

## REQUIRED STATE AGENCY FINDINGS

### FINDINGS

C = Conforming

CA = Conforming as Conditioned

NC = Nonconforming

NA = Not Applicable

Decision Date: September 26, 2025

Findings Date: October 3, 2025

Project Analyst: Cynthia Bradford

Co-Signer: Micheala Mitchell

Project ID #: J-12634-25

Facility: UNC Health Johnston-Clayton Campus

FID #: 61348

County: Johnston

Applicant(s): Johnston Health Services Corporation

Project: Change of scope and cost overrun for Project ID# J-12480-24 to expand the emergency department

### 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

Johnston Health Services Corporation (hereinafter “UNC Johnston” or “the applicant”) proposes a change of scope and cost overrun for Project ID #J-12480-24, (develop no more than 12 additional acute care beds pursuant to the 2024 SMFP adjusted need determination, relocate no more than 15 acute care beds, three Level II neonatal beds, and one C-Section OR from the Smithfield campus, and add three new neonatal beds at UNC Health Johnston-Clayton Campus for a total of 83 acute care beds, including six neonatal beds, and two C-Section ORs upon project completion).

A certificate of need was issued on September 16, 2024, for Project ID #J-12480-24 and authorized a capital expenditure of \$94,752,221. The current application proposes a capital cost increase of \$14,047,135 over the previously approved capital expenditure for a total combined capital expenditure of \$108,799,356. The applicant states that this cost overrun application is necessary to expand the emergency department at UNC Health Johnston

– Clayton Campus.

### **Need Determination**

The applicant does not propose to increase the number of licensed beds in any category, add any new services, or acquire equipment for which there is a need determination in the 2025 State Medical Facilities Plan (SMFP). Therefore, there are no need determinations applicable to this review.

### **Policies**

There is one policy in the 2025 SMFP applicable to this review: Policy GEN-4: Energy Efficiency and Sustainability for Health Service Facilities.

*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 for 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 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. Therefore, the application is consistent with *Policy GEN-4*.

### **Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application

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

- The applicant adequately demonstrates that the proposal is consistent with *Policy GEN-4* because 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 a change of scope and cost overrun for Project ID #J-12480-24, (develop no more than 12 additional acute care beds pursuant to the 2024 SMFP adjusted need determination, relocate no more than 15 acute care beds, three Level II neonatal beds, and one C-Section OR from the Smithfield campus, and add three new neonatal beds at UNC Health Johnston-Clayton Campus for a total of 83 acute care beds, including six neonatal beds, and two C-Section ORs) upon project completion.

A certificate of need was issued on September 16, 2024, for Project ID #J-12480-24 and authorized a capital expenditure of \$94,752,221. The current application proposes a capital cost increase of \$14,047,135 over the previously approved capital expenditure for a total combined capital expenditure of \$108,799,356. The applicant states that this cost overrun application is necessary to expand the emergency department at UNC Health Johnston – Clayton Campus.

**Patient Origin**

In Section C, pages 30-23, the applicant states it does not project any changes to patient origin. The application for Project ID #J-12480-24 was found conforming with Criterion (3) with regard to projected patient origin. No changes are proposed in this application which would affect that determination.

**Analysis of Need**

In Section Q, Form F.1b, the applicant provides a summary of the capital cost approved in Project ID #J-12480-24, the changes proposed in this application, and the new total projected capital cost, as shown in the table below.

<b>UNC Health Johnston – Clayton Campus Previously Approved and Proposed Capital Cost</b>			
	<b>Previously Approved (J-12480-24)</b>	<b>Projected Changes to Capital Cost (J-12634-25)</b>	<b>New Total Projected Capital Cost</b>
Site Prep	250,000	1,771,676	1,521,676
Construction/Renovation Contract(s)	56,655,042	64,882,977	8,227,935
Landscaping	7 75,000	9 60,000	1 85,000
Architect/Engineering Fees	5,816,003	7,280,403	1,464,400
Medical Equipment	3,508,072	5,508,830	2,000,758
Non-Medical Equipment	1,190,082	1,416,903	226,821
Furniture	1,500,417	1,575,962	75,545
Consultant Fees (CON, Legal, Other)	1,535,000	1,880,000	345,000
Financing Costs	7,490,566	7,490,566	--
Other (Contingency, IT Costs)	16,032,039	16,032,039	--
<b>Total Capital Cost</b>	<b>94,752,221</b>	<b>108,799,356</b>	<b>14,047,135</b>

In Section C, page 43, the applicant states the proposed change of scope would expand the ED at UNC Health Johnston – Clayton Campus. The expansion includes the development of 12 additional ED treatment rooms, the conversion of two existing ED treatment rooms into five fast-track vertical treatment rooms, and additional ancillary areas, including an expanded waiting room, to support the proposed ED expansion.

In Section Q, page 102, the applicant states the following sets forth the specific reasons for the cost increases by line item in Form F.1b:

- Site Preparation, Construction/Renovation, Landscaping, and Architect / Engineering costs are based on the experience of the project architect with similar projects. The applicant provides a letter in Exhibit K.5 from a licensed architect which certifies the construction costs needed to complete the project.
- Medical Equipment, Non-Medical Equipment, and Furniture costs are based on vendor estimates and the experience of UNC Health Johnston with similar projects.
- Consultant Fees include CON and legal fees and are based on the experience of UNC Health Johnston with similar projects.
- UNC Health Johnston expected to partially fund Project ID # J-012480-24 with a bank loan. UNC Health Johnston intends to fund the entire proposed change of scope with accumulated reserves. Thus, there will be no additional financing costs beyond those projected as part of Project ID # J-012480-24.
- Other costs include administrative, contingency, and inflation and are based on the experience of UNC Health Johnston with similar projects.

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

- The applicant adequately explains the reasons additional costs are necessary to develop the proposed project.
- The applicant provides a letter in Exhibit K.5 from a licensed architect which certifies the construction costs needed to complete the project.

### **Projected Utilization**

In Section Q, Form C - Assumptions and Methodology, pages 98-100, the applicant states they plan to expand the emergency department (ED) at UNC Health Johnston – Clayton Campus. The expansion includes the development of 12 additional ED treatment rooms and the conversion of two existing ED treatment rooms into five fast-track vertical treatment rooms, increasing the total number of ED treatment rooms from 24 to 39 (34 general treatment rooms and five fast-track rooms). Their proposal represents a change of scope to previously approved Project ID # J-12480-24, which proposed to develop 12 additional acute care beds at UNC Health Johnston – Clayton Campus, along with the expansion and consolidation of women's services at that campus. The applicant states that no change in scope is proposed related to any previously approved service. Thus, volume projections as presented in Project ID# J-12480-24 are not expected to change as a result of this proposal. The proposed change of scope only involves the expansion of the ED, which was not included as a service component in the previously approved project. The applicant states that the overall timeline for Project ID # J-12480-24 has not changed, the proposed ED expansion is expected to become operational on February 1, 2027, or one year before the overall project is completed on February 1, 2028. Thus, the number of ED treatment rooms will increase in SFY 2027, but Project Year 3 (for the entire project) will remain SFY 2031.

The applicant states they considered both historical utilization trends and projected population growth in Johnston County. Johnston County is expected to continue experiencing significant population growth over the coming years, as shown in the table below.

Johnston County Projected Population Growth			
	CY 2025	CY2030	CAGR
Total Population	256,176	290,489	2.5%

Source: Section Q, table 2, page 99 sourced from NC OSBM

The applicant projected their utilization at the Clayton Campus based on its historical SFY 2019 to SFY 2025 CAGR of 1.5 percent, which is consistent with the previously approved Project ID # J-12480-24, which utilized historical CAGRs beginning in SFY 2019 to project future volume for each service component.

In Section Q, Form C.4a and Form C.4b, the applicant provides historical and projected utilization. In Table 3, page 99, The applicant projects ED visits at UNC Health Johnson –

Clayton Campus through Project Year 3 (SFY 2031) based on a 1.5 percent CAGR. This is illustrated in the table below.

UNC Health Johnston – Clayton Campus Emergency Department						
	Interim Full FY	Interim Full FY	Interim Full FY	1st Full FY PY1	2nd Full FY PY2	3rd Full FY PY3
	07/01/2025 to 06/30/2026	07/01/2026 to 06/30/2027	07/01/2027 to 06/30/2028	07/01/2028 to 06/30/2029	07/01/2029 to 06/30/2030	07/01/2030 to 06/30/2031
# of Treatment Rooms	24	39	39	39	39	39
# of Visits	37,654	38,231	38,817	39,413	40,017	40,631
ED Visits per ED Treatment Room*	1,569	980	995	1,011	1,026	1,042

Source: Section Q, Form C, Table 3, page 99

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

- No change in scope is proposed related to any previously approved service. Thus, volume projections as presented in Project ID# J-12480-24 are not expected to change as a result of this proposal.
- The applicant projected their utilization at the Clayton Campus based on its historical SFY 2019 to SFY 2025 CAGR of 1.5 percent, which is consistent with the previously approved Project ID # J-12480-24

### **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.

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

In Section C, pages 40-41, the applicant states it does not project changes to access by medically underserved groups because of the proposed project. The application for Project ID #J-12480-24 adequately demonstrated the extent to which all residents of the area, including underserved groups, were likely to have access to the proposed services. The applicant proposes no changes in the current application which would affect that determination.

## **Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application

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

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

NA

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

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

CA

The applicant proposes a change of scope and cost overrun for Project ID #J-12480-24, (develop no more than 12 additional acute care beds pursuant to the 2024 SMFP adjusted need determination, relocate no more than 15 acute care beds, three Level II neonatal beds, and one C-Section OR from the Smithfield campus, and add three new neonatal beds at UNC Health Johnston-Clayton Campus for a total of 83 acute care beds, including six neonatal beds, and two C-Section ORs) upon project completion.

A certificate of need was issued on September 16, 2024, for Project ID #J-12480-24 and authorized a capital expenditure of \$94,752,221. The current application proposes a capital cost increase of \$14,047,135 over the previously approved capital expenditure for a total combined capital expenditure of \$108,799,356. The applicant states that this cost overrun application is necessary to expand the emergency department at UNC Health Johnston – Clayton Campus.

In Section E, 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 a Different Number of ED Treatment Rooms

The applicant states that a smaller number of ED treatment rooms would be less effective at meeting the current and future need at UNC Health Johnston – Clayton Campus, limiting the facility's ability to provide timely emergency care. This could result in longer wait times and decreased access to emergency services. Therefore, this was determined to be a less effective alternative.

Delay the Expansion

The applicant states that moving forward with the ED expansion now, which will become operational by February 1, 2027, provides relief one year before the completion of the overall bed expansion/consolidation of women's services at UNC Health Johnston – Clayton Campus. This phased approach allows UNC Health Johnston – Clayton Campus to address current ED capacity constraints while also preparing for future growth, especially important given Johnston County's status as one of the fastest-growing counties in North Carolina. Postponing the ED expansion would allow existing operational challenges to compound, further straining emergency services and negatively impacting patient care. Therefore, this was determined to be a less effective alternative.

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

- The applicant provides 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 stated above. Therefore, the application is approved subject to the following conditions:

- 1. Johnston Health Services Corporation (hereinafter certificate holder) shall materially comply with all representations made in the application and representations made in Project ID #J-12480-24. Where representations conflict, the applicant shall materially comply with the last made representation.**



2. **Upon completion of this project, UNC Health Johnston-Clayton Campus shall be licensed for no more than 83 acute care beds including six neonatal beds, and two C-Section ORs upon project completion.**
  3. **The total combined capital expenditure for this project and Project ID#J-12480-24 is \$108,799,356, an increase of \$14,047,135 over the capital expenditure of \$94,752,221 previously approved in Project ID# J-12480-24.**
  4. **The certificate holder shall not acquire as part of this project any equipment that is not included in the project's proposed capital expenditure in Section Q of the application and that would otherwise require a certificate of need.**
  5. **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 March 1, 2026.**
  6. **The certificate holder shall develop and implement an Energy Efficiency and Sustainability Plan for the project that conforms to or exceeds energy efficiency and water conservation standards incorporated in the latest editions of the North Carolina State Building Codes.**
  7. **The certificate holder shall acknowledge acceptance of and agree to comply with all conditions stated herein to the Agency in writing prior to issuance of the certificate of need.**
- (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.

The applicant proposes a change of scope and cost overrun for Project ID #J-12480-24, (develop no more than 12 additional acute care beds pursuant to the 2024 SMFP adjusted need determination, relocate no more than 15 acute care beds, three Level II neonatal beds, and one C-Section OR from the Smithfield campus, and add three new neonatal beds at UNC Health Johnston-Clayton Campus for a total of 83 acute care beds, including six neonatal beds, and two C-Section ORs) upon project completion.

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### **Capital and Working Capital Costs**

On Form F.1b in Section Q, the applicant provides a summary of the capital cost approved in Project ID #J-12480-24, the changes proposed in this application, and the new projected capital cost as shown in the table below.

UNC Health Johnston – Clayton Campus Previously Approved and Proposed Capital Cost			
	Previously Approved (J-12480-24)	Projected Changes to Capital Cost (J-12634-25)	New Total Projected Capital Cost
Site Prep	250,000	1,771,676	1,521,676
Construction/Renovation Contract(s)	56,655,042	64,882,977	8,227,935
Landscaping	7 75,000	9 60,000	1 85,000
Architect/Engineering Fees	5,816,003	7,280,403	1,464,400
Medical Equipment	3,508,072	5,508,830	2,000,758
Non-Medical Equipment	1,190,082	1,416,903	226,821
Furniture	1,500,417	1,575,962	75,545
Consultant Fees (CON, Legal, Other)	1,535,000	1,880,000	345,000
Financing Costs	7,490,566	7,490,566	--
Other (Contingency, IT Costs)	16,032,039	16,032,039	--
<b>Total Capital Cost</b>	<b>94,752,221</b>	<b>108,799,356</b>	<b>14,047,135</b>

Immediately following Form F.1b in Section Q, the applicant provides the assumptions used to project capital cost. The applicant adequately demonstrates that the project capital cost is based on reasonable and adequately supported assumptions based on the following:

- Site Preparation, Construction/Renovation, Landscaping, and Architect / Engineering costs are based on the experience of the project architect with similar projects.
- Medical equipment costs and furniture costs are based on previously provided vendor estimates and the experience of the applicant with similar projects.

- Consultant fees and other costs are based on the experience of the applicant with similar projects.
- UNC Health Johnston expected to partially fund Project ID # J-12480-24 with a bank loan. UNC Health Johnston intends to fund the entire proposed change of scope with accumulated reserves.
- Other costs include administrative, contingency, and inflation and are based on the experience of UNC Health Johnston with similar projects.

In Section F, pages 68-69, the applicant states there will be no start-up costs or initial operating expenses because ED services already exist at the hospital.

### **Availability of Funds**

The current application proposes a capital cost increase of \$14,047,135 over the previously approved capital cost of \$94,752,221 for Project ID #J-12480-24, for a combined total capital cost of \$108,799,356.

In Section F, page 66, the applicant states the increase in projected capital costs will be funded through the accumulated reserves of Johnston Health Services Corporation.

Exhibit F.5-1 contains a letter dated April 15, 2025, from the Chief Financial Officer of UNC Health stating that Johnston Health Services Corporation will provide the funding for the projected increase in capital costs from accumulated reserves.

Exhibit F.5-2 contains a letter dated April 15, 2025, from the Vice President of Finance for UNC Health Johnston stating that Johnston Health Services Corporation will provide the funding for the projected increase in capital costs from accumulated reserves.

Exhibit F.5-3 contains the audited financial statements for UNC Hospitals for the year ending June 30, 2024. As of June 30, 2024, UNC Hospitals at Chapel Hill has adequate cash and assets to fund the proposed increase in the projected capital cost.

The applicant adequately demonstrates the availability of sufficient funds for the proposed increase in the projected capital cost based on the following:

- The applicant provides a letter from an appropriate company officer confirming the availability of the funding proposed for the capital needs of the project and a commitment to use that funding accordingly.
- The applicant provides adequate documentation of the accumulated reserves it proposes to use to fund the capital needs of the project.

### **Financial Feasibility**

In Section Q, Form F.2b, the applicant projects revenues will exceed operating expenses in each of the first three operating years as shown in the table below:

<b>Projected Revenues and Net Income UNC Health Johnston – Clayton Campus Emergency Department</b>			
	<b>1<sup>st</sup> Full FY</b>	<b>2<sup>nd</sup> Full FY</b>	<b>3<sup>rd</sup> Full FY</b>
	<b>FY2028</b>	<b>FY2029</b>	<b>FY2030</b>
Total Patient Days*	39,413	40,017	40,631
Total Gross Revenue	\$134,591,354	\$140,754,862	\$147,200,624
Total Adjustments to Revenue	\$107,638,790	\$112,568,026	\$117,722,993
Total Net Revenue	\$26,952,564	\$28,186,836	\$29,477,631
Total Net Revenue per Patient Day^	\$684	\$704	\$726
Total Operating Costs	\$13,178,615	\$13,593,688	\$14,023,105
Total Operating Costs per Patient Day^	\$334	\$340	\$345
Net Income (Loss)	\$13,773,949	\$14,593,149	\$15,454,526

\*Source: Section Q, Form C.4b

^Sum may not total due to rounding

The assumptions used by the applicant in preparation of the pro forma financial statements are provided immediately following Forms F.2b and F.3b in Section Q. The applicant adequately demonstrates that the financial feasibility of the proposal is reasonable and adequately supported based on the following:

- The applicant clearly identifies the sources of data used to project revenues and expenses.
- The applicant makes adjustments to revenues and expenses based on fiscal year 2024.
- 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 a change of scope and cost overrun for Project ID #J-12480-24, (develop no more than 12 additional acute care beds pursuant to the 2024 SMFP adjusted need determination, relocate no more than 15 acute care beds, three Level II neonatal beds, and one C-Section OR from the Smithfield campus, and add three new neonatal beds at UNC Health Johnston-Clayton Campus for a total of 83 acute care beds, including six neonatal beds, and two C-Section ORs) upon project completion.

A certificate of need was issued on September 16, 2024, for Project ID #J-12480-24 and authorized a capital expenditure of \$94,752,221. The current application proposes a capital cost increase of \$14,047,135 over the previously approved capital expenditure for a total combined capital expenditure of \$108,799,356. The applicant states that this cost overrun application is necessary to expand the emergency department at UNC Health Johnston – Clayton Campus.

In Section G, page 70, the applicant explains why it believes its proposal would not result in the unnecessary duplication of the same existing or approved service component in Johnston County. On page 70, the applicant states:

*“the proposed project involves expanding the existing ED – a service component that was not included in the previously approved Project ID #J-12480-24. The existing ED at UNC Health Johnston – Clayton Campus is well utilized, and demand for ED services is growing...Thus, the proposed ED expansion will not result in any unnecessary duplication.”*

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:

- The application for Project ID#J-12480-24 was found conforming with Criterion (6). The applicant does not propose any changes in this cost overrun application which would affect that determination.

### **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 a change of scope and cost overrun for Project ID #J-12480-24, (develop no more than 12 additional acute care beds pursuant to the 2024 SMFP adjusted need determination, relocate no more than 15 acute care beds, three Level II neonatal beds, and one C-Section OR from the Smithfield campus, and add three new neonatal beds at UNC Health Johnston-Clayton Campus for a total of 83 acute care beds, including six neonatal beds, and two C-Section ORs) upon project completion.

A certificate of need was issued on September 16, 2024, for Project ID #J-12480-24 and authorized a capital expenditure of \$94,752,221. The current application proposes a capital cost increase of \$14,047,135 over the previously approved capital expenditure for a total combined capital expenditure of \$108,799,356. The applicant states that this cost overrun application is necessary to expand the emergency department at UNC Health Johnston – Clayton Campus.

The application for Project ID #J-12480-24 adequately demonstrated the availability of resources, including health manpower and management personnel to provide the proposed services, and no changes are proposed in this application which would affect that determination.

### **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 a change of scope and cost overrun for Project ID #J-12480-24, (develop no more than 12 additional acute care beds pursuant to the 2024 SMFP adjusted need determination, relocate no more than 15 acute care beds, three Level II neonatal beds, and one C-Section OR from the Smithfield campus, and add three new neonatal beds at UNC Health

Johnston-Clayton Campus for a total of 83 acute care beds, including six neonatal beds, and two C-Section ORs) upon project completion.

A certificate of need was issued on September 16, 2024, for Project ID #J-12480-24 and authorized a capital expenditure of \$94,752,221. The current application proposes a capital cost increase of \$14,047,135 over the previously approved capital expenditure for a total combined capital expenditure of \$108,799,356. The applicant states that this cost overrun application is necessary to expand the emergency department at UNC Health Johnston – Clayton Campus.

The application for Project ID #J-12480-24 adequately demonstrated the availability of the ancillary and support services necessary to the provision of the proposed services and adequately demonstrated the proposed services would be coordinated with the existing healthcare system, and no changes are proposed in this application which would affect that determination.

### **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. 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

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 a change of scope and cost overrun for Project ID #J-12480-24, (develop no more than 12 additional acute care beds pursuant to the 2024 SMFP adjusted need determination, relocate no more than 15 acute care beds, three Level II neonatal beds, and one C-Section OR from the Smithfield campus, and add three new neonatal beds at UNC Health Johnston-Clayton Campus for a total of 83 acute care beds, including six neonatal beds, and two C-Section ORs) upon project completion.

A certificate of need was issued on September 16, 2024, for Project ID #J-12480-24 and authorized a capital expenditure of \$94,752,221. The current application proposes a capital cost increase of \$14,047,135 over the previously approved capital expenditure for a total combined capital expenditure of \$108,799,356. The applicant states that this cost overrun application is necessary to expand the emergency department at UNC Health Johnston – Clayton Campus. This proposal represents a change of scope to previously approved Project ID # J-12480-24.

In Section K, page 79, the applicant states that the project now involves the construction of 7,150 square feet of new space, and the renovation of 4,283 square feet of existing space. Line drawings are provided in Exhibit C.8-1. The increased square footage proposed in this application will accommodate the equipment, support, and post-consult space for the previously approved fixed PET-CT scanner.

In Section K, page 80, the applicant explains how the cost, design, and means of construction represent the most reasonable alternative for the proposal. On page 80, the applicant states,



*“By constructing this expansion in tandem with the previously approved resources from Project ID # J-12480-24, UNC Health Johnston will minimize disruption to hospital operations and achieve economies of scale in construction costs. In summary, the proposed design, construction and renovation plans represent a cost-effective solution that maximizes the use of existing space, minimizes operational disruption, and provides the necessary flexibility to meet both current ED capacity challenges and anticipated future needs of the growing Johnston County community.”*

The applicant provides a certified construction cost estimate in Exhibit K.5.

- The applicant adequately explains why the increased cost is necessary for the proposed project.

Project ID #J-12480-24 was conforming with this criterion and this application does not propose any changes which would affect that determination.

In Section K, page 81, 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. On page 81, the applicant states,

*“As part of UNC Health, UNC Health Johnston – Clayton Campus benefits from substantial economies of scale and shared services that generate cost savings which are passed directly to patients through lower charges. Additionally, the ED expansion is designed to accommodate the area's projected population growth efficiently, avoiding more costly reactive expansions later. Overall, the project represents a prudent investment that balances immediate community healthcare needs with responsible fiscal management and future projected needs, ensuring residents receive high-quality care without bearing undue cost increases.”*

- Project ID #J-12480-24 was conforming with this criterion and this application does not propose any changes which would affect that determination.

In Section K, page 81, the applicant proposes to expand the ED at UNC Health Johnston – Clayton Campus. The applicant states the ED expansion is the only proposed change related to the previously approved Project ID # J-12480-24. All energy saving features incorporated into the construction/renovation plans are addressed in Section B.19

### **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.

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

C

In Project ID #J-12480-24, the Agency determined the applicant adequately demonstrated 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. The applicant proposes no changes in the current application which would affect that determination.

### **Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application

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

- (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

In Project ID #J-12480-24, the Agency determined the application was conforming to this criterion. The applicant proposes no changes in the current application which would affect that determination.

### **Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application

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

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

C

In Project ID #J-12480-24, the Agency determined the applicant adequately demonstrated the extent to which medically underserved populations will be served by the applicant's proposed services. The applicant proposes no changes in the current application which would affect that determination.

### **Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application

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

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

C

In Project ID #J-12480-24, the Agency determined the applicant adequately demonstrated it would offer a range of means by which a person would have access to its services. The applicant proposes no changes in the current application which would affect that determination.

### **Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application

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

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

C

The applicant proposes a change of scope and cost overrun for Project ID #J-12480-24, (develop no more than 12 additional acute care beds pursuant to the 2024 SMFP adjusted need determination, relocate no more than 15 acute care beds, three Level II neonatal beds, and one C-Section OR from the Smithfield campus, and add three new neonatal beds at UNC Health Johnston-Clayton Campus for a total of 83 acute care beds, including six neonatal beds, and two C-Section ORs) upon project completion.

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In Project ID# J-12480-24, the Agency determined the applicant adequately demonstrated that the proposed health services would accommodate the clinical needs of health professionals training programs in the area. The applicant proposes no changes in the current application which would affect that determination.

**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.

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

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

impact on cost-effectiveness, quality, and access to the services proposed, the applicant shall demonstrate that its application is for a service on which competition will not have a favorable impact.

C

The applicant proposes a change of scope and cost overrun for Project ID #J-12480-24, (develop no more than 12 additional acute care beds pursuant to the 2024 SMFP adjusted need determination, relocate no more than 15 acute care beds, three Level II neonatal beds, and one C-Section OR from the Smithfield campus, and add three new neonatal beds at UNC Health Johnston-Clayton Campus for a total of 83 acute care beds, including six neonatal beds, and two C-Section ORs) upon project completion.

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The application for Project ID #J-12480-24 was found conforming with Criterion (18a). The applicant does not propose any changes in this cost overrun application which would affect that determination.

### **Conclusion**

The Agency reviewed the:

- Application
- Exhibits to the application

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

- (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 a change of scope and cost overrun for Project ID #J-12480-24, (develop no more than 12 additional acute care beds pursuant to the 2024 SMFP adjusted need determination, relocate no more than 15 acute care beds, three Level II neonatal beds, and one C-Section OR from the Smithfield campus, and add three new neonatal beds at UNC Health

Johnston-Clayton Campus for a total of 83 acute care beds, including six neonatal beds, and two C-Section ORs) upon project completion.

A certificate of need was issued on September 16, 2024, for Project ID #J-12480-24 and authorized a capital expenditure of \$94,752,221. The current application proposes a capital cost increase of \$14,047,135 over the previously approved capital expenditure for a total combined capital expenditure of \$108,799,356. The applicant states that this cost overrun application is necessary to expand the emergency department at UNC Health Johnston – Clayton Campus.

In Section Q, Form O, page 111, the applicant identifies the acute care hospitals located in North Carolina owned, operated or managed by the applicant or a related entity. The applicant identifies a total of 15 of this type of facility located in North Carolina.

In Section O, page 93, the applicant states that, during the 18 months immediately preceding the submittal of the application, there were no incidents which resulted in a finding of immediate jeopardy at any of the facilities identified in Form O. After reviewing and considering information provided by the applicant and by the Acute and Home Care Section 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

In Project ID# J-12480-24, the Agency determined the application was conforming to all applicable Criteria and Standards for Acute Care Beds, promulgated in 10A NCAC 14C .3803, which were in effect at that time. The applicant proposes no changes in the application which would affect that determination. Additionally, there are no performance standards associated with the expansion of an emergency department.