

## ATTACHMENT - REQUIRED STATE AGENCY FINDINGS

### FINDINGS

C = Conforming

CA = Conditional

NC = Nonconforming

NA = Not Applicable

Decision Date: May 20, 2020

Findings Date: May 20, 2020

Project Analyst: Ena Lightbourne

Team Leader: Lisa Pittman

Project ID #: B-11849-20

Facility: Mission Hospital

FID #: 943349

County: Buncombe

Applicant(s): MH Mission Hospital, LLLP

Project: Add no more than one Electrophysiology Lab (EP Lab) for a total of no more than 3 EP labs upon project completion

### REVIEW CRITERIA FOR NEW INSTITUTIONAL HEALTH SERVICES

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

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

C

The applicant, MH Mission Hospital, LLLP, proposes to add no more than one Electrophysiology Lab (EP Lab) for a total of no more than three EP labs at Mission Hospital (“Mission”) upon project completion.

#### **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 2020 State Medical Facilities Plan (SMFP). Therefore, no need determinations are applicable to this review.

## **Policies**

There is one policy in the 2020 SMFP which is applicable to this review: *Policy GEN-4: Energy Efficiency and Sustainability for Health Service Facilities.*

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

In Section B, page 16, the applicant explains why it believes its application is conforming to Policy GEN-4. On page 16, the applicant states:

*“Mission is working with experienced architects and engineers to develop the proposed project. These professionals will ensure energy efficient systems are an inherent part of the propose project. Mission designed the proposed EP lab to be in compliance with all applicable federal, state, and local building codes, and requirements for energy efficiency and consumption, including Policy GEN-4. The project will be designed to be energy efficient and to conserve water.”*

## **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 because the proposed capital expenditure for this project is greater than \$2 million but less than \$5 million. In Section B.11, page 16, the applicant describes its plan to ensure energy efficiency and water conservation.

- (2) Repealed effective July 1, 1987.
- (3) The applicant shall identify the population to be served by the proposed project, and shall demonstrate the need that this population has for the services proposed, and the extent to which all residents of the area, and, in particular, low income persons, racial and ethnic minorities, women, handicapped persons, the elderly, and other underserved groups are likely to have access to the services proposed.

## C

The applicant proposes to add one Electrophysiology Lab (EP Lab) for a total of three EP labs upon project completion.

### **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 2020 SMFP does not define a service area for major medical equipment, nor are there any applicable rules adopted by the Department that define the service area for major medical equipment. In Section C.4, pages 23-25, the applicant defines the service area for the proposed project. The applicant states that Mission serves patients from a 16-county area as shown in Figures 1 and 2 on pages 24-25. Facilities may also serve residents of counties not included in the service area.

The following table illustrates current and projected patient origin.

County	Last FFY 10/01/2018-9/30/2019		3 <sup>rd</sup> FFY 4/01/2023-3/31/2024	
	# of Patients	% of Total	# of Patients	% of Total
Buncombe	675	37.84%	856	37.8%
Henderson	215	12.05%	272	12.1%
Haywood	123	6.89%	156	6.9%
McDowell	117	6.56%	148	6.6%
Transylvania	94	5.27%	119	5.3%
Macon	82	4.60%	104	4.6%
Madison	65	3.64%	82	3.6%
Rutherford	58	3.25%	73	3.3%
Jackson	54	3.03%	69	3.0%
Yancey	54	3.03%	69	3.0%
Swain	41	2.30%	52	2.3%
Mitchell	33	1.85%	42	1.9%
Burke	28	1.57%	36	1.6%
Polk	15	0.84%	19	0.8%
Graham	22	1.23%	28	1.2%
Cherokee	25	1.40%	32	1.4%
Other North Carolina*	46	2.6%	59	2.6%
Out of State**	37	2.1%	43	2.1%
<b>Total</b>	<b>1,784</b>	<b>100.00%</b>	2,261	100.0%

Source: Section C.3, pages 21-22

\*Other NC Counties include: Clay, Avery, Caldwell, Catawba, Cleveland, Mecklenburg, Ashe, Forsyth, Gaston, Moore, Onslow, Pitt, and Wake Counties

In Section C, page 23, the applicant provides the assumptions and methodology used to project its patient origin. The applicant states:

*“The projected patient origin is not expected to change from the historical patient origin. Mission accounted for the increase in patient volume subsequent to the proposed EP lab addition and population growth and then applied the historic patient origin percent by county to the projected EP patient volume.”*

The applicant’s assumptions are reasonable and adequately supported because projected patient origin is based on historical patient origin at Mission, the addition of the proposed EP lab and population growth.

**Analysis of Need**

In Section C, pages 23-31, the applicant explains why it believes the population projected to utilize the proposed services needs the proposed services.

The applicant states that the need for the project is based on the following factors:

Service Area Definition (pages 23-25)

On page 23, the applicant states that Mission is the only tertiary cardiovascular care and EP lab provider in the service area. The applicant states that Mission serves a 16-county service area which includes a primary and secondary service area as shown in the table below:

<b>Mission Hospital Service Area Definition</b>	
<b>Primary</b>	<b>Secondary</b>
Buncombe	Swain
Henderson	Mitchell
Haywood	Burke
McDowell	Polk
Transylvania	Graham
Macon	Cherokee
Madison	
Rutherford	
Jackson	
Yancey	

Source: Section C, page 24

Population Trends of the Service Area (pages 26-28)

The applicant used data from the North Carolina Office of State Budget and Management (NCOSBM) to demonstrate the need based on the population growth in the service area. The applicant states that between 2019 and 2024, the primary service area is projected to grow steadily from 721,254 to 755,459 and the entire service area is projected to grow from 903,766 in 2019 to 943,753 in 2024 over the same time period, as shown in the tables below.

**2019 Service Area Population**

	<b>Age 0-14</b>	<b>Age 15-44</b>	<b>Age 45-64</b>	<b>Age 65+</b>	<b>Total</b>
Buncombe	41,371	101,540	70,791	54,098	267,800
Henderson	17,990	37,657	31,777	32,151	119,575
Haywood	9,267	20,114	17,744	16,161	63,286
McDowell	7,393	16,095	12,954	9,640	46,082
Transylvania	4,601	10,713	8,725	11,084	35,123
Macon	5,453	11,186	9,091	10,419	36,149
Jackson	6,241	19,450	9,856	8,659	44,206
Madison	3,193	7,910	6,418	5,248	22,769
Yancey	2,706	6,135	4,869	4,601	18,311
Rutherford	11,283	23,698	18,505	14,467	67,953
Swain	3,048	5,363	3,854	3,027	15,292
Mitchell	2,256	5,286	4,033	3,624	15,199
Burke	14,341	33,086	25,462	18,428	91,317
Cherokee	4,135	8,820	8,471	9,008	30,434
Graham	1,467	2,992	2,281	2,140	8,880
Polk	2,684	6,254	5,978	6,474	21,390
<b>Total</b>	<b>137,429</b>	<b>316,299</b>	<b>240,809</b>	<b>209,229</b>	<b>903,766</b>

Source: Section C, page 26

**2024 Service Area Population**

	<b>Age 0-14</b>	<b>Age 15-44</b>	<b>Age 45-64</b>	<b>Age 65+</b>	<b>Total</b>
Buncombe	41,669	106,320	72,689	62,796	283,474
Henderson	18,074	40,057	32,476	36,535	127,142
Haywood	9,605	20,994	17,420	17,789	65,808
McDowell	7,167	16,238	12,472	10,697	46,574
Transylvania	4,759	10,980	8,741	12,194	36,674
Macon	5,755	12,066	8,850	11,317	37,988
Jackson	6,384	20,891	9,921	9,730	46,926
Madison	3,390	8,113	6,487	6,102	24,092
Yancey	2,853	6,236	4,679	4,824	18,592
Rutherford	11,255	24,054	17,308	15,572	68,189
Swain	3,290	5,642	3,745	3,340	16,017
Mitchell	2,298	5,394	3,665	3,812	15,169
Burke	14,135	34,540	24,180	20,721	93,576
Cherokee	4,228	9,409	8,620	10,422	32,679
Graham	1,428	3,135	2,118	2,250	8,931
Polk	2,699	6,618	5,477	7,128	21,922
<b>Total</b>	<b>138,989</b>	<b>330,687</b>	<b>238,848</b>	<b>235,229</b>	<b>943,753</b>

Source: Section C, page 27

The applicant states that the 65+ population is showing the highest growth projections which is significant due to their higher use of health care resources, including cardiovascular procedures and services. The applicant states that in 2018, 70% of Mission’s patients utilizing EP services were 65 years of age or older. Based on data from the NCOSBM, the table below demonstrates the projected Compound Growth Annual Rate (CAGR) for the 65+ population in the service area from 2019-2024.

**Service Area 65+ Population Growth**

	<b>2019</b>	<b>2024</b>	<b>% Change</b>	<b>CAGR</b>
Buncombe	54,098	62,796	16.08%	3.03%
Henderson	32,151	36,535	13.64%	2.59%
Haywood	16,161	17,789	10.07%	1.94%
McDowell	9,640	10,697	10.96%	2.10%
Transylvania	11,084	12,194	10.01%	1.93%
Macon	10,419	11,317	8.62%	1.67%
Jackson	8,659	9,730	12.37%	2.36%
Madison	5,248	6,102	16.27%	3.06%
Yancey	4,601	4,824	4.85%	0.95%
Rutherford	14,467	15,572	7.64%	1.48%
Swain	3,027	3,340	10.34%	1.99%
Mitchell	3,624	3,812	5.19%	1.02%
Burke	18,428	20,721	12.44%	2.37%
Cherokee	9,008	10,422	15.70%	2.96%
Graham	2,140	2,250	5.14%	1.01%
Polk	6,474	7,128	10.10%	1.94%
<b>Total</b>	<b>209,229</b>	<b>235,229</b>	<b>12.43%</b>	<b>2.37%</b>

Source: Section C, page 28

High EP Utilization Rates Impact Access to Care (pages 28-29)

The applicant states that high utilization of EP services has impacted access to care for non-emergent patients. Inpatients are faced with decreased lengths of stay waiting for available lab time and delays in diagnosis of cardiac disease. The applicant states that the additional EP capacity is needed to ensure timely access to services. The following table demonstrates Mission’s trend in high utilization from FY 2015 to FY 2019.

**EP Lab Utilization Trend FY 2015 to FY 2019\***

	<b>FY 2015</b>	<b>FY 2016</b>	<b>FY 2017</b>	<b>FY 2018**</b>	<b>FY 2019</b>	<b>CAGR</b>
EP Lab Visits	1,262	1,648	1,628	1,660	1,784	<b>9.0%</b>

Source: Section C, page 29

\*LRAs and Mission Hospital Internal Data

\*\* (FY 2018 volume differs from data reported on LRA due to lag time in billing system)

NOTE: Fiscal Year - October 1 through September 30

Advance in Modern EP Techniques Drive Demand (pages 29-30)

The applicant states that advances in EP technology has driven a higher demand for services. For example, modern interventional cardiac EP has been driven by the success of catheter ablation and advanced device therapy. The applicant states:

*“Complex ablation procedures, such as atrial fibrillation (AFib) and ventricular tachycardia (VT) ablation, require access to modern EP software and techniques and should be performed only in hospitals, such as Mission, that are equipped and prepared to manage these types of emergencies, with access to emergency surgical support when required.”*

The applicant states that Mission experienced a 16 percent increase in ablation procedures and an overall 7.5 percent growth in EP procedures from FY 2018 to FY 2019, as demonstrated in the table below.

**Trend in EP Utilization FY 2018 to FY 2019\***

	<b>FY 2018**</b>	<b>FY 2019</b>	<b>% Growth</b>
Ablation	514	596	16.0%
All other EP Procedures	1,146	1,188	3.7%
<b>Total</b>	<b>1,660</b>	<b>1,784</b>	<b>7.5%</b>

Source: Section C, page 29

\*Internal Data

\*\*FY 2018 volume differs from data reported on LRA due to variances between billing systems and clinical information systems

The applicant states that Mission is the only provider of EP services in western North Carolina, therefore, adequate access to EP services at Mission is vital to patient safety and quality of care.

#### Capacity Constraints Cause Impacts Timely Access to Care (page 30)

The applicant states that Mission’s EP labs are currently operating at 89.3 percent of capacity and with the historical growth rate of 9 percent, the EP lab will be operating at 98.9 percent of capacity by FY 2020. The applicant states that Mission’s annual maximum capacity per unit is 2,000 hours per year which is based on 250 operational days per year and eight hours per day. The continuous growth in capacity leads to an increase in wait times for procedures impacting timely access to care. The applicant states that the proposed project is vital to ensuring that patients have timely access to EP services and can access exceptional, state-of-the-art cardiac care close to home.

#### New Physician Recruitment Facilitates the Need for Additional Capacity (pages 30-31)

The applicant states that Mission hired two new physicians with specialized capabilities to perform modern EP procedures such as AFib and VT ablations for the purpose of accommodating the growth in these procedures. However, without the addition of the EP lab, Mission is experiencing scheduling constraints due to inadequate available lab time for EP physicians to perform procedures. The applicant states that the proposed project will alleviate



scheduling and capacity constraints and ensure that there is adequate available lab time for Mission’s physicians to perform these modern EP procedures.

The information is reasonable and adequately supported based on the following:

- The applicant cites appropriate data that correlates with the population growth in the primary and secondary service area.
- The applicant’s proposal is in response to the existing capacity restraints and its effects on timely access to EP services.
- The applicant relies on growth trends and historical utilization to justify the need.

*Projected Utilization*

In Section Q, page 74, the applicant provides historical and projected utilization, as illustrated in the following table.

Historical and Projected Utilization of EP Labs Visits							
Historical		Interim Years		Project Years			Projected CAGR**
FY 2018*	FY 2019	FY 2020	10/1/2020 - 3/31/2021	FY 2022	FY 2023	FY 2024	
1,660	1,784	1,945	973	2,087	2,207	2,261	5.8%

Source: LRAs and Mission Hospital Internal Data

\*FY 2018 volume differs from data reported on LRA due to lag time in billing system

\*\*CAGR from FY 2018 ending 9/30/2018 to Year 3 ending 3/31/2024

NOTE: Fiscal Year - October 1 through September 30

In Section C, page 33, the applicant also provides the historical and projected utilization for the following:

- Average Case Time by Procedure- The applicant projects that the average case time for ablation cases will be three hours and 1.5 hours for all other EP cases. This is consistent with the historical data.
- Total Capacity of Each Unit- The applicant states that Mission’s annual maximum capacity per unit is 2,000 hours per year. This is based on 250 operational days per year and eight hours per day. Therefore, the applicant projects a total of 6,000 hours per year for all three units.
- Total EP Hours to Illustrate the Percentage of Capacity-The current EP lab is projected to reach 98.9 percent capacity by FY 2020 with the two existing EP labs. The applicant projects that by the end of the third operating year, Mission will be operating at 76.7 percent of capacity with the addition of the proposed EP lab.

In Section C, page 31, the applicant provides the assumptions and methodology used to project utilization, which is summarized below.

- The applicant’s projects the first three full operating years of the project will be April 1, 2021-March 31, 2022 (FY2022), April 1, 2022-March 31, 2023 (FY2023) and April 1, 2023-March 31, 2024 (FY2024)

- The applicant's projected utilization was based on the historical utilization of the existing two EP labs at Mission.
- The applicant's projected utilization for interim FY 2020 based on the historical 9 percent CAGR from FY 2015 to FY 2019.
- The applicant states that utilization for interim partial year, October 1, 2020 to March 31, 2021 was held constant due to capacity constraints.
- The applicant used the projected FY 2020 volume served to project the total utilization for Project Year 1, 2, and 3. The applicant states that the growth from FY 2020 to Year 3 is conservatively based solely on the growth in utilization due to the recruitment of the two EP physicians. Mission modeled the new EP physicians' ramp up from Year 1 to Year 2 based on the average historical performance of the existing EP physicians.

Projected utilization is reasonable and adequately supported based on the following:

- The applicant's utilization projections are supported by the historical utilization of the existing EP labs at Mission.
- The applicant provides adequate support for the increase in incremental projections.

### Access

In Section C.11, page 37, the applicant states:

*“Mission does not discriminate against any persons, including racial and ethnic minorities. It is anticipated that racial and ethnic minorities will constitute approximately six percent of patients seen who receive EP services. Mission has a long history of meeting the needs of low-income individuals. More than 18 percent of Mission's patient population utilizes Medicaid as a payor source. This trend is expected to continue. Mission already demonstrates its service to all patients, regardless of gender, race, or ability to pay by being one of the leading providers of indigent and charity care to patients seeking services in the region.”*

In Section L, page 62, the applicant projects the following payor mix for the proposed services during the third full fiscal year of operation following completion of the project, as shown in the table below.

<b>Mission Hospital Projected Payor Mix 3<sup>rd</sup> FFY, 4/01/2023-3/31/2024</b>	
<b>Payor Source</b>	<b>EP Lab Services as Percent of Total</b>
Self-Pay*	2.8%
Medicare **	72.1%
Medicaid **	4.2%
Insurance **	19.5%
Other (Workers Comp, TRICARE, Champus)	1.5%
Total	100.0%

\*Includes Charity Care

\*\* Including any managed care plans

Note: Payor mix presented based on FY 2018. FY 2019 data will be reported on 2019 LRA.

The projected payor mix is reasonable and adequately supported based on the following:

- Payor mix is based on the most recent actual experience at Mission.
- The projected payor source for EP lab services is consistent with historical trends.

### **Conclusion**

The Agency reviewed the:

- application,
- exhibits to the application, and
- 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.

The applicant does not propose the reduction, elimination, or relocation of a 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.

### C

The applicant proposes to add one Electrophysiology Lab (EP Lab) for a total of three EP labs upon project completion.

In Section E, page 43, 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 this alternative is not effective because Mission will continue to face scheduling issues with the two existing EP labs already operating at a utilization breaking point. The applicant states that the facility can no longer accommodate the current and projected growth in demand.

**Shifting EP Procedures to Cath Lab**-The applicant states that this was not a viable alternative due to the complex procedures that require mapping software and other EP-specific equipment that cannot be easily performed in the cath lab. In addition, the existing cath labs are already highly utilized.

**Add an Additional EP Lab**-The applicant states that this was the most effective alternative because it would accommodate the demand from patients, alleviate scheduling constraints for EP physicians, and improve Mission's competitive position in western North Carolina.

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

- The application is conforming to all statutory and regulatory review 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. **MH Mission Hospital, LLLP shall materially comply with all representations made in the certificate of need application.**
  2. **MH Mission Hospital, LLLP shall add no more than one Electrophysiology Lab for a total of no more than three Electrophysiology Labs at Mission Hospital upon project completion.**
  3. **Upon completion of the project, Mission Hospital shall be licensed for no more than three Electrophysiology Labs.**
  4. **MH Mission Hospital, LLLP shall not acquire as part of this project any equipment that is not included in the project's proposed capital expenditures in Section F of the application and that would otherwise require a certificate of need.**
  5. **No later than three months after the last day of each of the first three full fiscal years of operation following initiation of the services authorized by this certificate of need, MH Mission Hospital, LLLP shall submit, on the form provided by the Healthcare Planning and Certificate of Need Section, an annual report containing the:**
    - a. **Payor mix for the services authorized in this certificate of need.**
    - b. **Utilization of the services authorized in this certificate of need.**
    - c. **Revenues and operating costs for the services authorized in this certificate of need.**
    - d. **Average gross revenue per unit of service.**
    - e. **Average net revenue per unit of service.**
    - f. **Average operating cost per unit of service.**
  6. **MH Mission Hospital, LLLP 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 it-term financial feasibility of the proposal, based upon reasonable projections of the costs of and charges for providing health services by the person proposing the service.

C

The applicant proposes to add one Electrophysiology Lab (EP Lab) for a total of three EP labs upon project completion.

**Capital and Working Capital Costs**

In Section Q, page 77, the applicant projects the total capital cost of the project, as shown in the table below.

<b>Capital Costs</b>	
Site Preparation	\$9,000
Construction/Renovation Contract(s)	\$863,200
Medical Equipment	\$2,009,000
Furniture	\$1,000
Consulting Fees (CON Preparation)	\$35,000
Other (includes fees for basic service, computer hardware, and 10% construction contingency)	\$204,000
<b>Total</b>	<b>\$3,121,200</b>

In Section Q, page 77, and Exhibit F-1, the applicant provides the assumptions used to project the capital cost.

In Section F, page 46, the applicant states that there are no start-up or initial operating expenses since the proposed project involves the expansion of an existing space.

**Availability of Funds**

In Section F, page 44, the applicant states that the capital cost will be funded, as shown in the table below.

<b>Sources of Capital Cost Financing</b>		
<b>Type</b>	<b>MH Mission Hospital, LLLP</b>	<b>Total</b>
Loans	\$	\$
Accumulated reserves or OE *	\$	\$
Bonds	\$	\$
Other (Funding from parent Company)	\$3,121,200	\$3,121,200
<b>Total Financing</b>	<b>\$3,121,200</b>	<b>\$3,121,200</b>

\* OE = Owner's Equity

Exhibit F-2.2 contains a letter dated January 31, 2020 from the CFO of HCA, an affiliate of MH Mission Hospital, LLLP, documenting its intention to provide an inter-company loan from accumulated reserves for the capital needs of the proposed project. Exhibit F-2.3 contains the audited consolidated financial statements of HCA, which show that as of December 31, 2018, HCA had \$502 million in cash and cash equivalents, \$39,207 million in total assets.

**Financial Feasibility**

The applicant provided pro forma financial statements for the first three full fiscal years of operation following completion of the project. In Form F.2, the applicant projects that revenues will exceed operating expenses in the first three operating years of the project, as shown in the table below.

MH Mission Hospital, LLLP	1 <sup>st</sup> FFY 4/1/2021- 3/31/2022	2 <sup>ND</sup> FFY 4/1/2022- 3/31/2023	3 <sup>RD</sup> FFY 4/1/2023- 3/31/2024
Total Cases	2,087	2,207	2,261
Total Gross Revenues (Charges)	\$201,138,829	\$231,137,883	\$256,448,844
Total Net Revenue	\$58,382,710	\$67,090,258	\$74,437,037
Average Net Revenue per Case	\$27,974.46	\$30,398.84	\$32,922.17
Total Operating Expenses (Costs)	\$24,090,632	\$25,971,321	\$27,254,052
Average Operating Expense per Case	\$11,543.18	\$11,767.70	\$12,053.98
Net Income	\$34,297,078	\$41,118,937	\$47,182,985

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 based on the following:

- The applicant adequately demonstrates that the capital costs are based on reasonable and adequately supported assumptions.
  - The applicant adequately demonstrates availability of sufficient funds for the capital and 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 add one Electrophysiology Lab (EP Lab) for a total of three EP labs upon project completion.

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 2020 SMFP does not define a service area for

major medical equipment, nor are there any applicable rules adopted by the Department that define the service area for major medical equipment. In Section C.4, pages 23-25, the applicant defines the service area for the proposed project. The applicant states that Mission serves patients from a 16-county area as shown in Figures 1 and 2 on pages 24-25. Facilities may also serve residents of counties not included in the service area.

In Section G, page 50, the applicant explains why it believes its proposal would not result in the unnecessary duplication of existing or approved electrophysiology services in the 16-county service area. The applicant states:

*“There are no other providers of EP lab services in the service area. Mission is the only cardiac services provider in the SMFP-designated service area for EP lab equipment. To Mission’s knowledge, the next closest provider of EP services is over an hour south in Greenville, South Carolina or over an hour east in Hickory, North Carolina.”*

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 Mission is the only provider of EP lab services in the service areas and that the EP lab services are needed in addition to the existing or approved services.

### **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 based on 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, page 80, the applicant provides current and projected full-time equivalent (FTE) staffing for the proposed services, as illustrated in the following table.



<b>Position</b>	<b>Current As of 9/16/2019</b>	<b>1<sup>st</sup> FFY 4/1/2021- 3/31/2022</b>	<b>2<sup>nd</sup> FFY 4/1/2022- 3/31/2023</b>	<b>3<sup>rd</sup> FFY 4/1/2023- 3/31/2024</b>
Register Nurses (RNs)	6.90	9.00	9.00	9.00
Surgical Technicians	4.00	7.00	7.00	7.00
Clerical Staff	0.60	0.60	0.60	0.60
Laboratory Technicians	3.96	3.96	3.96	3.96
Administrator	1.00	1.00	1.00	1.00
<b>TOTAL</b>	<b>16.46</b>	<b>21.56</b>	<b>21.56</b>	<b>21.56</b>

The assumptions and methodology used to project staffing are provided in Section Q. Adequate costs for the health manpower and management positions proposed by the applicant are budgeted in Form F.3, which is found in Section Q. In Section H.2 and H.3, pages 51 and 52, respectively, the applicant describes the methods used to recruit or fill new positions and its existing training and continuing education programs. In Section I, page 54, the applicant identifies the current medical director. In Exhibit I-3.1, the applicant provides a letter from the medical director indicating an interest in continuing to serve as medical director for the proposed services. In Exhibit I-3.1, the applicant provides supporting documentation.

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

### **Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application

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 53, the applicant states that Mission has a one-year warranty and an equipment service agreement in place with GE for the maintenance of the EP lab equipment. The contract with GE also includes an agreement for the services of a bioengineer. The service agreement and services of the bioengineer are part of a larger 10-year contract between Mission and GE. All other support services are in place for the patients served by the EP lab at Mission.

On page 53, the applicant adequately explains how each ancillary and support service is or will be made available.

In Section I.2, page 53, the applicant describes its existing and proposed 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 57, the applicant states that the project involves renovating 1,492 square feet of existing space. Line drawings are provided in Exhibit K-2.

On page 57, the applicant adequately explains how the cost, design and means of construction represent the most reasonable alternative for the proposal.

On pages 57-58, the applicant adequately explains why the proposal will not unduly increase the costs to the applicant of providing the proposed services or the costs and charges to the public for the proposed services.

On page 58, the applicant identifies any applicable energy saving features that will be incorporated into the construction plans.

### **Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application

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

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

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

C

In Section L, page 61, the applicant provides the historical payor mix during last full fiscal before submission of this application for the proposed services, as shown in the table below.

<b>Mission Hospital Historical Payor Mix 10/1/2017-9/30/2018</b>	
<b>Payor Source</b>	<b>EP Lab Services as Percent of Total</b>
Self-Pay*	2.8%
Medicare **	71.6%
Medicaid **	4.2%
Insurance **	19.9%
Other (Workers Comp, TRICARE, Liability)	1.4%
Total	100.0%

\*Includes Charity Care

\*\* Including any managed care plans

Note: Payor mix presented based on FY 2018. FY 2019 data will be reported on 2019 LRA.

In Section L, page 60, the applicant provides the following comparison.

<b>Mission Hospital EP Lab Services</b>	<b>Last Full Fiscal Year</b>	
	<b>Percentage of Total Patients Served</b>	<b>Percentage of the Population of the Service Area *</b>
Female	41.98%	51.52%
Male	58.02%	48.48%
Unknown	0.00%	0.00%
64 and Younger	30.66%	76.90%
65 and Older	69.34%	23.10%
American Indian	1.07%	1.44%
Asian	0.11%	1.28%
Black or African-American	2.63%	4.44%
Native Hawaiian or Pacific Islander	0.17%	0.12%
White or Caucasian	94.67%	87.61%
Other Race	0.00%	5.10%
Declined / Unavailable	1.35%	0.00%

Source: Internal Data and Spotlight, 2019

\*The percentages can be found online using the United States Census Bureau's QuickFacts which is at:

<https://www.census.gov/quickfacts/fact/table/US/PST045218>.

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 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 61, the applicant states that the facility is not obligated under any applicable federal law to provide uncompensated care, community service or access by minorities and handicapped persons.

In Section L, page 61, the applicant states that during the last five years no patient civil rights access complaints have been filed against the facility or any similar facilities owned by the applicant or a related entity and located in North Carolina.

The Agency reviewed the:

- Application
- Exhibits to the application

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

- (c) That the elderly and the medically underserved groups identified in this subdivision will be served by the applicant's proposed services and the extent to which each of these groups is expected to utilize the proposed services; and

C

In Section L, page 62, the applicant projects the following payor mix for the proposed services during the third full fiscal year of operation following completion of the project, as shown in the table below.

<b>Mission Hospital Projected Payor Mix 3<sup>rd</sup> FFY, 4/1/2023-3/31/2024</b>	
<b>Payor Source</b>	<b>EP Lab Services as Percent of Total</b>
Self-Pay*	2.8%
Medicare **	72.1%
Medicaid **	4.2%
Insurance **	19.5%
Other (Workers Comp, TRICARE, Champus)	1.5%
Total	100.0%

\*Includes Charity Care

\*\* Including any managed care plans

Note: Payor mix presented based on FY 2018. FY 2019 data will be reported on 2019 LRA.

As shown in the table above, during the third full fiscal year of operation, the applicant projects that 2.8% of total services will be provided to self-pay and charity care patients, 72.1% to Medicare patients and 4.2% to Medicaid patients.

On page 62, 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 based on the following:

- Payor mix is based on the most recent actual experience at Mission.
- The projected payor source for EP lab services is consistent with historical trends.

The Agency reviewed the:

- Application
- Exhibits to the application

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

- (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.

In Section L, page 63, the applicant adequately describes the range of means by which patients will have access to the proposed services.

The Agency reviewed the:

- Application
- Exhibits to the application

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

- (14) The applicant shall demonstrate that the proposed health services accommodate the clinical needs of health professional training programs in the area, as applicable.

C

In Section M, pages 64-65, 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 proposes to add one Electrophysiology Lab (EP Lab) for a total of three EP labs upon project completion.

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 2020 SMFP does not define a service area for major medical equipment, nor are there any applicable rules adopted by the Department that define the service area for major medical equipment. In Section C.4, pages 23-25, the applicant defines the service area for the proposed project. The applicant states that Mission serves patients from a 16-county area as shown in Figures 1 and 2 on pages 24-25. Facilities may also serve residents of counties not included in the service area.

In Section G, page 50, the applicant states that Mission Hospital is the only provider of EP lab services in the service area. The applicant states that the closest providers are in Hickory, North Carolina and Greenville, South Carolina.

Regarding the expected effects of the proposal on competition in the service area, in Section N, page 66, the applicant states:

*“The proposed project should have no effect on competition in the service area. Mission is the only provider of tertiary and EP lab services in the region thus no other entities will be affected by the addition of a third EP lab at Mission. Mission is also projecting very reasonable growth in utilization in line with population growth and aging in the service area and plans to serve the same service area as before the addition of an EP lab.”*

Regarding the impact of the proposal on cost effectiveness, in Section N, page 66, the applicant states:

*“As an affiliate of HCA, Mission now has access to a broad resource base of administrative, financial, and technical expertise in hospital operations as well as centralized purchasing, distribution, payroll, billing, collections, employee benefits, regulatory compliance, quality resources, and IT support. HCA also has a Design, Construction, and Equipment Planning Department that has significant resources to streamline the architectural planning, construction bidding, and project management processes. These shared services and programs result in real and ongoing economies of operations for all of the hospitals in the system, including Mission. The common bond among hospital personnel from the HCA facilities across the country creates a network of ideas that saves costs and improves the quality of care.”*

Regarding the impact of the proposal on quality, in Section N, page 66 the applicant states:

*“The proposed project will foster cost containment and improve quality of care through efficient design and implementation. As discussed throughout this application, the additional EP lab will provide Mission the flexibility to meet current and future*



*demands for comprehensive cardiac care and ensure that its residents will continue to have readily available access to comprehensive EP services.”*

Regarding the impact of the proposal on access by medically underserved groups, in Section N, page 66, the applicant states:

*“As discussed throughout this application, the additional EP lab will provide Mission the flexibility to meet current and future demands for comprehensive cardiac care and ensure that its residents will continue to have readily available access to comprehensive EP services.”*

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, 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

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

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

### C

In Section Q, Form A, the applicant identifies the hospitals located in North Carolina owned, operated or managed by the applicant or a related entity. The applicant identifies a total of eight of this type of facility located in North Carolina.

In Section O, page 69, the applicant states that, during the 18 months immediately preceding the submittal of the application, no incidents of immediate jeopardy occurred in any of these facilities. According to the files in the Acute and Home Care Licensure and Certification Section, DHSR, during the 18 months immediately preceding submission of the application through the date of this decision, incidents related to quality of care occurred in one of these

facilities. However, the facility was back in compliance February 20, 2019. After reviewing and considering information provided by the applicant and by the Acute and Home Care Licensure and Certification Section and considering the quality of care provided at all eight facilities, the applicant provided sufficient evidence that quality care has been provided in the past. Therefore, the application is conforming to this criterion.

- (21) Repealed effective July 1, 1987.
- (b) The Department is authorized to adopt rules for the review of particular types of applications that will be used in addition to those criteria outlined in subsection (a) of this section and may vary according to the purpose for which a particular review is being conducted or the type of health service reviewed. No such rule adopted by the Department shall require an academic medical center teaching hospital, as defined by the State Medical Facilities Plan, to demonstrate that any facility or service at another hospital is being appropriately utilized in order for that academic medical center teaching hospital to be approved for the issuance of a certificate of need to develop any similar facility or service.

NA

The applicant proposes to acquire a third Electrophysiology lab. There are no administrative rules that are applicable to this proposal.