

REQUIRED STATE AGENCY FINDINGS

FINDINGS

C = Conforming

CA = Conforming as Conditioned

NC = Nonconforming

NA = Not Applicable

Decision Date: October 14, 2021

Findings Date: October 14, 2021

Project Analyst: Gregory F. Yakaboski

Co-Signer: Gloria C. Hale

Project ID #: J-12092-21

Facility: University of North Carolina Medical Center

FID #: 923517

County: Orange

Applicant: University of North Carolina Hospitals at Chapel Hill

Project: Develop no more than 3 ORs on the main campus pursuant to the need determination in the 2021 SMFP for a total of no more than 57 ORs (49 ORs on the main campus and 8 ORs on the Hillsborough campus) upon completion of this project, Project ID #J-11644-18 (add 2 ORs), Project ID #J-11646-18 (add 2 ORs), Project ID #J-11695-19 (add 1 OR), and Project ID #J-11900-20 (add 3 ORs).

REVIEW CRITERIA

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

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

C

University of North Carolina Hospitals at Chapel Hill (hereinafter referred to as UNC Hospitals or “the applicant”) proposes to develop three additional operating rooms at the University of North Carolina Medical Center (UNC Medical Center), located at UNC Hospitals main campus in Chapel Hill, pursuant to the need determination in the 2021 State Medical Facilities Plan.

Need Determination

Chapter 6 of the 2021 SMFP includes a methodology for determining the need for additional ORs in North Carolina by service area. Application of the need methodology in the 2021 SMFP

identifies a need for 3 additional ORs in the Orange County service area. The applicant does not propose to develop more operating rooms than are determined to be needed in the Orange County service area. Therefore, the application is consistent with the need determination.

Policies

There are two policies in the 2021 SMFP applicable to this review: Policy GEN-3: *Basic Principles*, and Policy GEN-4: *Energy Efficiency and Sustainability for Health Service Facilities*.

Policy GEN-3: *Basic Principles*, on page 29 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.”

Promote Safety and Quality

The applicant describes how it believes the proposed project will promote safety and quality in Section B (a) and (d), pages 26-28, Section N.2, page 100; Section O, pages 102-104; and referenced exhibits. The information provided by the applicant is reasonable and supports the determination that the applicant’s proposal will promote safety and quality.

Promote Equitable Access

The applicant describes how it believes the proposed project will promote equitable access in Section B(b) and (d), pages 28-29; Section C.6, pages 55-56; Section L, pages 90-96; Section N.2, page 101, and referenced exhibits. The information provided by the applicant is reasonable and supports the determination that the applicant’s proposal will promote equitable access.

Maximize Healthcare Value

The applicant describes how it believes the proposed project will maximize healthcare value in Section B (c) and (d), pages 28-29; Section F, pages 68-75; Section K, pages 86-88, Section N, page 100; the applicant’s pro forma financial statements in Section Q and referenced exhibits. The information provided by the applicant with regard to its efforts to maximize healthcare value is reasonable and supports the determination that the applicant’s proposal will maximize healthcare value.

The information provided by the applicant is reasonable and adequately demonstrates how its proposal incorporates the concepts of quality, equitable access and maximum value for resources expended in meeting the need identified in the 2021 SMFP. Therefore, the application is consistent with Policy GEN-3.

Policy GEN-4: *Energy Efficiency and Sustainability for Health Service Facilities*, on page 29 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.2, page 30 and Section K, pages 87-88, 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 publicly available during the review and used by the Agency

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

- The applicant does not propose to develop more operating rooms than are determined to be needed in the service area.
 - The applicant adequately demonstrates that the proposal is consistent with Policy GEN-3 and Policy GEN-4 based on the following reasons:
 - The applicant adequately documents how the project will promote safety and quality in the delivery of operating room services in Orange County;
 - The applicant adequately documents how the project will promote equitable access to operating room services in Orange County;
 - The applicant adequately documents how the project will maximize healthcare value for the resources expended;
 - The applicant's projected volumes incorporate the concepts of quality, equitable access and maximum value for resources expended in meeting the need identified in the 2021 SMFP; and
 - The applicant adequately demonstrates that the proposal is consistent with Policy GEN-4 based on its representations that the project includes a written plan to assure improved energy efficiency and water conservation.
- (2) Repealed effective July 1, 1987.
- (3) The applicant shall identify the population to be served by the proposed project, and shall demonstrate the need that this population has for the services proposed, and the extent to which all residents of the area, and, in particular, low income persons, racial and ethnic minorities, women, ... persons [with disabilities], the elderly, and other underserved groups are likely to have access to the services proposed.

C

UNC Hospitals proposes to develop three additional operating rooms at the UNC Medical Center in Chapel Hill pursuant to the need determination in the 2021 State Medical Facilities Plan.

Patient Origin

N.C.G.S. §131E-176(24a) states: “*Service area means the area of the State, as defined in the State Medical Facilities Plan or rules adopted by the Department, which receives services from a health service facility.*” On page 49, the 2021 SMFP states, “*An OR’s service area is the single or multicounty groupings as shown in Figure 6.1.*” In Figure 6.1, page 55 of the 2021 SMFP, Orange County is shown as a single-county operating room service area. Thus, the service area for this facility consists of Orange County. Facilities may also serve residents of counties not included in their service area.

The following table illustrates historical and projected patient origin for the operating rooms at the UNC Medical Center.

UNC Medical Center: Operating Rooms

County	Historical (FY2020)		Third Full FY of Operation following Project Completion (FY2028)	
	Patients	% of Total	Patients	% of Total
Wake	3,323	13.1%	3,813	13.1%
Orange	2,803	11.0%	3,216	11.0%
Alamance	1,827	7.2%	2,096	7.2%
Cumberland	1,677	6.6%	1,924	6.6%
Durham	1,303	5.1%	1,495	5.1%
Chatham	1,230	4.8%	1,411	4.8%
Harnett	931	3.7%	1,068	3.7%
Lee	901	3.5%	1,034	3.5%
Robeson	846	3.3%	971	3.3%
Johnston	769	3.0%	882	3.0%
Moore	682	2.7%	783	2.7%
Guilford	515	2.0%	591	2.0%
Nash	424	1.7%	487	1.7%
Onslow	409	1.6%	469	1.6%
Wayne	379	1.5%	435	1.5%
New Hanover	378	1.5%	434	1.5%
Sampson	357	1.4%	410	1.4%
Randolph	340	1.3%	390	1.3%
Craven	306	1.2%	351	1.2%
Brunswick	284	1.1%	326	1.1%
Richmond	284	1.1%	326	1.1%
Hoke	260	1.0%	298	1.0%
Other*	5,167	20.3%	5,931	20.3%
Total	25,395	100.0%	29,141	100.0%

Source: Section C.2 and C.3, pages 35 and 39 of the application, respectively.

*Counties and other states included in the “Other” category are shown below the tables on pages 35 and 39 of the application.

In Section C.3(a), page 37, the applicant states that the projected patient origin is based on the historical patient origin for surgical services at UNC Medical Center. The applicant’s assumptions are reasonable and adequately supported.

Analysis of Need

In Section C.4, pages 41-49, the applicant explains why it believes the population projected to utilize the proposed services needs the proposed services, as summarized below:

- The 2021 SMFP includes a need determination for three ORs in Orange County. The applicant is the only provider of surgical services in Orange County and was solely

responsible for generating the need for additional operating rooms in the 2021 SMFP (pages 42-43).

- The historical and projected growth and aging of the Orange County service area population (pages 43-44).
- Surgical services demand in Orange County and North Carolina particularly for higher acuity patients with more complex surgical procedures that require longer surgical case times (pages 45-47).
- The need to address the existing capacity constraints for a patients of UNC Hospitals (47-48).
- The need for additional capacity for UNC Medical Center. (pages 48-49).

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

- The applicant provides reasonable and adequately supported information to support its assertions regarding the growth and aging of the Orange County service area population.
- The applicant was the sole provider of surgical services in Orange County and generated the surgical services utilization which resulted in the need determination in the 2021 SMFP for three additional ORs in Orange County.
- The applicant provides historical data to support its assumptions regarding the projected utilization of UNC Hospital’s surgical service and the capacity constraints at UNC Medical Center.

Projected Utilization

In Section Q, Form C Assumptions and Methodology, page 4, the applicant provides historical and projected utilization projections for UNC Health Care’s existing, approved and proposed operating rooms at its Orange County surgical facilities, which include UNC Hospitals (both the Chapel Hill and Hillsborough campuses) and the North Chapel Hill Surgery Center, as discussed below.

UNC Health System* in Orange County: Historic and Interim OR Cases

	SFY21**	SFY22	SFY23	SFY24	SFY25
IP Cases	13,267	13,463	13,663	13,865	14,070
OP Cases	16,785	17,409	18,506	18,727	19,423
Total Cases	30,052	30,873	31,719	32,592	33,493

*UNC Health System includes UNC Medical Center, Hillsborough Campus and North Chapel Hill Surgery Center.

**SFY 2021 seasonalized based on July to February data to adjust for COVID-19.

UNC Health System in Orange County: Projected OR Cases

	SFY26	SFY27	SFY28	CAGR
IP Cases	14,278	14,490	14,704	1.5%
OP Cases	20,145	20,894	21,670	3.7%
Total Cases	34,424	35,384	36,375	

UNC Hospitals

In Section Q, Form C Assumptions and Methodology, the applicant provides projected utilization of the existing, approved and proposed operating rooms at UNC Hospitals (including the Main Campus in Chapel Hill and the Hillsborough campus), as illustrated in the following table.

**Projected UNC Hospitals Utilization
 (Medical Center and Hillsborough Campus Combined)**

Operating Rooms	Year 1 FY2026	Year 2 FY2027	Year 3 FY2028
Inpatient Surgical Cases	14,278	14,490	14,704
Inpatient Surgical Case Times	240	240	240
Inpatient Surgical Hours	57,112	57,960	58,816
Outpatient Surgical Cases	17,815	18,477	19,164
Outpatient Surgical Case Times	146	146	146
Outpatient Surgical Hours	43,349	44,961	46,632
Total Surgical Cases	32,093	32,967	33,868
Total Surgical Hours	100,465	102,921	105,450
Group Assignment	1	1	1
Standard Hours per OR per Year	1,950	1,950	1,950
Total Surgical Hours/Standard Hours Per OR per Year	51.5	52.8	54.1
Approved OR capacity	46	46	46
OR Deficit/ (Surplus)	5.5	6.8	8.1
ORs Applied for in this Application (J-12092-21)	3	3	3

Source: Section Q, Form C.

In Section Q, Form C Assumptions and Methodology, the applicant provides the assumptions and methodology used to project utilization, which is summarized below.

- The applicant adjusted SFY2020 and SFY2021 to account for the impacts of the COVID-19 pandemic.
- The applicant states projected utilization of the hospital’s operating rooms assumes that inpatient surgical case volumes will increase by an average annual growth rate of 1.5 percent, based on the historical growth rates for inpatient surgical case volumes from FY2017 to FY2029.
- The applicant assumes outpatient surgical case volumes will increase at an average annual growth rate of 3.7 percent through the first three operating years of the proposed project based on the historical growth rates for outpatient surgical case volumes from FY2017 to FY2019.
- The applicant further states, “*This growth in surgical services utilization is expected to be supported by the same factors that have led to the historical growth of UNC Hospitals including increasing demand for surgical services due to population and use*

rate growth, clinical service development at UNC Hospitals, and the recruitment of additional surgeons to serve patient need.” (Form C Assumptions and Methodology, page 4).

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

- The applicant’s OR utilization projections for UNC Medical Center and the Hillsborough Campus are based on the hospital’s historical surgical utilization from FY2017 to FY2019 and are further supported by the projected growth and aging in the service area population.
- The applicant’s utilization projections are supported by letters from physicians who have expressed support for the proposed project. See Exhibit I.2.

North Chapel Hill Surgery Center

Pursuant to the need determination in the 2018 SMFP, North Chapel Hill Surgery Center was approved to develop a freestanding, separately licensed ambulatory surgical center with two operating rooms (Project ID # J-11645-18). In Section Q, the applicant provides projected utilization of the two operating rooms at the approved ambulatory surgery center in Chapel Hill during the first three full fiscal operating years of the proposed project, as illustrated in the following table.

Projected North Chapel Hill Surgery Center Utilization

Operating Rooms	Year 1 FY2026	Year 2 FY2027	Year 3 FY2028
Dedicated Ambulatory ORs	2	2	2
Outpatient Surgical Cases	2,330	2,416	2,506
Surgical Case Times	69.5	69.5	69.5
Totals Surgical Hours	2,699	2,799	2,903
Group Assignment	6	6	6
Standard Hours per OR per Year	1,312	1,312	1,312
Total Surgical Hours/Standard Hours Per OR per Year	2.1	2.1	2.2
Approved OR capacity	2.0	2.0	2.0
OR Deficit/ (Surplus)	0.1	0.1	0.2

Source: Section Q, Form C.

In Section Q, the applicant provides the assumptions and methodology used to project utilization. Specifically, the applicant states projected utilization of the two dedicated ambulatory surgical operating rooms is based on the utilization projections for the two operating rooms in the previously approved project (Project ID # J-11645-18). The applicant states,

“UNC Hospitals believes that the utilization projections provided in UNC Health’s 2018 and 2019 applications, including North Chapel Hill Surgery Center, were reasonable and supported based on the data available at the time. As such, UNC Hospitals has maintained the specific case numbers projected for North Chapel

Surgery Center, as shown above, for the purposes of the utilization projections in this application. Of note, North Chapel Hill Surgery Center’s SFY 2025 to 2028 utilization was not projected in the 2018 CON application. For purposes of these projections and consistent with the historical growth in outpatient surgical utilization experienced by UNC Hospitals from SFY 2017 to SFY 2019, UNC Hospitals projects that North Chapel Hill Surgery Center’s utilization will grow 3.7 percent annually from SFY 2024 to SFY 2028, equivalent to UNC Hospitals’ outpatient surgery CAGR from SFY 2017 to 2019.”

The applicant’s projected utilization is reasonable and adequately supported based on the following reasons:

- The applicant’s utilization projections for North Chapel Hill Surgery Center for the period through the third year of the proposed project (FY2028) are supported by the applicant’s historical outpatient surgery CAGR from SFY 2017 to SFY 2019.
- The applicant maintained the specific case numbers projected for North Chapel Hill Surgery Center from previous applications for the purposes of the utilization projections in the current application.
- The applicant’s utilization projections are supported by letters from physicians who have expressed support for the proposed project. See Exhibit I.2.

Access to Medically Underserved Groups

In C.6, page 55, the applicant states,

“...UNC Health has the obligation to accept any North Carolina citizen including UNC requiring medically necessary treatment. No North Carolina citizen is presently denied access to non-elective care because of race, sex, creed, age, handicap, financial status, or lack of medical insurance

The applicant provides the estimated percentage for each medically underserved group during the third full fiscal year, as shown in the following table.

Medically Underserved Groups	Percentage of Total Patients
Low income persons*	na
Racial and ethnic minorities	39.4%
Women	41.7%
Persons with Disabilities*	na
Persons 65 and older	29.2%
Medicare beneficiaries	34.1%
Medicaid recipients	14.7%

Source: Table on page 56 of the application.

*UNC Hospitals does not maintain data that includes the number of low-income persons or handicapped persons it serves.

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

Conclusion

The Agency reviewed the:

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

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

NA

The applicant does not propose the reduction or elimination of a service. Therefore, Criterion (3a) is not applicable to this review.

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

CA

UNC Hospitals proposes to develop three additional operating rooms at the UNC Medical Center in Chapel Hill pursuant to the need determination in the 2021 State Medical Facilities Plan.

In Section E, page 66-67, the applicant describes the alternatives it considered and explains why each alternative is either more costly or less effective than the alternative proposed in this application to meet the need. The alternatives considered were:

- Maintain the status quo: The applicant states this option is not an effective alternative because it would not address the need for additional surgical capacity at UNC Medical Center.
- Develop fewer additional operating rooms: The applicant states it considered the alternative of developing fewer additional operating rooms but determined that fewer

operating rooms would not meet the growing need for surgical capacity at UNC Medical Center. Therefore, the applicant found this to be a less-effective alternative.

- Develop the operating rooms at a different location: The applicant states it considered this alternative, but determined that the previously approved applications for the operating room need determinations in the 2018, 2019 and 2020 SMFPs addressed the needs for ambulatory surgical operating rooms and hospital-based operating rooms at the UNC Hospitals Hillsborough campus, and the greatest need at this time is for hospital-based surgical capacity at the UNC Medical Center in Chapel Hill. Therefore, the applicant found this to be a less-effective alternative.

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

- The proposed project does not involve any new construction and only the renovation of 1,052 square feet and thus is cost-effective.
- The applicant provides reasonable information to explain why it believes the proposed project is the most effective alternative.
- The application is conforming to all other statutory and regulatory review criteria. Therefore, the application can be approved.

Conclusion

The Agency reviewed the:

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

Based on that review, the Agency concludes that the application is conforming to this criterion for the reasons stated above. Therefore, the application is approved subject to the following conditions:

- 1. University of North Carolina Hospitals at Chapel Hill shall materially comply with all representations made in the certificate of need application.**
- 2. University of North Carolina Hospitals at Chapel Hill shall develop three additional operating rooms at the University of North Carolina Medical Center.**
- 3. Upon completion of this project, Project ID #J-11644-18 (add 2 ORs), Project ID #J-11646-18 (add 2 ORs), Project ID #J-11695-19 (add 1 OR) and Project ID #J-11900-20 (add 3 ORs), University of North Carolina Hospitals at Chapel Hill shall be licensed for no more than 57 ORs (49 on the Chapel Hill campus and 8 on the Hillsborough campus).**

- 4. The certificate holder shall develop and implement an Energy Efficiency and Sustainability Plan for the project that conforms to or exceeds energy efficiency and water conservation standards incorporated in the latest editions of the North Carolina State Building Codes.**
 - 5. Progress Reports:**
 - a. Pursuant to G.S. 131E-189(a), the certificate holder shall submit periodic reports on the progress being made to develop the project consistent with the timetable and representations made in the application on the Progress Report form provided by the Healthcare Planning and Certificate of Need Section. The form is available online at: <https://info.ncdhhs.gov/dhsr/coneed/progressreport.html>.**
 - b. The certificate holder shall complete all sections of the Progress Report form.**
 - c. The certificate holder shall describe in detail all steps taken to develop the project since the last progress report and should include documentation to substantiate each step taken as available.**
 - d. Progress reports shall be due on the first day of every third month. The first progress report shall be due on March 1, 2022. The second progress report shall be due on June 1, 2022 and so forth.**
 - 6. The certificate holder shall not acquire as part of this project any equipment that is not included in the project's proposed capital expenditures in Section Q of the application and that would otherwise require a certificate of need.**
 - 7. No later than three months after the last day of each of the first three full fiscal years of operation following initiation of the services authorized by this certificate of need, the certificate holder shall submit, on the form provided by the Healthcare Planning and Certificate of Need Section, an annual report containing the:**
 - a. Payor mix for the services authorized in this certificate of need.**
 - b. Utilization of the services authorized in this certificate of need.**
 - c. Revenues and operating costs for the services authorized in this certificate of need.**
 - d. Average gross revenue per unit of service.**
 - e. Average net revenue per unit of service.**
 - f. Average operating cost per unit of service.**
 - 8. The certificate holder shall acknowledge acceptance of and agree to comply with all conditions stated herein to the Agency in writing prior to issuance of the certificate of need.**
- (5) Financial and operational projections for the project shall demonstrate the availability of funds for capital and operating needs as well as the immediate and long-term financial feasibility of the proposal, based upon reasonable projections of the costs of and charges for providing health services by the person proposing the service.

C

UNC Hospitals proposes to develop three additional operating rooms at the UNC Medical Center in Chapel Hill pursuant to the need determination in the 2021 State Medical Facilities Plan.

Capital and Working Capital Costs

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

Site Costs	\$0
Construction Costs	\$3,056,506
Miscellaneous Costs	\$2,176,584
Total	\$5,233,090

The applicant provides the assumptions used to project the capital cost in Section Q, Form F.1a and Exhibit F.1. The applicant adequately demonstrates that the projected capital cost is based on reasonable and adequately supported assumptions based on the information provided in Section Q and referenced exhibits.

In Section F.3, page 70, the applicant states that there will be no start-up costs or initial operating expenses as UNC Medical Center is an existing and operational facility.

Availability of Funds

In Section F, page 68, the applicant states that the capital cost will be funded, as shown in the table below.

Type	UNC Hospitals	Total
Loans	\$0	\$0
Accumulated reserves or OE *	\$5,233,090	\$5,233,090
Bonds	\$0	\$0
Other (Specify)	\$0	\$0
Total Financing	\$5,233,090	\$5,233,090

* OE = Owner's Equity

In Exhibit F.2-1, the applicant provides a letter dated June 15, 2021, from the Chief Financial Officer for UNC Hospitals documenting its intention to provide accumulated reserves to finance the proposed project. Exhibit F.2-2 contains a copy of the audited financial statements for UNC Hospitals for the year ended June 30, 2020 which indicate that UNC Hospitals had \$431 million in cash and cash equivalents as of June 30, 2020. The applicant adequately demonstrates the availability of sufficient funds for the capital needs of the project.

Financial Feasibility

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

	1st Full Fiscal Year (FY2026)*	2nd Full Fiscal Year (FY2027)	3rd Full Fiscal Year (FY2028)
Total Surgical Cases	27,648	28,383	29,141
Total Gross Revenues (Charges)	\$708,795,041	\$749,458,411	\$792,548,340
Total Net Revenue	\$280,696,695	\$296,800,185	\$313,864,639
Average Net Revenue per Surgical Case	\$10,152	\$10,457	\$10,771
Total Operating Expenses (Costs)	\$204,668,787	\$214,282,804	\$224,405,824
Average Operating Expense per Surgical Case	\$7,403	\$7,550	\$7,804
Net Income	\$76,027,909	\$82,517,381	\$89,458,815

*Note: FY2026 is 7/1/2025 to 6/30/2026

The assumptions used by the applicant in preparation of the pro forma financial statements are provided in Section Q. The applicant adequately demonstrates that the financial feasibility of the proposal is reasonable and adequately supported based on the following:

- Projected charges and revenues are reasonable and adequately supported.
- Projected operating expenses are reasonable and adequately supported.
- Projected utilization is based on reasonable and adequately supported assumptions. See the discussion regarding projected utilization in Criterion (3) which is incorporated herein by reference.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

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

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

C

UNC Hospitals proposes to develop three additional operating rooms at the UNC Medical Center in Chapel Hill pursuant to the need determination in the 2021 State Medical Facilities Plan.

N.C.G.S. §131E-176(24a) states: “Service area means the area of the State, as defined in the State Medical Facilities Plan or rules adopted by the Department, which receives services from a health service facility.” On page 49, the 2021 SMFP states, “An OR’s service area is the single or multicounty groupings as shown in Figure 6.1.” In Figure 6.1, page 55 of the 2021 SMFP, Orange County is shown as a single-county operating room service area. Thus, the service area for this facility consists of Orange County. Facilities may also serve residents of counties not included in their service area.

The following table identifies the existing and approved inpatient (IP), outpatient (OP), and shared ORs located in Orange County, and the inpatient and outpatient case volumes for each provider, from Table 6A, page 64, and Table 6b, page 78, of the 2021 SMFP.

Orange County	IP ORs	OP ORs	Shared ORs	Excluded C-Section, Trauma, Burn ORs	CON Adjustments	IP Surgery Cases	OP Surgery Cases
North Chapel Hill Surgery Center	0	0	0	0	2	0	0
UNC Hospitals	3	11	32	-5	8	14,444	17,563
UNC Health Care Total	3	11	32	-5	10	14,444	17,563
Duke Health Orange Ambulatory Surgical Center	0	0	0	0	2	0	0
Total	3	11	32	-5	12	14,444	17,563

Source: 2021 SMFP

In Section G.2, page 79, the applicant explains why it believes its proposal would not result in the unnecessary duplication of existing or approved operating room services in Orange County. The applicant states:

“UNC Hospitals is proposing to develop three additional operating rooms at UNC Medical Center in response to the need identified in the 2021 SMFP for three additional operating rooms in Orange County. As noted previously, the identified need determination for Orange County was generated based solely on the surgical utilization at UNC Hospitals. The identified need can best be met by the proposed application to add three operating rooms at UNC Medical Center. As the sole provider of surgical services in Orange County, and with the need determination based solely on its utilization, the proposed project by UNC Hospitals will provide much-needed additional hospital-based surgical capacity to serve a growing patient population.”

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

- There is a need determination in the 2021 SMFP for three additional operating rooms in the Orange County service area and the applicant proposes to develop three operating rooms.
- The applicant adequately demonstrates that the proposed operating rooms are needed in addition to the existing or approved operating rooms in Orange County.

Conclusion

The Agency reviewed the:

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

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

UNC Hospitals proposes to develop three additional operating rooms at the UNC Medical Center in Chapel Hill pursuant to the need determination in the 2021 State Medical Facilities Plan.

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

Position	Current FTE Staff	Projected FTE Staff
	(FY2020)	3 rd Full Fiscal Year (FY2028)
Registered Nurse	222.20	257.20
Surgical Technician	140.95	159.28
Aides/Orderlies	37.63	45.29
Clerical Staff	5.41	6.08
Radiology Technologists	0.20	0.20
Respiratory Therapist	0.56	0.56
Administrator	26.04	26.37
Business Office	26.84	26.84
Perfusionist	5.13	5.13
Phlebotomist	1.89	1.89
TOTAL	466.86	528.86

Source: Form H in Section Q of the application.

The assumptions and methodology used to project staffing are provided in Section Q. Adequate operating expenses for the health manpower and management positions proposed by the applicant are budgeted in Form F.3. In Sections H.2 and H.3, pages 80-81, the applicant describes the methods used to recruit or fill new positions and its existing training and continuing education programs. In Exhibit B.20-4, the applicant provides supporting documentation.

The applicant adequately demonstrates the availability of sufficient health manpower and management personnel to provide the proposed services based on the information provided in Section H, pages 80-81, Exhibit B.20-4, and in Section Q, Form H, as described above.

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.

- (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.

UNC Hospitals proposes to develop three additional operating rooms at the UNC Medical Center in Chapel Hill pursuant to the need determination in the 2021 State Medical Facilities Plan.

Ancillary and Support Services

In Section I.1, page 82, the applicant identifies the necessary ancillary and support services for the proposed services. On page 82, the applicant explains how each ancillary and support service is or will be made available, the applicant states,

“As an existing full-service academic medical center, UNC Hospitals has all ancillary and support services in place to support hospital operations, including the existing surgical services at UNC Medical Center. These existing ancillary and support services also will support the additional operating rooms proposed in this application. Patients may require the use of any of UNC Hospitals’ existing ancillary and support services including laboratory, radiology, pharmacy, dietary, housekeeping, maintenance, and administration, among others.”

The applicant adequately demonstrates that the necessary ancillary and support services will be made available.

Coordination

In Section I.2, page 83, the applicant describes its existing and proposed relationships with other local health care and social service providers and provides supporting documentation in Exhibit I.2. The applicant adequately demonstrates that the proposed services will be coordinated with the existing health care system based on the fact that UNC Hospitals is an existing healthcare system with established relationships with local healthcare providers 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.

C

UNC Hospitals proposes to develop three additional operating rooms at the UNC Medical Center in Chapel Hill pursuant to the need determination in the 2021 State Medical Facilities Plan.

In Section K.1, page 86, the applicant states that the project involves renovating 1,052 square feet of existing space. Line drawings are provided in Exhibit C.1-2.

On pages 86-87, the applicant adequately explains how the cost, design and means of construction represent the most reasonable alternative for the proposal based on the following:

- Two of the operating rooms will be developed in space that is already compliant with current operating room space requirements.
- One of the operating rooms will be developed in existing vacant space that will be renovated.
- Developing a new, isolated operating suite in either new construction or renovated space would have been more costly.

On page 87, 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:

- No increases in charges are necessary to fund the project, the proposed project will be funded through UNC Hospitals' accumulated reserves.
- The proposed project, because it only involves renovation for one of the proposed operating rooms, will not unduly increase the costs of providing the services or the charges for surgical services.

On pages 87-88, the applicant identifies any applicable energy saving features that will be incorporated into the construction plans.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

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

In Section L.1, page 90, the applicant provides the historical payor mix for UNC Medical Center for FY2020, as shown in the table below.

Payor Category	Percent of Total Patients Served
Self-Pay	8.8%
Charity Care*	
Medicare**	34.1%
Medicaid**	14.7%
Insurance**	37.7%
Other***	4.7%
Total	100.0%

Source: Table on page 90 of the application.

*UNC Hospitals internal data does not include Charity Care as a payor source for patients. Patients in any payor category can and do receive charity care.

**Including any managed care plans.

***The applicant states the "Other" category includes Department of Corrections, TRICARE, Workers Compensation and other payors.

In Section L, page 91, the applicant provides the following comparison.

	Percentage of Total Patients Served by the Facility or Campus during the Last Full FY	Percentage of the Population of the Service Area
Female	41.7%	52.3%
Male	58.3%	47.7%
Unknown	0.0%	0.0%
64 and Younger	70.8%	85.4%
65 and Older	29.2%	14.6%
American Indian	0.8%	0.6%
Asian	2.1%	8.1%
Black or African American	22.5%	11.8%
Native Hawaiian or Pacific Islander	0.1%	0.1%
White or Caucasian	60.6%	76.9%
Other Race	9.8%	2.5%
Declined / Unavailable	4.1%	0.0%

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

Recipients of Hill-Burton funds were required to provide uncompensated care, community service and access by minorities and handicapped persons. In Section L.2, page 92, the applicant states,

“UNC Hospitals has long since satisfied its ‘free care’ obligation under the Hill-Burton Act. While it is no longer under a federal obligation to provide this care, charity care provided by UNC Hospitals for State Fiscal Year 2020 is estimated to be more than \$263.6 million. UNC Hospitals provides care to all persons based only on their need for care and without regard to minority status or handicap/disability.”

In Section L.2, page 93, the applicant states that during the 18 months immediately preceding the application deadline, no patient civil rights access complaints have been filed against the hospital.

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 94, the applicant projects the following payor mix for the UNC Medical Center for both all services and the proposed services during the third full fiscal year of operation (FFY2028) following completion of the project, as shown in the table below.

UNC Medical Center: Entire Facility

Payor Category	Percent of Total Patients Served
Self-Pay	8.8%
Charity Care*	
Medicare**	34.1%
Medicaid**	14.7%
Insurance**	37.7%
Other***	4.7%
Total	100.0%

Source: Table on page 94 of the application.

*UNC Hospitals internal data does not include Charity Care as a payor source for patients. Patients in any payor category can and do receive charity care.

**Including any managed care plans.

***The applicant states the "Other" category includes Department of Corrections, TRICARE, Workers Compensation and other payors.

As shown in the table above, during the third full fiscal year of operation, the applicant projects that 8.8% of total services will be provided to self-pay patients, 34.1% to Medicare patients and 14.7% to Medicaid patients.

UNC Medical Center: Operating Rooms

Payor Category	Percent of Total Patients Served
Self-Pay	9.2%
Charity Care*	
Medicare**	26.2%
Medicaid**	20.6%
Insurance**	30.7%
Other***	13.3%
Total	100.0%

Source: Table on page 94 of the application.

*UNC Hospitals internal data does not include Charity Care as a payor source for patients. Patients in any payor category can and do receive charity care.

**Including any managed care plans.

***The applicant states the "Other" category includes Department of Corrections, TRICARE, Workers Compensation and other payors.

As shown in the table above, during the third full fiscal year of operation, the applicant projects that 9.2% of operating room services will be provided to self-pay patients, 26.2% to Medicare patients and 20.6% to Medicaid patients.

On page 93, the applicant provides the assumptions and methodology used to project payor mix during the third full fiscal year of operation following completion of the project. The projected payor mix is reasonable and adequately supported based on the historical payor mix from FY2020.

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.5, page 96, the applicant adequately describes the range of means by which patients will have access to the proposed services.

The Agency reviewed the:

- Application
- Exhibits to the application

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

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

C

UNC Hospitals proposes to develop three additional operating rooms at the UNC Medical Center in Chapel Hill pursuant to the need determination in the 2021 State Medical Facilities Plan.

In Section M.1, pages 97-98, the applicant describes the extent to which health professional training programs in the area have access to the facility for training purposes. The applicant adequately demonstrates that health professional training programs in the area have access to the facility for training purposes based on UNC Hospitals being an academic medical center with clinical training being a primary component of its mission.

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.

C

UNC Hospitals proposes to develop three additional operating rooms at the UNC Medical Center in Chapel Hill pursuant to the need determination in the 2021 State Medical Facilities Plan.

N.C.G.S. §131E-176(24a) states: “Service area means the area of the State, as defined in the State Medical Facilities Plan or rules adopted by the Department, which receives services from a health service facility.” On page 49, the 2021 SMFP states, “An OR’s service area is the single or multicounty groupings as shown in Figure 6.1.” In Figure 6.1, page 55 of the 2021 SMFP, Orange County is shown as a single-county operating room service area. Thus, the service area for this facility consists of Orange County. Facilities may also serve residents of counties not included in their service area.

The following table identifies the existing and approved IP, OP, and shared ORs located in Orange County, and the inpatient and outpatient case volumes for each provider, from Table 6A, page 64, and Table 6b, page 78, of the 2021 SMFP.

Orange County	IP ORs	OP ORs	Shared ORs	Excluded C-Section, Trauma, Burn ORs	CON Adjustments	IP Surgery Cases	OP Surgery Cases
North Chapel Hill Surgery Center	0	0	0	0	2	0	0
UNC Hospitals	3	11	32	-5	8	14,444	17,563
UNC Health Care Total	3	11	32	-5	10	14,444	17,563
Duke Health Orange Ambulatory Surgical Center	0	0	0	0	2	0	0
Total	3	11	32	-5	12	14,444	17,563

Source: 2021 SMFP

Regarding the expected effects of the proposal on competition in the service area, in Section N, page 100, the applicant states:

“UNC Hospitals believes that the proposed project will foster competition in the proposed service area, even as the only existing provider of surgical services in the service area. In particular, UNC Hospitals has a unique mission to serve patients from across the state, and regularly cares for patients from all 100 counties. As such, the proposed project will enhance competition by expanding the capacity of surgical services at UNC Hospitals, which will improve its ability to compete with other providers.”

Regarding the impact of the proposal on cost effectiveness, in Section B, page 29, the applicant states:

“UNC Hospitals’ proposal aims to maximize value by renovating existing space as well as space already under development that can accommodate the three operating rooms instead of undergoing additional construction, which will allow UNC Hospitals to be a good steward of existing resources and space.”

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

Regarding the impact of the proposal on quality, in Section B, pages 26-28, the applicant states:

“UNC Hospitals is known for providing high quality services and expects the proposed project to expand its surgical programs while bolstering its high-quality reputation. The proposed project will add needed operating room capacity to UNC Hospitals to support surgical cases that are best provided in a hospital-based setting. ... the proposed project will allow UNC Hospitals to expand its surgical capacity at the heavily utilized Medical Center, which, in turn will allow UNC Hospitals to better meet patient needs and expectations- thus increasing overall patient satisfaction, safety, and quality of care.”

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

Regarding the impact of the proposal on access by medically underserved groups, in Section B, page 28, the applicant states:

“The proposed project will promote access to healthcare services in the service area. ... UNC Hospitals has the obligation to accept any North Carolina citizen requiring medically necessary treatment. No North Carolina citizen is presently denied access to non-elective care because of race, sex, creed, age, handicap, financial status, or lack of medical insurance. ... The proposed project ... will improve access to surgical services in the service area by expanding the number of operating rooms at UNC Medical Center.”

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

The applicant adequately describes the expected effects of the proposed services on competition in the service area and adequately demonstrates the proposal would have a positive impact on cost-effectiveness, quality, and access because the applicant adequately demonstrates that:

- 1) The proposal is cost effective because the applicant adequately demonstrated: a) the need the population to be served has for the proposal; b) that the proposal would not result in an unnecessary duplication of existing and approved health services; and c) that projected revenues and operating costs are reasonable.
- 2) Quality care would be provided based on the applicant's representations about how it will ensure the quality of the proposed services and & the applicant's record of providing quality care in the past.
- 3) Medically underserved groups will have access to the proposed services based on the applicant's representations about access by medically underserved groups and the projected payor mix.

Conclusion

The Agency reviewed the:

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

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

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

C

In Section Q, Form O, the applicant identifies the hospitals and ambulatory surgical facilities located in North Carolina owned, operated or managed by the applicant or a related entity. The applicant identifies a total of 19 of these types of facilities located in North Carolina.

In Section O.4, page 103, the applicant states that, during the 18 months immediately preceding the submittal of the application, incidents related to quality of care occurred in two of these facilities: UNC REX Hospital and Onslow Memorial Hospital. In Section O.4, page 103, the applicant states that a plan of correction for UNC REX Hospital was accepted and the hospital is back in compliance with all CMS conditions as of October 21, 2020. In Section O.4, page 103, the applicant states that a plan of correction for Onslow Memorial Hospital was accepted and the hospital is back in compliance with all CMS conditions as of December 21, 2020. According to the files in the Acute and Home Care Licensure and Certification Section, DHSR, all the UNC Health Care System facilities are back in compliance with all CMS Conditions of Participation. After reviewing and considering information provided by the applicant and by the Acute and Home Care Licensure and Certification Section and considering the quality of

care provided at all 19 facilities, the applicant provided sufficient evidence that quality care has been provided in the past. Therefore, the application is conforming to this criterion.

(21) Repealed effective July 1, 1987.

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.

C

UNC Hospitals proposes to develop three additional operating rooms at the UNC Medical Center in Chapel Hill pursuant to the need determination in the 2021 State Medical Facilities Plan.

The application is conforming with all applicable Criteria and Standards for Surgical Services and Operating Rooms, NCAC 14C .2100. The specific criteria are discussed below.

SECTION .2100 – CRITERIA AND STANDARDS FOR SURGICAL SERVICES AND OPERATING ROOMS

10A NCAC 14C .2103 PERFORMANCE STANDARDS

(a) *An applicant proposing to increase the number of operating rooms (excluding dedicated C-section operating rooms) in a service area shall demonstrate the need for the number of proposed operating rooms in addition to the existing and approved operating rooms in the applicant's health system in the applicant's third full fiscal year following completion of the proposed project based on the Operating Room Need Methodology set forth in the annual State Medical Facilities Plan. The applicant is not required to use the population growth factor.*

-C- UNC Hospitals proposes to develop three additional operating rooms at UNC Medical Center in Chapel Hill which is part of the UNC Hospitals health system. The applicant projects sufficient surgical cases and hours to demonstrate the need for three additional ORs in the applicant's health system in the third operating year of the project based on the Operating Room Need Methodology in the 2021 SMFP. The discussion regarding projected utilization found in Criterion (3) is incorporated herein by reference.

(b) *The applicant shall provide the assumptions and methodology used for the projected utilization required by this Rule.*

- C- In Section Q, Form C, the applicant provides the assumptions and methodology used in the development of the projections required by this Rule. The discussion regarding analysis of need, including projected utilization, found in Criterion (3) is incorporated herein by reference.