

ATTACHMENT - REQUIRED STATE AGENCY FINDINGS

FINDINGS

C = Conforming

CA = Conditional

NC = Nonconforming

NA = Not Applicable

Decision Date: December 16, 2022

Findings Date: December 16, 2022

Project Analyst: Donna Donihi

Assistant Chief: Mike McKillip

Project ID #: F-12273-22

Facility: Atrium Health Imaging Kannapolis

FID #: 061206

County: Cabarrus

Applicant(s): Union Medical Services, LLC

Project: Replace existing MRI scanner

REVIEW CRITERIA FOR NEW INSTITUTIONAL HEALTH SERVICES

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

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

C

Union Medical Services, LLC (UMS), hereinafter referred to as “the applicant” or Atrium Health Imaging Kannapolis (AHIK), proposes to replace one fixed MRI scanner.

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 2022 State Medical Facilities Plan (SMFP). Therefore, no need determinations are applicable to this review.

Policies

There is one policy in the 2022 SMFP which is applicable to this review. *Policy GEN-4: Energy Efficiency and Sustainability for Health Service Facilities*, on page 30 of the 2022 SMFP, states:

“Any person proposing a capital expenditure greater than \$4 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 \$4.0 million. In Section B, page 27, the applicant describes the project’s plan to improve energy efficiency and conserve water. On page 27, the applicant states,

“Consistent with all CMHA facilities, UMS is committed to energy efficiency and sustainability that balances the need for healthcare services and environmental sustainability in the communities it serves...

“The design team has Energy Star and Hospitals for a Healthy Environment Green Guide for HealthCare (GGHC) experience. Together the team seeks to deliver the following:

- *Meet or exceed the requirements of the North Carolina Building Code the DHSR Construction Section.”*
- *Use Environmental Protection Agency (EPA) Energy Star for Hospitals rating system to compare performance across CMHA.*

- *Use CMHA's Standard Control Sequences to optimize energy efficiency in the BAS and HVAC systems.*
- *Design new HVAC systems and select equipment that optimize water efficiency and life cycle benefits."*

The applicant adequately demonstrates that the application includes 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 for the following reasons:

- The applicant adequately demonstrates that the proposal is consistent with Policy GEN-4 for the following reasons:
 - 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 applicant adequately documents their Energy Efficiency and Sustainability Plan that conforms or exceeds energy efficiency and water conservation standards related to North Carolina State Building Codes.

(2) Repealed effective July 1, 1987.

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

C

The applicant proposes to replace an existing MRI scanner at Atrium Health Imaging Kannapolis.

On page 341, the 2022 SMFP defines the service area for a fixed MRI scanner as “*the same as an Acute Care Bed Service Area as defined in chapter 5 and shown in Figure 5.1*” Thus, the service area for this facility consists of Cabarrus County. Facilities may also serve residents of counties not included in their service area.

In Section C. page 31, the applicant provides a table to illustrate historical patient origin for fiscal year (FY) 2021 for the MRI currently located at Atrium Health Imaging Kannapolis, as shown below:

Historical Patient Origin, FY 2021

County	Last Full Fiscal Year	
	# Patients	% of Total
Cabarrus	943	63.9%
Rowan	283	19.2%
Mecklenburg	115	7.8%
Stanly	56	3.8%
Iredell	27	1.8%
Other	51	3.5%
Total	1,475	100.0%

*The applicant identifies the counties in the “Other” category on page 31 of the application.

In Section C, page 33, the applicant provides a table to illustrate the projected patient origin for the first three FY’S of operation for the MRI to be located at Atrium Health Imaging Kannapolis:

Projected Patient Origin

County	1st Full FY (1/1/2021- 12/31/2021)		2nd Full FY (1/1/2022- 12/31/2022)		3rd Full FY (1/1/2023- 12/31/2023)	
	# of Patients	% of Total	# of Patients	% of Total	# of Patients	% of Total
Cabarrus	1,035	63.9%	1,055	63.9%	1,074	63.9%
Rowan	311	19.2%	316	19.2%	322	19.2%
Mecklenburg	126	7.8%	129	7.8%	131	7.8%
Stanly	61	3.8%	63	3.8%	64	3.8%
Iredell	30	1.8%	30	1.8%	31	1.8%
Other	56	3.5%	57	3.5%	58	3.5%
Total	1,619	100.0%	1,650	100.0%	1,680	100.0%

In Section C page 33, and Form C., the applicant provides the assumptions and methodology used to project its patient origin. The applicant’s assumptions are reasonable and adequately supported because it is based on Atrium Health Imaging Kannapolis’s historical patient origin for MRI services.

Analysis of Need

In Section C. page 35, the applicant explains why it believes the population projected to utilize the proposed services needs the proposed services. The applicant states that the services are needed based on the following factors:

- The current MRI is 18+ years old and beyond operable life.
- The outdated technology impacts quality and resolution.
- The current MRI is difficult to operate.

Service area population growth trends – Citing population growth statistics from the North Carolina Office of State Budget and Management (OSBM), the applicant states that from 2012 to 2022, the Cabarrus County population increased by 27.9%, and is projected to increase by 1.9 % from 2022 to 2027 and is listed in the top ten fastest growing counties.

- Extended service area population growth trends – Citing the same data from the North Carolina OSBM, the applicant states that the total population of the extended service area (Mecklenburg and Union counties) is projected to increase by 9.2% -11.2.0% from 2022 to 2027. The primary county is Cabarrus has 64% projected MRI patients to be served at Atrium Health Imaging Kannapolis. The applicants state that the secondary counties are also in the top 10 fastest-growing Counties from 2022.
- Historical utilization of the existing MRI scanner – The applicant provides a table in Section Q, reproduced below, that illustrates the historical and projected utilization of the existing MRI scanner located at Atrium Health Imaging Kannapolis:

Historical and Interim Utilization

Atrium Health Imaging -- Kannapolis	Last Full FY F: 01/01/2021 T: 12/31/2021	Interim Full FY F: 01/01/2022 T: 12/31/2022	Interim Full FY F: 01/01/2023 T: 12/31/2023
# of Units	1	1	1
# of Procedures	1,628	1,678	1,722
# of Weighted Procedures	1,773	1,841	1,875

Projected Utilization

Atrium Health Imaging - Kannapolis	F: 01/01/2024 T: 12/31/2024	F: 01/01/2025 T: 12/31/2025	F: 01/01/2026 T: 12/31/2026	F: 01/01/2026 T: 12/31/2026
MRI Scans	1,754	1,787	1,821	1,855
Weighted MRI Scans	1,910	1,946	1,982	2,020

The information is reasonable and adequately supported because it is based on the historical experience of the existing MRI scanner located at Atrium Health Imaging Kannapolis.

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

Step 1: Calculate Annual Change from FY 2019 to FY 2022

The applicant provides a table to illustrate historical and annualized MRI scans performed on the existing MRI scanner at Atrium Health Imaging Kannapolis, as shown below:

**Atrium Health Imaging Kannapolis
 Historical Weighted MRI Utilization**

	CY2019	CY2020	CY2021	CY 2022	CY19- CY22 CAGR	CY21- CY22 Growth
With Contrast	362	334	362	407	6.5%	12.3%
Without Contrast	1,392	1,146	1,266	1,272	-3.0%	0.4%
Total Weighted Scans*	1,864	1,614	1,773	1,841	-0.4%	3.8%

Source: Section Q Form C *Weighted scans are the sum of (Contrast Scans x 1.4) + Without Contrast Scans

The applicant states weighted scans are the sum of (contrast scans x 1.4) + Without Contrast Scans; therefore, the applicant projects that the total number of weighted scans in CY 2022 will grow at Cabarrus County’s population growth rate, or 1.9 percent per year, which is lower than the most recent year of growth.

Atrium Health Imaging Kannapolis Projected MRI Patients

	CY22	CY23	CY24	CY25	CY26	CY27	CY22-CY27 CAGR
MRI Patients	1,841	1,875	1,910	1,946	1,982	2,020	1.9%

Source: Section Q, Form C

The applicant projects future MRI utilization based on the CY 2021 ratio of weighted MRI scans to patients, 1.2. See the following table provided by the applicant:

**Atrium Health Imaging Kannapolis
 Projected MRI Patients**

	CY25	CY26	CY27
MRI Patients	1,619	1,650	1,680

Source: Section Q, Form C

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

- The applicant’s utilization projections are supported by the historical utilization of the MRI scanner.
- The applicant provided adequate support for the increase in utilization.
- The applicant provided adequate support for the projected population growth in Cabarrus County.

Access

In Section C, page 45, the applicant states:

“UMS provides services to all persons in need of medical care, regardless of race, color, religion, national origin, sex, age, disability, or source of payment.”

In Section L, page 46, the applicant provides the following table.

Group	Estimate of Percentage of Total Patients during the 3rd FFY
Low-income persons	NA
Racial and ethnic minorities	NA
Women	57.4%
Persons 65 and older	38.3%
Medicare Beneficiary	41.5%
Medicaid recipients	4.4%
Total	100.0%

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 projects the extent to which all residents, including underserved groups, will have access to the proposed services (payor mix) and adequately supports its assumptions.

- (3a) In the case of a reduction or elimination of a service, including the relocation of a facility or a service, the applicant shall demonstrate that the needs of the population presently served will be met adequately by the proposed relocation or by alternative arrangements, and the effect of the reduction, elimination or relocation of the service on the ability of low-income persons, racial and ethnic minorities, women, handicapped persons, and other underserved groups and the elderly to obtain needed health care.

NA

The applicant does not propose to reduce a service, eliminate a service, or relocate a facility or service. Therefore, Criterion (3a) does not apply to this review.

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

C

The applicant proposes to replace an existing MRI scanner at Atrium Health Imaging Kannapolis.

In Section E, pages 59-60, 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 Status Quo - The applicant states,

“The existing 1.5T scanner, which is over 18 years old, is beginning to degrade in image quality and is unable to perform many of the complex functions that up-to-date, stronger MRI scanners can.”

Replace Existing Scanner with a 1.5T MRI Scanner – The applicant states,

” UMS considered acquiring a new 1.5T MRI to replace its existing scanner. However as discussed in Section C.1 and C.4, 3.0T scans show more detail than other scanners and are especially helpful when a more sensitive diagnostic tool is needed. Smaller abnormalities in the brain and spine are less likely to be missed, which can lead to a more accurate diagnosis of epilepsy, tumors, and strokes.

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 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

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. Union Medical Services, LLC (hereinafter certificate holder) shall materially comply with all representations made in the certificate of need application.**

- 2. The certificate holder shall replace one fixed MRI scanner at Atrium Health Imaging Kannapolis.**
 - 3. 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. The first progress report shall be due on June 1, 2023.**
 - 4. 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.**
 - 5. No later than three months after the last day of each of the first three full fiscal years of operation following initiation of the services authorized by this certificate of need, 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.**
 - 6. 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 any charges for providing health services by the person proposing the service.

The applicant proposes to replace an existing MRI scanner at Atrium Health Imaging Kannapolis.

Capital and Working Capital Costs

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

Atrium Health Imaging Kannapolis Capital Costs	
Construction/Renovation Contract(s)	\$1,498,653
Architect/Engineering Fees	\$81,948
Medical Equipment	\$2,539,464
Furniture	\$3,000
Consultant Fees (CON and Legal Fees)	\$63,000
Other (IS, Security, Internal Allocation)	\$472,681
Total	\$4,658,746

In Section Q, the applicant provides the assumptions used to project the capital cost.

In Section F page 57, the applicant states there are no start-up costs or initial operating expenses associated with this project.

Availability of Funds

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

Sources of Capital Cost Financing

Type	UMS
Accumulated reserves or OE *	\$4,658,746
Total Financing	\$4,658,746

Exhibit F.2-1 contains a September 15, 2022, letter from the Executive Vice President and Chief Financial Officer of the Charlotte-Mecklenburg Hospital Authority committing \$4,658,746 toward the capital cost of the proposed project. Exhibit F.2-2 also contains audited financial statements indicating that the applicant has sufficient accumulated resources to fund the proposed project.

Financial Feasibility

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

MRI	1st FFY CY 2025	2ND FFY CY 2026	3RD FFY CY 2027
Total MRI Scans (weighted)	1,946	1,982	2,020
Total Gross Revenues (Charges)	\$33,127,124	\$34,612,809	\$36,174,293
Total Net Revenue	\$10,081,075	\$10,466,718	\$10,885,305
Average Net Revenue per Procedure	5,180	5,251	5,389
Total Operating Expenses (Costs)	\$9,768,931	\$10,354,932	\$10,819,725
Average Operating Expense per Procedure	5,020	5,224	5,356
Net Income	\$312,144	\$111,787	\$65,581

The assumptions used by the applicant in the preparation of the pro forma financial statements are reasonable, including projected utilization, costs, and charges. See Section Q of the application for the assumptions used regarding costs and charges. The discussion regarding projected utilization found in Criterion (3) is incorporated herein by reference.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

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

- The applicant adequately demonstrates that the capital costs are based on reasonable and adequately supported assumptions.
 - The applicant adequately demonstrates the 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 replace an existing MRI scanner at Atrium Health Imaging Kannapolis.

On page 416, the 2022 SMFP defines the service area for a fixed MRI scanner as *the same as an Acute Care Bed service area*. Thus, the service area for this facility consists of Cabarrus County. Facilities may also serve residents of counties not included in their service area.

In Exhibit G.1, the applicant provides a copy of the table from the *Proposed 2023 SMFP*, identifying seven existing fixed MRI scanners in Cabarrus County and their utilization.

In Section G, page 68, the applicant explains why it believes its proposal would not result in the unnecessary duplication of approved MRI services in Cabarrus County. The applicant states:

“UMS is proposing to replace its existing fixed MRI scanner at Atrium Health Imaging Kannapolis; as such, there will be no addition to the Cabarrus County inventory of MRI scanners.”

The applicant adequately demonstrates that the proposal would not result in unnecessary duplication of existing or approved services in the service area because the applicant proposes to replace an existing MRI. The MRI will not change location and the project will not result in a change in services to be offered or the population to be served.

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.

- (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 replace an existing MRI scanner at Atrium Health Imaging Kannapolis.

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.

**Atrium Health Imaging Kannapolis
Number of FTE Positions, First Three Project Years**

Staff Position	Current 12/31/21	1ST FFY CY 2025	2ND FFY CY 2026	3RD FFY CY 2027
MRI Technologist	1	1	1	1
MRI RN	-	0.9	0.9	0.9
RN	1	1	1	1
Radiology Technologist	2	2	2	2
Diagnostic Supervisor	1	1	1	1
Total	5.0	5.9	5.9	5.9

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.3b, which is found in Section Q. In Section H.2 and H.3, page 70-71, the applicant describes the methods to be used to recruit or fill new positions and its proposed training and continuing education programs. In Exhibit H.3, the applicant provides supporting documentation.

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

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

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

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

C

The applicant proposes to replace an existing MRI at Atrium Health Imaging Kannapolis.

Ancillary and Support Services

In Section, I page 73, the applicant states that support services needed to support the proposed MRI service include, but are not limited to billing, accounts payable and general accounting, facility management, information management, legal services, materials management, quality

management and infection control and scheduling. On page 74, the applicant adequately explains how each ancillary and support service is or will be made available and provides supporting documentation in Exhibit I.1.

Coordination

In Section, I page 64, the applicant states that it has established relationships with other local health care and social service providers. The applicant adequately demonstrates that the proposed services will be coordinated with the existing healthcare system.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

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

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

NA

The applicant does not project to provide the proposed services to a substantial number of persons residing in Health Service Areas (HSAs) that are not adjacent to the HSA in which the services will be offered. Furthermore, the applicant does not project to provide the proposed services to a substantial number of persons residing in other states that are not adjacent to the North Carolina County in which the services will be offered. Therefore, Criterion (9) does not apply 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 reasonably and cost-effectively 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 that is administratively feasible to the HMO.

NA

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

- (11) Repealed effective July 1, 1987.
- (12) Applications involving construction shall demonstrate that the cost, design, and means of construction proposed to 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 replace an existing MRI scanner at Atrium Health Imaging Kannapolis.

On page 77, the applicant states that the project involves the upfit of 1,024 square feet of existing space at Atrium Health Imaging Kannapolis, including the room housing the MRI scanner and the MRI equipment room. Line drawings are provided in Exhibit C.1-1

On page 77, the applicant adequately explains how the cost, design and means of construction represent the most reasonable alternative for the proposal based on the following:

- The applicant has set aside revenues from previous years to pay for projects, without necessitating an increase in cost to consumers.
- The applicant shows they will use energy-efficient and water-conservation products in line with regulatory guidelines.

On page 77, the applicant adequately explains why the proposal will not unduly increase the costs to the applicant of providing the proposed services or the costs and charges to the public for the proposed services based on the following:

- The applicant utilizes fiscal management
- The applicant will provide access at a lower cost.

On page 21, the applicant identifies any applicable energy-saving features that will be incorporated into the construction plans and provides supporting documentation. The applicant states that they will use energy efficient and water conservation products in line with regulatory guidelines

The applicant adequately demonstrates that the proposed services will be coordinated with the existing healthcare system.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

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

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

C

- (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.

In Section L, page 81, the applicant provides the historical payor mix during FY 2021 for the proposed services, as shown in the table below:

Historical Payor Mix MRI Scanner

PAYOR CATEGORY	PERCENTAGE OF TOTAL PATIENTS SERVED
Self-Pay	5.0%
Medicare	43.0%
Medicaid	4.4%
Insurance	47.5%
WC, Tricare	1.9%
Total	100.0%

*Includes any managed care plans.

In Section L, page 82, 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	57.4%	51.0%
Male	42.6%	49.0%
64 and Younger	61.7%	86.5%
65 and Older	38.3%	13.5%
American Indian		0.8%
Asian		5.7%
Black or African American		21.2%
Native Hawaiian or Pacific Islander		0.1%
White or Caucasian		69.6%
Other Race		2.6%

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 the provision of uncompensated care, community service, or access by minorities and handicapped persons to programs receiving federal assistance, including the existence of any civil rights access complaints against the applicant.

C

Regarding any obligation to provide uncompensated care, community service, or access by minorities and persons with disabilities, in Section L, page 83, the applicant states:

“UMS has no obligation to provide a specific uncompensated care amount, community service, or access to care by medically underserved, minorities, or handicapped persons. However, as previously stated, as a part of CMHA, UMS provides and will continue to provide services to all persons in need of medical care, regardless of race, color, religion, national origin, sex, age, disability, or source of payment.”

In Section L, page 84, the applicant states that during the 18 months immediately preceding the application deadline no patient civil rights access complaints have been filed against the facility or any similar facilities owned by the applicant or a related entity and located in North Carolina.

The Agency reviewed the:

- Application
- Exhibits to the application

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

C

In Section L, page 84, the applicant projects the following payor mix for the proposed services during the third full fiscal year of operation following the completion of the project, as shown in the table below:

Projected Payor Mix at Atrium Health Imaging Kannapolis

Payor Category	Percentage of Total Patients Served
Self-Pay	5.1%
Medicare*	41.5%
Medicaid*	4.4%
Insurance*	47.1%
Workers Comp/TRICARE	1.9%
Total	100.0%

*Includes any managed care plans.

As shown in the table above, during the third full fiscal year of operation, the applicant projects that 5.1% of total services will be provided to self-pay patients, 41.5% to Medicare patients, and 4.4% to Medicaid patients.

On page 84, the applicant provides the assumptions and methodology used to project payor mix during the third full fiscal year of operation following the completion of the project. The projected payor mix is reasonable and adequately supported because the projected payor mix is based on the current actual payor mix of MRI patients at Atrium Health Imaging Kannapolis and the applicant does not expect the payor mix for the proposed MRI services to change.

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.

- (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 replace an existing MRI at Atrium Health Imaging Kannapolis.

In Section M, page 87, 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.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

Based on that review, the Agency concludes that the applicant adequately demonstrates that the proposed services will accommodate the clinical needs of area health professional training programs, and therefore, the application is conforming to this criterion.

(15) Repealed effective July 1, 1987.

(16) Repealed effective July 1, 1987.

(17) Repealed effective July 1, 1987.

(18) Repealed effective July 1, 1987.

(18a) The applicant shall demonstrate the expected effects of the proposed services on competition in the proposed service area, including how any enhanced competition will have a positive impact on 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 replace an existing MRI scanner at Atrium Health Imaging Kannapolis.

On page 341, the 2022 SMFP defines the service area for a fixed MRI scanner as “*the same as an Acute Care Bed Service Area as defined in chapter 5 and shown in Figure 5.1*” Thus, the service area for this facility consists of Cabarrus County. Facilities may also serve residents of counties not included in their service area.

In Exhibit G.1, the applicant provides a copy of the table from the proposed 2023 SMFP, identifying seven existing fixed MRI scanners in Cabarrus County and their utilization.

Regarding the expected effects of the proposal on competition in the service area, in Section N, page 89, the applicant states it will be able to provide better MRI services than before at the

same since the MRI scanner will provide better scans with the updated MRI at Atrium Health Imaging Kannapolis rather than the hospital.

Regarding the impact of the proposal on cost-effectiveness, in Section N, page 89, the applicant states:

“The patient’s out-of-pocket expenses are lower when receiving non-hospital-based care. As one of only two freestanding fixed MRI scanners in Cabarrus County, retaining an up-to-date MRI scanner at Atrium Health Imaging Kannapolis will promote competitive access to a lower cost MRI.”

Regarding the impact of the proposal on quality, in Section N, page 90, the applicant states:

“UMS is dedicated to providing the highest quality care and is continually recognized locally and nationally for its commitment to delivering efficient, quality care.”

Regarding the impact of the proposal on access by medically underserved groups, in Section N, page 90, the applicant states:

“The proposed project will enhance access to MRI diagnostic services in Cabarrus County, including access by those who are medically underserved.”

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

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 A, the applicant identifies the facilities that operate MRI scanners located in North Carolina owned, operated, or managed by the applicant or a related entity. The applicant identifies a total of 38 of this type of facility located in North Carolina.

In Section O, page 94, the applicant states that, during the 18 months immediately preceding the submittal of the application, no incidents related to the quality of care occurred in any of these facilities. After reviewing and considering information provided by the applicant and considering the quality of care provided at all their facilities, the applicant provided sufficient evidence that quality care has been provided in the past. Therefore, the application is conforming to this criterion.

- (21) Repealed effective July 1, 1987.
- (b) The Department is authorized to adopt rules for the review of particular types of applications that will be used in addition to those criteria outlined in subsection (a) of this section and may vary according to the purpose for which a particular review is being conducted or the type of health service reviewed. No such rule adopted by the Department shall require an academic medical center teaching hospital, as defined by the State Medical Facilities Plan, to demonstrate that any facility or service at another hospital is being appropriately utilized 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 replace an existing MRI scanner. Therefore, the Criteria and Standards for Magnetic Resonance Imaging, Scanners, promulgated in 10A NCAC 14C .2700, do not apply to this review.