

ATTACHMENT - REQUIRED STATE AGENCY FINDINGS

FINDINGS

C = Conforming

CA = Conditional

NC = Nonconforming

NA = Not Applicable

Decision Date: August 26, 2016

Findings Date: August 26, 2016

Project Analyst: Celia C. Inman

Assistant Chief: Martha J. Frisone

Project ID #: J-11198-16

Facility: Rex Hospital

FID #: 953429

County: Wake

Applicant: Rex Hospital, Inc.

Project: Relocate one existing OR from Rex Surgery Center of Wakefield to the hospital's main campus, which is a change in scope to Project ID #J-10280-14 (obtain license as an ASF)

REVIEW CRITERIA FOR NEW INSTITUTIONAL HEALTH SERVICES

G.S. 131E-183(a) The Agency 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, Rex Hospital, Inc., proposes to relocate one existing operating room from Rex Surgery Center of Wakefield (RSCW) to Rex Hospital's Main Campus (Rex Main Campus) as a change in scope to the previously approved, and not yet completed, Project ID #J-10280-14. The applicant is a subsidiary of Rex Healthcare, Inc. The University of North Carolina Health Care System is the sole member and parent of Rex Healthcare, Inc. Project ID #J-10280-14 proposed to reorganize the existing RSCW from an ambulatory surgical center owned by Rex Hospital, Inc. and operating under the hospital license into a separately licensed Ambulatory Surgery Facility (ASF) at the same location, still under the ownership of Rex Hospital, Inc. RSCW has three operating rooms and one procedure room which are

currently hospital-based and on the hospital license. Thus, this project does not change the number of operating rooms on Rex Hospital's license, only the location of one operating room. When the RSCW project and this project are complete, RSCW will be licensed as an ASF with two operating rooms instead of three, as approved in Project ID #J-10280-14.

The 2016 State Medical Facilities Plan (SMFP) and Rex Hospital's 2016 License Renewal Application (LRA) show Rex Hospital has 24 shared ORs, three inpatient (dedicated C-Section) ORs, and three ambulatory ORs, which includes the three ambulatory ORs at RSCW, one of which is the subject of this review.

Need Determination

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 2016 State Medical Facilities Plan (SMFP). Therefore, there are no need determinations applicable to this review.

Policies

There are no policies in the 2016 SMFP which are applicable to this review.

Conclusion

In summary, 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 2016 State SMFP. There are no policies in the 2016 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

Rex Hospital, Inc. proposes to relocate one existing operating room from Rex Surgery Center of Wakefield to Rex Hospital Main Campus as a change in scope to the previously approved, and not yet completed, Project ID #J-10280-14. Project ID #J-10280-14 proposed to reorganize the existing RSCW from an ambulatory surgical center owned by Rex Hospital, Inc. and operating under the hospital license into a separately licensed ASF at the same location. RSCW has three operating rooms and one procedure room which are currently hospital-based and on the hospital license. Thus, this project does not change the number of operating rooms on Rex Hospital's license, only the location of one operating room. Upon

completion of this project and Project ID #J-10280-14, Rex Hospital will have 25 Shared ORs and three inpatient ORs and RSCW will be licensed as an ASF with two ambulatory ORs instead of three, as approved in Project ID #J-10280-14.

Population to be Served

On page 62, the 2016 SMFP defines the service area for operating rooms as the planning area in which the operating room is located. *“The operating room planning areas are the single and multicounty groupings shown in Figure 6.1.”* Figure 6.1 on page 67 of the SMFP shows Wake County as a single county operating room service area.

Thus, the service area for this facility’s project consists of Wake County. Facilities may also serve residents of counties not included in their service area.

In Section III.5, page 44, the applicant states that Rex Hospital Main Campus surgical patients will be residents of Wake, Johnston, Harnett and Franklin counties, which is consistent with its historical patient origin, as provided on page 47. The applicant states that approximately 83 percent of its 2015 patients originated from those counties.

The following table summarizes Rex Hospital’s projected patient origin by county of residence for surgical services at its main campus, as presented on page 46.

Rex Hospital Main Campus Projected Surgical Patients

County	Year 1 7/1/17-6/30/18		Year 2 7/1/18-6/30/19	
	# Patients	% Patients	# Patients	% Patients
Wake	14,009	67.4%	14,208	67.4%
Johnston	1,522	7.3%	1,544	7.3%
Franklin	1,010	4.9%	1,024	4.9%
Harnett	707	3.4%	717	3.4%
Other*	3,530	17.0%	3,580	17.0%
Total	20,778	100.0%	21,073	100.0%

*Other is identified on page 46 of the application and includes 78 other counties in North Carolina and other states.

On page 46, the applicant states that it does not expect any change in its patient origin as a result of the proposed project.

The applicant adequately identifies the population to be served.

Analysis of Need

The applicant discusses the need for this change of scope project in Section III.1, pages 31-41. On page 31, the applicant states:

“Because the proposed project is a relocation of existing capacity of surgery services at Rex, the proposed project will not create any substantive changes to the services now provided. However, the project will improve access to surgical services particularly for inpatient surgery.”

The applicant further states that Rex’s inpatient surgical services have experienced strong growth historically and is expected to continue to grow in the future due to service area population growth and aging (pages 31-33) and the continued development of tertiary-level inpatient services at Rex, which drives the current and projected operating room utilization at Rex Hospital and RSCW (pages 33-40).

Projected Utilization

In Section III.1, page 34, the applicant provides historical operating room utilization demonstrating that Rex Hospital Main Campus’ 24 ORs are being highly utilized (above 97% of capacity in FY2013, FY2014 and annualized FY2016).

Rex Hospital Main Campus OR Utilization

	FY13	FY14	FY15	FY16 Annualized*
Inpatient Cases+	7,469	8,194	8,301	8,867
Outpatient Cases	14,226	12,706	11,408	11,352
Total Cases	21,695	20,900	19,709	20,219
Total Hours^	43,746	43,641	42,015	43,628
ORs Needed**	23.4	23.3	22.4	23.3
OR Capacity	24.0	24.0	24.0	24.0
OR Need as % of Capacity	97.4%	97.1%	93.5%	97.1%

*10 months of actual data (7/1/15-4/30/16) annualized

+IP cases exclude cases performed in dedicated C-Section rooms

^Total hours = (3.0 x IP cases) + (1.5 hours x OP cases)

**ORs Needed = Total hours / 1,872 hours per room

On page 35, the applicant demonstrates that Rex Hospital Main Campus would be operating at 93.2% of capacity, assuming the proposed relocation of the one operating room happened today, bringing the total of its shared operating rooms to 25 (23.3 ORs Needed / 25 ORs = 0.932).

Furthermore, the applicant’s historical utilization data shows an increasing number of inpatient cases and a decreasing number of outpatient cases.

Rex Hospital Main Campus OR Utilization

	FY13	FY14	FY15	FY16 Annualized	CAGR
Inpatient Cases	7,469	8,194	8,301	8,867	5.9%
Outpatient Cases	14,226	12,706	11,408	11,352	-7.2%

The applicant states its belief that the trend is related to the continued development of tertiary-level inpatient services at Rex: the addition of specialists and sub-specialists, the affiliation with Wake Heart & Vascular Associates, and expanded employment of general surgeons, neurosurgeons, and cardiovascular surgeons. The applicant further states (page 37) that it projects the trend will continue, but at a more modest rate of 3.4% for inpatient cases and -0.2% for outpatient cases. The following table projects Rex Hospital Main Campus operating room utilization based on these growth assumptions.

Rex Hospital Main Campus Projected OR Utilization

	FY16 Annualized	FY17	FY18	FY19	FY20	CAGR
Inpatient Cases	8,867	9,169	9,481	9,805	10,139	3.4%
Outpatient Cases	11,352	11,324	11,296	11,269	11,241	-0.2%
Total Cases	20,219	20,493	20,778	21,073	21,380	
Total Hours	43,628	44,493	45,389	46,317	47,278	
ORs Needed	23.3	23.8	24.2	24.7	25.3	
OR Capacity	24.0	24.0	25.0	25.0	25.0	
OR Need as % of Capacity	97.1%	99.0%	97.0%	99.0%	101.0%	

As shown in the table above, the applicant projects to exceed 100 percent utilization of its 24 existing and one relocated (25) operating rooms at Rex Hospital Main Campus by the third project year. On page 38, the applicant states:

“Given these projections, Rex believes the proposed relocation is needed to serve projected surgical patients at Rex Hospital Main Campus.”

On page 40, the applicant states:

“Moreover, if the operating room were not relocated to the main campus, the need for a growing number of inpatient cases would not be met, and the availability of ambulatory capacity at Wakefield could not meet this need.”

The applicant demonstrates the projected utilization is based on reasonable and adequately supported assumptions. Thus, the applicant adequately demonstrates the need the identified population has for the proposed services.

Access

In Section VI.2, page 59, the applicant states:

“... Rex Healthcare prohibits the exclusion of services to any patient on the basis of age, race, sex, creed, religion, disability, or the patient’s ability to pay.”

In Section VI.14, page 74, the applicant projects that 33.7% of patients to be served will be Medicare beneficiaries and 4.1% will be Medicaid recipients. The applicant adequately demonstrates the extent to which all residents of the area, including underserved groups, are likely to have access to the services proposed.

Conclusion

In summary, the applicant adequately identifies the population to be served; adequately demonstrates the need the population to be served has for the proposed services based on reasonable and supported utilization projections and assumptions; and demonstrates the extent to which all residents of the area, including underserved groups, are likely to have access to the services. 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 proposes to relocate one of the three operating rooms at RSCW to Rex Hospital Main Campus. In Section III.1, pages 38-40, the applicant provides historical and projected operating room utilization at RSCW. The following tables illustrate RSCW’s historical utilization with a three-year compound average growth rate (CAGR) of 4.2% and its projected utilization with a CAGR of 8.4%, double the historical rate.

Historical Utilization

	FY13	FY14	FY15	FY16 Annualized
Outpatient Cases	1,696	1,405	1,554	1,920
Total Hours	2,544	2,108	2,331	2,880
ORs Needed	1.4	1.1	1.2	1.5
OR Capacity	3	3	3	3
Historical Three-Year CAGR (FY2013-FY2016 Annualized)				4.2%

Projected Utilization*

	FY17	FY18	FY19	FY20
Outpatient Cases	2,081	2,256	2,446	2,651
Total Hours	3,122	3,384	3,668	3,977
ORs Needed	1.7	1.8	2.0	2.1
OR Capacity	3	2	2	2

*Projected at 8.4% Annual increase (double the 4.2% CAGR)

On page 40, the applicant states:

“As shown in the table above, assuming the annual growth in cases at Rex Surgery Center of Wakefield is twice the historical CAGR results in the need for 2.12 ORs in 2020. While this will result in high utilization of the Wakefield operating rooms, Rex does believe that these volumes can be achieved, even if it needs to offer extended hours of operation.”

The following table shows RSCW’s projected utilization as a percent of capacity increasing at the historical three-year CAGR of 4.2% and at double that rate, 8.4%.

Projected Utilization as a Percent of Capacity

	FY17	FY18	FY19	FY20
Utilization as % of Capacity at 4.2% Annual Increase	53.4%	83.6%	87.1%	90.8%
Utilization as % of Capacity at 8.4% Annual Increase	55.6%	90.4%	98.0%	106.2%

As the table above shows, following the proposed relocation of one OR to Rex Hospital Main Campus, RSCW will be operating at 90.8% of capacity at the historical 4.2% compound annual growth rate and 106.2% of capacity at double the historical growth rate.

The applicant demonstrates that the needs of the population presently served at RSCW will be adequately met and that the proposal will not adversely affect the ability of medically underserved groups to obtain needed health care. 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 47-49, the applicant discusses the alternatives considered prior to the submission of this application, which include:

- 1) Maintain the Status Quo – The applicant states:

“Maintaining the status quo would represent a failure on the part of Rex to ensure adequate operating room capacity for its growing number of surgical patients at Rex Hospital Main Campus.”

The applicant further states that this alternative would result in capacity at RSCW going unused while demand exceeds capacity at Rex Hospital Main Campus. Therefore, this option was rejected.

- 2) Relocate More than One OR from RSCW to Rex Hospital Main Campus – The applicant states that relocating more than one OR from RSCW would leave RSCW with inadequate capacity to care for its patients, based on historical utilization. Therefore, this option was rejected.
- 3) Relocate One OR from RSCW to Rex Hospital Main Campus – The applicant states that the proposed project, as presented in this application, provides the best option for addressing the identified needs. The applicant further states that the proposed project will increase the capacity available to surgical patients at Rex Hospital and at the same time, continue to provide patients with valuable access to outpatient surgery at RSCW.

The applicant demonstrates that the proposed project to relocate one operating room from RSCW to Rex Hospital Main Campus is the most effective alternative to meet Rex’s identified need for additional hospital surgical services.

Furthermore, the application is conforming to all other statutory review criteria. Therefore, the application is approvable. An application that cannot be approved is not an effective alternative.

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

- 1. Rex Hospital, Inc. shall materially comply with all the conditions of approval on the certificate of need for Project ID #J-10280-14, except as specifically modified by the conditions of approval for this application, Project ID #J-11198-16.**
- 2. Rex Hospital, Inc. shall relocate one operating room from Rex Surgery Center of Wakefield to Rex Hospital Main Campus. At project completion, Rex Hospital, Inc. will be licensed for no more than 28 operating rooms, including three inpatient and 25 shared operating rooms on the main campus.**
- 3. At completion of this project and Project ID #J-10280-14, Rex Surgery Center of Wakefield will be reorganized into a separately licensed, freestanding ambulatory surgery facility (ASF) with no more than two operating rooms.**

4. **Rex Hospital, Inc. shall not acquire, as part of this project, any equipment that is not included in the project's proposed capital expenditure in Section VIII of the application that would otherwise require a certificate of need.**
 5. **Rex Hospital, Inc. shall acknowledge acceptance of and agree to comply with all conditions stated herein to the Certificate of Need Section in writing prior to issuance of the certificate of need.**
- (5) Financial and operational projections for the project shall demonstrate the availability of funds for capital and operating needs as well as the immediate and long-term financial feasibility of the proposal, based upon reasonable projections of the costs of and charges for providing health services by the person proposing the service.

C

The applicant proposes to relocate one operating room from Rex Surgery Center of Wakefield to Rex Hospital Main Campus. The project does not involve any construction or renovation.

Capital and Working Capital Costs

In Section VIII, pages 88-89, the applicant projects the total capital cost of the proposed project will be \$111,000, including consultant fees and "*minor finish refreshment if needed, e.g., patch and paint*".

In Section IX, page 94, the applicant states there are no start-up or initial operating expenses for this project.

Availability of Funds

In Section VIII.3, page 89, the applicant states that the total capital cost will be funded with Rex Healthcare accumulated reserves. Exhibit 16 contains a letter from the Interim Chief Financial Officer of UNC Rex Healthcare and Rex Hospital, Inc. which documents Rex's commitment to fund the proposed project and the availability of funds. Exhibit 17 contains the audited combined financial statements for Rex Healthcare, Inc. and Subsidiaries for years ending June 30, 2015 and 2014. According to the financial statements, as of June 30, 2015, Rex Healthcare had \$69,809,000 in cash and cash equivalents, \$217,427,000 in total current assets, and \$319,663 in total net assets (total assets less total liabilities). The applicant adequately demonstrates the availability of sufficient funds for the capital needs of the project.

Financial Feasibility

The applicant projects a positive net income for Rex Hospital Main Campus surgical services in each of the first three operating years of the project, as shown in the table below.

Rex Hospital Main Campus Surgical Services	Project Year 1 7/1/17- 6/30/18	Project Year 2 7/1/18- 6/30/19	Project Year 3 7/1/19- 6/30/20
Surgical Cases	20,778	21,083	21,380
Projected Average Charge per Admission	\$ 28,619	\$ 29,465	\$ 30,362
Gross Patient Revenue	\$ 594,652,955	\$ 621,200,540	\$ 649,142,222
Deductions from Gross Patient Revenue	\$ 404,126,148	\$ 422,167,887	\$ 441,157,054
Net Patient Revenue	\$ 190,526,807	\$ 199,032,653	\$ 207,985,168
Total Expenses	\$ 153,780,303	\$ 160,463,119	\$ 167,488,565
Net Income	\$ 36,746,504	\$ 38,569,534	\$ 40,496,603

* Source: Pro Forma Financial Statements' Form C, Form D and Form E

The applicant also projects a positive net income for the entire UNC Rex Healthcare facility in each of the first three operating years of the project as illustrated in Form B in the Pro Forma section of the application, page 106.

The assumptions used by the applicant in preparation of the pro forma financial statements are reasonable, including projected utilization, costs and charges. See the related assumption notes in the Pro Forma Section for the assumptions regarding costs and charges. The discussion regarding projected utilization found in Criterion (3) is incorporated herein by reference.

Conclusion

In summary, the applicant adequately demonstrates that sufficient funds will be available for the capital needs of the project. Furthermore, the applicant adequately demonstrates that the financial feasibility of the proposal is based upon reasonable projections of costs and charges. 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

Rex Hospital, Inc. proposes to relocate one existing operating room from Rex Surgery Center of Wakefield to Rex Hospital Main Campus as a change in scope to the previously approved, and not yet completed, Project ID #J-10280-14.

The applicant does not propose any new or expanded services. The operating room proposed to be relocated is currently on Rex Hospital's license and will remain on Rex Hospital's license upon project completion. Upon completion of this project and Project ID #J-10280-

14, RSCW will be reorganized and separately licensed for two ASF operating rooms and one procedure room.

Consequently, the applicant adequately demonstrates the proposed project would not result in any unnecessary duplication of existing or approved health service capabilities or facilities in the applicant's service area. Therefore, the application is conforming to this criterion.

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

C

In Section VII.1-2, pages 76-78, the applicant provides the current and proposed staffing for the surgical program at Rex Hospital Main Campus. The proposed staffing results in an increase of 29.4 full-time equivalent (FTE) positions in the surgical program at Rex Hospital Main Campus; however, the proposed project does not involve any new positions, only incremental increases for the increased surgical capacity.

In Section VII.3, page 79, and VII.7, page 83, the applicant describes its recruitment and retention procedures, and indicates that they do not anticipate any difficulties identifying, hiring, and retaining qualified staff for the proposed project. Exhibit 12 contains a copy of Rex's criteria for extending surgical and anesthesia privileges to physicians and a copy of Rex's Medical Staff Bylaws. 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 19, the applicant identifies the ancillary and support services that are required for the proposed project as including laboratory, radiology, pharmacy, dietary, housekeeping, maintenance, and administration services, among others. Exhibit 5 contains a letter from Rex Hospital, Inc.'s President documenting the availability of the necessary ancillary and support services. The applicant discusses coordination with the existing health care system in Section V, pages 52-58. The applicant provides supporting documentation in Exhibits 10, 11, 12, 13, and 19. The information provided in these sections and exhibits is reasonable and supports a finding of conformity 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 and VI.14, page 74, the applicant provides the current payor mix during FY 2015 for Rex Hospital Surgical Services, as illustrated in the table below.

**Rex Hospital
 Surgical Procedures as a Percent of Total**

	FY2015
Self-Pay / Indigent / Charity	2.3%
Medicare/Medicare Managed Care	33.7%
Medicaid	4.1%
Commercial / Managed Care	59.9%
Total	100.0%

Totals may not sum due to rounding

In Section VI.2, pages 59-66, the applicant discusses access to its services. On page 59, the applicant states:

“Hospital policies and procedures do not discriminate with regard to patient care access on the basis of race, ethnicity, sex, age, religion, income, residence or any other factor which might restrict access to services.”

Exhibit 14 contains copies of Rex’s non-discrimination, admissions, and patient payment policies. The applicant further states on page 59 that in addition to fair and equitable policies and procedures, Rex has undertaken many community-minded initiatives to make its service more accessible to all residents in the service area.

The United States Census Bureau provides demographic data for North Carolina and all counties in North Carolina. The following table contains relevant demographic statistics for the applicant’s service area.

Percent of Population						
County	% 65+	% Female	% Racial & Ethnic Minority*	% Persons in Poverty**	% < Age 65 with a Disability	% < Age 65 without Health Insurance**
Wake	10%	51%	39%	12%	5%	14%
Statewide	15%	51%	36%	17%	10%	15%

Source: http://www.census.gov/quickfacts/table_2014 Estimate as of December 22, 2015

*Excludes “White alone” who are “not Hispanic or Latino”

**“This geographic level of poverty and health estimates are not comparable to other geographic levels of these estimates. Some estimates presented here come from sample data, and thus have sampling errors that may render some apparent differences between geographies statistically indistinguishable...The vintage year (e.g., V2015) refers to the final year of the series (2010 thru 2015). Different vintage years of estimates are not comparable.”

However, a direct comparison to the applicant’s 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, women or handicapped persons utilizing health services.

The applicant demonstrates that it currently provides adequate access to medically underserved populations. Therefore, the application is conforming to this criterion.

- (b) Its past performance in meeting its obligation, if any, under any applicable regulations requiring provision of uncompensated care, community service, or access by minorities and 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, pages 72-73, the applicant states:

“Rex Hospital has had no obligations to provide uncompensated care, community service or access to care by medically underserved, minorities or handicapped persons during the last three years.

...

Finally, Rex Hospital is in full compliance with Title III of the ADA, the Civil Rights Act, and all other federally mandated regulations concerning minorities and handicapped persons.”

In Section VI.10 (a), page 72, the applicant states that no civil rights equal access complaints have been filed against Rex in the last 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 74, the applicant provides the projected payor mix for the second year of operation, as shown in the following table.

**Rex Hospital Surgical Services
Projected Procedures as a Percent of Total
July 1, 2018- June 30, 2019**

Payor Category	% of Total Procedures
Self Pay/ Indigent /Charity	2.3%
Medicare/ Medicare Managed Care	33.7%
Medicaid	4.1%
Commercial / Managed Care	59.9%
Total	100.0%

Totals may not sum due to rounding

On page 74, the applicant provides the assumptions and methodology used to project payor mix. The applicant states that payor mix for its surgery services will not change from its historical mix as a result of the proposed project. The applicant demonstrates that medically underserved populations will have adequate access to the proposed services. Therefore, the application is conforming to 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 Section VI.9(a), page 71, the applicant describes the range of means by which a person will have access to the proposed services. The information provided is reasonable and credible and supports a finding of conformity 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, page 52-53, the applicant describes how the facility will accommodate the clinical needs of area health professional training programs. The applicant states that Rex Healthcare has extensive relationships with area clinical training programs, as demonstrated by the more than 60 existing agreements with health professionals throughout the Southeast including, UNC, Duke University, East Carolina University, Durham Technical College and Western Carolina University. See Exhibit 10 which provides a list of the affiliate agreements. The information provided in Section V.1 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

The applicant proposes to relocate one existing operating room from Rex Surgery Center of Wakefield to Rex Hospital Main Campus as a change in scope to the previously approved, and not yet completed, Project ID #J-10280-14.

The applicant does not propose to increase the number of licensed operating rooms. Rex Hospital is currently licensed for 30 operating rooms: 24 shared ORs, three inpatient ORs (dedicated C-section), and three ambulatory ORs, which includes the three ambulatory ORs at Rex Surgery Center of Wakefield. Upon completion of this project and Project ID #J-10280-14, Rex Hospital will be licensed for three inpatient and 25 shared operating rooms (a total of 28 ORs) and Rex Surgery Center of Wakefield will be separately licensed for two operating rooms.

In Section V.7, pages 57-58, the applicant discusses how any enhanced competition in the service area will have a positive impact on the cost-effectiveness, quality and access to the proposed services.

See also Sections II, III, V, VI, VII and XI where the applicant discusses the impact of the project on cost-effectiveness, quality and access.

The information provided by the applicant in the application is reasonable and adequately demonstrates that any enhanced competition in the service area includes a positive impact on the cost-effectiveness, quality and access to the proposed services. This determination is based on the information in the application and the following analysis:

- The applicant adequately demonstrates the need to relocate one operating room from RSCW to Rex Hospital Main Campus and that it is a cost-effective alternative. The discussions regarding analysis of need and alternatives found in Criterion (3) and (4), respectively, are incorporated herein by reference.
- The applicant adequately demonstrates that it will continue to provide quality services. The discussion regarding quality found in Criterion (20) is incorporated herein by reference.
- The applicant demonstrates that it will continue to provide adequate access to medically underserved populations. The discussion regarding access found in Criterion (13) is incorporated herein by reference.

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.

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In Section I.13, pages 9-10, the applicant lists the facilities and programs owned by Rex Hospitals, Inc. (Rex Healthcare). Rex Healthcare is a component unit of The University of North Carolina Healthcare System. The University of North Carolina Healthcare System owns or manages nine licensed healthcare facilities in North Carolina, including Rex Healthcare. According to the files in the Acute and Home Care Licensure and Certification Section, DHSR, incidents occurred at three of the nine facilities within the eighteen months immediately preceding submission of the application through the date of this decision related to quality of care. As of the date of this decision, the problems had been corrected. After reviewing and considering information provided by the applicant and by the Acute and Home Care Licensure and Certification Section and considering the quality of care provided at Rex and the other eight facilities, the applicant provided sufficient evidence that quality care has been provided in the past. Therefore, the application is conforming to this criterion.

- (21) Repealed effective July 1, 1987.
- (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.

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