

## REQUIRED STATE AGENCY FINDINGS

### FINDINGS

C = Conforming

CA = Conforming as Conditioned

NC = Nonconforming

NA = Not Applicable

Decision Date: February 9, 2021

Findings Date: February 9, 2021

Project Analyst: Julie M. Faenza

Assistant Chief: Lisa Pittman

Project ID #: O-11947-20

Facility: New Hanover Regional Medical Center – Scotts Hill

FID #: 200732

County: New Hanover

Applicant(s): New Hanover Regional Medical Center

Project: Develop a new hospital by relocating no more than 30 acute care beds and 8 ORs from New Hanover Regional Medical Center and developing 36 acute care beds pursuant to the need determination in the 2020 SMFP for a total of no more than 66 acute care beds

### REVIEW CRITERIA

G.S. §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

New Hanover Regional Medical Center, hereinafter referred to as “NHRMC” or “the applicant,” proposes to develop a new 66-bed acute care hospital by developing 36 acute care beds pursuant to the need determination for New Hanover County in the 2020 State Medical Facilities Plan (SMFP) and relocating 30 acute care beds from NHRMC’s Orthopedic Hospital campus (NHRMC-OH). The applicant plans to develop six new observation beds and two new gastrointestinal endoscopy (GI endo) procedure rooms. The applicant plans to relocate eight existing ORs, one CT scanner, one ultrasound machine, four x-ray/fluoroscopy machines, and one nuclear medicine camera from NHRMC-OH.

The new hospital, to be known as New Hanover Regional Medical Center – Scotts Hill (NHRMC-Scotts Hill), will be a satellite campus of NHRMC’s main hospital (NHRMC-

Main), and will be located in the Scotts Hill area of Wilmington, where the applicant currently operates New Hanover Regional Medical Center Emergency Department North (NHRMC-EDN), a satellite emergency department, and an outpatient surgery center, Atlantic SurgiCenter (NHRMC-ASC). NHRMC-EDN, along with medical equipment located there (one CT scanner, two ultrasound machines, one x-ray/fluoroscopy machine, and a mammography unit) will be incorporated into NHRMC-Scotts Hill. The applicant also proposes to continue mobile MRI services currently offered at NHRMC-EDN several days per week.

### **Need Determination**

Chapter 5 of the 2020 SMFP includes a methodology for determining the need for additional acute care beds in North Carolina by service area. Table 5B on page 48 of the 2020 SMFP includes an acute care bed need determination for 36 additional acute care beds in the New Hanover County service area. Page 36 of the 2020 SMFP states:

*“Any qualified applicant may apply for a certificate of need to acquire the needed acute care beds. A person is a qualified applicant if he or she proposes to operate the additional acute care beds in a hospital that will provide:*

- (1) a 24-hour emergency services department,*
- (2) inpatient medical services to both surgical and non-surgical patients, and*
- (3) if proposing a new licensed hospital, medical and surgical services on a daily basis within at least five of the major diagnostic categories as recognized by the Centers for Medicare and Medicaid services (CMS) as follows: ...” [as listed on pages 36-37 of the 2020 SMFP]*

In Section C, page 26, the applicant states NHRMC-Scotts Hill will incorporate NHRMC-EDN into the development of the new hospital campus (and thus will have a 24-hour emergency services department). The applicant states throughout the application that NHRMC-Scotts Hill will provide inpatient medical services to medical and surgical patients. In Section C, page 46, the applicant states it projects to serve patients who are medically appropriate to receive care at NHRMC-Scotts Hill, and states it projects that patient population by identifying specific Diagnosis Related Groups (DRGs) appropriate for treatment at NHRMC-Scotts Hill. In Exhibit C-4.4, the applicant lists the DRGs it identified as appropriate for care at NHRMC-Scotts Hill, and the Project Analyst is able to determine that, based on the specific DRGs, NHRMC-Scotts Hill will provide medical and surgical services on a daily basis within at least five of the major diagnostic categories as recognized by CMS and as listed on pages 36-37 of the 2020 SMFP.

Therefore, based on the information provided by the applicant, the applicant is qualified to apply for a certificate of need to develop the acute care beds.

The applicant does not propose to develop more new acute care beds than are determined to be needed in the 2020 SMFP for the New Hanover County service area. Therefore, the application is consistent with the need determination.

**Policies**

There are three policies in the 2020 SMFP applicable to this review: Policy AC-5: *Replacement of Acute Care Bed Capacity*, Policy GEN-3: *Basic Principles*, and Policy GEN-4: *Energy Efficiency and Sustainability for Health Service Facilities*.

Policy AC-5: *Replacement of Acute Care Bed Capacity*, on pages 19-20 of the 2020 SMFP, states:

*“Proposals for either partial or total replacement of acute care beds (i.e., construction of new space for existing acute care beds) shall be evaluated against the utilization of the total number of acute care beds in the applicant’s hospital in relation to utilization targets found below. For hospitals **not** designated by the Centers for Medicare & Medicaid Services as Critical Access Hospitals, in determining utilization of acute care beds, only acute care bed “days of care” shall be counted. For hospitals designated by the Centers for Medicare & Medicaid Services as Critical Access Hospitals, in determining utilization of acute care beds, only acute care bed “days of care” **and** swing bed days (i.e., nursing facility days of care) shall be counted in determining utilization of acute care beds. Any hospital proposing replacement of acute care beds must clearly demonstrate the need for maintaining the acute care bed capacity proposed within the application. Additionally, if the hospital is a Critical Access Hospital and swing bed days are proposed to be counted in determining utilization of acute care beds, the hospital shall also propose to remain a Critical Access Hospital and must demonstrate the need for maintaining the swing bed capacity proposed within the application. If the Critical Access Hospital does not propose to remain a Critical Access Hospital, only acute care bed “days of care” shall be counted in determining utilization of acute care beds and the hospital must clearly demonstrate the need for maintaining the acute care bed capacity proposed within the application.*

<b><i>Facility Average Daily Census</i></b>	<b><i>Target Occupancy of Licensed Acute Care Beds</i></b>
<i>1-99</i>	<i>66.7%</i>
<i>100-200</i>	<i>71.4%</i>
<i>Greater than 200</i>	<i>75.2%”</i>

(emphasis in original)

Policy AC-5 is applicable to this review because the applicant proposes to construct new space for 30 existing acute care beds. In Section B, page 15, the applicant projects acute care bed days of care for the NHRMC license during the first three full fiscal years following project completion. The applicant’s projections from page 15 are shown in the table below.

<b>NHRMC (all campuses licensed together) Projected Utilization – FYs 1-3</b>			
	<b>FY 1 (FFY 2025)</b>	<b>FY 2 (FFY 2026)</b>	<b>FY 3 (FFY 2027)</b>
# of Beds	714	714	714
# of Patient Days	225,504	230,915	236,457
ADC*	618	633	648
Occupancy**	86.5%	88.6%	90.7%

\*ADC equals total number of patient days of care divided by the number of days in that time period.

\*\*Occupancy equals ADC divided by the number of beds.

As shown in the table above, all campuses of NHRMC licensed together are projected to have an ADC of greater than 200 and will exceed the applicable utilization target of 75.2 percent in the third full fiscal year following project completion.

However, the applicant does not demonstrate the need for the proposed project, or that projected utilization is reasonable and adequately supported. The discussion regarding demonstration of need, including projected utilization, found in Criterion (3) is incorporated herein by reference. In addition to the applicant not demonstrating the need to develop NHRMC-Scotts Hill or that projected utilization at NHRMC-Scotts Hill is reasonable and adequately supported, the applicant provides no assumptions or methodology in the application as submitted to support the projections shown in the table above from Section B, page 15. An application that cannot demonstrate the need for the proposed project cannot “...clearly demonstrate the need for maintaining the acute care bed capacity proposed within the application...” as required by Policy AC-5. Further, there is no publicly available information that could be used to demonstrate that the proposal is consistent with Policy AC-5. Therefore, the application is not consistent with Policy AC-5.

Policy GEN-3: *Basic Principles*, 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.”*

In Section B, pages 17-20, the applicant explains why it believes its application is consistent with Policy GEN-3. The applicant adequately documents how the project will promote safety and quality in the delivery of acute care bed services in New Hanover County and will promote equitable access to acute care bed services in New Hanover County.

However, the applicant does not adequately demonstrate how its projected volumes incorporate the concept of maximizing healthcare value for resources expended. The applicant does not adequately demonstrate the need to develop 36 new acute care beds and to relocate

30 existing acute care beds, eight existing ORs, and other existing assets to develop a new hospital campus. The discussion regarding analysis of need including projected utilization found in Criterion (3) is incorporated herein by reference. Therefore, the applicant fails to adequately demonstrate how the proposed project will maximize healthcare value for resources expended in meeting the need identified in the 2020 SMFP. Thus, the application is not consistent with Policy GEN-3.

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

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

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

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

The proposed capital expenditure for this project is greater than \$5 million. In Section B, pages 21-22 and Section K, pages 113-114, the applicant provides a written statement describing the project’s plan to assure improved energy efficiency and water conservation. Therefore, the application is consistent with Policy GEN-4.

### **Conclusion**

The Agency reviewed the:

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

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

- The applicant does not adequately demonstrate that the proposal is consistent with Policy AC-5 based on the following:
  - The applicant does not adequately demonstrate the need to develop 36 new acute care beds and to relocate 30 existing acute care beds, eight existing ORs, and other existing assets to develop a new hospital campus.
  - Therefore, the applicant does not “...clearly demonstrate the need for maintaining the acute care bed capacity proposed within the application...” as required by Policy AC-5.
- The applicant does not adequately demonstrate that the proposal is consistent with Policy GEN-3 based on the following:
  - The applicant does not adequately demonstrate the need to develop 36 new acute care beds and to relocate 30 existing acute care beds, eight existing ORs, and other existing assets to develop a new hospital campus.
  - Therefore, the applicant does not adequately demonstrate how its projected volumes incorporate the concept of maximum value for resources expended as required in Policy GEN-3.

(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, ... persons [with disabilities], the elderly, and other underserved groups are likely to have access to the services proposed.

NC

The applicant proposes to develop a new 66-bed acute care hospital by developing the 36 acute care beds from the 2020 SMFP, developing six new observation beds and two new GI endo procedure rooms, and relocating 30 acute care beds, eight ORs, one CT scanner, one ultrasound machine, four x-ray/fluoroscopy machines, and one nuclear medicine camera from NHRMC-OH. The new hospital, NHRMC-Scotts Hill, will be located at the same site as NHRMC-ASC and NHRMC-EDN. The applicant proposes to incorporate NHRMC-EDN into the new hospital campus, along with one existing CT scanner, two ultrasound machines, one x-ray/fluoroscopy machine, and a mammography unit. The applicant also proposes to continue mobile MRI services currently offered at NHRMC-EDN several days per week.

New Hanover Regional Medical Center is not only the name of the applicant, it is also the name of the hospital in New Hanover County. The hospital has multiple campuses licensed together, but which are often referred to separately throughout this application. For clarity and ease of understanding, the Project Analyst prepared the following information.

<b>Name of Facility</b>	<b>Type/Location</b>	<b>Reference/Acronym Used</b>
New Hanover Regional Medical Center	“Main” campus in downtown Wilmington	NHRMC-Main
New Hanover Regional Medical Center Orthopedic Hospital	Orthopedic Hospital campus – located several miles from the main campus	NHRMC-OH
New Hanover Regional Medical Center ED North	Satellite ED located on the same site as the proposed new facility	NHRMC-EDN
Atlantic SurgiCenter	Outpatient surgery center located on the same site as the proposed new facility	NHRMC-ASC
New Hanover Regional Medical Center Scotts Hill	Proposed new satellite hospital campus	NHRMC-Scotts Hill

References to “NHRMC” should be interpreted to mean the applicant, and references to the “NHRMC license” should be interpreted to mean more than one (or all) of the associated campuses.

The NHRMC license consists of NHRMC-Main, an acute care hospital with 603 acute care beds and 26 ORs (including three dedicated C-Section ORs and two dedicated open-heart surgery ORs); NHRMC-OH, a separate campus with 75 acute care beds and eight ORs; NHRMC-ASC, an outpatient surgery center with four ORs; and NHRMC-EDN, a satellite ED.

NHRMC-OH currently has 75 acute care beds and eight ORs. As part of Project I.D. #O-11189-16, the applicant was approved to relocate 68 acute care beds and five ORs from NHRMC-OH to NHRMC-Main. However, on April 15, 2020, the applicant sought a material compliance approval from the Agency to relocate 45 beds from NHRMC-OH to NHRMC-Main instead of 68 beds and to leave the existing ORs at NHRMC-OH where they were instead of relocating five of them to NHRMC-Main (which the Agency approved on May 6, 2020).

In Section C, page 25, the applicant states it plans to close the NHRMC-OH campus following completion of this project, Project I.D. #O-11189-16, and after the development of any future projects it will file involving the relocation of remaining ancillary services from the NHRMC-OH campus. Throughout the application, the applicant refers to the shift of patients or transfer of assets to a “future location.” The applicant states it will file any appropriate applications for certificates of need to relocate these remaining ancillary services.

NHRMC-Scotts Hill will offer inpatient, outpatient, and emergency care. In Section C, page 27, the applicant states the proposed project will involve:

- Development of the following assets:
  - 36 new acute care beds
  - 6 observation beds
  - 2 GI endo procedure rooms

- Relocation of the following assets from NHRMC-OH:
  - 30 acute care beds
  - 8 ORs
  - 1 CT scanner
  - 1 ultrasound machine
  - 4 x-ray/fluoroscopy machines
  - 1 nuclear medicine camera
  
- Incorporation of the following assets currently located at NHRMC-EDN:
  - 1 CT scanner
  - 2 ultrasound machines
  - 1 x-ray/fluoroscopy machine
  - 1 mammography unit
  - Mobile MRI scanner services (provided by a vendor)

On page 27, the applicant states some of the equipment being relocated from NHRMC-OH will be replaced as it is nearing the end of its useful life. The applicant does not explain which equipment will be replaced; however, in Exhibit F-1.1, the applicant provides a list of medical equipment it proposes to acquire and to relocate from NHRMC-OH. According to the list provided by the applicant, the ultrasound machine, the nuclear medicine camera, and three x-ray/fluoroscopy machines will be relocated and replaced; the CT scanner and one x-ray/fluoroscopy machine will be relocated without replacement.

### **Patient Origin**

The 2020 SMFP defines the service area for acute care bed services and ORs as the planning area in which the acute care beds and ORs are located. The 2020 SMFP does not define the service area for GI endo procedure rooms; however, the Criteria and Standards for Gastrointestinal Endoscopy Procedure Rooms in Licensed Health Service Facilities, promulgated in 10A NCAC 14C .3901(6), state that the service area is defined by the applicant. Thus, the service area for the acute care beds and ORs is New Hanover County, and the service area for the GI endo procedure rooms is 15 ZIP codes in New Hanover and Pender counties. Facilities may also serve residents of counties not included in their service area.

In Section C, page 33, the applicant provides a list of ZIP codes divided into a Primary Service Area (PSA) and Secondary Service Area (SSA). The ZIP codes comprising the PSA and SSA as defined by the applicant are shown in the table below.

<b>NHRMC-Scotts Hill Projected Area of Patient Origin</b>	
<b>Primary Service Area</b>	28401 (Wilmington)
	28405 (Wilmington)
	28411 (Wilmington)
	28429 (Castle Hayne)
	28443 (Hampstead)
	28445 (Holly Ridge)
	28480 (Wrightsville Beach)
<b>Secondary Service Area</b>	28403 (Wilmington)
	28409 (Wilmington)
	28412 (Wilmington)
	28435 (Currie)
	28436 (Delco)
	28451 (Leland)
	28457 (Rocky Point)
	28479 (Winnabow)

NHRMC-Scotts Hill is not an existing hospital campus and thus has no historical patient origin.

The following tables illustrate projected patient origin for the first three full fiscal years (FYs) following project completion. The applicant’s first three full fiscal years are Federal Fiscal Years (FFYs) 2025-2027. On pages 29-30, the applicant states the “Other” category in its projected patient origin is comprised of in-migration from other North Carolina counties and other states, and notes that the tables may not foot due to rounding.

<b>Projected Patient Origin – Acute Care Beds</b>						
<b>County</b>	<b>FY 1 (FFY 2025)</b>		<b>FY 2 (FFY 2026)</b>		<b>FY 3 (FFY 2027)</b>	
	<b># Patients</b>	<b>% of Total</b>	<b># Patients</b>	<b>% of Total</b>	<b># Patients</b>	<b>% of Total</b>
New Hanover	3,090	70.02%	3,328	69.95%	3,404	69.88%
Pender	691	15.67%	748	15.73%	770	15.80%
Brunswick	219	4.95%	236	4.96%	242	4.96%
Onslow	176	4.00%	190	4.00%	195	4.01%
Columbus	16	0.36%	17	0.36%	17	0.36%
Other	221	5.00%	238	5.00%	244	5.00%
<b>Total</b>	<b>4,413</b>	<b>100.00%</b>	<b>4,757</b>	<b>100.00%</b>	<b>4,872</b>	<b>100.00%</b>

Source: Section C, page 29

<b>Projected Patient Origin – GI Endoscopy Procedure Rooms</b>						
<b>County</b>	<b>FY 1 (FFY 2025)</b>		<b>FY 2 (FFY 2026)</b>		<b>FY 3 (FFY 2027)</b>	
	<b># Patients</b>	<b>% of Total</b>	<b># Patients</b>	<b>% of Total</b>	<b># Patients</b>	<b>% of Total</b>
New Hanover	2,075	70.02%	2,141	69.95%	2,184	69.88%
Pender	464	15.67%	481	15.73%	494	15.80%
Brunswick	147	4.95%	152	4.96%	155	4.96%
Onslow	118	4.00%	122	4.00%	125	4.01%
Columbus	11	0.36%	11	0.36%	11	0.36%
Other	148	5.00%	153	5.00%	156	5.00%
<b>Total</b>	<b>2,963</b>	<b>100.00%</b>	<b>3,061</b>	<b>100.00%</b>	<b>3,125</b>	<b>100.00%</b>

Source: Section C, page 29

**Note:** Includes both inpatients and outpatients

Projected Patient Origin – ORs						
County	FY 1 (FFY 2025)		FY 2 (FFY 2026)		FY 3 (FFY 2027)	
	# Patients	% of Total	# Patients	% of Total	# Patients	% of Total
New Hanover	6,261	70.02%	6,373	69.95%	6,487	69.88%
Pender	1,401	15.67%	1,433	15.73%	1,467	15.80%
Brunswick	443	4.95%	452	4.96%	461	4.96%
Onslow	357	4.00%	365	4.00%	372	4.01%
Columbus	32	0.36%	33	0.36%	33	0.36%
Other	447	5.00%	456	5.00%	464	5.00%
<b>Total</b>	<b>8,942</b>	<b>100.00%</b>	<b>9,111</b>	<b>100.00%</b>	<b>9,283</b>	<b>100.00%</b>

Source: Section C, page 29

**Note:** Includes both inpatients and outpatients

Projected Patient Origin – Emergency Department						
County	FY 1 (FFY 2025)		FY 2 (FFY 2026)		FY 3 (FFY 2027)	
	# Patients	% of Total	# Patients	% of Total	# Patients	% of Total
New Hanover	26,519	70.02%	27,252	69.95%	28,006	69.88%
Pender	5,933	15.67%	6,129	15.73%	6,331	15.80%
Brunswick	1,875	4.95%	1,931	4.96%	1,988	4.96%
Onslow	1,514	4.00%	1,559	4.00%	1,605	4.01%
Columbus	137	0.36%	140	0.36%	143	0.36%
Other	1,894	5.00%	1,948	5.00%	2,004	5.00%
<b>Total</b>	<b>37,872</b>	<b>100.00%</b>	<b>38,959</b>	<b>40,077</b>	<b>3,889</b>	<b>100.00%</b>

Source: Section C, page 30

**Note:** Includes both inpatients and outpatients

Projected Patient Origin – Entire Facility (All Services)						
County	FY 1 (FFY 2025)		FY 2 (FFY 2026)		FY 3 (FFY 2027)	
	# Patients	% of Total	# Patients	% of Total	# Patients	% of Total
New Hanover	80,103	70.02%	82,074	69.95%	83,880	69.88%
Pender	17,922	15.67%	18,459	15.73%	18,963	15.80%
Brunswick	5,665	4.95%	5,815	4.96%	5,955	4.96%
Onslow	4,573	4.00%	4,695	4.00%	4,808	4.01%
Columbus	415	0.36%	421	0.36%	427	0.36%
Other	5,720	5.00%	5,867	5.00%	6,002	5.00%
<b>Total</b>	<b>114,398</b>	<b>100.00%</b>	<b>117,331</b>	<b>100.00%</b>	<b>120,035</b>	<b>100.00%</b>

Source: Section C, page 30

**Note:** Includes both inpatients and outpatients for all services

In Section C, pages 30-33, the applicant provides the assumptions and methodology used to project patient origin. The applicant’s assumptions are reasonable and adequately supported based on the following:

- The applicant bases its projected patient origin in part on its historical patient origin.
- The applicant adjusts its projected area of patient origin to account for the proposed location of the new facility.

- The applicant adjusts its projected area of patient origin to account for the distance between the area of patient origin and other existing facilities in the area.

### **Analysis of Need**

In Section C, pages 25-27 and 35-45, the applicant explains why it believes the population projected to utilize the proposed services needs the proposed services, as summarized below:

- The applicant's long-term planning strategy includes closure of the NHRMC-OH campus, which necessitates the relocation of those assets. The proposed project involves the relocation of acute care beds, ORs, and other assets which are currently located on the NHRMC-OH campus.
- NHRMC-Main is a tertiary care provider and the only hospital in New Hanover County; developing the proposed campus will help shift lower-acuity inpatients and outpatients to a smaller, less congested, and more convenient location. NHRMC-Main is also located in downtown Wilmington and shifting patients to a campus away from downtown will increase accessibility.
- The applicant already operates NHRMC-ASC and NHRMC-EDN at the proposed site for NHRMC-Scotts Hill. Developing the new campus at the site of existing services will allow integration of those existing services with the new campus.
- The applicant cites data from the NC Office of State Budget and Management (NC OSBM) projecting the population of New Hanover County and Pender County will grow at rates of 1.5 percent and 1.7 percent, respectively, between 2020 and 2025. The applicant also states that, for both New Hanover and Pender counties, the total population of residents aged 65 and older is projected to grow at 3.1 percent between 2020 and 2025.
- The Scotts Hill area of New Hanover County has been undergoing tremendous amounts of economic development, with major housing and commercial projects under development. The applicant states the Scotts Hill area is considered to be one of the most valuable areas of land to develop along the southeastern US coast. The applicant states the increasing development of the area will lead to population increases that support an additional hospital campus in the area.
- NHRMC-Scotts Hill will be located near major access roads, which will allow easier access to the campus. The applicant also states that while some patients may live closer to the existing campus of NHRMC-Main, having a smaller campus that is easily accessible and less utilized than NHRMC-Main may lead to some patients choosing to drive slightly further to NHRMC-Scotts Hill, rather than drive through the traffic and congestion of downtown Wilmington and the NHRMC-Main campus.
- Historical utilization of acute care bed services for the campuses on the NHRMC license has grown at a CAGR of 0.6 percent between FY 2015 and FY 2019. The applicant states utilization has increased despite the effects of Hurricane Florence making landfall in New

Hanover County in late 2018, as well as the likely effects of Hurricane Dorian on utilization in late 2019. The applicant also states the campuses on the NHRMC license have seen an increase in its Average Length of Stay (ALOS) during that time, as it handles increasingly complex patients, and that increase contributes to higher utilization.

- The proposed project has support from medical professionals and other community members.

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

- The applicant uses reliable and publicly available data to demonstrate the projected population growth in the area.
- The applicant provides maps to support its statements about the location of the proposed facility and its proximity to major roads.
- It is widely known that NHRMC has been working to close the NHRMC-OH campus for several years and that hurricanes severely impacted New Hanover County; the applicant provides information to support its statements of need that are consistent with the widely known and publicly available information.

However, the applicant does not demonstrate that projected utilization is reasonable and adequately supported, as discussed in detail below. Projected utilization is an integral part of demonstrating need for a proposed project; if projected utilization is not reasonable and adequately supported, that calls into question the need to develop the proposed project.

Projected Utilization

On Form C in Section Q, the applicant provides projected utilization as illustrated in the following tables.

<b>NHRMC-Scotts Hill Projected Utilization Acute Care &amp; Observation Beds</b>			
	<b>FY 1 (FFY 2025)</b>	<b>FY 2 (FFY 2026)</b>	<b>FY 3 (FFY 2027)</b>
<b>Total Acute Care Beds</b>			
# of Beds	66	66	66
# Admissions	4,413	4,757	4,872
# of Patient Days	17,633	19,006	19,461
<b>Observation Beds</b>			
# of Beds	6	6	6
# of Patient Days	2,954	3,079	3,144
ALOS*	0.5	0.5	0.5

\*ALOS = Average Length of Stay

<b>NHRMC-Scotts Hill Projected Utilization ED &amp; Other Services</b>			
	<b>FY 1 (FFY 2025)</b>	<b>FY 2 (FFY 2026)</b>	<b>FY 3 (FFY 2027)</b>
<b>CT Scanner</b>			
# of Units	2	2	2
# of Scans	18,851	19,228	19,613
<b>MRI Scanner</b>			
# of Units	1 (mobile)	1 (mobile)	1 (mobile)
# of Procedures	2,411	2,486	2,537
# of Weighted Procedures	3,114	3,185	3,252
<b>Fixed X-ray (including fluoroscopy)</b>			
# of Units	5	5	5
# of Procedures	44,661	45,555	46,466
<b>Mammography</b>			
# of Units	1	1	1
# of Procedures	4,758	4,853	4,950
<b>Ultrasound</b>			
# of Units	3	3	3
# of Procedures	8,260	8,480	8,653
<b>Nuclear Medicine</b>			
# of Units	1	1	1
# of Procedures	1,192	1,205	1,210
<b>Emergency Department</b>			
# of Treatment Rooms/Beds	12	12	12
# of Visits	37,872	38,959	40,077

<b>NHRMC-Scotts Hill Projected Utilization GI Endoscopy Procedures &amp; Surgical Services</b>			
	<b>FY 1 (FFY 2025)</b>	<b>FY 2 (FFY 2026)</b>	<b>FY 3 (FFY 2027)</b>
<b>GI Endoscopy Rooms</b>			
# of Rooms	2	2	2
# of Inpatient Procedures	662	714	731
# of Outpatient Procedures	2,301	2,347	2,394
Total # of Procedures	2,963	3,061	3,125
Utilization % (1)	98.8%	102.0%	104.2%
<b>Operating Rooms</b>			
Shared ORs	8	8	8
Total # of ORs – Planning Inventory	8	8	8
<b>Surgical Cases</b>			
# of Inpatient Cases	1,757	1,787	1,817
# of Outpatient Cases	7,185	7,324	7,466
Total # Surgical Cases	8,942	9,111	9,283
<b>Case Times</b>			
Inpatient (2)	160.9	160.9	160.9
Outpatient (2)	100.9	100.9	100.9
<b>Surgical Hours</b>			
Inpatient (3)	4,712	4,792	4,873
Outpatient (4)	12,082	12,317	12,555
Total Surgical Hours	16,794	17,109	17,429
<b># of ORs Needed</b>			
Group Assignment (5)	2	2	2
Standard Hours per OR per Year (6)	1,950	1,950	1,950
ORs Needed (total hours / 1,500)	8.6	8.8	8.9

(1) Number of Procedures / 1,500 procedures per room

(2) From Section C, Question 9(c)

(3) (Inpatient Cases x Inpatient Case Time in minutes) / 60 minutes

(4) (Outpatient Cases x Outpatient Case Time in minutes) / 60 minutes

(5) From Section C, Question 9(a)

(6) From Section C, Question 9(b)

In Section C, pages 46-77, and in Section Q, the applicant provides the assumptions and methodology used to project utilization, which are summarized below.

*Projected Acute Care Bed Utilization*

- The applicant consulted with medical staff and determined the appropriate level of care to be offered at NHRMC-Scotts Hill. The applicant then identified target Diagnosis Related Groups (DRGs) that would be appropriate for care at NHRMC-Scotts Hill. The applicant provides the list of “target” DRGs in Exhibit C-4.4.
- The applicant obtained the historical “target” patient market discharges from Truven for its area of patient origin as well as the NHRMC system “target” discharges for its area of patient origin and calculated its market share, broken down by ZIP code.

- The applicant projected the percentage of “target” patients that would shift from NHRMC-Main to NHRMC-Scotts Hill, the percentage of “target” patients that would remain at NHRMC-Main, and the amount of growth in market share based on additional “target” patients, broken down by ZIP code.
- The applicant used data from Truven to project growth rate of “target” patient discharges by ZIP code through the first three full fiscal years following completion of the project and incorporated previous projections about market share to project how many “target” patients would shift to NHRMC-Scotts Hill and how many would remain at NHRMC-Main.
- The applicant projected NHRMC-Scotts Hill’s ALOS by using NHRMC-Main’s FY 2019 ALOS and decreasing it by 20 percent to reflect the “target” patient population.

In Section C, page 53, the applicant provides the following data summarizing projected utilization of acute care beds at NHRMC-Scotts Hill during the first three full fiscal years following project completion, as shown in the tables below.

<b>NHRMC-Scotts Hill – Projected Acute Care Bed Utilization</b>			
	<b>FY 1 (FFY 2025)</b>	<b>FY 2 (FFY 2026)</b>	<b>FY 3 (FFY 2027)</b>
Area of Patient Origin Discharges	4,192	4,519	4,628
In-migration (5.0%)	221	238	244
Total Discharges	4,413	4,757	4,872
Average Length of Stay (days)	4.0	4.0	4.0
Total Patient Days	17,633	19,006	19,461
Days in Year	365	365	365
Average Daily Census	48.3	52.1	53.3
Licensed Beds	66	66	66
<b>Occupancy %</b>	<b>73.2%</b>	<b>78.9%</b>	<b>80.8%</b>

*Projected Acute Care Bed Utilization – Observation Beds*

In Section C, page 54, the applicant states it used the following assumptions to project utilization of the six observation beds it proposes to develop at NHRMC-Scotts Hill:

- 25 percent of outpatient surgery patients would need extended recovery, which is provided in observation beds.
- There would be a similar ratio of observation visits to discharges as there was at NHRMC-Main during FFY 2019.
- The length of stay for observation visits would be consistent with FFY 2019 experience at NHRMC-Main.

The applicant’s projected utilization of observation beds is summarized in the table below.

<b>NHRMC-Scotts Hill Projected Observation Bed Utilization</b>			
	<b>FY 1 (FFY 2025)</b>	<b>FY 2 (FFY 2026)</b>	<b>FY 3 (FFY 2027)</b>
Total Acute Care Discharges	4,413	4,757	4,872
Ratio of Observation Visits	0.26	0.26	0.26
Observation Visits (partial)	1,157	1,248	1,278
# OP Surgical Cases	7,185	7,324	7,466
# Extended Recoveries	1,796	1,831	1,867
Total Observation Visits	2,954	3,079	3,144
Observation ALOS (days)	0.5	0.5	0.5
Observation Days	1,477	1,540	1,572
ADC	4.1	4.2	4.3
# Observation Beds	6	6	6
Occupancy Rate	67.4%	70.3%	71.8%

However, projected utilization of acute care beds is not reasonable and adequately supported, as discussed below.

- The applicant does not demonstrate that the projected growth in patient discharges is based on reasonable and adequately supported assumptions.

In Section C, page 45, the applicant provides the FFY 2015-2019 data on admissions, patient days, ALOS, and ADC. Between FFY 2017 and FFY 2019, admissions decreased at a -1.32 percent Compound Annual Growth Rate (CAGR). In Section C, page 44, the applicant states:

*“It should be noted that end of FY 2018 and early FY 2019 utilization was impacted by the effects of Hurricane Florence which made landfall in New Hanover County on September 14, 2018. Although not fully quantifiable, Hurricane Dorian in September 2019 may have also impacted utilization.”*

The Project Analyst has no reason to question the applicant’s statement above. However, the applicant’s own data provided in Section C, page 47, shows that out of the seven ZIP codes in the applicant’s PSA and eight ZIP codes in the applicant’s SSA, four of the seven ZIP codes in the applicant’s PSA and all of the ZIP codes in the applicant’s SSA have a CAGR of lower than -1.32 percent (the NHRMC license’s 2-year CAGR for all admissions during FFY 2017 and FFY 2019).

There are likely to be effects on admissions due to the impact of the COVID-19 pandemic as well. On December 4, 2020, the Healthcare Planning staff sent out a notice to interested parties stating the following:

*“We all know that healthcare facilities and services throughout the state have felt the impact of COVID-19. The Healthcare Planning staff has reviewed the facilities and services in the State Medical Facilities Plan (SMFP) to consider whether the impacts of COVID may indicate that we should adjust some of the need determination methodologies. After a careful review of the nature of the services and examination of information that we have thus far, we concluded that the*

*following methodologies need to be assessed to decide whether (and, if so, how) the 2022 SMFP should include any adjustments due to the effects of COVID:*

- *Acute care hospital beds*
- *...*

In a footnote in Section Q, the applicant states the impact of COVID-19 is difficult to determine for the full fiscal year and states that future utilization is assumed to go back to “normal” utilization patterns. However, the applicant has described historical utilization changes in this application that have been impacted by major weather events, which the application implies to be unusual. The applicant does not explain what it considers to be “normal” utilization patterns, how they differ from impacts due to weather events versus the current pandemic, or why the applicant assumes future utilization will return to “normal” patterns.

Despite these documented decreases in utilization in recent years, on page 50 the applicant projects an increase in the number of discharges by ZIP code of between 1.5 percent to 2.9 percent, beginning with FFY 2019, based on Truven projections. It is not reasonable to project increases in utilization when the applicant’s own data shows there have been larger decreases in utilization in the applicant’s proposed areas of patient origin than the NHRMC license has experienced as a whole and when there are potential impacts to utilization due to the ongoing COVID-19 pandemic. Truven may have information and explanations of its assumptions that would support its projections; however, that information is not publicly available. The applicant has not provided the Agency with sufficient information to determine whether the Truven projections it relies upon are reasonable and adequately supported when the applicant’s own data and publicly available information does not support the applicant’s projected increases in utilization.

- The applicant does not demonstrate it can meet applicable performance standards.

An applicant proposing to develop new acute care beds must demonstrate conformity with all applicable statutes and regulatory review criteria, including the Criteria and Standards for Acute Care Beds promulgated in 10A NCAC 14C .3800. The performance standards for this regulatory rule are contained in 10A NCAC 14C .3803(a), which states:

*“An applicant proposing to develop new acute care beds shall demonstrate that the projected average daily census (ADC) of the **total number of licensed acute care beds proposed to be licensed within the service area, under common ownership with the applicant**, divided by the total number of those licensed acute care beds is reasonably projected to be at least 66.7 percent when the projected ADC is less than 100 patients, 71.4 percent when the projected ADC is 100 to 200 patients, and 75.2 percent when the projected ADC is greater than 200 patients, in the third operating year following completion of the proposed project or in the year for which the need determination is identified in the State Medical Facilities Plan, whichever is later.” (emphasis added)*

In Section C, page 85, the applicant responds to a question about demonstrating conformity with this rule by stating that NHRMC-Scotts Hill, with a projected ADC of less than 100 patients, meets the performance standard because its utilization in its third full fiscal year following project completion will be 80.8 percent. The rule, however, requires the applicant to demonstrate that the total number of licensed acute care beds in New Hanover County under common ownership with the applicant will meet specific performance standards. NHRMC-Scotts Hill not only has common ownership with NHRMC-Main – it will be part of the same license as NHRMC-Main. According to Agency records, the NHRMC license has 678 acute care beds. The applicant proposes to develop 36 additional acute care beds as part of this project, which would bring the total number of existing and approved acute care beds, under common ownership in New Hanover County, to 714 acute care beds.

The applicant does not provide projected utilization of acute care beds at NHRMC-Main for the first three full fiscal years following project completion anywhere in the application, the pro formas, or the exhibits. In Section C, page 45, the applicant provides its FFY 2019 data, which shows an ADC of 512.5 patients; therefore, the applicant would have to demonstrate that all existing and approved acute care beds under common ownership in New Hanover County would be utilized at a rate of at least 75.2 percent during the third full fiscal year following project completion. There is also no publicly available information that can be utilized to demonstrate conformity with the performance standard. Using the applicant’s most recently publicly available data (from FFY 2019) as applied to a proposed bed complement of 714 acute care beds results in a utilization rate of 71.8 percent, which is below the required performance standard.

- The applicant does not demonstrate that using historical data from NHRMC-Main to project utilization at NHRMC-Scotts Hill, without any adjustment for “target” patients, is reasonable and adequately supported.

The applicant projects utilization of its observation beds based in part on a ratio of the inpatient discharges at NHRMC-Main during FFY 2019 and based in part on the historical data about length of stay at NHRMC-Main during FFY 2019. While the applicant plans to relocate 30 existing beds from NHRMC-OH to develop NHRMC-Scotts Hill, a key part of the applicant’s projection of patients to be served at NHRMC-Scotts Hill is the use of “target” DRGs to identify patients appropriate for care at NHRMC-Scotts Hill, which will not offer as many lines of service or levels of care as NHRMC-Main. The applicant does not provide any information in the application as submitted to explain why relying on historical use rates (or other historical data) at NHRMC-Main is appropriate for NHRMC-Scotts Hill projections, especially since the applicant specifically relies on statistics from “target” patients or makes appropriate adjustments in other places. Indeed, in Section C, page 53, the applicant noted that it adjusted the projected ALOS for NHRMC-Scotts Hill to reflect the lower acuity patient base proposed to be served at NHRMC-Scotts Hill.

#### *Projected Surgical Services Utilization – GI Endo Procedure Rooms*

The applicant proposes to develop two new GI endo procedure rooms at NHRMC-Scotts Hill in addition to the four existing GI endo procedure rooms at NHRMC-Main. In Section C, pages

56-58, the applicant projects utilization of the six existing and proposed GI endo procedure rooms, using the assumptions described below.

- The applicant provides historical data for GI endo procedures performed in GI endo procedure rooms at NHRMC-Main, GI endo procedures performed outside of GI endo procedure rooms at NHRMC-Main, and GI endo procedures performed at NHRMC-ASC (which has no licensed GI endo procedure rooms). The applicant states any declines in utilization CAGRs between FFY 2017 and FFY 2019 can be attributed to shifting patients to non-hospital-based outpatient settings.
- The applicant projects GI endo procedures from all locations will grow at a rate of two percent each year, which the applicant describes as being based on population growth.
- The applicant projects the following shifts in GI endo procedures:
  - 18 percent of NHRMC-Main inpatient GI endo procedures will shift to NHRMC-Scotts Hill.
  - 37.5 percent of NHRMC-Main outpatient GI endo procedures will shift to NHRMC-Scotts Hill.
  - 100 percent of NHRMC-ASC GI endo procedures will shift to NHRMC-Scotts Hill.

The applicant’s projections are summarized in the table below. Please note that the Project Analyst could not replicate the applicant’s projected utilization totals in the table on page 58; however, the differences between the Project Analyst’s calculations and the information provided by the applicant in the table below had no impact on this review.

<b>NHRMC-Main &amp; NHRMC-Scotts Hill GI Endo Procedures</b>						
	<b>FFY 2019</b>	<b>2-yr CAGR</b>	<b>% Growth</b>	<b>FFY 2025</b>	<b>FFY 2026</b>	<b>FFY 2027</b>
NHRMC-Main IP (Total)	3,226	0.5%	2.0%	3,633	3,706	3,780
NHRMC-Main OP (Total)	4,948	-0.2%	2.0%	5,573	5,684	5,798
NHRMC-ASC	229	-22.5%	2.0%	258	263	268
<b>Cases Shifting to NHRMC-Scotts Hill</b>						
NHRMC-Main IP				662	714	731
NHRMC-Main OP				2,043	2,084	2,126
NHRMC-ASC				258	263	268
<b>NHRMC-Scotts Hill Total</b>				<b>2,963</b>	<b>3,061</b>	<b>3,125</b>
<b>NHRMC-Main Total (after shifts)</b>				<b>6,500</b>	<b>6,630</b>	<b>6,763</b>
<b>Total GI Endo Procedures (all locations)</b>				<b>9,463</b>	<b>9,691</b>	<b>9,888</b>
<b>Total # GI Endo Procedure Rooms</b>				<b>6</b>	<b>6</b>	<b>6</b>
<b>Av # Procedures/Room</b>				<b>1,577</b>	<b>1,615</b>	<b>1,648</b>

However, the applicant’s projected utilizations are not reasonable and adequately supported, as discussed below.

- The applicant does not demonstrate that projecting GI endo procedures historically performed at NHRMC-ASC to increase by two percent each year is reasonable or adequately supported.

In Section C, pages 56-57, the applicant provides the FFY 2017 through FFY 2019 historical utilization for GI endo procedures performed at NHRMC-Main and NHRMC-ASC. On page 57, the applicant states the FFY 2017-2019 CAGR for NHRMC-ASC is -22.5 percent. On page 56, the applicant states:

*“Declining utilization can be attributed to the historical shift in GI/Endo cases.”*

It is unclear what “historical shift in GI/Endo cases” the applicant is referring to; there is no discussion of any historical shift in GI endo procedures in the application as submitted. While it is possible that the applicant is referring to a plan to shift overall utilization away from NHRMC-Main’s campus, that would not explain the significant decline in utilization at NHRMC-ASC. NHRMC-ASC is an outpatient surgical facility located some distance from the NHRMC-Main campus; indeed, NHRMC-ASC is located on the same site as the proposed NHRMC-Scotts Hill. The applicant does not adequately explain in the application as submitted why it is reasonable to believe GI endo procedures historically performed at NHRMC-ASC will increase by two percent annually given the historical CAGR.

- The applicant does not demonstrate that projecting a shift in a percentage of GI endo procedures, without any adjustment for “target” patients, is reasonable and adequately supported.

The applicant projects utilization of the proposed GI endo procedure rooms at NHRMC-Scotts Hill based in part on shifting 18 percent of inpatient GI endo procedures and 37.5 percent of outpatient GI endo procedures from NHRMC-Main. While the applicant plans to relocate 30 existing beds and eight existing ORs from NHRMC-OH to develop NHRMC-Scotts Hill, a key part of the applicant’s projection of patients to be served at NHRMC-Scotts Hill is the use of “target” DRGs to identify patients appropriate for care at NHRMC-Scotts Hill, which will not offer as many lines of service or levels of care as NHRMC-Main. The applicant does not provide any information in the application as submitted to explain why it did not base projections on “target” patients, especially since the applicant specifically relies on statistics from “target” patients or makes appropriate adjustments in other places. Indeed, in Section C, page 53, the applicant noted that it adjusted the projected ALOS for NHRMC-Scotts Hill to reflect the lower acuity patient base proposed to be served at NHRMC-Scotts Hill. Further, in other sections of the application, the applicant projects different percentages of patients receiving different services will shift from other NHRMC campuses and does not adequately explain the reasons for these differences in the percentage of patients that will shift to NHRMC-Scotts Hill in the application as submitted.

*Projected Surgical Services Utilization – ORs*

The applicant proposes to relocate eight existing ORs from NHRMC-OH to NHRMC-Scotts Hill. In Section C, pages 59-61, the applicant projects utilization of all ORs on the NHRMC license, using the assumptions described below.

- The applicant provides historical data for all surgical cases performed at NHRMC-Main, NHRMC-OH, and NHRMC-ASC between FFY 2017 and FFY 2019.
- The applicant projects surgical cases at all locations will grow at a rate of two percent each year, which the applicant describes as being based on population growth. Based on the applicant’s historical data, only inpatient surgical cases at NHRMC-OH had a 2-year CAGR lower than two percent; however, the 2-year CAGR for the combined total of inpatient and outpatient surgical cases at NHRMC-OH was higher than the projected two percent growth rate.
- The applicant projects the following shifts in surgical cases:
  - 60 percent of NHRMC-OH’s “high acuity” cases will shift to NHRMC-Main.
  - 33 percent of NHRMC-OH outpatient surgical cases will shift to NHRMC-ASC.
  - All other NHRMC-OH surgical cases (inpatient and outpatient) will shift to NHRMC-Scotts Hill.
  - Four percent of NHRMC-Main inpatient surgical cases will shift to NHRMC-Scotts Hill.
  - 18 percent of NHRMC-Main outpatient surgical cases will shift to NHRMC-Scotts Hill.
  - Only 10 percent of historical ophthalmology surgical cases will continue to be served at NHRMC-ASC due to shifts of cases to other facilities.

The applicant’s projections are summarized in the table below.

<b>NHRMC-Main, NHRMC-ASC, and NHRMC-Scotts Hill Surgical Cases</b>						
	<b>FFY 2019</b>	<b>2-yr CAGR</b>	<b>% Growth</b>	<b>FFY 2025</b>	<b>FFY 2026</b>	<b>FFY 2027</b>
NHRMC-Main IP	11,176	12.1%	2.0%	12,586	12,838	13,094
NHRMC-Main OP	16,988	7.6%	2.0%	19,131	19,514	19,904
NHRMC-OH IP	2,783	-4.2%	2.0%	3,134	3,187	3,242
NHRMC-OH OP	5,085	8.0%	2.0%	5,727	5,841	5,958
NHRMC-ASC*	2,343*	5.8%	2.0%	2,638	2,691	2,745
<b>Cases Shifting to NHRMC-Scotts Hill</b>						
From NHRMC-Main IP				503	512	521
From NHRMC-Main OP				3,348	3,405	3,463
From NHRMC-OH IP				1,254	1,275	1,297
From NHRMC-OH OP				3,837	3,919	4,003
NHRMC-Scotts Hill Total				8,942	9,111	9,283
NHRMC-Scotts Hill Total Surgical Hours (160.9 min IP, 100.9 min OP)				15,118	15,401	15,690
NHRMC-Scotts Hill Total OR Planning Inventory				8	8	8
ORs Needed (based on 1,950 hours/year)				7.8	7.9	8.0
<b>Cases Shifting to NHRMC-Main</b>						
NHRMC-OH IP				1,880	1,912	1,945
NHRMC-Main Total (after shifts)				29,746	30,347	30,960
NHRMC-Main Total Surgical Hours (160.9 min IP, 100.9 min OP)				53,716	54,795	55,895
NHRMC-Main Total OR Planning Inventory				27	27	27
ORs Needed (based on 1,950 hours/year)				27.5	28.1	28.7
<b>Cases shifting to NHRMC-ASC</b>						
NHRMC-OH OP				1,890	1,922	1,955
NHRMC-ASC Total (after shifts)				4,528	4,613	4,699
NHRMC-ASC Total Surgical Hours (100.9 min OP)				7,614	7,757	7,903
NHRMC-ASC Total OR Planning Inventory				4	4	4
ORs Needed (based on 1,950 hours/year)				3.9	4.0	4.1
<b>NHRMC License Totals</b>						
NHRMC License Total IP Cases				15,720	16,025	16,336
NHRMC License Total OP Cases				27,496	28,046	28,606
NHRMC License Surgical Hours (160.9 min IP, 100.9 min OP)				76,448	77,953	79,488
NHRMC License Total OR Planning Inventory				39	39	39
ORs Needed (based on 1,950 hours/year)				39.2	40.0	40.8

\*FFY 2019 total cases minus 90 percent of ophthalmology cases

The applicant appears to have miscalculated the annual number of surgical hours for FFYs 2025-2027; the Project Analyst’s calculations show a higher number of surgical hours per year than the applicant. This discrepancy has no impact on the outcome of the review because the correct calculations would increase the number of ORs projected to be needed.

However, the applicant’s projected utilizations are not reasonable and adequately supported because the applicant does not demonstrate that projecting a shift in a percentage of inpatient and outpatient surgical cases, without any adjustment for “target” patients, is reasonable and adequately supported.

The applicant projects utilization of the ORs to be relocated to NHRMC-Scotts Hill based in part on shifting four percent of inpatient surgical cases and 18 percent of outpatient surgical cases from NHRMC-Main. The applicant further projects that 40 percent of inpatient surgical

cases will shift from NHRMC-OH to NHRMC-Scotts Hill. While the applicant plans to relocate 30 existing beds and eight existing ORs from NHRMC-OH to develop NHRMC-Scotts Hill, a key part of the applicant’s projection of patients to be served at NHRMC-Scotts Hill is the use of “target” DRGs to identify patients appropriate for care at NHRMC-Scotts Hill, which will not offer as many lines of service or levels of care as NHRMC-Main. The applicant does not provide any information in the application as submitted to explain why it did not base projections on “target” patients, especially since the applicant specifically relies on statistics from “target” patients or makes appropriate adjustments in other places. Indeed, in Section C, page 53, the applicant noted that it adjusted the projected ALOS for NHRMC-Scotts Hill to reflect the lower acuity patient base proposed to be served at NHRMC-Scotts Hill. While the applicant states that it projects 60 percent of “high acuity” cases will shift from NHRMC-OH to NHRMC-Main, it is not clear what the applicant considers “high acuity” or why it used the percentages it did in projecting the shift in “high acuity” cases, which calls into question which cases are projected to shift to NHRMC-Scotts Hill. Further, in other sections of the application, the applicant projects different percentages of patients receiving different services will shift from other NHRMC campuses and does not adequately explain the reasons for these differences in the percentage of patients that will shift to NHRMC-Scotts Hill in the application as submitted.

#### *Projected Emergency Department (ED) Utilization*

The applicant currently operates NHRMC-EDN, a satellite ED at the site of the proposed NHRMC-Scotts Hill. The applicant proposes to incorporate the existing satellite ED into the development of NHRMC-Scotts Hill by building the hospital as a larger “attachment” to NHRMC-EDN. NHRMC-EDN will remain exactly where it is today and there will be no relocation of ED bays or new ED bays added – it will just cease to be a satellite ED and instead become the ED of NHRMC-Scotts Hill.

In Section C, pages 74-76, the applicant projects utilization of ED services at NHRMC-Scotts Hill, using the assumptions described below.

- The applicant provides historical data for ED visits at NHRMC-EDN between FFY 2017 and FFY 2019.
- The applicant projects ED visits at NHRMC-EDN and NHRMC-Scotts Hill will grow at a rate of two percent each year, which the applicant describes as being based on population growth. Based on the applicant’s historical data, which broke down visits by inpatients (presumably patients who went on to be admitted to a hospital) and outpatients, the 2-year CAGR (FFY 2017-2019) for both inpatient and outpatient ED visits was higher than two percent.
- The applicant assumes the ED bays at NHRMC-Scotts Hill will have an annual capacity of 2,000 visits per year.

In Section C, page 76, the applicant provides the following data summarizing projected ED visits at NHRMC-Scotts Hill during its first three full fiscal years following project completion, as shown in the table below.

<b>NHRMC-Scotts Hill ED Visits</b>						
	<b>FFY 2019</b>	<b>2-yr CAGR</b>	<b>% Growth</b>	<b>FFY 2025</b>	<b>FFY 2026</b>	<b>FFY 2027</b>
NHRMC-Scotts Hill IP	2,091	2.1%	2.0%	2,374	2,425	2,477
NHRMC-Scotts Hill OP	29,871	2.9%	2.0%	35,498	36,534	37,601
NHRMC-Scotts Hill Total				37,872	38,959	40,077
# of ED Bays				12	12	12
Utilization rate (at 2,000/bay/year)				157.8%	162.3%	167.0%

Projected utilization of the ED visits at NHRMC-Scotts Hill is reasonable and adequately supported based on the following:

- The applicant projects future growth based on historical utilization and projected population growth.
- The applicant projects growth in ED visits at a lower growth rate than the historical growth rate.
- The applicant proposes no changes in the location of the ED bays, proposes no change in the number of ED bays, and proposes no other changes that would make it unreasonable to base projections on historical utilization and projected population growth.

*Projected Utilization for All Other Service Components*

In Section C, pages 62-74, the applicant projects utilization at NHRMC-Scotts Hill for CT scans, mobile MRI scans, nuclear medicine (gamma camera), ultrasound scans, mammography scans, and X-ray services. A summary of the assumptions and methodology used to project utilization for each of these services is outlined below.

CT Scanners: The applicant currently has four CT scanners at NHRMC-Main, two CT scanners at NHRMC-OH, and one CT scanner at NHRMC-EDN. The applicant proposes to relocate one existing CT scanner from NHRMC-OH and to incorporate the existing CT scanner at NHRMC-EDN for a total of two CT scanners at NHRMC-Scotts Hill.

- The applicant projects a two percent annual growth rate in the number of CT scans at each location, which the applicant states is based on population growth. The 2-year CAGR (FFY 2017-2019) for CT scans is higher than two percent at each of the three locations.
- The applicant projects the following shifts in CT scans:
  - 50 percent of NHRMC-OH inpatient CT scans will shift to NHRMC-Main and the remaining 50 percent of inpatient CT scans will shift to NHRMC-Scotts Hill.

- 45 percent of NHRMC-OH outpatient CT scans will shift to NHRMC-Main; 15 percent of NHRMC-OH outpatient CT scans will shift to NHRMC-Scotts Hill; and 40 percent of NHRMC-OH outpatient CT scans will shift to a future location to be determined. (On page 63, the application says 85 percent of NHRMC-OH outpatient CT scans will shift to a future location to be determined; based on the applicant’s other projections and the formatting of the information, the Project Analyst believes the shifts that the applicant is actually proposing are the ones outlined in these findings and the information as presented on page 63 is due to an editing or typographical error.)
- 10 percent of NHRMC-Main outpatient CT scans will shift to NHRMC-Scotts Hill and 20 percent of NHRMC-Main outpatient CT scans will shift to a future location to be determined.
- All NHRMC-EDN outpatient CT scans will “shift” to NHRMC-Scotts Hill.

Mobile MRI Scanners: The applicant states that it currently offers mobile MRI scanner services at NHRMC-EDN through a contract with Alliance Imaging. The applicant also operates two fixed MRI scanners at NHRMC-Main, one fixed MRI scanner at NHRMC-OH, and an additional fixed MRI scanner at an outpatient imaging center. The applicant proposes to incorporate the existing mobile MRI scanner services at NHRMC-EDN into NHRMC-Scotts Hill and proposes no other changes to any other MRI scanners at any other location.

- The applicant projects a two percent annual growth rate in the number of MRI scans at NHRMC-Main, NHRMC-OH, and NHRMC-EDN, which the applicant states is based on population growth. The 2-year CAGR (FFY 2017-2019) for MRI scans is higher than two percent at NHRMC-Main, NHRMC-EDN, and for outpatient MRI scans with contrast at NHRMC-OH, but the 2-year CAGRs (FFY 2017-2019) for all inpatient MRI scans at NHRMC-OH and outpatient MRI scans without contrast at NHRMC-OH are lower than two percent – those 2-year CAGRs show negative growth rates.
- The applicant projects the following shifts in MRI scans:
  - 100 percent of NHRMC-OH inpatient MRI scans will shift to NHRMC-Scotts Hill.
  - 35 percent of NHRMC-OH outpatient MRI scans will shift to NHRMC-Main, 55 percent will shift to a future location to be determined; and 10 percent will shift to the outpatient imaging center.
  - 100 percent of NHRMC-EDN outpatient MRI scans will “shift” to NHRMC-Scotts Hill.

However, after projecting inpatient MRI scans by shifting the existing inpatient MRI scans from NHRMC-OH, the applicant appears to add other projected inpatient MRI scans to projected utilization at NHRMC-Scotts Hill. Based on the Project Analyst’s calculations, beginning with FY 2019 and projecting a two percent annual growth rate through the end of the third full fiscal year, the Project Analyst calculated a total of 48 inpatient MRI scans to be

performed at NHRMC-Scotts Hill during FY 2027 (19 inpatient MRI scans with contrast and 29 inpatient MRI scans without contrast). On page 67, the applicant projects to perform a total of 500 inpatient MRI scans at NHRMC-Scotts Hill (185 inpatient MRI scans with contrast and 315 inpatient MRI scans without contrast). The applicant does not explain, and the Project Analyst cannot determine from the application as submitted, how these additional inpatient MRI scans were projected.

Nuclear Medicine: The applicant operates four nuclear medicine cameras/scanners at NHRMC-Main and one nuclear medicine camera at NHRMC-OH. The applicant proposes to relocate the nuclear medicine camera at NHRMC-OH to NHRMC-Scotts Hill and does not propose any change to the nuclear medicine cameras/scanners at NHRMC-Main.

- The applicant projects no growth rate in the number of nuclear medicine imaging procedures. The applicant states that, while nuclear medicine imaging is a necessary modality, it confirmed through conversations with medical staff and the historical trend that use is not likely to increase.
- The applicant projects the following shifts in nuclear medicine imaging procedures:
  - 60 percent of NHRMC-OH outpatient nuclear medicine imaging procedures will shift to NHRMC-Scotts Hill. (On page 69, the applicant appears to have transposed the percentages in the written narrative about the shift in nuclear imaging procedures, based on the applicant's utilization projections.)
  - 40 percent of NHRMC-OH outpatient nuclear medicine imaging procedures will shift to NHRMC-Main.
- The applicant projects inpatient nuclear medicine imaging procedures by calculating the FFY 2019 ratio of NHRMC-Main inpatient nuclear medicine imaging procedures to NHRMC-Main total discharges and applying that ratio to NHRMC-Scotts Hill total discharges during each of the first three full fiscal years.

Ultrasound Machines: The applicant states that it currently has eight ultrasound machines at NHRMC-Main, two at NHRMC-OH, and two at NHRMC-EDN. The applicant proposes to relocate one ultrasound machine from NHRMC-OH and incorporate the existing ultrasound machines at NHRMC-EDN into NHRMC-Scotts Hill.

- The applicant projects a two percent annual growth rate in the number of ultrasound scans at NHRMC-Main, NHRMC-OH, and NHRMC-EDN, which the applicant states is based on population growth. The 2-year CAGR (FFY 2017-2019) for ultrasound scans is higher than two percent for both inpatient and outpatient ultrasound scans at all locations.
- The applicant projects 100 percent of NHRMC-OH outpatient ultrasound scans will shift to NHRMC-Scotts Hill.

- The applicant projects 100 percent of NHRMC-EDN outpatient ultrasound scans will “shift” to NHRMC-Scotts Hill.
- The applicant projects the total number of inpatient ultrasound scans at NHRMC-Scotts Hill using the following steps:
  - The applicant calculated the FFY 2019 ratio of NHRMC-Main inpatient ultrasound scans to NHRMC-Main total discharges and applied that ratio to NHRMC-Scotts Hill total discharges during each of the first three full fiscal years.
  - The applicant reduced the calculation above by 20 percent to account for lower acuity patients at NHRMC-Scotts Hill.
  - The applicant assumes the number of inpatient ultrasound scans will include a shift in 100 percent of the historical inpatient ultrasound scans from NHRMC-OH and the difference between the NHRMC-OH shifted inpatient ultrasound scans and the total projected inpatient ultrasound scans will shift from NHRMC-Main.

Mammography Units: The applicant states that it currently has one mammography unit at NHRMC-Main and one mammography unit at NHRMC-EDN. The applicant proposes to incorporate the existing mammography unit at NHRMC-EDN into NHRMC-Scotts Hill and proposes no changes to the mammography unit at NHRMC-Main. The applicant does not propose to offer inpatient mammography services.

- The applicant projects a two percent annual growth rate in the number of outpatient mammography scans at NHRMC-EDN, which the applicant states is based on population growth. The 2-year CAGR (FFY 2017-2019) for mammography scans at NHRMC-EDN is higher than two percent.
- The applicant projects the mammography scans will “shift” from NHRMC-EDN to NHRMC-Scotts Hill and proposes no shifts in mammography scans anywhere else.

X-ray Machines: The applicant states it currently has seven x-ray machines at NHRMC-Main, five at NHRMC-OH, and one at NHRMC-EDN. The applicant proposes to relocate four x-ray machines from NHRMC-OH and incorporate the existing x-ray machine at NHRMC-EDN for a total of five x-ray machines at NHRMC-Scotts Hill.

- The applicant projects a two percent growth rate in the number of x-rays at NHRMC-Main, NHRMC-OH, and NHRMC-EDN, which the applicant states is based on population growth. With the exception of outpatient x-rays at NHRMC-OH, the 2-year CAGR for all inpatient and outpatient x-rays at all locations and the combined 2-year CAGR for all x-rays (both inpatient and outpatient) at NHRMC-OH is higher than two percent.
- The applicant projects the following shifts in x-rays:
  - 100 percent of NHRMC-OH inpatient x-rays will shift to NHRMC-Scotts Hill.

- 55 percent of NHRMC-OH outpatient x-rays will shift to NHRMC-Scotts Hill and 45 percent will shift to a future location to be determined.
- 100 percent of NHRMC-EDN outpatient x-rays will “shift” to NHRMC-Scotts Hill.

Laboratory, Stress Test, and Echocardiogram: The applicant provides projected utilization for laboratory services, stress tests, and echocardiogram procedures; however, the applicant did not provide any assumptions or methodology to explain how utilization for these services was projected, and they will not be discussed as part of projected utilization.

The table below summarizes the projections for all other service component use at NHRMC-Scotts Hill during the first three full fiscal years following project completion.

<b>NHRMC-Scotts Hill Projected Service Component Use</b>			
	<b>FY 1 (FFY 2025)</b>	<b>FY 2 (FFY 2026)</b>	<b>FY 3 (FFY 2027)</b>
<b>CT – Total Scans</b>			
Inpatient	2,622	2,675	2,728
Outpatient	16,229	16,553	16,884
<b>Total</b>	<b>18,851</b>	<b>19,228</b>	<b>19,613</b>
<b>MRI Procedures</b>			
Inpatient	453	488	500
Outpatient	1,958	1,998	2,038
<b>Total</b>	<b>2,411</b>	<b>2,486</b>	<b>2,537</b>
<b>Nuclear Medicine</b>			
Inpatient	175	188	193
Outpatient	1,017	1,017	1,017
<b>Total</b>	<b>1,192</b>	<b>1,205</b>	<b>1,210</b>
<b>Ultrasound</b>			
Inpatient	934	1,007	1,031
Outpatient	7,326	7,473	7,622
<b>Total</b>	<b>8,260</b>	<b>8,480</b>	<b>8,653</b>
<b>Mammography</b>			
Inpatient	0	0	0
Outpatient	4,758	4,853	4,950
<b>Total</b>	<b>4,758</b>	<b>4,853</b>	<b>4,950</b>
<b>X-Ray</b>			
Inpatient	16,306	16,633	16,965
Outpatient	28,355	28,922	29,501
<b>Total</b>	<b>44,661</b>	<b>45,555</b>	<b>46,466</b>

However, the applicant’s projected utilizations are not reasonable and adequately supported based on the following:

- The applicant does not demonstrate that the projected shifts in patients are reasonable and adequately supported.

The applicant proposes to relocate 30 existing beds and eight existing ORs from NHRMC-OH to develop NHRMC-Scotts Hill; however, a key part of the applicant’s projection of

patients to be served at NHRMC-Scotts Hill is the use of “target” DRGs to identify patients appropriate for care at NHRMC-Scotts Hill, which will not offer as many lines of service or levels of care as NHRMC-Main. The applicant does not provide any information in the application as submitted to explain why it did not base projections on “target” patients, especially since the applicant specifically relies on statistics from “target” patients or makes appropriate adjustments in other places. Indeed, in Section C, page 53, the applicant noted that it adjusted the projected ALOS for NHRMC-Scotts Hill to reflect the lower acuity patient base proposed to be served at NHRMC-Scotts Hill, and in Section C, page 71, the applicant noted that it adjusted the projected inpatient ultrasound scans for NHRMC-Scotts Hill to reflect the lower acuity patient base proposed to be served at NHRMC-Scotts Hill. Further, in other sections of the application, the applicant projects different percentages of patients receiving different services will shift from other NHRMC campuses and does not adequately explain the reasons for these differences in the percentage of patients that will shift to NHRMC-Scotts Hill in the application as submitted.

Additionally, the applicant projects utilization of inpatient nuclear medicine imaging scans at NHRMC-Scotts Hill based on the FFY 2019 ratio of inpatient nuclear medicine imaging scans to total discharges at NHRMC-Main. As stated above, while the applicant is relocating resources from NHRMC-Main to NHRMC-Scotts Hill, it projects the patients it proposes to serve by identifying “target” DRGs to identify the appropriate patients to receive care at NHRMC-Scotts Hill, which will not offer as many lines of service or levels of care as NHRMC-Main. The applicant does not provide any information in the application as submitted to explain why no acuity adjustment for nuclear medicine imaging scans is reasonable and adequately supported when the applicant makes exactly that kind of acuity adjustment for acute care beds (see page 53) or inpatient ultrasound scans (see page 71).

- The applicant does not provide enough information to determine whether projected utilization for specific services is reasonable and adequately supported.

In Section C, page 56, the applicant provides a table showing the FFY 2019 ratio of specific services to total discharges at NHRMC-Main, and states it uses those ratios at times in its projected utilization. The applicant provides such a ratio for inpatient MRI scans. However, the applicant’s calculation of inpatient MRI scans for NHRMC-Scotts Hill does not align with that reported ratio. On page 55, the applicant states that in some cases, when projections will be larger than the ratio would calculate, the applicant uses the larger projection. In fact, the applicant used the larger projection as compared to a calculated ratio for ultrasound scans and used the calculated ratio in a different way for projecting utilization of ultrasound scans. However, there is no information in the application as submitted that would explain how the applicant calculated the inpatient MRI scans that it projects to serve at NHRMC-Scotts Hill. Without information about how the projections were made, the projections cannot be found reasonable and adequately supported.

Additionally, the applicant provides utilization projections for laboratory services, stress tests, and echocardiogram procedures it proposes to perform at NHRMC-Scotts Hill during the first three full fiscal years following project completion but provides no information in

the application as submitted about the assumptions and methodology used to make those projections.

**Access**

In Section C, pages 83-84, the applicant states:

*“NHRMC is a not-for-profit organization that does not discriminate against any class of patient based on age, sex, religion, race, [disability], ethnicity, or ability to pay. NHRMC actively participates in both the Medicaid and Medicare programs.*

...

*NHRMC’s service to low income persons, racial and ethnic minorities, women, [persons with disabilities], the elderly, Medicare beneficiaries, and Medicaid recipients is described in ... this application. NHRMC provides equitable access to all patients. NHRMC projects that all patients will continue to receive equitable access to all services with the approval of the proposed new hospital project.”*

In Section L, page 119, the applicant projects the following payor mix during the third full fiscal year of operation following completion of the project, as illustrated in the following table.

<b>NHRMC-Scotts Hill Projected Payor Mix – FFY 3 (FFY 2027)</b>	
<b>Payor Category</b>	<b>Entire Facility as Percent of Total</b>
Self-Pay	7.53%
Medicare*	50.72%
Medicaid*	20.19%
Insurance*	21.57%
<b>Total</b>	<b>100.00%</b>

\*Including any managed care plans.

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 based on the following:

- The applicant provides its projected payor mix, which includes underserved groups, and states its projected payor mix is based on its historical payor mix.
- The applicant provides written statements about its plans to offer access to all residents of the service area, including underserved groups.
- The applicant provides supporting documentation of its plan to offer access to all residents of the service area, including underserved groups, in Exhibit B-10.1.

## **Conclusion**

The Agency reviewed the:

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

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

- (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, ... persons [with disabilities], and other underserved groups and the elderly to obtain needed health care.

## C

The applicant proposes to develop a new 66-bed acute care hospital by developing the 36 acute care beds from the 2020 SMFP, developing six new observation beds and two new GI endo procedure rooms, and relocating 30 acute care beds, eight ORs, one CT scanner, one ultrasound machine, four x-ray/fluoroscopy machines, and one nuclear medicine camera from NHRMC-OH. The new hospital, NHRMC-Scotts Hill, will be located at the same site as NHRMC-ASC and NHRMC-EDN. The applicant proposes to incorporate NHRMC-EDN into the new hospital campus, along with an existing CT scanner, two ultrasound machines, one x-ray/fluoroscopy machine, and a mammography unit. The applicant also proposes to continue mobile MRI services currently offered at NHRMC-EDN several days per week.

In Section D, pages 91-92, the applicant states that, following completion of the proposed project and Project I.D. #s O-11042-15 and O-11189-16, there will be no more acute care beds or ORs remaining on the NHRMC-OH campus. The applicant states the following resources will remain at NHRMC-OH following project completion:

- One fixed MRI scanner
- One CT scanner
- One ultrasound unit
- One x-ray machine
- 17 ED bays

The applicant states these resources will be relocated in future planned projects and the NHRMC-OH campus will be permanently closed.

In Section D, pages 91-92, the applicant explains why it believes the needs of the population presently utilizing the services to be reduced, eliminated, or relocated will be adequately met following completion of the project. The applicant states:

*“...closure of the Orthopedic Hospital and relocation of beds to the new facility in Scotts Hill will better meet the needs of existing and future patients by offering them a more convenient location for care, closer to home. Scotts Hill is a growing community with expanding health care needs. Patients who have historically utilized the services of the Orthopedic Hospital campus will actually have increased access to care at the new proposed Scotts Hill campus as well as NHRMC’s main 17<sup>th</sup> street campus. The growth in this market, coupled with the overcrowding and congestion in the downtown Wilmington area, have facilitated the need for a facility that better serves patients in northern New Hanover County. Orthopedic Hospital currently has 75 beds that will be fully relocated, and the campus closed. As approved through Projects #O-11042-15 and #O-11189-16, 45 of the acute care beds currently at Orthopedic Hospital will be relocated to the NHRMC main campus, which is expected to be complete by early 2021. Most inpatients at the Orthopedic Hospital have already been redirected to the main campus. The remaining 30 beds will be relocated to NHRMC – Scotts Hill, which will continue to meet the needs of patients in the proposed service area that historically have sought care at the NHRMC main campus and at the Orthopedic Hospital in a better location with access to a broad range of community hospital services and resources closer to home.”*

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

- The applicant has been planning for years to close the NHRMC-OH campus and has filed previous applications to relocate existing assets as part of this plan.
- The applicant states it has already been steering patients from NHRMC-OH to NHRMC-Main.
- Because the NHRMC-OH campus will be closed, patients will need to go elsewhere, and the applicant adequately demonstrates it is attempting to facilitate patients in this process.

On Form D in Section Q, the applicant projects utilization for the assets projected to remain at NHRMC-OH for the first full fiscal year following project completion. To project utilization of remaining assets, the applicant projected current utilization would grow at a rate of two percent per year; however, the applicant states on Form D (and throughout this application) that it plans to file additional applications to relocate those remaining assets and the campus will be closed. The remaining assets will be available for use by outpatients only, as there will be no acute care beds remaining at NHRMC-OH following project completion. While the applicant’s use of a two percent annual growth rate to project utilization for services being relocated to other campuses is not always reasonable and adequately supported (see Criterion (3) for further information), the applicant does not propose anything as part of this project that could foreseeably impact the outpatients who may use the assets remaining at NHRMC-OH until they are relocated in the future. This analysis is the same whether the projected annual

growth rate of two percent is unreasonably high, unreasonably low, or reasonable as submitted in the application.

### **Access to Medically Underserved Groups**

In Section D, page 94, the applicant states:

*“The relocation of beds and services from the Orthopedic Hospital to NHRMC – Scotts Hill will not have any negative effects on [medically underserved] groups. Instead, the proposed project will ensure that these groups have greater access to a wide range of services and in a convenient community hospital setting that is removed from the busy downtown Wilmington market. NHRMC – Scotts Hill, as part of the NHRMC system, will provide care to all persons, regardless of age, sex, race, orientation, payor status, disability, and income level. In FY 2019, NHRMC provided nearly \$88.2 million in charity care and wrote-off over \$119.4 million in bad debt; NHRMC will continue to provide this level of charity care upon project approval and completion.”*

The applicant adequately demonstrates that the needs of medically underserved groups that will continue to use acute care beds, ORs, and other services will be adequately met following completion of the project for the following reasons:

- The applicant has already been planning for and relocating services, along with patients (including those who are medically underserved), for some time prior to filing this application.
- The applicant states it will continue to provide access to medically underserved groups at its remaining locations as well as the proposed new campus.

### **Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application

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

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

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

NC

The applicant proposes to develop a new 66-bed acute care hospital by developing the 36 acute care beds from the 2020 SMFP, developing six new observation beds and two new GI endo procedure rooms, and relocating 30 acute care beds, eight ORs, one CT scanner, one ultrasound machine, four x-ray/fluoroscopy machines, and one nuclear medicine camera from NHRMC-OH. The new hospital, NHRMC-Scotts Hill, will be located at the same site as NHRMC-ASC and NHRMC-EDN. The applicant proposes to incorporate NHRMC-EDN into the new hospital campus, along with an existing CT scanner, two ultrasound machines, one x-ray/fluoroscopy machine, and a mammography unit. The applicant also proposes to continue mobile MRI services currently offered at NHRMC-EDN several days per week.

In Section E, pages 95-96, the applicant describes the alternatives 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:

- Add Acute Beds at NHRMC-Main: the applicant states that the existing campus is crowded, does not have room to expand beyond the building footprint, and would add more traffic to the already-congested campus and surrounding areas in downtown Wilmington; therefore, this is not an effective alternative.
- Develop a 36-Bed Hospital in Scotts Hill: the applicant states that, despite recent approvals of similar hospitals, a 36-bed facility is not cost-effective, not financially viable, and would not support the services area residents would use. The applicant further states this would not serve the organizational plan to close the NHRMC-OH campus; therefore, this is not an effective alternative.
- Develop a New Hospital at a Different Location: the applicant states it chose a location where the need was greatest for existing and new patients, that has easy accessibility via major roadways, and where it already has an outpatient surgery center and a satellite ED that it will incorporate into development of the proposed project; therefore, this is not an effective alternative.

On page 96, the applicant states its proposed project is the most effective alternative because it allows the shift of lower acuity patients to a new facility that may be closer to home, it will free up needed capacity at NHRMC-Main in shifting lower acuity patients to NHRMC-Scotts Hill, and it makes use of existing assets on a medical campus in a highly accessible location.

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 did not demonstrate in the application as submitted that it was conforming with the Criteria and Standards for Acute Care Beds promulgated in 10A NCAC 14C .3803(a), and there is not enough publicly available information to determine that the application is conforming with the applicable Criteria and Standards notwithstanding the applicant's failure to include the necessary information in its application. The discussion

regarding analysis of need including projected utilization found in Criterion (3) is incorporated herein by reference. A proposal that cannot meet required performance standards cannot be the most effective alternative.

- The applicant's projected utilization is not reasonable or adequately supported. Because the applicant's projected utilization was not reasonable and adequately supported, the applicant did not demonstrate the need it has for the proposed project. The discussion regarding analysis of need including projected utilization found in Criterion (3) is incorporated herein by reference. A proposal that is not needed by the population proposed to be served cannot be the most effective alternative.
- Because the applicant did not demonstrate the need to develop the proposed project, the applicant cannot demonstrate that it needs to develop 36 new acute care beds in addition to the existing and approved acute care beds in New Hanover County. The discussion regarding unnecessary duplication found in Criterion (6) is incorporated herein by reference. A project that is unnecessarily duplicative cannot be the most effective alternative.
- The applicant did not demonstrate that the cost, design, and means of construction represent the most reasonable alternative for the proposal. The discussion regarding the cost, design, and means of construction proposed found in Criterion (12) is incorporated herein by reference. A project which cannot demonstrate that the proposed cost, design, and means of construction represent the most reasonable alternative for the proposal cannot be the most effective alternative.
- Because the applicant did not demonstrate the need to develop 36 new acute care beds, it cannot demonstrate that any enhanced competition in the service area includes a positive impact on the cost-effectiveness of the proposed services. An applicant that did not demonstrate the need for a proposed project cannot demonstrate the cost-effectiveness of the proposed project. The discussion regarding demonstrating 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, found in Criterion (18a) is incorporated herein by reference. A project that cannot show a positive impact on the cost-effectiveness of the proposed services as the result of any enhanced competition cannot be the most effective alternative.
- The application is not conforming to all statutory and regulatory review criteria. An application that cannot be approved cannot be the most effective alternative.

## **Conclusion**

The Agency reviewed the:

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

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

- (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

The applicant proposes to develop a new 66-bed acute care hospital by developing the 36 acute care beds from the 2020 SMFP, developing six new observation beds and two new GI endo procedure rooms, and relocating 30 acute care beds, eight ORs, one CT scanner, one ultrasound machine, four x-ray/fluoroscopy machines, and one nuclear medicine camera from NHRMC-OH. The new hospital, NHRMC-Scotts Hill, will be located at the same site as NHRMC-ASC and NHRMC-EDN. The applicant proposes to incorporate NHRMC-EDN into the new hospital campus, along with an existing CT scanner, two ultrasound machines, one x-ray/fluoroscopy machine, and a mammography unit. The applicant also proposes to continue mobile MRI services currently offered at NHRMC-EDN several days per week.

### **Capital and Working Capital Costs**

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

Construction Costs	\$136,429,298
Architect/Engineering Fees	\$11,559,600
Medical Equipment	\$20,505,753
Non-Medical Equipment	\$7,550,531
Furniture	\$5,684,358
Consultant Fees	\$1,392,000
Financing Costs	\$1,560,805
Interest During Construction	\$13,284,855
Other (Contingency/Owner Cost)	\$11,979,048
<b>Total</b>	<b>\$209,946,248</b>

The applicant provides its assumptions and methodology for projecting capital cost in Section Q and Exhibits F-1.1, F-1.2, K-1.1, K-1.2, K-3, and K-4.1. The applicant adequately demonstrates that the projected capital cost is based on reasonable and adequately supported assumptions based on the following:

- In Exhibit F-1.1, the applicant provides an itemized list of equipment it proposes to acquire, and which is included in the projected capital cost.

- In Exhibit F-1.2, the applicant provides quotes for all pieces of new and replacement medical equipment with costs exceeding \$10,000 which are included in the projected capital cost.
- In Exhibits K-1.1, K-1.2, and K-3, the applicant provides documentation from an architect of the construction plans and costs which are included in the projected capital cost.
- In Exhibit K-4.1, the applicant provides a special warranty deed documenting it owns the property where the proposed campus will be built to demonstrate why costs to acquire property are not included in the projected capital cost.
- On Form F.1a, the applicant provides information on what costs are included in the calculation of each line item in the projected capital cost.

In Section F, page 99, the applicant projects that start-up costs will be \$25,599,310 and there will be no initial operating expenses, as it will be a satellite campus of an existing hospital, for a total working capital of \$25,599,310. The applicant projected two different start-up costs in two different locations on page 99; based on the applicant's stated assumptions and methodology, the Project Analyst was able to determine the correct projected start-up costs; the inconsistency appears to be a typo and does not affect the outcome of this review. On page 99, the applicant provides the assumptions and methodology used to project the working capital needs of the project. The applicant adequately demonstrates that the projected working capital needs of the project are based on reasonable and adequately supported assumptions based on the following:

- The applicant explained how it calculated the projected start-up costs and the explanation was consistent with information provided in the application.
- The applicant's explanation for why it did not project any initial operating expenses is reasonable.

### **Availability of Funds**

In Section F, page 97, the applicant states \$53,865,778 of the capital cost will be funded with accumulated reserves from NHRMC and \$156,080,470 of the capital cost will be funded with bonds. In Section F, page 99, the applicant states all of the working capital costs will be funded with accumulated reserves from NHRMC.

In Exhibit F-2.1, the applicant provides a letter dated August 19, 2020 from the Executive Vice President and CFO of NHRMC, stating NHRMC will commit up to \$60 million of its accumulated reserves to fund the capital cost of the proposed project and will commit to covering all of the associated working capital costs with accumulated reserves.

Exhibit F-2.2 contains a copy of the audited Annual Financial Report for NHRMC for the years ending September 30, 2019 and 2018. According to the annual financial report, as of

September 30, 2019, NHRMC had adequate cash and assets to fund the portion of the capital needs and all the working capital needs of the proposed project.

Exhibit F-2.3 contains a letter dated September 2, 2020 from a Managing Director of BofA Securities, Inc. (Bank of America), expressing interest in managing the issuance of \$160 million in revenue bonds.

The applicant adequately demonstrates the availability of sufficient funds for the capital and working capital needs of the project based on the following:

- The applicant provides letters from appropriate individuals confirming the availability of the different types of funding proposed for the capital and working capital needs of the project.
- The applicant provides adequate documentation of the accumulated reserves it proposes to use to fund the capital and working capital needs of the project.

**Financial Feasibility**

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

<b>Projected Revenues and Operating Expenses</b>			
<b>NHRMC-Scotts Hill</b>	<b>FY 1 (FFY 2025)</b>	<b>FY 2 (FFY 2026)</b>	<b>FY 3 (FFY 2027)</b>
Total Patient Days of Care*	17,633	19,006	19,461
Total Gross Patient Services Revenues	\$620,554,718	\$666,143,080	\$701,814,918
Total Adjustments to Revenue**	\$462,313,265	\$499,607,310	\$529,870,263
Total Net Patient Revenue	\$158,241,453	\$166,535,770	\$171,944,654
Other Revenue***	\$3,102,774	\$3,330,715	\$3,509,075
Total Net Revenue	\$161,344,227	\$169,866,486	\$175,453,729
Average Net Revenue per Patient Day	\$9,150	\$8,938	\$9,016
Total Operating Expenses (Costs)	\$153,595,858	\$162,724,494	\$168,316,914
Average Operating Expense per Patient Day	\$8,711	\$8,562	\$8,649
Net Income	\$7,748,368	\$7,141,991	\$7,136,815

\*Other services contributing to the total revenue and expenses for NHRMC-Scotts Hill are as follows:

	<b>FY 1 (FFY 2025)</b>	<b>FY 2 (FFY 2026)</b>	<b>FY 3 (FFY 2027)</b>
Total Surgical Cases (IP/OP/Endo)	11,905	12,172	12,408
Total ED Visits	37,872	38,959	40,077
Total Imaging Services	80,133	81,807	83,429

\*\*Includes charity care and bad debt.

\*\*\*Includes revenue from the cafeteria and gift shop.

The assumptions used by the applicant in preparation of the pro forma financial statements are provided in Section Q with each applicable pro forma financial statement. However, the applicant does not adequately demonstrate that the projected revenues and operating expenses are based on reasonable and adequately supported assumptions because projected utilization is

not based on reasonable and adequately supported assumptions. See the discussion regarding projected utilization in Criterion (3) which is incorporated herein by reference. Therefore, projected revenues and operating expenses, which are based in part on projected utilization, are also questionable.

### **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 sufficient funds for the operating needs of the proposal and that the financial feasibility of the proposal is based upon reasonable projections of revenues and operating expenses for all the reasons described above.

- (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

The applicant proposes to develop a new 66-bed acute care hospital by developing the 36 acute care beds from the 2020 SMFP, developing six new observation beds and two new GI endo procedure rooms, and relocating 30 acute care beds, eight ORs, one CT scanner, one ultrasound machine, four x-ray/fluoroscopy machines, and one nuclear medicine camera from NHRMC-OH. The new hospital, NHRMC-Scotts Hill, will be located at the same site as NHRMC-ASC and NHRMC-EDN. The applicant proposes to incorporate NHRMC-EDN into the new hospital campus, along with an existing CT scanner, two ultrasound machines, one x-ray/fluoroscopy machine, and a mammography unit. The applicant also proposes to continue mobile MRI services currently offered at NHRMC-EDN several days per week.

The 2020 SMFP defines the service area for acute care bed services and ORs as the planning area in which the acute care beds and ORs are located. The 2020 SMFP does not define the service area for GI endo procedure rooms; however, the Criteria and Standards for Gastrointestinal Endoscopy Procedure Rooms in Licensed Health Service Facilities, promulgated in 10A NCAC 14C .3901(6), state that the service area is defined by the applicant. Thus, the service area for the acute care beds and ORs is New Hanover County, and the service area for the GI endo procedure rooms is 15 ZIP codes in New Hanover and Pender counties. Facilities may also serve residents of counties not included in their service area.

In Section C, page 33, the applicant provides a list of ZIP codes divided into a Primary Service Area (PSA) and Secondary Service Area (SSA). The ZIP codes comprising the PSA and SSA as defined by the applicant are shown in the table below.

<b>NHRMC-Scotts Hill Projected Area of Patient Origin</b>	
<b>Primary Service Area</b>	28401 (Wilmington)
	28405 (Wilmington)
	28411 (Wilmington)
	28429 (Castle Hayne)
	28443 (Hampstead)
	28445 (Holly Ridge)
	28480 (Wrightsville Beach)
<b>Secondary Service Area</b>	28403 (Wilmington)
	28409 (Wilmington)
	28412 (Wilmington)
	28435 (Currie)
	28436 (Delco)
	28451 (Leland)
	28457 (Rocky Point)
	28479 (Winnabow)

The applicant is the only provider of acute care beds in New Hanover County.

The following table identifies the existing and approved ORs, along with projected surpluses or deficits, in New Hanover County.

<b>Existing/Approved ORs – New Hanover County – FFY 2019</b>		
<b>Facilities</b>	<b>Adjusted Planning Inventory</b>	<b>Projected Deficit / (Surplus)</b>
Wilmington ASC*	1	(1.00)
Wilmington Eye Surgery Center*	2	(2.00)
Wilmington SurgCare	10	(4.81)
New Hanover Regional Medical Center	38	0.19
<b>TOTAL</b>	<b>51</b>	<b>(-7.62)</b>

Source: Proposed 2021 SMFP

\*Denotes an approved facility which was not operational during FFY 2019

The following table identifies the existing and approved GI endo procedure rooms along with historical utilization during FFY 2019 for New Hanover County.

<b>Existing/Approved GI Endo Procedure Rooms – New Hanover County – FFY 2019</b>			
<b>Facilities</b>	<b>Adjusted # Rooms</b>	<b># GI Endo Cases</b>	<b># GI Endo Procedures</b>
Wilmington ASC*	3	0	0
Endoscopy Center NHRMC Physician Group	3	6,026	6,192
New Hanover Regional Medical Center	4	8,040	9,010
Wilmington Gastroenterology	4	10,986	13,511
Wilmington Health**	0(-3)	4,085	4,536
Wilmington SurgCare	3	21	30
<b>TOTAL</b>	<b>17</b>	<b>29,158</b>	<b>33,279</b>

Source: Proposed 2021 SMFP

\*Denotes an approved facility which was not operational during FFY 2019

\*\*As part of Project I.D. #O-11441-17, Wilmington Health will close, and the three GI endo procedure rooms will be relocated to Wilmington ASC.

In Section G, page 103, the applicant explains why it believes its proposal would not result in the unnecessary duplication of existing or approved acute care bed, OR, and GI endo procedure room services in the defined service area. The applicant states:

*“The proposed project will not result in an unnecessary duplication of existing services because it consists of relocation of existing beds and services as well as the addition of beds, which were generated from a need within NHRMC’s own system. The proposed project will serve to decompress the busy 17<sup>th</sup> street campus and to replace the orthopedic volume leaving the Orthopedic Hospital upon its closure. Projected utilization is based on the historical utilization and market share of NHRMC. The project will make the most efficient use of NHRMC’s existing assets and need for additional capacity by serving patients closer to home at a new community hospital in Scotts Hill.”*

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, based on the following analysis:

- The applicant did not demonstrate in the application as submitted that it was conforming with the Criteria and Standards for Acute Care Beds promulgated in 10A NCAC 14C .3803(a), and there is not enough publicly available information to determine that the application is conforming with the applicable Criteria and Standards notwithstanding the applicant’s failure to include the necessary information in its application. The discussion regarding analysis of need including projected utilization found in Criterion (3) is incorporated herein by reference.
- Because the applicant failed to provide the necessary information to demonstrate it was conforming with the applicable Criteria and Standards, and there was not enough publicly available information to determine the application was conforming to the applicable Criteria and Standards, the applicant cannot demonstrate the need it has for the proposed project. The discussion regarding analysis of need including projected utilization found in Criterion (3) is incorporated herein by reference.
- Independent of the applicant’s failure to conform to the applicable Criteria and Standards, the applicant’s projected utilization is not reasonable and adequately supported; thus, the applicant did not demonstrate the need it has for the proposed project. The discussion regarding analysis of need including projected utilization found in Criterion (3) is incorporated herein by reference.
- Because the applicant did not demonstrate the need to develop NHRMC-Scotts Hill with 36 new acute care beds, it cannot demonstrate that the 36 new acute care beds are needed in addition to the existing and approved acute care beds in New Hanover County.

### **Conclusion**

The Agency reviewed the:

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

Based on that review, the Agency concludes that the application is not conforming to this criterion based on the analysis 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

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

<b>NHRMC-Scotts Hill Projected Staffing – FYs 1-3</b>				
<b>Position</b>	<b>Current/Existing at NHRMC-OH and NHRMC-EDN</b>	<b>Projected FTE Positions</b>		
		<b>FY 1 (FFY 2025)</b>	<b>FY 2 (FFY 2026)</b>	<b>FY 3 (FFY 2027)</b>
Certified Registered Nursing Assistants	14.0	18.0	18.0	18.0
Registered Nurses	56.4	102.3	102.4	102.4
Surgical Technicians	15.1	16.7	16.7	16.7
Aides/Orderlies	30.4	59.1	61.6	61.6
Clerical Staff	10.3	17.0	17.0	17.0
Anesthesia Technicians	3.0	4.4	4.4	4.4
Pathologists/Phlebotomists	3.0	3.0	3.5	3.5
Laboratory Technicians	7.6	7.6	7.6	7.6
Radiologists/Managers/Coordinators	3.0	3.3	3.3	3.3
Radiology Technologists	58.8	69.5	71.6	73.8
Pharmacists	2.0	5.5	5.5	5.5
Pharmacy Technicians	3.0	7.5	7.7	7.7
Physical Therapists	16.8	16.8	17.3	17.3
Physical Therapy Technician	1.4	1.4	1.4	1.4
Speech Therapists	1.4	1.4	1.4	1.4
Occupational Therapists	2.8	2.8	2.9	2.9
Respiratory Therapists	12.6	12.6	13.0	13.0
Dieticians	1.0	1.0	1.0	1.0
Cooks	2.7	6.6	6.8	6.8
Dietary Aides	9.3	23.1	23.8	23.8
Laundry & Linen	0.0	4.0	4.5	5.4
Housekeeping	17.6	28.0	30.8	33.6
Central Sterile Supply	11.0	12.1	12.1	12.1
Materials Management	1.0	6.0	6.0	6.0
Maintenance/Engineering	8.1	8.1	8.1	8.1
Administrator	1.0	1.0	1.0	1.0
Director of Nursing	1.0	1.0	1.0	1.0
Special Police	9.2	13.8	13.8	13.8
Business Office	0.0	1.0	1.0	1.0
Nursing Supervisors	0.0	4.4	4.4	4.4
Nurse Managers	4.0	4.0	4.0	4.0
Nurse Coordinators	10.0	20.6	20.6	20.6
Hospitalists	0.0	6.1	6.1	6.1
<b>Total Staffing</b>	<b>317.6</b>	<b>489.8</b>	<b>500.4</b>	<b>506.3</b>

The assumptions and methodology used to project staffing are provided in Section H, page 105, and on Form H and Form H Supplement 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 105-106, the applicant describes the methods used to recruit or fill new positions and its existing training and continuing education programs. The applicant provides supporting documentation in Exhibits H-2.1, H-2.2, H-3.1, H-3.2, and H-3.3.

The applicant adequately demonstrates the availability of sufficient health manpower and management personnel to provide the proposed services based on the following:

- The applicant projects to relocate existing staff already serving in specified roles to NHRMC-Scotts Hill.
- The applicant adequately documents the number of additional FTEs it needs to offer the proposed services.
- The applicant accounts for projected salaries and other costs of employment in its projected operating expenses found on Form F.3 in Section Q.
- The applicant provides adequate documentation of its existing recruitment, training, and continuing education programs.

### **Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application

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

### **Ancillary and Support Services**

In Section I, page 107, the applicant identifies the necessary ancillary and support services for the proposed services. In Section I, pages 107-108, the applicant explains how each ancillary and support service is or will be made available and provides supporting documentation in Exhibits I-1 and I-2. The applicant adequately demonstrates that the necessary ancillary and support services will be made available based on the following:

- The applicant specifically identifies the proposed providers of the ancillary and support services.
- In Exhibit I-1, the applicant provides letters from eight different companies the applicant states will provide the proposed services, which confirm the applicant's statements.
- In Exhibit I-2, the applicant provides detailed information about existing transfer agreements with other facilities as well as a copy of a transfer agreement with a facility.

## **Coordination**

While NHRMC-Scotts Hill will be a new hospital campus, it will be licensed as part of an existing facility. In Section I, pages 108-109, the applicant describes its existing and proposed relationships with other local health care and social service providers and provides supporting documentation in Exhibits C-4.2, I-2, I-3.1, and I-3.2. The applicant adequately demonstrates that the proposed services will be coordinated with the existing health care system because the applicant provides documentation that it has existing relationships with other local health care and social service providers.

## **Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application

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

- (9) An applicant proposing to provide a substantial portion of the project's services to individuals not residing in the health service area in which the project is located, or in adjacent health service areas, shall document the special needs and circumstances that warrant service to these individuals.

NA

The applicant does not project to provide the proposed services to a substantial number of persons residing in Health Service Areas (HSAs) that are not adjacent to the HSA in which the services will be offered. Furthermore, the applicant does not project to provide the proposed services to a substantial number of persons residing in other states that are not adjacent to the North Carolina county in which the services will be offered. Therefore, Criterion (9) is not applicable to this review.

- (10) When applicable, the applicant shall show that the special needs of health maintenance organizations will be fulfilled by the project. Specifically, the applicant shall show that the project accommodates: (a) The needs of enrolled members and reasonably anticipated new members of the HMO for the health service to be provided by the organization; and (b) The availability of new health services from non-HMO providers or other HMOs in a reasonable and cost-effective manner which is consistent with the basic method of operation of the HMO. In assessing the availability of these health services from these providers, the applicant shall consider only whether the services from these providers:
- (i) would be available under a contract of at least 5 years duration;
  - (ii) would be available and conveniently accessible through physicians and other health professionals associated with the HMO;
  - (iii) would cost no more than if the services were provided by the HMO; and

(iv) would be available in a manner which is administratively feasible to the HMO.

NA

The applicant is not an HMO. Therefore, Criterion (10) is not applicable to this review.

(11) Repealed effective July 1, 1987.

(12) Applications involving construction shall demonstrate that the cost, design, and means of construction proposed represent the most reasonable alternative, and that the construction project will not unduly increase the costs of providing health services by the person proposing the construction project or the costs and charges to the public of providing health services by other persons, and that applicable energy saving features have been incorporated into the construction plans.

NC

In Section K, page 112, the applicant states that the project involves constructing 197,891 building gross square feet of new space for a hospital (including the central energy plant). Line drawings are provided in Exhibits K-1.1 and K-1.2.

In Section K, pages 115-116, the applicant identifies the proposed site and provides information about the current owner, zoning and special use permits for the site, and the availability of water, sewer and waste disposal, and power at the site. Supporting documentation is provided in Exhibits K-4.1, K-4.2, and K-4.3. The site appears to be suitable for the proposed new hospital campus based on the applicant's representations and supporting documentation.

On page 112, the applicant explains why it believes that the cost, design, and means of construction represent the most reasonable alternative for the proposal. However, the applicant does not adequately demonstrate that the cost, design, and means of construction represents the most reasonable alternative, based on the following analysis:

- G.S. §131E-77(e1) requires that hospitals be licensed in a single county. 10A NCAC 13B .3101(f) states that a hospital license shall include “...*only facilities or premises within a single county.*”
- “Premises,” in both regular vernacular and legal terminology, means a piece of land and the buildings on it. Please see the Working Papers for examples of definitions.
- In Exhibit K-4.1, the applicant includes a special warranty deed, showing the property it owns on which it proposes to develop NHRMC-Scotts Hill. The special warranty deed, recorded on February 6, 2020, identifies a tract of land that has been recorded as a recombination plat. The special warranty deed indicates the recombination plat map can be found in Map Book 65, Page 33 of the Pender County Register of Deeds.

- Map Book 65, Page 33 of the Pender County Register of Deeds is a recombination plat map, showing a tract of land that straddles the New Hanover County and Pender County line, with the map appearing to show slightly more than half of the tract of land located in Pender County.
- Exhibit K-1.1 contains numerous architectural schematics, including one with the title “Site Plan – Overall.” The schematic identifies the line between New Hanover and Pender counties. In that schematic, the physical building for the hospital is in New Hanover County. However, areas for parking, and other items labeled “Future MOB,” are included in the schematic as part of the overall site plan, with parking areas crossing over the New Hanover County line into Pender County, and two of the four “Future MOB” sites being in Pender County.
- While a medical office building is not licensed as part of a hospital, there is nothing to suggest that the site plan shows anything other than the proposed hospital campus – or, the premises – and the proposed hospital campus is in two counties.
- The Project Analyst contacted the Acute and Home Care Licensure and Certification Section, DSHR, and the Construction Section, DHSR, to determine whether the proposed site plan included in the application, with the hospital building entirely within New Hanover County but with future site plans including parking and medical office buildings in Pender County, could be licensed under applicable statutes and regulations. In response, Jeff Harms, Acting Chief of the Construction Section, DHSR, stated:

*“There have been a few cases where a Declaratory Ruling was issued...to let a hospital conduct services under their CMS Provider number in a Business Occupancy in another county. This might be able to be done via a piece of 2009 legislation known as House Bill 1297 [Session Law 2009-487].*

*[The proposed site plan] is potentially problematic because of how easy it is for a Business Occupancy facility to advance to Ambulatory Health Care Occupancy in the future (which would negate the exemption allowed by the House Bill.)”*

- The applicant cannot demonstrate that its proposal can be licensed as a hospital; therefore, the applicant cannot demonstrate that the cost, design, and means of construction represent the most reasonable alternative for the proposal.

On page 113, 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 based on the following:

- The applicant states it is relocating existing equipment to save costs. See Exhibit F-1.1 for a list of the equipment the applicant is relocating to develop the proposed project.

- The applicant states it is preventing duplication of costs to develop services by developing the proposed campus at the site of its existing satellite ED and incorporating the existing satellite ED into the proposed hospital campus.

On pages 113-114, 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
- Information which was 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 all the reasons described above.

- (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 ... persons [with disabilities], 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

The applicant proposes, in part, to relocate 30 acute care beds, eight ORs, and other imaging equipment from NHRMC-OH to NHRMC-Scotts Hill. In Section L, page 118, the applicant provides the historical payor mix during FFY 2019 for the proposed services being relocated from existing facilities, as shown in the table below.

<b>NHRMC-OH Historical Payor Mix – FFY 2019</b>	
<b>Payor Category</b>	<b>Entire Facility as Percent of Total</b>
Self-Pay	0.78%
Medicare*	67.78%
Medicaid*	2.43%
Insurance*	24.50%
Workers Compensation	0.55%
TRICARE	1.46%
Other	2.50%
<b>Total</b>	<b>100.00%</b>

\*Including any managed care plans.

Source: NHRMC-OH internal data

In Section L, page 117, the applicant provides the following comparison.

<b>NHRMC-OH</b>	<b>Percentage of Total Patients Served During the Last Full Fiscal Year</b>	<b>Percentage of the Population of New Hanover County</b>
Female	59.60%	51.92%
Male	40.40%	48.08%
Unknown	0.00%	0.00%
64 and Younger	34.43%	81.32%
65 and Older	65.57%	18.68%
American Indian	0.29%	0.58%
Asian	0.13%	1.49%
Black or African-American	12.72%	13.04%
Native Hawaiian or Pacific Islander	0.06%	0.06%
White or Caucasian	85.53%	79.52%
Other Race	0.75%	5.31%
Declined / Unavailable	0.52%	0.00%

Source: NHRMC-OH internal data; Spotlight

### **Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application

Based on that review, the Agency concludes that the applicant adequately documents the extent to which medically underserved populations currently use the applicant's existing services in comparison to the percentage of the population in the applicant's service area which is medically underserved. Therefore, the application is conforming to this criterion.

- (b) Its past performance in meeting its obligation, if any, under any applicable regulations requiring provision of uncompensated care, community service, or access by minorities

and ... persons [with disabilities] to programs receiving federal assistance, including the existence of any civil rights access complaints against the applicant;

C

Regarding any obligation to provide uncompensated care, community service, or access by minorities and persons with disabilities, in Section L, page 118, the applicant states:

*“NHRMC fulfilled its Hill-Burton obligation and does not have any related obligation under any applicable federal regulations to provide uncompensated care, community service, or access by minorities and [persons with disabilities].”*

In Section L, page 118, the applicant states that during the last five years no patient civil rights access complaints have been filed against any campus on the NHRMC license.

**Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application

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

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

C

In Section L, page 119, the applicant projects the following payor mix during the third full fiscal year of operation following completion of the project, as illustrated in the following table.

<b>NHRMC-Scotts Hill Projected Payor Mix – FFY 3 (FFY 2027)</b>	
<b>Payor Category</b>	<b>Entire Facility as Percent of Total</b>
Self-Pay	7.53%
Medicare*	50.72%
Medicaid*	20.19%
Insurance*	21.57%
<b>Total</b>	<b>100.00%</b>

\*Including any managed care plans.

On page 119, the applicant includes a line for charity care in its projected payor mix, but states that it is calculated as an adjustment to patient revenue (and is not a separate payor mix category).

As shown in the table above, during the third full fiscal year of operation following completion of the project, the applicant projects that 7.53 percent of total services will be provided to self-pay patients, 50.72 percent to Medicare patients, and 20.19 percent to Medicaid patients.

On page 119, the applicant provides the assumptions and methodology used to project payor mix during the third full fiscal years of operation following completion of the project. The projected payor mix is reasonable and adequately supported based on the following:

- The projected patient payor mix is consistent with the historical patient payor mix.
- The applicant adjusts the projected payor mix to account for the acuity level of the patients proposed to be served by NHRMC-Scotts Hill.

### **Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application

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

- (d) That the applicant offers a range of means by which a person will have access to its services. Examples of a range of means are outpatient services, admission by house staff, and admission by personal physicians.

### C

In Section L, page 120, the applicant adequately describes the range of means by which patients will have access to the proposed services.

### **Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application

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

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

C

In Section M, page 121, the applicant describes the extent to which health professional training programs in the area will have access to the facility for training purposes and provides supporting documentation in Exhibits M-1.1 and M-1.2. The applicant adequately demonstrates that health professional training programs in the area will have access to the facility for training purposes based on the following:

- The applicant provides documentation of existing health professional training programs in the area for which it already provides access to other NHRMC system facilities.
- The applicant states it will provide access to NHRMC-Scotts Hill just as it does for other NHRMC system campuses.

**Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application

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

- (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

The applicant proposes to develop a new 66-bed acute care hospital by developing the 36 acute care beds from the 2020 SMFP, developing six new observation beds and two new GI endo procedure rooms, and relocating 30 acute care beds, eight ORs, one CT scanner, one ultrasound machine, four x-ray/fluoroscopy machines, and one nuclear medicine camera from NHRMC-OH. The new hospital, NHRMC-Scotts Hill, will be located at the same site as NHRMC-ASC and NHRMC-EDN. The applicant proposes to incorporate NHRMC-EDN into the new hospital campus, along with an existing CT scanner, two ultrasound machines, one x-ray/fluoroscopy machine, and a mammography unit. The applicant also proposes to continue mobile MRI services currently offered at NHRMC-EDN several days per week.

The 2020 SMFP defines the service area for acute care bed services and ORs as the planning area in which the acute care beds and ORs are located. The 2020 SMFP does not define the service area for GI endo procedure rooms; however, the Criteria and Standards for Gastrointestinal Endoscopy Procedure Rooms in Licensed Health Service Facilities, promulgated in 10A NCAC 14C .3901(6), state that the service area is defined by the applicant. Thus, the service area for the acute care beds and ORs is New Hanover County, and the service area for the GI endo procedure rooms is 15 ZIP codes in New Hanover and Pender counties. Facilities may also serve residents of counties not included in their service area.

In Section C, page 33, the applicant provides a list of ZIP codes divided into a Primary Service Area (PSA) and Secondary Service Area (SSA). The ZIP codes comprising the PSA and SSA as defined by the applicant are shown in the table below.

<b>NHRMC-Scotts Hill Projected Area of Patient Origin</b>	
<b>Primary Service Area</b>	28401 (Wilmington)
	28405 (Wilmington)
	28411 (Wilmington)
	28429 (Castle Hayne)
	28443 (Hampstead)
	28445 (Holly Ridge)
	28480 (Wrightsville Beach)
<b>Secondary Service Area</b>	28403 (Wilmington)
	28409 (Wilmington)
	28412 (Wilmington)
	28435 (Currie)
	28436 (Delco)
	28451 (Leland)
	28457 (Rocky Point)
	28479 (Winnabow)

The applicant is the only provider of acute care beds in New Hanover County.

The following table identifies the existing and approved ORs, along with projected surpluses or deficits, in New Hanover County.

<b>Existing/Approved ORs – New Hanover County – FFY 2019</b>		
<b>Facilities</b>	<b>Adjusted Planning Inventory</b>	<b>Projected Deficit / (Surplus)</b>
Wilmington ASC*	1	(1.00)
Wilmington Eye Surgery Center*	2	(2.00)
Wilmington SurgCare	10	(4.81)
New Hanover Regional Medical Center	38	0.19
<b>TOTAL</b>	<b>51</b>	<b>(-7.62)</b>

Source: Proposed 2021 SMFP

\*Denotes an approved facility which was not operational during FFY 2019

The following table identifies the existing and approved GI endo procedure rooms along with historical utilization during FFY 2019 for New Hanover County.

<b>Existing/Approved GI Endo Procedure Rooms – New Hanover County – FFY 2019</b>			
<b>Facilities</b>	<b>Adjusted # Rooms</b>	<b># GI Endo Cases</b>	<b># GI Endo Procedures</b>
Wilmington ASC*	3	0	0
Endoscopy Center NHRMC Physician Group	3	6,026	6,192
New Hanover Regional Medical Center	4	8,040	9,010
Wilmington Gastroenterology	4	10,986	13,511
Wilmington Health**	0(-3)	4,085	4,536
Wilmington SurgCare	3	21	30
<b>TOTAL</b>	<b>17</b>	<b>29,158</b>	<b>33,279</b>

Source: Proposed 2021 SMFP

\*Denotes an approved facility which was not operational during FFY 2019

\*\*As part of Project I.D. #O-11441-17, Wilmington Health will close, and the three GI endo procedure rooms will be relocated to Wilmington ASC.

Regarding the expected effects of the proposal on competition in the service area, in Section N, page 122, the applicant states:

*“NHRMC’s proposed project will have a positive impact on the cost-effectiveness, quality, and access by underserved groups for the proposed services.”*

Regarding the impact of the proposal on cost effectiveness, in Section N, page 122, the applicant states:

*“NHRMC proposed to relocate 30 existing beds from its Orthopedic Hospital to the new NHRMC – Scotts Hill campus, which will redistribute resources in a cost-effective way that will better meet the needs of patients served by NHRMC and will improve quality of care. Additionally, the Scotts Hill area is already home to Atlantic SurgiCenter and NHRMC’s FSED – North. With the construction of a new acute care facility, NHRMC will create a medical campus with a broad range of service offerings to this market.”*

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 122, the applicant states:

*“Because NHRMC – Scotts Hill will be a campus of NHRMC, it will follow and maintain the same quality and performance improvement policies and programs already established at NHRMC. NHRMC prides itself on its quality care, and NHRMC – Scotts Hill will serve to enhance and expand access to this level of care by addressing capacity constraints and increasing available access points of care to New Hanover County residents.”*

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 122-123, the applicant states:

*“...the new campus will also provide access to medically underserved groups at a rate that is consistent with NHRMC’s historical experience. For members of this group who reside in and around the Scotts Hill community, access to quality care will be increased and the need for a lengthy commute downtown for general acute care services will be eliminated. Like all NHRMC facilities, NHRMC – Scotts Hill will be a comprehensive provider to all patients without regard to race, color, religion, creed, national origin, sex, sexual preference, disability, age, or ability to pay. Additionally, NHRMC – Scotts Hill will actively participate in both the Medicaid and Medicare programs. As previously described, in FY 2019, NHRMC provided nearly \$88.2 million in charity care and wrote-off over \$119.4 million in bad debt; NHRMC will continue to provide this level of charity care upon project approval and completion.”*

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

However, the applicant does not adequately demonstrate how any enhanced competition in the service area will have a positive impact on the cost-effectiveness of the proposed services. The applicant did not adequately demonstrate the need to develop 36 new acute care beds at NHRMC-Scotts Hill and that the project is the least costly or most effective alternative. The discussions regarding analysis of need, including projected utilization, and alternatives found in Criteria (3) and (4), respectively, are incorporated herein by reference. A project that cannot demonstrate the need for the services proposed and a project that cannot demonstrate it is the least costly or most effective alternative cannot demonstrate how any enhanced competition will have a positive impact on the cost-effectiveness of the proposal.

### **Conclusion**

The Agency reviewed the:

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

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

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

C

On Form A in Section Q, the applicant identifies hospitals located in North Carolina owned, operated, or managed by the applicant or a related entity. The applicant identified the NHRMC system and Pender Memorial Hospital.

In Section O, page 125, the applicant states that during the 18 months immediately preceding the submittal of the application, there were no incidents related to quality of care at either hospital. 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 that occurred in either 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 both hospitals, 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.

G.S. 131E-183 (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

The Criteria and Standards for Acute Care Beds, promulgated in 10A NCAC 14C .3800, and the Criteria and Standards for Gastrointestinal Endoscopy Procedure Rooms in Licensed Health Service Facilities, promulgated in 10A NCAC 14C .3900, are applicable to this review. The application is not conforming with all Criteria and Standards. Each of the applicable Criteria and Standards are discussed below.

**SECTION .3800 – CRITERIA AND STANDARDS FOR ACUTE CARE BEDS**

**10A NCAC 14C .3803          PERFORMANCE STANDARDS**

- (a) *An applicant proposing to develop new acute care beds shall demonstrate that the projected average daily census (ADC) of the total number of licensed acute care beds proposed to be*

*licensed within the service area, under common ownership with the applicant, divided by the total number of those licensed acute care beds is reasonably projected to be at least 66.7 percent when the projected ADC is less than 100 patients, 71.4 percent when the projected ADC is 100 to 200 patients, and 75.2 percent when the projected ADC is greater than 200 patients, in the third operating year following completion of the proposed project or in the year for which the need determination is identified in the State Medical Facilities Plan, whichever is later.*

-NC- The applicant proposes to develop a new hospital with 36 new acute care beds and 30 relocated acute care beds for a total of 66 acute care beds upon project completion. The projected ADC of the total number of licensed acute care beds proposed to be licensed within the service area under common ownership with the applicant is greater than 200. The applicant does not adequately demonstrate that the projected utilization of the total number of licensed acute care beds proposed to be licensed within the service area and under common ownership with the applicant is reasonably projected to be at least 75.2 percent by the end of the third operating year following completion of the proposed project. The discussion regarding analysis of need including projected utilization found in Criterion (3) is incorporated herein by reference. Therefore, the application is not conforming with this rule.

(b) *An applicant proposing to develop new acute care beds shall provide all assumptions and data used to develop the projections required in this rule and demonstrate that they support the projected inpatient utilization and average daily census.*

-NC- In Section C, pages 46-77, the applicant provides the assumptions and data used to develop the projections required in this rule. However, the applicant does not adequately demonstrate that the assumptions and data used to develop the projections required in this rule support the projected inpatient utilization and average daily census. The discussion regarding projected utilization found in Criterion (3) is incorporated herein by reference. Therefore, the application is not conforming with this rule.

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

### **10A NCAC 14C .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 ten days for holidays.*

-NA- The applicant does propose to add new ORs or to utilize ORs for GI endo procedures. Therefore, this rule is not applicable to this review.

(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.*

- NC- The applicant proposes to develop two new GI endo procedure rooms at NHRMC-Scotts Hill in addition to the four existing GI endo procedure rooms at NHRMC-Main for a total of six GI endo procedure rooms upon project completion. In Section C, pages 86-87, the applicant projects to perform an average of at least 1,500 GI endo procedures per GI endo procedure room in each licensed facility; however, the applicant's projections are not reasonable and adequately supported. The discussion regarding projected utilization found in Criterion (3) is incorporated herein by reference. Therefore, the application is not conforming with this rule.
  
- (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 87, the applicant states the proposed GI endo procedure rooms would be used for upper endoscopy procedures, esophagoscopy procedures, and colonoscopy procedures.
  
- (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.*
  
- NC- In Section C, pages 87-88, the applicant states that while it performed 363 GI endo procedures outside of a licensed GI endo procedure room at NHRMC-Main and NHRMC-ASC during FFY 2019, it does not project to provide any future GI endo procedures outside of a licensed GI endo procedure room at NHRMC-ASC. The applicant also states it does not project to perform any GI endo procedures outside of a licensed GI endo procedure room at NHRMC-Scotts Hill. The applicant states it projects the average number of surgical and GI endo cases per shared ORs at NHRMC-Main will be at least 3.2 cases per day by the end of the second year of operation. However, the applicant's projected utilization for GI endo procedures is not reasonable and adequately supported. The discussion regarding projected utilization found in

Criterion (3) is incorporated herein by reference. Therefore, the application is not conforming with this rule.

- (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- In Section C, pages 46-77 and 86-88, the applicant describes all assumptions and the methodology it used for each projection in this rule.