

REQUIRED STATE AGENCY FINDINGS

FINDINGS

C = Conforming

CA = Conforming as Conditioned

NC = Nonconforming

NA = Not Applicable

Decision Date: September 24, 2025

Findings Date: September 24, 2025

Project Analyst: Tanya M. Saporito

Co-Signer: Gloria C. Hale

COMPETITIVE REVIEW

Project ID #:	J-12636-25
Facility:	UNC Hospitals Cary Campus
FID #:	210266
County:	Durham
Applicant:	University of North Carolina Hospitals at Chapel Hill University of North Carolina Health Care System
Project:	Develop no more than 34 acute care beds pursuant to the 2025 SMFP need determination for a total of no more than 136 acute care beds upon completion of this project and Project ID# J-12065-21 (develop new hospital with 40 beds and 2 ORs), Project ID# J-12214-22 (develop 34 beds), and Project ID #J-12509-24 (develop 28 beds)

Project ID #:	J-12643-25
Facility:	Duke University Hospital
FID #:	943138
County:	Durham
Applicant:	Duke University Health System, Inc.
Project:	Develop no more than 82 acute care beds pursuant to the need determination in the 2025 SMFP for a total of no more than 1,188 acute care beds upon completion of this project and Project ID #J-12211-22 (develop 34 beds) and Project ID #J-12512-24 (develop 10 beds)

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

REVIEW CRITERIA

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

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

C

Both Applications

Need Determination

Chapter 5 of the 2025 State Medical Facilities Plan (SMFP) includes a methodology for determining the need for additional acute care (AC) beds in North Carolina by service area. Application of the need methodology in the 2025 SMFP identified a need for 82 additional acute care beds in the Durham/Caswell/Warren County service area. Two applications were submitted to the Healthcare Planning and Certificate of Need Section ("Agency") proposing to develop a total of 116 new acute care beds in Durham County. However, pursuant to the need determination, only 82 acute care beds may be approved in this review for the Durham/Caswell/Warren multicounty acute care bed service area.

2025 SMFP: Mandatory applicant criteria for AC beds

On pages 36-37, the 2025 SMFP states:

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

- (1) a 24-hour emergency services department,*
- (2) inpatient medical services to both surgical and non-surgical patients, and*
- (3) if proposing a new licensed hospital, medical and surgical services on a daily basis within at least five of the following major diagnostic categories (MDC) recognized by the Centers for Medicare & Medicaid services listed below...*
[listed on page 37 of the 2025 SMFP]."

Policies

There are two policies in the 2025 SMFP that apply to this review. *Policy GEN-4* and *Policy GEN-5*.

Policy GEN-4

Policy GEN-4 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.”

Policy GEN-5, on pages 30-31 of the 2025 SMFP states:

“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.

CON applications will include the following:

The applicant shall, in its CON application, address each of the items enumerated below:

Item 1: Describe the demographics of the relevant service area with a specific focus on the medically underserved communities within that service area. These communities shall be described in terms including, but not limited to: age, gender, racial composition; ethnicity; languages spoken; disability; education; household income; geographic location and payor type.

Item 2: Describe strategies it will implement to provide culturally competent services to members of the medically underserved community described in Item 1.

Item 3: Document how the strategies described in Item 2 reflect cultural competence.

Item 4: Provide support (e.g., best-practice methodologies, evidence-based studies with similar communities) that the strategies described in Items 2 – 3 are reasonable pathways for reducing health disparities, increasing health equity and improving the health outcomes to the medically underserved communities within the relevant service area.

Item 5: Describe how the applicant will measure and periodically assess increased equitable access to healthcare services and reduction in health disparities in underserved communities.”

Project ID #J-12636-25 / University of North Carolina Hospitals Cary Campus/ Add 34 acute care beds

University of North Carolina Hospitals at Chapel Hill (UNC Hospitals) and University of North Carolina Health Care System (UNC Health), hereinafter referred to as “UNC” or “the applicant” was approved pursuant to Project ID #J-12065-21 on September 21, 2021 to develop a new hospital, UNC Hospitals Cary Campus (“UNC Cary” or “UNC Hospitals Cary”) with 40 acute care beds and 2 operating rooms (ORs) pursuant to need determinations in the 2021 SMFP¹. On September 23, 2022 the applicant was approved pursuant to Project ID #J-12214-22 to develop no more than 34 additional acute care beds at UNC Cary pursuant to the need determination in the 2022 SMFP, which was a change of scope to Project ID #J-12065-21. On September 26, 2024, the applicant was approved pursuant to Project ID # J-12509-24 to develop no more than 38 acute care beds pursuant to the need determination in the 2024 SMFP, which was a change of scope for Project ID # J-12065-21. Each of the prior Agency decisions was appealed. On March 26, 2025 certificates of need were issued pursuant to a settlement agreement, which approved the applicant to develop UNC Hospitals Cary Campus with no

¹ The applicant initially proposed the name of the hospital as UNC Hospitals-RTP. The applicant later changed the name to UNC Hospitals Cary Campus as part of a settlement agreement.

more than 102 acute care beds, no more than two shared ORs, two dedicated C-Section ORs and diagnostic imaging equipment upon completion of all projects.

In this application, the applicant proposes to develop an additional 34 acute care beds, for a total of 136 acute care beds at the approved but not yet developed hospital.

Need Determination. The applicant does not propose to develop more acute care beds than are determined to be needed in the Durham/Caswell/Warren multicounty service area. In Section B.1, page 25, the applicant adequately demonstrates that it meets the requirements of a qualified applicant as set forth in the 2025 SMFP, Chapter 5, pages 36-37.

Policy GEN-4. The proposed capital expenditure for this project is over \$5 million. In Section B, page 27, 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. In Section B, pages 28-33, the applicant explains why it believes the application is conforming to Policy GEN-5.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Remarks made at the public hearing
- Responses to comments
- Information publicly available during the review and used by the Agency

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

- The applicant does not propose to develop more acute care beds than are determined to be needed in the acute care bed service area.
- The applicant adequately demonstrates it meets the eligibility criteria needed to apply for acute care beds as set forth in the 2025 SMFP, Chapter 5, pages 36-37.
- 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 documents how the project will provide culturally competent health care that integrates principles to increase health equity and reduce health disparities in underserved communities.

Project ID #J-12632-25 / Duke University Hospital / Add 82 AC beds

Duke University Health System, Inc. (hereinafter referred to as "Duke" or "the applicant") proposes to add no more than 82 new acute care beds to Duke University Hospital (DUH), a hospital with 1,106 existing and approved acute care beds, for a total of 1,188 acute care beds upon project completion.

Need Determination. The applicant does not propose to develop more acute care beds than are determined to be needed in the Durham/Caswell/Warren multicounty service area. In Section B, page 24 and in Exhibit B.1, the applicant adequately demonstrates that it meets the requirements of a "qualified applicant" as defined in Chapter 5 of the 2025 SMFP.

Policy GEN-4. The proposed capital expenditure for this project is greater than \$5 million. In Section B, page 27, the applicant states it does not anticipate that this proposal would require any new construction or renovation; however, the applicant confirms it will continue to improve energy efficiency and utility usage and costs, including water conservation. The applicant adequately demonstrates that the application includes a written statement describing the project's plan to assure improved energy efficiency and water conservation.

Policy GEN-5. In Section B, pages 28-31, the applicant explains why it believes the application is conforming to Policy GEN-5.

Conclusion

The Agency reviewed the:

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

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

- The applicant does not propose to develop more acute care beds than are determined to be needed in the acute care bed service area.
- The applicant adequately demonstrates it meets the eligibility criteria needed to apply for acute care beds as set forth in the 2025 SMFP, Chapter 5, pages 36-37.

- 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 documents how the project will provide culturally competent health care that integrates principles to increase health equity and reduce health disparities in underserved communities.
- (2) Repealed effective July 1, 1987.
- (3) The applicant shall identify the population to be served by the proposed project, and shall demonstrate the need that this population has for the services proposed, and the extent to which all residents of the area, and, in particular, low income persons, racial and ethnic minorities, women, persons with disabilities, the elderly, and other underserved groups are likely to have access to the services proposed.

C

Both Applications

Project ID #J-12636-25/UNC Hospitals Cary/Add 34 acute care beds

The applicant proposes a change of scope to Project ID #J-12509-24 to develop an additional 34 new acute care beds at UNC Hospitals Cary Campus in Durham County pursuant to the need determination in the 2025 SMFP for 82 AC beds in the Durham/Caswell/Warren multicounty acute care bed service area for a total of 136 acute care beds upon completion of this project, Project ID #J-12065-21 (develop 40 acute care beds and two ORs), Project ID #J-12214-22 (develop 34 acute care beds) and Project ID #J-12509-24 (develop 28 acute care beds).

The applicant was part of a competitive review for acute care beds and ORs in the Durham/Caswell multicounty service area based on need determinations in the 2021 SMFP. The applicant proposed to develop a new hospital with 40 acute care beds and 2 ORs. The Agency issued a decision in that competitive review on September 21, 2021, approving the applicant's proposal to develop a new hospital with 40 acute care beds and 2 ORs. That decision was appealed. The applicant was part of two additional competitive reviews for acute care beds in the Durham/Caswell and later Durham/Caswell/Warren multicounty service area based on need determinations in the 2022 and 2024 SMFPs, respectively. The Agency approved both applications, each of which was appealed. Pursuant to a settlement agreement, the Agency issued CONs on March 6, 2025 to develop a new hospital with a total of no more than 102 acute care beds, two shared ORs and two dedicated C-Section ORs, plus diagnostic imaging equipment and other hospital services. In the current application, which the applicant submitted as a change of scope to Project ID #J-12509-24, the applicant proposes to develop

an additional 34 acute care beds. On page 52, the applicant provides the following table that summarizes each previously approved project and resolution following settlement:

Previously Approved and Proposed Hospital Services UNC Cary Campus

SERVICE COMPONENT	PROJECT ID #J-12065-21	PROJECT ID #J-12214-22	PROJECT ID #J- 12509-24**	CURRENT J-12636-25	TOTAL
Acute Care Beds	32 med/surg (0 ICU)	30 med/surg (0 ICU)	20 med/surg (20 ICU)	34 med/surg	116 med/surg (20 ICU)
	8 postpartum	4 postpartum	8 antepartum /postpartum		20 antepartum /postpartum
Total Acute Care Beds	40	34	28	34	136
LDR Beds*	4	2	2		8
Level II Neonatal Beds	0	0	4		4
Observation Beds*	10	10	-4		16
Operating Rooms	2	0	0		2
GI Endoscopy Rooms	0	0	2		2
C-Section Rooms	2	0	0		2
Procedure Rooms	2	2	0		4
ED Bays	12	8	8		28
Inpatient Dialysis	Not Proposed	Not Proposed	Proposed		Included
IR Rooms	0	0	2		2
CT Scanners	1	1	0		2
X-ray Units	3	0	2		5
Ultrasound Units	2	1	1		4
SPECT Nuclear Scanner	1	0	0		1
Mammography Unit	1	0	1		2

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

**Pursuant to a settlement agreement, Project ID #J-12509-24 was approved to develop 20 rather than 30 med-surg acute care beds.

Patient Origin

On pages 33, the 2025 SMFP defines the service area for acute care beds as “... *the single or multicounty grouping shown in Figure 5.1.*” Figure 5.1, on page 38, shows Durham County is part of a multicounty acute care bed service area that includes Durham, Caswell and Warren counties. Each of the applicants in this review propose to develop the proposed acute care beds in Durham County. Thus, the service area for this facility is Durham County. Facilities may also serve residents of counties not included in their service area.

UNC Cary is an approved but not developed facility and thus has no historical patient origin to report. In Section C, page 73 the applicant states:

“As was true for its previously approved change of scope application, Project ID #J-012509-24, projected patient origin for UNC Hospitals Cary Campus is based on the patients proposed to be served as identified in Form C Assumptions and Methodology. ... Durham County residents are expected to comprise 69.6 percent of projected UNC Hospitals Cary Campus utilization, and the remaining 30.4 percent

of patients are assumed to originate from outside of the county. Immigration is assumed to include patients from contiguous counties not including Orange County (i.e. Wake, Chatham, Granville, and Person counties), as well as Caswell County, Warren County, and other counties in North Carolina and other states.”

In Section C, page 73 the applicant provides projected patient origin for UNC Hospitals Cary Campus for the first three project years, SFYs 2033-2035, as illustrated in the following table:

COUNTY	1 ST FULL PY (SFY 2033)		2 ND FULL PY (SFY 2024)		3 RD FULL PY (SFY 2035)	
	# PTS.	% OF TOTAL	# PTS.	% OF TOTAL	# PTS.	% OF TOTAL
Durham	77,819	69.6%	93,800	69.6%	117,168	69.6%
Other*	33,942	30.4%	40,912	30.4%	51,104	30.4%
Total	111,761	100.0%	134,712	100.0%	168,272	100.0%

*The applicant states on page 73 that “other” includes Caswell, Chatham, Person, Wake and Warren counties, as well as other NC counties and other states

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

- The additional services proposed in this application will serve the same patient population as the previously approved acute care and other hospital services.
- The applicant’s projected patient origin is similar to the patient origin it projected in Project ID #J-12509-24, which was found to be reasonable and adequately supported, and nothing in the current application as submitted would affect that determination.

Analysis of Need

In Section C, page 53, the applicant summarizes the need for the current application. The applicant states:

“The need for the proposed project is largely driven by factors detailed in UNC Hospitals’ previous three applications for acute care beds in the Durham/Caswell/Warren multicounty service area. However, additional factors and more recent data have impacted the need for the proposed acute care hospital at UNC Hospitals Cary Campus, while increasing the need for additional acute care beds at the facility.”

In Section C, pages 53-69, the applicant explains why it believes the population projected to utilize the proposed services needs the proposed services, as summarized below:

- Population growth, aging and demographic factors in the service area – The applicant proposes to develop the hospital in the southern portion of Durham County, which has the highest population of the three counties that comprise the multicounty acute care bed service area. The applicant cites North Carolina Office of State Budget and Management (NC OSBM) data that shows the population of Durham County is

increasing at a faster rate than most of the other North Carolina counties, including Caswell and Warren counties. The same data shows Durham County is projected to add the fifth-highest number of residents age 65 and older among all North Carolina counties by 2030. Additionally, the applicant referenced the ZIP codes within Durham County, particularly the southern portion of the county, that are increasing as well. Demographic data also show disparities in social determinants of health and in health care outcomes in the area, and the applicant states the proposed hospital will provide acute care and other hospital services in an area of the county not currently providing those services (pages 53-63).

- Need for additional acute care bed capacity in the service area – The applicant cites Hospital Industry Data Institute data that shows that acute care days, including surgical and other hospital services increased from 2017-2024, with higher growth in acute care days for selected services (e.g. surgical and medicine). The applicant states the need for additional acute care capacity in the service area is largely attributable to those patients in the service area who seek lower acuity higher frequency services, rather than more specialized higher acuity services provided by large tertiary and/or quaternary hospitals. The applicant states that UNC Cary will be a smaller community hospital that will serve lower acuity patients in the service area, including immigration of patients who reside outside of Durham County but seek lower acuity acute care services in the county (pages 63-68).
- Continued development of healthcare services in Durham County – The applicant states this application addresses the need for lower acuity healthcare services in the service area; particularly in southern Durham County. The proposed location of the community hospital would provide continuity of care for those patients who seek acute care and other health services and who prefer a lower acuity hospital (pages 68-69).

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

- The applicant uses reliable data to illustrate projected population growth and aging in the service area and the need for additional acute care bed capacity.
- The applicant uses clearly cited, reasonable, and verifiable historical and demographical data to support assumptions regarding the population to be served and the need for lower acuity services.
- The applicant uses assumptions consistent with those it used in its three previous applications for acute care beds in the service area, which the Agency found to be reasonable and adequately supported, and there are no changes in the application as submitted which would affect that determination.

Projected Utilization

On Forms C.1b - C.4b in Section Q, the applicant provides projected utilization of the proposed acute care and other hospital services, as illustrated in the following tables:

UNC CARY PROJECTED UTILIZATION ACUTE CARE SERVICES AND MEDICAL EQUIPMENT			
	1 ST PY (FY 2033)	2 ND PY (FY 2034)	3 RD PY (FY 2035)
Acute Care Beds			
# of Beds	136	136	136
# of Patient Days	25,220	30,437	38,146
# of Discharges	4,360	5,237	6,535
ALOS	5.78	5.81	5.84
Occupancy Rate	50.8%	61.3%	76.8%
Neonatal Beds (Levels II, III, IV)			
# of Beds	4	4	4
# of Patient Days	962	1,097	1,298
Occupancy Rate	65.9%	75.1%	88.9%
CT Scanner			
# of Units	2	2	2
# of Scans	21,485	25,930	32,479
Fixed X-ray (including fluoroscopy)			
# of Units	5	5	5
# of Procedures	23,305	30,540	38,275
Mammography			
# of Units	2	2	2
# of Procedures	11,939	14,408	18,058
Nuclear Medicine			
# of Units	1	1	1
# of Procedures	1,044	1,260	1,579
Ultrasound			
# of Units	4	4	4
# of Procedures	10,575	12,762	15,995
Other Medical Equipment (Vascular Interventional Radiology)			
# of Units	2	2	2
# of Procedures	13,601	16,415	20,572

*Source: Forms C.1b – C2b, Section Q

UNC CARY PROJECTED OPERATING ROOM AND GI ENDOSCOPY PROCEDURE ROOM SERVICES			
	1 ST PY (FY 2033)	2 ND PY (FY 2034)	3 RD PY (FY 2035)
ORs - # of Rooms by Type			
# of Dedicated C-Section ORs	2	2	2
# of Shared ORs	2	2	2
Total ORs	4	4	4
# of Excluded ORs	2	2	2
Adjusted Planning Inventory	2	2	2
Surgical Cases			
# of Inpatient Cases (excludes C-Section)	811	965	1,193
# of Outpatient Cases	1,353	1,595	1,251
Total # Surgical Cases	2,163	2,560	2,444
Case Times (Section C, Question 12(c))			
Inpatient	106.8	106.8	106.8
Outpatient	70.8	70.8	70.8
Surgical Hours			
Inpatient	1,443	1,718	2,124
Outpatient	1,596	1,882	1,476
Total Surgical Hours	3,039	3,600	3,600
# of ORs Needed			
Group Assignment	4	4	4
Standard Hours per OR per Year	1,500	1,500	1,500
ORs Needed*	2.0	2.4	2.4
GI Endoscopy Procedure Rooms			
# of Rooms	2	2	2
# of Inpatient Procedures	243	294	368
# of Outpatient Procedures	3,243	3,914	4,905
Total # Procedures	3,486	4,208	5,273
Average # Procedures/Room	1,743	2,104	2,637

Source: Form C.3b, Section Q

NOTE: Totals may not sum due to rounding

*ORs Needed = Total Surgical Hours / Standard Hours per OR per Year

UNC CARY PROJECTED UTILIZATION OTHER HOSPITAL SERVICES			
	1 ST PY (FY 2033)	2 ND PY (FY 2034)	3 RD PY (FY 2035)
Emergency Department			
# Treatment Rooms	28	28	28
# Visits	17,520	21,046	26,262
Observation Beds (Unlicensed)			
# of Beds	16	16	16
# of Patient Days	2,272	2,742	3,437
Laboratory			
# of Tests	364,641	440,078	551,535
Physical Therapy			
# Treatments	75,264	90,834	113,840
Speech Therapy			
# Treatments	18,241	22,015	27,591
Occupational Therapy			
# Treatments	84,081	101,475	127,176
Other (Procedure Rooms)			
# of Rooms	4	4	4
# of Procedures	1,094	1,311	1,976
Other (Inpatient Dialysis)			
# Treatments	726	876	1,098

*Source: Form C4b, Section Q

In Section Q, “*Form C Utilization – Assumptions and Methodology*”, pages 131-171 the applicant summarizes the three previously approved applications and the totality of services approved for UNC Cary following settlement of appeals filed in response to the Agency’s prior determinations and issuance of certificates of need. In this change of scope application, the applicant proposes to add 34 acute care beds and proposes no other changes to previously approved services.

The applicant states on page 135 that it will utilize the previously approved assumptions and methodology for which this application is a change of scope. To the extent updated data is necessary, the applicant provides updated assumptions and methodology used to project utilization, as summarized below:

Acute Care Services

Step 1: UNC Hospitals Cary Campus Acute Care Days from Market Growth – Citing Hospital Industry Data Institute (HIDI) data, the applicant states total historical acute care days for Durham County residents increased by an average compound annual growth rate (CAGR) of 3.6% from CY 2017 to CY 2024 (annualized). The CAGR for medicine and surgery acute care days increased by 4.3% and 3.7%, respectively, for the same time period, while obstetrics services actually decreased by 1.7% (pages 137-139).

Projected Days of Care for Durham County with High Acuity Services Omitted: The applicant states the previously approved hospital campus will provide lower acuity services than those

provided by the larger and/or more specialized hospitals in Durham County. The applicant therefore isolated those services to be offered at UNC Cary (medicine, surgery and obstetrics) during the same time and determined the historical CAGR was actually higher in both medicine (5.0%) and surgery (4.8%) days of care for 2017-2024. Obstetrics days of care declined (-0.6%) during that time. The applicant applied the historical growth rates for medicine and surgery and kept obstetric days of care constant beginning in CY 2025. The latter mirrors the projections from its previously approved application, Project ID #J-12509-24. The following table, from page 142, illustrates the growth in services for CYs 2024-2035:

Projected Select Services Acute Care Days - Durham County Residents – CY 2024-2035

	MEDICINE	SURGERY	OBSTETRICS	TOTAL
CY 24	80,527	30,102	11,251	121,881
CY 25	84,576	31,539	10,894	127,009
CY 26	88,829	33,043	10,894	132,766
CY 27	93,295	34,620	10,894	138,809
CY 28	97,986	36,272	10,894	145,152
CY 29	102,913	38,002	10,894	151,810
CY 30	108,088	39,816	10,894	158,798
CY 31	113,523	41,716	10,894	166,132
CY 32	119,231	43,706	10,894	173,831
CY 33	125,226	45,791	10,894	181,911
CY 34	131,523	47,976	10,894	190,393
CY 35	138,136	50,265	10,894	199,295
CAGR	5.0%	4.8%		

Source: Application Section Q, *Form C Utilization Assumptions and Methodology*, page 142.

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

- $FY\ 2033 = (0.5 \times CY\ 2032) + (0.5 \times CY\ 2033)$
- $FY\ 2034 = (0.5 \times CY\ 2033) + (0.5 \times CY\ 2034)$
- $FY\ 2035 = (0.5 \times CY\ 2034) + (0.5 \times CY\ 2035)$

The applicant applied the historical CAGR to those services, with the conversion to FYs, to project following days of care for Durham County residents through FY 2035, the third project year:

Projected Select Services Acute Care Days - Durham County Residents – FY 2024-2035

	MEDICINE	SURGERY	OBSTETRICS	TOTAL
FY 24	75,034	28,666	11,118	114,818
FY 25	82,552	30,820	11,073	124,445
FY 26	86,703	32,291	10,894	129,888
FY 27	91,062	33,832	10,894	135,788
FY 28	95,641	35,446	10,894	141,981
FY 29	100,450	37,137	10,894	148,481
FY 30	105,501	38,909	10,894	155,304
FY 31	110,805	40,766	10,894	162,465
FY 32	116,377	42,711	10,894	169,982
FY 33	122,228	44,749	10,894	177,871
FY 34	128,374	46,884	10,894	186,152
FY 35	134,829	49,121	10,894	194,844

Source: Application Section Q, *Form C Utilization Assumptions and Methodology*, page 143.

The applicant notes that obstetrics days of care decreased from CY 2024-2025 but increased in the two prior years (CY 2022-2024). Because of the overall -0.6% decline in obstetrics days of care from CY 2017-2024 annualized, the applicant projects obstetrics services' utilization to remain constant at the CY 2026 level through all three project years.

- Projected Market Share – As it did in its previous applications, the applicant applied the same market share percentages of those selected services to be provided at UNC Cary to the projected potential days of care for Durham County residents to calculate projected utilization of the proposed services to be provided at UNC Cary, as shown in the following table:

UNC CARY PROJECTED ACUTE CARE DAYS – DURHAM COUNTY RESIDENTS			
	SFY 2033 (PY 1)	SFY 2034 (PY 2)	SFY 2035 (PY 3)
Medicine	15,848	17,063	18,372
Surgery	5,799	6,092	6,400
Obstetrics	1,767	1,778	1,789
Total Days	23,414	24,933	26,561

Source: Application Section Q, *“Form C Utilization Assumptions and Methodology”*, page 145.

Step 2: UNC Hospitals Cary Campus Acute Care Days from Immigration - The applicant consulted HIDI data to determine the historical immigration to Durham County for those acute care services proposed to be offered at UNC Cary. The applicant projects future immigration acute care days using the lowest immigration percentage (30.4%) of existing Durham County hospitals from select counties (see pages 146-147). The following table, from page 148, illustrates projected acute care days including immigration:

UNC CARY PROJECTED IMMIGRATION ACUTE CARE DAYS			
	SFY 2033	SFY 2034	SFY 2035
Days Before Immigration	23,414	24,933	26,561
Immigration Days	10,212	10,875	11,585
Total Facility Days	33,626	35,808	38,146

Source: Application Section Q, *Form C Utilization Assumptions and Methodology*, page 148

To determine immigration days by service category, the applicant assumes that the historical ratio of days by service category to total days will be consistent through the three project years. The applicant applied these ratios to the projected immigration to calculate total patient days by service category with immigration. See the following table, from page 150:

	FY 33 (PY1)	FY 34 (PY2)	FY 35 (PY3)
Total Medicine days with immigration	22,760	24,506	26,385
Total Surgery days with immigration	8,328	8,749	9,191
Total Obstetrics days with immigration	2,538	2,554	2,570
Total days from Durham County	23,414	24,933	26,561
Total immigration days	10,212	10,875	11,585
Grand Total acute care days	33,626	35,808	38,146

Source: Application Section Q, *Form C Utilization Assumptions and Methodology*, page 150.

Step 3: Total UNC Hospitals Cary Campus Projected Acute Care Days, ADC, Occupancy Percentage, and Discharges – The applicant assumes its market share will ramp up as was previously approved in Project ID #J-12509-24 at 75% in PY 1, 85% in PY 2 and 100% in PY 3. As in its previously approved application, the applicant relies on historical data to project market share, average length of stay (ALOS) and discharges at UNC Cary in the first three project years, as shown in the following table:

	FY 33 (PY 1)	FY 34 (PY 2)	FY 35 (PY 3)
Total Medicine Days	17,070	20,830	26,385
Medicine ALOS	6.1	6.1	6.1
Total Medicine Discharges	2,816	3,437	4,353
Total Surgery Days	6,246	7,436	9,191
Surgery ALOS	7.7	7.7	7.7
Total Surgery Discharges	811	965	1,193
Total Obstetrics Days	1,904	2,171	2,570
Obstetrics ALOS	2.6	2.6	2.6
Total Obstetrics Discharges	732	835	988
Total Discharges	4,360	5,237	6,535

Source: Application Section Q, page 154

Observation Beds

The applicant does not propose to add new observation beds as part of this application. However, the applicant provides updated projected observation days, since the total projected acute care days has increased from what was approved in Project ID #J-12509-24. As in its methodology for Project ID # J-012059-24, the applicant projects observation days by analyzing the historical ratio of observation days to acute care days at UNC Hospitals Hillsborough Campus in Orange County for FY 2023. The applicant relies on historical data to project future observation bed utilization at UNC Cary. The applicant calculated a ratio of 0.09 observation days to acute care days. See the following table:

	FY 2033 (PY1)	FY 2034 (PY2)	FY 2035 (PY3)
Total Acute Care Days	25,220	30,437	38,146
Ratio of Observation Days to Total Acute Care Days	0.09	0.09	0.09
Observation Days*	2,272	2,742	3,437

Source: Application Section Q *Form C Utilization Assumptions and Methodology*, page 155

Level II Neonatal Beds

The applicant does not propose to add new Level II neonatal beds as part of this application. However, the applicant provides updated projected Level II neonatal days, since the total projected acute care days has increased from what was approved in Project ID #J-12509-24. As in its methodologies for both Project ID # J-012065-21 and Project ID # J-012214-22, the applicant projects Level II neonatal care days by analyzing the historical ratio of Level II neonatal care days for Durham County residents in CY 2023.

The applicant states historical data show that the ratio of neonatal care days to obstetrics days based on CY 2023 data is 0.51; therefore, the applicant projects neonatal care days by applying that ratio to projected obstetrics days, as shown in the following table:

	FY 2033 (PY 1)	FY 2034 (PY 2)	FY 2035 (PY 3)
Obstetrics Days – UNC Hospitals Cary Campus	1,904	2,171	2,570
Ratio of Applicable Neonatal DOC to Obstetrics DOC	0.51	0.51	0.51
Neonatal Care Days	962	1,097	1,298
Neonatal ADC	2.6	3.0	3.6
Level II Neonatal Care Beds	4	4	4
Occupancy %	65.9%	75.1%	88.9%

Source: Application Section Q *Form C Utilization Assumptions and Methodology*, page 158.

Emergency Services

The applicant does not propose to add new emergency services as part of this application. However, the applicant provides updated projected emergency services utilization, since the total projected acute care days has increased from what was approved in Project ID #J-12509-24. As in its methodology for Project ID # J-12509-24, the applicant projects emergency department visits utilizing the CY 2022 percentage of Durham County acute care patients admitted through the emergency department (ED) for the services proposed to be offered at UNC Cary.

The following table illustrates projected ED visits at UNC Cary in each of the three project years:

Projected ED Visits			
	FY 33 (PY 1)	FY 34 (PY 2)	FY 35 (PY 3)
ED Admissions	2,841	3,413	4,259
ED Admissions as % of Durham County ED Visits	16.2%	16.2%	16.2%
Total ED Visits	17,520	21,046	26,262

Source: : Application Section Q *Form C Utilization Assumptions and Methodology*, page 159.

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

Projected ED Visits per ED Bay			
	FY 33 (PY 1)	FY 34 (PY 2)	FY 35 (PY 3)
ED Visits	17,520	21,046	26,262
ED Bays	28	28	28
Total ED Visits/Bay	626	752	938

Source: Application Section Q *Form C Utilization Assumptions and Methodology*, page 159.

Operating Rooms and Procedure Rooms

The applicant does not propose to add new operating rooms (ORs) as part of this application. However, the applicant provides updated projected OR utilization, since the total projected acute care days has increased from what was approved in Project ID #J-12509-24. As in its methodology for Project ID # J-12509-24, the applicant examines existing 2023 Durham County hospitals' LRAs to determine the number of historical surgery cases performed in FFY 2022. The applicant determined that the ratio of outpatient to inpatient surgical cases during that time was 1.7. The applicant uses the ratio of 1.7 to project the number of outpatient surgical cases to be performed at UNC Cary during the first three project years, as shown in the following table:

Projected Surgery Cases, First Three Project Years

SERVICE	FY 33 (PY 1)	FY 34 (PY 2)	FY 35 (PY 3)
Facility Inpatient Surgery Cases	811	965	1,193
Durham County Hospitals Ratio of Outpatient to Inpatient Surgical Cases	1.7	1.7	1.7
Facility Outpatient Surgery Cases	1,353	1,610	1,990
Total Surgery Cases	2,163	2,576	3,184

Source: Application Section Q *Form C Utilization Assumptions and Methodology*, page 161.

UNC Cary's group assignment as defined in the 2025 SMFP is Group 4, with a final inpatient case time of 106.8 minutes, a final outpatient case time of 70.8 minutes, and 1,500 standard hours per OR per year. Using these case times to project estimated surgical hours, the applicant projects the following surgical hours and projected surgical hours per standard OR in the first three project years:

Projected Surgical Hours

SERVICE	FY 33 (PY 1)	FY 34 (PY 2)	FY 35 (PY 3)
Inpatient Surgery Cases	811	965	1,193
Final Inpatient Case Time	106.8	106.8	106.8
Inpatient Surgery Hours	1,443	1,718	2,124
Outpatient Surgery Cases	1,353	1,610	1,990
Final Outpatient Case Time	70.8	70.8	70.8
Outpatient Surgery Hours	1,596	1,900	2,349
Total Surgery Hours	3,039	3,619	4,472

Source: Application Section Q *Form C Utilization Assumptions and Methodology*, page 162.

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

The applicant projects the following surgical utilization at UNC Cary, as shown in the following tables:

Projected OR Utilization

SERVICE	FY 33 (PY 1)	FY 34 (PY 2)	FY 35 (PY 3)
Inpatient Surgery Cases	811	965	1,193
Final Inpatient Case Time	106.8	106.8	106.8
Inpatient Surgery Hours	1,443	1,718	2,124
Outpatient Surgery Cases	1,353	1,595	1,251
Final Outpatient Case Time	70.8	70.8	70.8
Outpatient Surgery Hours	1,596	1,882	1,476
Total Surgery Cases	2,163	2,560	2,444
Total Surgery Hours	3,039	3,600	3,600
Total Surgical Hours / Standard Hours per OR per Year	2.0	2.4	2.4
OR Capacity	2	2	2

Source: Application Section Q *Form C Utilization Assumptions and Methodology*, page 164.

The applicant does not propose to add new procedure rooms as part of this application. However, the applicant provides updated projected procedure room utilization, since the total projected acute care days has increased from what was approved in Project ID #J-12509-24. As in its methodology for Project ID # J-12509-24, the applicant examines FY 2023 procedure room utilization at UNC Hillsborough campus and calculated a 0.51 historical ratio of procedure room procedures to OR surgical cases during that time. The applicant notes that the ratio increased to 0.53 in FY 2024; however, to be conservative, the applicant applied the 0.51 historical ratio to project procedure room utilization at UNC Cary in the first three project years. The applicant states that some outpatient surgical cases will be performed in the procedure rooms, and provides total projected utilization of its procedure rooms in each of the first three operating years, as shown in the following table:

Projected Procedure Room Utilization

	FY 33 (PY 1)	FY 34 (PY 2)	FY 35 (PY 3)
Procedure Room Procedures*	1,094	1,295	1,236
OR Outpatient Cases to Shift to Procedure Room	0	16	739
Total Procedure Room Procedures Following Shift	1,094	1,311	1,976
Procedure Rooms	4	4	4

*0.51 * OR Surgery Cases

Source: Application Section Q *Form C Utilization Assumptions and Methodology*, page 166.

C-Section Rooms

The applicant does not propose new C-Section rooms as part of this application. The applicant analyzed the percent of obstetrics discharges at Durham County acute care hospitals that resulted in a C-Section in CY 2022 and CY 2023. The percentage of C-Sections was virtually unchanged; therefore, the applicant used the same percentage it used in the previously approved change of scope application. See the following table:

	FY 33 (PY 1)	FY 34 (PY 2)	FY 35 (PY 3)
Total Obstetrics Discharges	732	835	988
C-Section to OB Discharge Ratio	0.28	0.28	0.28
Projected C-Sections	204	233	276

Source: Application Section Q *Form C Utilization Assumptions and Methodology*, page 167.

GI Endoscopy Procedure Rooms

The applicant does not propose to add new GI endoscopy (GI endo) procedure rooms as part of this application. However, the applicant provides updated projected GI endo room utilization, since the total projected acute care days has increased from what was approved in Project ID #J-12509-24.

The applicant applied the historical ratio of inpatient and outpatient GI endoscopy days to acute care days at UNC Health Johnston to its projected acute care days to project the number of GI endoscopy procedures to be performed at UNC Cary, as shown in the following table:

	FY 33 (PY 1)	FY 34 (PY 2)	FY 35 (PY 3)
Total GI endoscopy procedures	3,486	4,208	5,273
GI endoscopy rooms	2	2	2
GI endoscopy procedures/room	1,743	2,104	2,637

Source: Application Section Q, page 169.

Imaging and Ancillary Services

The applicant does not propose to add new imaging equipment as part of this application. However, the applicant provides updated projections for imaging and ancillary services utilization, since the total projected acute care days has increased from what was approved in Project ID #J-12509-24. The applicant provides updated projected utilization for imaging and ancillary services for all three project years, as shown in the following table:

SERVICE	RATIO TO AC DAYS	FY 33 (PY 1)	FY 34 (PY 2)	FY 35 (PY 3)
UNC Cary Total AC Days		25,220	30,437	38,146
CT Scans	0.9	21,485	25,930	32,497
Ultrasound Procedures	0.4	10,575	12,762	15,995
X-Ray Procedures	1.0	25,305	30,540	38,275
Nuclear (SPECT) Procedures	0.04	1,044	1,260	1,579
Mammography Procedures	0.5	11,939	14,408	18,058
Inpatient Dialysis Treatments	0.03	726	876	1,098
VIR Encounters	0.54	13,601	16,415	20,572
Physical Therapy Visits	3.0	75,264	90,834	113,840
Occupational Therapy Visits	3.3	84,081	101,475	127,176
Speech Therapy Visits	0.7	18,241	22,015	27,591
Lab Tests	14.5	364,641	440,078	551,535

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

- There is a need determination in the 2025 SMFP for 82 acute care beds in the Durham/Caswell/Warren multicounty acute care bed service area.
- The applicant relies on historical utilization at its own different campuses as well as previously approved applications to project updated utilization at UNC Cary.
- The applicant relies on the same methodologies for those services previously approved in Project ID #J-12065-21, Project ID # J-12214-22 and/or Project ID #J-12509-24 using more recent historical data to update the projections.
- Inpatient (IP) days are based on projected discharges, average daily census (ADC), and the average length of stay (ALOS).
- The applicant relies on data regarding projected population growth, aging and demographic factors in the service area.
- Projected outpatient surgical cases reflect the acuity adjustment of the inpatient cases upon which they are based.
- Only outpatient surgical cases are shifted to the procedure rooms in FYs 2034 and 2035, thereby taking acuity need into account.

- The applicant projects lower acuity patient encounters, since it proposes these services at a smaller community hospital that does not provide the specialized higher-acuity services provided at larger specialized hospitals.
- The applicant's projected utilization for all the acute care beds (existing, approved and proposed) meets the performance standard promulgated in 10A NCAC 14C .3803.
- The applicant's projected utilization for the GI endoscopy services meets the performance standard promulgated in 10A NCAC 14C .3903.

Access to Medically Underserved Groups

In Section C.6, page 74, the applicant provides an updated estimated percentage for each medically underserved group, as shown in the following table.

Estimated Percentage of Total Patients, Third Project Year	
MEDICALLY UNDERSERVED GROUPS	PERCENTAGE OF TOTAL PATIENTS
Low-income persons*	---
Racial and ethnic minorities	46.2%
Women	63.6%
Persons with Disabilities*	---
Persons 65 and Older	28.3%
Medicare beneficiaries	48.9%
Medicaid recipients	11.9%

*On page 74 the applicant states UNC Hospitals does not maintain data regarding the number of low-income persons or persons with disabilities that it serves.

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

Conclusion

The Agency reviewed the:

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

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

- The applicant adequately identifies the population to be served.

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

Project ID #J-12643-25 / Duke University Hospital / Add 82 AC beds

The applicant proposes to develop 82 new acute care beds at DUH pursuant to the need determination in the 2025 SMFP.

Patient Origin

On page 33, the 2025 SMFP defines the service area for acute care beds as “... *the single or multicounty grouping shown in Figure 5.1.*” Figure 5.1, on page 36, shows Durham County is part of a multicounty acute care bed service area that includes Durham, Caswell and Warren counties. Each of the applicants in this review proposes to develop the proposed acute care beds in Durham County. Thus, the service area for this facility is Durham County. Facilities may also serve residents of counties not included in their service area.

The following tables, from Section C, pages 33-34 illustrate historical and projected patient origin for adult inpatient encounters for Duke University Hospital. DUH’s fiscal year is the SFY, from July 1 – June 30:

DUH Historical Patient Origin – Adult Inpatient Services, FY 2024

	DUKE UNIVERSITY HOSPITAL – ADULT INPATIENTS	
	LAST FULL FY - 07/01/23 - 06/30/2024	
County or other geographic area such as ZIP code	Number of Patients	% of Total
Alamance	1,416	3.7%
Caswell	198	0.5%
Chatham	207	0.5%
Cumberland	1,016	2.6%
Durham	10,669	27.5%
Franklin	544	1.4%
Granville	1,500	3.9%
Guilford	753	1.9%
Harnett	388	1.0%
Johnston	489	1.3%
Lee	297	0.8%
Nash	336	0.9%
Orange	1,554	4.0%
Person	1,233	3.2%
Robeson	452	1.2%
Vance	1,204	3.1%
Wake	5,239	13.5%
Warren	349	0.9%
Wilson	246	0.6%
Other NC Counties	6,544	16.9%
Virginia	2,207	5.7%
Other States	1,932	5.0%
International	19	0.0%
Total	38,792	100.0%

Source: Application Section C, page 33.

DUH Projected Patient Origin

SERVICE COMPONENT – DUH ADULT INPATIENTS	1 ST FULL FY		2 ND FULL FY		3 RD FULL FY	
	7/1/2026 - 6/30/2027		7/1/2027 - 6/30/2028		7/1/2028 - 6/30/2029	
COUNTY OR OTHER GEOGRAPHIC AREA SUCH AS ZIP CODE	NUMBER OF PATIENTS	% OF TOTAL	NUMBER OF PATIENTS	% OF TOTAL	NUMBER OF PATIENTS	% OF TOTAL
Alamance	1,519	3.7%	1,541	3.7%	1,564	3.7%
Caswell	251	0.6%	255	0.6%	259	0.6%
Chatham	223	0.5%	226	0.5%	229	0.5%
Cumberland	1,096	2.7%	1,113	2.7%	1,129	2.7%
Durham	10,853	26.7%	11,012	26.7%	11,179	26.7%
Franklin	591	1.5%	600	1.5%	609	1.5%
Granville	1,531	3.8%	1,554	3.8%	1,577	3.8%
Guilford	830	2.0%	843	2.0%	855	2.0%
Harnett	389	1.0%	395	1.0%	401	1.0%
Johnston	474	1.2%	481	1.2%	488	1.2%
Lee	414	1.0%	420	1.0%	427	1.0%
Nash	365	0.9%	370	0.9%	376	0.9%
Orange	1,527	3.8%	1,550	3.8%	1,573	3.8%
Person	1,240	3.0%	1,259	3.0%	1,278	3.0%
Robeson	422	1.0%	429	1.0%	435	1.0%
Vance	1,411	3.5%	1,433	3.5%	1,454	3.5%
Wake	5,427	13.3%	5,509	13.3%	5,591	13.3%
Warren	387	1.0%	393	1.0%	399	1.0%
Wilson	264	0.6%	268	0.6%	272	0.6%
Other NC Counties	7,238	17.8%	7,347	17.8%	7,457	17.8%
Virginia	2,328	5.7%	2,363	5.7%	2,399	5.7%
Other States	1,883	4.6%	1,911	4.6%	1,940	4.6%
International	12	0.0%	13	0.0%	13	0.0%
Total	40,675	100.0%	41,285	100.0%	41,904	100.0%

Source: Application Section C, page 35.

In Section C, pages 34-35 the applicant provides the assumptions and methodology used to project patient origin for the proposed acute care beds. The applicant's assumptions are reasonable and adequately supported because they are based on historical data for DUH adult inpatient acute care services and anticipated population growth.

Analysis of Need

In Section C, pages 37-42, the applicant explains why it believes the population projected to utilize the proposed services needs the proposed services, summarized as follows:

- Historical utilization trends and capacity constraints – The applicant states DUH’s average daily census has increased in recent years. The applicant states inpatient utilization was 89.8% in SFY 2024, and for the first six months of FY 2025 (July – December 2024), utilization for adult and pediatric acute care services was 91.6%. DUH’s historical utilization of all inpatient services has also increased. The applicant states historical and projected utilization create capacity constraints at the hospital (pages 37-38).
- There is a need in the 2025 SMFP for 82 additional acute care beds in the Durham/Caswell/Warren multicounty acute care bed service area, which the applicant states is entirely driven by DUH utilization (pages 38-39).
- Specific need for tertiary/quaternary care capacity and emergency department access – DUH is an academic medical center teaching hospital and a tertiary and quaternary referral center that serves patients from throughout the state and beyond. The applicant states its patients seek specialized services that DUH offers, both in acute care and emergency services. The high occupancy rates that are common at DUH create transfer and throughput issues that negatively impact the patients and force DUH to limit emergency transfers and inpatient admissions (pages 39-41).
- Statewide population growth and demographic changes – The applicant cites data from the NCOSBM and Sg2, a national healthcare analytics firm, to illustrate projected population growth in the service area and the state as a whole. The applicant states these data support projected growth in inpatient days at DUH. The applicant states DUHS, as a system, has an existing and increasing provider network that continue to refer patients to DUH for many of its specialized services, thus further supporting the need for additional acute care capacity at DUH. The applicant provides letters of support in Exhibit C.4 (pages 41-42).

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

- The applicant provides reasonable and supported information regarding utilization at DUH and the need for the acute care beds.
- The applicant provides reliable published data regarding population growth in the service area and in the state as a whole to support its need analysis.
- The applicant provides reliable information regarding its ED utilization and the impact of that utilization on its acute care bed availability and ultimately the patients it serves.

Projected Utilization

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

Historical & Interim Utilization, DUH Acute Care Beds*

ACUTE CARE BEDS	LAST FULL FY (SFY 2024)	INTERIM FY (SFY 2025)	INTERIM FY (SFY 2026)
Total # Beds	1,062	1,062	1,106
# Discharges	44,615	45,476	46,068
# Patient Days	343,613	351,974	356,303
ALOS	7.7	7.7	7.7
Occupancy Rate	88.6%	90.8%	88.3%

Source: Application Section Q, Form C.1a

*Includes adult, pediatric and neonatal beds

Projected Utilization, DUH Acute Care Beds*

ACUTE CARE BEDS	1 ST FULL FY (SFY 2027)	2 ND FULL FY (SFY 2028)	3 RD FULL FY (SFY 2029)
Total # Beds	1,188	1,188	1,188
# Discharges	46,669	47,279	47,898
# Patient Days	360,697	365,157	369,683
ALOS	7.7	7.7	7.7
Occupancy Rate	83.2%	84.2%	85.3%

Source: Application Section Q, Form C.1b

*Includes adult, pediatric and neonatal beds.

In Section Q, pages 91-93, the applicant provides the assumptions and methodology used to project utilization, summarized as follows:

Adult Inpatient Services

- The applicant states its FY is the same as the state FY, July 1-June 30.
- The applicant states the additional acute care beds will be used for adult inpatient services. The applicant provides data to show adult inpatient services utilization has increased between FY 2021 and FY 2024. The applicant calculates two-year and three-year CAGRs for discharges, inpatient days and average daily census (ADC) at DUH, as shown in the following table:

Adult Inpatient Services Historical Utilization

ADULT	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025*	2-Yr CAGR (FY 23-25)	3-Yr CAGR (FY 22-25)
Discharges	35,539	35,176	36,217	38,792	39,482	4.4%	3.9%
Inpatient Days	257,310	266,066	271,804	280,765	288,680	3.1%	2.8%
ADC	705	729	745	769	791	3.1%	2.8%

*Annualized by the applicant based on data from July-December.

Source: Application Section Q, page 91

As shown in the table above, adult inpatient discharges increased by a 4.4% CAGR from FY 2023-2025, and inpatient days increased by a 3.1% CAGR during the same time. The CAGR for both inpatient days and discharges increased slightly less when the applicant calculated a three-year CAGR.

- The applicant projects that inpatient days of care will continue to increase at an annual rate of 1.5% beginning in FY 2026, which is less than the historical two-year and three-year CAGR.
- The applicant projects that discharges will increase by the same annual rate of 1.5% and assumes the ALOS will remain constant at the FY 2025 level. The following table illustrates projected growth in adult inpatient services at DUH:

Adult Inpatient Services Projected Utilization					
ADULT	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Discharges	39,482	40,074	40,675	41,285	41,904
Inpatient Days	288,680	293,009	297,403	301,863	306,389
ADC	791	803	815	827	839
ALOS	7.31	7.31	7.31	7.31	7.31

Source: Application Section Q, page 92.

DUH also operates pediatric and neonatal beds. The applicant examines historical utilization and projects utilization of those beds separately.

Pediatric (Non-neonatal) Beds

- The applicant examined historical inpatient pediatric days at DUH beginning in FY 2021 and annualized FY 2025 to calculate a CAGR for inpatient pediatric days and discharges for that time period. The applicant states inpatient pediatric days decreased since FY 2024, though discharges increased. The applicant assumes, given the recent variability in the historical data, that inpatient pediatric days of care will remain constant through all three project years as shown in the following table:

Historical and Projected Pediatric (non neonatal) Bed Utilization, DUH										
	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025*	FY 2026	FY 2027	FY 2028	2-YEAR CAGR (FY 23-25)	3-YEAR CAGR (FY 21-24)
Discharges	4,840	4,681	4,769	5,141	5,246	5,246	5,246	5,246	4.9%	3.9%
Inpatient Days	31,852	33,265	36,037	41,045	39,280	39,280	39,280	39,280	4.4%	5.7%
ADC	87	91	99	112	108	108	108	108		

Source: Application Section Q, page 92

*Annualized

Neonatal Beds

- The applicant states neonatal utilization is variable year to year and begins with annualized FY 2025 neonatal bed utilization. The applicant states that, due to the historical variability, future neonatal bed utilization is kept constant at the FY 2025 volumes through all three project years.

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

- The applicant provides reliable and supported information regarding historical and projected utilization of its acute care beds.
- The applicant's growth projections utilize either a lower growth rate than actual historical utilization or keeps utilization at current levels to be conservative.
- The applicant provides reliable and supported information regarding population growth in the service area and its own internal need for the proposed acute care beds.

Access to Medically Underserved Groups

In Section C, page 47 the applicant states,

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

In Section C, page 48, the applicant provides the estimated percentage for each medically underserved group, as shown in the following table:

Group	Estimated Percentage of Total Patients during the Third Full Fiscal Year Acute Care Beds
Low income persons	15.5%
Racial and ethnic minorities	38.3%
Women	60.0%
Persons with disabilities	NA*
Persons 65 and older	37.1%
Medicare beneficiaries	40.3%
Medicaid recipients	12.2%

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

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

Conclusion

The Agency reviewed the:

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

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

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

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

NA

Both Applications

Neither of the applications propose to reduce a service, eliminate a service or relocate a facility or service. Therefore, Criterion (3a) is not applicable to this review.

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

C

Both Applications

Project ID #J-12636-25/UNC Hospitals Cary/Add 34 acute care beds

The applicant proposes to develop 34 new acute care beds at UNC Hospitals Cary Campus in Durham County pursuant to the need determination in the 2025 SMFP for 82 AC beds in the

Durham/Caswell/Warren multicounty acute care bed service area, which is a change of scope to Project ID #J-12509-24 (develop 28 acute care beds), for a total of no more than 136 acute care beds.

In Section E.2, pages 82-83 the applicant describes the alternatives it considered and explains why each alternative is either more costly or less effective than the alternative proposed in this application to meet the need. The alternatives considered were:

Develop the hospital with a different number of beds – The applicant states it considered developing fewer or more than the 34 acute care beds proposed in this COS application but determined it to be a less effective or more costly alternative. The applicant states the existing plans include space for a nursing unit at the hospital, which can accommodate 24 additional acute care beds. Additionally, the applicant has space for ten additional acute care beds following settlement in its prior competitive applications. Therefore, the applicant states that to develop fewer acute care beds would leave space unutilized, while developing more than 34 acute care beds would necessitate additional construction and thus increased costs. Therefore, developing fewer or more acute care beds is not an effective alternative.

Develop the hospital at a different location – The applicant states it considered a different location for the proposed hospital and acute care services other than the proposed location. However, the applicant states that would be more costly and thus less effective than the application for 34 acute care beds at the UNC Cary Campus hospital. The applicant states there is a need in the southern portion of Durham County for acute care beds; furthermore, a different location would result in additional architectural and development costs. Therefore, a different location is not an effective alternative.

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

- Developing fewer or more acute care beds than the 34 proposed in this application would be less effective for its patients and ultimately more costly.
- Developing the project at a different location would not effectively and efficiently serve its projected patient population.

Conclusion

The Agency reviewed the:

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

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

Project ID #J-12643-25 / Duke University Hospital / Add 82 AC beds

The applicant proposes to develop 82 new acute care beds at Duke University Hospital pursuant to the need determination in the 2025 SMFP.

In Section E.2, pages 57-58, the applicant describes the alternatives it considered and explains why each alternative is either more costly or less effective than the alternative proposed in this application to meet the need. The alternatives considered were:

Develop the proposed beds at a new facility or campus in Durham County – The applicant states it could consider developing a new inpatient hospital in Durham County, but determined the time and cost involved would not capitalize on current DUH resources and specialized services. Further, the applicant states additional capacity is needed in Durham County for the specialized levels of care provided by DUH. Therefore, a new facility or campus is not an effective alternative to meet the needs of existing and projected patients served and to be served by DUH.

Develop additional beds at Duke Regional Hospital – The applicant states it could consider developing the proposed acute care beds at its Duke Regional Hospital (DRH) campus but determined this is not an effective alternative because Duke University Hospital utilization generated the need for the additional acute care beds, which the applicant states reflects the hospital's highly specialized levels of care. Additionally, the applicant states developing the proposed acute care beds at DRH would require the applicant to duplicate the highly specialized services offered at DUH and would not be efficient. Therefore, developing the proposed acute care beds at DRH is not an effective alternative to meet the needs of the patients served by DUH.

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

- Developing a new hospital campus would be unnecessarily costly and would not effectively and efficiently serve DUH patients who seek the specialized and different levels of care offered at DUH.
- Developing the proposed acute care beds at a different hospital would not effectively or efficiently serve existing and projected DUH patients.
- The proposed project would allow the applicant to utilize existing hospital space in its two bed towers for the proposed additional acute care beds.

Conclusion

The Agency reviewed the:

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

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

- (5) Financial and operational projections for the project shall demonstrate the availability of funds for capital and operating needs as well as the immediate and long-term financial feasibility of the proposal, based upon reasonable projections of the costs of and charges for providing health services by the person proposing the service.

C

Both Applications

Project ID #J-12636-25/UNC Hospitals Cary/Add 34 acute care beds

The applicant proposes to develop 34 new acute care beds at UNC Hospitals Cary Campus in Durham County pursuant to the need determination in the 2025 SMFP for 82 AC beds in the Durham/Caswell/Warren multicounty acute care bed service area, which is a change of scope to Project ID #J-12509-24 (develop 28 acute care beds), for a total of no more than 136 acute care beds.

Capital and Working Capital Costs

On March 26, 2025, the Agency issued a certificate of need for Project ID #J-12509-24 to develop 28 acute care beds pursuant to the 2024 SMFP need determination. That project was a change of scope for Project ID #J-12214-22 (develop no more than 34 additional acute care beds pursuant to the 2022 SMFP need determination). Project ID #J-12214-22 was a change of scope to approved Project ID #J-12065-21 (develop a new acute care hospital with 40 acute care beds and 2 ORs). The current application proposes an additional change of scope in response to the 2025 SMFP need determination for 82 acute care beds. Therefore, the applicant states this application proposes an additional capital cost of \$78,767,416, for a total combined capital expenditure (all three previous projects and this project) of \$981,323,147.

On Form F.1b in Section Q, the applicant provides the previously approved capital expenditure for Project ID #J-12509-24 (which included the previous two projects), the proposed capital expenditure for the current proposal, and the combined total capital expenditure for the project, as shown in the following table:

UNC Cary Campus Previously Approved and New Projected Capital Cost

	PREVIOUSLY APPROVED CAPITAL COST (J-12509-24)	NEW TOTAL CAPITAL COST	CAPITAL COST THIS PROJECT (J-12636-25)
Purchase Price of Land	\$35,000,000	\$63,522,317	\$28,522,317
Closing Costs	\$184,000	\$40,000	(\$144,000)
Site Preparation	\$34,035,833	\$45,496,694	\$11,460,861
Construction/Renovation	\$655,576,015	\$676,430,658	\$20,854,643
Landscaping	\$1,166,041	\$2,002,063	\$836,022
Architect/Engineering Fees	\$42,602,560	\$44,238,386	\$1,680,826
Medical Equipment	\$52,518,274	\$60,049,342	\$7,531,068
Non-Medical equipment	\$26,064,772	\$27,401,178	\$1,336,406
Furniture	\$11,142,208	\$11,581,809	\$439,601
Consulting Fees	\$6,554,239	\$6,812,829	\$258,590
Other (contingency and permits/fees inspections)	\$37,711,816	\$43,702,898	\$5,991,082
Total Capital Cost	\$902,555,758	\$981,323,174	\$78,767,416

Source: Section Q, Form F.1b

In Section Q, “*Form F.1.b Assumptions*” on page 173 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 provides assumptions about costs included in the calculation of each new or adjusted cost for each line item in the projected capital cost.
- The applicant provides information to show that many of the projections are based on UNC’s experience or the project architect’s history in developing similar projects.
- Medical and non-medical costs, furniture costs and other costs are based on previously approved vendor quotations as well as the applicant’s experience with similar projects.

In Section F, page 94, the applicant states that working capital costs are projected to increase and provides the following information:

UNC Cary Previously Approved and Current Working Capital Costs

ITEM	COST
New total estimated start-up costs	\$11,679,720
New total estimated initial operating costs	\$54,127,506
New total working capital	\$65,807,225
Previously approved total working capital	\$51,990,594
Difference	\$13,816,631

In Section F, pages 94-95, the applicant provides the assumptions used to project the increase in working capital costs. The information is reasonable and adequately supported based on the following:

- The applicant states the updated utilization projections are part of the increase in working capital costs including, but not limited to, increased staffing and supplies.
- The applicant accounts for costs associated with both previously approved applications and explains the need for increases based on the current application.

Availability of Funds

In Section F, page 95 the applicant states that the capital and working capital costs will be funded with the accumulated reserves of UNC Hospitals.

In Exhibit F-5.2 the applicant provides an April 15, 2025 letter signed by the Chief Financial Officer for UNC Hospitals that documents the availability of sufficient funds for the capital and working capital needs of the project and commits the funds to the project. That same Exhibit also contains a copy of the audited financial statements for UNC Hospitals for the year ended June 30, 2024 that confirms sufficient funds for the increased capital and working capital needs of the proposed project.

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

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

Financial Feasibility

The applicant provided pro forma financial statements for the first three full fiscal years of operation following project completion for the proposed new hospital campus as well as for the UNC system. In Section Q, Form F.2b on pages 176-180 the applicant projects that revenues will not exceed operating expenses for UNC Cary in the first three full fiscal years (FY) following project completion; however, the applicant demonstrates the UNC Hospitals system as a whole projects that revenues will exceed operating expenses in all three project years, as shown in the following tables:

Financial Feasibility

UNC Cary Hospital	1ST FULL FY 7/1/32-6/30/33	2ND FULL FY 7/1/33-6/30/34	3RD FULL 7/1/34-6/30/35
Total Patient Days (from Form C.1b)	25,220	30,437	38,146
Total Gross Revenues (Charges)	\$436,429,865	\$540,249,466	\$685,978,769
Total Net Revenue	\$152,180,823	\$188,228,322	\$238,452,786
Average Net Revenue per Patient Day	\$6,034	\$6,184	\$6,251
Total Operating Expenses (Costs)	\$191,322,195	\$215,699,076	\$246,999,773
Average Operating Expense per Patient Day	\$7,586	\$7,087	\$6,475
Net Income	(\$39,141,372)	(\$27,470,754)	(\$8,546,987)

Source: Form F.2b, Section Q, page 180

UNC Hospitals Financial Feasibility

UNC Hospitals System	1ST FULL FY 7/1/32-6/30/33	2ND FULL FY 7/1/33-6/30/34	3RD FULL 7/1/34-6/30/35
Total Gross Revenues (Charges)	\$10,540,189,285	\$10,973,786,250	\$11,425,225,038
Total Net Revenue	\$4,600,412,558	\$4,789,422,665	\$4,986,203,048
Total Operating Expenses (Costs)	\$4,026,599,139	\$4,188,897,094	\$4,357,824,058
Net Income	\$573,913,419	\$600,525,570	\$628,378,990

Source: Form F2.b, Section Q, page 176.

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

Conclusion

The Agency reviewed the:

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

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

- Projected utilization is based on reasonable and adequately supported assumptions. See the discussion regarding projected utilization in Criterion (3) which is incorporated herein by reference.
- The applicant adequately demonstrates that the capital and working capital costs are based on reasonable and adequately supported assumptions for all the reasons described above.

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

Project ID #J-12643-25 / Duke University Hospital / Add 82 AC beds

The applicant proposes to develop 82 new acute care beds at Duke University Hospital pursuant to the need determination in the 2025 SMFP.

Capital and Working Capital Costs

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

DUH Capital Cost	
Non-medical Equipment	\$12,300,000
Total	\$12,300,000

In Section Q, on page 94, the applicant provides the assumptions used to project capital cost, which are based on the applicant's experience developing acute care beds. The applicant states no construction or renovation costs are necessary for the project. The applicant adequately demonstrates that the projected capital cost is based on reasonable and adequately supported assumptions.

In Section F.3, page 62, the applicant states there will be no start-up costs or initial operating expenses because acute care services are an existing service line at DUH that will not require start-up or initial operating expenses.

Availability of Funds

In Section F.2, page 59, the applicant states that the capital cost will be funded with the accumulated reserves of Duke University Health System, Inc.

In Exhibit F.2(a) the applicant provides an April 14, 2025 letter signed by the Senior Vice President, Chief Financial Officer and Treasurer of Duke University Health System that documents the availability of sufficient funds to cover the capital cost of the project. In Exhibit F.2(b) the applicant provides the audited financial statements for Duke University Health System, Inc. and Affiliates which indicate the hospital has adequate cash and cash equivalents as of June 30, 2024 to fund the proposed project.

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

- The applicant provides a letter from the appropriate DUHS official confirming the availability of the funding proposed for the project capital needs and the commitment to use those funds to develop the proposed project.
- The applicant provides adequate documentation of sufficient accumulated reserves to fund the project capital needs.

Financial Feasibility

In Section Q, the applicant provided pro forma financial statements for the first three full fiscal years of operation following project completion for adult inpatient services and for the DUHS system. In Form F.2b, on page 5, the applicant projects that revenues will not exceed operating expenses for DUH adult inpatient services in the first three full fiscal years following project completion. However, in Form F.2b on page 9, the applicant demonstrates DUHS as a whole projects that revenues will exceed operating expenses in all three project years, as shown in the following tables:

Duke University Hospital Adult Inpatient Services

	1ST FULL FISCAL YEAR (7/1/26-6/30/27)	2ND FULL FISCAL YEAR (7/1/27-6/30/28)	3RD FULL FISCAL YEAR (7/1/28-6/30/29)
Total Patient Days (Form C.1b)	297,403	301,863	306,389
Total Gross Revenues (Charges)	\$4,097,472,296	\$4,158,921,788	\$4,221,277,912
Total Net Revenue	\$1,339,223,499	\$1,380,858,804	\$1,423,814,032
Average Net Revenue per patient day	\$4,503	\$4,574	\$4,647
Total Operating Expenses (Costs)	\$1,751,362,364	\$1,823,761,168	\$1,899,474,446
Average Operating Expense per patient day	\$5,889	\$6,042	\$6,200
Net Income	(\$412,138,865)	(\$442,902,364)	(\$475,660,414)

Duke University Health System Financial Feasibility

DUHS	1ST FULL FY 7/1/26-6/30/27	2ND FULL FY 7/1/27-6/30/28	3RD FULL 7/1/28-6/30/29
Total Gross Revenues (Charges)	\$22,830,392,000	\$24,576,075,000	\$26,162,075,000
Total Net Revenue	\$8,202,574,000	\$8,730,243,000	\$9,325,131,000
Total Operating Expenses (Costs)	\$7,900,195,000	\$8,431,059,000	\$8,923,692,000
Net Income	\$302,379,000	\$299,184,000	\$401,444,000

Note: totals may not sum due to rounding

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

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

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

- Projected utilization is based on reasonable and adequately supported assumptions. See the discussion regarding projected utilization in Criterion (3) which is incorporated herein by reference.
 - The applicant adequately demonstrates that the capital costs are based on reasonable and adequately supported assumptions for all the reasons described above.
 - The applicant adequately demonstrates availability of sufficient funds for the capital needs of the proposal for all the reasons described above.
 - The applicant adequately demonstrates sufficient funds for the operating needs of the proposal and that the financial feasibility of the proposal is based upon reasonable projections of revenues and operating expenses for all the reasons described above.
- (6) The applicant shall demonstrate that the proposed project will not result in unnecessary duplication of existing or approved health service capabilities or facilities.

C

Both Applications

The 2025 SMFP includes a need determination for 82 acute care beds in the Durham/Caswell/Warren multicounty service area.

On page 33, the 2025 SMFP defines the service area for acute care beds as “... *the single and multicounty groupings shown in Figure 5.1.*” Figure 5.1, on page 38, shows Durham, Caswell and Warren counties in a multicounty grouping. Thus, the service area for these facilities is the Durham/Caswell/Warren multicounty service area. Facilities may also serve residents of counties not included in their service area.

As of the date of this decision, there are 1,530 existing and approved acute care beds allocated between four existing and approved hospitals owned by three providers in the multicounty service area of Durham, Caswell and Warren counties, as illustrated in the following table:

DURHAM/CASWELL/WARREN MULTICOUNTY SERVICE AREA ACUTE CARE HOSPITAL CAMPUSES	
FACILITY	EXISTING/(APPROVED) BEDS
Duke University Hospital*	1,062 (+44)
Duke Regional Hospital	298
Duke Total	1,404
North Carolina Specialty Hospital	18 (+6)
UNC Hospitals Cary Campus**	(+102)
Durham/Caswell Multicounty Service Area Total	1,530

Source: Table 5A, 2025 SMFP and Agency internal documents.

*Certificates of need were issued on March 26, 2025 for an additional 44 acute care beds to be developed at DUH for a total of 1,106 acute care beds.

**Certificates of need were issued on March 26, 2025 for a total of 102 acute care beds to be developed at UNC Cary.

Project ID #J-12636-25/UNC Hospitals Cary/Add 34 acute care beds

The applicant proposes to develop 34 new acute care beds at UNC Hospitals Cary Campus in Durham County pursuant to the need determination in the 2025 SMFP for 82 AC beds in the Durham/Caswell/Warren multicounty acute care bed service area, which is a change of scope to Project ID #J-12509-24 (develop 28 acute care beds), for a total of no more than 136 acute care beds.

In Section G.3c, page 97, the applicant explains why it believes its proposal would not result in the unnecessary duplication of existing or approved acute care beds in the Durham/Caswell/Warren multicounty acute care bed service area. The applicant states:

“... UNC Hospitals believes that additional acute care resources are necessary in order to effectively and efficiently provide care at the approved acute care facility, which will serve the patients of southern Durham County and the surrounding area. In addition, the 2025 SMFP includes a need for 82 additional acute care beds in Durham County, beyond the existing and approved beds, of which UNC Hospitals is proposing to develop just a fraction. As such, the proposed project will not result in the unnecessary duplication of existing healthcare facilities in the service area.”

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

- There is a need determination in the 2025 SMFP for the proposed acute care beds.
- The applicant provides information to explain why it believes the proposed project will not unnecessarily duplicate existing or approved acute care beds in the Durham/Caswell/Warren multicounty acute care bed service area.

- The applicant adequately demonstrates that the proposed acute care beds are needed in addition to the existing and approved acute care beds. The discussion regarding demonstration of need found in Criterion (3) is incorporated herein by reference.

Conclusion

The Agency reviewed the:

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

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

Project ID #J-12643-25 / Duke University Hospital / Add 82 AC beds

The applicant proposes to develop 82 new acute care beds at Duke University Hospital pursuant to the need determination in the 2025 SMFP.

In Section G.2, pages 67-68, the applicant explains why it believes its proposal would not result in the unnecessary duplication of existing or approved acute care services in the Durham/Caswell/Warren multicounty acute care bed service area. The applicant states:

“... the need for additional inpatient capacity in the 2025 SMFP was driven by the demand for DUH’s highly specialized services. The proposed 82 additional acute care beds are specifically needed at DUH to expand access to the hospital’s well-utilized inpatient acute care services which do not duplicate the services provided by any other facility which does not have the same scope of services.

North Carolina Specialty Hospital is currently licensed for 18 beds and approved for an additional 6. NCSH offers primarily surgical services in a limited number of specialties. As a quaternary care regional referral center, DUH serves a fundamentally different patient population than NCSH. The scope of acute care services at DUH cannot be replicated at NCSH. Any available licensed bed capacity at NCSH cannot effectively meet the need that DUH has for additional acute care bed capacity.

Duke Regional Hospital similarly has a different scope and focus than Duke University Hospital. As a community hospital owned by the county and leased to DUHS to operate, Duke Regional Hospital does not offer the same quaternary services as DUH. It would be significantly less efficient – and contrary to this criterion – to duplicate DUH’s specialized services, including medical coverage, equipment and

staffing, at a second hospital in the county than it would be to increase the capacity at DUH."

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

- There is a need determination in the 2025 SMFP for the proposed acute care beds.
- The applicant provides reasonable information to explain why it believes the proposed project will not unnecessarily duplicate existing or approved acute care beds in the Durham/Caswell/Warren multicounty acute care bed service area.
- The applicant adequately demonstrates that the proposed acute care beds are needed in addition to the existing and approved acute care beds. The discussion regarding demonstration of need found in Criterion (3) is incorporated herein by reference.

Conclusion

The Agency reviewed the:

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

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

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

C

Both Applications

Project ID #J-12636-25/UNC Hospitals Cary/Add 34 acute care beds

The applicant proposes to develop 34 new acute care beds at UNC Hospitals Cary Campus in Durham County pursuant to the need determination in the 2025 SMFP for 82 AC beds in the Durham/Caswell/Warren multicounty acute care bed service area, which is a change of scope to Project ID #J-12509-24 (develop 28 acute care beds), for a total of no more than 136 acute care beds.

On Form H in Section Q, the applicant provides projected full-time equivalent (FTE) staffing for the proposed services. The applicant proposes a total of 687.0 FTEs in the first project year, 746.2 in the second project year and 819.1 in the third project year.

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

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

- The applicant adequately documents the number of FTEs it projects will be needed to offer the services proposed in this application, building on the FTE positions previously-approved in Project ID #J-12509-24.
- The applicant's projections for FTEs are based on its own historical experience at other UNC facilities and projected changes to staffing needs as a result of the additional acute care bed capacity proposed in this application.
- The applicant accounts for projected salaries and other costs of employment in its projected operating expenses found on Form F.3b in Section Q.
- The methods to be used by the applicant to recruit or fill new positions and its proposed training and continuing education programs were found conforming with this criterion in Project ID #J-12065-21, Project ID #J-12241-22 and Project ID #J-12509-24, and the applicant proposes no changes in the application as submitted that would affect that determination.

Conclusion – The Agency reviewed the:

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

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

Project ID #J-12643-25 / Duke University Hospital / Add 82 AC beds

The applicant proposes to develop 82 new acute care beds at Duke University Hospital pursuant to the need determination in the 2025 SMFP.

On Form H in Section Q, the applicant provides projected full-time equivalent (FTE) staffing for the proposed services. The applicant proposes a total of 2,505 FTEs in the first project year, 2,616 in the second project year and 2,772 in the third project year.

The assumptions and methodology used to project staffing are provided on page 100 in Section Q. Adequate costs for the health manpower and management positions proposed by the applicant are budgeted in Form F.3b, which is found in Section Q.

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

- The applicant adequately documents the number of FTEs it projects will be needed to offer the services proposed in this application.
- The applicant's projections for FTEs are based on its own historical experience at other DUHS facilities and projected changes to staffing needs as a result of the additional acute care bed capacity proposed in this application.
- The applicant accounts for projected salaries and other costs of employment in its projected operating expenses found on Form F.3b in Section Q.

Conclusion – The Agency reviewed the:

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

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

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

C
Both Applications

Project ID #J-12636-25/UNC Hospitals Cary/Add 34 acute care beds

The applicant proposes to develop 34 new acute care beds at UNC Hospitals Cary Campus in Durham County pursuant to the need determination in the 2025 SMFP for 82 AC beds in the Durham/Caswell/Warren multicounty acute care bed service area, which is a change of scope to Project ID #J-12509-24 (develop 28 acute care beds), for a total of no more than 136 acute care beds.

Ancillary and Support Services – In Section I, page 101 the applicant states that the proposed change of scope project will not change the provision of necessary ancillary and support

services at UNC Cary approved in Project ID #J-12509-24. The applicant adequately demonstrates that the necessary ancillary and support services will be made available based on the following:

- In Exhibit I.3-1, the applicant provides a letter from the President of UNC Hospitals, committing to provide the necessary ancillary and support services for the proposed project.
- Project ID #J-12509-24 was found conforming with this criterion and the applicant proposes no changes in the application as submitted which would affect that determination.

Coordination – In Section I, page 102 the applicant states the proposed change of scope project will not result in changes to coordination with the existing health system from Project ID #J-12509-24. The applicant adequately demonstrates that the proposed services will be coordinated with the existing health care system based on the following:

- The applicant provides letters of support from local physicians and healthcare providers documenting their support for UNC Cary in Exhibit I.3-2.
- Project ID #J-12509-24 was found conforming with this criterion and the applicant proposes no changes in the application as submitted which would affect that determination.

Conclusion – The Agency reviewed the:

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

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

Project ID #J-12643-25 / Duke University Hospital / Add 82 AC beds

The applicant proposes to develop 82 new acute care beds at Duke University Hospital pursuant to the need determination in the 2025 SMFP.

Ancillary and Support Services

In Section I.1, page 72, the applicant identifies the necessary ancillary and support services for the proposed services and explains how each ancillary and support service is or will be made available. DUH is an existing hospital that currently provides necessary ancillary and support services, and those same services will continue to be made available upon project completion.

The applicant adequately demonstrates that the necessary ancillary and support services will be made available.

Coordination

In Section I.2, page 73, the applicant describes its existing and proposed relationships with other local health care and social service providers. DUH is an existing hospital that currently has established relationships with local health care and social service providers, and those same relationships will continue following project completion. The applicant adequately demonstrates that the proposed services will be coordinated with the existing health care system.

Conclusion

The Agency reviewed the:

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

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

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

NA

Both Applications

Neither of the applicants projects to provide the proposed services to a substantial number of persons residing in Health Service Areas (HSAs) that are not adjacent to the HSA in which the services will be offered. Furthermore, neither of the applicants not project to provide the proposed services to a substantial number of persons residing in other states that are not adjacent to the North Carolina county in which the services will be offered. Therefore, Criterion (9) is not applicable to this review.

- (10) When applicable, the applicant shall show that the special needs of health maintenance organizations will be fulfilled by the project. Specifically, the applicant shall show that the project accommodates: (a) The needs of enrolled members and reasonably anticipated new members of the HMO for the health service to be provided by the organization; and (b) The availability of new health services from non-HMO providers or other HMOs in a reasonable and cost-effective manner which is consistent with the basic method of operation of the HMO.

In assessing the availability of these health services from these providers, the applicant shall consider only whether the services from these providers:

- (i) would be available under a contract of at least 5 years duration;
- (ii) would be available and conveniently accessible through physicians and other health professionals associated with the HMO;
- (iii) would cost no more than if the services were provided by the HMO; and
- (iv) would be available in a manner which is administratively feasible to the HMO.

NA

Both Applications

Neither of the applicant is an HMO. Therefore, Criterion (10) is not applicable to this review.

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

C

UNC Hospitals Cary Campus

NA

Duke University Hospital

Project ID #J-12636-25/UNC Hospitals Cary/Add 34 acute care beds

The applicant proposes to develop 34 new acute care beds at UNC Hospitals Cary Campus in Durham County pursuant to the need determination in the 2025 SMFP for 82 AC beds in the Durham/Caswell/Warren multicounty acute care bed service area, which is a change of scope to Project ID #J-12509-24 (develop 28 acute care beds), for a total of no more than 136 acute care beds.

The applicant was approved in Project ID #J-12509-24 for a total of 595,840 square feet for the hospital. In Section K, page 107 the applicant states the current application does not propose any additional square feet. Line drawings are provided in Exhibit C.8-2.

On pages 107-108, the applicant adequately explains how the cost, design and means of construction represent the most reasonable alternative for the proposal based on the information in the application and exhibits and on the following:

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

- The applicant states it will use a mixture of materials that provide energy efficiency and low maintenance.
- The applicant states implementing the proposed changes to UNC Cary while it is still under development is a more patient-focused and financially prudent alternative because it will minimize potential disruptions to patient care or additional construction costs associated with any demolition and renovations that new construction would necessitate.

On page 108, the applicant adequately explains why the proposal will not unduly increase the costs to the applicant of providing the proposed services or the costs and charges to the public for the proposed services based on the information in the application and exhibits and on the following:

- The applicant states that, while the project is capital intensive, it will not increase its costs or the costs and charges to the public for providing the proposed services.
- The applicant states the need in the service area and projected growth in the area demonstrate that additional acute care capacity is needed to provide better access for its patients.
- The applicant states it has sufficient revenues set aside for project development without the need to increase costs or charges to the public.

In Section B.19, page 27, the applicant identifies any applicable energy saving features that will be incorporated into the construction plans.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Remarks made at the public hearing
- Responses to comments
- Information which was publicly available during the review and used by the Agency

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

Project ID #J-12643-25 / Duke University Hospital / Add 82 AC beds

The applicant proposes to develop 82 new acute care beds at Duke University Hospital pursuant to the need determination in the 2025 SMFP.

In Section K, page 75, the applicant states there is no proposed new construction or renovation, because the proposed acute care beds will be developed in existing space that meets licensure standards. Therefore, Criterion (12) is not applicable to this application.

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

NA – UNC Cary
C – Duke University Hospital

Project ID #J-12636-25/UNC Hospitals Cary/Add 34 acute care beds

UNC Hospitals Cary Campus is an approved but not yet existing facility. Therefore, Criterion (13a) is not applicable to this review.

Project ID #J-12653-25 / Duke University Hospital / Add 82 AC beds

In Section L, page 78, the applicant provides historical payor mix for FY 2024 (July 1, 2023-June 30, 2024) for the facility, as shown in the following table:

Duke University Hospital Historical Payor Mix, FY 2024

Payor Category	Percentage of Total Patients Served
Self-Pay	1.3%
Charity Care	2.3%
Medicare*	39.6%
Medicaid*	11.5%
Insurance*	42.0%
Workers Compensation	0.2%
TRICARE	1.4%
Other (Includes other government plans)	1.7%
Total	100.0%

*Including any managed care plans

In Section L, page 79, the applicant provides the following comparison.

	PERCENTAGE OF TOTAL PATIENTS SERVED BY THE FACILITY OR CAMPUS DURING THE LAST FULL FY	PERCENTAGE OF THE POPULATION OF THE SERVICE AREA
Female	60.0%	52.0%
Male	40.0%	48.0%
Unknown	0.0%	0.0%
64 and Younger	62.9%	84.9%
65 and Older	37.1%	15.1%
American Indian	0.7%	1.2%
Asian	3.4%	6.1%
Black or African American	26.0%	34.5%
Native Hawaiian or Pacific Islander	0.1%	0.2%
White or Caucasian	61.7%	55.2%
Other Race	3.1%	0.0%
Declined / Unavailable	5.0%	0.0%

The Agency reviewed the:

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

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

- (b) Its past performance in meeting its obligation, if any, under any applicable regulations requiring provision of uncompensated care, community service, or access by minorities and persons with disabilities to programs receiving federal assistance, including the existence of any civil rights access complaints against the applicant;

NA – UNC Cary
C – Duke University Hospital

Project ID #J-12636-25/UNC Hospitals Cary/Add 34 acute care beds

UNC Hospitals Cary Campus is an approved but not yet existing facility. Therefore, Criterion (13b) is not applicable to this review.

Project ID #J-12643-25 / Duke University Hospital / Add 82 AC beds

Regarding any obligation to provide uncompensated care, community service, or access by minorities and persons with disabilities, in Section L, pages 79-80, the applicant states,

“DUHS has no specific obligation under federal regulations to provide uncompensated care, community service, or access by minorities and handicapped persons, other than those obligations which apply to private, not-for-profit, acute care hospitals that participate in the Medicare, Medicaid, VA, TRICARE, and Title V programs.

...

However, DUHS does not discriminate based on race, ethnicity, creed, color, sex, age, religion, national origin, handicap, or ability to pay. DUHS will continue to have a policy to provide all services to all patients regardless of income, racial/ethnic origin, gender, physical or mental conditions, age, ability to pay or any other factor that would classify a patient as underserved.”

On page 80, the applicant states that during the 18 months immediately preceding the application deadline, no patient civil rights access complaints have been filed against Duke University Hospital.

Conclusion – The Agency reviewed the:

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

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

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

C

Both Applications

Project ID #J-12636-25/UNC Hospitals Cary/Add 34 acute care beds

In Section L, page 115, the applicant states:

“Projected payor sources for inpatient services (including inpatient surgery), are based on payor sources of Durham residents receiving inpatient services as reported by HIDI in calendar year (CY) 2024, the most recent year for

which HIDI data are available, using the services expected to be provided by UNC Hospitals Cary Campus as identified in Form C Assumptions and Methodology. Durham County residents comprise the majority of the projected patient population and represent a reasonable proxy for projecting future payor mix.”

In Section L, page 115, the applicant projects the following payor mix for the proposed total facility and for the proposed adult inpatient services, respectively, during the third full FY of operation (SFY 2035) following project completion, as shown in the table below:

UNC Hospitals-Cary Total Facility Projected Payor Mix, SFY 2035

Payor Category	Percentage of Total Patients Served
Self-Pay	5.65%
Charity Care^	--
Medicare*	42.50%
Medicaid*	14.80%
Insurance*	32.50%
Workers Compensation**	--
TRICARE**	--
Other (Includes other government plans)	4.60%
Total	100.00%

*Including any managed care plans.

**The applicant states Workers Compensation and TRICARE are included in “Other”.

^The applicant states UNC Health internal data does not include Charity Care as a payment source; patients in any payor category can do receive charity care.

**UNC Hospitals-Cary Inpatient Services^^
Projected Payor Mix, SFY 2035**

Payor Category	Percentage of Total Patients Served
Self-Pay	5.3%
Charity Care^	--
Medicare*	52.3%
Medicaid*	16.3%
Insurance*	25.2%
Workers Compensation**	--
TRICARE**	--
Other (Other gov.t payors including Tricare)	0.9%
Total	100.00%

*Including any managed care plans.

**The applicant states Workers Compensation and TRICARE are included in “Other”.

^The applicant states UNC Health internal data does not include Charity Care as a payment source; patients in any payor category can do receive charity care.

^^The applicant states inpatient services payor sources include *"all services provided to an admitted inpatient including but not limited to Level II Neonatal services, C-section procedures, inpatient surgery therapy, laboratory, and dialysis."*

As shown in the table above, during the third full fiscal year of operation, the applicant projects that 5.65% of total facility services will be provided to self-pay patients, 42.5% to Medicare patients and 14.8% to Medicaid patients. Additionally, the applicant projects that 5.3% of inpatient services will be provided to self-pay patients, 52.3% to Medicare patients and 16.3% to Medicaid patients.

On pages 117-119, the applicant provides projected payor mix for additional hospital services, including outpatient surgery, outpatient procedure rooms, GI endoscopy procedure services, outpatient ED services and outpatient imaging services.

On pages 114-117, the applicant provides the assumptions and methodology used to project payor mix during the third full fiscal year of operation following project completion. The projected payor mix is reasonable and adequately supported because it is based on Durham County residents receiving these services as reported by HIDI in CY 2024, the most recent year for which HIDI data is available, using the services expected to be provided by UNC Hospitals Cary.

Conclusion – The Agency reviewed the:

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

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

Project ID #J-12643-25 / Duke University Hospital / Add 82 AC beds

In Section L.3, page 81, the applicant projects the following payor mix for the total facility and for the proposed adult inpatient services, respectively, during the third full FY of operation (SFY 2029) following project completion, as shown in the following tables:

Duke University Hospital Projected Payor Mix, FY 2029

Payor Category	Percentage of Total Patients Served
Self-Pay	1.4%
Charity Care	1.9%
Medicare*	40.3%
Medicaid*	12.2%
Insurance*	40.7%
Workers Compensation	0.2%
TRICARE	1.5%
Other (Includes all other government payors)	1.8%
Total	100.0%

*Including any managed care plans

**Duke University Hospital Adult Inpatient Services
Projected Payor Mix, FY 2029**

Payor Category	Percentage of Total Patients Served
Self-Pay	3.1%
Charity Care	1.6%
Medicare*	47.6%
Medicaid*	15.0%
Insurance*	29.9%
Workers Compensation	0.3%
TRICARE	1.2%
Other (Includes other government plans)	3.1%
Total	100.0%

*Including any managed care plans

As shown in the tables above, during the third full fiscal year of operation, the applicant projects that 1.4% of total hospital services will be provided to self-pay patients, 40.3% to Medicare patients and 12.2% to Medicaid patients. Additionally, the applicant projects that 3.1% of total adult inpatient services will be provided to self-pay patients, 47.6% to Medicare patients and 15.0% to Medicaid patients.

On page 81, the applicant provides the assumptions and methodology used to project payor mix during the first three full fiscal years of operation following project. The projected payor mix is reasonable and adequately supported because it is based on the historical payor mix for Duke University Hospital's adult inpatient services during the first six months of FY 2025 (July 2024-December 2024), adjusted to reflect DUH's patient population aging and a resultant shift of inpatient services accordingly.

The Agency reviewed the:

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

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

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

C

Both Applications

Project ID #J-12636-25/UNC Hospitals Cary/Add 34 acute care beds

Project ID #J-12509-24 was conforming with this criterion and the applicant proposes no changes in the application as submitted which would affect that determination. Therefore, the application is conforming to this criterion.

Project ID #J-12643-25 / Duke University Hospital / Add 82 acute care beds

In Section L.5, page 83, the applicant adequately describes the range of means by which patients will have access to the proposed services.

The Agency reviewed the:

- Application
- Exhibits to the application

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

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

C

Both Applications

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

The Agency reviewed the:

- Applications

- Exhibits to the applications

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

- (15) Repealed effective July 1, 1987.
- (16) Repealed effective July 1, 1987.
- (17) Repealed effective July 1, 1987.
- (18) Repealed effective July 1, 1987.
- (18a) The applicant shall demonstrate the expected effects of the proposed services on competition in the proposed service area, including how any enhanced competition will have a positive impact upon the cost effectiveness, quality, and access to the services proposed; and in the case of applications for services where competition between providers will not have a favorable impact on cost-effectiveness, quality, and access to the services proposed, the applicant shall demonstrate that its application is for a service on which competition will not have a favorable impact.

C

Both Applications

The 2025 SMFP includes a need determination for 82 acute care beds in the Durham/Caswell/Warren multicounty service area.

On page 33, the 2025 SMFP defines the service area for acute care beds as “... *the single and multicounty groupings shown in Figure 5.1.*” Figure 5.1, on page 38, shows Durham, Caswell and Warren counties in a multicounty grouping. Thus, the service area for these facilities is the Durham/Caswell/Warren multicounty service area. Facilities may also serve residents of counties not included in their service area.

As of the date of this decision, there are 1,530 existing and approved acute care beds allocated between four existing and approved hospitals owned by three providers in the multicounty service area of Durham, Caswell and Warren counties, as illustrated in the following table:

DURHAM/CASWELL/WARREN MULTICOUNTY SERVICE AREA ACUTE CARE HOSPITAL	
CAMPUSES	
FACILITY	EXISTING/(APPROVED) BEDS
Duke University Hospital*	1,062 (+44)
Duke Regional Hospital	298
Duke Total	1,404
North Carolina Specialty Hospital	18 (+6)
UNC Hospitals Cary Campus**	(+102)
Durham/Caswell Multicounty Service Area Total	1,530

Source: Table 5A, 2025 SMFP and Agency internal documents

*Certificates of need were issued on March 26, 2025 for an additional 44 acute care beds to be developed at DUH for a total of 1,106 acute care beds.

**Certificates of need were issued on March 26, 2025 for a total of 102 acute care beds to be developed at UNC Cary.

Project ID #J-12636-25/UNC Hospitals Cary/Add 34 acute care beds

The applicant proposes to develop 34 new acute care beds at UNC Hospitals Cary Campus in Durham County pursuant to the need determination in the 2025 SMFP for 82 AC beds in the Durham/Caswell/Warren multicounty acute care bed service area, which is a change of scope to Project ID #J-12509-24 (develop 28 acute care beds), for a total of no more than 136 acute care beds.

Regarding the expected effects of the proposal on competition, cost-effectiveness, quality, and access by medically underserved groups in the service area, in Section N, page 122, the applicant states:

“The proposed project will continue to enhance competition and will have a positive effect on access, quality, and cost-effectiveness of health services for patients in the service area. The proposed change of scope will only increase the expected positive effects on competition from what was stated in UNC Hospitals’ previously approved applications to develop UNC Hospitals Cary Campus. ... UNC Hospitals believes that a 136-bed acute care hospital is well-suited to deliver the much-needed selected hospital services to patients from Durham County and the surrounding areas. Further, UNC Hospitals believes that the additional 34 acute care beds described in this application will improve access and quality of care that UNC Hospitals Cary Campus will be able to provide for its patients, while also allowing UNC Hospitals to provide cost effective care for the residents of Durham County and the surrounding areas.”

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

Project ID #J-12509-24 was found conforming with this criterion and the applicant proposes no changes in the application as submitted which would affect that determination.

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

- 1) The proposal is cost effective because the applicant adequately demonstrated in this application and in Project ID #J-12509-24: a) the need the population to be served has for the proposal; b) that the proposal would not result in an unnecessary duplication of existing and approved health services; and c) that projected revenues and operating costs are reasonable.
- 2) Quality care would be provided based on the applicant's representations in this application and in Project ID #J-12509-24 about how it will ensure the quality of the proposed services and the applicant's record of providing quality care in the past.
- 3) Medically underserved groups will have access to the proposed services based on the applicant's representations in this application and in Project ID #J-12509-24 about access by medically underserved groups and the projected payor mix.

Conclusion

The Agency reviewed the:

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

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

Project ID #J-12643-25 / Duke University Hospital / Add 82 AC beds

The applicant proposes to develop 82 new acute care beds at Duke University Hospital pursuant to the need determination in the 2025 SMFP.

Regarding the expected effects of the proposal on competition in the service area, in Section N, page 85, the applicant states:

"The project will have a positive effect on competition by ensuring that Duke University Hospital has sufficient imaging [sic] capacity to accommodate patient choice. Currently, the hospital's inpatient beds are so highly utilized that patients may not be accepted for transfer even when clinically appropriate. Capacity constraints can drive patients to seek care at other providers not due to individual preference or any other provider's superior care, but simply because capacity is unavailable at DUH."

Regarding the expected effects of the proposal on cost effectiveness in the service area, in Section N, page 85, the applicant states:

“This project will not directly affect the charges or reimbursement for services for patients or payors for the proposed services because reimbursement rates are set by the federal government and commercial insurers. However, by decreasing scheduling delays, this project may allow patients to access and initiate their care more quickly, saving costs and improving patient experience.

DUHS will continue to participate in initiatives aimed at promoting cost-effectiveness and optimizing quality healthcare. For example, Duke Connected Care, the physician-led accountable care organization (ACO) formed by Duke Health to improve health outcomes and address the national challenge of rising healthcare costs, saved Medicare \$19 million in 2022, the most recent year for which results have been reported.”

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

Regarding the expected effects of the proposal on quality in the service area, in Section N, pages 85-86, the applicant states:

“DUHS is committed to delivering high-quality care at all of its facilities and will continue to maintain the highest standards and quality of care, consistent with the standards that DUHS has sustained throughout its long history of providing patient care.

...

Capacity constraints directly affect patient experience and quality of care; when patients are boarded in the emergency department awaiting placement in an inpatient bed, it can delay certain treatments and potentially extend their inpatient stay. Denial of transfers due to capacity constraints can deprive patients of the specialty care that may be unavailable at their originating facility.”

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

Regarding the impact of the proposal on access by medically underserved groups, in Section N, page 86, the applicant states:

“Duke University Hospital’s current capacity constraints limit practical access for patients, including the medically underserved. Section L.3 includes payor mix projections that demonstrate DUHS’s commitment to ensuring access for medically underserved patients. The initiatives described in response to Policy GEN-5 questions are designed to promote equitable access to care, but this demands necessary capacity to provide the care that patients need. Therefore, this project will promote access.”

See also Sections B, L and Q of the application and any exhibits.

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

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

Conclusion

The Agency reviewed the:

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

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

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

C

Both Applications

Project ID #J-12636-25/UNC Hospitals Cary/Add 34 acute care beds

The applicant proposes to develop 34 new acute care beds at UNC Hospitals Cary Campus in Durham County pursuant to the need determination in the 2025 SMFP for 82 AC beds in the Durham/Caswell/Warren multicounty acute care bed service area, which is a change of scope to Project ID #J-12509-24 (develop 28 acute care beds), for a total of no more than 136 acute care beds.

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 15 hospitals in North Carolina.

In Section O, page 123, the applicant states that during the 18 months immediately preceding the submittal of the application, none of the facilities identified in Form O has had any situations resulting in a finding of immediate jeopardy. According to the files in the Acute and Home Care Licensure and Certification Section, DHSR, during the 18 months immediately preceding submission of the application through the date of this decision, there were no incidents related to quality of care that occurred in 14 of 15 hospitals. No information was available in the files for one of the hospitals. After reviewing and considering information provided by the applicant and by the Acute and Home Care Licensure and Certification Section and considering the quality of care provided at all 15 hospitals, the applicant provided sufficient evidence that quality care has been provided in the past. Therefore, the application is conforming to this criterion.

Project ID #J-12643-25 / Duke University Hospital / Add 82 acute care beds

In Section Q, Form O, the applicant identifies 11 hospitals located in North Carolina owned, operated or managed by the applicant or a related entity. Thus, the applicant identifies a total of 11 existing facilities of this type located in North Carolina.

In Section O.4, pages 88-89, the applicant states that, during the 18 months immediately preceding the submittal of the application, there were two incidents of immediate jeopardy, one each at two of its affiliated acute care hospitals. Both of these hospitals were back in full compliance as of October 2024 and 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, all of these hospitals are in full compliance. After reviewing and considering information provided by the applicant and by the Acute and Home Care Licensure and Certification Section and considering the quality of care provided at all 11 hospitals, 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.

Both Applications

The Criteria and Standards for Acute Care Beds promulgated in 10A NCAC 14C .3800 are applicable to both projects. The specific criteria are discussed below:

10 NCAC 14C .3803 PERFORMANCE STANDARDS

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

- (1) document that it is a qualified applicant;*
 - C- **UNC Hospitals Cary.** In Section B, page 25, the applicant adequately documents that it is a qualified applicant. The discussion regarding persons who can develop new acute care beds found in Criterion (1) is incorporated herein by reference.
 - C- **DUH.** In Section B, page 24, the applicant adequately documents that it is a qualified applicant. The discussion regarding persons who can develop new acute care beds found in Criterion (1) is incorporated herein by reference.
- (2) provide projected utilization of the existing, approved, and proposed acute care beds for the applicant hospital during each of the first three full fiscal years of operation following completion of the project;*
 - C- **UNC Hospitals Cary.** On Form C in Section Q, the applicant provides projected utilization of all approved and proposed acute care beds for the applicant hospital during each of the first three full fiscal years of operation following completion of the project. The discussion regarding projected utilization found in Criterion (3) is incorporated herein by reference.
 - C- **DUH.** On Form C in Section Q, the applicant provides projected utilization of all existing, approved, and proposed acute care beds for the applicant hospital during each of the first three full fiscal years of operation following completion of the project. The discussion regarding projected utilization found in Criterion (3) is incorporated herein by reference.
- (3) project an occupancy rate of the existing, approved, and proposed acute care beds for the applicant hospital during the third full fiscal year of operation following completion of the project that equals or exceeds the target occupancy percentage;*
 - C- **UNC Hospitals Cary.** On Form C in Section Q, the applicant projects an occupancy rate for the applicant hospital during each of the first three full fiscal years of operation following completion of the project that equals or exceeds the target occupancy percentage. The discussion regarding projected utilization found in Criterion (3) is incorporated herein by reference.

- C- **DUH.** On Form C in Section Q, the applicant projects an occupancy rate for the existing, approved and proposed acute care beds during each of the first three full fiscal years of operation following completion of the project that equals or exceeds the target occupancy percentage. The discussion regarding projected utilization found in Criterion (3) is incorporated herein by reference.
- (4) *provide projected utilization of the existing, approved, and proposed acute care beds for the hospital system during each of the first three full fiscal years of operation following completion of the project;*
- C- **UNC Hospitals Cary.** On Form C in Section Q, the applicant provides projected utilization of all existing, approved, and proposed acute care beds for the hospital system during each of the first three full fiscal years of operation following completion of the project. The discussion regarding projected utilization found in Criterion (3) is incorporated herein by reference.
- C- **DUH.** On Form C in Section Q, the applicant provides projected utilization of all existing, approved, and proposed acute care beds for the hospital system during each of the first three full fiscal years of operation following completion of the project. The discussion regarding projected utilization found in Criterion (3) is incorporated herein by reference.
- (5) *project an average occupancy rate of the existing, approved, and proposed acute care beds for the hospital system during the third full fiscal year of operation following completion of the project that equals exceeds the target occupancy percentage of:*
 - (a) 66.7 percent if the ADC is less than 100;
 - (b) 71.4 percent if the ADC is 100 to 200;
 - (c) 75.2 percent if the ADC is 201 to 399; or
 - (d) 78.0 percent if the ADC is greater than 400; and
- C- **UNC Hospitals Cary.** In Section C, page 76, the applicant states the proposed hospital is projected to have a combined ADC that is between 100 and 200. On Form C in Section Q, the applicant projects an occupancy rate of 76.8% for all existing, approved, and proposed acute care beds in the hospital system during the third full fiscal year of operation following project completion, which exceeds the target occupancy of 71.4%. The discussion regarding projected utilization and performance standards found in Criterion (3) is incorporated herein by reference.
- NA- **DUH.** Duke University Hospital is an academic medical center teaching hospital. Pursuant to N. C. Gen. Stat. §131E-183(b), DUH is not required to respond to this section of these Rules.
- (6) *provide the assumptions and methodology used to project the utilization and occupancy rates required in Items (2), (3), (4), and (5) of this Rule.*
- C- **UNC Hospitals Cary.** In Section Q, “Form C Utilization”, the applicant provides the assumptions and methodology used to project the utilization and occupancy rates required in

Items (2), (3), (4), and (5) of this Rule. The discussion regarding projected utilization found in Criterion (3) is incorporated herein by reference.

- C- **DUH.** In Section Q, “*Assumptions for Form C*”, the applicant provides the assumptions and methodology used to project the utilization and occupancy rates required in Items (2), (3) and (4) of this Rule. Item (5) is not applicable. The discussion regarding projected utilization found in Criterion (3) is incorporated herein by reference.

COMPARATIVE ANALYSIS FOR ACUTE CARE BEDS

Pursuant to G.S. 131E-183(a)(1) and the 2025 State Medical Facilities Plan, no more than 82 acute care beds may be approved for the Durham/Caswell/Warren multicounty service area in this review. Because the applications in this review collectively propose to develop 116 additional acute care beds in the Durham/Caswell/Warren multicounty service area, both applications cannot be approved for the total number of beds proposed. Therefore, after considering all the information in each application and reviewing each application individually against all applicable review criteria, the Project Analyst conducted a comparative analysis of the proposals to decide which proposal should be approved.

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

- Project ID #J-12636-25 / **UNC Hospitals Cary** / Develop 34 acute care beds pursuant to the 2025 SMFP need determination
- Project ID #J-12643-25 / **Duke University Hospital** / Develop 82 acute care beds pursuant to the 2024 SMFP Need Determination

The table below summarizes information about each application.

	UNC HOSPITALS CARY	DUKE UNIVERSITY HOSPITAL
HOSPITAL LEVEL OF CARE	COMMUNITY HOSPITAL	QUATERNARY ACADEMIC MEDICAL CENTER
Number of Existing / Previously Approved Beds*	102	1,106
Beds Proposed to be Added	34	82
Total Number of Proposed Beds**	136	1,188
Third Full Fiscal Year	SFY 2035	SFY 2029
Projected Acute Care Days – FY 3	38,146	369,683
Projected Discharges – FY 3	6,535	47,898

*See Project ID #J-12065-21, J-12214-22 and J-12509-24.

**Total Number of Proposed Beds = Number of existing beds or previously-approved beds + Number of beds requested in the application, assuming all beds requested by each applicant are approved

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

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

Conformity with Review Criteria

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

Table 5B on page 47 of the 2025 SMFP identifies a need for 82 additional acute care beds in the Durham/Caswell/Warren multicounty service area. As shown in Table 5A, page 41 of the 2025 SMFP, the Duke Health System shows a projected deficit of 228 acute care beds for 2027, which results in the Durham/Caswell/Warren multicounty service area need determination for 82 acute care beds. However, the application process is not limited to a provider that shows a deficit that creates the need for additional acute care beds. Any qualifying provider can apply to develop the 82 acute care beds in the Durham/Caswell/Warren multicounty service area. Furthermore, it is not necessary that an existing provider have a projected deficit of acute care beds to apply for more acute care beds.

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

Scope of Services

Generally, the application proposing to provide the greatest scope of services is the more effective alternative with regard to this comparative factor, based on the assumption that a greater scope of services would provide a greater number of patients with those services.

The application submitted by **UNC Hospitals Cary** proposes to add additional acute care beds as a change of scope to a previously approved application to develop a small community hospital with acute care and other hospital services. The application submitted by **Duke University Hospital** proposes to add acute care beds to an existing Level I trauma center, a quaternary care hospital, and an academic medical center hospital.

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

Geographic Accessibility

According to the 2025 SMFP and as of the date of this decision, there are 1,449 existing and approved acute care beds in the the Durham/Caswell/Warren multicounty acute care bed service area.

In Project ID #J-12065-21, **UNC Hospitals Cary** was approved by the Agency to develop 40 acute care beds at a new hospital in southern Durham County. Further, in Project ID #J-11214-22, **UNC Hospitals Cary** was approved for a change of scope to the 2021 application to add 34 acute care beds to the previously approved application. In Project ID #J-12509-24 and pursuant to a settlement agreement between the parties, **UNC Hospitals Cary** was approved for a change of scope to the 2022 application to add 28 acute care beds. In addition, pursuant to a settlement agreement between the parties, in Project ID #J-1211-22, **Duke University Hospital** was approved to add 34 additional acute care beds and in Project ID #J-12512-24 was approved to add 10 additional acute care beds.

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

FACILITY	TOTAL AC BEDS*	ADDRESS	LOCATION
Duke University Hospital	991	2301 Erwin Rd, Durham 27710	Central Durham County
Duke Regional Hospital	298	3643 N. Roxboro Rd, Durham 27704	Central Durham County
North Carolina Specialty Hospital	24	3916 Ben Franklin Blvd, Durham 27704	Central Durham County
UNC Hospitals Cary Campus	102	11817 Green Level Church Rd, Durham 27519	Southern Durham County
Total	1,415		

*Table 5A, page 41 of the 2025 SMFP. Includes, for purposes of this table, those beds excluded from the planning inventory.

As shown in the table above, each application proposes to add acute care beds to an existing or approved (CON issued) facility that either currently provides acute care bed services or is approved to offer acute care bed services in the service area. There are no changes to geographic accessibility. Therefore, both applications are equally effective alternatives.

Competition (Access to a New or Alternate Provider)

Generally, the introduction of a new provider in the service area would be the most effective alternative based on the assumption that increased patient choice would encourage all providers in the service area to improve quality or lower costs in order to compete for patients. Similarly, the expansion of an existing provider of acute care services would be a more effective alternative based on the same assumption: that increased patient choice would encourage all providers in the service area to improve quality or lower costs in order to compete for patients.

As of the date of this decision, there are 1,415 licensed and approved acute care beds in the Durham/Caswell/Warren multicounty service area (1,303 in the 2025 SMFP, 102 awarded to UNC Cary pursuant to settlement of three previously submitted applications, and 10 awarded to DUH pursuant to settlement of the three previously submitted applications). **Duke University Hospital** and **Duke Regional Hospital** currently control 1,289 (1,279 licensed and 10 approved) of the 1,415 acute care beds in the Durham/Caswell/Warren multicounty service area, or 91.1%. **UNC Hospitals Cary** has been approved to develop a total of 102 acute care beds in the Durham/Caswell/Warren multicounty acute care bed service area and thus would control 7.2% of the acute care beds in the Durham/Caswell/Warren multicounty service area.

When the 82 acute care beds in the Durham/Caswell/Warren acute care bed service area are awarded, the multicounty service area will have a total of 1,497 acute care beds (1,415 existing and approved + 82 proposed = 1,497). If the current application for 82 new acute care beds submitted by **Duke University Hospital** is approved, the Duke Health System would control 92% of the existing and approved acute care beds the Durham/Caswell/Warren multicounty service area [(1,289 existing and approved + 82 = 1,371). $1,371 / 1,491 = 0.916$].

If the current application for 34 new acute care beds submitted by **UNC Hospitals Cary** is approved, **UNC Hospitals Cary** would control 9.4% of the existing and approved acute care beds in the Durham/Caswell/Warren multicounty acute care bed service area [$136 / 1,449 = 0.094$].

Therefore, with regard to patient access to a new or alternate provider or the expansion of an existing provider of acute care services, the application submitted by **UNC Hospitals Cary** is the more effective alternative, and the application submitted by **Duke University Hospital** is the less effective alternative.

Access by Service Area Residents

On page 33, the 2025 SMFP defines the service area for acute care beds as “... *the single or multicounty grouping shown in Figure 5.1.*” Figure 5.1, on page 38, shows Durham, Caswell and Warren counties in a multicounty grouping. Thus, the service area for this facility is the Durham/Caswell/Warren multicounty service area. Facilities may also serve residents of counties not included in their service area.

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

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

PROJECTED SERVICE TO DURHAM/CASWELL/WARREN MULTICOUNTY SERVICE AREA RESIDENTS THIRD PROJECT YEAR	
APPLICANT	# SERVICE AREA RESIDENTS
UNC Hospitals Cary Campus*	4,550
Duke University Hospital	11,837

*Includes Durham, Caswell, Warren and other North Carolina counties and states

As shown in the table above, **Duke University Hospital** projects to serve the highest number of Durham/Caswell/Warren multicounty service area residents. The application submitted by **UNC Hospitals Cary** identifies Durham County specifically in its projected patient origin, and then identifies a category entitled “*other*”, which the applicant defines on page 73 as “...*includes Caswell, Chatham, Person, Wake and Warren counties, as well as other counties in North Carolina and other states.*” It is not possible to discern, based on the information provided in the application submitted by **UNC Cary**, how many of those “*other*” patients actually reside in either Caswell or Warren counties.

However, the acute care bed need determination methodology is based on the utilization of all patients that utilize acute care beds in the Durham/Caswell/Warren multicounty service area as defined by the 2025 SMFP and is not only based on patients originating from the Durham/Caswell/Warren multicounty service area. Furthermore, **Duke University Hospital** is a Level I trauma quaternary care academic medical center which, because of its numerous advanced specialties and extremely specialized level of care, serves many patients from the entire state as well as patients from other states

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

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

Access by Underserved Groups

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

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

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

Projected Medicare

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

PROJECTED MEDICARE REVENUE – 3 RD FULL FY			
APPLICANT	TOTAL GROSS REVENUE	TOTAL MEDICARE REVENUE	MEDICARE % OF GROSS REV.
UNC Hospitals Cary Campus	\$685,978,769	\$296,493,296	43.2%
Duke University Hospital	\$4,221,277,912	\$2,161,393,868	51.2%

Source: Forms F.2b for each applicant

As shown in the table above, **Duke University Hospital** projects the highest percentage of gross revenue for Medicare patients. Generally, the application projecting to provide the highest percentage of its gross revenue to Medicare patients is the more effective alternative regarding this comparative factor.

However, the two applications differ in the structuring of the pro formas. In the assumptions and methodology for Form F.2, **Duke University Hospital** states revenue models for adult inpatient

services' pro formas are based on an entire patient encounter but does not provide additional information. In the assumptions and methodology for its Forms F.2 and F.3, **UNC Hospitals Cary** states the revenue for its pro formas includes "*all services provided to a patient, including room, surgery, procedures, pharmacy, therapy, laboratory, and other ancillary services revenues and expenses.*" (emphasis in original). Furthermore, the application submitted by **Duke University Hospital** provided pro forma forms (Form F.2b) for adult inpatient services, which the applicant states excludes pediatrics and neonatal services for each of the three project years, while the application submitted by **UNC Hospitals Cary** provided pro forma forms (Form F.2b) for inpatient services, which the applicant states includes neonatal services, thus making a comparison of similar data impossible.

Moreover, even if the applicants had provided pro forma financial statements in a manner that would allow the Agency to compare reasonably similar kinds of data, differences in the acuity level of patients at each facility and the level of care (tertiary care hospital and quaternary care academic medical center) provided at each facility would make any comparison of little value. Therefore, the result of this analysis is inconclusive.

Projected Medicaid

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

PROJECTED MEDICAID REVENUE – 3 RD FULL FY			
APPLICANT	TOTAL GROSS REVENUE	TOTAL MEDICAID REVENUE	MEDICAID % OF GROSS REV.
UNC Hospitals Cary Campus	\$685,978,769	\$99,619,928	14.5%
Duke University Hospital	\$4,221,277,912	\$488,344,484	11.6%

Sources: Forms F.2b for each applicant

As shown in the table above, **UNC Hospitals Cary** projects the highest percentage of gross revenue for Medicaid patients. Generally, the application projecting to provide the highest percentage of its gross revenue to Medicaid patients is the more effective alternative regarding this comparative factor.

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

Projected Average Net Revenue per Patient Discharge

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

PROJECTED AVERAGE NET REVENUE PER DISCHARGE – 3 RD FULL FY			
APPLICANT	TOTAL # OF DISCHARGES	NET REVENUE	AVERAGE NET REVENUE / DISCHARGE
UNC Hospitals Cary Campus	6,535	\$238,452,786	\$36,489
Duke University Hospital	47,898	\$1,423,814,032	\$29,726

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

As shown in the table above, **Duke University Hospital** projects the lowest average net revenue per discharge.

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

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

Projected Average Operating Expense per Patient Discharge

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

PROJECTED AVERAGE OPERATING EXPENSE PER DISCHARGE – 3 RD FULL FY			
APPLICANT	TOTAL # OF DISCHARGES	OPERATING EXPENSES	AVERAGE OPERATING EXPENSE / DISCHARGE
UNC Hospitals Cary Campus	6,535	\$246,999,773	\$37,796
Duke University Hospital	47,898	\$1,899,474,446	\$39,657

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

As shown in the table above, **UNC Hospitals Cary** projects the lowest average operating expense per discharge.

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

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

SUMMARY

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

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

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

- With respect to Conformity with Review Criteria, each application is individually conforming to all applicable Statutory and Regulatory Review Criteria and therefore both applications are equally effective alternatives. See Comparative Analysis for discussion.
- With respect to Scope of Services, **Duke University Hospital** offers the more effective alternative. See Comparative Analysis for discussion.
- With respect to Competition/Access to New or Alternate Provider, the application submitted by **UNC Hospitals Cary** offers the more effective alternative. See Comparative Analysis for discussion.

CONCLUSION

G.S. 131E-183(a)(1) states that the need determination in the SMFP is the determinative limit on the number of acute care beds that can be approved by the Healthcare Planning and Certificate of Need Section. However, collectively the two applications in this review propose a total of 116 acute care beds for the Durham/Caswell/Warren multicounty acute care bed service area, while the need determination is for 82 acute care beds; therefore, only 82 acute care beds can be approved in this review.

As discussed above, the application submitted by **UNC Hospitals Cary** was determined to be the more effective alternative for one comparative factor:

- Competition (Access to a new or alternate provider)

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

- Scope of Services

Both applications are individually conforming to the need determination in the 2025 SMFP for 82 acute care beds in the Durham/Caswell/Warren multicounty acute care bed service area as well as individually conforming to all applicable Statutory and Regulatory Review Criteria. Based on the applications as submitted and the Comparative Analysis, neither application is comparatively superior

to the other application. However, G.S. 131E-183(a)(1) states that the need determination in the SMFP is the determinative limit on the number of acute care beds that can be approved by the Agency.

Based on that analysis, the beds will be awarded in proportion to the number of beds requested by each applicant to the total number of beds requested in the review. See table below for the summary of calculations.

Facility	# of Beds Requested	% of Total Beds Requested in Review	# of Beds Available	# of Beds Awarded
UNC Hospitals Cary	34	29.3% (34 of 116)	82	24
Duke University Hospital	82	70.7% (82 of 116)	82	58
Total	116	100%		82

Therefore, based upon the independent review of each application and the Comparative Analysis, the following applications are conditionally approved as modified in the descriptions below:

Project ID #J-12636-25, UNC Hospitals Cary is approved subject to the following conditions:

- 1. University of North Carolina Hospitals at Chapel Hill and University of North Carolina Health Care System (hereinafter certificate holder) shall materially comply with all representations made in the certificate of need application.**
- 2. The certificate holder shall develop no more than 24 acute care beds at UNC Hospitals Cary Campus pursuant to the need determination in the 2025 SMFP for a total of no more than 126 acute care beds upon completion of this project, Project ID# J-12065-21 (develop 40 beds and 2 ORs), Project ID# J-12214-22 (develop 34 beds), and Project ID# J-12509-24 (develop 28 beds).**
- 3. Upon completion of this project, UNC Hospitals at Cary Campus shall be licensed for no more than 126 acute care 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 April 1, 2026.**
- 5. The certificate holder shall not acquire as part of this project any equipment that is not included in the project's proposed capital expenditures in Section Q of the application and that would otherwise require a certificate of need.**

6. The certificate holder shall develop and implement an Energy Efficiency and Sustainability Plan for the project that conforms to or exceeds energy efficiency and water conservation standards incorporated in the latest editions of the North Carolina State Building Codes.
7. The certificate holder shall develop and implement strategies to provide culturally competent services to members of its defined medically underserved community that are consistent with representations made in the certificate of need application.
8. 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 the certificate of need.

Project ID #J-12643-25 Duke University Health System, Inc. is approved subject to the following conditions:

1. Duke University Health System, Inc. (hereinafter certificate holder) shall materially comply with all representations made in the certificate of need application.
2. The certificate holder shall develop no more than 58 acute care beds at Duke University Hospital pursuant to the need determination in the 2025 SMFP for a total of no more than 1,164 acute care beds upon completion of this project, Project ID# J-12211-22 (develop 34 beds) and Project ID# J-12512-24 (develop 10 beds).
3. Progress Reports:
 - a. Pursuant to G.S. 131E-189(a), the certificate holder shall submit periodic reports on the progress being made to develop the project consistent with the timetable and representations made in the application on the Progress Report form provided by the Healthcare Planning and Certificate of Need Section. The form is available online at: <https://info.ncdhhs.gov/dhsr/coneed/progressreport.html>.
 - b. The certificate holder shall complete all sections of the Progress Report form.
 - c. The certificate holder shall describe in detail all steps taken to develop the project since the last progress report and should include documentation to substantiate each step taken as available.
 - d. The first progress report shall be due on April 1, 2026.
4. The certificate holder shall not acquire as part of this project any equipment that is not included in the project's proposed capital expenditures in Section Q of the application and that would otherwise require a certificate of need.
5. The certificate holder shall 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 develop and implement strategies to provide culturally competent services to members of its defined medically underserved community that are consistent with representations made in the certificate of need application.**
- 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.**