

REQUIRED STATE AGENCY FINDINGS

FINDINGS

C = Conforming

CA = Conforming as Conditioned

NC = Nonconforming

NA = Not Applicable

Decision Date: June 24, 2025

Findings Date: June 24, 2025

Project Analyst: Chalice L. Moore

Co-Signer: Mike McKillip

Project ID #: G-12624-25

Facility: Lexington Medical Center

FID #: 943307

County: Davidson

Applicant(s): Lexington Medical Center

Project: Develop no more than two additional operating rooms pursuant to the 2025 SMFP need determination for a total of no more than six operating rooms

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

Lexington Medical Center (“the applicant”), proposes to develop no more than two additional operating rooms at Lexington Medical Center (“LMC”) pursuant to the need determination in the 2025 State Medical Facilities Plan (SMFP) for a total of no more than six operating rooms.

Need Determination

In the 2025 SMFP, Table 6C: Operating Room Need Determination shows a need determination for two operating rooms in the Davidson County operating room service area. The applicant proposes to develop two operating rooms at LMC. Therefore, the application is consistent with the need determination in the 2025 SMFP.

Policies

There are two policies in the 2024 SMFP applicable to this review: *Policy GEN-4: Energy Efficiency and Sustainability for Health Service Facilities* and *Policy GEN-5: Access to Culturally Competent Healthcare*.

Policy GEN-4: Energy Efficiency and Sustainability for Health Service Facilities, on page 30 of the 2025 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.”

In Section B, page 28, the applicant explains why it believes the application is conforming to Policy GEN-4. The proposed capital expenditure for this project is over \$5 million. 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.

Policy GEN-5:

“Access to Culturally Competent Healthcare A certificate of need (CON) applicant applying to offer or develop 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 provide culturally competent healthcare that integrates principles to increase health equity and reduce health disparities in underserved communities. The delivery of culturally competent healthcare requires the implementation of systems and training to provide responsive, personalized care to individuals with diverse backgrounds, values, beliefs, customs, and languages. A certificate of need applicant shall identify the underserved populations and communities it will serve, including any

disparities or unmet needs of either, document its strategies to provide culturally competent programs and services, and articulate how these strategies will reduce existing disparities as well as increase health equity.”

Demographics

In Section B, pages 29-34, the applicant describes how the proposed project will focus on the medically underserved communities within the service area. The applicant states that the proposed service area is Davidson County. The information provided by the applicant is reasonable and supports the determination that the applicant’s relevant service area with a specific focus on the medically underserved communities within that service area.

Culturally Competent Services

In Section B, pages 35-37, the applicant states that Atrium Health Wake Forest Baptist has developed a five Culture Commitments that outlines organizational goals, objectives, actions, and resources to ensure that as an organization, they are providing culturally competent services to all members of the medically underserved community who are receiving services within the facilities. The information provided by the applicant is reasonable and supports the determination that the applicant’s proposal will provide culturally competent services to members of the medically underserved community.

Reflect Cultural Competence

In Section B, page 38, the applicant states the following:

“LMC and AHWFB have used best practices and a well-proven approach to increase health equity, to reduce health disparities for underserved populations, and increase access to healthcare services in the Piedmont Triad, including Davidson County.”

The information provided by the applicant is reasonable and supports the determination that the applicant’s proposal will provide culturally competent services to members of the medically underserved community.

Reducing Health Disparities

In Section B, page 38, the applicant describes how the proposed project will focus on prioritizing health equity within the service area. The applicant states that the proposed service area is Davidson County. The information provided by the applicant is reasonable and supports the determination that the applicant’s relevant service area with a specific focus on the medically underserved communities within that service area.

Increase Equitable Access

In Section B, page 39, the applicant describes how the proposed project will measure and periodically assess increased equitable access to healthcare services and reduction in health disparities in underserved communities within the service area. The applicant states that the

proposed service area is Davidson County. The information provided by the applicant is reasonable and supports the determination that the applicant's relevant service area with a specific focus on the medically underserved communities within that 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 based on the following:

- The applicant does not propose to develop more ORs than are determined to be needed in the service area.
- The applicant adequately demonstrates that the proposal is consistent with Policy GEN-4 and Policy GEN-5 for the following reasons:
 - The applicant adequately demonstrates that the application includes a written statement describing the project's plan to assure improved energy efficiency and water conservation.
 - The applicant adequately demonstrates that the application includes a written statement describing the project's plan to assure access to Culturally Competent Healthcare.

(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 two additional operating rooms at Lexington Medical Center pursuant to the need determination in the 2025 SMFP for a total of no more than six operating rooms.

On page 49, the 2025 SMFP defines the service area for OR as "*single or multicounty grouping shown in Figure 6.1.*" Figure 6.1, on page 55, shows Davidson County is a single county operating room service area. Thus, the service area for this facility consists of Davidson County. Facilities may also serve residents of counties not included in their service area.

In Section C, pages 44-55, the applicant provides historical patient origin for both inpatient and outpatient surgical services for CY2024, as shown in the following tables:

Lexington Medical Center Operating Rooms Inpatient Surgical Services Historical Patient Origin, CY 2024		
COUNTY	# PATIENTS	% OF TOTAL
Davidson	372	78.81%
Rowan	39	8.26%
Forsyth	14	2.9%
Guilford	11	2.33%
Randolph	9	1.91%
Cabarrus	5	1.06%
Other NC counties	15	3.18%
Other states	7	1.48%
Total	472	100.0%

*The applicant states "Other includes <1 percent patient origin from each of the remaining counties in NC and other states".

Lexington Medical Center Operating Rooms Outpatient Surgical Services Historical Patient Origin, CY 2024		
COUNTY	# PATIENTS	% OF TOTAL
Davidson	1,381	50.81%
Rowan	360	13.25%
Forsyth	241	8.87%
Guilford	133	4.89%
Randolph	86	3.16%
Iredell	59	2.17%
Davie	58	2.13%
Wilkes	45	1.66%
Catawba	34	1.25%
Other NC counties	256	9.42%
Other states	65	2.39%
Total	2,718	100.0%

*The applicant states "Other includes <1 percent patient origin from each of the remaining counties in NC and other states".

The following tables from Section C, pages 46-48, illustrates the projected patient origin for outpatient and inpatient surgical services at LMC through the first three fiscal years of the project:

Lexington Medical Center Operating Rooms Inpatient Surgical Services Projected Patient Origin,						
COUNTY	1 ST FULL FY CY2028		2 ND FULL FY CY2029		3 RD FULL FY CY2030	
	# PTS.	% OF TOTAL	# PTS.	% OF TOTAL	# PTS.	% OF TOTAL
Davidson	411	78.81%	414	78.81%	418	78.81%
Rowan	43	8.26%	43	8.26%	44	8.26%
Forsyth	15	2.97%	16	2.97%	16	2.97%
Guilford	12	2.33%	12	2.33%	12	2.33%
Randolph	10	1.91%	10	1.91%	10	1.91%
Cabarrus	6	1.06%	6	1.06%	6	1.06%
Other NC counties	17	3.18%	17	3.18%	17	3.18%
Other States	8	1.48%	8	1.48%	8	1.48%
Total	522	100.0%	526	100.0%	530	100.0%

*The applicant states "Other includes less than one percent patient origin from each of the remaining counties in NC and other states".

Lexington Medical Center Operating Rooms Outpatient Surgical Services Projected Patient Origin,						
COUNTY	1 ST FULL FY CY2028		2 ND FULL FY CY2029		3 RD FULL FY CY2030	
	# PTS.	% OF TOTAL	# PTS.	% OF TOTAL	# PTS.	% OF TOTAL
Davidson	2,156	50.81%	2,283	50.81%	2,418	50.81%
Rowan	562	13.25%	595	13.25%	631	13.25%
Forsyth	376	8.87%	399	8.87%	422	8.87%
Guilford	207	4.89%	220	4.89%	233	4.89%
Randolph	134	3.16%	142	3.16%	150	3.16%
Iredell	92	2.17%	98	2.17%	103	2.17%
Davie	90	2.13%	96	2.13%	101	2.13%
Wilkes	70	1.66%	75	1.66%	79	1.66%
Catawba	53	1.25%	56	1.25%	59	1.25%
Other NC Counties	400	9.42%	423	9.42%	448	9.42%
Other States	101	2.39%	107	2.39%	114	2.39%
Total	4,243	100.0%	4,494	100.0%	4,760	100.0%

*The applicant states "Other includes <1 percent patient origin from each of the remaining counties in NC and other states".

In Section C, page 66, 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 the applicant's CY 2024 experience providing surgical services.

Analysis of Need

In Section C, pages 49-64, the applicant explains why it believes the population projected to utilize the proposed services needs the proposed services, as summarized below:

- **Demand for surgical services in North Carolina, including growing utilization at Lexington Medical Center:** The applicant states that demand for surgical services in

North Carolina has steadily increased during the most recent years. Demand has steadily increased between FY2014 and FY2023, particularly for outpatient surgery. The increase represents nearly 77% of all surgical cases in North Carolina. (pages 49-50)

- **Historical County Inpatient and Outpatient surgical patient migration patterns:** The applicant states that the Division of Health Services Regulations (DHSR) Patient Origin Reports show that many Davidson County residents travel outside of Davidson County to obtain inpatient and ambulatory surgical services. Specifically, during the FFY2023, only 23.11% of Davidson County residents who had inpatient surgery obtained their surgery in Davidson County. (pages 50-55)
- **Projected population growth and aging of Davidson County:** the applicants state that Lexington Medical Center primary service area is Davidson County. LMC recognizes demographic characteristics support the need for the hospital to develop two additional operating rooms. According to North Carolina Office of State Budget and Management (NCOSBM) data, Davidson County has a projected 2023 population of 188,246. The population of Davidson County is expected to increase during the next five years. (pages 56-59)
- **Davidson County health status:** the applicant states that County Health Rankings for Davidson County is about the same as the average county in North Carolina for Health outcomes. LMC wants to improve outcomes and the development of two additional Ors will help Davidson County to improve its health rankings, by benefiting Davidson County residents. (pages 59-62)
- **Documented physician support:** The applicant states that there is support of local physician community for the proposed project. LMC has received strong support from its Medical staff. Physicians and other referring providers from Davidson County and surrounding counties refer patients for hospital services. (pages 62-64)

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

- The applicant uses the historical county inpatient and outpatient surgical migration patterns provided by DHSR to project outpatient and inpatient surgical services.
- The applicant uses the projected population growth and aging of Davidson County demographics to support the need for additional operating rooms in Davidson County.

Projected Utilization

In Section Q, Form C.3b, page 130, the applicant projects utilization of the ORs at Lexington Medical Center, as illustrated in the following table:

LEXINGTON MEDICAL CENTER PROJECTED UTILIZATION			
	1 ST FULL FY CY2028	2 ND FULL FY CY2029	3 RD FULL FY CY2030
Operating Rooms			
Open Heart ORs			
Dedicated C-Section ORs*			
Other Dedicated Inpatient ORs			
Shared ORs	6	6	6
Dedicated Ambulatory			
Total # ORs	6	6	6
# of Excluded ORs			
Adjusted Planning Inventory	6	6	6
Surgical Cases			
# of C-Sections Performed in Dedicated C-Section ORs			
# Inpatient Surgical Cases	522	526	530
# Outpatient Surgical Cases	4,243	4,494	4,760
Total # Surgical Cases	4,746	5,020	5,290
Case Times			
Inpatient	125.8	125.8	125.8
Outpatient	92.2	92.2	92.2
Surgical Hours			
Inpatient	1,093	1,103	1,112
Outpatient	6,521	6,906	7,314
Total Surgical Hours	7,614	8,009	8,426
# ORs Needed			
Group Assignment	4	4	4
Standard Hours Per OR Per Year	1,500	1,500	1,500
Total Surgical Hours/Standard Hours per OR per Year	50.8	5.34	5.62

Source: Section Q, page 104

*Excluded from OR inventory

In Section Q, pages 131-133, the applicant provides the assumptions and methodology used to project utilization, summarized as follows:

Step 1: Historical And Projected Lexington Medical Center Surgical Cases—LMC operates four shared operating rooms under the hospital license.

The following table, from page 131, summarizes the data:

Lexington Medical Center Historical Inpatient and Outpatient Surgical Cases						
	CY2021	CY2022	CY2023	CY2024	2-YR CAGR	3-YR CAGR
Inpatient Cases	627	602	545	472	-6.77%	-9.03%
Outpatient Cases	2,288	2,555	4,426	2,718	39.08%	5.91%
Total Cases	2,915	3,157	4,971	3,190	30.59%	3.05%

Source: Section Q page 131

To project future growth, the applicant assumes inpatient surgical utilization will grow at the same rate as projected population growth for Davidson County (0.85%), and that outpatient

surgical utilization will grow at the most recent 3-year average growth rate experienced at LMC from CY2022 to CY2024.

Lexington Medical Center Projected Inpatient and Outpatient Surgical Cases

	CY2025	CY2026	CY2027	CY2028	CY2029	CY2029	5-YR CAGR
Inpatient Cases	509	513	517	522	526	530	0.85%
Outpatient Cases	3,572	3,783	4,007	4,243	4,494	4,760	5.91%
Total Cases	4,081	4,296	4,524	4,765	5,020	5,290	5.33%

Source: Section Q page 132

Step 2: Projected LMC OR Need–The following table, from Section Q, page 132, summarizes the projected need for operating room capacity at LMC through the first three full fiscal years of the project.

Projected LMC Surgical Utilization

	CY 2028	CY 2029	CY 2030
Total IP Surgery Cases	522	526	530
Average Case Time (Minutes)	125.8	125.8	125.8
Total IP Surgical Hours	1,093	1,103	1,112
Total OP Surgery Cases	4,423	4,494	4,760
Average Case Time (Minutes)	92.2	92.2	92.2
Total OP Surgical Hours	6,521	6,906	7,314
Total Combined IP/OP Surgical Hours	7,614	8,009	8,426
Group 4 Facility Standard Hour/OR	1,500	1,500	1,500
ORs Needed	5.08	5.34	5.62
ORs Needed (Rounded)	6	6	6

Totals may not foot due to rounding

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

- Utilization projections are based on the applicant’s experience providing surgical services and supported by historical surgical utilization.
- Projected population growth and aging in the service area supports projected increases in demand for surgical services in the Davidson County service area.

Access to Medically Underserved Groups

In Section C, page 51, the applicant states:

“All individuals including low-income persons, racial and ethnic minorities, women, persons with disabilities, persons 65 and older, Medicare beneficiaries, Medicaid recipients, and other underserved groups, will continue to have access to LMC’s surgical services, as clinically appropriate. LMC does not and will not discriminate based on race, ethnicity, age, gender, or disability.”

In Section C, page 70-71, the applicant provides the estimated percentage for each medically underserved group, as shown in the following table:

MEDICALLY UNDERSERVED GROUPS	PERCENTAGE OF TOTAL PATIENTS *
Low-income persons	14.0%
Racial and ethnic minorities	14%/15%
Women	54%/55%
Persons with Disabilities	11%
Persons 65 and older	53%/37%
Medicare beneficiaries	56%/41%
Medicaid recipients	13%/13%

*Dually listed figures represent inpatient/outpatient

In Section C, page 70-71, 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

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 reducing or eliminating any service, nor does it propose relocation of a facility or service. Therefore, Criterion (3a) is not applicable to this review.

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

C

The applicant proposes to develop no more than two additional operating rooms at Lexington Medical Center pursuant to the need determination in the 2025 SMFP for a total of no more than six operating rooms.

In Section E, pages 79-81, the applicant describes the alternatives it considered and explains why each alternative is either more costly or less effective than the alternative proposed in this application to meet the need. The alternatives considered were:

Maintain Status Quo - This is not the most effective alternative. A decision to maintain the status quo unnecessarily limits needed operating room capacity in order to enhance local access to inpatient and outpatient surgical services.

Increase Hours of Operation - It would not be practicable from a long-term perspective, for physicians, clinical staff, and especially patients, to extend scheduled OR cases into the evening. Therefore, this is not an effective alternative.

Develop a different number of Operating Rooms – The applicant states LMC considered developing just one additional OR at the hospital facility. However, developing just one additional OR would not meet the need for additional hospital-based OR capacity for the growing surgical volume at LMC, and therefore is less effective.

Develop Additional Operating Rooms via New Construction – The applicant states LMC considered developing additional ORs at the hospital via new construction, however this is not the most cost-effective alternative for the proposed project due to the substantially higher capital costs compared to renovations.

Develop Additional Operating Rooms in a different location – The applicant states the proposed OR addition is in response to growing demands in the local area for inpatient and outpatient surgical services. LMC provides surgical services at its existing hospital in Lexington. Additional OR capacity is needed at that hospital. At this time, it would not be cost effective to develop a ASF in another area of Davidson County.

Develop the Project as Proposed – The applicant states expanding OR capacity at LMC will enhance access to high quality, cost-effective, and accessible surgical services for residents of Davidson County and surrounding communities.

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

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

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

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

- 1. Lexington Medical Center, (hereinafter certificate holder) shall materially comply with all representations made in the certificate of need application.**
- 2. Pursuant to the need determination in the 2025 SMFP, the certificate holder shall develop no more than two additional operating rooms at Lexington Medical Center.**
- 3. Upon completion of the project, Lexington Medical Center shall be licensed for a total of no more than six operating rooms.**
- 4. Progress Reports:**
 - a. Pursuant to G.S. 131E-189(a), the certificate holder shall submit periodic reports on the progress being made to develop the project consistent with the timetable and representations made in the application on the Progress Report form provided by the Healthcare Planning and Certificate of Need Section. The form is available online at: <https://info.ncdhhs.gov/dhsr/coneed/progressreport.html>.**
 - b. The certificate holder shall complete all sections of the Progress Report form.**
 - c. The certificate holder shall describe in detail all steps taken to develop the project since the last progress report and should include documentation to substantiate each step taken as available.**
 - d. The first progress report shall be due on December 1, 2025.**
- 5. The applicant 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.**
- 6. The certificate holder shall not acquire as part of this project any equipment that is not included in the project's proposed capital expenditures in Section Q of the application and that would otherwise require a certificate of need.**
- 7. 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 two additional operating rooms at Lexington Medical Center pursuant to the need determination in the 2025 SMFP for a total of no more than six operating rooms.

Capital and Working Capital Costs

In Section Q, page 134, the applicant projects the total capital cost of the project, as shown in the following table:

PROJECTED CAPITAL COSTS	
Construction/Renovation Costs	\$2,690,000
Architect/Engineering Fees	\$235,500
Medical Equipment	\$2,409,000
Furniture	\$30,500
Consultant Fees	\$70,400
Other (IS, security, internal allocation)	\$1,190,600
Total Capital Cost	\$6,625,600

In Section F, page 84, the applicant states there will be no start-up costs or initial operating expenses because LMC is an existing hospital with existing surgical services.

In Section F, page 82, the applicant provides the assumptions used to project the capital cost. The applicant adequately demonstrates that the projected capital cost is based on reasonable and adequately supported assumptions based on the following:

- The applicant states that the projected capital cost includes construction costs for the renovation of space for the OR, the procedure room, support space and storage.
- Architect and engineering fees are based on the construction cost estimate, inclusive of professional fees and interior design fees.
- Medical and non-medical equipment costs are based on the applicant's experience with similar projects.

Availability of Funds

In Section F, page 63 the applicant states that the capital cost will be funded as shown in the following table:

Sources of Capital Cost Financing

TYPE	LEXINGTON MEDICAL CENTER	TOTAL
Loans	\$	\$
Accumulated reserves or OE *	\$6,625,600	\$6,625,600
Bonds	\$	\$
Other (Specify)	\$	\$
Total Financing	\$6,625,600	\$6,625,600

* OE = Owner's Equity

In Exhibit F.2 the applicant provides a March 25, 2025 letter signed by the Senior Vice President and Chief Financial Officer for Atrium Health Wake Forest Baptist, the parent company for LMC, that confirms the availability of sufficient funds for the project capital needs and commits the funds to the project development. The applicant also provides a copy of the audited financial statements which confirms the availability of sufficient funds for the project. The applicant adequately demonstrates the availability of sufficient funds for the 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 completions. In Forms F.2 and F.3, the applicant projects that revenues will exceed operating expenses in the first three full fiscal years following completion of the project, as shown in the table below.

LMC Surgical Services

LEXINGTON MEDICAL CENTER OPERATING ROOMS	1 ST FULL FY CY 2028	2 ND FULL FY CY 2029	3 RD FULL FY CY 2030
Total Cases (From Form C.3b)	4,765	5,020	5,290
Total Gross Revenues (Charges)	\$249,087,863	\$269,510,776	\$291,703,768
Total Net Revenue	\$49,092,220	\$53,166,162	\$57,595,292
Average Net Revenue per Case	\$10,303	\$10,591	\$10,888
Total Operating Expenses (Costs)	\$36,298,043	\$39,094,640	\$41,944,079
Average Operating Expense per Case	\$7618	\$7788	\$7929
Net Income	\$13,794,177	\$14,071,522	\$15,651,213

The assumptions used by the applicant in preparation of the pro forma financial statements are provided in Section Q. The applicant adequately demonstrates that the financial feasibility of the proposal is reasonable, including projected utilization, costs and changes. The discussion regarding projected utilization found in Criterion (3) 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 two additional operating rooms at Lexington Medical Center pursuant to the need determination in the 2025 SMFP for a total of no more than six operating rooms.

On page 49, the 2025 SMFP defines the service area for OR as “*single or multicounty grouping shown in Figure 6.1.*” Figure 6.1, on page 55, shows Davidson County is a single county operating room service area. Thus, the service area for this facility consists of Davidson County. Facilities may also serve residents of counties not included in their service area.

The following from page 58 of the 2025 SMFP summarizes the existing operating rooms, excluding C-section ORs, in Davidson County:

Davidson County Operating Room Inventory	
Facility	Operating Rooms Adjusted Planning Inventory
Lexington Medical Center	4
Novant Health Thomasville Medical Center	5

Source: Table 6B, 2025 SMFP, page 71

In Section G, pages 71-72, the applicant explains why it believes its proposal would not result in the unnecessary duplication of existing or approved surgical services in Davidson County. The applicant states:

“LMC demonstrated the need the population has for the proposed additional ORs based on demographic data specific to the OR service area, historical LMC surgical cases, and qualitative benefits...”

Demand for surgical services is increasing among the local, growing aging population cohort. If the OR capacity constraint is not relieved, Davidson County residents will increasingly be forced to either wait for extended periods of time to schedule the surgery at LMC or likely have to travel to another county for surgical care.”

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

- There is a need determination for two ORs in Davidson County in the 2025 SMFP and the applicant proposes to develop two ORs.
- The applicant adequately demonstrates the proposed ORs are needed in addition to the existing ORs in Davidson County.

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 two additional operating rooms at Lexington Medical Center pursuant to the need determination in the 2025 SMFP for a total of no more than six operating rooms.

In Section Q, page 139, the applicant provides full-time equivalent (FTE) staffing for the proposed services for each of the first three full years of operation, CYs 2028-2030, as illustrated in the following table:

POSITION	CURRENT STAFF AS OF 1/1/2024	PROJECTED STAFF		
		1 ST FULL FY CY2028	2 ND FULL FY CY2029	3 RD FULL FY CY2030
Registered Nurses	11.3	13.3	14.3	14.3
Director of Nursing	1	1	1	1
Certified Registered Nurse Anesthetists	11	12	12	12
Surgical Technicians	8.4	10.4	10.9	10.9
Materials Management	1.25	1.25	1.25	1.25

Other (OR Attendant)	3	3	3	3
Other (Surgical Case Coordinator)	1	1	1	1
Total	36.95	41.95	43.45	43.45

The assumptions and methodology used to project staffing are provided in Sections H and Q. Adequate operating expenses for the health manpower and management positions proposed by the applicant are budgeted in Form F.3(b). In Section H, pages 93-97, the applicant describes the methods used to recruit or fill new positions and its existing training and continuing education programs.

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

- The applicant is an established healthcare employer and has strong relationships with area nursing schools, medical schools and community colleges.
- The applicant states those relationships will continue following project development.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

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

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

C

The applicant proposes to develop no more than two additional operating rooms at Lexington Medical Center pursuant to the need determination in the 2025 SMFP for a total of no more than six operating rooms.

Ancillary and Support Services

In a table in Section I, pages 98-99, the applicant identifies the necessary ancillary and support services for the proposed surgical services and explains how each ancillary and support service is currently and will continue to be available.

The applicant adequately demonstrates that the necessary ancillary and support services will be made available because the applicant has established relationships with local health care and social service providers throughout the service area, and these relationships will continue following the addition of one OR for the purposes of training surgical residents.

Coordination

In Section I, pages 99-102, the applicant describes its existing and proposed relationships with other local health care providers and provides supporting documentation in Exhibit I.1.2. 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, healthcare professionals and community members confirming their support for the project.
- The applicant provides information from the most recent Community Health Needs Assessment to address the need for coordination of care with existing health care systems.

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 two additional operating rooms at Lexington Medical Center pursuant to the need determination in the 2025 SMFP for a total of no more than six operating rooms.

In Section K, page 105, the applicant states the proposed project requires renovating 2,036 square feet of existing space. Line drawings are provided in Exhibit K.2.

On pages 105-106, the applicant adequately explains how the cost, design and means of construction represent the most reasonable alternative for the proposal based on the following:

- The applicant states the project will be planned and directed by experienced architect and construction professionals.
- The applicant provides a construction cost estimate signed by the project architect that confirms construction costs.

On page 106, 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 will not increase the charges to the public which are largely set by the government or already negotiated with payors.

- The applicant states the project will enable Davidson County residents to maintain timely access to surgery at the LMC campus.

On page 80, the applicant identifies any applicable energy saving features that will be incorporated into the construction plans.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

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

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

C

In Section L, page 110, the applicant provides historical payor mix for all hospital patients CY2024, as shown in the following table:

Historical Payor Mix, LMC Hospital, CY 2024	
Payor Category	Services as Percent of Total
Self-Pay	4.7%
Medicare*	39.3%
Medicaid*	22.1%
Insurance*	31.2%
Workers Compensation	0.4%
TRICARE	0.4%
Other (Veterans Affairs)	1.9%
Total	100.0%

Source: Application page 110

*Includes managed care plans

In Section L, page 111, the applicant provides the following comparison.

LEXINGTON MEDICAL CENTER	PERCENTAGE OF TOTAL PATIENTS SERVED	PERCENTAGE OF THE POPULATION OF THE SERVICE AREA
Female	62.3%	50.8%
Male	37.6%	49.2%
Unknown	0.1%	0.0%
64 and Younger	66.1%	80.6%
65 and Older	33.9%	19.4%
American Indian	1.3%	0.9%
Asian	2.2%	2.0%
Black or African-American	14.4%	11.0%
Native Hawaiian or Pacific Islander	0.6%	0.1%
White or Caucasian	79.1%	83.8%
Other Race	1.0%	2.1%
Declined / Unavailable	1.4%	0.0%

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 112, the applicant states LMC has no obligation under federal regulations to provide uncompensated care, community service or access by minorities and handicapped persons. The applicant also states:

"... LMC does not discriminate based on race, ethnicity, creed, color, sex, age, religion, national origin, handicap, or ability to pay. LMC has 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."

In Section L, page 113, the applicant states that during the 18 months immediately preceding the application deadline, no patient civil rights access complaints have been filed against the facility or any similar facilities owned by the applicant or a related entity and located in North Carolina.

The Agency reviewed the:

- Application
- Exhibits to the application

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 114, the applicant projects the following payor mix for the LMC surgical services during the third full fiscal year of operation following project completion, as shown in the following tables:

LMC Projected Payor Mix CY 2030
Inpatient Surgical Services

PAYOR SOURCE	PERCENTAGE OF TOTAL
Self-Pay	3.12%
Medicare*	56.14%
Medicaid*	12.67%
Insurance*	22.42%
Workers Compensation	0.97%
TRICARE	0.19%
Other (Veterans Affairs)	4.48%
Total	100.0%

*Including any managed care plans

As shown in the table above, during the third full fiscal year of operation, the applicant projects that 3.12% of inpatient surgical services will be provided to self-pay patients, 56.14% to Medicare patients, and 12.67% to Medicaid patients.

**LMC Projected Payor Mix CY 2030
Outpatient Surgical Services**

PAYOR SOURCE	PERCENTAGE OF TOTAL
Self-Pay	1.49%
Medicare*	41.31%
Medicaid*	13.49%
Insurance*	38.90%
Workers Compensation	1.23%
TRICARE	0.47%
Other (Veterans Affairs)	3.10%
Total	100.0%

As shown in the table above, during the third full fiscal year of operation, the applicant projects that 1.49% of outpatient services will be provided to self-pay patients, 41.31% to Medicare patients and 13.49% to Medicaid patients.

On page 113, the applicant states projected payor mix is based on the CY 2024 LMC surgical services payor mix. The project payor mix is reasonable and adequately supported.

The Agency reviewed the:

- Application
- Exhibits to the application

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

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

C

In Section L, page 116, the applicant adequately describes the range of means which patients will have access to the proposed services.

The Agency reviewed the:

- Application
- Exhibits to the application

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

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

C

The applicant proposes to develop no more than two additional operating rooms at Lexington Medical Center pursuant to the need determination in the 2025 SMFP for a total of no more than six operating rooms.

In Section M, pages 117-118, the applicant describes the extent to which health professional training programs in the area currently have and will continue to have access to the facility for training purposes. The applicant adequately demonstrates that health professional training programs in the area have access to the facility for training purposes based on the following:

- The applicant provides a list of educational programs with which it currently provides opportunities for training area clinical health services students.
- The applicant states it provides supporting ongoing research efforts and training effective clinicals physician assistant, nurse anesthesiologist students, medical residents, fellows and graduates students.
- The applicant states, LMC and has partner with community college and university healthcare programs to provide firsthand learning experiences, which will provide students with both educational and clinical experiences.
- The applicant provides documentation of existing and proposed educational and clinical partnerships in Exhibit M.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.

- (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 two additional operating rooms at Lexington Medical Center pursuant to the need determination in the 2025 SMFP for a total of no more than six operating rooms.

On page 49, the 2025 SMFP defines the service area for OR as “*single or multicounty grouping shown in Figure 6.1.*” Figure 6.1, on page 55, shows Davidson County is a single county operating room service area. Thus, the service area for this facility consists of Davidson County. Facilities may also serve residents of counties not included in their service area.

The following table from page 71 of the 2025 SMFP summarizes the existing operating rooms, excluding C-section ORs, in Davidson County:

Davidson County Operating Room Inventory	
Facility	Operating Rooms Adjusted Planning Inventory
Lexington Medical Center	4
Novant Health Thomasville Medical Center	5

Source: Table 6B, 2025 SMFP, page 71

Regarding the expected effects of the proposal on competition in the service area, in Section N, page 119, the applicant states:

“The proposed project is to develop two additional operating rooms at the LMC hospital campus. The project will certainly enhance competition because it will expand community access o high quality surgical services for residents of Davidson County and surrounding communities.”

Regarding the impact of the proposal on cost effectiveness, in Section N, page 120, the applicant states:

“LMC supports the 2025 SMFP definition of health care value. As “the maximum health care benefit per dollar expended”. Development of the proposed additional operating rooms at the hospital campus represents an opportunity to contain health care costs and maximize healthcare benefit, while also ensuring that LMC increases its health services, which includes rural and medically underserved residents. “

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

Regarding the impact of the proposal on quality, in Section N, pages 121, the applicant states:

“LMC is an experienced local provider of healthcare services, including surgical services, and is dedicated to ensuring quality and patient safety through compliance with all applicable local, state, and federal standards established regarding surgical services.”

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

Regarding the impact of the proposal on access by medically underserved groups, in Section N, page 120, the applicant states:

“LMC will continue to provide high quality care to all patients, including medically underserved groups regardless of their ability to pay.”

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

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

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

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

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.

The applicant proposes to develop no more than two additional operating rooms at Lexington Medical Center pursuant to the need determination in the 2025 SMFP for a total of no more than six operating rooms.

In Section O, page 127 the applicant states that it is not aware of any deficiencies in quality of care that occurred in any of its facilities during the 18 months immediately preceding the submittal of the application. 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, no incidents related to quality of care had occurred in this facility. After reviewing and considering information provided by the applicant and by the Acute and Home Care Licensure and Certification Section and considering the quality of care provided at the facility, the applicant provided sufficient evidence that quality care has been provided in the past. Therefore, the application is conforming to this criterion.

(21) Repealed effective July 1, 1987.

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

C

The applicant proposes to develop no more than two additional operating rooms at Lexington Medical Center pursuant to the need determination in the 2025 SMFP for a total of no more than six operating rooms.

The application is conforming to all applicable Criteria and Standards for Surgical Services and Operating Rooms. The specific criteria are discussed below.

SECTION .2100 – CRITERIA AND STANDARDS FOR SURGICAL SERVICES AND OPERATING ROOMS

10A NCAC 14C .2103 PERFORMANCE STANDARDS

- (a) *An applicant proposing to increase the number of operating rooms, excluding dedicated C-section operating rooms, in a service area shall demonstrate the need for the number of proposed operating rooms in addition to the existing and approved operating rooms in the applicant's health system in the applicant's third full fiscal year following completion of the proposed project based on the Operating Room Need Methodology set forth in the annual State Medical Facilities Plan. The applicant is not required to use the population growth factor.*

- C- The applicant proposes to develop no more than two additional operating rooms pursuant to the determination in the 2025 SMFP. The service area is Davidson County. In Sections C and Q, the applicant projects sufficient surgical cases and hours in the third full fiscal year of operation to demonstrate the need for two additional ORs at LMC pursuant to the need determination in the 2025 SMFP. The discussion regarding projected utilization found in Criterion (3) is incorporated herein by reference.
- (b) *The applicant shall provide the assumptions and methodology used for the projected utilization required by this Rule.*
- C- In Section Q, “Form C.3a and C.3b Utilization – Assumptions and Methodology, pages 129-133, the applicant provides the assumptions and methodology used to project utilization of the existing and proposed ORs at LMC. The discussion regarding analysis of need, including projected utilization, found in Criterion (3) is incorporated herein by reference.