

REQUIRED STATE AGENCY FINDINGS

FINDINGS

C = Conforming

CA = Conforming as Conditioned

NC = Nonconforming

NA = Not Applicable

Decision Date: May 29, 2024

Findings Date: May 29, 2024

Project Analyst: Ena Lightbourne

Co-Signer: Gloria C. Hale

Project ID #: B-12488-24

Facility: AdventHealth Hendersonville

FID #: 943388

County: Henderson

Applicant(s): Fletcher Hospital, Incorporated

Project: Develop no more than 3 Level II neonatal beds and no more than 2 Level III neonatal beds for a total of no more than 5 neonatal beds

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.

NA

Fletcher Hospital, Inc. (“the applicant”) proposes to develop three Level II neonatal beds and two Level III neonatal beds at AdventHealth Hendersonville (“AdventHealth”) for a total of no more than five neonatal beds.

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 2024 State Medical Facilities Plan (SMFP). Therefore, there are no need determinations applicable to this review.

Policies

There are no policies in the 2024 SMFP applicable to this review. Therefore, Criterion (1) is not applicable to this review.

- (2) Repealed effective July 1, 1987.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

C

The applicant proposes to develop three Level II neonatal beds and two Level III neonatal beds at AdventHealth for a total of no more than five neonatal beds.

On June 1, 2022, the State Health Coordinating Council voted to approve the Acute Care Committee's recommendation to remove Level II, III, and IV neonatal beds and days of care from the acute care bed need methodology.¹ The Agency Report of the Acute Care Services Committee stated that the Acute and Home Care Licensure and Certification Section of the Division of Health Service Regulation does not have a separate licensure designation for neonatal intensive care unit (NICU) beds. The Agency notes that although NICU beds are licensed acute care beds, the number of NICU beds a hospital operates must be reported separately on their annual license renewal application form. Further, NICU beds must meet the standard set forth by the Facilities Guidelines Institute which has been incorporated into the rules governing construction of NICUs in the state. (See 10A NCAC 13B. 6105). NICU beds are not general pediatric or adult acute care beds. Moreover, in order to convert NICU beds to general acute care beds, a prospective applicant would need to apply for a CON pursuant to a need determination for acute care beds in the SMFP that is for their service area.

The 2024 SMFP does not define the service area for neonatal services. However, in Section Q, pages 101-106 and Section C, page 32, the applicant defines its service area as a nine-county catchment area consisting of the following counties: Buncombe, Haywood, Henderson, Madison, McDowell, Polk Rutherford, Transylvania and Yancey. Facilities may also serve residents of counties not included in their service area.

Patient Origin

AdventHealth does not currently provide Level II or Level III neonatal services. The following table illustrates historical patient origin for the entire facility.

¹ State Health Coordinating Council Acute Care Services Committee Agency Report for Petition to Exclude Neonatal Intensive Care Unit (NICU) Beds from the Acute Care Bed Need Methodology, Proposed 2023 State Medical Facilities Plan. June 1, 2022.

AventHealth Hendersonville Historical Patient Origin		
Last Full FY 10/01/2022 to 09/30/2023		
	# of Patients	% of Total
Henderson	19,240	47.4%
Buncombe	14,912	36.7%
Transylvania	924	2.3%
Polk	683	1.7%
Madison	854	2.1%
Haywood	621	1.5%
Rutherford	401	1.0%
McDowell	269	0.7%
Jackson	201	0.5%
Yancey	192	0.5%
Macon	95	0.2%
Mitchell	61	0.2%
Out of State	1,652	4.1%
Other*	525	1.3%
Total	40,630	100.0%

Source: Section C. page 31

*Other includes the remaining counties in North Carolina.

The following table illustrates the projected patient origin for neonatal beds.

AdventHealth Hendersonville Neonatal Acute Care Beds Projected Patient Origin						
County	1st Full FY		2nd Full FY		3rd Full FY	
	01/01/2026- 12/31/2026		01/01/2027- 12/31/2027		01/01/2028- 12/31/2028	
	CY 2026		CY 2027		CY 2028	
	# of Patients	% of Total	# of Patients	% of Total	# of Patients	% of Total
Henderson	60	55.0%	74	45.0%	89	41.7%
Buncombe	18	16.0%	35	21.3%	42	20.0%
Haywood	8	7.1%	16	9.5%	24	11.1%
Rutherford	7	6.0%	13	8.0%	20	9.3%
Transylvania	6	5.8%	9	5.7%	13	5.9%
Polk	3	3.0%	4	2.7%	6	2.6%
McDowell	1	0.9%	2	1.2%	4	1.8%
Yancey	1	0.7%	2	1.0%	3	1.5%
Madison	1	0.5%	1	0.6%	2	1.0%
Other*	5	5.0%	8	5.0%	11	5.0%
Total	110	100.0%	165	100.0%	212	100.0%

Source: Section C, page 32

*Other includes the remaining counties in western North Carolina and other states.

In Section Q, pages 101-106, 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 based its projected patient origin on a review of neonatal discharges originating from a nine-county catchment from 2022 that includes counties historically served by AdventHealth labor and delivery services.
- The applicant's projections are based on neonatal discharges from the catchment area that can be appropriately served at AdventHealth.

Analysis of Need

In Section C, pages 35-49, the applicant explains why it believes the population projected to utilize the proposed services needs the proposed services, as summarized below.

- The need to expand access to neonatal services in western North Carolina due to the scarcity of labor and delivery services in the region and provide an alternative to services for patients residing in the nine-county neonatal bed catchment area. The catchment area consists of Buncombe, Haywood, Henderson, Madison, McDowell, Polk, Rutherford, Transylvania and Yancey counties. (pages 35-39)
- The need to expand neonatal acute care services in the catchment area is partly based on the rate of births by low-income mothers that may be due to delayed or limited access to services. (pages 40-42)
- The need to expand the facility's scope of services for neonatal services to reduce the need to transfer neonatal patients to other facilities. (pages 42-44)
- The projected population growth in the catchment area will increase the demand for labor and delivery services. (pages 44-48)
- Community support for the proposed project. (48-49)

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

- The applicant provides credible information on the scarcity of labor and delivery services in western North Carolina and cites maternal health statistics that support the need for additional neonatal services.
- The applicant provides data regarding the projected population growth in the catchment area, projected birth rates across the state, and socioeconomic factors in the catchment area that can influence the health of newborns and necessitate the need for neonatal services.

Projected Utilization

In Section Q, page 100, the applicant provides historical and projected utilization, as illustrated in the following table.

AdventHealth Hendersonville Projected Utilization Neonatal Services			
	CY2026	CY2027	CY2028
# of Beds	5	5	5
# of Discharges	110	165	212
# of Patient Days	527	793	1,020
Average Length of Stay (ALOS)	4.8	4.8	4.8
Occupancy Rate	28.9%	43.5%	55.9%

In Section Q, pages 101-106, the applicant provides the assumptions and methodology used to project utilization, which is summarized below.

STEP 1

The applicant examined the 2022 neonatal inpatient discharge data for a nine-county catchment area. According to the neonatal inpatient discharge data, 22.5 percent of the births were identified by the following Diagnosis Related Groups (DRGs) that are associated with acute care inpatient stay, excluding normal newborns:

- DRG 789 Neonates, Died or Transferred to Another Acute Care Facility
- DRG 790 Extreme Immaturity or Respiratory Distress Syndrome, Neonate
- DRG 791 Prematurity with Major Problems
- DRG 792 Prematurity Without Major Problems
- DRG 793 Full Term Neonate with Major Problems

Table 1: AdventHealth Hendersonville Neonatal Acute Care Bed Catchment Area: Neonatal Acute Care Discharges, 2022			
County	Neonatal Discharges*	Births	% of Births
Buncombe	555	2,399	23.1%
Haywood	137	522	26.2%
Henderson	225	1,050	21.4%
Madison	37	183	20.2%
McDowell	88	382	23.0%
Polk	16	121	13.2%
Rutherford	118	632	18.7%
Transylvania	50	229	21.8%
Yancey	57	173	32.9%
Total	1,283	5,691	22.5%

Source: Section Q, page 101

*Classified by DRG 789-793 (excludes DRG 795 normal newborns)

Source: Hospital Industry Data Institute, NC State Center for Health Statistics,
 06OCT2023

STEP 2

The applicant identified historical neonatal inpatient discharges from the catchment area, excluding DRGs 789-791, that could be served by the proposed project. The applicant states that the assumptions are based on the licensure regulations for neonatal care, the Academy of Pediatrics (AAP) level of care requirements, existing clinical staff, proposed scope of services, and AdventHealth’s clinical leadership.

Table 2: AdventHealth Hendersonville Neonatal Acute Care Bed Catchment Area: Neonatal Acute Care Discharges, Adjusted Based on Scope of Services for Proposed Project						
County	2020		2021		2022	
	Discharges	Days	Discharges	Days	Discharges	Days
Buncombe	317	1,646	344	1,610	344	1,650
Haywood	66	343	61	449	75	407
Henderson	115	487	123	581	130	514
Madison	31	136	27	98	21	95
McDowell	46	185	67	336	38	164
Polk	15	73	13	79	11	101
Rutherford	93	436	71	315	66	377
Transylvania	21	171	34	156	32	113
Yancey	23	71	24	81	31	114
Total	727	3,548	764	3,705	748	3,535

Source: Section Q, page 102

STEP 3

The following table identifies the projected neonatal inpatient discharges from AdventHealth’s catchment area during the first three years of the project. To project growth, the applicant applied the North Carolina Office of State Budget Management (NCOSBM) 2024-2028 projected population Compound Annual Growth Rate (CAGR) of 0.4 percent for women aged 15-44 years to the 2022 neonatal discharges.

Table 3: AdventHealth Hendersonville Neonatal Acute Care Bed Catchment Area: Neonatal Acute Care Discharges, Adjusted Based on Scope of Services for Proposed Project and Population Growth						
County	2023	2024	2025	2026	2027	2028
Buncombe	346	347	349	351	352	354
Haywood	75	76	77	77	78	79
Henderson	131	132	133	134	135	136
Madison	21	21	21	21	21	21
McDowell	38	38	38	38	38	38
Polk	11	11	11	11	11	11
Rutherford	66	66	66	66	66	66
Transylvania	32	32	32	32	32	31
Yancey	31	31	32	32	32	33
Total	752	755	759	762	766	769

Source: Section Q, page 103

STEP 4

The applicant projects AdventHealth’s annual market share percentage for neonatal beds. In response to comments submitted to the Agency, the applicant states:

“Both AdventHealth Hendersonville and Mission note that Mission is the only provider of neonatal acute care services located in the proposed nine-county catchment area. By comparison, there are existing labor and delivery services in Buncombe, Haywood, Henderson, McDowell, and Rutherford counties. Given these dynamics, it is entirely reasonable and logical for providers of neonatal acute care services to have a higher market share of neonatal acute care services than their market share of total births (or labor and delivery services) as AdventHealth Hendersonville projects.”

The applicant further states that projected market share percentages are reasonable and partly supported by the facility serving as a new point of access for neonatal acute care services and a community-based alternative to the only existing provider of neonatal services in the catchment area. The following table illustrates the projected market share percentages for the first three years of the project.

**Table 4:
 AdventHealth Hendersonville Neonatal Acute Care Bed
 Catchment Area: Projected Market Share**

County	2026	2027	2028
Buncombe	5.0%	10.0%	12.0%
Haywood	10.0%	20.0%	30.0%
Henderson	45.0%	55.0%	65.0%
Madison	2.5%	5.0%	10.0%
McDowell	2.5%	5.0%	10.0%
Polk	30.0%	40.0%	50.0%
Rutherford	10.0%	20.0%	30.0%
Transylvania	20.0%	30.0%	40.0%
Yancey	2.5%	5.0%	10.0%

Source: Section Q, page 103

STEP 5

The applicant applied the annual market share percentages to the projected neonatal acute care discharges.

**Table 5:
 AdventHealth Hendersonville Neonatal Acute Care Bed
 Catchment Area: Neonatal Acute Care Discharges**

County	2026	2027	2028
Buncombe	18	35	42
Haywood	8	16	24
Henderson	60	74	89
Madison	1	1	2
McDowell	1	2	4
Polk	3	4	6
Rutherford	7	13	20
Transylvania	6	9	13
Yancey	1	2	3
Total	104	157	202

Source: Section Q, page 104

STEP 6

The applicant projects the percentage of neonatal patients to be served from outside the catchment area based on AdventHealth’s historical patient origin for labor and delivery services and adds them to the totals.

Table 6: AdventHealth Hendersonville Neonatal Acute Care Bed Catchment Area: Neonatal Acute Care Discharges			
County	2026	2027	2028
Buncombe	18	35	42
Haywood	8	16	24
Henderson	60	74	89
Madison	1	1	2
McDowell	1	2	4
Polk	3	4	6
Rutherford	7	13	20
Transylvania	6	9	13
Yancey	1	2	3
Total	104	157	202
In-Migration 5%*	5	8	11
Total Discharges	110	165	212

Source: Section Q, page 105

*In-migration includes patients from other North Carolina counties and other states.

STEP 7

The applicant projects that the ALOS for the projected neonatal acute care discharges will be 4.8 days based on the catchment area's historical ALOS during 2020-2022.

Table 7: AdventHealth Hendersonville Neonatal Acute Care Bed Utilization			
	2026	2027	2028
Discharges	110	165	212
Days of Care	527	793	1,020
ALOS	4.8	4.8	4.8

Source: Section Q, page 105

STEP 8

Based on the historical neonatal utilization data, the applicant projects the distribution of days of care among Level II and Level III beds. The applicant projects that 73 percent of patients will be admitted to Level II care and 27 percent to Level III care.

Table 8: AdventHealth Hendersonville Neonatal Acute Care Bed Utilization			
	2026	2027	2028
Level II Days of Care	352	530	682
Level III Days of Care	175	263	338
Total Days of Care	527	793	1,020
Total Discharges	110	165	212
ALOS	4.8	4.8	4.8

Source: Section Q, page 106

In the supplemental information provided to the Agency, the applicant provides a supplemental table illustrating the projected days of care by level of care percentage distribution.

Supplemental Table 1: Projected Neonatal Discharges by Admission Levels				
	% Distribution	2026	2027	2028
Level II Days of Care	0.73	80	121	155
Level III Days of Care	0.27	30	45	57
Total Discharges		110	165	212

Source: Supplemental Information, page 1

The applicant calculated the total neonatal days of care by multiplying the discharges by level of care by the projected ALOS. The projected ALOS was calculated by dividing the total neonatal days of care by discharges by level of care, as illustrated in the table below.

Supplemental Table 2: Projected Neonatal Days of Care and Discharges				
	ALOS	2026	2027	2028
Level II Days of Care	4.4	352	530	682
Level III Days of Care	5.9	175	263	338
Total Neonatal Days of Care		527	793	1,020
Total Neonatal Discharges		110	165	212
Neonatal ALOS		4.8	4.8	4.8

Source: Supplemental Information, page 2

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

- The applicant relies on the catchment area’s historical utilization of neonatal acute care services of a patient population appropriate for the proposed project.
- The applicant reasonably projects a 26 percent market share based on becoming the only other alternative provider of neonatal acute care services in the catchment area upon project completion.
- The applicant projects utilization for the three project years (CY2026-CY2028), based on the nine-county catchment area projected population (women aged 15-44) four-year CAGR of 0.4 percent during 2024-2028.

- The growth rate used is less than the growth rate of the neonatal discharges appropriate to the proposed project in the service area from 2020 to 2022.

Access to Medically Underserved Groups

In Section C, page 54, the applicant states:

“All individuals including low-income persons, racial and ethnic minorities, women, persons with disabilities, persons 65 and older, Medicare beneficiaries, Medicaid recipients, and other underserved groups, will continue to have access to AdventHealth Hendersonville, as clinically appropriate. AdventHealth does not discriminate based on race, ethnicity, age, gender, or disability. Policies to provide access to services by low-income, medically indigent, uninsured, or underinsured patients are described...a significant proportion of AdventHealth Hendersonville’s proposed services will be provided to Medicaid and uninsured patients.”

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 3rd Full FY
Low income persons	62.5%
Racial and ethnic minorities	21.7%
Women	*
Persons with disabilities	**
Persons 65 and older	0%
Medicare beneficiaries	0%
Medicaid recipients	56.7%

Source: Section C, page 54

*One hundred percent of labor and delivery patients will be women. Neonatal discharges are projected to be distributed evenly between male and female.

**AdventHealth does not retain data that includes the number of disabled persons it serves. As such, AdventHealth does not have a reasonable basis for estimating the percentage of disabled patients to be served by the project. However, as noted above, disabled persons have not and will not be denied access to AdventHealth Hendersonville with respect to any service it offers.

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 continue to provide service to all residents of the service area, including underserved groups as clinically appropriate.
- The applicant has a history of providing access to all persons, including underserved groups, in need of acute care services.

- The applicant provides documentation of its existing policies regarding non-discrimination and financial access in Exhibits C.6.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Responses to comments
- 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.

NA

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

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

C

The applicant proposes to develop three Level II neonatal beds and two Level III neonatal beds at AdventHealth for a total of no more than five neonatal beds.

In Section E, pages 62-64, 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 is not an effective alternative because AdventHealth is limited in its scope of care for labor and delivery patients. The facility is unable to serve neonates 34 weeks gestation and younger or infants requiring more specialized nursing services in a Level II or Level III neonatal acute care bed. These patients are required to be transferred to another facility for specialized care which can disrupt the continuity of care.

Convert Existing Acute Care Beds to Neonatal Beds-The applicant states that this alternative is not the most effective because of the historical utilization of the existing acute care beds, projected continued growth within acute care bed utilization, and the need to maintain capacity for future growth.

On pages 62-64, the applicant states that its proposal is the most effective alternative because the proposal will allow AdventHealth to provide neonatal care and continuity of care while maintaining their existing level of general acute care.

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

- The applicant provides reasonable information to explain why it believes the proposed project is the most effective alternative.
- The application is conforming to all other statutory and regulatory review criteria. Therefore, the application can be approved.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Responses to comments

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. Fletcher Hospital, Inc. (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 three Level II neonatal beds and no more than two Level III neonatal beds for a total of no more than five licensed neonatal beds at AdventHealth Hendersonville.**
- 3. Progress Reports:**
 - a. Pursuant to G.S. 131E-189(a), the certificate holder shall submit periodic reports on the progress being made to develop the project consistent with the timetable and representations made in the application on the Progress Report form provided by the Healthcare Planning and Certificate of Need Section. The form is available online at: <https://info.ncdhhs.gov/dhsr/coneed/progressreport.html>.**

- b. **The certificate holder shall complete all sections of the Progress Report form.**
 - c. **The certificate holder shall describe in detail all steps taken to develop the project since the last progress report and should include documentation to substantiate each step taken as available.**
 - d. **The first progress report shall be due on December 2, 2024.**
- 4. **The certificate holder shall not acquire as part of this project any equipment that is not included in the project’s proposed capital expenditures in Section Q of the application and that would otherwise require a certificate of need.**
 - 5. **The certificate holder shall acknowledge acceptance of and agree to comply with all conditions stated herein to the Agency in writing prior to issuance of the certificate of need.**
- (5) Financial and operational projections for the project shall demonstrate the availability of funds for capital and operating needs as well as the immediate and long-term financial feasibility of the proposal, based upon reasonable projections of the costs of and charges for providing health services by the person proposing the service.

C

The applicant proposes to develop three Level II neonatal beds and two Level III neonatal beds at AdventHealth for a total of no more than five neonatal beds.

Capital and Working Capital Costs

In Section Q, page 107, the applicant projects the total capital cost of the project, as shown in the table below.

Construction/Renovation contract (s)	\$919,000
Architect/Engineering Fees	\$68,300
Medical Equipment	\$1,057,487
Non-Medical Equipment	\$577,739
Furniture	\$25,000
Other (DHSR Fee)	\$2,000
Contingency	\$200,000
Total	\$2,849,526

In Section Q and Exhibit K.3, the applicant provides the assumptions used to project the capital cost. The applicant adequately demonstrates the projected capital cost is based on reasonable and adequately supported assumptions and provides supporting documentation in Exhibit K.3, the architect’s cost certification for construction, architectural and engineering fees.

In Section F, page 67, the applicant states there will be no start-up costs or initial operating expenses because AdventHealth already offers inpatient services.

Availability of Funds

In Section F, page 65, the applicant states that the entire projected capital expenditure of \$2,849,526 will be funded by Fletcher Hospital, Inc. using accumulated reserves.

In Exhibit F.2, the applicant provides a letter dated February 12, 2024, from the Chief Financial Officer for Fletcher Hospital, Inc., stating its commitment to fund the project through accumulated reserves. Exhibit F.2 also contains a Balance Sheet for Fletcher Hospital, Inc. for the year ending December 31, 2023, documenting sufficient cash and assets to fund the capital needs of the proposed project.

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, for its proposed neonatal beds, the applicant projects that operating costs will exceed revenues in the first three full fiscal years following completion of the project, as shown in the first table below. However, in another Form F.2b, for its entire hospital, the applicant projects revenues will exceed operating costs in the first three full fiscal years following completion of the project. Both tables are provided below.

AdventHealth Hendersonville Neonatal Acute Care Beds	1st Full FY	2nd Full FY	3rd Full FY
	CY 2026	CY 2027	CY 2028
Total Patient Days	527	793	1,020
Total Gross Revenues (Charges)	\$3,120,204	\$4,908,558	\$6,521,842
Total Net Revenue	\$686,018	\$1,092,760	\$1,446,552
Total Net Revenue per Patient Day	\$1,302	\$1,378	\$1,418
Total Operating Expenses (Costs)	\$1,403,996	\$1,557,636	\$1,698,288
Total Operating Expenses per Patient Day	\$2,664	\$1,964	\$1,665
Net Profit/Loss	(\$717,978)	(\$464,876)	(\$251,736)

AdventHealth Hendersonville Acute Care Beds	1st Full FY	2nd Full FY	3rd Full FY
	CY 2026	CY 2027	CY 2028
Total Gross Revenues (Charges)	\$127,970,652	\$137,423,444	\$147,548,653
Total Net Revenue	\$40,691,674	\$43,695,932	\$46,927,587
Total Operating Expenses (Costs)	\$38,130,343	\$40,947,827	\$43,971,523
Net Profit	\$2,561,331	\$2,748,105	\$2,956,064

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:

- The applicant clearly details the sources of data used to project revenues and expenses.
- The applicant based its projections on historical neonatal acute care discharges from the catchment area that would be appropriately served by the proposed project.

- The applicant demonstrates that the hospital's acute care beds as a whole will be profitable despite neonatal beds net losses projected during the first three fiscal years of the proposed project.
- 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
- Written comments
- Responses to comments

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 develop three Level II neonatal beds and two Level III neonatal beds at AdventHealth for a total of no more than five neonatal beds.

The 2024 SMFP does not define the service area for neonatal services. However, in Section Q, pages 101-106 and Section C, page 32, the applicant defines its service area as a nine-county catchment area consisting of the following counties: Buncombe, Haywood, Henderson, Madison, McDowell, Polk Rutherford, Transylvania and Yancey. Facilities may also serve residents of counties not included in their service area.

Based on a review of license renewal applications for hospitals in the applicant's nine-county service area, only one hospital, Mission Hospital in Buncombe County, has neonatal beds. Mission Hospital has 51 Level IV neonatal beds and no Level II or Level III neonatal beds.

In Section G, page 73, the applicant explains why it believes its proposal would not result in the unnecessary duplication of existing or approved neonatal services in Henderson County. The applicant states:

“The proposed project will fill a critical gap in the local healthcare continuum, enhancing access for neonatal acute care services.

...

...Mission Hospital...is the only provider of neonatal acute care services in western North Carolina.”

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

- The proposal would not result in duplication of Level II and Level III neonatal services in the nine-county service area.
- The applicant’s proposal will serve as an alternative to the highly utilized neonatal beds located at Mission Hospital in Buncombe County.
- The applicant adequately demonstrates that the proposed neonatal beds are needed in addition to the existing and approved neonatal beds in the service area.

Conclusion

The Agency reviewed the:

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

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

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

C

The applicant proposes to develop three Level II neonatal beds and two Level III neonatal beds at AdventHealth for a total of no more than five neonatal beds.

In supplemental information, the applicant provides projected full-time equivalent (FTE) staffing for the proposed services, as illustrated in the following table:

Position	Projected FTE		
	CY2026	CY2027	CY2028
Registered Nurses	8.4554	8.4844	8.5082
Lactation Consultant	0.1477	0.2095	0.2537
Respiratory Therapist	0.0201	0.0307	0.0393
Surgery Tech	0.0403	0.0614	0.0787
Total	8.6636	8.7860	8.8799

Source: Supplemental Information, page 3

The assumptions and methodology used to project staffing are provided in Section Q and in supplemental information. On pages 2-3 of the supplemental information, the applicant states:

“For clarification purposes, Form H included in the application rounds staff positions to the nearest tenth. AdventHealth Hendersonville employs respiratory therapists and Form H for the proposed neonatal beds includes an allocation for the employed staff position that will support the proposed service.”

Adequate operating expenses for the health manpower and management positions proposed by the applicant are budgeted in F.3b. In Section H, pages 75-76, the applicant describes the methods used to recruit or fill new positions and its proposed training and continuing education programs.

The applicant adequately demonstrates the availability of sufficient health manpower and management personnel to provide the proposed services based on the following:

- The applicant is an established provider in the service area and has a history of attracting and retaining qualified staff.
- AdventHealth maintains relationships with local and regional colleges and universities.
- AdventHealth has clinical and non-clinical training programs.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Responses to comments
- 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.

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

C

The applicant proposes to develop three Level II neonatal beds and two Level III neonatal beds at AdventHealth for a total of no more than five neonatal beds.

Ancillary and Support Services

In Section I, page 77, the applicant identifies the necessary ancillary and support services for the proposed services. On page 77, the applicant explains how each ancillary and support service is or will be made available. The applicant adequately demonstrates that the necessary ancillary and support services will be made available because the facility is an existing acute care hospital with ancillary and support services already available.

Coordination

In Section I, page 78, 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 because AdventHealth Hendersonville is an existing provider in the service area with established relationships with local healthcare and social service providers. In Exhibit I.2, the applicant provides letters from service area politicians and medical providers stating their support for the project.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Responses to comments
- 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.

- (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. Therefore, Criterion (9) is not applicable to this review.

- (10) When applicable, the applicant shall show that the special needs of health maintenance organizations will be fulfilled by the project. Specifically, the applicant shall show that the project accommodates: (a) The needs of enrolled members and reasonably anticipated new members of the HMO for the health service to be provided by the organization; and (b) The availability of new health services from non-HMO providers or other HMOs in a reasonable and cost-effective manner which is consistent with the basic method of operation of the HMO. In assessing the availability of these health services from these providers, the applicant shall consider only whether the services from these providers:
- (i) would be available under a contract of at least 5 years duration;
 - (ii) would be available and conveniently accessible through physicians and other health professionals associated with the HMO;
 - (iii) would cost no more than if the services were provided by the HMO; and
 - (iv) would be available in a manner which is administratively feasible to the HMO.

NA

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

- (11) Repealed effective July 1, 1987.
- (12) Applications involving construction shall demonstrate that the cost, design, and means of construction proposed represent the most reasonable alternative, and that the construction project will not unduly increase the costs of providing health services by the person proposing the construction project or the costs and charges to the public of providing health services by other persons, and that applicable energy saving features have been incorporated into the construction plans.

C

The applicant proposes to develop three Level II neonatal beds and two Level III neonatal beds at AdventHealth for a total of no more than five neonatal beds.

In Section K, page 80, the applicant states that the project involves renovating 2,035 square feet of existing space. Line drawings are provided in Exhibit K.2.

On page 80, 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 will utilize an experienced architect to develop a cost-effective plan for the proposed neonatal beds.
- The projected cost for design and renovation is based on the costs of similar projects, construction costing data, and the applicant and architect's experience.
- In Exhibit K.3, the applicant provides a cost certification letter from the architect.

On page 81, 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's extensive experience with developing and operating acute care services to meet the need of the service area population.
- Charges for the services are not expected to increase since these are established by Medicare, Medicaid and existing payor contracts.

On page 81, 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
- Written comments
- Responses to comments

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;

The applicant does not operate neonatal beds. In Section L, page 84, the applicant provides the historical payor mix during CY2023 for its entire hospital, as shown in the table below.

AdventHealth Hendersonville Historical Payor Mix 01/01/2023-12/31/2023	
Payor Category	Percentage of Total Patients Served
Self-Pay	4.1%
Charity Care	Included in Self-Pay
Medicare*	55.5%
Medicaid*	8.7%
Insurance*	29.2%
Other	2.5%
Total	100.0%

*Including any managed care plans.

In Section L, page 85, the applicant provides the following comparison.

AdventHealth Hendersonville	Percentage of Total Patients Served by the Facility or Campus during the Last Full FY	Percentage of the Population of the Service Area
Female	61.6%	51.6%
Male	38.4%	48.4%
Unknown	0.1%	0.0%
64 and Younger	45.6%	73.0%
65 and Older	54.4%	27.0%
American Indian	0.4%	0.7%
Asian	0.6%	1.4%
Black or African American	4.0%	3.4%
Native Hawaiian or Pacific Islander	0.1%	0.3%
White or Caucasian	90.4%	82.4%
Other Race	2.4%	11.8%
Declined / Unavailable	2.1%	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
- Written comments

- Responses to comments
- 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 86, the applicant states:

“AdventHealth Hendersonville does not discriminate based on race, ethnicity, creed, color, sex, age, religion, national origin, disability, gender, identity, or ability to pay. AdventHealth Hendersonville has a robust financial assistance policy to provide all services to all patients regardless of income, racial/ethnic origin, gender, physical or mental conditions, age, ability to pay, or any other factor that would classify a patient as underserved, AdventHealth Hendersonville will continue to be available to and accessible by any patient, including the indigent and medically underserved, having a clinical need for the offered services.”

In Section L, page 86, the applicant states that during the 18 months immediately preceding the application deadline, no patient civil rights access complaints have been filed against the facility or any similar facilities owned by the applicant or a related entity and located in North Carolina.

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Responses to comments

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 87, 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.

AdventHealth Hendersonville Projected Payor Mix Neonatal Acute Care Beds 3rd Full FY, CY 2028	
Payor Category	Percentage of Total Patients Served
Self-Pay	5.8%
Charity Care	Included in Self-Pay
Medicaid*	56.7%
Insurance*	37.5%
Total	100.0%

*Including any managed care plans.

As shown in the tables above, during the third full fiscal year of operation, the applicant projects that 5.8% of total neonatal services will be provided to self-pay and charity care patients and 56.7% to Medicaid patients.

On page 87, the applicant provides the assumptions and methodology used to project payor mix during the third fiscal year of operation following completion of the project. The projected payor mix is reasonable and adequately supported because it is based on the historical (CY2020-CY2022) payor mix for neonatal patient discharges from the catchment area that could be appropriately served by the proposed project.

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Responses to comments
- Information which was 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 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 89, 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
- Written comments
- Responses to comments

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

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

C

The applicant proposes to develop three Level II neonatal beds and two Level III neonatal beds at AdventHealth for a total of no more than five neonatal beds.

In Section M, page 91, 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 AdventHealth's existing professional training program agreements, as documented in Exhibit M.1.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Responses to comments

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

- (15) Repealed effective July 1, 1987.

- (16) Repealed effective July 1, 1987.
- (17) Repealed effective July 1, 1987.
- (18) Repealed effective July 1, 1987.

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

C

The applicant proposes to develop three Level II neonatal beds and two Level III neonatal beds at AdventHealth for a total of no more than five neonatal beds.

The 2024 SMFP does not define the service area for neonatal services. However, in Section Q, pages 101-106 and Section C, page 32, the applicant defines its service area as a nine-county catchment area consisting of the following counties: Buncombe, Haywood, Henderson, Madison, McDowell, Polk Rutherford, Transylvania and Yancey. Facilities may also serve residents of counties not included in their service area.

Based on a review of license renewal applications for hospitals in the applicant's nine-county service area, only one hospital, Mission Hospital in Buncombe County, has neonatal beds. Mission Hospital has 51 Level IV neonatal beds and no Level II or Level III neonatal beds.

Regarding the expected effects of the proposal on competition in the service area, in Section N, page 92, the applicant states:

“...the proposed project will allow AdventHealth to create a new point of access through a new provider of neonatal acute care services in western North Carolina providing more choices for patients to receive high-quality health care closer to home.”

Regarding the impact of the proposal on cost effectiveness, in Section N, page 92, the applicant states:

“...the proposed neonatal acute care beds will be developed in renovated, existing space which is less expensive than new construction. AdventHealth Health Hendersonville believes this is the most cost-effective approach to address the needs of the patients proposed to be served.

Additionally, the proposed project will promote cost effectiveness for patients in that they can access neonatal acute care services closer to home thereby reducing the need to travel out of county (or state) for services. The proposed project will also reduce the need for neonates to be transferred to a higher level of care. The costs associated with patient transfers can include the ambulance and medical interventions during transfer. The costs

of transferring a patient via ambulance can vary widely depending on factors such as the distance traveled, level of medical care required, equipment and personnel involved, and any additional services needed.”

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

Regarding the impact of the proposal on quality, in Section N, page 92-93, the applicant states:

“Transferring neonatal patients to a hospital in another county may limit the ability of family members to actively participate in the care and support of their infant. Families may face practical challenges, such as travel expenses, accommodation, and the strain of commuting between hospitals in different counties. These logistical burdens can add to the overall stress and burden on families during an already challenging time. While there may be instances where transfers are necessary for highly specialized care, efforts to provide comprehensive neonatal care locally can contribute to better clinical outcomes and improved patient and family experiences. Having Level II and Level III neonatal acute care beds within the hospital's own facility can address these challenges and enhance the overall quality of care for neonatal patients and their families.”

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, pages 93-94, the applicant states:

“The proposed project will promote access to healthcare services in the service area by the medically underserved. AdventHealth Hendersonville has existing strategies with specific activities designed to assure services will be accessible by indigent patients without regard to ability to pay. AdventHealth Hendersonville will not discriminate in the provision of services on the basis of age, race, religion, disability, or the patient’s ability to pay.”

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
- Written comments
- Responses to comments
- 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 113, the applicant identifies acute care facilities located in North Carolina owned, operated or managed by the applicant or a related entity. The applicant identified one hospital located in North Carolina.

In Section O, page 96, the applicant states that, during the 18 months immediately preceding the submittal of the application, incidents related to immediate jeopardy had not occurred in this facility. 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 quality of care had not occurred in this facility. After reviewing and considering information provided by the applicant and by the Acute and Home Care Licensure and Certification Section and considering the quality of care provided at the facility, the applicant provided sufficient evidence that quality care has been provided in the past. Therefore, the application is conforming to this criterion.

- (21) Repealed effective July 1, 1987.

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

NA

The applicant proposes to develop three Level II neonatal beds and two Level III neonatal beds. The Criteria and Standards for Level IV Neonatal Intensive Care Services, promulgated in 10A NCAC 14C .1403, do not apply to a proposal to develop Level II and Level III neonatal beds. Therefore, there are no administrative rules applicable to this proposal.