

REQUIRED STATE AGENCY FINDINGS

FINDINGS

C = Conforming

CA = Conforming as Conditioned

NC = Nonconforming

NA = Not Applicable

Decision Date: July 26, 2024

Findings Date: July 26, 2024

Project Analyst: Cynthia Bradford

Co-Signer: Lisa Pittman

Project ID #: J-12483-24

Facility: UNC Health Johnston-Smithfield Campus

FID #: 943290

County: Johnston

Applicant(s): Johnston Health Services Corporation

Project: Develop no more than 12 additional acute care beds pursuant to the 2024 SMFP need determination, and relocate no more than 15 acute care beds, three Level II neonatal beds, and one C-Section OR to the Clayton 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

The Johnston Health Services Corporation (hereinafter UNC Health Johnston or “the applicant”) proposes to add 12 acute care beds to UNC Health Johnston-Smithfield Campus (“UNC Smithfield”), an existing acute care hospital, pursuant to the 2024 need determination, and relocate no more than 15 acute beds, three Level II neonatal beds, and one C-Section OR to the Clayton campus for a total of 123 acute care beds upon project completion. The applicant submitted an application (Project ID# J-12480-24) in concurrence with this application to add the remaining 12 acute beds from the 2024 need determination to UNC Health Johnston – Clayton Campus (“UNC Clayton”), a separate campus under the UNC Health Johnston license.

Need Determination

Chapter 5 of the 2024 State Medical Facilities Plan (SMFP) includes a methodology for determining the need for additional acute care beds in North Carolina by service area. In response to a petition, the State Health Coordinating Council approved an adjusted need determination for 24 additional acute care beds in the Johnston County service area.

Only certain persons can be approved to develop new acute care beds in a hospital. On page 34, the 2024 SMFP states:

“A person who proposes to operate additional acute care beds in a hospital must show that the hospital will provide:

- 1. a 24-hour emergency services department;*
- 2. inpatient medical services to both surgical and non-surgical patients; and*
- 3. if proposing a new licensed hospital, medical and surgical services on a daily basis within at least five of the following major diagnostic categories (MDC) recognized by the Centers for Medicare & Medicaid services (CMS) listed below... [listed on pages 34-35 of the 2024 SFMP].”*

The applicant does not propose to develop more acute care beds than are determined to be needed in Johnston County. In Section B, page 25, the applicant adequately demonstrates that it meets the requirements imposed on persons proposing to operate additional acute care beds in a hospital as outlined in Chapter 5 of the 2024 SMFP.

Policies

There are two Policies in the 2024 SMFP which are applicable to this review.

Policy GEN-3: Basic Principles, on page 29 of the 2024 SMFP, states:

“A certificate of need applicant applying to develop or offer a new institutional health service for which there is a need determination in the North Carolina State Medical Facilities Plan shall demonstrate how the project will promote safety and quality in the delivery of health care services while promoting equitable access and maximizing healthcare value for resources expended. A certificate of need applicant shall document its plans for providing access to services for patients with limited financial resources and demonstrate the availability of capacity to provide these services. A certificate of need applicant shall also document how its projected volumes incorporate these concepts in meeting the need identified in the State Medical Facilities Plan as well as addressing the needs of all residents in the proposed service area.”

In Section B, pages 27-31, the applicant explains why it believes its application is consistent with Policy GEN-3. On page 31, the applicant states:

“...the proposed project incorporates the concepts of safety, quality, access, and maximum value for resources expended. The need for additional acute care services is driven by capacity constraints at UNC Health Johnston – Smithfield Campus, ... the projected utilization demonstrates the need for the proposed project.”

Policy GEN-4: Energy Efficiency and Sustainability for Health Service Facilities, on page 30 of the 2024 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 32-33, the applicant provides a written statement describing the project’s plan to improve energy efficiency and conserve water.

Conclusion

The Agency reviewed the:

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

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

- The applicant does not propose to develop more acute care beds than are determined to be needed in Johnston County and meets the requirements imposed on persons proposing to add additional acute care beds to a hospital as described in Chapter 5 of the 2024 SMFP.
- The applicant adequately demonstrates that the proposal is consistent with Policy GEN-3 for the following reasons:

- The applicant adequately documents how the project will promote safety and quality in the delivery of acute care bed services in Johnston County.
 - The applicant adequately documents how the project will promote equitable access to acute care bed services in Johnston County.
 - The applicant adequately documents how the project will maximize healthcare value for the resources expended.
- The applicant adequately demonstrates that the proposal is consistent with Policy GEN-4 because the applicant adequately demonstrates the application includes a written 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 add 12 acute care beds pursuant to the 2024 SMFP need determination, and relocate no more than 15 acute care beds, three Level II neonatal beds, and one C-Section OR to the Clayton campus.

Patient Origin

On page 32, the 2024 SMFP defines the service area for acute care beds as “... *the single or multicounty grouping shown in Figure 5.1.*” Figure 5.1, on page 36, shows Johnston County as its own acute care bed service area. Thus, the service area for this facility is Johnston County. Facilities may also serve residents of counties not included in their service area.

The following tables illustrate historical and projected patient origin.

UNC Health Johnston- Smithfield Campus Acute Care Beds Historical Patient Origin		
Last Full FY 07/01/2022 to 06/30/2023		
	# of Patients	% of Total
Johnston	5,203	77.4%
Wake	343	5.1%
Harnett	323	4.8%
Wayne	309	4.6%
Sampson	195	2.9%
Other^	350	5.2%
Total	6,722	100.0%

Source: Section C, page 38

^Includes 31 NC counties and other states.

UNC Health Johnston- Smithfield Campus Acute Care Beds Projected Patient Origin						
County	1st Full FY		2nd Full FY		3rd Full FY	
	07/01/2029- 06/30/2030		07/01/2030- 06/30/2031		07/01/2031- 06/30/2032	
	FY 2030		FY 2031		FY 2032	
	# of Patients	% of Total	# of Patients	% of Total	# of Patients	% of Total
Johnston	6,033	79.0%	6,136	79.0%	6,188	79.0%
Wake	390	5.1%	397	5.1%	400	5.1%
Harnett	360	4.7%	366	4.7%	369	4.7%
Wayne	261	3.4%	265	3.4%	268	3.4%
Sampson	190	2.5%	193	2.5%	195	2.5%
Other^	401	5.2%	408	5.2%	411	5.2%
Total	7,635	100.0%	7,765	100.0%	7,831	100.0%

Source: Section C, page 40

^Includes 31 NC counties and other states.

In Section C, page 40, the applicant provides the assumptions and methodology used to project its patient origin. The applicant’s assumptions are reasonable and adequately supported based on the following:

- The applicant states that the projected patient origin is based both on its existing patient origin and on the anticipated shift of women’s services and associated patients to UNC Clayton.
- The applicant projects a 2.2 percent growth that is consistent with the projected population growth in Johnston County.

Analysis of Need

In Section C, page 42-56, the applicant explains why it believes the population projected to utilize the proposed services needs the proposed services, as summarized below.

- The proposed project is in response to a need determination in the 2024 SMFP for 24 additional acute care beds in Johnston County. (page 43)
- The projected growth and aging of the population in Johnston County. (pages 43-47)
- The need to expand acute care services in Johnston County is based on the recent rapid growth of patient days, the existing capacity constraints that cause patients to stay in the ED. (page 47-53) and
- UNC Health Johnston’s initiatives to expand services that will increase patient volumes. (page 53-56)

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

- There is an adjusted need determination in the 2024 SMFP for 24 additional acute care beds in Johnston County.
- The applicant provides reliable data, makes reasonable statements about the data, and uses reasonable assumptions about the data to demonstrate the projected population growth in the area and the projected growth of the population age 65 and older in the area.
- The applicant provides evidence of challenges in patient care it experiences as the result of existing capacity constraints.

Projected Utilization

In Section Q, pages 1-20, the applicant provides the assumptions and methodology used to project utilization, which is summarized below.

Historical Utilization

According to UNC Health Johnston internal data, total acute care bed days representing both campuses on the UNC Health Johnston license grew significantly from FY 2019 to FY 2024, annualized. The total acute care days increased at a 6.1 percent compound annual growth rate (CAGR) over that period of time, as shown in the table below.

UNC Health Johnston License Historical Acute Care Bed Utilization							
	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024*	CAGR
Acute Care Days	34,088	34,021	41,401	42,850	43,831	45,887	6.1%
Licensed Acute Care Beds	179	179	179	179	179	179	
ADC	93	93	113	117	120	126	
Discharges	9,728	9,587	9,626	9,545	9,862	10,712	
ALOS	3.5	3.5	4.3	4.5	4.4	4.3	
Occupancy %	52.2%	52.1%	63.4%	65.6%	67.1%	70.2%	

Source: Section Q, page 2

* FY 2024 figures annualized from partial year of data (July – November 2023)

*** For the purposes of and applicability to the analysis to follow, UNC Health Johnston has included Level II neonatal beds in its totals for licensed beds as it is proposing to increase the number of neonatal beds as part of the project at the Clayton campus.

UNC Health Johnston – Smithfield Campus

UNC Health Johnston – Smithfield Campus’s acute care days grew at a 6.6 percent CAGR, while UNC Health Johnston – Clayton Campus’s acute care days grew at a 5.0 percent CAGR. Both campuses also experienced increases in ADC, ALOS, and occupancy rate, all of which drive the need for additional acute care beds at both campuses, as shown in the tables below.

UNC Health Johnston – Smithfield Campus Historical Acute Care Bed Utilization**							
	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024*	CAGR
Acute Care Days	24,652	25,260	31,505	31,542	32,463	33,863	6.6%
Licensed Acute Care Beds	129	129	129	129	129	129	
ADC	68	69	86	86	89	93	
Discharges	6,432	6,521	6,571	6,474	6,722	7,281	
ALOS	3.8	3.9	4.8	4.9	4.8	4.7	
Occupancy %	52.4%	53.6%	66.9%	67.0%	68.9%	71.9%	

Source: Section Q, page 2

* FY 2024 figures annualized from partial year of data (July – November 2023)

**CAGR 6.6%

UNC Health Johnston – Smithfield Campus Historical Acute Care Bed Utilization**							
	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024*	CAGR
Acute Care Days	9,436	8,761	9,896	11,308	11,368	12,024	5.0%
Licensed Acute Care Beds	50	50	50	50	50	50	
ADC	26	24	27	31	31	33	
Discharges	3,296	3,066	3,055	3,071	3,140	3,430	
ALOS	2.9	2.9	3.2	3.7	3.6	3.5	
Occupancy %	51.7%	48.0%	54.2%	62.0%	62.3%	65.9%	

Source: Section Q, page 3

* FY 2024 figures annualized from partial year of data (July – November 2023)

**CAGR of 5.0%

The applicant plans to expand and consolidate numerous services across its campuses in parallel with the development of the proposed 24 acute care beds. One such consolidation is the relocation of all women’s services to UNC Health Johnston – Clayton Campus, a relocation that will result in that campus operating 28 total obstetrics (OB) beds – which are licensed acute care beds – as well as six Level II neonatal care beds. The applicant analyzed its historical obstetrics days at UNC Health Johnston – Smithfield Campus in order to project the acute care days for both campuses. Historically, obstetrics days at UNC Health Johnston – Smithfield Campus grew at a 2.1 CAGR from FY 2019 to FY 2024, as shown in the table below.

UNC Health Johnston – Smithfield Campus Historical Obstetrics Days**							
Obstetrics	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024*	CAGR
Days	1,600	1,510	1,534	1,681	1,748	1,774	2.1%
Discharges	812	779	795	874	931	943	
ALOS	2.0	1.9	1.9	1.9	1.9	1.9	

Source: Section Q, page 4

* FY 2024 figures annualized from partial year of data (July – November 2023)

**CAGR of 2.1%

The applicant projects that obstetrics days at UNC Health Johnston – Smithfield Campus will continue to grow at the historical growth rate of 2.1 percent through Project Year Three (PY3). The projected ALOS for obstetrics patients will remain constant at 1.9 days, consistent with the historical trend and most recent ALOS data for year-to-date FY 2024, as shown in the table below.

UNC Health Johnston – Smithfield & Clayton Campus Projected Obstetrics Days**							
Obstetrics	FY2027	FY2028	FY2029	FY2030 (PY1)	FY2031 (PY2)	FY2032 (PY3)	CAGR
Days	1,888	1,927	1,968	2,009	2,051	2,094	2.1%
Discharges	1,004	1,025	1,046	1,068	1,090	1,113	
ALOS	1.9	1.9	1.9	1.9	1.9	1.9	

Source: Section Q, page 4

**CAGR of 2.1%

*** FY 2028 obstetrics days will be provided through January 31, 2028, at Smithfield before shifting to UNC Health Johnston – Clayton Campus following the consolidation of obstetrics beds, which have a projected operational date of February 1, 2028.

The applicant analyzed the historical rate of growth of its acute care bed days at UNC Health Johnston – Smithfield Campus excluding obstetrics days. The applicant states these acute care bed days grew at a CAGR of 6.8 percent, as shown in the table below.

UNC Health Johnston – Smithfield Campus Historical Non-Obstetrics Acute Care Days**							
Obstetrics	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024*	CAGR
Days	23,052	23,750	29,971	29,861	30,715	32,088	6.8%
Discharges	5,620	5,742	5,776	5,600	5,791	6,338	
ALOS	4.1	4.1	5.2	5.3	5.3	5.1	

Source: Section Q, page 5

* FY 2024 figures annualized from partial year of data (July – November 2023)

**CAGR of 6.8%

The applicant projects acute care beds will grow at a CAGR of 3.4% (1/2 Of the historical growth rate) until FY2030, after completion of the proposed project. Beginning in FY2030, the applicant projects that the growth rate of non-obstetrics acute care bed days will decelerate, and the growth rate of these bed days will decrease by twenty-five percent each year through FY 2032 (PY3), as shown in the table below.

UNC Health Johnston – Smithfield Campus Projected Non-Obstetrics Days						
Non-Obstetrics	FY2027	FY2028	FY2029	FY2030 (PY1)	FY2031 (PY2)	FY2032 (PY3)
Days	35,494	36,708	37,963	38,936	39,602	39,940
CAGR	3.4%	3.4%	3.4%	2.6%	1.7%	0.9%
Discharges	6,960	7,198	7,444	7,635	7,765	7,831
ALOS	5.1	5.1	5.1	5.1	5.1	5.1

Source: Section Q, page 6

The applicant states that projected obstetrics days reflect the relocation of all obstetrics beds from the Smithfield Campus to the Clayton Campus as of February 1, 2028, resulting in an increased ALOS at the Smithfield Campus from 4.7 to 4.9 during that fiscal year. The first full year following transfer of women’s services, FY 2029, the ALOS will reflect the higher length

of stay for the hospital without OB services. The applicant provides the projected total acute care days for the Smithfield Campus on the table below.

UNC Health Johnston – Smithfield Campus Projected Total Acute Care Days									
	FY2024*	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030 (PY1)	FY2031 (PY2)	FY2032 (PY3)
Acute Care Days Excluding Obstetrics	32,088	33,186	34,320	35,494	36,708	37,963	38,936	39,602	39,940
Obstetrics Days	1,774	1,811	1,849	1,888	1,124**	0	0	0	0
Total Acute Care Days	33,863	34,997	36,170	37,382	37,832	37,963	38,936	39,602	39,940
Licensed Beds	129	129	129	129	111^	123^^	123	123	123
ADC	93	96	99	102	104	104	107	108	109
Discharges	7,205	7,446	7,696	7,953	7,720	7,444	7,635	7,765	7,831
ALOS	4.7	4.7	4.7	4.7	4.9	5.1	5.1	5.1	5.1
Occupancy %	71.9%	74.3%	76.8%	79.0%	93.7%	84.6%	86.7%	88.2%	89.0%

Source: Section Q, page 7

* FY 2024 figures annualized from partial year of data (July – November 2023)

** FY 2028 obstetrics days are annualized for seven months of service, to account for the commencement of Project Year One for UNC Health Johnston – Clayton Campus’s consolidation of obstetrics beds, which have a projected operational date of February 1, 2028.

^ 129 total acute care beds, including obstetrics – 15 OB beds – three Level II neonatal care beds = 111 total acute care beds in FY 2028 upon relocation of these beds to UNC Health Johnston - Clayton Campus.

^^ 111 total acute care beds + 12 additional acute care beds = 123 total acute care beds in FY 2029.

UNC Health Johnston – Clayton Campus

The applicant states UNC Health Johnston – Clayton Campus has 10 licensed acute care beds that, while designated as med/surg beds in its 2024 Hospital License Renewal Application (HLRA), are actually used to deliver postpartum care. In addition, the Clayton Campus operates six LDRPs, which are also licensed beds that provide obstetrics care. Combined, these 16 obstetrics beds at the Clayton Campus provided the following number of days. The applicant provides the historical total acute care days at UNC Health Johnston – Clayton Campus, including the obstetrics days and the remaining days (non-obstetrics) in the table below.

UNC Health Johnston – Clayton Campus Historical Acute Care Utilization Obstetrics and Non-Obstetric Days**							
	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024*	CAGR
Obstetric Days	1,794	1,851	1,781	1,777	1,773	1,827	0.4%
Beds	16	16	16	16	16	16	
Non- Obstetric Days	7,642	6,910	8,115	9,531	9,595	10,197	
Total Acute Care Days	9,436	8,761	9,896	11,308	11,368	12,024	

Source: Section Q, pages 7 & 8

* FY 2024 figures annualized from partial year of data (July – November 2023)

**CAGR of 0.4%

The applicant then utilized the historical growth rate of 0.4 percent for obstetrics days at UNC Health Johnston – Clayton Campus to calculate the projected growth of obstetrics days at UNC Health Johnston – Clayton. The applicant assessed the historical growth at its Clayton campus to project the total acute care days at that location. Acute care days at UNC Health Johnston – Clayton Campus grew at a CAGR of 5.0 percent from FY 2019 to FY 2024. The applicant, historically, has projected future acute care bed days by using the historical growth rate of 5.0 percent, and has carries that growth rate through FY 2032 (PY3). The applicant projected the ALOS for acute care beds to be constant at 3.5, which is consistent with the year-to-date FY 2024 ALOS for UNC Health Johnston – Clayton Campus, as demonstrated in the table below.

UNC Health Johnston – Clayton Campus Projected Total Patient Days										
	FY2024*	FY2025	FY2026	FY2027	FY2028	FY2029 (PY1)	FY2030 (PY2)	FY2031 (PY3)	FY2032 (PY4)	CAGR
Obstetrics Days^^	1,827	1,834	1,841	1,848	1,855	1,862	1,868	1,875	1,882	
Non-Obstetrics Days	10,197	10,787	11,407	12,058	12,742	13,460	14,215	15,007	15,838	
Total Acute Care Days Excluding Transferred Obstetrics	12,024	12,621	13,248	13,906	14,597	15,322	16,083	16,882	17,720	5.0%
Discharges Excluding Transferred Obstetrics	3,430	3,601	3,779	3,967	4,164	4,371	4,588	4,816	5,055	
ALOS Excluding Transferred Obstetrics	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5	

Source: Section Q, page 9

* FY 2024 figures annualized from partial year of data (July – November 2023)

^^ Obstetrics days do not include the transfer of obstetrics beds and patient days from UNC Health Johnston – Smithfield Campus designated for 2028. The obstetrics days shown above consist only of the existing 16 licensed OB beds at UNC Health Johnston – Smithfield Campus. (page 8)

The applicant then projects acute care bed days for UNC Health Johnston – Clayton Campus, including transferred obstetrics care days. The applicant states the inclusion of these additional OB and Level II neonatal beds, as well as the 12 additional acute care beds proposed in this project, will decrease ALOS from 3.5 to 3.4 in FY 2028 as those beds and patients are shifted for part of the year, with a further decrease to 3.2 in FY 2029, the first full year of the proposed project at the Clayton campus, reflecting the lower ALOS for obstetrics patients and the impact on overall ALOS for the facility. The total projected acute care days for the Clayton campus are demonstrated in the table below.

UNC Health Johnston – Clayton Campus Projected Total Acute Care Days (including transfer OB beds)									
	FY2024*	FY2025	FY2026	FY2027	FY2028	FY2029 (PY1)	FY2030 (PY2)	FY2031 (PY3)	FY2032 (PY4)
Acute Care Days Excluding Obstetrics	12,024	12,621	13,248	13,906	14,597	15,322	16,083	16,882	17,720
Obstetrics Days	0	0	0	0	803**	1,968	2,009	2,051	2,094
Total Acute Care Days	12,024	12,621	13,248	13,906	15,400	17,290	18,092	18,933	19,814
Licensed Beds	50	50	50	50	83^^	83	83	83	83
ADC	33	35	36	38	42	47	50	52	54
Discharges	3,430	3,601	3,779	3,967	4,591	5,417	5,656	5,907	6,169
ALOS	3.5	3.5	3.5	3.5	3.4	3.2	3.2	3.2	3.2
Occupancy %	65.9%	69.2%	72.6%	76.2%	50.8%	57.1%	59.7%	62.5%	65.4%

Source: Section Q, page 10

* FY 2024 figures annualized from partial year of data (July – November 2023)

** FY 2028 obstetric days are annualized for five months of service, to account for the commencement of Project Year One for UNC Health Johnston – Clayton Campus’s 12 acute care beds, which have a projected operational date of January 10, 2028. The month of January has been rounded up (February through June = five months of service).

^^ 50 total acute care beds + 15 OB beds relocated from Smithfield + three Level II neonatal care beds relocated from Smithfield + 3 additional Level II neonatal care beds + 12 additional acute care beds = 83 total acute care beds, including obstetrics in FY 2028

UNC Health Johnston Hospital License

The applicant states the UNC Health Johnston system license meets the performance standard for PY3 of both proposed projects: FY 2031 for UNC Health Johnston – Clayton Campus, and FY 2032 for UNC Health Johnston – Smithfield Campus, as the ADC across the UNC Health Johnston hospital license is between 100 and 200 for both of those years, as shown in the table below.

UNC Health Johnston License Projected Total Acute Care Days									
	FY2024 *	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031 **	FY2032 ***
Smithfield Total Days	33,863	34,997	36,170	37,382	37,832	37,963	38,936	39,602	39,940
Smithfield Licensed Beds	129	129	129	129	111	123	123	123	123
Clayton Total Days	12,024	12,621	13,248	13,906	15,400	17,290	18,092	18,933	19,814
Clayton Licensed Beds	50	50	50	50	83	83	83	83	83
Total Acute Care Days	45,887	47,618	49,418	51,288	53,232	55,252	57,028	58,534	59,754
Total Licensed Beds	179	179	179	179	206 [^]	194	206 [^]	206	206
ADC	126	130	135	141	146	151	156	160	164
Discharges	10,712	11,118	11,541	11,931	12,387	12,861	13,291	13,672	14,000
ALOS	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3
Occupancy %	70.2%	72.9%	75.6%	78.5%	75.2%	73.5%	75.8%	77.8%	79.5%

Source: Section Q, page 11

* FY 2024 figures annualized from partial year of data (July – November 2023)

** Project Year Three for UNC Health Johnston – Clayton Campus.

*** Project Year Three for UNC Health Johnston – Smithfield Campus.

[^] This count of total beds on the UNC Health Johnston license includes six proposed Level II neonatal care beds, the inclusion of which is included in UNC Health Johnston’s occupancy analysis performed above.

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

- The applicant’s historical growth in utilization created the current need determination for 24 additional acute care beds in the 2024 SMFP for the Johnston County Acute Care Bed Service Area.
- The applicant relies on the Johnston County projected population growth rate to project future growth.
- The projected utilization of the applicant’s proposed acute care beds meets the Performance Standard in 10A NCAC 14C .3803.

Access to Medically Underserved Groups

In Section C, page 63, the applicant states:

... “UNC Health Johnston prohibits the exclusion of services to any patient on the patient’s ability to pay, in addition to the patient’s age, race, sex, creed, religion, or disability. UNC Health Johnston’s commitment to treating all patients regardless of their ability to pay is evidenced by its payor mix. UNC Health Johnston has a long and proud history of serving patients who require care, regardless of their ability to pay.”

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

Medically Underserved Groups	Estimated % of Total Patients in 3rd Full FY
Low-income persons	
Racial and ethnic minorities	34.8%
Women	60.6%
Persons with disabilities	
Persons 65 and older	35.6%
Medicare beneficiaries	50.0%
Medicaid recipients	19.6%

Source: Section C, page 63

In Section C, pages 63-64, the applicant states that it does not maintain data on the number of low-income persons and disabled persons it serves and cannot reasonably estimate their percentage of total patients; however, the applicant also states neither low-income persons nor disabled persons are denied access to services.

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

- The applicant provides a statement saying it will provide service to all residents of the service area, including underserved groups, without regard for anything other than the need for acute care bed services.
- The applicant provides documentation of its existing policies regarding non-discrimination and financial access in Exhibits B.20-5 and B.20-6.

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 add 12 acute care beds pursuant to the 2024 SMFP need determination, and relocate no more than 15 acute care beds, three Level II neonatal beds, and one C-Section OR to the Clayton campus.

In Section D, pages 71, the applicant explains why it believes the needs of the population presently utilizing the services at UNC Health Johnston - Smithfield Campus to be relocated to UNC Health Johnston – Clayton Campus will be adequately met following completion of the project. The applicant states:

... “UNC Health Johnston is demonstrating its commitment to continuing to expand access to the services needed by its patients, including women’s services, through the relocation of beds and the development of new space at the UNC Health Johnston – Clayton Campus...

... while the combined projects will result in the relocation of all inpatient obstetrics services from UNC Health Johnston – Smithfield Campus to UNC Health Johnston – Clayton Campus, the services will continue to be available within Johnston County.”

In Section Q, Form D.1, the applicant provides the historical and projected utilization as illustrated in the following table.

UNC Health Johnston Smithfield Campus – Historical & Projected Utilization			
	Last Full Fiscal Year <small>(07/1/2022-06/30/2023)</small>	Interim Full Fiscal Year <small>(07/1/2027-06/30/2028)</small>	Full Fiscal Year 1 <small>(07/1/2029-06/30/2030)</small>
Total # of Beds	3	3	0
# of Patient Days	157	101	0
Occupancy Rate	14.3%	9.2%	0.0%

Source: Section Q, Form D.1

In Section D, pages 71-74, the applicant provides the assumptions and methodology used to project utilization, which are summarized below.

- The applicant utilized the previous census and admissions from the facility to project interim and FFY 1 utilization.
- The relocation of all inpatient obstetrics services from UNC Health Johnston – Smithfield Campus to UNC Health Johnston – Clayton Campus, will ensure the services will continue to be available within Johnston County.
- The proposed consolidation of women’s services will help to ensure the ongoing availability of a sufficient number of OB/Gyn physicians in Johnston County.

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

- The relocation of the OB beds to the Clayton Campus ensures the OB beds remain in the service area.

- The consolidated obstetrics services at UNC Health Johnston – Clayton Campus will benefit both patients and providers and will not negatively impact the patients currently receiving obstetrics care in Smithfield.

Access to Medically Underserved Groups

In Section D, page 75, the applicant states that all of the beds to be relocated,

“The consolidation of women’s services at UNC Health Johnston – Clayton Campus will not impact UNC Health Johnston’s ability to treat underserved groups, nor will the reduction of total OB beds on UNC Health Johnston’s license by three, as noted above. UNC Health Johnston will continue to provide services to underserved groups following approval of both concurrent and complementary proposed projects.”

The applicant adequately demonstrates that the needs of medically underserved groups that will continue to use OB bed services will be adequately met following completion of the project for the following reasons:

- The proposed transfer of OB beds will remain in the service area.
- Upon completion of the proposed project, UNC Health Johnson projects adequate capacity to meet current and future patient needs, including from medically underserved groups.

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 currently using the services to be 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.

The applicant proposes to add 12 acute care beds pursuant to the 2024 SMFP need determination, and relocate no more than 15 acute care beds, three Level II neonatal beds, and one C-Section OR to the Clayton campus.

In Section E, page 79-80, 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:

Develop All 24 Beds at One Campus: The applicant states this alternative is less effective than UNC Health Johnston’s proposal of developing 12 acute care beds concurrently at each of its campuses in Smithfield and Clayton because both campuses are experiencing high levels of patient volume. The applicant believes the most effective alternative is to expand acute care capacity at both of its campuses, meaning the alternative of developing acute care beds at only the Smithfield or Clayton locations was rejected as a less effective alternative.

Develop a New Acute Care Hospital: The applicant states this alternative would be much more costly than both of UNC Health Johnston’s concurrent and complementary applications for acute care beds at its campuses at Smithfield and Clayton. Additionally, the development of a new hospital requires the duplication of multiple other services therefore this option was rejected as a less effective and more costly alternative.

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

- There is a 2024 SMFP need determination for 24 acute care beds in Johnston County.
- The applicant provides reasonable information to explain why it believes the proposed project is the most effective alternative.
- The application is conforming to all other statutory and regulatory review criteria. Therefore, the application can be approved.

Conclusion

The Agency reviewed the:

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

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

- 1. Johnston Health Services Corporation (hereinafter certificate holder) shall materially comply with all representations made in the certificate of need application.**

- 2. The certificate holder shall develop no more than 12 new acute care beds at UNC Health Johnston-Smithfield Campus, pursuant to the 2024 SMFP Need Determination, and relocate no more than 15 acute care beds, three Level II neonatal beds, and one C-Section OR to the Clayton campus.**
 - 3. Upon completion of the project, UNC Health Johnston-Smithfield Campus shall be licensed for no more than 123 acute care beds, excluding any Level II, III, or IV NICU beds, and zero operating rooms.**
 - 4. 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 January 15, 2025.**
 - 5. 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.**
 - 6. 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.**
 - 7. 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.

The applicant proposes to add 12 acute care beds pursuant to the 2024 SMFP need determination, and relocate no more than 15 acute care beds, three Level II neonatal beds, and one C-Section OR to the Clayton campus.

Capital and Working Capital Costs

In Section Q, Form F.1a, page 9, the applicant projects the total capital cost of the project as shown in the table below.

Construction/Renovation contract (s)	\$3,164,793
Architect/Engineering Fees	\$724,859
Medical Equipment	\$998,707
Non-Medical Equipment	\$170,252
Furniture	\$280,808
Consultant Fees (CON and Legal)	\$265,000
Financing Costs	\$1,070,893
Other (Admin and Contingency)	\$1,152,367
Total	\$7,827,679

In Section Q, page 10, 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 based on the following:

- Cost estimates are based on the applicant and the architect’s experience with similar projects.
- In Exhibit F.1, the applicant provides a letter dated January 18, 2024, from the project architect certifying the construction costs of the project.

In Section F, page 83, the applicant states there will be no start-up costs or initial operating expenses because the proposed project does not include a new service or facility.

Availability of Funds

In Section F, page 81, the applicant states the entire projected capital expenditure of \$7,827,679 will be funded with a loan to Johnston Health Services Corporation.

In Exhibit F.1, the applicant provides a letter dated January 18, 2024, from the project architect certifying the construction costs of the project.

In Exhibit F.2-1, the applicant provides a letter dated February 5, 2024, from the President of Armadale Capital Inc., a licensed FHA multifamily lender, stating their committed to providing \$7,827,679 in funding to develop the proposed Smithfield project.

In Exhibit F.2-2, the applicant provides a letter dated February 15, 2024, from the Vice President of Finance for UNC Johnston stating that Johnston Health Services Corporation (JHSC) will provide the remaining \$7,827,679 in funding to develop the proposed project.

The applicant adequately demonstrates the availability of sufficient funds for the capital needs of the project based on the following:

- The applicant provides letters from the appropriate Johnston Health Service Corporation officials confirming the availability of the funding proposed for the capital needs of the project and the commitment to use those funds to develop the proposed project.
- The applicant provides letters from project architect verifying the construction costs associated with the project.

Financial Feasibility

The applicant provided pro forma financial statements for the first three full fiscal years for UNC Smithfield following completion of the project.

UNC Health Johnston- Smithfield Campus Acute Care Beds	Last Full FY	1st Full FY	2nd Full FY	3rd Full FY
	FY 2023[^]	FY 2030	FY 2031	FY 2032
Total Patient Days ^{^^}	32,463	38,936	39,602	39,940
Total Gross Revenues (Charges)	\$84,206,464	\$127,049,041	\$133,097,765	\$138,262,582
Total Net Revenue	\$21,074,790	\$32,399,086	\$33,941,585	\$35,258,678
Total Net Revenue per Patient Day	\$649	\$832	\$857	\$883
Total Operating Expenses (Costs)	\$31,786,958	\$47,530,290	\$49,727,018	\$51,604,754
Total Operating Expenses per Patient Day	\$979	\$1,220	\$1,256	\$1290
Net Profit	(\$10,712,168)	(\$15,131,204)	(\$15,785,433)	(\$16,346,076)

[^]Source: Section Q, Forms F.2a & F.2b, pages 11 & 12

^{^^}Source: Section Q, Forms C.1a & C.1b

Although UNC Smithfield shows a loss in the first three full fiscal years, the applicant also provided pro forma financial statements for the first three full fiscal years for UNC Health Johnston following completion of the project. On Form F.2b, pages 1-2 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 Johnston Total Facility Acute Care Beds	Last Full FY	1st Full FY	2nd Full FY	3rd Full FY
	FY 2023[^]	FY 2030	FY 2031	FY 2032
Total Patient Days ^{^^}	43,831	57,028	58,534	59,754
Total Gross Revenues (Charges)	\$1,351,604,703	\$1,939,424,554	\$2,042,122,356	\$2,150,264,722
Total Net Revenue	\$341,589,028	\$500,805,646	\$527,116,674	\$554,816,335
Total Net Revenue per Patient Day	\$7,793	\$8,782	\$9,005	\$9,285
Total Operating Expenses (Costs)	\$322,344,181	\$467,928,568	\$491,676,894	\$516,667,608
Total Operating Expenses per Patient Day	\$7,354	\$8,205	\$8,400	\$8,647
Net Income	\$19,244,847	\$32,877,079	\$35,439,781	\$38,148,727

[^]Source: Section Q, Form F.2a & F.2b, pages 1-2

^{^^}Source: Section Q, Table 17, page 11

The assumptions used by the applicant in preparation of the pro forma financial statements are provided in Section Q, pages 1-20. The applicant adequately demonstrates that the financial feasibility of the proposal is reasonable and adequately supported based on the following:

- The applicant clearly details the sources of data used to project revenues and expenses.
- The applicant bases projections on his own historical experience.
- 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 add 12 acute care beds pursuant to the 2024 SMFP need determination, and relocate no more than 15 acute care beds, three Level II neonatal beds, and one C-Section OR to the Clayton campus.

On page 32, the 2024 SMFP defines the service area for acute care beds as “... *the single or multicounty grouping shown in Figure 5.1.*” Figure 5.1, on page 36, shows Johnston County as its own acute care bed service area. Thus, the service area for this facility is Johnston County. Facilities may also serve residents of counties not included in their service area.

Table 5A on page 40 of the 2024 SMFP shows that UNC Health Johnston is the only facility in Johnston County with acute care beds. This facility license covers both the Smithfield and Clayton campuses.

In Section G, page 91, the applicant explains why it believes its proposal would not result in the unnecessary duplication of existing or approved acute care bed services in Johnston County. On page 91, the applicant states:

“The 2024 SMFP includes a need determination for 24 additional acute care beds in Johnston County. As the only existing acute care hospital in Johnston County, the need in the 2024 SMFP was determined based entirely on the capacity constraints and increasing need for acute care services at both of UNC Health Johnston’s hospital campuses in Clayton and Smithfield...”

... Additionally, the historical and projected population growth of Johnston County and communities in adjacent counties indicates that more health care resources will be needed for the county, including acute care beds. Given this, neither of UNC Health Johnston’s two concurrent, complementary applications for additional acute care beds in Johnston County will result in unnecessary duplication.”

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:

- There is a need determination in the 2024 SMFP for the proposed acute care beds.
- The applicant is the only provider of acute care hospital services in Johnston County.
- The applicant adequately demonstrates that the proposed acute care beds are needed in addition to the existing or approved acute care beds.

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 add 12 acute care beds pursuant to the 2024 SMFP need determination, and relocate no more than 15 acute care beds, three Level II neonatal beds, and one C-Section OR to the Clayton campus.

In Section Q, Form H, page 23, the applicant provides historical and projected full-time equivalent (FTE) staffing for the proposed services, as illustrated in the following table.

UNC Health Johnston Smithfield Campus Positions	Historical FTE Staff	Projected FTE Staff		
	(06/30/2023)	1 st Full FY	2 nd Full FY	3 rd Full FY
		FY 2030	FY 2031	FY 2032
Registered Nurses	147.3	186.7	189.9	191.5
Nursing Assistants	54.1	68.5	69.7	70.3
Clinical Support Technician	4.9	6.3	6.4	6.4
Patient Services Manager	3.7	4.7	4.8	4.9
Health Unit Coordinator	1.1	1.4	1.4	1.5
Monitor Technician	9.3	11.8	12.0	12.1
OB Registered Nurse	10.5	0	0	0
OB Nursing Assistant	3.9	0	0	0
TOTAL	234.9	279.5	284.3	286.7

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.2b. In pages 93-94, 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:

- UNC Health Johnston utilizes job postings on the UNC Health Johnston website, internet postings and resume searches, attendance at career fairs at schools and local job fairs, advertisements in local newspapers and professional journals, and international recruitment. Sign-on bonuses, loan forgiveness programs for nursing students, shadowing opportunities, and relocation assistance can be offered in order to enhance recruitment of critical staff positions.
- Retention strategies are numerous, including career ladders, flexible scheduling, differentials, and comprehensive benefit packages including tuition assistance.
- UNC Health Johnston has several policies and procedures in place to ensure proper training and continuing education programs for staff.

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 add 12 acute care beds pursuant to the 2024 SMFP need determination, and relocate no more than 15 acute care beds, three Level II neonatal beds, and one C-Section OR to the Clayton campus.

Ancillary and Support Services

In Section I, page 95, the applicant identifies the necessary ancillary and support services for the proposed services. On page 95, the applicant explains how each ancillary and support service is or will be made available and provides supporting documentation in Exhibit I.1. The applicant adequately demonstrates that the necessary ancillary and support services will be made available because UNC Health Johnston Smithfield Campus is an existing acute care hospital with ancillary and support services already in place to support the addition of the acute care beds.

Coordination

In Section I, page 96, the applicant describes its existing and proposed relationships with other local health care and social service providers and provides supporting documentation in Exhibit I.2. The applicant adequately demonstrates that the proposed services will be coordinated with the existing health care system based on the following:

- UNC Health Johnston has established relationships with other local healthcare and social service providers, and these relationships will continue and be enhanced following completion of the proposed project.
- In Exhibit I.2, the applicant provides letters from local health care and social service providers stating their support of the proposed project.

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 add 12 acute care beds pursuant to the 2024 SMFP need determination, and relocate no more than 15 acute care beds, three Level II neonatal beds, and one C-Section OR to the Clayton campus.

In Section K, page 99, the applicant states that the project involves renovating 5,650 square feet of existing space. Line drawings are provided in Exhibit C.1-2.

On pages 99-100, 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 proposed construction allows for the development of this project in the most effective and reasonable manner.

- The applicant is renovating existing space to develop the proposed beds.

On page 100, the applicant adequately explains why the proposal will not unduly increase the costs to the applicant of providing the proposed services or the costs and charges to the public for the proposed services based on the following:

- The applicant states they can operationalize the additional acute care beds at UNC Health Johnston – Smithfield Campus by renovating existing space versus new construction.
- As a member of UNC Health network, UNC Health Johnston benefits from significant cost saving measures through the consolidation of multiple services and large economies of scale.

On Section B, pages 32-33, the applicant identifies any applicable energy saving features that will be incorporated into the construction plans.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

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

- (13) The applicant shall demonstrate the contribution of the proposed service in meeting the health-related needs of the elderly and of members of medically underserved groups, such as medically indigent or low income persons, Medicaid and Medicare recipients, racial and ethnic minorities, women, and ... persons [with disabilities], which have traditionally experienced difficulties in obtaining equal access to the proposed services, particularly those needs identified in the State Health Plan as deserving of priority. For the purpose of determining the extent to which the proposed service will be accessible, the applicant shall show:
- (a) The extent to which medically underserved populations currently use the applicant's existing services in comparison to the percentage of the population in the applicant's service area which is medically underserved;

C

In Section L, page 104, the applicant provides the historical payor mix during FY2023 for the proposed services, as shown in the table below.

UNC Health Johnston- Smithfield Campus Historical Payor Mix 07/01/2022-06/30/2023	
Payor Category	Percent of Total
Self-Pay	3.6%
Charity Care [^]	
Medicare*	67.8%
Medicaid*	14.9%
Insurance*	10.1%
Workers Compensation ^{^^}	
TRICARE ^{^^}	
Other (Govt, Worker's Comp) ^{^^}	3.6%
Total	100.0%

*Including any managed care plans.

[^]Johnston Health internal data does not include charity care as a payor source for patients. Patients in any payor category can and do receive charity care.

^{^^}Workers Compensation, TRICARE, Department of Corrections, and other payors are included in the Other payor category.

In Section L, page 105, the applicant provides the following comparison.

UNC Health Johnston- Hospital License	Percentage of Total Patients Served by the Facility or Campus during the Last Full FY	Percentage of the Population of the Service Area
Female	60.6%	50.6%
Male	39.4%	49.4%
Unknown	0.1%	0.0%
64 and Younger	64.4%	85.9%
65 and Older	35.6%	14.1%
American Indian	0.3%	1.0%
Asian	0.3%	1.1%
Black or African American	22.7%	18.9%
Native Hawaiian or Pacific Islander	0.1%	0.1%
White or Caucasian	64.2%	76.3%
Other Race	11.3%	2.6%
Declined / Unavailable	1.0%	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>. 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;

C

Regarding any obligation to provide uncompensated care, community service or access by minorities and persons with disabilities, in Section L, page 106, the applicant states:

“UNC Health Johnston, including UNC Health Johnston – Smithfield Campus, is under no federal obligation to provide uncompensated care, community service, or access to care by the medically underserved, minorities, or handicapped persons. However, UNC Health Johnston does provide, without obligation, a considerable amount of bad debt and charity care. In State Fiscal Year 2023, UNC Health Johnston provided approximately \$11.3 million in charity care.”

In Section L, page 107, the applicant states that during the 18 months immediately preceding the application deadline, no patient civil rights access complaints have been filed against Atrium Health Union.

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 108, 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 Johnston- Smithfield Campus Acute Care Beds Projected Payor Mix 3rd Full FY, FY 2032	
Payor Category	Percent of Total
Self-Pay	1.8%
Charity Care [^]	
Medicare*	70.0%
Medicaid*	15.1%
Insurance*	9.5%
Workers Compensation ^{^^}	
TRICARE ^{^^}	
Other (Govt, Worker's Comp) ^{^^}	3.6%
Total	100.0%

*Including any managed care plans.

[^]Johnston Health internal data does not include charity care as a payor source for patients. Patients in any payor category can and do receive charity care.

^{^^}Workers Compensation, TRICARE, Department of Corrections, and other payors are included in the Other payor category.

As shown in the table above, during the third full fiscal year of operation, the applicant projects that 1.8% of total services will be provided to self-pay patients, 70.0% to Medicare patients and 15.1% to Medicaid patients.

On page 107, 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 the facility and the acute care bed service component's FY 2023 historical 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 110, 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 add 12 acute care beds pursuant to the 2024 SMFP need determination, and relocate no more than 15 acute care beds, three Level II neonatal beds, and one C-Section OR to the Clayton campus.

In Section M, page 111, the applicant describes the extent to which health professional training programs in the area have access to the facility for training purposes and provides supporting documentation in Exhibit M.1. The applicant adequately demonstrates that health professional training programs in the area have access to the facility for training purposes based on the following:

- UNC Health Johnston provides professional mentors and a site for internships/preceptorships with local universities and colleges, as well as e-learning facilities to train physicians, nurse practitioners, physician assistants, nurses, social workers, and recreational therapists who wish to study across any and all disciplines.
- In Exhibit M.1, the applicant provides an extensive list of Johnston Health's existing agreements with health professional training programs.

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 add 12 acute care beds pursuant to the 2024 SMFP need determination, and relocate no more than 15 acute care beds, three Level II neonatal beds, and one C-Section OR to the Clayton campus.

On page 32, the 2024 SMFP defines the service area for acute care beds as “... *the single or multicounty grouping shown in Figure 5.1.*” Figure 5.1, on page 36, shows Johnston County as its own acute care bed service area. Thus, the service area for this facility is Johnston County. Facilities may also serve residents of counties not included in their service area.

Table 5A on page 40 of the 2024 SMFP shows that UNC Health Johnston is the only facility in Johnston County with acute care beds.

Regarding the expected effects of the proposal on competition in the service area, in Section N, page 112, the applicant states:

“UNC Health Johnston regularly cares for patients from multiple counties in eastern North Carolina, including neighboring Wake, Harnett, and Wayne counties. As such, UNC Health Johnston believes that the proposed project will foster competition in the proposed service area.”

Regarding the impact of the proposal on cost effectiveness, in Section B, page 30, the applicant states:

“Increasing acute care capacity at UNC Health Johnston will allow its providers to care for patients closer to home and will reduce the likelihood that a patient must be transferred to a different facility for care, thereby maximizing the healthcare value of acute care bed services in Johnston County.”

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

Regarding the impact of the proposal on quality, in Section B, pages 27-28, the applicant states:

“UNC Health Johnston believes the proposed project will promote safety and quality in the provision of healthcare services to patients of the proposed service area...

...As UNC Health Johnston continues to expand its services, it maintains the importance of continuous quality monitoring. Each new unit and service is subject to review under the existing policies.”

See also Section O of the application and any exhibits.

Regarding the impact of the proposal on access by medically underserved groups, in Section B, pages 29 and 30, the applicant states:

“The proposed project will promote access to healthcare services in the service area, particularly by the medically underserved. UNC Health Johnston prohibits the exclusion of services to any patient on the basis of age, race, sex, creed, religion, disability, or the patient’s ability to pay. This is detailed further in UNC Health Johnston’s Civil Rights – Notice of Nondiscrimination Policy.”

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

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

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

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

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

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

C

In Section Q, Form O, the applicant identifies the 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 115, the applicant states that, during the 18 months immediately preceding the submittal of the application, there have been no incidents related to immediate jeopardy occurring in one of these facilities. There were incidents related to EMTALA violations at Caldwell Memorial Hospital on 4/18/24, and at Onslow Memorial Hospital on 4/24/24. Both facilities are pending CMS re-evaluation.

After reviewing and considering information provided by the applicant and considering the quality of care provided at all 15 facilities, the applicant provided sufficient evidence that quality care has been provided in the past. Therefore, the application is conforming to this criterion.

- (21) Repealed effective July 1, 1987.

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

C

The Criteria and Standards for Acute Care Beds promulgated in 10A NCAC 14C .3800 are applicable to this review. The application is conforming to all applicable criteria, as discussed below.

10 NCAC 14C .3803 PERFORMANCE STANDARDS

An applicant proposing to develop new acute care beds in a hospital pursuant to a need determination in the annual State Medical Facilities Plan in effect as of the first day of the review period shall:

- (1) *document that it is a qualified applicant;*

-C- In Section B, page 25, the applicant adequately documents that it is a qualified applicant. The discussion regarding persons who can develop new acute care beds found in Criterion (1) is incorporated herein by reference.

- (2) *provide projected utilization of the existing, approved, and proposed acute care beds for the applicant hospital during each of the first three full fiscal years of operation following completion of the project;*
- C- In Section Q, Table 17, page 11, the applicant provides projected utilization of all existing, approved, and proposed acute care beds for the applicant hospital system during each of the first three full fiscal years of operation following completion of the project. The discussion regarding projected utilization found in Criterion (3) is incorporated herein by reference.
- (3) *project an occupancy rate of the existing, approved, and proposed acute care beds for the applicant hospital during the third full fiscal year of operation following completion of the project that equals or exceeds the target occupancy percentage;*
- C- In Section Q, Table 17, page 11, the applicant projects an occupancy rate of the existing, approved, and proposed acute care beds for the applicant hospital during the first three full fiscal year of operation following completion of the project that equals or exceeds the target occupancy percentage. The discussion regarding projected utilization found in Criterion (3) is incorporated herein by reference.
- (4) *provide projected utilization of the existing, approved, and proposed acute care beds for the hospital system during each of the first three full fiscal years of operation following completion of the project;*
- C- In Section Q, Table 17, page 11, the applicant provides projected utilization of the existing, approved, and proposed acute care beds for the hospital system during each of the first three full fiscal years of operation following completion of the project. The discussion regarding projected utilization found in Criterion (3) is incorporated herein by reference.

UNC Health Johnston License Projected Total Acute Care Days									
	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031	FY2032
Smithfield Total Days	33,863	34,997	36,170	37,382	37,832	37,963	38,936	39,602	39,940
Smithfield Licensed Beds	129	129	129	129	111	123	123	123	123
Clayton Total Days	12,024	12,621	13,248	13,906	15,400	17,290	18,092	18,933	19,814
Clayton Licensed Beds	50	50	50	50	83	83	83	83	83
Total Acute Care Days	45,887	47,618	49,418	51,288	53,232	55,252	57,028	58,534	59,754
Total Licensed Beds	179	179	179	179	206^	206	206	206	206
ADC	126	130	135	141	146	151	156	160	164
Discharges	10,712	11,118	11,541	11,931	12,387	12,861	13,291	13,672	14,000
ALOS	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3
Occupancy %	70.2%	72.9%	75.6%	78.5%	75.2%	73.5%	75.8%	77.8%	79.5%

(5) *project an average occupancy rate of the existing, approved, and proposed acute care beds for the hospital system during the third full fiscal year of operation following completion of the project that equals or exceeds the target occupancy percentage of:*

- (a) *66.7 percent if the ADC is less than 100;*
- (b) *71.4 percent if the ADC is 100 to 200;*
- (c) *75.2 percent if the ADC is 201 to 399; or*
- (d) *78.0 percent if the ADC is greater than 400; and*

-C- In Section Q, Table 17, page 11, the applicant projects an occupancy rate of 79.5% for all existing, approved, and proposed acute care beds in the hospital system during the third full fiscal year of operation following completion of the project. The discussion regarding projected utilization and performance standards found in Criterion (3) is incorporated herein by reference.

(6) *provide the assumptions and methodology used to project the utilization and occupancy rates required in Items (2), (3), (4), and (5) of this Rule.*

-C- In Section Q, pages 1-20, the applicant provides the assumptions and methodology used to project the utilization and occupancy rates required in Items (2), (3), (4), and (5) of this Rule. The discussion regarding projected utilization found in Criterion (3) is incorporated herein by reference.