REQUIRED STATE AGENCY FINDINGS

FINDINGS
C = Conforming
CA = Conforming as Conditioned
NC = Nonconforming
NA = Not Applicable

Decision Date: September 26, 2024
Findings Date: September 26, 2024

Project Analyst: Tanya M. Saporito
Co-Signer: Gloria C. Hale

COMPETITIVE REVIEW

Project ID #:	J-12509-24
Facility:	UNC Hospitals-RTP
FID #:	210266
County:	Durham
Applicant:	University of North Carolina Hospitals at Chapel Hill University of North Carolina Health Care System
Project:	Develop no more than 38 acute care beds pursuant to the 2024 SMFP need determination

Project ID #:	J-12512-24
Facility:	Duke University Hospital
FID #:	943138
County:	Durham
Applicant:	Duke University Health System, Inc.
Project:	Develop no more than 38 acute care beds pursuant to the need determination in the 2024 SMFP

Each application was reviewed independently against the applicable statutory review criteria found in G.S. 131E-183(a) and the regulatory review criteria found in 10A NCAC 14C. After completing an independent analysis of each application, the Healthcare Planning and Certificate of Need Section (CON Section) also conducted a comparative analysis of all the applications. The Decision, which can be found at the end of the Required State Agency Findings (Findings), is based on the independent analysis and the comparative analysis.

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
Both Applications

Need Determination

Chapter 5 of the 2024 State Medical Facilities Plan (SMFP) includes a methodology for determining the need for additional acute care (AC) beds in North Carolina by service area. Application of the need methodology in the 2024 SMFP identified a need for 38 additional acute care beds in the Durham/Caswell/Warren County service area. Two applications were submitted to the Healthcare Planning and Certificate of Need Section ("Agency") proposing to develop a total of 76 new acute care beds in Durham County. However, pursuant to the need determination, only 38 acute care beds may be approved in this review for the Durham/Caswell/Warren multicounty acute care bed service area.

2024 SMFP: Mandatory applicant criteria for AC beds

On pages 34-35, 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 listed below… [listed on pages 34-35 of the 2024 SMFP].*"*

Policies

There are two policies in the 2024 SMFP applicable to this review: Policy GEN-3: *Basic Principles*, is applicable to both applications. Policy GEN-4: *Energy Efficiency and Sustainability for Health Service Facilities* is applicable to one application, Project ID #J-

12509-24, submitted by University of North Carolina Hospitals at Chapel Hill and University of North Carolina Health Care System.

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."*

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

Project ID #J-12509-24 / University of North Carolina Hospitals at Chapel Hill and University of North Carolina Health Care System / Add 38 AC beds

University of North Carolina Hospitals at Chapel Hill (UNC Hospitals) and University of North Carolina Health Care System (UNC Health), hereinafter referred to as "UNC" or "the applicant" was approved pursuant to Project ID #J-12065-21 on September 21, 2021 to develop a new hospital, UNC Hospitals-RTP ("UNC-RTP") with 40 acute care beds and 2 operating rooms (ORs) pursuant to need determinations in the 2021 SMFP. The decision to approve Project ID #J-12065-21 is currently under appeal and no certificate of need (CON) has been issued. On September 23, 2022 the applicant was approved pursuant to Project ID #J-12214-22 to develop no more than 34 additional acute care beds at UNC-RTP pursuant to the need determination in the 2022 SMFP, which was a change of scope to Project ID #J-12065-21. That project is also currently under appeal and no CON has been issued. In this project, UNC proposes a change of scope to Project ID #J-12214-22, by proposing to add 38 acute care beds pursuant to the need determination in the 2024 SMFP and additional hospital-based services. If a CON is issued to UNC for Project ID #J-12065-21, Project ID #J-12214-22 and this project, UNC would have a total of 112 acute care beds upon completion of all three projects.

Need Determination. In Section B, page 25 the applicant adequately demonstrates that it meets the requirements set forth in the 2024 SMFP, Chapter 5, pages 34-35. Furthermore, the applicant does not propose to develop more acute care beds than are determined to be needed in the Durham/Caswell/Warren multi-county service area.

Policy GEN-3. In Section B, pages 27-31, the applicant explains why it believes its application is conforming to Policy GEN-3.

Policy GEN-4. The proposed capital expenditure for this project is over $5 million. In Section B, page 32, the applicant describes the project's plan to improve energy efficiency and conserve water. The applicant adequately demonstrates that the application includes a written statement describing the project's plan to assure improved energy efficiency and water conservation.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Remarks made at the public hearing
- 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 the following reasons:

- The applicant does not propose to develop more acute care beds than are determined to be needed in the acute care bed service area.

- The applicant adequately demonstrates it meets the eligibility criteria needed to apply for acute care beds as set forth in the 2024 SMFP, Chapter 5, pages 34-35.

- The applicant adequately demonstrates that the proposal is consistent with Policy GEN-3 and Policy GEN-4 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 Durham County; and
  - The applicant adequately documents how the project will promote equitable access to acute care bed services in Durham County; and
  - The applicant adequately documents how the project will maximize healthcare value for the resources expended.
  - The applicant adequately demonstrates that the application includes a written statement describing the project's plan to assure improved energy efficiency and water conservation.

Project ID #J-12512-24 / Duke University Hospital / Add 38 AC beds

Duke University Health System, Inc. (hereinafter referred to as "Duke" or "the applicant") proposes to add 38 new acute care beds to Duke University Hospital (DUH), a hospital with 1,062 existing and approved acute care beds, for a total of 1,100 acute care beds upon project completion.

Need Determination. The applicant does not propose to develop more acute care beds than are determined to be needed in the Durham/Caswell/Warren multicounty service area. In Section B, page 24 and in Exhibit B.1(b), the applicant adequately demonstrates that it meets the requirements of a "qualified applicant" as defined in Chapter 5 of the 2024 SMFP.

Policy GEN-3. In Section B, page 27, the applicant explains why it believes its application is conforming to Policy GEN-3.

Policy GEN-4. The proposed capital expenditure for this project is $4.8 million. In Section B, page 28, the applicant states the proposal does not require any new construction or renovation; however, the applicant confirms it will continue to improve energy efficiency and utility usage and costs, including water conservation. The applicant adequately demonstrates that the application includes a written statement describing the project's plan to assure improved energy efficiency and water conservation.

<u>Conclusion</u>

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 the following reasons:

- The applicant does not propose to develop more acute care beds than are determined to be needed in the acute care bed service area.

- The applicant adequately demonstrates it meets the eligibility criteria needed to apply for acute care beds as set forth in the 2024 SMFP, Chapter 5, pages 34-35.

- The applicant adequately demonstrates that the proposal is consistent with Policy GEN-3 and Policy GEN-4 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 Durham County; and
    - The applicant adequately documents how the project will promote equitable access to acute care bed services in Durham County; and
    - The applicant adequately documents how the project will maximize healthcare value for the resources expended.
    - The applicant adequately demonstrates that 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
Both Applications

Project ID #J-12509-24 / University of North Carolina Hospitals at Chapel Hill and University of North Carolina Health Care System / Add 38 AC beds

The applicant proposes to develop 38 new acute care beds at UNC Hospitals-RTP in Durham County pursuant to the need determination in the 2024 SMFP for 38 AC beds in the Durham/Caswell/Warren multi-county acute care bed service area, which is a change of scope to Project ID #J-12214-22 (add 34 acute care beds). The applicant also proposes to add two GI endoscopy procedure rooms and other hospital-based services.

The applicant was part of a competitive review for acute care beds and operating rooms (ORs) in the Durham/Caswell multicounty service area based on need determinations in the 2021 SMFP. The applicant proposed to develop a new hospital with 40 acute care beds and 2 ORs. The Agency issued a decision in that competitive review on September 21, 2021, approving the applicant's proposal to develop a new hospital with 40 acute care beds and 2 ORs. That decision was appealed. The applicant was part of an additional competitive review for acute care beds in the Durham/Caswell multicounty service area based on a need determination in the 2022 SMFP. The Agency issued a decision in that competitive review on September 23, 2022, approving the applicant's proposal for a change of scope to Project ID #J-12065-21 and adding 34 additional acute care beds. That decision was also appealed. As of the date of these findings, both prior decisions are still under appeal, and a CON has not been issued for either project.

The applicant assumes both of the Agency's decisions will be upheld and in this application proposes a change of scope to Project ID #J-12214-22. The applicant proposes to develop 38 acute care beds pursuant to the need determination in the 2024 SMFP. If the Agency decision is upheld in the appeal of the original application to develop UNC Hospitals-RTP and the subsequent application to add 34 acute care beds to the proposed hospital, the facility will have 112 acute care beds upon completion of both prior projects and the project currently under review.

The applicant also proposes in this application to add four Level II neonatal beds, two unlicensed labor, delivery and recovery (LDR) beds, two GI endoscopy procedure rooms, eight additional emergency department (ED) bays, two interventional radiology rooms, two additional X-ray units, one additional ultrasound unit and one additional mammography unit. The applicant also proposes to add inpatient dialysis services for those hospital patients who require dialysis during their inpatient stay. The applicant also proposes to decrease the number of previously approved unlicensed observation beds from 20 to 16. The applicant proposes to add an additional 154,422 square feet to the facility as part of this proposed project.

On page 54, the applicant provides a table, shown below, that illustrates the two previously approved projects, the current project and the proposed services:

Previously Approved and Proposed Hospital Services

SERVICE COMPONENT	PROJECT ID #J-12065-21	PROJECT ID #J-12214-22	CURRENT PROJECT	TOTAL
Acute Care Beds	32 med/surg (0 ICU)	30 med/surg (0 ICU)	30 med/surg (20 ICU)	**92 med/surg (20 ICU)**
	8 postpartum	4 postpartum	8 antepartum /postpartum	**20 antepartum /postpartum**
Total Acute Care Beds	**40**	**34**	**38**	**112**
LDR Beds*	4	2	2	**8**
Level II Neonatal Beds	0	0	4	**4**
Observation Beds*	10	10	-4	**16**
Operating Rooms	2	0	0	**2**
GI Endoscopy Rooms	0	0	2	**2**
C-Section Rooms	2	0	0	**2**
Procedure Rooms	2	2	0	**4**
ED Bays	12	8	8	**28**
Inpatient Dialysis	Not Proposed	Not Proposed	Proposed	**Proposed**
Interventional Radiology Rooms	0	0	2	**2**
CT Scanners	1	1	0	**2**
X-ray Units	3	0	2	**5**
Ultrasound Units	2	1	1	**4**
SPECT Nuclear Scanner	1	0	0	**1**
Mammography Unit	1	0	1	**2**

*These beds are not licensed by the Acute and Home Care Licensure and Certification Section, DHSR

Patient Origin

On page 31, 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 Durham County is part of a multi-county acute care bed service area that includes Durham, Caswell and Warren counties. Each of the applicants in this review propose to develop the proposed acute care beds in Durham County. Thus, the service area for this facility is Durham County. Facilities may also serve residents of counties not included in their service area.

UNC Hospitals-RTP is not an existing facility and thus has no historical patient origin to report. The applicant does not expect that the population to be served will differ from what the Agency approved in Project ID #J-12214-22. In Section C, pages 60-61 the applicant states:

> *"Based on its location, facility size, and proposed scope of services – as well as the number of patients from the county that already seek care at a UNC Health hospital – UNC Hospitals believes it is reasonable to assume that most of the facility's patients will originate within Durham County. ...*
>
> *...*

> *As such, given that the proposed change in scope will augment the services already approved, and given the ongoing need for additional services in Durham County …, UNC Hospitals does not believe the proposed project will change the service area. As noted …, given the expanded scope of the size and services available, UNC Hospitals does expect that the inmigration of patients from outside Durham County will comprise a higher percentage of patients, more consistent with, but still lower than, the existing hospitals in Durham County."*

The applicant's assumptions are reasonable and adequately supported based on the following:

- The applicant states it did not significantly adjust its patient origin from the previously approved application because the types of services proposed in this application are the same (acute care beds), though this application proposes additional capacity for those services.

- The additional services proposed in this application will serve the same patient population as the previously approved acute care and other hospital services.

- The applicant's projected patient origin is similar to the patient origin it projected in Project ID #J-12214-22, which was found to be reasonable and adequately supported, and nothing in the current application as submitted would affect that determination.

Analysis of Need

In Section C, page 54, the applicant summarizes the need for the current application. The applicant states:

> *"The need for the proposed project is largely driven by factors detailed in UNC Hospitals' previous applications for acute care beds in the Durham/Caswell acute care bed service area (original application Project ID # J-012065-21 and change of scope application Project ID # J-012214-22). However, additional factors and more recent data have impacted the need for the proposed acute care hospital at UNC Hospitals-RTP and have increased the need for additional acute care beds and other services at the facility, as proposed."*

In Section C, pages 54-84, the applicant explains why it believes the population projected to utilize the proposed services needs the proposed services, as summarized below:

- Population growth, aging and demographic factors in the service area – The applicant cites North Carolina Office of State Budget and Management (NC OSBM) data that shows the population of Durham County in increasing at a faster rate than most of the other North Carolina counties. Additionally, the over 65 population of both Caswell and Warren counties, which are part of the multi-county acute care bed service area, is projected to comprise 25.8% of the total population by 2029. The applicant states the projected population growth, combined with other demographic factors in the service

area substantiate the need for additional acute care capacity and hospital services (pages 54-65).

- Need for additional acute care bed capacity in the SMFP – The 2024 SMFP identified a need for 38 additional acute care beds in the Durham/Caswell/Warren multi-county acute care bed service area (prior to the 2023 SMFP, the multi-county acute care bed service area was Durham/Caswell). The applicant states that, since the 2019 SMFP, there have been need determinations for a total of 180 additional acute care beds in the Durham/Caswell/Warren service area, which exceeds acute care bed need determinations for all other acute care bed service areas except for Mecklenburg County. The applicant states the Durham/Caswell/Warren acute care bed service area also needs more community based hospital services and intensive care services to serve the current and future populations, including an historically large percentage of inmigration to Durham County for acute care services (pages 66-72).

- Need for additional hospital services – The applicant proposes additional acute care services as part of this application, as summarized below:

  - Women's and neonatal services, including mammography services: the applicant cites NC OSBM data that shows the population of women of birthing age in the service area is increasing. Given the demographic disparities and limited access to healthcare in Durham County and the service area, the additional services will help UNC Hospitals-RTP to serve its increasing patient base (pages 72-74).

  - GI endoscopy services: the applicant cites NC OSBM data that shows increasing rates of cancer, obesity and other health issues substantiate the need for GI endoscopy procedure rooms. GI endoscopy procedures are an effective screening tool for cancer and other health issues that are prevalent in the service area (pages 74-78)

  - Interventional radiology (IR) services: the applicant proposes two IR rooms to complement previously approved imaging services as part of the new hospital. The applicant states IR services are often required for a wide range of patients requiring diagnostic care and/or treatment (pages 78-79).

  - Inpatient dialysis services: the applicant proposes to develop treatment space for its inpatient population who need dialysis services while hospitalized (pages 79-84).

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

- The applicant uses reliable data to illustrate projected population growth and aging in the service area and the need for additional acute care bed capacity.

- The applicant uses clearly cited, reasonable, and verifiable historical and demographical data to make the assumptions with regard to identifying the population to be served.

- The applicant uses assumptions consistent with those it used in Project ID #J-12214-22, which the Agency found to be reasonable and adequately supported, and there are no changes to the specific conditions in the proposed service area or in the application as submitted which would affect that determination.

Projected Utilization

On Forms C.1b - C.3b in Section Q, the applicant provides projected utilization as illustrated in the following tables:

UNC Hospitals-RTP Projected Utilization Acute Care Services and Medical Equipment			
	1st PY (FY 2033)	2nd PY (FY 2034)	3rd PY (FY 2035)
Acute Care Beds			
# of Beds	112	112	112
# of Patient Days	20,375	24,224	29,903
# of Discharges	3,557	4,209	5,172
ALOS	5.7	5.8	5.8
Occupancy Rate	49.8%	59.3%	73.1%
CT Scanner			
# of Units	2	2	2
# of Scans	17,358	20,637	25,475
# of HECT Units	26,820	31,887	39,362
Fixed X-ray (including fluoroscopy)			
# of Units	5	5	5
# of Procedures	20,444	24,306	30,004
Mammography			
# of Units	2	2	2
# of Procedures	9,645	11,467	14,156
Nuclear Medicine (SPECT)			
# of Units	1	1	1
# of Procedures	843	1,003	1,238
Ultrasound			
# of Units	4	4	4
# of Procedures	8,543	10,157	12,539
Other Medical Equipment (Vascular Interventional Radiology)			
# of Units	2	2	2
# of Procedures	10,988	13,064	16,127

*Source: Forms C.1b and C2b, Section Q

UNC Hospitals-RTP Projected Operating Room and Procedure Room Services			
	1ST PY (FY 2033)	2ND PY (FY 2034)	3RD PY (FY 2035)
ORs - # of Rooms by Type			
# of Dedicated C-Section ORs	2	2	2
# of Shared ORs	2	2	2
Total ORs	4	4	4
# of Excluded ORs	2	2	2
Adjusted Planning Inventory	2	2	2
Surgical Cases			
# of Inpatient Cases (excludes C-Section)	757	898	1,105
# of Outpatient Cases	1,263	1,498	1,376
Total # Surgical Cases	2,020	2,396	2,481
Case Times (Section C, Question 5(c))			
Inpatient	106.9	106.9	106.9
Outpatient	71.1	71.1	71.1
Surgical Hours			
Inpatient	1,349	1,600	1,970
Outpatient	1,496	1,775	1,630
Total Surgical Hours	2,845	3,375	3,600
# of ORs Needed			
Group Assignment	4	4	4
Standard Hours per OR per Year	1,500	1,500	1,500
ORs Needed*	1.9	2.2	2.4
GI Endoscopy Procedure Rooms			
# of Rooms	2	2	2
# of Inpatient Procedures	197	234	288
# of Outpatient Procedures	2,620	3,115	3,845
Total # Procedures	2,817	3,349	4,134
Average # Procedures/Room	1,408	1,674	2,067

Source: Form C.3b, Section Q
NOTE: Totals may not sum due to rounding
*ORs Needed = Total Surgical Hours / Standard Hours per OR per Year

In Section Q, *"Form C Utilization – Assumptions and Methodology"*, pages 1-40 the applicant provides the following introduction to its utilization methodology:

> *"Given the connection between the previously approved applications and this application (i.e., the development of a new hospital in southern Durham County with various acute care beds and related services), the methodologies and assumptions used in this application are similar to the methodologies and assumptions used for its two previous applications for UNC Hospitals-RTP. However, as explained in detail below, UNC Hospitals has updated the historical data and confirmed or updated the assumptions from the previously approved applications, given the continued expansion in the scope of services to be provided in the proposed project, along with the passage of time since the originally approved application.*
>
> *Additionally, … for the purposes of this application, UNC Hospitals assumes that the certificates of need for both previously approved projects will be issued at the*

conclusion of their litigations such that the project proposed in this application will change the scope of development for UNC Hospitals-RTP.

…

The proposed change of scope application involves the development of the following in addition to the previously approved assets… :

- *38 additional acute care beds… comprised of 10 additional med/surg beds, 8 additional antepartum/postpartum beds, and 20 intensive care unit (ICU) beds;*
- *Four Level II neonatal beds;*
- *Two additional unlicensed LDR beds;*
- *Two GI endoscopy rooms;*
- *Eight additional emergency department bays;*
- *Inpatient dialysis services;*
- *Two interventional radiology rooms, one of which will be used for Vascular Interventional Radiology (VIR), the other of which will be used for guided ultrasound procedures;*
- *One additional ultrasound unit;*
- *One additional mammography unit;*
- *Two additional X-ray units, one of which will be used for radiographic fluoroscopy."*

The applicant provides current assumptions and methodology used to project utilization in this change of scope application, as summarized below:

<u>*Acute Care Services*</u>

- Durham County Historical Days of Care: Citing Hospital Industry Data Institute (HIDI) data, the applicant states Durham County residents accounted for 130,691 acute care days in annualized calendar year (CY) 2023, the most recent period for which data are available. The applicant states the same data shows total acute care days in Durham County grew by an average compound annual growth rate (CAGR) of 2.9% from CY 2017 to CY 2023. The CAGR for medicine and surgery services increased by 2.6% and 5.0%, respectively, for the same time period, while obstetrics services actually decreased by 1.7%.

- Projected Days of Care for Durham County with High Acuity Services Omitted: The applicant states the previously approved hospital campus will provide lower acuity services than those provided by the larger, more specialized hospitals in Durham County. Therefore, applying the historical CAGR to those services, the applicant projected the following days of care for Durham County residents through CY 2035, the third project year:

Projected Select Services Acute Care Days - Durham County Residents – CY 2023-2035

	MEDICINE	SURGERY	OBSTETRICS	TOTAL
CY23	68,505	28,068	11,046	**107,620**
CY24	70,612	29,293	10,933	**110,838**
CY25	72,783	30,571	10,894	**114,248**
CY26	75,021	31,905	10,894	**117,821**
CY27	77,328	33,298	10,894	**121,520**
CY28	79,706	34,751	10,894	**125,351**
CY29	82,157	36,268	10,894	**129,319**
CY30	84,683	37,851	10,894	**133,428**
CY31	87,287	39,502	10,894	**137,684**
CY32	89,972	41,226	10,894	**142,092**
CY33	92,738	43,026	10,894	**146,658**
CY34	95,590	44,903	10,894	**151,387**
CY35	98,529	46,863	10,894	**156,286**
CAGR	3.1%	4.4%		

Source: Application Section Q, *Form C Utilization Assumptions and Methodology,* page 9

- Convert CY data to FY data to align with projections: The applicant states the proposed project is expected to begin operation on July 1, 2032, thus, the first full project year is FY 2033 (June 1-Juy 30). The applicant converted the CY days of care projections to UNC Hospitals' fiscal year using the following formulas:

    - FY 2033 = (0.5 x CY 2032) + (0.5 x CY 2033)
    - FY 2034 = (0.5 x CY 2033) + (0.5 x CY 2034)
    - FY 2035 = (0.5 x CY 2034) + (0.5 x CY 2035)

  The table below illustrates projected selected acute care services days for Durham County residents through the third project year:

Projected Select Services Acute Care Days - Durham County Residents – FY 2023-2035

	MEDICINE	SURGERY	OBSTETRICS	TOTAL
FY23	67,779	26,963	10,952	**105,694**
FY24	69,559	28,680	10,990	**109,229**
FY25	71,698	29,932	10,877	**112,507**
FY26	73,902	31,238	10,894	**116,035**
FY27	76,175	32,602	10,894	**119,670**
FY28	78,517	34,025	10,894	**123,436**
FY29	80,932	35,509	10,894	**127,335**
FY30	83,420	37,059	10,894	**131,373**
FY31	85,985	38,677	10,894	**135,556**
FY32	88,630	40,364	10,894	**139,888**
FY33	91,355	42,126	10,894	**144,375**
FY34	94,164	43,965	10,894	**149,023**
FY35	97,060	45,883	10,894	**153,837**

Source: Application Section Q, *Form C Utilization Assumptions and Methodology,* page 11.

The applicant projects obstetrics days to continue to decline at the historical rate through 2025, at which point they would decline below the lowest number of days in the historical period, 10,894. The applicant projects obstetrics services' utilization to remain at that level through all three project years.

- Determine Historical Market Share – The applicant analyzed historical market share for Durham County residents who sought care at a UNC facility (UNC Medical Center, UNC Hospitals Hillsborough Campus in Orange County and UNC Health Rex in Wake County). The applicant calculated a CAGR by which its market share of acute care services provided to Durham County residents at its other facilities increased from CY 2017-2022, as shown in the following table:

Market Share CAGR, CY 2017-2022

SERVICE	CY17	CY22	CAGR
Medicine	8.7%	9.9%	2.5%
Surgery	12.4%	12.6%	0.3%
Obstetrics	14.7%	15.2%	0.6%
Total Days	**10.4%**	**11.1%**	**1.3%**

Source: Application Section Q, *Form C Utilization Assumptions and Methodology,* page 11.

- Determine Projected Market Share – As it did in its previous applications, the applicant applied the market share CAGR to CY 2022 market share percentages to project UNC Hospitals-RTP's future market share of those services to Durham County residents, as shown in the following table:

SERVICE	CY 22	CAGR CY 2017-2022	CY 33	CY 34	CY 35
Medicine	9.9%	2.5%	13.0%	13.3%	13.6%
Surgery	12.6%	0.3%	13.0%	13.0%	13.0%
Obstetrics	15.2%	0.6%	16.2%	16.3%	16.4%

Source: Application Section Q, *Form C Utilization Assumptions and Methodology,* page 12

The applicant applied the percentages above to the projected potential days of care for Durham County residents to calculate projected utilization of the proposed services to be provided at UNC-RTP, as shown in the following table:

UNC Hospitals-RTP Projected Acute Care Days – Durham County Residents			
	SFY 2033	SFY 2034	SFY 2035
Medicine	11,845	12,516	13,226
Surgery	5,459	5,712	5,978
Obstetrics	1,716	1,778	1,789
Total Days	**19,071**	**20,007**	**20,993**

Source: Application Section Q, *Form C Utilization Assumptions and Methodology,* page 13

- Project Inmigration From Other Counties – The applicant altered the inmigration methodology that was previously approved in Project ID #J-12214-22. The applicant examined historical inmigration for acute care services at existing hospitals in Durham County from those counties that are contiguous to Durham County, excluding Orange County, those counties that comprise the acute care bed service area (Caswell and Warren), and one-half of the inmigration acute care days from Wake County. The applicant states it is reasonable to select the lowest inmigration rate of 29.8% to project its own inmigration. The applicant projects a higher inmigration than that in its previous application because it is adding additional acute care services and believes those services will provide additional capacity for additional patients in need of those services. The following table illustrates those projections:

UNC Hospitals-RTP Projected Inmigration Acute Care Days			
	SFY 2033	SFY 2034	SFY 2035
Days Before Inmigration	19,071	20,007	20,993
Inmigration Days	8,095	8,492	8,910
Total Facility Days	**27,166**	**28,499**	**29,903**

Source: Application Section Q, *Form C Utilization Assumptions and Methodology,* page 15

- Determine Inmigration Days by Service Category – The applicant projects total days of care by assuming that the historical ratio of days by service category to total days will be consistent through the three project years. The applicant applied these ratios to the projected inmigration to calculate total patient days by service category with inmigration. See the following table, from page 16:

	FY33 (PY1)	FY34 (PY2)	FY35 (PY3)
Total Projected Days from Durham County	19,071	20,007	20,993
Total Medicine Days from Durham County	11,845	12,516	13,226
Medicine Days Ratio	0.62	0.62	0.63
Total Surgery Days from Durham County	5,459	5,712	5,978
Surgery Days Ratio	0.29	0.29	0.28
Total Obstetrics Days from Durham County	1,767	1,778	1,789
Obstetrics Days Ratio	0.09	0.09	0.09
Medicine Inmigration Days*	**5,028**	**5,313**	**5,614**
Surgery Inmigration Days*	**2,317**	**2,425**	**2,537**
Obstetrics Inmigration Days*	**750**	**755**	**759**
Total Inmigration Days*	**8,095**	**8,492**	**8,910**

Source: Application Section Q, *Form C Utilization Assumptions and Methodology*, page 16.

- Project UNC-RTP Acute Care Days, ADC and Discharges – The applicant assumes its market share will ramp up as was previously approved in Project ID #J-11214-22 at 75% in PY 1, 85% in PY 2 and 100% in PY 3. The applicant projected discharges based on its projected days of care, including in-migration, the CY 2022 ALOS for Durham County residents, and market share for those services that will be offered at UNC-RTP.

UNC Hospitals-RTP Projected Utilization – Acute Care Beds

	FY 2033	FY 2034	FY 2035
Total Medicine Days	12,654	15,155	18,839
Medicine ALOS	6.1	6.1	6.1
Total Medicine Discharges*	2,071	2,481	3,084
Total Surgery Days	5,832	6,917	8,515
Surgery ALOS	7.7	7.7	7.7
Total Surgery Discharges*	757	898	1,105
Total Obstetrics Days	1,888	2,153	2,549
Obstetrics ALOS	2.6	2.6	2.6
Total Obstetrics Discharges*	728	830	983
Total Discharges	**3,557**	**4,209**	**5,172**

Source: Application Section Q, *Form C Utilization Assumptions and Methodology*, page 20.

The applicant states the ALOS for medicine and surgery are higher than in the previously approved application because they are based on more recent patient data.

Observation Beds

- The applicant proposes to decrease the number of previously approved observation beds from 20 to 16 at UNC-RTP. As in its methodologies for both Project ID # J-

012065-21 and Project ID # J-012214-22, the applicant projects observation days by analyzing the historical ratio of observation days to acute care days to observation bed utilization at UNC Hospitals Hillsborough Campus in Orange County for FY 2023 and calculated a ratio of 0.09 observation days to acute care days. The applicant applied this ratio to projected acute care days as shown in the following table:

	FY 2033 (PY1)	FY 2034 (PY2)	FY 2035 (PY3)
Total Acute Care Days	20,375	24,224	29,903
Ratio of Observation Days to Total Acute Care Days	0.09	0.09	0.09
Observation Days*	**1,836**	**2,182**	**2,694**

Source: Application Section Q *Form C Utilization Assumptions and Methodology,* page 21

- The applicant states that, given the expanded scope of services proposed in this application, projected observation days are greater than previously projected in both previous applications. The applicant states the ratio of observation days to acute care days is likely to increase in the future, as more patients are given observation status rather than as admitted inpatients. Additionally, the applicant states observation beds are also used for patients who need extra recovery time after a procedure or for emergency department patients who need additional observation to determine if an inpatient stay is necessary.

Level II Neonatal Beds

The applicant proposes to develop four Level II Neonatal beds as part of this application. The applicant states Level II neonatal care beds are utilized for babies born prematurely or for babies displaying moderate medical distress, such as slight illness or slight physiological issues, and do not represent the highest acuity of care provided for a newborn.

- The applicant examined CY 2022 historical neonatal days for Durham County residents to project neonatal days of care in its proposed beds. The applicant examined historical days for the following DRGs ("Diagnostic-Related Group"):

DRG Code – Description	Acute Care Days CY 2022
791 – Prematurity With Major Problems	2,480
792 – Prematurity Without Major Problems	790
793 – Full Term Neonate With Major Problems	1,564
794 – Neonate With Other Significant Problems	2,865
Total	**7,699**

Source: Application Section Q *Form C Utilization Assumptions and Methodology,* page 23.

The applicant projects to serve 100% of the historical acute care days for DRGs 791, 792 and 793, and 25% of the acute care days for DRG 794, since that code represents

a higher acuity level. Therefore, the applicant projects the following neonatal acute care days:

Acute Care Days Applicable to UNC Hospitals-RTP Based on CY 2022

DRG Code – Description	Acute Care Days
791 – Prematurity With Major Problems	2,480
792 – Prematurity Without Major Problems	790
793 – Full Term Neonate With Major Problems	1,564
794 – Neonate With Other Significant Problems	716
Total	**5,550**

Source: Application Section Q *Form C Utilization Assumptions and Methodology,* page 23.

The applicant states historical data show that the ratio of neonatal care days to obstetrics days based on CY 2022 data is 0.51; therefore, the applicant projects neonatal care days by applying that ratio to projected obstetrics days, as shown in the following table:

	FY 2033 (PY1)	FY 2034 (PY2)	FY 2035 (PY3)
Obstetrics Days – UNC Hospitals-RTP	1,888	2,153	2,549
Ratio of Applicable Neonatal DOC to Obstetrics DOC	0.51	0.51	0.51
Neonatal Care Days	**965**	**1,101**	**1,303**
Neonatal ADC	2.6	3.0	3.6
Level II Neonatal Care Beds	4	4	4
Occupancy %	**66.1%**	**75.4%**	**89.2%**

Source: Application Section Q *Form C Utilization Assumptions and Methodology,* page 24.

The applicant projects that obstetrics days at UNC Hospitals-RTP will continue to increase during the first three full project years and the need for Level II neonatal services will also increase. The four Level II neonatal beds will lessen the risk of newborn capacity issues in the event of demand surges while providing the resources to care for critically ill infants.

Emergency Services

The applicant proposes to develop eight additional emergency department (ED) bays as part of this change of scope application. The applicant projects that demand for emergency services will increase consistent with the projected growth of its other acute care services. In order to project growth in emergency services, the applicant examined the historical percentage of Durham County acute care patients who were admitted through the ED in CY 2022 for the services proposed to be offered at UNC Hospitals-RTP. The applicant's historical data show that 65.2% of acute care discharges were admitted through the ED, and 16.2% of its Durham County admissions were through the ED. The following table illustrates projected ED visits at UNC Hospitals-RTP in each of the three project years:

Projected ED Visits

	FY33 (PY1)	FY34 (PY2)	FY35 (PY3)
ED Admissions	2,318	2,743	3,371
ED Admissions as % of Durham County ED Visits	16.2%	16.2%	16.2%
Total ED Visits	**14,293**	**16,914**	**20,785**

Source: : Application Section Q *Form C Utilization Assumptions and Methodology,* page 26.

The applicant divides the total projected number of ED admissions as a percent of Durham County ED visits by the projected number of ED bays, as shown in the following table:

Projected ED Visits per ED Bay

	FY33 (PY1)	FY34 (PY2)	FY35 (PY3)
ED Visits	14,293	16,914	20,785
ED Bays	28	28	28
Total ED Visits	**510**	**604**	**742**

Source: Application Section Q *Form C Utilization Assumptions and Methodology,* page 26.

Operating Rooms and Procedure Rooms

Pursuant to Project ID #J-12065-21, the applicant was approved to develop two operating rooms (ORs) as part of its acute care hospital. In this application, the applicant does not propose additional ORs, but states its utilization projections for the ORs have changed.

The applicant examines existing 2023 Durham County hospitals' LRAs to determine the number of historical outpatient surgery cases performed in FFY 2022. The applicant found that Durham County hospitals performed a total of 9,738 outpatient surgeries and 5,838 inpatient surgeries during federal fiscal year (FFY) 2022. The applicant determined that the ratio of outpatient to inpatient surgical cases during that time was 1.7, which the applicant states will be representative of cases to be performed at its proposed hospital. Therefore, the applicant uses the ratio of 1.7 to project the number of outpatient surgical cases to be performed at UNC Hospitals-RTP during the first three project years. The following table illustrates the projected number of outpatient and inpatient surgical cases to be performed at UNC Hospitals-RTP during the first three project years:

Projected Surgery Cases, First Three Project Years

SERVICE	FY33 (PY1)	FY34 (PY2)	FY35 (PY3)
Facility Inpatient Surgery Cases*	757	898	1,105
Durham County Hospitals Ratio of Outpatient to Inpatient Surgical Cases	1.7	1.7	1.7
Facility Outpatient Surgery Cases	1,263	1,498	1,844
Total Surgery Cases	**2,020**	**2,396**	**2,949**

*The applicant states inpatient surgery cases is equivalent to total surgery discharges as calculated above.
Source: Application Section Q *Form C Utilization Assumptions and Methodology,* page 28.

UNC Hospitals-RTP's group assignment as defined in the *2024 SMFP* is Group 4, with a final inpatient case time of 106.9 minutes, a final outpatient case time of 71.1 minutes, and 1,500 standard hours per OR per year. Using these case times to project estimated surgical hours, the applicant projects the following surgical hours and projected surgical hours per standard OR in the first three project years:

Projected Surgical Hours

SERVICE	FY33 (PY1)	FY34 (PY2)	FY35 (PY3)
Inpatient Surgery Cases	757	898	1,105
Final Inpatient Case Time	106.9	106.9	106.9
Inpatient Surgery Hours	**1,349**	**1,600**	**1,970**
Outpatient Surgery Cases	1,263	1,498	1,844
Final Outpatient Case Time	71.1	71.1	71.1
Outpatient Surgery Hours	**1,496**	**1,775**	**2,185**
Total Surgery Hours	**2,845**	**3,375**	**4,155**

Source: Application Section Q *Form C Utilization Assumptions and Methodology,* page 28.

As in the previous application, the applicant assumes it will operate both ORs at 90% of capacity, or 1,800 hours per OR per year. The applicant assumes that all inpatient surgical cases will be performed in one of the two approved ORs, and that any outpatient surgical cases that could not be performed in one of the ORs operating at 90% of capacity would be performed in a procedure room, which will be built to OR standards.

The applicant relied on FY 2023 data from UNC Hospitals Hillsborough Campus's ratio of procedure room procedures to operating room cases, which was 0.51. The applicant applied this historical ratio to total surgical cases projected to be performed at UNC Hospitals-RTP in order to determine procedure room utilization. The applicant's OR and procedure room utilization assumptions are summarized in the following tables:

Projected OR Utilization

SERVICE	FY33 (PY1)	FY34 (PY2)	FY35 (PY3)
Inpatient Surgery Cases	757	898	1,105
Final Inpatient Case Time	106.9	106.9	106.9
Inpatient Surgery Hours	**1,349**	**1,600**	**1,970**
Outpatient Surgery Cases	1,263	1,498	1,376
Final Outpatient Case Time	71.1	71.1	71.1
Outpatient Surgery Hours	**1,496**	**1,775**	**1,630**
Total Surgery Hours*	**2,845**	**3,375**	**3,600**
Total Surgical Hours / Standard Hours per OR per Year	**1.9**	**2.2**	**2.4**
OR Capacity	2	2	2

Source: Application Section Q *Form C Utilization Assumptions and Methodology,* page 31.

Projected Procedure Room Utilization

	FY33 (PY1)	FY34 (PY2)	FY35 (PY3)
Procedure Room Procedures*	1,022	1,212	1,255
OR Outpatient Cases to Shift to Procedure Room	0	0	468
Total Procedure Room Procedures Following Shift	**1,022**	**1,212**	**1,723**
Procedure Rooms	4	4	4

*0.51 * OR Surgery Cases
Source: Application Section Q *Form C Utilization Assumptions and Methodology,* page 32.

The applicant states the utilization of the two ORs and the efficiencies of subdividing typically shorter procedures from longer surgical cases performed in operating rooms substantiates the need for the four procedure rooms to accommodate patient demand.

C-Section Rooms

The applicant updated the utilization projections for its two previously approved C-Section rooms as a result of utilizing updated historical data. The applicant states that, according to HIDI data for CY 2022, 28% of Durham County resident obstetrics acute care discharges in CY 2022 resulted in a C-Section deliveries. The applicant applied that same historical ratio to its projections, as shown below:

	FY33 (PY1)	FY34 (PY2)	FY35 (PY3)
Total Obstetrics Discharges	728	830	983
C-Section to OB Discharge Ratio	0.28	0.28	0.28
Projected C-Sections	**203**	**232**	**274**

Source: Application Section Q *Form C Utilization Assumptions and Methodology,* page 33.

GI Endoscopy Procedure Rooms

The applicant proposes in this application to develop two GI endoscopy procedure rooms. The applicant analyzed the historical (FFY 2023) utilization at UNC Health Johnston to calculate an historical benchmark and ratio to acute care days in order to project GI endoscopy utilization through its third full project year. The applicant states UNC Health Johnston is licensed for 179 acute care beds and three GI endoscopy procedure rooms and does not currently own or participate in any freestanding GI endoscopy facilities, thus making it an appropriate comparative facility. The applicant determined that the ratio of inpatient GI endoscopy procedures to acute care days at UNC Health Johnston in FFY 2023 was 0.01; and the ratio of outpatient GI endoscopy procedures to acute care days was 0.13. The applicant applied the same ratios to its projected acute care days, as shown in the following table:

Total Inpatient and Outpatient GI Endoscopy Procedures – UNC Hospitals-RTP

	Ratio	FY33 (PY1)	FY34 (PY2)	FY35 (PY3)
Total Acute Care Days		**20,375**	**24,224**	**29,903**
Inpatient GI Endoscopy Procedures	0.01	197	234	288
Outpatient GI Endoscopy Procedures	0.13	2,620	3,115	3,845
Total GI Endoscopy Procedures		**2,817**	**3,349**	**4,134**
Total GI Endoscopy Procedure Rooms		**2**	**2**	**2**
Total GI Endoscopy Procedures per Room		**1,408**	**1,674**	**2,067**

Source: Application Section Q *Form C Utilization Assumptions and Methodology,* pages 34-35.

The Criteria and Standards for Gastrointestinal Endoscopy Procedure Rooms in Licensed Health Service Facilities, promulgated at 10A NCAC 14C .3903 require an applicant to project to perform an average of at least 1,500 GI endoscopy procedures per GI endoscopy room during the third full fiscal year of operation following completion of the project. The applicant projects to provide a total of 2,067 GI endoscopy procedures per room in the third project year, which exceeds the minimum performance standard requirements.

Imaging and Ancillary Services

In this application, the applicant proposes to add one additional ultrasound unit, one additional mammography unit and two additional x-ray units, one of which will be used for radiographic fluoroscopy services (a type of x-ray imaging that allows doctors to view internal structures of the human body in real time). Combining the previously-approved imaging services with those proposed in this application yields the following proposed equipment:

Service Component	Previously Approved Initial Application (Project ID # J-012065-21)	Previously Approved Change of Scope (Project ID # J-012214-22)	Project ID #J-12409-24	Total
CT Scanners	1	1	0	**2**
X-ray Units	3	0	2	**5**
Ultrasound Units	2	1	1	**4**
SPECT Nuclear Scanner	1	0	0	**1**
Mammography Unit	1	0	1	**2**

Source: Application Section Q *Form C Utilization Assumptions and Methodology,* page 35.

The applicant states imaging projections are based on the applicant's operational understanding of the potential imaging volume of a 112-acute care bed hospital, as well as the expanded scope of services that are projected to be provided at the facility.

The applicant examined UNC Hospitals Hillsborough Campus FY 2023 historical data to determine the ratio of imaging services to total acute care days, consistent with the assumptions in the two previously-approved applications. The ratio of acute care days at UNC Hospitals Hillsborough to imaging and ancillary services utilization is shown in the following table:

Ratios of Select Imaging and Ancillary Services, UNC Hillsborough, FY 2023

Service	Utilization	Ratio to Acute Care Days
Total Acute Care Days	22,468	
CT Scans	19,141	0.9
Ultrasound Procedures	9,421	0.4
X-Ray Procedures	22,544	1.0
Nuclear (SPECT) Procedures	930	0.04
Mammography Procedures	10,636	0.5
Physical Therapy Visits	67,052	3.0
Occupational Therapy Visits	74,907	3.3
Speech Therapy Visits	16,251	0.7
Lab Tests	324,856	14.5

Source: Application Section Q *Form C Utilization Assumptions and Methodology,* page 36.

Applying the historical ratios noted above results in the following imaging and ancillary services projections for UNC Hospitals-RTP in each of the three project years:

SERVICE	RATIO TO ACUTE CARE DAYS	FY33 (PY1)	FY34 (PY2)	FY35 (PY3)
Total Acute Care Days – UNC Hospitals-RTP		**20,375**	**24,224**	**29,903**
CT Scans	0.9	17,358	20,637	25,475
Ultrasound Procedures	0.4	8,543	10,157	12,539
X-Ray Procedures	1.0	20,444	24,306	30,004
Nuclear (SPECT) Procedures	0.04	843	1,003	1,238
Mammography Procedures	0.5	9,645	11,467	14,156
Physical Therapy Visits	3.0	60,805	72,293	89,241
Occupational Therapy Visits	3.3	67,928	80,762	99,696
Speech Therapy Visits	0.7	14,737	17,521	21,629
Lab Tests	14.5	294,589	350,250	432,360

Source: Application Section Q *Form C Utilization Assumptions and Methodology,* page 37.

The applicant states the increase in imaging and ancillary services projections is reasonable, given the proposed increase in acute care beds and introduction of new service components that will result in greater utilization of all hospital services.

The applicant applied the same historical Hillsborough campus imaging data to project the number of HECT units per CT scanner, as shown in the following table:

Projected CT and HECT Utilization, UNC Hospitals-RTP, First Three Project Years

	FY33 (PY1)	FY34 (PY2)	FY35 (PY3)
CT Scans	17,358	20,637	25,475
HECT Units per Scan – UNC Hospital Hillsborough Campus	1.55	1.55	1.55
HECT Units	**26,820**	**31,887**	**39,362**
CT Scanners	2	2	2
HECT Units/CT Scanner	**13,410**	**15,944**	**19,681**

Source: Application Section Q *Form C Utilization Assumptions and Methodology,* page 37.

The applicant states the projected increase in HECT units per CT scanner to be performed in the third project year is consistent with the acute care bed projections and the anticipated increase in patient volume at UNC Hospitals-RTP relative to the previous two applications, given the increase in both acute care bed capacity and expanded scope of other services, including the additional imaging services.

Interventional Radiology Services

The applicant proposes two Interventional Radiology (IR) rooms as part of this application. The applicant states one room will be used for Vascular Interventional Radiology (VIR) services, while the other will be used for guided ultrasound procedures. Given the expanded

diagnostic abilities that having IR capabilities provides to a hospital, the applicant believes it is essential that UNC Hospitals-RTP includes the capacity to perform these procedures as it grows its expected volume of patients. To project IR procedures at UNC Hospitals-RTP, the applicant uses the historical ratio of IR procedures to acute care days at its UNC Hospitals Hillsborough campus for FY 2023, which was 0.54.

Projected IR Procedures, UNC Hospitals-RTP

Service	Ratio to Acute Care Days	FY33 (PY1)	FY34 (PY2)	FY35 (PY3)
Total Acute Care Days – UNC Hospitals-RTP		20,375	24,224	29,903
VIR Procedures	**0.54**	**10,988**	**13,064**	**16,127**

Source: Application Section Q *Form C Utilization Assumptions and Methodology,* page 38.

Inpatient Dialysis Services

The applicant proposes to develop space for inpatient hemodialysis services to provide dialysis care to inpatients already seeking care at UNC Hospitals-RTP who need dialysis services during their inpatient visit. The applicant examined the historical FY 2023 ratio of inpatient dialysis procedures to acute care days at UNC Hospitals Hillsborough, which currently provides inpatient dialysis services. The applicant determined the ratio of inpatient dialysis services to acute care days at the Hillsborough campus was 0.03, and applied that same ratio to projected acute care days at UNC Hospitals-RTP for the three project years, as shown in the following table:

Projected Inpatient Dialysis Treatments

Service	Ratio to Acute Care Days	FY33 (PY1)	FY34 (PY2)	FY35 (PY3)
Total Acute Care Days – UNC Hospitals-RTP		20,375	24,224	29,903
Inpatient Dialysis Treatments	**0.03**	**587**	**698**	**861**

Source: Application Section Q *Form C Utilization Assumptions and Methodology,* page 40.

Projected utilization is reasonable and adequately supported based on the application, exhibits to the application, written comments, responses to comments, remarks made at the public hearing, and information publicly available during the review and used by the Agency, including, but not limited to, the highlighted points listed below:

- There is a need determination in the 2024 SMFP for 38 acute care beds in the Durham/Caswell/Warren multicounty acute care bed service area.

- The applicant relies on historical utilization at its own different campuses to project future utilization of the same services that will be offered at UNC Hospitals-RTP.

- The applicant relies on the same methodologies for those services previously approved in Project ID #J-12065-21 and/or Project ID # J-12214-22, uses more recent historical data to update the projections, and adjusts for the proposed increased scope of inpatient services.

- Inpatient (IP) days are based on projected discharges, average daily census (ADC), and the average length of stay (ALOS).

- The applicant relies on data regarding projected population growth, aging and demographic factors in the service area.

- Projected outpatient surgical cases reflect the acuity adjustment of the inpatient cases upon which they are based.

- The applicant projects lower acuity patient encounters, since it proposes these services at a smaller community hospital that does not provide the specialized higher-acuity services provided at larger specialized hospitals.

- The applicant's projected utilization for all the acute care beds (existing, approved and proposed) meets the performance standard promulgated in 10A NCAC 14C .3803.

- The applicant's projected utilization for the GI endoscopy services meets the performance standard promulgated in 10A NCAC 14C .3903.

Access to Medically Underserved Groups

In Section C.6, pages 89-90, the applicant states,

> *"… access to services from underserved groups is not changing from UNC Hospitals' previous change of scope application (Project ID # J-012214-22) …."*

The applicant provides an updated estimated percentage for each medically underserved group, as shown in the following table.

Estimated Percentage of Total Patients, Third Project Year

MEDICALLY UNDERSERVED GROUPS	PERCENTAGE OF TOTAL PATIENTS
Low-income persons*	---
Racial and ethnic minorities	46.2%
Women	64.1%
Persons with Disabilities*	---
Persons 65 and Older	22.3%
Medicare beneficiaries	25.2%
Medicaid recipients	12.7%

*On page 90 the applicant states UNC Hospitals does not maintain data regarding the number of low-income persons or persons with disabilities that it serves.

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

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- 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 the following reasons:

- The applicant adequately identifies the population to be served.
- The applicant adequately explains why the population to be served needs the services proposed in this application.
- Projected utilization is reasonable and adequately supported.
- The applicant describes the extent to which all residents, including underserved groups, are likely to have access to the proposed services and adequately supports its assumptions.

Project ID #J-12512-24 / Duke University Hospital / Add 38 AC beds

The applicant proposes to develop 38 new acute care beds at DUH pursuant to the need determination in the 2024 SMFP.

Patient Origin

On page 31, 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 Durham County is part of a multi-county acute care bed service area that includes Durham, Caswell and Warren counties. Each of the applicants in this review propose to develop the proposed acute care beds in Durham County. Thus, the service area for this facility is Durham County. Facilities may also serve residents of counties not included in their service area.

The following tables illustrate historical and projected patient origin for adult inpatient services for Duke University Hospital. Duke's fiscal year is July 1 – June 30.

DUH Historical Patient Origin – Adult Inpatient Services, FY 2023

	Duke University Hospital – Adult Inpatients Last Full FY - 07/01/22 - 06/30/2023	
County or other geographic area such as ZIP code	**Number of Patients**	**% of Total**
Alamance	1,332	3.7%
Caswell	157	0.4%
Chatham	183	0.5%
Cumberland	970	2.7%
Durham	10,059	27.8%
Franklin	532	1.5%
Granville	1,418	3.9%
Guilford	680	1.9%
Harnett	329	0.9%
Johnston	498	1.4%
Lee	278	0.8%
Nash	312	0.9%
Orange	1,402	3.9%
Person	1,119	3.1%
Robeson	457	1.3%
Vance	961	2.7%
Wake	4,839	13.4%
Warren	368	1.0%
Wilson	271	0.7%
Other NC Counties	6,116	16.9%
Virginia	2,182	6.0%
Other States	1,747	4.8%
International	7	0.0%
Total	**36,217**	**100.0%**

Source: Application Section C, pages 29-30.

DUH Projected Patient Origin

Service Component – DUH Adult Inpatients	1st Full FY 7/1/2025 - 6/30/2026		2nd Full FY 7/1/2026 - 6/30/2027		3rd Full FY 7/1/2027 - 6/30/2028	
County or other geographic area such as ZIP code	Number of Patients	% of Total	Number of Patients	% of Total	Number of Patients	% of Total
Alamance	1,446	3.7%	1,468	3.7%	1,490	3.7%
Caswell	181	0.5%	184	0.5%	187	0.5%
Chatham	196	0.5%	199	0.5%	202	0.5%
Cumberland	979	2.5%	993	2.5%	1,008	2.5%
Durham	10,802	27.5%	10,965	27.5%	11,129	27.5%
Franklin	612	1.6%	621	1.6%	630	1.6%
Granville	1,506	3.8%	1,529	3.8%	1,552	3.8%
Guilford	783	2.0%	795	2.0%	807	2.0%
Harnett	443	1.1%	450	1.1%	456	1.1%
Johnston	497	1.3%	504	1.3%	512	1.3%
Lee	293	0.7%	297	0.7%	301	0.7%
Nash	369	0.9%	374	0.9%	380	0.9%
Orange	1,578	4.0%	1,602	4.0%	1,626	4.0%
Person	1,251	3.2%	1,269	3.2%	1,288	3.2%
Robeson	459	1.2%	466	1.2%	473	1.2%
Vance	1,111	2.8%	1,127	2.8%	1,144	2.8%
Wake	5,353	13.6%	5,433	13.6%	5,515	13.6%
Warren	402	1.0%	408	1.0%	414	1.0%
Wilson	255	0.7%	259	0.7%	263	0.7%
Other NC Counties	6,348	16.2%	6,444	16.2%	6,540	16.2%
Virginia	2,398	6.1%	2,434	6.1%	2,471	6.1%
Other States	1,947	5.0%	1,976	5.0%	2,006	5.0%
International	8	0.0%	8	0.0%	8	0.0%
Total	**39,217**	**100.0%**	**39,805**	**100.0%**	**40,402**	**100.0%**

Source: Application Section C, pages 31-32.

In Section C, page 31 the applicant provides the assumptions and methodology used to project its patient origin. The applicant's assumptions are reasonable and adequately supported because they are based on historical data for DUH adult inpatient acute care services.

Analysis of Need

In Section C, pages 33-37, the applicant explains why it believes the population projected to utilize the proposed services needs the proposed services, summarized as follows:

- There is a need in the 2024 SMFP for 38 additional acute care beds in the Durham/Caswell/Warren multicounty acute care bed service area. The applicant states the need for the acute care beds is entirely driven by DUH utilization, which is an existing quaternary academic medical center that serves patients from the service area, region, state and country (pages 33-34).

- DUH Historical Utilization – DUH historical utilization of adult inpatient beds has been steadily increasing since FY 2021. The applicant examined its own historical utilization which shows the following growth rates for adult inpatient services:

ADULT INPATIENT SERVICES	FY2021	FY2022	FY2023	FY 24 ANNUALIZED
Discharges	35,539	35,176	36,217	38,066
Year over year increase	--	-1%	3%	5%
Inpatient Days	257,310	266,026	271,804	277,684
Year over year increase	--	3%	2%	2%
Average Daily Census	705	729	745	761
Average Length of Stay	7.24	7.56	7.50	7.29

Source: Application Section C, page 34

In Section C, page 35 the applicant states the hospital's average daily census in the first 6 months of FY 2024 was 934, for an average occupancy rate of 88%. Occupancy has remained high since then, with more than 70 days above 90% occupancy in the first three months of calendar 2024.

- Specific need for tertiary/quaternary care capacity and ED access – The applicant states DUH utilization has been the sole driver of the need for additional acute care beds in the Durham/Caswell/Warren (Warren County was added in 2023 to the Durham/Caswell acute care bed service area) multicounty acute care bed service area. Since the hospital is a tertiary and quaternary care facility, it routinely accepts referrals from the service area, the state as a whole and the country for the specialized care it provides. The applicant states that in FY 2023, DUH reported 76,293 ED visits, resulting in 20,285 inpatient admissions from the ED. Because of limited adult inpatient acute care capacity, the hospital had to board patients in the ED while they waited for inpatient placement, which the applicant states impacts patient care and patient access to necessary care. The applicant states the additional acute care beds are critical to the hospital's ability to provide the care its patients need.

- Population Growth – The applicant examined projected population growth in Durham and surrounding counties from July 1, 2020 to July 1, 2030 and determined that the population of Durham County is projected to increase by 13.5%, while the population of the state as a whole is projected to increase by 11% during that same period. See the table that illustrates those projections on pages 36-37 of the application.

- DUHS Network Growth – The applicant states that DUHS medical staff, provider referral network and primary care patient population have each increased since 2019. The applicant states Durham County FTEs at Duke Primary Care, a subsidiary of DUHS, increased by more than 25% since FY 2019, and its network of primary care providers increased by more than 40% during the same time period. The applicant provides letters of support from its physicians, attesting to the capacity strains the hospital experiences, in Exhibit C.4.

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

- The applicant provides reasonable and supported information regarding utilization at DUH and the need for the acute care beds.

- The applicant provides reliable information regarding population growth in the service area and in the state as a whole.

- The applicant provides reliable information regarding its ED utilization and the impact of that utilization on its acute care bed availability.

Projected Utilization

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

Historical & Interim Utilization, DUH Acute Care Beds

Acute Care Beds	Last Full FY (FY 2023)	Interim FY (FY 2024)
Total # Beds	1062	1062
# Discharges	41,710	43,624
# Patient Days	330,729	341,042
ALOS	7.9	7.8
Occupancy Rate	85.3%	88.0%

Source: Application Section Q, Form C.1a

Projected Utilization, DUH Acute Care Beds

Acute Care Beds	Interim FY (FY 2025)	1st Full FY (FY 2026)	2nd Full FY (FY 2027)	3rd Full FY (FY 2028)
Total # Beds	1,100	1,100	1,100	1,100
# Discharges	44,244	44,872	45,510	46,158
# Patient Days	345,621	350,267	354,980	359,762
ALOS	7.8	7.8	7.8	7.8
Occupancy Rate	86.1%	87.2%	88.4%	89.6%

Source: Application Section Q, Form C.1b

In Section Q, pages 88-90, the applicant provides the assumptions and methodology used to project utilization, summarized as follows:

Adult Inpatient Services

- The applicant states its FY is the same as the state FY, July 1-June 30.

- The applicant states the additional acute care beds will be used for adult inpatient services. The applicant provides data to show adult inpatient services utilization has increased between FY 2021 and FY 2024. The applicant calculates a two-year CAGR for both discharges and inpatient days at DUH, as shown in the following table:

Adult Inpatient Services Historical Utilization

ADULT	FY 2021	FY 2022	FY 2023	FY 2024*	2-YEAR CAGR (FY 22-24)	3-YEAR CAGR (FY 21-24)
Discharges	35,539	35,176	36,217	38,066	4.0%	2.3%
Inpatient Days	257,310	266,026	271,804	277,684	2.2%	2.6%
ADC	705	729	745	761		
ALOS	7.24	7.56	7.50	7.29		

*Annualized by the applicant based on data from July-December.
Source: Application Section Q, page 88

As shown in the table above, adult inpatient discharges increased by a 4.0% CAGR from FY 2022-2024, and inpatient days increased by a 2.2% CAGR during the same time. The CAGR for both inpatient days and discharges increased slightly less when the applicant calculated a three-year CAGR.

- The applicant projects that inpatient days of care will continue to increase at an annual rate of 1.5% beginning in FY 2025, which is less than the historical CAGR.

- The applicant projects that discharges will increase by the same annual rate of 1.5% and assumes the ALOS will remain constant at the FY 2024 level. The applicant states DUH has made concerted operational efforts to reduce average length of stay, consistent with its experience during COVID-19, and projects that it will maintain its FY 2024 experience. The table below illustrates projected growth in adult inpatient services:

Adult Inpatient Services Projected Utilization

ADULT	FY 2025	FY 2026	FY 2027	FY 2028
Discharges	38,637	39,217	39,805	40,402
Inpatient Days	281,849	286,077	290,368	294,724
ADC	772	784	796	807
ALOS	7.29	7.29	7.29	7.29

Source: Application Section Q, page 89

The applicant states DUH also operates pediatric and neonatal beds, and projects utilization of those beds separately.

Pediatric (Non-neonatal) Beds

- The applicant states it annualized FY 2024 data for pediatric beds as it did with the adult inpatient services, based on the first six months of FY 2024 (July – December). The applicant calculated a CAGR for inpatient days and discharges for the same time period as it did with the adult services. The applicant assumes pediatric days of care will grow at 1% per year beginning in FY 2025 which is lower than its two-year and three-year historical CAGRs. Additionally, the applicant calculates discharges based on current average length of stay, as shown in the following table:

Historical and Projected Pediatric Bed Utilization, DUH

	FY 2021	FY 2022	FY 2023	FY 2024*	FY 2025	FY 2026	FY 2027	FY 2028	2-Year CAGR (FY 22-24)	3-Year CAGR (FY 21-24)
Discharges	4,840	4,681	4,769	4,868	4,917	4,966	5,016	5,066	2.0%	0.2%
Inpatient Days	31,852	33,265	36,037	41,390	41,804	42,222	42,644	43,071	11.5%	9.1%
ADC	87	91	99	113	115	116	117	118		
ALOS	6.58	7.11	7.56	8.50	8.50	8.50	8.50	8.50		

Source: Application Section Q, page 90
*Annualized

The applicant states the growth projections are reasonable, given the historical growth in utilization.

Neonatal Beds

- The applicant states neonatal utilization can be highly variable and comprises a small percentage of DUH overall inpatient utilization. The applicant therefore projects no growth in neonatal bed utilization and keeps the FY 2024 utilization rate constant through all project years.

The applicant provides the following projected utilization of all DUH inpatient beds, based on the assumptions provided above:

Projected Utilization, DUH Acute Care Inpatient Beds

	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Discharges	41,710	43,624	44,244	44,872	45,510	46,158
Inpatient Days	330,729	341,042	345,621	350,267	354,980	359,762
ADC	906	934	947	960	973	986
ALOS	7.9	7.8	7.8	7.8	7.8	7.8
Total Beds	1,062	1,062	1,100	1,100	1,100	1,100
Occupancy Rate	85.3%	88.0%	86.1%	87.2%	88.4%	89.6%

Source: Application Section Q, page 90.

The applicant was part of two previous competitive reviews for acute care beds in the Durham/Caswell (Warren County was added in 2023) multicounty acute care bed service area that are currently under appeal. The applicant states that, even if DUH were also awarded the 108 beds after appeal, the resulting utilization of all existing and proposed beds (1,208 total) would be 81.6%, exceeding the applicable performance standard threshold.

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

- The applicant provides reliable and supported information regarding utilization of its acute care beds.
- The applicant's growth projections are based on a lower annual percentage than actual historical growth in utilization.
- The applicant provides reliable and supported information regarding population growth in the service area and its own internal need for the proposed acute care beds.

Access to Medically Underserved Groups

In Section C, pages 42-43, 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 have access to DUH, as clinically appropriate. DUHS does not and will not discriminate based on race, ethnicity, age, gender, or disability."*

In Section C, page 43, the applicant provides the estimated percentage for each medically underserved group, as shown in the following table:

Group	Estimated Percentage of Total Patients during the Third Full Fiscal Year Acute Care Beds
Low income persons	13.1%
Racial and ethnic minorities	38.5%
Women	59.3%
Persons with disabilities	NA*
Persons 65 and older	36.5%
Medicare beneficiaries	40.0%
Medicaid recipients	11.2%

*The applicant states DUHS does not maintain data regarding the number of disabled persons it serves.

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

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- 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 the following reasons:

- The applicant adequately identifies the population to be served.
- The applicant adequately explains why the population to be served needs the services proposed in this application.
- Projected utilization is reasonable and adequately supported.
- The applicant describes the extent to which all residents, including underserved groups, are likely to have access to the proposed services and adequately supports its assumptions.

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

NA
Both Applications

Neither of the applications 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
Both Applications

Project ID #J-12509-24 / University of North Carolina Hospitals at Chapel Hill and University of North Carolina Health Care System / Add 38 AC beds

The applicant proposes a change of scope to Project ID #J-12214-22 and proposes to develop 38 new acute care beds and other hospital services at UNC Hospitals-RTP pursuant to the need determination in the 2024 SMFP, for a total of 112 acute care beds upon approval of this project, Project ID #J-12065-21 and Project ID #J-12214-22. Both prior projects are currently under appeal and no CON has been issued in either project.

In Section E.2, pages 101-102, 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 the project at a different location – The applicant states it considered an alternate location for the project, but states it believes the most effective location from which to provide timely care to its patients is the one chosen for this project.

Develop the hospital with a different number of beds and/or other services – The applicant states it considered developing the hospital with fewer beds and/or services but determined that would be a less effective alternative with which to provide its potential patients the highest quality health care.

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

- Developing the project at a different location would not effectively and efficiently serve its patient base.
- Developing fewer acute care beds and/or fewer acute care services would not adequately serve its projected patient population.
- The proposed project would be able to develop the proposed AC beds in a timely manner and expand its previously-approved hospital with additional resources in order to deliver a broad scope of care to its potential patients.

Conclusion

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 for all the reasons stated above.

Project ID #J-12512-24 / Duke University Hospital / Add 38 AC beds

The applicant proposes to develop 38 new acute care beds at Duke University Hospital pursuant to the need determination in the 2024 SMFP.

In Section E.2, pages 52-53, 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 the proposed beds at a new facility or campus in Durham County – The applicant considered developing a new inpatient hospital in Durham County, but determined the time and cost involved would not capitalize on current DUH resources and specialized services. Further, the applicant states additional capacity is needed in Durham County for the specialized levels of care provided by DUH. Therefore, a new facility or campus is not an effective alternative to meet the needs of the patients served by DUH.

Develop additional beds at Duke Regional Hospital – The applicant considered developing the proposed acute care beds at its Duke Regional Hospital (DRH) campus but determined this is not an effective alternative because Duke University Hospital utilization generated the need for the additional acute care beds, which the applicant states reflects the hospital's highly specialized levels of care. DRH is a community hospital and would not effectively accommodate the additional acute care capacity. Additionally, DUH has existing space that can more easily accommodate the proposed acute care bed increase. Therefore, developing the proposed acute care beds at DRH is not an effective alternative to meet the needs of the patients served by DUH.

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

- Developing the proposed acute care beds at a different hospital would not effectively and efficiently serve the patients who seek the specialized care provided at DUH.
- Developing a new hospital campus would be unnecessarily costly and would not effectively and efficiently serve DUH patients.
- The proposed project would be able to develop the proposed acute care beds in a timely and cost-effective manner.

Conclusion

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 for all the reasons stated above.

(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
Both Applications

Project ID #J-12509-24 / University of North Carolina Hospitals at Chapel Hill and University of North Carolina Health Care System / Add 38 AC beds

The applicant proposes a change of scope to Project ID #J-12214-22 and proposes to develop 38 new acute care beds and other hospital services at UNC Hospitals-RTP pursuant to the need determination in the 2024 SMFP, for a total of 112 acute care beds upon approval of this project, Project ID #J-12065-21 and Project ID #J-12214-22. Both prior projects are currently under appeal and no CON has been issued in either project.

Capital and Working Capital Costs

On September 23, 2022, the Agency conditionally approved Project I.D. #J-12214-22 to develop no more than 34 additional acute care beds pursuant to the 2022 SMFP need determination. That project was a change of scope to approved Project ID #J-12065-21 (develop a new acute care hospital) and is currently under appeal. The current application proposes an additional change of scope in response to the need determination for 38 acute care beds, and thus necessarily a capital cost increase of $371,341,060 (a 70% increase) over the previously approved combined capital expenditure (Project ID #J-12065-21 and J-12214-22) for a total combined capital expenditure of $902,555,758. The applicant states in Section F, page 111 that the capital cost increase is due to the increased space needed to accommodate the proposed additional acute care beds and accompanying services.

On Form F.1b in Section Q, the applicant provides the original approved capital expenditure for Project ID #J-12214-22, the proposed capital expenditure for the current proposal, and the combined total capital expenditure, as shown in the following table:

UNC-RTP Previously Approved and New Projected Capital Cost

	Previously Approved Capital Cost (Project ID #J-12214-21)	New Total Capital Cost (J-12509-24)	Total Capital Cost
Purchase Price of Land	$35,000,000	$35,000,000	$0
Closing Costs	$184,000	$184,000	$0
Site Preparation	$34,263,852	$34,035,833	($228,019)
Construction/Renovation	$323,482,748	$655,576,015	$332,093,267
Landscaping	$701,091	$1,166,041	$464,950
Architect/Engineering Fees	$33,453,774	$42,602,560	$9,148,786
Medical Equipment	$49,716,249	$52,518,274	$2,802,025
Non-Medical equipment	$19,432,382	$26,064,772	$6,632,390
Furniture	$8,449,119	$11,142,208	$2,693,089
Consulting Fees	$2,513,192	$6,554,239	$4,041,047
Other (contingency)	$24,018,291	$37,711,816	$13,693,525
Total Capital Cost	**$531,214,698**	**$902,555,758**	**$371,341,060**

Source: Section F and Section Q, Form F.1b

In Section Q, *"Form F.1.b Assumptions"*, the applicant provides the assumptions used to project the capital cost.

The applicant provides its assumptions and methodology for projecting capital cost immediately following Form F.1b in Section Q. The applicant adequately demonstrates that the projected capital cost is based on reasonable and adequately supported assumptions based on the following:

- The applicant provides assumptions about costs included in the calculation of each line item in the projected capital cost.
- The applicant provides information to show that many of the projections are based on UNC's experience or the project architect's history in developing similar projects.
- Medical and non-medical costs, furniture costs and other costs are based on previously approved vendor quotations as well as the applicant's experience with similar projects.

In Section F, page 114, the applicant states that working capital costs are projected to increase and provides the following information:

UNC-RTP Previously Approved and Current Working Capital Costs

Item	Cost
New total estimated start-up costs	$9,550,574
New total estimated initial operating costs	$42,440,020
New total working capital	$51,990,594
Previously approved working capital	$14,579,841
Difference	$37,410,453

In Section F, pages 114-115, the applicant provides the assumptions used to project the increase in working capital costs. The information is reasonable and adequately supported based on the following:

- The applicant states the updated utilization projections are part of the increase in working capital costs including, but not limited to, increased staffing and supplies.

- The applicant accounts for costs associated with both previously approved applications and explains the need for increases based on the current application.

Availability of Funds

In Section F, pages 112 and 114 the applicant states that the capital and working capital costs will be funded with the liquid assets of UNC Hospitals.

In Exhibit F-5.2 the applicant provides an April 15, 2024 letter signed by the Chief Financial Officer for UNC Hospitals that documents the availability of sufficient funds for the capital and working capital needs of the project and commits the funds to the project. That same Exhibit also contains a copy of the audited financial statements for UNC Hospitals for the year ended June 30, 2023 that confirms sufficient funds for the capital and working capital needs of the proposed project. The applicant adequately demonstrates the availability of sufficient funds for the capital and working capital needs of the project.

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

- The applicant provides a letter from the appropriate UNC official confirming the availability of the funding proposed for the capital and working capital needs of the project and the commitment to use those funds to develop the proposed project.

- The applicant provides adequate documentation of sufficient accumulated reserves to fund the capital and working capital needs of the project.

Financial Feasibility

The applicant provided pro forma financial statements for the first three full fiscal years of operation following project completion for the proposed new hospital campus as well as for the UNC system. In Form F.2b, the applicant projects that revenues will not exceed operating expenses for UNC-RTP in the first three full fiscal years (FY) following project completion; however, the applicant demonstrates the UNC Hospitals system as a whole projects that revenues will exceed operating expenses in all three project years, as shown in the following tables:

Financial Feasibility

UNC-RTP Total Facility	1ST FULL FY 7/1/32-6/30/33	2ND FULL FY 7/1/33-6/30/34	3RD FULL 7/1/34-6/30/35
Total Patient Days (from Form C.1b)	20,375	24,224	29,903
Total Gross Revenues (Charges)	$372,863,203	$455,291,561	$571,798,590
Total Net Revenue	$127,508,427	$155,564,497	$194,846,664
Average Net Revenue per Patient Day	$6,258	$6,422	$6,516
Total Operating Expenses (Costs)	$153,352,468	$172,079,916	$194,927,749
Average Operating Expense per Patient Day	$7,527	$7,104	$6,519
Net Income	($25,844,041)	($16,515,419)	($81,085)

Source: Form F.2b, Section Q, page 8 of the application

UNC Hospitals Financial Feasibility

UNC Hospitals	1ST FULL FY 7/1/32-6/30/33	2ND FULL FY 7/1/33-6/30/34	3RD FULL 7/1/34-6/30/35
Total Gross Revenues (Charges)	$10,748,881,015	$11,259,980,808	$11,822,875,115
Total Net Revenue	$4,446,149,280	$4,652,322,302	$4,877,073,449
Total Operating Expenses (Costs)	$3,907,141,460	$4,079,270,216	$4,261,808,517
Net Income	$539,007,820	$573,052,086	$615,264,932

Source: Form F2.b, Section Q, page 22 of the application.

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

Conclusion

The Agency reviewed the:

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

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

- 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.

- The applicant adequately demonstrates that the capital and working capital costs are based on reasonable and adequately supported assumptions for all the reasons described above.

- The applicant adequately demonstrates availability of sufficient funds for the capital and working capital needs of the proposal for all the reasons described above.

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

Project ID #J-12512-24 / Duke University Hospital / Add 38 AC beds

The applicant proposes to develop 38 new acute care beds at Duke University Hospital pursuant to the need determination in the 2024 SMFP.

Capital and Working Capital Costs

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

DUH Capital Cost

Non-medical Equipment	$4,750,000
Miscellaneous Costs	$50,000
Total	**$4,800,000**

In Section Q, in the Assumptions on page 91, 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.

In Section F.3, page 55, the applicant states there will be no start-up costs or initial operating expenses because DUH is an existing hospital, and the only costs associated with the project are related to additional equipment that may be needed to outfit existing space to accommodate the proposed acute care beds.

Availability of Funds

In Section F.2, page 54, the applicant states that the capital cost will be funded with the accumulated reserves of Duke University Health System.

In Exhibit F.2(a) the applicant provides an April 3, 2024 letter signed by the Chief Financial Officer of Duke University Health System that documents the availability of sufficient funds to cover the capital cost of the project and commits the funds to the project if approved. In Exhibit F.2(b) the applicant provides the audited financial statements for Duke University Health System, Inc. and Affiliates which indicate the hospital has adequate cash and cash equivalents as of June 30, 2023 to fund 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 a letter from the appropriate DUHS official confirming the availability of the funding proposed for the project capital needs and the commitment to use those funds to develop the proposed project.
- The applicant provides adequate documentation of sufficient accumulated reserves to fund the project capital needs.

Financial Feasibility

The applicant provided pro forma financial statements for the first three full fiscal years of operation following project completion for adult inpatient services and for the DUHS system. In Form F.2b, the applicant projects that revenues will not exceed operating expenses for DUH adult inpatient services in the first three full fiscal years following project completion; however, the applicant demonstrates DUHS as a whole projects that revenues will exceed operating expenses in all three project years, as shown in the following tables:

Duke University Hospital Adult Inpatient Services

	1ST FULL FISCAL YEAR (7/1/25-6/30/26)	2ND FULL FISCAL YEAR (7/1/26-6/30/27)	3RD FULL FISCAL YEAR (7/1/27-6/30/28)
Total Patient Days (Form C.1b)	350,267	354,980	359,762
Total Gross Revenues (Charges)	$3,833,686,803	$3,891,167,177	$3,949,527,353
Total Net Revenue	$1,241,977,731	$1,285,171,344	$1,329,908,526
Average Net Revenue per patient day	$3,546	$3,620	$3,697
Total Operating Expenses (Costs)	$1,627,190,417	$1,693,397,887	$1,762,581,564
Average Operating Expense per patient day	$4,646	$4,770	$4,899
Net Income	($385,212,686)	($408,226,543)	($432,673,038)

Duke University Health System Financial Feasibility

DUHS	1ST FULL FY 7/1/25-6/30/26	2ND FULL FY 7/1/26-6/30/27	3RD FULL 7/1/27-6/30/28
Total Gross Revenues (Charges)	$21,629,779,000	$23,148,929,000	$24,491,397,000
Total Net Revenue	$7,240,752,000	$7,733,878,000	$8,170,488,000
Total Operating Expenses (Costs)	$7,025,752,000	$7,385,877,000	$7,691,488,000
Net Income	$215,000,000	$348,000,000	$479,000,000

Note: totals may not sum due to rounding

The assumptions used by the applicant in preparation of the pro forma financial statements are provided in Section Q of the application. The assumptions used by the applicant in preparation of the pro forma financial statements are reasonable, including projected utilization, costs and

charges. See Section Q of the application for the assumptions used regarding costs and charges. The discussion regarding projected utilization found in Criterion (3) is incorporated herein by reference.

Conclusion

The Agency reviewed the:

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

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

- 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.

- 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
Both Applications

The 2024 SMFP includes a need determination for 38 acute care beds in the Durham/Caswell/Warren multicounty service area.

On page 31, the 2024 SMFP defines the service area for acute care beds as *"… the single and multicounty groupings shown in Figure 5.1."* Figure 5.1, on page 36, shows Durham, Caswell and Warren counties in a multicounty grouping. Thus, the service area for these facilities is the Durham/Caswell/Warren multicounty service area. Facilities may also serve residents of counties not included in their service area.

As of the date of this decision, there are 1,391 existing and approved acute care beds allocated between four existing and approved hospitals owned by three providers in the multicounty service area of Durham, Caswell and Warren counties, as illustrated in the following table:

Durham/Caswell/Warren Multicounty Service Area Acute Care Hospital Campuses	
Facility	**Existing/(Approved) Beds**
Duke University Hospital	995
Duke Regional Hospital	298
Duke Total	**1,293**
North Carolina Specialty Hospital	18 (6)
UNC Hospitals-RTP*	0 (+40)(+34)
Durham/Caswell Multicounty Service Area Total	**1,311 (+80)**

Source: Table 5A, 2024 SMFP.
*As of the date of this decision, the Agency approved 74 (40 + 34) acute care beds to be developed at UNC Hospitals-RTP; however, both decisions are under appeal and no CON has been issued at this time.

Project ID #J-12509-24/UNC Hospitals-RTP/Add 38 acute care beds

The applicant proposes a change of scope to Project ID #J-12214-22 and proposes to develop 38 new acute care beds and other hospital services at UNC Hospitals-RTP pursuant to the need determination in the 2024 SMFP, for a total of 112 acute care beds upon approval of this project, Project ID #J-12065-21 and Project ID #J-12214-22. Both prior projects are currently under appeal and no CON has been issued in either project.

In Section G.2, page 117, the applicant explains why it believes its proposal would not result in the unnecessary duplication of existing or approved acute care beds, neonatal and GI endoscopy services in the Durham/Caswell/Warren multicounty acute care bed service area. The applicant states:

> *"UNC Hospitals believes that the addition of the service components identified above will not unnecessarily duplicate existing services in the proposed service area. … these services will not unnecessarily duplicate services that currently exist in the service area, as they are being developed in order to provide convenient, comprehensive, and accessible care to the patients that UNC Hospitals-RTP will already be serving. In the case of neonatal beds, adding the capability to care for special needs newborns will lessen the need to transfer prematurely born and low birthweight infants to a separate facility from their mother. In the case of GI endoscopy services, it should be noted that Durham County's growing and aging population are in particular need for these services; these needs are described above in Section C.8.a and are needed to support the proposed 112 acute care bed hospital. The availability of these services elsewhere in the service area, including in other hospitals, will not meet the need for patients seeking care* [at] *UNC Hospitals-RTP. Given these factors, UNC Hospitals believes the expanded scope of service*

components at UNC Hospitals-RTP will not result in any unnecessary duplication of services already being offered to patients in the Durham/Caswell/Warren multicounty service area."

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 provides information to explain why it believes the proposed project will not unnecessarily duplicate existing or approved acute care beds in the Durham/Caswell/Warren multicounty acute care bed service area.
- The applicant provides information to explain why it believes the proposed project will not unnecessarily duplicate existing or approved GI endoscopy services in the service area.
- The applicant adequately demonstrates that the proposed acute care beds are needed in addition to the existing and approved acute care beds. The discussion regarding demonstration of need found in Criterion (3) is incorporated herein by reference.

Conclusion

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 for all the reasons described above.

Project ID #J-12512-24 / Duke University Hospital / Add 38 AC beds

The applicant proposes to develop 38 new acute care beds at Duke University Hospital pursuant to the need determination in the 2024 SMFP.

In Section G.2, pages 62-63, the applicant explains why it believes its proposal would not result in the unnecessary duplication of existing or approved acute care bed, neonatal and GI endoscopy services in the Durham/Caswell/Warren multicounty acute care bed service area. The applicant states:

> *"… the need for additional inpatient capacity in the 2024 SMFP was driven by the demand for DUH's highly specialized services. The proposed 38 additional acute care beds are specifically needed at DUH to expand access to the hospital's well-utilized inpatient acute care services which do not duplicate the services provided by any other facility which does not have the same scope of services.*
>
> *North Carolina Specialty Hospital is currently licensed for 18 beds and approved for an additional 6. NCSH offers primarily surgical services in a limited number of specialties. As a quaternary care regional referral center, DUH serves a fundamentally different patient population than NCSH. The scope of acute care services at DUH cannot be replicated at NCSH. Any available licensed bed capacity at NCSH cannot effectively meet the need that DUH has for additional acute care bed capacity. …*
>
> *… Duke Regional Hospital's own utilization is growing, and additional beds are needed throughout the system to meet the demand for the system's inpatient services….*
>
> *UNC's approved Durham County hospital project … is for a small community hospital that would not offer the scope of services provided by DUH. …"*

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 provides information to explain why it believes the proposed project will not unnecessarily duplicate existing or approved acute care beds in the Durham/Caswell/Warren multicounty acute care bed service area.
- The applicant adequately demonstrates that the proposed acute care beds are needed in addition to the existing and approved acute care beds. The discussion regarding demonstration of need found in Criterion (3) is incorporated herein by reference.

<u>Conclusion</u>

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 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
Both Applications

Project ID #J-12509-24/UNC Hospitals-RTP/Add 38 acute care beds

The applicant proposes a change of scope to Project ID #J-12214-22 and proposes to develop 38 new acute care beds and other hospital services at UNC Hospitals-RTP pursuant to the need determination in the 2024 SMFP, for a total of 112 acute care beds upon approval of this project, Project ID #J-12065-21 and Project ID #J-12214-22. Both prior projects are currently under appeal and no CON has been issued in either project.

On Form H in Section Q, the applicant provides projected full-time equivalent (FTE) staffing for the proposed services. The applicant proposes a total of 576.4 FTEs in the first project year, 632.7 in the second project year and 687.3 in the third project year.

The assumptions and methodology used to project staffing are provided on Form H Assumptions immediately following Form H in Section Q. Adequate costs for the health manpower and management positions proposed by the applicant are budgeted in Form F.3b, which is found in Section Q.

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

- The applicant adequately documents the number of FTEs it projects will be needed to offer the services proposed in this application, building on the previously-approved FTE complement.

- The applicant's projections for FTEs are based on its own historical experience at other UNC facilities and projected changes to staffing needs as a result of the additional acute care bed capacity proposed in this application.

- The applicant accounts for projected salaries and other costs of employment in its projected operating expenses found on Form F.3b in Section Q.

- The methods to be used by the applicant to recruit or fill new positions and its proposed training and continuing education programs were found conforming with this criterion in Project ID #J-12065-21 and Project ID #J-12241-22 and the applicant proposes no changes in the application as submitted that would affect that determination.

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 described above.

Project ID #J-12512-24 / Duke University Hospital / Add 38 AC beds

The applicant proposes to develop 38 new acute care beds at Duke University Hospital pursuant to the need determination in the 2024 SMFP.

On Form H in Section Q, the applicant provides projected full-time equivalent (FTE) staffing for the proposed services. The applicant proposes a total of 2,482 FTEs in the first project year, 2,592 in the second project year and 2,746 in the third project year.

The assumptions and methodology used to project staffing are provided in the *Assumptions* on page 97 in Section Q. Adequate costs for the health manpower and management positions proposed by the applicant are budgeted in Form F.3b, which is found in Section Q.

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

- The applicant adequately documents the number of FTEs it projects will be needed to offer the services proposed in this application, building on the previously-approved FTE complement.

- The applicant's projections for FTEs are based on its own historical experience at other DUHS facilities and projected changes to staffing needs as a result of the additional acute care bed capacity proposed in this application.

- The applicant accounts for projected salaries and other costs of employment in its projected operating expenses found on Form F.3b in Section Q.

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 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
Both Applications

Project ID #J-12509-24/UNC Hospitals-RTP/Add 38 acute care beds

The applicant proposes a change of scope to Project ID #J-12214-22 and proposes to develop 38 new acute care beds and other hospital services at UNC Hospitals-RTP pursuant to the need determination in the 2024 SMFP, for a total of 112 acute care beds upon approval of this project, Project ID #J-12065-21 and Project ID #J-12214-22. Both prior projects are currently under appeal and no CON has been issued in either project.

Ancillary and Support Services – In Section I, page 121 the applicant states that the proposed change of scope project will not change the provision of necessary ancillary and support services at UNC-RTP approved in Project ID# J-12241-22 or Project ID #J-12065-21. The applicant adequately demonstrates that the necessary ancillary and support services will be made available based on the following:

- In Exhibit I.3-1, the applicant provides a letter from the President of UNC Hospitals, committing to provide the necessary ancillary and support services for the proposed project.
- Project ID #J-12065-21 and J-12241-22 were found conforming with this criterion and the applicant proposes no changes in the application as submitted which would affect that determination.

Coordination – In Section I, page 122 the applicant states the proposed change of scope project will not result in changes to coordination with the existing health system described in the application for Project ID #J-12065-21 or Project ID #J-12241-22. The applicant adequately demonstrates that the proposed services will be coordinated with the existing health care system based on the following:

- The applicant provides letters of support from local physicians and healthcare providers documenting their support for UNC Hospitals-RTP in Exhibit I.3-2.
- Project ID #J-12065-21 and Project ID #J-12241-22 were found conforming with this criterion and the applicant proposes no changes in the application as submitted which would affect that determination.

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.

Project ID #J-12512-24 / Duke University Hospital / Add 38 AC beds

The applicant proposes to develop 38 new acute care beds at Duke University Hospital pursuant to the need determination in the 2024 SMFP.

Ancillary and Support Services

In Section I.1, page 67, the applicant identifies the necessary ancillary and support services for the proposed services and explains how each ancillary and support service is or will be made available. DUH is an existing hospital that currently provides necessary ancillary and support services, and those same services will continue to be made available upon project completion. The applicant adequately demonstrates that the necessary ancillary and support services will be made available.

Coordination

In Section I.2, page 68, the applicant describes its existing and proposed relationships with other local health care and social service providers. DUH is an existing hospital that currently has established relationships with local health care and social service providers, and those same relationships will continue following project completion. The applicant adequately demonstrates that the proposed services will be coordinated with the existing health care system.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- 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 for all the reasons stated 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
Both Applications

Neither of the applicants projects 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, neither of the applicants 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
Both Applications

Neither of the applicant is 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
UNC Hospitals-RTP
NA
Duke University Hospital

Project ID #J-12509-24/UNC Hospitals-RTP/Add 38 acute care beds

The applicant proposes a change of scope to Project ID #J-12214-22 and proposes to develop 38 new acute care beds and other hospital services at UNC Hospitals-RTP pursuant to the need determination in the 2024 SMFP, for a total of 112 acute care beds upon approval of this project, Project ID #J-12065-21 and Project ID #J-12214-22. Both prior projects are currently under appeal and no CON has been issued in either project.

In Section K, page 127 the applicant states that the project involves constructing additional square feet of space in addition to the previously approved 441,418 square feet of space for a combined total construction of 595,840 square feet of space. Line drawings are provided in Exhibit C.8-1.

On pages 127-128, the applicant adequately explains how the cost, design and means of construction represent the most reasonable alternative for the proposal based on the information in the application and exhibits and on the following:

- Daylighting is proposed where feasible, to reduce energy consumption, as well as other sustainable strategies

- The applicant states it will use a mixture of materials that provide energy efficiency and low maintenance

- The applicant states implementing the proposed changes to UNC Hospitals-RTP while it is still under development is a more patient-focused and financially prudent alternative because it will minimize any disruptions to patient care or additional construction costs associated with any demolition and renovations required to accommodate future growth after the hospital has been fully constructed.

On page 128, 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 information in the application and exhibits and on the following:

- The applicant states that, while the project is capital intensive, it will not increase its costs or the costs and charges to the public for providing the services.

- The applicant states the need in the service area and projected growth in the area demonstrate that additional acute care capacity is needed to provide better access to its patients.

- The applicant states it has sufficient revenues set aside for project development without the need to increase costs or charges to the public.

In Section B.21, page 32, 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
- Remarks made at the public hearing
- 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 for all the reasons stated above.

Project ID #J-12512-24 / Duke University Hospital / Add 38 AC beds

The applicant proposes to develop 38 new acute care beds at Duke University Hospital pursuant to the need determination in the 2024 SMFP.

In Section K, page 71, the applicant states there is no proposed new construction or renovation, because the proposed acute care beds will be developed in existing space that meets licensure standards. Therefore, Criterion (12) is not applicable to this application.

(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;

NA – UNC Hospitals-RTP
C – Duke University Hospital

Project ID # J-12509-24/ UNC Hospitals-RTP / Add 38 AC beds

UNC Hospitals-RTP is not an existing facility. Therefore, Criterion (13a) is not applicable to this review.

Project ID #J-12512-24 / Duke University Hospital / Add 38 AC beds

In Section L, page 74, the applicant provides historical payor mix for FY 2023 (July 1, 2022-June 30, 2033) for the facility, as shown in the following table:

Duke University Hospital Historical Payor Mix, FY 2023

Payor Category	Percentage of Total Patients Served
Self-Pay	1.5%
Charity Care	2.6%
Medicare*	38.6%
Medicaid*	11.5%
Insurance*	42.4%
Workers Compensation	0.2%
TRICARE	1.5%
Other (Includes other government plans)	1.8%
Total	**100.0%**

*Including any managed care plans.

In Section L, page 75, the applicant provides the following comparison.

	Percentage of Total Patients Served by the Facility or Campus during the Last Full FY	Percentage of the Population of the Service Area
Female	59.3%	52.1%
Male	40.7%	47.9%
Unknown	0.0%	0.0%
64 and Younger	64.1%	85.2%
65 and Older	35.9%	14.8%
American Indian	0.7%	1.0%
Asian	3.5%	6.0%
Black or African American	26.1%	35.3%
Native Hawaiian or Pacific Islander	0.1%	0.1%
White or Caucasian	61.2%	54.7%
Other Race	3.7%	0.0%
Declined / Unavailable	4.7%	0.0%

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;

NA – UNC Hospitals-RTP
C – Duke University Hospital

Project ID # J-12509-24/ UNC Hospitals-RTP / Add 38 AC beds

UNC Hospitals-RTP is not an existing facility. Therefore, Criterion (13b) is not applicable to this review.

Project ID #J-12512-24 / Duke University Hospital / Add 38 AC beds

Regarding any obligation to provide uncompensated care, community service, or access by minorities and persons with disabilities, in Section L, pages 76-77, the applicant states,

> *"DUHS has no specific obligation under federal regulations to provide uncompensated care or community service, or access by minorities and handicapped persons. However, DUHS does not discriminate based on race, ethnicity, creed, color, sex, age, religion, national origin, handicap, or ability to pay. DUHS will continue to have a 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. The proposed hospital services will be available to and accessible by any patient, including the medically underserved, having a clinical need for the offered services"*

On page 76, the applicant states that during the 18 months immediately preceding the application deadline, no patient civil rights access complaints have been filed against Duke University Hospital.

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.

(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
Both Applications

Project ID # J-12509-24/ UNC Hospitals-RTP / Add 38 AC beds

In Section L, page 134, the applicant states:

> *"Projected payor sources for Inpatient Services (Including Inpatient Surgery), are based on payor sources of Durham residents receiving these services as reported by HIDI in CY 2023, the most recent year for which HIDI data is available, using the services expected to be provided by UNC Hospitals-RTP as identified in Form C Assumptions and Methodology. Durham residents comprise the majority of the projected patient population and represent a reasonable proxy for projecting future payor mix. Projected payor sources for Outpatient Surgery, Outpatient Procedure Rooms, and Outpatient GI Endoscopy Procedures are based on payor sources of Durham residents receiving these services as reported by HIDI…."*

In Section L, page 135, the applicant projects the following payor mix for the proposed total facility and for inpatient services, respectively, during the third full FY of operation (FY 2035) following project completion, as shown in the tables below:

UNC Hospitals-RTP Total Facility Projected Payor Mix, FY 2035

Payor Category	Percentage of Total Patients Served
Self-Pay	10.5%
Charity Care^	--
Medicare*	39.5%
Medicaid*	15.0%
Insurance*	30.8%
Workers Compensation**	--
TRICARE**	--
Other (Includes other government plans)	4.2%
Total	**100.0%**

*Including any managed care plans.
^The applicant states UNC Health internal data does not include Charity Care as a payment source; patients in need of charity care will receive it.
**The applicant states Workers Compensation and TRICARE are included in *"Other"*.

UNC Hospitals-RTP Inpatient Services Projected Payor Mix, FY 2035

Payor Category	Percentage of Total Patients Served
Self-Pay	8.2%
Charity Care^	--
Medicare*	51.1%
Medicaid*	16.6%
Insurance*	23.2%
Workers Compensation**	--
TRICARE**	--
Other (Includes other government plans)	0.9%
Total	**100.0%**

*Including any managed care plans.
^The applicant states UNC Health internal data does not include Charity Care as a payment source; patients in need of charity care will receive it.
**The applicant states Workers Compensation and TRICARE are included in *"Other"*.

As shown in the tables above, during the third full fiscal year of operation, the applicant projects that 10.5% of total facility services will be provided to self-pay patients, 39.5% to Medicare patients and 15.0% to Medicaid patients. Additionally, the applicant projects that 8.2% of inpatient services will be provided to self-pay patients, 51.1% to Medicare patients and 16.6% to Medicaid patients.

On pages 136-137, the applicant provides projected payor mix for additional hospital services, including outpatient surgery, outpatient procedure rooms, GI endoscopy procedure services, outpatient ED services and outpatient imaging services.

On pages 135-137, the applicant provides the assumptions and methodology used to project payor mix during the first three full fiscal years of operation following project completion. The projected payor mix is reasonable and adequately supported because it is based on Durham County residents receiving these services as reported by HIDI in CY 2023, the most recent year for which HIDI data is available, using the services expected to be provided by UNC Hospitals-RTP.

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 based on the reasons stated above.

Project ID #J-12512-24 / Duke University Hospital / Add 38 AC beds

In Section L.3, page 78, the applicant projects the following payor mix for the total facility and for the proposed adult inpatient services, respectively, during the third full FY of operation (FY 2028) following project completion, as shown in the following tables:

Duke University Hospital Projected Payor Mix, FY 2028

Payor Category	Percentage of Total Patients Served
Self-Pay	2.0%
Charity Care	1.9%
Medicare*	40.1%
Medicaid*	11.2%
Insurance*	41.5%
Workers Compensation	0.2%
TRICARE	1.5%
Other (Includes other government plans)	1.8%
Total	**100.0%**

*Including any managed care plans.

Duke University Hospital Adult Inpatient Services
Projected Payor Mix, FY 2028

Payor Category	Percentage of Total Patients Served
Self-Pay	2.9%
Charity Care	2.2%
Medicare*	45.7%
Medicaid*	12.7%
Insurance*	32.0%
Workers Compensation	0.2%
TRICARE	1.2%
Other (Includes other government plans)	3.1%
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 2.0% of total hospital services will be provided to self-pay patients, 40.1% to Medicare patients and 11.2% to Medicaid patients. Additionally, the applicant projects that 2.9% of total adult inpatient services will be provided to self-pay patients, 45.7% to Medicare patients and 12.7% to Medicaid patients.

On page 77, the applicant provides the assumptions and methodology used to project payor mix during the first three full fiscal years of operation following project. The projected payor mix is reasonable and adequately supported because it is based on the historical payor mix for Duke University Hospital's adult inpatient services during the first six months of FY 2024 (July 2023-December 2023), adjusted to reflect DUHS patient population aging and a resultant shift of inpatient services accordingly.

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 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

Both Applications

Project ID # J-12509-24/ UNC Hospitals-RTP / Add 38 AC beds

Project ID #J-12241-22 was conforming with this criterion and the applicant proposes no changes in the application as submitted which would affect that determination. Therefore, the application is conforming to this criterion.

Project ID #J-12512-24 / Duke University Hospital / Add 38 AC beds

In Section L.5, page 79, 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
Both Applications

Both Applications. In Section M, the applicants describe the extent to which health professional training programs in the area have or will have access to the facility for training purposes and provide supporting documentation in the referenced exhibits.

The Agency reviewed the:

- Applications
- Exhibits to the applications

Based on that review, the Agency concludes that both of the applicants adequately demonstrate that the proposed services will accommodate the clinical needs of area health professional training programs, and therefore, both of the applications are conforming to this criterion.

(15) Repealed effective July 1, 1987.
(16) Repealed effective July 1, 1987.

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

(18a) The applicant shall demonstrate the expected effects of the proposed services on competition in the proposed service area, including how any enhanced competition will have a positive impact 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
Both Applications

The 2024 SMFP includes a need determination for 38 acute care beds in the Durham/Caswell/Warren multicounty service area.

On page 31, the 2024 SMFP defines the service area for acute care beds as *"… the single and multicounty groupings shown in Figure 5.1."* Figure 5.1, on page 36, shows Durham, Caswell and Warren counties in a multicounty grouping. Thus, the service area for these facilities is the Durham/Caswell multicounty service area. Facilities may also serve residents of counties not included in their service area.

As of the date of this decision, there are 1,391 existing and approved acute care beds allocated between four existing and approved hospitals owned by three providers in the multicounty service area of Durham, Caswell and Warren counties, as illustrated in the following table:

Durham/Caswell/Warren Multicounty Service Area Acute Care Hospital Campuses	
Facility	Existing/(Approved) Beds
Duke University Hospital	995
Duke Regional Hospital	298
Duke Total	**1,293**
North Carolina Specialty Hospital	18 (6)
UNC Hospitals-RTP*	0 (+40)(+34)
Durham/Caswell Multicounty Service Area Total	**1,311 (+80)**

Source: Table 5A, 2024 SMFP.
*As of the date of this decision, the Agency approved 74 (40 + 34) acute care beds to be developed at UNC Hospitals-RTP; however, both decisions are under appeal and no CONs have been issued at this time.

Project ID #J-12509-24/UNC Hospitals-RTP/Add 38 acute care beds

The applicant proposes a change of scope to Project ID #J-12214-22 and proposes to develop 38 new acute care beds and other hospital services at UNC Hospitals-RTP pursuant to the need determination in the 2024 SMFP, for a total of 112 acute care beds upon approval of this project, Project ID #J-12065-21 and Project ID #J-12214-22. Both prior projects are currently under appeal and no CON has been issued in either project.

Regarding the expected effects of the proposal on competition, cost-effectiveness, quality, and access by medically underserved groups in the service area, in Section N, page 141, the applicant states:

> *"The proposed project will continue to enhance competition and will have a positive effect on access, quality, and cost-effectiveness of health services for patients in the service area; to that end, the proposed change of scope will only increase the expected positive effects on competition from what was stated in the previously approved application. ... UNC Hospitals believes that a 112-bed hospital is well-suited to deliver the much-needed selected hospital services to patients in Durham County and the surrounding areas. Further, UNC Hospitals believes that the additional 38 acute care beds and the proposed expansion and addition of other services to support the acute care beds ... will improve access and quality of care that UNC Hospitals-RTP will be able to provide for its patients, while also allowing UNC Hospitals to provide cost effective care for the residents of Durham County and the surrounding area."*

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

Project ID #J-12214-22 was found conforming with this criterion and the applicant proposes no changes in the application as submitted which would affect that determination.

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 in this application and in Project ID #J-12214-22: 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 in this application and in Project ID #J-12214-22 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 in this application and in Project ID #J-12214-22 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 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 all the reasons stated above.

Project ID #J-12512-24 / Duke University Hospital / Add 38 AC beds

The applicant proposes to develop 38 new acute care beds at Duke University Hospital pursuant to the need determination in the 2024 SMFP.

Regarding the expected effects of the proposal on competition in the service area, in Section N, page 81, the applicant states:

> *"The SMFP service area for acute care beds defined in the SMFP includes Durham and Caswell* [and Warren] *Counties, which has three existing hospitals as well as one conditionally approved. Patients also have proximate access to other hospitals in the Triangle, in a robust competitive environment. Moreover, as a quaternary care provider and as set forth in Section C, DUH is a crucial provider of tertiary and quaternary care to patients from not only the Triangle and surrounding counties, but across the state and nation. By ensuring sufficient capacity to meet demand for DUH's specialized inpatient services, including the ability to accept transfers and nonemergent admissions, this project will increase choice and access for patients throughout this region."*

Regarding the expected effects of the proposal on cost effectiveness in the service area, in Section N, page 81, the applicant states:

> *"This project will not directly affect the cost to patients or payors for the services provided by DUH because reimbursement rates are set by the federal government and commercial insurers. The capital expenditure for this project is necessary to ensure that DUHS will continue to provide high quality services that are accessible to patients.*
>
> *Also, DUHS will continue to participate in initiatives aimed at promoting cost effectiveness and optimizing quality healthcare. Duke's accountable care organization, Duke Connected Care (DCC), recently received the results of its MSSP performance for 2022. DCC has earned shared savings and other incentives due to its exceptional performance. As a network, DCC providers successfully*

> *delivered high-quality care to its assigned population of 50,000 beneficiaries, while keeping costs lower than CMS expectations."*

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

Regarding the expected effects of the proposal on quality in the service area, in Section N, page 81, the applicant states:

> *"… DUH is a high quality provider of acute care services with a national reputation as an academic medical center. Increasing inpatient capacity allows DUH to ensure that patients can be accommodated in the specialty unit most tailored for their needs. It allows for more efficient provision of emergency department and surgical care, so that patients are not delayed in moving to their inpatient bed that can otherwise result when a bed is not available."*

See also Sections B and O of the application and any exhibits.

Regarding the impact of the proposal on access by medically underserved groups, in Section N, page 82, the applicant states:

> *"… capacity constraints can lead to the denial of transfers from other hospitals and the ability to accommodate patients in the emergency department. Additional capacity is essential to ensure access to all patients, including underserved groups, to hospital services."*

See also Sections B, L and Q 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 will 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
Both Applications

Project ID #J-12509-24/UNC Hospitals-RTP/Add 38 acute care beds

The applicant proposes a change of scope to Project ID #J-12214-22 and proposes to develop 38 new acute care beds and other hospital services at UNC Hospitals-RTP pursuant to the need determination in the 2024 SMFP, for a total of 112 acute care beds upon approval of this project, Project ID #J-12065-21 and Project ID #J-12214-22. Both prior projects are currently under appeal and no CON has been issued in either project.

On Form O in Section Q, the applicant identifies the hospitals located in North Carolina owned, operated, or managed by the applicant or a related entity. The applicant identified a total of 13 hospitals in North Carolina.

In Section O, page 143, the applicant states that during the 18 months immediately preceding the submittal of the application, the applicant states that, as of the application filing date, none of the facilities identified in Form O has had any situations resulting in a finding of immediate jeopardy. 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, there were incidents related to quality of care that occurred in two of the 13 hospitals. All but one are back in compliance as of the date of these findings. After reviewing and considering information provided by the applicant and by the Acute and Home Care Licensure and Certification Section and considering the quality of care provided at all 13 hospitals, the applicant provided sufficient evidence that quality care has been provided in the past. Therefore, the application is conforming to this criterion.

Project ID #J-12512-24 / Duke University Hospital / Add 38 AC beds

In Section Q, Form O, the applicant identifies four hospitals located in North Carolina owned, operated or managed by the applicant or a related entity. Thus, the applicant identifies a total of four existing facilities of this type located in North Carolina.

In Section O.4, page 84, the applicant states that, during the 18 months immediately preceding the submittal of the application, it is not aware of any deficiencies in quality of care at its acute care hospitals. After reviewing and considering information provided by the applicant and by the Acute and Home Care Licensure Section and considering the quality of care provided at all of the applicant's 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
Both Applications

The Criteria and Standards for Acute Care Beds promulgated in 10A NCAC 14C .3800 are applicable to both projects. The specific criteria are 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- **UNC Hospitals-RTP.** 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.

-C- **DUH.** In Section B, page 45, and in Section C 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- **UNC Hospitals-RTP.** On Form C in Section Q, the applicant provides projected utilization of all 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. The discussion regarding projected utilization found in Criterion (3) is incorporated herein by reference.

-C- **DUH.** On Form C in Section Q, the applicant provides projected utilization of all 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. 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- **UNC Hospitals-RTP.** On Form C in Section Q, the applicant projects an occupancy rate for the applicant hospital during each of the first three full fiscal years 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.

-C- **DUH.** On Form C in Section Q, the applicant projects an occupancy rate for the existing, approved and proposed acute care beds during each of the first three full fiscal years 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- **UNC Hospitals-RTP.** On Form C in Section Q, the applicant provides projected utilization of all 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.

-C- **DUH.** On Form C in Section Q, the applicant provides projected utilization of all 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.

(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 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- **UNC Hospitals-RTP.** In Section C, page 92, the applicant states the proposed hospital is projected to have a combined ADC that is less than 100. On Form C in Section Q, the applicant projects an occupancy rate of 73.1% for all existing, approved, and proposed acute care beds in the hospital system during the third full fiscal year of operation following project completion, which exceeds the target occupancy of 66.7%. The discussion regarding projected utilization and performance standards found in Criterion (3) is incorporated herein by reference.

-C- **DUH.** In Section C, page 45 the applicant states it projects an ADC of greater than 400 patients. The applicant states it currently exceeds this standard with an occupancy of 79%. On Form C in Section Q, the applicant projects an occupancy rate of 89.6% for all existing, approved, and proposed acute care beds in the hospital system during the third full fiscal year of operation following project completion, which exceeds the target occupancy of 78.0%. 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- **UNC Hospitals-RTP.** In Section Q, *"Form C Utilization",* 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.

-C- **DUH.** In Section Q, *"Assumptions for Form C",* 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.

The Criteria and Standards for Gastrointestinal Endoscopy Procedure Rooms in Licensed Health Service Facilities, promulgated in 10A NCAC 14C .3903, are applicable to the application submitted by **UNC, Project ID #J-12509-24**.

SECTION .3900 – CRITERIA AND STANDARDS FOR GASTROINTESTINAL ENDOSCOPY PROCEDURE ROOMS IN LICENSED HEALTH SERVICE FACILITIES

.3903 PERFORMANCE STANDARDS

An applicant proposing to develop a new GI endoscopy room in a licensed health service facility shall:

(1) identify the proposed service area;

-C- In Section C, page 91, the applicant identifies the service area for UNC Hospitals-RTP as Durham County.

(2) identify all existing and approved GI endoscopy rooms owned or operated by the applicant or a related entity located in the proposed service area;

-NA- In Section C, page 91, the applicant states that neither the applicant nor a related entity owns or operates any existing or approved GI endoscopy rooms in Durham County.

(3) provide projected utilization for each of the first three full fiscal years of operation following completion of the project for all GI endoscopy rooms identified in Item (2) of this Rule;

-C- In Section Q, Form the applicant provides projected utilization for each of the proposed GI endoscopy procedure rooms to be located UNC Hospitals-RTP.

(4) project to perform an average of at least 1,500 GI endoscopy procedures per GI endoscopy room during the third full fiscal year of operation following completion of the project in the GI endoscopy rooms identified in Item (2) of this Rule; and

-C- In Sections C and Q, the applicant projects to perform an average of at least 1,500 GI endoscopy procedures per GI endoscopy procedure room during the third full fiscal year of operation following project completion.

(5) provide the assumptions and methodology used to project the utilization required by this Rule.

-C- In Section Q, *"Form C Assumptions and Methodology"*, the applicant provides the assumptions and methodology used to project GI endoscopy procedures at the proposed hospital. The discussion regarding projected utilization found in Criterion (3) is incorporated herein by reference.

COMPARATIVE ANALYSIS FOR ACUTE CARE BEDS

Pursuant to G.S. 131E-183(a)(1) and the 2024 State Medical Facilities Plan, no more than 38 acute care beds may be approved for the Durham/Caswell/Warren multicounty service area in this review. Because the applications in this review collectively propose to develop 76 additional acute care beds in the Durham/Caswell/Warren multicounty service area, both applications cannot be approved for the total number of beds proposed. Therefore, after considering all the information in each application and reviewing each application individually against all applicable review criteria, the Project Analyst conducted a comparative analysis of the proposals to decide which proposal should be approved.

Below is a brief description of each project included in the Acute Care Bed Comparative Analysis.

- Project ID #J-12509-24 / **UNC Hospitals-RTP** / Develop 38 additional acute care beds pursuant to the 2024 SMFP need determination
- Project ID #J-12512-24 / **Duke University Hospital** / Develop 38 additional acute care beds pursuant to the 2024 SMFP Need Determination

The table below summarizes information about each application.

	UNC Hospitals-RTP	Duke University Hospital
Hospital Level of Care	Community	Quaternary Academic Medical Center
Number of Existing / Previously Approved Beds*	40+34	1,062
Beds Proposed to be Added	38	38
Total Number of Proposed Beds**	112	1,100
Third Full Fiscal Year	SFY 2035	SFY 2028
Projected Acute Care Days – FY 3	29,903	359,762
Projected Discharges – FY 3	5,172	46,158

*See Project ID#J-12065-21 and J-12214-22, both of which are currently under appeal.
**Proposed Beds = Number of existing beds or previously-approved beds + Number of beds requested in the application
***Assuming all beds requested by each applicant are approved

Because of the differences in the types of hospitals included in this review, levels of patient acuity which can be served and the differences in the information provided in each of the application's pro forma financial statements, some comparative factors may result in less than definitive outcomes.

Further, the analysis of comparative factors and the conclusions reached by the Agency with regard to specific comparative analysis factors is determined in part by whether or not the applications included in the review provide data that can be compared and whether or not such a comparison would be of value in evaluating the competitive applications.

Conformity with Review Criteria

An application that is not conforming or conforming as conditioned with all applicable statutory and regulatory review criteria cannot be approved.

Table 5B on page 45 of the 2024 SMFP identifies a need for 38 additional acute care beds in the Durham/Caswell/Warren multicounty service area. As shown in Table 5A, page 39 of the 2024 SMFP, the Duke health system shows a projected deficit of 146 acute care beds for 2026, which results in the Durham/Caswell/Warren multicounty service area need determination for 38 acute care beds. However, the application process is not limited to a provider that shows a deficit that creates the need for additional acute care beds. Any qualifying provider can apply to develop the 38 acute care beds in the Durham/Caswell/Warren multicounty service area. Furthermore, it is not necessary that an existing provider have a projected deficit of acute care beds to apply for more acute care beds.

Each application as submitted is conforming to all applicable statutory and regulatory review criteria. Therefore, with regard to conformity with all applicable statutory and regulatory review criteria, the applications as submitted are equally effective.

Scope of Services

Generally, the application proposing to provide the greatest scope of services is the more effective alternative with regard to this comparative factor.

The application submitted by **UNC Hospitals-RTP** proposes a change of scope to a previously approved application to add additional acute care beds and other acute care services to a smaller community hospital that does not proposes to offer the same level of services as a large, tertiary or quaternary care hospital. The application submitted by **Duke University Hospital** proposes to add acute care beds to an existing Level I trauma center, a quaternary care center, and an academic medical center hospital.

Therefore, **Duke University Hospital** is the more effective alternative with respect to this comparative factor and **UNC Hospitals-RTP** is a less effective alternative.

Geographic Accessibility

According to the 2024 SMFP and as of the date of this decision, there are 1,303 existing and approved acute care beds in the the Durham/Caswell/Warren multicounty acute care bed service area, and 108 total acute care beds pursuant to need determinations in the 2021 SMFP (40) and 2022 SMFP (68) that have not been awarded.

In Project ID #J-12065-21, **UNC Hospitals-RTP** was approved by the Agency to develop 40 acute care beds at a new hospital in southern Durham County. Further, in Project ID #J-11214-22, **UNC Hospitals-RTP** was approved for a change of scope to the 2021 application to add 34 acute care beds to the previously approved application. However, as of the date of these findings, both prior decisions are under appeal and no CON has been issued for either project. Since no CON has been issued and it is unclear where the 74 acute care beds will ultimately be located, they are not considered for purposes of this comparative analysis factor.

The following table illustrates where the existing and approved (CON issued) acute care beds are located within Durham County.

FACILITY	TOTAL AC BEDS*	ADDRESS	LOCATION
Duke University Hospital	981	2301 Erwin Rd, Durham 27710	Central Durham County
Duke Regional Hospital	298	3643 N. Roxboro Rd, Durham 27704	Central Durham County
North Carolina Specialty Hospital	24	3916 Ben Franklin Blvd, Durham 27704	Central Durham County

*Table 5A, page 39 of the 2024 SMFP. Includes, for purposes of this table, those beds excluded from the planning inventory.

As shown in the table above, the three existing hospitals are all located in the central part of Durham County, within approximately five miles of one another.

The application submitted by **UNC Hospitals-RTP** proposes to add 38 acute care beds to a previously approved application to develop acute care beds in the southern part of Durham County where there are currently no existing acute care beds. The application submitted by **Duke University Hospital** proposes to add 38 acute care beds to its existing facility in the central part of Durham County. Therefore, **UNC Hospitals-RTP** is a more effective alternative with regard to geographic accessibility and **Duke University Hospital** is a less effective alternative.

Competition (Access to a New or Alternate Provider)

Generally, the introduction of a new provider in the service area would be the most effective alternative based on the assumption that increased patient choice would encourage all providers in the service area to improve quality or lower costs in order to compete for patients.

As of the date of this decision, there are 1,303 licensed and approved acute care beds in the Durham/Caswell/Warren multicounty service area. **Duke University Hospital** and Duke Regional Hospital currently control 1,279 of the 1,303 acute care beds in the Durham/Caswell/Warren multicounty service area, or 98.2%. **Duke University Hospital** alone controls 75.3% of the licensed and approved acute care beds in the Durham/Caswell/Warren multicounty service area. **UNC Hospitals-RTP** does not currently exist and does not operate or control any acute care beds in the Durham/Caswell/Warren multicounty acute care bed service area.

If the current application for 38 new acute care beds submitted by **Duke University Hospital** is approved, the Duke Health System would control 98.2% of the existing and approved acute care beds the Durham/Caswell/Warren multicounty service area [(1,279 existing + 38 = 1,317)/1,341 (1,303 + 38) = 0.9821].

UNC Hospitals-RTP does not currently exist and does not operate or control any acute care beds in the Durham/Caswell/Warren multicounty acute care bed service area, though it was approved as previously stated in these Findings for a total of 74 acute care beds in two separate applications, each of which is currently under appeal. If both previous Agency decisions are upheld and a total of 74 acute care beds are developed by **UNC Hospitals-RTP**, and if its current application for 38 new acute care beds is approved, **UNC Hospitals-RTP** would control 8.4% of the existing and approved acute

care beds in the Durham/Caswell/Warren multicounty acute care bed service area [(40 + 34 + 38 = 112) / 1,341 (1,303 + 38) = 0.0835].

Therefore, with regard to patient access to a new or alternate provider, the application submitted by **UNC Hospitals-RTP** is the more effective alternative, and the application submitted by **Duke University Hospital** is the less effective alternative.

Access by Service Area Residents

On page 31, 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 Durham, Caswell and Warren counties in a multicounty grouping. Thus, the service area for this facility is the Durham/Caswell/Warren multicounty service area. Facilities may also serve residents of counties not included in their service area.

Generally, regarding this comparative factor, the application projecting to serve the largest number of service area residents is the more effective alternative based on the assumption that residents of a service area should be able to derive a benefit from a need determination for additional acute care beds in the service area where they live.

The following table illustrates access to inpatient services by service area residents during the third full fiscal year following project completion, as provided in Section C of each application:

PROJECTED SERVICE TO DURHAM/CASWELL/WARREN MULTICOUNTY SERVICE AREA RESIDENTS (FY3)	
APPLICANT	# SERVICE AREA RESIDENTS
UNC Hospitals-RTP*	3,631
Duke University Hospital	11,730

*Durham County only.

As shown in the table above, **Duke University Hospital** projects to serve the highest number of Durham/Caswell/Warren multicounty service area residents. However, the application submitted by **UNC Hospitals-RTP** did not provide projected patient origin per county. The application provides projected patient origin for Durham County (3,631) and then provides a category entitled *"other"*, which the applicant defines on page 86 as *"…includes Caswell, Chatham, Granville, Person, Wake and Warren counties, as well as other counties in North Carolina and other states."* It is not possible to discern, based on the information provided in the application submitted by **UNC Hospitals-RTP** how many of those *"other"* patients actually reside in either Caswell or Warren counties.

However, the acute care bed need determination methodology is based on the utilization of all patients that utilize acute care beds in the Durham/Caswell/Warren multicounty service area as defined by the 2024 SMFP and is not only based on patients originating from the Durham/Caswell/Warren multicounty service area. Further, **Duke University Hospital** is a Level I trauma quaternary care academic medical center which, because of its numerous advanced specialties and extremely specialized level of care, serves many patients from the entire state as well as patients from other states

who purposefully seek the specialized level of health care offered by **Duke University Hospital**. The application submitted by **UNC Hospitals-RTP** proposes to add acute care beds to a smaller community hospital that will provide care to lower acuity patients than those served by the Duke Health System. The two hospitals are therefore different types of facilities which propose to offer different scopes of services.

Considering the discussion above, the Agency believes that an attempt to compare the two applications as submitted based on projected acute care bed access for residents of the Durham/Caswell/Warren multicounty service area would be ineffective. Therefore, the result of this analysis is inconclusive.

Access by Underserved Groups

"Underserved groups" are defined in G.S. 131E-183(a)(13) as follows:

> *"Medically underserved groups, such as medically indigent or low income persons, Medicaid and Medicare recipients, racial and ethnic minorities, women, and handicapped persons, which have traditionally experienced difficulties in obtaining equal access to the proposed services, particularly those needs identified in the State Health Plan as deserving of priority."*

For access by underserved groups, the applications in this review are compared with respect to two underserved groups: Medicare patients and Medicaid patients. Access by each group is treated as a separate factor.

Projected Medicare

The following table shows each applicant's percentage of gross revenue (charges) projected to be provided to Medicare patients in the applicant's third full year of operation following project completion, based on the information provided in the applicant's pro forma financial statements in Section Q. Generally, the application proposing to provide a higher percentage of services to Medicare patients is the more effective alternative with regard to this comparative factor.

Projected Medicare Revenue – 3rd Full FY			
Applicant	Total Gross Revenue	Total Medicare Revenue	Medicare % of Gross Rev.
Duke University Hospital	$3,949,527,353	$1,972,013,759	49.9%
UNC Hospitals-RTP	$299,930,182	$153,411,788	51.2%

Sources: Forms F.2b for each applicant

The application submitted by **Duke University Hospital** provided pro forma forms (Form F.2b) for adult inpatient services, which the applicant states excludes pediatrics and neonatal services for each of the three project years, while the application submitted by **UNC Hospitals-RTP** provided pro forma forms (Form F.2b) for inpatient services, which the applicant states includes emergency services and

neonatal services, thus making a comparison of similar data impossible. Therefore, the result of this comparison is inconclusive.

Projected Medicaid

The following table shows each applicant's percentage of gross revenue (charges) projected to be provided to Medicaid patients in the applicant's third full year of operation following completion of their projects, based on the information provided in the applicant's pro forma financial statements in Section Q. Generally, the application proposing to provide a higher percentage of services to Medicaid patients is the more effective alternative with regard to this comparative factor.

Projected Medicaid Revenue – 3rd Full FY			
Applicant	**Total Gross Revenue**	**Total Medicaid Revenue**	**Medicaid % of Gross Rev.**
Duke University Hospital	$3,949,527,353	$422,730,454	10.7%
UNC Hospitals-RTP	$299,930,182	$49,649,314	16.6%

Sources: Forms F.2b for each applicant

The application submitted by **Duke University Hospital** provided pro forma forms (Form F.2b) for adult inpatient services, which the applicant states excludes pediatrics and neonatal services for each of the three project years, while the application submitted by **UNC Hospitals-RTP** provided pro forma forms (Form F.2b) for inpatient services, which the applicant states includes emergency services and neonatal services, thus making a comparison of similar data impossible. Therefore, the result of this comparison is inconclusive.

Projected Average Net Revenue per Patient

The following table shows the projected average net revenue per patient in the third full fiscal year following project completion for each facility. Generally, the application projecting the lowest average net revenue per patient is the more effective alternative with regard to this comparative factor since a lower average may indicate a lower cost to the patient or third-party payor.

Projected Average Net Revenue per Discharge – 3rd Full FY			
Applicant	**Total # of Discharges**	**Net Revenue**	**Average Net Revenue / Discharge**
UNC Hospitals-RTP	5,172	$194,846,664	$37,673
Duke University Hospital	40,402	$1,329,908,526	$32,917

Sources: Forms C and F.2b for each applicant

Each of the applicants provided Forms C for inpatient services, which is the service component applicable to acute care beds. However, the application submitted by **Duke University Hospital** provided pro forma forms (Form F.2b) for adult inpatient services for each of the three project years,

while the application submitted by **UNC Hospitals-RTP** provided pro formas (Form F.3b) for the entire hospital, thus making a comparison of similar data impossible.

Additionally, because each of the facilities is a different type of hospital offering varying levels of care (quaternary care academic medical center, community hospital), the Agency determined it could not make a valid comparison for the purpose of evaluating which application was more effective with regard to this comparative factor, because revenues are necessarily affected by level of care. **Duke University Hospital** is an existing large quaternary care academic medical center that proposes to add adult inpatient beds to its existing facility. **UNC Hospitals-RTP** proposes to add acute care beds to an approved but not yet developed smaller community hospital. The existing and projected differences in the acuity level of patients at each hospital, combined with the differences in the information provided in each of the applications' pro forma financial statements makes such a comparison of similar data impossible. Therefore, the result of this comparison is inconclusive.

Projected Average Operating Expense per Patient

The following table shows the projected average operating expense per patient in the third full fiscal year following project completion for each facility. Generally, the application projecting the lowest average operating expense per patient is the more effective alternative since a lower average may indicate a lower cost to the patient or third-party payor or a more cost-effective service.

Projected Average Operating Expense per Discharge – 3rd Full FY			
Applicant	Total # of Discharges	Operating Expenses	Average Operating Expense / Discharge
UNC Hospitals-RTP	5,172	$194,927,749	$37,689
Duke University Hospital	40,402	$1,762,581,564	$43,626

Sources: Forms C and F.2b for each applicant

Each of the applicants provided Forms C for inpatient services, which is the service component applicable to acute care beds. However, the application submitted by **Duke University Hospital** provided pro forma forms (Form F.2b) for adult inpatient services for each of the three project years, while the application submitted by **UNC Hospitals-RTP** provided pro formas (Form F.3b) for the entire hospital, thus making a comparison of similar data impossible.

Additionally, because each of the facilities is a different type of hospital offering varying levels of care (quaternary care academic medical center, community hospital), the Agency determined it could not make a valid comparison for purposes of evaluating which application was more effective with regard to this comparative factor. **Duke University Hospital** is an existing large quaternary care academic medical center that proposes to add adult inpatient beds to its existing facility. **UNC Hospitals-RTP** proposes to add acute care beds to an approved but not yet developed smaller community hospital. The existing and projected differences in the acuity level of patients at each hospital, combined with the differences in presentation of pro forma financial statements make a comparison of similar data impossible. Therefore, the result of this comparison is inconclusive.

SUMMARY

Due to differences in the levels of acuity each hospital proposes to serve, total revenues and expenses affected by those differences and the differences in the information provided in each application's pro forma financial statements, some of the comparative factors may result in less than definitive outcomes because the data is not comparable.

The following table lists the comparative factors and states which application is the more effective alternative with regard to that particular comparative factor. The comparative factors are listed in the same order they are discussed in the Comparative Analysis which should not be construed to indicate an order of importance.

COMPARATIVE FACTOR	UNC HOSPITALS-RTP	DUKE UNIVERSITY HOSPITAL
Conformity with Review Criteria	Yes	Yes
Scope of Services	Less Effective	**More Effective**
Geographic Accessibility	**More Effective**	Less Effective
Competition (Access to New / Alternate Provider)	**More Effective**	Less Effective
Access by Service Area Residents	Inconclusive	Inconclusive
Projected Medicare as Percent of Gross Revenue	Inconclusive	Inconclusive
Projected Medicaid as Percent of Gross Revenue	Inconclusive	Inconclusive
Projected Average Net Revenue per Discharge	Inconclusive	Inconclusive
Projected Average Operating Expense per Discharge	Inconclusive	Inconclusive

- With respect to Conformity with Review Criteria, each application is individually conforming to all applicable Statutory and Regulatory Review Criteria and therefore both applications are equally effective alternatives. See Comparative Analysis for discussion.

- With respect to Scope of Services, the application submitted by **Duke University Hospital** offers the more effective alternative. See Comparative Analysis for discussion.

- With respect to Geographic Accessibility, the application submitted by **UNC Hospitals-RTP** offers the more effective alternative. See Comparative Analysis for discussion.

- With respect to Competition/Access to New or alternate Provider, the application submitted by **UNC Hospitals-RTP** offers the more effective alternative. See Comparative Analysis for discussion.

CONCLUSION

G.S. 131E-183(a)(1) states that the need determination in the SMFP is the determinative limit on the number of acute care beds that can be approved by the Healthcare Planning and Certificate of Need Section. However, collectively they propose 76 acute care beds for the Durham/Caswell/Warren multicounty acute care bed service area, while the need determination is for 38 acute care beds; therefore, only 38 acute care beds can be approved in this review.

As discussed above, the application submitted by **UNC Hospitals-RTP** was determined to be the more effective alternative for the following two comparative factors:

- Geographic Accessibility
- Competition (Access to a new or alternate provider)

As discussed above, the application submitted by **Duke University Hospital** was determined to be the more effective alternative for one comparative factor:

- Scope of Services

Both applications are individually conforming to the need determination in the 2024 SMFP for 38 acute care beds in the Durham/Caswell/Warren multicounty acute care bed service area as well as individually conforming to all applicable Statutory and Regulatory Review Criteria. However, G.S. 131E-183(a)(1) states that the need determination in the SMFP is the determinative limit on the number of acute care beds that can be approved by the Agency.

Based upon the independent review of each application and the Comparative Analysis, the following application is conditionally approved as submitted:

Project ID #J-12509-24 University of North Carolina Hospitals at Chapel Hill and University of North Carolina Health Care System is approved subject to the following conditions:

1. **University of North Carolina Hospitals at Chapel Hill and University of North Carolina Health Care System (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 38 acute care beds at UNC Hospitals-RTP pursuant to the need determination in the 2024 SMFP.**

3. **The certificate holder shall also develop no more than two additional unlicensed labor and delivery beds, four Level II neonatal beds, a total of 16 unlicensed observation beds, two GI endoscopy procedure rooms, eight additional emergency department bays, inpatient dialysis services, two interventional radiology rooms, two additional X-ray units, one additional ultrasound unit, and one additional mammography unit at UNC Hospitals-RTP.**

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 February 1, 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.**