

## REQUIRED STATE AGENCY FINDINGS

### FINDINGS

C = Conforming

CA = Conforming as Conditioned

NC = Nonconforming

NA = Not Applicable

Decision Date: September 22, 2025

Findings Date: September 22, 2025

Project Analyst: Tanya M. Saporito

Co-Signer: Mike McKillip

Project ID #: J-12632-25

Facility: UNC Hospitals Cary Campus MOB

FID #: 250358

County: Durham

Applicants: University of North Carolina Hospitals at Chapel Hill

University of North Carolina Health Care System

Project: Develop a medical office building (MOB) for hospital-based physician clinics and other hospital-based services

## 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

University of North Carolina Hospitals at Chapel Hill and University of North Carolina Health System (hereinafter collectively referred to as “the applicant” or “UNC Hospitals”) proposes to expand UNC Hospitals’ existing hospital-based physician clinics and other hospital-based services to the UNC Hospitals Cary Campus medical office building (UNC Cary MOB).

### **Need Determination**

The applicant does not propose to develop any beds or services for which there is a need determination in the 2025 State Medical Facilities Plan (SMFP), nor does the applicant propose to acquire any medical equipment for which there is a need determination in the 2025 SMFP. Therefore, there are no need determinations applicable to this review.

## **Policies**

There is one policy in the 2025 SMFP that applies to this review. *Policy GEN-4: Energy Efficiency and Sustainability for Health Service Facilities* on page 30 of the 2025 SMFP states:

*“Any person proposing a capital expenditure greater than \$4 million to develop, replace, renovate or add to a health service facility pursuant to G.S. 131E-178 shall include in its certificate of need application a written statement describing the project’s plan to assure improved energy efficiency and water conservation.*

*In approving a certificate of need proposing an expenditure greater than \$5 million to develop, replace, renovate or add to a health service facility pursuant to G.S. 131E-178, Certificate of Need shall impose a condition requiring the applicant to develop and implement an Energy Efficiency and Sustainability Plan for the project that conforms to or exceeds energy efficiency and water conservation standards incorporated in the latest editions of the North Carolina State Building Codes. The plan must be consistent with the applicant’s representation in the written statement as described in paragraph one of Policy GEN-4.*

*Any person awarded a certificate of need for a project or an exemption from review pursuant to G.S. 131E-184 is required to submit a plan of energy efficiency and water conservation that conforms to the rules, codes and standards implemented by the Construction Section of the Division of Health Service Regulation. The plan must be consistent with the applicant’s representation in the written statement as described in paragraph one of Policy GEN-4. The plan shall not adversely affect patient or resident health, safety or infection control.”*

The proposed capital expenditure for this project is greater than \$5 million. In Section B, pages 27-28, the applicant states it will develop and implement an energy efficiency and sustainability plan that will conform to or exceed state building code requirements.

The Agency reviewed the:

- Application
- Exhibits to the application

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

- The applicant adequately demonstrates that the proposal is consistent with Policy GEN-4:
  - The applicant adequately demonstrates that the application includes a written statement describing the project’s plan to assure improved energy efficiency and water conservation.

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

C

The applicant proposes to develop an unlicensed provider-based medical office building (MOB) on the approved but not yet developed UNC Hospitals Cary Campus (UNC Cary). In Section C.1, page 29, the applicant describes the project as follows:

*“The proposed project involves the development of an unlicensed provider-based location of UNC Hospitals through the expansion of select UNC Hospitals’ hospital-based physician clinics and other hospital-based services to a medical office building (MOB) at the future site of UNC Hospitals’ approved hospital, UNC Hospitals Cary Campus, which is under development in south Durham County. This includes but is not limited to the following medical and surgical specialties: internal medicine, endocrinology, nephrology, neurosciences, rheumatology, cardiology, ENT, general surgery, orthopedics, OB/GYN, dermatology, oncology, and infusion. Additionally, the Cary Campus MOB facility will also house hospital-based physical therapy, lab, and imaging services, including CT, X-ray, ultrasound, DEXA, and mammography. Of note, as discussed throughout this application, UNC Hospitals currently operates physician clinics and related services in all of the specialties listed above at various locations in the Triangle. However, the proposed project involves the development of an additional site of care for these physician clinics and ancillary services, and as such, will result in the development of a unique service component, which for this application is considered the combined hospital-based physician clinics and ancillary services. Thus, while the application may discuss the “expansion” of these services, the expansion is the development of an additional site of care which may be served by existing providers, providers to be recruited, or a combination of both, as patient demand and provider availability warrant.*

*The site on which the MOB will be developed is owned by Health System Properties, LLC (Health System Properties), the sole member of which is University of North Carolina Health Care System UNCHCS or UNC Health. Health System Properties will construct the shell and core of the building pursuant to a CON-exempt project (see Exhibit C.1-1) and lease space to UNC Hospitals to accommodate the various physician clinics and hospital-based services.*

*Of note, the development of the MOB is a CON-exempt project under G.S. § 131E-184(a)(9), except to the extent that it constitutes the development of a new institutional health service. The proposed expansion of UNC Hospitals’ hospital-based physician clinics and other hospital-based services in the Cary Campus MOB, which is not on*

*UNC Hospitals' main campus, exceeds the capital threshold for a new institutional health service (currently \$4,119,200) and therefore requires submission of a CON application. UNC Hospitals has already filed a letter of exemption for the non-reviewable portions of this project, including the construction of the building shell and core (see Exhibit C.1-2)."*

### **Patient Origin**

Neither the UNC Cary campus nor the proposed MOB are existing facilities; therefore there is no historical patient origin to report.

In Section C, page 33 the applicant provides the following projected patient origin for the UNC Cary MOB in each of the first three years of operation, state fiscal years (SFY) 2030-2032:

COUNTY	1 <sup>ST</sup> FULL FY 7/1/30-6/30/31		2 <sup>ND</sup> FULL FY 7/1/31-6/30/32		3 <sup>RD</sup> FULL FY 7/1/31-6/30/32	
	# PTS.	% OF TOTAL	# PTS.	% OF TOTAL	# PTS.	% OF TOTAL
Durham	88,976	69.6%	94,465	69.6%	99,456	69.6%
Other*	38,863	30.4%	41,260	30.4%	43,441	30.4%
<b>Total</b>	<b>127,839</b>	<b>100.0%</b>	<b>135,725</b>	<b>100.0%</b>	<b>142,897</b>	<b>100.0%</b>

\*The applicant states "other" includes "Caswell, Chatham, Granville, Person, Wake, and Warren counties, as well as other counties in North Carolina and other states."

On page 34, the applicant states that the projected patient origin for the entire MOB campus is the same as that for hospital-based services. In Section C, page 33 the applicant provides the assumptions and methodology used to project patient origin. The applicant states:

*"Durham County residents are expected to comprise 69.6 percent of the projected utilization for the acute care facility, with the remaining 30.4 percent of patients assumed to originate from outside Durham County. It is assumed that immigration will include patients from contiguous counties with the exception of Orange (including Wake, Chatham, Granville, and Person) as well as Caswell, Vance, Warren, and other counties in North Carolina and other states. UNC Hospitals assumes the patient origin for services located at its Cary Campus MOB will be consistent with the Cary Campus hospital, because the MOB will be adjacent to the hospital and staffed by many of the same providers that will serve the hospital upon that facility's opening in 2032."*

The applicant's assumptions are reasonable and adequately supported because they are based on the projected patient origin for its hospital-based services.

### **Analysis of Need**

In application Section C, page 35 the applicant summarizes the proposed project:

*"UNC Hospitals proposes to expand hospital-based physician clinics and other hospital-based services to a medical office building (MOB) that is under*

*development at its Cary Campus in south Durham County. Additionally, the MOB will house a variety of faculty practice physician clinics providing primary and specialty care, to be developed pursuant to a CON-exempt project. The overall need for the project is based on UNC Hospitals' need to meet increasing patient demand for clinical services, decompress volumes at its Main Campus in Chapel Hill and other locations, and enhance accessibility and convenience for outpatient-based services. As an ambulatory care facility, the hospital-based services in the MOB will complement and support the wide array of services available at UNC Hospitals' hospital facilities, including the approved but not yet operational community hospital, UNC Hospitals Cary Campus."*

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

Population growth, aging, demographic characteristics of the service area – The applicant states that the population of Durham County, the county from which the applicant proposes to serve the greatest number of patients, is increasing and aging. The applicant cites data from the NC Office of State Budget and Management (OSBM) to illustrate both historical and projected growth. The applicant states the older population groups, particularly age 65 and over, are the groups most likely to need healthcare services.

The applicant cites additional data from the NCOSBM to show the demographic composition of Durham County is racially diverse, with higher percentages of Asian and African American residents than other counties in North Carolina. The applicant states Durham County residents commonly encounter disparities in health care and thus there is a need for additional clinics and services as proposed by the applicant. The applicant states its proposed facility will be co-located with its approved but not yet developed hospital in southern Durham County. The applicant also performed a ZIP code analysis of the area in southern Durham County where the proposed ASC will be located and determined that the southern area of the county is even more racially diverse and thus possesses a greater need for healthcare services to serve its residents (pages 36-44).

Need for Additional Ambulatory Care Services in Durham County – The applicant states the need determination in the 2025 SMFP for additional acute care beds requires a “complementary increase in ambulatory services” to provide continuity of care and coordination of services for patients (pages 44-45).

Expanded Capacity, Increased Access and Support – The applicant states capacity constraints at UNC facilities necessitates the proposed expansion of physician clinics and hospital services. The applicant states between 2022 and 2024, hospital-based clinic visits increased by a compound annual growth rate (CAGR) of 4.7%, physician clinic visits increased by a CAGR of 14.0%, and total visits across all specialties increased by 6.0%. The applicant states it will expand those hospital and physician-based services to the proposed MOB will enhance patient care and provide cost-effective healthcare services. The applicant states the proximity of the proposed MOB to the approved but not developed UNC Cary Campus hospital provides additional continuity of care for its patients. Letters of support from area physicians are provided in Exhibit I.2 (pages 45-49)

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

- The applicant utilizes its historical data to show the increased demand for the hospital-based and physician clinics proposed to be relocated to the MOB.
- The applicant provides documentation of capacity constraints at existing UNC facilities and that those constraints can be relieved with a shift of appropriate cases to the MOB.

#### Projected Utilization

In Section Q, Form C.2a and Form C.4b, the applicant projects utilization of the services proposed to be offered in the UNC Cary MOB, as illustrated in the following table:

<b>Projected Procedures and Clinic Visits, First Three Project Years</b>			
<b>MEDICAL EQUIPMENT</b>	<b>PY 1 SFY 2030</b>	<b>PY 2 SFY 2031</b>	<b>PY 3 SFY 2032</b>
CT Scanner (1 unit)	5,150	5,305	5,464
Fixed X-ray (1 unit)	8,829	9,006	9,186
Mammography (2 units)	11,600	11,797	11,998
Ultrasound (1 unit)	7,292	7,431	7,572
DEXA (1 unit)	1,371	1,398	1,426
Physician Clinic Visits	83,006	89,760	95,766
Infusion Therapy Visits	8,923	9,311	9,716
MOHS Procedures	1,668	1,717	1,769

Source: Section Q, pages 108-109.

In Section Q, *Form C Utilization – Assumptions and Methodology*, pages 110-114 the applicant provides the methodology and assumptions used to project utilization, summarized as follows:

- On page 110, the applicant summarizes the project. The applicant states:

*“Of note, all of the services included in the proposed project are currently offered by UNC Hospitals at various locations in the Triangle and will be expanded through the development of a new site of care at the UNC Hospitals Cary Campus. In addition to the hospital-based clinics, a number of faculty practice clinics (non-hospital-based), representing primary care and various specialties, will also be expanding to the MOB.... These clinics are not included in the scope of the proposed project; therefore, the following projections relate solely to the historical and expected utilization of hospital-based clinics and services. Of note, however, the projected utilization of the ancillary services does include referrals from both hospital-based and non-hospital-based physician practices located in the MOB.”*

- *Historical Utilization* – The applicant examines historical utilization of comparable clinics and services within the UNC system, stating that they demonstrate historical growth trends that support the need to develop the MOB with the proposed clinics and services, as illustrated in the following table from page 111:

**Historical Utilization of Clinics and Services at UNC Facilities**

Service	FY 2022	FY 2023	FY 2024	CAGR
Heart and Vascular	40,420	42,819	47,067	7.9%
Endocrine	19,622	19,238	23,040	8.4%
Nephrology	536	636	849	25.9%
Rheumatology	11,572	10,879	13,080	6.3%
General Surgery	2,736	3,016	3,694	16.2%
Neurosciences/Spine	25,473	35,531	34,555	16.5%
Oncology*	131,674	133,510	156,617	9.1%
Infusion Therapy	25,134	26,373	27,025	3.7%
Cancer Rehab	5,262	6,842	8,951	30.4%
Dermatology	26,678	13,559	18,790	-16.1%
MOHS Procedures	3,120	3,933	4,468	19.7%
<b>Total</b>	<b>292,227</b>	<b>296,336</b>	<b>338,136</b>	<b>7.6%</b>

\*The applicant states on page 111 that oncology services include breast, melanoma, GU and the Radiation Oncology Clinic.

The applicant states that the decline in the dermatology clinic is attributable to a “*one-time event where the clinic converted from a faculty practice clinic to a hospital-based clinic*” and a resulting decline in providers during the same time. The applicant projects utilization of dermatology clinic services will rebound as a result of this project (pages 110-111).

- *Project Utilization at UNC Hospitals Cary Campus MOB* – The applicant states population growth projections, as well as the co-location of the proposed clinics and services will help to decompress historical volumes and expand the proposed services to a greater population. The applicant states it reviewed data from multiple sources, including the historical utilization and growth trends for the individual clinics and historical and projected market utilization based on population growth and aging in the area. Based on that data, the applicant provided the following table on page 112 that illustrates the projected number of providers per clinic to be located at the MOB and the projected number of visits per day and for the first project year, FY 2030:

**UNC Cary MOB Hospital-Based Clinics' Utilization per Provider**

CLINIC	# OF PROVIDER FTEs	VISITS/DAY/ PROVIDER**	FY 2030 VISITS
Heart and Vascular	2.2	15.5	8,505
Endocrine	4.0	9.0	8,979
Nephrology	0.6	6.7	1,006
Rheumatology	1.0	7.5	1,881
General Surgery	1.5	7.3	2,747
Neurosciences/Spine	5.9	9.1	13,351
Oncology*	32.0	4.2	33,228
Infusion	3.0	11.9	8,923
Cancer Rehab	10.0	3.3	8,190
Dermatology^	3.0	9.0	6,786
<b>Total</b>	<b>40.7</b>	<b>9.2</b>	<b>93,957</b>

\*The applicant states on page 111 that oncology services include breast, melanoma, GU and the Radiation Oncology Clinic.

\*\*The applicant states on page 112 that this is based on 250 business days per year.

^The applicant states on page 112 that dermatology includes visits and MOHS surgery.

To project utilization, the applicant assumes the total growth rate will approximate the historical CAGR for the proposed services, ramping up to that rate for the interim and first two project years. The following table, from page 113, illustrates the projections:

**UNC Cary MOB Hospital-Based Clinics' Projected Volume**

Service	FY 2019^	SFY 2030	SFY 2031	SFY 2032
Heart and Vascular	3,991	8,505	9,045	9,603
Endocrine	4,180	8,979	9,620	10,282
Nephrology	464	1,006	1,086	1,169
Rheumatology	895	1,881	1,974	2,069
General Surgery	1,329	2,747	2,840	2,934
Neurosciences/Spine	6,248	13,351	14,242	15,168
Oncology*	15,880	33,228	34,764	36,371
Infusion Therapy	4,276	8,923	9,311	9,716
Cancer Rehab	2,730	8,190	10,920	12,740
Dermatology Visits	2,225	5,118	5,270	5,429
MOHS Procedures	725	1,668	1,717	1,769
<b>Total</b>	<b>42,943</b>	<b>93,957</b>	<b>100,788</b>	<b>107,251</b>

\*The applicant states on page 113 that oncology services includes breast, melanoma, GU and the Radiation Oncology Clinic.

^The applicant states on page 113 that the MOB will begin offering services January 2, 2029; the data in the table above represents a partial year representing six months of operation.



- *Imaging Services* – The applicant proposes to provide hospital-based imaging services at the MOB, including CT, DEXA, X-ray, mammography, and ultrasound. Based on its historical utilization of these imaging services and population growth data noted above, the applicant projects the following imaging services’ utilization:

IMAGING SERVICE	# UNITS	FY 2029*	FY 2020	FY 2031	FY 2032
CT	1	2,500	5,150	5,305	5,464
DEXA	1	672	1,371	1,398	1,426
X-ray	1	4,328	8,829	9,006	9,186
Mammography	2	5,703	11,600	11,797	11,998
Ultrasound	2	3,578	7,292	7,431	7,572

\*The applicant states on page 113 that the MOB will begin offering services January 2, 2029; the data in the table above represents a partial year representing six months of operation.

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

- The applicant bases projected utilization of each clinic and service based on its historical utilization and growth rates.
- The applicant bases projected utilization of each clinic and service based on population growth and industry data.
- The applicant utilizes the historical CAGR to project future utilization, gradually ramping up to the historical growth rate in the third project year.

### **Access to Medically Underserved Groups**

In Section C, pages 56-57 the applicant states that “... *no North Carolina citizen is presently denied access to non-elective care because of race, sex, creed, age, handicap, financial status, or lack of medical insurance.*” The applicant provides the estimated percentage for each medically underserved group as shown in the following table:

MEDICALLY UNDERSERVED GROUPS	PERCENTAGE OF TOTAL PATIENTS
Low income persons	--
Racial and ethnic minorities	42.6%
Women	63.6%
Persons with Disabilities	--
Persons 65 and older	28.3%
Medicare beneficiaries	42.5%
Medicaid recipients	9.7%

Source: Application pages 56-57.

\*The applicant states on page 57 that UNC Hospitals does not maintain data regarding the number of low-income or disabled persons it serves and thus has no reasonable basis on which to project the same.

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

- The applicant states projected data is based on FY 2024 percentages of UNC Health patients from Durham County and the payor mix for the projected patient population to be served by UNC Cary MOB.
- The proposed MOB will be located near the approved but not yet developed UNC Cary hospital campus, thereby encouraging continuity of care for its patients.

### **Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application

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

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

NA

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

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

CA

The applicant proposes to expand UNC Hospitals' existing hospital-based physician clinics and other hospital-based services to the UNC Hospitals Cary Campus medical office building (UNC Cary MOB).

In Section E, pages 65-66 the applicant describes the alternatives it considered and explains why each alternative is either more costly or less effective than the alternative proposed in this application to meet the need. The alternatives considered were:

- Maintain the status quo – The applicant states this option was dismissed because it fails to address increasing volumes at current facilities and the need Durham County residents have for local continuity of and access to health care services. Additionally, the applicant states the approval of its prior application for a hospital, UNC Cary, provides the applicant with the opportunity to continue to provide health care to the projected patient base.
- Develop the project at another location – The applicant considered developing the MOB in a different location within the service area, but determined it was not as effective as the proposed project. The proposed MOB will be located at the UNC Cary hospital campus, to provide optimum advantage for its patients regarding physician coverage, access and throughput. Therefore, developing the proposed MOB at another location within the service area was determined to be an ineffective and perhaps more costly alternative.
- Relocate hospital-based clinics and services – The applicant considered completely relocating hospital-based clinics and services to the proposed MOB from the current locations. However, the applicant determined that expanding these services rather than relocating them is a more effective alternative because relocating them would require a cessation of those services rather than expanding them. Additionally, the applicant states relocating those hospital-based services and clinics would fail to address the increasing patient demand for services and would not provide for effective physician coverage.

On page 66 the applicant states the proposed project will more effectively accommodate future growth and enhance geographic access in a way that benefits the growing and diverse population of south Durham County.

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

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

### **Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application

Based on that review, the Agency concludes that the application is conforming to this criterion for the reasons described above. Therefore, the application 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 relocate physician clinics and hospital-based services to the proposed medical office building to located on the UNC Hospitals Cary Campus.**
  - 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 January 2, 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 acknowledge acceptance of and agree to comply with all conditions stated herein to the Agency in writing prior to issuance of the certificate of need.**
- (5) Financial and operational projections for the project shall demonstrate the availability of funds for capital and operating needs as well as the immediate and long-term financial feasibility of the proposal, based upon reasonable projections of the costs of and charges for providing health services by the person proposing the service.

C

The applicant proposes to expand UNC Hospitals' existing hospital-based physician clinics and other hospital-based services to the UNC Hospitals Cary Campus medical office building (UNC Cary MOB).

**Capital and Working Capital Costs**

In Section Q, Form F.1a on page 115, the applicant projects the total capital cost of the project, as shown in the table below.

UNC Cary MOB Capital Cost	
Site Costs	\$3,223,525
Construction Costs	\$72,977,079
Miscellaneous Costs	\$39,370,798
<b>Total</b>	<b>\$115,571,402</b>

In Section Q, page 116 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 state site preparation and construction costs are based on the project architect's experience combined with professional cost estimators from similar projects.
- Other project costs, including but not limited to landscaping, architect and engineering fees, medical and non-medical equipment are based on vendor estimates as well as the applicant's experience with similar projects.

In Section F, page 70 the applicant states there are no start-up costs or initial operating costs associated with this project, because the project involves expanding existing hospital-based services and clinics to an exempt MOB. As such, the project will be developed as part of UNC Hospitals' continuing operations.

### **Availability of Funds**

In Section F, page 68 the applicant states that the entire capital cost will be funded with the accumulated reserves of UNC Hospitals. In Exhibit F.2-2 the applicant provides a copy of UNC Hospitals' audited financial statements for year ending June 30, 2024 that shows UNC Hospitals has current assets in the amount of \$830,084,868 and total cash and cash equivalents in the amount of \$123,433,143. In Exhibit F.2-1 the applicant provides an April 15, 2025 letter signed by the Chief Financial Officer of UNC Hospitals, confirming the availability of sufficient funds for the capital needs of the project and committing those funds to the project. The applicant adequately demonstrates the availability of sufficient funds for the capital needs of the project based on the preceding analysis.

### **Financial Feasibility**

The applicant provided pro forma financial statements for the first three full fiscal years of operation, state fiscal years (SFYs) 2030-2032, following project completion. In Form F.2b, the applicant projects that revenues will exceed operating expenses in each of the first three full fiscal years of operation, as shown in the following table:

	<b>1<sup>ST</sup> FY (SFY 2030)</b>	<b>2<sup>ND</sup> FY (SFY 2031)</b>	<b>3<sup>RD</sup> FY (SFY 2032)</b>
# Clinic Visits*	93,957	100,788	107,251
Total Gross Revenue	\$699,494,306	\$749,940,584	\$799,124,106
Total Net Revenue	\$170,529,030	\$182,819,765	\$194,803,040
Avg. Net Rev./Clinic Visit	\$1,815	\$1,814	\$1,816
Operating Costs	\$165,166,157	\$176,022,620	\$186,162,101
Avg. Op. Cost/Clinic Visit	\$1,758	\$1,746	\$1,736
Net Income	\$5,362,873	\$6,797,145	\$8,640,939

\*From application page 113

The assumptions used by the applicant in preparation of the pro forma financial statements are provided in Section Q, page 118. The applicant adequately demonstrates that the financial feasibility of the proposal is reasonable and adequately supported based on the following:

- The average charge is based on the applicant's historical average charge per case, which the applicant states may include visits to multiple clinics and/or services and includes all ancillary and other services.
- Operating revenue is based on the applicant's historical experience for comparable UNC Hospitals' clinics and services.
- Charity care, bad debt and contractual adjustments are based on the applicant's historical experience for comparable UNC Hospitals' clinics and services and applied to gross revenue.
- Projected utilization is based on reasonable and adequately supported assumptions. See the discussion regarding projected utilization in Criterion (3) which is incorporated herein by reference

### **Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application

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

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

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

C

The applicant proposes to expand UNC Hospitals' existing hospital-based physician clinics and other hospital-based services to the UNC Hospitals Cary Campus medical office building (UNC Cary MOB).

There is no defined service area in the 2025 SMFP for medical office buildings or the proposed services to be offered in the Cary MOB. The applicant states in Section G, page 78 that the service area for the proposed MOB is Durham County, near the previously approved but not yet developed UNC Hospitals Cary Campus. Currently, the Duke University Health System is the only provider of hospital services in Durham County.

In Section G, pages 78-79 the applicant explains why it believes its proposal would not result in the unnecessary duplication of existing or approved hospital-based physician clinics and other hospital-based services in Durham County. On page 78 the applicant states:

*"The proposed project involves the expansion of UNC Hospitals hospital-based physician clinics and other hospital-based services to an MOB at UNC Hospitals Cary Campus in south Durham County. Need for the proposed project is based on the need for additional capacity and access for hospital-based physician services at UNC Hospitals, which ... has been growing significantly. Given that growth, an additional location is needed to expand its clinical space to address capacity constraints at existing facilities including the UNC Medical Center campus, support a growing patient population, and enhance accessibility of services for UNC Health patients in south Durham County and nearby communities, particularly with the future development of UNC Hospitals Cary Campus."*

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

- The proposal would not result in an increase in any of the hospital clinics and services in Durham County proposed to be provided by the applicant.
- The applicant adequately demonstrates the the proposed relocation of hospital-based clinics and services is needed in the service area.

**Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application

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

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

C

The applicant proposes to expand UNC Hospitals' existing hospital-based physician clinics and other hospital-based services to the UNC Hospitals Cary Campus medical office building (UNC Cary MOB).

In Section Q, Form H the applicant provides projected full-time equivalent (FTE) staffing for the proposed services. The applicant identifies 53 staff positions and projects the number of FTEs in each of the three project years. The applicant provides a table to illustrate those projections in Section Q, pages 121-122.

The assumptions and methodology used to project staffing are provided in Section Q, page 123. Adequate operating expenses for the health manpower and management positions proposed by the applicant are budgeted in Form F.3b. In Section H, pages 80-81 the applicant describes the methods to be used to recruit and fill new positions and its proposed training and continuing education programs.

**Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application

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

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

C

The applicant proposes to expand UNC Hospitals' existing hospital-based physician clinics and other hospital-based services to the UNC Hospitals Cary Campus medical office building (UNC Cary MOB).

**Ancillary and Support Services**



In Section I, page 82 the applicant identifies the necessary ancillary and support services for the proposed hospital-based clinics and services. On pages 82-83 the applicant explains how each ancillary and support service is or will be made available and provides supporting documentation in Exhibit I.1. The applicant adequately demonstrates that the necessary ancillary and support services will be made available based on the following:

- The applicant provides an April 15, 2025 letter signed by the President, UNC Hospitals, that confirms the necessary ancillary and support services will be provided at the proposed MOB.
- The applicant is part of UNC Hospitals, which operates acute care facilities, physician clinics and other health services and thus has experience providing ancillary and support services for health care facilities.

### **Coordination**

In Section I, page 83 the applicant describes its existing and proposed relationships with other local health care and social service providers and provides supporting documentation in Exhibit I.2. The applicant adequately demonstrates that the proposed services will be coordinated with the existing health care system because UNC Hospitals currently has relationships with area healthcare and social services providers and states those relationships will continue and increase following project completion.

### **Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application

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

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

NA

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

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

NA

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

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

C

The applicant proposes to expand UNC Hospitals' existing hospital-based physician clinics and other hospital-based services to the UNC Hospitals Cary Campus medical office building (UNC Cary MOB).

Pursuant to N. C. Gen. Stat. §131E-184(9), the development of the MOB is exempt from CON review. However, as part of the proposal to relocate hospital-based physician clinics and services that is the subject of this application, the applicant states the relocation of services will require renovating 167,781 square feet of space. Line drawings are provided in Exhibit C.1.

On pages 86-87 the applicant adequately explains how the cost, design and means of construction represent the most reasonable alternative for the proposal based on the following:

- The applicant states the proposed relocation of physician clinic space and ancillary services offers cost-effective advantages to its patients, because there is currently insufficient space to accommodate expansion of these services at the UNC hospital campus. Patient access and throughput will increase as a result of this proposal.

- The applicant states the co-location of these clinics and services also shares and thus reduces overall costs for security, ground maintenance and utilities, thereby avoiding duplication of existing services and resources.

On page 87, the applicant adequately explains why the proposal will not unduly increase the costs to the applicant of providing the proposed services or the costs and charges to the public for the proposed services based on the following:

- The applicant states that by locating the proposed services and clinics at the MOB, patients will receive continuity of care at a lower cost.
- UNC Hospitals is part of the UNC Health Care System, which is able to consolidate multiple services and more efficiently utilize existing resources.

In Section B.19, on 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

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

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

- (a) The extent to which medically underserved populations currently use the applicant's existing services in comparison to the percentage of the population in the applicant's service area which is medically underserved;

NA

The proposed MOB is not yet developed, and the proposed services to be co-located on the UNC Cary Hospital campus do not exist because the hospital is not yet developed. Therefore, Criterion 13(a) is not applicable to this review.

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

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

C

Regarding any obligation to provide uncompensated care, community service or access by minorities and persons with disabilities, in Section L, page 92 the applicant states it has no such obligation.

In Section L, page 92 the applicant states that during the 18 months immediately preceding the application deadline, no patient civil rights access complaints have been filed against any UNC Health Care System facility.

The Agency reviewed the:

- Application
- Exhibits to the application

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

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

C

In Section L, page 93 the applicant projects the following payor mix for the proposed services during the third full fiscal year of operation following project completion of, as shown in the following tables:

**Cary Campus MOB, SFY 2032**

<b>PAYOR CATEGORY</b>	<b>MOB SERVICES AS PERCENT OF TOTAL</b>
Self-Pay	6.2%
Medicare*	42.5%
Medicaid*	9.7%
Insurance*	39.3%
Other (Government)	2.2%
<b>Total</b>	<b>100.0%</b>

\*Includes any managed care plans

**Hospital-Based Clinics and Services, SFY 2032**

PAYOR CATEGORY	CLINIC SERVICES AS PERCENT OF TOTAL
Self-Pay	6.2%
Medicare*	42.5%
Medicaid*	9.7%
Insurance*	39.3%
Other (Government)	2.2%
<b>Total</b>	<b>100.0%</b>

\*Includes any managed care plans

As shown in the tables above, during the third full fiscal year of operation, the applicant projects that 6.2% of total services will be provided to self-pay patients, 42.5% to Medicare patients and 9.7% to Medicaid patients.

On page 93, the applicant provides the assumptions and methodology used to project payor mix. The projected payor mix is reasonable and adequately supported because it is based on the applicant's FY 2024 payor mix for selected UNC Hospitals' physician clinics and services that are comparable to those projected to be offered at the MOB.

The Agency reviewed the:

- Application
- Exhibits to the application

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

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

C

In Section L, page 93 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

In Section M, pages 96-97 the applicant describes the extent to which health professional training programs in the area will have access to the proposed MOB. The applicant states that, as a provider-based location of UNC Hospitals, the proposed services to be provided at the MOB will offer the same professional development and training opportunities as are currently provided at UNC Hospitals' other facilities. The adequately demonstrates that health professional training programs in the area will have access to the facility for training purposes. Therefore, the application is 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

The applicant proposes to expand UNC Hospitals' existing hospital-based physician clinics and other hospital-based services to the UNC Hospitals Cary Campus medical office building (UNC Cary MOB), which is currently under development.

There is no defined service area in the 2025 SMFP for medical office buildings or the proposed services to be offered in the Cary MOB. The applicant states in Section G, page 78 that the service area for the proposed MOB is Durham County, near the previously approved but not yet developed UNC Cary Campus hospital. Currently, the Duke University Health System is the only provider of hospital services in Durham County.

Regarding the expected effects of the proposal on competition in the service area, in Section N, page 99 the applicant states the proposal is expected to enhance competition in the service area by promoting cost effectiveness, quality, and access to the proposed services.

Regarding the impact of the proposal on cost effectiveness, in Section N, page 99, the applicant states:

*"The development of hospital-based services at an MOB located on its Cary Campus will address UNC Hospitals' urgent need to expand its clinical space. In addition to generating needed capacity, the MOB involves colocation of physician clinic space and ancillary services, which offers the advantage of shared building*

*expenses such as patient access, housekeeping, security, building and ground maintenance, and utility costs, and avoids duplication of resources across multiple locations. Moreover, the additional ambulatory and clinical space at the Cary Campus MOB will create an opportunity for UNC Hospitals to shift additional services to UNC-owned facilities.”*

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

Regarding the impact of the proposal on quality, in Section N, page 100 the applicant states:

*“UNC Hospitals has a proven record of offering an expansive range of high-quality services to the patients it serves. The proposed project will promote patients’ ability to access these services through expanding existing hospital-based physician clinics and other hospital-based services to an MOB at the approved UNC Hospitals Cary Campus.”*

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

Regarding the impact of the proposal on access by medically underserved groups, in Section N, pages 102-103 the applicant states:

*“The proposed project will promote access to healthcare services in the service area, particularly for the medically underserved. As North Carolina’s only state-owned, comprehensive, full-service hospital system, UNC Hospitals has the obligation to accept any North Carolina citizen requiring medically necessary treatment. No North Carolina citizen is presently denied access to non-elective care because of race, sex, creed, age, handicap, financial status, or lack of medical insurance ....”*

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

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

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

## **Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application

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

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

C

The applicant proposes to expand UNC Hospitals' existing hospital-based physician clinics and other hospital-based services to the UNC Hospitals Cary Campus medical office building (UNC Cary MOB). In Section Q, Form O the applicant identifies the hospitals located in North Carolina owned, operated or managed by the applicant or a related entity. The applicant identifies a total of 15 hospitals.

In Section O page 105 the applicant states that, during the 18 months immediately preceding the submittal of the application, incidents related to quality of care did not occur in any of the facilities identified in Form O. According to the files in the Acute 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 in any UNC Health Care System facility. After reviewing and considering information provided by the applicant and by the Acute and Home Care Licensure and Certification Section and considering the quality of care provided at all 15 facilities, the applicant provided sufficient evidence that quality care has been provided in the past. Therefore, the application is conforming to this criterion.

- (21) Repealed effective July 1, 1987.

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

NA



The applicant proposes to expand UNC Hospitals' existing hospital-based physician clinics and other hospital-based services to the UNC Hospitals Cary Campus medical office building (UNC Cary MOB), which is currently under development. There are no administrative rules applicable to this review.