

REQUIRED STATE AGENCY FINDINGS

FINDINGS

C = Conforming

CA = Conforming as Conditioned

NC = Nonconforming

NA = Not Applicable

Decision Date: September 23, 2022

Findings Date: September 23, 2022

Project Analyst: Ena Lightbourne

Co-Signer: Gloria C. Hale

Project ID #: E-12224-22

Facility: UNC Health Blue Ridge

FID #: 943191

County: Burke

Applicant(s): Blue Ridge HealthCare Systems, Inc.

Project: Relocate no more than 30 acute care beds from the Valdese campus to the Morganton campus

REVIEW CRITERIA

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

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

C

Blue Ridge HealthCare Systems, Inc., hereinafter referred to as the “applicant,” proposes to relocate no more than 30 existing acute care beds from the Valdese campus to a new patient tower on the Morganton campus at UNC Health Blue Ridge (“UNC Health Blue Ridge-Morganton” or “Morganton”), for a total of 101 acute care beds on the Valdese campus and 192 acute care beds on the Morganton campus. The beds located at the Valdese campus are not operational as of the review of this application.

The applicant was approved on May 21, 2021 (Exemption #3571) to construct a replacement hospital tower and additional parking on the Morganton campus. The replacement tower will house the intensive care unit, progressive care unit and the emergency department. The proposed project does not include new construction, rather the applicant proposes to upfit space in the exempt patient tower.

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 applicable to this review: *Policy GEN-4: Energy Efficiency and Sustainability for Health Service Facilities*.

Policy GEN-4: Energy Efficiency and Sustainability for Health Service Facilities, on pages 30-31 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 \$5 million. In Section B, pages 29-30, the applicant provides a written statement describing the project’s plan to assure improved energy efficiency and water conservation. On page 29, the applicant states that the proposed project will address systems and features such as lighting, water, heating, ventilation, and HVAC systems 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. The application is consistent with Policy GEN-4.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

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

- The applicant does not propose to develop any beds, services or equipment for which there is a need determination in the 2022 SMFP.
 - The applicant adequately demonstrates the proposal is consistent with Policy GEN-4 based on its representations that the project includes a plan for energy efficiency and water conservation.
- (2) Repealed effective July 1, 1987.
- (3) The applicant shall identify the population to be served by the proposed project, and shall demonstrate the need that this population has for the services proposed, and the extent to which all residents of the area, and, in particular, low income persons, racial and ethnic minorities, women, ... persons [with disabilities], the elderly, and other underserved groups are likely to have access to the services proposed.

C

The applicant proposes to relocate no more than 30 existing acute care beds from the Valdese campus to a new patient tower on the Morganton campus, for a total of 101 acute care beds at the Valdese campus and 192 acute care beds at the Morganton campus.

Patient Origin

The 2022 SMFP defines the service area for acute care bed services as a single or multi-county grouping as shown in Figure 5.1. Thus, the service area for this application is Burke County. Facilities may also serve residents of counties not included in their service area. Table 5A on page 39 of the 2022 SMFP shows that UNC Health Blue Ridge is the only facility in Burke County with acute care beds.

The following tables illustrate historical and projected patient origin.

| County | UNC Health Blue Ridge-Morganton Campus Acute Care Beds Historical Patient Origin | |
|--------------|--|---------------|
| | Last Full FY 01/01/2021-12/31/2021 | |
| | Patients | % of Total |
| Burke | 3,387 | 62.5% |
| Caldwell | 730 | 13.5% |
| McDowell | 507 | 9.3% |
| Catawba | 268 | 4.9% |
| Mecklenburg | 132 | 2.4% |
| Other^ | 398 | 7.3% |
| Total | 5,423 | 100.0% |

Source: Section C, page 33
 ^Consists of 52 NC counties and other states.
 Totals may not foot due to rounding.

| UNC Health Blue Ridge-Morganton Campus Acute Care Beds Projected Patient Origin | | | | | | |
|---|-------------------------|---------------|-------------------------|---------------|-------------------------|---------------|
| County | 1 st Full FY | | 2 nd Full FY | | 3 rd Full FY | |
| | CY 2025 | | CY 2026 | | CY 2027 | |
| | Patients | % of Total | Patients | % of Total | Patients | % of Total |
| Burke | 4,638 | 53.7% | 4,856 | 52.6% | 5,000 | 52.6% |
| Caldwell | 1,355 | 15.7% | 1,502 | 16.3% | 1,518 | 16.0% |
| McDowell | 953 | 11.0% | 1,075 | 11.6% | 1,133 | 11.9% |
| Catawba | 565 | 6.5% | 605 | 6.5% | 622 | 6.5% |
| Mecklenburg | 278 | 3.2% | 298 | 3.2% | 306 | 3.2% |
| Other^ | 840 | 9.7% | 898 | 9.7% | 925 | 9.7% |
| Total | 8,630 | 100.0% | 9,233 | 100.0% | 9,505 | 100.0% |

Source: Section C, page 35
 ^Consists of 52 NC counties and other states
 Totals may not foot due to rounding.

In Section C, page 35, the applicant provides the assumptions and methodology used to project patient origin. The applicant’s assumptions are reasonable and adequately supported based on the historical growth of acute care bed days on the Morganton campus and the applicant’s assumptions regarding projected growth rates and incremental market gains in the primary service area (PSA) counties (Burke, Caldwell, and McDowell). In Section Q, Form C, page 3, the applicant states that the PSA counties accounted for more than 80% of acute care bed days from CY 2019 to CY 2021.

Analysis of Need

In Section C, pages 37-46, the applicant explains why it believes the population projected to utilize the proposed services needs the proposed services, as summarized below.

Need to Relocate Acute Care Bed Capacity to Morganton Campus (pages 38-41)

The applicant states that there is a need to relocate acute care beds to the Morganton campus to ensure current and future need. This is based on the projected population growth in the PSA counties that currently serve the majority of patients. The applicant states that based on UNC Health Blue Ridge internal data, 80.5% average total days of care were provided to patients from the PSA counties during CY 2019 to CY 2021. The applicant cites data from ESRI, a geographic information systems provider, to demonstrate the projected population growth in the PSA counties. According to the data, population in the PSA counties are projected to experience a Compound Annual Growth Rate (CAGR) of 0.4% combined from 2021 to 2026. The 65+ age cohort, the group most likely to utilize acute care services, is projected to account for 23.4% of that population.

Further, the relocation of the acute care beds from the Valdese campus to the Morganton campus is the appropriate distribution of acute care capacity. The applicant states that in 2014, inpatient services were consolidated on the Morganton campus and the Valdese campus transitioned to outpatient care. All beds on the Valdese campus are not operational as of the review of this application. The 30 relocated beds would ensure sufficient acute care capacity and support the current expansion of other services on the Morganton campus. Operationalizing the 30 acute care beds on the Valdese campus would be an unnecessary duplication of resources for a small amount of beds.

Planned Program Development at UNC Health Blue Ridge (pages 43-46)

In an effort to improve inpatient care on the Morganton campus, UNC Health Blue Ridge-Morganton, in partnership with the UNC Health system, has developed initiatives to expand services offered, such as the development of a new Level III Trauma Center and the expansion of women's health and pediatrics, heart and vascular, oncology and orthopedic services. The applicant states that these plans are expected to be implemented in Burke County over the next few years.

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

- The applicant uses data from a leading geographic information systems provider to demonstrate the projected population growth and aging in the identified service area.
- The applicant relies on UNC Health Blue Ridge-Morganton's historical hospital utilization by patients residing in the proposed service area.
- The applicant adequately demonstrates that the proposal is the most appropriate alternative to ensure current and future acute care capacity and improved patient care at UNC Health Blue Ridge-Morganton.

Projected Utilization

In Section Q, Forms C.1a and C.1b, the applicant provides historical and projected utilization, as illustrated in the following tables.

| UNC Health Blue Ridge-Morganton Historical Acute Care Bed Utilization | | | |
|--|---------------------|------------------------|------------------------|
| | Last Full FY | Interim Full FY | Interim Full FY |
| | CY 2021 | CY 2022 | CY 2023 |
| Acute Care Beds | | | |
| # of Beds | 162 | 162 | 162 |
| # Discharges | 6,343 | 6,897 | 7,463 |
| # of Patient Days | 26,218 | 28,509 | 30,847 |
| Average Length of Stay | 4.1 | 4.1 | 4.1 |
| Occupancy Rate | 44.3% | 48.2% | 52.2% |

| UNC Health Blue Ridge Projected Acute Care Bed Utilization | | | | |
|---|-----------------------------|-------------------------------|-------------------------------|-------------------------------|
| | Partial FY | 1st Full FY | 2nd Full FY | 3rd Full FY |
| | 1/1/24- 12/31/24 | CY 2025 | CY 2026 | 2027 |
| Total Acute Care Beds | | | | |
| # of Beds | 192 | 192 | 192 | 192 |
| # Discharges | 8,040 | 8,630 | 9,233 | 9,505 |
| # of Patient Days | 33,234 | 35,671 | 38,162 | 39,289 |
| Average Length of Stay | 4.1 | 4.1 | 4.1 | 4.1 |
| Occupancy Rate | 47.4% | 50.9% | 54.5% | 56.1% |

In Section Q, Form C, pages 1-26, the applicant provides the assumptions and methodology used to project utilization, which is summarized below.

Step 1: Establish utilization trends at UNC Health Blue Ridge-Morganton

| UNC Health Blue Ridge-Morganton Historical Utilization | | | | |
|---|----------------|----------------|----------------|-------------|
| Service* | CY 2019 | CY 2020 | CY 2021 | CAGR |
| Medicine | 14,167 | 13,434 | 16,974 | 9.5% |
| Obstetrics | 1,952 | 1,885 | 2,052 | 2.5% |
| Surgery | 4,817 | 4,734 | 4,484 | -3.6% |
| Total Days of Care | 20,936 | 20,053 | 23,507 | 6.0% |
| Discharges | 5,373 | 4,799 | 5,423 | 0.5% |
| Average Length of Stay (ALOS) | 3.90 | 4.20 | 4.30 | 5.5% |

Source: Section Q, Form C, page 3; UNC Health Blue Ridge internal data

*Excludes psychiatry, substance abuse, and rehabilitation services.

In Section Q, Form C, page 2, the applicant states that the facility's growth in acute care days in 2021, following the height of the pandemic, indicates future inpatient utilization trends.

Step 2: Determine the current and projected population of the primary service area along with future growth rates.

| UNC Health Blue Ridge-Morganton Percentage of Days of Care by County | | | | |
|---|----------------|----------------|----------------|----------------|
| PSA Counties | CY 2019 | CY 2020 | CY 2021 | Average |
| Burke | 60.8% | 62.1% | 60.6% | 61.2% |
| Caldwell | 11.9% | 11.3% | 12.5% | 11.9% |
| McDowell | 6.6% | 7.5% | 8.2% | 7.4% |
| Percent of Total Days of Care | 79.3% | 80.9% | 81.2% | 80.5% |

Source: Section Q, Form C page 3; UNC Health Blue Ridge internal data

The applicant projects population growth in the PSA counties based on data from 2021 ESRI population estimates. Population in the PSA counties is projected to increase at the historical growth rate of 0.4 percent annually through CY 2026.

| UNC Health Blue Ridge-Morganton PSA Projected Population Growth | | | |
|--|----------------|----------------|-------------|
| PSA Counties | 2021 | 2026 | CAGR |
| Burke | 95,546 | 97,409 | 0.4% |
| Caldwell | 85,113 | 86,191 | 0.3% |
| McDowell | 47,982 | 49,118 | 0.5% |
| Subtotal | 222,641 | 232,818 | 0.4% |

Source: Section Q, Form C, page 4; ESRI Population Estimates

Step 3: Project total patient days of care for each county in the primary service area

Citing IBM Watson Health market data, the applicant projects days of care in the PSA counties by the top service lines offered on the Morganton campus from CY 2019 to CY 2036. UNC Health Blue Ridge-Morganton is projected to generate 105,384 total acute care bed days in CY 2036. The applicant states that its projections are reasonable, and conservative based on the historical growth demonstrated in *Step 1* and *Step 2*.

| Service | CY 2019 | CY 2036 | Change | Average Change Per Year | CAGR |
|------------------------------------|----------------|----------------|----------------|-------------------------|-------------|
| Burke County | | | | | |
| Medicine | 19,927 | 21,726 | 1,799 | 106 | 0.5% |
| Obstetrics | 5,068 | 3,886 | (1,182) | (70) | -1.6% |
| Surgery | 9,784 | 9,377 | (407) | (24) | -0.2% |
| Total | 34,779 | 34,989 | 210 | 12 | 0.0% |
| Caldwell County | | | | | |
| Medicine | 25,944 | 28,888 | 2,944 | 173 | 0.6% |
| Obstetrics | 6,462 | 3,462 | (3,000) | (176) | -3.6% |
| Surgery | 10,717 | 11,980 | 1,263 | 74 | 0.7% |
| Total | 43,123 | 44,331 | 1,208 | 71 | 0.2% |
| McDowell County | | | | | |
| Medicine | 14,629 | 16,584 | 1,955 | 115 | 0.7% |
| Obstetrics | 3,171 | 2,607 | (564) | (33) | -1.1% |
| Surgery | 6,704 | 6,874 | 170 | 10 | 0.1% |
| Total | 24,504 | 26,065 | (1,561) | 92 | 0.4% |
| Total Primary Services Area | | | | | |
| Medicine | 60,500 | 67,199 | 6,699 | 394 | 0.6% |
| Obstetrics | 14,701 | 9,955 | (4,746) | (279) | -2.3% |
| Surgery | 27,205 | 28,231 | 1,026 | 60 | 0.2% |
| Total | 102,406 | 105,384 | 2,978 | 175 | 0.2% |

Source: Section Q, Form C, page 4, IBM Watson Health market data

Step 4: Determine UNC Health Blue Ridge-Morganton's future market share

The applicant states that Morganton's historical growth in the market share is due to physician recruitment and the strength of its existing program offerings. With the exception of McDowell County obstetrics, the applicant assumes the market share will grow annually at a rate of one half of the historical market share CAGR in each PSA county. The following table illustrates the historical days of care and market share and market share assumptions.

| UNC Health Blue Ridge-Morganton PSA Total Days of Care and Market Share | | | | | | | |
|--|--------------|---------|----------|--------------|---------|----------|-------|
| PSA Counties | Days of Care | | | Market Share | | | |
| | CY 2019 | CY 2020 | CY 2021* | CY 2019 | CY 2020 | CY 2021* | CAGR |
| Burke | 14,950 | 14,240 | 15,766 | 43.0% | 43.0% | 47.9% | 5.6% |
| Caldwell | 3,059 | 2,743 | 3,206 | 7.1% | 6.9% | 7.5% | 2.9% |
| McDowell | 1,591 | 1,737 | 2,126 | 6.5% | 7.3% | 8.7% | 16.1% |

Source: Section Q, Form C, page 6; IBM data

*Annualized based on January through June 2021 data

| UNC Health Blue Ridge-Morganton Annual Market Share Growth Rate Assumption | | | |
|---|--------------|-----------------|-----------------|
| Service | Burke | Caldwell | McDowell |
| Medicine | 2.8% | 1.4% | 8.0% |
| Obstetrics | 2.8% | 1.4% | ^4.0% |
| Surgery | 2.8% | 1.4% | 8.0% |

Source: Section Q, Form C, page 7; IBM Watson Health market data
 ^Based on 25 percent of its historical market share

The applicant applies its market share growth rate assumptions to the annualized market share, as illustrated in the tables in *Step 4* above. To be conservative, the applicant assumes that the market share in the PSA counties for all three service lines will not exceed 75 percent.

The applicant projects the average annual rate of change in the market share for all three service lines from CY 2021 to CY 2036. The applicant states that its projections are reasonable and conservative considering that the projected average annual rate of change from CY 2021 to CY 2036 is less than the actual percentage of growth in market share in the PSA counties from CY 2019 to CY 2021 for the majority of the service lines. The table below illustrates the comparison in market share by PSA county and service.

| UNC Health Blue Ridge-Morganton PSA Total Market Share Comparison | | | | | | |
|--|----------------|----------------|--------------------------------|---------------------------------------|---|---|
| Service | CY 2021 | CY 2036 | CY 2021-2036 Change | CY 2019- CY2021 Change | CY 2021- CY 2036 Average Annual Rate of Change | CY 2019- CY 2021 Average Annual Rate of Change |
| Burke County | | | | | | |
| Medicine | 52.3% | 75.0% | 22.7% | 6.1% | 1.51% | 3.07% |
| Obstetrics | 60.8% | 75.0% | 14.2% | 7.7% | 0.95% | 3.87% |
| Surgery | 32.2% | 48.8% | 16.6% | 1.0% | 1.10% | 0.50% |
| Caldwell County | | | | | | |
| Medicine | 7.7% | 9.5% | 1.8% | 0.8% | 0.12% | 0.38% |
| Obstetrics | 15.5% | 19.2% | 3.7% | 5.7% | 0.25% | 2.83% |
| Surgery | 4.8% | 6.0% | 1.2% | -1.1% | 0.08% | -0.53% |
| McDowell County | | | | | | |
| Medicine | 7.2% | 23.0% | 15.8% | 2.2% | 1.05% | 1.10% |
| Obstetrics | 23.0% | 41.5% | 18.5% | 8.9% | 1.23% | 4.43% |
| Surgery | 7.1% | 22.6% | 15.5% | 0.9% | 1.03% | 0.47% |

Source: Section Q, Form C, page 9

Step 5: Determine UNC Health Blue Ridge-Morganton's projected volume

To project the number of acute care beds days that will be provided to patients residing in the PSA counties, the applicant applied the projected market share percentages to the total days of care. The applicant projects that 34,356 days of care will be provided to patients from the PSA counties in CY 2036 for all three service lines.

Step 6: Analyze and project volumes for the top five service lines

The applicant projects that the volume for the top five service lines offered by UNC Health Blue Ridge-Morganton will be greatly impacted based on the historical utilization and the facility’s planned initiatives to develop and expand existing services, as previously discussed in this section. The following table illustrates the total percentage of patient days per PSA county for the top five service lines in CY 2021.

| CY 2021* Patient Days in Top Five Service Lines by PSA County | | | |
|--|---------------|-----------------|-----------------|
| Service** | Burke | Caldwell | McDowell |
| Cardiac Services (Medicine) | 4,040 | 5,436 | 3,196 |
| General Medicine (Medicine) | 13,172 | 18,824 | 8,682 |
| Obstetrics (Obstetrics) | 3,656 | 3,334 | 2,430 |
| General Surgery (Surgery) | 5,076 | 6,156 | 3,498 |
| Orthopedics (Surgery) | 2,128 | 2,946 | 1,750 |
| Subtotal | 28,072 | 36,696 | 19,556 |
| Total Patient Days | 32,918 | 42,688 | 24,298 |
| Percent of total | 85.3% | 86.0% | 80.5% |

Source: Section Q, Form C, page 11; IBM data from PSA counties treated anywhere in NC.

*Annualized based on January through June 2021 data

**Excludes psychiatry, substance abuse, and rehabilitation services.

To project volume for the total days care in the top five service lines, the applicant applies the population growth rates calculated in *Step 1* to the annualized CY 2021 total days of care for each PSA county.

In Section Q, Form C, pages 12-14, the applicant provides the annual projected days of care in the top five service lines that will be provided to residents in each of the PSA counties.

Step 7: Identify opportunities for increased market share within the top five services lines

Based on UNC Health Blue Ridge’s affiliation with UNC Health and its planned initiatives to develop and expand services, the applicant projects market share gains in the top five service lines identified in *Step 6*, from the top acute care competitors: Carolinas Medical Center (CMC), Frye Regional Medical Center, Mission Hospital, and Catawba Valley Medical Center. In Section Q, Form C, pages 14-17, the applicant provides examples of UNC Health Blue Ridge’s initiatives and other market changes that support the applicant’s projections, as summarized below.

- UNC Health Blue Ridge-Morganton will no longer refer patients to CMC in an effort to increase services available to patients residing in Burke and Caldwell Counties.
- UNC Health Blue Ridge-Morganton will expand cardiac, general medicine and obstetrics services to increase availability to patients residing in the PSA counties.

- The applicant assumes that UNC Health Blue Ridge-Morganton will acquire one-half of Caldwell Memorial Hospital’s obstetrics market share as the hospital suspends their labor and delivery services.
- UNC Health Blue Ridge-Morganton will develop a Level III Trauma Program which will increase the number of specialty surgeries performed, increasing the market share in general surgery and orthopedics.

Based on the historical market share gained during CY 2021 (annualized), as illustrated in Section Q, Form, C, pages 15-17, the applicant projects that in Burke County, UNC Health Blue Ridge-Morganton will gain 50 percent of CMC’s general surgery market share, 25 percent of their cardiac market share and 50 percent of their general surgery and orthopedic market share. In Caldwell County, the applicant projects that the facility will gain 50 percent of CMC’s general surgery market share, 50 percent of Caldwell Memorial Hospital’s obstetric market share, and 50 percent of all the top five service lines from the remaining competitors. In McDowell County, the facility will gain 50 percent of the general surgery, orthopedic, and cardiac market share and 25 percent of the general medicine market share from the remaining competitors outside of the top five.

Step 8: Apply Incremental market share gains to determine additional patient days

The table below summarizes the applicant’s projected market share gains.

| UNC Health Blue Ridge-Morganton Top Five Service Lines Annual Market Share Gains in the PSA counties | | | |
|---|--------------|-----------------|-----------------|
| Service | Burke | Caldwell | McDowell |
| Cardiac Services (Medicine) | 3.3% | 4.3% | 8.2% |
| General Medicine (Medicine) | 0.0% | 4.6% | 4.8% |
| Obstetrics (Obstetrics) | 0.0% | 15.7% | 0.7% |
| General Surgery (Surgery) | 22.0% | 13.6% | 11.0% |
| Orthopedics (Surgery) | 14.6% | 7.8% | 15.5% |

Source: Section Q, Form C, page 18

The applicant assumes that UNC Health Blue Ridge-Morganton will gain market share annually for the first five years (CY 2022-CY2026) and remain constant thereafter. In Section Q, Form C, pages 19-20, the applicant projects the incremental market share percentage gain and the incremental days of care derived from the market share gains for each service line from CY 2022 to CY 2036. The following table summarizes the total incremental days of care resulting from the projected market share gains.

| UNC Health Blue Ridge-Morganton Total Incremental Days of Care from Market Share Gains | | | | |
|---|--------------|-----------------|-----------------|---|
| Year | Burke | Caldwell | McDowell | Total Incremental Days of Care |
| CY22 | 313 | 538 | 271 | 1,122 |
| CY23 | 629 | 1,079 | 545 | 2,253 |
| CY24 | 948 | 1,622 | 821 | 3,391 |
| CY25 | 1,269 | 2,168 | 1,100 | 4,537 |
| CY26 | 1,593 | 2,717 | 1,381 | 5,691 |
| CY27 | 1,599 | 2,724 | 1,388 | 5,711 |
| CY28 | 1,606 | 2,731 | 1,394 | 5,731 |
| CY29 | 1,612 | 2,737 | 1,401 | 5,751 |
| CY30 | 1,619 | 2,744 | 1,407 | 5,771 |
| CY31 | 1,625 | 2,751 | 1,414 | 5,791 |
| CY32 | 1,632 | 2,758 | 1,421 | 5,811 |
| CY33 | 1,639 | 2,765 | 1,427 | 5,831 |
| CY34 | 1,645 | 2,772 | 1,434 | 5,852 |
| CY35 | 1,652 | 2,779 | 1,441 | 5,872 |
| CY36 | 1,626 | 2,786 | 1,448 | 5,860 |

Source: Section Q, From C, page 23

Step 9: Calculate Immigration

As stated in *Step 2*, the PSA counties accounted for 80.5 percent of total patient days from CY 2019 to CY 2021. The applicant projects that the facility’s immigration from counties outside the PSA for acute care days (excluding psychiatry, substance abuse, and rehabilitation) will increase to 19.5 (100 percent – 80.5 percent = 19.5 percent). The applicant assumes that UNC Health Blue Ridge-Morganton can reach this level based on its historical immigration for all inpatient services. Additionally, in Exhibit C.5-1, the applicant provides general acute care inpatient services data from 2021 hospital License Renewal Applications which states that the average immigration for trauma centers statewide from outside the PSA counties of patient origin was 25.8 percent.

Step 10: Project Total days of care, discharges, and bed needs.

Based on population growth, market share growth, incremental market share gains, and immigration, the applicant projects a need of 192 beds in CY 2036, as illustrated in the table below.

| UNC Health Blue Ridge-Morganton Projected Bed Need | | | | | | | |
|---|--------------|--------------------------|---------------------|--------------------|----------------------|--------------------------------|-----------|
| Year | Days of Care | Incremental Days of Care | Immigration (19.5%) | Total Days of Care | Average Daily Census | Policy AC-5 Utilization Target | Beds Need |
| CY21 | 21,098 | - | 5,120 | 26,218 | 72 | 66.7% | 108 |
| CY22 | 21,819 | 1,122 | 5,568 | 28,509 | 78 | 66.7% | 117 |
| CY23 | 22,570 | 2,253 | 6,024 | 30,847 | 85 | 66.7% | 127 |
| CY24 | 23,352 | 3,391 | 6,490 | 33,234 | 91 | 66.7% | 137 |
| CY25 | 24,168 | 4,537 | 6,966 | 35,671 | 98 | 66.7% | 147 |
| CY26 | 25,018 | 5,691 | 7,453 | 38,162 | 105 | 71.4% | 146 |
| CY27 | 25,905 | 5,711 | 7,673 | 39,289 | 108 | 71.4% | 151 |
| CY28 | 26,831 | 5,731 | 7,902 | 40,464 | 111 | 71.4% | 155 |
| CY29 | 27,768 | 5,751 | 8,134 | 41,653 | 114 | 71.4% | 160 |
| CY30 | 28,698 | 5,771 | 8,365 | 42,833 | 117 | 71.4% | 164 |
| CY31 | 29,670 | 5,791 | 8,606 | 44,066 | 121 | 71.4% | 169 |
| CY32 | 30,688 | 5,811 | 8,858 | 45,356 | 124 | 71.4% | 174 |
| CY33 | 31,754 | 5,831 | 9,121 | 46,706 | 128 | 71.4% | 179 |
| CY34 | 32,871 | 5,852 | 9,397 | 48,120 | 132 | 71.4% | 185 |
| CY35 | 33,598 | 5,872 | 9,579 | 49,048 | 134 | 71.4% | 188 |
| CY36 | 34,356 | 5,860 | 9,760 | 49,976 | 137 | 71.4% | 192 |

Source: Section Q, Form C, page 24

The applicant identifies UNC Health Blue Ridge-Morganton’s average three-year Average Length of Stay (ALOS) from CY 2019 to 2021.

| UNC Health Blue Ridge-Morganton Historical ALOS* | | | |
|---|------|------|------------|
| 2019 | 2020 | 2021 | Average |
| 3.9 | 4.2 | 4.3 | 4.1 |

Source: Section Q, Form C, page 25; UNC Health Blue Ridge internal data

*Excludes psychiatry, substance abuse, and rehabilitation services.

The applicant applies the average three-year ALOS to the projected total days of care to calculate projected discharges. The applicant projects 12,091 discharges in CY 2036.

| UNC Health Blue Ridge-Morganton Projected Discharges | | | |
|---|-----------------------|------|------------|
| Year | Total Days of Care | ALOS | Discharges |
| CY21* | 26,218 | 4.1 | 6,343 |
| CY22 | 28,509 | 4.1 | 6,897 |
| CY23 | 30,847 | 4.1 | 7,463 |
| CY24 | 33,234 | 4.1 | 8,040 |
| CY25 | 35,671 | 4.1 | 8,630 |
| CY26 | 38,162 | 4.1 | 9,233 |
| CY27 | 39,289 | 4.1 | 9,505 |
| CY28 | 40,464 | 4.1 | 9,790 |
| CY29 | 41,653 | 4.1 | 10,077 |
| CY30 | 42,833 | 4.1 | 10,363 |
| CY31 | 44,066 | 4.1 | 10,661 |
| CY32 | 45,356 | 4.1 | 10,973 |
| CY33 | 46,706 | 4.1 | 11,300 |
| CY34 | 48,120 | 4.1 | 11,642 |
| CY35 | 49,048 | 4.1 | 11,866 |
| CY36 | 49,976 | 4.1 | 12,091 |

Source: Section Q, Form C, page 25

*Annualized based on January through June 2021 data

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

- The applicant’s projections are supported by the projected population growth and aging in the proposed service area.
- The applicant’s projections of acute care patient days are based on and supported by the facility’s historical utilization of the top service lines in the primary service area from CY 2019 to CY 2021(annualized).
- The applicant’s projected market share gains are supported by the historical market share growth in the primary service area and the ongoing expansion of UNC Health Blue Ridge-Morganton’s services.
- Even if *Policy AC-5: Replacement of Acute Care Bed Capacity*, on pages 21-22 of the 2022 SMFP was applicable to this review, the applicant proposes to meet the target occupancy rate of 66.7% (based on UNC Health Blue Ridge-Morganton’s existing ADC of 64.4 in CY 2021) between CY 2033 and CY 2034. Based on the Project Analyst’s calculations, $[(0.667\% \times (365 \text{ days} \times 192 \text{ beds})]$, the applicant would have 46,743 total days of care which would occur between CY 2033 (46,706 days of care) and CY 2034 (48,120 days of care). See table from *Step 10* of Section Q, page 24, of the application.

Access to Medically Underserved Groups

In Section C, page 52, the applicant states:

“UNC Health Blue Ridge provides access to care for all patients regardless of race, color, religion, natural origin, sex, age, disability, or source of payment.”

In Section C, page 53, the applicant provides the estimated percentage for each medically underserved group during the third full fiscal year, as shown in the following table.

| Medically Underserved Groups | Percentage of Total Patients |
|------------------------------|------------------------------|
| Low income persons* | |
| Racial and ethnic minorities | 8.1% |
| Women | 60.0% |
| Persons with Disabilities* | |
| Persons 65 and older | 34.8% |
| Medicare beneficiaries | 45.0% |
| Medicaid recipients | 15.3% |

*UNC Blue Ridge does not maintain data on these groups.

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 and provides supporting documentation in Exhibits C.6-1 and C.6-2.

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 relocate no more than 30 existing acute care beds from the Valdese campus to a new patient tower on the Morganton campus, for a total of 101 acute care beds at the Valdese campus and 192 acute care beds at the Morganton campus.

In Section D, page 58, the applicant explains why it believes the needs of the population presently utilizing the services to be reduced will be adequately met following completion of the project. On page 58, the applicant states:

“...there are no acute care beds currently in operation at the Valdese campus and no inpatients are cared for on that campus. Thus, the needs of the patients that utilize the existing outpatient services at UNC Health Blue Ridge – Valdese will not be impacted by the relocation of non-operational acute care bed capacity. Currently, patients who present at the Emergency Department and need admission for inpatient care are transferred to the Morganton campus or elsewhere as needed. On average, that number is fewer than five patients per day, which is too small to necessitate the operation of an inpatient unit and the required support services on the Valdese campus.”

The information is reasonable and adequately supported based on the applicant’s proposal to relocate acute care beds that are currently not operational, therefore, not reducing acute care services in the service area.

Access to Medically Underserved Groups

In Section D, page 59, the applicant states:

“The relocation of 30 non-operational licensed acute care beds from the Valdese campus to the Morganton campus will have no effect on the ability of historically medically underserved groups to access services at UNC Health Blue Ridge – Valdese and will enhance their ability to access high quality inpatient services at UNC Health Blue Ridge – Morganton.”

The applicant adequately demonstrates that the needs of medically underserved groups that will continue to use acute care beds will be adequately met following completion of the project based on the applicant’s proposal to relocate acute care beds that are currently not operational, therefore, not effecting the needs of medically underserved groups in the service area.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

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

- The applicant adequately demonstrates that the needs of the population will not be impacted because the proposal to relocate acute care beds that are currently not operational, are not reducing acute care services in the service area.

- 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 relocate no more than 30 existing acute care beds from the Valdese campus to a new patient tower on the Morganton campus, for a total of 101 acute care beds at the Valdese campus and 192 acute care beds at the Morganton campus.

In Section E, pages 62-63, 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 maintaining the status quo would not allow UNC Health Blue Ridge to enhance acute care bed capacity for future growth opportunities or maximize the use of existing licensed assets.

Relocate a Different Number of Acute Care Beds-The applicant determined that the number of beds in the proposal is the most effective alternative based on future growth of acute care services.

Develop the Relocated Acute Care Beds in Another Location-The applicant is proposing to relocate 30 acute care beds from the Valdese campus to a new patient tower on the Morganton campus. The applicant states that renovating the existing hospital on the Morganton campus was considered; however, this proposal would be less costly and less disruptive to ongoing patient care.

Develop the Relocated Acute Care Beds After the Construction of the CON-Exempt Patient Tower-The applicant states that this alternative was rejected because developing the acute care beds after the new patient tower is developed would result in an unnecessary waste of resources to renovate recently constructed space within the new patient tower.

On page 62-63, the applicant states that its proposal is the most effective alternative because the proposal is a cost-effective alternative that supports the future growth of acute care services.

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's proposal supports the future growth of acute care services at UNC Health Blue Ridge and the service area.
- 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. Blue Ridge HealthCare Systems, Inc. (hereinafter certificate holder) shall materially comply with all representations made in the certificate of need application.**
- 2. The certificate holder shall relocate no more than 30 existing acute care beds from the Valdese campus to a new patient tower on the Morganton campus at UNC Health Blue Ridge, for a total of 101 acute care beds on the Valdese campus and 192 acute care beds on the Morganton campus.**
- 3. UNC Health Blue Ridge shall be licensed for no more than 192 acute care beds on the Morganton campus and 101 acute care beds on the Valdese campus.**
- 4. The certificate holder shall develop and implement an Energy Efficiency and Sustainability Plan for the project that conforms to or exceeds energy efficiency and water conservation standards incorporated in the latest editions of the North Carolina State Building Codes.**
- 5. Progress Reports:**
 - a. Pursuant to G.S. 131E-189(a), the certificate holder shall submit periodic reports on the progress being made to develop the project consistent with the timetable and representations made in the application on the Progress Report form provided by the Healthcare Planning and Certificate of Need Section. The form is available online at: <https://info.ncdhhs.gov/dhsr/coneed/progressreport.html>.**
 - b. The certificate holder shall complete all sections of the Progress Report form.**
 - c. The certificate holder shall describe in detail all steps taken to develop the project since the last progress report and should include documentation to substantiate each step taken as available.**
 - d. The first progress report shall be due on April 3, 2023.**

6. **The certificate holder shall not acquire as part of this project any equipment that is not included in the project's proposed capital expenditures in Section Q of the application and that would otherwise require a certificate of need.**
 7. **No later than three months after the last day of each of the first three full fiscal years of operation following initiation of the services authorized by this certificate of need, the certificate holder shall submit, on the form provided by the Healthcare Planning and Certificate of Need Section, an annual report containing the:**
 - a. **Payor mix for the services authorized in this certificate of need.**
 - b. **Utilization of the services authorized in this certificate of need.**
 - c. **Revenues and operating costs for the services authorized in this certificate of need.**
 - d. **Average gross revenue per unit of service.**
 - e. **Average net revenue per unit of service.**
 - f. **Average operating cost per unit of service.**
 8. **The certificate holder shall acknowledge acceptance of and agree to comply with all conditions stated herein to the Agency in writing prior to issuance of the certificate of need.**
- (5) Financial and operational projections for the project shall demonstrate the availability of funds for capital and operating needs as well as the immediate and long-term financial feasibility of the proposal, based upon reasonable projections of the costs of and charges for providing health services by the person proposing the service.

C

The applicant proposes to relocate no more than 30 existing acute care beds from the Valdese campus to a new patient tower on the Morganton campus, for a total of 101 acute care beds at the Valdese campus and 192 acute care beds at the Morganton campus.

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.

| UNC Health Blue Ridge-Morganton Capital Costs | |
|--|---------------------|
| Construction/Renovation Contract | \$17,000,000 |
| Architect/Engineering Fees | \$498,900 |
| Medical Equipment | \$4,450,817 |
| Non-Medical Equipment | \$1,737,250 |
| Furniture | \$414,631 |
| Other | \$198,370 |
| Total | \$24,299,968 |

The applicant provides its assumptions and methodology for projecting capital cost in Section Q. The applicant adequately demonstrates that the projected capital cost is based on reasonable and adequately supported assumptions based on the architect’s experience with estimated costs associated with similar projects, such as construction, architecture and engineering, medical equipment and furniture costs.

The applicant does not project any start-up or initial operating costs associated with the proposed project. In Section F, page 67, the applicant states:

“The proposed project does not involve any services that UNC Health Blue Ridge-Morganton is not already providing. As such, there are no start-up expenses associated with the proposed project.”

Availability of Funds

In Section F, page 65, the applicant states that the capital cost will be funded, as shown in the table below.

Sources of Capital Cost Financing

| Type | UNC Health Blue Ridge | Total |
|------------------------------|-----------------------|--------------|
| Loans | \$0 | \$0 |
| Accumulated reserves or OE * | \$24,299,968 | \$24,299,968 |
| Bonds | \$0 | \$0 |
| Other (Specify) | \$0 | \$0 |
| Total Financing | \$24,299,968 | \$24,299,968 |

* OE = Owner’s Equity

In Exhibit F.2-1, the applicant provides a letter dated June 15, 2022 from the Chief Financial Officer for UNC Health Blue Ridge stating its commitment of accumulated reserves to fund the capital cost of the proposed project.

Exhibit F.2-2 also contains a copy of the audited financial statements for Blue Ridge HealthCare Systems, Inc. for the year ended December 31, 2020. According to the financial report, as of December 31, 2020, Blue Ridge HealthCare Systems, Inc. had adequate accumulated reserves to fund the projected capital requirements of the proposed project. The applicant adequately demonstrates the availability of sufficient funds for the capital needs of the project based the information provided in Section F and Exhibit F.2-1 and F.2-2 of the application.

Financial Feasibility

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

| UNC Health Blue Ridge-Morganton | 1 st Full FY CY2025 | 2 nd Full FY CY2026 | 3 rd Full FY CY2027 |
|---|-----------------------------------|-----------------------------------|-----------------------------------|
| Total Patient Days | 35,671 | 38,162 | 39,289 |
| Total Gross Revenues (Charges) | \$414,777,680 | \$457,051,620 | \$484,666,250 |
| Total Net Revenue | \$105,857,654 | \$116,646,615 | \$123,694,294 |
| Average Net Revenue per Patient Day | \$2,968 | \$3,057 | \$3,148 |
| Total Operating Expenses (Costs) | \$104,679,602 | \$112,036,144 | \$117,337,684 |
| Average Operating Expense per Patient Day | \$2,935 | \$2,936 | \$2,987 |
| Net Income | \$1,178,052 | \$4,610,471 | \$6,356,610 |

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

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

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

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

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

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

C

The applicant proposes to relocate no more than 30 existing acute care beds from the Valdese campus to a new patient tower on the Morganton campus, for a total of 101 acute care beds at the Valdese campus and 192 acute care beds at the Morganton campus.

The 2022 SMFP defines the service area for acute care bed services as a single or multi-county grouping as shown in Figure 5.1. Thus, the service area for this application is Burke County. Facilities may also serve residents of counties not included in their service area. Table 5A on page 39 of the 2022 SMFP shows that UNC Health Blue Ridge is the only facility in Burke County with acute care beds.

In Section G, page 75, the applicant explains why it believes its proposal would not result in the unnecessary duplication of existing or approved acute care services in Burke County. The applicant states:

“...UNC Health Blue Ridge has consolidated its inpatient services at UNC Health Blue Ridge-Morganton and transitioned its Valdese campus to focus on outpatient care as part of its overall plan to maintain access to a full continuum of healthcare services to serve residents of Burke, Caldwell, and McDowell counties without resulting in any unnecessary duplication of resources. Consistent with the overall plan, the proposed project will relocate 30 existing acute care beds to UNC Health Blue Ridge-Morganton, which will support the increasing critical mass of services on the Morganton campus.”

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 applicant is not proposing to increase the inventory of acute care beds in the Burke County service area.
- The applicant is the only provider of acute care hospital services in Burke County.

Conclusion

The Agency reviewed the:

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

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

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

C

The applicant proposes to relocate no more than 30 existing acute care beds from the Valdese campus to a new patient tower on the Morganton campus, for a total of 101 acute care beds at the Valdese campus and 192 acute care beds at the Morganton campus.

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

| Position | Current FTE Staff | Projected FTE Staff |
|-----------------------------|-------------------|---------------------------------|
| | As of 12/31/2021 | 2nd Full Fiscal Year CY 2026 |
| Registered Nurses | 252.8 | 299.6 |
| Licensed Practical Nurses | 19.8 | 23.5 |
| Directing of Nursing | 6.0 | 7.1 |
| Rehabilitation Therapists | 29.4 | 34.8 |
| Administrative Supervisor | 9.6 | 11.4 |
| Certified Nursing Assistant | 76.2 | 90.3 |
| Clerical | 16.8 | 19.9 |
| Maternity Navigator | 1.0 | 1.2 |
| Monitor Technician | 4.8 | 5.7 |
| Service Line Educator | 7.0 | 8.3 |
| Social Worker | 22.0 | 26.1 |
| TOTAL | 445.4 | 527.9 |

The assumptions and methodology used to project staffing are provided in Section Q. Adequate operating expenses for the health manpower and management positions proposed by the applicant are budgeted in F.3b. In Section H, pages 77-78, the applicant describes the methods 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:

- The applicant’s methods to recruit staff are tailored to the position requirements which include such methods as internet postings, career fairs, and recruitment from training programs.
- All potential staff are required to meet appropriate licensing standards and competency levels and ongoing training needs will be assessed on a regular basis and provided as needed.

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 relocate no more than 30 existing acute care beds from the Valdese campus to a new patient tower on the Morganton campus, for a total of 101 acute care beds at the Valdese campus and 192 acute care beds at the Morganton campus.

Ancillary and Support Services

In Section I, page 79, the applicant identifies the necessary ancillary and support services for the proposed services and provides supporting documentation in Exhibit I.1. On page 79, the applicant explains how each ancillary and support service is or will be made available. The applicant states:

“As an existing licensed acute care hospital, UNC Health Blue Ridge-Morganton has all ancillary and support services in place to support hospital operations, including the 30 acute care beds to be relocated as part of this proposed project. Patients may require the use of any of UNC Health Blue Ridge-Morganton’s existing ancillary and support services including laboratory, radiology, pharmacy, dietary, housekeeping, maintenance, and administration, among others.”

The applicant adequately demonstrates that the necessary ancillary and support services will be made available because UNC Health Blue Ridge is an existing provider in the service area with ancillary and support services already in place.

Coordination

Section I, page 80, the applicant describes its existing and proposed relationships with other local health care and social service providers and provides supporting documentation in Exhibit I.2. On page 80, the applicant states:

“UNC Health Blue Ridge is the cornerstone of the healthcare continuum in Burke County and has extensive relationships with other members of the local healthcare community, including the Department of Social Services and the Department of Health...UNC Health Blue Ridge works closely with existing providers in the region, such as Caldwell Memorial Hospital to ensure sufficient access to high-quality, hospital based care.”

The applicant adequately demonstrates that the proposed services will be coordinated with the existing health care 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 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 relocate no more than 30 existing acute care beds from the Valdese campus to a new patient tower on the Morganton campus, for a total of 101 acute care beds at the Valdese campus and 192 acute care beds at the Morganton campus.

In Section K, page 83, the applicant states that the project involves renovating 35,900 square feet of existing space. Line drawings are provided in Exhibit C.1-2.

On page 84, 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's proposal to upfit a space in the new patient tower that is currently under construction will be less disruptive to patients and less costly than renovating within the hospital building where patients are currently being served.
- In addition to supporting inpatient surgery and medicine services, the new patient tower will accommodate ICU/PCU and step down beds to support future patient demand.

On page 84, 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 the applicant's proposal to relocate acute care beds to a new patient tower currently under construction that will enhance acute care bed capacity without a disruption to patient care and workflow. Additionally, the applicant states that in its partnership with UNC Health, UNC Health Blue Ridge will utilize the resources of a large health system to benefit from improved economies of scale, which will result in cost savings for UNC Health Blue Ridge and the patients it serves.

On pages 84-85, the applicant identifies any applicable energy saving features that will be incorporated into the construction plans.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

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

- (13) The applicant shall demonstrate the contribution of the proposed service in meeting the health-related needs of the elderly and of members of medically underserved groups, such as medically indigent or low income persons, Medicaid and Medicare recipients, racial and ethnic

minorities, women, and ... persons [with disabilities], which have traditionally experienced difficulties in obtaining equal access to the proposed services, particularly those needs identified in the State Health Plan as deserving of priority. For the purpose of determining the extent to which the proposed service will be accessible, the applicant shall show:

- (a) The extent to which medically underserved populations currently use the applicant's existing services in comparison to the percentage of the population in the applicant's service area which is medically underserved;

C

The applicant is proposing to relocate 30 acute care beds from the Valdese campus that are not operational; therefore, there is no historical payor mix to report. In Section L, page 89, the applicant provides the historical payor mix during CY 2021 for the entire facility on the Morganton campus, as shown in the table below.

| UNC Health Blue Ridge-Morganton Historical Payor Mix Last full FY, CY 2021 | |
|---|-------------------------|
| Payor Source | Percent of Total |
| Self-Pay | 8.2% |
| Medicare* | 45.0% |
| Medicaid* | 15.3% |
| Insurance* | 29.2% |
| Other^ | 2.3% |
| Total | 100.0% |

*Including any managed care plans.

^Other payor sources include Worker's Compensation, TRICARE, Department of Corrections, and other payors.

In Section L, page 90, the applicant provides the following comparison.

| UNC Health Blue Ridge-Morganton | Percentage of Total Patients Served by the Facility or Campus during the Last Full FY | Percentage of the Population of the Service Area* |
|-------------------------------------|---|---|
| Female | 60.0% | 50.0% |
| Male | 40.0% | 50.0% |
| Unknown | 0.0% | 0.0% |
| 64 and Younger | 65.2% | 79.3% |
| 65 and Older | 34.8% | 20.7% |
| American Indian | 0.1% | 0.9% |
| Asian | 0.9% | 3.6% |
| Black or African-American | 7.0% | 6.9% |
| Native Hawaiian or Pacific Islander | 0.1% | 0.7% |
| White or Caucasian | 90.7% | 86.1% |
| Other Race | 0.0% | 1.8% |
| Declined / Unavailable | 1.2% | 0.0% |

*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>.

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;

C

Regarding any obligation to provide uncompensated care, community service or access by minorities and persons with disabilities, in Section L, page 91, the applicant states:

“While UNC Health Blue Ridge is not obligated under any federal regulations such as the Hill-Burton Act, as a tax exempt hospital, UNC Health Blue Ridge has a responsibility for providing community benefit.”

In Section L, page 91, 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 at either of its campuses.

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 92, 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.

| UNC Health Blue Ridge-Morganton Acute Care Beds Projected Payor Mix 3rd Full FY, CY 2027 | |
|--|-------------------------|
| Payor Source | Percent of Total |
| Self-Pay | 4.5% |
| Medicare* | 58.5% |
| Medicaid* | 16.0% |
| Insurance* | 16.5% |
| Other^ | 4.5% |
| Total | 100.0% |

*Including any managed care plans.

^Other payor sources include Worker's Compensation, TRICARE, Department of Corrections, and other payors.

As shown in the table above, during the third full fiscal year of operation, the applicant projects that 4.5% of total services will be provided to self-pay patients, 58.5% to Medicare patients and 16.0% to Medicaid patients.

On page 91, 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 because it is based on Morganton's historical payor mix with the assumption that the proposed project will have no impact on the payor mix.

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 94, 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 relocate no more than 30 existing acute care beds from the Valdese campus to a new patient tower on the Morganton campus, for a total of 101 acute care beds at the Valdese campus and 192 acute care beds at the Morganton campus.

In Section M, pages 95-96, the applicant describes the extent to which health professional training programs in the area have access to the facility for training purposes. The applicant adequately demonstrates that health professional training programs in the area have access to the facility for training purposes based on the following:

- UNC Health Blue Ridge is an established health system in the community with relationships with various education institutions and their medical training programs.
- Students, trainees, and residents will continue to have access to UNC Health Blue Ridge facilities for use as clinical training sites.

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 relocate no more than 30 existing acute care beds from the Valdese campus to a new patient tower on the Morganton campus, for a total of 101 acute care beds at the Valdese campus and 192 acute care beds at the Morganton campus.

The 2022 SMFP defines the service area for acute care bed services as a single or multi-county grouping as shown in Figure 5.1. Thus, the service area for this application is Burke County. Facilities may also serve residents of counties not included in their service area. Table 5A on page 39 of the 2022 SMFP shows that UNC Health Blue Ridge is the only facility in Burke County with acute care beds.

Regarding the expected effects of the proposal on competition in the service area, in Section N, page 98, the applicant states:

“The proposed project is expected to enhance competition in the service area by promoting cost effectiveness, quality, and access to healthcare services.”

Regarding the impact of the proposal on cost effectiveness, in Section N, page 98, the applicant states:

“...the proposed relocation of 30 non-operational licensed acute care beds from the Valdese campus to the CON-exempt tower to be developed at the Morganton campus represents the most effective and least costly method to maintain access to a full continuum of healthcare services to serve residents of Burke, Caldwell, and McDowell counties without resulting in any unnecessary duplication of resources or causing

major disruptions to patient care or the ongoing workflow of the staff at UNC Health Blue Ridge-Morganton.”

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

Regarding the impact of the proposal on quality, in Section N, pages 98-99, the applicant states:

“UNC Health Blue Ridge has a reputation for the exceptional care provided at its facilities,

...

...UNC has earned various rankings and awards that demonstrate its ability to provide ongoing quality care across the health system.”

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 100, the applicant states:

“In fact, the relocation of 30 non-operational licensed acute care beds from the Valdese campus to the Morganton campus will not affect the ability of historically medically underserved groups to access services at UNC Blue Ridge-Valdese and will enhance their ability to access high quality inpatient services at UNC Health Blue Ridge-Morganton.”

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, page Form O, the applicant identifies the acute care hospitals located in North Carolina owned, operated or managed by the applicant or a related entity. The applicant identifies a total of 15 of this type of facility located in North Carolina.

In Section O, page 103, the applicant states that, during the 18 months immediately preceding the submittal of the application, each of the facilities has continually maintained all relevant licensure, certification, and accreditation. The applicant states that two facilities were cited for deficiencies; however, both facilities were able to resolve their deficiencies. According to the files in the Acute and Home Care Licensure and Certification Section, DHSR, during the 18 months immediately preceding submission of the application through the date of this decision, incidents related to immediate jeopardy occurred in three of these facilities. One of the facilities was back in compliance as of April 11, 2022. The other two facilities were cited as early as June 17, 2022 and the immediate jeopardy deficiencies were removed July 21, 2022. The facilities are not currently back in compliance, but they are working toward resolution. After reviewing and considering information provided by the applicant and by the Acute and Home Care Licensure and Certification Section and considering the quality of care provided at all of the facilities, the applicant provided sufficient evidence that quality care has been provided in the past. Therefore, the application is conforming to this criterion.

- (21) Repealed effective July 1, 1987.

G.S. 131E-183 (b): The Department is authorized to adopt rules for the review of particular types of applications that will be used in addition to those criteria outlined in subsection (a) of this section and may vary according to the purpose for which a particular review is being conducted or the type of health service reviewed. No such rule adopted by the Department shall require an academic medical center teaching hospital, as defined by the State Medical Facilities Plan, to demonstrate that any facility or service at another hospital is being appropriately utilized in order for that academic medical center teaching hospital to be approved for the issuance of a certificate of need to develop any similar facility or service.

NA

The applicant is proposing to relocate 30 licensed acute care beds from the Valdese campus to a new patient tower on the Morganton campus. There are no administrative rules that are applicable to proposals to relocate acute care beds. Therefore, this Criterion is not applicable.