

## ATTACHMENT - REQUIRED STATE AGENCY FINDINGS

### FINDINGS

C = Conforming

CA = Conditional

NC = Nonconforming

NA = Not Applicable

Decision Date: November 2, 2017

Findings Date: November 2, 2017

Project Analyst: Julie Halatek

Team Leader: Lisa Pittman

Project ID #: A-11387-17

Facility: Harris Regional Hospital

FID #: 923046

County: Jackson

Applicant: DLP Harris Regional Hospital, LLC

Project: Cost overrun on Project I.D. #A-10222-13 (develop a dedicated C-Section OR and renovate Women's and Children's inpatient services)

### REVIEW CRITERIA FOR NEW INSTITUTIONAL HEALTH SERVICES

N.C. Gen. Stat. § 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.

C

The applicant, DLP Harris Regional Hospital, LLC (DLP) proposes a cost overrun for Project I.D. #A-10222-13 (develop a dedicated C-Section OR and renovate Women's and Children's inpatient services).

A certificate of need was issued on March 15, 2014 for Project I.D. #A-10222-13 to develop a dedicated C-Section OR and to renovate Women's and Children's inpatient services at Harris Regional Hospital (HRH). The original applicant was WestCare, Inc. d/b/a MedWest-Harris; the facility has since been acquired by DLP Harris Regional Hospital, LLC.

The original approved capital expenditure was \$4,075,460. The current application is for a cost overrun of \$2,942,026, due to the following changes listed by the applicant in Section C.12(b), pages 39-41:

- Increases in construction costs due to the discovery of asbestos-containing material requiring abatement and replacement; the replacement of existing infrastructure which had deteriorated or no longer met code requirements; and the difference in costs of materials between when the original project was approved and the filing of this application.
- Increases in costs of moveable equipment due to changes in categorization about whether equipment was fixed or moveable and due to equipment at the end of its useful life needing to be replaced.
- Increases in costs of furniture to be replaced; when the original project was approved, existing furniture was to be reused, but that furniture has now reached the end of its useful life and must be replaced.
- Increases in architect and engineering fees due to changes in codes and regulations between when the original project was approved and the filing of this application which necessitated new construction and engineering diagrams.
- Three categories – Consultant Fees, Internal Cost of Capital, and Low Voltage Systems – were not previously listed as separate line items and are listed separately in this application.
- An electronic infant security system was added to the project (included under the Low Voltage Systems category).

In Project I.D. #A-10222-13, the applicant projected occupancy and offering of services by October 1, 2015. In this cost overrun application, the applicant projects occupancy and offering of services by July 1, 2018. There is no material change in scope from the originally approved project in this application.

### **Need Determination**

The applicant does not propose to increase the number of licensed beds in any category, add any new health services, or acquire equipment for which there is a need determination in the 2017 State Medical Facilities Plan (SMFP). Therefore, there are no need determinations in the 2017 SMFP that are applicable to this review.

### **Policies**

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

Policy GEN-4, on page 33 of the 2017 SMFP, states:

*“Any person proposing a capital expenditure greater than \$2 million to develop, replace, renovate or add to a health service facility pursuant to G.S. 131E-178 shall*

*include in its certificate of need application a written statement describing the project's plan to assure improved energy efficiency and water conservation.*

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

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

The applicant's proposed capital cost is greater than \$2 million and less than \$5 million. In Exhibit B.11, the applicant provides a written statement describing plans to develop the project in accordance with the provisions in Policy GEN-4 and to include energy-efficient and water conservation features. Therefore, the application is conforming to Policy GEN-4.

### **Conclusion**

The applicant adequately demonstrates that its application is conforming to Policy GEN-4. Therefore, the application is conforming to this criterion.

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

### **C**

A certificate of need was issued on March 15, 2014 for Project I.D. #A-10222-13 to develop a dedicated C-Section OR and to renovate Women's and Children's inpatient services. The originally approved capital expenditure was \$4,075,460. The current application is for a cost overrun of \$2,942,026, due to the changes detailed below.

## **Patient Origin**

On page 57, the 2017 SMFP states, “*An operating room’s service area is the operating room 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.*” In Figure 6.1 on page 60 of the 2017 SMFP, Jackson County is shown as part of a multi-county operating room service area which also includes Graham and Swain counties. Thus, in this application, the service area is comprised of Jackson, Graham, and Swain counties. Providers may serve residents of counties not included in their service area.

In Project I.D. #A-10222-13, the applicant was approved to develop a dedicated C-Section OR and to renovate Women’s and Children’s inpatient services. The current application is for a cost overrun for that project. In Project I.D. #A-10222-13, the applicant adequately identified the population to be served and no changes are proposed in this application that affect that determination.

## **Analysis of Need**

In Section C.12(b), pages 39-41, the applicant describes the reasons for the cost overrun application, as summarized below:

- Asbestos-containing materials will be abated and replaced with materials that do not contain asbestos.
- Existing portions of infrastructure that have deteriorated between when the original application was submitted and now will be replaced.
- Equipment that has reached the end of its useful life between when the original application was submitted and now will be replaced.
- Furniture that has reached the end of its useful life between when the original application was submitted and now will be replaced.
- Additional architectural drawings were generated due to changes in codes and regulations since the original application was submitted.
- An electronic infant security system is being added.
- There have been increases in the costs of materials, equipment, and furniture since the original application was submitted.

The following table compares the previously approved capital cost for Project I.D. #A-10222-13 and the proposed capital cost in this application, as reported on Form F.1b in Section Q.

| <b>HRH – Previously Approved vs. Proposed Capital Expenditures</b> |  |                           |   |
|--|--|---------------------------|---|
| <b>Item/Category</b>   | <b>Previously Approved Cost<br/>A-10222-13</b> | <b>Total Overrun Cost</b> | <b>Total Proposed Cost<br/>A-11387-17</b> |
| Construction Contract  | \$3,026,000                                    | \$1,394,610               | \$4,420,610                               |
| Architect/Engineering Fees   | \$475,000                                      | \$91,764                  | \$566,764                                 |
| Fixed Equipment  | \$128,750                                      | (\$68,663)                | \$60,087                                  |
| Moveable Equipment   | \$397,780                                      | \$742,875                 | \$1,140,655                               |
| Furniture  | \$3,930  | \$28,535                  | \$32,465                                  |
| Consultant Fees  | \$0  | \$174,530                 | \$174,530                                 |
| CON Fees   | \$44,000                                       | \$0                       | \$44,000                                  |
| Internal Cost of Capital   | \$0  | \$165,000                 | \$165,000                                 |
| Low Voltage Systems  | \$0  | \$413,375                 | \$413,375                                 |
| <b>Total</b>   | <b>\$4,075,460</b>                             | <b>\$2,942,026</b>        | <b>\$7,017,486</b>                        |

The project scope, the population to be served, and access by underserved groups as demonstrated in the original application will not change as a result of this application. The applicant’s representations regarding the need for an additional capital expenditure to develop a dedicated C-Section OR and renovations of the Women’s and Children’s inpatient services are reasonable and adequately supported.

Projected Utilization

In Section C.12, page 36, the applicant states that there are no changes to its projected utilization from those projections provided as part of Project I.D. #A-10222-13.

In Project I.D. #A-10222-13, the applicant adequately demonstrated that projected utilization was based on reasonable and adequately supported assumptions regarding continued growth in the patient population that utilizes the services proposed in the application. The applicant proposes no changes in the current application that would affect that determination.

Access

In Project I.D. #A-10222-13, the applicant adequately demonstrated the extent to which all residents of the area, including underserved groups, are likely to have access to the proposed services. The applicant proposes no changes in the current application that would affect that determination.

Conclusion

In the original application, the applicant adequately identified the population to be served, demonstrated the need to develop a dedicated C-Section OR and to renovate Women’s and Children’s inpatient services, and demonstrated the extent to which all residents of the service area, including underserved groups, are likely to have access to its services. In this application, the applicant adequately demonstrates the need for the proposed cost overrun. Consequently, the application is conforming to this criterion.

- (3a) In the case of a reduction or elimination of a service, including the relocation of a facility or a service, the applicant shall demonstrate that the needs of the population presently served will be met adequately by the proposed relocation or by alternative arrangements, and the effect of

the reduction, elimination or relocation of the service on the ability of low income persons, racial and ethnic minorities, women, handicapped persons, and other underserved groups and the elderly to obtain needed health care.

NA

- (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 E, pages 45-46, the applicant describes the alternatives considered prior to submitting this application for the cost overrun, which include:

- Cease the Project – the applicant states that ceasing a project that was already under development is not practical and does not serve patient interests. Therefore, this is not an effective alternative.
- Submit the Cost Overrun Application – the applicant states that this alternative is the most effective alternative because there was already an outstanding need for the proposed services which has increased with the passage of time and with the discontinuation of similar services at a nearby facility.

After considering the above alternatives, the applicant states that it determined the project as presented in the application is the most effective alternative to meet the identified need.

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

In summary, the applicant adequately demonstrates that the 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. DLP Harris Regional Hospital, LLC shall materially comply with all the conditions of approval on the certificate of need for Project I.D. #A-10222-13 and certificate of need application for Project I.D. #A-11387-17.**
- 2. The total approved capital expenditure for Project I.D. #A-10222-13 and Project I.D. #A-11387-17 combined is \$7,017,486, an increase of \$2,942,026 over the previously approved capital expenditure of \$4,075,460.**
- 3. DLP Harris Regional Hospital, LLC shall develop a dedicated C-Section OR and renovate the Women's and Children's inpatient services as approved in Project I.D. #A-10222-13.**
- 4. Upon completion of the project, Harris Regional Hospital shall be licensed for no more than five shared ORs and one dedicated C-Section OR.**

5. **DLP Harris Regional Hospital, LLC shall not acquire as part of this project any equipment that is not included in the project's proposed capital expenditures in Section F of the application and that would otherwise require a certificate of need.**
  6. **No later than three months after the last day of each of the first three full years of operation following initiation of the services authorized by this certificate of need, DLP Harris Regional Hospital, LLC shall submit, on the form provided by the Healthcare Planning and Certificate of Need Section, an annual report containing the:**
    - a. **Payor mix for the services authorized in this certificate of need.**
    - b. **Utilization of the services authorized in this certificate of need.**
    - c. **Revenues and operating costs for the services authorized in this certificate of need.**
    - d. **Average gross revenue per unit of service.**
    - e. **Average net revenue per unit of service.**
    - f. **Average operating cost per unit of service.**
  7. **DLP Harris Regional Hospital, LLC shall acknowledge acceptance of and agree to comply with all conditions stated herein to the Agency 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 proposed project is for a cost overrun for Project I.D. #A-10222-13.

**Capital and Working Capital Costs**

The total capital cost is now projected to be \$7,017,486, an increase of \$2,942,026 over the previously approved Project I.D. #A-10222-13 capital cost of \$4,075,460, which is above the allowed 115 percent overage for capital expenditures. The following table compares the previously approved capital cost and the proposed capital cost in this application, as reported on Form F1.b in Section Q.

| <b>HRH – Previously Approved vs. Proposed Capital Expenditures</b> |  |                           |   |
|--|--|---------------------------|---|
| <b>Item/Category</b>   | <b>Previously Approved Cost<br/>A-10222-13</b> | <b>Total Overrun Cost</b> | <b>Total Proposed Cost<br/>A-11387-17</b> |
| Construction Contract  | \$3,026,000                                    | \$1,394,610               | \$4,420,610                               |
| Architect/Engineering Fees   | \$475,000                                      | \$91,764                  | \$566,764                                 |
| Fixed Equipment  | \$128,750                                      | (\$68,663)                | \$60,087                                  |
| Moveable Equipment   | \$397,780                                      | \$742,875                 | \$1,140,655                               |
| Furniture  | \$3,930  | \$28,535                  | \$32,465                                  |
| Consultant Fees  | \$0  | \$174,530                 | \$174,530                                 |
| CON Fees   | \$44,000                                       | \$0                       | \$44,000                                  |
| Internal Cost of Capital   | \$0  | \$165,000                 | \$165,000                                 |
| Low Voltage Systems  | \$0  | \$413,375                 | \$413,375                                 |
| <b>Total</b>   | <b>\$4,075,460</b>                             | <b>\$2,942,026</b>        | <b>\$7,017,486</b>                        |

In Section F.3, pages 48-49, the applicant states that it does not project needing funds for start-up expenses or initial operating expenses.

**Availability of Funds**

In Section F.5, page 51, the applicant states the additional capital cost of \$2,942,026 for the project will be funded through the accumulated reserves of LifePoint Health, Inc. Exhibit F.5-1 contains an August 15, 2017 letter from the CEO of HRH, stating that the additional capital cost will be funded by LifePoint Health, Inc.

Exhibit F.5-2 contains the LifePoint Health, Inc. Form 10-Q Quarterly Report for the quarterly period ending June 30, 2017. As of June 30, 2017, LifePoint Health, Inc. had \$130,900,000 in cash and cash equivalents, \$6,332,400,000 in total assets, and \$2,447,900,000 in net assets. The applicant adequately demonstrates that sufficient funds will be available for the capital needs of the project.

**Financial Feasibility**

In the original application, Project I.D. #A-10222-13, the applicant projected that operating expenses would exceed revenues (Form B) in each of the first three project years, FFYs 2016-2018, as illustrated in the table below.

| <b>Project I.D. #A-10222-13 – Projected Revenues/Operating Expenses</b> |                                      |                                      |                                      |
|---|--------------------------------------|--------------------------------------|--------------------------------------|
|   | <b>Operating Year 1<br/>FFY 2016</b> | <b>Operating Year 2<br/>FFY 2017</b> | <b>Operating Year 3<br/>FFY 2018</b> |
| Gross Patient Revenue   | \$277,300,000                        | \$291,165,000                        | \$305,723,000                        |
| Deductions from Gross Patient Revenue                                   | \$181,023,000                        | \$190,074,000                        | \$199,578,000                        |
| Net Revenue   | \$102,122,000                        | \$107,229,000                        | \$112,590,000                        |
| Total Expenses  | \$99,654,000                         | \$102,757,000                        | \$105,989,000                        |
| <b>Net Income</b>   | <b>\$2,969,000</b>                   | <b>\$4,972,000</b>                   | <b>\$7,101,000</b>                   |

In Section Q, the applicant provides the pro forma financials, Form F.3, for the cost overrun application’s first three project years, FFY 2019 – FFY 2021, as summarized below.



| <b>Project I.D. #A-11387-17 – Projected Revenues/Operating Expenses</b> |                                      |                                      |                                      |
|---|--------------------------------------|--------------------------------------|--------------------------------------|
|   | <b>Operating Year 1<br/>FFY 2019</b> | <b>Operating Year 2<br/>FFY 2020</b> | <b>Operating Year 3<br/>FFY 2021</b> |
| Gross Patient Revenue   | \$321,009,000                        | \$337,060,000                        | \$353,913,000                        |
| Deductions from Gross Patient Revenue                                   | \$209,557,000                        | \$220,035,000                        | \$231,037,000                        |
| Net Revenue   | \$118,220,000                        | \$124,131,000                        | \$130,337,000                        |
| Total Expenses  | \$109,570,000                        | \$113,038,000                        | \$116,636,000                        |
| <b>Net Income</b>   | <b>\$9,150,000</b>                   | <b>\$11,593,000</b>                  | <b>\$14,201,000</b>                  |

Project I.D. #A-10222-13 was determined to be conforming to this criterion with regard to the original proposal. The changes in projected charges, costs, and revenue are immaterial and thus do not affect that determination. The assumptions used by the applicant in preparation of the pro forma financial statements in this cost overrun application are reasonable, including projected utilization, costs, and charges. See Section Q of the application for the assumptions used regarding costs and charges. The discussion regarding projected utilization found in Criterion (3) is incorporated herein by reference. The applicant adequately demonstrates that the financial feasibility of the proposal is based upon reasonable projections of costs and charges.

**Conclusion**

In summary, the applicant adequately demonstrates the availability of funds for the increased 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 cost overrun application is conforming to this criterion.

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

**C**

The applicant, DLP, proposes a cost overrun for Project I.D. #A-10222-13 (develop a dedicated C-Section OR and renovate Women’s and Children’s inpatient services).

On page 57, the 2017 SMFP states, “An operating room’s service area is the operating room 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.” In Figure 6.1 on page 60 of the 2017 SMFP, Jackson County is shown as part of a multi-county operating room service area which also includes Graham and Swain counties. Thus, in this application, the service area is comprised of Jackson, Graham, and Swain counties. Providers may serve residents of counties not included in their service area.

In Project I.D. #A-10222-13, the applicant was approved to develop a dedicated C-Section OR and renovate Women’s and Children’s inpatient services. The current application is for a cost overrun for that project. In Project I.D. #A-10222-13, the application was found to adequately demonstrate that the project would not result in unnecessary duplication of existing or approved inpatient dialysis services and no changes are proposed in this application that affect that determination. Consequently, the application is conforming to this criterion.

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

C

In Section H.5, page 56, the applicant states that there are no changes in the staffing levels or positions from the original project.

In Project I.D. #A-10222-13, the application was found conforming to this criterion, and the applicant proposes no changes in the current application that would affect that determination. The applicant projects that revenues will exceed expenses in each of the first three years of the proposed project and adequately demonstrates the availability of funds for the increased operational needs of the project. Consequently, the cost overrun 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 Project I.D. #A-10222-13, the application was found conforming to this criterion, and the applicant proposes no changes in the current application that would affect that determination. Consequently, the cost overrun application is conforming to this criterion.

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

NA

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

NA

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

C

The proposed project is for a cost overrun for Project I.D. #A-10222-13. In the original application, the applicant proposed to construct and renovate a total of 16,605 square feet of space. This cost overrun application does not propose any changes to the size of the area being renovated. In Section K.7, page 62, the applicant states there have been no changes to any of the proposed area and size of renovations. In Exhibit K.7, the applicant provides a line drawing showing the areas of HRH that are in need of asbestos abatement.

The discussion regarding costs and charges found in Criterion (5) is incorporated herein by reference. The applicant adequately demonstrates that the cost, design, and means of construction represent the most reasonable alternative, and that the construction cost will not unduly increase costs and charges for health services. Therefore, the application is conforming to this criterion.

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

C

In Project I.D. #A-10222-13, the application was found conforming to this criterion, and the applicant proposes no changes in the current application that would affect that determination. Consequently, the cost overrun 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

In Project I.D. #A-10222-13, the application was found conforming to this criterion, and the applicant proposes no changes in the current application that would affect that determination. Consequently, the cost overrun 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 Project I.D. #A-10222-13, the application was found conforming to this criterion, and the applicant proposes no changes in the current application that would affect that determination. Consequently, the cost overrun 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 Project I.D. #A-10222-13, the application was found conforming to this criterion, and the applicant proposes no changes in the current application that would affect that determination. Consequently, the cost overrun 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 Project I.D. #A-10222-13, the application was found conforming to this criterion, and the applicant proposes no changes in the current application that would affect that determination. Consequently, the cost overrun application is conforming 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, DLP, proposes a cost overrun for Project I.D. #A-10222-13 (develop a dedicated C-Section OR and renovate Women's and Children's inpatient services).

On page 57, the 2017 SMFP states, "*An operating room's service area is the operating room 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.*" In Figure 6.1 on page 60 of the 2017 SMFP, Jackson County is shown as part of a multi-county operating room service area which also includes Graham and Swain counties. Thus, in this application, the service area is comprised of Jackson, Graham, and Swain counties. Providers may serve residents of counties not included in their service area.

In Project I.D. #A-10222-13, the applicant was approved to develop a dedicated C-Section OR and renovate Women's and Children's inpatient services. The current application is for a cost overrun for that project. In Project I.D. #A-10222-13, the application was found conforming to this criterion and no changes are proposed in this application that affect that determination. Consequently, the cost overrun 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

In Project I.D. #A-10222-13, the application was found to be conforming with this criterion. The applicant owns and operates nine hospitals in North Carolina. In Section O.3, pages 70-71, the applicant states that none of its nine hospitals in North Carolina have been determined to be out of compliance with Centers for Medicare and Medicaid Services regulations. After reviewing and considering information provided by the applicant and considering the quality of care provided at all facilities, the applicant provides sufficient evidence that quality care has been provided in the past and adequately demonstrated that there is no pattern of substandard quality of care. 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

In Project I.D. #A-10222-13, the application was conforming to the Criteria and Standards for Operating Rooms promulgated in 10A NCAC 14C .2100, and the applicant proposes no changes in the current application that would affect that determination. Consequently, the application is conforming to this criterion.