

## ATTACHMENT - REQUIRED STATE AGENCY FINDINGS

### FINDINGS

C = Conforming

CA = Conditional

NC = Nonconforming

NA = Not Applicable

Decision Date: February 26, 2020

Findings Date: February 26, 2020

Project Analyst: Mike McKillip

Assistant Chief: Lisa Pittman

Project ID #: F-11824-19

Facility: CaroMont Regional Medical Center

FID #: 943184

County: Gaston

Applicant: Gaston Memorial Hospital, Inc. and CaroMont Health, Inc.

Project: Relocate two existing GI endo rooms from the former Greater Gaston Endoscopy Center to CaroMont Regional Medical Center

### 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.

NA

Gaston Memorial Hospital, Inc. d/b/a CaroMont Regional Medical Center (CRMC) and CaroMont Health, Inc. (hereinafter referred to as CRMC or “the applicant”) proposes to relocate two existing gastrointestinal (GI) endoscopy rooms from the former Greater Gaston Endoscopy Center to the hospital’s existing GI endoscopy suite.

#### 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 2019 State Medical Facilities Plan (SMFP). Therefore, no need determinations are applicable to this review.

### Policies

There are no policies in the 2019 SMFP which are applicable to this project.

### Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

Based on that review, the Agency concludes that Criterion (1) is not applicable to this review.

- (2) Repealed effective July 1, 1987.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, CRMC, proposes to relocate two existing gastrointestinal (GI) endoscopy rooms from the former Greater Gaston Endoscopy Center (GGEC), located at 920 Cox Road in Gastonia (Gaston County) to the GI endoscopy suite at CRMC, which is located at 2525 Court Drive in Gastonia. Greater Gaston Endoscopy Center is an ambulatory surgical facility with two GI endoscopy rooms which was acquired by CRMC in July 2019 (See Exhibit C.1). CRMC operates six GI endoscopy rooms at the hospital in Gastonia and two GI endoscopy rooms at the CaroMont Endoscopy Center (CEC) in Belmont.

### Patient Origin

N.C. Gen. Stat. §131E-176(24a) states, “*Service area means the area of the State, as defined in the State Medical Facilities Plan or in rules adopted by the Department, which receives services from a health service facility.*” The 2019 SMFP does not define the service area for GI endoscopy procedure rooms. The Criteria and Standards for Gastrointestinal Endoscopy Procedure Rooms, promulgated in 10A NCAC 14C .3901(6), defines the service area as “...*the geographical area, as defined by the applicant using county lines, from which the applicant projects to serve patients.*” The facilities are located in Gaston County and in Section C.3, page 17, the applicant projects that 77% of its patients will originate from Gaston County. Thus, the service area for this facility consists of Gaston County. Facilities may also serve residents of counties not included in their service area.

The following table summarizes CRMC’s historical (FFY2019) patient origin for GI endoscopy services.

<b>CRMC Historical Patient Origin GI Endoscopy Rooms</b>		
<b>County</b>	<b>10/1/2018-9/30/2019</b>	
	<b># of Procedures (Patients)</b>	<b>% of Total</b>
Gaston	3,909	77.0%
Cleveland	547	10.7%
Lincoln	163	3.0%
Mecklenburg	135	2.6%
Other NC Counties	56	1.0%
Other States	290	5.7%
<b>Total</b>	<b>5,100</b>	<b>100.0%</b>

Source: Section C.2, page 16

The following table summarizes GGEC’s historical (FFY2019) patient origin for GI endoscopy services.

<b>GGEC Historical Patient Origin GI Endoscopy Rooms</b>		
<b>County</b>	<b>10/1/2018-9/30/2019</b>	
	<b># of Procedures (Patients)</b>	<b>% of Total</b>
Gaston	1,908	62.5%
Cleveland	779	25.5%
Lincoln	116	3.8%
Mecklenburg	46	1.5%
Other NC Counties	47	1.5%
Other States	157	5.1%
<b>Total</b>	<b>3,053</b>	<b>100.0%</b>

Source: Section C.2, page 16

The following table shows CRMC’s projected patient origin for GI endoscopy services for the first three full fiscal years of operation (FFY2021-FFY2023).

<b>County</b>	<b>10/1/2020-9/30/2021</b>		<b>10/1/2021-9/30/2022</b>		<b>10/1/2022-9/30/2023</b>	
	<b># of Patients</b>	<b>% of Total</b>	<b># of Patients</b>	<b>% of Total</b>	<b># of Patients</b>	<b>% of Total</b>
Gaston	4,293	77.0%	4,329	77.0%	4,245	77.0%
Cleveland	597	10.7%	602	10.7%	590	10.7%
Lincoln	167	3.0%	169	3.0%	165	3.0%
Mecklenburg	145	2.6%	146	2.6%	143	2.6%
Other NC Counties	56	1.0%	56	1.0%	55	1.0%
Other States	318	5.7%	320	5.7%	314	5.7%
<b>Total*</b>	<b>5,575</b>	<b>100.0%</b>	<b>5,622</b>	<b>100.0%</b>	<b>5,513</b>	<b>100.0%</b>

Source: Section C.3, page 17

\*Totals may not sum due to rounding

In Section C.3, page 17, the applicant states projected patient origin is based on CRMC’s historical patient origin for GI endoscopy services. The applicant’s assumptions are reasonable and adequately supported.

Analysis of Need

In Section C.4, pages 18-23, the applicant explains why it believes the population projected to utilize the proposed services needs the services to be relocated, as summarized below:

- Historical utilization of GI endoscopy services in North Carolina and Gaston County (page 18).
- Projected population growth and aging in the Gaston County service area (page 19).
- The need for GI endoscopy services for older and aging patient populations (pages 20-23).

In Section C.4, the applicant provides information and data to support its assumptions and methodology. The information is reasonable and adequately supported for the following reasons:

- Reliable data sources are used to support assertions about population growth and aging.
- The applicant provides reasonable and adequately supported information to support its assertion that older and aging patient populations require GI endoscopy services.

*Projected Utilization*

In Section Q, Form C, the applicant provides the historical and projected utilization for GI endoscopy rooms at CRMC through the first three full fiscal years of operation, as shown in the table below.

	Prior	Interim	Projected		
	FFY2019	FFY2020	FFY2021	FFY2022	FFY2023
GI Endoscopy Rooms*	6	6	8	8	7
Inpatient GI Endoscopy Procedures	1,802	1,953	1,970	1,986	1,948
Outpatient GI Endoscopy Procedures	5,234	4,674	5,721	5,770	5,658
Total GI Endoscopy Procedures	7,036	7,627	7,691	7,756	7,606
Percent Change from Previous Year	---	8.4%	0.8%	0.8%	-2.0%

\*CRMC currently operates six GI endoscopy rooms and proposes to add two GI endoscopy rooms in this project, for a total of eight GI endoscopy rooms. In the third year of this project (FFY2023), the applicant projects to relocate one GI endoscopy room from CRMC to CRMC Belmont as part of Project I.D. # F-11749-19 (Develop a new 54-bed acute care hospital in Belmont by relocating 21 existing acute care beds from the hospital in Gastonia and developing the 33 acute care beds pursuant to the need determination in the 2019 SMFP, and relocate one dedicated C-Section operating room and one GI endoscopy room from the hospital in Gastonia to the proposed hospital in Belmont).

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

Step 1: Identify the total GI endoscopy procedures performed by Gaston County providers - The applicant states it identified the total GI endoscopy procedures reported for all of the Gaston County providers from 2014 through 2019, based on information reported in the State Medical Facilities Plan, Truven Health Analytics Market Data, and internal data sources for CRMC. See the table on page 30 of the application.

Step 2: Calculate the historical Gaston County growth rate in GI endoscopy procedures – Based on the historical data collected in Step 1, the applicant states it calculated the 5-year compound annual growth rate (CAGR) in GI endoscopy procedures for Gaston County from 2014 to 2019 as 0.85 percent. See the table on page 30 of the application.

Step 3: Project the percentage of GGEC endoscopy procedures that will shift to CRMC and CEC - The applicant states it projected the percentage of GGEC endoscopy procedures that will shift to CRMC and CEC based on clinical criteria to identify patients most likely to have the procedures done in a hospital setting rather than an ambulatory surgical facility. Based on that analysis, the applicant projects that 85 percent of the procedures will shift to CEC and that 15 percent will shift to CRMC. See the table on page 31 of the application.

Step 4: Project the 2020 GI endoscopy volumes at CRMC and CEC - Based on the applicant's projections of GGEC cases that will shift to the CRMC and CEC facilities, and the five-year CAGR calculated in Step 2, the applicant projects the total GI endoscopy procedures to be performed at CRMC and CEC in 2020. See the table on page 32 of the application.

Step 5: Project the 2021-2023 GI endoscopy volumes at CRMC and CEC - Based on the five-year CAGR calculated in Step 2, the applicant projects the total GI endoscopy procedures to be performed at CRMC and CEC in each of the first three project years (FFY2021-FFY2023). See the table on page 32 of the application.

Step 6: Project the 2023 GI endoscopy procedures that will shift to CRMC-Belmont – The applicant adjust the projections of GI endoscopy procedures at CRMC in 2023 to account for the projected shift of one GI endoscopy room and some GI endoscopy procedures from CRMC to CRMC-Belmont, a new hospital to be developed by the applicant (Project I.D. F-11749-19). See the table on page 33 of the application.

Step 7: Project the total GI endoscopy case volumes– Based on the applicant's historical ratio of GI endoscopy procedures to GI endoscopy cases (1.38), the applicant projects the total number of GI endoscopy cases through the first three full fiscal years of operation. See the table on page 34 of the application.

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

- Projected utilization is based on historical GI endoscopy procedure utilization for existing GI endoscopy providers in Gaston County from 2014 to 2019.
- The applicant's projected growth rates in GI endoscopy procedures are supported by historical utilization for growth rates for GI endoscopy services in Gaston County.

- The applicant provides reasonable and adequately supported information in Section C.3 and Section Q to support the utilization projection and to support the need for the proposed relocation of the two GI endoscopy procedure rooms.

### Access

In Section C.8, page 35, the applicant states its services are accessible to all residents regardless of race/ethnicity, gender, physical or mental ability, age, and/or source of payment. In Section L.3, page 72, the applicant projects the following payor mix for CRMC and GI endoscopy services during the third year of operation (FFY2023) following completion of the project, as shown in the following table.

Payment Source	Entire Facility	Percent of Total GI Endoscopy Procedures
Self Pay	5.9%	3.3%
Medicare*	17.5%	34.8%
Medicaid*	59.6%	53.0%
Insurance*	14.9%	7.7%
Workers Compensation	2.1%	1.2%
<b>Total**</b>	<b>100.0%</b>	<b>100.0%</b>

Source: Table on page 72 of the application.

\*Includes managed care plans.

\*\*Totals may not foot due to rounding.

The projected payor mix is reasonable and adequately supported.

### Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

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

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

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

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

## C

The applicant, CRMC, proposes to relocate two existing GI endoscopy rooms from the former Greater Gaston Endoscopy Center (GGEC), located at 920 Cox Road in Gastonia (Gaston County) to the GI endoscopy suite at CRMC, located at 2525 Court Drive in Gastonia, which is approximately one-half mile from GGEC. GGEC is an ambulatory surgical facility with two GI endoscopy rooms which was acquired by CRMC in July 2019 (See Exhibit C.1).

In Section D.2, page 41, the applicant states,

*“With the relocation of the two existing GI endo rooms from GGEC to CRMC, patients will follow their physician to one of the two GI endo facility locations in Gaston County, CRMC or CEC. The GGEC gastroenterologists have relocated to both locations to continue treating their patients in Gaston County.”*

In Section D.5, pages 44-45, the applicant states its services are accessible to all residents regardless of race/ethnicity, gender, physical or mental ability, age, source of payment or any other factor.

## Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

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

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

- (4) Where alternative methods of meeting the needs for the proposed project exist, the applicant shall demonstrate that the least costly or most effective alternative has been proposed.

## CA

The applicant, CRMC, proposes to relocate two existing GI endoscopy rooms from the former Greater Gaston Endoscopy Center (GGEC), located at 920 Cox Road in Gastonia (Gaston County) to the GI endoscopy suite at CRMC, located at 2525 Court Drive in Gastonia.

In Section E, page 47, 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 that GGEC is no longer operational and the gastroenterologists are performing procedures at CRMC and CEC. The applicant states this option would not meet the need within the proposed service area for GI endoscopy services, and, therefore, is not an effective alternative.

Relocate the GI endoscopy rooms to CEC: The applicant states it considered the alternative of relocating the two GI endoscopy rooms to CEC, but determined that the CEC facility is not adequate to accommodate the additional rooms, and relocating the entire facility would be cost-prohibitive.

On page 47, the applicant states that its proposal is the most effective alternative because the two endoscopy rooms can be developed with minimal renovations to the CRMC endoscopy suite.

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

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. Gaston Memorial Hospital, Inc. and CaroMont Health, Inc. shall materially comply with all representations made in the certificate of need application.**
- 2. Gaston Memorial Hospital, Inc. and CaroMont Health, Inc. shall relocate two gastrointestinal endoscopy procedure rooms from Greater Gaston Endoscopy Center to CaroMont Regional Medical Center at 2525 Court Drive in Gastonia, for a total of no more than eight gastrointestinal endoscopy procedure rooms upon project completion.**

- 3. Upon completion of the project, Greater Gaston Endoscopy Center shall no longer be licensed for any gastrointestinal endoscopy procedure rooms.**
  - 4. Gaston Memorial Hospital, Inc. and CaroMont Health, Inc. shall not acquire, as part of this project, any equipment that is not included in the project's proposed capital expenditure in Sections F and Q of the application and that would otherwise require a certificate of need.**
  - 5. For the first three years of operation following completion of the project, Gaston Memorial Hospital, Inc. and CaroMont Health, Inc. shall not increase charges more than 5% of the charges projected in Sections F and Q of the application without first obtaining a determination from the Healthcare Planning and Certificate of Need Section that the proposed increase is in material compliance with the representations in the certificate of need application.**
  - 6. No later than three months after the last day of each of the first three full years of operation following initiation of the services authorized by this certificate of need, Gaston Memorial Hospital, Inc. and CaroMont Health, 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.**
  - 7. Gaston Memorial Hospital, Inc. and CaroMont Health, Inc. shall acknowledge acceptance of and agree to comply with all conditions stated herein to the Agency in writing prior to issuance of the certificate of need.**
- (5) Financial and operational projections for the project shall demonstrate the availability of funds for capital and operating needs as well as the immediate and long-term financial feasibility of the proposal, based upon reasonable projections of the costs of and charges for providing health services by the person proposing the service.

C

The applicant, CRMC, proposes to relocate two existing GI endoscopy rooms from the former Greater Gaston Endoscopy Center (GGEC), located at 920 Cox Road in Gastonia (Gaston County) to the GI endoscopy suite at CRMC, located at 2525 Court Drive in Gastonia. The applicant proposes to renovate space in the hospital's existing GI endoscopy suite to accommodate the two additional GI endoscopy rooms.

Capital and Working Capital Costs

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

Construction/Renovation Costs	\$15,185
Architect/Engineering Fees	\$5,000
Medical Equipment	\$98,852
Non-Medical Equipment	\$16,565
Consultant Fees	\$37,500
<b>Total</b>	<b>\$173,097</b>

In Exhibit F.1, the applicant provides the assumptions and documentation used to project the capital cost. In Section F.3, page 51, the applicant does not project any start-up or initial operating expenses because the hospital already operates GI endoscopy rooms.

Availability of Funds

In Section F.2, page 49, the applicant states that the capital cost of the project will be funded via cash and cash equivalents. Exhibit F.2 (Tab 9) contains documentation of the applicant’s commitment to fund the capital costs to develop the proposed project, as well as the availability of the cash and cash equivalents.

Financial Feasibility

In Section Q, Form F.2, the applicant projects that revenues will exceed operating expenses in the first three full fiscal operating years following completion of the project, as shown in the table below.

<b>CRMC Endoscopy Revenue and Expenses</b>			
	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>
	<b>FFY2021</b>	<b>FFY2022</b>	<b>FFY2023</b>
Total Number of Procedures	7,691	7,756	7,606
Total Gross Revenues (Charges)	\$26,201,194	\$27,743,764	\$28,567,563
Total Net Revenue	\$7,100,524	\$7,241,122	\$7,170,458
Average Net Revenue per Procedure	\$923	\$934	\$943
Total Operating Expenses (Costs)	\$3,605,548	\$3,721,877	\$3,814,130
Average Operating Expense per Procedure	\$469	\$480	\$501
Net Income / (Loss)	\$3,494,976	\$3,519,245	\$3,356,328

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, CRMC, proposes to relocate two existing GI endoscopy rooms from the former Greater Gaston Endoscopy Center (GGEC), located at 920 Cox Road in Gastonia (Gaston County) to the GI endoscopy suite at CRMC, located at 2525 Court Drive in Gastonia.

N.C. Gen. Stat. §131E-176(24a) states, “*Service area means the area of the State, as defined in the State Medical Facilities Plan or in rules adopted by the Department, which receives services from a health service facility.*” The 2019 SMFP does not define the service area for GI endoscopy procedure rooms. The Criteria and Standards for Gastrointestinal Endoscopy Procedure Rooms, promulgated in 10A NCAC 14C .3901(6), defines the service area as “...*the geographical area, as defined by the applicant using county lines, from which the applicant projects to serve patients.*” The facilities are located in Gaston County and in Section C.3, page 17, the applicant projects that 77% of its patients will originate from Gaston County. Thus, the service area for this facility consists of Gaston County. Facilities may also serve residents of counties not included in their service area.

There are 10 existing or approved GI endoscopy rooms in three facilities in Gaston County, as shown in the table below.

<b>Gaston County GI Endoscopy Services – FFY2018</b>			
<b>Existing Facilities</b>	<b>Endoscopy Rooms</b>	<b>Endoscopy Cases</b>	<b>Endoscopy Procedures</b>
CaroMont Endoscopy Center	2	1,109	1,340
CaroMont Regional Medical Center	6	5,528	7,651
Greater Gaston Endoscopy Center	2	3,630	3,716
<b>Total</b>	<b>10</b>	<b>10,267</b>	<b>12,707</b>

**Source:** Table 6E: Endoscopy Room Inventory (page 87 of the 2020 SMFP)

In Section G.2, page 55, the applicant discusses why it believes its proposal would not result in the unnecessary duplication of existing or approved GI endoscopy services in its service area. The applicant states,

*“The maintaining of the ten GI endo rooms in Gaston County will not result in an unnecessary duplication of existing GI endo services because the relocation is necessary due to the closing of GGEC and the relocating of GGEC gastroenterologists to CRMC and CEC.”*

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 proposal would not result in a change in the number of existing or approved GI endoscopy rooms in Gaston County.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Information which was publicly available during the review and used by the Agency

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

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

C

In Section Q, Form H, the applicant provides current and projected staffing for the proposed services by full-time equivalent (FTE) position, as illustrated in the following table.

<b>Current &amp; Projected Staffing by FTE Position</b>		
<b>Position</b>	<b>FFY2019</b>	<b>FFY2023</b>
Administrator	0.12	0.12
Aides/Orderlies	0.95	0.95
Endoscopy Technician	6.05	6.05
Occupational Therapist	0.01	0.01
Registered Nurse	10.55	10.55
<b>Total</b>	<b>17.69</b>	<b>17.69</b>

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.2 and Section H.3, pages 57-58, the applicant describes the methods to be used to recruit or fill new positions and its training and continuing education programs. The applicant provides supporting documentation in Exhibit H.3 (Tab 11). In Section I.3, page 62, the applicant identifies the medical director. In Exhibit I.3, the applicant provides documentation related to the medical director. In Section I.3, page 62, the applicant describes its recruitment plans.

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

#### Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

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

- (8) The applicant shall demonstrate that the provider of the proposed services will make available, or otherwise make arrangements for, the provision of the necessary ancillary and support services. The applicant shall also demonstrate that the proposed service will be coordinated with the existing health care system.

#### C

In Section I.1, page 60, the applicant lists the necessary ancillary support services and describes how they will be provided. The applicant states that the following ancillary and support services are necessary for the proposed services:

- Billing, Accounts Payable and General Accounting
- Business Office/Admitting
- Facility Management
- Human Resources/Wage 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
- Staff Education

The applicant provides documentation regarding these services in Exhibit I.1 (Tab 12).

In Section I.2, pages 61-62, the applicant describes its existing and proposed relationships with other local health care and social service providers.

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

#### Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

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.

NA

In Section K, page 65, the applicant states that the project involves no new construction and only minimal renovations to the hospital's existing GI endoscopy suite to accommodate the two additional GI endoscopy rooms. Therefore, Criterion (12) is not applicable to this review.

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

C

In Section L.1, page 71, the applicant provides the historical payor mix for CY2018 at CRMC, as summarized in the table below.

Payment Source	Entire Facility	Percent of Total GI Endoscopy Procedures
Self Pay	5.9%	3.3%
Medicare*	17.5%	34.8%
Medicaid*	59.6%	53.0%
Insurance*	14.9%	7.7%
Workers Compensation	2.1%	1.2%
<b>Total**</b>	<b>100.0%</b>	<b>100.0%</b>

Source: Table on page 71 of the application.

\*Includes managed care plans.

\*\*Totals may not foot due to rounding.

In Section L.1, page 70, the applicant provides the following comparison.

	% of Total Patients Served at CRMC during CY2018	% of the Population of Gaston County
Female	56.6%	51.8%
Male	43.4%	48.2%
Unknown	0.0%	0.0%
64 and Younger	55.8%	83.9%
65 and Older	44.2%	16.1%
American Indian	0.2%	0.6%
Asian	0.5%	1.6%
Black or African-American	14.1%	17.6%
Native Hawaiian or Pacific Islander	0.0%	0.1%
White or Caucasian	82.3%	78.0%
Other Race	2.8%	2.1%
Declined / Unavailable	0.0%	0.0%

Source: Section L.1, page 70 of application

### 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.2, page 71, the applicant states that the facility has no obligation under any applicable federal regulations to provide uncompensated care, community service, or access by minorities and handicapped persons.

In Section L.2, page 71, the applicant states that during the last five years no patient civil rights equal 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.3, page 72, the applicant projects the following payor mix for CRMC and GI endoscopy services during the third year of operation (FFY2023) following completion of the project, as shown in the following table.

Payment Source	Entire Facility	Percent of Total GI Endoscopy Procedures
Self Pay	5.9%	3.3%
Medicare*	17.5%	34.8%
Medicaid*	59.6%	53.0%
Insurance*	14.9%	7.7%
Workers Compensation	2.1%	1.2%
<b>Total**</b>	<b>100.0%</b>	<b>100.0%</b>

Source: Table on page 72 of the application.

\*Includes managed care plans.

\*\*Totals may not foot due to rounding.

As shown in the table above, during the third full fiscal year of operation, the applicant projects 3.3 percent of GI endoscopy services will be provided to self-pay patients, 34.8 percent to Medicare patients, and 53.0 percent to Medicaid patients.

In Section L.3, page 72, the applicant provides the assumptions and methodology used to project payor mix following completion of the project. The projected payor mix is reasonable and adequately supported because it is based on the applicant's historical payor mix.

### 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.5, page 73, 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.1, pages 75-77, and Exhibit M.1 (Tab 17), the applicant describes the extent to which health professional training programs in the area 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, CRMC, proposes to relocate two existing GI endoscopy rooms from the former Greater Gaston Endoscopy Center (GGEC), located at 920 Cox Road in Gastonia (Gaston County) to the GI endoscopy suite at CRMC, located at 2525 Court Drive in Gastonia.

N.C. Gen. Stat. §131E-176(24a) states, “*Service area means the area of the State, as defined in the State Medical Facilities Plan or in rules adopted by the Department, which receives services from a health service facility.*” The 2019 SMFP does not define the service area for

GI endoscopy procedure rooms. The Criteria and Standards for Gastrointestinal Endoscopy Procedure Rooms, promulgated in 10A NCAC 14C .3901(6), defines the service area as “...*the geographical area, as defined by the applicant using county lines, from which the applicant projects to serve patients.*” The facilities are located in Gaston County and in Section C.3, page 17, the applicant projects that 77% of its patients will originate from Gaston County. Thus, the service area for this facility consists of Gaston County. Facilities may also serve residents of counties not included in their service area.

There are 10 existing or approved GI endoscopy rooms in three facilities in Gaston County, as shown in the table below.

<b>Gaston County GI Endoscopy Services – FFY2018</b>			
<b>Existing Facilities</b>	<b>Endoscopy Rooms</b>	<b>Endoscopy Cases</b>	<b>Endoscopy Procedures</b>
CaroMont Endoscopy Center	2	1,109	1,340
CaroMont Regional Medical Center	6	5,528	7,651
Greater Gaston Endoscopy Center	2	3,630	3,716
<b>Total</b>	<b>10</b>	<b>10,267</b>	<b>12,707</b>

**Source:** Table 6E: Endoscopy Room Inventory (page 87 of the 2020 SMFP)

In Section N, page 79, 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 79, the applicant states:

*“CaroMont Health expects the relocation of the two existing GI endo rooms to CRMC to have a positive impact on competition in the service area. ... CaroMont Health competes mostly with much larger systems and ambulatory surgical facilities in adjacent counties. CaroMont Health recognizes that patients have a choice of where to receive their care and it strives to earn the loyalty of its patients every day. But in order to remain competitive and to meet current and projected demand for its services, CaroMont Health must take appropriate steps to expand its services within its service area. This CON application presents a reasonable and conservative approach to accomplishing this goal.”*

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 Sections C, D, and L of the application and any exhibits).

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

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

- (19) Repealed effective July 1, 1987.
- (20) An applicant already involved in the provision of health services shall provide evidence that quality care has been provided in the past.

C

In Form A, the applicant identifies CaroMont Regional Medical Center (CRMC) and CaroMont Endoscopy Center (CEC) as the two facilities located in North Carolina which are owned, operated, or managed by the applicant or a related entity.

In Section O.3, page 87, the applicant states that, during the 18 months immediately preceding the submittal of the application, there were no incidents related to quality of care which occurred at CRMC or CEC. 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 CRMC and CEC, 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 relocate two existing GI endoscopy rooms from a freestanding ambulatory surgical facility to the hospital's existing GI endoscopy suite within its service area. The Criteria and Standards for Gastrointestinal Endoscopy Procedure Rooms in Licensed Health Service Facilities, promulgated in 10A NCAC 14C .3900, are not applicable to this review because the applicant does not propose to establish a new licensed ambulatory surgical facility for performance of GI endoscopy procedures or develop a GI endoscopy room in an existing licensed health service facility.