ATTACHMENT - REQUIRED STATE AGENCY FINDINGS

FINDINGS
C = Conforming
CA = Conditional
NC = Nonconforming
NA = Not Applicable

DECISION DATE: November 27, 2012
FINDINGS DATE: December 4, 2012

PROJECT ANALYST: Gregory F. Yakaboski
SECTION CHIEF: Craig R. Smith

PROJECT I.D. NUMBER: N-8843-12 / FirstHealth of the Carolinas, Inc. / Relocate one OR from FirstHealth Moore Regional Hospital to FirstHealth Hoke Community Hospital for a total of 2 two operating rooms at FirstHealth Hoke Community Hospital upon project completion and completion of Project ID #N-8497-10 / Hoke 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.

NA

The applicant, FirstHealth of the Carolinas, Inc. (FirstHealth), proposes to relocate one existing operating room from FirstHealth Moore Regional Hospital (FMRH) to the approved FirstHealth Hoke Community Hospital (FHCH). The proposed project does not involve the addition of any new health service facility beds, services or equipment for which there is a need determination in the 2012 SMFP. There are no policies in the 2012 SMFP that are applicable to this review. Therefore, this criterion is not applicable.

(2) Repealed effective July 1, 1987

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

C

The applicant, FirstHealth of the Carolinas, Inc. (FirstHealth), proposes to relocate one existing operating room from FirstHealth Moore Regional Hospital (FMRH) located in Moore County to the approved FirstHealth Hoke Community Hospital (FHCH) which will be located in Hoke County. If approved, the proposed project will result in two shared operating rooms at FHCH. The two FirstHealth hospitals, FMRH (existing) and FHCH (approved) are both located in the Moore-Hoke multicounty operating room service area.

In Section II.1, page 19, the applicant describes the proposed project as follows:

> *"As a part of its approved CON application (Project ID #N-8497-10), FirstHealth will move forward to develop a single, shared operating room. This shared operating room will be used for both outpatient and inpatient surgical cases at FHCH. …*
>
> *With the approval of this CON application, FHCH will renovate planned storage areas and operate a second shared operating room. Two operating rooms are ideal for patient care, staffing emergencies, and operating room turn-over. This shared operating room will be used for both outpatient and inpatient surgical cases at FHCH. …*
>
> *Currently, there are no plans for the future use of the vacated operating room space at FMRH. The area will be used for storage until a future use is determined."*

Population to be Served

In Section III.6, page 74, and Section IV, page 91, the applicant provides projected patient origin for FHCH operating rooms in the first two years of operation (FY2015 and FY2016), as shown in the table below.

County	**FY 2015 PY1- Patients**	**FY 2015 PY1- Percent of Total Patients**
Cumberland	172	16.9%
Hoke	331	32.5%
Robeson	377	37.1%
Scotland	137	13.5%
Total	1,017	**100.0%**

FHCH- Inpatient Services
County of Patient Origin

County	**FY 2016 PY2- Patients**	**FY 2016 PY2- Percent of Total Patients**
Cumberland	218	16.9%
Hoke	420	32.5%
Robeson	479	37.1%
Scotland	174	13.5%
Total	1,292	**100.0%**

The applicant adequately identified the population proposed to be served.

Need Analysis

In assessing the need for the proposed project, FirstHealth states in Section III, page 56, that

"FHCH will:

- *Meet the demand for surgical services and will achieve sufficient volumes to maintain the operation of the two shared operating rooms.*
- *Increase patient access to surgical services to Hoke County and surrounding counties' residents by bringing operating room capacity closer to where residents live.*
- *Two operating rooms will more fully support the Emergency Department by allowing greater flexibility when an emergent case needs surgical support.*
- *Complement other existing and proposed healthcare services in Hoke County, including FirstHealth's concurrent CON application to add 28 new acute care beds to FHCH. As demonstrated in this application, one operating room would not be sufficient to support the additional 28 acute care beds (28 beds + 8 beds = 36 beds); however, this CON application is not contingent on the approval of FHCH's proposed 28-bed expansion CON application.*
- *Increase the daily presence of surgical specialists in Hoke County."*

In Section III, pages 56-68, FirstHealth states that it looked at the factors summarized below.

"Physician Commitments"

On page 57, FirstHealth provides a table that "*identifies each physician or medical practice and their specialty and each physician's committed annual surgical cases from the service area.*" The table lists nineteen physicians with the number of annual inpatient (IP) and outpatient (OP) surgical cases which total 585 IP cases and 1,712 OP cases.

"Service Area Population Growth Trends" [pages 58-60]

"Hoke County Demographics"

FirstHealth, on page 58, states that it obtained population projections from the North Carolina State Office of Budget and Management (NCSOBM). FirstHealth states "*Based on NCOSBM projections Hoke County's population is projected to grow by an additional 27.3 percent from 2010 to 2020. … The elderly population (65+ years old) grew by 36.9 percent from 2000 to 2010, to represent 7.5 percent of Hoke County's total population. NCOSBM projects that the elderly population will be the fastest growing population, increasing by 70.1 percent from 2010 to 2020. … The rapid growth in the 45 to 64 and 65+ population will result in a significant increase in demand for healthcare services including surgical services. These population groups have higher use rates for surgical services than younger population groups. Thus, the need for an additional operating room in Hoke County will increase as a result of both population growth and aging.*" In a table on page 58 the applicant states that the population of Hoke County aged 45-64 will increase from 10,297 in 2010 to 13,056 in 2020 and that the population of Hoke County aged 65+ will increase from 3,557 in 2010 to 6,049 in 2020.

"Overall Service Area Demographics"

On page 59, FirstHealth states that the population of the proposed overall four county service area (Hoke, Cumberland, Robeson and Scotland Counties) the population aged 45-64 will decrease from 128,690 in 2010 to 126,441 in 2020 but the population aged 65+ will increase 34.4% from 55,071 in 2010 to 74,029 in 2020.

The applicant states

> *"Like Hoke County, the rapid growth in 65+ population for the total service area will result in a significant increase in demand for healthcare services including surgical services. These population groups have higher use rates for surgical services than younger population groups. Thus, the need for an additional operating room in Hoke County will increase as a result of both population growth and aging. … It should be noted that although the 65+ age group currently accounts for only 10.1 percent of the overall service area's population in 2010 and 7.5 percent of the Hoke County population, the 65+ age group accounts for over 44.0 percent of outpatient and 58.0 percent of inpatient projected surgical cases at FHCH due to their increased usage of surgical services related to the presence of diseases more common in the elderly."*

"Discussion of Population Growth Trends"

On page 60, the applicant states

> *"NCOSBM projects that Hoke County will have the highest projected population percentage growth increase in North Carolina between 2010 and 2020. Hoke County's population is projected to increase by 27.3 percent, which is nearly three times higher than the North Carolina's projected population increase of 10.9 percent.*
>
> …
>
> *NCOSBM projects that Hoke County will have the second highest projected 65+ population percentage increase in North Carolina between 2010 and 2020. Hoke County's population is projected to increase by 70.1 percent, which is almost double the North Carolina's projected 65+ population growth at 37.9 percent."*

FirstHealth cites both statistics in support of the addition of acute care services.

"Demographic and Health Status Factors Influencing Need for Acute Care Services"

On pages 61, FirstHealth, citing to NCSOBM, provides a table illustrating the population diversity of the service area as compared to the state as a whole, see below

	Hoke County	**Cumberland County**	**4-County Service Area**	**NC**
American Indian/ Alaska Native	10.1%	1.7%	12.4%	1.6%
Asian/Pacific Islander	1.5%	2.8%	2.1%	2.4%
African American	33.8%	37.5%	34.1%	21.9%
Two or More Races	4.0%	4.2%	3.6%	1.9%
White	50.6%	53.8%	47.9%	72.3%
Total	100.0%	100.0%	100.0%	100.0%

FirstHealth states "*Approving additional beds* [sic] *for Hoke County is the best way to ensure these underserved groups have access to care."*

On page 62, FirstHealth cites health status factors for FHCH's 4-county service area which "*warrant further efforts to increase accessibility* [sic] *surgical services."* The health status factors referred to are illustrated in the table below.

	% Uninsured Adults	**Population per Primary**	**% in Fair or Poor Health**	**Preventable Hospital Stays**

		Physician		
Hoke	22%	4,365:1	24%	71
Robeson	25%	1,479:1	27%	103
Scotland	19%	869:1	25%	87
Cumberland	16%	820:1	19%	56

On pages 63-67, the applicant references several programs occurring in Hoke County. FirstHealth states that the comorbidities addressed by the programs are *"likely to cause inpatient and outpatient health care services to remain strong into the future in Hoke County."*

Projected Utilization

In Section IV, pages 79 and 96, FirstHealth provides historical, interim and projected utilization of FMRH and FHCH through the first three years of operation (FY2015 – FY2017) following completion of the proposed project as illustrated in the table below.

FMRH- Surgical Cases

Year	**Shared Operating Rooms**	**Outpatient Surgical Cases**	**Inpatient Surgical Cases**	**Total Surgical Cases**
FY2010	16	4,183	6,360	10,543
FY2011	16	4,394	5,738	10,132
FY2012	16	4,432	5,785	10,217
FY2013	16	4,467	5,830	10,297
FY2014	16	4,503	5,875	10,378
FY2015 **(PY1)**	14	4,145	5,687	9.832
FY2016 **(PY2)**	14	4,101	5,610	9,711
FY2017 **(PY3)**	14	4,054	5,530	9,584

Note- make sure this is excluding Open Heart and "c-section

FHCH- Surgical Cases

Year	**Operating Rooms**	**Outpatient Surgical Cases**	**Inpatient Surgical Cases**	**Total Surgical Cases**
FY2013	na	na	na	na
FY2014	na	na	na	na
FY2015 **(PY1)**	2	786	231	1,017
FY2016 **(PY2)**	2	942	350	1,292
FY2017 **(PY3)**	2	1,100	470	1,575

The applicant describes the assumptions and methodology used to project the inpatient and outpatient surgical cases for FHCH in Section IV, pages 79-96, summarized as follows:

FMRH- Surgical Inpatients

On page 80, FirstHealth states that it relied on the Thomson North Carolina State Inpatient Database for FY2011 and NCOSBM (May 2012 projections) to generate the data used in the projection methodology.

1. Population Projection. On page 80, FirstHealth identified the population projection for the 4-county service area (Cumberland, Hoke, Robeson and Scotland counties) for 2011-2018.

2. Annual Population Change. On page 81, FirstHealth calculated the annual population change for the 4-county service area for 2011-2018.

3. Identify Number of Patients and Days of Care. On page 81, FirstHealth identified the number of patients and days of care, by all North Carolina hospitals, provided to the residents of the 4-county service area in FY2011 based on the FY2011 Thomson North Carolina State Inpatient Data base. Excluded were patients and days of care related to admissions for chemical dependency (CD), normal newborns, psychiatric, and rehabilitation services.

	Cumberland		**Hoke**		**Robeson**		**Scotland**		**Total**	
	Patients	Days	Patients	Days	Patients	Days	Patients	Days	Patients	Days
All NC Hospitals	27,872	163,628	3,742	19,085	19,988	95,167	5,071	22,927	56,673	300,807

4. Project Number of Admissions 2012 -2018. On page 82, using the volume of patients identified in Step 3 and the annual population change calculated in Step 2 FirstHealth calculated the projected number of admissions from the 4-county service area excluding patients related to chemical dependency (CD), normal newborns, psychiatric, and rehabilitation services for 2012 through 2018.

County	2011	2012	2013	2014	**2015 (PY1)**	**2016 (PY2)**	**2017 (PY3)**	2018
Cumberland	27,872	28,154	28,337	28,489	28,615	28,720	28,808	28,880
Hoke	3,742	3,840	3,938	4,035	4,133	4,231	4,328	4,426
Robeson	19,988	20,014	20,040	20,067	20,093	20,119	20,145	20,171
Scotland	5,071	5,009	4,938	4,866	4,795	4,723	4,652	4,580
Total	56,673	57,017	57,252	57,456	57,635	57,792	57,932	58,057
% Change	na	0.6%	0.4%	0.4%	0.3%	0.3%	0.2%	0.2%

5. Identify number of Patients and Days of Care. On page 82, FirstHealth identified the number of patients and days of care, by all North Carolina hospitals, provided to the residents of the 4-county service area in FY2011 based on the FY2011 Thomson North Carolina State Inpatient Data base. This step differs from Step #3 in that the exclusions were more extensive. Excluded were patients and days of care related to admissions for chemical dependency (CD), normal newborns, psychiatric, and rehabilitation, OB deliveries, neonatology, trauma, open heart, surgical cardiology, neurosurgery, and thoracic surgery.

	Cumberland		Hoke		Robeson		Scotland		Total	
	Patients	Days	Patients	Days	Patients	Days	Patients	Days	Patients	Days
All NC Hospitals	21,110	122,394	2,803	14,089	16,157	75,449	4,169	17,255	44,239	229,187

6. Project Number of Admissions 2012 -2018. On page 82, using the volume of patients identified in Step 5 and the annual population change calculated in Step 2 FirstHealth calculated the projected number of admissions from the 4-county service area excluding patients related to chemical dependency (CD), normal newborns, psychiatric, and rehabilitation OB deliveries, neonatology, trauma, open heart, surgical cardiology, neurosurgery, and thoracic surgery for 2012 through 2018. This step differs from Step #4 in that the exclusions were more extensive.

County	2011	2012	2013	2014	**2015 (PY1)**	**2016 (PY2)**	**2017 (PY3)**	2018
Cumberland	21,110	21,324	21,462	21,577	21,673	21,752	21,819	21,874
Hoke	2,803	2,876	2,949	3,023	3,096	3,169	3,242	3,315
Robeson	16,157	16,178	16,199	16,220	16,242	16,263	16,284	16,305
Scotland	4,169	4,118	4,059	4,000	3,942	3,883	3,824	3,766
Total	44,329	44,496	44,670	44,820	44,952	45,067	45,169	45,259
% Change	na	0.4%	0.4%	0.3%	0.3%	0.3%	0.2%	0.2%

7. Identify the Number of Patients and Days of Care by FMRH only. On page 83, FirstHealth identified the number of patients and days of care, by only FMRH, provided in FY2011 to the residents of the 4-county service area based on the FY2011 Thomson North Carolina State Inpatient Data base. Excluded were patients and days of care related to admissions for chemical dependency (CD), normal newborns, psychiatric, and rehabilitation, OB deliveries, neonatology, trauma, open heart, surgical cardiology, neurosurgery, and thoracic surgery. The services were excluded because they were not planned to be provided at FHCH because of the "*capacity of the hospital, the availability of a medical or surgical specialist, and/or the need for the patient to receive care at a tertiary care facility."* FirstHealth decreased the number of inpatient and inpatient days of care that are available to "shift" to FHCH.

	Cumberland		Hoke		Robeson		Scotland		Total	
	Patients	Days	Patients	Days	Patients	Days	Patients	Days	Patients	Days
All NC Hospitals	369	1,360	1,514	6,538	1,091	4,449	629	2,578	3,603	14,925

8. Project Number of Admissions 2012-2018 to FMRH. On page 84, using the volume of patients identified in Step 7 and the annual population change calculated in Step 2 FirstHealth calculated the projected number of admissions to FMRH from the 4-county service area excluding patients related to chemical dependency (CD), normal newborns, psychiatric, and rehabilitation OB deliveries, neonatology, trauma, open heart, surgical cardiology, neurosurgery, and thoracic surgery for 2012 through 2018. This step again

"*assumes that admission rates for these types of admissions remain constant throughout the projection period. Further, these projections assume that FMRH's market share for these services remains constant throughout the time period.*"

County	2011	2012	2013	2014	**2015 (PY1)**	**2016 (PY2)**	**2017 (PY3)**	2018
Cumberland	369	373	375	377	379	380	381	382
Hoke	1,514	1,554	1,593	1,633	1,672	1,712	1,751	1,791
Robeson	1,091	1,092	1,094	1,095	1,097	1,098	1,100	1,101
Scotland	629	621	612	604	595	586	577	568
Total	3,603	3,640	3,675	3,709	3,742	3,776	3,809	3,842
% Change	na	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%

9. Project Days of Care at FMRH for 2012-2018. On page 85, FirstHealth projected the number of days of care to FMRH from the 4-county service area excluding patients related to chemical dependency (CD), normal newborns, psychiatric, and rehabilitation OB deliveries, neonatology, trauma, open heart, surgical cardiology, neurosurgery, and thoracic surgery for 2012 through 2018. First the applicant calculated the average length of stay (ALOS) for 2012 through 2012, by county by taking the 2011 days of care by county identified in Step 7 and dividing this by patient admissions by county (also from Step 7). Then, the applicant multiplied the projected number of admissions by county projected in Step 8 by the ALOS calculated in Step 9. This projected number of days of care associated with patient admissions to FMRH form the 4-county service area.

County	**2011**	**ALOS**
Cumberland	1,360	3.7
Hoke	6,538	4.3
Robeson	4,449	4.1
Scotland	2,578	4.1

County	2011	2012	2013	2014	**2015 (PY1)**	**2016 (PY2)**	**2017 (PY3)**	2018
Cumberland	1,360	1,374	1,383	1,390	1,396	1,401	1,406	1,409
Hoke	6,538	6,709	6,880	7,050	7,221	7,392	7,563	7,733
Robeson	4,449	4,455	4,461	4,466	4,472	4,478	4,484	4,490

Scotland	2,578	2,546	2,510	2,474	2,438	2,401	2,365	2,329
Total	14,925	15,084	15,233	15,380	15,527	15,672	15,817	15,960
% Change	na	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%

10. Identify the number of patients and days of care by surgical and medical admission by FMRH for 2011. Using the 2011 patient days of acre identified in Steps 8 and 9, on page 86 FirstHealth classifies the identified numb number of patients and days provided in 2011 to residents of the 4-county service area by FMRH by medical and surgical admission. Patients and days of care related to chemical dependency (CD), normal newborns, psychiatric, and rehabilitation OB deliveries, neonatology, trauma, open heart, surgical cardiology, neurosurgery, and thoracic surgery were excluded.

11. Project the number of medical and surgical admissions to FMRH for 2012-2018. On page 87, FirstHealth projected the number of surgical and medical admissions to FHRM for 2012 through 2018 from the 4-county service area by multiplying the projected number of admissions by the medical and surgical admission percentages calculated in Step 10. Patients related to admission for chemical dependency (CD), normal newborns, psychiatric, and rehabilitation OB deliveries, neonatology, trauma, open heart, surgical cardiology, neurosurgery, and thoracic surgery were excluded.

FHCH- Surgical Inpatients

12. Project Number of Surgical Inpatients for FHCH. On page 88, FirstHealth projects the "*surgical patient shift*", by percentage, from FMRH to FHCH for the 4-county service area. FirstHealth states "*FirstHealth projected the number of surgical inpatients that would receive care at FHCH, rather than at FMRH. FirstHealth made the assumption that patients seeking care at FirstHealth are more likely to seek care at a closer FirstHealth hospital, especially if their current physician provides services in Hoke County. … Using the experience of its administrative and outreach teams, FirstHealth assumes that 60.0 percent of FMRH patients from Hoke County (excluding patients from the following services chemical dependency (CD), normal newborns, psychiatric, and rehabilitation OB deliveries, neonatology, trauma, open heart, surgical cardiology, neurosurgery, and thoracic surgery) who would have travelled to FMRH for care will instead receive care at FHCH; this percentage will ramp-up over a three year period. … FirstHealth also assumes that 40.0 percent of the same medical surgical specialty patients from Cumberland and Robeson counties and 20.0 percent of the same medical surgical specialty patients from Scotland County who would have travelled to FMRH for care will instead receive care at FHCH; again, these percentages will ramp-up over a three year period. … This projected "shift" in existing patients takes into account patient preference and patient acuity. Higher acuity surgical specialties have already been excluded from the need methodology and an additional 40.0 to 80.0 percent of remaining current FMRH patients from the 4-county service area have been identified as not receiving care at FHCH. …"*

On page 89, as illustrated in the table below, FirstHealth projects the number of inpatient surgical cases that will "shift" from FMRH to FHCH by multiplying the surgical

admission from 2015 through 2017 projected in Step 11 by the patient shift rate projected in Step 12.

Surgical Patients "shifting" from FMRH to FHCH

Counties	Surgical Patients	Surgical Patients	Surgical Patients
	2015	**2016**	**2017**
Cumberland	38	58	77
Hoke	89	137	187
Robeson	82	124	165
Scotland	21	31	41
Total	231	350	470

13. Calculate projected number of inpatient surgical hours at FHCH. On page 90, FirstHealth calculates the projected number of inpatient surgical hours at FHCH "*required for the surgical cases projected in Step 5* [sic- should read Step 12], *which includes the inpatient surgical hours previously projected in FHCH's approved CON application (Project ID # N-8497-10), page 218"* as illustrated in the table below

Projected IP Surgical Hours at FHCH

	IP Surgical Hours	IP Surgical Hours	IP Surgical Hours
	2015	**2016**	**2017**
IP Cases	231	350	470
Hours per IP Case	3.0	3.0	3.0
Total IP Hours	693	1,049	1,411
Previous IP Hours	195	201	206
New IP Hours	498	848	1,205

FHCH-Outpatient Surgical Hours

On page 90, FirstHealth also projects outpatient surgical hours, as illustrated in the table below, and provides the methodology and assumptions.

	OP Surgical Hours	**OP Surgical Hours**	**OP Surgical Hours**
	2015	**2016**	**2017**
New OP Cases (associated with the previous discussion)	393	471	550

Project ID # N-8497-10 Approved OP Cases (only from Hoke County)	393	471	550
Total OP Cases	786	942	1,100
Hours per OP Case	1.5	1.5	1.5
Total OP Hours	1,179	1,413	1,650

The applicant states "*the following discussion explains the reason the FirstHealth increased the number of outpatient surgical cases projected to be performed at FHCH:*

In its approved CON Project ID # N-8497-10, FirstHealth only proposed to treat surgical cases from Hoke County. FirstHealth projected outpatient surgical caseloads for the first three years of operation to be 393 cases, 471 cases, and 550 cases, respectively. FirstHealth included physician letters of support with outpatient surgical referrals totaling 25 cases.

In this CON application, FirstHealth's projection methodology includes surgical cases from 4-county service area that includes Cumberland, Hoke, Robeson, and Scotland counties. FirstHealth also includes physician letters of support indicating a willingness to refer over 1,700 outpatient surgical cases to FHCH. One letter is from a physician that did not supply FirstHealth with a letter of support for its 2010 CON application and that physician alone proposes to refer over 700 surgical cases to FHCH.

As a result, based on the growing and aging service area population, the health status of county residents and the increased interest in FHCH, FirstHealth is increasing its proposed outpatient surgical cases as presented" in the table above.

Need for two OR's- Projected Combined Inpatient and Outpatient Surgical Hours

On page 91, FirstHealth provides the table below illustrating "*total surgical hours*" combining projected inpatient and outpatient surgical hours at FHCH to demonstrate the need for two operating rooms at FHCH.

Total Surgical Hours Projected at FHCH

	2015	**2016**	**2017**
Total IP Hours	693	1,049	1,411
Total OP Hours	1,179	1,413	1,650
Total Surgical Hours	1,872	2,462	3,061
Hours per OR	1,872	1,872	1,872
ORs Needed	1.00	1.32	1.63

The applicant states "*The need methodology proposed in this CON application, which incorporates the previously approved inpatient and outpatient surgical need methodology, results in a need for 1.6 (rounded up to 2) operating rooms. … Please refer to Exhibit 14 for need methodology documents. … It should be noted that*

FirstHealth does not propose to 'take' surgical case volume from Cape Fear Valley's Hoke Hospital. The projected volumes are based on FirstHealth patients receiving their care closer to home. As such, both FHCH's surgical case volume and CFV Hoke Hospital's surgical case volume are based on separate need methodologies that "shift" each existing health system's patients to their respective Hoke County hospital."

Furthermore, on page 57 and in Exhibit 35, FirstHealth identifies annual referrals of both IP and OP surgical cases from physicians. The IP surgical case referral totals 585 annual cases and the OP surgical case referral list totals 1,712 cases. The projected physician referrals equate to 4,323 total surgical hours ([585 x 3.0 = 1,755] + [1,712 x 1.5 = 2,568] = 4,323) or 2.31 OR's needed (4,323 / 1,872 = 2.309), which under the rules equates to 2.0 operating rooms. Even if the projected number of total surgical hours based on the physician referral letters were reduced by 35.0% the projected total surgical hours from the physician letters still support a need to relocate an OR to FHCH for a total of 2 OR's at FHCH (4,323 x. .35 = 1,513.05. 4,323 – 1,513.05 = 2,809.95 / 1,872 = 1.501).

In the 2012 Hospital License Renewal Application for FirstHealth Moore Regional Hospital and Pinehurst Treatment FMRH reported that it performed 5,738 inpatient surgical cases (excluding C-Section and open heart surgery procedures) and 4,394 outpatient surgical cases in the 16 existing shared operating rooms (excluding 2 dedicated open heart operating rooms) in FY2011. Based on the utilization standards required in 10A NCAC 14C .2103 (b)(1), the number of operating rooms required would be 13 [(4,394 X 1.5 hours) + (5,738 X 3.0 hours) = 23,805 hours; 23,805 hours/1,872 hours = 12.7 which equates to 13 operating rooms]. After completion of Project N-8497-10 (FHCH) which included the relocation of a shared operating room from FMRH, and the proposed project to also relocate an operating room from FMRH, FMRH would still have 14 shared operating rooms. Therefore, based on utilization data reported in the hospitals' most recent Hospital License Renewal Application forms, FMRH's existing operating rooms are currently operating below the utilization standards required in 10A NCAC 14C .2103 (b)(1).

Projected utilization is based on reasonable, credible and supported assumptions.

In Section VI.2, pages 115-116, the applicant describes in detail how medically underserved groups will have access to the proposed acute care bed.

In summary, FirstHealth adequately demonstrates the need to relocate one OR within the multicounty Moore-Hoke operating room service area from FMRH to FHCH including the extent to which medically underserved groups will have access to the proposed operating room. 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.

C

The applicant, FirstHealth, proposes to relocate one existing single operating rooms from an FMRH located in Moore County, to the approved FHCH, to be developed in Hoke County.

In Section III.3(d), page 69, the applicant states "*FMRH will have an adequate number of operating rooms after the relocation. FMRH does not plan any increase in cost to the patient, through non-inflation related charge increases, and fully expects both its charity and bad debt expenses to increase in the future.*"

In Section III.3(c), page 69, the applicant states "*Using the Operating Room need methodology in the 2012 SMFP to determine 2012 operating room need at FMRH; FirstHealth calculated a 2012 operating room surplus of 4.12 operating rooms. This number was calculated as follows:*

- *[(5,738 IP cases x 3.0 hours) + (4,394 OP cases x 1.5 hours) / 1,872) = 12.7 operating rooms]*
- *[17.0 operating rooms – 12.8 operating rooms = 4.2 operating rooms]*

As a result, FirstHealth would decrease FMRH's 2012 operating room surplus to 3.2 operating rooms through the relocation of the second operating room to Hoke County."

The project analyst notes that for consistency the 2 dedicated open heart operating rooms at FMRH should have been excluded from the analysis above. Under the analysis above and as set forth in detail below FMRH has a 2012 shared operating room surplus of 1.0.

In the 2012 Hospital License Renewal Application for FirstHealth Moore Regional Hospital and Pinehurst Treatment FMRH reported that it performed 5,738 inpatient surgical cases (excluding C-Section and open heart surgery procedures) and 4,394 outpatient surgical cases in the 16 existing shared operating rooms (excluding 2 dedicated open heart operating rooms) in FY2011. Based on the utilization standards required in 10A NCAC 14C .2103 (b)(1), the number of operating rooms required would be 13 [(4,394 X 1.5 hours) + (5,738 X 3.0 hours) = 23,805 hours; 23,805 hours/1,872 hours = 12.7 which equates to 13 operating rooms]. After completion of Project N-8497-10 (FHCH) and the proposed project FMRH would still have 14 shared operating rooms. Therefore, based on utilization data reported in the hospitals' 2012 Hospital License Renewal Application forms, FMRH's existing operating rooms are currently operating below the utilization standards required in 10A NCAC 14C .2103 (b)(1).

In Section VI.13, page 128, the applicant projects the payer mix for the surgical services at FMRH for the last full fiscal year (FY2011), as shown in the table below.

FMRH- Inpatient Surgical 10/1/2010 – 9/30/2011 Payer Category	**Inpatient Surgical Services as % of Total**
Self Pay/Charity	1.9%

Medicare/Medicare Managed Care	58.5%
Medicaid	10.4%
Commercial Insurance	23.6%
Managed Care	5.6%
Total	**100.0%**

The applicant adequately demonstrates that the relocation of the existing operating room will not have a negative effect 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. In addition, the applicant demonstrates that the needs of the population presently served will be met adequately by the proposed relocation. Therefore, the application is conforming to this criterion.

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

CA

In Section III.8, pages 76-77, the applicant describes the alternatives considered, including maintaining the status quo; locate an ambulatory surgical center on FirstHealth Hoke Community Hospital medical campus; or a Joint Venture.

- The applicant states it rejected the status quo alternative due to several disadvantages: 1) the local needs for healthcare services will not be addressed by maintaining the status quo; 2) FHCH's ability to become more competitive by offering more operating rooms to local physicians and thus more surgical specialties would be impaired; and FHCH states "*this application is being filed in conjunction with the 28-bed expansion of FHCH. One operating room would not be sufficient to support a 36-bed acute care hospital."*
- In conjunction with its approval to develop an 8-bed acute care hospital in Hoke County FirstHealth plans to develop the medical campus of FHCH into the "health hub" of Hoke County. In addition to the hospital, the medical campus will contain a medical office building and yet to be determined additional healthcare services on the periphery. The applicant determined that locating and developing a one operating room ambulatory surgery center on the FHCH medical campus would not be an effective or financially feasible alternative as compared to developing a second operating room within FHCH.
- FirstHealth discussed joint venturing with leadership of other hospitals in the area approximately three years ago. The applicant states "*FirstHealth received no meaningful responses."*

On page 77, the applicant states

> *"Expanding FHCH under the two-county operating room service area, whether through a need determination or the relocation of operating rooms within the service area, is the best alternative in making FHCH an effective*

alternative in comparison to CFVHS (22 ORs) and Fayetteville ASC (11 ORs)."

The applicant adequately demonstrated that the proposal is its least costly or most effective alternative to meet the need.

Furthermore, the application is conforming to all other statutory and regulatory review criteria, and thus, is approvable. An application must be conforming or conditionally conforming to all review criteria to be an effective alternative. A project that cannot be approved cannot be an effective alternative.

In summary, the applicant adequately demonstrates that its proposal is the least costly or most effective alternative to meet the need. Therefore, the application is conforming to this criterion and approved subject to the following conditions:

1. **FirstHealth of the Carolinas, Inc. shall materially comply with all representations made in the certificate of need application.**

2. **FirstHealth of the Carolinas, Inc. shall relocate one existing operating room from FirstHealth Moore Regional Hospital to FirstHealth Hoke Community Hospital.**

3. **FirstHealth Hoke Community Hospital shall be licensed for no more than 2 shared operating rooms upon completion of this project and Project I.D. #N-8497-10 (FHCH 8 bed hospital) and FMRH shall be licensed for no more than 14 shared operating rooms and 2 dedicated open heart operating rooms.**

4. **FirstHealth of the Carolinas, Inc. shall provide documentation that one existing operating room from FirstHealth Moore Regional Hospital is de-licensed following completion of the project.**

5. **FirstHealth of the Carolinas, 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 or that would otherwise require a certificate of need.**

6. **FirstHealth of the Carolinas, Inc. shall acknowledge acceptance of and agree to comply with all conditions stated herein to the Certificate of Need Section, in writing prior to issuance of the certificate of need.**

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

In Section VIII., page 146, the applicant projects its capital cost for the project to be $1,556,886 allocated as follows:

Construction Contract	
Cost of Materials (including Cost of Labor, Site Prep)	$284,465
Other (Contingency)	$28,446
Miscellaneous Project Costs	
Clinical FFE	$973,656
Non-Clinical FFE	$6,500
FFE Inflation and Freight	$71,661
Architect & Engineering	$30,206
Legal Fees/Market Analysis	$45,000
Permitting	$3,863
Other(Contingency)	$113,089
Total Capital Cost	**$1,556,886**

In Section VIII.3, page 147, the applicant states the capital cost will be financed with accumulated reserves. In Section IX.1, the applicant projects start-up expenses and initial operating expenses of $3,805,628 ($308,628 start-up + $3,500,000 initial operating = $3,805,628). In Exhibit 30 of the application, the applicant provides a letter from the Chief Financial Officer for FirstHealth, which states

> *"FirstHealth of the Carolinas, Inc., will provide $1.56 million through Accumulated Reserves (Assets Limited as to use: Internally Designated for Capital Projects) to fund the operating room relocation to FirstHealth Hoke Community Hospital in Hoke County.*
>
> *Please accept my assurance that the anticipated $1.56 million will be paid from these designated funds for this project.*
>
> *FirstHealth of the Carolinas, Inc., will provide $3.9 million through Accumulated Reserves (Current Assets: Cash and Cash Equivalents) to fund the working capital for FirstHealth Hoke Community Hospital in Hoke County.*
>
> *Please accept my assurance that the anticipated $3.9 million will be paid from these designated funds for this project."*

Exhibit 31 of the application contains audited financial statements for FirstHealth for the year ended September 30, 2011, which document that FirstHealth had $316,056,000 million in Assets Limited as to Use: Internally Designated for Capital Projects and $35,824,000 million in Current Assets: Cash and Cash Equivalents as of September 30, 2011. Overall, the applicant had $511,787,000 in Net Assets as of September 30, 2011. The applicant

adequately demonstrated the availability of funds for the projected capital costs described in the application.

The applicant provided pro forma financial statements for the first three years of the project. The applicant projects revenues will exceed operating expenses in the third operating years of the project, as illustrated in the table below.

FirstHealth Hoke Community Hospital

	Project Year 1	Project Year 2	Project Year 3
Gross Patient Revenue	$41,532,310	$48,002,917	$54,861,444
Deductions from Gross Patient Revenue	$28,030,054	$32,542,875	$37,327,422
Net Patient Revenue	$13,502,255	$15,460,041	$17,534,022
Total Expenses	$14,531,670	$16,390,685	$17,130,692
Net Income	($1,029,414)	($930,643)	$403,330

The assumptions used by the applicant in preparation of the pro forma financial statements are reasonable, including projected utilization, costs and charges. See Section XIII, pages 163-210, for the assumptions regarding costs and charges. See Criterion (3) for discussion regarding projected utilization which is incorporated hereby as if fully set forth herein. The applicant adequately demonstrates that the financial feasibility of the proposal is based upon reasonable projections of costs and charges, and therefore, 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

FirstHealth proposes to relocate one licensed operating room from FMRH, which is located in Pinehurst, Moore County, to the approved FHCH (8-bed hospital) to be developed in Raeford, Hoke County. FMRH and the approved FHCH are both located within the Moore-Hoke multicounty operating room service area. FHCH already has a certificate of need (Project ID #N-8497-10) to relocate one shared operating room from FMRH to FHCH. If approved, the proposed project will result in two shared operating rooms being relocated from FMRH to FHCH, Hoke County.

During the review of this application an issue has been raised concerning potential duplication of facilities in Hoke County as the two approved hospitals located in Hoke County FHCH and HCMC, are approved for a total of 3 shared operating rooms and 1 dedicated C-Section operating room [FHCH is already approved for 1 shared operating room and HCMC (41-bed hospital Project ID #N-8499-10) is approved for 2 shared operating rooms and 1 dedicated C-Section operating room].

However, as discussed in Section IV, pages 79-96, in the FHCH application, which amends the original approval for an 8-bed hospital, FirstHealth is not proposing capturing any market

share from HCMC but rather, FirstHealth has added three counties to its proposed service area as well as additional referral physicians. FirstHealth proposes "shifting" a portion of its existing market share currently receiving service at FMRH to FHCH which might be either closer or more preferable to its patients. In addition, FirstHealth is not adding an operating room to the service area but is relocating an existing operating room to a location in a new facility which is closer to a segment of its existing market share or projected market share approved in Project ID #N-8497-10 (FHCH 8-bed hospital).

Furthermore, based on Hospital License Renewal Application (LRA) data in 2011 Hoke County residents generated 5,871 total surgical hours [(940 inpatient cases x 3.0 = 2,820) + (2,034 outpatient cases x 1.5 = 3,051 hours) = 5,871 surgical hours] of service in North Carolina. In the table below total surgical hours (inpatient + outpatient) for Hoke County residents are projected for the years FY2012 – FY2017 based on the Growth Factor 2010-2014 (Population Change Rate) in Table 6B: Projected Operating Room Need for 2014 of the 2012 SMFP Cumberland/Hoke Multicounty operating room service area.

Year	**Growth Rate***	**All Hoke County Total Surgical Hours**
FY2011	4.89%	5,871
FY2012	4.89%	6,152
FY2013	4.89%	6,453
FY2014	4.89%	6,769
FY2015	4.89%	7,100
FY2016	4.89%	7,447
FY2017	4.89%	7,811

*Source: Growth Factor 2010-2014 (Population Change Rate) in Table 6B: Projected Operating Room Need for 2014 of the 2012 SMFP Cumberland/Hoke Multicounty operating room service area

Therefore, based on the table above, Hoke County residents are projected to generate 7,811 total surgical hours in FY2017 (third project year of the proposed project). Per page 76 of the

In Section III.5(c), of its approved 41-bed HCMC hospital, CFVMC (the owner of HCMC) provides projected patient origin by program component for HCMC in the second year of operation, which is summarized in the following table:

County	**Inpatient Days**	**Outpatient Visits**	**Emergency Visits**	**Surgery Cases**
Cumberland	59.5%	70.2%	63.2%	61.0%
Hoke	36.5%	25.5%	32.1%	34.4%
Robeson	4.0%	4.3%	4.7%	4.6%
Total	100.0%	100.0%	100.0%	100.0%

Source: p. 52 of the findings for the 2010 Hoke County Hospitals and Ambulatory Surgery Center Review

On page 76 of the findings for Project ID #N-8499-10 (HCMC 41-bed hospital) for FY 2016 the applicant (CFVMC as owner of HCMC) projects total inpatient surgical hours of 993 and total outpatient surgical hours of 1,841. Grown by 4.89% per the 2012 SMFP for FY201 this results in 1,045 inpatient surgical hours and 1,931 outpatient surgical hours for a combined total of 2,976 surgical hours. However, per the table above CFVMC/HCMC is only projecting 34.4% of its surgery cases to originate from Hoke County residents. Further, FHCH is only projecting 32.5% of its surgery cases to originate from Hoke County residents.

The table below illustrates the projected number of Hoke County patients in CFVMC's application for its approved 41 acute care bed hospital (HCMC) in Hoke County and the projected number of Hoke County patients in the current FirstHealth application.

Hoke County Patients only- Total surgical hours

	FY2014	**FY2015**	**FY2016**	**FY2017**
HCMC (41 beds as approved)	1,921	2,371	2,834	2,976**
FHCH- 2012 (36 beds as proposed)		1,872	2,462	3,061
Total		**4,243**	**5,296**	**6,037**

**Grown at 4.89% Growth Factor 2010-2014 (Population Change Rate) in Table 6B: Projected Operating Room Need for 2014 of the 2012 SMFP Cumberland/Hoke Multicounty operating room service area

Thus, for FY2017 HCMC and FHCH combined will account for 77.3% [6,037/ 7,811 = .7728 or 77.3%] of the total surgical hours originating from Hoke County residents. (If HCMC and FHCH were projecting to serve Hoke County residents only.) That leaves 22.7% [100.0% - 77.3% = 22.7%] of the total surgical hours from Hoke in FY2017 to go elsewhere (besides FHCH or HCMC) because of acuity issues, patient preference, or for other reasons. This is without factoring in that CFVMC/HCMC projected only 34.4% of its surgery cases to come from Hoke County residents and FHCH is only projecting 32.5% of its surgery cases to originate from Hoke County residents. Therefore, the proposed project will not adversely affect HCMC in terms of Hoke County patients, there are projected to be enough Hoke County patients to satisfy both the projected utilization of HCMC and FHCH in FY2017.

On page 91, FirstHealth provides the table below illustrating "*total surgical hours*" combining projected inpatient and outpatient surgical hours at FHCH to demonstrate the need for two operating rooms at FHCH.

Total Surgical Hours Projected at FHCH

	2015	**2016**	**2017**
Total IP Hours	693	1,049	1,411
Total OP Hours	1,179	1,413	1,650
Total Surgical Hours	1,872	2,462	3,061
Hours per OR	1,872	1,872	1,872

ORs Needed	1.00	1.32	1.63

The applicant states *"The need methodology proposed in this CON application, which incorporates the previously approved inpatient and outpatient surgical need methodology, results in a need for 1.6 (rounded up to 2) operating rooms. … Please refer to Exhibit 14 for need methodology documents. … It should be noted that FirstHealth does not propose to 'take' surgical case volume from Cape Fear Valley's Hoke Hospital. The projected volumes are based on FirstHealth patients receiving their care closer to home. As such, both FHCH's surgical case volume and CFV Hoke Hospital's surgical case volume are based on separate need methodologies that "shift" each existing health system's patients to their respective Hoke County hospital."*

FirstHealth projected utilization for the operating rooms at FHMR and FHCH, and demonstrated the need to add one operating room to FHCH. See discussion in Criterion (3) which is incorporated hereby as if fully set forth herein. The applicant proposes to relocate one existing operating rooms within the Moore-Hoke multicounty operating room service area, and does not propose to develop additional operating rooms in the Moore-Hoke multicounty operating room service area. Consequently, the applicants adequately demonstrate the proposed project would not result in the unnecessary duplication of existing or approved health service capabilities or facilities in the Moore-Hoke multicounty operating room service area. Therefore, the application is conforming with 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

FHCH is not an existing facility. However, the approved project [Project ID #N-8497-10] included one OR and the proposed staffing for that approved surgical service is included in Section VII.1, page 130. On page 131, the applicant projects the incremental staffing required for the proposed additional operating room to be relocated to FHCH, as illustrated in the table below.

Incremental Staff Required	**FTEs**
Supervising RN	0.25
CRNA	2.00
Registered Nurses	2.58
Surgical Technicians	0.75
Clerical/Transporter	0.125
Central Sterile Technician	1.875
Total	**7.58**

In Sections VII.1 and VII.2, pages 130-131, the applicant provides approved and proposed staffing tables for the surgical services department at FHCH, which shows the administrative, clinical, and support personnel that will be available to support the proposed operating rooms. In Section VII.3, page 133, and Section VII.7, pages 135-139, the applicant describes its recruitment and retention processes which will be used to recruit the additional surgical services staff identified in Section VII.2. In Section VII.9, page 142, the applicant identifies John Krahnert, M.D. as the proposed Chief of Staff/Medical Director for FHCH. In Section VII.9, pages 142-144, the applicant states, *"The following medical staff table identified all of the physicians who are willing to join the medical over* [sic] *the four submitted CON applications."* Exhibit 35 contains copies of letters of support from 57 physicians and surgeons expressing support for the project. The applicant adequately demonstrates the availability of sufficient health manpower and management personnel to provide 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 26, and Exhibit 5, the applicant identifies how the necessary ancillary and support services for the proposed services will be provided at FHCH. In Section V.2, page 98, FirstHealth provides a list of facilities with which they have transfer agreements. On page 98, FirstHealth states

> "*Transfer arrangements currently exist between FMRH and the provider facilities listed. FirstHealth will arrange for these agreements to extend to FHCH… Please refer to Exhibit 16 for copies of correspondence from FirstHealth to the hospitals identified below to arrange transfer agreements with FHCH.*
>
> - *FirstHealth Moore Regional Hospital*
> - *Cape Fear Valley Medical Center*
> - *Womack Army Medical Center*
> - *Scotland Memorial Hospital*
> - *Southeast Regional Medical Center"*

In Exhibit 35 of the application, the applicant provides letters from physicians supporting the proposed project. The applicant adequately demonstrates that the proposed project will be coordinated with the existing health care system. Therefore, the application is conforming with 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.

NA

(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.13, page 127, the applicant provides the payer mix during FY2011 for the existing surgical services at FMRH, as shown in the tables below.

FMRH- Inpatient Surgical 10/1/2010 – 9/30/2011 Payer Category	Inpatient Surgical Services as % of Total
Self Pay/Charity	1.9%
Medicare/Medicare Managed Care	58.5%
Medicaid	10.4%
Commercial Insurance	23.6%
Managed Care	5.6%
Total	**100.0%**

FMRH- Outpatient Surgical 10/1/2010 – 9/30/2011 Payer Category	Outpatient Surgical Services as % of Total
Self Pay/Charity	2.8%
Medicare/Medicare Managed Care	44.4%
Medicaid	9.7%
Commercial Insurance	36.5%
Managed Care	6.6%
Total	**100.0%**

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 for & county and statewide.

	June 2010 Total # of Medicaid Eligibles as % of Total Population *	June 2010 Total # of Medicaid Eligibles Age 21 and older as % of Total Population *	CY 2008-2009 % Uninsured (Estimate by Cecil G. Sheps Center) *
Cumberland County	18.0%	7.4%	20.3%
Hoke County	19.0%	6.9%	21.9%
Robeson County	31.0%	13.2%	23.9%
Scotland County	30.0%	12.9%	21.5%
Statewide	**17.0%**	**6.7%**	**19.7%**

* More current data, particularly with regard to the estimated uninsured percentages, was not available.

The majority of Medicaid eligibles are children under the age of 21.

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 48.6% for those age 20 and younger and 31.6% 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 payor 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 applicant demonstrates that medically underserved populations currently have adequate access to the applicant's existing services and is conforming to this criterion.

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

C

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 125, the applicant states

"In June 1995, FMRH fulfilled its Hill-Burton quota to provide uncompensated care, community service, and access to minorities and handicapped persons under Hill-Burton."

In Section VI.10, page 113, the applicant states that there have not been any civil rights access complaints filed against FirstHealth or FMRH in the past five years. 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 128, the applicant projects the payer mix for the surgical services at FHCH for the second operating year following project completion (FY2016), as shown in the table below.

FHCH- Inpatient Surgical 10/1/2015 – 9/30/2016 Payer Category	Inpatient Surgical Services as % of Total
Self Pay/Charity	1.9%
Medicare/Medicare Managed Care	58.5%
Medicaid	10.4%
Commercial Insurance	23.6%
Managed Care	5.6%
Total	**100.0%**

FMRH- Outpatient Surgical 10/1/2015 – 9/30/2016 Payer Category	Outpatient Surgical Services as % of Total
Self Pay/Charity	2.8%
Medicare/Medicare Managed Care	44.4%
Medicaid	9.7%
Commercial Insurance	36.5%
Managed Care	6.6%
Total	**100.0%**

In Section IV.14, page 128, the applicant states, *"FHCH payer mix is based on the need methodology for surgical patients who originate from the four-county service area."* The applicant demonstrated that the proposed relocation of one operating room within the Moore-Hoke Operating Room Service Area will provide adequate access to medically underserved populations. Therefore, 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

In V.4-6, pages 116-122, the applicant describes the range of means by which a person will access their services. The application is conforming to this criterion.

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

C

In Section V.1 of the application, the applicant states they have extensive relationships with many health professional training programs. Exhibit 15 contains a list of training programs that FirstHealth has an agreement with and an "*example of a training program affiliation agreement.*" The list of training programs includes: Central Carolina Community College; Fayetteville Technical Community College; Hoke County High School; Johnston Community College; Methodist College; Robeson Community College and Sandhills Community College. 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

In Section V.7, pages 105, the applicant states

> "*Competitive healthcare markets exist when there is genuine choice for patients in terms of who supplies the care and services they require. Competitive healthcare markets are characterized by various forms of charge and no-charge competition between hospitals who are attempting to increase or protect their market share. FHCH is a true alternative to CFVHS for service area residents who desire a choice in their healthcare provider.*
>
> 1. *What are the gains from increased healthcare market competition?*
> 2. *Lower charges to third-party insurers and patients.*
> 3. *A greater discipline on hospitals to keep costs down.*
> 4. *Improvements in technology with positive effects on care and outcomes.*
> 5. *A faster pace of innovation of care.*
> 6. *Improvements to the quality of care of patients.*
> 7. *Better performance and quality information available allowing patients to make more informed choices.*
> 8. *Create jobs.*
>
> *The overall impact of increased healthcare competition should be the improvement in the economic and physical welfare of patients."*

The information provided by the applicant is reasonable and credible and adequately demonstrates that the expected effects of the proposal on competition include a positive impact on cost-effectiveness, quality and access to surgical services in Hoke County. 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

FirstHealth of the Carolinas, Inc. operates three hospitals in the North Carolina Sandhills: FirstHeath Moore; FirstHealth Richmond; and FirstHealth Montgomery. FirstHealth of the Carolinas, Inc. is certified by CMS for Medicare and Medicaid participation, and licensed by the NC Department of Health and Human Services. According to files in the Acute and Home Care Licensure and Certification Section in the Division of Health Service Regulation, no incidents have occurred at FirstHealth within the eighteen months immediately preceding the date of the decision for which any sanctions or penalties related to quality of care were imposed by the State. 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

Within the Moore-Hoke Multicounty Operating Room Service Area FirstHealth proposes to relocate an existing shared operating room from FHMR in Moore County to the approved FHCH in Hoke County. Therefore, the Criteria and Standards for Surgical Services and Operating Rooms, promulgated in 10A NCAC 14C .2100 are applicable to this review. The application is conforming to all applicable Criteria and Standards for Surgical Services and Operating Rooms. The specific criteria are discussed below.

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

10A NCAC 14C .2102 INFORMATION REQUIRED OF APPLICANT

(a) An applicant proposing to establish a new ambulatory surgical facility, to establish a new campus of an existing facility, to establish a new hospital, to convert a specialty ambulatory surgical program to a multispecialty ambulatory surgical program or to add a specialty to a specialty ambulatory surgical program shall identify each of the following specialty areas that will be provided in the facility:

(1) gynecology;
(2) otolaryngology;
(3) plastic surgery;
(4) general surgery;
(5) ophthalmology;
(6) orthopedic;
(7) oral surgery; and
(8) other specialty area identified by the applicant.

-NA- The applicant proposes to relocate proposes to relocate an existing operating room from FHMR to the approved FHCH. The applicant is not proposing to establish a new ambulatory surgical facility, or establish a new campus of an existing facility, or establish a new hospital, or convert a specialty ambulatory surgical program to a multispecialty ambulatory surgical program, or to add a specialty to a specialty ambulatory surgical program.

(b) An applicant proposing to increase the number of operating rooms in a service area, to convert a specialty ambulatory surgical program to a multispecialty ambulatory surgical program or to add a specialty to a specialty ambulatory surgical program shall provide the following information:

(1) the number and type of operating rooms in each facility which the applicant or a related entity owns a controlling interest in and is located in the service area, (separately identifying the number of dedicated open heart and dedicated C-Section rooms);
(2) the number and type of operating rooms to be located in each facility which the applicant or a related entity owns a controlling interest in and is located in the service area after completion of the proposed project and all previously approved projects related to these facilities (separately identifying the number of dedicated open heart and dedicated C-Section rooms);
(3) the number of inpatient surgical cases, excluding trauma cases reported by Level I, II, or III trauma centers, cases reported by designated burn intensive care units, and cases performed in dedicated open heart and dedicated C-section rooms, and the number of outpatient surgical cases performed in the most recent 12 month period for which data is available, in the operating rooms in each facility listed in response to Subparagraphs (b)(1) and (b)(2) of this Rule;
(4) the number of inpatient surgical cases, excluding trauma cases reported by level I, II, or III trauma centers, cases reported by designated burn intensive care units and cases performed in dedicated open heart and dedicated C-section rooms, and the number of outpatient surgical cases projected to be performed in each of the first three operating years of the proposed project, in each facility listed in response to Subparagraphs (b)(1) and (b)(2) of this Rule;
(5) a description of and documentation to support the assumptions and methodology used in the development of the projections required by this Rule;

(6) the hours of operation of the proposed new operating rooms;

(7) if the applicant is an existing facility, the average reimbursement received per procedure for the 20 surgical procedures most commonly performed in the facility during the preceding 12 months and a list of all services and items included in the reimbursement;

(8) the projected average reimbursement to be received per procedure for the 20 surgical procedures which the applicant projects will be performed most often in the facility and a list of all services and items included in the reimbursement; and

(9) identification of providers of pre-operative services and procedures which will not be included in the facility's charge.

-NA- The applicant is not proposing to increase the number of operating rooms in a service area, to convert a specialty ambulatory surgical program to a multispecialty ambulatory surgical program or to add a specialty to a specialty ambulatory surgical program.

(c) An applicant proposing to relocate existing or approved operating rooms within the same service area shall provide the following information:

(1) the number and type of existing and approved operating rooms in each facility in which the number of operating rooms will increase or decrease (separately identifying the number of dedicated open heart and dedicated C-Section rooms);

-C- In Section II.10, page 38, the applicant provides a table showing the number and type of operating rooms at FMRH and FHCH.

Existing and Approved Operating Rooms
FirstHealth of the Carolinas
FY2012

Facility	**IP Rooms**	**Shared Rooms**	**Total Rooms**
FMRH	2	15*	17
FHCH	0	1*	1

. *FHCH was approved to relocate one operating rooms from FMRH to FHCH (Project ID # 8497-10)

(2) the number and type of operating rooms to be located in each affected facility after completion of the proposed project and all previously approved projects related to these facilities (separately identifying the number of dedicated open heart and dedicated C-Section rooms);

-C- In Section II.10, page 38, the applicant provides a table showing the number and type of operating rooms to be located at each of the FirstHealth facilities after completion of the proposed project.

Proposed Operating Rooms
FirstHealth of the Carolinas
FY2015

Facility	IP Rooms	Shared Rooms	Total Rooms
FMRH	2	14*	16
FHCH	0	2*	2

. *FHCH was approved to relocate one operating room from FMRH to FHCH (Project ID # 8497-10).

(3) the number of inpatient surgical cases, excluding trauma cases reported by Level I, II, or III trauma centers, cases reported by designated burn intensive care units, and cases performed in dedicated open heart and dedicated C-section rooms, and the number of outpatient surgical cases performed in the most recent 12 month period for which data is available, in the operating rooms in each facility listed in response to Subparagraphs (c)(1) and (c)(2) of this Rule;

-C- In Section II.10, page 39, the applicant provides a table showing the number of inpatient and outpatient surgical cases, excluding trauma, cases reported by designated burn intensive care units, open heart, and C-section surgical cases, performed during the most recent 12-month period (FY2011) at each of the FirstHealth facilities listed above.

FirstHealth Moore Regional Hospital
Operating Room Cases
FY2011

Facility	IP Rooms	Shared Rooms	Total Cases
FMRH IP	293	5,445	5,738
FMRH OP	0	4,394	4,394
FMRH Total	293	9,839	10,132

(4) the number of inpatient surgical cases, excluding trauma cases report1d by level I, II, or III trauma centers, cases reported by designated burn intensive care units and cases performed in dedicated open heart and dedicated C-section rooms, and the number of outpatient surgical cases projected to be performed in each of the first three operating years of the proposed project, in each facility listed in response to Subparagraphs (c)(1) and (c)(2) of this Rule;

-C- In Section II.10, pages 39-40, the applicant provides tables showing the projected number of inpatient and outpatient surgical cases, excluding trauma, open heart, and C-section surgical cases, to be performed at FMRH and FHCH for each of the first three operating years, as shown below.

FirstHealth Moore Regional Hospital
Projected Utilization: FY2015 – FY 2017

Facility	**IP Rooms***	**Shared Rooms**	**Total Cases**
FMRH			
FY2015 IP	290	5,397	5,687
FY2015 OP	0	4,145	4,145
FY2015 Total	290	9,542	9,832
FY2016 IP	290	5,320	5,610
FY2016 OP	0	4,101	4,101
FY2016 Total	290	9,421	9,711
FY2017 IP	290	5,240	5,530
FY2017 OP	0	4,054	4,054
FY2017 Total	290	9,294	9,584

* IP rooms are dedicated Open Heart operating rooms and FirstHealth does not expect an increase in cases from the current level of open heart cases.

FirstHealth Hoke Community Hospital
Projected Utilization: FY2015 – FY 2017

Facility	**IP Rooms***	**Shared Rooms**	**Total Cases**
FHCH			
FY2015 IP	0	231	231
FY2015 OP	0	786	786
FY2015 Total	0	1,017	1,017
FY2016 IP	0	350	350
FY2016 OP	0	942	942
FY2016 Total	0	1,292	1,292
FY2017 IP	0	470	470
FY2017 OP	0	1,100	1,100
FY2017 Total	0	1,570	1,570

* IP rooms are dedicated Open Heart operating rooms and FirstHealth does not expect an increase in cases from the current level of open heart cases.

(5) a detailed description of and documentation to support the assumptions and methodology used in the development of the projections required by this Rule;

-C- Section IV.1, pages 79-96, contain a detailed description of and documentation to support the assumptions and methodology used in the development of the projections. An analysis of the assumptions, methodology, and utilization projections was conducted in Criterion (3). This analysis is included by reference.

(6) the hours of operation of the facility to be expanded;

-C- In Section II.10, page 40, the applicant states the hour of operation for surgical services at FHCH are to be 7:00 a.m. to 4:00 p.m. and "on call" after hours.

(7) the average reimbursement received per procedure for the 20 surgical procedures most commonly performed in each affected facility during the preceding 12 months and a list of all services and items included in the reimbursement;

-C- In Section II.10, page 41, the applicant provides the average reimbursement received per procedure for the 20 surgical procedures most commonly performed at FMRH operating rooms during the preceding 12 months (April 2011 – March 2012) and a list of all services and items included in the procedure reimbursement. FHCH is approved but not yet developed. The table is shown below:

Code/Description	**Average Reimbursement**
81.54 TOTAL KNEE REPLACEMENT	$15,515
51.23 LAPAROSCOPIC CHOLECYSTEC (OP)	$4,747
80.51 EXCISION INTERVERT DISC (OP)	$7,836
47563 LAPARO CHOLECYSTECTOMY/GRAPH	$4,869
63030 LOW BACK DISK SURGERY	$7,354
74.1 LOW CERVICAL C-SECTION	$3,677
81.02 0TH CERV FUSION ANT/ANT	$12,165
63047 REMOVAL OF SPINAL LAMINA	$7,584
81.51 TOTAL HIP REPLACEMENT	$14,885
39.27 DIALYSIS ARTERIOVENOSTOM	$3,068
03.09 SPINAL CANAL EXPLOR NEC (OP)	$7,074
51.23 LAPAROSCOPIC CHOLECYSTEC (IF)	$9,716
03.09 SPINAL CANAL EXPLOR NEC (IF)	$8,720
60.5 RADICAL PROSTATECTOMY	$10,850
80.51 EXCISION INTERVERT DISC (lP)	$8,378

83.63 ROTATOR CUFF REPAIR	$7,809
47562 LAPAROSCOPIC CHOLECYSTECTOMY	$4,307
85.21 LOCAL EXCIS BREAST LES	$3,424
36.12 AORTOCOR BYPAS-2 COR ART	$31,480
38.12 HEAD & NECK ENDARTER NEC	$7,927

On page 41, the applicant states

"Services and supplies included in the procedure reimbursement are:

- *Nursing and technical personnel*
- *Use of facility*
- *Drugs, biologicals, surgical dressings, supplies, splints, casts, appliances, and equipment*
- *Diagnostic and therapeutic items*
- *Administrative, record keeping, and housekeeping*
- *Blood, blood plasma, platelets, etc.*
- *Materials for anesthesia*
- *Lab and diagnostic services required the day of surgery"*

(8) the projected average reimbursement to be received per procedure for the 20 surgical procedures which the applicant projects will be performed most often in the facility to be expanded and a list of all services and items included in the reimbursement; and

-C- In Section II.10, page 42, the applicant provides the projected average reimbursement to be received per procedure for the 20 surgical procedures projected to be performed at FHCH and a list of all services and items included in the reimbursement. The table is shown below:

Description	Projected Reimbursement
51.23 LAPAROSCOPIC CHOLECYSTEC (OP)	$5,187
80.51 EXCISION INTERVERT DISC (OF)	$8,562
47563 LAPARO CHOLECYSTECTOMY/GRAPH	$5,321
63047 REMOVAL OF SPINAL LAMINA	$8,288
39.27 DIALYSIS ARTERIOVENOSTOM	$3,352
03.09 SPINAL CANAL EXPLOR NEC (OF)	$7,730
51.23 LAPAROSCOPIC CHOLECYSTEC (IF)	$10,617
03.09 SPINAL CANAL EXPLOR NEC (IF)	$9,529
60.5 RADICAL PROSTATECTOMY	$11,856
80.51 EXCISION INTERVERT DISC (IP)	$9,155
83.63 ROTATOR CUFF REPAIR	$8,534
47562 LAPAROSCOPIC CHOLECYSTECTOMY	$4,706
85.21 LOCAL EXCIS BREAST LES	$3,741
38.12 HEAD & NECK ENDARTER NEC	$8,662
36821 AV FUSION DIRECT ANY SITE	$3,756

52353 CYSTOURETERO W/LITHOTRIPSY	$5,216
56.0 TU REMOV URETER OBSTRUCT	$5,216
68.31 LAP SCERVIC HYSTERECTOMY	$9,103
36830 ARTERY-VEIN NONAUTOGRAFT	$2,754
39.29 VASC SHUNT & BYPASS NEC	$16,574

On page 43 the applicant states "*Services and supplies included in the procedure reimbursement, which are included in the pro forma financial statements, are:*

- *Nursing and technical personnel*
- *Use of facility*
- *Drugs, biologicals, surgical dressings, supplies, splints, casts, appliances, and equipment*
- *Diagnostic and therapeutic items*
- *Administrative, record keeping, and housekeeping*
- *Blood, blood plasma, platelets, etc.*
- *Materials for anesthesia*
- *Lab and diagnostic services required the day of surgery"*

(9) identification of providers of pre-operative services and procedures which will not be included in the facility's charge.

-C- In Section II.10, page 43, the applicant identifies the providers of pre-operative services and procedures which are not included in the procedure chare: Anesthesiologist or physician fees; durable medical equipment; ambulance services; extremity braces; prosthetic devise; and independent laboratory and diagnostic service.

(d) An applicant proposing to establish a new single specialty separately licensed ambulatory surgical facility pursuant to the demonstration project in the 2010 State Medical Facilities Plan shall provide:

(1) the single surgical specialty area in which procedures will be performed in the proposed ambulatory surgical facility;

(2) a description of the ownership interests of physicians in the proposed ambulatory surgical facility;

(3) a commitment that the Medicare allowable amount for self-pay and Medicaid surgical cases minus all revenue collected from self-pay and Medicaid surgical cases shall be at least seven percent of the total revenue collected for all surgical cases performed in the proposed facility;

(4) for each of the first three full fiscal years of operation, the projected number of self-pay surgical cases;

(5) for each of the first three full fiscal years of operation, the projected number of Medicaid surgical cases;

(6) for each of the first three full fiscal years of operation, the total projected Medicare allowable amount for the self-pay surgical cases to be served in the proposed facility, i.e. provide the projected Medicare allowable amount per self-pay surgical case and multiply that amount by the projected number of self-pay surgical cases;

(7) for each of the first three full fiscal years of operation, the total projected Medicare allowable amount for the Medicaid surgical cases to be served in the facility, i.e. provide the projected Medicare allowable amount per Medicaid surgical case and multiply that amount by the projected number of Medicaid surgical cases;

(8) for each of the first three full fiscal years of operation, the projected revenue to be collected from the projected number of self-pay surgical cases;

(9) for each of the first three full fiscal years of operation, the projected revenue to be collected from the projected number of Medicaid surgical cases;

(10) for each of the first three full fiscal years of operation, the projected total revenue to be collected for all surgical cases performed in the proposed facility;

(11) a commitment to report utilization and payment data for services provided in the proposed ambulatory surgical facility to the statewide data processor, as required by G.S. 131E-214.2;

(12) a description of the system the proposed ambulatory surgical facility will use to measure and report patient outcomes for the purpose of monitoring the quality of care provided in the facility;

(13) descriptions of currently available patient outcome measures for the surgical specialty to be provided in the proposed facility, if any exist;

(14) if patient outcome measures are not currently available for the surgical specialty area, the applicant shall develop its own patient outcome measures to be used for monitoring and reporting the quality of care provided in the proposed facility, and shall provide in its application a description of the measures it developed;

(15) a description of the system the proposed ambulatory surgical facility will use to enhance communication and ease data collection, e.g. electronic medical records;

(16) a description of the proposed ambulatory surgical facility's open access policy for physicians, if one is proposed;

(17) a commitment to provide to the Agency annual reports at the end of each of the first five full years of operation regarding:

- *(A) patient payment data submitted to the statewide data processor as required by G.S. 131E-214.2;*
- *(B) patient outcome results for each of the applicant's patient outcome measures;*
- *(C) the extent to which the physicians owning the proposed facility maintained their hospital staff privileges and provided Emergency Department coverage, e.g. number of nights each physician is on call at a hospital; and*
- *(D) the extent to which the facility is operating in compliance with the representations the applicant made in its application relative to the single specialty ambulatory surgical facility demonstration project in the 2010 State Medical Facilities Plan.*

-NA- The applicant is not proposing to establish a new single specialty separately licensed ambulatory surgical facility pursuant to the demonstration project in the 2010 State Medical Facilities Plan.

10A NCAC 14C .2103 PERFORMANCE STANDARDS

(a) In projecting utilization, the operating rooms shall be considered to be available for use five days per week and 52 weeks a year.

-C- In Section II.10, page 46 of the application, the applicant states the program is considered to be available for use five days per week and 52 weeks per year.

(b) A proposal to establish a new ambulatory surgical facility, to establish a new campus of an existing facility, to establish a new hospital, to increase the number of operating rooms in an existing facility (excluding dedicated C-section operating rooms), to convert a specialty ambulatory surgical program to a multispecialty ambulatory surgical program or to add a specialty to a specialty ambulatory surgical program shall:

(1) demonstrate the need for the number of proposed operating rooms in the facility which is proposed to be developed or expanded in the third operating year of the project based on the following formula: {[(Number of facility's projected inpatient cases, excluding trauma cases reported by Level I or II trauma centers, cases reported by designated burn intensive care units and cases performed in dedicated open heart and C-section rooms, times 3.0 hours) plus (Number of facility's projected outpatient cases times 1.5 hours)] divided by 1872 hours} minus the facility's total number of existing and approved operating rooms and operating rooms proposed in another pending application, excluding one operating room for Level I or II trauma centers, one operating room for facilities with designated burn intensive care units, and all dedicated open heart and C-section operating rooms or demonstrate conformance of the proposed project to Policy AC-3 in the State Medical Facilities Plan titled "Exemption From Plan Provisions for Certain Academic Medical Center Teaching Hospital Projects;" and

(2) The number of rooms needed is determined as follows:

(A) in a service area which has more than 10 operating rooms, if the difference is a positive number greater than or equal to 0.5, then the need is the next highest whole number for fractions of 0.5 or greater and the next lowest whole number for fractions less than 0.5; and if the difference is a negative number or a positive number less than 0.5, then the need is zero;

(B) in a service area which has 6 to 10 operating rooms, if the difference is a positive number greater than or equal to 0.3, then the need is the next highest whole number for fractions of 0.3 or greater and the next lowest whole number for fractions less than 0.3, and if the difference is a negative number or a positive number less than 0.3, then the need is zero; and

(C) in a service area which has five or fewer operating rooms, if the difference is a positive number greater than or equal to 0.2, then the need is the next highest whole number for fractions of 0.2 or greater and the next lowest whole number for fractions less than 0.2; and if the difference is a negative number or a positive number less than 0.2, then the need is zero.

-C- FHCH is located in the Moore-Hoke Multicounty Operating Room Service Area, which has more than 10 operating rooms. FirstHealth proposes to operate 2 shared operating rooms at FHCH. Also, the applicant proposes to continue to operate 14 shared operating rooms at FMRH, excluding 2 dedicated Open Heart operating rooms [16 – 2 = 14]. Therefore, FirstHealth will operate a total of 16 shared operating rooms at both locations. In Section II.10, page 47 of the application, the applicant projects it will perform 1,100 outpatient surgical cases

and 470 inpatient surgical cases in the third year of operation [(1,100 X 1.5 hours) + (470 X 3.0 hours) = 3,060 hours; 3,060 hours/1,872 hours = 1.63 operating rooms]. Per the rule above in a service area which has more than 10 operating rooms, if the difference is a positive number greater than or equal to 0.5 then the need is the next highest whole number for fractions of 0.5 or greater. Therefore the need is at FHCH is 2 operating rooms (1.63 operating rooms rounded up by rule to 2). Thus, the application is conforming with this rule.

(c) A proposal to increase the number of operating rooms (excluding dedicated C-section operating rooms) in a service area shall:

(1) demonstrate the need for the number of proposed operating rooms in addition to the rooms in all of the licensed facilities identified in response to 10A NCAC 14C .2102(b)(2) in the third operating year of the proposed project based on the following formula: {[(Number of projected inpatient cases for all the applicant's or related entities' facilities, excluding trauma cases reported by Level I or II trauma centers, cases reported by designated burn intensive care units and cases performed in dedicated open heart and C-section rooms, times 3.0 hours) plus (Number of projected outpatient cases for all the applicant's or related entities' facilities times 1.5 hours)] divided by 1872 hours} minus the total number of existing and approved operating rooms and operating rooms proposed in another pending application, excluding one operating room for Level I or II trauma centers, one operating room for facilities with designated burn intensive care units, and all dedicated open heart and C-Section operating rooms in all of the applicant's or related entities' licensed facilities in the service area; and

(2) The number of rooms needed is determined as follows:

(A) in a service area which has more than 10 operating rooms, if the difference is a positive number greater than or equal to 0.5, then the need is the next highest whole number for fractions of 0.5 or greater and the next lowest whole number for fractions less than 0.5; and if the difference is a negative number or a positive number less than 0.5, then the need is zero;

(B) in a service area which has 6 to 10 operating rooms, if the difference is a positive number greater than or equal to 0.3, then the need is the next highest whole number for fractions of 0.3 or greater and the next lowest whole number for fractions less than 0.3, and if the difference is a negative number or a positive number less than 0.3, then the need is zero; and

(C) in a service area which has five or fewer operating rooms, if the difference is a positive number greater than or equal to 0.2, then the need is the next highest whole number for fractions of 0.2 or greater and the next lowest whole number for fractions less than 0.2; and if the difference is a negative number or a positive number less than 0.2, then the need is zero.

-NA- The applicant does propose to increase the number of operating rooms in the service area.

(d) An applicant that has one or more existing or approved dedicated C-section operating rooms and is proposing to develop an additional dedicated C-section operating room in the same facility shall demonstrate that an average of at least 365 C-sections per room were performed in the facility's existing dedicated C-section operating rooms in the previous 12 months and are projected

to be performed in the facility's existing, approved and proposed dedicated C-section rooms during the third year of operation following completion of the project.

-NA- The applicant does propose to develop an additional C-section operating room.

(e) An applicant proposing to convert a specialty ambulatory surgical program to a multispecialty ambulatory surgical program or to add a specialty to a specialty ambulatory surgical program shall:

(1) provide documentation to show that each existing ambulatory surgery program in the service area that performs ambulatory surgery in the same specialty area as proposed in the application is currently utilized an average of at least 1,872 hours per operating room per year, excluding dedicated open heart and C-Section operating rooms. The hours utilized per operating room shall be calculated as follows: [(Number of projected inpatient cases, excluding open heart and C-sections performed in dedicated rooms, times 3.0 hours) plus (Number of projected outpatient cases times 1.5 hours)] divided by the number of operating rooms, excluding dedicated open heart and C-Section operating rooms; and

(2) demonstrate the need in the third operating year of the project based on the following formula: [(Total number of projected outpatient cases for all ambulatory surgery programs in the service area times 1.5 hours) divided by 1872 hours] minus the total number of existing, approved and proposed outpatient or ambulatory surgical operating rooms and shared operating rooms in the service area. The need is demonstrated if the difference is a positive number greater than or equal to one, after the number is rounded to the next highest number for fractions of 0.50 or greater.

-NA- The applicant does not propose to convert a specialty ambulatory surgical program to a multispecialty ambulatory surgical program or to add a specialty to a specialty ambulatory surgical program.

(f) The applicant shall document the assumptions and provide data supporting the methodology used for each projection in this Rule.

-C- In Section IV, pages 79-96, the applicant documents the assumptions and provides data supporting the methodology used in the development of the projections.

10A NCAC 14C .2104 SUPPORT SERVICES

(a) An applicant proposing to establish a new ambulatory surgical facility, a new campus of an existing facility, or a new hospital shall provide copies of the written policies and procedures that will be used by the proposed facility for patient referral, transfer, and follow-up.

-NA- The applicant is not proposing to establish a new ambulatory surgical facility, a new campus of an existing facility, or a new hospital.

(b) An applicant proposing to establish a new ambulatory surgical facility, a new campus of an existing facility, or a new hospital shall provide documentation showing the proximity of the proposed facility to the following services:

(1) emergency services;
(2) support services;
(3) ancillary services; and
(4) public transportation.

-NA- The applicant is not proposing to establish a new ambulatory surgical facility, a new campus of an existing facility, or a new hospital.

10A NCAC 14C .2105 STAFFING AND STAFF TRAINING

(a) An applicant proposing to establish a new ambulatory surgical facility, to establish a new campus of an existing facility, to establish a new hospital, to increase the number of operating rooms in a facility, to convert a specialty ambulatory surgical program to a multispecialty ambulatory surgical program or to add a specialty to a specialty ambulatory surgical program shall identify, justify and document the availability of the number of current and proposed staff to be utilized in the following areas in the facility to be developed or expanded:

(1) administration;
(2) pre-operative;
(3) post-operative;
(4) operating room; and
(5) other.

-C- In Section II.10, pages 51-52, and Sections VII.1, VII.2, and VII.6 of the application, the applicant identifies and documents the availability of the number of proposed staff to be utilized in the areas listed in this rule.

(b) The applicant shall identify the number of physicians who currently utilize the facility and estimate the number of physicians expected to utilize the facility and the criteria to be used by the facility in extending surgical and anesthesia privileges to medical personnel.

-C- In Section II.10, page 52, the applicant states, "*No surgeons currently perform at FHCH; however, at least 27 physicians are expected to perform procedures when FHCH becomes operational. … All physicians practicing in the service are may apply for medical staff privileges at FHCH."* Exhibit 9 contains the criteria used by the facility in extending surgical and anesthesia privileges to medical personnel.

(c) The applicant shall provide documentation that physicians with privileges to practice in the facility will be active members in good standing at a general acute care hospital within the service area in which the facility is, or will be, located or documentation of contacts the applicant made with hospitals in the service area in an effort to establish staff privileges.

-C- In Section II.10, page 52, and Exhibit 10, the applicant provides documentation that "*All physician seeking privileges to perform surgical procedures at FHCH will be on the Active Medical Staff and in good standing at a service area hospital. Please refer to Exhibit 10 for a letter documenting the physician's good standing at FirstHealth Moore Regional Hospital."*

(d) The applicant shall provide documentation that physicians owning the proposed single specialty demonstration facility will meet Emergency Department coverage responsibilities in at least one hospital within the service area, or documentation of contacts the applicant made with hospitals in the service area in an effort to commit its physicians to assume Emergency Department coverage responsibilities.

-NA- The applicant is not proposing to establish a new single specialty separately licensed ambulatory surgical facility pursuant to the demonstration project in the 2010 State Medical Facilities Plan.

10A NCAC 14C .2106 FACILITY

(a) An applicant proposing to establish a licensed ambulatory surgical facility that will be physically located in a physician's or dentist's office or within a general acute care hospital shall demonstrate that reporting and accounting mechanisms exist and can be used to confirm that the licensed ambulatory surgery facility is a separately identifiable entity physically and administratively, and is financially independent and distinct from other operations of the facility in which it is located.

-NA- The applicant is not proposing to establish a licensed ambulatory surgical facility that will be physically located in a physician's or dentist's office or within a general acute care hospital.

(b) An applicant proposing to establish a licensed ambulatory surgical facility or a new hospital shall receive accreditation from the Joint Commission for the Accreditation of Healthcare Organizations, the Accreditation Association for Ambulatory Health Care or a comparable accreditation authority within two years of completion of the facility.

-NA- The applicant is not proposing to establish a licensed ambulatory surgical facility or a new hospital.

(c) All applicants shall document that the physical environment of the facility to be developed or expanded conforms to the requirements of federal, state, and local regulatory bodies.

-C- In Exhibit 12, the applicant provides documentation that the physical environment of the facility will conform to the requirements of federal, state, and local regulatory bodies.

(d) An applicant proposing to establish a new ambulatory surgical facility, a new campus of an existing facility or a new hospital shall provide a floor plan of the proposed facility identifying the following areas:

- *(1) receiving/registering area;*
- *(2) waiting area;*
- *(3) pre-operative area;*
- *(4) operating room by type;*
- *(5) recovery area; and*
- *(6) observation area.*

-NA- The applicant is not proposing to establish a licensed ambulatory surgical facility, a new campus of an existing facility, or a new hospital.

(e) An applicant proposing to expand by converting a specialty ambulatory surgical program to a multispecialty ambulatory surgical program or by adding a specialty to a specialty ambulatory surgical program that does not propose to add physical space to the existing ambulatory surgical facility shall demonstrate the capability of the existing ambulatory surgical program to provide the following for each additional specialty area:

(1) physicians;
(2) ancillary services;
(3) support services;
(4) medical equipment;
(5) surgical equipment;
(6) receiving/registering area;
(7) clinical support areas;
(8) medical records;
(9) waiting area;
(10) pre-operative area;
(11) operating rooms by type;
(12) recovery area; and
(13) observation area.

-NA- The applicant does not propose to expand by converting a specialty ambulatory surgical program to a multispecialty ambulatory surgical program or by adding a specialty to a specialty ambulatory surgical program.