

ATTACHMENT - REQUIRED STATE AGENCY FINDINGS

FINDINGS

C = Conforming

CA = Conditional

NC = Nonconforming

NA = Not Applicable

Decision Date: February 1, 2019

Findings Date: February 1, 2019

Project Analyst: Tanya M. Saporito

Assistant Chief: Lisa Pittman

Project ID #: H-11629-18

Facility: FirstHealth Moore Regional Hospital-Richmond

FID #: 933431

County: Richmond

Applicant(s): FirstHealth of the Carolinas, Inc.

Project: Relocate existing fixed MRI scanner from FirstHealth Moore Regional Hospital-Hamlet to FirstHealth Moore Regional Hospital-Richmond

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

FirstHealth of the Carolinas, Inc. (FirstHealth, or the applicant) proposes to relocate an existing MRI scanner from FirstHealth Moore Regional Hospital-Hamlet (FH Hamlet) in Richmond County to FirstHealth Moore Regional Hospital-Richmond (FH Richmond) in Richmond County. FirstHealth acquired FH Hamlet (formerly Sandhills Regional Medical Center) in November, 2016 and in December, 2017 FH Hamlet ceased acute care operations and closed, though its license remained active. According to the 2018 State Medical Facilities Plan (SMFP), FirstHealth currently operates three fixed MRI scanners at FirstHealth Moore Regional Hospital in Moore County. The 2019 SMFP also reflects that FirstHealth was approved in 2017 to acquire a fixed MRI scanner at its campus in Hoke County. This application does not propose to increase the inventory of fixed MRI scanners in Richmond County, and does not propose to increase FirstHealth's inventory of fixed MRI scanners. The

applicant proposes to relocate an existing fixed MRI scanner that is not being utilized at FH Hamlet in Richmond County and relocate it to FH Richmond, also in Richmond County.

Need Determination

The proposed project does not involve the addition of any new health service facility beds, services, or equipment for which there is a need determination in the 2018 State Medical Facilities Plan (SMFP). Therefore, there are no need determinations applicable to this review.

Policies

Policy GEN-4: Energy Efficiency and Sustainability for Health Service Facilities is the only policy in the 2018 SMFP applicable to this review.

Policy GEN-4: Energy Efficiency and Sustainability for Health Service Facilities, on page 33 of the 2018 SMFP, states:

“Any person proposing a capital expenditure greater than \$2 million to develop, replace, renovate or add to a health service facility pursuant to G.S. 131E-178 shall include in its certificate of need application a written statement describing the project’s plan to assure improved energy efficiency and water conservation.

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

Any person awarded a certificate of need for a project or an exemption from review pursuant to G.S. 131E-184 is required to submit a plan 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.”

In Section B, pages 23 - 24, the applicant explains why it believes the application is conforming to Policy GEN-4. The applicant provides a written statement of the minimum energy conservation features proposed as part of the application

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 for the following reasons:

- The applicant adequately demonstrates that the proposal is consistent with Policy GEN-4 because the application contains a written statement describing the project's plan to assure improved energy efficiency and water conservation. Furthermore, the applicant states in Section B.11, page 23 that the project will either meet or exceed the North Carolina State Energy Conservation Code.
- (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

FirstHealth of the Carolinas, Inc. (FirstHealth, or the applicant) proposes to relocate an existing MRI scanner from FirstHealth Moore Regional Hospital-Hamlet (FH Hamlet) in Richmond County to FirstHealth Moore Regional Hospital-Richmond (FH Richmond) in Richmond County. The MRI scanner will be relocated to a new building adjacent to the existing imaging department at FH Richmond.

Patient Origin

On page 142, the 2018 SMFP defines the service area for fixed MRI scanners as *“a single county, except where there is no licensed acute care hospital located within the county.”* Thus, the service area consists of Richmond County. Providers may serve residents of counties not included in their service area.

In Sections C.2 and C.3, pages 32 and 33, the applicant provides historical (FY 2018) and projected (first three full fiscal years) patient origin for the proposed relocated MRI scanner. The Project Analyst combined the information into one table, as follows:

FIRSTHEALTH RICHMOND CURRENT AND PROJECTED PATIENT ORIGIN								
COUNTY	HISTORICAL (FY 2018)		1 ST FY (OY 1)* (10/1/20 – 9/30/21)		2 ND FY (OY 2) (10/1/21 – 9/30/22)		3 RD FY (OY 3) (10/1/22 – 9/30/23)	
	# PATIENTS	% OF TOTAL	# PATIENTS	% OF TOTAL	# PATIENTS	% OF TOTAL	# PATIENTS	% OF TOTAL
Richmond	1,735	84.2%	2,272	87.5%	2,272	87.5%	2,272	87.5%
Scotland	101	4.9%	101	3.9%	101	3.9%	101	3.9%
Anson	90	4.4%	90	3.5%	90	3.5%	90	3.5%
Other NC County	56	2.7%	56	2.2%	56	2.2%	56	2.2%
Other State	78	3.8%	78	3.0%	78	3.0%	78	3.0%
Total	2,060	100.0%	2,597	100.0%	2,597	100.0%	2,597	100.0%

*OY = Operating Year

Totals may not sum due to rounding

In Section C.3, page 33, the applicant provides the assumptions and methodology used to project patient origin. The applicant adequately identified the population to be served.

Analysis of Need

In Section C.4, pages 34 - 39, the applicant explains why it believes the population projected to utilize the proposed services needs the proposed services, explaining that the need is qualitative rather than quantitative. The applicant states the MRI scanner at FH Hamlet is currently owned by FirstHealth and is not being utilized. This application proposes to bring an existing, non-operational MRI scanner back into operation to serve a patient population currently being served by a mobile MRI scanner four and a half days per week at FirstHealth Moore Regional Hospital in Moore County. On page 34, the applicant states patients at FH Richmond are currently served by FirstHealth’s mobile MRI scanner in Moore County. Once the relocated fixed MRI becomes operational, the mobile MRI scanner will provide service at the FH Hoke campus in Raeford, until the fixed MRI at that campus becomes operational. The applicant provides the following in support of the proposed need:

- Population growth and trends in the entire service area, and
- National MRI utilization, and
- MRI utilization at FH Richmond.

Population growth and trends in Richmond County and the extended service area

On pages 35 – 36, the applicant provides service area population growth projections, noting that although the population as a whole is projected to be stagnant, the population group age 65 + is projected to increase in Richmond County and in the extended service area.

National MRI utilization from 2000 to 2017

On pages 36 – 37, the applicant provides information regarding increasing MRI utilization nationally and in North Carolina from 2000 to 2017. The applicant cites national studies that determined that MRI utilization increased nationally from an average of 51 scans per 1,000 population in 2000 to 118 scans per 1,000 population in 2017, which is an increase of 131.4% [(118 / 51) – 1 = 1.3137]. Similarly, citing information from the 2002 and Proposed 2019

SMFPs and the North Carolina Office of State Budget and Management, the applicant states that MRI utilization increased from 50.1 scans per 1,000 population in 2000 to 82.7 scans per 1,000 population in 2017 in North Carolina, which is an increase of 65.1% $[(82.7 / 50.1) - 1 = 0.6506]$.

FH Richmond MRI utilization

On page 38, the applicant states that utilization of MRI services at FH Richmond has increased along with outpatient and radiology services, particularly since 2013. Using information on the hospital’s annual License Renewal Applications from 2013 and 2018, the applicant provides the following information to illustrate the increase in utilization of those services:

Modality	FY 2012*	FY 2017*	Procedure Change	% Change
CT Scan	5,701	8,803	3,102	54.5%
X Ray	16,251	21,112	4,861	29.9%
MRI Scan	1,675	2,280	605	36.1%
Mammography	2,950	3,289	339	11.5%
Ultrasound	5,253	4,883	(370)	(7.0%)

*Note that although the applicant titles the columns as representing data from FY 2013 and FY 2018, the data were collected from the LRAs from the prior years, as stated above.

On page 38, the applicant states that MRI scans that could be performed at FH Richmond are currently being performed in Moore County, because the mobile MRI scanner operates only 4.5 days per week at FH Richmond. By relocating the unutilized MRI scanner from FH Hamlet to FH Richmond, the applicant states MRI service will now be available full time to Richmond County patients, in Richmond County.

The applicant adequately demonstrates the need to relocate an existing, unutilized MRI scanner from FH Hamlet to FH Richmond.

Projected Utilization

In Section C.4, page 39, the applicant provides projected utilization of the relocated MRI scanner, as illustrated in the following table:

FH Richmond Projected Utilization, FY 2020 – FY 2023					
	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
MRI Scans	2,280	2,280	2,874	2,874	2,874

In Section C, pages 45 – 46, the applicant provides assumptions to support the projected MRI utilization, and states it is based on the historical utilization of the mobile MRI that serves Richmond County patients at FH Richmond. The applicant states the fixed MRI will not only assume the current mobile capacity, but will add an additional 16 hours per week of MRI service. The applicant states it does not project an increase in MRI scans, because the population in the service area is projected to stagnate.

The applicant also states the existing MRI scanner proposed to be relocated in this application is the only fixed MRI scanner in Richmond County.

Access

In Section C.11, page 47, the applicant states that FirstHealth does not discriminate against any class of patient based on ability to pay, race, ethnicity, sex, handicap or age. On page 47, the applicant states,

“In FY2017, Medicare patients accounted for 64.7 percent of inpatient days of care. Medicaid patients accounted for 10.7 percent of inpatient days of care. In FY2017, FirstHealth provided nearly \$15.1 million in charity care and wrote off over \$96.1 million in unpaid patient accounts.”

In Section L.3(a), page 93, the applicant provides the projected payor mix for the second full fiscal year, FY 2022, of the proposed project, as illustrated below:

PAYOR SOURCE	ENTIRE FACILITY OR CAMPUS	MRI SERVICE
Self-Pay	9.0%	3.0%
Medicare	39.5%	52.7%
Medicaid	22.2%	11.9%
Insurance	27.1%	29.7%
Government & Other	2.2%	2.7%
Total	100.0%	100.0%

The applicant states Medicare, Medicaid, and Insurance categories include any managed care plans.

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 their 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 proposes to relocate an existing unutilized MRI scanner from FH Hamlet in Richmond County to FH Richmond in Richmond County. This MRI scanner has not served patients since December 2017 when FH Hamlet closed. Therefore, the effect of the relocation will actually increase access to MRI services in Richmond County.

In Section D, page 57, the applicant explains why it believes the needs of the population who need the MRI services to be relocated will be adequately met following completion of the project. The applicant states:

“The existing fixed MRI scanner needs to be relocated from FMRH-Hamlet to FMRH-Richmond because FMRH-Hamlet is closed and the existing fixed MRI scanner is not operational. Additionally, FMRH-Richmond currently utilizes a mobile MRI scanner that can be relocated to other healthcare facilities to offer or expand mobile MRI services.”

In Section D, page 60, the applicant states:

“FMRH-Hamlet is closed and the existing fixed MRI scanner is not operational; as such low income persons, racial and ethnic minorities, women, handicapped persons, the elderly and other underserved groups who remain in Richmond County receive MRI services at FMRH-Richmond on a mobile MRI scanner. After completion of the proposed project, Richmond County residents will again be able to receive MRI scans on a fixed MRI scanner.”

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

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

- No patient services will be eliminated or reduced by the relocation of the unutilized MRI scanner.
 - 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 proposes to relocate an existing unutilized MRI scanner from FH Hamlet in Richmond County to FH Richmond in Richmond County.

In Section E.2, pages 62 - 63, 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 only other alternative considered was:

- Apply for a new MRI scanner pursuant to Policy TE-3 in the 2018 SMFP - The applicant considered applying for a new MRI scanner, and explains that it believes it would meet the requirements of that policy. However, the applicant states the cost of a new MRI scanner would be in excess of \$1 Million, and relocating an existing MRI scanner will cost less than \$130,000. Therefore, acquisition of a new MRI scanner is not a cost effective alternative.

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

- The application is conforming to all statutory and regulatory criteria.
- The applicant provides credible information to explain why it believes the proposal is the most effective alternative.

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

- 2. FirstHealth of the Carolinas, Inc. as part of this project, shall not acquire any equipment that is not included in the project's proposed capital expenditures in Section F, Section Q and Exhibit F.1 of the application or that would otherwise require a certificate of need.**
 - 3. FirstHealth of the Carolinas, Inc. shall relocate the existing fixed MRI scanner located at FirstHealth Moore Regional Hospital-Hamlet to FirstHealth Moore Regional Hospital-Richmond.**
 - 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, FirstHealth of the Carolinas, Inc. 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. FirstHealth of the Carolinas, Inc. 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 proposes to relocate an existing MRI scanner from FH Hamlet in Richmond County to FH Richmond in Richmond County.

Capital and Working Capital Costs

In Section Q, Form F.1(a), page 112, the applicant projects the total capital cost of the project as shown in the table below.

ITEM	COST
Construction Contract	\$2,341,671
Architect / Engineering Fees	\$ 297,000
Medical Equipment	\$ 129,926
Furniture	\$ 15,000
Consultant Fees	\$ 40,000
Total	\$2,823,597

In Section F.3, page 66, the applicant states that since FH Richmond is an operational hospital, there will be no start-up costs or initial operating expenses associated with this project.

Availability of Funds

In Section F, page 64, the applicant states that the capital cost will be funded as shown in the table below.

Sources of Capital Cost Financing

TYPE	FIRSTHEALTH OF THE CAROLINAS	TOTAL
Loans	\$0	\$0
Accumulated reserves or OE *	\$2,823,597	\$2,823,597
Bonds	\$0	\$0
Other (Specify)	\$0	\$0
Total Financing	\$2,823,597	\$2,823,597

* OE = Owner's Equity

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.

FirstHealth Projected Revenues, First Three Fiscal Years

	1 ST FULL FY (FY 2021)	2 ND FULL FISCAL YEAR	3 RD FULL FISCAL YEAR
Total of Procedures	2,874	2,874	2,874
Total Gross Revenues (Charges)	\$11,638,638	\$11,987,797	\$12,347,431
Total Net Revenue	\$2,963,510	\$3,052,415	\$3,143,988
Average Net Revenue per procedure	\$1,031	\$1,062	\$1,093
Total Operating Expenses (Costs)	\$970,610	\$991,988	\$1,013,968
Average Operating Expense per procedure	\$338	\$345	\$353
Net Income	\$1,992,900	\$2,060,427	\$2,130,020

The assumptions used by the applicants in preparation of the pro forma financial statements are reasonable, including projected utilization, costs and charges. See Section Q and Exhibit F.4 of the application for the historical information and 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 and working capital costs are based on reasonable and adequately supported assumptions.
 - The applicant adequately demonstrates availability of sufficient funds for the capital and working 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 proposes to relocate an existing unutilized MRI scanner from FH Hamlet in Richmond County to FH Richmond in Richmond County.

On page 142, the 2018 SMFP defines the service area for MRI scanners as “*the same as an Acute Care Bed Service Area as defined in Chapter 5, Acute Care Beds, and shown in Figure 5.1.*” Figure 5.1 on page 42 of the 2018 SMFP indicates that Richmond County is a single county service area. Thus, the service area for this project consists of Richmond County. Facilities may also serve residents of counties not included in their service area.

FH owns the only fixed MRI scanner in Richmond County, located at FH Hamlet. In December 2017, FH Hamlet closed; therefore, the fixed MRI scanner located at FH Hamlet is not operational.

In Section G, page 73, the applicant explains why it believes its proposal would not result in the unnecessary duplication of existing or approved MRI services in Richmond County. The applicant states:

“FirstHealth is proposing only to relocate an existing but non-operational, fixed, MRI scanner to a hospital in Richmond County that does not currently have a fixed MRI service. Therefore, it is impossible for an unnecessary duplication of the service component, fixed MRI services, to occur in Richmond County as no fixed MRI scanner currently operates in Richmond 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 applicant proposes to relocate an existing fixed MRI from one hospital to another within the same county.
- The applicant proposes to bring back an unutilized fixed MRI scanner to serve patients who are currently served by a mobile MRI scanner when that unit is available.

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

FH Richmond County is an existing hospital with imaging services. In Section Q, Form H, page 128, the applicant provides current and projected staffing for FH Richmond following relocation of the fixed MRI scanner, as shown in the following table:

PRIOR FY*	INTERIM 1 FY	INTERIM 2 FY	1ST FY	2ND FY	3RD FY
MRI Supervisor	0.67	0.67	0.67	0.67	0.67
Assistant Director	0.63	0.63	0.63	0.63	0.63
Imaging Assistant	0.90	0.90	0.90	0.90	0.90
MRI Technologist	2.20	2.20	2.20	3.50	3.50
Radiology Tech	1.10	1.10	1.10	1.75	1.75
Total	5.50	5.50	5.50	7.45	7.45

*The applicant does not indicate which years the columns represent; however, throughout the application, the applicant states the three fiscal years following relocation of the MRI are FY 2021, FY 2022, and FY 2023; therefore, it is reasonable to conclude that the two interim years are FYs 2019 and 2020, and the “prior FY” is 2018.

Adequate costs for the health manpower and management positions proposed by the applicant are budgeted in Form F.2, which is found in Section Q. In Section H, pages 75 - 76, the applicant describes the methods to be used to recruit new positions and its proposed training and continuing education programs. In Section H, page 77, the applicant identifies Dr. Scott Andrew Hees as the current and proposed medical director. In Exhibit H.4, page 305, the applicant provides a letter from the proposed medical director indicating an interest in continuing to serve as medical director for the proposed services. In Section H, page 77, the applicant describes its physician recruitment plans. The applicant also provides additional supporting documentation in Exhibit H.4.

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, page 79, the applicant states that the following ancillary and support services necessary for the proposed services will be provided by FFH Richmond or by FirstHealth Corporate Services:

- Billing, accounts payable, and general accounting;
- Business office/admitting;
- Facility management;
- Human Resources/wages and benefits;
- Information management;
- Legal services;
- Materials management;
- Medical record services;
- Planning and marketing;
- Precertification and insurance;
- Purchasing;
- Quality management and infection control;

- Risk management and utilization review;
- Scheduling; and
- Staff education.

The applicant provides supporting documentation in Exhibit I.1. In Section I, page 80, the applicant describes its existing relationships with other local healthcare providers and local health care and social service providers. The applicant provides supporting documentation in Exhibit I.2.

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

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

- (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.

- (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 84, the applicant states that the project involves constructing 1,578 square feet of new space and renovating 671 square feet of existing space. Line drawings are provided in Exhibit K.1.

On page 84, 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 F.1. In addition, on page 84, 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 page 84, 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, page 91, the applicant provides the historical payor mix during FY 2018 (10/1/17 – 9/30/18) for the proposed services as shown in the table below:

PAYOR CATEGORY	ENTIRE HOSPITAL	MRI SERVICES AS PERCENT OF TOTAL
Self-Pay	9.0%	3.0%
Medicare*	39.5%	52.7%
Medicaid*	22.2%	11.9%
Insurance*	27.1%	29.7%
Government and Other	2.2%	2.7%
Total	100.0%	100.0%

*The applicant states these include any managed care plans.

In Section L, page 90, the applicant provides the following comparison.

	PERCENTAGE OF TOTAL PATIENTS SERVED BY THE FACILITY OR CAMPUS DURING THE LAST FULL FY	PERCENTAGE OF THE POPULATION OF THE SERVICE AREA
Female	57.4%	50.8%
Male	42.6%	49.2%
Unknown	0.0%	0.0%
64 and Younger	62.7%	82.3%
65 and Older	37.3%	17.7%
American Indian	2.2%	4.1%
Asian	0.3%	1.3%
Black or African-American	27.0%	30.9%
Native Hawaiian or Pacific Islander	0.0%	0.0%
White or Caucasian	67.2%	61.0%
Other Race	2.4%	2.7%
Declined / Unavailable	0.9%	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

Regarding any obligation to provide uncompensated care, community service or access by minorities and persons with disabilities, in Section L, page 92, the applicant states FH Richmond 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 92, 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

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 93, 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:

PAYOR CATEGORY	ENTIRE HOSPITAL	MRI SERVICES AS PERCENT OF TOTAL
Self-Pay	9.0%	3.0%
Medicare*	39.5%	52.7%
Medicaid*	22.2%	11.9%
Insurance*	27.1%	29.7%
Government and Other	2.2%	2.7%
Total	100.0%	100.0%

*The applicant states these include any managed care plans.

As shown in the table above, during the second full fiscal year of operation, the applicant projects that 9% of total services and 3% of MRI services will be provided to self-pay patients, 39.5% of total services and 52.7% of MRI services to Medicare patients and 22.2% of total services and 29.7% of MRI services to Medicaid patients.

On page 93, 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 because it is based on the historical experience of FH Richmond providing the same or similar services at the hospital.

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 95, the applicant states patients will have access to the proposed services by physician referral.

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, page 97, the applicant describes the extent to which health professional training programs in the area will 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

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 proposes to relocate an existing unutilized MRI scanner from FH Hamlet in Richmond County to FH Richmond in Richmond County.

On page 142, the 2018 SMFP defines the service area for MRI scanners as “*the same as an Acute Care Bed Service Area as defined in Chapter 5, Acute Care Beds, and shown in Figure 5.1.*” Figure 5.1 on page 42 of the 2018 SMFP indicates that Richmond County is a single county service area. Thus, the service area for this project consists of Richmond County. Facilities may also serve residents of counties not included in their service area.

FH owns the only fixed MRI scanner in Richmond County, located at FH Hamlet. In December 2017, FH Hamlet closed; therefore, the fixed MRI scanner located at FH Hamlet is not operational.

In Section N, pages 98 - 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 98, the applicant states:

“FirstHealth expects the MRI scanner relocation project to have a positive impact on competition in the service area. FirstHealth is [re]introducing a new type of MRI scanner services – fixed instead of mobile – into Richmond County. Offering fixed MRI scanner services instead of mobile MRI scanner services will further enhance competition by

giving Richmond County residents the option to stay in their home county for high quality, fixed MRI services.”

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)

(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 O.3(a), page 106, the applicant identifies the other similar health care facilities located in North Carolina owned, operated or managed by the applicant or a related entity.

In Section O.3(a), page 106, the applicant states that, during the 18 months immediately preceding the submittal of the application, there were no incidents related to quality of care at its existing 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, there were no incidents related to quality of care at any of those 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 ten 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.

NA

The application is proposes to relocate an existing fixed MRI scanner from FH Hamlet, which is closed, to FH Richmond. Therefore, the Criteria and Standards for Magnetic Resonance Imaging Scanner, promulgated at 10A NCAC 14C .2700 do not apply.