

ATTACHMENT - REQUIRED STATE AGENCY FINDINGS

FINDINGS

C = Conforming

CA = Conditional

NC = Nonconforming

NA = Not Applicable

Decision Date: April 30, 2020

Findings Date: April 30, 2020

Project Analyst: Julie M. Faenza

Team Leader: Fatimah Wilson

Project ID #: F-11863-20

Facility: Atrium Health Pineville Medical Plaza I Diagnostic Center

FID #: 200141

County: Mecklenburg

Applicant: Carolinas Physicians Network, Inc.

Project: Develop a new diagnostic center by acquiring one new cystoscopy system and one new PFT machine in addition to existing cystoscopy systems, PFT machines, bladder scanners, echocardiography equipment, ultrasound machines, Parks Flo Lab systems, X-ray machines, a Mohs Lab, a DEXA scanner, and a capsule endoscopy system located in an existing medical office building, Pineville Medical Plaza I, on the campus of Atrium Health Pineville

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

Carolinas Physicians Network, Inc. (hereinafter referred to as CPN or “the applicant”) proposes to develop a new diagnostic center, Atrium Health Pineville Medical Plaza I Diagnostic Center (AH Pineville MP1), in an existing medical office building on the campus of Atrium Health Pineville (AH Pineville) in Mecklenburg County. The applicant proposes to acquire one new cystoscopy system and one new pulmonary function test (PFT) machine in addition to existing cystoscopy systems, PFT machines, bladder scanners, echocardiography equipment, ultrasound machines, Parks Flo Lab systems, x-ray machines, a Mohs Lab, a

DEXA scanner, and a capsule endoscopy system. The combined value of the medical diagnostic equipment costing \$10,000 or more exceeds the statutory threshold of \$500,000 and therefore qualifies as a diagnostic center, which is a new institutional health service, and which requires a certificate of need.

Need Determination

The applicant does not propose to acquire any medical equipment for which there are any need determinations in the 2020 State Medical Facilities Plan (SMFP).

Policies

Policy GEN-4: Energy Efficiency and Sustainability for Health Service Facilities, on page 31 of the 2020 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.”

The proposed capital expenditure for this project is greater than \$2 million but less than \$5 million. In Section B, pages 23-24, the applicant describes the project’s plan to improve energy efficiency and conserve water. The applicant adequately demonstrates that the application includes a written statement describing the project’s plan to assure improved energy efficiency and water conservation.

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 adequately demonstrates that the proposal is consistent with Policy GEN-4.

- (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 develop a new diagnostic center by acquiring one new cystoscopy system and one new PFT machine in addition to existing diagnostic equipment located in an existing medical office building on the campus of AH Pineville in Mecklenburg County.

In Section C, page 26, the applicant states it plans to renovate space in an existing medical office building, Pineville Medical Plaza I, to relocate and consolidate various CPN physician office practices. The Agency, in a letter sent January 9, 2020, determined that renovation of space in this medical office building, to the extent the renovation was not part of a project requiring a certificate of need, was not reviewable under the certificate of need statutes.

In Section A, page 6, the applicant provides an explanation of its corporate ownership structure. CPN's parent company (and sole owner of CPN) is Carolinas Health Network, Inc. The parent company of Carolinas Health Network, Inc. (and sole owner of Carolinas Health Network, Inc.) is The Charlotte-Mecklenburg Hospital Authority (CMHA). CMHA does business as Atrium Health (Atrium). Thus, while the applicant for this project is CPN, the applicant and the facility are ultimately affiliated with and are part of CMHA and the Atrium Health system.

Designation as a Diagnostic Center

In Section C, pages 27-29, the applicant states the proposed diagnostic center will feature physician offices and related medical diagnostic equipment on multiple floors of the medical office building. The applicant states the proposed diagnostic center will include the following pieces of new and existing medical diagnostic equipment, each of which is worth \$10,000 or more:

AH Pineville MP1 Type and Location of Medical Diagnostic Equipment		
Equipment	Number of Units	New or Existing/Relocated
PELVIC HEALTH CLINIC – FIRST FLOOR		
Bladder Scanners	2	Existing/Relocated
Cystoscopy System	1	Existing/Relocated
Cystoscopy System	1	New
CARDIAC IMAGING CLINIC – SECOND FLOOR		
Echocardiography	2	Existing/Relocated
VASCULAR IMAGING CLINIC – SECOND FLOOR		
Vascular Ultrasound	2	Existing
Parks Flo Lab	2	Existing
DERMATOLOGY CLINIC – THIRD FLOOR		
Mohs Lab	1	Existing/Relocated
ENDOCRINOLOGY CLINIC – THIRD FLOOR		
Endocrinology Ultrasound	2	Existing
PULMONOLOGY CLINIC – THIRD FLOOR		
Chest X-Ray	1	Existing
PFT Machines	2	Existing
PFT Machine	1	New
INTERNAL MEDICINE CLINIC – FOURTH FLOOR		
DEXA Scanner	1	Existing
Diagnostic X-Ray	1	Existing
GASTROENTEROLOGY/HEPATOLOGY CLINIC – FIFTH FLOOR		
Capsule Endoscopy System	1	Existing/Relocated

Source: Section C, page 27

On pages 26-27, the applicant states some of the existing equipment was already located in AH Pineville MP1 (labeled as “existing”) and the remaining existing equipment has or will be relocated from AH Pineville and physician practices in different locations prior to the development of the proposed project (labeled as “existing/relocated”). The applicant states that the combined cost and/or value of the pieces of equipment listed above is more than \$500,000; therefore, a certificate of need is required to develop a diagnostic center. On Form F.1a, the applicant lists the cost of medical equipment as \$1,389,664.

Patient Origin

N.C.G.S. §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 2020 SMFP does not define a service area for diagnostic centers, nor are there any applicable rules adopted by the Department that define the service area for diagnostic centers. Thus, the service area in this review is as defined by the applicant.

In Section C, pages 29-37, and Section G, page 72, the applicant defines the service area as Mecklenburg and Union counties in North Carolina and Lancaster and York counties in South Carolina. Facilities may also serve residents of counties not included in their service area.

AH Pineville MP1 is not an existing facility; however, in Section C, pages 29-32, the applicant provided historical patient origin for the types of services proposed to be offered at AH Pineville MP1. On page 37, the applicant states it projected patient origin for vascular ultrasound machines, Parks Flo Lab systems, endocrinology ultrasound machines, chest and diagnostic X-ray machines, DEXA scanners, and PFT machines based on its CY 2019 patient origin for these services provided by physicians at the proposed AH Pineville MP1, and it projected patient origin for the remaining equipment based on its CY 2019 patient origin for these services provided in other areas of Mecklenburg County.

The following table illustrates projected patient origin during the first three full fiscal years following project completion.

AH Pineville MP1 Projected Patient Origin – FYs 1-3 (CYs 2022-2024)						
County	FY 1 – CY 2022		FY 2 – CY 2023		FY 3 – CY 2024	
	# of Patients	% of Total	# of Patients	% of Total	# of Patients	% of Total
Mecklenburg	4,928	39.6%	5,197	39.6%	5,295	39.6%
York (SC)	3,417	27.5%	3,584	27.5%	3,652	27.5%
Lancaster (SC)	1,885	15.1%	1,995	15.1%	2,033	15.1%
Union	1,149	9.2%	1,213	9.2%	1,236	9.2%
Other*	1,066	8.6%	1,124	8.6%	1,145	8.6%
Total	12,445	100.0%	13,113	100.0%	13,361	100.0%

Source: Section C, page 37

*Other includes Alamance, Alleghany, Anson, Ashe, Avery, Brunswick, Burke, Cabarrus, Caldwell, Catawba, Cleveland, Columbus, Cumberland, Davidson, Duplin, Forsyth, Gaston, Guilford, Haywood, Iredell, Lenoir, Lincoln, Macon, McDowell, Mitchell, Montgomery, New Hanover, Onslow, Richmond, Rowan, Rutherford, Stanly, Vance, Wake, Watauga, and Wilkes counties, as well as other states. In Section G, page 72, the applicant states that Gaston County patients represent 2.1 percent of total projected patients and it is the county with the highest percent of projected patients in the “Other” category.

In Section C, page 37, the applicant provides the assumptions and methodology used to project patient origin. The applicant’s assumptions are reasonable and adequately supported.

Analysis of Need

In Section C, pages 38-43, the applicant explains why it believes the population projected to utilize the proposed services needs the proposed services. The applicant states:

- Growth in the AH Pineville campus as well as the service offerings at AH Pineville, now a tertiary care hospital, has resulted in demand which has increased faster than projected when AH Pineville was developed. Development of office buildings on the AH Pineville campus (as part of projects exempt from review as determined by the Agency) has helped deliver more efficient patient care.
- By ensuring physician offices have the medical diagnostic equipment needed to diagnose patients, AH Pineville MP1 allows patients to receive medical diagnostic services at the

same location they see their providers much more quickly than if they had to be referred to an outside clinic with different scheduling.

- Providing the medical diagnostic equipment necessary for physicians at the physician offices avoids having to refer patients needing medical diagnostic services to a different location with potentially higher charges. Additionally, as a physician-based practice, AH Pineville MP1 will provide patients with an opportunity to lower their out-of-pocket medical costs.
- According to the North Carolina Office of State Budget and Management (NC OSBM), the Mecklenburg County population is projected to grow at a Compound Annual Growth Rate (CAGR) of 1.77 percent between 2020 and 2030, and the percent of the population of Mecklenburg County residents age 65 and older will increase from 11.6 percent in 2019 to 13.8 percent in 2025. The applicant states the increase in the percent of the population age 65 and older is significant because older residents utilize healthcare services at a higher rate than younger residents.

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

- The applicant provides reasonable and adequately supported information to support its assertion that acquisition of additional medical diagnostic equipment for physicians utilizing AH Pineville MP1 will better serve patients.
- Reliable data sources are used to support assertions about population growth.

Projected Utilization

In Section Q, Form C, the applicant provides projected utilization, as illustrated in the following table.

AH Pineville MP1 Projected Utilization – FYs 1-3 (CYs 2022-2024)			
Component	FY 1 (CY 2022)	FY 2 (CY 2023)	FY 3 (CY 2024)
Bladder Scanners – Units	2	2	2
Bladder Scanners – Tests	883	900	917
Cystoscopy Systems – Units	2	2	2
Cystoscopy Systems – Tests	78	80	81
Echocardiography Machines – Units	2	2	2
Echocardiography Machines – Tests	1,596	1,626	1,657
Vascular Ultrasound Machines– Units	2	2	2
Vascular Ultrasound Machines – Tests	3,653	3,722	3,792
Parks Flo Lab – Units	2	2	2
Parks Flo Lab – Tests	1,639	1,670	1,702
Mohs Lab – Units	1	1	1
Mohs Lab – Tests	147	196	200
Endocrinology Ultrasound Machines – Units	2	2	2
Endocrinology Ultrasound Machines – Tests	288	293	299
Chest X-Ray Machine – Units	1	1	1
Chest X-Ray Machine – Tests	391	399	406
PFT Machines – Units	3	3	3
PFT Machines – Tests	2,460	2,507	2,554
DEXA Scanner – Units	1	1	1
DEXA Scanner – Tests	821	1,094	1,115
Diagnostic X-Ray Machine – Units	1	1	1
Diagnostic X-Ray Machine – Tests	413	550	560
Capsule Endoscopy System – Units	1	1	1
Capsule Endoscopy System – Tests	75	77	78
Total Tests	12,444	13,114	13,361

In Section C, pages 44-50, and in the Form C Utilization – Assumptions and Methodology subsection of Section Q, the applicant provides the annual maximum capacity per unit for each type of medical diagnostic equipment proposed in this application, as well as the assumptions and methodology used to project the annual maximum capacities. The annual maximum capacity for each type of medical diagnostic equipment proposed in this application is shown in the table below.

Annual Maximum Capacity for Each Type of Medical Diagnostic Equipment Proposed					
Equipment Type	# Units	Patients/Hour	Hours/Day	Days/Year	Maximum Annual Capacity*
Bladder Scanners	2	6.00	NA	250	NA
Cystoscopy Systems	2	2.00	NA	250	NA
Echocardiography Machines	2	1.00	7	250	3,500
Vascular Ultrasound Machines	2	1.00	7	250	3,500
Parks Flo Lab	2	1.00	NA	250	NA
Mohs Lab	1	1.33	7	50**	467
Endocrinology Ultrasound Machines	2	2.00	NA	250	NA
Chest X-Ray Machine	1	5.00	NA	250	NA
PFT Machines	3	1.50	7	250	7,875
DEXA Scanner	1	2.00	3.5	250	1,750
Diagnostic X-Ray Machine	1	5.00	3.5	250	4,375
Capsule Endoscopy System	1	0.14	7	200***	200

Source: Section C, page 44; Form C Utilization – Assumptions and Methodology subsection of Section Q

*Maximum Annual Capacity = (Units X Patients X Hours X Days)

**The applicant states procedures are performed one day per week due to physician availability.

*** The applicant states procedures are not performed on Fridays due to associated risk factors.

Note: The applicant states there is no dedicated staff for the bladder scanners, cystoscopy systems, Parks Flo Lab, endocrinology ultrasound machines, and chest x-ray machine, and no assumed hours of availability – thus, the applicant does not project maximum annual capacity.

In Section Q, the applicant provides the assumptions and methodology used to project utilization, which are summarized below.

The applicant states the projected utilization is based on the historical utilization of the southern Charlotte patients with physicians who will have offices at AH Pineville MP1. The applicant further states that historical utilization is not provided specifically for AH Pineville MP1 because the proposed facility is not an existing facility. The applicant provides data from NC OSBM projecting the population of Mecklenburg County will grow at a CAGR of 1.9 percent between 2020 and 2024, and the applicant projects growth in future utilization of services based on that 1.9 percent annual growth of the population of Mecklenburg County.

The applicant further states that, except for the echocardiography machines, vascular ultrasound machines, PFT machines, DEXA scanner, and diagnostic X-ray machine, none of the equipment has dedicated staff and is used by physicians as needed for their diagnostic requirements. The applicant states the equipment proposed is intended to maximize the efficiency of the physicians using the equipment and efficiency of care to patients rather than to maximize utilization of the equipment.

Bladder Scanners

- The applicant states internal data shows bladder scanner utilization grew at a CAGR of 9.1 percent between CY 2017 and CY 2019.
- The applicant states that, based on the projected growth rate of the population of Mecklenburg County as published by NC OSBM, it projects growth in bladder scanner

utilization at AH Pineville MP1 at an annual growth rate of 1.9 percent for CY 2020 through CY 2024.

- The applicant projects to perform 917 bladder scans at AH Pineville MP1 in CY 2024. The applicant states the bladder scanners do not have dedicated staff and are utilized based on physician need; therefore, there is no maximum annual utilization calculated for the bladder scanners. While there is no maximum annual utilization calculated, the applicant states that if the bladder scanners were fully staffed by dedicated providers every day, the maximum annual capacity of the bladder scanners would be 21,000 scans.

Cystoscopy Systems

- The applicant states internal data shows cystoscopy system utilization decreased at a CAGR of -3.2 percent between CY 2017 and CY 2019. The applicant states this was due to the previous lack of cystoscopy services at AH Pineville MP1 and that cystoscopy services will be initiated at the AH Pineville MOB prior to the development of AH Pineville MP1.
- The applicant states it assumes utilization will increase going forward due to offering cystoscopy services at AH Pineville MP1.
- The applicant states that, based on the projected growth rate of the population of Mecklenburg County as published by NC OSBM, it projects growth in cystoscopy system utilization at AH Pineville MP1 at an annual growth rate of 1.9 percent for CY 2020 through CY 2024.
- The applicant projects to perform 81 cystoscopies at AH Pineville MP1 in CY 2024. The applicant states the cystoscopy systems do not have dedicated staff and are utilized based on physician need; therefore, there is no maximum annual utilization calculated for the cystoscopy systems. While there is no maximum annual utilization calculated, the applicant states that if the cystoscopy systems were fully staffed by dedicated providers every day, the maximum annual capacity of the cystoscopy systems would be 7,000 cystoscopies.

Echocardiography Machines

- The applicant states internal data shows echocardiograms decreased at a CAGR of -12.5 percent between CY 2017 and CY 2019. The applicant states this was due to the lack of echocardiography services available at AH Pineville MP1 which necessitated patient referrals to AH Pineville, a busy hospital with limited capacity. The applicant states echocardiography services will be initiated at AH Pineville MOB prior to the development of AH Pineville MP1.
- The applicant states it assumes utilization will increase going forward due to the availability of echocardiography services in a convenient and lower-cost setting.

- The applicant states that, based on the projected growth rate of the population of Mecklenburg County as published by NC OSBM, it projects growth in echocardiology machine utilization at AH Pineville MP1 at an annual growth rate of 1.9 percent for CY 2020 through CY 2024.
- The applicant projects to perform 1,657 echocardiograms at AH Pineville MP1 in CY 2024. Based on the calculated maximum capacity of the echocardiography machines, the applicant projects the echocardiography machines will be utilized at 47.3 percent of capacity in CY 2024.

Vascular Ultrasound Machines

- The applicant states internal data shows vascular ultrasound machine utilization decreased at a CAGR of -1.8 percent between CY 2017 and CY 2019. The applicant states this was due to a deliberate effort to shift certain vascular ultrasound studies to different locations to ensure capacity for vascular ultrasounds being performed together with Parks Flo Lab studies.
- The applicant states it does not expect the shifts to continue and assumes utilization will increase going forward.
- The applicant states that, based on the projected growth rate of the population of Mecklenburg County as published by NC OSBM, it projects growth in vascular ultrasound system utilization at AH Pineville MP1 at an annual growth rate of 1.9 percent for CY 2020 through CY 2024.
- The applicant projects to perform 3,792 vascular ultrasounds at AH Pineville MP1 in CY 2024. Based on the calculated maximum capacity of the vascular ultrasound machines, the applicant projects the vascular ultrasound machines will be utilized at 108.4 percent of capacity in CY 2024.

Parks Flo Lab Machines

- The applicant states internal data shows Parks Flo Lab machine utilization grew at a CAGR of 64.5 percent between CY 2017 and CY 2019. The applicant states this was the result of planned shifts in patients as discussed above under vascular ultrasound machine utilization.
- The applicant states that, based on the projected growth rate of the population of Mecklenburg County as published by NC OSBM, it projects growth in Parks Flo Lab machine utilization at AH Pineville MP1 at an annual growth rate of 1.9 percent for CY 2020 through CY 2024.
- The applicant projects to perform 1,702 Parks Flo Lab studies at AH Pineville MP1 in CY 2024. The applicant states the Parks Flo Lab machines do not have dedicated staff and are utilized based on physician need; therefore, there is no maximum annual utilization calculated for the Parks Flo Lab machines. While there is no maximum annual utilization

calculated, the applicant states that if the Parks Flo Lab machines were fully staffed by dedicated providers every day, the maximum annual capacity of the Parks Flo Lab machines would be 3,792 Parks Flo Lab studies.

Mohs Lab Machine

- The applicant states internal data shows Mohs Lab machine utilization grew at a CAGR of 12.8 percent between CY 2017 and CY 2019. The applicant states this service is not currently performed at AH Pineville MP1, but will be initiated prior to the development AH Pineville MP1. It will only be offered one day per week due to physician availability.
- The applicant states that, using half the number of Mohs Lab machine procedures performed two days per week in CY 2019, it projects to perform 196 Mohs Lab procedures in CY 2023. The applicant states it will ramp up to 196 Mohs Lab procedures in increments of 25 percent between CY 2020-2023, with 100 percent of the 196 projected procedures to be performed in CY 2023. The applicant then projects growth in Mohs Lab procedures, based on the projected growth rate of the population of Mecklenburg County as published by NC OSBM, at an annual growth rate of 1.9 percent for CY 2024.
- The applicant projects to perform 200 Mohs Lab procedures at AH Pineville MP1 in CY 2024. Based on the calculated maximum capacity of the Mohs Lab machine, the applicant projects the Mohs Lab machine will be utilized at 42.8 percent of capacity in CY 2024.

Endocrinology Ultrasound Machines

- The applicant states internal data shows endocrinology ultrasound machine utilization grew at a CAGR of 31.6 percent between CY 2017 and CY 2019.
- The applicant states that, based on the projected growth rate of the population of Mecklenburg County as published by NC OSBM, it projects growth in endocrinology ultrasound machine utilization at AH Pineville MP1 at an annual growth rate of 1.9 percent for CY 2020 through CY 2024.
- The applicant projects to perform 299 endocrinology ultrasounds at AH Pineville MP1 in CY 2024. The applicant states the endocrinology ultrasound machines do not have dedicated staff and are utilized based on physician need; therefore, there is no maximum annual utilization calculated for the endocrinology ultrasound machines. While there is no maximum annual utilization calculated, the applicant states that if the endocrinology ultrasound machines were fully staffed by dedicated providers every day, the maximum annual capacity of the endocrinology ultrasound machines would be 7,000 ultrasounds.

Chest X-Ray Machine

- The applicant states internal data shows chest x-ray machine utilization grew at a CAGR of 52.1 percent between CY 2017 and CY 2019.

- The applicant states that, based on the projected growth rate of the population of Mecklenburg County as published by NC OSBM, it projects growth in chest x-ray machine utilization at AH Pineville MP1 at an annual growth rate of 1.9 percent for CY 2020 through CY 2024.
- The applicant projects to perform 406 chest x-rays at AH Pineville MP1 in CY 2024. The applicant states the chest x-ray machine does not have dedicated staff and is utilized based on physician need; therefore, there is no maximum annual utilization calculated for the chest x-ray machine. While there is no maximum annual utilization calculated, the applicant states that if the chest x-ray machine was fully staffed by dedicated providers every day, the maximum annual capacity of the chest x-ray machine would be 8,750 x-rays.

Pulmonary Function Test (PFT) Machines

- The applicant states internal data shows PFT machine utilization grew at a CAGR of 66.6 percent between CY 2017 and CY 2019. The applicant states this was due to the addition of physicians that used PFT machines between 2017 and 2018.
- The applicant states that, based on the projected growth rate of the population of Mecklenburg County as published by NC OSBM, it projects growth in PFT machine utilization at AH Pineville MP1 at an annual growth rate of 1.9 percent for CY 2020 through CY 2024.
- The applicant projects to perform 2,554 PFTs at AH Pineville MP1 in CY 2024. Based on the calculated maximum capacity of the PFT machines, the applicant projects the PFT machines will be utilized at 32.4 percent of capacity in CY 2024.

DEXA Scanner

- The applicant states internal data shows DEXA scanner machine utilization decreased at a CAGR of -78.0 percent between CY 2017 and CY 2019. The applicant states this was due to physician turnover at AH Pineville MP1 and that it is recruiting for new physicians.
- The applicant states it performed 1,094 DEXA scans in CY 2017. The applicant states that, assuming the physician recruitment is successful, it projects to perform 1,094 DEXA scans in CY 2023. The applicant states it will ramp up to 1,094 DEXA scans in increments of 25 percent between CY 2020-2023, with 100 percent of the 1,094 projected DEXA scans to be performed in CY 2023. The applicant then projects growth in DEXA scans, based on the projected growth rate of the population of Mecklenburg County as published by NC OSBM, at an annual growth rate of 1.9 percent for CY 2024.
- The applicant projects to perform 1,115 DEXA scans at AH Pineville MP1 in CY 2024. Based on the calculated maximum capacity of the DEXA scanner, the applicant projects the DEXA scanner will be utilized at 63.7 percent of capacity in CY 2024.

Diagnostic X-Ray machine

- The applicant states internal data shows diagnostic X-ray machine utilization decreased at a CAGR of -34.9 percent between CY 2017 and CY 2019. The applicant states this was due to physician turnover at AH Pineville MP1 and that it is recruiting new physicians.
- The applicant states it performed 550 diagnostic X-rays in CY 2017. The applicant states that, assuming the physician recruitment is successful, it projects to perform 550 diagnostic X-rays in CY 2023. The applicant states it will ramp up to 550 diagnostic X-rays in increments of 25 percent between CY 2020-2023, with 100 percent of the 550 projected diagnostic X-rays to be performed in CY 2023. The applicant then projects growth in diagnostic X-rays, based on the projected growth rate of the population of Mecklenburg County as published by NC OSBM, at an annual growth rate of 1.9 percent for CY 2024.
- The applicant projects to perform 560 diagnostic X-rays at AH Pineville MP1 in CY 2024. Based on the calculated maximum capacity of the diagnostic X-ray machine, the applicant projects the diagnostic X-ray machine will be utilized at 12.8 percent of capacity in CY 2024.

Capsule Endoscopy System

- The applicant states internal data shows capsule endoscopy procedures grew at a CAGR of 125.2 percent between CY 2017 and CY 2019.
- The applicant states that, based on the projected growth rate of the population of Mecklenburg County as published by NC OSBM, it projects growth in capsule endoscopy procedures at AH Pineville MP1 at an annual growth rate of 1.9 percent for CY 2020 through CY 2024.
- The applicant projects to perform 78 capsule endoscopy procedures at AH Pineville MP1 in CY 2024. Based on the calculated maximum capacity of the capsule endoscopy systems, the applicant projects the capsule endoscopy systems will be utilized at 39.0 percent of capacity in CY 2024.

A summary of the applicant's historical utilization, details of assumptions and methodology, and projected utilization for each type of equipment is shown in the table below.

AH Pineville MP1 Utilization Assumptions, Methodology, and Projections – CY 2020 through CY 2024									
Component	CY 2017-2019 Growth %	CY 2020-2024 Growth %	CY 2020	CY 2021	FY 1 (CY 2022)	FY 2 (CY 2023)	FY 3 (CY 2024)	Max. Capacity	% of Max. Capacity
Bladder Scans (2 Units)	9.1%	1.9%	851	867	883	900	917	NA	NA
Cystoscopies (2 Units)	-3.2%	1.9%	75	77	78	80	81	NA	NA
Echocardiograms (2 Units)	-12.5%	1.9%	1,537	1,566	1,596	1,626	1,657	3,500	47.3%
Vascular Ultrasounds (2 Units)	-1.8%	1.9%	3,519	3,586	3,653	3,722	3,792	3,500	108.4%
Parks Flo Lab Studies (2 Units)	64.5%	1.9%	1,579	1,609	1,639	1,670	1,702	NA	NA
Mohs Lab Procedures (1 Unit)	12.8%	--	49	98	147	196	200	467	42.8%
Mohs Lab Procedures – Ramp-up	--	--	25%	50%	75%	100%	1.9% CAGR	--	--
Endocrinology Ultrasounds (2 Units)	31.6%	1.9%	277	282	288	293	299	NA	NA
Chest X-Rays (1 Unit)	52.1%	1.9%	377	384	391	399	406	NA	NA
PFTs (3 Units)	66.6%	1.9%	2,370	2,415	2,460	2,507	2,554	7,875	32.4%
DEXA Scans (1 Unit)	-78.0%	--	274	547	821	1,094	1,115	1,750	63.7%
DEXA Scans – Ramp-up	--	--	25%	50%	75%	100%	1.9% CAGR	--	--
Diagnostic X-Rays (1 Unit)	-34.9%	--	138	275	413	550	560	4,375	12.8%
Diagnostic X-Rays – Ramp-up	--	--	25%	50%	75%	100%	1.9% CAGR	--	--
Capsule Endoscopies (1 Unit)	125.2%	1.9%	72	74	75	77	78	200	39.0%
Total Tests					12,444	13,114	13,361		

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

- Projected utilization is based in part on historical data.
- The applicant adequately explains why projecting growth is reasonable in the cases where historical data showed declines in utilization.
- The applicant uses conservative projected growth rates.
- The applicant provides reasonable and adequately supported information to justify the need for equipment which is projected to be utilized at lower rates.

Access

In Section C, page 54, the applicant states:

“As previously noted, CMHA is the parent entity and sole member of CHN, which in turn is the sole member of CPN. Consistent with all CMHA facilities, CPN provides services to all persons in need of medical care, regardless of race, color, religion, national origin, sex, age, disability, or source of payment. As such, CMHA d/b/a Atrium Health’s system-wide policies and procedures with regard to access to care will apply to the proposed diagnostic center.”

In Section L, page 91, the applicant projects the following payor mix during the third full fiscal year of operation following completion of the project, as illustrated in the following table.

AH Pineville MP1 Payor Mix – FY 3 (CY 2024)	
Payor Source	Percent of Services
Self-Pay	1.9%
Medicare*	64.4%
Medicaid*	2.8%
Insurance*	30.0%
Other**	0.8%
Total	100.0%

Note: The applicant states that it does not have charity care as a payor source, and that patients in every payor category receive charity care.

*Including any managed care plans

**"Other" includes Worker's Compensation and TRICARE

The projected payor mix is reasonable and adequately supported.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- 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 proposes to develop a new diagnostic center. While the applicant states in the application that certain pieces of equipment have been relocated, these pieces of equipment were relocated in projects unrelated to the development of the diagnostic center and are currently located at AH Pineville MP1 as of the date of the submission of the application. The applicant states that services for these relocated pieces of equipment will be offered prior to the development of AH Pineville MP1. Thus, for the purposes of this application and criterion, the applicant does not propose to reduce a service, eliminate a service, or relocate a facility or service. Therefore, Criterion (3a) is not applicable to this review.

- (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 develop a new diagnostic center by acquiring one new cystoscopy system and one new PFT machine in addition to existing diagnostic equipment located in an existing medical office building on the campus of AH Pineville in Mecklenburg County.

In Section E, page 64, 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 option would not allow enhanced and more convenient access to care by patients and would force patients to receive diagnostic services elsewhere; therefore, this is not an effective alternative.

Develop the Diagnostic Center with a Different Complement of Diagnostic Imaging Equipment: The applicant states developing the diagnostic center with fewer pieces of diagnostic imaging equipment would not meet the needs of physicians and patients, and states that developing the diagnostic center with more pieces of diagnostic imaging equipment is not warranted by patient demand at this time; therefore, this is not an effective alternative.

On page 64, the applicant states its proposal is the most effective alternative because it provides enhanced and more convenient access to patients, provides the necessary diagnostic imaging equipment for providers and patients, and does not add more diagnostic imaging equipment than patient demand requires.

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

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- 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 reasons stated above. Therefore, the application is approved subject to the following conditions:

- 1. Carolinas Physicians Network, Inc. shall materially comply with all representations made in the certificate of need application.**
- 2. Carolinas Physicians Network, Inc. shall develop a new diagnostic center by acquiring one new cystoscopy system and one new pulmonary function test machine in addition to existing cystoscopy systems, pulmonary function test machines, bladder scanners, echocardiography equipment, ultrasound machines, Parks Flo Lab systems, X-ray machines, a Mohs Lab, a DEXA scanner, and a capsule endoscopy system located in an existing medical office building, Pineville Medical Plaza I, on the campus of Atrium Health Pineville.**
- 3. Carolinas Physicians Network, Inc., as part of this project, shall not acquire any equipment that is not included in the project's proposed capital expenditures in Sections F and Q of the application or 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, Carolinas Physicians Network, 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. Carolinas Physicians Network, 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 develop a new diagnostic center by acquiring one new cystoscopy system and one new PFT machine in addition to existing diagnostic equipment located in an existing medical office building on the campus of AH Pineville in Mecklenburg County.

Capital and Working Capital Costs

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

Construction Costs	\$993,550
Medical Equipment Costs	\$1,389,664
Non-Medical Equipment/Furniture	\$47,877
Consultant/A&E Fees	\$129,846
Miscellaneous Costs/Contingency	\$181,022
Total	\$2,741,959

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

In Section F, page 67, the applicant states the project does not involve any working capital costs.

Availability of Funds

In Section F, pages 65-66, the applicant states the capital cost of the project will be funded via accumulated reserves of CMHA/Atrium Health. Exhibit F.2-1 contains a letter from the Executive Vice President and Chief Financial Officer of Atrium Health, who also serves as the Treasurer of CPN, stating CPN will fully commit the funding costs provided to it by CMHA to develop the proposed project.

Exhibit F.2-2 contains financial statements for CMHA/Atrium Health for the years ending December 31, 2018 and 2017. As of December 31, 2018, CMHA/Atrium Health had adequate cash and cash equivalents to fund the proposed project.

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.2, the applicant projects that operating expenses will exceed revenues in the first three fiscal years of the project, as shown in the table below.

AH Pineville MP1 Revenue and Expenses – FYs 1-3 (CYs 2022-2024)			
	FY 1 (CY 2022)	FY 2 (CY 2023)	FY 3 (CY 2024)
Total Tests/Procedures	12,444	13,114	13,361
Total Gross Revenues (Charges)	\$4,391,398	\$4,741,040	\$4,975,473
Total Net Revenue	\$1,285,560	\$1,389,204	\$1,457,900
Average Net Revenue per Test	\$103	\$106	\$109
Total Operating Expenses (Costs)	\$1,626,618	\$1,732,504	\$1,829,906
Average Operating Expense per Test	\$131	\$132	\$137
Net Income / (Loss)	(\$341,058)	(\$343,300)	(\$372,007)

The applicant also provides a Form F.2 for CMHA/Atrium, the parent company of CPN, demonstrating that CMHA/Atrium’s revenues will exceed operating expenses in each of the first three full fiscal years following project completion, and that revenues will be adequate to offset any net loss attributable to AH Pineville MP1. Please see the summary of CMHA/Atrium’s Form F.2 below.

CMHA/Atrium Health Revenue and Expenses – FYs 1-3 (CYs 2022-2024)			
	FY 1 (CY 2022)	FY 2 (CY 2023)	FY 3 (CY 2024)
Total Gross Revenues (Charges)	\$26,170,961,000	\$28,248,429,000	\$30,350,968,000
Total Net Revenue	\$7,338,782,000	\$7,593,838,000	\$7,824,818,000
Total Operating Expenses (Costs)	\$6,930,920,000	\$7,212,367,000	\$7,505,777,000
Net Income / (Loss)	\$407,862,000	\$381,471,000	\$319,041,000

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 cost is 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 proposes to develop a new diagnostic center by acquiring one new cystoscopy system and one new PFT machine in addition to existing diagnostic equipment located in an existing medical office building on the campus of AH Pineville in Mecklenburg County.

N.C.G.S. §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 2020 SMFP does not define a service area for diagnostic centers, nor are there any applicable rules adopted by the Department that define the service area for diagnostic centers. Thus, the service area in this review is as defined by the applicant.

In Section C, pages 29-37, and Section G, page 72, the applicant defines the service area as Mecklenburg and Union counties in North Carolina and Lancaster and York counties in South Carolina. Facilities may also serve residents of counties not included in their service area.

In Section G, page 72, the applicant lists all hospital facilities offering diagnostic imaging services in its defined service area, and states it is unaware of any publicly available data to show inventory and utilization of existing and approved non-hospital-based facilities and equipment providing services like those proposed in this application. In Exhibit G.2, the applicant provides copies of pages from 2019 License Renewal Applications (LRAs) and the 2018 South Carolina Joint Annual Reports, the most recent data available for South Carolina, for facilities in Mecklenburg, Union, Lancaster, and York counties with equipment and services like those proposed in this application. On page 73, the applicant lists all the existing and approved diagnostic centers owned or operated by CPN or an affiliated entity.

In Section G, page 73, the applicant explains why it believes its proposal would not result in the unnecessary duplication of existing or approved diagnostic center services in Mecklenburg, Union, Lancaster, and York counties. The applicant states:

“The need for the proposed project is based on the need for CPN to provide convenient access to diagnostic services to support the physician clinics in the existing MOB. The proposed diagnostic center will serve to optimize CPN’s and Atrium Health’s ability to provide patient-centered care in a cost-effective manner and to increase collaboration among the clinics in the existing MOB. No other provider can meet the identified need. Further, though other imaging and diagnostic services may be available in the service area, they are not reasonably available to the patients of the CPN physicians located at Atrium Health Pineville Medical Plaza I.”

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 diagnostic center is needed in addition to the existing or approved diagnostic centers.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- 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 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. Also, in Section Q, in its assumptions and methodology for projecting utilization of the proposed facility, the applicant states that there are no dedicated staff for the bladder scanners, cystoscopy systems, Parks Flo Lab machines, endocrinology ultrasound machines, and chest x-ray machines.

AH Pineville MP1 Projected Staffing			
Position	FTEs		
	FY 1 (CY 2022)	FY 2 (CY 2023)	FY 3 (CY 2024)
Radiology Technologists	5.0		
Mohs Lab Technician	0.2		
Respiratory Therapists	3.0	3.5	4.0
Total	8.2	8.7	9.2

Source: Form H in Section Q of the application.

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 Section H, pages 75-76, the applicant describes the methods to be used to recruit or fill new positions and its proposed training and continuing education programs and provides supporting documentation in Exhibit H.3. In Exhibit I.2, the applicant provides letters of support from local physicians.

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 77, the applicant states the following ancillary and support services are necessary for the proposed diagnostic center:

- Housekeeping
- Security
- Maintenance
- Registration
- Administration
- Other Ancillary and Support Services

On page 77, the applicant adequately explains how each ancillary and support service will be made available.

In Section I, pages 77-78, the applicant describes its existing relationships with other local health care and social service providers and 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.

- (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 81, the applicant states that the project involves renovating 382 square feet of space in an existing medical office building on the campus of AH Pineville. Line drawings are provided in Exhibit C.1.

In Section K, page 82, the applicant adequately explains how the cost, design, and means of construction represent the most reasonable alternative for the proposal.

In Section K, page 82, 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. The applicant states physician-based services have lower out-of-pocket insurance costs, and consolidation of services allows for economies of scale.

In Section K, pages 82-84, 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 89, the applicant provides the historical payor mix for CY 2019 for the physician services that were located at AH Pineville MP1 during that time (vascular ultrasound, Parks Flo Lab, endocrinology ultrasound, diagnostic X-ray, PFT, DEXA scans, and chest X-ray), as shown in the table below.

Historical Payor Mix at AH Pineville MP1 for Existing Services – CY 2019	
Entire Facility	
Payor Source	% of Services
Self-Pay	1.7%
Medicare*	67.6%
Medicaid*	2.6%
Insurance*	27.1%
Other**	1.0%
Total	100.0%

Source: Atrium Health internal data

Note: The applicant states that it does not have charity care as a payor source, and that patients in every payor category receive charity care.

*Including any managed care plans

**"Other" includes Worker's Compensation and TRICARE

In Section L, page 88, the applicant provides the following comparison.

AH Pineville MP1	% of Patients Served during CY 2018	Percent of Population by County			
		Mecklenburg	Union	Lancaster	York
Female	46.9%	51.9%	50.8%	51.5%	51.8%
Male	53.1%	48.1%	49.2%	48.5%	48.2%
Unknown	0.0%	0.0%	0.0%	0.0%	0.0%
64 and Younger	38.9%	88.8%	87.3%	79.0%	85.7%
65 and Older	61.1%	11.2%	12.7%	21.0%	14.3%
American Indian	0.2%	0.8%	0.6%	0.3%	0.9%
Asian	1.6%	6.4%	3.4%	1.5%	2.5%
Black or African-American	14.6%	32.9%	12.3%	21.6%	19.4%
Native Hawaiian or Pacific Islander	0.0%	0.1%	0.1%	0.0%	0.1%
White or Caucasian	79.9%	57.5%	81.6%	74.9%	75.0%
Other Race	1.7%	2.4%	2.0%	1.6%	2.2%
Declined / Unavailable	2.0%	0.0%	0.0%	0.0%	0.0%

Sources: Atrium Health Internal Data, US Census Bureau QuickFacts

Conclusion

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 90, the applicant states that it has no such obligations.

In Section L, page 90, 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.

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.

- (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 91, the applicant projects the following payor mix during the third full fiscal year of operation following completion of the project, as illustrated in the following table.

AH Pineville MP1 Payor Mix – FY 3 (CY 2024)	
Payor Source	Percent of Services
Self-Pay	1.9%
Medicare*	64.4%
Medicaid*	2.8%
Insurance*	30.0%
Other**	0.8%
Total	100.0%

Note: The applicant states that it does not have charity care as a payor source, and that patients in every payor category receive charity care.

*Including any managed care plans

**"Other" includes Worker's Compensation and TRICARE

As shown in the table above, during the third full fiscal year of operation, the applicant projects that 1.9 percent of total services will be provided to self-pay patients, 64.4 percent to Medicare patients, and 2.8 percent to Medicaid patients.

In Section L, page 92, the applicant provides the assumptions and methodology used to project payor mix during the third full fiscal year of operation following completion of the project. The projected payor mix is reasonable and adequately supported for the following reasons:

- Projected payor mix is based on CPN's historical experience in providing the proposed services.
- The applicant provides reasonable and adequately supported information to explain why there are no changes to the projected payor mix in future years.

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.

- (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 93, the applicant adequately describes the range of means by which patients will have access to 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.

- (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 94, 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 proposes to develop a new diagnostic center by acquiring one new cystoscopy system and one new PFT machine in addition to existing diagnostic equipment located in an existing medical office building on the campus of AH Pineville in Mecklenburg County.

N.C.G.S. §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 2020 SMFP does not define a service area for diagnostic centers, nor are there any applicable rules adopted by the Department that define the service area for diagnostic centers. Thus, the service area in this review is as defined by the applicant.

In Section C, pages 29-37, and Section G, page 72, the applicant defines the service area as Mecklenburg and Union counties in North Carolina and Lancaster and York counties in South Carolina. Facilities may also serve residents of counties not included in their service area.

Regarding the expected effects of the proposal on competition in the service area, in Section N, page 96, the applicant states:

“The proposed project is expected to enhance competition in the service area by promoting cost effectiveness, quality, and access to diagnostic services.”

Regarding the impact of the proposal on cost effectiveness, in Section N, page 96, the applicant states:

“The proposed project will enable CPN and Atrium Health to continue to provide their patients with the best care possible, while also being responsive in a healthcare environment that emphasizes cost containment and efficient utilization of existing resources.”

Regarding the impact of the proposal on quality, in Section N, page 96, the applicant states:

“CPN believes that the proposed project will promote safety and quality in the delivery of healthcare services. CPN and Atrium Health are known for providing high quality services and expect the proposed project to bolster this reputation.”

Regarding the impact of the proposal on access by medically underserved groups, in Section N, pages 97-98, the applicant states:

“The proposed project will improve access to diagnostic services in the service area. CPN and Atrium Health have long-promoted economic access to their services as they have historically provided services to all persons in need of medical care, regardless of race, sex, creed, age, national origin, handicap, or ability to pay...”

Further, as a physician-based service, the proposed diagnostic center will provide services at a low out-of-pocket cost to most patients. Since physician-based services are categorized in a lower tier, patients benefit from low out-of-pocket expenses. As such, the proposed project will increase access to CPN’s services, including to medically underserved groups.”

Considering all the information in the application, the applicant adequately describes the expected effects of the proposed services on competition in the service area and adequately demonstrates the proposal would have a positive impact on:

- Cost-effectiveness (see Sections C, F, K, N, and Q of the application and any exhibits)
- Quality (see Sections C, N, and O of the application and any exhibits)
- Access to medically underserved groups (see Sections C, L, and N of the application and any exhibits)

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- 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 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

On Form A in Section Q, the applicant identifies all other diagnostic centers in North Carolina owned, operated, or managed by the applicant or a related entity. The applicant identifies a total of ten diagnostic centers located in North Carolina.

In Section O, page 101, the applicant states:

“Each of the facilities identified...has continually maintained all relevant licensure, certification, and accreditation...for the 18 months preceding the submission of this application.”

After reviewing and considering information provided by the applicant regarding the quality of care provided at all ten diagnostic centers, 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 applicant proposes to develop a new diagnostic center. There are no administrative rules that are applicable to proposals to develop new diagnostic centers.