

## REQUIRED STATE AGENCY FINDINGS

### FINDINGS

C = Conforming

CA = Conforming as Conditioned

NC = Nonconforming

NA = Not Applicable

Decision Date: September 24, 2021

Findings Date: September 24, 2021

Project Analyst: Mike McKillip

Co-Signer: Gloria C. Hale

Project ID #: F-12084-21

Facility: Atrium Health Steele Creek

FID #: 070396

County: Mecklenburg

Applicant: The Charlotte-Mecklenburg Hospital Authority

Project: Develop a new satellite hospital by relocating 26 acute care beds and 1 OR from Atrium Health Pineville and develop 1 new C-Section OR and 1 procedure room. The relocation of 1 OR from Atrium Health Pineville is a change of scope for Project ID# F-11814-19 (add two ORs)

### 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.

C

The Charlotte-Mecklenburg Hospital Authority (CMHA), hereinafter referred to as “CMHA” or “the applicant,” proposes to develop a new satellite hospital by relocating 26 acute care beds and one operating room from Atrium Health Pineville and develop one new C-Section operating room and one procedure room. The relocation of one operating room from Atrium Health Pineville is a change of scope for Project ID# F-11814-19 (add two operating rooms).

### Need Determination

The proposed project does not involve the addition of any new health service facility beds, services, or equipment for which there is a need determination in the 2021 State Medical Facilities Plan (SMFP). Therefore, no need determinations are applicable to this review.

### **Policies**

There are two policies in the 2021 SMFP applicable to this review: Policy AC-5: *Replacement of Acute Care Bed Capacity*, and Policy GEN-4: *Energy Efficiency and Sustainability for Health Service Facilities*.

Policy AC-5: *Replacement of Acute Care Bed Capacity*, on page 20 of the 2021 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 home 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>Facility Average Daily Census</b>	<b>Target Occupancy of Licensed Acute Care Beds</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>

Policy AC-5 is applicable to this review because the applicant proposes to construct new space for 26 existing acute care beds. In Section Q, Form C.1b, the applicant provides the projected acute care bed days of care for the proposed hospital, Atrium Health Steele Creek (AHSC) in the third full fiscal year following project completion, as shown in the table below.

<b>Atrium Health Steele Creek</b>	<b>Operating Year 3</b>
Days of Care	7,091
Licensed Beds	26
Occupancy Rate	74.7%

As shown in the table above, AHSC, which will have an average daily census of 1-99 patients, is projected to have an occupancy rate of 74.7 percent, which exceeds the applicable utilization target of 66.7 percent, in the third full fiscal year of operation following project completion. Also, in Section Q, Form D.1 of the application, the applicant projects that Atrium Health Pineville, which will have an average daily census greater than 200 patients, is projected to have an occupancy rate of 88.9 percent, which exceeds the applicable utilization target of 75.2 percent, in the first full fiscal year of operation following project completion. Therefore, the application is consistent with Policy AC-5.

Policy GEN-4: *Energy Efficiency and Sustainability for Health Service Facilities*, on page 29 of the 2021 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 for 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 28-29, the applicant provides a written statement describing the project’s plan to assure improved energy efficiency and water conservation. The applicant states,

*“CMHA is committed to energy efficiency and sustainability that balances the need for healthcare services and environmental sustainability in the communities it serves. ... CMHA employs a Facility Management Group with experienced, highly*

*trained, and qualified architects, engineers, project managers, tradesmen, and technicians, who oversee the design, construction, operation, and maintenance of CMHA's facilities. ... CMHA has demonstrated its commitment to a higher standard of excellence and will continue to do so relative to the proposed project. CMHA will work with experienced architects and engineers to develop this proposed project to ensure energy efficient systems are an inherent part of the proposed project to the degree appropriate with the proposed renovations and new construction. The design team has Energy Star and Hospitals for a Healthy Environment Green Guide for HealthCare (GGHC) experience."*

The applicant adequately demonstrates that the application includes a written statement describing the project's plan to assure improved energy efficiency and water conservation. The application is consistent with Policy GEN-4.

### **Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application

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

- The applicant does not propose to develop any beds, services or equipment for which there is a need determination in the 2021 SMFP.
- The applicant adequately demonstrates the proposal is consistent with Policy AC-5 based on its projections that utilization of the acute care beds at the proposed and existing hospital will exceed the utilization thresholds required by the Policy.
- The applicant adequately demonstrates the proposal is consistent with Policy GEN-4 based on its representations that the project includes a plan for 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

The applicant proposes to develop a new satellite hospital by relocating 26 acute care beds and one operating room from Atrium Health Pineville and develop one new C-Section operating room and one procedure room. The relocation of one operating room from Atrium

Health Pineville is a change of scope for Project ID# F-11814-19 (add two operating rooms). In Section C.1, pages 30-34, the applicant describes the project as follows:

*“CMHA proposes to relocate existing acute care beds and a previously approved, but not yet developed, operating room from Atrium Health Pineville to Atrium Health Steele Creek, as well as develop a dedicated C-Section room and one procedure room, in order to bring high quality, convenient access to inpatient and surgical care to the residents of the Steele Creek service area. As shown on the site plan included in Exhibit C.1-1, CMHA proposes to construct approximately 48,152 square feet of new space adjacent to the existing satellite emergency department and the existing medical office building (MOB). In addition, 6,284 square feet of existing emergency department, ancillary/imaging, and MOB space will undergo renovation in conjunction with the proposed project ....*

*Atrium Health Steele Creek is an existing hospital campus of Atrium Health Pineville that opened in 2010. For over eleven years, Atrium Health Steele Creek has provided the community with high quality and convenient emergency and outpatient services, including imaging and laboratory services. ... As illustrated in the existing line drawings included in Exhibit C.1-1, the 24-hour emergency department houses 13 emergency department exam rooms, a trauma room, and eight fast track rooms. Existing imaging services include one CT scanner, one fixed X-ray unit, one fixed ultrasound unit, one portable X-ray unit, and one portable ultrasound unit....*

*As previously noted, the proposed project involves the relocation of an approved (pursuant to Project ID # F-11814-19), but not yet developed, operating room from Atrium Health Pineville. As illustrated in the line drawings included in Exhibit C.1-1, CMHA proposes to house the relocated operating room in new construction located on Level 2. In addition to the operating room, the new construction on Level 2 will include one procedure room and one dedicated C-Section operating room (to support the need for C-Section obstetrical care). CMHA also intends to develop three prep rooms and three recovery rooms – essentially one for each of the operating, C-Section, and procedure rooms – in new construction located adjacent to the operating room on Level 2 to allow preparation and recovery times for patients receiving surgical care. ... The proposed project also involves the replacement of the existing CT scanner located on the Atrium Health Steele Creek campus.”*

### **Patient Origin**

The 2021 SMFP defines the service area for acute care bed services and operating rooms as a single or multicounty grouping as shown in Figures 5.1 and 6.1, respectively. Thus, the service area for this application is Mecklenburg County. Facilities may also serve residents of counties not included in their service area.

AHSC is not an existing hospital and has no historical patient origin for inpatient or surgical services. The following table shows the applicant’s historical (CY2020) patient origin for

Atrium Health Pineville, from which the existing acute care beds and approved operating room will be relocated.

<b>Atrium Health Pineville Patient Origin – CY2020</b>		
<b>County</b>	<b>Patients</b>	<b>% of Total</b>
Mecklenburg	64,340	47.5%
York (SC)	41,722	30.8%
Lancaster (SC)	10,655	7.9%
Union	7,658	5.6%
Gaston	2,712	2.0%
Chester (SC)	1,664	1.2%
Other*	6,785	5.0%
<b>Total</b>	<b>135,536</b>	<b>100.0%</b>

Source: Table on page 37 of the application

\*Applicant provides a list of the counties included in the “Other” category under the table on page 37 of the application.

The following tables show the applicant’s projected patient origin for inpatient and ambulatory surgery services at the proposed facility in the first three full fiscal years following project completion.

<b>AHSC Projected Inpatient Services Patient Origin</b>						
<b>County</b>	<b>OY 1 (CY2025)</b>		<b>OY 2 (CY2026)</b>		<b>OY 3 (CY2027)</b>	
	<b># Patients</b>	<b>% of Total</b>	<b># Patients</b>	<b>% of Total</b>	<b># Patients</b>	<b>% of Total</b>
York (SC)	630	59.5%	970	59.5%	1,327	59.5%
Mecklenburg	379	35.8%	584	35.8%	799	35.8%
Gaston	18	1.7%	28	1.7%	39	1.7%
Other*	31	2.9%	48	2.9%	65	2.9%
<b>Total</b>	<b>1,059</b>	<b>100.0%</b>	<b>1,630</b>	<b>100.0%</b>	<b>2,230</b>	<b>100.0%</b>

Source: Table on page 39 of the application.

\*Other includes Anson, Brunswick, Buncombe, Cabarrus, Cleveland, Lincoln, New Hanover, Rowan, Rutherford, and Union counties in North Carolina as well as other states.

<b>AHSC Projected Ambulatory Surgery Services Patient Origin</b>						
<b>County</b>	<b>OY 1 (CY2025)</b>		<b>OY 2 (CY2026)</b>		<b>OY 3 (CY2027)</b>	
	<b># Patients</b>	<b>% of Total</b>	<b># Patients</b>	<b>% of Total</b>	<b># Patients</b>	<b>% of Total</b>
York (SC)	468	59.5%	721	59.5%	986	59.5%
Mecklenburg	282	35.8%	434	35.8%	593	35.8%
Gaston	14	1.7%	21	1.7%	29	1.7%
Other*	23	2.9%	36	2.9%	49	2.9%
<b>Total</b>	<b>787</b>	<b>100.0%</b>	<b>1,211</b>	<b>100.0%</b>	<b>1,657</b>	<b>100.0%</b>

Source: Table on page 39 of the application.

\*Other includes Anson, Brunswick, Buncombe, Cabarrus, Cleveland, Lincoln, New Hanover, Rowan, Rutherford, and Union counties in North Carolina as well as other states.

In Section C.3, page 38, the applicant provides the assumptions and methodology used to project patient origin. The applicant states projected patient origin for inpatient and ambulatory surgical services at the proposed facility is based on the number of patients

projected to originate from the assumed geographies as identified in Form C Assumptions and Methodology. Projected patient origin is based on the historical patient origin of the cohort of appropriate patients to be served at Atrium Health Steele Creek. The applicant's assumptions are reasonable and adequately supported because they are based on the historical utilization of the Atrium Health's existing hospitals by patients that originated from the proposed service area that would be appropriately treated at AHSC, and the utilization projections for AHSC's proposed services by the population in the applicant's defined service area, as described in the methodology in Section Q of the application.

### **Analysis of Need**

In Section C.4, pages 41-54, the applicant explains why it believes the population projected to utilize the proposed services needs the proposed services, as summarized below:

- The historical and projected population growth and economic development in the Steele Creek area in southwestern Mecklenburg County (pages 41-47).
- The need to provide services closer to the patient's home based on the historical utilization of the AHSC emergency department by patients who are admitted to Atrium Health Pineville and the utilization of Atrium Health Pineville by Steele Creek residents for inpatient and ambulatory surgery services (pages 47-52).
- The need to decompress Atrium Health Pineville, which is the most highly utilized CMHA facility by the residents of the Atrium Health Steele Creek service area (pages 52-54).

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

- The applicant uses publicly available data to demonstrate the projected population growth and aging and economic development in the identified service area.
- The applicant provides maps and data to support its statements about the location of the proposed facility and its proximity to major roads.
- The applicant relies on CMHA's historical hospital utilization by patients residing in the proposed service area for AHSC.

### **Projected Utilization**

In Section Q, Form C, the applicant provides projected utilization for the proposed hospital through the first three full fiscal years of operation, as shown in the following tables.

<b>AHSC Projected Acute Care Bed Utilization</b>				
	<b>Partial OY 4/1-12/31/24</b>	<b>OY 1 (CY2025)</b>	<b>OY 2 (CY2026)</b>	<b>OY 3 (CY2027)</b>
<b>Total Acute Care Beds</b>				
# of Beds	26	26	26	26
# Discharges	774	1,059	1,630	2,230
# of Patient Days	2,461	3,367	5,183	7,091
Average Length of Stay	3.2	3.2	3.2	3.2
Occupancy Rate	25.9%	35.5%	54.6%	74.7%

<b>AHSC Other Hospital Services Utilization</b>				
	<b>Partial OY 4/1-12/31/24</b>	<b>OY 1 (CY2025)</b>	<b>OY 2 (CY2026)</b>	<b>OY 3 (CY2027)</b>
<b>CT Scanner</b>				
# of Units	1	1	1	1
# of Scans	11,345	10,335	10,806	11,886
# of HECT Units	19,067	17,370	18,162	19,976
<b>Fixed X-ray</b>				
# of Units	1	1	1	1
Procedures	749	1,025	1,577	2,157
<b>Ultrasound</b>				
# of Units	1	1	1	1
Procedures	239	326	502	688
<b>Other Medical Equipment (Echo)</b>				
# of Units	1	1	1	1
Procedures	233	319	491	672

<b>AHSC Projected Operating Room Utilization</b>				
	<b>Partial OY 4/1-12/31/24</b>	<b>OY 1 (CY2025)</b>	<b>OY 2 (CY2026)</b>	<b>OY 3 (CY2027)</b>
<b>Operating Rooms</b>				
Dedicated C-Section Operating Room	1	1	1	1
Shared Operating Rooms	1	1	1	1
Total Operating Rooms	2	2	2	2
Number of excluded ORs	1	1	1	1
Total # of ORs – Planning Inventory	1	1	1	1
# of C-sections in Dedicated C-Section OR	32	43	67	92
# of Inpatient Cases	99	135	208	285
# of Outpatient Cases	172	235	362	495
Total # Surgical Cases	271	370	570	780
Inpatient Case Times	190.3	190.3	190.3	190.3
Outpatient Case Times	115.4	115.4	115.4	115.4
Inpatient Surgical Hours	314	429	661	904
Outpatient Surgical Hours	330	452	695	952
Total Surgical Hours	644	881	1,356	1,856
Group Assignment	3	3	3	3
Standard Hours per OR per Year	1,755	1,755	1,755	1,755
ORs Needed	037	0.50	0.77	1.06
Procedure Rooms	1	1	1	1
Procedures	403	552	849	1,162

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

*Projected Acute Care Bed Utilization*

**Step 1: Identify the service area for AHSC:** The applicant identified the primary service area as five ZIP Code areas from which a majority of the visits to the existing AHSC emergency department originated in CY2019.

**AHSC Primary Service Area**

<b>ZIP Code Area</b>	<b>Municipality</b>
28273	Charlotte
28278	Charlotte
29708	Fort Mill (SC)
29710	Clover (SC)
29715	Fort Mill (SC)

Source: Table on page 3 of the applicant's "Form C Assumptions and Methodology" in Section Q of the application.

Step 2: Examine the historical acute care utilization for the AHSC service area: The applicant reviewed two groups: 1) those who sought emergency care at Atrium Health Steele Creek (regardless of ZIP code from which they originate) and were subsequently transported to Atrium Health Pineville for inpatient care; and, 2) those from the AHSC service area who seek inpatient care at Atrium Health Pineville without first accessing the emergency department at Atrium Health Steele Creek. The applicant analyzed the total number of acute care days attributed to these patients from 2017 to 2020. See the table on page 5 of the applicant’s “*Form C Assumptions and Methodology*” in Section Q of the application, as summarized below:

**Historical Number of Acute Care Days**

	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020*</b>	<b>2017-2019 CAGR</b>	<b>2017-2020 CAGR</b>
Atrium Health Pineville Acute Care Days from Atrium Health Steele Creek ED Admits (Any Patient Origin)	4,068	4,859	4,971	6,029	10.5%	14.0%
Atrium Health Pineville Acute Care Days from Service Area, Excluding ED Admits, from Atrium Health Steele Creek	11,351	11,805	13,973	13,959	11.0%	7.1%
<b>Total Acuity Appropriate Acute Care Days</b>	<b>15,419</b>	<b>16,664</b>	<b>18,944</b>	<b>19,988</b>	<b>10.8%</b>	<b>9.0%</b>

Source: CMHA internal data.

\*The applicant states, “2020 normalized based on historical seasonal utilization and actual annual utilization excluding the months of March, April, and May when utilization was temporarily impacted by the COVID-19 pandemic.”

Step 3: Project potential days of care for AHSC: To determine the projected number of days to be served at AHSC, the applicant identified potential patients to be served at the proposed facility. The applicant assumed excluded patient days with MS-DRGs for services that are not proposed to be provided at AHSC, as invasive/surgical cardiology, neurosurgery, pediatrics, and minor or advanced neonatal services. Also, the applicant assumed AHSC would serve only adult inpatients that do not require ICU services. Based on those assumptions, the applicant identified the historical “*acuity appropriate*” patient days that potentially could be served by AHSC for 2017 to 2020. The applicant states the analysis includes only days of care historically served by Atrium Health Pineville and not at any other Atrium Health facilities. See the table on page 7 of the applicant’s “*Form C Assumptions and Methodology*” in Section Q of the application. The applicant then projects number of potential “*acuity appropriate*” days of care for AHSC through the third full year of the proposed project (CY2027) assuming an annual growth rate of 2.6 percent, which is equivalent to the service area population growth rate. See the tables on page 7 and 8 of the applicant’s “*Form C Assumptions and Methodology*” in Section Q of the application, as summarized below.

**Potential Acuity Appropriate Days of Care for Atrium Health Steele Creek**

	2017	2018	2019	2020	2017-2019 CAGR	2017-2020 CAGR
Atrium Health Pineville Acute Care Days from Atrium Health Steele Creek ED Admits (Any Patient Origin)	2,164	2,537	2,582	3,276	9.2%	14.8%
Atrium Health Pineville Acute Care Days from Service Area, Excluding ED Admits from Atrium Health Steele Creek	6,306	6,391	7,309	7,428	7.7%	5.6%
<b>Total Acuity Appropriate Acute Care Days</b>	<b>8,470</b>	<b>8,928</b>	<b>9,891</b>	<b>10,704</b>	<b>8.1%</b>	<b>8.1%</b>

Source: CMHA internal data.

**Potential Acuity Appropriate Days of Care for Atrium Health Steele Creek**

	2020*	2021	2022	2023	2024	2025	2026	2027	CAGR
Atrium Health Pineville Acute Care Days from Atrium Health Steele Creek ED Admits (Any Patient Origin)	3,276	3,362	3,449	3,540	3,623	3,727	3,824	3,924	2.6%
Atrium Health Pineville Acute Care Days from Service Area, Excluding ED Admits from Atrium Health Steele Creek	7,428	7,622	7,821	8,025	8,235	8,450	8,671	8,898	2.6%
<b>Total Acuity Appropriate Acute Care Days</b>	<b>10,704</b>	<b>10,984</b>	<b>11,271</b>	<b>11,565</b>	<b>11,867</b>	<b>12,177</b>	<b>12,496</b>	<b>12,822</b>	<b>2.6%</b>

\*The applicant states, "2020 normalized based on historical seasonal utilization and actual annual utilization excluding the months of March, April, and May when utilization was temporarily impacted by the COVID-19 pandemic."

Step 4: Project the shift of patient days of care from Atrium Health Pineville to AHSC: The applicant assumes that 90 percent of the acuity appropriate days of care provided to patients that currently access AHSC and subsequently are admitted to Atrium Health Pineville will remain at AHSC. The applicant assumes that 40 percent of acuity appropriate days of care provided to patients from the service area that currently choose Atrium Health Pineville for acute care services will choose to utilize AHSC instead. See the table below from page 11 of the applicant's "Form C Assumptions and Methodology" in Section Q of the application.

**Acuity Appropriate Days of Care to be Served at AHSC**

	Assumed Shift	Projected Days of Care Assuming Shift			
		2024	2025	2026	2027
Atrium Health Pineville Acute Care Days from Atrium Health Steele Creek ED Admits (Any Patient Origin)	90%	3,269	3,354	3,442	3,532
Atrium Health Pineville Acute Care Days from Service Area, Excluding ED Admits from Atrium Health Steele Creek	40%	3,294	3,380	3,469	3,559
<b>Total Potential Days of Care</b>		<b>6,563</b>	<b>6,735</b>	<b>6,911</b>	<b>7,091</b>
Ramp-up		37.5%	50%	75%	100%
<b>Total Days of Care to be Served at Atrium Health Steele Creek</b>		<b>2,461</b>	<b>3,367</b>	<b>5,183</b>	<b>7,091</b>
Average Daily Census		6.7	9.2	14.2	19.4
Number of Acute Care Beds		26	26	26	26
<b>Occupancy Rate</b>		<b>25.9%</b>	<b>35.5%</b>	<b>54.6%</b>	<b>74.7%</b>
<b>Projected Discharges</b>		<b>774</b>	<b>1,059</b>	<b>1,630</b>	<b>2,230</b>

Source: Table from page 11 of the applicant's "Form C Assumptions and Methodology" in Section Q of the application.

In Section Q, the applicant states,

*“As discussed previously, Atrium Health Pineville is experiencing significant capacity constraints and Atrium Health Steele Creek provides a site of care that is more convenient and more accessible. Further, it is important to note that the 90 percent of acuity appropriate days of care provided to patients that currently seek emergency care at Atrium Health Steele Creek and subsequently are admitted to Atrium Health Pineville is equivalent to 48.9 percent of the total number of patients that sought emergency care at Atrium Health Steele Creek and subsequently were admitted to Atrium Health Pineville. In other words, of all the patients who sought emergency services at Atrium Health Steele Creek and were subsequently admitted to Atrium Health Pineville, approximately 50 percent are assumed to remain at Atrium Health Steele Creek upon development of the proposed project. Furthermore, the 40 percent of acuity appropriate days of care currently provided to patients from the service area that currently choose Atrium Health Pineville for acute care services represents only 21.3 percent of the total number of patients who reside in the service area and currently receive inpatient care from Atrium Health Pineville. CMHA believes that Atrium Health Steele Creek’s focus on lower acuity inpatient services, in addition to the emergency and outpatient services it currently provides, will enable it to achieve more efficient patient throughput than Atrium Health Pineville, which is a larger tertiary hospital in which lower acuity and more complex patients co-mingle.”*

**Step 5: Project operating room utilization at AHSC:** The applicant projects operating rooms utilization at the proposed hospital based on the surgical utilization experience AHSC patients in 2019 with regard to the number of inpatient surgical cases as a percent of total acuity appropriate patient days, and the ratio of outpatient to inpatient surgical cases for acuity appropriate patients. See the tables on pages 13 and 14 of the applicant’s “*Form C Assumptions and Methodology*” in Section Q of the application. The applicant states,

*“To determine the projected number of surgical cases to be performed at Atrium Health Steele Creek, CMHA conducted further analysis of the potential inpatients to be served at Atrium Health Steele Creek. According to 2019 internal data, patients requiring inpatient surgery comprised 11.9 percent of the acuity appropriate days of care to be served at Atrium Health Steele Creek and the average length of stay for those patients was 3.0 days. ... According to internal data, in 2019, the ratio of outpatient to inpatient surgical cases for acuity appropriate patients from the Atrium Health Steele Creek service area was 1.74. Atrium Health Steele Creek assumes that its outpatient to inpatient operating room case ratio will be consistent with Atrium Health Pineville’s historical experience for these acuity appropriate patients from the service area.”*

**Step 6: Project dedicated C-Section room utilization at AHSC:** To project utilization of the one dedicated C-Section room at AHSC, the applicant states that obstetric patients comprised 10.9 percent of the acuity appropriate days of care to be served at Atrium Health Steele Creek in 2019, and that these obstetrics patients had an average length of stay of 2.1

days and of those days, 25.7 percent were associated with a C-Section patient. Based on this data, the applicant projects the dedicated C-Section operating room at AHSC through the first three full fiscal years of operation, as shown in the table on page 15 of the applicant's "Form C Assumptions and Methodology" in Section Q of the application. The applicant states,

*"As shown above, CMHA projects Atrium Health Steele Creek will perform 92 C-Sections in 2027. Given the patient safety driven need to have a room available at a moment's notice for emergency C-Sections and the utilization of the one surgical operating room proposed for Atrium Health Steele Creek, Atrium Health Steele Creek needs one dedicated C-Section room."*

Step 7: Project procedure room utilization at AHSC: The applicant projects utilization for AHSC's procedure room based on Atrium Health Pineville's ratio of procedure room procedures to operating room cases, which was 1.49 in FFY2020. The applicant applied the historical ratio to total operating room cases projected to be performed by AHSC in order to determine projected procedure room utilization through the first three full fiscal years of operation, as shown in the table on page 15 of the applicant's "Form C Assumptions and Methodology" in Section Q of the application. The applicant states,

*"As shown above, CMHA projects Atrium Health Steele Creek to perform 1,162 procedures in 2027. Given the robust utilization of the one surgical operating room and the efficiencies of segregating typically shorter, fast-turnaround procedures from longer surgical cases performed in operating rooms, Atrium Health Steele Creek needs one procedure room to accommodate these cases."*

Step 8: Project inpatient imaging service at AHSC: The applicant projects utilization for AHSC's inpatient imaging utilization for the portable ultrasound, X-ray, and echocardiography units and for the CT scanner to be replaced as part of the proposed project based on Atrium Health Pineville's 2020 utilization of these services for Atrium Health Steele Creek acuity appropriate patients. The applicant identified the imaging and ancillary utilization of Atrium Health Pineville's AHSC acuity appropriate inpatients in CY2020 and determined ratios for each service to days of care. For inpatients, the applicant assumes that AHSC's ratio of inpatient procedures to inpatient days would be equal to that of Atrium Health Pineville's AHSC acuity appropriate patients. To project emergency and outpatient CT scanner utilization, the applicant reviewed the historical emergency and outpatient utilization of the existing CT scanner. The applicant assumes outpatient and emergency department CT utilization will increase at 2.6 percent annually, equivalent to the projected service area population annual growth rate from 2020 to 2025. The applicant states that it is applying to develop a satellite emergency department in the Ballantyne area of Mecklenburg County, and has adjusted projected CT scanner utilization at AHSC to account for the proposed shift of emergency patients from AHSC to the proposed satellite emergency department in Ballantyne. The applicant provides total projected inpatient and outpatient CT scans, including the reduction for the proposed emergency department in Ballantyne, to be performed at AHSC through the first three full fiscal years of operation, as shown in the table on page 18 of the applicant's "Form C Assumptions and Methodology" in Section Q of the application.

Step 9: Project HECT units for the CT scanner at AHSC: The applicant projects HECT units for the CT scanner based on AHSC's 2020 ratio of HECT units to outpatient and emergency CT scans (1.68 HECT units per CT scan), as shown in the table on page 19 of the applicant's "*Form C Assumptions and Methodology*" in Section Q of the application.

Projected utilization for acute care bed, operating rooms and imaging services utilization is reasonable and adequately supported for the following reasons:

- The applicant's projections of patient days at the proposed AHSC hospital are based on historical utilization of inpatient services by "*acuity appropriate*" patients at Atrium Health Pineville who were admitted through the AHSC emergency department or residents of the identified service area who were admitted to Atrium Health Pineville for inpatient services.
- The applicant's projections are based on and supported by its historical experience with regard to the number of patient admissions originating from the emergency department and average length of stay for acute care bed services.
- The applicant's projections are supported by the projected population growth and aging in the proposed primary service area.
- The applicant's projections of inpatient and outpatient surgical cases at the proposed hospital are based on and supported by the applicant's historical experience with regard to the ratio of inpatient surgical cases to total inpatient patient days and the ratio of outpatient surgical cases to inpatient surgical cases.
- The applicant's projections of imaging services at the proposed hospital are based on and supported by the applicant's historical experience at Atrium Health Pineville for "*acuity appropriate*" patients with regard to the ratio of imaging procedures to total inpatient patient days. The applicant's CT scanner utilization projections are based on the historical utilization of AHSC's existing CT scanner.
- Exhibit I.2 contains copies of letters from physicians expressing support for the proposed project and their intention to seek privileges at the proposed hospital.

### Access

In Section C.6, page 60, the applicant states, "*Atrium Health Pineville provides services to all persons in need of medical care, regardless of race, color, religion, national origin, sex, age, disability, or source of payment.*" On page 61, the applicant provides the estimated percentage for the following medically underserved groups at the proposed hospital, as shown in the following table.

<b>Medically Underserved Groups</b>	<b>Estimated Percentage of Total Services in the 3<sup>rd</sup> Full Year</b>
Low income persons	NA*
Racial and ethnic minorities	47.3%
Women	56.4%
Persons with disabilities	NA*
Persons 65 and over	30.2%
Medicare	34.5%
Medicaid	11.3%

\*On page 61, the applicant states, "CMHA does not maintain data that includes the number of low income or disabled persons it serves. As such, CMHA does not have a reasonable basis to estimate the percentage of low income and handicapped patients to be served by the project; however, neither low income nor handicapped persons are denied access to the proposed services."

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

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

- The applicant adequately identifies the population to be served.
- The applicant adequately explains why the population to be served needs the services proposed in this application.
- Projected utilization is reasonable and adequately supported.
- The applicant describes the extent to which all residents, including underserved groups, are likely to have access to the proposed services.

- (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.

The applicant proposes to develop a new satellite hospital by relocating 26 acute care beds and one operating room from Atrium Health Pineville and develop one new C-Section operating room and one procedure room. The relocation of one operating room from Atrium Health Pineville is a change of scope for Project ID# F-11814-19 (add two operating rooms).

In Section D.2, page 68, the applicant provides a table showing the acute care beds and operating rooms at Atrium Health Pineville before and after the proposed relocations, as summarized below.

Facility	Existing or Approved Licensed Beds	Existing or Approved ORs	Beds Upon Project Completion	ORs Upon Project Completion
Atrium Health Pineville	278	13	252	12
AH Steele Creek	0	0	26	1

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:

*“As described in Section C.4 and Form D Assumptions and Methodology, the relocation of existing acute care beds and a previously approved, but not yet developed, operating room from Atrium Health Pineville to Atrium Health Steele Creek – along with other approved projects under development – will help to decompress the Atrium Health Pineville campus and provide a more convenient and accessible alternative facility for patients from the Steele Creek area who are now choosing care at Atrium Health Pineville. Though Atrium Health Pineville’s projected occupancy is projected to remain high, CMHA’s ability to expand bed and operating room capacity to meet demand is limited, as discussed in Section C.4. Moreover, in the absence of the proposed project, the patients projected to be served at Atrium Health Steele Creek would continue to be served at Atrium Health Pineville. CMHA reasonably believes that it will have an opportunity to apply for additional capacity in the near-term and future SMFPs will identify the need for additional acute care beds in the county.”*

In Section Q, Form D.1, the applicant provides the projected utilization of the acute care beds at Atrium Health Pineville, which is summarized below:

	Interim FY CY2021	Interim FY CY2022	Interim FY CY2023	Partial FY CY2024	First Full FY CY2025
# of Beds*	233	278	278	252	252
# Discharges	18,319	18,975	19,729	18,726	19,431
# of Patient Days	77,122	79,833	83,059	78,838	81,803
Occupancy Rate	90.7%	78.7%	81.9%	85.7%	88.9%

\*Atrium Health Pineville has approval to develop 45 additional beds through Project ID # F-11622-18 (Add 38 acute care beds) and Project ID # F-12009-20 (Add 7 acute care beds).

The applicant describes its projections for the acute care beds at Atrium Health Pineville in “*Form D Assumptions and Methodology*” in Section Q of the application, which are summarized below:

Step 1: Review historical utilization: The applicant summarizes the historical utilization of the acute care beds at Atrium Health Pineville from 2016 to 2020. See the table on page 2 of “*Form D Assumptions and Methodology*” in Section Q of the application.

Step 2: Project acute care bed utilization: The applicant projects the utilization of the acute care beds at Atrium Health Pineville from 2020 to 2025, based on 75 percent of the historical rate of growth in patient days experienced from 2016 to 2019. See the table on page 2 of “*Form D Assumptions and Methodology*” in Section Q of the application.

Step 3: Summarize acute care patient days projected to shift to other hospitals: The applicant summarizes the acute care patient days projected to shift from Atrium Health Pineville to Piedmont Fort Mill Medical Center, Atrium Health Union County Hospitals and Atrium Health Lake Norman, as projected in previously approved applications. See the tables on pages 2-3 of “*Form D Assumptions and Methodology*” in Section Q of the application.

Step 4: Summarize acute care patient days projected to shift to AHSC: The applicant summarizes the acute care patient days projected to shift from Atrium Health Pineville to AHSC. See the table on page 3 of “*Form D Assumptions and Methodology*” in Section Q of the application.

Step 5: Summarize acute care patient days at Atrium Health Pineville after shifts: The applicant summarizes the acute care patient days projected to remain at Atrium Health Pineville after the projected shifts to other hospitals. See the table on page 4 of “*Form D Assumptions and Methodology*” in Section Q of the application.

In Section Q, Form D.3, the applicant provides the projected utilization of the operating rooms at Atrium Health Pineville, which is summarized below:

Operating Rooms	Interim FY CY2021	Interim FY CY2022	Interim FY CY2023	Partial FY CY2024	First Full FY CY2025
Operating Rooms*	11	12	12	12	12
Inpatient Surgical Cases	3,621	3,761	3,924	3,871	4,043
Outpatient Surgical Case	4,087	4,031	3,991	3,762	3,686
Total Surgical Cases	7,708	7,792	7,915	7,633	7,728
Inpatient Surgical Case Times*	190.3	190.3	190.3	190.3	190.3
Outpatient Surgical Case Times*	115.4	115.4	115.4	115.4	115.4
Inpatient Surgical Hours	11,484	11,928	12,446	12,278	12,823
Outpatient Surgical Hours	7,861	7,753	7,676	7,235	7,089
Total Surgical Hours	19,346	19,681	20,122	19,514	19,911
Group Assignment	3	3	3	3	3
Standard Hours per OR per Year*	1,755	1,755	1,755	1,755	1,755
Total Surgical Hours/ Standard Hours Per OR per Year	11.0	11.2	11.5	11.1	11.3

\*Atrium Health Pineville operates 10 operating rooms (excluding dedicated C-Section rooms). Atrium Health Pineville was approved to develop two additional operating rooms pursuant to the 2019 SMFP need determination (Project ID # F-11814-19), one of which is expected to be operational in CY2022. The second operating room approved in 2019 is the one proposed to be relocated to AHSC.

The applicant describes its projections for the operating rooms at Atrium Health Pineville in *“Form D Assumptions and Methodology”* in Section Q of the application, which are summarized below:

Step 1: Review historical utilization: The applicant summarizes the historical utilization of the operating rooms at Atrium Health Pineville from 2016 to 2020. See the table on page 5 of *“Form D Assumptions and Methodology”* in Section Q of the application.

Step 2: Project baseline operating room utilization: The applicant projects the utilization of the operating rooms at Atrium Health Pineville from 2021 to 2025. See the table on page 6 of *“Form D Assumptions and Methodology”* in Section Q of the application.

Step 3: Summarize surgical cases projected to shift to other hospitals: The applicant summarizes the surgical cases projected to shift from Atrium Health Pineville to Piedmont Fort Mill Medical Center, Atrium Health Union County Hospitals and Atrium Health Lake Norman, as projected in previously approved applications. See the tables on pages 6-7 of *“Form D Assumptions and Methodology”* in Section Q of the application.

Step 4: Summarize surgical cases projected to shift to AHSC: The applicant summarizes the surgical cases projected to shift from Atrium Health Pineville to AHSC. See the table on page 7 of *“Form D Assumptions and Methodology”* in Section Q of the application.

Step 5: Summarize operating room utilization at Atrium Health Pineville after shifts: The applicant summarizes the operating room utilization at Atrium Health Pineville after the projected shifts to other hospitals. See the tables on pages 8-9 of *“Form D Assumptions and Methodology”* in Section Q of the application.

In Section Q, page 9 of the of “*Form D Assumptions and Methodology*,” the applicant provides a table showing the projected utilization of the operating rooms at Atrium Health Pineville which indicates the hospital will have adequate capacity to meet the projected need following completion of the proposed project, which is summarized below:

<b>Atrium Health Pineville</b>	<b>CY2021</b>	<b>CY2022</b>	<b>CY2023</b>	<b>CY2024</b>	<b>CY2025</b>
Total Surgical Hours	19,346	19,681	20,122	19,514	19,911
Standard Surgical Hours per OR	1,755	1,755	1,755	1,755	1,755
Total Surgical Hours/Standard Hours per OR	11.0	11.2	11.5	11.1	11.3
Existing or Approved OR Capacity	11	12	12	12	12
OR Surplus (Deficit)	0.0	0.8	0.5	0.9	0.7

Projected utilization for acute care beds and operating rooms at Atrium Health Pineville is reasonable and adequately supported for the following reasons:

- The applicant’s projections of acute care patient days and operating room utilization at Atrium Health Pineville are based on and supported by historical utilization of those services from 2016 to 2020.
- The applicant’s projections are supported by the projected population growth and aging in the proposed service area.
- Exhibit I.2 contains copies of letters from physicians expressing support for the proposed project.

The applicant adequately demonstrates Atrium Health Pineville will continue to have adequate acute care bed and operating room capacity following completion of the proposed project. See the discussion regarding projected utilization in Criterion (3) which is incorporated herein by reference.

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

In Section D.3, page 69, the applicant states:

*“As discussed in Form D Assumptions and Methodology, the relocation of existing acute care beds and a previously approved, but not yet developed, operating room from Atrium Health Pineville to Atrium Health Steele Creek will help to decompress Atrium Health Pineville and, as a result, will not negatively impact Atrium Health Pineville’s provision of inpatient and surgical services or affect projected access to inpatient, surgical, or any other services at Atrium Health Pineville for low income persons, racial and ethnic minorities, women, handicapped persons, the elderly, or any other underserved group. As noted in the previously approved project, as well as in response to Section L.4, CMHA’s financial policies document that patients are treated regardless of their ability to pay for the requested services.”*

The applicant adequately demonstrates that the needs of medically underserved groups that will continue to use the acute care beds and operating rooms at Atrium Health Pineville will be adequately met following completion of the project.

## **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.

### CA

The applicant proposes to develop a new satellite hospital by relocating 26 acute care beds and one operating room from Atrium Health Pineville and develop one new C-Section operating room and one procedure room. The relocation of one operating room from Atrium Health Pineville is a change of scope for Project ID# F-11814-19 (add two operating rooms).

In Section E.1, pages 72-73, 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:

Maintain the status quo: The applicant states that maintaining the status quo is less effective because it would not be responsive to the ongoing population growth and development in the Steele Creek area.

Relocating a different number of beds and/or services: The applicant states that relocating a different number of beds and/or services than proposed to expand healthcare services at Atrium Health Steele Creek is less effective because, given the number of physicians and specialties that practice in the Steele Creek service area and that are planning to admit these patients to AHSC, relocating fewer beds would not meet the needs of these physicians to admit their patients locally.

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

- The applicant provides credible information to explain why it believes the proposed project is the most effective alternative.
- The application is conforming to all statutory and regulatory review criteria.

## **Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application

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

- 1. The Charlotte-Mecklenburg Hospital Authority (hereinafter certificate holder) shall materially comply with all representations made in the certificate of need application.**
- 2. The certificate holder shall develop a new 26-bed hospital, Atrium Health Steele Creek, which will be licensed under Atrium Health Pineville, by relocating no more than 26 acute care beds and one shared operating room from Atrium Health Pineville.**
- 3. Atrium Health Pineville shall be licensed for no more than 278 acute care beds, including 252 beds on the Atrium Health Pineville campus and 26 beds on the Atrium Health Steele Creek campus, upon completion of this project, Project I.D. # F-11622-18 (add 38 acute care beds) and Project I.D. # F-12009-20 (add 7 acute care beds).**
- 4. Atrium Health Pineville shall be licensed for no more than 12 shared operating rooms, one dedicated open-heart surgery operating room and three dedicated C-section operating rooms, including 11 shared operating rooms, one dedicated open-heart surgery operating room and two dedicated C-section operating rooms on the Atrium Health Pineville campus, and one shared operating room and one dedicated C-section operating room on the Atrium Health Steele Creek campus, upon completion of this project and Project ID # F-11814-19 (add two shared operating rooms).**
- 5. 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.**
- 6. Progress Reports:**
  - a. Pursuant to G.S. 131E-189(a), the certificate holder shall submit periodic reports on the progress being made to develop the project consistent with the timetable and representations made in the application on the Progress Report form provided by the Healthcare Planning and Certificate of Need Section. The form is available online at:  
<https://info.ncdhhs.gov/dhsr/coneed/progressreport.html>.**
  - b. The certificate holder shall complete all sections of the Progress Report form.**

- c. **The certificate holder shall describe in detail all steps taken to develop the project since the last progress report and should include documentation to substantiate each step taken as available.**
          - d. **Progress reports shall be due on the first day of every fourth month. The first progress report shall be due on February 1, 2022. The second progress report shall be due on June 1, 2022 and so forth.**
  7. **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.**
  8. **No later than three months after the last day of each of the first three full fiscal years of operation following initiation of the services authorized by this certificate of need, the certificate holder shall submit, on the form provided by the Healthcare Planning and Certificate of Need Section, an annual report containing the:**
    - a. **Payor mix for the services authorized in this certificate of need.**
    - b. **Utilization of the services authorized in this certificate of need.**
    - c. **Revenues and operating costs for the services authorized in this certificate of need.**
    - d. **Average gross revenue per unit of service.**
    - e. **Average net revenue per unit of service.**
    - f. **Average operating cost per unit of service.**
  9. **The certificate holder shall acknowledge acceptance of and agree to comply with all conditions stated herein to the Agency in writing prior to issuance of the certificate of need.**
- (5) Financial and operational projections for the project shall demonstrate the availability of funds for capital and operating needs as well as the immediate and long-term financial feasibility of the proposal, based upon reasonable projections of the costs of and charges for providing health services by the person proposing the service.

## C

The applicant proposes to develop a new satellite hospital by relocating 26 acute care beds and one operating room from Atrium Health Pineville and develop one new C-Section operating room and one procedure room. The relocation of one operating room from Atrium Health Pineville is a change of scope for Project ID# F-11814-19 (add two operating rooms).

### **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/Renovation Contract	\$27,969,003
Landscaping	\$83,313
Architect/Engineering Fees	\$2,361,618
Medical Equipment	\$9,588,769
Non-Medical Equipment	\$246,828
Furniture	\$1,290,000
Consultant Fees	\$430,000
Financing Costs	\$238,450
Interest During Construction	\$1,802,906
Contingency	\$8,008,896
Other (Acquisition of parcel adjacent to site)	\$1,746,875
<b>Total</b>	<b>\$53,766,658</b>

The applicant provides its assumptions and methodology for projecting capital cost in Section Q and Exhibits C.1 and F.1. The applicant adequately demonstrates that the projected capital cost is based on reasonable and adequately supported assumptions based the information provided in Section F.1, page 72, Section Q, and referenced exhibits.

The applicant does not project any start-up or initial operating costs associated with the proposed project. In Section F.3, page 76, the applicant states,

*“As an existing campus of Atrium Health Pineville, Atrium Health Steele Creek is an existing, operational facility. Though new services are being developed at this campus, the operating costs to develop those services are part of the ongoing operational costs for Atrium Health Steele Creek and Atrium Health Pineville, not start-up or initial operating costs.”*

### **Availability of Funds**

In Section F.2, page 74, the applicant states the capital cost will be funded with accumulated reserves from CMHA.

In Exhibit F.2, the applicant provides a letter dated June 15, 2021 from the Executive Vice President and Chief Financial Officer for CMHA stating its commitment of accumulated reserves to fund the capital cost of the proposed project.

Exhibit F.2 also contains a copy of the audited financial statements for CMHA for the year ended December 31, 2020. According to the financial report, as of December 31, 2020, CMH had adequate accumulated reserves to fund the projected capital requirements of the proposed project. The applicant adequately demonstrates the availability of sufficient funds for the capital needs of the project based the information provided in Section F and Exhibit F.2 of the application.

### **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.

	<b>1<sup>st</sup> Full FY CY2025</b>	<b>2<sup>nd</sup> Full FY CY2026</b>	<b>3<sup>rd</sup> Full FY CY2027</b>
Total Patient Days	3,367	5,183	7,091
Total Gross Revenues (Charges)	\$99,811,645	\$138,423,096	\$183,472,064
Total Net Revenue	\$27,196,875	\$38,400,925	\$51,355,299
Average Net Revenue per Patient Day	\$8,077	\$7,409	\$7,242
Total Operating Expenses (Costs)	\$21,965,944	\$27,281,827	\$33,402,716
Average Operating Expense per Patient Day	\$6,524	\$5,264	\$4,711
Net Income	\$5,230,932	\$11,119,098	\$17,952,584

The assumptions used by the applicant in preparation of the pro forma financial statements are provided in 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.
- The applicant adequately demonstrates availability of sufficient funds for the capital needs of the proposal.
- The applicant adequately demonstrates sufficient funds for the operating needs of the proposal and that the financial feasibility of the proposal is based upon reasonable projections of costs and charges.

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

C

The applicant proposes to develop a new satellite hospital by relocating 26 acute care beds and one operating room from Atrium Health Pineville and develop one new C-Section operating room and one procedure room. The relocation of one operating room from Atrium Health Pineville is a change of scope for Project ID# F-11814-19 (add two operating rooms).

The 2021 SMFP defines the service area for acute care bed services and operating rooms as a single or multi-county grouping as shown in Figures 5.1 and 6.1, respectively. Thus, the service area for this application is Mecklenburg County. Facilities may also serve residents of counties not included in their service area.

In Section G.1, page 85, the applicant identifies two approved but not yet developed hospitals in its proposed primary service area: Novant Health Steele Creek Medical Center in North Carolina and Piedmont’s Fort Mill Medical Center in South Carolina. The *Proposed 2022 State Medical Facilities Plan* identifies the existing and approved acute care hospitals in Mecklenburg County, as summarized in the following table.

**Existing and Approved Mecklenburg County Hospitals**

Facility	Licensed Beds	Adjustment for CONS
Atrium Health Lake Norman	0	30
Atrium Health Pineville	233	45
Atrium Health University City	100	4
Carolinas Medical Center	1,055	87
<b>Atrium Health Total</b>	<b>1,388</b>	<b>166</b>
Novant Health Ballantyne Medical Center	0	36
Novant Health Huntersville Medical Center	139	12
Novant Health Matthews Medical Center	154	0
Novant Health Mint Hill Medical Center	36	0
Novant Health Presbyterian Medical Center	519	-22
Novant Health Steele Creek	0	32
<b>Novant Health Total</b>	<b>848</b>	<b>58</b>
<b>Mecklenburg County Total</b>	<b>2,236</b>	<b>224</b>

Source: Table 5A, Proposed 2022 SMFP

In Section G.2, page 86, the applicant explains why it believes its proposal would not result in the unnecessary duplication of existing or approved acute care hospitals in the Mecklenburg County service area. The applicant states:

*“The development of the proposed project to relocate existing acute care beds and an operating room from Atrium Health Pineville will not impact Novant Health’s approved hospital in Steele Creek as projected utilization for the beds is based on the historical number of patients that sought emergency services at Atrium Health Steele Creek and subsequently were admitted to Atrium Health Pineville, as well as patients that left the service area to access Atrium Health Pineville for acute care services. In many cases, these patients are not simply choosing a facility, but rather*

*are choosing a provider group that practices at that facility. For a patient to decide to go to a facility operated by another system, such as Novant Health Steele Creek, the patient would have to choose to change provider groups. While patients can choose to change providers, the historical growth in utilization at CMHA facilities, including Atrium Health Pineville and Atrium Health Steele Creek, demonstrates that it is reasonable to expect a continued increase in the number of patients that choose CMHA. The proposed project will provide these patients with the opportunity to receive care from many of the same provider groups, but in a location that is more convenient and more accessible.”*

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

- The applicant is not proposing to increase the inventory of acute care beds or operating rooms in the Mecklenburg County service area.
- The applicant adequately demonstrates that the proposed hospital is needed in the proposed location in addition to the existing or approved hospitals in the service area.

### **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 above stated reasons.

- (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

The applicant proposes to develop a new satellite hospital by relocating 26 acute care beds and one operating room from Atrium Health Pineville and develop one new C-Section operating room and one procedure room. The relocation of one operating room from Atrium Health Pineville is a change of scope for Project ID# F-11814-19 (add two operating rooms).

In Section Q, Form H, the applicant provides the projected full-time equivalent (FTE) staffing for the proposed services, which is summarized below:

**AHSC Projected Staffing (FTE) Positions**

<b>STAFF POSITION</b>	<b>OY 1</b>	<b>OY 2</b>	<b>OY 3</b>
CT Registered Tech	7.0	7.0	7.0
Med/Surg Nursing Leader	1.0	1.0	1.0
Med/Surg Nursing	16.8	18.1	19.8
Med/Surg HCT	8.4	9.1	9.9
Maternity Nursing	16.8	18.1	19.8
Maternity Surgical Techs	4.2	4.5	5.0
Maternity Registrar/HCT	4.2	4.5	5.0
Clinical Case Management	1.2	1.3	1.4
Physical Therapy	0.5	1.2	1.2
OR RN	3.6	3.6	4.2
OR Surgical Tech	2.0	2.0	2.4
Courier	1.0	1.0	1.0
Respiratory	4.2	4.2	5.0
Patient Access	4.2	4.5	5.0
Security	4.2	4.2	5.0
MRM	1.0	1.0	1.0
Dietary	3.0	3.2	3.5
Plant Operations Maintenance	1.0	1.0	1.0
EVS	6.4	6.9	7.5
Admin Leader	1.0	1.0	1.0
Sterile Processing	0.5	0.8	0.8
Lab	0.5	0.8	0.8
Clinical Lab Assistant	0.5	0.8	0.8
Imaging CT and X-ray	0.5	0.8	0.8
Echo	0.5	0.8	0.8
<b>Total</b>	<b>94.2</b>	<b>101.4</b>	<b>110.5</b>

Source: Form H in Section Q of the application

The assumptions and methodology used to project staffing are provided in Section Q. Adequate costs for the health manpower and management positions proposed by the applicant are budgeted in Form F.3, which is found in Section Q. In Section H, pages 88-89, the applicant describes the methods to be used to recruit or fill new positions and its proposed training and continuing education programs.

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 88-89, 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 the reasons stated above.

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

### C

The applicant proposes to develop a new satellite hospital by relocating 26 acute care beds and one operating room from Atrium Health Pineville and develop one new C-Section operating room and one procedure room. The relocation of one operating room from Atrium Health Pineville is a change of scope for Project ID# F-11814-19 (add two operating rooms).

#### **Ancillary and Support Services**

In Section I.1, the applicant identifies the necessary ancillary and support services for the proposed services. On page 90, the applicant explains how each ancillary and support service will be made available. The applicant states,

*“Patients of Atrium Health Steele Creek may require any of the ancillary and support services identified in the table above, as these are commonly required services for inpatients and surgical outpatients. Please see Exhibit I.1 for a letter from Alicia Campbell, Vice President and Facility Executive of Atrium Health Pineville, documenting that all necessary ancillary and support services will be available on the Atrium Health Steele Creek campus or otherwise provided by Atrium Health Pineville (as will be the case for dietary and sterile processing services).”*

The applicant adequately demonstrates that the necessary ancillary and support services will be made available based on the information provided in Section I.1, pages 90-91, and Exhibit I.1, as described above.

#### **Coordination**

In Section I.2, page 91, 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 states,

*“As an existing healthcare provider in the area, CMHA – and Atrium Health Pineville – have established relationships with area healthcare providers. These relationships with other local healthcare and social service providers, which extend to Atrium Health Steele Creek, are well established, and will continue following completion of the proposed project. Please see Exhibit I.2 for letters of support.”*

The applicant adequately demonstrates that the proposed services will be coordinated with the existing health care system based on the information provided in Section I.2, page 91, and Exhibit I.2, 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.

- (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

The applicant proposes to develop a new satellite hospital by relocating 26 acute care beds and one operating room from Atrium Health Pineville and develop one new C-Section operating room and one procedure room. The relocation of one operating room from Atrium Health Pineville is a change of scope for Project ID# F-11814-19 (add two operating rooms).

In Section K.1, page 94, the applicant states that the project involves construction of 48,152 square feet of space and renovation of 6,284 of existing space. Line drawings are provided in Exhibit C.1. In Section K.4, page 96, the applicant identifies the site as 13640 Steelescroft Parkway in Charlotte, which is the existing AHSC site.

In Section K.3, the applicant adequately explains how the cost, design and means of construction represent the most reasonable alternative for the proposal based on the applicant's representations that the overall layout of the proposed new construction and renovation is based on a configuration that provides the most efficient circulation and throughput for the patients and caregivers, sizes of spaces are based on best practice methodologies, as well as relationships and adjacencies to support functions, daylighting is proposed where feasible, to reduce energy consumption, as well as other sustainable strategies.

In Section K.3, 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 applicant's statements that Atrium Health Steele Creek is an existing building with existing infrastructure, and the capital requirements to relocate the proposed services to AHSC and bring CMHA hospital-based services to the Steele Creek area are less than what would be required to develop the services on a completely new campus.

In Section B, pages 28-29, 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, page 99, the applicant provides the historical payor mix during CY2020 for the existing AHSC facility, as shown in the table below.

<b>AHSC CY2020 Payor Mix</b>	
<b>Payor Category</b>	<b>Entire Facility as Percent of Total</b>
Self-Pay	18.4%
Medicare*	18.1%
Medicaid*	17.8%
Insurance*	42.0%
Other govt, workers comp	3.7%
<b>Total</b>	<b>100.0%</b>

\*Including any managed care plans.

In Section L.1, page 99, the applicant states, “*CMHA internal data does not include Charity Care as a payor source for patients. Patients in any payor category can and do receive charity care.*”

In Section L, page 101, the applicant provides the following comparison.

<b>Atrium Health Steele Creek</b>	<b>Percentage of Total Patients Served by the Campus during the Last Full FY</b>	<b>Percentage of the Population of the Mecklenburg County Service Area</b>	<b>Percentage of the Population of the York (SC) County Service Area</b>
Female	59.0%	51.9%	51.8%
Male	41.0%	48.1%	48.2%
Unknown	0.0%	0.0%	0.0%
64 and Younger	85.9%	88.5%	85.3%
65 and Older	14.1%	11.5%	14.7%
American Indian	0.8%	0.8%	0.8%
Asian	1.1%	6.3%	2.8%
Black or African-American	33.2%	33.0%	19.3%
Native Hawaiian or Pacific Islander	0.1%	0.1%	0.1%
White or Caucasian	46.8%	57.3%	74.8%
Other Race	16.5%	2.5%	2.2%
Declined / Unavailable	1.5%	0.0%	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

In Section L.2, page 102, the applicant states it is not obligated under any applicable federal regulations to provide uncompensated care, community service, or access by minorities and persons with disabilities.

In Section L.2, page 102, the applicant states that during the 18 months immediately preceding the application deadline, no civil rights access complaints have been filed against any facilities owned by the applicant.

The Agency reviewed the:

- Application
- Exhibits to the application

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

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

C

In Section L.3, page 103, the applicant projects the payor mix during the third full fiscal year of operation (CY2027) following completion of the project, as illustrated in the following table.

<b>AHSC Projected Payor Mix – CY2027</b>	
<b>Payor Category</b>	<b>Entire Facility as Percent of Total</b>
Self-Pay	17.4%
Medicare*	19.6%
Medicaid*	17.0%
Insurance*	42.4%
Other govt, workers comp	3.6%
<b>Total</b>	<b>100.0%</b>

\*Including any managed care plans.

In Section L.3, page 103, the applicant states, “*CMHA internal data does not include Charity Care as a payor source for patients. Patients in any payor category can and do receive charity care.*”

As shown in the table above, during the third full fiscal year of operation following completion of the project, the applicant projects that 17.4 percent of total services will be provided to self-pay patients, 19.6 percent to Medicare patients, and 17.0 percent to Medicaid patients.

On pages 104-105, the applicant provides the assumptions and methodology used to project payor mix during the first three years of operation following completion of the project. The projected payor mix is reasonable and adequately supported because the applicant’s proposed patient payor mix is based on AHSC’s and Atrium Health Pineville’s historical experience providing services to the patients from the identified service area.

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 106, 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

The applicant proposes to develop a new satellite hospital by relocating 26 acute care beds and one operating room from Atrium Health Pineville and develop one new C-Section operating room and one procedure room. The relocation of one operating room from Atrium Health Pineville is a change of scope for Project ID# F-11814-19 (add two operating rooms).

In Section M.1, page 108, 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 Exhibit M.1. The applicant adequately demonstrates that health professional training programs in the area have access to the facility for training purposes based on the information provided in Section M.1, page 108, and Exhibit M.1, 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.

- (15) Repealed effective July 1, 1987.
- (16) Repealed effective July 1, 1987.
- (17) Repealed effective July 1, 1987.
- (18) Repealed effective July 1, 1987.
  
- (18a) The applicant shall demonstrate the expected effects of the proposed services on competition in the proposed service area, including how any enhanced competition will have a positive impact upon the cost effectiveness, quality, and access to the services proposed; and in the case of applications for services where competition between providers will not have a favorable impact on cost-effectiveness, quality, and access to the services proposed, the applicant shall demonstrate that its application is for a service on which competition will not have a favorable impact.

### C

The applicant proposes to develop a new satellite hospital by relocating 26 acute care beds and one operating room from Atrium Health Pineville and develop one new C-Section operating room and one procedure room. The relocation of one operating room from Atrium Health Pineville is a change of scope for Project ID# F-11814-19 (add two operating rooms).

The 2021 SMFP defines the service area for acute care bed services and operating rooms as a single or multicounty grouping as shown in Figures 5.1 and 6.1, respectively. Thus, the service area for this application is Mecklenburg County. Facilities may also serve residents of counties not included in their service area.

In Section G.1, page 85, the applicant identifies two approved but not yet developed hospitals in its proposed primary service area: Novant Health Steele Creek Medical Center in North Carolina and Piedmont's Fort Mill Medical Center in South Carolina. The *Proposed 2022 State Medical Facilities Plan* identifies the existing and approved acute care hospitals in Mecklenburg County, as summarized in the following table.

**Existing and Approved Mecklenburg County Hospitals**

Facility	Licensed Beds	Adjustment for CONs
Atrium Health Lake Norman	0	30
Atrium Health Pineville	233	45
Atrium Health University City	100	4
Carolinas Medical Center	1,055	87
<b>Atrium Health Total</b>	<b>1,388</b>	<b>166</b>
Novant Health Ballantyne Medical Center	0	36
Novant Health Huntersville Medical Center	139	12
Novant Health Matthews Medical Center	154	0
Novant Health Mint Hill Medical Center	36	0
Novant Health Presbyterian Medical Center	519	-22
Novant Health Steele Creek	0	32
<b>Novant Health Total</b>	<b>848</b>	<b>58</b>
<b>Mecklenburg County Total</b>	<b>2,236</b>	<b>224</b>

Source: Table 5A, Proposed 2022 SMFP

In Section N.1, page 110, the applicant states the proposed project will enhance competition in the service area by promoting cost effectiveness, quality, and access to services.

Regarding the impact of the proposal on cost effectiveness, in Section N.2, page 110, the applicant states:

*“The proposed application is indicative of CMHA’s commitment to containing healthcare costs and maximizing healthcare benefit per dollar expended, while also ensuring that it develops the services and capacity to meet the needs of the population it serves. As discussed in Section C.4, incorporated herein by reference, the proposed project to relocate acute care capacity to Atrium Health Steele Creek will decrease the need for patients to be transported to Atrium Health Pineville and will reduce the need for acuity appropriate inpatients to leave the service area for care that has been provided historically by Atrium Health Pineville, providing a cost effective and efficient point of care for these patients closer to home and/or more conveniently located. Further, by developing the proposed services as an integral part of the existing Atrium Health Steele Creek campus, CMHA will avoid duplication of ancillary and support services that are already in place to support emergency and outpatients.”*

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

Regarding the impact of the proposal on quality, in Section N.2, page 110, the applicant states,

*“CMHA is known for providing high quality services and expects the proposed project for the expansion of services at Atrium Health Steele Creek to support the continuation of high-quality care provided to patients at CMHA facilities. ... CMHA is dedicated to providing the highest quality care and is continually recognized locally and nationally for its commitment to delivering efficient, quality care. Each year, CMHA facilities*

*are recognized by many of the top accrediting and ranking organizations in the industry.”*

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 N.2, page 112, the applicant states:

*“The proposed project is designed to expand and improve access to all patients, including the medically underserved, particularly geographic and timely access to the services proposed in the application. As explained in Section C.4, the proposed project will reduce current barriers to access, including the travel time and often transport expense for Steele Creek residents who already choose Atrium Health Steele Creek and Atrium Health Pineville for their care.”*

See also Sections C and L 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 demonstrates: 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 CMHA’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

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

- (19) Repealed effective July 1, 1987.

- (20) An applicant already involved in the provision of health services shall provide evidence that quality care has been provided in the past.

C

In Section Q, Form O, the applicant identifies hospitals located in North Carolina owned, operated, or managed by the applicant or a related entity. The applicant identified 17 hospitals.

In Section O.4, page 114, the applicant states that during the 18 months immediately preceding the submittal of the application, there was an incident related to quality of care at Atrium Health Cleveland.

On November 12, 2020, Atrium Health Cleveland received notification that the Centers for Medicare & Medicaid Services (CMS) determined, based on a report of a July 17, 2020 complaint survey conducted by the North Carolina State Agency that Atrium Health Cleveland violated the requirements of 42 CFR 489.24 (Responsibilities of Medicare Participating Hospitals in Emergency Cases) and 42 CFR 489.20(1) (Essentials of Provider Agreements) and that an immediate jeopardy exists based on the failure to meet these requirements. Further, the November 12, 2020 letter indicated that Atrium Health Cleveland was subject to termination of its provider agreement if compliance was not demonstrated within 23 days of the date of the letter. Atrium Health Cleveland timely submitted documentation on December 10, 2020. A follow-up desk review was completed, at which time it was determined that actions had been taken to correct the deficiency that was cited, and that procedural changes had been made giving reasonable assurance that a similar violation will not recur. By letter dated December 11, 2020, CMS noted that it was withdrawing the termination action as stated in its previous correspondence, which is included in Exhibit O.4.

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 any of the applicant's other 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 the 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.

NA

The applicant proposes to develop a new satellite hospital by relocating 26 acute care beds and one operating room from Atrium Health Pineville, develop a new dedicated C-Section operating room, and replace an existing CT scanner. There are no administrative rules that are applicable to proposals to relocate acute care beds or operating rooms, or develop a dedicated C-section operating room, or replace an existing CT scanner. Therefore, this Criterion is not applicable.