

## REQUIRED STATE AGENCY FINDINGS

### FINDINGS

C = Conforming

CA = Conforming as Conditioned

NC = Nonconforming

NA = Not Applicable

Decision Date: February 28, 2022

Findings Date: February 28, 2022

Project Analyst: Ena Lightbourne

Co-Signer: Micheala Mitchell

Project ID #: F-12157-21

Facility: Novant Health Rowan Endoscopy Center

FID #: 210958

County: Rowan

Applicant(s): Novant Health Rowan Endoscopy Center, LLC  
Novant Health, Inc.

Project: Develop a new freestanding GI endoscopy facility by acquiring and relocating two licensed GI endoscopy rooms from Novant Health Rowan Medical Center

## REVIEW CRITERIA

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

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

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Novant Health Rowan Endoscopy Center, LLC and Novant Health, Inc., (hereinafter referred to as “the applicant”), propose to develop a new freestanding GI endoscopy facility (Novant Health Rowan Endoscopy Center or “NHREC”) in the city of Salisbury in Rowan County, by acquiring and relocating two licensed GI endoscopy rooms from Novant Health Rowan Medical Center (RRMC), for a total of two GI endoscopy rooms upon project completion.

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).

### **Policies**

There is one policy in the 2021 SMFP that is applicable to this review:

*Policy GEN-4: Energy Efficiency and Sustainability for Health Service Facilities*

Policy GEN-4 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 of energy efficiency and water conservation that conforms to the rules, codes and standards implemented by the Construction Section of the Division of Health Service Regulation. The plan must be consistent with the applicant’s representation in the written statement as described in paragraph one of Policy GEN-4. The plan shall not adversely affect patient or resident health, safety or infection control.”*

The proposed capital expenditure for this project is greater \$2 million but less than \$5 million. In Section B, page 25, the applicant describes the project’s plan to assure improved energy efficiency and water conservation. The applicant adequately demonstrates that the application includes a written statement describing the project’s plan to assure improved energy efficiency and water conservation.

### **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 the application is conforming to this criterion based on the following:

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

- (2) Repealed effective July 1, 1987.
- (3) The applicant shall identify the population to be served by the proposed project, and shall demonstrate the need that this population has for the services proposed, and the extent to which all residents of the area, and, in particular, low income persons, racial and ethnic minorities, women, ... persons [with disabilities], the elderly, and other underserved groups are likely to have access to the services proposed.

### C

The applicant proposes to develop a new freestanding GI endoscopy facility by acquiring and relocating two licensed GI endoscopy rooms from RRMC, for a total of two GI endoscopy rooms upon project completion.

#### **Patient Origin**

The 2021 SMFP does not define the service area for GI endoscopy procedure rooms. The Criteria and Standards for Gastrointestinal Endoscopy Procedure Rooms in Licensed Health Service Facilities, promulgated in 10A NCAC 14C .3901(6) defines the service area "*as the geographical area, as defined by the applicant using county lines, from which the applicant projects to serve patients.*" The proposed facility will be located in Rowan County. In Section C, page 29, the applicant projects that over 70 percent of its patients will originate from Rowan County, with the next largest percentage of patients originating from Cabarrus County. Thus, the service area for the proposed facility will be Rowan County. Facilities may also serve residents of counties not included in their service area.

The applicant is proposing to develop a new freestanding GI endoscopy facility, therefore, there is no historical patient origin to report. However, the applicant provides the historical patient origin for RRMC.

<b>Novant Health Rowan Medical Center (RRMC) GI Endoscopy</b>		
<b>County</b>	<b>Last Full FY 1/1/2020-12/31/2020</b>	
	<b># of Patients</b>	<b>% of Total</b>
Rowan	768	81.7%
Cabarrus	58	6.2%
Davidson	24	2.6%
Stanly	24	2.6%
Davie	18	1.9%
Iredell	10	1.1%
Forsyth	8	1.0%
Other*	29	3.1%
<b>Total**</b>	<b>940</b>	<b>100.0%</b>

Source: Section C, page 27

\*Other includes <1 percent patient origin from each of the following counties: Alamance, Brunswick, Cabarrus, Catawba, Davidson, Davie, Forsyth, Guilford, Iredell, Mecklenburg, Montgomery, Randolph, Scotland, Stanly, Stokes, Union, Wilkes, Yadkin, and York (SC).

\*\*May not foot due to rounding.

The following table illustrates the projected patient origin.

<b>Novant Health Rowan Endoscopy Center (NHREC) Projected Patient Origin</b>						
	<b>1<sup>st</sup> Full FY</b>		<b>2<sup>nd</sup> Full FY</b>		<b>3<sup>rd</sup> Full FY</b>	
	<b>1/1/2025-12/31/2025 (CY2025)</b>		<b>1/1/2026-12/31/2026 (CY2026)</b>		<b>1/1/2027-12/31/2027 (CY2027)</b>	
<b>County</b>	<b># of Patients</b>	<b>% of Total</b>	<b># of Patients</b>	<b>% of Total</b>	<b># of Patients</b>	<b>% of Total</b>
Rowan	1,464	72.2%	1,815	72.0%	2,195	71.9%
Cabarrus	520	25.6%	654	25.9%	800	26.2%
Davidson	9	0.5%	11	0.4%	12	0.4%
Stanly	9	0.5%	11	0.4%	12	0.4%
Davie	7	0.4%	8	0.3%	9	0.3%
Iredell	4	0.2%	5	0.2%	5	0.2%
Forsyth	4	0.2%	4	0.2%	5	0.2%
Other^	11	0.6%	13	0.5%	15	0.5%
<b>Total*</b>	<b>2,029</b>	<b>100.0%</b>	<b>2,521</b>	<b>100.0%</b>	<b>3,055</b>	<b>100.0%</b>

Source: Section C, page 29

^Other includes less than one percent of patients from the remaining North Carolina counties and other states.

\*May not foot due to rounding.

In Section C, page 28, the applicant provides the assumptions and methodology used to project its patient origin.

- The applicant projects its patient origin based on the CY2020 weighted average patient origin of procedures expected to shift from RRMC and Northeast Digestive Health Center (NDHC). The discussion regarding projected utilization found in Criterion (3) is incorporated herein by reference.
- The applicant states that projected patient origin is based on the number of GI endoscopy procedures, which is typically one procedure per patient in a 12-month period.

### **Analysis of Need**

In Section C, pages 30-44, the applicant explains why it believes the population to be served by the proposed project needs the proposed services.

- There is a need for GI endoscopy services due to the prevalence of gastrointestinal conditions and the increased focus on preventive screening for colorectal cancer (*pages 31-35*).
- The proposal will offer Rowan County patients of GI endoscopy services as a more cost-effective option in the event of unexpected cost-sharing for colorectal cancer screening (*pages 35-36*).
- There is limited access to freestanding GI endoscopy services in Rowan County. This is based on the low use rate and outmigration of Rowan County GI patients, particularly those in the 50+ age cohort (*pages 37-38*).
- Transferring two of the four licensed GI endoscopy rooms from RRMC to develop a freestanding GI endoscopy facility with two GI endoscopy rooms will provide enhanced access to cost-effective GI endoscopy services while maintaining access to services for its existing patients at RRMC (*pages 40-41*).
- Relocating the GI endoscopy rooms to Salisbury, the largest municipality in Rowan County, will maximize access for the entire county and surrounding communities. Further, NDHC will serve as the manager of the proposed GI endoscopy facility. NDHC is comprised of ten “*highly qualified*” gastroenterologists and five physicians assistants who provide a large volume of endoscopic procedures outside of Rowan County and surrounding communities. A portion of their procedures will shift to the new facility, further enhancing geographical access to services for Rowan County patients (*pages 42-43*).
- To demonstrate the need for the proposed project, the applicant cites data from the North Carolina Office of State Budget Management (NCOSBM) to show the projected population growth by age cohort in Rowan County (*pages 43-44*).

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

- The applicant provides data to support its projections of population growth, aging and the health status of the population in the proposed service area.
- The applicant adequately demonstrates how the proposed project will provide a more cost-effective option and improve geographical access in the proposed service area.

Projected Utilization

In Section Q, page 96, the applicant provides projected utilization, as illustrated in the following table.

<b>Novant Health Rowan Endoscopy Center (NHREC) Projected GI Endoscopy Procedures</b>				
	<b>Partial Year CY 2024</b>	<b>1<sup>st</sup> FFY CY2025</b>	<b>2<sup>nd</sup> FFY CY2026</b>	<b>3<sup>rd</sup> FFY CY2027</b>
# of GI Endoscopy Rooms	2	2	2	2
Total GI Endoscopy Procedures	972	2,029	2,521	3,055
Average # of GI Procedures Per GI Room*	0.32	0.68	0.84	1.02
Annual Percent Change		108.7%	24.2%	21.2%

\*Total GI Endoscopy Procedures / (1,500 x # of Rooms)

In Section C, pages 98-104, the applicant provides the assumptions and methodology used to project utilization, which is summarized below.

*Step 1: Review Historical GI Endoscopy Procedures*

The applicant begins with reviewing the historical utilization of GI endoscopy procedures of RRMC and NDHC during CY2018- CY2021. The applicant is proposing to relocate two licensed GI endoscopy rooms from RRMC. RRMC’s four endoscopy rooms have been inoperable since August 2018 due to flood damage. The facility is currently performing GI endoscopy procedures in their licensed operating rooms. NDHC will serve as the manager of the new facility with the intention of obtaining physician privileges to perform GI endoscopy procedures.

<b>GI Endoscopy Procedures, CY2018-CY2021</b>				
	<b>CY2018</b>	<b>CY2019</b>	<b>CY2020</b>	<b>CY2021</b>
RRMC	1,166	986	930	1,027*
NDHC	6,494	6,964	7,031	7,572**

Source: Novant Health and NDHC internal data; Section Q, page 98

\*Annualized based on 9 months data (Jan-Sept.). Includes inpatient and outpatient procedures.

\*\*Annualized based on eight months data (Jan-Aug)

The applicant reviews RRMC’s historical utilization for adult outpatients and patients who are graded as American Society of Anesthesiologists Physical status (ASA) I (*normal healthy patient*) and ASA II (*patient with mild systemic disease*). The applicant states that patients graded as ASA III and higher are excluded because a GI endoscopy center may not accept patients classified under these groups.

<b>Novant Health Rowan Medical Center (RRMC) GI Endoscopy Procedures, CY2018-CY2021</b>				
	<b>CY2018</b>	<b>CY2019</b>	<b>CY2020</b>	<b>CY2021*</b>
All RRMC GI Endo Procedures (IP & OP)	1,166	986	930	1,027
RRMC GI Endo Procedures: Adult, OP, ASA, I, II	740	533	434	516

Source: Novant Health internal data; Section Q, page 99

\*Annualized based on 9 months data (Jan-Sept.).

The applicant states that NDHC performs a large volume of GI endoscopy procedures at several facilities outside of Rowan County. The applicant reviews the historical number of GI endoscopy procedures from the zip codes that include Rowan County. The applicant identifies two zip codes that include portions of Rowan and Cabarrus County, the two counties largely served by RRMC. Based on Novant Health internal data, the applicant summarizes the historical GI endoscopy procedures performed in zip codes 28081 and 28083 during CY2018-CY2021.

<b>Northeast Digestive Health Center (NDHC) GI Endoscopy Procedures, CY2018-CY2021</b>					
	<b>CY2018</b>	<b>CY2019</b>	<b>CY2020</b>	<b>CY2021*</b>	<b>CAGR</b>
All NDHC GI Endo Procedures	6,494	6,964	7,031	7,572	5.3%
NDHC GI Endo Procedures from selected zip codes	2,053	2,197	2,180	2,700	9.6%
% of Total NDHC Procedures	31.6%	31.5%	31.0%	35.7%	

Source: NDHC internal data; Section Q, page 101

\*Annualized based on 9 months data (Jan-Sept.).

*Step 2: Determine Projected GI Endoscopy Growth Rates*

The applicant states that historical utilization of GI endoscopy procedures is supported by the growing and aging population in Rowan County and surrounding areas, cancer incidence, prevalence rates for gastrointestinal conditions, and the focus on preventive screening for colorectal cancer. The applicant projects the annual growth rate for GI endoscopy procedures.

<b>Growth Rate Assumption</b>		
RRMC Adult, OP, ASA I, II GI Endo Procedures	0.7%	2021-2027 CAGR for Rowan County Population Age 45+
NDHC GI Endo Procedures from Selected Zip Codes	5.3%	FY2018-FY2021 CAGR For All NDHC OP GI Endo Procedures

Source: Section Q, page 101

The applicant projects that outpatient GI endoscopy procedures rated ASA I and II will increase by the Rowan County projected population growth rate of 0.7% for the 45+ age cohort, the group recommended for regular preventive screening. The applicant selects NDHC's CAGR of GI endoscopy procedures during FY2018-FY2021, which is significantly lower than CAGR during the same period for the selected zip codes stated above.

*Step 3: Projected GI Endoscopy Procedures (Before Shift of Cases to NHREC)*

The applicant projects GI endoscopy procedures based on the growth rates described in Step 2.

<b>Novant Health Rowan Medical Center (RRMC) GI Endoscopy Procedures Before Shift of Cases to NHREC</b>						
	<b>CY2022</b>	<b>CY2023</b>	<b>CY2024</b>	<b>CY2025</b>	<b>CY2026</b>	<b>CY2027</b>
All RRMC GI Endo Procedures	1,034	1,041	1,048	1,055	1,062	1,069
RRMC GI Endo Procedures: Adult, OP, ASA, I, II Procedures	520	523	527	531	535	539

Source: Section Q, page 102

<b>Northeast Digestive Health Center (NDHC) GI Endoscopy Procedures Before Shift of Cases to NHREC</b>						
	<b>CY2022</b>	<b>CY2023</b>	<b>CY2024</b>	<b>CY2025</b>	<b>CY2026</b>	<b>CY2027</b>
All NDHC GI Endo Procedures	7,970	8,388	8,829	9,293	9,781	10,295
NDHC GI Endo Procedures from Selected Zip Codes	2,842	2,991	3,148	3,314	3,488	3,671

Source: Section Q, page 102

*Step 4: Project Percentage Shift to Existing and Proposed NHREC ORs*

The applicant projects that a percentage of GI endoscopy procedures will shift from RRMC and NDHC based on factors such as access to a lower-cost option, physicians who seek privileges at the proposed facility and enhanced geographic access to GI endoscopy services at a new state-of-the-art facility.

<b>Projected Percentage Shift of GI Endoscopy Procedures</b>				
	<b>Partial Year CY2024</b>	<b>PY1 CY2025</b>	<b>PY2 CY2026</b>	<b>PY3 CY2027</b>
% Shift from RPMC (Adult, OP, ASA I, II)	70%	70%	80%	90%
% Shift from NDHC (Selected Rowan County Zip Codes)	50%	50%	60%	70%

Source: Section Q, page 103

*Step 5: Projected GI Endoscopy Procedures New NHREC*

The applicant projects GI endoscopy procedures performed at the proposed NHREC for the first three project years.

<b>Novant Health Rowan Medical Center (RRMC) Projected GI Endoscopy Procedures*</b>				
	<b>Partial Year CY2024</b>	<b>PY1 CY2025</b>	<b>PY2 CY2026</b>	<b>PY3 CY2027</b>
RRMC (Adult, OP, ASA I, II) GI Endo Procedures	185	372	428	485
NDHC GI Endo Procedures from Selected Zip Codes	787	1,657	2,093	2,570
<b>Total Facility Procedures</b>	<b>972</b>	<b>2,029</b>	<b>2,521</b>	<b>3,055</b>

\*Step 4 x Step 3

Source: Section Q, page 103

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

- Projected utilization is based on RRMC and NDHC’s most recent GI endoscopy procedure data annualized.
- The applicant’s projected growth rates used to project utilization of GI endoscopy procedures are conservative and supported by the growing and aging population in Rowan County and surrounding areas, cancer incidence, prevalence rates for gastrointestinal conditions, and the increased focus on preventive screening for colorectal cancer.
- The assumptions used to project the percentage of GI endoscopy procedures expected to shift from RRMC and NDHC to NHREC are reasonable and adequately supported.

**Access to Medically Underserved Groups**

In Section C, pages 49, the applicant states that low income persons, racial and ethnic minorities, women, disabled persons, persons 65 and older, Medicare beneficiaries, and

Medicaid recipients will have access to NHRC. The applicant provides the estimated percentage for each medically underserved group for the third full fiscal year, as shown in the following table.

Medically Underserved Groups	Percentage of Total Patients
Low income persons	14%%
Racial and ethnic minorities	20%
Women	51%
Persons with Disabilities*	
Persons 65 and older	30%
Medicare beneficiaries	30%
Medicaid recipients	3%

\*On page 49, the applicant states that Novant Health and NDHC do not maintain data regarding the number disabled persons it serves. However, they will not be denied access to NHREC.

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

### **Conclusion**

The Agency reviewed the:

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

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

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

### C

The applicant proposes to develop a new freestanding GI endoscopy facility by acquiring and relocating two licensed GI endoscopy rooms from RRMC, for a total of two GI endoscopy rooms upon project completion.

The applicant does not propose to reduce or eliminate any existing GI endoscopy services. The applicant is proposing to develop a new freestanding GI endoscopy facility

in Rowan County by relocating two GI endoscopy rooms from RRMC. RRMC’s GI endoscopy rooms have not be operable since August 2018 due to flood damage. GI endoscopy procedures are performed in RRMC’s licensed operating rooms. Upon project completion, RRMC will have two licensed endoscopy rooms.

In Section D, page 54, the applicant explains why it believes the needs of the population presently utilizing the services to be relocated will be adequately met following completion of the project. On page 54, the applicant states:

*“As a local acute care provider in Rowan County, Novant Health is aware of GI endoscopy utilization patterns and the need for expanded access to cost-effective GI endoscopy services locally. Given the previously described trend of increasing GI endoscopy outmigration, the proposed project effectively reduces the need for Rowan County residents to seek freestanding GI endoscopy services in other counties. Upon completion of the proposed project, RRMC will have two licensed GI endoscopy rooms. Novant Health intends to renovate the RRMC GI endoscopy suite...Therefore, patients will continue to have access to GI endoscopy services at RRMC upon completion of the project.”*

The applicant’s rationale is reasonable and adequately supported. Based on the evidence of the outmigration of GI endoscopy services in Rowan County, the applicant’s proposal will provide Rowan County residents enhanced geographical access to freestanding outpatient GI endoscopy services.

In Section Q, page 97, the applicant provides projected utilization, as illustrated in the following table.

<b>Novant Health Rowan Medical Center (RRMC) Projected GI Endoscopy Procedures</b>				
	<b>Partial Year CY 2024</b>	<b>1<sup>st</sup> FFY CY2025</b>	<b>2<sup>nd</sup> FFY CY2026</b>	<b>3<sup>rd</sup> FFY CY2027</b>
# of GI Endoscopy Rooms	2	2	2	2
Total IP GI Endoscopy Procedures	82	165	166	167
Total OP GI Endoscopy Procedures	349	518	468	417
Total GI Endoscopy Procedures	432	683	634	587
Average # of GI Procedures Per GI Room*	0.14	0.23	0.21	0.19

\*Total GI Endoscopy Procedures / (1,500 x # of Rooms)

In Section Q, pages 97-104, the applicant provides the assumptions and methodology used to project utilization, which is summarized below.

*Step 1: Review Historical GI Endoscopy Procedures*

The applicant begins with reviewing the historical utilization of GI endoscopy procedures of RRMC during CY2018- CY2021. The applicant is proposing to relocate two licensed GI endoscopy rooms from RRMC. RRMC’s endoscopy rooms have been inoperable since August 2018 due to flood damage. The facility is currently performing GI endoscopy procedures in their licensed operating rooms.

<b>GI Endoscopy Procedures, CY2018-CY2021</b>				
	<b>CY2018</b>	<b>CY2019</b>	<b>CY2020</b>	<b>CY2021</b>
RRMC	1,166	986	930	1,027*

Source: Novant Health and NDHC internal data, Section Q, page 98

\*Annualized based on 9 months data (Jan-Sept.). Includes inpatient and outpatient procedures.

The applicant reviews RRMC’s historical utilization for adult outpatients and patients who are graded as American Society of Anesthesiologists Physical status (ASA) I (*normal healthy patient*) and ASA II (*patient with mild systemic disease*). The applicant states that patients graded as ASA III and higher are excluded because a GI endoscopy center may not accept patients classified under these groups.

<b>Novant Health Rowan Medical Center (RRMC) GI Endoscopy Procedures, CY2018-CY2021</b>				
	<b>CY2018</b>	<b>CY2019</b>	<b>CY2020</b>	<b>CY2021*</b>
All RRMC GI Endo Procedures (IP & OP)	1,166	986	930	1,027
RRMC GI Endo Procedures: Adult, OP, ASA, I, II	740	533	434	516

Source: Novant Health internal data, Section Q, page 99

\*Annualized based on 9 months data (Jan-Sept.).

*Step 2: Determine Projected GI Endoscopy Growth Rates*

The applicant states that historical utilization of GI endoscopy procedures is supported by the growing and aging population in Rowan County and surrounding areas, cancer incidence, prevalence rates for gastrointestinal conditions, and the focus on preventive screening for colorectal cancer. The applicant projects the annual growth rate for GI endoscopy procedures.

<b>Growth Rate Assumption</b>		
RRMC Adult, OP, ASA I, II GI Endo Procedures	0.7%	2021-2027 CAGR for Rowan County Population Age 45+

Source: Section Q, page 101

The applicant projects that outpatient GI endoscopy procedures rated ASA I and II will increase by the Rowan County projected population growth rate of 0.7% for the 45+ age cohort, the group recommended for regular preventive screening.

*Step 3: Projected GI Endoscopy Procedures (Before Shift of Cases to NHREC)*

The applicant projects GI endoscopy procedures based on the growth rate described in Step 2.

<b>Novant Health Rowan Medical Center (RRMC) GI Endoscopy Procedures Before Shift of Cases to NHREC</b>						
	<b>CY2022</b>	<b>CY2023</b>	<b>CY2024</b>	<b>CY2025</b>	<b>CY2026</b>	<b>CY2027</b>
All RRMC GI Endo Procedures	1,034	1,041	1,048	1,055	1,062	1,069
RRMC GI Endo Procedures: Adult, OP, ASA, I, II Procedures	520	523	527	531	535	539

Source: Section Q, page 102

*Step 4: Project Percentage Shift to Existing and Proposed NHREC ORs*

The applicant projects that a percentage of GI endoscopy procedures will shift from RRMC based on factors such as access to a lower-cost option, privileges for physicians who seek privileges at the proposed facility and enhanced geographic access to GI endoscopy services at a new state-of-the-art facility.

<b>Projected Percentage Shift of GI Endoscopy Procedures</b>				
	<b>Partial Year CY2024</b>	<b>PY1 CY2025</b>	<b>PY2 CY2026</b>	<b>PY3 CY2027</b>
% Shift from RRMC (Adult, OP, ASA I, II)	70%	70%	80%	90%

Source: Section Q, page 103

*Step 5: Projected GI Endoscopy Procedures New NHREC*

The applicant projects GI endoscopy procedures performed at the proposed NHREC for the first three project years as follows:

<b>Novant Health Rowan Medical Center (RRMC) Projected GI Endoscopy Procedures*</b>				
	<b>Partial Year CY2024</b>	<b>PY1 CY2025</b>	<b>PY2 CY2026</b>	<b>PY3 CY2027</b>
RRMC (Adult, OP, ASA I, II) GI Endo Procedures	185	372	428	485

\*Step 4 x Step 3

Source: Section Q, page 103

*Step 6: Identify Remaining GI Endoscopy Procedures at RRMC*

<b>RRMC GI Endoscopy Procedures After Project Procedure Shifts to NHEC</b>					
		<b>Partial Year CY 2024</b>	<b>1<sup>st</sup> FFY CY2025</b>	<b>2<sup>nd</sup> FFY CY2026</b>	<b>3<sup>rd</sup> FFY CY2027</b>
<i>Step 3</i>	Total IP GI Endoscopy Procedures	165	165	166	167
<i>Step 3</i>	Total OP GI Endoscopy Procedures	883	889	896	902
Identify Projected Shift of RRMC Surgical Cases to NHREC					
<i>Step 5</i>	RRMC Cases to Shift to NHREC	185	372	428	485
Determine Remaining RRMC OP OR Cases After Projected to shift to NHREC					
	Total IP GI Endoscopy Procedures	165	165	166	167
<i>Step 3 – Step 5</i>	Total OP GI Endoscopy Procedures	698	518	468	417
	<b>Total GI Endoscopy Procedures IP &amp; OP</b>	<b>863</b>	<b>683</b>	<b>634</b>	<b>584</b>

Source: Section Q, page 104

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

- Projected utilization is based on RRMC’s most recent GI endoscopy procedure data annualized.
- The applicant’s projected growth rates to project utilization of GI endoscopy procedures are conservative and supported by growing and aging population in Rowan County and surrounding areas, cancer incidence, prevalence rates for gastrointestinal conditions, and the focus on preventive screening for colorectal cancer.
- The assumptions used to project the percentage of GI endoscopy procedures expected to shift from RRMC to NHREC are reasonable and adequately supported.

**Access to Medically Underserved Groups**

In Section D, page 55, the applicant states that low-income persons, racial and ethnic minorities, women, disabled persons, persons 65 and older, Medicare beneficiaries and Medicaid recipients will continue to have access to RRMC.

The applicant adequately demonstrates that the needs of medically underserved groups that will continue to use GI endoscopy services, will be adequately met following completion of the project. RRMC is an existing facility that currently serves patients classified as medically underserved. Upon completion of the project, the medical underserved will continue to have access to GI endoscopy services at RRMC.

**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 needs of the population currently using the services to be reduced, eliminated or relocated will be adequately met following project completion for all the reasons described above.
- The applicant adequately demonstrates that the project will not adversely impact the ability of underserved groups to access these services following project completion for all the reasons described above.

- (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.

### C

The applicant proposes to develop a new freestanding GI endoscopy facility by acquiring and relocating two licensed GI endoscopy rooms from RRMC, for a total of two GI endoscopy rooms upon project completion.

In Section E, pages 58-59, the applicant describes the alternatives it considered and explains why each alternative is either more costly or less effective than the alternative proposed in this application to meet the need. The alternatives considered were:

*Maintain the Status Quo*-The applicant states that this was not a practical alternative for the following reasons: the limited access to local freestanding GI endoscopy rooms in Rowan County, the high percentage of outmigration for GI endoscopy services by Rowan County patients, and the projected population growth in the service area.

*Locate the GI Endoscopy Facility in a Different Geographic Location*-The applicant states that the proposed location proved to be more effective because it would maximize access in the largest municipality in Rowan County.

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 proposal will provide needed access to GI Endoscopy services in Rowan County while meeting the need of a growing population.
- 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. Novant Health Rowan Endoscopy Center and Novant Health, Inc. (hereinafter certificate holder) shall materially comply with all representations made in the certificate of need application.**
- 2. The certificate holder shall develop a freestanding GI endoscopy by acquiring and relocating two licensed GI endoscopy rooms from Novant Health Rowan Medical Center.**
- 3. Upon completion of the project, Novant Health Rowan Endoscopy Center shall be licensed for no more than two GI endoscopy rooms.**

### **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 March 1, 2023. The second progress report shall be due on July 1, 2023 and so forth.**
- 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. 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. The certificate holder shall receive accreditation from the Joint Commission for the Accreditation of Healthcare Organizations, the Accreditation Association for Ambulatory Health Care or a comparable accreditation authority within two years following licensure of the facility.**
  - 7. For the first three years of operation following completion of the project, the certificate holder shall not increase charges more than 5% of the charges projected in Section Q of the application without first obtaining a determination from the Healthcare Planning and Certificate of Need Section that the proposed increase is in material compliance with the representations in the certificate of need application.**
  - 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 freestanding GI endoscopy facility by acquiring and relocating two licensed GI endoscopy rooms from RRMC, for a total of two GI endoscopy rooms upon project completion.

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

In Section Q, page 105, the applicant projects the total capital cost of the project, as shown in the table below.

<b>Novant Health Rowan Endoscopy Center (NHREC)</b>		
<b>Capital Costs</b>		
	<b>Novant Health, Inc.</b>	<b>Total</b>
Construction/Renovation Contract(s)	\$1,902,887	\$1,902,887
Architecture/Engineering Fees	\$183,100	\$183,100
Medical Equipment	\$746,000	\$746,000
Furniture	\$126,865	\$126,865
Consultant Fees (CON Consultant)	\$43,000	\$43,000
Interest during Construction	\$193,855	\$193,855
Other (IT, Low Voltage, Security, DHSR Review Cost, Special Inspections, Escalation, Project Contingency)	\$937,572	\$937,572
<b>Total</b>	<b>\$4,133,278</b>	<b>\$4,133,278</b>

In Section Q, page 111, the applicant provides the assumptions used to project the capital cost. The applicant adequately demonstrates that the projected capital cost is based on reasonable and adequately supported assumptions because it is based on the estimated cost to renovate an existing medical office building and all other elements required to establish a GI endoscopy center.

In Section E, page 63, the applicant projects that start-up costs will be \$85,987 and initial operating expenses will be \$187,709 for a total working capital of \$273,696. On page 63, the applicant provides the assumptions and methodology used to project the working capital needs of the project. The applicant adequately demonstrates that the projected working capital needs of the project are based on reasonable and adequately supported assumptions based on the following:

- Start-up costs include the cost to hire and train new staff prior to operation and three months of medical, pharmacy, and other supplies.
- Initial operating costs are based on the first two years of operation when expenses exceed revenues.

**Availability of Funds**

In Section E, page 61, the applicant states that the capital cost will be funded, as shown in the table below.

**Sources of Capital Cost Financing**

Type	Novant Health, Inc.	Total
Loans	\$0	\$0
Accumulated reserves or OE *	\$4,133,278	\$4,133,278
Bonds	\$0	\$0
Other (Specify)	\$0	\$0
<b>Total Financing</b>	<b>\$4,133,278</b>	<b>\$4,133,278</b>

\* OE = Owner's Equity

In Section E, page 64, the applicant states that the working capital needs of the project will be funded, as shown in the table below.

Sources of Financing for Working Capital (Novant Health, Inc.)	Amount
Loans	\$0
Cash or Cash Equivalents, Accumulated Reserves or Owner's Equity	\$273,696
Lines of credit	\$0
Bonds	\$0
<b>Total *</b>	<b>\$273,696</b>

Exhibit F.2 contains a letter dated November 12, 2021, from the senior vice-president of Operational Finance Revenue Cycle for Novant Health, Inc., parent entity to Novant Health Rowan Endoscopy Center, LLC, stating their commitment to fund the capital and working capital costs of the project. Exhibit F.2 contains the audited financial statements of Novant Health, Inc. which demonstrates that as of December 31, 2020, Novant Health had over \$700 million in cash and cash equivalents, \$8.6 billion in total assets, and \$4.9 billion in net assets.

**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 third full fiscal year following completion of the project, as shown in the table below.

	<b>1<sup>st</sup> Full FY CY 2025</b>	<b>2<sup>nd</sup> Full FY CY 2026</b>	<b>3<sup>rd</sup> Full FY CY 2027</b>
Total Procedures	2,029	2,521	3,055
Total Gross Revenues (Charges)	\$2,054,307	\$2,629,104	\$3,281,668
Total Net Revenue	\$1,090,253	\$1,396,860	\$1,745,157
Average Net Revenue per Procedure	\$537	\$554	\$571
Total Operating Expenses (Costs)	\$1,497,870	\$1,589,162	\$1,689,941
Average Operating Expense per Procedure	\$738	\$630	\$553
Net Income	(\$407,617)	(\$192,302)	\$55,216

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

**Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application

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

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

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

C

The applicant proposes to develop a new freestanding GI endoscopy facility by acquiring and relocating two licensed GI endoscopy rooms from RRMC, for a total of two GI endoscopy rooms upon project completion.

The 2021 SMFP does not define the service area for GI endoscopy procedure rooms. The Criteria and Standards for Gastrointestinal Endoscopy Procedure Rooms in Licensed Health Service Facilities, promulgated in 10A NCAC 14C .3901(6) defines the service area “as the geographical area, as defined by the applicant using county lines, from which the applicant projects to serve patients.” The proposed facility will be located in Rowan County. In Section C, page 29, the applicant projects that over 70 percent of its patients will originate from Rowan County, with the next largest percentage of patients originating from Cabarrus County. Thus, the service area for the new facility will be Rowan County. Facilities may also serve residents of counties not included in their service area.

The 2021 State Medical Facilities Plan, Table 6F: Endoscopy Room Inventory, page 91, includes a table showing the existing providers of GI endoscopy services in Rowan County, which is summarized below.

Facility	Endoscopy Rooms	Adjustments for CONs	Endoscopy Cases	Endoscopy Procedures
Rowan Endoscopy Center*	0	2	0	0
RRMC	4	0	0	0
<b>Total</b>	<b>4</b>	<b>2</b>	<b>0</b>	<b>0</b>

\*CON approved facility that was not licensed as of 9/30/2020.

In Section G, page 69, the applicant states that RRMC’s GI endoscopy rooms have been inoperable since August 2018. The facility is currently performing GI endoscopy procedures in their licensed operating rooms. According to the most recent License Renewal Application, the facility performed 444 GI endoscopy procedures in its operating rooms.

In Section G, page 70, the applicant explains why it believes its proposal would not result in the unnecessary duplication of existing or approved GI endoscopy services in Rowan County. The applicant states:

*“Novant Health does not propose to increase the inventory of GI endoscopy rooms in Rowan County. Instead, Novant Health proposes to relocate existing licensed GI endoscopy room capacity to a dedicated outpatient setting that will be more cost-effective for patients.”*

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

- The proposal would not result in an increase in GI endoscopy rooms in Rowan County.
- The applicant adequately demonstrates that the proposed of GI endoscopy rooms are needed in addition to the existing or approved of GI endoscopy rooms
- The proposal will enhance accessibility while providing GI endoscopy services in a cost-effective setting.

**Conclusion**

The Agency reviewed the:

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

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

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

C

The applicant proposes to develop a new freestanding GI endoscopy facility by acquiring and relocating two licensed GI endoscopy rooms from RRMC, for a total of two GI endoscopy rooms upon project completion.

In Section Q, page 108, the applicant provides projected full-time equivalent (FTE) staffing for the proposed services, as illustrated in the following table.

Position	Projected FTE Staff
	2nd FFY (CY2026)
Registered Nurse	4.0
Clerical	2.0
GI Technicians	3.5
<b>Total</b>	<b>9.5</b>

The assumptions and methodology used to project staffing are provided in Section Q. page 113. Adequate operating expenses for the health manpower and management

positions proposed by the applicant are budgeted in F.3b. In Section H, page 72, the applicant describes the methods used to be used to recruit or fill new positions and its existing 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 following:

- As an established employer in Rowan County, the applicant does not anticipate difficulty recruiting and retaining staff through its regional and corporate human resources departments.
- The facility will require all clinical staff to complete orientation and training specific to their position, maintain licensure and certification, and provide evidence of continued competency.
- The facility will require all clinical staff to attend continuing education programs and regular in-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 all the reasons described above

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

C

The applicant proposes to develop a new freestanding GI endoscopy facility by acquiring and relocating two licensed GI endoscopy rooms from RRMC, for a total of two GI endoscopy rooms upon project completion.

### **Ancillary and Support Services**

In Section I, page 74, the applicant identifies the necessary ancillary and support services for the proposed services. On pages 74-75, the applicant explains how each ancillary and support service is or will be made available and provides supporting documentation in Exhibits C.1, C.4 and I.1. The applicant adequately demonstrates that the necessary ancillary and support services. All of the necessary ancillary and support services will be provided by physicians with facility privileges, administrative and clinical staff, and third-party vendors.

## **Coordination**

In Section I, page 75, the applicant describes its existing and proposed relationships with other local health care and social service providers. The applicant adequately demonstrates that the proposed services will be coordinated with the existing health care system based on Novant Health's established relationships with local health care and social service providers, which will be extended to NHREC.

## **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 freestanding GI endoscopy facility by acquiring and relocating two licensed GI endoscopy rooms from RRMC, for a total of two GI endoscopy rooms upon project completion.

In Section K, page 78, the applicant states that the project involves renovating 6,590 square feet of existing space. Line drawings are provided in Exhibit K.2.

On pages 80-81, the applicant identifies the proposed site and provides information about the current owner, zoning and special use permits for the site, and the availability of water, sewer and waste disposal and power at the site. Supporting documentation is provided in Exhibits K.3 and K.4. The site appears to be suitable for the proposed GI endoscopy facility based on the applicant's representations and supporting documentation.

On pages 78-79, the applicant adequately explains how the cost, design and means of construction represent the most reasonable alternative for the proposal based on the following:

- To contain healthcare costs, the applicant will develop the freestanding GI endoscopy facility in an existing space as opposed to constructing a new building.
- Novant Health's architecture and design staff will design the layout to maximize space efficiency.

On page 79, 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. A freestanding facility can provide GI endoscopy services at a lower cost and avoid other costs associated with a hospital-based facility, saving the patient, government, and third-party payors money.

On page 79, the applicant identifies any applicable energy saving features that will be incorporated into the construction plans and provides supporting documentation in Exhibit K.3.

**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

The applicant is proposing a new facility. Therefore, there is no historical payor mix to report. However, in Section L, page 83, the applicant provides the historical payor mix for RRMC during the last full fiscal year, as shown in the table below.

<b>Novant Health Rowan Medical Center: GI Endoscopy 01/01/2020-12/31/2020</b>	
<b>Payor Category</b>	<b>GI Endoscopy Services as Percent of Total</b>
Self-Pay	3.7%
Charity Care	0.7%
Medicare*	46.9%
Medicaid*	19.0%
Insurance*	29.0%
TRICARE	0.7%
<b>Total</b>	<b>100.0%</b>

\*Including any managed care plans.

In Section L, page 83, the applicant provides the following comparison.

<b>Novant Health Rowan Medical Center: GI Endoscopy</b>	<b>Percentage of Total Patients Served by the Facility or Campus during the Last Full FY</b>	<b>Percentage of the Population of the Service Area*</b>
Female	55.6%	50.6%
Male	44.4%	49.4%
Unknown		
64 and Younger	62.1%	82.1%
65 and Older	37.9%	17.9%
American Indian	0.1%	0.6%
Asian	0.2%	1.2%
Black or African-American	23.2%	16.9%
Native Hawaiian or Pacific Islander	0.1%	0.1%
White or Caucasian	72.9%	79.4%
Other Race	2.9%	
Declined / Unavailable	0.5%	

\*The percentages can be found online using the United States Census Bureau’s QuickFacts which is at: <https://www.census.gov/quickfacts/fact/table/US/PST045218>. Just enter in the name of the county.

The Agency reviewed the:

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

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

- (b) Its past performance in meeting its obligation, if any, under any applicable regulations requiring provision of uncompensated care, community service, or access by minorities and ... persons [with disabilities] to programs receiving federal assistance, including the existence of any civil rights access complaints against the applicant;

In Section L, page 84, the applicant states that the proposed facility 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, page 84, the applicant states that identifying each patient civil rights equal access complaint filed in the 18 months immediately preceding the application deadline against the facility is not applicable because the proposed project does not involve an existing facility.

The Agency reviewed the:

- Application
- Exhibits to the application

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

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

C

In Section L, page 85, the applicant projects the following payor mix for the proposed services during the third full fiscal year of operation following completion of the project, as shown in the table below.

<b>Novant Health Rowan Endoscopy Center (NHREC) 3<sup>rd</sup> full FY, CY2027</b>	
<b>Payor Category</b>	<b>GI Endoscopy Services as Percent of Total</b>
Self-Pay	1.7%
Charity Care	0.3%
Medicare*	29.5%
Medicaid*	3.2%
Insurance*	65.1%
TRICARE	0.1%
<b>Total</b>	<b>100.0%</b>

\*Including any managed care plans.

As shown in the table above, during the third full fiscal year of operation, the applicant projects that 1.7% of total services will be provided to self-pay patients, 0.3% to charity care patients, 29.5% to Medicare patients and 3.2% 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 completion of the project. The projected payor mix is reasonable and adequately supported based on the following:

- The applicant projects payor mix based on the FY2021 (January-September) payor mix of adult GI endoscopy procedures performed at RRMC and NDHC's FY2021 (January-August) GI endoscopy procedures performed on patients from Rowan County zip codes.
- The applicant's projected payor mix reflects the number of procedures projected to shift from RRMC and NDHC to the proposed facility.

The Agency reviewed the:

- Application
- Exhibits to the application

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

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

C

In Section L, page 86, the applicant adequately describes the range of means by which patients will have access to the proposed services.

The Agency reviewed the:

- Application
- Exhibits to the application

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

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

C

The applicant proposes to develop a new freestanding GI endoscopy facility by acquiring and relocating two licensed GI endoscopy rooms from RRMC, for a total of two GI endoscopy rooms upon project completion.

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. The applicant adequately demonstrates that health professional training programs in the area will have access to the facility for training purposes based on the following:

- Novant Health has established clinical education agreements with over a dozen colleges and universities, which will include NHREC once it becomes operational.
- Novant Health facilities provide opportunities for students to participate in realistic patient care situations in an ambulatory setting, which will include NHREC once it becomes operational.

### **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 freestanding GI endoscopy facility by acquiring and relocating two licensed GI endoscopy rooms from RRMC, for a total of two GI endoscopy rooms upon project completion.

The 2021 SMFP does not define the service area for GI endoscopy procedure rooms. The Criteria and Standards for Gastrointestinal Endoscopy Procedure Rooms in Licensed Health Service Facilities, promulgated in 10A NCAC 14C .3901(6) defines the service area “*as the geographical area, as defined by the applicant using county lines, from which the applicant projects to serve patients.*” The proposed facility will be located in

Rowan County. In Section C, page 29, the applicant projects that over 70 percent of its patients will originate from Rowan County, with the next largest percentage of patients originating from Cabarrus County. Thus, the service area for the new facility will be Rowan County. Facilities may also serve residents of counties not included in their service area.

The 2021 State Medical Facilities Plan, Table 6F: Endoscopy Room Inventory, page 91, includes a table showing the existing providers of GI endoscopy services in Rowan County, which is summarized below.

Facility	Endoscopy Rooms	Adjustments for CONs	Endoscopy Cases	Endoscopy Procedures
Rowan Endoscopy Center*	0	2	0	0
RRMC	4	0	0	0
<b>Total</b>	<b>4</b>	<b>2</b>	<b>0</b>	<b>0</b>

\*CON approved facility that was not licensed as of 9/30/2020.

Regarding the expected effects of the proposal on competition in the service area, in Section N, page 89, the applicant states:

*“...NHREC will encourage competition in Rowan County because it will allow Novant Health to create a new point of access for licensed freestanding GI endoscopy services and better meet the needs of its existing patient population and ensure that the timely provision of services in a new convenient location.”*

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

*“...patient co-pays and charges are lower at freestanding facilities compared to hospital-based outpatient departments. This approach will offer a new, more cost-effective option for local access to outpatient GI endoscopy services in Rowan County.”*

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

Regarding the impact of the proposal on quality, in Section N, pages 89-90, the applicant states:

*“NHREC will comply with all applicable DHSR Licensure Rules and will seek certification by Medicare and Medicaid and accreditation by the Accreditation for Ambulatory Health Care-AAAHC.*

...

*NHREC will adhere to medical staff credentialing policies and procedures to ensure credentialed staff are qualified to deliver care in their area of specialty. All clinical*

*and technical staff will be required to maintain appropriate and current licensure and continued education.”*

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, page 90, the applicant states:

*“NHREC will provide services to all patients regardless of income, racial/ethnic origin, gender, physical or mental conditions, age, ability to pay, or any other factor that would classify a patient as underserved.”*

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

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

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

### **Conclusion**

The Agency reviewed the:

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

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

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

C

In Section Q, pages 109-110, the applicant identifies the acute care and ambulatory surgical facilities located in North Carolina owned, operated or managed by the applicant or a related entity. The applicant identifies a total of 34 of this type of facility located in North Carolina.

In Section O, page 92, the applicant states that, during the 18 months immediately preceding the submittal of the application, Novant Health is not aware of any deficiencies in the quality of care at its licensed facilities. According to the files in the Acute and Home Care Licensure and Certification Section, DHR, during the 18 months immediately preceding submission of the application through the date of this decision, incidents related to quality of care occurred in three of the acute care facilities. However, all three facilities are currently back in compliance. After reviewing and considering the information provided by the applicant and by the Acute and Home Care Licensure and Certification Section and considering the quality of care provided, 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 Criteria and Standards for Gastrointestinal Endoscopy Procedure Rooms in Licensed Health Service Facilities, promulgated in 10A NCAC 14C .3903, are not applicable to this review because the applicant does not propose to develop a new licensed GI endoscopy procedure room in a licensed health service facility. The applicant is proposing to develop a freestanding GI endoscopy facility by relocating two existing licensed GI endoscopy rooms from an acute care facility. The two GI endoscopy rooms are included in the inventory of GI endoscopy rooms in the State Medical Facilities Plan as of the date this application was submitted.