

REQUIRED STATE AGENCY FINDINGS

FINDINGS

C = Conforming

CA = Conforming as Conditioned

NC = Nonconforming

NA = Not Applicable

Decision Date: April 10, 2025

Findings Date: April 10, 2025

Project Analyst: Chalice L. Moore

Co-Signer: Gloria C. Hale

Project ID #: J-12604-25

Facility: WakeMed Cary Hospital

FID #: 990332

County: Wake

Applicant(s): WakeMed

Project: Develop no more than 6 additional Level III neonatal beds for a total of no more than 14 neonatal beds upon project completion

REVIEW CRITERIA

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

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

NA

WakeMed (“the applicant”) proposes to develop no more than 6 additional Level III neonatal beds for a total of no more than 14 neonatal beds at WakeMed Cary Hospital upon project completion.

Need Determination

There is no applicable need determination in the 2025 SMFP for this proposed project.

Policies

There are no policies in the 2025 SMFP applicable to this review. Therefore, Criterion (1) is not applicable to this review.

- (2) Repealed effective July 1, 1987.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

C

The applicant proposes to develop no more than six additional Level III neonatal beds for a total of no more than 14 neonatal beds at WakeMed Cary Hospital upon project completion.

Patient Origin

The following table below illustrates historical patient origin for the neonatal beds at WakeMed Cary Hospital.

Neonatal Beds	WakeMed Cary Hospital Historical Patient Origin	
Last Full FY 10/01/2023 to 09/30/2024		
	# of Patients	% of Total
Wake	262	78.7%
Harnett	15	4.5%
Johnston	14	4.2%
Lee	12	3.6%
Cumberland	8	2.4%
Moore	4	1.2%
Durham	3	0.9%
Chatham	3	0.9%
Guildford	2	0.6%
Orange	2	0.6%
Wayne	1	0.3%
Sampson	1	0.3%
Granville	1	0.3%
Wilson	1	0.3%
Hoke	1	0.3%
Other NC/Out of State	3	0.9%
Total	333	100.0%

Source: Section C, page 27

The following table below illustrates historical patient origin for the entire WakeMed Cary Hospital:

Entire Facility or Campus	WakeMed Cary Hospital Historical Patient Origin	
Last Full FY 10/01/2023 to 09/30/2024		
	# of Patients	% of Total
Wake	71,410	80.1%
Harnett	3,216	3.6%
Johnston	2,591	2.9%
Lee	2,094	2.3%
Durham	1,764	2.0%
Chatham	854	1.0%
Cumberland	782	0.9%
Orange	485	0.5%
Nash	471	0.5%
Franklin	462	0.5%
Wilson	298	0.3%
Sampson	286	0.3%
Wayne	283	0.3%
Moore	251	0.3%
Alamance	204	0.2%
Granville	196	0.2%
Guilford	155	0.2%
All Other NC	1,693	1.9%
Out of State	1,604	1.8%
Total	89,099	100.0%

Source: Section C, page 28

The following table below illustrates the projected patient origin for neonatal beds at WakeMed Cary Hospital:

Neonatal Beds	WakeMed Cary Hospital Projected Patient Origin					
	1 st Full FY		2 nd Full FY		3 rd Full FY	
	10/01/2027- 09/30/2028		10/01/2028- 09/30/2029		10/01/2029- 09/30/2030	
	# of Patients	% of Total	# of Patients	% of Total	# of Patients	% of Total
Wake	342	78.7%	369	78.7%	396	78.7%
Harnett	20	4.5%	21	4.5%	23	4.5%
Johnston	18	4.2%	20	4.2%	21	4.2%
Lee	16	3.6%	17	3.6%	18	3.6%
Cumberland	10	2.4%	11	2.4%	12	2.4%
Moore	5	1.2%	6	1.2%	6	1.2%
Durham	4	0.9%	4	0.9%	5	0.9%
Chatham	4	0.9%	4	0.9%	5	0.9%
Guilford	3	0.6%	3	0.6%	3	0.6%
Orange	3	0.6%	3	0.6%	3	0.6%
Wayne	1	0.3%	1	0.3%	2	0.3%
Sampson	1	0.3%	1	0.3%	2	0.3%
Granville	1	0.3%	1	0.3%	2	0.3%
Wilson	1	0.3%	1	0.3%	2	0.3%
Hoke	1	0.3%	1	0.3%	2	0.3%
Other NC/Out of State	3	0.9%	3	0.9%	6	1.2%
Total	435	100.0%	469	100.0%	503	100.0%

Source: Section C, page 29

The following table below illustrates the projected patient origin for the entire facility at WakeMed Cary Hospital:

Entire Facility or Campus	WakeMed Cary Hospital Projected Patient Origin					
	10/01/2027-09/30/2028		10/01/2028- 09/30/2029		10/01/2029- 09/30/2030	
County or Other	# of Patients	% of Total	# of Patients	% of Total	# of Patients	% of Total
Wake	77,296	80.1%	78,842	80.1%	80,418	80.1%
Harnett	3,481	3.6%	3,551	3.6%	3,662	3.6%
Johnston	2,805	2.9%	2,861	2.9%	2,918	2.9%
Lee	2,267	2.3%	2,312	2.3%	2,358	2.3%
Durham	1,909	2.0%	1,948	2.0%	1,987	2.0%
Chatham	924	1.0%	943	1.0%	962	1.0%
Cumberland	846	0.9%	863	0.9%	881	0.9%
Orange	525	0.5%	535	0.5%	546	0.5%
Nash	510	0.5%	520	0.5%	530	0.5%
Franklin	500	0.5%	510	0.5%	520	0.5%
Wilson	323	0.3%	329	0.3%	336	0.3%
Sampson	310	0.3%	316	0.3%	322	0.3%
Wayne	306	0.3%	312	0.3%	319	0.3%
Moore	272	0.3%	277	0.3%	283	0.3%
Alamance	221	0.2%	225	0.2%	230	0.2%
Granville	212	0.2%	216	0.2%	221	0.2%
Guilford	168	0.2%	171	0.2%	175	0.2%
All Other NC	1,833	1.9%	1,869	1.9%	1,907	1.9%
Out of State	1,736	1.8%	1,771	1.8%	1,806	1.8%
Total	96,444	100.0%	98,371	100.0%	100,341	100.0%

Source: Section C, page 30

In Section Q, page 87, the applicant provides the assumptions and methodology used to project its patient origin. The applicant's assumptions are reasonable and adequately supported because the applicant based its projected patient origin on WakeMed Cary Hospital's historical patient origin.

Analysis of Need

In Section C, pages 31-49, the applicant explains why it believes the population projected to utilize the proposed services needs the proposed services, as summarized below.

- **Population Growth in WakeMed Cary Service Area.** The applicant states that, in 2020, the census of the WakeMed Cary Service Area for women between the ages of 10-49 was 398,828 according to Esri Census Data. The applicant provides a chart showing growth among that age range from 2010 to 2029 and states that the population of this demographic is expected to continue growing. (page 31)
- **Increasing Births at Wake County Hospitals.** The applicant states that WakeMed Cary Hospital has experienced steady growth in deliveries, growing by 30 percent between 2017-2023, with a Compound Annual Growth Rate (CAGR) of 4.4 percent. This growth is expected to continue as WakeMed Cary offers Level III NICU services at an accessible location within the Cary community. (page 32)

- **Wake County NICU Admissions Increasing.** The applicant states that a combination of factors has caused demand for NICU services in Wake County to rise in recent years. WakeMed Cary has the unique ability to serve patients directly and also serve as a step-down facility for Level IV NICUs. (page 32)
- **WakeMed Cary NICU Utilization Increasing.** The applicant states that the need for additional NICU Beds at WakeMed Cary is attributed to the extraordinary growth seen in the past four years. Between FY 2020 and FY 2024, the WakeMed Cary NICU utilization grew at 12.8 percent CAGR and must frequently surge its capacity to accommodate patients. (page 33)

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

- The applicant provides data regarding the hospital's historical utilization to demonstrate the need for additional neonatal bed capacity as proposed in this application.
- The applicant provides data regarding the projected population growth in the area and the projected birth rates in the state, and the need neonatal population groups have for the additional acute care bed capacity.

Projected Utilization

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

WakeMed Cary NICU Historical and Projected Neonatal Services Utilization				
# of Neonatal Beds (Levels I, II, III)	LAST FULL FY	1 ST FULL FY	2 ND FULL FY	3 RD FULL FY
	10/01/2023 TO 09/30/2024	10/01/2027 TO 09/30/2028	10/01/2028 TO 09/30/2029	10/01/2029 TO 09/30/2030
# Neonatal of Beds	8	14	14	14
# of Patient Days	2,930	3,827	4,127	4,426
Occupancy Rate	100.3%	74.9%	80.8%	86.6%

In Section Q, pages 87-89, the applicant provides the assumptions and methodology used to project utilization as follows:

Step 1: Obtain Historic Neonatal Volumes from the Service Area

The starting point for projecting WakeMed Cary's neonatal utilization is its historical utilization, as shown in the table below. Utilization of the WakeMed Cary NICU has been steadily increasing since FY2021 and was over 100 percent occupancy in FY2024.

WakeMed Cary Historic Neonatal Discharges and Patient Days FYs 2021-2024				
	FY2021	FY2022	FY2023	FY2024
NICU Discharges	232	262	262	333
NICU # of Patient Days	2,103	2,370	2,304	2,930
Percent Occupancy	72.0%	81.2%	78.9%	100.3%
Average Daily Census	5.8	6.5	6.3	8.0

Step 2: Calculate Internal Growth Rate for WakeMed Cary NICU Beds from FY2021-FY2023

WakeMed utilized the NICU Discharges in the table above to calculate an average year-over-year growth of 34 discharges between FY2021-FY2024. WakeMed conservatively used discharges from FY2021 as the starting point for the average growth rate.

WakeMed Cary Growth in Neonatal Discharges, FYs 2021-2024				
	FY2021	FY2022	FY2023	FY2024
NICU Discharges	232	262	262	333
Annual Change	59	30	0	71
Average Annual Change in Discharges, FY 2021-2024	34			

Step 3: Project Future Discharges

WakeMed projected future neonatal discharges for FY2025-FY2029 utilizing the average annual growth in cases calculated in Step 2. Choosing to hold the growth rate steady conservatively captures organic growth that WakeMed Cary has experienced in recent years as demonstrated in the table below:

Projected WakeMed Cary Neonatal Discharges, FYs 2025-2030						
	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030
NICU Discharges	333	367	401	435	469	503
Growth in Discharges from Previous Year	34	34	34	34	34	34

Step 4: Calculate an Average Length of Stay (ALOS)

WakeMed utilized historical data to project future average length of stay (ALOS). The table below details the ALOS for FY2021-FY2024. ALOS has been steadily declining since FY2020 because WakeMed has implemented many process improvement initiatives aimed at tailoring care to specific patients allowing them to be discharged at the soonest appropriate time. WakeMed chose to utilize the most recent ALOS of 8.8 days from FY2024 and conservatively holds this constant to project future patient days through FY2030.

WakeMed Cary Historic Neonatal Average Length of Stay, FYs 2021-2024				
	FY2021	FY2022	FY2023	FY2024
Total Discharges	232	262	262	333
Patient Days	2,103	2,370	2,304	2,930
ALOS	9.1	9.0	8.8	8.8

Step 5: Calculate Projected Patient Days for Interim Years and Project Years 1-3

To calculate projected patient days, WakeMed held the ALOS constant from FY2024 and multiplied it by the number of projected discharges from Step 3 as demonstrated in the table below:

WakeMed Cary Projected Neonatal Patient Days, FYs 2025-2030						
	FY2025	FY2026	FY2027	FY2028	FY2028	FY2030
Total Discharges	333	367	401	435	469	503
ALOS	8.8	8.8	8.8	8.8	8.8	8.8
Patient Days	2,930	3,229	3,528	3,827	4,127	4,426

Step 6: Calculate Average Daily Census

To calculate the projected Average Daily Census (ADC) for WakeMed Cary neonatal beds, WakeMed divided the Patient Days calculated in Step 5 by 365 days as illustrated in the table below:

WakeMed Cary Neonatal Average Daily Census, FYs 2025-2030						
	Interim	Interim	Interim	Year 1	Year 2	Year 3
	FY2025	FY2026	FY2027	FY2028	FY2028	FY2030
Patient Days	2,930	3,229	3,528	3,827	4,127	4,426
Average Daily Census	8.0	8.8	9.7	10.5	11.3	12.1

Step 7: Calculate Occupancy Rate

To calculate the occupancy rate, WakeMed divided the Average Daily Census calculated in Step 6 by the number of licensed neonatal beds each year as illustrated in the table below:

Projected Neonatal Bed Utilization, FYs 2025-2030						
	Interim	Interim	Interim	Year 1	Year 2	Year 3
	FY2025	FY2026	FY2027	FY2028	FY2028	FY2030
ADC	8.0	8.8	9.7	10.5	11.3	12.1
Licensed NICU Beds	8	8	8	14	14	14
% Occupancy Rate	100.3%	110.6%	120.8%	74.9%	80.8%	86.6%

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

- The applicant relies on its own average historical growth rate to project future growth.

- The applicant uses an ALOS of 8.8 days from FY2024 and conservatively holds this constant to project future patient days through FY2030.

Access to Medically Underserved Groups

In Section C, page 40, the applicant states:

“As a private, not-for-profit hospital system, WakeMed ensures access to health care services for all patients, regardless of income, payer status, gender, sexual orientation, race, ethnicity, culture or physical disability. This is documented in WakeMed’s Administrative Policy, ‘Patient Rights and Responsibilities’... WakeMed has long been committed to improving patient access.”

In Exhibit C.6, page 20, the applicant provides copies of WakeMed’s policies regarding access for medically underserved groups.

In Section C, page 41, the applicant provides the estimated percentage for each medically underserved group during the third full fiscal year, as shown in the following table:

Medically Underserved Groups	Estimated % of Total Patients in FY 3
Low-income persons	10.8%
Racial and ethnic minorities	44.6%
Women	64.0%
Persons with disabilities*	N/A
Persons 65 and older	22.8%
Medicare beneficiaries	45.5%
Medicaid recipients	7.2%

Source: Section C, page 41

*The applicant states it does not keep statistics on this metric.

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

- The applicant provides a statement saying it will provide service to all residents of the service area, including underserved groups, without regard for anything other than the need for acute care bed services.
- The applicant has a history of providing access to all persons, including underserved groups, in need of acute care services.
- The applicant provides documentation of its existing policies regarding non-discrimination and financial access in Exhibit C.6.1.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

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

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

NA

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

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

CA

The applicant proposes to develop no more than six additional Level III neonatal beds for a total of no more than 14 neonatal beds at WakeMed Cary Hospital upon project completion.

In Section E, page 49, the applicant describes the alternatives considered and explains why each alternative is either more costly or less effective than the alternative proposed in this application to meet the need. The alternatives considered were:

Maintain the Status Quo. The applicant states that maintaining the status quo would mean that WakeMed Cary would continue to operate eight neonatal beds. WakeMed Cary's NICU frequently operates at, or above, 100% capacity. Therefore, the applicant concludes the status quo is not a sustainable alternative to the proposed project.

Convert Existing Acute Care Beds to Neonatal Beds-WakeMed Cary currently has 200 licensed acute care beds, exclusive of neonatal beds. The applicant states that while this project could have proposed the conversion of six acute care beds to neonatal beds, this was not a viable option. WakeMed Cary's existing acute care beds are well utilized and demand continues to increase. In FY2023, WakeMed Cary was approved for an additional nine acute care beds (Project ID# J-12418-23) which is currently under appeal. In FY2024, WakeMed Cary's non-neonatal acute care beds were utilized at approximately 90 percent, leading WakeMed to apply for, and be awarded, an additional 24 acute care beds (Project ID# J-12537-

24). The existing and approved acute care beds at WakeMed Cary are critical to meeting the needs of adult patients and a conversion of six beds would not be a viable alternative to the proposed project. Therefore, this is not the most effective alternative to meet the need.

Develop a Different Number of Neonatal Beds- WakeMed carefully chose the addition of six neonatal beds to accelerate the operationalization of the proposed beds. While current volumes support more than the proposed number of beds, the existing NICU footprint can accommodate the proposed six beds at this time without the need for extensive and disruptive renovations. Therefore, this was not the most effective alternative.

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

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

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

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

1. **WakeMed (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 six additional Level III neonatal beds for a total of no more than 14 neonatal beds upon project completion.**
3. **Upon completion of the project, WakeMed Cary Hospital shall be licensed for no more than 14 Level III neonatal beds.**
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 November 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 expenditure in Section Q of the application and that would otherwise require a certificate of need.**
 - 6. The certificate holder shall acknowledge acceptance of and agree to comply with all conditions stated herein to the Agency in writing prior to issuance of the certificate of need.**
- (5) Financial and operational projections for the project shall demonstrate the availability of funds for capital and operating needs as well as the immediate and long-term financial feasibility of the proposal, based upon reasonable projections of the costs of and charges for providing health services by the person proposing the service.

C

The applicant proposes to develop no more than six additional Level III neonatal beds for a total of no more than 14 neonatal beds at WakeMed Cary Hospital upon project completion.

Capital and Working Capital Costs

On Form F.1a in Section Q, page 90, the applicant projects the total capital cost of the project as shown in the table below:

Form F.1a Projected Capital Cost	Applicant Wake Med
Renovation Contract	\$577, 500
Architect/Engineering Fees	\$131,250
Medical Equipment	\$390,000
Non-Medical	\$32,500
Furniture	\$120,000
Consultant Fees	\$17,000
Financing Fees	\$20,926
Interest during Construction	\$62,778
Other	\$126,826
Total	\$1,478,780

The applicant provides its assumptions and methodology for projecting capital cost in Section Q, page 91. The applicant adequately demonstrates that the projected capital cost is based on reasonable and adequately supported assumptions based on the following:

- The applicant explains how it estimated each line item in the projected capital cost.
- The applicant states construction costs were based on the collective experience of the planning architect with construction costs in the local, regional and state markets with specific healthcare facilities development.

In Section F, page 51, the applicant states WakeMed Cary Hospital currently operates neonatal beds. The proposed project will not incur any start-up costs or initial operating costs.

- The applicant's projections are based on WakeMed's extensive experience in building, operating, and managing facilities in North Carolina.

Availability of Funds

In Section F.2, page 50, the applicant states that the capital cost will be funded, as shown in the table below.

Sources of Capital Cost Financing		
Type	WakeMed	Total
Loans	\$0	\$0
Cash and Cash Equivalents, Accumulated reserves or OE*	\$1,478,780	\$1,478,780
Bonds	\$0	\$0
Other (Specify)	\$0	\$0
Total Financing	\$1,478,780	\$1,478,780

* OE = Owner's Equity

Exhibit F.2 contains a letter dated January 30, 2025, from the Chief Financial Officer of WakeMed stating that WakeMed will utilize accumulated reserves to fund and develop the six neonatal beds at WakeMed Cary Hospital.

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 documentation of its commitment to use the necessary funding toward development of the proposed project.
- The applicant provides a copy of its audited financial statements in Exhibit F.2 which document the availability of sufficient financial resources to fund the proposed project.

Financial Feasibility

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

Projected Revenues and Net Income upon Projected Completion	1st Full Fiscal Year	2nd Full Fiscal Year	3rd Full Fiscal Year
WakeMed Cary Hospital NICU			
Total # of Patient Days	3,827	4,127	4,426
Total Gross Revenues (Charges)	\$19,996,644	\$22,206,388	\$24,530,720
Total Net Revenue	\$9,636,682	\$10,606,104	\$11,612,119
Average Net Revenue per patient days	\$2,518	\$2,570	\$2,624
Total Operating Expenses (Costs)	\$6,808,161	\$7,167,978	\$7,462,067
Average Operating Expense per patient days	\$1,779	\$1,737	\$1,686
Net Income	\$2,828,521	\$3,438,125	\$4,150,051

The assumptions used by the applicant in preparation of the pro forma financial statements are provided in Section Q immediately following Form.3b.

The applicant adequately demonstrates that the financial feasibility of the proposal is reasonable and adequately supported based on the following:

- The applicant bases its assumptions for revenues on historical FY2024 NICU discharges.
- The applicant accounts for charity and bad debt reductions based on historical FY2024 per case averages.
- Projected utilization is based on reasonable and adequately supported assumptions. See the discussion regarding projected utilization in Criterion (3) which is incorporated herein by reference.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

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

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

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

C

The applicant proposes to develop no more than six additional Level III neonatal beds for a total of no more than 14 neonatal beds at WakeMed Cary Hospital upon project completion.

The 2025 SMFP does not define a service area for neonatal services. In Section G, page 57, the applicant identifies the proposed service area as Wake County. Facilities may also serve residents of counties not included in their service area.

In Section G, page 57, the applicant states there are four hospitals that operate Level III neonatal beds: UNC Rex Hospital, WakeMed Raleigh, WakeMed North and WakeMed Cary.

Neonatal Bed Utilization at Wake County Hospitals, FY 2023			
FACILITY	NICU Level	Number of Beds	NICU Days of Care
UNC REX	III	15	4,543
WakeMed Raleigh	III	24	7,177
WakeMed North	III	6	1,771
WakeMed Cary	III	8	8,981

Source: FY 2023 data from 2024 Hospital License Renewal Applications

Data for UNC Rex includes Main Campus and Holly Springs

In Section G, page 57, the applicant explains why it believes its proposal would not result in the unnecessary duplication of existing or approved neonatal bed services in Wake County. The applicant states:

“The existing NICU beds at WakeMed Cary Hospital are highly utilized and often require surge capacity to stabilize and accommodate patients in need. WakeMed Cary Hospital provides the only access to neonatal services in the Cary area and often accepts transfers from other area hospitals. Given the growth in historic utilization, the expansion of the WakeMed Cary NICU will not result in the duplication of services in the proposed 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:

- Based on FY2023 data from the 2024 hospital license renewal applications, all of the Level III NICU beds currently licensed in Wake County are operating above 80% occupancy.
- The applicant adequately demonstrates that the proposed neonatal beds are needed in addition to the existing and approved neonatal beds in the service area.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

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

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

C

The applicant proposes to develop no more than six additional Level III neonatal beds for a total of no more than 14 neonatal beds at WakeMed Cary Hospital upon project completion.

In Section Q, Form H, page 97, the applicant provides current and projected full-time equivalent (FTE) staffing for the proposed services, as illustrated in the following table.

WakeMed Neonatal Beds Current & Projected				
Position	Current	Projected – FYs 1-3		
	AS OF 2/1/2025	1 ST FULL FY	2 ND FULL FY	3 RD FULL FY
Registered Nurses	31.1	30.3	30.3	30.3
Certified Nursing Aides/Nursing Assistants	1.2	1.2	1.2	1.2
Surgical Technicians	0	0	0	0
Manager	0.2	1	1	1
Total Staffing	32.6	32.5	32.5	32.5

The assumptions and methodology used to project staffing are provided in Section Q and Exhibit H.2. Adequate costs for the health manpower and management positions proposed by the applicant are budgeted on Form F.3b in Section Q, Page 95. In Section H, pages 59-61, the applicant describes the methods to be used to recruit or fill new positions and its existing training and continuing education programs.

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

- The applicant adequately demonstrates it has experience in acquiring sufficient personnel to provide services and will use that experience for the proposed project.
- The applicant adequately documents the number of FTEs it projects will be needed to offer the proposed services.
- The applicant's projections for FTEs are based on its own historical experience.

- The applicant accounts for projected salaries and other costs of employment for FTEs in its projected operating expenses found on Form F.3b in Section Q.
- The applicant provides adequate documentation of its proposed recruitment, training, and continuing education programs.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

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

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

C

The applicant proposes to develop no more than six additional Level III neonatal beds for a total of no more than 14 neonatal beds at WakeMed Cary Hospital upon project completion.

Ancillary and Support Services

In Section I, page 62, the applicant identifies the necessary ancillary and support services for the proposed services. In Section I, pages 62 and 63, the applicant explains how each ancillary and support service is made available. The applicant adequately demonstrates that the necessary ancillary and support services will be made available based on the following:

- The applicant is currently providing the necessary ancillary and support services at the same facility where it proposes to develop the additional neonatal beds.
- In Exhibit I.2, the applicant provides a letter from the Senior Vice President and Administrator of WakeMed Cary Hospital confirming the availability of the necessary ancillary and support services and committing to continue to provide the necessary ancillary and support services for the proposed project.

Coordination

In Section I, pages 63-64, the applicant describes WakeMed Hospital's existing and proposed relationships with other local health care and social service providers and provides supporting

documentation and support letters in Exhibit I.2. The applicant adequately demonstrates that the proposed services will be coordinated with the existing health care system based on the following:

- WakeMed has been in operation for over 60 years and WakeMed Care for over 30 years, thus there are many established relationships with area healthcare providers.
- The applicant provides letters of support in Exhibit I.2 from local physicians and healthcare providers documenting that the proposed project will be coordinated with the existing health care system.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

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

- (9) An applicant proposing to provide a substantial portion of the project's services to individuals not residing in the health service area in which the project is located, or in adjacent health service areas, shall document the special needs and circumstances that warrant service to these individuals.

NA

The applicant does not project to provide the proposed services to a substantial number of persons residing in Health Service Areas (HSAs) that are not adjacent to the HSA in which the services will be offered. Furthermore, the applicant does not project to provide the proposed services to a substantial number of persons residing in other states that are not adjacent to the North Carolina county in which the services will be offered.

- (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

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

C

The applicant proposes to develop no more than six additional Level III neonatal beds for a total of no more than 14 neonatal beds at WakeMed Cary Hospital upon project completion.

In Section K, page 66, the applicant states that the project involves renovating 1,130 square feet of existing space. Line drawings are provided in Exhibit K.1.

In Section K, page 66, the applicant adequately explains how the cost, design, and means of construction represent the most reasonable alternative for the proposal based on the following:

- This project involves upfits to existing space in the WakeMed Cary Hospital NICU. Supporting hospital infrastructure is in place and ancillaries are adequate to support the proposed six additional NICU beds. The project will not require additional financing and can be developed with accumulated reserves, as demonstrated in the letter regarding source of funds in Exhibit F.2, page 2.

On page 67, the applicant adequately explains why the proposal will not unduly increase the costs to the applicant of providing the proposed services or the costs and charges to the public for the proposed services based on the following:

- The applicant states the project is sized to meet existing and expected new demand for neonatal ICU beds. Depreciation associated with the upfits, and operating costs associated with the net new beds will add to the total operating cost of WakeMed Cary. However, expected increasing demand for NICU bed days will spread overhead over more units of service and keep operating costs similar to existing operating costs, adjusted for inflation.

In Section K, page 67, the applicant identifies the applicable energy saving features and guidelines that will be incorporated into the construction plans.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

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

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

C

In Section L, page 69, the applicant provides the historical payor mix for the entire WakeMed Cary facility for October 1, 2023 – September 30, 2024 as follows.

WakeMed Cary Hospital Historical Payor Mix 10/1/2023 to 09/30/2024	
Payor Category	% of Patients Served
Self-Pay	5.3%
Charity Care^	
Medicare*	31.3%
Medicaid*	11.2%
Insurance*	49.1%
Workers Compensation^^	
TRICARE^^^	
Other (WC/Other gov't/3PL)	3.1%
Total	100.0%

*Including any managed care plans.

^Charity Care is provided in Self-Pay

^^ Workers Compensation is provided in other

^^^TRICARE is included in "Other"

In Section L, page 70, the applicant provides the historical payor mix for the WakeMed Cary NICU for October 1, 2023 – September 30, 2024.

WakeMed Cary NICU Historical Payor Mix 10/1/2023 to 09/30/2024	
PAYOR CATEGORY	% OF PATIENTS SERVED
Self-Pay	1.8%
Charity Care^	
Medicare*	0.0%
Medicaid*	21.4%
Insurance*	72.4%
Workers Compensation^^	0.0%
Other (TRICARE)	4.4%
Total	100.0%

Including any managed care plans

^ Charity Care is included in Self-Pay

In Section L, page 70, the applicant provides the following comparison for the population served at WakeMed Cary Hospital:

WakeMed	Percentage of Total Patients Served	Percentage of Wake County Population
Female	61.4%	51.0%
Male	38.6%	49.0%
Unknown	0.0%	0.0%
64 and Younger	68.5%	86.6%
65 and Older	31.5%	13.4%
American Indian	0.3%	0.8%
Asian	6.13%	9.4%
Black or African-American	20.9%	20.6%
Native Hawaiian or Pacific Islander	0.1%	0.1%
White or Caucasian	62.4%	66.3%
Other Race	8.6%	14.4%
Declined / Unavailable	1.5%	0.0%

*The percentages can be found online using the United States Census Bureau's QuickFacts which is at: <https://www.census.gov>

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

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

- (b) Its past performance in meeting its obligation, if any, under any applicable regulations requiring provision of uncompensated care, community service, or access by minorities

and persons with disabilities to programs receiving federal assistance, including the existence of any civil rights access complaints against the applicant;

C

Regarding any obligation to provide uncompensated care, community service, or access by minorities and persons with disabilities, in Section L, page 71, the applicant states:

“...WakeMed Cary accepts Medicare and Medicaid reimbursement, which makes it subject to EMTALA requirements. WakeMed accepts all patients who present on campus and not only stabilizes but also treats them. WakeMed has a policy for care of persons with Disabilities.”

In Section L, page 72, the applicant states that no patient civil rights access complaints have been filed against WakeMed Hospitals during the 18 months immediately prior to submission of the application.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

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

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

C

In Section L, page 72, the applicant projects the following payor mix for WakeMed Cary Hospital during the third full fiscal year of operation following completion of the project, as illustrated in the following table.

WakeMed Cary Hospital Projected Payor Mix 10/1/2027 to 09/30/2028	
Payor Category	% of Patients Served
Self-Pay	5.3%
Charity Care^	
Medicare*	31.3%
Medicaid*	11.2%
Insurance*	49.1%
Workers Compensation^^	
TRICARE^^	
Other (WC/Other govt/3PL)	3.1%
Total	100.0%

* Including any managed care plans.

^ Charity Care is provided in Self-Pay

^^ Workers Compensation is provided in Other

^^^Tricare is provided in Other

As shown in the table above, during the third full fiscal year of operation following completion of the project, the applicant projects that 5.3% of WakeMed Cary's services will be provided to self-pay patients, 31.3% of services to Medicare patients, and 11.2% of services to Medicaid patients.

WakeMed Cary NICU Projected Payor Mix FY 10/1/2027 to 09/30/2028	
Payor Category	% of Patients Served
Self-Pay	1.8%
Charity Care^	
Medicare*	0.0%
Medicaid*	21.4%
Insurance*	72.4%
Workers Compensation^^	0.0%
TRICARE^^	
Other (WC/Other govt/3PL)	4.4%
Total	100.0%

* Including any managed care plans.

^ Charity Care is provided in Self-Pay

^^ Workers Compensation is provided in Other

^^^Tricare is provided in Other

As shown in the table above, during the third full fiscal year of operation following completion of the project, the applicant projects that 1.8% of WakeMed Cary's NICU beds will be provided to self-pay patients, 0% of services to Medicare patients, and 21.4% of services to Medicaid patients.

On page 72, the applicant provides the assumptions and methodology used to project payor mix during the third full fiscal year of operation following completion of the project. The projected payor mix is reasonable and adequately supported because it is

based on the applicant's historical neonatal patient payor mix and impact of Medicaid expansion in the service area.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

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

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

C

In Section L, page 74, the applicant adequately describes the range of means by which patients will have access to the proposed services.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

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

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

C

The applicant proposes to develop no more than six additional Level III neonatal beds for a total of no more than 14 neonatal beds at WakeMed Cary Hospital upon project completion.

In Section M, page 75, the applicant describes the extent to which health professional training programs in the area currently have access and will continue to have access to the facility for training purposes. The applicant adequately demonstrates that health professional training programs in the area will have access to the facility for training purposes based on the following:

- The applicant provides documentation in Exhibit M.1 of existing health professional training programs offered at WakeMed Hospitals.
- The applicant describes the clinical education training programs it provides access for and identifies numerous clinical education training programs it partners with to offer both training and access to its facilities.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

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

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

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

C

The applicant proposes to develop no more than six additional Level III neonatal beds for a total of no more than 14 neonatal beds at WakeMed Cary Hospital upon project completion. The 2025 SMFP does not define a service area for neonatal services. In Section G, page 57, the applicant identifies the proposed service area as Wake County. Facilities may also serve residents of counties not included in their service area.

In Section G, page 57, the applicant states there are four hospitals that operate Level III neonatal beds: UNC Rex Hospital, WakeMed Raleigh, WakeMed North and WakeMed Cary.

Neonatal Bed Utilization at Wake County Hospitals, FY 2023			
Facility	NICU Level	Number of Beds	NICU Days of Care
UNC REX	III	15	4,543
WakeMed Raleigh	III	24	7,177
WakeMed North	III	6	1,771
WakeMed Cary	III	8	8,981

Source: FY 2023 data from 2024 Hospital License Renewal Applications
Data for UNC Rex includes Main Campus and Holly Springs

Regarding the expected effects of the proposal on competition in the service area, in Section N, page 77, the applicant states:

“The proposed project seeks to right-size the existing NICU at WakeMed Cary Hospital. By expanding the current compliment [sic] of NICU beds into 14 private rooms, WakeMed Cary will improve quality and infection control. This project also elevates the WakeMed Cary NICU to the standards implemented throughout the WakeMed system by offering the privacy of individual rooms. The improvements gained during this project will not only support improved patient care, it will also support WakeMed’s ability to recruit and retain quality employees.”

Regarding the impact of the proposal on cost effectiveness, in Section N, page 77, the applicant states:

“The proposed project will improve cost effectiveness by spreading the project’s cost across more patient days. The project involves minimal capital cost as it can be accomplished with minor renovations of existing office space. No additional construction or expansion to external infrastructure is necessary and the project can be quickly implemented.

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

Regarding the impact of the proposal on quality, in Section N, page 77, the applicant states:

“The proposed beds will automatically participate in all WakeMed quality programs and will be subject to third party oversight by NC Hospital Licensure and CMS Certification programs. WakeMed strives to provide high-quality services to all. Because the proposed project will be part of WakeMed Cary, the facility will follow and maintain the same quality and performance improvement policies and programs already established at WakeMed.”

See also Sections C and O of the application and any referenced exhibits.

Regarding the impact of the proposal on access by medically underserved groups, in Section N, page 78, the applicant states:

“WakeMed Cary, like all facilities in the WakeMed system, does not discriminate against any patient based on income, age, sexual orientation, gender, ethnicity,

physical handicap, ability to pay, or insurance coverage. See Exhibit C.6, p.17 for WakeMed's Non- Discrimination Statement and Exhibit C.6, p.30 for WakeMed's Financial Assistance Policy and Exhibit C.6, p. 44 for the Americans with Disabilities (ADA) Policy."

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

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

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

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

- (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

The applicant proposes to develop no more than six additional Level III neonatal beds for a total of no more than 14 neonatal beds at WakeMed Cary Hospital upon project completion.

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 nine hospitals in North Carolina.

In Section O, pages 81, the applicant states that, during the 18 months immediately preceding the submittal of the application, incidents related to quality of care occurred at three of its facilities; UNC Health Blue Ridge, UNC Hospitals, and UNC Rex Hospital. The applicant states that all the problems have been corrected and all of its facilities are back in compliance. After reviewing and considering the information provided by the applicant and the Acute Care and Home Care License and Certification Section and considering the quality of care provided at all nine (9) facilities, the applicant has provided sufficient evidence that quality care has been provided in the past. Therefore, the application is conforming to this criterion.

(21) Repealed effective July 1, 1987.

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

NA

The applicant proposes to develop additional Level III NICU beds. The Criteria and Standards for Neonatal Services promulgated in 10A NCAC 14C .1403 are not applicable to this review because they apply only to the proposed development of Level IV NICU beds.