	5,240	14	11.2%	89.7%

\*The applicants state projected FY2011 utilization is estimated based on 10 months of actual experience.

As shown in the table above, POH projects to provide 5,240 patient days of care in the TCU in the third operating year and, therefore, projects an average annual occupancy rate of 89.7 percent in the third operating year.

In Section III.1, pages 100-101, the applicants describe the assumptions and methodology used to project the number of patient days in the TCU to be provided at POH during the first three years of operation as follows:

*1. Calculate Historical Percent of Inpatient Admissions to the TCU*

*For the last five calendar years, an average of 17.8% of all acute inpatient admissions have been admitted to the TCU. Historical inpatient case volume and total inpatient TCU data is included in Exhibit 2, Table 23.*

*2. Project TCU Inpatient Admissions*

*To project utilization for the 16-bed TCU for the first three Project Years, POH reasonably assumed that 17.8% of all acute care inpatients will continue to be admitted to the TCU through the third Project Year, as shown in the following table.*

***Presbyterian Orthopaedic Hospital  
Projected TCU Inpatient Admissions  
(16 Hospital-Based SNF Beds)  
October 1, 2015 — September 30, 2018***

<i><b>FFY</b></i>	<i><b>2016 PY 1</b></i>	<i><b>2017 PY 2</b></i>	<i><b>2018 PY 3</b></i>
<i>POH Acute Care Admissions</i>	3,360	3,758	4,178
<i>Percent Admitted to TCU</i>	17.8%	17.8%	17.8%
<i>POH TCU Admissions</i>	599	670	745

Source: Exhibit 2, Table 24

### *3. Project TCU SNF Days and SNF/TCU Bed Need*

*For the last five federal fiscal years, average length of stay (ALOS) in the POH TCU has been 7.03 days per patient. Historical inpatient TCU admissions and total SNF inpatient day data is included in Exhibit 2, Table 23.*

*Based upon inpatient admissions to the TCU projected in Step C.2, POH projected SNF days and SNF bed need for the first three Project Years. POH reasonably assumed that the TCU ALOS will continue to be 7.03 days per patient through the third Project Year, as shown in the following table.*

***Presbyterian Orthopaedic Hospital  
Projected TCU SNF Days and Hospital-Based SNF/TCU Bed Need  
PYs 1 -3: October 1, 2015 - September 30, 2018***

<i><b>FFY</b></i>	<i><b>2016 PY 1</b></i>	<i><b>2017 PY 2</b></i>	<i><b>2018 PY 3</b></i>
<i>POH TCU/SNF Admissions</i>	599	670	745
<i>POH SNF/TCU ALOS (Table 23)</i>	7.03	7.03	7.03
<i>POH SNF/TCU Days</i>	4,213	4,712	5,240
<i>POH SNF/TCU ADC</i>	11.5	12.9	14.4
<i>POH TCU Projected Utilization</i>	90%	90%	90%
<i>POH SNF/TCU Bed Need</i>	12.8	14.3	16.0

Source: Exhibit 2, Table 24

The applicants' TCU utilization projections are based on POH's historical rate of admissions to the TCU from the hospitals acute care beds (17.8 percent), and POH's historical average length of stay (7.03 days) for the TCU beds. See the discussion of the applicants' acute care bed utilization projections above. POH adequately demonstrates the need for 16 TCU (nursing care) beds.

#### Observation Beds

The applicants propose to develop 12 unlicensed observation beds in the replacement hospital. POH does not currently operate any unlicensed observation beds.

In Section III.1, pages 102-103, the applicants describe the assumptions and methodology used to project the utilization of the proposed 12-bed observation unit at POH during the first three years of operation as follows:

*“For the prototypical hospital design as is proposed for the POH replacement facility, Novant’s Prototypical Hospital Design team members have developed a methodology to estimate the need for observation beds in a UCC [Universal Care Center] setup. This method uses historical Novant case data and volumes for ORs in combination with assumed ED need for observation capacity.*

- *The typical prototypical hospital design uses a methodology to estimate observation beds for the design where there is a 2:1 ratio of observation rooms per OR for a facility that includes an Emergency Department, as both ORs and an ED tend to be drivers of demand for observation capacity. Please recall that POH has not historically and will not in the future propose to operate an ED.*
- *For the POH 10-OR program in the replacement facility, this would equate to 20 observation rooms; however, since the POH replacement facility design does not include an ED, the 2:1 ratio was adjusted downward as follows.*
- *Based upon historical data, Novant’s prototypical hospital design team members determined that ED volumes account for about 45% of the observation bed demand. Therefore, for the POH replacement facility (without an ED), the applicant adjusted the factor from 2:1 observation rooms per OR down to 1.1 observation rooms per OR for POH. Note that the change in the ratio from 2:1 to 1.1:1 is a 45% reduction.*
- *Using the 1.1 observation beds to 1 OR ratio results in a need for 11 observation rooms at the proposed POH.*
- *In addition, POH currently provides up to four myelograms a day which typically require extended observation according to the POH Senior Director of Nursing and CT and MRI contrast scans which may require observation time for certain medically complex patients after their contrasted imaging study.*
- *Therefore, the proposed POH will have 12 observation beds/bays which can be used for observation of POH surgical patients, radiology patients and other outpatients as needed.*

*Observation patient days for the proposed POH replacement facility were calculated assuming SMFP planning target*

utilization of 66.7% for facilities with an ADC less than 100. Projected observation patient days are presented in the following table.

**Presbyterian Orthopaedic Hospital**  
**Projected Observation Days**  
**Universal Care Center: 12 Dedicated Unlicensed Observation Beds**  
**PYs 1 -3: October 1, 2015 — September 30, 2018**

<b>FFY</b>	<b>2016 PY 1</b>	<b>2017 PY 2</b>	<b>2018 PY 3</b>
<i>POH Observation Beds/Bays</i>	12	12	12
<i>POH Observation Patient Days</i>	2,045	2,483	2,921
<i>POH Observation/UCC ADC</i>	5.6	6.8	8.0
<i>POH Projected Utilization of Dedicated Observation Beds in UCC</i>	46.7%	56.7%	66.7%

*Source: Novant Health Facilities Planning*

The applicants’ observation bed utilization projections are based on “*historical Novant case data and volumes for ORs in combination with assumed ED need for observation capacity.*” The applicants adjusted their historical ratio of observation beds to operating rooms downward to account for the fact that the replacement facility does not include an emergency department. Note: following completion of this project, POH will cease to be separately licensed and will be licensed as part of The Presbyterian Hospital, which does have an emergency department. See the discussion of the applicants’ operating room utilization projections above. POH adequately demonstrates the need for 12 unlicensed observation beds in the replacement facility.

Outpatient Services

The applicants propose to construct space for outpatient services, pre-operative testing, radiology, physical therapy, occupational therapy, respiratory therapy, and pain management. On page 104, the applicants state,

*“1. Calculate Historical Ratio of Inpatient Cases/Admissions to Outpatient Cases at POH*

*POH reviewed and analyzed the relationship between inpatient admissions and outpatient cases at POH. That relationship shows that during the last four years, for every one inpatient admission, POH provided outpatient services to an average of 4.5 outpatients. Outpatient cases include patients seeking care for outpatient surgery, pre-operative testing, radiology, physical therapy, occupational therapy, respiratory therapy, pain management, and other services provided to outpatients at POH. Historical inpatient and outpatient case volume for POH is included in Exhibit 2,*



Table 20.

*2. Project Future Outpatient Cases at Presbyterian Orthopaedic Hospital*

*To project outpatient cases, POH reasonably assumed that the historical relationship between POH inpatient admissions and POH outpatient cases will remain constant through the third Project Year, as shown in the following table.*

***Presbyterian Orthopaedic Hospital  
Projected Outpatient Cases  
PYs 1 - 3: October 1, 2015 - September 30, 2018***

<b><i>FFY</i></b>	<b><i>2016 PY 1</i></b>	<b><i>2017 PY 2</i></b>	<b><i>2018 PY 3</i></b>
<i>Inpatient Admissions</i>	<i>3,360</i>	<i>3,758</i>	<i>4,178</i>
<i>Ratio Inpatient Admissions Outpatient Cases</i>	<i>1 : 4.5</i>	<i>1 4.5</i>	<i>1 : 4.5</i>
<i>Outpatient Cases</i>	<i>15,119</i>	<i>16,910</i>	<i>18,803</i>

Source: Exhibit 2, Table 21

*POH outpatient cases include, but are not limited to such activities as pain management visits and procedures, cast checks, wound care, orthopedic device (braces, immobilizers, assistive devices) fittings and adjustments, and patient education sessions.”*

The applicants’ outpatient services utilization projections are based on POH’s historical ratios of inpatient admissions to outpatient cases. See the discussion of the applicants’ acute care bed utilization projections above. POH adequately demonstrates the need for the outpatient services in the replacement facility.

Ancillary Services

The applicants propose to construct space for ancillary services, including diagnostic imaging, laboratory, pharmacy, and rehabilitation services. On pages 104-105, the applicants state,

*“1. Calculate Historical Ancillary Services Rates for Inpatient and Outpatients at POH*

*POH reviewed and analyzed the relationships between ancillary services and inpatient admissions and outpatient cases, respectively, Historical inpatient and outpatient volumes and related ancillary services at POH are included in Exhibit 2, Tables 26, 27, 28, 29, and 30.*

*2. Project Ancillary Volumes at Presbyterian Orthopaedic Hospital*

*To project ancillary services volume for POH during the first three Project Years, POH reasonably assumed that historical relationships between inpatient admissions and outpatient cases and ancillary services will remain consistent through the third Project Year. Historical data was utilized to determine ratios to project future ancillary procedures at POH. Historical data is included in Exhibit 2, Tables 26, 27, 28, 29, and 30.*

The applicants' ancillary services utilization projections are based on POH's historical ratios of inpatient admissions and outpatient cases and ancillary service volumes. See the discussion of the applicants' acute care bed and outpatient utilization projections above. POH adequately demonstrates the need for the ancillary services at the replacement facility.

In summary, POH adequately identifies the population proposed to be served and adequately demonstrates the need the population has for the proposed replacement hospital, including the 50 new acute care beds. Therefore, the application is conforming to this 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.

NA

The applicants propose to construct a replacement hospital at the intersection of Caswell Road and Fifth Street, across the street from POH's current location at 1901 Randolph Road in downtown Charlotte. The replacement facility will be located on the same site as The Presbyterian Hospital (TPH). POH is already on the same campus as TPH and the replacement facility will be built on the same campus. The applicants do not propose to reduce or eliminate any services. Thus, this criterion is not applicable to this review.

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

CA

In Section III.3, pages 124-125, the applicants describe the alternatives they considered prior to the submission of its application. The application is

conforming to all other applicable statutory and regulatory review criteria. See Criteria (1), (3), (5), (6), (7), (8), (13), (14), (18a), (20) and 10A NCAC 14C .3800 for discussion. The applicants adequately demonstrate that the proposal is their most effective or least costly alternative to meet the need. Therefore, the application is conforming to this criterion and approved, subject to the following conditions:

- 1. Presbyterian Orthopaedic Hospital and The Presbyterian Hospital, Inc. shall materially comply with all representations made in the application.**
- 2. Presbyterian Orthopaedic Hospital and The Presbyterian Hospital, Inc. shall construct a replacement facility for Presbyterian Orthopaedic Hospital across the street from its current location on the same site as The Presbyterian Hospital.**
- 3. Presbyterian Orthopaedic Hospital and The Presbyterian Hospital, Inc. shall develop no more than 50 additional acute care beds in the replacement facility, for a total of no more than 64 licensed acute care beds upon completion of this project and Project I.D. # F-7648-06 (relocate 50 acute care beds to Presbyterian Hospital Mint Hill).**
- 4. Upon completion of the replacement facility, it shall consist of no more than 64 acute care beds, 16 nursing care (transitional care unit) beds, 10 operating rooms, and 12 unlicensed observation beds.**
- 5. Upon completion of this project, Presbyterian Orthopaedic Hospital shall be licensed as part of The Presbyterian Hospital, Inc.**
- 6. Upon completion of this project, The Presbyterian Hospital shall be licensed for no more than 603 acute care beds, 16 nursing care (transitional care unit) beds, 60 psychiatric beds, and 41 operating rooms, including 3 dedicated ambulatory surgery operating rooms, 3 dedicated C-section operating rooms, 3 open-heart surgery operating rooms, and 32 shared operating rooms.**
- 7. Presbyterian Orthopaedic Hospital and The Presbyterian Hospital, Inc. shall not acquire, as part of this project, any equipment that is not included in the project's proposed capital expenditure in Section VIII of the application and which would otherwise require a certificate of need.**

- 8. Presbyterian Orthopaedic Hospital and The Presbyterian Hospital, Inc. shall develop and implement an Energy Efficiency and Sustainability Plan for the project that conforms to or exceeds energy efficiency and water conservation standards incorporated in the latest editions of the North Carolina State Building Codes. The plan must be consistent with the applicant's representations in the written statement as described in paragraph one of Policy GEN-4.**
  - 9. Presbyterian Orthopaedic Hospital and The Presbyterian Hospital, Inc. shall acknowledge acceptance of and agree to comply with all conditions stated herein to the Certificate of Need section in writing prior to the issuance of the certificate of need.**
- (5) Financial and operational projections for the project shall demonstrate the availability of funds for capital and operating needs as well as the immediate and long-term financial feasibility of the proposal, based upon reasonable projections of the costs of and charges for providing health services by the person proposing the service.

C

In Section VIII.1, page 195, the applicants state the total capital cost of the project will be \$84,107,759. In Section IX, page 203, the applicants state that POH is an existing and operational hospital, and therefore will not require any additional working capital for initial operating expense or start-up costs. In Section VIII.3, page 196, the applicants state that the total capital cost of the project will be financed by the accumulated reserves of Novant Health, Inc., the applicants' parent company. Exhibit 8 contains a letter from Executive Vice President and Chief Financial Officer for Novant Health, Inc., dated October 11, 2011, which states:

*"This letter will confirm that Novant Health will be funding the capital cost of \$84,107,759 and the start-up and working capital needs as defined in the CON App [sic] Section IX of the POH Replacement Hospital out of Novant's Accumulated Reserves. In the alternative, Novant also reserves the right to seek tax exempt funding for all or part of this project as discussed in Section VIII of our CON Application. I have considered Novant Health's current and anticipated future capital need is [sic] in my opinion Novant will be able to fund this replacement hospital. Novant's sound financial status was recently confirmed by all three credit rating agencies, which assigned 'A+/A1/AA-' credit ratings to Novant's tax exempt bond funding debt.*

*Evidence of Novant Health assets available to finance the proposed project can be found in the audited financial statements as of December 31, 2010 for Novant Health, Inc. and Affiliates. Please see the detail below included in the Novant Health, Inc. combined balance sheet identifying funds available for capital expenditures. These are the most current Novant audited financial statements available at the time the POH application was filed.”*

<b>Assets</b>	<b>As of December 31, 2010</b>
<i>Cash and Cash Equivalents</i>	<i>\$507,879,000</i>
<i>Accounts and Receivable Net of Allowance for Doubtful Accounts</i>	<i>\$392,328,000</i>
<i>Short-Term Investments</i>	<i>\$45,088,000</i>
<i>Other Current Assets</i>	<i>\$137,098,000</i>
<b>Total Current Assets</b>	<b>\$1,082,393,000</b>
<i>Long-Term Investments</i>	<i>\$1,027,269,000</i>
<b>Total Assets Available for Capital Expenditure:</b>	<b>\$2,109,662,000</b>

*Source: Novant Health, Inc. and Affiliates, Combined Balance Sheet, December 31, 2010. (Audited)”*

Exhibit 8 also contains the audited financial statements for Novant Health and Affiliates which shows assets in the amounts corresponding to those shown in the Chief Financial Officer’s letter quoted above as of December 31, 2010. The applicants adequately demonstrate the availability of sufficient funds for the capital needs of the proposed project.

In the projected revenue and expense statement for POH (Form B), the applicants project revenues will exceed operating expenses in each of the first three operating years of the project. The assumptions used by the applicants in preparation of the pro forma financial statements provided in the application are reasonable, including projected utilization. See Criterion (3) for discussion of projected utilization. The applicants adequately demonstrate that the financial feasibility of the proposal is based upon reasonable projections of costs and revenues. Consequently, the application is conforming to this criterion.

- (6) The applicant shall demonstrate that the proposed project will not result in unnecessary duplication of existing or approved health service capabilities or facilities.

C

The 2011 State Medical facilities Plan (2011 SMFP) includes an Acute Care Bed Need Determination for 107 additional acute care beds in the Mecklenburg County Service Area. The applicants propose to develop 50 of the 107 acute care beds available for Mecklenburg County in the 2011 SMFP. The applicants do not propose to develop more acute care beds than are determined to be needed in the service area. See Criterion (1) for additional discussion. With the exception of the 50 additional acute care beds for which there is a need determination in the 2011 SMFP, the applicants do not propose any new services or capacity. The applicants adequately demonstrate the need for their proposal. See Criterion (3) for additional discussion. The applicants adequately demonstrate that the proposed project would not result in the unnecessary duplication of existing or approved health service capabilities or facilities. Consequently, the application is conforming to this criterion.

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

C

In Section VII.1, page 179, the applicants report a current total of 344 full-time equivalent (FTE) positions at POH, and on page 183, the applicants project a total of 459 FTE positions at POH in the second full operating year (FY2017) of the proposed project. On page 186, the applicants state POH will add 114 FTEs as part of the proposed project. In Sections VII.3 and VII.6, pages 186-190, the applicants describe their experience and procedures for recruiting and retaining personnel. In Section VII.8, page 192, the applicants identify Dr. H. David Homesley as the Medical Director for POH, and Exhibit 3 contains a letter from Dr. Homesley stating his intention to serve as Medical Director. The applicants demonstrate the availability of adequate health manpower and administrative personnel for the provision of the proposed services. Therefore, the application is conforming to this criterion.

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

C

In Section II.2, page 20, the applicants state that all of the necessary ancillary and support services for the proposed services are currently provided at POH and will continue to be available at the proposed replacement hospital. In Exhibit 9, the

applicants provide a list of healthcare facilities with which POH has transfer agreements, as well as copies of several existing transfer agreements with other hospitals. Exhibit 3 contains letters from physicians and surgeons supporting the proposed project. The applicants adequately demonstrate that the proposed project will be coordinated with the existing health care system and that the necessary ancillary and support services will be available. Therefore, the application is conforming to this criterion.

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

NA

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

NA

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

C

The applicants propose to construct a replacement, four-story orthopedic specialty hospital with 190,239 square feet of space. In Exhibit 11, an architect certifies that the total site preparation and construction costs are estimated to be \$61,327,430,

which are consistent with the costs reported by the applicants in Section VIII.1, page 195. In Section XI.7, page 218, the applicants state that applicable energy savings features will be incorporated into the plans. The applicants adequately demonstrate that the cost, design and means of construction represent the most reasonable alternative for the project they propose, and that the construction costs will not unduly increase costs and charges for health services. See Criterion (5) for discussion of costs and charges. Therefore, the application is conforming to this criterion.

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

C

In Section VI.2, pages 161-164, the applicants state that they do not discriminate on the basis of income, race, ethnicity, gender, handicap, age, or any other factor which might restrict access to services. In Section VI.12, page 172, the applicants provide the payer mix during CY2010 for all services provided at POH, as shown in the table below.

Payer Category	Patient Services as % of Total Utilization
Self Pay/Indigent/Charity	2.03%
Medicare/Medicare Managed Care	47.25%
Medicaid	4.58%
Commercial Insurance	0.64%
Managed Care	39.34%
Other (Worker's Comp, Other Government)	6.16%
<b>Total</b>	<b>100.0%</b>

The Division of Medical Assistance (DMA) maintains a website which offers information regarding the number of persons eligible for Medicaid assistance and estimates of the percentage of uninsured for each county in North Carolina. The following table illustrates those percentages as of June 2010 and CY2008-2009, respectively. The data in the table was obtained on February 27, 2012. More current data, particularly with regard to the estimated uninsured percentages, was not available.



	<b>Total # of Medicaid Eligibles as % of Total Population</b>	<b>Total # of Medicaid Eligibles Age 21 and older as % of Total Population</b>	<b>% Uninsured CY &amp; (Estimate by Cecil G. Sheps Center)</b>
Mecklenburg County	15%	5.7%	20.1%
Statewide	17%	7.3%	19.7%

The majority of Medicaid eligibles are children under the age of 21. This age group does not utilize the same health services at the same rate as older segments of the population, particularly the services offered by POH.

Moreover, the number of persons eligible for Medicaid assistance may be greater than the number of Medicaid eligibles who actually utilize health services. The DMA website includes information regarding dental services which illustrates this point. For dental services only, DMA provides a comparison of the number of persons eligible for dental services with the number actually receiving services. The statewide percentage of persons eligible to receive dental services who actually received dental services was 45.9% for those age 20 and younger and 30.6% for those age 21 and older. Similar information is not provided on the website for other types of services covered by Medicaid. However, it is reasonable to assume that the percentage of those actually receiving other types of health services covered by Medicaid is less than the percentage that is eligible for those services.

The Office of State Budget & Management (OSBM) maintains a website which provides historical and projected population data for each county in North Carolina. In addition, data is available by age, race or gender. However, a direct comparison to the applicants' current payer mix would be of little value. The population data by age, race or gender does not include information on the number of elderly, minorities or women utilizing health services. Furthermore, OSBM's website does not include information on the number of handicapped persons.

The applicants demonstrate that medically underserved populations currently have adequate access to the applicants' existing services and are conforming to this criterion.

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

C

Recipients of Hill-Burton funds were required to provide uncompensated care, community service and access by minorities and handicapped persons. In Section VI.11, page 171, the applicants state

*“As required by the former Hill-Burton program, the Presbyterian Hospital has far exceeded its requirements for delivering uncompensated care pursuant to that program and its regulations. ... FMC, TPH and all Novant facilities in North Carolina continue to comply with the community service obligation and there is no denial, restriction, or limitation of access to minorities or handicapped persons.”*

In Section VI.10, page 170, the applicants state that one civil rights access complaint was filed against POH on July 11, 2007. However, the Office of Civil Rights completed its investigation in April 2010 and found that POH did not violate the law. The application is conforming to this criterion.

- (c) That the elderly and the medically underserved groups identified in this subdivision will be served by the applicant's proposed services and the extent to which each of these groups is expected to utilize the proposed services; and

C

In Section VI.14, page 174, the applicants project the following payer mix for the entire replacement facility in the second operating year (FY2017).

Payer Category	Patient Services as % of Total Utilization
Self Pay/Indigent/Charity	2.03%
Medicare/Medicare Managed Care	47.25%
Medicaid	4.58%
Commercial Insurance	0.64%
Managed Care	39.34%
Other (Worker’s Comp, Other Government)	6.16%
<b>Total</b>	<b>100.0%</b>

In Section VI.14, page 174, the applicants state, *“All projected payor mix information above in response to Question VI.14 is based on actual POH historical data for year-to-date CY 2011 (January – August 2011).”* See pages 174-175 for the applicants’ projected FY2017 payer mix for three individual service components, including inpatient, outpatient, transitional care unit (nursing care) services. The applicants demonstrated that

medically underserved populations will have adequate access to the proposed services and the application is conforming with this criterion.

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

C

See Section VI.9, pages 169-170, for documentation of a range of means by which persons will have access to the proposed services. The information provided in the application is reasonable and credible and supports a finding of conformity with this criterion.

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

C

In Section V.1 of the application, the applicants state they have extensive relationships with many health professional training programs. Exhibit 9 contains a list of institutions with which the applicants have these arrangements. Exhibit 9 also contains letters from area health professional training programs expressing support for the proposed replacement hospital. The information provided is reasonable and credible and supports a finding of conformity to this criterion.

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

C

See Section II.6, page 26, Section II.7, pages 26-31, Section III.2, pages 110-121, and Section VI, pages 161-175. The applicants adequately demonstrate that their proposal would have a positive impact upon the cost effectiveness, quality, and access to the proposed services for the following reasons:

- a) the applicants adequately demonstrate that their proposal would be cost-effective [see Criteria (1), (3), (5) and (12) for additional discussion];
- b) the applicants demonstrate that POH provides adequate access to the proposed services by the medically underserved [see Criteria (1) and (13) for additional discussion]; and
- c) the applicants adequately demonstrate that POH provides quality services [see Criteria (1), (7), and (8) for additional discussion].

Therefore, the application is conforming to this criterion.

- (19) Repealed effective July 1, 1987.
- (20) An applicant already involved in the provision of health services shall provide evidence that quality care has been provided in the past.

### C

The Presbyterian Hospital (TPH) and Presbyterian Orthopaedic Hospital (POH) are certified by CMS for Medicare and Medicaid participation, and licensed by the NC Department of Health and Human Services. According to the files in the Acute and Home Care Licensure and Certification Section, DHSR, no incidents occurred at POH within the eighteen months immediately preceding the date of this decision for which any sanctions or penalties related to quality of care were imposed by the State. However, according to the files in the Acute and Home Care Licensure and Certification Section, TPH was surveyed on June 7-9, 2011 as part of a complaint investigation. The survey resulted in the identification of an immediate jeopardy (IJ) and several condition-level deficiencies. The hospital was placed on a 23-day termination tract by CMS. A follow-up survey was conducted August 1-4, 2011, and the IJ was removed and the 23-day termination tract was halted. However, condition-level deficiencies were cited under Physical Environment based upon the Life Safety Report of Survey. Also, Governing Body remained out of compliance, and several standard-level deficiencies were cited. As of a January 6, 2012 survey, Life Safety deficiencies were still uncorrected due to the facility being granted a waiver by CMS. As of February 29, 2012, the facility is in compliance with all other Conditions of Participation. Therefore, the application is conforming to this criterion.

- (21) Repealed effective July 1, 1987.
- (b) The Department is authorized to adopt rules for the review of particular types of applications that will be used in addition to those criteria outlined in subsection (a) of this section and may vary according to the purpose for which a particular review is being conducted or the type of health service reviewed. No such rule adopted by the Department shall require an academic medical center teaching hospital, as defined by the State Medical Facilities Plan, to demonstrate that any facility or service at another hospital is being appropriately utilized in

order for that academic medical center teaching hospital to be approved for the issuance of a certificate of need to develop any similar facility or service.

C

POH proposes to construct a replacement hospital to include 50 new and 14 existing acute care beds. Therefore, the Criteria and Standards for Acute Care Beds, promulgated in 10A NCAC 14C .3800 are applicable to this review. The application is conforming to all applicable Criteria and Standards. The specific criteria are discussed below.

**SECTION .3800 - CRITERIA AND STANDARDS FOR ACUTE CARE BEDS**

**10A NCAC 14C .3802 INFORMATION REQUIRED OF APPLICANT**

*(a) An applicant that proposes to develop new acute care beds shall complete the Acute Care Facility/Medical Equipment application form.*

-C- The applicants completed the Acute Care Facility/Medical Equipment application form.

*(b) An applicant proposing to develop new acute care beds shall submit the following information:*

*(1) the number of acute care beds proposed to be licensed and operated following completion of the proposed project;*

-C- In Section II.8, pages 32-33, the applicants state that they propose to add 50 new acute care beds for a total of 64 licensed and operational acute care beds at POH upon completion of this project and Project I.D. # F-7648-06 (relocate 50 acute care beds from POH to Presbyterian Hospital Mint Hill). Following completion of this project, POH will be licensed as part of The Presbyterian Hospital (TPH). TPH is licensed for 539 acute care beds. Thus, following completion of this project, TPH will be licensed for 603 acute care beds [539 + 64 = 603].

*(2) documentation that the proposed services shall be provided in conformance with all applicable facility, programmatic, and service specific licensure, certification, and JCAHO accreditation standards;*

-C- In Section II.8, page 34, and Exhibit 9, the applicants provide documentation that the services will be provided in conformance with all applicable facility, programmatic, and service specific licensure, certification, and JCAHO accreditation standards.

*(3) documentation that the proposed services shall be offered in a physical environment that conforms to the requirements of federal, state, and local regulatory bodies;*

- C- In Section II.8, page 34, and Exhibits 6 and 11, the applicants provide documentation that the services will be provided in a physical environment that conforms to the requirements of federal, state, and local regulatory bodies .
- (4) *if adding new acute care beds to an existing facility, documentation of the number of inpatient days of care provided in the last operating year in the existing licensed acute care beds by medical diagnostic category, as classified by the Centers for Medicare and Medicaid Services according to the list set forth in the applicable State Medical Facilities Plan;*
- C- In Section II.8, pages 35-36, the applicants provides a list of patient days of care provided in the existing licensed acute care beds at POH and TPH during the last operating year (September 2010 – August 2011) by medical diagnostic category (MDC), as classified by the Centers for Medicare and Medicaid Services (CMS) according to the list set forth in the 2011 SMFP.
- (5) *the projected number of inpatient days of care to be provided in the total number of licensed acute care beds in the facility, by county of residence, for each of the first three years following completion of the proposed project, including all assumptions, data and methodologies;*
- C- In Section II.8, page 38, the applicants provide the projected number of inpatient days of care to be provided in the total number of licensed acute care beds at POH, by county of residence, for each of the first three operating years following completion of the project. In Section III.1, pages 88-94, and Section III.5, page 129, the applicants provide the assumptions, data and methodology used for the projections. See Criterion (3) for discussion. However, the applicants did not provide the projected number of inpatient days of care to be provided in the total number of licensed acute care beds at TPH, by county of residence, for each of the first three operating years following completion of the project. Therefore, the application is conforming with this Rule subject to the following condition:  
  
**Prior to issuance of the certificate of need, Presbyterian Orthopaedic Hospital and The Presbyterian Hospital, Inc. shall provide to the Certificate of Need Section the projected number of inpatient days of care to be provided in the total number of licensed acute care beds at The Presbyterian Hospital, by county of residence, for each of the first three operating years following completion of the project.**
- (6) *documentation that the applicant shall be able to communicate with emergency transportation agencies 24 hours per day, 7 days per week;*

- C- In Section II.8, page 38, and Exhibit 6, the applicants provide documentation that the hospital is able to communicate with emergency transportation agencies 24 hours per day, 7 days per week.
- (7) *documentation that services in the emergency care department shall be provided 24 hours per day, 7 days per week, including a description of the scope of services to be provided during each shift and the physician and professional staffing that will be responsible for provision of those services;*
- C- The applicants state the proposed POH replacement hospital “*will be physically connected by an enclosed, elevated walkway*” to TPH, and that POH will be licensed as part of TPH. Thus, POH patients will have access to an emergency department. In Section II.8, pages 38-39, and Exhibit 6, the applicants provide documentation that describes the scope of services provided in the emergency department and provide documentation that the hospital’s emergency department services will be available 24 hours per day, 7 days per week.
- (8) *copy of written administrative policies that prohibit the exclusion of services to any patient on the basis of age, race, sex, creed, religion, disability or the patient’s ability to pay;*
- C- In Exhibit 8, the applicants provide written administrative policies documenting that the hospital will prohibit the exclusion of services to any patient on the basis of age, race, sex, creed, religion, disability or the patient’s ability to pay.
- (9) *a written commitment to participate in and comply with conditions of participation in the Medicare and Medicaid programs;*
- C- In Section II.8, page 39, and Exhibit 6, the applicants provide a written commitment to participate in and comply with conditions of participation in the Medicare and Medicaid programs.
- (10) *documentation of the health care services provided by the applicant, and any facility in North Carolina owned or operated by the applicant’s parent organization, in each of the last two operating years to Medicare patients, Medicaid patients, and patients who are not able to pay for their care;*
- C- Exhibit 6 shows the inpatient and outpatient volumes for Medicare, Medicaid, and self pay patients at Novant’s North Carolina facilities for CY2009 and CY2010.

- (11) *documentation of strategies to be used and activities undertaken by the applicant to attract physicians and medical staff who will provide care to patients without regard to their ability to pay; and*
  - C- In Section II.8, page 40, and Exhibits 6 and 8, the applicants provide documentation of strategies to be used and activities undertaken by the applicant to attract physicians and medical staff who will provide care to patients without regard to their ability to pay.
  - (12) *documentation that the proposed new acute care beds shall be operated in a hospital that provides inpatient medical services to both surgical and non-surgical patients.*
  - C- In Section II.8, page 41, and Exhibit 2, the applicants provide documentation that the hospital will provide inpatient medical services to both surgical and non-surgical patients.
- (c) *An applicant proposing to develop new acute care beds in a new licensed hospital or on a new campus of an existing hospital shall also submit the following information:*
- (1) *the projected number of inpatient days of care to be provided in the licensed acute care beds in the new hospital or on the new campus, by major diagnostic category as recognized by the Centers for Medicare and Medicaid Services (CMS) according to the list set forth in the applicable State Medical Facilities Plan;*
  - (2) *documentation that medical and surgical services shall be provided in the proposed acute care beds on a daily basis within at least five of the major diagnostic categories as recognized by the Centers for Medicare and Medicaid Services (CMS) according to the list set forth in the applicable State Medical Facilities Plan;*
  - (3) *copies of written policies and procedures for the provision of care within the new acute care hospital or on the new campus, including but not limited to the following:*
    - (A) *the admission and discharge of patients, including discharge planning,*
    - (B) *transfer of patients to another hospital,*
    - (C) *infection control, and*
    - (D) *safety procedures;*
  - (4) *documentation that the applicant owns or otherwise has control of the site on which the proposed acute care beds will be located; and*
  - (5) *documentation that the proposed site is suitable for development of the facility with regard to water, sewage disposal, site development and zoning requirements; and provide the required procedures for obtaining zoning changes and a special use permit if site is currently not properly zoned; and*
  - (6) *correspondence from physicians and other referral sources that documents their willingness to refer or admit patients to the proposed new hospital or new campus.*



- NA- The applicants propose to add the new acute care beds to a replacement hospital that will be developed on the same campus. Following completion of the project, POH will be licensed as part of The Presbyterian Hospital (TPH), an existing facility located across the street from the existing POH. The replacement hospital will be located on the campus of TPH.

**10A NCAC 14C .3803 PERFORMANCE STANDARDS**

(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.

- C- In Section II.8, page 43, the applicants provide the following table showing the projected utilization of the total number of licensed acute care beds Presbyterian Healthcare will operate in the Mecklenburg County service area in the first three operating years (FFY20016-FFY2018) following completion of the project.

**Presbyterian Healthcare Mecklenburg County Inpatient Utilization  
Projected Patient Days October 1, 2015 – September 30, 2018**

	<b>PY1: 10/1/15- 9/30/16</b>	<b>PY2: 10/1/16- 9/30/17</b>	<b>PY3: 10/1/17- 9/30/18</b>
Presbyterian Orthopaedic Hospital	12,579	14,069	15,644
Presbyterian Hospital	150,508	150,508	150,508
Presbyterian Hospital Huntersville	24,970	26,080	26,080
Presbyterian Hospital Matthews	40,850	42,702	44,638
Presbyterian Hospital Mint Hill	0	0	0
Total Acute Care Days of Care	228,907	233,360	236,870
Number of Licensed Beds	862	862	862
Average Daily Census	627.1	639.3	649.0
<b>Occupancy Rate</b>	<b>72.8%</b>	<b>74.2%</b>	<b>75.3%</b>

(b) An applicant proposing to develop new acute care beds shall provide all assumptions and data used to develop the projections required in this rule and demonstrate that they support the projected inpatient utilization and average daily census.

- C- In Section II.8, page 44, the applicants describe the assumptions and methodology used to project the number of patient days to be provided by

Presbyterian Healthcare during the first three years of operation. The applicants' assumptions regarding projected inpatient utilization and average daily census are reasonable and credible and support a finding of conformity with this rule. See Criterion (3) for additional discussion.

**10A NCAC 14C .3804 SUPPORT SERVICES**

*(a) An applicant proposing to develop new acute care beds shall document that each of the following items shall be available to the facility 24 hours per day, 7 days per week:*

- (1) laboratory services including microspecimen chemistry techniques and blood gas determinations;*
- (2) radiology services;*
- (3) blood bank services;*
- (4) pharmacy services;*
- (5) oxygen and air and suction capability;*
- (6) electronic physiological monitoring capability;*
- (7) mechanical ventilatory assistance equipment including airways, manual breathing bag and ventilator/respirator;*
- (8) endotracheal intubation capability;*
- (9) cardiac arrest management plan;*
- (10) patient weighing device for a patient confined to their bed; and*
- (11) isolation capability;*

**-C-** Exhibit 10 contains a letter signed by the President of POH which states that all of the items listed above will continue to be available 24 hours per day, seven days per week at POH or TPH. The replacement hospital will be physically connected to TPH by an enclosed, elevated walkway, and following completion of the project, POH will be licensed as part of TPH.

*(b) If any item in Paragraph (a) of this Rule will not be available in the facility 24 hours per day, 7 days per week, the applicant shall document the basis for determining the item is not needed in the facility.*

**-NA-** In Section II.8, page 46, the applicants state that all of the items in Paragraph (a) of this Rule will be available 24 hours per day, seven days per week.

*(c) If any item in Paragraph (a) of this Rule will be contracted, the applicant shall provide correspondence from the proposed provider of its intent to contract with the applicant.*

**-NA-** In Section II.8, page 46, the applicants state that none of the items listed in Paragraph (a) of this Rule will be contracted.

**10A NCAC 14C .3805 STAFFING AND STAFF TRAINING**

*(a) An applicant proposing to develop new acute care beds shall demonstrate that the proposed staff for the new acute care beds shall comply with licensure requirements set forth in Title 10A NCAC 13B, Licensing of Hospitals.*

- C- Exhibit 6 contains a letter from the President of POH documenting that the proposed staff for the new acute care needs will comply with the licensure requirements set forth in Title 10A NCAC 13B, Licensing of Hospitals.

*(b) An applicant proposing to develop new acute care beds shall provide correspondence from the persons who expressed interest in serving as Chief Executive Officer and Chief Nursing Executive of the facility in which the new acute care beds will be located, documenting their willingness to serve in this capacity.*

- C- In Exhibit 6, the applicants identifies the two individuals who will serve as Chief Executive Officer and Chief Nursing Executive and provides letters from each individual which documents their willingness to serve in the capacities as required by this rule.

*(c) An applicant proposing to develop new acute care beds in a new hospital or on a new campus of an existing hospital shall provide a job description and the educational and training requirements for the Chief Executive Officer, Chief Nursing Executive and each department head which is required by licensure rules to be employed in the facility in which the acute care beds will be located.*

- NA- The applicants propose to add the new acute care beds to a replacement hospital that will be developed on the same campus as TPH. Furthermore, following completion of this project, POH will be licensed as part of TPH.

*(d) An applicant proposing to develop new acute care beds shall document the availability of admitting physicians who shall admit and care for patients in each of the major diagnostic categories to be served by the applicant.*

- C- In Section II.8, page 47, and Exhibits 3, 4, and 6, the applicants provide documentation regarding the availability of admitting physicians who will admit and care for patients in each of the major diagnostic categories to be served at the proposed replacement hospital.

*(e) An applicant proposing to develop new acute care beds shall provide documentation of the availability of support and clinical staff to provide care for patients in each of the major diagnostic categories to be served by the applicant.*

- C- In Sections VII.1 and VII.8, and Exhibit 6, which includes a letter from the President of POH, the applicants provide documentation of the availability of support and clinical staff to provide care for patients in each of the major diagnostic categories to be served at the proposed replacement hospital.