

## ATTACHMENT - REQUIRED STATE AGENCY FINDINGS

### FINDINGS

C = Conforming

CA = Conditional

NC = Nonconforming

NA = Not Applicable

Decision Date: May 25, 2018

Findings Date: May 25, 2018

Project Analyst: Tanya S. Rupp

Assistant Chief: Lisa Pittman

Project ID #: H-11459-18

Facility: FirstHealth Moore Regional Hospital

FID #: 943358

County: Moore

Applicant: FirstHealth of the Carolinas, Inc.

Project: Add 22 acute care beds pursuant to the need determination in the 2018 SMFP for a total of 359 acute care beds upon project completion

### REVIEW CRITERIA FOR NEW INSTITUTIONAL HEALTH SERVICES

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

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

C

The applicant, FirstHealth of the Carolinas, Inc., (“FirstHealth”) proposes to add 22 acute care beds at the FirstHealth Moore Regional Hospital (“FHMRH”) campus, for a total of 359 licensed acute care beds at FHMRH upon project completion.

#### **Need Determination**

The 2018 State Medical Facilities Plan (SMFP) includes an Acute Care Bed Need Determination for 22 additional acute care beds in the Moore County Service Area. Page 52 of the 2018 SMFP states:

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

- (1) a 24-hour emergency services department,*
- (2) inpatient medical services to both surgical and non-surgical patients, and*
- (3) if proposing a new licensed hospital, medical and surgical services on a daily basis within at least five of the major diagnostic categories as recognized by the Centers for Medicare and Medicaid services (CMS), as follows: ...” [as listed on page 41 of the 2017 SMFP].*

The applicant submitted an application in response to the need identified in the 2018 SMFP for 22 additional beds in Moore County, and there were no other applications submitted for those beds. FHMRH will be licensed for a total of 359 acute care beds upon completion of the proposal.

The applicant does not propose to develop more acute care beds than are determined to be needed in the Moore County Service Area. In Section B.1, page 11, and Exhibit B.1, the applicant states that FHMRH currently operates a 24-hour emergency services department and provides inpatient medical services to both surgical and non-surgical patients. The applicant is not proposing a new hospital or new service. Thus, FirstHealth is a qualified applicant and the proposal is consistent with the need determination in the 2018 SMFP for acute care beds in Moore County.

### **Policies**

Policy GEN-3: BASIC PRINCIPLES, on page 33 of the 2017 SMFP is applicable to this review. Policy GEN-3 states:

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

In Section B.10, pages 22 – 27, the applicant explains why it believes its application is conforming to Policy GEN-3. On page 27, the applicant states that the patients at FHMRH

*“will gain access to the care, safety, and quality services that FirstHealth provides and that have been identified in the Section B.10 (a), (b), and (c).”*

### **Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application
- Remarks made at the public hearing
- Information publicly available during the review and used by the Agency

Based on that review, the Agency concludes that the application is conforming to this criterion for the following reasons:

- The applicant does not propose to develop more acute care beds than are determined to be needed in the service area.
- The applicant adequately demonstrates that the proposal is consistent with Policy GEN-3 for the following reasons:
  - The applicant adequately documents how the project will promote safety and quality in the delivery of acute care services in Moore County;
  - The applicant adequately documents how the project will promote equitable access to acute care services in Moore County; and
  - The applicant adequately documents how the project will maximize healthcare value for the resources expended in Moore County.

(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 proposes to add 22 acute care beds at the FirstHealth Moore Regional Hospital (“FHMRH”) campus, for a total of 359 licensed acute care beds at FHMRH upon project completion. The 22 proposed beds will be developed in a new 24,500 square foot (SF) elevated patient wing that will be connected via a walkway to the main hospital behind the Reid Heart Center on the FHMRH campus. In Section B.1, pages 30 - 32 of the application, the applicant states the elevated patient floor will be adjacent to the Heart Center and will be supported by columns that will be exposed on the ground floor. All of the patient rooms and support staff space will be on the elevated second floor.

FirstHealth is not proposing to acquire additional major medical equipment or develop any other health services as part of this proposed project.

**Patient Origin**

On page 38, the 2018 SMFP defines the service area for acute care services as the planning area in which the bed is located. *“An acute care bed’s service area is the acute care bed planning area in which the bed is located. The acute care bed planning areas are the single and multicounty groupings shown in Figure 5.1.”* Figure 5.1 on page 42 of the 2018 SMFP shows Moore County as a single county acute care bed planning area. FHMRH is located in Moore County. Thus, the service area for this facility consists of Moore County. Facilities may also serve residents of counties not included in their service area.

In Section C.2(a) and C.3(a), pages 33 - 34, the applicant identifies the historical and projected patient origin by federal fiscal year (FFY), as shown in the following table:

**FHMRH Historical and Projected Patient Origin**

| COUNTY       | CURRENT / HISTORICAL<br>FFY<br>(10/01/16 – 09/30/17)<br>TOTAL ACUTE CARE BEDS |               | PROJECTED THIRD FFY<br>(10/01/22 – 09/30/23)<br>22 NEW ACUTE CARE BEDS |               |
|--------------|---|---------------|--|---------------|
|              | # PATIENTS  | % OF TOTAL    | # PATIENTS   | % OF<br>TOTAL |
|              | Moore   | 9,078         | 43.5%  | 614           |
| Richmond     | 2,829   | 13.5%         | 191  | 13.5%         |
| Hoke         | 1,530   | 7.3%          | 103  | 7.3%          |
| Montgomery   | 1,427   | 6.8%          | 96   | 6.8%          |
| Lee          | 1,261   | 6.0%          | 85   | 6.0%          |
| Robeson      | 1,119   | 5.4%          | 76   | 5.4%          |
| Scotland     | 875   | 4.2%          | 59   | 4.2%          |
| Other        | 2,768   | 13.3%         | 188  | 13.3%         |
| <b>Total</b> | <b>20,887</b>   | <b>100.0%</b> | <b>1,413</b>   | <b>100.0%</b> |

The applicant provided projected utilization of the 22 proposed acute care beds, rather than the entire hospital campus acute care bed utilization. In Section C.3, page 35, the applicant states it used FHMRH’s historical patient origin for acute care services to project future patient origin. The applicant’s assumptions are reasonable and adequately supported.

**Analysis of Need**

In Section C, pages 35 - 53 the applicant explains why it believes the population projected to utilize the proposed acute care services needs the proposed services. On pages 36 – 37, the applicant provides data from the North Carolina State Office of Budget and Management to show that the population of Moore County as a whole increased by 7.8% from 2013 to 2018

(annualized), and the age 65 and over population increased by 15.90% during the same time. Similarly, the population of Moore County is projected to increase by 7.2% from 2018 to 2023, and the population of those people age 65 and over is projected to increase by 12.94% during the same time. Furthermore, the applicant provides the following population statistics:

- In 2011, approximately 20% of people age 65 – 74 and approximately 27% of people over the age of 75 had at least one emergency room visit (page 38).
- More than 40% of elderly patients seen in an emergency department are admitted to the hospital; 6% of elderly patients seen in emergency are admitted to ICU (page 38).
- The population growth in Moore County specifically is projected to be greatest in the over 65 age group, which supports the need for additional acute care services at FHMRH (pages 38 – 39).

The applicant's demonstration of need continues on pages 40 – 45, as summarized below:

- The FirstHealth physician network is expanding as new physicians are recruited into the service area (page 40).
- In response to population growth trends and projections, the applicant states expansion of FHMRH services will continue (page 41).
- FirstHealth is developing contracts with local and regional employers for greater recruitment and retention of employees in the primary service area (page 42).
- FirstHealth continues to develop toward an Accountable Care Organization with local and regional physicians, which will ensure continued quality of care in the delivery of acute care services (pages 43 – 44)

The information provided by the applicant is reasonable and adequately supported for the following reasons:

- There is a need determination in the 2018 SMFP for 22 acute care beds in Moore County,
- The applicant uses clearly cited and reasonable historical and demographical data to make the assumptions with regard to identifying the population to be served, and
- The applicant uses Agency accepted methodologies and reasonable assumptions to demonstrate the need the population projected to be served has for the proposed acute care services.

Projected Utilization

FirstHealth Moore Regional Hospital

H-11459-18

Page 6

In Section Q, the applicant provides projected utilization for the 22 acute care beds as illustrated in the following table:

| SERVICE COMPONENT              | PRIOR FFY (FFY 2017) | INTERIM FFY 1 (FFY 2018) | INTERIM FFY 2 (FFY 2019) | INTERIM FFY 3 (FFY 2020) | PY 1 (FFY 2021) | PY 2 (FFY 2022) | PY 3 (FFY 2023) |
|--------------------------------|----------------------|--------------------------|--------------------------|--------------------------|-----------------|-----------------|-----------------|
| <b>General Acute Care Beds</b> |                      |                          |                          |                          |                 |                 |                 |
| # Beds                         | 337                  | 337                      | 337                      | 337                      | 337             | 337             | 337             |
| # Patient Days                 | 93,658               | 95,194                   | 96,755                   | 98,342                   | 93,830          | 95,368          | 96,932          |
| <b>22 Bed Acute Care Unit</b>  |                      |                          |                          |                          |                 |                 |                 |
| # Beds                         |                      |                          |                          |                          | 22              | 22              | 22              |
| # Patient Days                 |                      |                          |                          |                          | 6,125           | 6,226           | 6,328           |
| <b>Total Acute Care Beds</b>   |                      |                          |                          |                          |                 |                 |                 |
| # Beds                         | 337                  | 337                      | 337                      | 337                      | 359             | 359             | 359             |
| # Patient Days                 | 93,658               | 95,194                   | 96,755                   | 98,342                   | 99,955          | 101,594         | 103,260         |

Source: Application, page 114

The applicant states on page 45 that the patient days are based on an average length of stay of 4.48 days. In Section C, pages 45 and 50 - 53, the applicant provides its methodology and assumptions for projecting utilization of the proposed 22 acute care beds through the first three years of operation following completion of the project, as summarized below.

- FHMRH has experienced growth in both inpatient and outpatient acute care services from FY 2011 to FY 2017, and expects that growth to continue;
- Population growth projections in the service area support the continued utilization of FHMRH’s acute care services;
- FHMRH is the only acute care hospital in Moore County

Projected utilization is reasonable and adequately supported for the following reasons:

- The applicant bases projected utilization upon historical data for the service area population and the applicant’s experience in providing acute care services,
- The applicant is the only provider of acute care services in Moore County, and
- The applicant applies reasonable growth assumptions based on historical utilization.

**Access**

In Section L, page 96, the applicant projects the following payor mix during the second full fiscal year of operation following completion of the project, as illustrated in the following table:

| PAYOR CATEGORY | SERVICES AS PERCENT OF TOTAL |                 |
|----------------|------------------------------|-----------------|
|                | INPATIENT SERVICES           | ENTIRE FACILITY |
| Self Pay       | 2.9%                         | 3.0%            |
| Medicare       | 64.7%                        | 59.9%           |
| Medicaid       | 10.7%                        | 10.3%           |
| Insurance      | 18.6%                        | 23.4%           |
| TriCare        | 3.1%                         | 3.5%            |
| <b>Total</b>   | <b>100.0%</b>                | <b>100.0%</b>   |

The projected payor mix is not expected to change from the current payor mix; therefore, it is reasonable and adequately supported.

The Agency reviewed the:

- Application
- Exhibits to the application
- Remarks made at the public hearing
- Information publicly available during the review and used by the Agency

Based on that review, the Agency concludes that the application is conforming to this criterion for the following reasons:

- The applicant adequately identifies the population to be served.
- The applicant adequately explains why the population to be served needs the services proposed in this application.
- Projected utilization is reasonable and adequately supported.
- The applicant projects the extent to which all residents, including underserved groups, will have access to the proposed services (payor mix) and adequately supports its assumptions.

(3a) In the case of a reduction or elimination of a service, including the relocation of a facility or a service, the applicant shall demonstrate that the needs of the population presently served will be met adequately by the proposed relocation or by alternative arrangements, and the effect of the reduction, elimination or relocation of the service on the ability of low income persons, racial and ethnic minorities, women, handicapped persons, and other underserved groups and the elderly to obtain needed health care.

NA

The applicant is not proposing a reduction or elimination of a service.

- (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

The applicant, FirstHealth of the Carolinas, Inc. proposes to add 22 acute care beds to FirstHealth Moore Regional Hospital pursuant to the need determination in the 2018 SMFP, for a total of 359 acute care beds at the hospital following project completion.

In Section E, page 66, the applicant describes the one alternative it considered and explains why that alternative is either more costly or less effective than the alternative proposed in this application to meet the need. On page 66, the applicant states that its proposal is the most effective alternative because the hospital has no other existing space within the existing hospital to renovate for the addition of the 22 acute care beds.

The applicant provides supporting documentation in Exhibit E.3.

The applicant adequately demonstrates that the alternative proposed in this application is the most effective alternative to meet the identified need for 22 acute care beds identified in the 2018 SMFP.

**Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application
- Remarks made at the public hearing
- Information which was publicly available during the review and used by the Agency.

Based on that review, the Agency concludes that the application is conforming to this criterion for the reasons stated above. Therefore, the application is 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 Moore Regional Hospital shall develop 22 additional acute care beds pursuant to the need determination in the 2018 State Medical Facilities Plan.**
- 3. Upon completion of the project, FirstHealth Moore Regional Hospital shall be licensed for no more than 359 acute care beds.**

4. **FirstHealth Moore Regional Hospital 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.**
  
  5. **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, FirstHealth Moore Regional Hospital 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.**
  
  6. **FirstHealth Moore Regional Hospital 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 applicant proposes to add 22 acute care beds to FirstHealth Moore Regional Hospital pursuant to the need determination in the 2018 SMFP, for a total of 359 acute care beds at the hospital following project completion.

**Capital and Working Capital Costs**

In Section Q, page 115, the applicant projects the total capital cost of the project as shown in the table below:

|                     |              |
|---------------------|--------------|
| Construction Costs  | \$14,740,000 |
| Miscellaneous Costs | \$ 3,021,800 |
| Total Capital Costs | \$17,761,800 |

In Section F, page 69, the applicant projects that there will be no start-up costs or initial operating expenses since the hospital is operational.

**Availability of Funds**

In Section F, page 68, the applicant states that the entire capital cost will be funded with the accumulated reserves of FirstHealth of the Carolinas, Inc. In Exhibit F.2, the applicant provides the audited financial statements of FirstHealth of the Carolinas, Inc., which show that as of September 30, 2017, FirstHealth had \$1,161,556,000 in total assets, \$842,951,000 in net assets (total assets less total liabilities), and \$801,678,000 in total unrestricted net assets.

**Financial Feasibility**

The applicant provided pro forma financial statements for the first three full fiscal years of operation following completion of the project. In Form F.4, the applicant projects that revenues will exceed operating expenses in the first three operating years of the project, as shown in the table below.

|   | <b>1<sup>ST</sup> FULL<br/>FISCAL YEAR</b> | <b>2<sup>ND</sup> FULL<br/>FISCAL YEAR</b> | <b>3<sup>RD</sup> FULL<br/>FISCAL YEAR</b> |
|---|--|--|--|
| Total Days of Care                        | 6,125                                      | 6,226                                      | 6,238                                      |
| Total Gross Revenues (Charges)            | \$64,042,874                               | \$67,051,896                               | \$69,196,566                               |
| Total Net Revenue                         | \$14,853,585                               | \$15,551,473                               | \$16,048,890                               |
| Average Net Revenue per Day of Care       | \$2,425                                    | \$2,497                                    | \$2,572                                    |
| Total Operating Expenses (Costs)          | \$12,267,917                               | \$12,710,975                               | \$13,039,846                               |
| Average Operating Expense per Day of Care | \$2,002                                    | \$2,041                                    | \$2,090                                    |
| Net Income                                | \$2,585,668                                | \$2,840,498                                | \$3,009,045                                |

The assumptions used by the applicant in preparation of the pro forma financial statements 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.

**Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application
- Remarks made at the public hearing
- Information publicly available during the review and used by the Agency

Based on that review, the Agency concludes that the application is conforming to this criterion for the following reasons:

- The applicant adequately demonstrates that the capital costs are based on reasonable and adequately supported assumptions.
  - The applicant adequately demonstrates availability of sufficient funds for the capital needs of the proposal.
  - The applicant adequately demonstrates sufficient funds for the operating needs of the proposal and that the financial feasibility of the proposal is based upon reasonable projections of costs and charges.
- (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, FirstHealth of the Carolinas, Inc. proposes to add 22 acute care beds to FirstHealth Moore Regional Hospital pursuant to the need determination in the 2018 SMFP, for a total of 359 acute care beds at the hospital following project completion.

On page 38, the 2018 SMFP defines the service area for acute care services as the planning area in which the bed is located. *“An acute care bed’s service area is the acute care bed planning area in which the bed is located. The acute care bed planning areas are the single and multicounty groupings shown in Figure 5.1.”* Figure 5.1 on page 42 of the 2018 SMFP shows Moore County as a single county acute care bed planning area. FHMRH is located in Moore County. Thus, the service area for this facility consists of Moore County. Facilities may also serve residents of counties not included in their service area.

The 2018 SMFP identifies a need determination for 22 additional acute care inpatient beds in the Moore County service area. FirstHealth Moore Regional Hospital is the only provider of acute care hospital services located in Moore County. FirstHealth Moore Regional Hospital proposes to add 22 acute care beds for a total of 359 acute care beds upon project completion. The applicant does not propose to develop more acute care beds than are determined to be needed in the service area.

In Section G, page 76, the applicant states that since FHMRH is the only hospital in Moore County, the proposal will not result in the unnecessary duplication of existing or approved acute care services in Moore County.

The applicant adequately demonstrates that the proposal would not result in an unnecessary duplication of existing or approved services in the service area for the following reasons:

- There is a need determination in the 2018 SMFP for the proposed acute care beds.
- The applicant adequately demonstrates that the proposed acute care beds are needed in addition to the existing or approved acute care beds.

**Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application
- Remarks made at the public hearing (if applicable)
- Information which was publicly available during the review and used by the Agency.

Based on that review, the Agency concludes that the application is conforming to this criterion for the reasons stated above.

- (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 Q, Form H, the applicant provides projected staffing for the proposed services as illustrated in the following table.

**FirstHealth Moore Regional Hospital Projected Staffing  
22 Acute Care Bed Addition, FY 2021 – FY 2023**

| POSITION          | PROJECTED                           |                                     |                                     |
|-------------------|-------------------------------------|-------------------------------------|-------------------------------------|
|                   | 1 <sup>ST</sup> FULL<br>FISCAL YEAR | 2 <sup>ND</sup> FULL<br>FISCAL YEAR | 3 <sup>RD</sup> FULL<br>FISCAL YEAR |
| Clinical Director | 1.00                                | 1.00                                | 1.00                                |
| Clerk             | 2.10                                | 2.10                                | 2.10                                |
| Registered Nurse  | 25.20                               | 25.20                               | 25.20                               |
| Nursing Assistant | 8.40                                | 8.40                                | 8.40                                |
| <b>TOTAL</b>      | <b>36.70</b>                        | <b>36.70</b>                        | <b>36.70</b>                        |

Source: Form H in Section Q of the application.

The assumptions and methodology used to project staffing are provided in Section Q. Adequate costs for the health manpower and management positions proposed by the applicant are budgeted in Form F.4, which is found in Section Q. In Section H, pages 78 - 79, the applicant describes the methods used to recruit or fill new positions and its existing training and continuing education programs. In Section H, page 80, the applicant identifies the current medical director. In Exhibit H.4, the applicant provides a letter from the medical director indicating an interest in continuing to serve as medical director for the proposed services. In Section H, page 80, the applicant describes its physician recruitment plans. In Exhibit H.4, the applicant provides supporting documentation.

The applicant adequately demonstrates the availability of sufficient health manpower and management personnel to provide the proposed services.

**Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application
- Remarks made at the public hearing
- Information which was publicly available during the review and used by the Agency.

Based on that review, the Agency concludes that the application is conforming to this criterion for the reasons stated above.

- (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

The applicant currently provides acute care inpatient services. In Section I, page 82, the applicant states that the following ancillary and support services are necessary for the proposed services:

- Billing, Accounts Payable, General Accounting
- Business Office/Admitting
- Facility Management
- Human Resources
- Information Management
- Legal Services
- Materials Management
- Medical Records Services
- Planning and Marketing
- Precertification and Insurance
- Purchasing
- Quality Management and Infection Control
- Scheduling
- Staff Education

On page 82, the applicant adequately explains how each ancillary and support service is or will be made available and provides supporting documentation in Exhibit I.1.

In Section I, page 83, the applicant describes its existing and proposed relationships with other local health care and social service providers.

The applicant adequately demonstrates that the proposed services will be coordinated with the existing health care system.

**Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application
- Remarks made at the public hearing
- Information which was publicly available during the review and used by the Agency.

Based on that review, the Agency concludes that the application is conforming to this criterion.

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

NA

The applicant does not project to provide the proposed services to a substantial number of persons residing in Health Service Areas (HSAs) that are not adjacent to the HSA in which the services will be offered. Furthermore, the applicant does not project to provide the proposed services to a substantial number of persons residing in other states that are not adjacent to the North Carolina county in which the services will be offered. Therefore, Criterion (9) is not applicable to this review.

- (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

The applicant is not an HMO. Therefore, Criterion (10) is not applicable to this review.

- (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

In Section K, page 86, and in supplemental information provided at the Agency's request on April 17, 2018, the applicant states that the project involves constructing 24,500 square feet of new space. Line drawings are provided in Exhibit K.1.

On pages 87 – 88, the applicant adequately explains how the cost, design and means of construction represent the most reasonable alternative for the proposal and provides supporting documentation in Exhibit K.5.

On page 87, the applicant adequately explains why the proposal will not unduly increase the costs to the applicant of providing the proposed services or the costs and charges to the public for the proposed services.

On pages 87 - 88, the applicant identifies any applicable energy saving features that will be incorporated into the construction plans and provides supporting documentation in Exhibit K.5.

### **Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application
- Supplemental information provided at the Agency's request
- Remarks made at the public hearing
- Information which was publicly available during the review and used by the Agency.

Based on that review, the Agency concludes that the application is conforming to this criterion.

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

(a) The extent to which medically underserved populations currently use the applicant's existing services in comparison to the percentage of the population in the applicant's service area which is medically underserved;

C

In Section L, page 94, the applicant provides the historical payor mix during for the proposed services during FY 2017, as shown in the table below.

**FirstHealth Moore Regional Hospital  
Payor Mix FY 2017**

| PAYOR CATEGORY | SERVICES AS PERCENT OF TOTAL |                 |
|----------------|------------------------------|-----------------|
|                | INPATIENT SERVICES           | ENTIRE FACILITY |
| Self Pay       | 2.9%                         | 3.0%            |
| Medicare       | 64.7%                        | 59.9%           |
| Medicaid       | 10.7%                        | 10.3%           |
| Insurance      | 18.6%                        | 23.4%           |
| TriCare        | 3.1%                         | 3.5%            |
| <b>Total</b>   | <b>100.0%</b>                | <b>100.0%</b>   |

Numbers may not sum due to rounding by applicant

In Section L, page 93, the applicant provides the following comparison:

|                                     | PERCENTAGE OF<br>TOTAL PATIENTS<br>SERVED BY THE<br>FACILITY OR CAMPUS<br>DURING THE LAST<br>FULL FY | PERCENTAGE OF<br>THE POPULATION OF<br>THE SERVICE AREA |
|-------------------------------------|--|--|
| Female                              | 47.1%  | 52.2%  |
| Male                                | 52.9%  | 47.8   |
| Unknown                             | --   | --   |
| 64 and Younger                      | 48.2%  | 73.8%  |
| 65 and Older                        | 51.8%  | 26.2%  |
| American Indian                     | 4.3%   | 1.0%   |
| Asian                               | 0.5%   | 1.5%   |
| Black or African-American           | 24.2%  | 12.7%  |
| Native Hawaiian or Pacific Islander | 0.0%   | 0.0%   |
| White or Caucasian                  | 67.9%  | 82.7%  |
| Other Race                          | 2.7%   | 2.0%   |
| Declined / Unavailable              | 0.4%   | 0.0%   |

The Agency reviewed the:

- Application
- Exhibits to the application
- Remarks made at the public hearing
- Information which was publicly available during the review and used by the Agency.

Based on that review, the Agency concludes that 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

Regarding any obligation to provide uncompensated care, community service or access by minorities and persons with disabilities, in Section L, page 95, the applicant states:

*“FirstHealth is not obligated under any applicable federal regulations to provide uncompensated care, community service, or access by minorities and handicapped persons.”*

In Section L, page 95, the applicant states that during the last five years no patient civil rights access complaints have been filed against the facility or any similar facilities owned by the applicant or a related entity and located in North Carolina.

The Agency reviewed the:

- Application
- Exhibits to the application
- Remarks made at the public hearing
- Information which was publicly available during the review and used by the Agency.

Based on that review, the Agency concludes that 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 L, page 96, the applicant projects the following payor mix for the proposed services during the second full fiscal year of operation following completion of the project, as shown in the table below.

**FirstHealth Moore Regional Hospital  
Payor Mix FY 2022**

| PAYOR CATEGORY | SERVICES AS PERCENT OF TOTAL |                 |
|----------------|------------------------------|-----------------|
|                | INPATIENT SERVICES           | ENTIRE FACILITY |
| Self Pay       | 2.9%                         | 3.0%            |
| Medicare       | 64.7%                        | 59.9%           |
| Medicaid       | 10.7%                        | 10.3%           |
| Insurance      | 18.6%                        | 23.4%           |
| TriCare        | 3.1%                         | 3.5%            |
| <b>Total</b>   | <b>100.0%</b>                | <b>100.0%</b>   |

On page 96, the applicant states Medicare, Medicaid and Insurance categories include managed care plans. As shown in the table above, during the second full fiscal year of operation, the applicant projects that 3.0% of total services will be provided to self-pay patients, 59.9% to Medicare patients and 10.3% to Medicaid patients.

On page 96, the applicant provides the assumptions and methodology used to project payor mix during the second full fiscal year of operation following completion of the

project. The projected payor mix is reasonable and adequately supported for the following reasons:

- The projected payor mix is based on the historical payor mix of patients in the service area, and
- The applicant adequately demonstrates that medically underserved populations will have access to the proposed services.

The Agency reviewed the:

- Application
- Exhibits to the application
- Remarks made at the public hearing
- Information which was publicly available during the review and used by the Agency.

Based on that review, the Agency concludes that 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 L, page 98, the applicant adequately describes the range of means by which patients will have access to the proposed services.

The Agency reviewed the:

- Application
- Exhibits to the application
- Remarks made at the public hearing
- Information which was publicly available during the review and used by the Agency.

Based on that review, the Agency concludes that 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 M, page 100, the applicant describes the extent to which health professional training programs in the area have access to the facility for training purposes and provides supporting documentation in Exhibit M.1.

The Agency reviewed the:

- Application
- Exhibits to the application
- Remarks made at the public hearing
- Information which was publicly available during the review and used by the Agency.

Based on that review, the Agency concludes that the applicant adequately demonstrates that the proposed services will accommodate the clinical needs of area health professional training programs, and therefore, the 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, FirstHealth of the Carolinas, Inc. proposes to add 22 acute care beds to FirstHealth Moore Regional Hospital pursuant to the need determination in the 2018 SMFP, for a total of 359 acute care beds at the hospital following project completion.

On page 38, the 2018 SMFP defines the service area for acute care services as the planning area in which the bed is located. *“An acute care bed’s service area is the acute care bed planning area in which the bed is located. The acute care bed planning areas are the single and multicounty groupings shown in Figure 5.1.”* Figure 5.1 on page 42 of the 2018 SMFP shows Moore County as a single county acute care bed planning area. FHMRH is located in Moore County. Thus, the service area for this facility consists of Moore County. Facilities may also serve residents of counties not included in their service area.

The 2018 SMFP identifies a need determination for 22 additional acute care inpatient beds in the Moore County service area. FirstHealth Moore Regional Hospital is the only provider of acute care hospital services located in Moore County. FirstHealth Moore Regional Hospital proposes to add 22 acute care beds for a total of 359 acute care beds upon project completion. The applicant does not propose to develop more acute care beds than are determined to be needed in the service area.

In Section N, page 101, the applicant describes the expected effects of the proposed services on competition in the service area and discusses how any enhanced competition in the service area will promote the cost-effectiveness, quality and access to the proposed services. On page 101, the applicant states:

*“FirstHealth competes not only with other hospitals in the service area, but also with much larger systems both inside and outside of North Carolina. FirstHealth recognizes that patients have a choice of where to receive their care and it strives to earn the loyalty of its patients every day. But in order to remain competitive and to meet current and projected demand for its services, FirstHealth must take appropriate steps to expand its hospital. This CON application presents a reasonable and conservative approach to growth.”*

The applicant adequately describes the expected effects of the proposed services on competition in the service area and adequately demonstrates:

- The cost-effectiveness of the proposal (see Sections F and Q of the application and any exhibits)
- Quality services will be provided (see Section O of the application and any exhibits)
- Access will be provided to underserved groups (see Section L of the application and any exhibits)

### **Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application
- Remarks made at the public hearing
- Information which was publicly available during the review and used by the Agency.

Based on that review, the Agency concludes that the application is conforming to this criterion for the reasons stated above.

(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 Section A.10, page 10, the applicant identifies the acute care hospitals located in North Carolina owned, operated or managed by the applicant or a related entity. The applicant identifies a total of four acute care hospitals located in North Carolina.

In Section O, page 110, the applicant states that, during the 18 months immediately preceding the submittal of the application, there were no incidents related to quality of care in any of these facilities. According to the files in the Acute and Home Care Licensure and Certification Section, DHSR, during the 18 months immediately preceding submission of the application through the date of this decision, no incidents related to quality of care occurred in any of these facilities. 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 all FirstHealth 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.

C

The application submitted by FirstHealth of the Carolinas, Inc. is conforming to all applicable Criteria and Standards for Acute Care Beds as promulgated in 10A NCAC 14C .3800. The specific criteria are discussed below.

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

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

*(a) An applicant proposing to develop new acute care beds shall demonstrate that the projected average daily census (ADC) of the total number of licensed acute care beds proposed to be licensed within the service area, under common ownership with the applicant, divided by the total number of those licensed acute care beds is reasonably projected to be at least 66.7 percent when the projected ADC is less than 100 patients, 71.4 percent when the projected ADC is 100 to 200 patients, and 75.2 percent when the projected ADC is greater than 200 patients, in the third operating year following completion of the proposed project or in the year for which the need determination is identified in the State Medical Facilities Plan, whichever is later.*

-C- In Section C.12, page 57, and C.9, pages 52 - 53, the applicant projects that the utilization rate for FHMRH's acute care beds in the Moore County service area will be 78.8%% in the third Project Year (October 1, 2022 – September 30, 2023) following completion of the proposed project.

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

-C- See Section C.4, pages 35 - 52, for the applicant's discussion of need; Section Q, Form C, page 114 and Section C, pages 52 - 53, for the applicant's assumptions, methodology, and data used to project utilization. The data support the projected utilization of the acute care beds. The discussion regarding projected utilization found in Criterion (3) is incorporated herein by reference.