

## ATTACHMENT - REQUIRED STATE AGENCY FINDINGS

### FINDINGS

C = Conforming

CA = Conditional

NC = Nonconforming

NA = Not Applicable

Decision Date: October 29, 2020

Findings Date: October 29, 2020

Project Analyst: Celia C. Inman

Team Leader: Gloria C. Hale

### COMPETITIVE REVIEW

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Project ID #: G-11910-20  
Facility: Novant Health Medical Park Hospital  
FID #: 943343  
County: Forsyth  
Applicants: Novant Health, Inc.  
Medical Park Hospital  
Project: Add no more than 2 ORs pursuant to the 2020 SMFP need determination for no more than 12 ORs upon project completion

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Project ID #: G-11914-20  
Facility: Triad Surgery Center  
FID #: 180260  
County: Forsyth  
Applicants: The Moses H. Cone Memorial Hospital  
MC Kernersville, LLC  
Project: Develop a new ASF with no more than 2 ORs pursuant to the 2020 SMFP need determination, 1 GI endoscopy room, and 1 procedure room

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Project ID #: G-11916-20  
Facility: North Carolina Baptist Hospital  
FID #: 943495  
County: Forsyth  
Applicant: North Carolina Baptist Hospital  
Project: Develop no more than 2 ORs pursuant to the 2020 SMFP need determination for a total of no more than 53 ORs upon completion of this project, Project I.D. #G-8460-10 (add 7 new ORs and 1 relocated OR), G-11519-18 (add 4 ORs pursuant to Policy AC-3 for a total of 51 ORs)

## **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.

**NC**

Novant Health Medical Park Hospital

**CA**

Triad Surgery Center  
North Carolina Baptist Hospital

### **Need Determination**

Chapter 6 of the 2020 State Medical Facilities Plan (SMFP) includes a methodology for determining the need for additional operating rooms (ORs) by service area. Application of the standard need methodology in the 2020 SMFP identifies a need for two additional ORs in the Forsyth County operating room service area. Three applications were submitted to the Healthcare Planning and Certificate of Need Section (Agency): two applications each proposing to develop two ORs in existing hospitals in Winston-Salem, and one proposing to develop a new ambulatory surgical facility (ASF) with two ORs in Kernersville. The three applicants have applied for a combined total of six new Forsyth County ORs. Pursuant to the need determination in Table 6C, page 83 of the 2020 SMFP, only two new ORs may be approved in this review for the Forsyth County operating room service area.

### **Policies**

There are two policies in the 2020 SMFP which are applicable to each of the applications in this review: Policy GEN-3: Basic Principles and Policy GEN-4: Energy Efficiency and Sustainability for Health Service Facilities.

Policy GEN-3, on pages 30-31 of the 2020 SMFP, states:

*“A certificate of need applicant applying to develop or offer a new institutional health service for which there is a need determination in the North Carolina State Medical Facilities Plan shall demonstrate how the project will promote safety and quality in the delivery of health care services while promoting equitable access and maximizing healthcare value for resources expended. A certificate of need*

*applicant shall document its plans for providing access to services for patients with limited financial resources and demonstrate the availability of capacity to provide these services. A certificate of need applicant shall also document how its projected volumes incorporate these concepts in meeting the need identified in the State Medical Facilities Plan as well as addressing the needs of all residents in the proposed service area.”*

Policy GEN-4, 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.”*

**Project ID #G-11910-20/Novant Health Medical Park Hospital/Add two ORs**

Novant Health, Inc. (NH) and Medical Park Hospital (MPH), collectively referred to as “Novant Health” or “the applicant”, proposes to add two ORs at the Novant Health Medical Park Hospital (NHMPH) in Winston-Salem, Forsyth County for a total of 12 ORs at NHMPH.

As defined by the 2020 SMFP operating room methodology, a “health system” includes all licensed health service facilities with operating rooms located in the same service area that are owned by the same legal entity, parent corporation or holding company, subsidiary of the same parent corporation, or a joint venture in which the same parent, holding company or a subsidiary of the same parent or holding company is a participant. According to Table 6A, page 61 of the 2020 SMFP, the Novant Health System (NH System) has four existing

and/or approved licensed surgical facilities in the Forsyth County operating room service area:

1. Novant Health Clemmons Outpatient Surgery (NHCOS), Project ID #G-11300-17
2. Novant Health Kernersville Outpatient Surgery (NHKOS), License AS0149
3. Novant Health Forsyth Medical Center (NHFMC), License H0209
  - Novant Health Forsyth Medical Center Main Campus (FMC Main)
  - Novant Health Kernersville Medical Center (NHKMC)
  - Novant Health Clemmons Medical Center (NHCMC)
  - Novant Health Hawthorne Outpatient Surgery (NHHOS)
4. Novant Health Medical Park Hospital (NHMPH), License H0229

Per the NHFMC 2020 License Renewal Application (LRA), each of the four facilities in the above bulleted list provide surgical services under the license of Novant Health Forsyth Medical Center. The addition of two ORs at NHMPH, as proposed in this application, would bring the total number of ORs on the NHMPH hospital license to 12. It would bring the number of ORs in the NH Forsyth County health system to a total of 51 (two ORs at NHCOS + two ORs at NHKOS + 35 ORs at NHFMC, including two excluded C-Section ORs + 12 ORs at NHMPH) in Forsyth County.

*Need Determination.* The applicant does not propose to develop more ORs than are determined to be needed in the 2020 SMFP for the Forsyth County service area.

*Policy GEN-3.* The application under review is in response to the 2020 SMFP need determination for additional ORs in Forsyth County; therefore, Policy GEN-3 is applicable. The applicant addresses Policy GEN-3 as follows:

Promote Safety and Quality – The applicant describes how it believes the proposed project would promote safety and quality in Section B.3, pages 13-14; Section N, pages 95-99; Section O, pages 103-105; and referenced exhibits. The information provided by the applicant is reasonable and adequately supports the determination that the applicant's proposal would promote safety and quality.

Promote Equitable Access – The applicant describes how it believes the proposed project would promote equitable access in Section B.3, pages 14-16; Section C.8, pages 53-55; Section L, pages 88-93; Section N, pages 99-101; and referenced exhibits. The information provided by the applicant is reasonable and adequately supports the determination that the applicant's proposal would promote equitable access.

Maximize Healthcare Value – The applicant describes how it believes the proposed project would maximize healthcare value in Section B.3, pages 16-19; Section E.2, pages 64-65; Section N, pages 95-98; and the pro forma financial statements in Section Q. However, the information provided by the applicant is not reasonable and does not adequately support the determination that the applicant's proposal would maximize healthcare value because the applicant does not adequately demonstrate that its projected utilization is based on

reasonable and adequately supported assumptions. The discussion regarding utilization found in Criterion (3) is incorporated herein by reference.

*Policy GEN-4.* The proposed capital expenditure for this project is greater than \$2 million but less than \$5 million; therefore, Policy GEN-4 is applicable. In Section B.4, page 20, and Exhibit B-4, the applicant discusses its plan to assure improved energy efficiency and water conservation and provides the Novant Health Sustainable Energy Management Plan (SEMP), which outlines Novant Health's initiatives for energy efficiency. Therefore, the application is consistent with Policy GEN-4.

Conclusion - The Agency reviewed the:

- Application
- Exhibits to the application

Based on that review, the Agency concludes that the application is not conforming to this criterion because the applicant does not adequately demonstrate how the projected volumes incorporate the concept of maximum healthcare value for resources expended in meeting the identified need because the volumes were not based on reasonable assumptions. The discussion regarding need found in Criterion (3) is incorporated herein by reference.

**Project ID #G-11914-20/Triad Surgery Center/Develop an ASF with two ORs**

The Moses H. Cone Memorial Hospital (MHCMH) and MC Kernersville, LLC (MCK), collectively referred to as "Cone Health", or "the applicant", proposes to establish Triad Surgery Center (TSC), a new ASF in Kernersville, Forsyth County by developing two ORs, one gastrointestinal endoscopy (GI endo) room, and one procedure room.

*Need Determination.* The applicant does not propose to develop more ORs than are determined to be needed in the 2020 SMFP for the Forsyth County service area.

*Policy GEN-3.* The application under review is in response to the 2020 SMFP need determination for additional ORs in Forsyth County; therefore, Policy GEN-3 is applicable. The applicant addresses Policy GEN-3 as follows:

Promote Safety and Quality – The applicant describes how it believes the proposed project would promote safety and quality in Section B.3, pages 11-13; Section N, pages 87-88; Section O, page 90; and referenced exhibits. The information provided by the applicant is reasonable and adequately supports the determination that the applicant's proposal would promote safety and quality.

Promote Equitable Access – The applicant describes how it believes the proposed project would promote equitable access in Section B.3, page 13; Section C.8, pages 43-44; Section L, pages 77-82; Section N, pages 88-89; and referenced exhibits. The information provided by the applicant is reasonable and adequately supports the determination that the applicant's proposal would promote equitable access.

Maximize Healthcare Value – The applicant describes how it believes the proposed project would maximize healthcare value in Section B.3, pages 13-14; Section N, pages 86-87; and the pro forma financial statements in Section Q. The information provided by the applicant is reasonable and adequately supports the determination that the applicant’s proposal would maximize healthcare value.

*Policy GEN-4.* The proposed capital expenditure for this project is greater than \$5 million; therefore, Policy GEN-4 is applicable. In Section B.4, page 15, the applicant refers to Exhibit B.4, which describes the proposed surgery center’s plan to assure improved energy efficiency and water conservation, including energy efficient mechanical systems, low-flow plumbing fixtures, water-saving landscaping and reclaimed water for irrigation, and selection of construction materials to reduce negative impact on the environment.

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, subject to the required development and implementation of an Energy Efficiency and Sustainability Plan, for the following reasons:

- The applicant does not propose to develop more ORs than are determined to be needed in the service area; therefore, the application is consistent with the need determination in the 2020 SMFP.
- The applicant adequately demonstrates that the application is consistent with Policy GEN-3.
- The applicant adequately demonstrates that the application is consistent with Policy GEN-4.

**Project ID #G-11916-20/North Carolina Baptist Hospital/Add two ORs**

North Carolina Baptist Hospital (NCBH), “the applicant”, proposes to add two new ORs at NCBH in Winston-Salem, Forsyth County for a total of 53 ORs, including two trauma/burn ORs, upon completion of this project, Project ID #G-8460-10 (add seven new ORs and one relocated OR), and Project ID #G-11519-18 (add four ORs pursuant to Policy AC-3 for a total of 51 ORs).

In Section A, pages 5-6, the applicant provides a description of the organizational structure of NCBH, summarized as follows. NCBH is an academic medical center teaching hospital and part of an umbrella for facilities within the Wake Forest Baptist Medical Center (WFBMC) system. WFBMC includes an academic enterprise (Wake Forest School of Medicine or WFSM), a clinical enterprise (WFBH), and a commercial enterprise (Wake Forest Innovations or WFI). The applicant further states:

*“WFBH, the clinical arm of WFBMC, includes North Carolina Baptist Hospital (NCBH), High Point Medical Center (HPMC), Davie Medical Center (DMC), Wilkes Medical Center [WMC], and Lexington Medical Center (LMC), among others.”*

Table 6A, page 61 of the 2020 SMFP lists two WFBMC Health System surgical facilities in the Forsyth County operating room service area:

1. Wake Forest Baptist Health Outpatient Surgery Center-Clemmons (WFBH OSC-Clemmons), License AS0021 - licensed February 22, 2018 for three ORs which were relocated from Plastic Surgery Center of North Carolina.
2. North Carolina Baptist Hospital (NCBH), License H0011

The addition of two ORs at NCBH, as proposed in this application, would bring the total number of ORs on the NCBH hospital license to 53, including two excluded trauma/burn ORs, (36 shared ORs + four inpatient ORs, + seven ORs approved in Project ID #G-8460-10 + four approved in Project ID #G-11519-18, pursuant to Policy AC-3 + the proposed two ORs in this application) upon completion of this project and previously approved Projects ID #G-8460-10 and G-11519-18. It would bring the number of ORs in the WFBMC Health System to a total of 56 (53 ORs at NCBH + 3 ORs at WFBH OSC-Clemmons) in Forsyth County.

*Need Determination.* The applicant does not propose to develop more ORs than are determined to be needed in the 2020 SMFP for the Forsyth County service area.

*Policy GEN-3.* The application under review is in response to the 2020 SMFP need determination for additional ORs in Forsyth County; therefore, Policy GEN-3 is applicable. The applicant addresses Policy GEN-3 as follows:

Promote Safety and Quality – The applicant describes how it believes the proposed project would promote safety and quality in Section B.3, page 13; Section N, pages 97-101; Section O, page 105-109; and referenced exhibits. The information provided by the applicant is reasonable and adequately supports the determination that the applicant’s proposal would promote safety and quality.

Promote Equitable Access – The applicant describes how it believes the proposed project would promote equitable access in Section B.3, page 13; Section C.8, pages 41-42; Section L, pages 87-93; Section N, pages 101-103; and the pro forma financial statements in Section Q. The information provided by the applicant is reasonable and adequately supports the determination that the applicant’s proposal would promote equitable access.

Maximize Healthcare Value – The applicant describes how it believes the proposed project would maximize healthcare value in Section B.3, page 13; Section E.2, pages 52-56; Section N, pages 95-97; and the pro forma financial statements in Section Q. The

information provided by the applicant is reasonable and adequately supports the determination that the applicant's proposal would maximize healthcare value.

*Policy GEN-4.* The proposed capital expenditure for this project is greater than \$5 million; therefore, Policy GEN-4 is applicable. In Section B.4, pages 14-15, the applicant discusses its plan to assure energy efficiency and water conservation and its intent to develop the new ORs in physical spaces designed to be in compliance with all applicable federal, state, and local building codes, and requirements for energy efficiency and water conservation, including 2020 SMFP Policy GEN-4.

Conclusion - The Agency reviewed the:

- Application
- Exhibits to the application

Based on that review, the Agency concludes that the application is conforming to this criterion, subject to the required development and implementation of an Energy Efficiency and Sustainability Plan, for the following reasons:

- The applicant does not propose to develop more ORs than are determined to be needed in the service area; therefore, the application is consistent with the need determination in the 2020 SMFP.
- The applicant adequately demonstrates that the application is consistent with Policy GEN-3.
- The applicant adequately demonstrates that the application is consistent with Policy GEN-4.

(2) Repealed effective July 1, 1987.

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



**NC**  
Novant Health Medical Park Hospital

**C**  
Triad Surgery Center  
North Carolina Baptist Hospital

**Project ID #G-11910-20/Novant Health Medical Park Hospital/Add two ORs**

The applicant proposes to add two ORs at NHMPH, an existing acute care hospital, for a total of 12 ORs upon project completion. The applicant describes the scope of this project in Section C.1, pages 21-22, where the applicant states:

*“NH Medical Park proposes to add two ORs to its existing inventory as well as expand its associated support space in order to meet the increased demand for surgical services, keep up with industry standards, and improve the OR department’s operational efficiencies. NH Medical Park proposes to renovate existing procedure room space in order to meet Facility Guideline Institute (FGI) OR requirements and accommodate the two additional ORs for a total of 12 ORs. NH Medical Park also proposes to convert existing medical records and office space to create a second post-anesthesia care unit (PACU) with 12 bays, two patient care station cubicles, and a nursing station.”*

The table below represents the projected operating room inventory in the NH Health System following the completion of previously approved CON Project ID #G-11150-16 in June 2018, Project ID #G-11300-17 completed in September 2019, and Project ID #G-11517-18, scheduled for completion in September 2021.

Facility	2019 LRA	Project ID #G-11517-18*	Total
NHFMC Main^	20	+ 2	22
NH Kernersville Medical Center	4		4
NH Clemmons Medical Center	5		5
NH Hawthorne Outpatient Surgery	4		4
<b>NHFMC License H0209 Total</b>	<b>33</b>		<b>35</b>
NH Medical Park Hospital, License H0229	10		10
NH Kernersville Outpatient Surgery, Project ID #G-11150-16	2		2
NH Clemmons Outpatient Surgery, Project ID #G-11300-17	2		2
<b>NH Health System Total</b>	<b>47</b>	<b>+ 2</b>	<b>49</b>

^Per its 2019 LRA, the NHFMC License H0209 shows a total of 20 ORs, including 2 dedicated C-Section and 3 inpatient open heart ORs at FMC Main, 4 ORs at NH Kernersville Medical Center, 5 ORs at NH Clemmons Medical Center, and 4 at NH Hawthorne Outpatient Surgery. The 2019 LRA also included NH Orthopedic Outpatient Surgery with 2 ambulatory ORs that were relocated to NH Clemmons Outpatient Surgery in Project ID #G-11300-17; thus, NH Orthopedic Outpatient Surgery is not included in the above table.

\*Project ID #G-11517-18 (add no more than 2 ORs pursuant to the 2018 SMFP need determination for a total of no more than 35 ORs on the hospital license upon completion of this project).

As the table above shows, upon completion of Project ID #G-11517-18, FMC Main will have 22 licensed ORs, including 17 shared ORs, three dedicated open heart ORs and two dedicated C-section ORs excluded from the planning inventory; the NHFMC license H0209 will have 35 ORs and the NH Health System will have 49 ORs.

The applicant proposes in this project to add two ORs at NHMPH for a total of 12 ORs at NHMPH. The following table shows the NH Health System total ORs upon project completion, assuming approval of this proposed project.

Facility	2019 LRA	Project ID #G- 11517-18*	Project ID #G-11910-20**	Total
NHFMC Main^	20	+ 2		22
NH Kernersville Medical Center	4			4
NH Clemmons Medical Center	5			5
NH Hawthorne Outpatient Surgery	4			4
<b>NHFMC License H0209 Total</b>	<b>33</b>			<b>35</b>
NH Medical Park Hospital, License H0229	10		+2	12
NH Kernersville Outpatient Surgery, Project #G-11150-16	2			2
NH Clemmons Outpatient Surgery, Project #G-11300-17	2			2
<b>NH Health System Total</b>	<b>47</b>	<b>+ 2</b>	<b>+2</b>	<b>51</b>

^Per its 2019 LRA, the NHFMC License H0209 shows a total of 20 ORs, including 2 dedicated C-Section and 3 inpatient open heart ORs at FMC Main, 4 ORs at NH Kernersville Medical Center, 5 ORs at NH Clemmons Medical Center, and 4 at NH Hawthorne Outpatient Surgery. The 2019 LRA also included NH Orthopedic Outpatient Surgery with 2 ambulatory ORs that were relocated to develop NH Clemmons Outpatient Surgery in Project ID #G-11300-17; thus, NH Orthopedic Outpatient Surgery is not included in the above table.

\*Project ID #G-11517-18 (add no more than 2 ORs pursuant to the 2018 SMFP need determination for a total of no more than 35 ORs on the hospital license upon completion of this project).

\*\* Proposed Project ID #G-11910-20 (add no more than 2 ORs pursuant to the 2020 SMFP need determination for a total of 12 ORs at NHMPH upon completion of this project).

As the table above shows, upon completion of this project in July 2022, NHFMC Main will have 22 ORs (17 shared ORs, three inpatient open heart ORs, and two dedicated C-Section ORs), the NHFMC hospital license H0209 will have 35 ORs, NHMPH will have 12 ORs, NHKOS will have two ORs, NHCOS will have two ORs, and the NH Health System in Forsyth County will have 51 total ORs, including two dedicated C-Section ORs and three open heart ORs.

In Section C.1, page 21, the applicant describes NHMPH as a “surgical hospital” and states that NHMPH surgeons have advanced expertise in both general and specialty surgeries, to include:

- ear, nose and throat surgery,
- eye surgery,
- general surgery,
- gynecologic surgery,
- plastic surgery,
- surgical oncology, and
- urologic surgery.

On pages 21-22, the applicant states that NHMPH is known as a pioneer among area providers in its offering of the latest surgical technology, including the da Vinci Surgical System. The applicant further states that it has found itself at a pivotal moment where additional ORs and associated support space are necessary.

*Patient Origin* - On page 51, the 2020 SMFP states, “An operating room’s ‘service area’ is the service area in which the operating room is located. The operating room service areas are the single and multicounty groupings shown in Figure 6.1.” In Figure 6.1, page 57 of the 2020 SMFP, Forsyth County is shown as a single-county operating room service area. Thus, in this application, the service area is Forsyth County. Providers may serve residents of counties not included in their service area.

In Section C.2, page 22, the applicant provides the historical patient origin by county, by number of patients and percentage, for the total number of ORs on the NHMPH License, as summarized in the table below. The table shows that the applicant’s fiscal year (FY) is the calendar year (CY).

**NH Medical Park Hospital  
 Historical Surgical Patient Origin  
 CY2019**

County	Outpatient	
	# of Patients	% of Total
Forsyth	5,018	50.8%
Stokes	740	7.5%
Surry	687	7.0%
Davidson	666	6.7%
Yadkin	613	6.2%
Davie	572	5.8%
Other NC Counties*	1,343	13.6%
Out of State**	242	2.4%
<b>TOTAL</b>	<b>9,881</b>	<b>100.0%</b>

Source: page 22 of application

\* Other NC counties includes the 52 counties as listed beneath the patient origin table on page 22.

\*\* Out of State includes the 17 states as listed beneath the patient origin table on page 22.

In Sections C.3, page 23, the applicant provides the projected patient origin by county, by number of patients and percentage, for NHMPH for the first three full fiscal years (CY2023-CY2025), as summarized in the table below.

**NH Medical Park Hospital  
 Surgical Patient Origin**

County	1 <sup>st</sup> Full FY CY2023		2 <sup>nd</sup> Full FY CY2024		3 <sup>rd</sup> Full FY CY2025	
	# of Patients	% of Total	# of Patients	% of Total	# of Patients	% of Total
Forsyth	5,289	50.8%	5,359	50.8%	5,430	50.8%
Stokes	780	7.5%	790	7.5%	801	7.5%
Surry	724	7.0%	734	7.0%	743	6.9%
Davidson	702	6.7%	711	6.7%	721	6.7%
Yadkin	646	6.2%	655	6.2%	663	6.2%
Davie	603	5.8%	611	5.8%	619	5.8%
Other NC Counties*	1,416	13.6%	1,434	13.6%	1,453	13.6%
Out of State**	255	2.4%	258	2.4%	262	2.5%
<b>TOTAL</b>	<b>10,415</b>	<b>100.0%</b>	<b>10,553</b>	<b>100.0%</b>	<b>10,693</b>	<b>100.0%</b>

Source: page 23 of application

\* Other NC counties includes the 52 counties as listed beneath the patient origin table on page 22.

\*\* Out of State includes the 17 states as listed beneath the patient origin table on page 22.

In Section C, page 23, the applicant states that the above patient origin is projected based upon the NHMPH percentage of existing patients served by county in CY2019. The applicant also states that it expects its patient origin to remain relatively consistent through the third fiscal year. The applicant’s assumptions are reasonable and adequately supported.

Analysis of Need - In Section C.4, pages 24-49, the applicant discusses Novant Health’s need for additional operating rooms in Forsyth County. On page 24, the applicant states that the need for the proposed project is based on the need for two additional operating rooms in Forsyth County as identified in the 2020 SMFP. Accordingly, the applicant proposes the addition of two ORs at NHMPH for a total of 12, stating that the project will ensure that all service area residents have adequate access to OR services while also allowing NHMPH to renovate existing space within its OR department, adding support space and a 12-bay PACU.

On page 25, the applicant states that the specific need for the additional ORs at NHMPH is based on multiple factors, including:

- growth and aging of the service area population (pages 25-29)
- advances in surgical techniques and standards (page 35)
- need for additional capacity for NH patients (pages 37-39)
- demand for surgical services in the service area, the county, and the state (pages 35-37)
- NHMPH’s specialization in high-quality surgical services and its physical capacity constraints in the existing OR department (pages 39-40)

However, the information is not reasonable and adequately supported based on the following:

- The applicant was not able to show the need that the proposed population has for the proposed two additional ORs at NHMPH, based on reasonable assumptions for projecting utilization as prescribed in the 2020 SMFP OR need methodology.
- The applicant was not able to show the need for additional ORs within the NH Forsyth County Health System, based on reasonable assumptions for projecting utilization as prescribed in the 2020 SMFP OR need methodology.

*Projected Utilization* – In Section Q Form C Utilization, page 110 of the application, the applicant provides projected utilization for the proposed project’s first three full fiscal years following project completion, as summarized in the following table.

<b>Form C Utilization <sup>(1)</sup></b>			
<b>NH Medical Park Hospital</b>			
	<b>FY1 CY2023</b>	<b>FY2 CY2024</b>	<b>FY3 CY2025</b>
<b>Operating Rooms</b>			
Shared ORs	12	12	12
Adjusted Planning Inventory <sup>(2)</sup>	12	12	12
<b>Surgical Cases</b>			
# of Inpatient Cases	838	842	846
# of Outpatient Cases	9,577	9,711	9,847
Total # Surgical Cases	10,415	10,553	10,693
<b>Case Times (from Section C, Question 6(c))</b>			
Inpatient	214	214	214
Outpatient	105	105	105
<b>Surgical Hours</b>			
Inpatient <sup>(3)</sup>	2,987	3,002	3,017
Outpatient <sup>(4)</sup>	16,760	16,994	17,232
Total Surgical Hours	19,747	19,996	20,249
<b># of ORs Needed</b>			
Group Assignment <sup>(5)</sup>	3	3	3
Standard Hours per OR per Year <sup>(6)</sup>	1,755	1,755	1,755
Total Surgical Hours / Standard Hours per OR per Year (ORs Needed)	11.25	11.39	11.54

(1) If the proposal results in an increase in the # of ORs in the service area, complete a **separate** Form C for each facility in the applicant's health system

(2) Total # of ORs - # of Excluded ORs

(3) Inpatient Cases (exclude C-Sections performed in dedicated C-Section ORs) X Inpatient Case Time in Minutes

(4) Outpatient Cases X Outpatient Case Time in Minutes

(5) From Section C, Question 6(a)

(6) From Section C, Question 6(b)

However, the digital second copy of the application provides a Section Q Form C Utilization with different surgical hour information, resulting in a different OR need calculation. The digital copy appears to be in error and the same type of error appears to be included in the digital second copy for all seven Section Q Form C Utilization forms provided for the individual NH Forsyth County hospitals and surgery centers.

An analysis of the applicant's projected utilization methodology reveals that the applicant chose not to use the case times as prescribed by the application, specifically the case times as reported in Section C, Question 6(c), which clearly states the case times to be used are the case times "*as reported in Table 6B in the SMFP in effect at the time the review begins and use those times to project estimated surgical hours in Form C.*" Table 6B, page 73 of the 2020 SMFP (the SMFP in effect at the time the review began), shows the following case times for Novant Health Medical Park Hospital:

Final Inpatient Case Time = 217.0 minutes

Final Ambulatory Case Time = 102.0 minutes

Applying the proper case times from the 2020 SMFP OR need methodology, as requested in the application, and as should have been reported in Section C, Question 6, results in the following number of ORs needed.

<b>Form C Utilization <sup>(1)</sup></b>			
<b>NH Medical Park Hospital</b>			
	<b>FY1 CY2023</b>	<b>FY2 CY2024</b>	<b>FY3 CY2025</b>
<b>Operating Rooms</b>			
Shared ORs	12	12	12
Adjusted Planning Inventory <sup>(2)</sup>	12	12	12
<b>Surgical Cases</b>			
# of Inpatient Cases	838	842	846
# of Outpatient Cases	9,577	9,711	9,847
Total # Surgical Cases	10,415	10,553	10,693
<b>Case Times (from Section C, Question 6(c))</b>			
Inpatient	217	217	217
Outpatient	102	102	102
<b>Surgical Hours</b>			
Inpatient <sup>(3)</sup>	3,031	3,045	3,060
Outpatient <sup>(4)</sup>	16,281	16,509	16,740
Total Surgical Hours	19,312	19,554	19,800
<b># of ORs Needed</b>			
Group Assignment <sup>(5)</sup>	3	3	3
Standard Hours per OR per Year <sup>(6)</sup>	1,755	1,755	1,755
Total Surgical Hours / Standard Hours per OR per Year (ORs Needed)	11.00	11.14	11.28

(1) If the proposal results in an increase in the # of ORs in the service area, complete a **separate** Form C for each facility in the applicant's health system

(2) Total # of ORs - # of Excluded ORs

(3) Inpatient Cases (exclude C-Sections performed in dedicated C-Section ORs) X Inpatient Case Time in Minutes

(4) Outpatient Cases X Outpatient Case Time in Minutes

(5) From Section C, Question 6(a)

(6) From Section C, Question 6(b)

As can be seen in the table above, the projected utilization for the proposed project, using the proper assumptions with accurate calculations, projects sufficient surgical utilization to support the need for only one additional OR at NHMPH, not two additional ORs, as proposed in this application.

*Applicant's Assumptions and Methodology*

The applicant discusses the assumptions and methodology used to project operating room utilization in Section C with its proposed case time and standard OR hour details in Exhibit C-4.1, pages 1-3 (Tab 5). Section C.4(a), beginning on page 40, provides the following projected utilization steps:



Step 1: Determine historical growth rates

On pages 40-41, the applicant discusses the Novant Health Forsyth County ORs. The applicant provides the calculations for a two-year compound annual growth rate (CAGR) from CY2017 through CY2019, which it calls the “most current trend in utilization”. The applicant provides this data by individual Novant hospital and outpatient surgery center in Forsyth County, resulting in the 2-year CAGRs as presented by the applicant on page 41. The applicant then sums the individual hospital and surgical center inpatient and outpatient surgical procedures from CY2017 through CY2019 and totals them to yield a total two-year CAGR of 4.1% for Novant Health surgical procedures in Forsyth County.

The applicant states that it also considered a “longer lookback period”, which resulted in “a very similar growth rate”; however, the applicant did not provide the analysis of a longer lookback period. The only utilization data available to the Agency is the fiscal year data (October 1-September 30) provided by the applicant in its annual License Renewal Applications (LRAs). Thus, the Agency examined this data set to determine if a “longer lookback period” results in similar outcomes. Before pursuing a longer lookback period, however, the Agency first analyzed the most recent three fiscal years, FY2017-FY2019, as reported on the 2018-2020 LRAs, to compare with the two-year CAGR presented by the applicant, which it calls a “trend”. The following table compares the applicant’s data based on calendar year (January-December) from page 41 with the Agency’s data based on fiscal years (October-September), a time difference of only three months.

	Applicant's Calendar Year Data (page 41)				Agency's Fiscal Year Data from LRAs			
	CY2017	CY2018	CY2019	2-yr CAGR	FY2017	FY2018	FY2019	2-yr CAGR
<b>NHMPH</b>								
Inpatient OR Cases	908	878	821	-4.9%	943	891	814	-7.1%
Outpatient OR Cases	8,812	8,602	9,060	1.4%	8,782	8,797	8,616	-0.9%
Total	9,720	9,480	9,881	0.8%	9,725	9,688	9,430	-1.5%
<b>NHFMC Main</b>								
Inpatient OR Cases	8,078	7,186	7,250	-5.3%	11,007	10,196	9,259	-8.3%
Outpatient OR Cases	5,370	5,758	5,754	3.5%	5,320	5,736	5,672	3.3%
Total	13,448	12,944	13,004	-1.7%	16,327	15,932	14,931	-4.4%
<b>NHKMC</b>								
Inpatient OR Cases	1,099	1,117	1,160	2.7%	1,114	1,129	1,161	2.1%
Outpatient OR Cases	2,836	2,516	2,174	-12.4%	2,778	2,739	1,983	-15.5%
Total	3,935	3,633	3,334	-8.0%	3,892	3,868	3,144	-10.1%
<b>NHCMC</b>								
Inpatient OR Cases	591	1,567	1,873	78.0%	198	1,519	1,763	198.4%
Outpatient OR Cases	1,441	1,711	1,723	9.3%	1,352	1,734	1,617	9.4%
Total	2,032	3,278	3,596	33.0%	1,550	3,253	3,380	47.7%
<b>NHCOS*</b>								
Outpatient OR Cases	-	-	24	-	-	-	-	-
<b>NHKOS*</b>								
Outpatient OR Cases	-	612	2,025	-	-	247	1,853	-
<b>NHHOS</b>								
Outpatient OR Cases	7,455	7,812	8,510	6.8%	7,329	7,762	8,286	6.3%
<b>NHOOS</b>								
Outpatient OR Cases	1,966	1,998	1,403	-15.5%	2,013	1,968	1,961	-1.3%
<b>Total Surgical Cases</b>	<b>38,556</b>	<b>39,757</b>	<b>41,777</b>	<b>4.1%</b>	<b>40,836</b>	<b>42,718</b>	<b>42,985</b>	<b>2.6%</b>

Sources: Calendar year (January-December) data from Application, page 41; Fiscal year (October-September) data from Novant Health's annual LRAs

\*Surgical cases listed in the table for NHCOS and NHKOS were not removed from the analysis of the total system surgical cases because NHCOS was developed from ORs relocated from NHOOS and NHKOS was developed from ORs relocated from NHFMC; thus, the ORs were part of the system throughout the analysis timeframe.

A comparison of the two sets of data shows the calendar year data provided by the applicant portrays a very different picture from the fiscal year data submitted to the Agency by the applicant (a difference of only three months each year). The Agency's analysis of the fiscal year data results in a two-year CAGR of only 2.6%. The comparison above confirms that, at least in this case, the applicant's chosen period for the two-year CAGR may not provide a reliable trend to use for future forecasting.

The Agency then examined Novant Health’s 2017-2020 LRAs (FY2016-FY2019 data) to determine if a “longer lookback period” results in similar results, as the applicant states.

	FY2016	FY2017	FY2018	FY2019	2-yr CAGR	3-yr CAGR
<b>NHMPH</b>						
Inpatient OR Cases	871	943	891	814	-7.1%	-2.2%
Outpatient OR Cases	8,665	8,782	8,797	8,616	-0.9%	-0.2%
Total	9,536	9,725	9,688	9,430	-1.5%	-0.4%
<b>NHFMC Main</b>						
Inpatient OR Cases	9,953	11,007	10,196	9,259	-8.3%	-2.4%
Outpatient OR Cases	5,342	5,320	5,736	5,672	3.3%	2.0%
Total	15,295	16,327	15,932	14,931	-4.4%	-0.8%
<b>NHKMC</b>						
Inpatient OR Cases	1,053	1,114	1,129	1,161	2.1%	3.3%
Outpatient OR Cases	2,666	2,778	2,739	1,983	-15.5%	-9.4%
Total	3,719	3,892	3,868	3,144	-10.1%	-5.4%
<b>NHCMC</b>						
Inpatient OR Cases		198	1,519	1,763	198.4%	-
Outpatient OR Cases	1,108	1,352	1,734	1,617	9.4%	13.4%
Total	1,108	1,550	3,253	3,380	47.7%	45.0%
<b>NHCOS</b>						
Outpatient OR Cases	-	-	-	-	-	-
<b>NHKOS</b>						
Outpatient OR Cases	-	-	247	1,853	-	-
<b>NHHOS</b>						
Outpatient OR Cases	6,399	7,329	7,762	8,286	6.3%	9.0%
<b>NHOOS</b>						
Outpatient OR Cases	2,191	2,013	1,968	1,961	-1.3%	-3.6%
<b>Total Surgical Cases</b>	<b>38,248</b>	<b>40,836</b>	<b>42,718</b>	<b>42,985</b>	<b>2.6%</b>	<b>4.0%</b>

Sources: Fiscal year data from Novant Health’s annual LRAs

As the table above shows, the two-year and three-year CAGRs, using the fiscal year data submitted to the Agency yield different results. Thus the “longer lookback period” did not yield “a very similar growth rate” to the two-year CAGRs for the individual hospitals and surgery centers using fiscal year data from the LRAs, but it did yield a similar three-year CAGR of 4.0% for the total Novant Health Forsyth County system surgical cases as compared to the applicant’s two-year CAGR.

Step 2: Determine projected growth rates for hospitals

After presenting the above two-year CAGRs for inpatient and outpatient surgical procedures at the individual hospitals and surgery centers in Forsyth County, the applicant

then totals the four Novant Health Forsyth County hospital inpatient and outpatient surgical procedures with the following result.

**NH Forsyth County Hospitals  
 Surgical Cases**

	<b>CY2017</b>	<b>CY2018</b>	<b>CY2019</b>	<b>2-Yr CAGR</b>
Total Hospital Inpatient	10,676	10,748	11,104	2.0%
Total Hospital Outpatient	18,459	18,587	18,711	0.7%

Note: The applicant states that it also considered a “longer lookback period”, which “did not yield any significant difference”; however, the applicant did not provide the analysis.

Once again, the Agency performed an analysis of the 2017 through 2020 LRAs submitted by Novant and calculated both a two-year and three-year CAGR for comparison purposes from the FY2016 through FY2019 data submitted on the 2017-2020 LRAs.

**NH Forsyth County Hospitals  
 Surgical Cases and CAGRs Calculated by the Agency  
 Based on FY2016 – FY2019 Utilization Data**

	<b>FY2016</b>	<b>FY2017</b>	<b>FY2018</b>	<b>FY2019</b>	<b>2-Yr CAGR</b>	<b>3-Yr CAGR</b>
Total Hospital Inpatient	11,877	13,262	13,732	12,997	-1.0%	3.0%
Total Hospital Outpatient	17,781	18,232	19,006	17,888	-0.9%	0.2%

Note: Because NH Clemmons Medical Center was not in operation during FY2016 and had only 198 inpatient OR cases in FY2017, the CAGR analysis would be unreliable for forecasting

As the table above shows, the fiscal year data submitted to the Agency provides a very different outcome from the calendar year data provided by the applicant; and the three-year CAGRs, “longer lookback period”, did not yield “a very similar growth rate” to the two-year CAGRs it provided using CY data.

On page 43, the applicant provides its projected growth rates for the four NH Forsyth County hospitals along with the applicant’s basis for the selected growth rate, as summarized below:

Hospital	Historical 2-Yr CY CAGR	Projected Growth Rate	Assumptions Provided as the Basis for Growth Rate (Application pages 41-42)
<b>NH Medical Park Hospital</b>			
Inpatient OR Procedures	-4.9%	0.5%	surgeon recruitment
Outpatient OR Procedures	1.4%	1.4%	historical 2-Yr CAGR of 1.4%
<b>Total</b>	<b>0.8%</b>		
<b>NH Forsyth Medical Center</b>			
Inpatient OR Procedures	-5.3%	0.5%	surgeon recruitment
Outpatient OR Procedures	3.5%	3.5%	historical 2-Yr CAGR of 3.5%
<b>Total</b>	<b>-1.7%</b>		
<b>NH Kernersville Medical Center</b>			
Inpatient OR Procedures	2.7%	1.4%	half of historical CAGR
Outpatient OR Procedures	-12.4%	0.7%	NH Forsyth Hospitals' total outpatient 2-Yr CAGR of 0.7%
<b>Total</b>	<b>-8.0%</b>		
<b>NH Clemmons Medical Center</b>			
Inpatient OR Procedures	78.0%	0.9%	Forsyth County population growth CAGR of 0.9%
Outpatient OR Procedures	9.3%	0.7%	Percent growth from 2018 to 2019 (1,711 to 1,723) of 0.7%
<b>Total</b>	<b>33.0%</b>		

As the table above illustrates, the applicant uses several different assumptions for its growth rates for inpatient and outpatient surgical procedures at the four Forsyth County hospitals, including:

- surgeon recruitment to support a positive future growth rate over a negative historical 2-Yr CAGR
- historical individual 2-Yr CAGRs
- half of the historical individual 2-Yr CAGR
- historical Novant Health Forsyth County hospitals' total outpatient 2-Yr CAGR
- Forsyth County population growth CAGR from 2020-2025
- percent growth for the last calendar year

Very little supporting data is provided to explain why a selected growth rate is reasonable at one hospital and not another. One explanation provided for the decline in inpatient volume at NHMPH (pages 41-42) stated that inpatient procedures were shifted to outpatient procedures; thus, the expectation was that the decline in inpatient procedures would not continue in the future and the growth rate would be greater than historical. However, if the shift caused the decline in inpatient procedures, it follows that the shift that caused the increase in outpatient procedures also would not continue in the future; thus, the projected growth rate for outpatient procedures might need to be reduced accordingly. The applicant does not provide adequate supporting information for the Agency to determine that its projected growth rates are reasonable.

**Step 3: Determine shift from NH Forsyth to NH Clemmons OP**

On page 44, the applicant provides a table showing the assumed shift in surgical procedures from NHFMC to NHCOS, as summarized below:

<b>NH Shift of Surgical Procedures to NH Clemmons Outpatient Surgery</b>		
	<b>CY2020</b>	<b>CY2021</b>
Projected NH Forsyth outpatient surgical procedures	5,956	6,165
Percent shifted to NHCOS		7.5%
Surgical procedures shifted to NHCOS		462
Outpatient surgical procedures remaining at NHFMC	5,956	5,703
Outpatient Surgical Procedures at NHCOS	1,363	1,771

**Assumptions:**

- 56% of budgeted CY2020 surgical procedures (1,363) will remain at NHCOS after OrthoCarolina surgeons' departure and form the base volume for C2021 procedures
- The applicant assumes a 7.5% shift in NH Forsyth County outpatient surgical procedures to NHCOS in CY2021
- $NHCOS \text{ surgical procedures} = CY2020 \text{ budget} \times 0.56 + \text{shift in NH Forsyth County outpatient surgical procedures}$

**Step 4: Determine growth rates for NH outpatient surgery centers**

The applicant assumes the Forsyth County population growth 5-Yr CAGR (2020-2025) of 0.9% for the projected growth rate of the NH outpatient surgery centers. (page 44)

**Step 5: Determine surgical volume for all Novant Health affiliates**

The applicant applies the stated assumptions in the prior steps to the 2020 budgeted volume, as summarized below.

<b>NH Forsyth County Hospitals and Surgery Centers</b>										
	Historical Years			Interim Years			Project Years			
	2017	2018	2019	2020	2021	1/22 -6/22	7/22- 12/22	CY2023	CY2024	CY2025
<b>NH Medical Park Hospital</b>										
Inpatient OR Procedures	908	878	821	825	829	417	418	838	842	846
Outpatient OR Procedures	8,812	8,602	9,060	9,187	9,315	4,723	4,755	9,577	9,711	9,847
<b>Total</b>	<b>9,720</b>	<b>9,480</b>	<b>9,881</b>	<b>10,012</b>	<b>10,144</b>	<b>5,140</b>	<b>5,173</b>	<b>10,415</b>	<b>10,553</b>	<b>10,693</b>
<b>NH Forsyth Medical Center</b>										
Inpatient OR Procedures	8,078	7,186	7,250	7,286	7,323	3,680	3,689	7,396	7,433	7,470
Outpatient OR Procedures	5,370	5,758	5,754	5,956	5,703	2,952	3,003	6,111	6,326	6,548
<b>Total</b>	<b>13,448</b>	<b>12,944</b>	<b>13,004</b>	<b>13,242</b>	<b>13,026</b>	<b>6,631</b>	<b>6,692</b>	<b>13,507</b>	<b>13,759</b>	<b>14,018</b>
<b>NH Kernersville Medical Center</b>										
Inpatient OR Procedures	1,099	1,117	1,160	1,176	1,192	604	608	1,225	1,242	1,259
Outpatient OR Procedures	2,836	2,516	2,174	2,189	2,204	1,109	1,113	2,234	2,249	2,264
<b>Total</b>	<b>3,935</b>	<b>3,633</b>	<b>3,334</b>	<b>3,365</b>	<b>3,396</b>	<b>1,713</b>	<b>1,721</b>	<b>3,459</b>	<b>3,491</b>	<b>3,523</b>
<b>NH Clemmons Medical Center</b>										
Inpatient OR Procedures	591	1,567	1,873	1,890	1,907	962	966	1,941	1,959	1,976
Outpatient OR Procedures	1,441	1,711	1,723	1,735	1,747	880	883	1,772	1,784	1,797
<b>Total</b>	<b>2,032</b>	<b>3,278</b>	<b>3,596</b>	<b>3,625</b>	<b>3,654</b>	<b>1,842</b>	<b>1,849</b>	<b>3,713</b>	<b>3,743</b>	<b>3,773</b>
<b>NH Clemmons Outpatient Surgery</b>										
Outpatient OR Procedures			24	1,363	1,771	893	897	1,803	1,819	1,836
<b>NH Kernersville Outpatient Surgery</b>										
Outpatient OR Procedures		612	2,025	2,043	2,062	1,040	1,045	2,099	2,118	2,137
<b>NH Hawthorne Outpatient Surgery</b>										
Outpatient OR Procedures	7,455	7,812	8,510	8,587	8,664	4,371	4,391	8,821	8,900	8,980
<b>NH Orthopedic Outpatient Surgery</b>										
Outpatient OR Procedures	1,966	1,998	1,403							
<b>Grand Total</b>	<b>38,556</b>	<b>39,757</b>	<b>41,777</b>	<b>42,237</b>	<b>42,716</b>	<b>21,630</b>	<b>21,768</b>	<b>43,816</b>	<b>44,382</b>	<b>44,959</b>

Step 6: Determine OR inventory – actual and projected

<b>NH Forsyth County OR Inventory</b>										
	Historical Years			Interim Years			Project Years			
	2017	2018	2019	2020	2021	1/22 -6/22	7/22- 12/22	CY2023	CY2024	CY2025
NH Medical Park Hospital	10	10	10	10	10	10	12	12	12	12
NH Forsyth Medical Center^	20	19	18	18	18.5	20	20	20	20	20
NH Kernersville Medical Center	4	4	4	4	4	4	4	4	4	4
NH Clemmons Medical Center	5	5	5	5	5	5	5	5	5	5
NH Clemmons Outpatient Surgery*			0.5	2	2	2	2	2	2	2
NH Kernersville Outpatient Surgery**		1	2	2	2	2	2	2	2	2
NH Hawthorne Outpatient Surgery	4	4	4	4	4	4	4	4	4	4
NH Orthopedic Outpatient Surgery	2	2	1.5							
Total Existing OR Inventory	45	45	45	45	45.5	47	49	49	49	49
CON Adjustments*			2	2	1.5					
<b>Total NH Forsyth County Existing and Approved OR Inventory</b>	<b>45</b>	<b>45</b>	<b>47</b>	<b>47</b>	<b>47</b>	<b>47</b>	<b>49</b>	<b>49</b>	<b>49</b>	<b>49</b>

^Includes three dedicated inpatient open heart ORs and excludes two C-Section ORs. This agrees with the statement by the Agency in Criterion 1 of the Findings:

*“The addition of two ORs at NHMPH, as proposed in this application, would bring the total number of ORs on the NHMPH hospital license to 12. It would bring the number of ORs in the NH Health System to a total of 51 (two ORs at NHCOS + two ORs at NHKOS + 35 ORs at NHFMC, including two excluded C-Section ORs + 12 ORs at NHMPH) in Forsyth County.”*

\*Two ORs transferred from NHOOS to NHCOS, October 2019

\*\*Two ORs transferred from NHFMC to NHKOS July 2018

Note: the analyst can only assume that when the applicant uses a fraction in the table above it is referring to the percent of the year that the additional ORs were operational.

The above inventory is based on the following assumptions from page 45 of the application:

- Two ORs transferred from NHOOS to NHCOS in October 2019 (Project ID #G-11300-17)
- Two ORs were transferred from NHFMC to NHKOS in July 2018 (Project ID #G-11150-16)
- NHFMC was approved for two ORs in 2019 settlement and are expected to come online October 2021 (Project ID #G-11517-18)
- The applicant assumes the approval of the proposed two ORs at NHMPH in this application

Step 7: Determine assumed OR case times

On page 46, the applicant states:

*“Standard Average Final Times are based on case times for each facility as reported in the 2020 LRA and held constant.”*



The applicant then provides the table showing those times on page 46 of the application. However, those times do not reflect the case times that the application requires to be used in the utilization projections. Section C.6(c)(i), on page 51 of this application states:

*“Existing Facility to be Expanded on the Same Site – Identify the facility’s Final Case Times as reported in Table 6B in the SMFP in effect at the time the review begins and use those times to project estimated surgical hours in Form C.”*

The following table compares the final case times provided by the applicant on page 46 and the 2020 SMFP case times that are required to be used in the utilization projections.

<b>Final Case Times Comparison</b>				
	<b>Application Page 46 in Hours<sup>^</sup></b>	<b>As Reported by Applicant on the 2020 LRA in Minutes<sup>^^</sup></b>	<b>2020 SMFP OR Methodology Prescribed in Minutes</b>	<b>Minutes More (-Less) Used by Applicant than Prescribed by SMFP</b>
<b>NH Medical Park Hospital</b>				
Inpatient	3.57	214.0	217.0	-2.8
Outpatient	1.75	105.0	102.0	3.0
<b>NH Forsyth Medical Center**</b>				
Inpatient	2.77	166.1	157.2	9.0
Outpatient	2.18	130.6	82.0	48.8
<b>NH Kernersville Medical Center**</b>				
Inpatient	2.15	129.0	157.2	-28.2
Outpatient	1.84	110.1	82.0	28.4
<b>NH Clemmons Medical Center**</b>				
Inpatient	2.54	152.1	157.2	-4.8
Outpatient	2.15	129.2	82.0	47.0
<b>NH Clemmons Outpatient Surgery*</b>	1.19		71.2	0.2
<b>NH Kernersville Outpatient Surgery</b>	1.04	62.5	44.0	18.4
<b>NH Hawthorne Outpatient Surgery**</b>	0.84	50.3	82.0	-31.6
<b>NH Orthopedic Outpatient Surgery**</b>	1.25	74.7	82.0	-7.0

<sup>^</sup> Case times from page 46 of application, as provided by the applicant, which it states is 2019 fiscal year data, as reported on the 2020 LRA

<sup>^^</sup>Case times in minutes, as reported on the 2020 LRA

\*New facility that has no case time listed in the SMFP uses the case time from Step 5b of the OR Need Methodology for utilization projections- NHCOS is a new separately licensed ASF; therefore, a Group 6 facility type with a projected case time of 71.2 minutes.

\*\*Hospitals and outpatient surgery centers included on the NHFMC License #H0209 and therefore, must use the case times from the 2020 SMFP which are attributed to NHFMC License #H0209 in Table 6B, page 73.

As the comparison above shows, there is a significant difference in the case times the applicant chooses to use, and the case times as prescribed in the application and in the SMFP OR need methodology. For this reason, the case times as provided by the applicant are not reasonable and are unsupported.

Step 8: Calculate actual and projected surgical hours

On page 47, the applicant provides projected surgical hours based on its erroneous case times as discussed above.

<b>NH Forsyth County Hospitals and Surgery Centers Surgical Hours as Provided by Applicant (Page 47)</b>								
		Interim Years			Project Years			
	2019	2020	2021	1/22 -6/22	7/22- 12/22	CY2023	CY2024	CY2025
NH Medical Park Hospital*	18,783	19,005	19,229	9,729	9,786	19,688	19,922	20,160
NH Forsyth Medical Center	32,595	33,135	32,685	16,611	16,749	33,776	34,346	34,933
NH Kernersville Medical Center	6,483	6,545	6,606	3,335	3,350	6,732	6,796	6,861
NH Clemmons Medical Center	8,458	8,527	8,596	4,333	4,351	8,737	8,808	8,879
NH Clemmons Outpatient Surgery	28	1,617	2,101	1,060	1,065	2,139	2,159	2,178
NH Kernersville Outpatient Surgery	2,109	2,128	2,147	1,083	1,088	2,186	2,206	2,226
NH Hawthorne Outpatient Surgery	7,134	7,198	7,263	3,664	3,681	7,395	7,461	7,528
NH Orthopedic Outpatient Surgery	1,747							
<b>Total Surgical Hours</b>	<b>77,338</b>	<b>78,156</b>	<b>78,629</b>	<b>39,815</b>	<b>40,070</b>	<b>80,653</b>	<b>81,698</b>	<b>82,765</b>

\*the table above and provided by the applicant on page 47 of the application show slightly different numbers of surgical procedures for NHMPH from CY2020 through CY2025 than the number of surgical procedures on Form C Utilization, page 110.

The following table created by the Agency calculates surgical hours using the correct 2020 SMFP prescribed case times.

**NH Forsyth County Hospitals and Surgery Centers Surgical Hours  
 Calculated with 2020 SMFP Prescribed Case Times**

	Case Time in Min.	Case Time in Hrs.	Interim Years				Project Years			
			2019	2020	2021	1/22 -6/22	7/22- 12/22	CY2023	CY2024	CY2025
<b>NH Medical Park Hospital</b>										
Inpatient	217.0	3.62	2,969	2,984	2,998	1,508	1,512	3,031	3,045	3,060
Outpatient	102.0	1.70	15,402	15,618	15,836	8,029	8,084	16,281	16,509	16,740
<b>Total</b>			<b>18,371</b>	<b>18,602</b>	<b>18,834</b>	<b>9,537</b>	<b>9,595</b>	<b>19,312</b>	<b>19,554</b>	<b>19,800</b>
<b>NH Forsyth Medical Center</b>										
Inpatient	157.2	2.62	18,995	19,089	19,186	9,642	9,665	19,378	19,474	19,571
Outpatient	82.0	1.37	7,864	8,140	7,794	4,034	4,104	8,352	8,646	8,949
<b>Total</b>			<b>26,859</b>	<b>27,229</b>	<b>26,980</b>	<b>13,676</b>	<b>13,769</b>	<b>27,729</b>	<b>28,120</b>	<b>28,520</b>
<b>NH Kernersville Medical Center</b>										
Inpatient	157.2	2.62	3,039	3,081	3,123	1,582	1,593	3,210	3,254	3,299
Outpatient	82.0	1.37	2,971	2,992	3,012	1,516	1,521	3,053	3,074	3,094
<b>Total</b>			<b>6,010</b>	<b>6,073</b>	<b>6,135</b>	<b>3,098</b>	<b>3,114</b>	<b>6,263</b>	<b>6,328</b>	<b>6,393</b>
<b>NH Clemmons Medical Center</b>										
Inpatient	157.2	2.62	4,907	4,952	4,996	2,520	2,531	5,085	5,133	5,177
Outpatient	82.0	1.37	2,355	2,371	2,388	1,203	1,207	2,422	2,438	2,456
<b>Total</b>			<b>7,262</b>	<b>7,323</b>	<b>7,384</b>	<b>3,723</b>	<b>3,738</b>	<b>7,507</b>	<b>7,571</b>	<b>7,633</b>
<b>NH Clemmons Outpatient Surgery</b>										
	71.2	1.19	28	1,617	2,102	1,060	1,064	2,140	2,159	2,179
<b>NH Kernersville Outpatient Surgery</b>										
	44.0	0.73	1,485	1,498	1,512	763	766	1,539	1,553	1,567
<b>NH Hawthorne Outpatient Surgery</b>										
	82.0	1.37	11,630	11,736	11,841	5,974	6,001	12,055	12,163	12,273
<b>NH Orthopedic Outpatient Surgery</b>										
	82.0	1.37	1,917							
<b>Total Surgical Hours</b>			<b>73,562</b>	<b>74,078</b>	<b>74,788</b>	<b>37,831</b>	<b>38,047</b>	<b>76,545</b>	<b>77,448</b>	<b>78,365</b>

A comparison of the difference in total surgical hours in the previous two tables is quite significant as shown below.

**Comparison of NH Forsyth County Hospitals and Surgery Centers Surgical Hours  
 as Provided by Applicant (Page 47) and as Calculated by the Agency**

	Interim Years				Project Years			
	2019	2020	2021	1/22 -6/22	7/22- 12/22	CY2023	CY2024	CY2025
Total Surgical Hours as Provided by Applicant (Page 47)	77,338	78,156	78,629	39,815	40,070	80,653	81,698	82,765
Total Surgical Hours Calculated by Agency using Prescribed Case Times	73,562	74,078	74,788	37,831	38,047	76,545	77,448	78,365
<b>Difference in Total Surgical Hours</b>	<b>3,776</b>	<b>4,078</b>	<b>3,841</b>	<b>1,984</b>	<b>2,023</b>	<b>4,108</b>	<b>4,250</b>	<b>4,400</b>

Step 9: Calculate OR capacity

The applicant provides a table that calculates OR capacity as the number of ORs times the standard hours per OR as specified by “Group”. However, the applicant does not follow the 2020 SMFP Methodology and does not use the Groups as prescribed in Table 6A of the 2020 SMFP. The table below shows the Groups and associated standard hours per OR

applied by the applicant and the Groups and associated standard hours per OR, as prescribed by the 2020 SMFP OR methodology and which should be used to project OR utilization and capacity.

	Applied by Applicant		Prescribed by 2020 SMFP Methodology	
	Group	Standard Hours per OR	Group	Standard Hours per OR
NH Medical Park Hospital	3	1,755	3	1,755
NH Forsyth Medical Center*	3	1,755	2	1,950
NH Kernersville Medical Center*	4	1,500	2	1,950
NH Clemmons Medical Center*	4	1,500	2	1,950
NH Clemmons Outpatient Surgery	6	1,312	6	1,312
NH Kernersville Outpatient Surgery	6	1,312	5	1,312
NH Hawthorne Outpatient Surgery*	6	1,312	2	1,950
NH Orthopedic Outpatient Surgery*	6	1,312	2	1,950

\*Hospitals and outpatient surgery centers on the NHFMC License H0209

Thus, the table showing OR capacity provided by the applicant on page 47 is not accurate to use in the OR methodology. Following the applicant’s methodology in Step 9 and using the prescribed Group and standard hours per OR, the Agency calculates the NH Forsyth County surgical hour capacity in the table below.

	Group	Std Hours	# of ORs	CY2023	CY2024	CY2025
NH Medical Park Hospital*	3	1,755	12	21,060	21,060	21,060
NH Forsyth Medical Center	2	1,950	20	39,000	39,000	39,000
NH Kernersville Medical Center	2	1,950	4	7,800	7,800	7,800
NH Clemmons Medical Center	2	1,950	5	9,750	9,750	9,750
NH Clemmons Outpatient Surgery	6	1,312	2	2,624	2,624	2,624
NH Kernersville Outpatient Surgery	5	1,312	2	2,624	2,624	2,624
NH Hawthorne Outpatient Surgery	2	1,950	4	7,800	7,800	7,800
<b>Total</b>				<b>90,658</b>	<b>90,658</b>	<b>90,658</b>

\*Assumes the approval of the proposed two ORs for a total of 12 at NHMPH

**Step 10: Calculate utilization as a percent of capacity**

In Step 10, the applicant shows NH Forsyth County projected surgical hour utilization as a percent of capacity (Table on page 48). However, the applicant’s projected utilization is based on erroneous assumptions and is therefore not reasonable. Following the applicant’s methodology and using the Agency’s projected surgical hours as calculated above in Step 8, along with the prescribed groupings and case times in the 2020 SMFP, results in the following projected percent of surgical hour capacity.

	Surgical Capacity Based on # of ORs			Step 8 Agency Projected Utilization			Percent of Capacity		
	CY2023	CY2024	CY2025	CY2023	CY2024	CY2025	CY2023	CY2024	CY2025
NH Medical Park Hospital*	21,060	21,060	21,060	19,312	19,554	19,800	91.7%	92.8%	94.0%
NH Forsyth Medical Center	39,000	39,000	39,000	27,729	28,120	28,520	71.1%	72.1%	73.1%
NH Kernersville Medical Center	7,800	7,800	7,800	6,263	6,328	6,393	80.3%	81.1%	82.0%
NH Clemmons Medical Center	9,750	9,750	9,750	7,507	7,571	7,633	77.0%	77.7%	78.3%
NH Clemmons Outpatient Surgery	2,624	2,624	2,624	2,140	2,159	2,179	81.6%	82.3%	83.0%
NH Kernersville Outpatient Surgery	2,624	2,624	2,624	1,539	1,553	1,567	58.7%	59.2%	59.7%
NH Hawthorne Outpatient Surgery	7,800	7,800	7,800	12,055	12,163	12,273	154.6%	155.9%	157.3%
<b>Total</b>	<b>90,658</b>	<b>90,658</b>	<b>90,658</b>	<b>76,545</b>	<b>77,448</b>	<b>78,365</b>	<b>84.4%</b>	<b>85.4%</b>	<b>86.4%</b>

\*Assumes the approval of the proposed two ORs for a total of 12 at NHMPH

### Step 11: Calculate OR Need

The applicant provides a table on page 48 of its application representing its calculation of the NH Forsyth County OR need, based on its erroneous assumptions. The following table summarizes the applicant's information, listing the hospitals and surgery centers in the same order as originally discussed by the applicant in the application.

	# of ORs	FY1 CY2023	FY2 CY2024	FY3 CY2025
NH Medical Park Hospital				
Without Project Implementation	10	(1.25)	(1.39)	(1.54)
After Project Implementation (2 ORs)	12	0.75	0.61	0.46
NH Forsyth Medical Center	20	0.75	0.43	0.10
NH Kernersville Medical Center	4	(2.49)	(2.53)	(2.57)
NH Clemmons Medical Center	5	(0.82)	(0.02)	(0.06)
NH Clemmons Outpatient Surgery	2	0.36	0.35	0.34
NH Kernersville Outpatient Surgery	2	0.33	0.32	0.30
NH Hawthorne Outpatient Surgery	4	(1.64)	(1.69)	(1.74)
<b>Total</b>		<b>(2.75)</b>	<b>(2.53)</b>	<b>(3.17)</b>

The Agency provides the following table identifying the number of ORs needed by the NH Forsyth County hospitals and surgery centers. The Agency's table is based on the Agency calculated projected utilization in Step 8, which is based on the 2020 SMFP OR methodology, the prescribed groupings and case times, and the existing and approved Novant Health ORs.

	2020 SMFP Methodology			Step 8 Agency Projected Utilization			Projected OR Need			Projected
	Group	Std Hrs	# ORs*	CY2023	CY2024	CY2025	CY2023	CY2024	CY2025	Deficit (-Surplus)
NH Medical Park Hospital	3	1,755	10	19,312	19,554	19,800	11.0	11.1	11.3	1.3
NH Forsyth Medical Center	2	1,950	20	27,729	28,120	28,520	14.2	14.4	14.6	-5.4
NH Kernersville Medical Center	2	1,950	4	6,263	6,328	6,393	3.2	3.2	3.3	-0.7
NH Clemmons Medical Center	2	1,950	5	7,507	7,571	7,633	3.8	3.9	3.9	-1.1
NH Clemmons Outpatient Surgery	6	1,312	2	2,140	2,159	2,179	1.6	1.6	1.7	-0.3
NH Kernersville Outpatient Surgery	5	1,312	2	1,539	1,553	1,567	1.2	1.2	1.2	-0.8
NH Hawthorne Outpatient Surgery	2	1,950	4	12,055	12,163	12,273	6.2	6.2	6.3	2.3
<b>Total</b>			<b>47</b>	<b>76,545</b>	<b>77,448</b>	<b>78,365</b>	<b>41.3</b>	<b>41.8</b>	<b>42.2</b>	<b>-4.8</b>

\*Existing and approved # of ORs

Projected utilization as proposed by the applicant is not reasonable and not adequately supported for the following reasons:

- The applicant does not provide adequate information for the Agency to determine that its projected growth rate assumptions are reasonable.
- The applicant does not follow the 2020 SMFP OR Methodology and fails to use the Case Times, as prescribed in the application and in Table 6B of the 2020 SMFP, which results in inflated projections of utilization.
- The applicant does not follow the 2020 SMFP OR Methodology and fails to use the prescribed Group or Standard Hours per OR, as presented in Table 6A of the 2020 SMFP, which results in inflated projections of utilization.
- Following the 2020 SMFP OR Methodology, the applicant fails to show the need for two additional ORs at NHMPH or any additional ORs within the NH Forsyth County Health System.

Access - In Section C.8, page 53, the applicant states:

*“Novant Health does not exclude, deny benefits to, or otherwise discriminate against patients, students, or visitors on the basis of race; color; religion; national origin; culture; language; physical or mental disability; genetic information; age; sex, including pregnancy, childbirth or related medical conditions; marital status; sexual orientation; gender identity or expression; socioeconomic status; or source of payment in admission to, participation in, or receipt of the services and benefits of any of its programs and other activities, whether carried out by Novant Health directly or through a contractor or other entity with whom Novant Health arranges to carry out its programs or activities. This information is communicated to patients in the ‘Patient Bill of Rights.’”*

In Section C, page 54, the applicant provides the following estimated percentages for medically underserved groups it served in FY19, as summarized below.

	Percentage of Total Patients Served
Female	61.3%
Male	38.7%
Unknown	0.0%
64 and Younger	60.3%
65 and Older	39.7%
American Indian	0.3%
Asian	0.6%
Black or African-American	20.6%
Native Hawaiian or Pacific Islander	0.0%
White or Caucasian	74.3%
Other Race	3.7%
Declined / Unavailable	0.6%

Source: NH internal data

The applicant states that NHMPH does not keep data on ‘handicapped persons’ or ‘low income persons.’

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

**Proposed Payor Mix  
 CY2025**

Payor Source	Entire Facility	Operating Rooms
Self-Pay	0.9%	1.0%
Charity Care	1.8%	2.0%
Medicare *	44.0%	42.6%
Medicaid *	4.6%	4.2%
Insurance *	45.4%	47.5%
Workers Comp	1.6%	1.2%
TRICARE	0.6%	0.6%
Other (Specify)**	1.1%	0.9%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

Source: Internal Data

\* Including any managed care plans

\*\*Other Government and Institutional Payors

Totals may not sum due to rounding

The applicant adequately describes the extent to which all residents of the service area, including underserved groups, are likely to have access to the proposed services.

Conclusion - The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Responses to comments
- Information publicly available during the review and used by the Agency

Based on that review, the Agency concludes that the application is not conforming to this criterion for the following reasons:

- The applicant does not adequately explain why the population to be served needs the services proposed in this application.
- Projected utilization is not reasonable and is not adequately supported.
- The applicant or a related entity (NH Forsyth County Health System) owns and operates seven hospitals or surgery centers in the service area which will be operating at only 86% of capacity in the third full fiscal year of the proposed project with a surplus of five ORs and the applicant does not adequately address why the services proposed in this application are needed in addition to that existing capacity.

**Project ID #G-11914-20/Triad Surgery Center/Develop an ASF with two ORs**

The applicant proposes to establish a new multispecialty ASF in Kernersville by developing two ORs, one GI endoscopy room, and one procedure room. The proposed facility will be developed at Cone Health's MedCenter Kernersville campus. In Section C.1, page 17, the applicant describes the proposed project as follows:

*“As noted above, MC Kernersville, LLC and Cone Health propose to develop a freestanding ASF in Kernersville – Triad Surgery Center – with two operating rooms, one GI endoscopy room, and one procedure room. Triad Surgery Center will provide outpatient surgical services including, but not limited to, orthopedic surgery, gynecology surgery, otolaryngology (ENT) surgery, general surgery, and plastic surgery. . . . As such, Triad Surgery Center will offer a multispecialty ambulatory surgery program as defined by North Carolina statute.*

*While MC Kernersville, LLC is currently wholly owned by Cone Health, the establishment of the ASF as a separate legal entity allows for future physician investment. Triad Surgery Center will be managed and staffed by Cone Health through a management services agreement.”*

In Section A.7, pages 9-10, the applicant states that MC Kernersville, LLC does not currently own, manage or operate any healthcare facilities in North Carolina. The applicant states that the sole member of MC Kernersville at application filing was The Moses H. Cone Memorial Hospital. The Moses H. Cone Memorial Hospital and its subsidiaries, collectively known as Cone Health, own and operate North Carolina facilities offering surgical and procedural services, including The Moses H. Cone Hospital, Cone



Health Wesley Long Hospital, Alamance Regional Medical Center, Women’s and Children’s Center at Moses Cone Hospital, Annie Penn Hospital, Moses Cone Surgery Center, Wesley Long Surgery Center, and Mebane Surgery Center.

In Section C.1, page 17, the applicant states that the proposed ASF will provide outpatient surgical services including, but not limited to:

- orthopedic surgery,
- gynecology surgery,
- otolaryngology (ENT) surgery,
- general surgery, and
- plastic surgery.

The applicant proposes to provide at least three of the specialty areas listed in §131E-176(15a) to qualify its program as a “multispecialty ambulatory surgical program”. N.C. Gen. Stat. §131E-176(15a) states:

*"Multispecialty ambulatory surgical program - a formal program for providing on a same-day basis surgical procedures for at least three of the following specialty areas: gynecology, otolaryngology, plastic surgery, general surgery, ophthalmology, orthopedic, or oral surgery."*

In Section C.6, page 40, the applicant provides a table with the following proposed specialties and percent of cases at the proposed ASF, as summarized below:

	<b>% of Total</b>
Orthopedics	34.2%
Otolaryngology	21.5%
Urology	10.1%
General Surgery	9.7%
Podiatry	6.9%
Ophthalmology	7.0%
Obstetrics and Gynecology	0.7%
Spine	6.8%
Gynecology	2.2%
Plastic Surgery	1.0%
<b>Total</b>	<b>100.0%</b>

Totals may not sum due to rounding

Patient Origin - On page 51, the 2020 SMFP states, “An operating room’s ‘service area’ is the service area in which the operating room is located. The operating room service areas are the single and multicounty groupings shown in Figure 6.1.” In Figure 6.1, page 57 of the 2020 SMFP, Forsyth County is shown as a single-county operating room service

area. Thus, in this application, the service area is Forsyth County. Providers may serve residents of counties not included in their service area.

In Section C.2, pages 18-19, the applicant states that the proposed project is not an existing freestanding, separately licensed ASF and does not have existing operating rooms and, as such, has no historical patient origin. The applicant further states that for informational purposes, it provides tables on page 19 showing the CY2019 patient origin of the patients proposed to be served by TSC.

**Patient Origin of Cone Health Physician Group Patients  
 Who are Potential Triad Surgery Center Surgical Patients  
 CY2019**

County / Area	OR and Procedure Room Patients	GI Endo Room Patients
Kernersville*	29.8%	29.3%
Other Forsyth	7.1%	4.8%
Other Guilford	50.8%	53.2%
Other^	12.3%	12.7%
<b>TOTAL</b>	<b>100.0%</b>	<b>100.0%</b>

\*ZIP Codes 27009, 27051, 27235, 27265, 27284, 27285, and 27310. This grouping of ZIP codes includes Forsyth and Guilford counties. (Forsyth County ZIP codes include 27009, 27051, 27284, and 27285 (P.O. Box) and Guilford County ZIP codes include 27235, 27265, and 27310.)

^Other includes 19 NC counties and other states for OR and procedure room patients, and 16 NC counties and other states for GI endo room patients, as stated on page 19.

In Section C.3, pages 19-20, the applicant provides the projected patient origin, by number of patients and percentage, for the proposed facility for the first three operating years, FY2023-FY2025, with its fiscal year running from October through September, as summarized in the tables below.

**Cone Health Triad Surgery Center Projected Patient Origin  
 Operating Rooms**

County / Area	FY2023 10/1/22-9/30/23		FY2024 10/1/23-9/30/24		FY2025 10/1/24-9/30/25	
	# of Patients	% of Total	# of Patients	% of Total	# of Patients	% of Total
Kernersville*	465	29.8%	528	29.8%	539	29.8%
Other Forsyth	110	7.1%	125	7.1%	128	7.1%
Other Guilford	793	50.8%	900	50.8%	919	50.8%
Other^	193	12.3%	219	12.3%	223	12.3%
<b>TOTAL</b>	<b>1,561</b>	<b>100.0%</b>	<b>1,771</b>	<b>100.0%</b>	<b>1,809</b>	<b>100.0%</b>

\*ZIP Codes 27009, 27051, 27235, 27265, 27284, 27285, and 27310. This grouping of ZIP codes includes Forsyth and Guilford counties. (Forsyth County ZIP codes include 27009, 27051, 27284, and 27285 (P.O. Box) and Guilford County ZIP codes include 27235, 27265, and 27310.)

^Other includes 19 NC counties and other states, as stated on page 19

**Cone Health Triad Surgery Center Projected Patient Origin  
 GI Endo Rooms**

County / Area	FY2023 10/1/22-9/30/23		FY2024 10/1/23-9/30/24		FY2025 10/1/24-9/30/25	
	# of Patients	% of Total	# of Patients	% of Total	# of Patients	% of Total
Kernersville*	451	29.3%	516	29.3%	531	29.3%
Other Forsyth	73	4.8%	84	4.8%	86	4.8%
Other Guilford	817	53.2%	935	53.2%	962	53.2%
Other^	196	12.7%	224	12.7%	231	12.7%
<b>TOTAL</b>	<b>1,537</b>	<b>100.0%</b>	<b>1,758</b>	<b>100.0%</b>	<b>1,809</b>	<b>100.0%</b>

\*ZIP Codes 27009, 27051, 27235, 27265, 27284, 27285, and 27310. This grouping of ZIP codes includes Forsyth and Guilford counties. (Forsyth County ZIP codes include 27009,27051, 27284, and 27285 (P.O. Box) and Guilford County ZIP codes include 27235, 27265, and 27310.)

^Other includes 16 NC counties and other states, as stated on page 20

**Cone Health Triad Surgery Center Projected Patient Origin  
 Procedure Rooms**

County / Area	FY2023 10/1/22-9/30/23		FY2024 10/1/23-9/30/24		FY2025 10/1/24-9/30/25	
	# of Patients	% of Total	# of Patients	% of Total	# of Patients	% of Total
Kernersville*	99	29.8%	110	29.8%	110	29.8%
Other Forsyth	24	7.1%	26	7.1%	26	7.1%
Other Guilford	169	50.8%	188	50.8%	188	50.8%
Other^	41	12.3%	46	12.3%	46	12.3%
<b>TOTAL</b>	<b>333</b>	<b>100.0%</b>	<b>370</b>	<b>100.0%</b>	<b>370</b>	<b>100.0%</b>

\*ZIP Codes 27009, 27051, 27235, 27265, 27284, 27285, and 27310. This grouping of ZIP codes includes Forsyth and Guilford counties. (Forsyth County ZIP codes include 27009,27051, 27284, and 27285 (P.O. Box) and Guilford County ZIP codes include 27235, 27265, and 27310.)

^Other includes 19 NC counties and other states, as stated on page 24

As shown in the tables above, the applicant projects 29.8% of its Forsyth County surgical facility OR patients will originate from its proposed “Kernersville” region and another 7.1% of its patients will originate from Forsyth County ZIP codes outside of the defined Kernersville region. The applicant’s defined Kernersville region includes Forsyth County ZIP codes and Guilford County ZIP codes. The applicant does not identify the total Forsyth County and Guilford County population from within the “Kernersville” region; therefore, the Kernersville region in the applicant’s service area includes an undetermined number of Guilford County residents. These Guilford County residents are in addition to the 50.8% of “Other Guilford” residents, as listed above. The patient origin regions and percentages for GI and the procedure rooms follow the same methodology as the proposed OR patient origin. In Exhibit C.4-1, the applicant provides the Forsyth County 2019 and projected 2024 total population by ZIP code. Exhibit C.4-2 contains the 2019 Forsyth County number of surgical patients by their county of origin, showing that approximately 40% of the surgeries performed in Forsyth County were on Forsyth County residents. Although the precise projected number of patients from Forsyth County and Guilford County is undetermined, the total patient origin is adequately identified and supported.

In Section C, page 20, the applicant states that the above projections are consistent with the utilization methodology detailed in Form C Assumptions and Methodology in Section Q. The applicant states that its projected patient origin is based on the historical patient origin of referrals generated by nine identified Cone Health practices that are expected to refer to the proposed ASF. The applicant provides printouts of the patient origin of these practices in Exhibit C.7-1. The applicant does not state where the practices currently refer patients for surgical procedures. The applicant states that the ZIP codes of the referrals were then analyzed based on the assumptions in Form C to reflect those that result in ASF-appropriate surgical procedures, GI endoscopy procedures, or procedure room procedures for patients who may choose to have them performed at the proposed facility.

The applicant states that it believes the projected patient origin is reasonable and supported as it is based on the actual historical patient origin of the patients that Triad Surgery Center is expected to serve and because the facility will be located less than two miles from the Forsyth-Guilford county border. The applicant further states that the projected patient origin is consistent with the experience of existing Forsyth County outpatient surgical service providers and provides a table showing the FY2019 patient origin for those providers showing that Forsyth County patients account for between 29.7 and 69.0 percent of total outpatient surgical volume. However, the only provider that has a patient origin percentage of Forsyth County patients that is less than 40% of its total surgical volume is North Carolina Baptist Hospital, a quaternary care hospital and academic medical teaching center, which as such, serves patients from all over the state.

Analysis of Need - In Section C, the applicant discusses why it believes the population projected to utilize the proposed services needs the proposed OR services. On page 21, the applicant states that the specific need for the proposed project is based on the following factors:

- demand for ambulatory surgery services (pages 22-24)
- growth and aging of the population (pages 25-27),
- need for additional ASF capacity in Forsyth County, particularly in Kernersville (pages 27-35), and
- need for a Cone Health ASF in Forsyth County (pages 35-38).

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

- The applicant adequately documents that clinical advances, including improved technology, increased knowledge of pain management, anesthesiology, rehabilitation, and decreased recovery times have enabled many procedures that were once highly invasive and required extensive inpatient care to now be done in an outpatient setting.
- The applicant adequately documents that rising healthcare costs and healthcare reimbursement pressures are moving physicians and patients toward outpatient

settings that provide enhanced productivity, scheduling flexibility and faster turnaround.

- The applicant adequately documents that the surgical volume of both North Carolina and Forsyth County is shifting from inpatient to outpatient, when appropriate, with statewide and Forsyth County outpatient volume growing at a slightly higher four-year CAGR than inpatient volume.
- The applicant adequately documents that the growing and aging Forsyth County population, particularly those over age 65 and in the Kernersville ZIP code area will continue to utilize healthcare services and the improvement in access to outpatient surgical services will support the expected higher utilization. This population information is reliable, aside from the fact that the applicant's table on page 25 of the application mixes up the population data by ZIP code from the source data in Exhibit C.4-1, reporting the wrong numbers for six ZIP codes. The mixed-up populations by ZIP code are not among the three Forsyth County ZIP codes that the applicant proposes to serve. Furthermore, the table on page 27 reports the correct population per ZIP code as reported on the source data.
- The applicant adequately documents that the proposed project will allow Cone Health and its accountable care organization (ACO), Triad HealthCare Network (THN), to refer patients to a site of care under their control where they can receive what the applicant calls the highest quality care at the lowest cost.
- The applicant adequately documents that the proposed project will enable the development of a new provider and additional freestanding ASF in Forsyth County, enhancing competition of surgical services.

The information provided above adequately supports the need for Cone Health to develop a Forsyth County ASF in Kernersville to serve Forsyth County and Guilford County patients living in that area and who are served by Cone Health physician groups.

Projected Utilization – In Section Q Form C Utilization, the applicant provides projected utilization for its proposed project as summarized in the following table.

**Triad Surgery Center  
 Operating Room Projected Utilization**

Form C Utilization <sup>(1)</sup> Criterion (3)	Interim Partial Year 6/22-9/22	1 <sup>st</sup> Full FY FY2023 10/22- 9/23	2 <sup>nd</sup> Full FY FY2024 10/23-9/24	3 <sup>rd</sup> Full FY FY2025 10/24-9/25
<b>GI Endoscopy Rooms</b>				
# of Rooms	1	1	1	1
# of Outpatient GI Endoscopy Procedures	442	1,537	1,758	1,809
Total GI Endoscopy Procedures/(1,500 x # of Rooms)	0.3	1.0	1.2	1.2
<b>Operating Rooms</b>				
<b># of Rooms</b>				
Dedicated Ambulatory ORs and Total # of ORs	2	2	2	2
Adjusted Planning Inventory <sup>(2)</sup>	2	2	2	2
<b># of Surgical Cases</b>				
# of Outpatient Surgical Cases and Total # of Cases	453	1,561	1,771	1,809
<b>Case Times (from Section C, Question 6(c) or 6(d))</b>				
Outpatient	71.2	71.2	71.2	71.2
<b>Surgical Hours</b>				
Outpatient <sup>(4)</sup> and Total Surgical Hours	537	1,852	2,102	2,147
<b># of ORs Needed</b>				
Group Assignment <sup>(5)</sup>	6	6	6	6
Standard Hours per OR per Year <sup>(6)</sup>	1,312	1,312	1,312	1,312
Total Surgical Hours / Standard Hours per OR per Year	0.4	1.4	1.6	1.6
<b>Procedure Rooms</b>				
# of Rooms	1	1	1	1
Total # of Procedures	98	333	370	370

(1) If the proposal results in an increase in the # of ORs in the service area, complete a separate Form C for each facility in the applicant's health system

(2) Total # of ORs - # of Excluded ORs

(3) Inpatient Cases (exclude C-Sections in dedicated C-Section ORs) x Inpatient Case Time

(4) outpatient Cases x Outpatient Case Time

(5) From Section C, Question 6(a)

(6) From Section C, Question 6(b)

*Applicant's Assumptions and Methodology*

*Operating Rooms*

The following table summarizes the projected operating room utilization from Form C Utilization.

**Triad Surgery Center  
 Operating Room Projected Utilization**

	Interim Partial Year 6/22-9/22	1 <sup>st</sup> Full FY FY2023 10/22- 9/23	2 <sup>nd</sup> Full FY FY2024 10/23-9/24	3 <sup>rd</sup> Full FY FY2025 10/24-9/25
<b>Operating Rooms</b>				
<b># of Rooms</b>				
Dedicated Ambulatory ORs and Total # of ORs	2	2	2	2
Adjusted Planning Inventory <sup>(2)</sup>	2	2	2	2
<b># of Surgical Cases</b>				
# of Outpatient Surgical Cases and Total # of Cases	453	1,561	1,771	1,809
<b>Case Times</b> (from Section C, Question 6(c) or 6(d))				
Outpatient	71.2	71.2	71.2	71.2
<b>Surgical Hours</b>				
Outpatient <sup>(4)</sup> and Total Surgical Hours	537	1,852	2,102	2,147
<b># of ORs Needed</b>				
Group Assignment <sup>(5)</sup>	6	6	6	6
Standard Hours per OR per Year <sup>(6)</sup>	1,312	1,312	1,312	1,312
Total Surgical Hours / Standard Hours per OR per Year	0.4	1.4	1.6	1.6

(1) If the proposal results in an increase in the # of ORs in the service area, complete a separate Form C for each facility in the applicant's health system  
 (2) Total # of ORs - # of Excluded ORs  
 (3) Inpatient Cases (exclude C-Sections in dedicated C-Section ORs) x Inpatient Case Time  
 (4) outpatient Cases x Outpatient Case Time  
 (5) From Section C, Question 6(a)  
 (6) From Section C, Question 6(b)

In Section Q Form C Assumptions, pages 1-13, the applicant provides the assumptions and methodology used to project operating room utilization, which is summarized below:

- Services begin June 1, 2022; first full fiscal year is FY2023, October 1, 2022 through September 30, 2023.
- The types of surgical cases proposed at the facility identifies the facility as a Group 6 facility with an average ambulatory case time of 71.2 minutes per case and 1,312 standard hours per operating room.
- The methodology for projecting utilization is based on the internal analysis of eight Cone Health primary physician practices and one Cone Health sports medicine practice, with all but one located within an approximate 20-minute drive time from the proposed ASF location. During CY2019, the nine practices produced 8,628

referrals (Table 1, page 3) to surgeons. The base number of surgical cases is dependent upon a percentage (an average of 59% for all specialties) of referrals from the primary care clinics resulting in surgeries (Table 2, page 4), of which a percentage would be appropriate to be performed in an ASF (Cone Health assumes an average of 70% based on its experience and discussions with referring physicians and surgeons, with 30% being of a higher acuity that would not be appropriate for the ASF). Table 3, page 5, provides the number of surgical cases assumed to be ASF-appropriate applying the 70% assumption to each practice's number of surgical referrals in Table 2.

- The applicant then assumes the percent of the ASF-appropriate surgeries provided in Table 3, by practice, that will choose to have their surgery at the proposed ASF. The percent that will choose to have their surgery by practice is provided in Table 4, page 7. The applicant states that these percentages are based on its experience operating healthcare facilities for almost 70 years as well as discussions with referring physicians and surgeons who have demonstrated their commitment to refer patients to, and practice at the proposed ASF, as shown in Exhibit C.4-4.
- The percentages from Table 4 are then applied to the number of ASF appropriate cases in Table 3, to estimate the potential number of surgical cases that would be performed at the proposed ASF, as shown in Table 5, page 9, which results in a total of 1,603 potential outpatient surgical procedures during calendar year 2019.
- The applicant then determines the four-year CAGR from 2015 – 2019 for Forsyth County outpatient surgery (source: 2017-Proposed 2021 SMFP) in Table 6 with a result of 2.1%.
- Applying the CAGR of 2.1% to the 2019 base of 1,603 surgical procedures results in the following projected number of outpatient surgical cases by calendar year (Table 7, page 10).

**Table 7: Projected Number of Surgical Cases at Proposed ASF by CY**

	CY2019	CY2020	CY2021	CY2022	CY2023	CY2024	CY2025
Cases from Existing 2019 Referrals at 2.1% CAGR	1,603	1,637	1,672	1,707	1,744	1,781	1,819

- the applicant converts the surgical cases/procedures to its proposed fiscal year of operation with the following formulas:

$$\begin{aligned} \text{FY2022 Cases} &= 0.25 \times \text{CY2021} + 0.75 \times \text{CY2022 Cases} = 1,698 \\ \text{FY2023 Cases} &= 0.25 \times \text{CY2022} + 0.75 \times \text{CY2023 Cases} = 1,734 \\ \text{FY2024 Cases} &= 0.25 \times \text{CY2023} + 0.75 \times \text{CY2024 Cases} = 1,771 \\ \text{FY2025 Cases} &= 0.25 \times \text{CY2024} + 0.75 \times \text{CY2025 Cases} = 1,809 \end{aligned}$$

And for conservatism, the applicant states that it assumes a ramp-up of projected cases from FY2022 to FY2025, resulting in projected surgical cases as shown in Table 8, page 10, and summarized below.



	<b>FY2022</b>	<b>FY2023</b>	<b>FY2024</b>	<b>FY2025</b>
Cases from Existing Referral Base in Total by Year	1,698	1,734	1,771	1,809
% of Year in Operation*	33%	100%	100%	100%
Potential Cases Projected for Proposed ASF	556	1,734	1,771	1,809
Ramp-up %	80%	90%	100%	100%
Cases Projected to be Performed at Proposed ASF	453	1,561	1,771	1,809

\*ASF becomes operational June 1, 2022; thus, utilization for FY2022 is adjusted to include only four months of the projected cases for FY2022.

- In Table 10, page 12, the applicant demonstrates the need for two operating rooms, using the OR methodology prescribed Group 6, an average case time of 71.2 minutes per case, and standard hours per OR per year of 1,312 hours, as summarized below.

	<b>FY2022</b>	<b>FY2023</b>	<b>FY2024</b>	<b>FY2025</b>
Surgical Cases/Procedures	453	1,561	1,771	1,809
Outpatient Case Time in Minutes	71.2	71.2	71.2	71.2
Total Surgical Hours	537	1,852	2,102	2,147
Standard Hours per OR per Year	1,312	1,312	1,312	1,312
Total Surgical Hours/Standard Hours per OR per Year	0.4	1.4	1.6	1.6

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

- the applicant bases its initial volume of referral surgeries on percentages from its referral practices that result in surgery, percentages of the referral surgeries that result in outpatient surgeries appropriate for ASFs, which in turn will produce a percent of surgeries performed at the proposed facility,
- the applicant bases future utilization upon the proposed service area’s Cone Health referral physicians’ 2019 historical surgical referrals and assumes those referrals will grow between 2019 and the opening of the proposed ASF at the Forsyth County surgical utilization’s four-year outpatient surgical utilization CAGR of 2.1% annually.
- the applicant demonstrates the reasonableness of its projections in a discussion on pages 12-13 of Form C Assumptions and Methodology, stating that its projected FY2025 surgical cases of 1,809 would represent only 3.1% of the total Forsyth County FY2025 surgical cases assuming an increase by the 2.1% four-year CAGR.

*GI Endoscopy Rooms*

The following table summarizes the projected GI endoscopy room utilization from Form C Utilization.

**Triad Surgery Center  
 GI Endoscopy Room Projected Utilization**

	<b>Interim Partial Year 6/22-9/22</b>	<b>1<sup>st</sup> Full FY FY2023 10/22- 9/23</b>	<b>2<sup>nd</sup> Full FY FY2024 10/23-9/24</b>	<b>3<sup>rd</sup> Full FY FY2025 10/24-9/25</b>
<b>GI Endoscopy Rooms</b>				
# of Rooms	1	1	1	1
# of Outpatient GI Endoscopy Procedures	442	1,537	1,758	1,809
Total GI Endoscopy Procedures/(1,500 x # of Rooms)	0.3	1.0	1.2	1.2

In Section Q, Form C Assumptions, pages 14-18, the applicant provides the assumptions and methodology used to project GI endoscopy utilization, which is summarized below:

- Services begin June 1, 2022 – first full fiscal year is FY2023, October 1, 2022 through September 30, 2023. However, as noted by the applicant, the performance standards in the criteria and standards for GI endoscopy rooms requires the applicant to perform an average of at least 1,500 GI endoscopy procedures per GI endoscopy room during the second year of operation following completion of the project. Accordingly, the first year of operation, PY1, is June 1, 2022 – May 31, 2023 and the second year of operation, PY2, is June 1, 2023 - May 31, 2024.
- In Table 13, page 14, the applicant identifies 4,629 referrals to gastroenterologists from LeBauer Elam, LeBauer High Point, Cone Health Primary Care at MC Kernersville, LeBauer Brassfield, LeBauer Horse Pen Creek, LeBauer Summerfield Village, Piedmont Triad Family Medicine, and LeBauer Oak Ridge during CY2019.
- In Table 14, page 14, the applicant shows that based on its experience and discussions with referring physicians and surgeons, 80% of the referrals result in GI endoscopy procedures, resulting in 3,703 GI endoscopy procedures.
- Based on its experience and discussions with referring physicians and surgeons, the applicant estimates that 90% of the referrals that result in GI endoscopy procedures are outpatient and ASF-appropriate, resulting in a total of 3,333 procedures as shown in Table 15, page 15.
- Table 16, page 16, shows the assumed percent (by referral practice) of the ASF-appropriate referrals that will go to the proposed ASF, based on practice locations and distances to the proposed ASF. Based on the stated percentages by practice, the applicant projects the resulting referrals to the proposed ASF would have been a total of 1,532 procedures in CY2019, as shown in Table 17, page 16.

- Growth is projected at 2.9% annually based on Forsyth County’s historical four-year CAGR from 2015 through 2019 (Table 18, page 17) for Forsyth County GI endoscopy procedures.

**Table 19: Projected Number of GI Endoscopy Procedures at Proposed ASF by CY**

	CY2019	CY2020	CY2021	CY2022	CY2023	CY2024	CY2025
Cases from Existing 2019 Referrals at 2.9% CAGR	1,532	1,577	1,624	1,671	1,720	1,771	1,822

- The applicant utilizes the same conversion formula to convert the calendar year procedures to fiscal years as it did with the operating rooms.

$$\begin{aligned} \text{FY2022 Cases} &= 0.25 \times \text{CY2021} + 0.75 \times \text{CY2022 Cases} = 1,659 \\ \text{FY2023 Cases} &= 0.25 \times \text{CY2022} + 0.75 \times \text{CY2023 Cases} = 1,708 \\ \text{FY2024 Cases} &= 0.25 \times \text{CY2023} + 0.75 \times \text{CY2024 Cases} = 1,758 \\ \text{FY2025 Cases} &= 0.25 \times \text{CY2024} + 0.75 \times \text{CY2025 Cases} = 1,809 \end{aligned}$$

And for conservatism, the applicant states that it assumes a ramp-up of projected cases from FY2022 to FY2025, resulting in projected surgical cases as shown in Table 20, page 17, and summarized below.

	FY2022	FY2023	FY2024	FY2025
GI Endoscopy Procedures from Existing Referral Base	1,659	1,708	1,758	1,809
% of Year in Operation*	33%	100%	100%	100%
Potential GI Endoscopy Procedures for Proposed ASF	553	1,708	1,758	1,809
Ramp-up %	80%	90%	100%	100%
GI Endoscopy Procedures Projected to be Performed at Proposed ASF	442	1,537	1,758	1,809

\*ASF becomes operational June 1, 2022; thus, utilization for FY2022 is adjusted to include only four months of the projected cases for FY2022.

As noted in the assumptions, to be responsive to the criteria and standards for GI endoscopy rooms, the applicant converts the fiscal year projections in Table 20 to project year to demonstrate the need for the GI Endoscopy room in the second year of operation following completion of the project. The proposed project begins on June 1, 2022 and the second year begins June 1, 2023, four months before the end of the fiscal year; thus  $PY2 = (4/12) \times \text{FY2023 Procedures} + (8/12) \times \text{FY2024} = (.33 \times 1,537) + (.67 \times 1,758) = 1,684$ .

	<b>PY2 6/1/23 – 5/31/24</b>
<b>GI Endoscopy Rooms</b>	
# of Rooms	1
# of Outpatient GI Endoscopy Procedures	1,684
Total GI Endoscopy Procedures/(1,500 x # of Rooms)	1.1

Projected utilization is reasonable and adequately supported for the reasons stated above.

*Procedure Rooms*

In Section Q, the applicant provides projected utilization for the proposed procedure room as illustrated in the following table.

**Triad Surgery Center  
 Procedure Room Projected Utilization**

	<b>Interim Partial Year 6/22-9/22</b>	<b>1<sup>st</sup> Full FY FY2023 10/22- 9/23</b>	<b>2<sup>nd</sup> Full FY FY2024 10/23-9/24</b>	<b>3<sup>rd</sup> Full FY FY2025 10/24-9/25</b>
<b>Procedure Rooms</b>				
# of Rooms	1	1	1	1
Total # of Procedures	98	333	370	370

In Section Q, Form C Assumptions, pages 18-19, the applicant provides the assumptions and methodology used to project procedure room utilization, which is summarized below:

- There are no promulgated standards against which to measure the need for procedure rooms.
- The projections are based on discussions with the Cone Health area physicians who are expected to practice at the proposed facility.
- Exhibit C.4-4 contains letters of support from the physicians expected to practice at the proposed facility, estimating 370 procedures (Table 22, page 18).
- The applicant assumes procedure room utilization will remain constant throughout the first three fiscal years, will be operational 33% in FY2022, and ramp-up at the same rate as surgical and GI endoscopy procedures.

	FY2022	FY2023	FY2024	FY2025
Procedures from Physicians Practicing at the Proposed ASF	370	370	370	370
% of Year in Operation*	33%	100%	100%	100%
Potential Procedures for Proposed ASF	122	370	370	370
Ramp-up %	80%	90%	100%	100%
Procedures Projected to be Performed at Proposed ASF	98	333	370	370

\*ASF becomes operational June 1, 2022; thus, utilization for FY2022 is adjusted to include only four months of the projected cases for FY2022.

Projected utilization is reasonable and adequately supported for the reasons stated above.

Access - In Section C.8, page 43, the applicant states:

*“Cone Health is a private, not-for-profit organization established to serve the community by providing high quality, affordable, and comprehensive care to all patients, regardless of their economic status. . . . Cone Health is the sole member of MC Kernersville, LLC and will manage the proposed ASF. As such, Triad Surgery Center will follow similar guidelines and will not discriminate against low-income persons, racial and ethnic minorities, women, handicapped persons, the elderly, or any other underserved groups.”*

In Section C, page 44, the applicant provides the estimated percentage for each medically underserved group, as summarized below.

Medically Underserved Groups	Percentage of OR Patients	Percentage of GI Endo Patients	Percentage of Procedure Room Patients
Low income persons*			
Racial and ethnic minorities	26.6%	26.6%	26.6%
Women	58.3%	58.2%	58.3%
Persons with Disabilities*			
The elderly	25.0%	25.6%	25.0%
Medicare beneficiaries	33.1%	27.1%	33.1%
Medicaid recipients	1.1%	0.6%	1.1%

\*The applicant states that Cone Health does not maintain data that includes the number of low- income persons or person with disabilities

The applicant adequately describes the extent to which all residents of the service area, including underserved groups, are likely to have access to the proposed services.

Conclusion - The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Responses to comments
- 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 support its assumptions.

**Project ID #G-11916-20/North Carolina Baptist Hospital/Add two ORs**

The applicant proposes to add two new ORs at NCBH for a total of 53 ORs upon completion of this project, Project ID #G-8460-10, and Project ID #G-11519-18.

Table 6A, page 61 of the 2020 SMFP, provides the total number of WFBMC Health System ORs in Forsyth County, as shown below.

Facility	Inpatient ORs*	Ambulatory ORs	Shared ORs	CON Adjustments^	Total*
WFBH Outpatient Surgery Center-Clemmons (WFBH OSC-Clemmons)	0	3	0	0	3
NCBH	4	0	36	+11	51
<b>WFBMC Health System Total</b>	<b>4</b>	<b>3</b>	<b>36</b>	<b>+11</b>	<b>54</b>

\*Includes two trauma/burn ORs which are excluded from the planning inventory

^ Project ID #G-8460-10 / Add seven ORs pursuant to Policy AC-3 and Project ID #G-11519-18 / Add four ORs pursuant to Policy AC-3

As shown above, the table includes four inpatient ORs and a CON adjustment for the seven ORs approved pursuant to Policy AC-3 in Project ID #G-8460-10 and four ORs approved pursuant to Policy AC-3 in Project ID #G-11519-18. The 2020 SMFP includes the 11 ORs in its need determination calculation which still results in the deficit of two ORs for the WFBMC Health System. (See Table 6B, page 73, 2020 SMFP.) The following Agency information related to Project ID #G-8460-10 and Project ID #G-11519-18 is provided for further clarification on the 11 undeveloped Policy AC-3 ORs. The Agency approved a May 1, 2018 NCBH Material Compliance request to develop the seven ORs in the renovated Ardmore Tower vacated space, along with an eighth existing OR, rather than developing the seven ORs in new construction on campus. Because the Ardmore Tower renovation cannot begin until the completion of the new building and relocation of the 38 ORs, the approved timeline for NCBH's development of seven Policy AC-3 ORs in Project ID #G-8460-10 begins with the construction/renovation contract being executed in June 2022 and services being offered in July 2024. Project ID #G-11519-18 was approved for four ORs pursuant to Policy AC-3 in the April 2019 settlement agreement for the 2018 Forsyth County OR review.

In Section C.1, page 16, the applicant describes the proposed project as follows:

*“NCBH is proposing to develop two additional shared inpatient/outpatient ORs pursuant to the Forsyth County operating room need determination in the 2020 SMFP. The ORs will be developed on the NCBH main campus, on the first floor of Ardmore Tower, by renovating space within the current location of the NCBH surgical services suite.”*

The applicant further states that prior to the development of the proposed project, 38 of the 40 licensed ORs at NCBH will be relocated (exempt from CON review) to the new patient services building that will be constructed in the current location of Parking Deck B on the NCBH campus. Exhibit C.1 includes a NCBH campus map for reference. A portion of the vacated space formerly occupied by the relocated ORs will be renovated for the development of the proposed two ORs. Exhibit C.1.2 includes a copy of the Agency’s exempt from review letter. Exhibit C.1.3 includes pre and post renovation floor plans.

On pages 17-18, the applicant states that the surgical specialties provided in the NCBH ORs include:

- cardiothoracic surgery,
- general surgery,
- neurosurgery,
- obstetrics-gynecology
- ophthalmology,
- orthopaedic surgery,
- otolaryngology,
- plastic surgery,
- urology, and
- vascular surgery.

*Patient Origin* - On page 51, the 2020 SMFP states, “An operating room’s ‘service area’ is the service area in which the operating room is located. The operating room service areas are the single and multicounty groupings shown in Figure 6.1.” In Figure 6.1, page 57 of the 2020 SMFP, Forsyth County is shown as a single-county operating room service area. Thus, in this application, the service area is Forsyth County. Providers may serve residents of counties not included in their service area.

In Section C.2, page 19, the applicant provides the historical patient origin, by number of patients and percentage of total, for NCBH’s last full fiscal year, July 1, 2018 – June 30, 2019, as summarized below.

County	Last FY 7/1/18-6/30/19	
	# of Patients	% of Total
Forsyth	8,547	25.88%
Guilford	3,388	10.26%
Davidson	3,008	9.11%
Surry	1,347	4.08%
Iredell	1,341	4.06%
Randolph	1,225	3.71%
Wilkes	1,219	3.69%
Davie	1,209	3.66%
Catawba	1,166	3.53%
Stokes	826	2.50%
Rockingham	789	2.39%
Yadkin	694	2.10%
Rowan	677	2.05%
Caldwell	578	1.75%
Alexander	403	1.22%
Burke	330	1.00%
Watauga	310	0.94%
Ashe	297	0.90%
Alleghany	218	0.66%
Other NC Counties*	2,381	7.21%
Virginia	1,975	5.98%
Other States	1,103	3.34%
<b>TOTAL</b>	<b>33,024</b>	<b>100.00%</b>

\*Includes all other NC counties, each of which represents <1% of total patient origin. Please see Exhibit C.2 for maps portraying the FY2019 patient origin at NCBH. Totals may not foot due to rounding  
 Source: NCBH

In Section C.3, page 20, the applicant provides the projected patient origin, by number of patients and percentage, for the first three full fiscal years, FY2025-FY2027 (July 1 – June 30), as summarized in the following table.



**NCBH Projected Patient Origin  
 Operating Rooms**

County	FY2025 7/1/2024-6/30/2025		FY2026 7/1/2025-6/30/2026		FY2027 7/1/2026-6/30/2027	
	# of Patients	% of Total	# of Patients	% of Total	# of Patients	% of Total
Forsyth	9,040	25.88%	9,123	25.88%	9,207	25.88%
Guilford	3,584	10.26%	3,617	10.26%	3,650	10.26%
Davidson	3,182	9.11%	3,211	9.11%	3,241	9.11%
Surry	1,425	4.08%	1,438	4.08%	1,452	4.08%
Iredell	1,418	4.06%	1,431	4.06%	1,444	4.06%
Randolph	1,296	3.71%	1,308	3.71%	1,320	3.71%
Wilkes	1,289	3.69%	1,301	3.69%	1,313	3.69%
Davie	1,278	3.66%	1,290	3.66%	1,302	3.66%
Catawba	1,233	3.53%	1,244	3.53%	1,256	3.53%
Stokes	873	2.50%	881	2.50%	889	2.50%
Rockingham	835	2.39%	842	2.39%	850	2.39%
Yadkin	734	2.10%	740	2.10%	747	2.10%
Rowan	716	2.05%	723	2.05%	729	2.05%
Caldwell	611	1.75%	617	1.75%	623	1.75%
Alexander	426	1.22%	430	1.22%	434	1.22%
Burke	349	1.00%	353	1.00%	356	1.00%
Watauga	328	0.94%	331	0.94%	334	0.94%
Ashe	314	0.90%	317	0.90%	320	0.90%
Alleghany	231	0.66%	233	0.66%	235	0.66%
Other NC Counties*	2,518	7.21%	2,542	7.21%	2,565	7.21%
Virginia	2,089	5.98%	2,108	5.98%	2,127	5.98%
Other States	1,167	3.34%	1,177	3.34%	1,188	3.34%
<b>TOTAL</b>	<b>34,929</b>	<b>100.00%</b>	<b>35,251</b>	<b>100.00%</b>	<b>35,576</b>	<b>100.00%</b>

\*Includes all other NC counties, each of which represents <1% of total patient origin.  
 Totals may not foot due to rounding

In Section C, page 21, the applicant states that the above patient origin is projected using the historic FY2019 NCBH patient origin. The applicant also states that it does not anticipate any significant change to its patient origin as a result of the proposed project. The applicant’s assumptions are reasonable and adequately supported.

*Analysis of Need* - In Section C.4, pages 21-36, the applicant explains why it believes the population projected to utilize the proposed services needs the proposed services. On page 21, the applicant states:

*“NCBH is proposing to develop two additional operating rooms pursuant to the need determination in the 2020 SMFP.”*

As shown in Table 6B of the 2020 SMFP and in the applicant’s table on page 22, NCBH shows a need for 4.72 ORs and the WFBMC Health System shows a need for 1.92 ORs, based solely on the WFBMC 2018 utilization projected forward with the Forsyth County population growth factor of 4.05% to FY2022.

Beginning on page 21 of the application, the applicant states that the need for the proposed project is based on the following factors:

- 2020 SMFP need determination for two additional operating rooms in Forsyth County, and specifically, which was generated by NCBH's utilization (page 22),
- Projected population growth and aging (pages 23-30),
- Economic development in Forsyth County (page 30),
- Forsyth County health status (pages, 31-32),
- Increasing intensity of NCBH inpatient services and lengthening average surgical case times (pages 32-33),
- Consistently high utilization of NCBH's services, including operating rooms (pages 33-34),
- WFBH strategic growth, specifically planned medical staff increases across many departments (pages 34-35), and
- COVID-19 impact (pages 35-36).

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

- The applicant adequately demonstrates the need for additional ORs at NCBH based on the 2020 SMFP OR need methodology.
- The applicant adequately documents the expected growth in the applicant's primary and secondary service area population with a combined seven-year CAGR of 0.8%, the expected growth of the population age 65+ with a combined seven-year CAGR of 2.6% for the primary and secondary service area population, and the impact of population aging on surgical services, based on reputable data sources.
- The applicant adequately demonstrates the impact that the planned economic development in Forsyth County will have on the healthcare infrastructure.
- The applicant adequately demonstrates that the addition of two ORs at NCBH is an important component of NCBH's action plan to address identified priority health needs in Forsyth County.
- The applicant adequately demonstrates that the patient population at NCBH continues to become more complex, with the surgical case mix index steadily increasing between 2015 and 2019, along with the average surgical case times.
- The applicant adequately demonstrates that NCBH inpatient surgical cases and combined NCBH and WFBH OSC-Clemmons outpatient surgical cases have increased between 2015 and 2020.
- The applicant adequately demonstrates that the WFBH network growth and planned physician recruitment supports the addition of the ORs.
- The applicant adequately demonstrates that the COVID-19 pandemic has impacted surgical services in room turnover times, delays in surgeries based on delays in results of pre-op COVID testing, and the use of ORs set to negative pressure for the purpose of endotracheal intubation, reducing the effective operating room capacity.

*Projected Utilization* – In Section Q, the applicant provides projected utilization, as summarized in the following table.

NCBH Form C Utilization <sup>(1)</sup>	Prior Full FY2019 7/18-6/19	1 <sup>st</sup> Full FY FY2025 7/24-6/25	2 <sup>nd</sup> Full FY FY2026 7/25-6/26	3 <sup>rd</sup> Full FY FY2027 7/26-6/27
<b>Operating Rooms</b>				
<b># of Rooms</b>				
Other Dedicated Inpatient ORs	4	4	4	4
Shared ORs (includes 4 ORs Project ID #G-11519-18)	40	42	42	42
Dedicated Ambulatory ORs (includes 4 ORs #G-8460-10)	7	7	7	7
Total # of ORs	51	53	53	53
# of Excluded ORs	2	2	2	2
Adjusted Planning Inventory <sup>(2)</sup>	49	51	51	51
<b># of Surgical Cases</b>				
# of Inpatient Surgical Cases (exclude C-Sec in dedicated C-Sec OR)	14,271	16,128	16,334	16,541
# of Outpatient Surgical Cases	18,753	18,801	18,917	19,035
Total # of Surgical Cases (exclude C-Sec in dedicated C-Sec OR)	33,024	34,929	35,251	35,576
<b>Case Times (from Section C, Question 6(c) or 6(d))</b>				
Inpatient	241.5	241.5	241.5	241.5
Outpatient	128.8	128.8	128.8	128.8
<b>Surgical Hours</b>				
Inpatient <sup>(3)</sup>	57,441	64,917	65,743	66,578
Outpatient <sup>(4)</sup>	40,256	40,359	40,609	40,861
Total Surgical Hours	97,697	105,276	106,352	107,439
<b># of ORs Needed</b>				
Group Assignment <sup>(5)</sup>	1	1	1	1
Standard Hours per OR per Year <sup>(6)</sup>	1,950	1,950	1,950	1,950
Total Surgical Hours / Standard Hours per OR per Year	50.10	53.99	54.54	55.10

(1) If the proposal results in an increase in the # of ORs in the service area, complete a **separate** Form C for each facility in health system

(2) Total # of ORs - # of Excluded ORs

(3) Inpatient Cases (exclude C-Sections performed in dedicated C-Section ORs) X Inpatient Case Time in Minutes

(4) Outpatient Cases X Outpatient Case Time in Minutes

(5) From Section C, Question 6(a)

(6) From Section C, Question 6(b)

The applicant provides the projected utilization at WFBH OSC-Clemmons in Section Q, Form C WFBH OSC-Clemmons, as summarized in the following table.

<b>WFBH OSC-Clemmons Form C Utilization<sup>(1)</sup></b>	<b>Prior Full FY2019 7/18-6/19</b>	<b>1<sup>st</sup> Full FY FY2025 7/24-6/25</b>	<b>2<sup>nd</sup> Full FY FY2026 7/25-6/26</b>	<b>3<sup>rd</sup> Full FY FY2027 7/26-6/27</b>
<b>Operating Rooms</b>				
<b># of Rooms</b>				
Other Dedicated Inpatient ORs				
Shared ORs (includes 4 ORs Project ID #G-11519-18)				
Dedicated Ambulatory ORs	3	3	3	3
<b>Total # of ORs</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>
<b># of Excluded ORs</b>				
Adjusted Planning Inventory <sup>(2)</sup>	3	3	3	3
<b># of Surgical Cases</b>				
# of Inpatient Surgical Cases (exclude C-Sec in dedicated C-Sec OR)				
# of Outpatient Surgical Cases	1,127	2,916	2,992	3,069
<b>Total # of Surgical Cases (exclude C-Sec in dedicated C-Sec OR)</b>	<b>1,127</b>	<b>2,916</b>	<b>2,992</b>	<b>3,069</b>
<b>Case Times (from Section C, Question 6(c) or 6(d))</b>				
Inpatient				
Outpatient	86.8	86.8	86.8	86.8
<b>Surgical Hours</b>				
Inpatient <sup>(3)</sup>				
Outpatient <sup>(4)</sup>	1,630	4,218	4,328	4,440
<b>Total Surgical Hours</b>	<b>1,630</b>	<b>4,218</b>	<b>4,328</b>	<b>4,440</b>
<b># of ORs Needed</b>				
Group Assignment <sup>(5)</sup>	6	6	6	6
Standard Hours per OR per Year <sup>(6)</sup>	1,312.5	1,312.5	1,312.5	1,312.5
<b>Total Surgical Hours / Standard Hours per OR per Year</b>	<b>1.24</b>	<b>3.21</b>	<b>3.30</b>	<b>3.38</b>

- (1) If the proposal results in an increase in the # of ORs in the service area, complete a **separate** Form C for each facility in the applicant's health system
- (2) Total # of ORs - # of Excluded ORs
- (3) Inpatient Cases (exclude C-Sections performed in dedicated C-Section ORs) X Inpatient Case Time in Minutes
- (4) Outpatient Cases X Outpatient Case Time in Minutes
- (5) From Section C, Question 6(a)
- (6) From Section C, Question 6(b)

*Applicant's Assumptions and Methodology*

In Section Q, Form C Assumptions, pages 113-120, the applicant provides the assumptions and methodology used to project operating room utilization, which is summarized below.

**Step 1: Identify historical NCBH operating room utilization**

On page 113, the applicant provides data on the historical surgical cases at NCBH and WFBH OSC-Clemmons between FY2015 and FY2020 (nine months from July 2019-March 2020 annualized, to adjust for COVID anomaly), which produce the following results.

**NCBH and WFBH OSC-Clemmons Surgical Case Growth**

	<b>5-Yr CAGR</b>	<b>4-Yr CAGR</b>	<b>3-Yr CAGR</b>	<b>2-Yr CAGR</b>	<b>1 Yr Growth</b>
Inpatient NCBH	1.27%	1.03%	1.71%	2.33%	6.10%
Outpatient NCBH and OSC	0.62%	0.30%	0.27%	0.50%	1.43%

Step 2: Project NCBH operating room utilization during interim project years

On page 114, the applicant applies the five-year CAGR for NCBH's Forsyth County Health System of 1.27% for inpatient cases/procedures and 0.62% for system outpatient cases, with the following results.

<b>NCBH Health System Surgical Cases</b>	<b>5-Yr CAGR</b>	<b>FY2021</b>	<b>FY2022</b>	<b>FY2023</b>	<b>FY2024</b>
NCBH Inpatient Surgical Cases	1.27%	15,333	15,528	15,726	15,926
NCBH and OSC Outpatient Surgical Cases	0.62%	18,536	18,651	18,767	18,883

Step 3: Determine breakdown of outpatient surgical cases to WFBH OSC-Clemmons and NCBH

On pages 114-115, the applicant discusses the shift in outpatient surgical cases from NCBH to WFBH OSC-Clemmons during FY2018-FY2020 and projects the number of the total health system cases that will be attributed to WFBH OSC-Clemmons during FY2021-FY2024. The following table summarizes the applicant's projected inpatient and outpatient surgical cases by facility.

<b>NCBH Health System Surgical Cases</b>	<b>FY2021</b>	<b>FY2022</b>	<b>FY2023</b>	<b>FY2024</b>
NCBH Inpatient Surgical Cases	15,333	15,528	15,726	15,926
Total NCBH and OSC Outpatient Surgical Cases	18,536	18,651	18,767	18,883
Outpatient Cases WFBH OSC-Clemmons	348	313	240	198
Outpatient Surgical Cases NCBH	18,187	18,337	18,526	18,685

Step 4: Project NCBH OR utilization during the project years

On page 115, the applicant states the project will be operational July 1, 2024. Thus, the first three full fiscal years are FY2025-FY2027 with the fiscal years running from July 1 through June 30. To project the project year utilization, on page 116, the applicant applies the same historical 5-Yr CAGRs of 1.27% for inpatient cases/procedures and 0.62% for system outpatient cases to the FY2024 surgical cases, with the following results.

**NCBH Projected OR Utilization**

	<b>FY2024</b>	<b>FY2025</b>	<b>FY2026</b>	<b>FY2027</b>
NCBH Inpatient Surgical Cases	15,926	16,128	16,334	16,541
NCBH Outpatient Surgical Cases	18,685	18,801	18,917	19,035

Step 5: Projected 2027 NCBH OR need

On page 117, the applicant demonstrates NCBH's OR need from FY2020 through FY2027, based on the 2020 SMFP OR need methodology. The table below summarizes the OR need for the first three fiscal years following completion of the project.

**NCBH Projected OR Need**

	<b>FY2025</b>	<b>FY2026</b>	<b>FY2027</b>
Inpatient Surgical Cases	16,128	16,334	16,541
Inpatient Case Time	241.5	241.5	241.5
Inpatient Surgical Hours	64,916	65,745	66,576
Outpatient Surgical Cases	18,801	18,917	19,035
Outpatient Case Time	128.8	128.8	128.8
Outpatient Surgical Hours	40,359	40,609	40,861
Total Estimated Surgical Hours	105,276	106,352	107,439
Standard Hours /OR	1,950	1,950	1,950
Projected Surgical ORs Required	53.99	54.54	55.10
Adjusted Planning Inventory	51	51	51
<b>Projected OR Deficit</b>	<b>2.99</b>	<b>3.54</b>	<b>4.10</b>

Totals may not sum due to rounding

The applicant also provides the steps related to projecting the utilization at WFBH OSC-Clemmons on pages 118-120. The following table picks up from Step 3 above with the outpatient cases allocated to WFBH OSC-Clemmons during the interim years, as shown below.

<b>NCBH Health System Surgical Cases</b>	<b>FY2021</b>	<b>FY2022</b>	<b>FY2023</b>	<b>FY2024</b>
Outpatient Cases WFBH OSC-Clemmons	348	313	240	198

Adding the interim year cases to the FY2020 annualized WFBH OSC-Clemmons utilization results in total FY2024 surgical cases of 2,842 (1,742 + 348 + 313 + 240 + 198 = 2,842). To project the project year utilization, on page 119, the applicant states using a growth rate of 2.60% annually based on the population growth rate of the population age 65+ in the primary and secondary service area to the FY2024 surgical cases, with the following results.

**WFBH OSC-Clemmons Projected OR Utilization**

	<b>FY2024</b>	<b>FY2025</b>	<b>FY2026</b>	<b>FY2027</b>
NCBH Outpatient Surgical Cases	2,842	2,916	2,992	3,069

In questioning the appropriateness of deviating from the methodology and assumptions used by the applicant up to this point (specifically, using a different growth rate from the NCBH Forsyth County Health System outpatient surgical 5-year CAGR of 0.62% as used

for the interim year projections for the health system and NCBH, the Agency projected utilization using the 0.62% CAGR with the following results.

**WFBH OSC-Clemmons Projected OR Utilization  
 As Calculated by the Agency using the 0.62% CAGR**

	FY2024	FY2025	FY2026	FY2027
NCBH Outpatient Surgical Cases	2,842	2,860	2,877	2,895

As a comparison of the two tables above shows, the difference is 174 cases and would have an insignificant impact on total surgical hours and no impact on OR need.

On page 120, the applicant demonstrates WFBH OSC-Clemmons’s OR need from FY2020 through FY2027, based on the 2020 SMFP OR need methodology. The table below summarizes the OR need for the first three fiscal years following completion of the project.

**WFBH OSC-Clemmons Projected OR Need**

	FY2025	FY2026	FY2027
Outpatient Surgical Cases	2,916	2,992	3,069
Outpatient Case Time	86.8	86.8	86.8
Outpatient Surgical Hours	4,218	4,328	4,440
Standard Hours /OR	1,312.5	1,312.5	1,312.5
Projected Surgical ORs Required	3.21	3.30	3.38
Adjusted Planning Inventory	3	3	3
<b>Projected OR Deficit</b>	<b>0.21</b>	<b>0.30</b>	<b>0.38</b>

Totals may not sum due to rounding

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

- the applicant bases future utilization on historical utilization,
- the applicant uses the five-year CAGR for the NCBH Forsyth County health system to project NCBH inpatient and outpatient surgical services,
- the applicant uses the accurate OR Group, minutes per case, and standard hours per OR for utilization projections.

Access - In Section C.8, page 41, the applicant states:

*“NCBH is committed to providing services to all persons regardless of race, ethnicity, gender, age, religion, creed, disability, national origin, or ability to pay. Surgical services will continue to be available to all persons including low income persons, racial and ethnic minorities, women, handicapped persons, the elderly, and other underserved persons including the medically indigent, the uninsured and the underinsured.”*

In Section L, page 91, the applicant provides the estimated percentage for each payor group, including some medically underserved groups, as summarized below.

**Proposed Payor Mix  
 FY2027**

Payor Source	Entire Facility	Operating Rooms Inpatient Surgery	Operating Rooms Outpatient Surgery
Self-Pay	5.4%	4.3%	2.6%
Charity Care	-	2.3%	2.6%
Medicare *	44.0%	42.8%	29.8%
Medicaid *	16.3%	16.0%	20.0%
Insurance *	28.7%	31.5%	45.0%
Workers Compensation	0.6%	0.3%	0.0%
TRICARE	0.5%	0.3%	0.0%
Other (Specify)	4.4%	2.5%	0.0%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

\* Including any managed care plans  
 Totals may not sum due to rounding

The applicant adequately describes the extent to which all residents of the service area, including underserved groups, are likely to have access to the proposed services.

Conclusion - The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Responses to comments
- 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 support its assumptions.

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



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

**NA**

Novant Health Medical Park Hospital  
Triad Surgery Center  
North Carolina Baptist Hospital

None of the applicants proposes to reduce a service, eliminate a service or relocate a facility or service. Therefore, Criterion (3a) is not applicable to this review.

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

**NC**

Novant Health Medical Park Hospital

**C**

Triad Surgery Center  
North Carolina Baptist Hospital

**Project ID #G-11910-20/Novant Health Medical Park Hospital/Add two ORs**

The applicant proposes to add two ORs at NHMPH, an existing acute care hospital, for a total of 12 ORs upon project completion.

In Section E, pages 64-65, 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,
- add ORs at another existing Novant Health facility, and
- develop the project as proposed.

On page 65, the applicant states:

*“NH Medical Park is designed as a surgical center of excellence and is well-known for its high-quality surgical care. As previously established, NH Medical Park is among the most highly utilized facilities in the county, making it the most sensible and effective location for development of the new operating rooms.”*

However, the applicant does not adequately demonstrate that the alternative proposed in this application is the most effective alternative to meet the need based on the following:

- The applicant does not adequately demonstrate why the population to be served needs the services proposed in this application.
- Projected utilization is not reasonable and is not adequately supported.
- The application is not conforming to all statutory and regulatory review criteria.

Conclusion - The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Responses to comments
- Information publicly available during the review and used by the Agency

Based on that review, the Agency concludes that the application is not conforming to this criterion for the reasons stated above.

**Project ID #G-11914-20/Triad Surgery Center/Develop an ASF with two ORs**

The applicant proposes to establish a new multispecialty ASF in Kernersville by developing two ORs, one GI endoscopy room, and one procedure room.

In Section E, pages 54-55, 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,
- develop the proposed ASF at a different location, and
- develop an ASF with one operating room.

The applicant states that its proposal is the most effective alternative because:

*“Perhaps most importantly, maintaining the status quo would fail to provide patients with an additional high quality, low-cost alternative to hospital-based surgical care. Finally, a disadvantage of maintaining the status quo is the opportunity to partner with physicians and capitalize on the benefits of physician integration as described in Section C.4.*

...

*Patients of the proposed ASF will be able to conveniently access pre-operative lab testing and diagnostic imaging or post-operative physical therapy at the same site of care. Patients will also be able to receive primary care and other specialty physician care services at the same site. . . . There are no other Cone Health locations in Forsyth County that can offer the convenience for nearby residents and the efficiencies possible with the co-location of the proposed ASF with MedCenter Kernersville.*

...

*Further, as demonstrated in Form C Methodology and Assumptions, Cone Health adequately demonstrates the need for two operating rooms based on the number of Cone Health patients in the Kernersville area that are currently in need of freestanding surgery services.”*

The applicant provides supporting documentation in Section C.4 and Exhibit C.4.

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

- Maintaining the status quo would not be responsive to the need identified in the 2020 SMFP for additional operating rooms in Forsyth County, nor would it be responsive to the need for additional operating room capacity in Kernersville.
- Cone Health has identified a greater need for additional operating room capacity in Kernersville than in any other area in Forsyth County. Developing the ASF in a different location would not address the need in Kernersville or take advantage of the cost-effectiveness and convenience of providing the services at the Cone Health MedCenter Kernersville campus.
- Development of only one OR was not considered as efficient as developing two ORs alongside a GI endoscopy room and procedure room, meeting the expected demand at the proposed ASF.

Conclusion - The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Responses to comments
- Information publicly available during the review and used by the Agency

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

**Project ID #G-11916-20/North Carolina Baptist Hospital/Add two ORs**

The applicant proposes to add two new ORs at NCBH for a total of 53 ORs upon completion of this project, Project ID #G-8460-10, and Project ID #G-11519-18.

In Section E, pages 52-56, 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,

- develop all the ORs as an addition to WFBH OSC-Clemmons,
- develop two ORs as a separately licensed freestanding ASF,
- develop two ORs at NCBH as either dedicated inpatient or dedicated outpatient ORs, and
- develop the project as proposed.

On pages 53-56, the applicant states that its proposal is the most effective alternative because,

*“As NCBH surgical demand continues to increase across both inpatient and outpatient platforms, it is necessary to ensure adequate access to surgical services for NCBH patients. For this reason, maintaining the status quo is not the most effective alternative.*

...

*The needs of NCBH and the patients served cannot be met by any other facility, as an ASC is not equipped to meet the full spectrum of needs of WFBH surgical services patients. For this reason, expanding WFBH OSC-Clemmons at this time is not the most effective alternative.*

...

*Development of a new ASC would require duplication of capital and operating resources. The development of the operating rooms as a separately licensed ASC would require a greater overall capital investment and duplication of capital, plus operating resources such as sterile processing and administration staff.*

...

*NCBH considered another scenario of developing the two ORs as dedicated inpatient or dedicated outpatient rooms at the hospital facility. However, there is no advantage to this, as developing shared inpatient/outpatient operating rooms offers greater flexibility for scheduling operations, and better matches the operational structure of NCBH Surgical Services Department.”*

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 2020 SMFP identified need for surgical services in Forsyth County is driven by utilization of the ORs at NCBH.
- The needs of NCBH and the patients it serves could not be met by adding ORs at WFBH OSC-Clemmons because though it is a valuable option for outpatient surgery patients, the facility does not provide inpatient surgery and does not offer the full scope of surgical specialties that are offered by NCBH.

- The development of a freestanding ambulatory surgical facility would require additional capital and duplication of resources and operating resources.
- The development of the project as proposed will allow NCBH to provide complex operations and care of complex comorbidities due to the NCBH surgeons and other physician specialists and the unique surgical services offered at NCBH.

Conclusion - The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Responses to comments
- Information publicly available during the review and used by the Agency

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

- (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.

**NC**  
Novant Health Medical Park Hospital

**C**  
Triad Surgery Center  
North Carolina Baptist Hospital

**Project ID #G-11910-20/Novant Health Medical Park Hospital/Add two ORs**

The applicant proposes to add two ORs at NHMPH, an existing acute care hospital, for a total of 12 ORs upon project completion.

**Capital and Working Capital Costs**

In Section Q, Form F.1a Capital Cost, page 117, the applicant states the total capital cost is projected to be as follows:

**NHMPH Capital Cost**

	<b>Medical Park Hospital, Inc. (Applicant)</b>	<b>Novant Health, Inc. (Parent)</b>
Construction/Renovation Contract		\$ 4,678,800
A/E Fees		\$ 313,600
Medical Equipment		\$ 2,143,310
Miscellaneous		\$ 833,894
Contingency		\$ 791,960
<b>TOTAL CAPITAL COST</b>		<b>\$ 8,761,564</b>

In Section Q, the applicant provides the assumptions used to project the capital cost. Exhibit K.3.1 contains the construction cost estimate prepared by a North Carolina licensed architect, as shown in the table above.

In Section F.3, pages 68-69, the applicant states that there is no need for start-up expenses, initial operating expenses or working capital because NHMPH is an established facility with an established surgical department.

**Availability of Funds**

In Section F.2, page 66, the applicant states that the capital cost will be funded, as shown in the table below.

**Sources of Capital Cost Financing**

<b>Type</b>	<b>Medical Park Hospital, Inc. (Applicant)</b>	<b>Novant Health, Inc. (Parent)</b>	<b>Total</b>
Loans			
Accumulated reserves or OE *	\$0	<b>\$8,761,564</b>	<b>\$8,761,564</b>
Bonds			
Other (Specify)			
<b>Total Financing</b>	<b>\$0</b>	<b>\$8,761,564</b>	<b>\$8,761,564</b>

\* OE = Owner's Equity

Exhibit F.2.1 contains a letter from Novant Health's Senior Vice President of Finance documenting Novant Health's willingness to commit accumulated reserves for the capital costs of the proposed project, as stated in the table above. Novant Health's December 31, 2019 audited financial statement (Exhibit F.2.2) shows cash and cash equivalents of \$402,536,000, current assets of \$1,526,752,000 and total net assets of \$4,586,522,000.

**Financial Feasibility**

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

**NHMPH Operating Rooms**

	<b>CY2023</b>	<b>CY2024</b>	<b>CY2025</b>
Total Surgical Cases/Procedures	10,415	10,553	10,693
Total Gross Revenues (Charges)	\$206,364,665	\$215,180,845	\$224,376,276
Total Contractual Adjustments*	\$113,241,489	\$118,077,276	\$123,121,013
Total Net Revenue	\$93,123,176	\$97,103,569	\$101,255,263
Average Net Revenue per Case	\$8,941	\$9,202	\$9,469
Total Operating Expenses (Costs)	\$63,869,652	\$67,285,062	\$70,853,346
Average Operating Expense per Case	\$6,132	\$6,376	\$6,626
Net Income	\$29,253,524	\$29,818,506	\$30,401,917

Totals may not sum due to rounding

\*Includes Charity Care and Bad Debt as follows:

	<b>CY20223</b>	<b>CY2024</b>	<b>CY2025</b>
Charity Care	\$3,834,865	\$3,997,643	\$4,167,385
Bad Debt	\$3,797,110	\$3,959,328	\$4,128,523

However, the assumptions used by the applicant in preparation of the pro forma financial statements are not reasonable and adequately supported because projected utilization is not based on reasonable and adequately supported assumptions. The discussion regarding projected utilization found in Criterion (3) is incorporated herein by reference. Therefore, because projected revenues and expenses are based at least in part on projected utilization, projected revenues and expenses are also questionable.

Conclusion - The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Responses to comments

Based on that review, the Agency concludes that the application is not conforming to this criterion because the applicant does not adequately demonstrate that financial feasibility of the proposal is based upon reasonable projections of costs and charges.

**Project ID #G-11914-20/Triad Surgery Center/Develop an ASF with two ORs**

The applicant proposes to establish a new multispecialty ASF in Kernersville by developing two ORs, one GI endoscopy room, and one procedure room.

**Capital and Working Capital Costs**

In Section Q, Form F.1a Capital Cost, the applicant states the total capital cost is projected to be as follows:

<b>Cone Health Project Capital Cost</b>		
	<b>MC Kernersville, LLC (Applicant 1)</b>	<b>The Moses H. Cone Memorial Hospital (Applicant 2)</b>
Site Costs		\$ 179,703
Construction/Renovation Contract		\$ 7,228,991
Landscaping		\$ 33,000
A/E Fees		\$ 561,000
Medical Equipment		\$ 3,937,582
Miscellaneous		\$ 1,378,380
Contingency		\$ 665,933
<b>TOTAL CAPITAL COST</b>		<b>\$ 13,984,589</b>

In Section Q, the applicant provides the assumptions used to project the capital cost. Exhibit F.1 contains the construction cost estimate prepared by a North Carolina licensed architect, as shown in the table above.

In Section F.3, pages 59-60, the applicant projects that start-up costs will be \$695,808 and initial operating expenses will be \$1,391,615, for total working capital required of \$2,087,423. On page 59, the applicant also provides the assumptions used to project the working capital costs.

**Availability of Funds**

In Section F, page 57, 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>MC Kernersville, LLC</b>	<b>The Moses H. Cone Memorial Hospital</b>	<b>Total</b>
Loans			
Accumulated reserves or OE *	\$0	\$13,984,589	\$13,984,589
Bonds			
Other (Specify)			
<b>Total Financing</b>	<b>\$0</b>	<b>\$13,984,589</b>	<b>\$13,984,589</b>

\* OE = Owner's Equity

In Section F, page 60, the applicant states that the working capital needs of the project will be funded as shown in the table below.



**Sources of Financing for Working Capital**

Type	Amount
Loans	
Cash or Cash Equivalents, Accumulated reserves or Owner's Equity	\$2,087,423
Lines of Credit	
Bonds	
<b>Total Financing</b>	<b>\$2,087,423</b>

Exhibit F.2-1 contains a letter from Cone Health's Chief Financial Officer indicating The Moses H. Cone Memorial Hospital's willingness to fund the proposed project's capital and working capital costs from existing accumulated reserves. Cone Health's September 30, 2019 audited financial statement (Exhibit F.2-2) shows cash and cash equivalents of \$43,644,000, total current assets of \$456,944,000 and total net assets of \$1,766,961,000.

**Financial Feasibility**

The applicant provides pro forma financial statements for the first three full fiscal years of operation following completion of the project. In Form F.2 Revenues and Net Income for TSC's ORs, the applicant also projects that revenues will exceed operating expenses in the first three operating years of the project, as shown in the table below.

**TSC Operating Rooms**

	FY2023	FY2024	CFY2025
Total Surgical Cases/Procedures	1,561	1,771	1,809
Total Gross Revenues (Charges)	\$9,879,592	\$11,547,182	\$12,146,623
Total Contractual Adjustments*	\$4,586,560	\$5,360,732	\$5,684,507
Total Net Revenue	\$5,293,032	\$6,186,450	\$6,462,116
Average Net Revenue per Case	\$3,391	\$3,493.20	\$3,572.20
Total Operating Expenses (Costs)	\$4,148,573	\$4,528,172	\$4,889,692
Average Operating Expense per Case	\$2,658	\$2,557	\$2,703
Net Income	\$1,144,459	\$1,658,278	\$1,572,424

Totals may not sum due to rounding

\*Includes Charity Care and Bad Debt as follows:

	FY2023	FY2024	FY2025
Charity Care	\$146,274	\$170,964	\$179,839
Bad Debt	\$197,592	\$230,944	\$242,932

Form F.2 Revenues and Net Income for Triad Surgery Center in total also shows that revenues exceed operating expenses in each of the first three operating years. An analysis of the individual service's revenue and operating cost forms, as compared to the revenue and operating cost forms for the Triad Surgery Center in total shows a difference in Net Income as a result of a difference in operating costs. The Triad Surgery Center total shows \$14,906, \$17,058, and \$17,570 less Net Income in FY2023, FY2024, and FY2025,

respectively. The difference is a result of the Triad Surgery Center in total showing more in operating costs than the individual surgical services' operating costs summed. Specifically, the difference is in Other Expenses (Purchased Services). Purchased Services for the facility in total was more than the sum of the individual services by \$14,906 in FY2023, \$17,058 in FY2024 and 17,570 in FY2025. When the individual surgical services operating costs are summed and used for the total facility's operating costs, the facility still makes a significant profit in each of the first three years.

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. Projected revenues and expenses are based on reasonable and adequately supported assumptions.

Conclusion - The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Responses to comments

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

- The applicant adequately demonstrates that the capital and working capital costs are based on reasonable and adequately supported assumptions.
- The applicant adequately demonstrates availability of sufficient funds for the capital and working capital needs of the proposal.
- The applicant adequately demonstrates sufficient funds for the operating needs of the proposal and that the financial feasibility of the proposal is based upon reasonable projections of costs and charges.

**Project ID #G-11916-20/North Carolina Baptist Hospital/Add two ORs**

The applicant proposes to add two new ORs at NCBH for a total of 53 ORs upon completion of this project, Project ID #G-8460-10, and Project ID #G-11519-18.

**Capital and Working Capital Costs**

In Section Q, Form F.1a Capital Cost, the applicant states the total capital cost is projected to be as follows:

**NCBH Project Capital Cost**

Construction/Renovation Contract	\$ 2,514,100
Architect/Engineering Fees	\$ 354,190
Medical Equipment	\$ 1,933,700
Miscellaneous	\$ 607,650
<b>TOTAL CAPITAL COST</b>	<b>\$ 5,409,640</b>

In Section Q, the applicant provides the assumptions used to project the capital cost. Exhibit F.1 contains the architect’s cost certification letter, verifying the projected cost as shown in the table above.

In Section F.3, pages 59-61, the applicant states that there are no start-up costs or initial operating expenses associated with the project.

**Availability of Funds**

In Section F, page 58, the applicant states that the capital cost will be funded as shown in the table below.

**Sources of Capital Cost Financing**

Type	NCBH	Total
Loans		
Accumulated reserves or OE *	\$5,409,640	\$5,409,640
Bonds		
Other (Specify)		
<b>Total Financing**</b>	<b>\$5,409,640</b>	<b>\$5,409,640</b>

\* OE = Owner’s Equity

\*\*The applicant conservatively included financing costs and interest during construction in the event that it later determines to fund the project with a bond issue

Exhibit F.2 contains a letter from WFBMC’s Chief Financial Officer committing accumulated reserves for the capital costs of the proposed project. WFBMC’s June 30, 2019 audited financial statement (Exhibit F.2) shows cash and cash equivalents of \$69,126,000, total current assets of \$501,443,000 and total net assets of \$1,211,476,000.

**Financial Feasibility**

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

**NCBH Operating Rooms**

	FY2025	FY2026	FY2027
Total Surgical Cases	34,929	35,251	35,576
Total Gross Revenues (Charges)	\$2,640,424,791	\$2,696,966,059	\$2,754,737,513
Total Contractual Adjustments*	\$2,011,037,511	\$2,053,950,986	\$2,097,795,534
Total Net Patient Revenue	\$629,387,280	\$643,015,073	\$656,941,979
Average Net Revenue per Case	\$18,019	\$18,241	\$18,466
Total Operating Expenses (Costs)	\$577,226,172	\$597,473,780	\$618,448,439
Average Operating Expense per Case	\$16,526	\$16,949	\$17,384
Net Income	\$52,161,108	\$45,541,293	\$38,493,540

Totals may not sum due to rounding

\*Includes Charity Care and Bad Debt as follows:

	FY2025	FY2026	FY2027
Self-pay Write-off (includes Charity Care)	\$160,066,078	\$163,538,981	\$167,088,231
Charity Care: 2.3-2.6% (2.45%) of Gross Revenue, p.91	\$64,690,407	\$66,075,668	\$67,491,069
Bad Debt	\$76,572,319	\$78,212,016	\$79,887,388

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
- Written comments
- Responses to comments

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

- The applicant adequately demonstrates that the capital costs are based on reasonable and adequately supported assumptions.
- The applicant adequately demonstrates availability of sufficient funds for the capital needs of the proposal.
- The applicant adequately demonstrates sufficient funds for the operating needs of the proposal and that the financial feasibility of the proposal is based upon reasonable projections of costs and charges.

- (6) The applicant shall demonstrate that the proposed project will not result in unnecessary duplication of existing or approved health service capabilities or facilities.

**NC**  
 Novant Health Medical Park Hospital

**C**  
 Triad Surgery Center  
 North Carolina Baptist Hospital

On page 51, the 2020 SMFP states, “An operating room’s ‘service area’ is the service area in which the operating room is located. The operating room service areas are the single and multicounty groupings shown in Figure 6.1.” In Figure 6.1, page 57 of the 2020 SMFP, Forsyth County is shown as a single-county operating room service area. Thus, in this application, the service area is Forsyth County. Providers may serve residents of counties not included in their service area.

The following table identifies the existing and approved inpatient, outpatient, and shared operating rooms located in Forsyth County, and the inpatient and outpatient case volumes for each provider, from pages 61 and 73 of the 2020 SMFP, respectively.

**Forsyth County FY2018 Operating Room Inventory and Cases  
 As Reported in the 2020 SMFP and on the 2019 License Renewal Applications**

	IP ORs	OP ORs	Shared ORs	Excluded C-Section/ Trauma/ Burn ORs	CON Adjust-ments**	IP Surgery Cases	OP Surgery Cases	Group
NH Clemmons Outpatient Surgery	0	0	0	0	2	0	0	
NH Kernersville Outpatient Surgery	0	2	0	0	0	0	247	5
NH Forsyth Medical Center^	5	6	24	-2	-2, +2	10,821	19,939	2
NH Medical Park Hospital	0	0	10	0	0	891	8,797	3
Novant Health Total	5	8	34	-2	2			
Wake Forest Baptist Health Outpatient Surgery Center-Clemmons*	0	3	0	0	0	0	178	6
North Carolina Baptist Hospital	4	0	36	-2	11	14,460	19,786	1
Wake Forest Baptist Health Total	4	3	36	-2	11			
Piedmont Outpatient Surgery Center (POSC)	0	2	0	0	0		2,385	5
Triad Center for Surgery (TCS)	0	0	0	0	2	0	0	
<b>Total Forsyth County ORs</b>	<b>9</b>	<b>13</b>	<b>70</b>	<b>-4</b>	<b>15</b>			

Source: 2020 SMFP

^ NHFMC License H0209 includes NH Kernersville Medical Center, NH Clemmons Medical Center, NH Hawthorne Outpatient Surgery and CON Adjustment Project ID #G-11300-17 (relocate two ambulatory ORs from NHFMC License H0209 to NH Clemmons Outpatient Surgery) and Project ID #G-11517-18 (add two shared ORs at NH Forsyth Medical Center)

\* 3 ORs were relocated from Plastic Surgery Center of NC

\*\*Approved ORs included in OR need determination

As the table above indicates, there are three hospitals and five existing or approved ASFs in Forsyth County with a total of nine inpatient (of which 4 are excluded from the planning inventory as C-Section and Trauma/Burn ORs), 13 ambulatory and 70 shared operating

rooms. Fifteen additional ORs were approved but not operational in 2019. All the existing and approved Forsyth County facilities with ORs, except for two outpatient centers with two ambulatory ORs each, are Novant Health or Wake Forest Baptist Health owned and operated.

The 2020 SMFP shows a need for two additional ORs based on the utilization of Wake Forest Baptist Health. However, anyone can apply to meet the need.

**Project ID #G-11910-20/Novant Health Medical Park Hospital/Add two ORs**

The applicant proposes to add two ORs at NHMPH, an existing acute care hospital, for a total of 12 ORs upon project completion.

In Section G, pages 73-74, the applicant attempts to explain why it believes its proposal would not result in the unnecessary duplication of existing or approved OR services in Forsyth County. The applicant lists the existing and approved facilities that provide surgical services in Forsyth County, as shown in the 2020 SMFP and shows the projected OR deficit and surplus. The applicant then refers to its discussion in Section C, stating, *“the need methodology used to determine OR need for NH Forsyth License does not reasonably reflect the appropriate Group assignment and capacity when analyzed collectively.”*

The applicant further states:

*“The proposed project is needed specifically to meet the growing needs of surgical patients served by NH Medical Park. The proposed project will not duplicate any other existing surgical service or provider.”*

However, the applicant does not adequately demonstrate that the proposal would not result in an unnecessary duplication of existing or approved services in the service area for the following reasons:

- The applicant does not adequately demonstrate that the proposed two ORs are needed in addition to the existing or approved ORs in Forsyth County. The discussion regarding need and projected utilization found in Criterion (3) is incorporated herein by reference.
- The applicant or a related entity (NH Forsyth County health system) owns and operates seven hospitals or surgery centers in the service area which will be operating at only 86% of capacity in the third full fiscal year of the proposed project with a surplus of five ORs and the applicant does not adequately address why the services proposed in this application are needed in addition to that existing capacity.

Conclusion - The Agency reviewed the:

- Application
- Exhibits to the application

- Written comments
- Responses to comments
- Information publicly available during the review and used by the Agency

Based on that review, the Agency concludes that the application is not conforming to this criterion for the reasons stated above.

**Project ID #G-11914-20/Triad Surgery Center/Develop an ASF with two ORs**

The applicant proposes to establish a new multispecialty ASF in Kernersville by developing two ORs, one GI endoscopy room, and one procedure room.

In Section G, pages 64-65, the applicant discusses why it believes its proposal would not result in the unnecessary duplication of existing or approved OR services in Forsyth County. The applicant provides a table which it says represents the number of existing and approved ORs that provide surgical services and GI endoscopy services in Forsyth County, as shown in the 2020 SMFP. The 2020 SMFP lists 103 ORs and 28 GI endoscopy rooms. The applicant states:

*“The 2020 SMFP includes a need determination for two additional operating rooms in Forsyth County. As described in Section C.4, the identified need can best be met by the development of a Cone Health freestanding ASF, given the growing demand for outpatient surgery and the benefits of freestanding ASFs. Further, the Kernersville region of Forsyth County, where the proposed project will be located, needs and can support additional operating room capacity based on its population and projected growth. The patients Triad Surgery Center proposes to serve currently originate from a THN [Triad HealthCare Network, a physician-led clinically integrated accountable care organization, sponsored by Cone Health and located in the Piedmont Triad area] primary care physician, are referred to a THN surgeon, and then return to their primary care physician for ongoing care. Cone Health will leverage THN’s information exchanges and its own reporting systems to provide a seamless continuum of care for the patient. The proposed project will allow patients for whom a freestanding ASF in the Kernersville area would be most convenient to remain within a system for care – no other existing provider currently meets or could meet this need.”*

The applicant adequately demonstrates that the proposal would not result in an unnecessary duplication of existing or approved services in the service area for the following reasons:

- There is a need determination in the 2020 SMFP for two ORs and Cone Health proposes two ORs and adequately demonstrates the need for the ORs at TSC.
- The applicant adequately demonstrates that the proposed ORs are needed in addition to the existing or approved ORs in Forsyth County.

Conclusion - The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Responses to comments
- Information publicly available during the review and used by the Agency

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

**Project ID #G-11916-20/North Carolina Baptist Hospital/Add two ORs**

The applicant proposes to add two new ORs at NCBH for a total of 53 ORs upon completion of this project, Project ID #G-8460-10, and Project ID #G-11519-18.

In Section G, pages 64-66, the applicant explains why it believes its proposal would not result in the unnecessary duplication of existing or approved OR services in Forsyth County. The applicant provides a table showing the existing and approved facilities that provide surgical services in Forsyth County per the 2020 SMFP. The applicant states:

*“The proposed project will not result in unnecessary duplication of existing or approved facilities in Forsyth County. The 2020 SMFP shows a need for two additional operating rooms in Forsyth County. To meet the need, NCBH is submitting this CON application for two additional ORs. Table 6B shows that NCBH has a deficit of 4.72 ORs, based on the hospital’s planning inventory of 49 ORs (40 existing + 11 previously approved ORs – 2 trauma/burn ORs), as shown in the 2020 SMFP’s Table 6B methodology.”*

The applicant adequately demonstrates that the proposal would not result in an unnecessary duplication of existing or approved services in the service area for the following reasons:

- There is a need determination in the 2020 SMFP for two ORs and NCBH proposes two ORs and adequately demonstrates the need for the ORs at NCBH.
- The applicant adequately demonstrates that the proposed ORs are needed at NCBH in addition to the existing or approved ORs in Forsyth County.

Conclusion - The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Responses to comments
- Information publicly available during the review and used by the Agency



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

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

**C**  
 Novant Health Medical Park Hospital  
 Triad Surgery Center  
 North Carolina Baptist Hospital

**Project ID #G-11910-20/Novant Health Medical Park Hospital/Add two ORs**

The applicant proposes to add two ORs at NHMPH, an existing acute care hospital, for a total of 12 ORs upon project completion.

In Section Q, Form H Staffing, page 121, the applicant provides current and projected staffing by number of FTE positions for the proposed services, as summarized in the following table.

Position	Current	Projected FTE Positions		
	As of 3/28/20	CY2023	CY2024	CY2025
CRNA	15.99	17.99	17.99	17.99
Registered Nurses	66.99	68.99	68.99	68.99
Licensed Practical Nurses	0.17	0.17	0.17	0.17
Surgical Technicians	24.16	28.16	28.16	28.16
Aides/Orderlies	9.78	9.78	9.78	9.78
Clerical Staff	2.62	2.62	2.62	2.62
Materials Management	1.34	1.34	1.34	1.34
Administrator	6.02	6.02	6.02	6.02
Total	127.00	135.00	135.00	135.00

Source: Form H in Section Q of the application.

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, pages 75-77, the applicant describes the methods used to recruit or fill new positions and its existing training and continuing education programs. In Section I, page 81, the applicant describes its physician recruitment plans. Exhibit C-4.2 contains community and physician support letters. In Section I, page 81, the applicant identifies the current medical director as Lawrence Nycum. Exhibit I-3, contains a letter from Dr. Nycum indicating his support for the project, his role as Medical Director, and provides his curriculum vitae.

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
- Written comments
- Responses to comments

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

**Project ID #G-11914-20/Triad Surgery Center/Develop an ASF with two ORs**

The applicant proposes to establish a new multispecialty ASF in Kernersville by developing two ORs, one GI endoscopy room, and one procedure room.

In Section Q, Form H, the applicant provides the projected staffing by number of FTE positions for the proposed OR, GI endo, and procedure room services individually and for the surgery center in total. The staffing table for the OR surgical services is summarized in the table below.

**Triad Surgery Center OR Surgical Services**

Position	Projected FTE Positions		
	FY2023	FY2024	FY2025
CRNAs	1.75	1.75	1.75
RNs	5.60	5.60	7.00
Surgical Technician	4.50	4.50	5.50
Aides/Orderlies	1.00	1.00	1.00
Central Sterile Supply	1.50	1.50	1.50
Materials management	0.50	0.50	0.50
Administrator	0.50	0.50	0.50
Director of Nursing	0.50	0.50	0.50
Business Office	2.00	2.00	2.00
<b>TOTAL</b>	<b>17.85</b>	<b>17.85</b>	<b>20.25</b>

Source: Form H in Section Q of the application.

The staffing for the entire surgery center is summarized in the following table.

**Triad Surgery Center**

Position	Projected FTE Positions		
	FY2023	FY2024	FY2025
CRNAs	3.50	3.50	3.50
RNs	11.20	11.20	14.00
Surgical Technician	9.00	9.00	11.00
Aides/Orderlies	2.00	2.00	2.00
Central Sterile Supply	3.00	3.00	3.00
Materials management	1.00	1.00	1.00
Administrator	1.00	1.00	1.00
Director of Nursing	1.00	1.00	1.00
Business Office	4.00	4.00	4.00
<b>TOTAL</b>	<b>35.70</b>	<b>35.70</b>	<b>40.50</b>

Source: Form H in Section Q of the application.

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 Forms F.2 and F.3, which are found in Section Q. In Section H, pages 66-68, the applicant describes the methods to be used to recruit or fill new positions and its proposed training and continuing education programs. In Section I.3(c), page 71, the applicant describes its physician recruitment plans. In Exhibit C.4, the applicant provides supporting documentation. In Section I.3(b), page 71, the applicant identifies the proposed medical director as James Daniel Singer, MD. In Exhibit I.3, the applicant provides a letter from Dr. Singer indicating an interest in serving as medical director for the proposed services.

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
- Written comments
- Responses to comments

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

**Project ID #G-11916-20/North Carolina Baptist Hospital/Add two ORs**

The applicant proposes to add two new ORs at NCBH for a total of 53 ORs upon completion of this project, Project ID #G-8460-10, and Project ID #G-11519-18.

In Section Q, Form H Staffing, the applicant provides current and projected staffing for the existing and proposed surgical services, as summarized in the following table.

**NCBH Projected Surgical Staffing**

Position	Current	Projected FTE Positions		
	As of 5/20/20	PY1 FY2025	PY2 FY2026	PY3 FY2027
Registered Nurses	179.2	234.6	234.6	234.6
Licensed Practical Nurses	0.8	0.8	0.8	0.8
Surgical Technicians	76.1	103.0	103.0	103.0
Clerical	2.0	2.0	2.0	2.0
Housekeeping	15.5	21.5	21.5	21.5
Central Sterile	80.1	83.1	83.1	83.1
Materials Management	13.1	13.1	13.1	13.1
Business Office	3.0	3.0	3.0	3.0
Other*	79.8	86.6	86.6	86.6
<b>TOTAL</b>	<b>449.5</b>	<b>548.5</b>	<b>548.5</b>	<b>548.5</b>

Source: Form H Staffing in Section Q of the application

\*Other includes various administrative and medical personnel as listed on Form H Staffing in Section Q

The assumptions and methodology used to project staffing are provided on Form H and in Section H, pages 67-69. Form H Staffing in Section Q is identified as “NCBH Acute Care Beds”; however, the form is different from that submitted with NCBH’s acute care bed application. Thus, it appears that the identification is a clerical error and the Form H, as provided, is for the entire surgical service at NCBH, as discussed in Section H. Adequate costs for the health manpower and management positions proposed by the applicant are budgeted in Form F.3, which is found in Section Q. In Section H, pages 69-72, the applicant describes the methods used to recruit or fill new positions and its existing training and continuing education programs. In Section I, page 79, the applicant describes its physician recruitment plans. In Exhibit I.3, the applicant provides physician support letters. In Section I, page 79, the applicant identifies the current medical director as J. Wayne Meredith, MD. In Exhibit I.3, the applicant provides a letter from Dr. Meredith indicating support for the proposed services.

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
- Written comments
- Responses to comments

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**  
Novant Health Medical Park Hospital  
Triad Surgery Center  
North Carolina Baptist Hospital

**Project ID #G-11910-20/Novant Health Medical Park Hospital/Add two ORs**

The applicant proposes to add two ORs at NHMPH, an existing acute care hospital, for a total of 12 ORs upon project completion.

In Section I, pages 79-80, the applicant provides a table listing the necessary surgical ancillary and support services and stating how each service will be made available. The list includes, but is not limited to:

- ultrasound,
- nursing,
- pharmacy,
- clinical equipment management,
- laboratory and pathology,
- respiratory therapy,
- food and nutrition,
- housekeeping,
- laundry/linens,
- materials management, and
- billing and finance.

Exhibit I-1 contains a letter from the NHMPH President and COO stating that the necessary ancillary and support services are available.

In Section I, page 80, 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
- Written comments

- Responses to comments

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

**Project ID #G-11914-20/Triad Surgery Center/Develop an ASF with two ORs**

The applicant proposes to establish a new multispecialty ASF in Kernersville by developing two ORs, one GI endoscopy room, and one procedure room.

In Section I, page 69, the applicant states that the following ancillary and support services are necessary for the proposed services:

- laboratory tests,
- diagnostic imaging,
- pathology,
- anesthesia,
- reception,
- medical records,
- billing and insurance,
- housekeeping, and
- maintenance.

On page 69, the applicant adequately explains how each ancillary and support service will be made available and provides supporting documentation in Exhibit I.1-1.

In Section I, page 70, the applicant describes Cone Health's existing relationships with other local health care and social service providers and provides examples of such relationships. Supporting documentation is provided in Exhibit C.4.

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
- Written comments
- Responses to comments

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

**Project ID #G-11916-20/North Carolina Baptist Hospital/Add two ORs**

The applicant proposes to add two new ORs at NCBH for a total of 53 ORs upon completion of this project, Project ID #G-8460-10, and Project ID #G-11519-18.

In Section I, page 74, the applicant states that the following clinical ancillary and support services are necessary for the proposed services:

- Operating room services (pre-op, post-op, and intra-op),
- Anesthesiology/Laboratory/Pathology/Imaging,
- Pharmacy Services,
- Sterile Processing,
- Inpatient Care Services (Nursing, Dietary, Housekeeping...),
- Physical Therapy and Occupational Therapy,
- Respiratory Therapy Services,
- Emergency Services,
- Social Services,
- Food and Nutrition Services, and
- Other Diagnostic Services.

The applicant states that the above services are provided by WFBMC staff and providers of WFUHS. In addition, the applicant states that WFBMC provides the necessary corporate services, including but not limited to billing/revenue, IT, legal, etc. Exhibit I.1 contains a letter from WFBH CEO attesting to the ongoing availability of the necessary ancillary and support services at NCBH.

In Section I, pages 75-77, 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
- Written comments
- Responses to comments

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- All Applications

None of the applicants projects 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, none of the applicants 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- All Applications

None of the applicants is 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**

Novant Health Medical Park Hospital  
Triad Surgery Center  
North Carolina Baptist Hospital

**Project ID #G-11910-20/Novant Health Medical Park Hospital/Add two ORs**

The applicant proposes to add two ORs at NHMPH, an existing acute care hospital, for a total of 12 ORs upon project completion.

In Section K, page 84, the applicant states that the project involves renovating 11,403 square feet of existing space. Line drawings are provided in Exhibit K.2.

On pages 84-85, the applicant adequately explains how the cost, design and means of construction represent the most reasonable alternative for the proposed renovations and provides supporting documentation in Exhibits K.2 and K.3

On page 85, 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 85, the applicant identifies any applicable energy saving features that will be incorporated into the renovation plans, referencing the Novant Health Sustainable Energy Management Plan in Exhibit B-4 and the Novant Health Utility Management Plan in Exhibit K-3.2.

Conclusion - The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Responses to comments

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

**Project ID #G-11914-20/Triad Surgery Center/Develop an ASF with two ORs**

The applicant proposes to establish a new multispecialty ASF in Kernersville by developing two ORs, one GI endoscopy room, and one procedure room.

In Section K, page 73, the applicant states that the project involves constructing 15,500 square feet of new space. Line drawings are provided in Exhibit C.1.

On pages 73-74, the applicant adequately explains how the cost, design and means of construction represent the most reasonable alternative for the proposed construction.

On page 74, the applicant adequately explains why the proposal will not unduly increase the costs to the applicant of providing the proposed services or the costs and charges to the public for the proposed services.

The applicant identifies the applicable energy saving features that will be incorporated into the construction plans and provides supporting documentation in Exhibit B.4.

On pages 74-76, the applicant identifies the proposed site and provides information about the current owner, The Moses H. Cone Memorial Hospital, zoning and special use permits for the site, and the availability of water, sewer and waste disposal and power at the site.

Conclusion - The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Responses to comments

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

**Project ID #G-11916-20/North Carolina Baptist Hospital/Add two ORs**

The applicant proposes to add two new ORs at NCBH for a total of 53 ORs upon completion of this project, Project ID #G-8460-10, and Project ID #G-11519-18.

In Section K, page 82, the applicant states that the project involves renovation of 3,115 square feet of existing space. Line drawings are provided in Exhibit K.2.

On pages 82-83, the applicant adequately explains how the cost, design and means of construction represent the most reasonable alternative for the proposed renovations and provides supporting documentation in Exhibits F and K.

On page 83, 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 pages 83-84, the applicant identifies any applicable energy saving features that will be incorporated into the construction plans.

Conclusion - The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Responses to comments

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**

Novant Health Medical Park Hospital  
Triad Surgery Center  
North Carolina Baptist Hospital

**Project ID #G-11910-20/Novant Health Medical Park Hospital/Add two ORs**

The applicant proposes to add two ORs at NHMPH, an existing acute care hospital, for a total of 12 ORs upon project completion.

In Section L, page 89, the applicant provides the historical payor mix during CY2019, the last full year of operation, as shown in the table below.

**Historical Payor Mix  
 CY2019**

<b>Payor Source</b>	<b>Entire Facility NHMPH</b>	<b>Operating Rooms</b>
Self-Pay	0.9%	1.0%
Charity Care	1.8%	2.0%
Medicare *	44.0%	42.6%
Medicaid *	4.6%	4.2%
Insurance *	45.4%	47.5%
Workers Comp	1.6%	1.2%
TRICARE	0.6%	0.6%
Other (Specify)**	1.1%	0.9%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

Source: Internal Data

\* Including any managed care plans

\*\*Other Government and Institutional Payors

Totals may not sum due to rounding

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

	<b>Percentage of Total Patients Served</b>	<b>Percentage of the Population of the Service Area where the ORs or GI Endo Rooms will be Located *</b>
Female	61.3%	51.8%
Male	38.7%	48.2%
Unknown	0.0%	0.0%
64 and Younger	60.3%	81.6%
65 and Older	39.7%	18.4%
American Indian	0.3%	0.5%
Asian	0.6%	1.8%
Black or African-American	20.6%	16.6%
Native Hawaiian or Pacific Islander	0.0%	0.1%
White or Caucasian	74.3%	72.1%
Other Race	3.7%	8.9%
Declined / Unavailable	0.6%	0.0%

\*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>. Just enter in the name of the county.

Source: Atlas & Claritas Spotlight

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Responses to comments

- Information 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.

**Project ID #G-11914-20/Triad Surgery Center/Develop an ASF with two ORs**

The applicant proposes to establish a new multispecialty ASF in Kernersville by developing two ORs, one GI endoscopy room, and one procedure room.

The proposed facility is not an existing facility. In Section L, page 79, for informational purposes, the applicant provides the historical payor mix during FY2019 for Cone Health outpatient surgery and endoscopy services, as summarized in the table below.

Payor Source	Operating Rooms	GI Endo Rooms
Self-Pay	6.3%	2.1%
Charity Care <sup>^</sup>		
Medicare *	43.1%	40.0%
Medicaid *	11.6%	2.8%
Insurance *	34.8%	53.8%
Workers Compensation <sup>^^</sup>		
TRICARE <sup>^^</sup>		
Other	4.2%	1.3%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

\* Including any managed care plans

Source: Cone Health internal data and 2020 LRA

<sup>^</sup>Cone Health's internal data does not include Charity Care as a payor source for patients. Patients in any payor category can and do receive charity care. Please see Forms F.3 and 4 for charity care projections.

<sup>^^</sup>Included in Other

Totals may not sum due to rounding

In Section L, page 78, the applicant provides the following comparison.

	Percentage of Total Patients Served by Cone Health Existing Facilities	Percentage of the Population of Forsyth County*
Female	58.7%	52.7%
Male	41.3%	47.3%
Unknown	0.0%	0.0%
64 and Younger	60.4%	83.6%
65 and Older	39.6%	16.4%
American Indian	0.3%	0.9%
Asian	1.2%	2.6%
Black or African-American	34.2%	27.5%
Native Hawaiian or Pacific Islander	0.0%	0.1%
White or Caucasian	58.4%	66.6%
Other Race	4.9%	2.3%
Declined / Unavailable	1.0%	0.0%

Source: Cone Health internal data

\*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>. Just enter in the name of the county.

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Responses to comments
- Information 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.

**Project ID #G-11916-20/North Carolina Baptist Hospital/Add two ORs**

The applicant proposes to add two new ORs at NCBH for a total of 53 ORs upon completion of this project, Project ID #G-8460-10, and Project ID #G-11519-18.

In Section L, page 89, the applicant provides the historical payor mix during FY2019 for the proposed OR services, as shown in the table below.

<b>Payor Category</b>	<b>Entire Facility</b>	<b>Inpatient Operating Rooms</b>	<b>Outpatient Operating Rooms</b>
Self-Pay	5.4%	4.3%	2.6%
Charity Care	--	2.3%	2.6%
Medicare*	44.0%	42.8%	29.8%
Medicaid*	16.3%	16.0%	20.0%
Insurance*	28.7%	31.5%	45.0%
Workers Compensation	0.6%	0.3%	0.0%
TRICARE	0.5%	0.3%	0.0%
Other (specify)	4.4%	2.5%	0.0%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

Source: Table L.1, page 89

\*Including any managed care plans

Totals may not sum due to rounding

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

	<b>Percentage of Total Patients Served by the Facility or Campus during FY2019</b>	<b>Percentage of the Population of the Service Area: Forsyth County</b>
Female	45.44%	52.60%
Male	54.55%	47.40%
Unknown	0.01%	0.00%
64 and Younger	61.07%	84.00%
65 and Older	38.93%	16.00%
American Indian	0.41%	0.90%
Asian	0.69%	2.60%
Black or African-American	21.63%	27.50%
Native Hawaiian or Pacific Islander	0.10 %	0.10%
White or Caucasian	71.24%	55.90%
Other Race	5.94%	13.00%
Declined / Unavailable	0.00%	0.00%

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Responses to comments
- Information 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

Novant Health Medical Park Hospital  
Triad Surgery Center  
North Carolina Baptist Hospital

#### **Project ID #G-11910-20/Novant Health Medical Park Hospital/Add two ORs**

The applicant proposes to add two ORs at NHMPH, an existing acute care hospital, for a total of 12 ORs upon project completion.

Regarding any obligation to provide uncompensated care, community service or access by minorities and persons with disabilities, in Section L, page 89, the applicant states:

*“Existing Novant Health acute care hospitals and the existing NH Medical Park Surgical Department do provide and will continue to provide services in a manner that is consistent with:*

- *Title VI of the Civil Rights Act of 1963 (and any applicable amendments);*
- *Section 504 of the Rehabilitation Act of 1973 (and any applicable amendments); and*
- *The Age Discrimination Act of 1975 (and any applicable amendments).”*

In Section L, page 90, the applicant states that no patient civil rights equal access complaints have been filed against Novant Health facilities and programs located in North Carolina during the past five years.

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Responses to comments



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

**Project ID #G-11914-20/Triad Surgery Center/Develop an ASF with two ORs**

The applicant proposes to establish a new multispecialty ASF in Kernersville by developing two ORs, one GI endoscopy room, and one procedure room.

Regarding any obligation to provide uncompensated care, community service or access by minorities and persons with disabilities, in Section L, page 79, the applicant states that the proposed ASF is not an existing facility.

In Section L, page 80, the applicant states that the proposed ASF is not an existing facility and for informational purposes states that no complaints regarding patient civil rights equal access have been filed against Cone Health or any related entity in the last five years.

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Responses to comments

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

**Project ID #G-11916-20/North Carolina Baptist Hospital/Add two ORs**

The applicant proposes to add two new ORs at NCBH for a total of 53 ORs upon completion of this project, Project ID #G-8460-10, and Project ID #G-11519-18.

Regarding any obligation to provide uncompensated care, community service or access by minorities and persons with disabilities, in Section L, page 90, the applicant states:

*“Internal Revenue Code (IRC) Section 501(r), Enacted by the Patient Protection and Affordable Care Act, requires tax exempt hospitals exempt under IRC Section 501(c)(3) to have a written financial assistance policy and emergency medical care policy that provides discounts for emergent and other medically necessary care provided to eligible financial assistance patients ... Furthermore, the EMTALA policy ensures that emergency medical care is provided without discrimination and regardless of ability to pay.”*

In Section L, page 90, the applicant states that 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 during the last five years.

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Responses to comments

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**  
Novant Health Medical Park Hospital  
Triad Surgery Center  
North Carolina Baptist Hospital

**Project ID #G-11910-20/Novant Health Medical Park Hospital/Add two ORs**  
The applicant proposes to add two ORs at NHMPH, an existing acute care hospital, for a total of 12 ORs upon project completion.

In Section L, page 91, the applicant projects the 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.

**Proposed Payor Mix  
 CY2025**

<b>Payor Source</b>	<b>Entire Facility</b>	<b>Operating Rooms</b>
Self-Pay	0.9%	1.0%
Charity Care	1.8%	2.0%
Medicare *	44.0%	42.6%
Medicaid *	4.6%	4.2%
Insurance *	45.4%	47.5%
Workers Comp	1.6%	1.2%
TRICARE	0.6%	0.6%
Other (Specify)**	1.1%	0.9%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

Source: Internal Data

\* Including any managed care plans

\*\*Other Government and Institutional Payors

Totals may not sum due to rounding

As shown in the table above, during the third full fiscal year of operation, the applicant projects that 1.0% of total surgical services will be provided to self-pay patients, 2.0% to charity care patients, 42.6% to Medicare patients and 4.2% to Medicaid patients.

On page 91, the applicant provides the assumptions and methodology used to project payor mix for the first three full fiscal years of operation following completion of the project. The projected payor mix is reasonable and adequately supported for the following reasons:

- projected payor mix is based on the historical payor mix of NHMPH surgical services, and
- the applicant states it will provide services to all persons regardless of race, sex, age, religion, creed, disability, national origin or ability to pay.

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Responses to comments

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

**Project ID #G-11914-20/Triad Surgery Center/Develop an ASF with two ORs**

The applicant proposes to establish a new multispecialty ASF in Kernersville by developing two ORs, one GI endoscopy room, and one procedure room.

In Section L, page 80, the applicant projects the payor mix during the third full fiscal year of operation following completion of the project, as illustrated in the table below.

**Proposed Payor Mix  
 Triad Surgery Center  
 FY2025**

<b>Payor Source</b>	<b>Entire Facility</b>	<b>Operating Rooms</b>	<b>Procedure Room</b>	<b>GI Endo Rooms</b>
Self-Pay	1.3%	1.5%	1.5%	1.0%
Charity Care <sup>^</sup>				
Medicare *	30.4%	33.1%	33.1%	27.1%
Medicaid *	0.9%	1.1%	1.1%	0.6%
Insurance *	66.0%	62.7%	62.7%	69.9%
Workers Compensation <sup>^^</sup>				
TRICARE <sup>^^</sup>				
Other	1.5%	1.6%	1.6%	1.3%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

\* Including any managed care plans

<sup>^</sup>Cone Health's internal data does not include Charity Care as a payor source for patients. Patients in any payor category can and do receive charity care. Please see Forms F.3 and 4 for charity care projections.

<sup>^^</sup>Included in Other

Totals may not sum due to rounding

As shown in the table above, during the third full fiscal year of operation, the applicant projects that 1.5% of OR surgical services will be provided to self-pay patients, 33.1% to Medicare patients and 1.1% to Medicaid patients. Cone Health does not consider charity care as a payor source, but rather as a deduction from gross revenue.

On pages 80-81, the applicant provides the assumptions and methodology used to project payor mix during the third full fiscal year of operation following completion of the project. The projected payor mix is reasonable and adequately supported for the following reasons:

- projected payor mix is based on the historical payor mix of referrals generated by the nine identified referral practices located near the proposed facility,
- the projected payor mix is reflective of the historical payor mix of the patients it proposes to serve, many of whom originate from the Kernersville region, which has considerably higher income, lower poverty rates and an older population when compared to Forsyth County as a whole, and

- the applicant will continue Cone Health’s commitment to underserved populations and be accessible to those who seek care there.

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Responses to comments

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

**Project ID #G-11916-20/North Carolina Baptist Hospital/Add two ORs**

The applicant proposes to add two new ORs at NCBH for a total of 53 ORs upon completion of this project, Project ID #G-8460-10, and Project ID #G-11519-18.

In Section L, page 91 the applicant projects the 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.

**Proposed Payor Mix  
FY2027**

Payor Category	Entire Facility	Inpatient Operating Rooms	Outpatient Operating Rooms
Self-Pay	5.4%	4.3%	2.6%
Charity Care	--	2.3%	2.6%
Medicare*	44.0%	42.8%	29.8%
Medicaid*	16.3%	16.0%	20.0%
Insurance*	28.7%	31.5%	45.0%
Workers Compensation	0.6%	0.3%	0.0%
TRICARE	0.5%	0.3%	0.0%
Other (specify)	4.4%	2.5%	0.0%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

Source: NCBH Internal data

\*Including any managed care plans

Totals may not sum due to rounding

As shown in the table above, during the third full fiscal year of operation, the applicant projects 4.3% of inpatient surgical services and 2.6% of outpatient surgical services will be provided to self-pay patients, 42.8% of inpatient and 29.8% of outpatient surgical services to Medicare patients and 16.0% of inpatient and 20.0% of outpatient surgical services to Medicaid patients.

On page 91, the applicant provides the assumptions and methodology used to project payor mix during the third full fiscal year of operation following completion of the project. The projected payor mix is reasonable and adequately supported for the following reasons:

- The applicant based the projected payor mix on actual FY2019 NCBH surgical payor mix for inpatient and outpatient surgical services.
- The applicant states it even though it expects healthcare reform and Medicaid expansion will affect payor mix, it does not yet know what it would be, thus it assumes for this application that the payor mix will be consistent with the FY2019 payor mix.

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Responses to comments

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

Novant Health Medical Park Hospital  
Triad Surgery Center  
North Carolina Baptist Hospital

#### **Project ID #G-11910-20/Novant Health Medical Park Hospital/Add two ORs**

The applicant proposes to add two ORs at NHMPH, an existing acute care hospital, for a total of 12 ORs upon project completion.

In Section L, page 93, 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.

**Project ID#G-11914-20/Triad Surgery Center/Develop an ASF with two ORs**

The applicant proposes to establish a new multispecialty ASF in Kernersville by developing two ORs, one GI endoscopy room, and one procedure room.

In Section L, page 82, 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.

**Project ID #G-11916-20/North Carolina Baptist Hospital/Add two ORs**

The applicant proposes to add two new ORs at NCBH for a total of 53 ORs upon completion of this project, Project ID #G-8460-10, and Project ID #G-11519-18.

In Section L, page 93, 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**

Novant Health Medical Park Hospital  
Triad Surgery Center  
North Carolina Baptist Hospital

**Project ID #G-11910-20/Novant Health Medical Park Hospital/Add two ORs**

The applicant proposes to add two ORs at NHMPH, an existing acute care hospital, for a total of 12 ORs upon project completion.

In Section M, page 94, the applicant describes the extent to which health professional training programs in the area have access to the facility for training purposes and provides supporting documentation in Exhibit H-2.1.

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.

**Project ID #G-11914-20/Triad Surgery Center/Develop an ASF with two ORs**

The applicant proposes to establish a new multispecialty ASF in Kernersville by developing two ORs, one GI endoscopy room, and one procedure room.

In Section M, pages 84-85, the applicant describes the extent to which health professional training programs in the area will have access to the facility for training purposes and provides a listing of the health professional training programs that currently utilize opportunities at Cone Health. The applicant states that these programs will also have access to clinical training opportunities at the proposed ASF.

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.

**Project ID #G-11916-20/North Carolina Baptist Hospital/Add two ORs**

The applicant proposes to add two new ORs at NCBH for a total of 53 ORs upon completion of this project, Project ID #G-8460-10, and Project ID #G-11519-18.

In Section M, page 94, the applicant describes the extent to which health professional training programs in the area have access to the facility for training purposes and provides supporting documentation in Exhibit M.1.

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.

**NC**

Novant Health Medical Park Hospital

**C**

Triad Surgery Center  
North Carolina Baptist Hospital

On page 51, the 2020 SMFP states, “*An operating room’s ‘service area’ is the service area in which the operating room is located. The operating room service areas are the single and multicounty groupings shown in Figure 6.1.*” In Figure 6.1, page 57 of the 2020 SMFP, Forsyth County is shown as a single-county operating room service area. Thus, in this application, the service area is Forsyth County. Providers may serve residents of counties not included in their service area.

The following table identifies the existing and approved inpatient (IP), outpatient (OP), and shared operating rooms located in Forsyth County, and the inpatient and outpatient case volumes for each provider, from pages 61 and 73 of the 2020 SMFP, respectively.

**Forsyth County FY2018 Operating Room Inventory and Cases  
 As Reported in the 2020 SMFP and on the 2019 License Renewal Applications**

	IP ORs	OP ORs	Shared ORs	Excluded C- Section/ Trauma/Burn ORs	CON Adjust- ments**	IP Surgery Cases	OP Surgery Cases	Group
NH Clemmons Outpatient Surgery	0	0	0	0	2	0	0	
NH Kernersville Outpatient Surgery	0	2	0	0	0	0	247	5
NH Forsyth Medical Center^	5	6	24	-2	-2, +2	10,821	19,939	2
NH Medical Park Hospital	0	0	10	0	0	891	8,797	3
Novant Health Total	5	8	34	-2	2			
Wake Forest Baptist Health Outpatient Surgery Center-Clemmons*	0	3	0	0	0	0	178	6
North Carolina Baptist Hospital	4	0	36	-2	11	14,460	19,786	1
Wake Forest Baptist Health Total	4	3	36	-2	11			
Piedmont Outpatient Surgery Center	0	2	0	0	0		2,385	5
Triad Center for Surgery	0	0	0	0	2	0	0	
<b>Total Forsyth County ORs</b>	<b>9</b>	<b>13</b>	<b>70</b>	<b>-4</b>	<b>15</b>			

Source: 2020 SMFP

^ NHFMC License H0209 includes NH Kernersville Medical Center, NH Clemmons Medical Center, NH Hawthorne Outpatient Surgery and CON Adjustment Project ID #G-11300-17 (relocate two ambulatory ORs from NHFMC License H0209 to NH Clemmons Outpatient Surgery) and Project ID #G-11517-18 (add two shared ORs at NH Forsyth Medical Center)

\* 3 ORs were relocated from Plastic Surgery Center of NC

\*\*Approved ORs included in OR need determination

As the table above indicates, there are three hospitals and five existing or approved ASFs in Forsyth County with a total of nine inpatient (of which 4 are excluded from the planning inventory as C-Section and Trauma/Burn ORs), 13 ambulatory and 70 shared operating rooms. Fifteen additional ORs were approved but not operational in 2019. All the existing and approved Forsyth County facilities with ORs, except for two outpatient centers with two ambulatory ORs each, are Novant Health or Wake Forest Baptist Health owned and operated.

The 2020 SMFP shows a need for two additional ORs based on the utilization of Wake Forest Baptist Health. However, anyone can apply to meet the need.

**Project ID #G-11910-20/Novant Health Medical Park Hospital/Add two ORs**

The applicant proposes to add two ORs at NHMPH, an existing acute care hospital, for a total of 12 ORs upon project completion.

In Section N, pages 95-101, the applicant describes the expected effects of the proposed services on competition in the service area and discusses how any enhanced competition in the service area will promote cost-effectiveness, quality, and access to the proposed services.

Regarding the expected effects of the proposal on competition in the service area, in Section N, page 95, the applicant states:

*“The proposed project will promote cost effectiveness approaches, expand health care services to the medically underserved, and encourage quality health care services by improving access to surgical services for the patient population served by NH Medical Park.”*

Regarding the impact of the proposal on cost effectiveness, in Section N, pages 95-96, the applicant states:

*“As discussed further in the Applicant’s response to **Section C, Question 4** [emphasis in original], NH Medical Park has a [sic] demonstrated a commitment to efficiently provide high-quality surgical services with fewer resources, which results in a lower cost of care.”*

See also Sections B, C, F, and Q of the application and any exhibits.

Regarding the impact of the proposal on quality, in Section N, pages 98-99, the applicant states:

*“NH Medical Park is known for providing high-quality services and anticipates the proposed project will offer additional capacity to expand its surgical services while complementing its reputation for high-quality care.*

...

*NH Medical Park will continue to strive to meet Novant Health’s high level of quality when it implements the two additional ORs on its campus.”*

See also Sections B, C, and O of the application and any exhibits.

Regarding the impact of the proposal on access by medically underserved groups, in Section N, pages 100, the applicant states:

*“NH Medical Park will continue to provide services to all persons regardless of race, sex, age, religion, creed, disability, national origin or ability to pay.”*

See also Sections B, C, and L of the application and any exhibits.

Considering all the information in the application, the applicant does not adequately describe the expected effects of the proposed services on competition in the service area and does not adequately demonstrate the proposal would have a positive impact on cost-effectiveness, quality, and access because it does not adequately demonstrate the following:

- the need the population proposed to be served has for the proposed project. The discussion regarding need found in Criterion (3) is incorporated herein by reference.

- that the projected utilization is based on reasonable and adequately supported assumptions. The discussion regarding projected utilization found in Criterion (3) is incorporated herein by reference.
- that the proposal would not result in an unnecessary duplication of existing or approved services in the service area. The discussion regarding unnecessary duplication found in Criterion (6) is incorporated herein by reference.

Conclusion - The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Responses to comments
- Information publicly available during the review and used by the Agency

Based on that review, the Agency concludes that the application is not conforming to this criterion for the reasons stated above.

**Project ID #G-11914-20/Triad Surgery Center/Develop an ASF with two ORs**

The applicant proposes to establish a new multispecialty ASF in Kernersville by developing two ORs, one GI endoscopy room, and one procedure room.

Regarding the expected effects of the proposal on competition in the service area, in Section N, page 86, the applicant states:

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

Regarding the impact of the proposal on cost effectiveness, in Section N, page 86, the applicant states:

*“The proposed project will provide cost containment for surgical procedures. ... In a freestanding ASF, there are no other hospital-based expenses allocated to surgery services; the only expenses are those generated directly by services provided by the ASF. As a result, patients and payors will not incur the charges associated with hospital-based care. For all payors, the proposed lower charge structure will increase the affordability of the services offered in the facility, and policies will ensure that even those without a third-party payor have access to needed services.*

*Further, as discussed in Section C.4, costs and charges will be lower for surgical cases performed at the proposed ASF as opposed to other sites of care.”*

See also Sections B, C, F, and Q of the application and any exhibits.

Regarding the impact of the proposal on quality, in Section N, page 87, the applicant states:

*“The proposed project will promote quality in the delivery of the proposed services.*

...

*As the manager of the proposed facility, Cone Health is committed to providing excellent, high-quality healthcare.”*

See also Sections B, C, and O of the application and any exhibits.

Regarding the impact of the proposal on access by medically underserved groups, in Section N, pages 88-89, the applicant states:

*The proposed project will promote equitable access, particularly to the medically underserved groups in the delivery of the proposed services and will increase access to timely, clinically appropriate and high quality surgical services in Forsyth County, specifically, the Kernersville area.”*

See also Sections B, C, and L of the application and any exhibits.

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, quality, and access because it adequately demonstrates the following:

- the need the population to be served has for the proposal, the proposal would not result in an unnecessary duplication of existing and approved health services, and the reasonableness of projected revenues and operating costs which collectively results in a cost-effective proposal.
- the quality of the care to be provided based on the applicant’s representations about how it will ensure the quality of the proposed services and the applicant’s record of providing quality care in the past.
- medically underserved groups will have access to the proposed services based on the applicant’s representations about access by medically underserved groups and the projected payor mix.

Conclusion - The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Responses to comments
- Information publicly available during the review and used by the Agency

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

**Project ID #G-11916-20/North Carolina Baptist Hospital/Add two ORs**

The applicant proposes to add two new ORs at NCBH for a total of 53 ORs upon completion of this project, Project ID #G-8460-10, and Project ID #G-11519-18.

Regarding the expected effects of the proposal on competition in the service area, in Section N, page 95, the applicant states:

*“NCBH’s proposed operating room expansion project will promote competition in the service area because it will enable NCBH to better meet the needs of its existing patient population, and to ensure more timely provision of and convenient access to high quality, cost-effective surgical services for residents of Forsyth County and surrounding communities.”*

Regarding the impact of the proposal on cost effectiveness, in Section N, page 95-97, the applicant states:

*“The project will not increase the NCBH charges or projected reimbursement for these services, which are established by Medicare, Medicaid, and/or existing private payor contracts.*

*This project will enhance NCBH’s ability to continue to provide cost-effective and high-quality services to patients.*

...

*WFBMC value-based care and population health/population health management initiatives, and competitive pricing and cost reductions strategies, [sic] maximize healthcare value for resources expended in the delivery of health care services, [sic] and will continue to do so with the development [sic] these additional operating rooms.*

See also Sections B, C, F, and Q of the application and any exhibits.

Regarding the impact of the proposal on quality, in Section N, pages 97-101, the applicant states:

*“NCBH believes that the proposed project will promote safety and quality in the delivery of healthcare services.*

...

*WFBMC Surgical Services continually assesses performance on quality measures that have been proven to improve patient outcomes.*

...

*In addition, WFBMC has established a comprehensive surgical quality program, the Surgical Quality Continuum (SQC), which coordinates and mobilizes quality improvement activities for surgical patients across the continuum of care.”*

Regarding the impact of the proposal on access by medically underserved groups, in Section N, pages 101-103, the applicant states:

*“The project will promote equitable access in the delivery of health care services by extending WFBMC’s commitment of providing health care services to all persons regardless of race, ethnicity, gender, age, religion, creed, disability, national origin, or ability to pay.”*

See also Sections B, C, and L of the application and any exhibits.

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, quality, and access because it adequately demonstrates the following:

- the need the population to be served has for the proposal, the proposal would not result in an unnecessary duplication of existing and approved health services, and the reasonableness of projected revenues and operating costs which collectively results in a cost-effective proposal.
- the quality of the care to be provided based on the applicant’s representations about how it will ensure the quality of the proposed services and the applicant’s record of providing quality care in the past.
- medically underserved groups will have access to the proposed services based on the applicant’s representations about access by medically underserved groups and the projected payor mix.

Conclusion - The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Responses to comments
- Information publicly available during the review and used by the Agency

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

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

### C

Novant Health Medical Park Hospital  
Triad Surgery Center  
North Carolina Baptist Hospital

#### **Project ID #G-11910-20/Novant Health Medical Park Hospital/Add two ORs**

The applicant proposes to add two ORs at NHMPH, an existing acute care hospital, for a total of 12 ORs upon project completion.

In Section Q Form A Facilities, the applicant provides a list of all healthcare facilities with ORs located in North Carolina which are owned, operated, or managed by the applicant or a related entity. The applicant identifies a total of 19 hospitals and ASFs located in North Carolina.

In Section O.3, page 105, the applicant states that during the 18 months immediately preceding the submittal of the application, there were no incidents which resulted in a finding of immediate jeopardy that occurred in any of these hospitals or ASFs. According to the files in the Acute and Home Care Licensure and Certification Section, DHSR, during the 18 months immediately preceding submission of the application through the date of this decision, there were no incidents related to quality of care in any Novant Health related facilities. After reviewing and considering information provided by the applicant and by the Acute and Home Care Licensure and Certification Section and considering the quality of care provided at all 19 hospitals and ASFs, the applicant provided sufficient evidence that quality care has been provided in the past. Therefore, the application is conforming to this criterion.

#### **Project ID #G-11914-20/Triad Surgery Center/Develop an ASF with two ORs**

The applicant proposes to establish a new multispecialty ASF in Kernersville by developing two ORs, one GI endoscopy room, and one procedure room.



In Section O.3, page 90, the applicant refers to Section Q Form A Facilities where it identifies the ambulatory surgical facilities located in North Carolina owned, operated or managed by the applicant or a related entity. The applicant identifies the following facilities located in North Carolina:

- Alamance Regional Medical Center,
- Cone Health, License #H0159
  - The Moses H. Cone Memorial Hospital
  - Cone Health Wesley Long Hospital
  - Women's and Children's Center at Moses Cone Hospital
  - Moses Cone Surgery Center
  - Wesley Long Surgery Center
- LeBauer Endoscopy Center,
- Greensboro Specialty Surgical Center, and
- Annie Penn Hospital.

In Section O.3, page 90, the applicant states that, during the 18 months immediately preceding the submittal of the application, each facility listed in Form A has continually maintained all relevant licensure, certification, and accreditation, indicating that no incidents related to quality of care 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 have not occurred in any of these facilities. After reviewing and considering information provided by the applicant and by the Acute and Home Care Licensure and Certification Section and considering the quality of care provided at all five facilities, the applicant provided sufficient evidence that quality care has been provided in the past. Therefore, the application is conforming to this criterion.

**Project ID #G-11916-20/North Carolina Baptist Hospital/Add two ORs**

The applicant proposes to add two new ORs at NCBH for a total of 53 ORs upon completion of this project, Project ID #G-8460-10, and Project ID #G-11519-18.

In Section Q Form A Facilities, the applicant identifies the hospitals located in North Carolina owned, operated, affiliated, or managed by the applicant or a related entity. The applicant identifies a total of six hospitals located in North Carolina, including NCBH, Davie Medical Center, High Point Regional Health, Wilkes Medical Center, Alleghany Memorial Hospital and Lexington Medical Center. The applicant also lists three surgery centers: WFBH Outpatient Surgery Center-Clemmons, High Point Surgery Center, and Premier Surgery Center.

In Section O, page 110, the applicant states that no facility listed on Form A Facilities has been determined by DHSR or CMS to have had any incidents resulting in a finding of immediate jeopardy during the 18 months immediately preceding submission of the application. 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, no incidents related to quality of care have occurred at any of these facilities. After reviewing and considering information provided by the applicant and by the Acute and Home Care Licensure and Certification Section and considering the quality of care provided at all nine 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.

**NC**

Novant Health Medical Park Hospital

**C**

Triad Surgery Center  
North Carolina Baptist Hospital

***SECTION .2100 – CRITERIA AND STANDARDS FOR SURGICAL SERVICES AND OPERATING ROOMS*** are applicable to:

- Project ID #G-11910-20/**Novant Health Medical Park Hospital**/Add two ORs
- Project ID #G-11914-20/**Triad Surgery Center**/Develop a new ASF with two ORs
- Project ID #G-11916-20/**North Carolina Baptist Hospital**/Add two ORs

**.2103 PERFORMANCE STANDARDS**

*.2103(a) A proposal to establish a new ambulatory surgical facility, to establish a new campus of an existing facility, to establish a new hospital, to increase the number of operating rooms in an existing facility (excluding dedicated C-section operating rooms), to convert a specialty ambulatory surgical program to a multispecialty ambulatory surgical program, or to add a specialty to a specialty ambulatory surgical program shall demonstrate the need for the number of proposed operating rooms in the facility that is proposed to be developed or expanded in the third operating year of the project based on the Operating Room Need Methodology set forth in the 2018 State Medical Facilities Plan. The applicant is not required to use the population growth factor.*

-NC- **NHMPH.** This proposal would add two new ORs at NH Medical Park Hospital for a total of 12 ORs on the hospital license. The applicant does not demonstrate the need for the two ORs it proposes to develop because it does not base its projections on the Operating Room Need Methodology in the 2020 SMFP, the SMFP in effect at the start of the review. Thus, the applicant does not adequately demonstrate that the projected utilization is based upon reasonable and adequately supported assumptions. The discussion regarding analysis of need, including projected utilization, found in Criterion (3) is incorporated herein by reference. Therefore, the application is not conforming to this Rule.

-C- **TSC.** This proposal would develop a new two-OR ASF. The applicant projects sufficient surgical cases and hours to demonstrate the need for two ORs in the third operating year of the project based on the Operating Room Need Methodology in the 2020 SMFP. The discussion regarding projected utilization found in Criterion (3) is incorporated herein by reference.

-C- **NCBH.** This proposal would add two new ORs at NCBH for a total of 53 ORs upon completion of this project, Project ID #G-8460-10, and Project ID #G-11519-18. The applicant projects sufficient surgical cases and hours to demonstrate the need for two ORs in the third fiscal year of the project based on the Operating Room Need Methodology in the 2020 SMFP. The discussion regarding projected utilization found in Criterion (3) is incorporated herein by reference.

*.2103(b) A proposal to increase the number of operating rooms (excluding dedicated C-section operating rooms) in a service area shall demonstrate the need for the number of proposed operating rooms in addition to the existing and approved operating rooms in the applicant's health system in the third operating year of the proposed project based on the Operating Room Need*

*Methodology set forth in the 2018 State Medical Facilities Plan. The applicant is not required to use the population growth factor.*

- NC- **NHMPH.** This proposal would add two new ORs at NH Medical Park Hospital for a total of 12 ORs on the hospital license and 51 in the NH Forsyth County health system. The applicant does not demonstrate the need for the two ORs it proposes to develop because it does not base its projections on the Operating Room Need Methodology in the 2020 SMFP, the SMFP in effect at the start of the review. Thus, the applicant does not adequately demonstrate that the projected utilization is based upon reasonable and adequately supported assumptions. The discussion regarding analysis of need, including projected utilization, found in Criterion (3) is incorporated herein by reference. Therefore, the application is not conforming to this Rule.
- C- **TSC.** This proposal would develop a new two-OR ASF (a new health system in the service area). The applicant projects sufficient surgical cases and hours to demonstrate the need for two ORs in the applicant's health system in the third operating year of the project based on the Operating Room Need Methodology in the 2020 SMFP. The discussion regarding projected utilization found in Criterion (3) is incorporated herein by reference.
- C- **NCBH.** This proposal would add two new ORs at NCBH for a total of 53 ORs upon completion of this project, Project ID #G-8460-10, and Project ID #G-11519-18. The applicant projects sufficient surgical cases and hours to demonstrate the need for two additional ORs in the applicant's health system in the third operating year of the project based on the Operating Room Need Methodology in the 2020 SMFP. The discussion regarding projected utilization found in Criterion (3) is incorporated herein by reference.
- .2103(c) *An applicant that has one or more existing or approved dedicated C-section operating rooms and is proposing to develop an additional dedicated C-section operating room in the same facility shall demonstrate that an average of at least 365 C-sections per room were performed in the facility's existing dedicated C-section operating rooms in the previous 12 months and are projected to be performed in the facility's existing, approved, and proposed dedicated C-section rooms during the third year of operation following completion of the project.*
- NA- **All Applicants.** None of the applicants propose to develop an additional dedicated C-section room.

- .2103(d) An applicant proposing to convert a specialty ambulatory surgical program to a multispecialty ambulatory surgical program or to add a specialty area to a specialty ambulatory surgical program shall:*
- (1) provide documentation to show that each existing ambulatory surgery program in the service area that performs ambulatory surgery in the same specialty area as proposed in the application is currently utilized an average of at least 1,312.5 hours per operating room per year; and*
  - (2) demonstrate the need in the third operating year of the project based on the Operating Room Need Methodology set forth in the 2018 State Medical Facilities Plan. The applicant is not required to use the population growth factor.*
- NA- **All Applicants.** None of the applicants propose to convert a specialty ambulatory surgical program to a multispecialty ambulatory surgical program or to add a specialty area to a specialty ambulatory surgical program.
- .2103(e) The applicant shall document the assumptions and provide data supporting the methodology used for each projection in this Rule.*
- NC- **NHMPH.** In Section Q Form Cs, pages 110-116, the applicant provides the projected utilization for each surgical center in the NH Forsyth County health system. In Section C, pages 40-48, the applicant provides the assumptions and methodology used in the development of the projections required by this Rule. However, the applicant does not adequately demonstrate that the projected utilization is based upon reasonable and adequately supported assumptions. The discussion regarding analysis of need, including projected utilization, found in Criterion (3) is incorporated herein by reference. Therefore, the application is not conforming to this Rule.
- C- **TSC.** In Section Q Form C Utilization – Assumptions and Methodology, pages 1-14, the applicant provides the assumptions and methodology used in the development of the projections required by this Rule. The discussion regarding analysis of need, including projected utilization, found in Criterion (3) is incorporated herein by reference.
- C- **NCBH.** In Section Q Form C Utilization, pages 113-120, the applicant provides the assumptions and methodology used in the development of the projections required by this Rule. The discussion regarding analysis of need, including projected utilization, found in Criterion (3) is incorporated herein by reference.

The Criteria and Standards for Gastrointestinal Endoscopy Procedure Rooms in Licensed Health Service Facilities promulgated in 10A NCAC 14C .3900 is applicable to the application submitted by **Triad Surgery Center**.

**SECTION .3900 – CRITERIA AND STANDARDS FOR GASTROINTESTINAL ENDOSCOPY PROCEDURE ROOMS IN LICENSED HEALTH SERVICE FACILITIES**

**.3903 PERFORMANCE STANDARDS**

- (a) *In providing projections for operating rooms, as required in this Rule, the operating rooms shall be considered to be available for use 250 days per year, which is five days per week, 52 weeks per year, excluding 10 days for holidays.*
- C- In Section C.9, page 46, the applicant states that its projections assume that the GI endoscopy room will be available at least five days per week and 52 weeks per year excluding ten days for holidays.
- (b) *An applicant proposing 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 shall reasonably project to perform an average of at least 1,500 GI endoscopy procedures only per GI endoscopy room in each licensed facility the applicant or a related entity owns in the proposed service area, during the second year of operation following completion of the project.*
- C- This proposal would develop one GI endoscopy procedure room in a new licensed ASF. The applicant projects sufficient GI endoscopy procedures to demonstrate the need for one GI endoscopy rooms in the second operating year of operation following completion of the project. The discussion regarding projected utilization found in Criterion (3) is incorporated herein by reference.
- (c) *An applicant proposing 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 shall demonstrate that at least the following types of GI endoscopy procedures will be provided in the proposed facility or GI endoscopy room: upper endoscopy procedures, esophagoscopy procedures, and colonoscopy procedures.*
- C- In Section C, page 47, the applicant states:  

*“Triad Surgery Center will perform upper endoscopy procedures, esophagoscopy procedures, and colonoscopy procedures in the proposed facility consistent with the historical provision of those procedures by the gastroenterologists who support the proposed facility.”*

- (d) *If an applicant, which proposes 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, or a related entity to the applicant owns operating rooms located in the proposed service area, the applicant shall meet one of the following criteria: (1) if the applicant or a related entity performs GI endoscopy procedures in any of its surgical operating rooms in the proposed service area, reasonably project that during the second operating year of the project the average number of surgical and GI endoscopy cases per operating room, for each category of operating room in which these cases will be performed, shall be at least: 4.8 cases per day for each facility for the outpatient or ambulatory surgical operating rooms and 3.2 cases per day for each facility for the shared operating rooms; or (2) demonstrate that GI endoscopy procedures were not performed in the applicant's or related entity's inpatient operating rooms, outpatient operating rooms, or shared operating rooms in the last 12 months and will not be performed in those rooms in the future.*
- NA- The applicant does not own or operate any ORs in the operating room service area of Forsyth County.
- (e) *An applicant proposing to establish a new licensed ambulatory surgical facility for performance of GI endoscopy procedures or develop an additional GI endoscopy room in an existing licensed health service facility shall describe all assumptions and the methodology used for each projection in this Rule.*
- C- The applicant provides the assumptions and methodology used to project utilization in Section Q, pages 14-18. The discussion regarding projected utilization found in Criterion (3) is incorporated herein by reference.

## COMPARATIVE ANALYSIS

Pursuant to N.C. Gen. Stat. § 131E-183(a)(1) and the 2020 State Medical Facilities Plan, no more than two additional operating rooms may be approved for Forsyth County in this review. Because the three applications in this review collectively propose to develop six additional operating rooms to be located in Forsyth County, not all of the applications can be approved. Therefore, after considering all of the information in each application and reviewing each application individually against all applicable review criteria, the Project Analyst conducted a comparative analysis of the proposals to decide which proposal should be approved.

The following provides a brief description of each of the proposed projects being addressed in the comparative analysis:

- **Project ID #G-11910-20/Novant Health Medical Park Hospital/Add two ORs**  
The applicant proposes to add two ORs at NHMPH, an existing acute care hospital, for a total of 12 ORs upon project completion.
- **Project ID #G-11914-20/Triad Surgery Center/Develop a new ASF with two ORs**  
The applicant proposes to establish a new multispecialty ASF in Kernersville by developing two ORs, one GI endoscopy room, and one procedure room.
- **Project ID #G-11916-20/North Carolina Baptist Hospital/Add two ORs**  
The applicant proposes to add two new ORs at NCBH for a total of 53 ORs upon completion of this project, Project ID #G-8460-10, and Project ID #G-11519-18.

As the above description of each proposed project indicates, two applicants are seeking to add two ORs to existing hospitals in Winston-Salem and one is proposing a new ASF with two ORs in Kernersville. The ASF projects to perform 1,809 surgeries in FY3. The other two projects propose to add ORs to full-service acute care hospitals: one is a self-professed state-of-the-art surgical facility, specializing in elective, outpatient and short-stay surgeries, which would have 12 ORs and projects to perform 10,693 surgeries in FY3; the other is a quaternary, academic medical teaching center, which would have 51 ORs (excluding two trauma/burn ORs and including 11 previously approved Policy AC-3 ORs) and projects performing 35,576 surgeries in FY3. The hospitals project many times the number of surgeries projected by the proposed ASF. Because of the significant differences in types of facilities, numbers of total ORs, numbers of projected surgeries, types of proposed surgical services offered, total revenues and expenses, and the differences in presentation of pro forma financial statements, some comparatives may be of less value and result in less than definitive outcomes than if all applications were for like facilities of like size proposing like services and reporting in like formats.



### **Conformity with Statutory and Regulatory Review Criteria**

Table 6C, page 83, of the 2020 SMFP identifies a need for two new ORs in Forsyth County. As shown in Table 6B, page 73, the only two facilities that show a projected OR deficit (need) in 2022 are Novant Health Medical Park Hospital with a deficit of 0.78 ORs and NCBH with a deficit of 4.72 ORs. The Novant Health Health System shows a surplus of 6.41 ORs and the Wake Forest Baptist Health Health System shows a total deficit of 1.92 ORs, which results in the Forsyth County need determination for two ORs. However, the application process is not limited to the provider (or providers) that show a deficit and/or create the need for additional ORs. Any provider can apply to develop the two ORs in Forsyth County. Furthermore, it is not necessary that an existing provider have a deficit of ORs to apply for more ORs. However, it is necessary that an applicant adequately demonstrate the need to develop its project, as proposed.

The **NHMPH** application fails to demonstrate the need for its project and the proposal was not conforming with all applicable statutory and regulatory review criteria. Therefore, the application submitted by **Novant Health, Inc. and Medical Park Hospital** is not approvable and therefore, cannot be an effective alternative.

The **TSC** and **NCBH** applications, each adequately demonstrate the need for their respective proposals and are conforming with all applicable statutory and regulatory review criteria. Therefore, the applications submitted by **The Moses H. Cone Memorial Hospital and MC Kernersville, LLC** and **North Carolina Baptist Hospital** are equally effective alternatives with respect to this comparative.

### **Scope of Services**

Generally, the application proposing to provide the greatest scope of services is the more effective alternative with regard to this comparative factor.

**NHMPH** and **NCBH** are both existing acute care hospitals in Forsyth County which provide numerous types of inpatient and outpatient surgical services. Though **TSC's** parent company Cone Health is an existing acute care hospital in Guilford County, the proposed **TSC ASF** will provide only ambulatory surgical services and therefore, not provide as broad a scope of surgical services as **NHMPH** and **NCBH**.

Therefore, the applications submitted by **Novant Health, Inc. and Medical Park Hospital** and **NCBH** are more effective alternatives with respect to this comparative factor and the application submitted by **The Moses H. Cone Memorial Hospital and MC Kernersville, LLC** is a less effective alternative.

However, differences in the acuity level of patients at each facility, the level of care (community hospital, quaternary care hospital, ambulatory surgical facility), and the number of ORs may impact the number and types of surgical services proposed by each of the above facilities. Thus, the result of this analysis may be of little value.

### **Geographic Accessibility (Location within the Service Area)**

The existing and approved Forsyth County ORs are located in Winston-Salem, Kernersville and Clemmons, the three population centers in the county. Winston-Salem, located near the center of Forsyth County, is identified as a city and has an estimated 2019 population of 247,945; whereas, Kernersville, located on the Forsyth/Guilford county line, with a small portion in western Guilford County, is identified as a town and has an estimated 2019 population of 24,660; and Clemmons, located in southwestern Forsyth County, is considered a village and a suburb of Winston-Salem, with an estimated 2019 population of 20,867.<sup>1</sup>

**NHMPH** and **NCBH** each propose to develop two new ORs in Winston-Salem. **TSC** proposes to develop two new ORs in Kernersville.

The following table identifies the existing and approved Forsyth County ORs from Table 6A, page 61 of the 2020 SMFP by location, facility name, and type of OR. As the table below shows, all Forsyth County ORs are located in one of the three population centers within the county; Winston-Salem, Kernersville, and Clemmons.

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<sup>1</sup> [https://en.wikipedia.org/wiki/Forsyth\\_County,\\_North\\_Carolina](https://en.wikipedia.org/wiki/Forsyth_County,_North_Carolina) and [www.census.gov/quickfacts](http://www.census.gov/quickfacts)

Location	Facility Name	IP ORs	OP ORs	Shared ORs	C-Sec / Trauma / Burn	CON Adjustments	Total Planning ORs
Winston-Salem	NHFMC Main*	5	2 (0)	15(17)	-2	(-2, +2)	20
	NH Hawthorne Outpatient Surgery		4				4
	NH Medical Park Hospital			10			10
	NCBH**	4		36	-2	11	49
	Piedmont Outpatient Surgery Center		2				2
	Triad Center for Surgery					2	2
	<b>Total Winston-Salem ORs</b>		<b>9</b>	<b>8(6)</b>	<b>61(63)</b>	<b>-4</b>	<b>13</b>
Kernersville	NH Kernersville Medical Center			4			4
	NH Kernersville Outpatient Surgery		2				2
	<b>Total Kernersville ORs</b>	<b>0</b>	<b>2</b>	<b>4</b>	<b>0</b>	<b>0</b>	<b>6</b>
Clemmons	NH Clemmons Medical Center			5			5
	NH Clemmons Outpatient Surgery Center					2	2
	WFBH OSC-Clemmons		3				3
	<b>Total Clemmons ORs</b>	<b>0</b>	<b>3</b>	<b>5</b>	<b>0</b>	<b>2</b>	<b>10</b>
<b>Total Forsyth County ORs</b>		<b>9</b>	<b>13(11)</b>	<b>70(72)</b>	<b>-4</b>	<b>15</b>	<b>103</b>

\*NHFMC Main total ORs exclude two dedicated C-Section ORs. The table above identifies two CON Adjustments at NHFMC Main (-2,+2), which offset each other and show up as "0" in the 2020 SMFP Table 6A, page 61: Project ID #G-11300-17 (relocate two outpatient ORs from NH Orthopedic Outpatient Surgery to NH Clemmons Outpatient Surgery Center) and Project ID #G-11517-18 (Add two shared ORs for a total of 22 at FMC Main, including five inpatient ORs and 17 shared ORs). The total number of ORs in (-) in the **OP ORs** and **Shared ORs** columns above show the number of ORs by type when CON adjustments are taken into consideration at the respective facility. (The NHFMC License #H0209, as identified in Table 6A, page 61 of the 2020 SMFP, includes NHFMC Main Campus, NH Kernersville Medical Center, Novant Health Clemmons Medical Center and Novant Health Hawthorne Outpatient Surgery, which are listed individually in the table above to show where the ORs are actually located.)

\*\*NCBH total ORs exclude two dedicated trauma/burn ORs and include the 7 shared ORs approved in Project ID #G-8460-10 and 4 shared ORs approved in Project ID #G-11219-18.

The three population centers in Forsyth County, Winston-Salem, Kernersville, and Clemmons, include 77% of the county's population. The following table compares the number of ORs in the three areas with the 2019 estimate of the total population in that location and results in an OR deficit or surplus by area.

**OR Deficit /Surplus by Location**

	<b>2019 Population Estimate*</b>	<b>Percent of Total County Population Centers</b>	<b># of Existing/ Approved Forsyth ORs</b>	<b>OR Need Based on % Population</b>	<b>OR Deficit /Surplus(-)</b>
Winston-Salem	247,945	84.5%	87	87	0
Kernersville	24,660	8.4%	6	9	3
Clemmons	20,867	7.1%	10	7	-3
<b>Total Population Centers**</b>	<b>293,472</b>	<b>100.0%</b>	<b>103</b>	<b>103</b>	

\* Source: Population: [www.census.gov/quickfacts](http://www.census.gov/quickfacts)

\*\*Total Population Center population represents 77% of the total Forsyth County population

As the table above reflects, based simply on population centers and the number of existing and approved ORs, Winston-Salem does not have a deficit or surplus of ORs, Kernersville has a deficit of three ORs and Clemmons has a surplus of three ORs.

**NHMPH** and **NCBH** propose to develop new ORs in Winston-Salem. **TSC** proposes to develop new ORs in Kernersville. Therefore, based on the proposed location, the percent of population, and the inventory of existing and approved ORs, the application submitted by **The Moses H. Cone Memorial Hospital and MC Kernersville, LLC** is the more effective proposal, with the applications submitted by **Novant Health, Inc. and Medical Park Hospital** and **NCBH** being less effective alternatives.

**Historical Utilization**

Generally, the application submitted by the applicant with the highest utilization of its available surgical services is the more effective alternative with regard to this comparative factor. However, all three applicants are not existing providers of surgical services in Forsyth County.

**NHMPH** and **NCBH** are both existing acute care hospitals in Forsyth County which provide surgical services at more than one surgical center in Forsyth County. The **WFBH System**, and specifically **NCBH**, provided the surgical utilization that created the need determinations for additional ORs in both the 2018 and 2020 SMFPs. However, both systems provide Forsyth County with surgical capacity and performed 30,000 to 40,000 surgical procedures in 2018, per the 2020 SMFP. Both systems also have undeveloped approved ORs which were included in the 2020 need determination. The proposed **TSC ASF** is offered by a new provider of surgical services in Forsyth County and thus has no historical surgical utilization in Forsyth County. Therefore, with respect to surgical services in Forsyth County, the applications submitted by **Novant Health, Inc. and Medical Park Hospital** and **NCBH** are more effective alternatives and the application submitted by **The Moses H. Cone Memorial Hospital and MC Kernersville** is a less effective alternative.

### **Competition (Access to New or Alternate Provider)**

Generally, the application proposing to increase patient access to a new provider or an alternative provider in the service area is the more effective alternative with regard to this comparative factor.

**Novant Health, Inc.** serves Forsyth County residents by providing surgical services at the following existing and approved facilities in Forsyth County:

- Novant Health Forsyth Medical Center (includes NHKMC, NHCMC, and NHHOS)
- Novant Health Medical Park Hospital
- Novant Health Clemmons Outpatient Surgery Center
- Novant Health Kernersville Outpatient Surgery

**The Moses H. Cone Memorial Hospital and MC Kernersville, LLC**, propose to develop Triad Surgery Center in Forsyth County. Per Section A, page 9 of its application, the applicant states that MC Kernersville, LLC does not currently own or operate any existing surgical facilities in North Carolina. The Moses H. Cone Memorial Hospital is the sole member of MC Kernersville, LLC, and owns and operates both hospitals and ASFs in North Carolina. However, The Moses H. Cone Memorial Hospital does not currently offer surgical services in the Forsyth County service area; therefore, this provider would be a new provider of surgical services in Forsyth County.

**NCBH** serves Forsyth County residents by providing surgical services at the following existing facilities in Forsyth County:

- WFBH OSC-Clemmons, approved as Clemmons Medical Park Ambulatory Surgical Center and licensed in February 2018 upon the relocation of three ORs from Plastic Surgery Center of North Carolina, and
- North Carolina Baptist Hospital

Therefore, with regard to introducing a new provider of surgical services in Forsyth County, the application submitted by **The Moses H. Cone Memorial Hospital and MC Kernersville, LLC** is a more effective alternative. The applications submitted by **Novant Health, Inc. and Medical Park Hospital** and **North Carolina Baptist Hospital** are less effective alternatives.

### **Patient Access to Lower Cost Surgical Services**

There are currently 103 ORs (excluding two dedicated C-Section and two Trauma Burn ORs) in the Forsyth County operating room service area (88 existing and 15 approved). Operating rooms can be licensed either under a hospital license or an ASF that does not operate under a hospital license. Based on the applications, written comments and response to comments and statements made at the public hearing, many, but not all outpatient surgical services can either be performed in a hospital licensed operating room (either a shared OR or a dedicated outpatient OR) or in a non-hospital licensed operating room or ASF; however, the cost for that same service will often be much higher in a hospital licensed operating room or, conversely, much less expensive if received in a non-hospital licensed operating room or ASF. Nonetheless, along with inpatient surgical services, there

are some outpatient surgical services that must be performed in a hospital setting and patients must have adequate access to those services.

The following table identifies the existing and approved Forsyth County ORs by location and type of OR.

	<b>Total ORs*</b>	<b>IP ORs</b>	<b>% IP of Total ORs</b>	<b>OP ORs^</b>	<b>% OP of Total ORs</b>	<b>Shared ORs</b>	<b>% Shared of Total ORs</b>
Total Winston-Salem ORs	87	5	6%	8	9%	74	85%
Total Kernersville ORs	6	0	0%	2	33%	4	67%
Total Clemmons ORs	10	0	0%	5	50%	5	50%
<b>Total Forsyth County ORs</b>	<b>103</b>	<b>5</b>	<b>5%</b>	<b>15</b>	<b>15%</b>	<b>83</b>	<b>81%</b>

\*Total ORs includes existing and approved ORs and excludes dedicated C-Section and Burn ORs

^Of the 8 Winston-Salem Outpatient ORs, 4 are hospital-based outpatient ORs and 4 are freestanding ASF ORs

As the table above shows, only 15% of the existing and approved ORs are dedicated outpatient ORs. Four of the 15 outpatient ORs are hospital-based outpatient ORs and 11 of the 15 are ASF ORs; thus, 11% of the total existing and approved ORs are ASFs. The table below shows what percent of the total Forsyth County surgical cases are performed as ambulatory surgeries as opposed to inpatient surgeries.

**Ambulatory Surgical Cases as Percent of  
 Total Forsyth County Surgical Cases**

<b>Forsyth Surgical Facility</b>	<b>Type of OR</b>	<b>Inpatient</b>	<b>Ambulatory (outpatient)</b>	<b>Total</b>	<b>Percent Ambulatory</b>
NHFMC	Hospital Inpatient/Shared and Hospital Outpatient	10,821	19,939	30,760	65%
NHMPH	Hospital Shared	891	8,797	9,688	91%
NCBH	Hospital Inpatient/Shared	14,460	19,786	34,246	58%
WFBH OSC-Clemmons	ASF	0	178	178	100%
NHKOS	ASF	0	247	247	100%
POSC	ASF	0	2,385	2,385	100%
<b>Totals</b>		<b>26,172</b>	<b>51,332</b>	<b>77,504</b>	<b>66%</b>

Source: 2020 SMFP; NHFMC License #H0209 includes NHKMC, NHCMC, and NHHOS; Novant Health Clemmons Outpatient Surgery and Triad Center for Surgery were omitted from the list above because neither facility was operational to report surgical cases performed in FY2018 for the 2020 SMFP

As the two tables above show, though only 15% of Forsyth County's ORs are dedicated outpatient ORs (11% are ASF ORs), 66% of the total Forsyth County surgical cases in 2018 were performed as ambulatory (outpatient) surgeries.

The following table shows what type of OR is located where in Forsyth County.

**Type of Forsyth County OR and Location**

	<b>Total ORs</b>	<b>IP ORs</b>	<b>Shared ORs</b>	<b>Hos-OP ORs</b>	<b>ASF ORs</b>
Total Winston-Salem ORs	87	5	74	4	4
Total Kernersville ORs	6	0	4	0	2
Total Clemmons ORs	10	0	5	0	5
<b>Total Forsyth County ORs</b>	<b>103</b>	<b>5</b>	<b>83</b>	<b>4</b>	<b>11</b>

Total ORs are exclusive of dedicated C-Section and Trauma ORs

The total number of ASF ORs in Forsyth County, existing and approved, is 11: four ASF ORs in Winston-Salem (two at Piedmont Outpatient Surgery Center and two approved for Triad Center for Surgery), two ASF ORs in Kernersville (Novant Health Kernersville Outpatient Surgery), five ASF ORs in Clemmons (three at WFBH OSC-Clemmons and two at Novant Health Clemmons Outpatient Surgery).

Based upon the fact that 66% of Forsyth County’s 2018 surgical cases were ambulatory cases and there is a lack of access to ASF ORs (only 11% of ORs) in Forsyth County, a proposal for the development of lower cost surgical services in ASF ORs would be more effective. Therefore, the application submitted by **The Moses H. Cone Memorial Hospital and MC Kernersville, LLC** is the more effective proposal with respect to this comparative factor. **Novant Health, Inc. and Medical Park Hospital** and **North Carolina Baptist Hospital** applications are less effective with respect to this comparative factor.

**Access by Service Area Residents**

On page 51, the 2020 SMFP states, “An operating room’s ‘service area’ is the service area in which the operating room is located. The operating room service areas are the single and multicounty groupings shown in Figure 6.1.” In Figure 6.1, page 57 of the 2020 SMFP, Forsyth County is shown as a single-county operating room service area. Thus, in this application, the service area is Forsyth County. Providers may serve residents of counties not included in their service area.

Generally, the application projecting to serve the highest percentage of Forsyth County residents is the more effective alternative with regard to this comparative factor since the need determination is for two additional ORs to be located in Forsyth County. Based on the applicants’ projected patient origin for the third full fiscal year of their projects, the following table compares the percentage of each applicants’ surgical services to residents of Forsyth County.

**Percent of Forsyth County Residents  
to be Served in ORs  
Third Full Fiscal Year**

	<b>OR Surgical Services</b>
NHMPH	50.8%
TSC*	<36.9%
NCBH	25.9%

\* The applicant does not identify the total Forsyth County and Guilford County population by ZIP codes from within the “Kernersville” region, which makes up 29.8% of the total patient origin with 7.1% from other Forsyth County ZIP codes. The applicant does state that 63.1% of its projected patients will come from outside the Kernersville region and outside of Forsyth County. See discussion in Criterion (3).

As shown in the table above, **NHMPH** projects to serve the highest percentage of Forsyth County residents during its third full fiscal year of operation following project completion, followed by **TSC** and then **NCBH**.

However, the need determination methodology for operating rooms is a result of the utilization of all patients that utilize surgical services located in Forsyth County and is not based solely on Forsyth County patient origin. Forsyth County has two large health systems, one of which, NCBH, is a quaternary academic medical teaching hospital, serving patients from all over North Carolina, resulting in a very low percentage of Forsyth County residents being served. This is further emphasized by the fact that the need determination for additional ORs in Forsyth County was based on the NCBH utilization, which was composed of only 25.9% Forsyth County patients.

Considering the discussion above, the Agency believes that in this specific instance, comparing the applicants based on the projected OR access of Forsyth County residents has little value. Therefore, the Agency declined to evaluate this comparative.

**Access by Underserved Groups**

“Underserved groups” is defined in G.S. 131E-183(a)(13) as follows:

*“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.”*



*Projected Charity Care*

The following table shows each applicant’s projected charity care to be provided in the project’s third full operating year. Generally, the application proposing to provide the most charity care is the more effective alternative with regard to this comparative factor.

**SURGICAL CHARITY CARE  
 THIRD FULL FISCAL YEAR**

<b>APPLICANT</b>	<b>Projected Total Charity Care*</b>	<b>Charity Care per OR</b>	<b>Charity Care per Surgical Case</b>	<b>Percent of Total Net Surgical Revenue</b>
NHMPH	\$4,167,385	\$347,282	\$390	4.1%
TSC	\$179,839	\$89,920	\$99	2.8%
NCBH	\$67,491,069	\$1,323,354	\$1,897	10.3%

Source: Forms C and F.2 for each applicant

\*NHMPH and TSC included the dollar amount of Charity Care on Form F.2. NCBH reported the number of charity care cases on Form F.2 (as Form F.2 requests) and included Self-pay Write Offs and Charity Care together as an adjustment to revenue on Form F.2. On page 91 of its application, NCBH states that charity care is 2.3% to 2.6% of gross OR revenue. The Agency applied the average of 2.45% to gross revenue to arrive at NCBH’s projected Charity Care (\$2,754,737,513 x 2.45% = \$67,491,069).

As shown in the table above, **NCBH** projects the most charity care in dollars and the highest charity care per OR, per surgical case and as a percent of net revenue to be provided to patients, followed by **NHMPH**. **TSC** projects lower charity care amounts in each category. Therefore, the application submitted by **North Carolina Baptist Hospital**, is the more effective alternative with regard to access to charity care. The applications submitted by **Novant Health, Inc. and Medical Park Hospital** and **The Moses H. Cone Memorial Hospital and MC Kernersville, LLC** are less effective proposals with respect to this comparative factor. However, differences in the acuity level of patients at each facility, the level of care (community hospital, quaternary care hospital, ambulatory surgical facility), number of ORs, the number and types of surgical services proposed by each of the facilities, and the differences in reporting on Form F.2 impacts the averages shown in the table above. Thus, the result of this analysis is inconclusive.

*Projected Medicare*

The following table shows projected Medicare revenue during the third full fiscal year following project completion for each facility. Generally, the application projecting the highest Medicare revenue is the more effective alternative with regard to this comparative factor to the extent the Medicare revenue represents the number of Medicare patients served.

**PROJECTED SURGICAL MEDICARE REVENUE  
 THIRD FULL FISCAL YEAR**

APPLICANT	Projected Total Medicare	Medicare Revenue per Case	Percent of Total Gross Surgical Revenue
NHMPH	\$95,524,760	\$8,933	42.6%
TSC	\$4,023,399	\$2,224	33.1%
NCBH	\$1,101,978,436	\$30,975	40.0%

Source: Forms C and F.2 for each applicant

As shown in the table above, **NCBH** projects the highest total Medicare revenue in dollars, the highest Medicare revenue per surgical case, and a close second in percentage of gross surgical revenue in the project’s third full fiscal year following project completion. **TSC** projects the lowest Medicare revenue in each category.

Therefore, the application submitted by **North Carolina Baptist Hospital** is the more effective alternative with respect to service to Medicare patients, and the applications submitted by **Novant Health, Inc. and Medical Park Hospital** and **The Moses H. Cone Memorial Hospital and MC Kernersville, LLC** are less effective proposals with respect to this comparative factor. However, differences in the acuity level of patients at each facility, the level of care (community hospital, quaternary care hospital, ambulatory surgical facility), number of ORs, and the number and types of surgical services proposed by each of the facilities may impact the averages shown in the table above. Thus, the result of this analysis is inconclusive.

*Projected Medicaid*

The following table shows projected Medicaid revenue during the third full fiscal year following project completion for each facility. Generally, the application projecting the highest Medicaid revenue is the more effective alternative with regard to this comparative factor to the extent the Medicaid revenue represents the number of Medicaid patients served.

**PROJECTED SURGICAL MEDICAID REVENUE  
 THIRD FULL FISCAL YEAR**

APPLICANT	Projected Total Medicaid	Medicaid Revenue per Case	Percent of Total Gross Surgical Revenue
NHMPH	\$9,384,260	\$878	4.2%
TSC	\$137,248	\$76	1.1%
NCBH	\$464,465,454	\$13,055	16.9%

Source: Forms C and F.2 for each applicant

As shown in the table above, **NCBH** projects the highest total Medicaid revenue in dollars, the highest Medicaid revenue per patient, and the highest Medicaid revenue as a percentage of gross surgical revenue in the project’s third full fiscal year following project completion. Therefore, the application submitted by **North Carolina Baptist Hospital** is the more effective alternative with respect to service to Medicaid patients, and the applications submitted by **Novant Health, Inc.**

**and Medical Park Hospital and The Moses H. Cone Memorial Hospital and MC Kernersville, LLC** are less effective proposals with respect to this comparative factor. However, differences in the acuity level of patients at each facility, the level of care (community hospital, quaternary care hospital, ambulatory surgical facility), number of ORs, and the number and types of surgical services proposed by each of the facilities may impact the averages shown in the table above. Thus, the result of this analysis is inconclusive.

**Projected Average Net Revenue per Case**

The following table shows the projected average net surgical revenue per surgical case or patient in the third full fiscal year following project completion for each facility. Generally, the application projecting the lowest average net revenue per surgical case or per patient is the more effective alternative with regard to this comparative factor to the extent the average reflects a lower cost to the patient or third-party payor.

**Revenue per OR and per Surgical Case  
 Third Full Fiscal Year**

	Net Revenue	# of Cases	Net Revenue/Case
NHMPH	\$101,255,263	10,693	\$9,469
TSC	\$6,462,116	1,809	\$3,572
NCBH	\$656,941,979	35,576	\$18,466

Source: Forms C and F.2 in each application

As shown in the table above, **TSC** projects the lowest net revenue per surgical case in the third operating year. Therefore, the application submitted by **The Moses H. Cone Memorial Hospital and MC Kernersville, LLC** is the more effective application with respect to net revenue per surgical case, and the applications submitted by **Novant Health, Inc. and Medical Park Hospital and North Carolina Baptist Hospital** are less effective proposals with respect to this comparative factor. However, differences in the acuity level of patients at each facility, the level of care (community hospital, quaternary care hospital, ambulatory surgical facility), number of ORs, and the number and types of surgical services proposed by each of the facilities may impact the averages shown in the table above. Thus, the result of this analysis is inconclusive.

**Projected Average Operating Expense per Case**

The following table shows the projected average operating expense per surgical case or patient in the third full fiscal year following project completion for each facility. Generally, the application projecting the lowest average operating expense per surgical case or patient is the more effective alternative with regard to this comparative factor to the extent it reflects a more cost-effective service which could also result in lower costs to the patient or third-party payor.

**Operating Expense per Surgical Case  
 Third Full Fiscal Year**

	<b>Operating Expense</b>	<b># of Cases</b>	<b>Operating Expense/Case</b>
NHMPH	\$70,853,346	10,693	\$6,626
TSC	\$4,889,692	1,809	\$2,703
NCBH	\$618,448,439	35,576	\$17,384

Source: Forms C and F.2 in each application

As shown in the table above, **TSC** projects the lowest average operating expense per surgical case in the third full fiscal year. Therefore, the application submitted by **The Moses H. Cone Memorial Hospital and MC Kernersville, LLC** is the more effective application with respect to operating expense per surgical case, and the applications submitted by **Novant Health, Inc. and Medical Park Hospital** and **North Carolina Baptist Hospital** are less effective proposals with respect to this comparative factor. However, differences in the acuity level of patients at each facility, the level of care (community hospital, quaternary care hospital, ambulatory surgical facility), number of ORs, and the number and types of surgical services proposed by each of the facilities may impact the averages shown in the table above. Thus, the result of this analysis is inconclusive.

**SUMMARY**

Due to significant differences in the types of surgical facilities, types of surgical services to be offered, number of total operating rooms, and total revenues and expenses, some comparative factors may be of less value and result in less than definitive outcomes than if all applications were for like facilities of like size, proposing like services.

The following table lists the comparative factors and states which application is the more effective alternative with regard to that particular comparative factor. Note: the comparative factors are listed in the same order they are discussed in the Comparative Analysis, which should not be construed to indicate an order of importance.

<b>Comparative Factor</b>	<b>NHMPH</b>	<b>TSC</b>	<b>NCBH</b>
Conformity with Review Criteria	No	Yes	Yes
Scope of Services	Not Approvable	Less Effective	<b>More Effective</b>
Geographic Accessibility	Not Approvable	<b>More Effective</b>	Less Effective
Historical Utilization	Not Approvable	Less Effective	<b>More Effective</b>
Competition/Access to New Provider	Not Approvable	<b>More Effective</b>	Less Effective
Patient Access to Lower Cost Services	Not Approvable	<b>More Effective</b>	Less Effective
Access by Service Area Residents	Not Evaluated	Not Evaluated	Not Evaluated
Access by Underserved Groups: Projected Charity Care	Inconclusive	Inconclusive	Inconclusive
Access by Underserved Groups: Projected Medicare	Inconclusive	Inconclusive	Inconclusive
Access by Underserved Groups: Projected Medicaid	Inconclusive	Inconclusive	Inconclusive
Projected Average Net Revenue per Case	Inconclusive	Inconclusive	Inconclusive
Projected Average Operating Expense per Case	Inconclusive	Inconclusive	Inconclusive

The Novant Health Medical Park Hospital application is not an effective alternative with respect to conformity with Review Criteria and therefore is not approvable and will not be further discussed in the comparative evaluation below:

- With respect to Conformity with Review Criteria, of the approvable applications, **TSC** and **NCBH** offer equally effective alternatives. See Comparative Analysis for discussion.
- With respect to Scope of Services, of the approvable applications, **NCBH** proposes the more effective alternative. See Comparative Analysis for discussion.
- With respect to Geographic Accessibility, of the approvable applications, **TSC** proposes the more effective alternative. See Comparative Analysis for discussion.
- With respect to Historical Utilization, of the approvable applications, **NCBH** offers the more effective alternative. See Comparative Analysis for discussion.
- With respect to Competition/Access to a New Provider, **TSC** projects access to a new provider and enhanced competition and therefore is the more effective alternative with respect to this comparative factor. See Comparative Analysis for discussion.
- With respect to Patient Access to Lower Cost Services, **TSC** offers the more effective alternative. See Comparative Analysis for discussion.

### **CONCLUSION**

G.S. 131E-183(a)(1) states that the need determination in the SMFP is the determinative limit on the number of ORs that can be approved by the Healthcare Planning and Certificate of Need Section. Approval of all applications submitted during this review would result in ORs in excess of the need determination for Forsyth County. However, the application submitted by **Novant Health, Inc. and Medical Park Hospital** is not approvable and therefore cannot be considered an effective alternative. Consequently, the application submitted by **Novant Health, Inc. and Medical Park Hospital, Project I.D. #G-11910-20**, is denied.

The application submitted by **The Moses H. Cone Memorial Hospital and MC Kernersville, LLC** is determined to be the more effective alternative in this review for the following reasons:

- Triad Surgery Center proposes more effective geographical access.
- Triad Surgery Center proposes access to a new provider.
- Triad Surgery Center offers effective lower cost freestanding ambulatory surgery services.

**The application submitted by The Moses H. Cone Memorial Hospital and MC Kernersville, LLC is conditionally approved subject to the following conditions.**

1. **The Moses H. Cone Memorial Hospital and MC Kernersville, LLC (hereinafter certificate holder) shall materially comply with all representations made in the certificate of need application.**
2. **The certificate holder shall develop a new ASF with no more than two ORs pursuant to the 2020 SMFP need determination, one GI endoscopy room, and one procedure room.**
3. **Upon completion of the project, the certificate holder shall be licensed for no more than two operating rooms and one GI endoscopy room.**
4. **Progress Reports:**
  - a. **Pursuant to G.S. 131E-189(a), the certificate holder shall submit periodic reports on the progress being made to develop the project consistent with the timetable and representations made in the application on the Progress Report form provided by the Healthcare Planning and Certificate of Need Section. The form is available online at: <https://info.ncdhhs.gov/dhsr/coneed/progressreport.html>.**
  - b. **The certificate holder shall complete all sections of the Progress Report form.**
  - c. **The certificate holder shall describe in detail all steps taken to develop the project since the last progress report and should include documentation to substantiate each step taken as available.**
  - d. **Progress reports shall be due on the first day of every fourth month. The first progress report shall be due on April 1, 2021. The second progress report shall be due on August 1, 2021 and so forth.**
5. **The certificate holder shall not acquire as part of this project any equipment that is not included in the project's proposed capital expenditures in Section VIII of the application and that would otherwise require a certificate of need.**
6. **For the first three years of operation following completion of the project, the certificate holder shall not increase charges more than 5% of the charges projected in Section X and Section XIII 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.**
7. **The certificate holder shall develop and implement an Energy Efficiency and Sustainability Plan for the project that conforms to or exceeds energy efficiency and water conservation standards incorporated in the latest editions of the North Carolina State Building Codes.**
8. **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,**

**the certificate holder 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.**
- 9. The certificate holder 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.**