

## ATTACHMENT - REQUIRED STATE AGENCY FINDINGS

### FINDINGS

C = Conforming

CA = Conditional

NC = Nonconforming

NA = Not Applicable

Decision Date: August 30, 2019

Findings Date: August 30, 2019

Project Analyst: Mike McKillip

Assistant Chief: Lisa Pittman

Project ID #: F-11723-19

Facility: Atrium Health Neurosciences Institute

FID #: 190284

County: Mecklenburg

Applicant: The Charlotte-Mecklenburg Hospital Authority

Project: Relocate hospital-based specialty neurology providers to Atrium Health Kenilworth, a medical campus currently under development in Charlotte

### 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 Charlotte-Mecklenburg Hospital Authority [CMHA] proposes to relocate hospital-based specialty neurology providers currently located in two buildings near the main campus of Carolinas Medical Center (CMC) to Atrium Health Kenilworth MOB #2, a medical campus currently under development in Charlotte.

#### **Need Determination**

There are no need determinations in the 2019 State Medical Facilities Plan (SMFP) applicable to the development of hospital outpatient clinics. Therefore, this criterion is not applicable to this review.

## **Policies**

There is one policy in the 2019 SMFP which is applicable to this review: Policy GEN-4: Energy Efficiency and Sustainability for Health Service Facilities.

### **Policy GEN-4**

On page 31 of the 2019 SMFP, Policy GEN-4 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 for energy efficiency and water conservation that conforms to the rules, codes and standards implemented by the Construction Section of the Division of Health Service Regulation. The plan must be consistent with the applicant’s representation in the written statement as described in paragraph one of Policy-GEN 4. The plan shall not adversely affect patient or resident health, safety, or infection control.”*

The proposed capital expenditure for this project is greater than \$2 million but less than \$5 million. In Section B.11, pages 20-21, the applicant describes its plan to ensure energy efficiency and water conservation. The applicant adequately demonstrates that the application includes a written statement describing the project’s plans to assure improved energy efficiency and water conservation. Therefore, the application is consistent with Policy GEN-4.

## **Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application

Based on that review, the Agency concludes that the application is conforming to this criterion because the applicant demonstrates that the application includes a written statement describing the project's plan to assure improved energy efficiency and water conservation.

- (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, CMHA, proposes to relocate hospital-based specialty neurology providers currently located in two buildings near the main campus of Carolinas Medical Center (CMC) to Atrium Health Kenilworth MOB #2, a medical campus currently under development in Charlotte. The medical office building is being developed by Pappas Midtown, LLC. In Section C.1, page 22, the applicant describes the project as follows:

*“The proposed project involves the relocation of CMC hospital-based specialty neurology providers associated with Neurosciences Institute Neurology-Charlotte (NIN-Charlotte) to Atrium Health Kenilworth, a medical campus currently under development. Atrium Health Kenilworth is located at the intersection of Kenilworth Avenue and Harding Place in Charlotte. NIN-Charlotte physicians will relocate to Medical Office Building (MOB) #2 on the Atrium Health Kenilworth campus on a portion of Level 4.*

*The land is owned by, and the MOB will be developed by, Pappas Midtown, LLC, a third party developer, which is also developing a second MOB (MOB #1) and the associated parking on the same campus. Pursuant to CON-exempt project (see Exhibit C.1-1), Pappas Midtown, LLC is constructing the entire shell and core of the building and intends to lease the building to CMHA d/b/a CMC....*

*The specialty neurology providers to be relocated as part of the proposed project are currently located in two separate buildings near CMC's main campus at 1010 Edgehill Road and 1437 Scott Avenue in Charlotte. ... In order to support increasing patient demand and enhance services, the proposed project involves the relocation of these physicians from their current locations and consolidation of both clinics in 11,641 square feet of clinic space on the 4<sup>th</sup> floor of Atrium Health Kenilworth MOB #2. ... As shown on the project line drawings included in Exhibit C.1-3, the relocated space will include multiple exam rooms, nursing stations, and a conference room for consultation with patients and families. Other additional support space will include a reception/waiting area, research offices, other offices, and staff lounge.”*

### **Patient Origin**

N.C. Gen. Stat. §131E-176(24a) states, “*Service area means the area of the State, as defined in the State Medical Facilities Plan or rules adopted by the Department, which receives services from a health service facility.*” The 2019 SMFP does not define a service area for hospital-based outpatient clinics nor are there any applicable rules adopted by the Department that define the service area for hospital-based outpatient clinics. Thus, the service area in this review is as defined by the applicant.

In Section C.3, page 24, the applicant provides a table showing its projected patient origin for the proposed specialty physician clinics for the first three operating years (CY2021-CY2023) of the proposed project, as summarized in the following table:

<b>County of Origin</b>	<b>Percent of Total Patients</b>
Mecklenburg	45.0%
Union	8.5%
Gaston	7.5%
Cabarrus	4.0%
Cleveland	3.0%
Lincoln	1.9%
Iredell	1.7%
Catawba	1.1%
Rutherford	1.0%
Other*	26.2%
<b>Total</b>	<b>100.0%</b>

Source: Table on page 24 of the application.

\*The applicant provides a list of the counties included in the “*Other*” category on page 24 of the application.

In Section C.3, page 25, the applicant states projected patient origin is based on the historical (CY2018) patient origin for the proposed services, which is shown in a table on page 23 of the application. The applicant’s assumptions are reasonable and adequately supported.

### **Analysis of Need**

In Section C.4, pages 25-28, the applicant explains why it believes the population projected to utilize the proposed physician clinics need the proposed services, including:

- The need to address the capacity constraints of the two facilities that currently accommodate the specialty neurology providers and the inefficiencies associated with having the clinics located in two separate facilities (pages 25-26).
- The need to expand clinic space for the physician clinics due to the historical and project growth in utilization (page 27).
- The projected growth in the service area populations (page 27).

The information provided by the applicant in the pages referenced above is reasonable and adequately supported for the following reasons:

- The applicant provides information regarding the current capacity constraints of the two existing facilities.
- The applicant provides information regarding the improved access and convenience of the proposed location of the clinics.
- The applicant provides data supporting its utilization projections and projected population in the service area.

Projected Utilization

In Section Q, Form C, the applicant provides projected utilization for the proposed neurology specialty clinics through the first three full fiscal years (CY2021-CY2023) as summarized in the following table:

<b>NIN-Charlotte</b>			
	<b>CY2021</b>	<b>CY2022</b>	<b>CY2023</b>
Patient Visits	5,972	6,231	6,503

Source: Form C, Section Q of the application.

The applicant provides its assumptions and methodology for projecting utilization for its proposed services in Section Q, Form C, which is summarized as follows:

Historical Utilization - The applicant states that the utilization of the NIN-Charlotte physician clinics in their existing locations grew at average annual rate of 8.7 percent from CY2016 to CY2018. In Section Q, page 1, the applicant provides historical utilization of the services to be relocated to the proposed facility as illustrated in the following table.

	<b>CY2016</b>	<b>CY2017</b>	<b>CY2018</b>	<b>CAGR</b>
Patient Visits	4,447	4,993	5,255	8.7%

Source: Section Q, page 1.

Projected Utilization - Based on the historical utilization growth rate, the applicant projects utilization of the NIN-Charlotte clinics will grow at an average annual rate of 4.4 percent, or approximately half the average annual growth rate experience from CY2016 to CY2018. In Section Q, the applicant provides projected utilization of the services to be relocated to the proposed facility as illustrated in the following table.

	<b>CY2019</b>	<b>CY2020</b>	<b>CY2021</b>	<b>CY2022</b>	<b>CY2023</b>	<b>CAGR</b>
Patient Visits	5,484	5,722	5,972	6,231	6,503	4.4%

Source: Section Q, page 1.

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

- The applicant’s utilization projections for the physician visits are supported by its historical growth rates from CY2016 to CY2018.

- The applicant’s utilization projections are supported by the projected population growth rates for the proposed service area.

### Access

In Section C.11, page 32, the applicant states CMC will continue to provide services to all patients regardless of income, racial/ethnic origin, gender, physical or mental condition, age, ability to pay, or any other factor. In Section L.3, page 63, the applicant projects the following payor mix for the NIN-Charlotte clinics during the third year of operation (CY2023) following completion of the project, as shown in the following table.

<b>Payment Source</b>	<b>Percent of Total Patient Visits</b>
Self-Pay	3.9%
Medicare	45.9%
Medicaid	7.9%
Insurance	41.3%
Other (TriCare, Workers Comp)	0.9%
<b>Total*</b>	<b>100.0%</b>

Source: Table on page 63 of the application.

\*Totals may not foot due to rounding.

The projected payor mix is reasonable and adequately supported.

### Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

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.

C

The applicant, CMHA, proposes to relocate hospital-based specialty neurology providers currently located in two buildings near the main campus of Carolinas Medical Center (CMC) to Atrium Health Kenilworth MOB #2, a medical campus currently under development in Charlotte. In Section D.2, pages 36-37, the applicant explains why it believes the needs of the population presently utilizing the services to be relocated will be adequately met following completion of the project. On page 36, the applicant states:

*“CMC proposes to relocate specialty neurology providers associated with NIN-Charlotte as part of an effort to provide high quality and easily accessible services with sufficient space to accommodate current utilization and future growth. The proposed project will not result in any reduction in access to these services; CMC will continue to serve the patient currently utilizing these services as the specialty neurology providers will be relocated less than half a mile from their current location. The proposed space will provide numerous benefits including addressing the unique needs of specialty neurology patients, enabling the co-location of clinics, and providing additional space to accommodate growing patient demand.”*

In Section Q, page 1, the applicant provides historical utilization of the services to be relocated to the proposed facility as illustrated in the following table.

	<b>CY2016</b>	<b>CY2017</b>	<b>CY2018</b>
Patient Visits	4,447	4,993	5,255

Source: Section Q, page 1.

In Section Q, the applicant provides projected utilization of the services to be relocated to the proposed facility as illustrated in the following table.

	<b>CY2019</b>	<b>CY2020</b>	<b>CY2021</b>	<b>CY2022</b>	<b>FY23</b>
Patient Visits	5,484	5,722	5,972	6,231	6,503

Source: Section Q, page 1.

The applicant provides its assumptions and methodology for projecting utilization for its proposed services in Section Q, Form C.

In Section D.5, page 39, the applicant states,

*“As noted above, given the relocation of the physician practices to Atrium Health Kenilworth, the patients historically served by the specialty neurology providers to be relocated are also expected to relocate to the Atrium Health Kenilworth location. As such, the proposed project will not have any negative impact on the ability of low income persons, racial and ethnic minorities, women, handicapped persons, the elderly, or other underserved groups to obtain needed healthcare.”*

## **Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application

Based on that review, the Agency concludes that the applicant adequately demonstrates that:

- The needs of the population currently using the services to be reduced, eliminated or relocated will be adequately met following project completion.
- The project will not adversely impact the ability of underserved groups to access these services following project completion.

- (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, CMHA, proposes to relocate hospital-based specialty neurology providers currently located in two buildings near the main campus of Carolinas Medical Center (CMC) to Atrium Health Kenilworth MOB #2, a medical campus currently under development in Charlotte.

In Section E.2, page 40, the applicant describes the alternatives it considered and explains why each alternative is either more costly or less effective than the alternative proposed in this application to meet the need. The alternatives considered were:

- Maintain the status quo – The applicant states this was not an effective alternative due to the fact that it would not address the capacity constraints at the existing facilities and would not address the inefficiencies associated with having the services provided in two separate locations.
- Develop the project at another location – The applicant states this was not an effective alternative because the proposed site is ideally located, close to the current locations and offers ample parking.

The applicant adequately demonstrates that the alternative proposed in this application is the most effective alternative to meet the need for the following reasons:

- The alternative will meet the need for additional space and improved access to physician clinics.
- The alternative meets the need to consolidate the services into one location.

## **Conclusion**



The Agency reviewed the:

- Application
- Exhibits to the application

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. The Charlotte-Mecklenburg Hospital Authority shall materially comply with all representations made in the certificate of need application.**
  - 2. The Charlotte-Mecklenburg Hospital Authority shall relocate hospital-based physician clinics to a medical office building, Atrium Health Kenilworth MOB #2, in Charlotte.**
  - 3. The Charlotte-Mecklenburg Hospital Authority, as part of this project, shall not acquire any equipment that is not included in the project's proposed capital expenditures in Section Q of the application and that would otherwise require a certificate of need.**
  - 4. 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, The Charlotte-Mecklenburg Hospital Authority 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.**
  - 5. The Charlotte-Mecklenburg Hospital Authority shall develop and implement an Energy Efficiency and Sustainability Plan for the project that conforms to or exceeds energy efficiency and water conservation standards incorporated in the latest editions of the North Carolina State Building Codes.**
  - 6. The Charlotte-Mecklenburg Hospital Authority shall acknowledge acceptance of and agree to comply with all conditions stated herein to the Agency in writing prior to insurance 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, CMHA, proposes to relocate hospital-based specialty neurology providers currently located in two buildings near the main campus of Carolinas Medical Center (CMC) to Atrium Health Kenilworth MOB #2, a medical campus currently under development in Charlotte.

**Capital and Working Capital Costs**

In Section Q, Form F.1a, the applicant projects the total capital cost of the project as shown in the table below.

Construction Costs	\$2,002,643
Miscellaneous Costs	\$1,079,429
<b>Total</b>	<b>\$3,082,072</b>

In Section Q, the applicant provides the assumptions used to project the capital cost.

In Section F.3, pages 44-45, the applicant states the project does not involve a new service and there will be no start-up costs or initial operating expenses required.

**Availability of Funds**

In Section F, page 42, the applicant states that the capital cost will be funded as shown in the table below.

<b>Sources of Capital Cost Financing</b>		
<b>Type</b>	<b>CMHA</b>	<b>Total</b>
Loans	\$0	\$0
Accumulated reserves or OE *	\$3,082,072	\$3,082,072
Bonds	\$0	\$0
Other (Specify)	\$0	\$0
<b>Total Financing</b>	<b>\$3,082,072</b>	<b>\$3,082,072</b>

\* OE = Owner's Equity

Exhibit F.2-1 contains a letter dated June 17, 2019 from the Executive Vice President and Chief Financial Officer of CMHA documenting its intention to provide accumulated reserves for the capital needs of the proposed project. Exhibit F.2-2 contains the audited financial statements of CMHA which show that as of December 31, 2018, the applicant had \$83 million in cash and cash equivalents, \$9.4 billion in total assets, and \$5.1 billion in net assets (total assets less total liabilities).

**Financial Feasibility**

The applicant provided pro forma financial statements for CMHA and NIN-Charlotte for the first three full fiscal years of operation following completion of the project. In Form F.2, the applicant projects that NIN-Charlotte 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> Fiscal Year</b>	<b>2<sup>nd</sup> Fiscal Year</b>	<b>3<sup>rd</sup> Fiscal Year</b>
Total Patient Visits	5,972	6,231	6,503
Total Gross Revenues (Charges)	\$19,255,700	\$20,696,699	\$22,245,536
Total Net Revenue	\$6,130,301	\$6,497,497	\$6,884,511
Net Revenue per Patient	\$1,027	\$1,043	\$1,059
Total Operating Expenses (Costs)	\$2,752,151	\$2,859,785	\$2,972,628
Operating Expense per Patient	\$461	\$459	\$457
Net Income	\$3,378,150	\$3,637,712	\$3,911,883

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

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, CMHA, proposes to relocate hospital-based specialty neurology providers currently located in two buildings near the main campus of Carolinas Medical Center (CMC) to Atrium Health Kenilworth, a medical campus currently under development in Charlotte.

N.C. Gen. Stat. §131E-176(24a) states, “Service area means the area of the State, as defined in the State Medical Facilities Plan or rules adopted by the Department, which receives services from a health service facility.” The 2019 SMFP does not define a service area for hospital-based outpatient clinics nor are there any applicable rules adopted by the Department that define the service area for hospital-based outpatient clinics. Thus, the service area in this review is as defined by the applicant.

In Section G.1, page 48, the applicant provides a table showing the hospitals currently operating in Mecklenburg, which is summarized below:

<b>Mecklenburg County Hospitals</b>
CMC/CMC-Mercy
Atrium Health University City
Atrium Health Pineville
Novant Health Huntersville Medical Center
Novant Health Matthews Medical Center
Novant Health Presbyterian Medical Center/Novant Health Charlotte Orthopedic Hospital
Novant Health Mint Hill Medical Center
Novant Health Ballantyne Medical Center

In Section G.3, page 48, the applicant explains why it believes its proposal would not result in the unnecessary duplication of existing or approved services in the Mecklenburg County service area. The applicant states:

*“The proposed project will not result in any unnecessary duplication of the existing or approved facilities that provide the same services and are located in the service area as the specialty neurology providers to be relocated as part of the proposed project are existing and have growing patient demand. The proposed project is based on the need for CMC to enhance access to, and develop sufficient capacity for, NIN-Charlotte physician services. No other provider can meet these needs.”*

The applicant adequately demonstrates that the proposal would not result in an unnecessary duplication of existing or approved services in the service area because the applicant adequately demonstrates that the proposed physician clinics are needed in addition to the existing or approved services.

### **Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application

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 full-time equivalent (FTE) staffing in the first three operating years (CY2021-CY2023) for the proposed services. 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.3, which is found in Section Q. In Sections H.2 and H.3, pages 50-51, the applicant describes the methods to be used to recruit or fill new positions and its proposed training and continuing education programs. In Section I.3, page 52, the applicant identifies the medical directors and provides supporting documentation in Exhibit I.3.

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

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

In Section I.1(b), page 52, the applicant states that the following ancillary and support services are necessary for the proposed services and explains how the necessary services will be made available:

- Laboratory testing
- Diagnostic procedures
- Housekeeping
- Security
- Administration
- Maintenance

In Section I.3, pages 52-53, the applicant discusses its relationships with the referring physician community. Exhibit I.2 of the application contains support letters from physicians expressing support for the proposed project. The applicant adequately demonstrates that the necessary ancillary and support services will be made available and that the proposed services will be coordinated with the existing health care system.

### **Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application

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 HSA IV where 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.3, page 56, the applicant states that the project involves up fitting 11,641 square feet of leased space in the medical office building. Line drawings are provided in Exhibit C.1-3.

In Section K.3, page 56, the applicant adequately explains how the cost, design and means of construction represent the most reasonable alternative for the proposal.

In Section K.3, page 57, 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.

In Section K.3, pages 57-58, the applicant identifies any applicable energy saving features that will be incorporated into the construction plans.

### **Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application

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.1, page 62, the applicant provides the historical payor mix during CY2018 for the proposed services, as shown in the table below.

Payment Source	Percent of Total Patient Visits
Self-Pay	3.9%
Medicare	45.9%
Medicaid	7.9%
Insurance	41.3%
Other (TriCare, Workers Comp)	0.9%
<b>Total*</b>	<b>100.0%</b>

Source: Table on page 62 of the application.

\*Totals may not foot due to rounding.

In Section L.1, page 61, the applicant provides the following comparison.

	Percentage of Total Patients Served by the Facility or Campus during the CY2018	Percentage of the Population of the Mecklenburg County Service Area
Female	59.7%	51.9%
Male	40.3%	48.1%
Unknown	0.0%	0.0%
64 and Younger	78.5%	89.1%
65 and Older	21.5%	10.9%
American Indian	1.0%	0.8%
Asian	1.7%	6.1%
Black or African-American	34.9%	32.8%
Native Hawaiian or Pacific Islander	0.2%	0.1%
White or Caucasian	48.2%	57.8%
Other Race	7.4%	2.4%
Declined / Unavailable	6.8%	0.0%

The Agency reviewed the:

- Application
- Exhibits to the application

Based on that review, the Agency concludes that the applicant adequately documents 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. 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

In Section L.2(b), page 62, the applicant states that CMC is not obligated under any applicable federal regulations to provide uncompensated care, community service, or access by minorities and handicapped persons. The applicant states that the CMC does not discriminate based on race, ethnicity, creed, color, sex, age, religion, national origin, handicap, or ability to pay.

In Section L.2, page 63, the applicant states that during the last five years, no patient civil rights access complaints have been filed against any CMC-affiliated entity.

The Agency reviewed the:

- Application
- Exhibits to the application

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.3, page 63, the applicant projects the following payor mix for the NIN-Charlotte clinics during the third year of operation (CY2023) following completion of the project, as shown in the following table.

<b>Payment Source</b>	<b>Percent of Total Patient Visits</b>
Self-Pay	3.9%
Medicare	45.9%
Medicaid	7.9%
Insurance	41.3%
Other (TriCare, Workers Comp)	0.9%
<b>Total*</b>	<b>100.0%</b>

Source: Table on page 63 of the application.

\*Totals may not foot due to rounding.

As shown in the table above, during the third full fiscal year of operation, the applicant projects that 3.9% of physician clinic services will be provided to self-pay patients, 45.9% to Medicare patients, and 7.9% to Medicaid patients.

In Section L.3, page 63, the applicant provides the assumptions and methodology used to project payor mix during the first three full fiscal years of operation following completion of the project. The projected payor mix is reasonable and adequately supported because it is based on the applicant's historical experience.

The Agency reviewed the:

- Application
- Exhibits to the application

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.5, page 64, 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

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.1, page 65, the applicant describes the extent to which health professional training programs in the area will have access to the facility for training purposes.

**Conclusion**

The Agency reviewed the:

- Application

- Exhibits to the application

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, CMHA, proposes to relocate hospital-based specialty neurology providers currently located in two buildings near the main campus of Carolinas Medical Center (CMC) to Atrium Health Kenilworth MOB #2, a medical campus currently under development in Charlotte.

N.C. Gen. Stat. §131E-176(24a) states, “*Service area means the area of the State, as defined in the State Medical Facilities Plan or rules adopted by the Department, which receives services from a health service facility.*” The 2019 SMFP does not define a service area for hospital-based outpatient clinics nor are there any applicable rules adopted by the Department that define the service area for hospital-based outpatient clinics. Thus, the service area in this review is as defined by the applicant.

In Section G.1, page 48, the applicant provides a table showing the hospitals currently operating in Mecklenburg, which is summarized below:

<b>Mecklenburg County Hospitals</b>
CMC/CMC-Mercy
Atrium Health University City
Atrium Health Pineville
Novant Health Huntersville Medical Center
Novant Health Matthews Medical Center
Novant Health Presbyterian Medical Center/Novant Health Charlotte Orthopedic Hospital
Novant Health Mint Hill Medical Center
Novant Health Ballantyne Medical Center

In Section N.2, pages 67-69, 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 67, the applicant states,

*“The proposed application is indicative of the commitment of CMC to containing the healthcare costs and maximizing healthcare benefit per dollar expended. As previously discussed, the necessary expansion of CMC’s specialty neurology clinic space is not possible in current locations. It is imperative that CMC have the ability to provide sufficient capacity and convenient access to its specialty neurology services. The co-location of the relocated services with other Atrium Health services offers the cost-effective advantages of shared building expenses such as patient access, security, buildings and grounds maintenance, and avoids duplication of resources across multiple locations.”*

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

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 Form A, the applicant provides a list of all the healthcare facilities in North Carolina that it owns or manages.

In Section O.3 pages 71-72, the applicant states that, during the 18 months immediately preceding the submittal of the application, no incidents related to quality of care occurred at

CMC-affiliated facilities, and that all of the facilities operated in compliance with all Medicare Conditions of Participation during the time period. According to the files in the Acute and Home Care Licensure and Certification Section, DHSR, all of the facilities are in compliance with all Medicare Conditions of Participation. 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 the facilities, the applicant provides 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.

NA

The applicant proposes a relocation and expansion of hospital-based physician clinics to a medical office building. There are no administrative rules that are applicable to proposals to develop hospital-based outpatient clinics.