October 31, 2018

COMMENTS IN OPPOSITION FROM NOVANT HEALTH, INC.

Regarding Atrium Health's Carolinas Rehabilitation Hospital CON Application, Project I.D. # F-011566-18 to Develop 8 Inpatient Rehabilitation Beds in Mecklenburg County

The 2018 State Medical Facilities Plan ("SMFP") contains a need for eight new inpatient rehabilitation beds in Health Service Area III. This need determination was created as a result of a 2017 petition filed by Novant Health showing a need for a larger number of beds. Novant Health Presbyterian Medical Center ("NHPMC") requested the State to approve its application, Project I.D. #F-011584-18, to create a ten-bed rehabilitation unit including the eight new beds and two beds relocated from Novant Health Rowan Medical Center ("NHRMC"). Atrium applied to add eight licensed beds to its 70 bed Carolinas Rehabilitation Hospital in Project I.D. #F-011566-18. This letter and attachments are Novant Health's comments on the Atrium Application. The two applications are mutually exclusive and must be comparatively reviewed by the State. In these comments we compare the two applications and show why the State should approve the Novant Health application and deny the Atrium Application. In the context of CON Review Criteria (1), (3), (4), (5), (6), and (18a), Atrium is not conforming because it:

- Does not demonstrate that it maximizes healthcare value;
- Does not demonstrate need for its proposed project, and therefore does not demonstrate the financial feasibility of its proposed project;
- Does not demonstrate its proposed project will promote equitable access;
- Does not demonstrate it is the most effective alternative;
- Does not demonstrate its proposed project is not a duplication of existing health services; and
- Does not demonstrate its proposed project will enhance competition.

Even were the Agency to find the Atrium's proposed project conforming on these criteria, Novant Health's proposed project is also conforming and better meets the criteria and the overall goals of the SMFP. In a comparative review, the Agency should approve Novant Health's proposed project and deny Atrium's proposed project.

Brief Description of Projects

Novant Health Project

The NHPMC rehabilitation unit will have ten private patient rooms, a rehabilitation gymnasium, activities of daily living training room and other support spaces occupying 14,664 square feet on the third floor of the Novant Health Charlotte Orthopedic Hospital building on the NHPMC campus. The beds in this space were once licensed as skilled nursing beds, but the skilled nursing beds were relocated to a new unit within the main NHPMC building. The beds are now used as orthopedic observation beds.

Encompass Health, the nation's largest provider of rehabilitation services, will manage the unit.[1] Encompass Health provided the specifications of the space plan and the equipment in the application. The project cost is $2,033,433 and the rehabilitation services will commence 21 months after the grant of the CON is final. The estimated date is January 1, 2021. NHRMC will continue to operate a ten-bed inpatient rehabilitation unit until the NHPMC inpatient rehabilitation unit opens. After the NHPMC unit opens, NHRMC will operate an eight-bed inpatient rehabilitation unit. The proposed unit will be Novant Health's only inpatient rehabilitation unit in Mecklenburg County.

Atrium Project

The Atrium project is a regrettable attempt to maintain its monopoly on inpatient rehabilitation services in HSA III and in Mecklenburg County specifically. Atrium proposes to add eight licensed rehabilitation beds to the 70 existing licensed beds. The project appears to consist of licensing eight existing patient rooms adjacent to the existing 70 beds with minimal remodeling or equipment costs. There is no increase in rehabilitation program space. The project cost is $233,900 and the additional beds will be placed in service three months after the grant of the CON is final. Half the project cost is for consulting fees. The estimated opening date is July 1, 2019. The application does not state the current use or licensure status of the eight beds. It is possible these beds are already used by the rehabilitation program to allow the census to exceed 70 patients some days.

Conformity with CON Statutory Review Criteria

Criterion (1)

Criterion (1): NCGS 131E-183(a)(1): The proposed project shall be consistent with applicable policies and need determinations in the State Medical Facilities Plan, the need determination

[1] Encompass Health was previously known as HealthSouth Corporation. On July 10, 2017, HealthSouth Corporation announced it would change its name to Encompass Health Corporation, effective January 1, 2018.

of which constitutes a determinative limitation on any health service, health service facility, health service facility beds, dialysis stations, or home health offices that may be approved.

Policy GEN_3 applies to the Atrium Application. The Atrium Application does not comply with Policy GEN-3 because it does not demonstrate how the project will promote safety and quality in the delivery of health care services while promoting equitable access and maximizing health care value for resources expended.

The Atrium project does not promote equitable access. As documented in the NHPMC Application, see, e.g., NHPMC Application Exhibit H-4, Novant patients in need of inpatient rehabilitation services have had difficulty being admitted to Atrium inpatient rehabilitation beds. There is no reason to think that situation will improve if Atrium is granted eight more beds. Rather, the greater likelihood is that Atrium will continue to prefer its own patients. Thus, the project does not promote equitable access to all patients in need of inpatient rehabilitation services.

As discussed in detail below, Atrium is a monopolist with respect to inpatient rehabilitation services in HSA III generally and in Mecklenburg County specifically. Awarding more beds to the system that already controls every inpatient rehabilitation bed in Mecklenburg County and 95% of the inpatient rehabilitation beds in HSA III does not maximize health care value. It only allows the monopolist to maintain its control, to the detriment of patients, payors, and the health care system generally. Patients and payors must accept the terms that Atrium offers, *i.e.*, how inpatient rehabilitation services will be delivered, which patients will receive inpatient rehabilitation services and when they will receive the services, where inpatient rehabilitation services will be provided, and the price that will be paid for inpatient rehabilitation services. A dynamic in which payors and patients have little to no bargaining power is entirely inconsistent with health care value.[2] Moreover, as discussed in greater detail under Criterion (4), the Atrium project does nothing to avoid the considerable costs of transferring Novant Health patients to Atrium inpatient rehabilitation facilities.

Accordingly, Atrium's application is non-conforming with Policy GEN-3 and Criterion (1).

Criterion (3)[3]

Criterion (3): NCGS 131E-183(a) & 131E-183(b): 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 service area, and, in particular, low income persons, racial and ethnic minorities, women, handicapped persons, the elderly, and other underserved groups likely to have access to the services proposed.

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[2] While it is true that Medicare is the major payor for inpatient rehabilitation services, it is also true that private insurance is a payor for inpatient rehabilitation services. Some patients also self-pay. See Form F-2 Revenues and Net Income for payor mix.

[3] Since the Atrium Application is not conforming to Criterion (3), it is derivatively non-conforming to Criterion (5).

Need

The need for eight more rehabilitation beds in HSA III is established by the 2018 SMFP and either project conforms with this published need. Either project can meet the general need for more rehabilitation beds. The Agency should refrain from accepting any argument that Atrium's utilization "generated the need" and therefore, Atrium should be awarded the beds.[4] No applicant is entitled to priority status because it generated the need. With only *de minimis* competition from NHRMC in Rowan County and no competition at all in Mecklenburg County, it is not surprising that Atrium maintains a high level of utilization. But in this highly unusual situation, *i.e.*, almost no competition for inpatient rehabilitation services in HSA III, Atrium's utilization should not be misconstrued as a demonstration of need for more inpatient rehabilitation beds at an Atrium facility.

Besides the general need, Atrium identifies no institution-specific or health system-specific need for more beds. Atrium says it needs more capacity to manage patients who would otherwise be readmitted to its acute care beds. Novant Health has the same need as Atrium for inpatient rehabilitation beds to avoid readmissions to acute care, but today Novant Health has no inpatient rehabilitation beds in Mecklenburg County. If Novant Health patients in Mecklenburg County wish to remain in the Novant Health system for inpatient rehabilitation services, their only option is to seek care at NHRMC. For most patients and their families, this is not a reasonable option because of the distance, and the associated cost and time and involved in travelling to NHRMC.[5]

Atrium will gain additional capacity if either project is approved. If the Agency approves the NHPMC project, demand for inpatient rehabilitation services at Carolinas Rehabilitation and the other three Atrium adult rehabilitation units in Mecklenburg County will decline because the number of patients referred for rehabilitation from Novant Health hospitals will decline. For the twelve months ended March 31, 2018, Novant Health hospitals in Mecklenburg County discharged 303 patients to inpatient rehabilitation. Twenty-eight of the patients had diagnoses of brain injury, spinal cord injury or major multiple trauma and Novant Health would continue to refer such patients to Atrium Carolinas Rehabilitation. The other 275 patients would be referred to the NHPMC rehabilitation unit. If 95 percent accept the referral, there will be 261 fewer patients referred to Atrium. Redirection of these patients will reduce the Atrium average daily census by more than eight patients.[6]

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[4] The need was actually generated by a petition that Novant and Encompass Health filed in 2017.

[5] See Novant Health Presbyterian Medical Center, Project I.D. #F-011584-1, Page 20, and letters of support included in Project I.D. #F-011584-1, Exhibit H-4.

[6] Truven Analytics, Year ending 3/31/2018. See Novant Health Presbyterian Medical Center, Project I.D. #F-011584-1, Page 22

Novant Health is a major provider of acute care services in Mecklenburg County, with 862 acute care beds and 185,596 acute care days in 2017.[7] Novant Health has no inpatient rehabilitation beds in Mecklenburg County. The only Novant Health inpatient rehabilitation unit in HSA III is the ten-bed unit at NHRMC in Rowan County. A Rowan County unit is not a reasonable alternative for most acute care patients who reside in Mecklenburg County or any county besides Rowan. Novant Health needs an inpatient rehabilitation unit in Mecklenburg County to provide a fuller continuum of care for patients requiring inpatient rehabilitation.

Access

The NHPMC Application does more to improve access to services than the Atrium Application. Access to services for medically underserved groups is equal between the NHPMC and Atrium projects. Access to services for acute care patients at Novant Health hospitals will be improved by approving the NHPMC application. Patients who received acute care at Atrium or Novant Health hospitals will have access to a choice of rehabilitation providers if the Agency approves the NHPMC application. They will not have this choice if the Atrium Application is approved. As documented in the NHPMC Application, Novant patients have had difficulty being admitted to Atrium's inpatient rehabilitation beds. See NHPMC Application, Exhibit H-4. There is no reason to think this situation will change if Atrium gains eight more beds; rather, it will create more capacity for Atrium to care for its own patients, with Novant patients continuing to wait for admission to Atrium beds, or accepting less effective treatment options, such as skilled nursing. The population to be served, however, is not just Atrium's own patient population. It includes *any* patient who needs inpatient rehabilitation services.

Moreover, while the population needs eight more inpatient rehabilitation beds, they do not need them at an Atrium facility. As discussed elsewhere in these comments, adding to the monopolist's inventory does not provide any benefit to patients, payors or the healthcare system in general. Rather, it adds cost to the health care system. *See, e.g.*, discussion under Criterion (4) regarding transfer costs.

It is unclear the Atrium project would increase the physical capacity of Carolinas Rehabilitation. Atrium may already be using the eight patient rooms for rehabilitation patients when its census exceeds 70 patients. Because Atrium does not demonstrate the need for the project and does not demonstrate the extent to which all residents of the service area will have access to the proposed services, it does not conform to Criteria (3).

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[7] Truven Health Analytics 2017 Acute Care Days as reported in the 2019 Draft State Medical Facilities Plan, Chapter 5. Novant Health Mint Hill Medical Center opened October 1, 2018.

Criterion (4)

Criterion (4) NCGS 131E-183(a)(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.

Atrium Has Not Chosen the Least Costly or Most Effective Alternative

The least costly or most effective alternative is the status quo for Atrium, *i.e.,* no increase in inpatient rehabilitation beds. Simply because an application can be submitted does not mean that an application should be submitted. Similarly, the fact that Atrium applied for these beds does not mean that the Agency is compelled to award them to Atrium.

Atrium currently controls 95% of the inpatient rehabilitation beds in HSA III (192/202). No other HSA in North Carolina has such an extraordinary concentration of inpatient rehabilitation beds in any single provider. See, e.g., Table 8A, page 107, 2018 SMFP. Atrium's near total monopoly in HSA III and complete monopoly in Mecklenburg County on inpatient rehabilitation services is not good for patients, payors or the health care system in general.[8] Competition leads to lower prices, higher quality and promotes innovation. As the near total monopolist in inpatient rehabilitation beds in HSA III and the complete monopolist in Mecklenburg County, Atrium has no incentive whatsoever to lower prices, improve quality or do anything innovative. Awarding eight beds to NHPMC will end Atrium's monopoly in Mecklenburg County, which has the highest population in HSA III. The need determination in the SMFP is determinative. See Criterion (1), N.C. Gen. Stat. § 131E-183(a)(1). The fact that Novant cannot create a larger inpatient rehabilitation unit is no reason to grant *more* inpatient rehabilitation beds to Atrium and continue its monopoly.

The Agency has previously recognized that even when a new entrant is not able to create competitive balance immediately, adding some competition to end a monopoly is in the public interest. In the 2012 Cumberland-Hoke 28 Acute Care Bed Review, the Agency stated:

> **Competition**
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> **CFVMC** – Cumberland County Hospital System, Inc. d/b/a Cape Fear Valley Medical System (CFVMC) and its subsidiaries

[8] Atrium is currently being sued by the United States Department of Justice Antitrust Division and the State of North Carolina in the United States District County for the Western District of North Carolina. *United States v. Charlotte-Mecklenburg Hospital Authority,* No. 3:16-cv-00311 (W.D.N.C.). The USDOJ and the State of North Carolina allege that Atrium violated Section 1 of the Sherman Antitrust Act based on "anti-steering" provisions in the Atrium's managed care contracts. These "anti-steering" provisions are alleged to preclude insurance companies from directing volume away from Atrium to providers that may be lower cost or higher quality than Atrium. Two consumer class actions have also been filed against Atrium based on the USDOJ's complaint, *DiCesare v. The Charlotte-Mecklenburg Hospital Authority*, Case No. 16 CVS 16404 (Mecklenburg County Superior Court); *Benitez v. The Charlotte-Mecklenburg Hospital Authority*, No. 3:18-cv-00095 (W.D.N.C.)

> currently control 596 of the 604 existing or approved acute care beds in the Cumberland-Hoke Multi-County Acute Care Bed Service Area. If CFVMC's proposed project to develop the 28 new acute care beds at CFVMC Owen Drive Campus is approved Cumberland County Hospital System, Inc. and its subsidiaries will control 624 of 632 existing or approved acute care beds in the Cumberland-Hoke Multi-County Acute Care Bed Service Area. FirstHealth currently controls 8 of the 604 existing or approved acute care beds in the Cumberland-Hoke Multi-County Acute Care Bed Service Area. If FirstHealth's proposed project to develop the 28 acute care beds at its approved 8 acute care bed hospital, FHCH, in Hoke County, FirstHealth will control 36 of the 632 existing or approved acute care beds in the Cumberland-Hoke Multi-County Acute Care Bed Service Area. Therefore, with regard to competition, the application submitted by FirstHealth is the most effective alternative.

See Findings on 2012 Cumberland-Hoke 28 Acute Care Bed Review, page 74, attached hereto.

Cost Effectiveness

Despite a seemingly low capital and a seemingly fast projected opening date, there is a very high price tag to the Atrium project. As the situation currently stands, Novant patients in need of inpatient rehabilitation services must be transferred to an Atrium facility. The transfer costs include transportation, repeat laboratory tests and imaging, repeat specialist consultations and the delay costs when a Novant Health acute care patient remains in an acute care bed due to delays in admission to an Atrium rehabilitation facility. These are costs borne by patients and payors and Novant Health itself. Awarding more beds to Atrium does nothing to avoid these costs; rather, it just perpetuates an unhealthy situation. The NHPMC project is more cost-effective than the Atrium project because the NHPMC project avoids the transfer costs for hundreds of patients annually who will not need to be transferred from acute care at Novant Health hospitals to an Atrium rehabilitation facility.

The project cost for the NHPMC project is $2,033,433 while the cost for the Atrium project is $233,900. This one-time project cost difference will be offset by the continuing savings from not transferring acute care patients from Novant Health to Atrium for inpatient rehabilitation.

The difference in project costs between the applications is further offset by Atrium's references to a possible replacement hospital for Carolinas Rehabilitation.[9] Atrium says in its application this is not an application for a replacement hospital.[10] However, the Agency's decision on its application will determine whether the possible replacement hospital is for 70 or 78 beds. The ultimate cost of

[9] Project I.D. #F-011566-18 Page 16, Page 40, Footnote 2
[10] Project I.D. #F-011566-18 Page 16, Page 40, Footnote 2

approving the Atrium Application is the additional cost for new construction of eight more beds in a replacement hospital, which will be far more than the NHPMC project cost.

Criterion (6)

Criterion (6) NCGS 131E-183(a)(6): The applicant shall demonstrate that the proposed project will not result in unnecessary duplication of existing or approved health service capabilities or facilities.

The Atrium project creates an unnecessary duplication of services because it simply adds capacity to the health system that already has a monopoly on inpatient rehabilitation services in HSA III.

Exhibit 12 of the Atrium Application shows a floor plan for CR before and after the proposed project. The eight patient rooms proposed by Atrium already exist as patient rooms with room numbers on the existing floor plan. The Atrium project may not increase the actual number of beds physically available for rehabilitation patients if the eight existing beds Atrium proposes to license are now available for rehabilitation patients. The Atrium Application does not explain how these eight beds are used now, or why these beds cannot be used on a temporary basis if CR exceeds its licensed capacity. By contrast, the NHPMC project will increase the actual number of beds physically available for rehabilitation patients in HSA III.

Atrium repeatedly references a future replacement hospital for the Carolinas Rehabilitation beds.[11] That replacement is, of course, not before the Agency at the present time, and does not provide a reason to approve Atrium's application. The Agency should realize that while the cost of the immediate project is low, approval of the Atrium project is the precursor to a larger and more expensive 78-bed replacement hospital. Regardless of Atrium's future plans for new construction, the Atrium project offers nothing new to patients or payors.

Atrium has not demonstrated that the proposed project will not result in unnecessary duplication of existing or approved health service capabilities or facilities and therefore does not conform to Criteria (6). The Novant project, by contrast, offers beneficial choice and competition in inpatient rehabilitation services in Mecklenburg.

Criterion (18a)

Criterion (18a) NCGS 131E-183(a)(18a): The applicant shall demonstrate that the 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

[11] See, e.g., Project I.D. #F-011566-18, Page 16, Page 40.

the services proposed, the applicant shall demonstrate that its application for a services on which competition would not have a favorable impact.

Approving the Atrium project continues its monopoly on inpatient rehabilitation services in Mecklenburg County. Atrium's project does not enhance competition. It prevents competition.

The Certificate of Need law should not be administered to perpetuate monopolies where there is sufficient need to support multiple providers. Clearly, there is sufficient demand in HSA III and in Mecklenburg County specifically for Atrium and Novant Health to provide inpatient rehabilitation services. Approval of the Atrium Application is contrary to the public interest because it unnecessarily perpetuates a monopoly. Approval of the NHPMC unit will give Mecklenburg County residents who need inpatient rehabilitation services the choice of a Novant Health or an Atrium program.

Approving the NHPMC Application will create the competition and choice HSA III and Mecklenburg County in particular lack. Mecklenburg County is the most highly populated county in North Carolina,[12] yet all IRFs in Mecklenburg County are owned by Atrium. Atrium has 112 licensed rehabilitation beds in Mecklenburg County while Novant Health has none. Atrium's monopoly on inpatient rehabilitation beds in Mecklenburg County increases its market power with health plans and its opportunity to use that market power in contract negotiations to raise negotiated rates and decrease access to Novant Health facilities. As discussed above, the United States Department of Justice is currently suing Atrium on antitrust grounds because of Atrium's alleged anticompetitive practices with respect to managed care contracting.

The CON application form specifically asks how a project will affect competition.[13] In its application, Atrium gives a vague non-answer to this question. Atrium claims that approving its application will promote competition. This is impossible because Atrium has no competition in Mecklenburg County, and only a *de minimis* amount of competition from NHRMC in Rowan County. Without Novant Health inpatient rehabilitation beds in Mecklenburg County, there is no competitor and no competition. Approval of the Atrium Application can provide no benefits of competition because the approval would continue Atrium's monopoly in Mecklenburg County and prevent Novant Health from competing. Approval of the NHPMC Application is the *only* way to create competition in inpatient rehabilitation services in HSA III and in Mecklenburg County specifically.

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[12] https://www.census.gov/quickfacts/fact/table/mecklenburgcountynorthcarolina/PST045217. The next most highly populated county in North Carolina, Wake County, has one existing provider of inpatient rehabilitation services (WakeMed) and one approved provider (Duke Raleigh). See Table 8A of the 2018 SMFP. Though it is far smaller than the WakeMed unit, the proposed Duke Raleigh unit will provide choice and competition for residents of Wake County and surrounding areas. The same will be true for the NHPMC unit.

[13] Section N, Question 1: "Explain the expected effects of the proposed project on competition in the proposed service area."

In response to the 2017 petition for additional rehabilitation beds by Novant Health and Encompass Health, Atrium argued that it did not have a monopoly in Mecklenburg County (and surrounding areas) because of the 50-bed inpatient rehabilitation hospital in Rock Hill, SC, owned and operated by Encompass Health. The existence of a facility in another county, in another state does not alter the fact that in HSA III and in Mecklenburg County specifically, Atrium has a monopoly. Data from Encompass Health shows that in 2017, the Rock Hill facility served only 167 patients from Mecklenburg County compared to the 1,240 Mecklenburg County residents discharged from Atrium rehabilitation units in Mecklenburg County.[14] Similarly, in 2017, the rehabilitation unit at NHRMC discharged only four Mecklenburg County residents.[15] There is no question that Atrium has a monopoly on inpatient rehabilitation services in HSA III (95% control) and in Mecklenburg County specifically (100% control).

Approval of the NHPMC unit will give Mecklenburg County residents who need IRF services the option of a Novant Health or an Atrium program. Without approval of this unit these patients have no choice and there is no competition to serve these patients. The excerpt below provides an example of how the lack of choice affects patients. The full letter of support is in Project I.D. #F-011584-18 Exhibit H-4.

> The main barriers we face for inpatient rehabilitation are geographical and service limitations. …Atrium Health…is highly selective when it comes to accepting Novant Health patients…Encompass will typically authorize admission for our patients, including those in observation, and their outcomes are very good. However, the closest location is in Rock Hill, South Carolina, which is over an hour away without traffic issues. Families typically do not want to drive that far or suffer the added expense of extra travel…the end result is that we send more patients to skilled nursing facilities which can result in longer lengths of stay, less functional recovery, higher costs and greater risk of a healthcare facility acquired infection.
>
> -Susan Guthrie, MSN, RN, ACM, Supervisor, Case Management Novant Health Huntersville Medical Center

Program Efficiency

While Atrium says its longer lengths of stay are an indicator of the acuity of its patients,[16] that is only one possible explanation. As the data below from the Atrium Application shows, Atrium's

[14] Truven CY 2017 Data, Rehab Flag = 1
[15] Truven CY 2017 Data, Rehab Flag = 1
[16] Project I.D. #F-011566-18 Page 23

average lengths of stay at Carolina Rehabilitation are longer than average for patients in virtually all Rehabilitation Impairment Category ("RIC") groups, even the most common RICs. It is unlikely it has above average acuity in so many RICs.

North Carolina Inpatient Rehabilitation Facilities
Discharges, FY2017

RIC	RIC Description	Statewide (23 Hospitals and Units) Total Discharges for RIC	% of Discharges for Each RIC to Total State Discharges	State ALOS for RIC	Carolinas Rehabilitation Total Discharges for RIC	% of Discharges for Each RIC to Total CR Discharges	CR ALOS for RIC
01	Stroke	2,076	29.0%	15.4	252	20.6%	18.1
02	Traumatic brain injury	222	3.1%	14.0	85	7.0%	21.6
03	Non-traumatic brain injury	461	6.4%	12.8	153	12.5%	16.0
04	Traumatic spinal cord injury	98	1.4%	18.0	55	4.5%	24.9
05	Non-traumatic spinal cord injury	430	6.0%	15.4	136	11.1%	19.6
06	Neurological	353	4.9%	14.1	28	2.3%	15.4
07	Fracture of lower extremity	498	7.0%	13.1	15	1.2%	14.2
08	Replacement of lower extremity joint	195	2.7%	10.8	3	0.2%	12.7
09	Other orthopedic	427	6.0%	11.7	31	2.5%	12.4
10	Amputation, lower extremity	443	6.2%	12.9	49	4.0%	15.3
11	Amputation, non-lower extremity	25	0.3%	12.8	1	0.1%	19.0
12	Osteoarthritis	N/A	N/A	N/A	0	0.0%	N/A
13	Rheumatoid, other arthritis	N/A	N/A	N/A	0	0.0%	N/A
14	Cardiac	522	7.3%	11.5	71	5.8%	13.1
15	Pulmonary	129	1.8%	11.8	15	1.2%	11.9
16	Pain	N/A	N/A	N/A	0	0.0%	N/A
17	Major multiple trauma w/o brain or spinal cord injury	154	2.2%	13.4	33	2.7%	13.2
18	Major multiple trauma w/ brain or spinal cord injury	55	0.8%	16.5	86	7.0%	21.3
19	Guillain Barre	11	0.2%	19.0	9	0.7%	17.4
20	Miscellaneous	1,038	14.5%	12.1	203	16.6%	14.0
Top 20 RICs		7,137		13.6	1,224		17.3

Data sources: Medicare PPS Claims; Atrium Health

The higher length of stay is not due to the fact Carolinas Medical Center is a Level I trauma center. The table below compares the average length of stay for rehabilitation hospitals affiliated with

Level I trauma centers nationally. Other trauma centers have higher case mix indices and the associated rehabilitation hospitals have lower ALOS. An equally possible explanation for the longer stays at Carolinas Rehabilitation is inefficient programs and unnecessary days and costs. A lack of competition often allows waste and inefficiency.

		Level 1 Trauma Centers		Inpatient Rehabilitation Facility	
City	ST		CMI		ALOS
Charlotte	NC	Carolinas Medical Center	2.13	Carolinas Rehabilitation	15.2
Macon	GA	Medical Center Navicent Health	1.91	Rehabilitation Hospital Navicent Health	15.2
Saint Louis	MO	Barnes-Jewish Hospital	2.24	The Rehabilitation Institute of St Louis	14.6
Kingsport	TN	Holston Valley Medical Center	1.86	HealthSouth Rehabilitation Hospital of Kingsport	14.3
Nashville	TN	Vanderbilt UMC	2.33	Vanderbilt Stallworth Rehabilitation Hospital	13.9
Richmond	VA	VCU Medical Center Main Hospital	2.27	Encompass Health Rehabilitation Hospital of Richmond	13.8
Columbia	MO	University Hospital	1.98	Rusk Rehabilitation Hospital	13.8
Dayton	OH	Miami Valley Hospital	1.86	HealthSouth Rehabilitation Hospital of Dayton	13.8
Worcester	MA	UMass Memorial Medical Center	1.82	Fairlawn Rehabilitation Hospital	13.4
Las Vegas	NV	UMC of Southern Nevada	2.01	Encompass Health Rehabilitation Hospital of Las Vegas	13.1
Savannah	GA	Memorial Health UMC	2.11	Rehabilitation Hospital of Savannah	12.7
Danville	PA	Geisinger Medical Center	1.87	Geisinger HealthSouth Rehabilitation Hospital	12.7
Portland	ME	Maine Medical Center	2.2	New England Rehabilitation Hospital of Portland	12.3
Chattanooga	TN	Erlanger Baroness Hospital	1.91	HealthSouth Chattanooga Rehabilitation Hospital	12.3
Average			2.04		13.7

Source: Definitive Healthcare database, October 2018

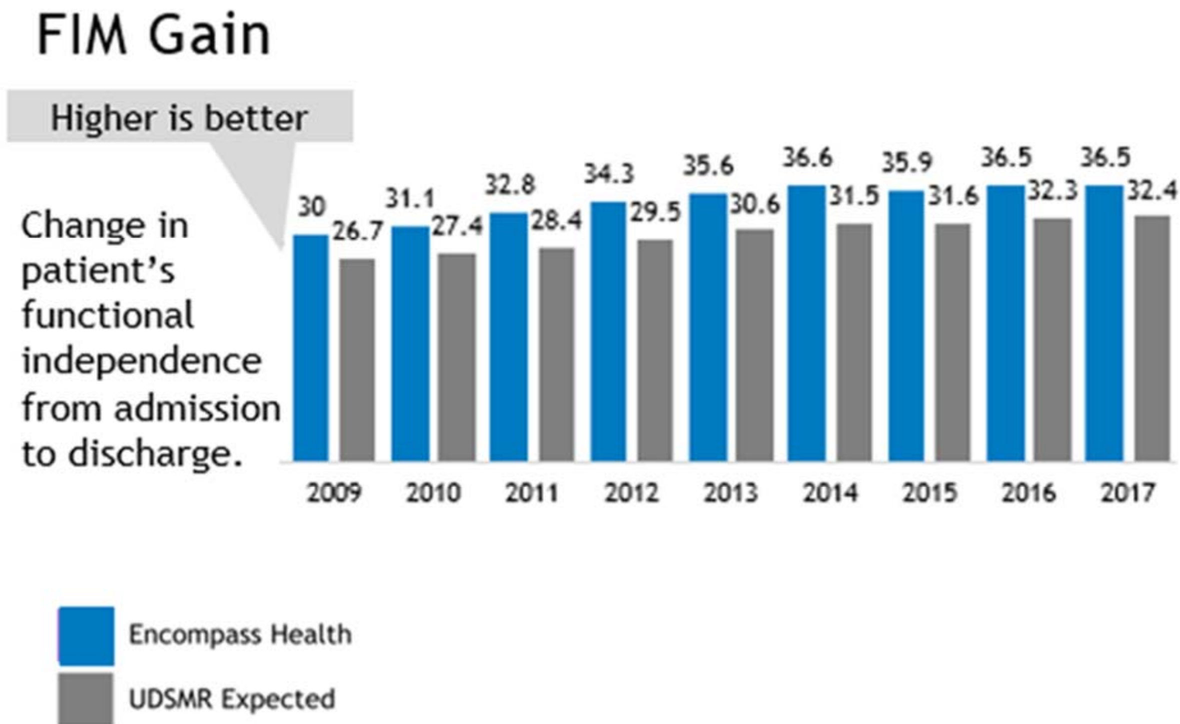
Quality of Care

As the monopolist provider, Atrium has no incentive to improve quality or to innovate its service offerings. The NHPMC Application does more to increase quality of care than the Atrium Application. The quality of care for inpatient rehabilitation patients the NHPMC unit will treat will equal or exceed the quality of care for similar patients at the Atrium units. The unit will focus on stroke, neurological, and orthopedic disorders. NHPMC is a certified stroke center. Novant Health will continue to refer its multiple trauma, brain injury, spinal cord injury, and burn patients needing inpatient rehabilitation to Atrium.

The NHPMC Rehabilitation Unit will be managed by Encompass Health Corporation ("Encompass Health"). Encompass Health is the largest provider of inpatient rehabilitation services in the United States, operating 128 inpatient rehabilitation facilities ("IRFs") in thirty-one (31) states and Puerto Rico. Six (6) new IRFs are under development. Novant Health and Encompass Health are joint venture partners in Novant Health Rehabilitation Hospital of Winston-Salem, an affiliate of Encompass Health, which opened in October 2018 as a replacement hospital for the rehabilitation beds at NHFMC. While the hospital was under construction, Encompass Health managed the rehabilitation unit at Novant Health Forsyth Medical Center.

Patient Improvement

There are accepted measures of quality of care for inpatient rehabilitation programs. Functional Improvement Measure ("FIM®") Gain is a measure of functional improvement from admission to discharge and indicates the degree of practical improvement toward the patient's rehabilitation goals. This tool includes eighteen cognitive and functional measures including walking, climbing stairs, transfers, bowel and bladder function and dressing. The chart below shows Encompass Health FIM® Gain exceeded the Uniform Data System for Medical Rehabilitation ("UDSMR®") expected FIM® Gain for each of the last nine years.



The Atrium Application does not provide FIM Scores for its units or any other objective evidence of the quality of its services. In addition, the application has no information on the adequacy of the rehabilitation space or activities to treat an increase in census of 11 percent.

Continuity of Care

Atrium emphasizes the importance of vertical integration and care coordination within the continuum of care to improve outcomes and reduce unnecessary readmissions. Per Atrium's application, "…CR's vertical integration enables Atrium Health to manage patients through the continuum of care to improve outcomes and reduce unnecessary readmissions."[17] Maintaining a

[17] Project I.D. #F-011566-18 Page 29

consistent care team is equally important for Novant Health patients for continuity of care and better patient outcomes.[18, 19] For patients who receive acute care at Novant Health hospitals, only approval of the NHPMC Application can improve continuity of care. The NHPMC rehabilitation unit will operate along with the 12-bed subacute SNF unit at NHPMC, as well as outpatient rehabilitation services, to provide a full continuum of post-acute services. For rehabilitation patients with comorbidities and continuing acute care issues, remaining at Novant Health improves continuity of care because their Novant Health specialists have access to them. Because of its ability to draw on Novant Health's existing rehabilitation resources, as well as the new resources in the unit, the new inpatient rehabilitation unit at NHPMC can provide better services than a small rehabilitation unit in a smaller acute care hospital.

When a Novant Health patient is admitted to an Atrium inpatient rehabilitation hospital, Novant Health physicians cannot follow the patient while in rehabilitation. In addition, Novant Health staff do not routinely receive notification that the patient has been discharged. This makes it difficult for Novant Health physicians, nurse navigators, and rehabilitation professionals to provide follow up outpatient care and continuing care for patients in their system. This severely impacts the continuity of care for Novant Health patients. Letters from physicians, case managers, and hospital administrative personnel expressing their concern regarding the break in continuity of care and support for the Novant Health application were included in Exhibit H-4.[20] Continuity of care for Novant Health acute care patients can only be improved by approving the NHPMC Application.

Conclusion

In summary, the Agency can approve only one application for eight new inpatient rehabilitation beds in Mecklenburg County. The Agency should approve the NHPMC Application. The NHPMC Application is individually conforming to all applicable review criteria, while the Atrium Application is not conforming. In addition, the NHPMC Application is superior to the Atrium Application on many points of comparison:

[18] The importance was shown in a case study of patients receiving ongoing neuropsychological services after brain injury. Meyers-Sondik and Pier found that "continuity with a physician affects the number of preventative care visits, substance abuse, and need for hospitalization. "Meyers-Sondick, T. and J.W. Pier. 2000 Continuity of Care for Brain Injury Patients: A Model for Neuropsychologists. Archives of Clinical Neuropsychology, 15(8), p. 662-663.

[19] McCall, et al. also noted that programs in which neuropsychologists followed patients from initial hospitalization to inpatient rehabilitation and beyond led to improved dissemination of information, patient and family education, treatment, crisis intervention and ability of interdisciplinary teams to monitor patients' functioning levels. McCall, N., Korb Peterson et al. 2003. Reforming Medicare Payment: Early Effects of the 1997 Balanced Budget Act on Post-acute Care. Milbank Quarterly, 81(2), p. 277-303.

[20] Similar letters submitted in support of the Petition were included in Exhibit C-4 of the Novant Health application.

- The NHPMC unit will eliminate Atrium's monopoly on inpatient rehabilitation services in Mecklenburg County, give patients and physicians a choice of providers and establish constructive competition between two major health systems.
- The NHPMC unit will provide equal or better rehabilitation quality of care for the stroke, neurological and other rehabilitation patients that will be its focus. Improved continuity of care for Novant Health acute care patients who need rehabilitation is a major reason quality of care will improve with approval of the NHPMC Application.
- The NHPMC unit will be more cost-effective than the Atrium unit because the difference in project costs will be more than offset by on-going savings from hundreds of Novant Health acute care patients who avoid a transfer to an Atrium rehabilitation unit.
- The NHPMC unit will improve access to care by providing better access to rehabilitation services for Novant Health acute care patients and equal access for medically underserved patients.

Novant Health respectfully submits that the Agency should not administer the CON law to continue unnecessary monopolies. For this and other reasons set forth in these comments, it should approve the NHPMC Application, Project I.D. #F-011584-18, and deny the Atrium Application, Project I.D. #F-011566-18.

ATTACHMENT - REQUIRED STATE AGENCY FINDINGS

FINDINGS
C = Conforming
CA = Conditional
NC = Nonconforming
NA = Not Applicable

DECISION DATE: November 27, 2012
FINDINGS DATE: December 4, 2012

PROJECT ANALYST: Gregory F. Yakaboski
SECTION CHIEF: Craig R. Smith

PROJECT I.D. NUMBER: M-8833-12 / Cumberland County Hospital System, Inc., d/b/a Cape Fear Valley Medical Center/ Add 28 Acute Care Beds at Cape Fear Valley Medical Center on Owen Drive / Cumberland County

N-8838-12 / FirstHealth of the Carolinas, Inc/ Add 28 Acute Care Beds to its approved 8-bed acute care hospital in Hoke County/ Hoke County

REVIEW CRITERIA FOR NEW INSTITUTIONAL HEALTH SERVICES

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.

NC
CFVMC

C
FHCH

The 2012 State Medical Facilities Plan (SMFP) includes a need determination for 28 additional acute care beds for the Cumberland-Hoke County Acute Bed Service Area. On page 47, the 2012 SMFP states:

"Any qualified applicant may apply for a certificate of need to acquire the needed acute care beds. A person is a qualified applicant if he or she proposes to operate the additional acute care beds in a hospital that will provide:

(1) a 24-hour emergency services department,
(2) inpatient medical services to both surgical and non-surgical patients, and
(3) if proposing a new licensed hospital, medical and surgical services on a daily basis within at least five of the major diagnostic categories as recognized by the Centers for Medicare and Medicaid services (CMS), as follows: … [as listed in the 2012 SFMP]."

Policy GEN-3: Basic Principles is applicable to this review. Policy GEN-3 states:

> *"A certificate of need applicant applying to develop or offer a new institutional health service for which there is a need determination in the North Carolina State Medical Facilities Plan shall demonstrate how the project will promote safety and quality in the delivery of health care services while promoting equitable access and maximizing healthcare value for resources expended. A certificate of need applicant shall document its plans for providing access to services for patients with limited financial resources and demonstrate the availability of capacity to provide these services. A certificate of need applicant shall also document how its projected volumes incorporate these concepts in meeting the need identified in the State Medical Facilities Plan as well as addressing the needs of all residents in the proposed service area."*

Policy GEN-4: Energy Efficiency and Sustainability for Health Service Facilities is applicable to this review. This policy states:

> *"Any person proposing a capital expenditure greater than $2 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, the Certificate of Need Section 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 are 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."*

Cumberland County Hospital System, Inc., d/b/a Cape Fear Valley Medical Center ("CFVMC") operates a total of 604 beds, including 490 bed hospital at Owen Drive,

Fayetteville ("Owen Drive Campus") and has a certificate of need to develop a 65 bed satellite hospital know as CFV North ("CFV North"), also in Fayetteville, Cumberland County, with a certificate of need issued to a subsidiary, Hoke County Medical Center ("HCMC") to develop a 41 bed hospital in Hoke County. CFVMC proposes to add 28 acute care beds to its existing 490 bed hospital at the Owen Drive Campus, Fayetteville, in Cumberland County. CFVMC operates a 24-hour emergency services department and provides inpatient medical services to both surgical and non-surgical patients. The applicant is not proposing a new licensed hospital. Thus, CFVMC is a qualified applicant.

FirstHealth of the Carolinas, Inc. d/b/a FirstHealth Moore Regional Hospital ("FirstHealth") proposes to add 28 acute care beds to its approved 8-bed hospital (FirstHealth Hoke Community Hospital or **FHCH**) to be developed along US-401 East (Williams Properties) in Raeford in Hoke County. The applicant has approval to develop and operate a 24-hour emergency services department and provide inpatient medical services to both surgical and non-surgical patients at FHCH. The applicant is not proposing a new licensed hospital. Thus, FHCH is a qualified applicant.

CFVMC. proposes to develop 28 acute care beds at CFVMC's Owen Drive Campus in Fayetteville.

Need Determination – CFVMC does not propose to develop more than 28 acute care beds in the Cumberland-Hoke Acute Care Bed Service area. Therefore, the application is conforming to the 2012 need determination for 28-acute care beds in the Cumberland-Hoke Acute Care Bed Service area.

Policy GEN-3 – CFVMC describes how its proposal will promote safety and quality in Section II.7, pages 24-25, Exhibits 13, 14 and 15, Section II.2, pages 20-12, Section II.6, pages 22-24, Exhibits 20, 22 and 35, Section III.2, pages 58-60, Exhibit 38, and Section V.7, page 85. However, the applicant does not adequately demonstrate how its proposal would promote quality of care. See discussion in Criterion (20) which is incorporated hereby as if fully set forth herein. Therefore, the application is nonconforming to Policy GEN-3.

CFVMC describes how its proposal will promote equitable access in Section III.2, pages 57-58, Section V.7, page 86, and Section VI., pages 87-88 and 89. The information provided by the applicant is reasonable, credible and supports the determination that the applicant's proposal will promote equitable access

CFVMC describes how its proposal will maximize health care value for resources expended in Section III.1., pages 38-55, Section III.2, page 57, Section V.7, page 85, Section IV, pages 70-71, Section X, pages 110-112 and Section XIII. The information provided by the applicant is reasonable, credible and supports the determination that the applicant's proposal will maximize health care value for resources expended.

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Policy GEN-4 - CFVMC provides a written statement describing the project's plan to assure improved energy efficiency and water conservation in Section III, pages 60-62, of the application and in Exhibit 10.

In summary, CFVMC is conforming to the need determination in the 2012 SMFP and to Policy GEN-4. However, the applicant is not conforming to Policy GEN-3. Therefore, the application is nonconforming to this criterion

FHCH. FirstHealth proposes to develop 28 acute care beds at their approved 8-bed acute care hospital in Hoke County.

Need Determination – FirstHealth does not propose to develop more than 28 acute care beds in the Cumberland-Hoke Acute Care Bed Service area. Therefore, the application is conforming to the 2012 need determination for 28-acute care beds in the Cumberland-Hoke Acute Care Bed Service area.

Policy GEN-3 – FirstHealth describes how its proposal will promote safety and quality in Section II.7, pages 34-36, Exhibit 8, Section II.2, page 30, Section II.6, page 33, Section III.2, page 84 and Section V.7, pages 120-124. The information provided by the applicant is reasonable, credible and supports the determination that the applicant's proposal will promote safety and quality.

FirstHealth describes how its proposal will promote equitable access in Section III.2, page 84, Section V.7, pages 125-128 and Section VI., pages 131-133. The information provided by the applicant is reasonable, credible and supports the determination that the applicant's proposal will promote equitable access

FirstHealth describes how its proposal will maximize health care value for resources expended in Section III.1., pages 65-82, Section III.2, page 84, Section V.7, pages 120-121 and 128, Section IV, pages 93-108, Section X, pages 164-167 and Section XIII. The information provided by the applicant is reasonable, credible and supports the determination that the applicant's proposal will maximize health care value for resources expended.

FirstHealth adequately demonstrates how its proposal will promote safety and quality, equitable access and maximize healthcare value for resources expended. Therefore, the application is consistent with Policy GEN-3.

Policy GEN-4 - FirstHealth provides a written statement describing the project's plan to assure improved energy efficiency and water conservation in Section III, page 85, and Section X, page 165, of the application.

In summary, the application is conforming to this criterion.

Furthermore, only 28 acute care beds may be approved in this review. Therefore, both of the applications cannot be approved. [See the Comparative Analysis section for the decision

regarding the development of 28 acute care beds in Cumberland-Hoke County Acute Care Bed Service Area].

(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, handicapped persons, the elderly, and other underserved groups are likely to have access to the services proposed.

C
CFVMC

CA
FHCH

CFVMC. The applicant, CFVMC, operates a hospital with 490 beds at Owen Drive, Fayetteville ("Owen Drive Campus") and has a certificate of need to develop a 65 bed satellite hospital know as CFV North ("CFV North"), also in Fayetteville, Cumberland County, and a certificate of need to develop a 41 bed hospital in Hoke County ("HCMC"). CFVMC proposes to add 28 acute care beds to its existing 490 bed hospital at the Owen Drive Campus, Fayetteville, in Cumberland County. CFVMC operates a 24-hour emergency services department and provides inpatient medical services to both surgical and non-surgical patients. The applicant is not proposing a new licensed hospital. CFVMC proposes to develop 28 new acute care beds at its Owen Drive Campus, Fayetteville, Cumberland County pursuant to a need determination in the 2012 SMFP. If approved, the proposed project will result in 518 acute care beds at CVFMC's Owen Drive Campus and 583 acute care beds overall at CFVMC when the approved 65 acute care beds at CFVMC's satellite hospital, CFV-North, are included. CFVMC-Owen Drive and CFV-North will share the same license. In addition, the applicant owns and operates 66 acute care beds at Highsmith-Rainey Specialty Hospital ("HSRSH") which is located in Fayetteville, Cumberland County. The 66 acute care beds at HSRSH are LTAC beds and are not included in utilization.

Population to be Served

In Section III.5(c), pages 65-66, the applicant provides projected patient origin for CFVMC-Owen Drive Campus first two years of operation following completion of the proposed project as illustrated in the table below (the decrease at CFVMC- Owen Drive reflects the opening of CFV North and HCMC)

CFVMC- Owen Drive Campus Only
Total Projected Inpatient Days of Care by County

County	FY 2015 PY 1-Days of Care	FY 2015 PY 1- Percent of Total
Cumberland	128,454	73.7%
Bladen	4,492	2.6%
Harnett	10,464	6.0%
Hoke	6,603	3.8%
Robeson	11,955	6.9%
Sampson	6,241	3.6%
Other	6,146	3.5%
Total*	174,357	100.0%

Source: Thomson data included in Exhibit 30, Table 4
*Other reflects all other North Carolina Counties and other States as reflected in Exhibit 30, Table 8 and/or in the patient origin tables included in the CFVMC 2012 LRA included in Exhibit 37.

CFVMC- Owen Drive Campus Only
Total Projected Inpatient Days of Care by County

County	FY 2016 PY 2- Days of Care	FY 2016 PY 2-Percent of Total
Cumberland	122,080	73.8%
Bladen	4,573	2.8%
Harnett	10,139	6.1%
Hoke	4,670	2.8%
Robeson	11,949	7.2%
Sampson	6,321	3.8%
Other	5,595	3.4%
Total*	165,326	100.0%

Source: Thomson data included in Exhibit 30, Table 4
*Other reflects all other North Carolina Counties and other States as reflected in Exhibit 30, Table 8 and/or in the patient origin tables included in the CFVMC 2012 LRA included in Exhibit 37.

In Section III.5(c), page 67, the applicant provides projected patient origin for both CFVMC-Owen Drive Campus and CFV North for the first two years of operation following completion of the proposed project as illustrated in the table below

CFVMC- Owen Drive Campus plus CFV North
Total Projected Inpatient Days of Care by County

County	FY 2015 PY 1-Days of Care	FY 2015 PY 1- Percent of Total

Cumberland	128,454	73.7%
Bladen	4,492	2.6%
Harnett	10,464	6.0%
Hoke	6,603	3.8%
Robeson	11,955	6.9%
Sampson	6,241	3.6%
Other	6,146	3.5%
Total*	174,357	100.0%

Source: Thomson data included in Exhibit 30, Table 4
*Other reflects all other North Carolina Counties and other States as reflected in Exhibit 30, Table 8 and/or in the patient origin tables included in the CFVMC 2012 LRA included in Exhibit 37.

CFVMC- Owen Drive Campus plus CFV North
Total Projected Inpatient Days of Care by County

County	**FY 2016 PY 2- Days of Care**	**FY 2016 PY 2-Percent of Total**
Cumberland	122,583	74.1%
Bladen	4,397	2.7%
Harnett	10,242	6.2%
Hoke	4,490	2.7%
Robeson	11,489	6.9%
Sampson	6,109	3.7%
Other	6,016	3.6%
Total*	171,621	100.0%

Source: Thomson data included in Exhibit 30, Table 4
*Other reflects all other North Carolina Counties and other States as reflected in Exhibit 30, Table 8 and/or in the patient origin tables included in the CFVMC 2012 LRA included in Exhibit 37.

In Section III.5(a), page 64, the applicant states

> *"CFVMC serves residents of Cumberland and surrounding counties. The CFVMC Service Area will not change as a result of the proposed project."*

In Section III.5(c), page 66, the applicant states

> *"Projected patient origin for inpatient days of care at CFVMC (including both Owen Drive and CFV North) was calculated based upon the FY 2011 acute care inpatient services patient origin at CFVMC adjusted to reflect the impact of patient volume shifting to HCMC."*

In Section III.5(d), page 67, the applicant states

> *"CFVMC serves residents of Cumberland and surrounding counties. The CFVMC Service Area will not change as a result of the proposed project. The percent of patients by county is expected to shift slightly due to the new community hospitals in north Cumberland County and Hoke County. The patient origin was adjusted to reflect that impact, and is reflected in Exhibit 30, Tables 4, 5, 6 and 8."*

The applicant adequately identified the population proposed to be served.

Need Analysis

In assessing the need for the proposed project, CFVMC states in Section III, pages 38-48, that it looked at the factors summarized below.

"Increase in Acute Care Bed Capacity at CFVMC and CFVHS"

On page 39, CFVMC states *"The proposed addition of 28 acute care beds to the CFVMC campus on Owen Drive will be developed to realize an identified need resulting chiefly from the increase in patients from Cumberland County reflected in the following table.*

Average Daily Census of Patients by County

	2007	2008	2009	2010	2011	Increase in ADC 2007-2011	Increase in ADC 2009-2010
Bladen	11.5	5.3	10.0	10.7	11.9	0.4	0.7
Cumberland	279.2	294.9	305.2	318.6	345.7	66.5	13.4
Harnett	23.7	24.6	25.4	24.3	27.7	4.0	-1.2
Hoke	14.9	17.6	17.;2	16.8	20.7	5.7	-0.4
Moore	0.5	0.5	0.8	0.8	0.6	0.1	0.0
Robeson	27.6	29.7	29.2	29.3	32.0	4.5	0.1
Sampson	14.5	14.8	16.2	15.8	16.6	2.0	-0.4

CFVMC and CFV-North are part of the Cape Fear Valley Health System ("CFVHS"). The applicant also includes a table which illustrates Cape Fear Valley Health System's five acute care bed locations.

Cape Fear Valley Health System Acute Care Bed Capacity- Licensed, Approved and Proposed

	CON Licensed and Approved Acute Care Beds	Proposed Beds	Total Proposed, Licenses and CON approved Bed

			Capacity
Cape Fear Valley Medical Center	490	28	518
Cape Fear Valley Medical Center- CFV North	65	0	65
Hoke Community Medical Center	41	0	41
Bladen County Hospital	48	0	48
Highsmith-Rainey Specialty Hospital (LTACH)	66	0	66
Total System Acute Care Beds	710	28	738

"Need for 28 Additional Acute Care Beds at CFVMC"

On page 40, the applicant identifies the factors that substantiate the unmet need for additional acute care beds at CFVMC-Owen Drive:

- *2012 State Medical Facilities Plan identification of need for 28 acute care beds in the Cumberland/Hoke Service Area;*
- *High Utilization of Inpatient Services at CFVMC;*
- *Population growth in the CFVMC Service Area;*
- *Continued growth and development in Cumberland County*
- *Strong physician support included in Exhibit 23;*
- *Letters of support from the community, schools, businesses, local and state government and other healthcare providers included in Exhibits 24-26.*

"2012 State Medical Facilities Plan Identification of Need for 28 Acute Care Beds in the Cumberland Service Area"

On page 40, the applicant states that CFVMC is the only acute care provider in the SMFP defined service area, thus the need determination was generated by the high utilization and growth of patient days at CFVMC, which therefore substantiates the need for the development of the 28 additional acute care beds at CFVMC.

"High Utilization of Inpatient Services at CFVMC"

On pages 40-43, the applicant provides a series of tables and graphs illustrating the historical acute care beds utilization at CFVMC; acute care patient days; compound annual growth rate ("CAGR") of patient days; average daily census for acute care and emergency department utilization. The applicant states

> *"Development of the proposed 28 acute care beds will help address the increasing demand for acute care beds at CFVMC. ... Utilization of operational beds exceeded 80% during the last five years. ... CFVHS also has CON approval for 41 additional beds, which are to be developed at Hoke Community Medical Center in Hoke County, and 65 additional beds which are to be developed in northern Cumberland County. If those 106 beds were to be included in CFVMC's acute care bed capacity, utilization of*

> *total licensed and approved acute care beds would exceed the 78% SMFP planning target for facilities with an ADC of 400 or more patients per day in FY2011, as reflected in Exhibit 30, Table 1. …CFVMC's compound annual growth rate 'CAGR' for inpatient days continues to increase. … Average annual growth rate in patient days at CFVMC exceeded 3.0% annually since 2005, and when comparing the three, four, five and six-year trends, CAGR increased continually to a 4.3% CAGR for the timeframe 2005-2011. … Beginning in March 2011, CFVMC requested and received eight (8) approvals for a temporary increase of 10 percent in licensed acute care bed capacity from the DHSR Licensure Section pursuant to N.C.G.S section 131E-83. … Total occupancy for CFVMC for the first six months of FY2012 was 94.8%. … FY2011 was the busiest year on record in the Emergency Department at CFVMC. ED utilization in FY2012 continues to grow. … Year to date in 2012, Emergency Department admission have increased to over 20% of total emergency visits as reflected in Exhibit 30, Table 18. In addition, date in Exhibit 30, Table 18 reflect the delay patients experience waiting for an acute care bed due to the high utilization of acute care beds at CFVMC."*

"Population Growth in CFVMC Service Area"

On pages 43-44, the applicant states that population growth in *"southern Cumberland County, Hoke County, and southern Harnett County has impacted the utilization of CFVMC, and led to the expansion of inpatient beds at CFVMC and the development of Hoke Community Medical Center in Hoke County. … population growth in Cumberland County and in the entire Service Area is projected to be 1.6% annually during the next four years. Growth in Harnett and Hoke Counties continue to be higher at 2.8% and 3.0% respectively."* With respect to the impact of the Base Realignment and Closure Act ("BRAC") the applicant states … *While it is expected that the population will continue to grow; the growth rate will be lower and the growth will occur over a longer time frame."*

"Market Share Analysis"

On pages 44-45, the applicant states

> *"CFVMC is the only acute care provider in Cumberland County, and provides a large majority of inpatient services to residents of the county. …CFVMC meets the inpatient needs of:*
>
> - *86% of the residents of Cumberland County*
> - *42.8% of the inpatient needs of the residents of Hoke County*
> - *13% of the inpatient needs of the residents of Harnett County*
> - *10.7% of the inpatient needs of residents of Robeson County*
> - *17.9% of the inpatient needs of residents of Bladen County, and*
> - *13% of inpatient needs of the residents of Sampson County.*
>
> *… Some of the out-migration from Cumberland County … may be due to the high occupancy levels at CFVMC. .. new acute care beds at CFVMC will provide opportunities including … recapture of market share leaving Cumberland County, and*

meeting the inpatient needs of the growing population in southwest Cumberland County and the surrounding area."

"Economic Growth and Development"

On pages 45-48, the applicant states that Cumberland County is the economic growth center of southeastern North Carolina.

"Cumberland County Economic Growth and Development

There is an occupationally balanced, highly productive work force, and ideal geographic position, and a nationally recognized technical education program for new industry training at Fayetteville Technical Community College. ... Fayetteville-Cumberland County is an urban center of nearly 500,000 persons, including the service members at Fort Bragg, the 'Home of the 82nd Airborne and Special Operations Force.'. And most recently, the United States Army Forces Command and United States Army Reserve command have moved their headquarters to Fort Bragg. ... On June 2,1011, Fayetteville was recognized as the #1 best place for college graduates."

Cumberland County Transportation Development

Completion of the portion of I-295, the Fayetteville Outer Loop, connecting Fort Bragg and I-95 is scheduled to be complete by April 15, 2014.

Cumberland Residential Development

Fayetteville and Cumberland County offer a variety of affordable housing options and styles from which to choose.

On page 48, the applicant states *"The proposed project responds to two to the central purposes of the CON Law: to encourage efficient, cost-effective solutions that maximize existing resources rather than unnecessarily duplicating existing services and to improve access to healthcare services."*

Projected Utilization

In Section IV, page 71, the applicant provides projected utilization of the 28 acute care beds, as illustrated in the table below.

Cape Fear Valley Medical Center- Owen Drive Campus Plus Cape Fear Valley North

Acute Care Beds	**Prior Full FY 2010**	**Last Full FY 2011**	**Interim Full FY 2012**	**Interim Full FY 2013**	**First Full FY 2014**	**Second Full FY 2015**	**Third Full FY 2016**
# of beds	490	490	490	490	518	583	583
# of Discharges	29,287	31,468	31,918	32,375	32,263	31,782	31,877
# of Patient Days	155,926	170,061	172,494	174,963	174,357	171,621	172,136
Percent	na	9.1%	1.4%	1.4%	<0.3%>	<1.6%>	0.3%

increase in Patient Days							

.
The project analyst notes that The 66 beds acute care beds at Highsmith Rainey Specialty Hospital ("HSRSH") are designated as LTACH beds and are not included in the discussion. The applicant describes the assumptions and methodology used to project total patient days in Section III.1(b), pages 48-58, as follows:

1. Determine CFVMC Base Acute Inpatient Days. On page 51, the applicant states that acute inpatient days at CFVMC for FY2011 were 170,061 based on Thomson data and as reflected in the proposed 2013 SMFP.

2. Determine CFVMC Acute Inpatient Day Growth Rate. On page 52, CFVMC states that it considered four different alternatives in determining a growth rate to utilize to project utilization at CFVMC. CFVMC utilized the most conservative growth rate of the four alternatives, *"a 1.43% weighted population growth rate based upon acute inpatient admission patient origin."*

3. Project Future CFVMC Patient Days. On page 52, CFVMC projected patient days for FY2012 to FY2016 utilizing the 1.43% growth rate from Step 2. Patient days were projected prior to any adjustments for volumes shifted to CFV North and HCMC as illustrated in the table below.

	FY 2012	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**
CFVMC Projected Interim and Future Patient Days (includes volume to be shifted to CFV North and HCMC)	172,494	174,963	177,466	180,005	182,581
Projected Growth Rate (table 7)	1.43%	1.43%	1.43%	1.43%	1.43%
Licensed Bed Capacity (Includes all Licensed, Approved and Proposed Acute Care Beds)	490	490	559	624	624
Occupancy Rate	96.4%	97.8%	87.0%	79.0%	80.2%

*Note- the first three project years for the proposed new 28 acute care beds are FY2014 – FY2016.
**The table above covers all of CFVHS's acute care bed locations in the service area except for those at HSRSH which are excluded.

4. Adjust CFVMC Projected Utilization for Volume Shift to New Community. On page 53, the applicant provided projected acute care patient days for CFVMC-Owen Drive adjusted for volume to be shifted to CFV North and HCMC. CFVMC also discussed how it considered and factored in the potential impact of the new Harnett Health System 50 bed community hospital in Harnett County on CFVMC future utilization. The table below illustrates projected acute care patient days for CFVMC adjusted for CFV North, HCMC and Harnett Health System.

CFVMC – Owen Drive
Projected Acute Care Patient Days

	FY2011	**FY2012**	**FY2013**	**FY2014**	**FY2015**	**FY2016**
CFVMC Projected Interim	170,061	172,494	174,963	177,466	180,005	182,581

and Future Patient Days (includes volume to be shifted to CFV North and HCMC)						
CFV North Projected Patient Days					6,296	13,472
HCMC Projected Patient Days				3,110	8,384	10,445
CFVMC Projected Interim and Future Patient Days less volume shifted to CFV North and HCMC)	170,061	172,494	174,963	174,357	165,326	158,664
ADC	465.9	472.6	479.3	477.7	452.9	434.7
Licensed Bed Capacity	490	490	490	518	518	518
Occupancy Rate	95.1%	96.4%	97.8%	92.2%	87.4%	83.9%

On page 53, the applicant states

> *"To adjust for volume to be shifted to CFV North and HCMC, CFVMC utilized projected patient days from the respective approved CON applications. Details and data are included in Exhibit 30, Tables 3,4,5 and 6. CFV North and HCMC patient day projections were converted to CFVMC project years, and subtracted from total days projected in Step 3. … Projected patient days at CFVMC show a decrease from Project Year 1 to Project Year 3 as a result of the opening of CFV North and HCMC, respectively. The patient day volume at CFVMC in PY3, 158,664 acute inpatient days, results in a reasonable utilization rate of 83.9% for the proposed 518 acute care beds, all of which will be operational on October 1, 2013. … CFVMC considered the potential impact of the new Harnett Health System 50 bed community hospital in Harnett County on CFVMC future utilization. As previously discussed CFVMC meets the needs of 13% of total admission from Harnett County. However, these are patients that seek primary care in Cumberland County with Cumberland County physicians and are subsequently referred to Cumberland County hospitals for inpatient care. Therefore, CFVMC does not expect the new Harnett Health System community hospital to impact future utilization."*

Observation Beds. The proposed project includes reducing the number of observation beds at CFVMC from 129 to 88. On page 54, the applicant states

> *"In FY2011 average daily census of all observation beds at CFVMC was 56.3 patients. For the first six months of FY 2012, average daily census in CFVMC observation beds was 64.9 patients. Therefore, the remaining 88 observation beds resulting for the proposed project will be sufficient."*

The following tables illustrate occupancy rate at CFVMC, CFV North and Hoke Community Medical Center with and without the 28 acute care beds. These are the three acute care facilities in the CFVHS that are within the Cumberland-Hoke Acute Care Bed Service Area (not including HSRSH).

Note:
#1) that the first three project years for the proposed 28 acute care beds are FY 2014- FY 2016
#2) the approved 41 acute care beds for Hoke Community Medical Center commence in FY 2014
#3) the approved 65 acute care beds for CFV North commence in FY 2015.

CFVMC, CFV North and Hoke Community Medical Center
Projected Acute Care Inpatient Days

	FY 2011	FY 2012	FY 2013	FY 2014 (PY 1)	FY 2015 (PY 2)	FY 2016 (PY 3)
CFVMC Projected Interim and Future Patient Days (includes all Cumberland and Hoke County Acute Care Bed Facilities (of CFVHS))	170,061	172,494	174,963	177,466	180,005	182,581
ADC	465.9	472.6	479.3	486.2	493.2	500.2
Licensed Bed Capacity (Includes all Licensed, Approved and proposed acute care beds)	490	490	490	559	624	624
Occupancy Rate (includes the proposed 28 acute care beds)	95.1%	96.4%	97.8%	87.0%	79.0%	80.2%
Same as row 3 less the 28 propose beds	490	490	490	531	596	596
Occupancy Rate (**excludes** the proposed 28 acute care beds)	95.1%	96.4%	97.8%	91.6%	82.7%	83.9%

The following tables illustrate occupancy rate at CFVMC and CFV North which will operate as one licensed facility. The approved 41 acute care beds at Hoke Community Medical Center are not included. Hoke Community Medical Center will be a separately licensed facility. CFVMC and CFV North will share the same license. These are the three acute care facilities in the CFVHS that are within the Cumberland-Hoke Acute Care Bed Service Area (not including HSRSH).

Cape Fear Valley Medical Center- Owen Drive Campus Plus Cape Fear Valley North

Acute Care Beds	FY 2011	FY 2012	FY 2013	FY 2014 (PY 1)*	FY 2015 (PY 2)*	FY 2016 (PY 3)
# of Patient Days	170,061	172,494	174,963	174,357	171,621	172,136
ADC	465.9	472.6	479.3	477.6	470.5	471.6
# of beds (including the proposed 28 beds)	490	490	490	518	583	583

Occupancy Rate with the 28 beds	95.1%	96.4%	97.8%	92.2%	80.7%	80.9%
Same as row 3 less the 28 propose beds	490	490	490	490	555	555
Occupancy Rate without the 28 beds	95.1%	96.4%	97.8%	97.5%	84.7%	89.9%

*Note: In FY 2014 and FY 2015 the # of patient days is less than in FY 2013 because of the "shifting of volume" to the 41 bed acute care hospital Hoke Community.

Projected utilization is based on reasonable, credible and supported assumptions.

In Section VI.2, pages 115-116, the applicant describes in detail the extent medically underserved groups will have access to the proposed acute care beds.

In summary, CFVMC adequately demonstrates the need to develop 28 acute care beds at CFVMC including the extent to which medically underserved groups will have access to the proposed acute care beds. Therefore, the application is conforming this criterion.

FHCH The applicant, FirstHealth of the Carolinas, owns and will develop FHCH in Hoke County and also owns and operates FMRH in Moore County. FirstHealth obtained a certificate of need to relocate 8 existing acute care beds from FMRH to develop FHCH. FirstHealth proposes to add 28 acute care beds to its approved 8-bed acute care hospital in Hoke County (FHCH) pursuant to a need determination in the 2012 SMFP. If approved, the proposed project will result in 36 acute care beds at FHCH.

Population to be Served

In Section III.5(c), page 89, the applicant provides projected patient origin for FHCH for the second year of operation following completion of the proposed project as illustrated in the table below

FHCH-Inpatient Services
County of Patient Origin

County	**FY 2015 PY1- Patients**	**FY 2015 PY1- Percent of Total Patients**
Cumberland	85	6.1%
Hoke	967	69.9%
Robeson	254	18.3%

Scotland	79	5.7%
Total	1,385	100.0%

FHCH- Inpatient Services
County of Patient Origin

County	**FY 2016 PY2- Patients**	**FY 2016 PY2- Percent of Total Patients**
Cumberland	123	6.7%
Hoke	1,242	67.6%
Robeson	364	19.8%
Scotland	107	5.8%
Total	1,836	100.0%

On page 89, the applicant states

> *"It should be noted that the above patient origin is different from the approved 8-bed hospital (Project ID # N-8497-10), as with 28 additional acute care beds, FirstHealth has the opportunity to expand FHCH's service area. ... FirstHealth expects its patient origin to be based on the projection methodology and assumptions identified in Section IV. This service area is consistent with the patients who travel to FMRH for acute care services, which are not limited to only specialized care for residents of these counties. FHCH may have patients from outside of the service area receive care at FHCH, but the numbers will be insignificant to both the utilization and the financial feasibility of the project."*

The applicant adequately identified the population proposed to be served. [The 8-bed FHCH proposed 100% of patients would be Hoke County residents.]

Need Analysis

In assessing the need for the proposed project, FirstHealth states in Section III, pages 65-79, that it looked at the factors summarized below.

On page 65, FirstHealth states that

> *"This CON application is being submitted in response to the need determination for twenty-eight acute care beds in Cumberland-Hoke Acute Care Bed Service Area. FirstHealth is approved to relocate eight acute care beds from FMRH in Moore County to FHCH in Hoke County. In this application, FHCH proposes to add 28 more beds for a total of 36. When combined with the 41 beds approved for CFVMC-Hoke, there will be 77 beds within Hoke County."*

"FHCH 4-County Service Area"

On page 67, the applicant states that because of the proposed increased from 8 acute care beds to 36 acute care beds there is an opportunity to increase FHCH's service area to included Hoke, Cumberland, Robeson and Scotland Counties. The applicant states *"These*

four counties have been identified because each has patients that travel through Hoke County to obtain services at FMRH. With the development of FHCH and the services of FirstHealth physicians in Hoke County, specifically at FHCH, FirstHealth believes that many residents from these counties who would travel to FMRH for services will instead receive services at FHCH."

In assessing the need for the proposed project, FHCH states in Section III, pages 65-79, that it looked at the factors summarized below.

"Physician Commitments and Support"

On pages 68-69, the applicant provides a table identifying 45 physicians or medical practices (including specialty) from the service area and their committed annual surgical cases which total 1,455. In addition, the table identified another 9 physicians or medical practices (including specialty) from the service area that did not indicate the number of projected inpatient admissions.

"Service Area Population Growth Trends" [pages 70-72]

"Projected Hoke County Population Growth"

FirstHealth, on page 70, states that it obtained population projections from the North Carolina State Office of Budget and Management (NCSOBM). FirstHealth states

> "*Based on NCOSBM projections Hoke County's population is projected to grow by an additional 27.3 percent from 2010 to 2020. … The elderly population (65+ years old) grew by 36.9 percent from 2000 to 2010, to represent 7.5 percent of Hoke County's total population. NCOSBM projects that the elderly population will be the fastest growing population, increasing by 70.1 percent from 2010 to 2020. … The rapid growth in the 45 to 64 and 65+ population will result in a significant increase in demand for healthcare services including inpatient care. These population groups have higher use rates for acute care services than younger population groups. Thus, the need for an additional acute care beds in Hoke County will increase as a result of both population growth and aging."*

In a table on page 70 the applicant states that the population of Hoke County aged 45-64 will increase from 10,297 in 2010 to 13,056 in 2020 and that the population of Hoke County aged 65+ will increase from 3,557 in 2010 to 6,049 in 2020.

"Overall Service Area Demographics"

On page 71, FirstHealth states that the population of the proposed overall four county service area (Hoke, Cumberland, Robeson and Scotland Counties) service area aged 45-64 will decrease from 128,690 in 2010 to 126,441 in 2020 but the population aged 65+ will increase 34.4% from 55,071 in 2010 to 74,029 in 2020.

The applicant states

> *"Like Hoke County, the rapid growth in 65+ population for the total service area will result in a significant increase in demand for healthcare services including inpatient care. These population groups have higher use rates for acute care services than younger population groups. Thus, the need for an additional acute care beds in Hoke County will increase as a result of both population growth and aging. … It should be noted that although the 65+ age group currently accounts for only 10.1 percent of the overall service area's population in 2010 and 7.5 percent of the Hoke County population, the 65+ age group accounts for over 51.0 percent of projected inpatient admissions at FHCH.."*

"Service Population Growth Trends"

On page 72, the applicant states

> *"NCOSBM projects that Hoke County will have the highest projected population percentage growth increase in North Carolina between 2010 and 2020. Hoke County's population is projected to increase by 27.3 percent, which is nearly three times higher than the North Carolina's projected population increase of 10.9 percent.*
>
> *…*
>
> *NCOSBM projects that Hoke County will have the second highest projected 65+ population percentage increase in North Carolina between 2010 and 2020. Hoke County's population is projected to increase by 70.1 percent, which is almost double the North Carolina's projected 65+ population growth at 37.9 percent."*

FirstHealth cites both statistics in support of the addition of acute care services.

"Demographic and Health Status Factors Influencing Need for Acute Care Services"

On page 73, FirstHealth, citing to NCSOBM, provides a table illustrating the population diversity of the service area as compared to the state as a whole, see below

	Hoke County	**Cumberland County**	**4-County Service Area**	**NC**
American Indian/ Alaska Native	10.1%	1.7%	12.4%	1.6%
Asian/Pacific Islander	1.5%	2.8%	2.1%	2.4%
African American	33.8%	37.5%	34.1%	21.9%
Two or More Races	4.0%	4.2%	3.6%	1.9%
White	50.6%	53.8%	47.9%	72.3%
Total	100.0%	100.0%	100.0%	100.0%

FirstHealth states "*Approving additional beds* [sic] *for Hoke County is the best way to ensure these underserved groups have access to care."*

On page 74, FirstHealth cites health status factors for FHCH's 4-county service area which *"warrant further efforts to increase accessibility* [sic] *inpatient services."* The health status factors referred to are illustrated in the table below.

	% Uninsured Adults	Population per Primary Physician	% in Fair or Poor Health	Preventable Hospital Stays
Hoke	22%	4,365:1	24%	71
Robeson	25%	1,479:1	27%	103
Scotland	19%	869:1	25%	87
Cumberland	16%	820:1	19%	56

On pages 75-79, the applicant references several programs occurring in Hoke County. FirstHealth states that the comorbidities addressed by the programs are *"likely to cause inpatient and outpatient health care services to remain strong into the future in Hoke County."*

<u>Projected Utilization</u>

In Section IV, page 92, FirstHealth provides projected utilization of 36 acute care beds at FHCH (8 approved and 28 proposed) through the first three years of operation (FY2015 – FY2017) following completion of the proposed project as illustrated in the table below.

	First Full FY	**Second Full FY**	**Third Full FY**
	FY 2015	**FY 2016**	**FY 2017**
General Acute Care Beds			
Average Length of Stay	4.31	4.31	4.30
# of beds	32	32	32
# of discharges	1,233	1,635	2,046
# of patient days	5,309	7,038	8,771
ICU Beds			
Average Length of Stay	3.70	3.71	3.70
# of beds	4	4	4
# of discharges	152	201	252
# of patient days	564	745	932
Total Acute Care Beds			
Average Length of Stay	4.24	4.23	4.22

# of beds	36	36	36
# of discharges	1,385	1,836	2,298
# of patient days	5,873	7,763	9,703

The applicant describes the assumptions and methodology used to project the number of inpatient days of care to be treated at FHCH for the first three project years in Section IV, pages 93-107, summarized as follows:

Inpatient Days of Care

On page 93, FirstHealth states that it relied on the Thomson North Carolina State Inpatient Database for FY2011 and NCOSBM (May 2012 projections) to generate the data used in the projection methodology.

1. Population Projection. On page 93, FirstHealth identified the population projection for the 4-county service area (Cumberland, Hoke, Robeson and Scotland counties) for 2011-2018.

2. Annual Population Change. On page 93, FirstHealth calculated the annual population change for the 4-county service area for 2011-2018.

3. Identify Number of Patients and Days of Care. On page 94, FirstHealth identified the number of patients and days of care, by all North Carolina hospitals, provided to the residents of the 4-county service area in FY2011 based on the FY2011 Thomson North Carolina State Inpatient Data base. Excluded were patients and days of care related to admissions for chemical dependency (CD), normal newborns, psychiatric, and rehabilitation services.

	Cumberland		**Hoke**		**Robeson**		**Scotland**		**Total**	
	Patients	Days	Patients	Days	Patients	Days	Patients	Days	Patients	Days
All NC Hospitals	27,872	163,628	3,742	19,085	19,988	95,167	5,071	22,927	56,673	300,807

4. Project Number of Admissions 2012 -2018. On page 94, using the volume of patients identified in Step 3 and the annual population change calculated in Step 2 FirstHealth calculated the projected number of acute care admissions from the 4-county service area excluding patients related to chemical dependency (CD), normal newborns, psychiatric, and rehabilitation services for 2012 through 2018.

County	2011	2012	2013	2014	**2015 (PY1)**	**2016 (PY2)**	**2017 (PY3)**	2018
Cumberland	27,872	28,154	28,337	28,489	28,615	28,720	28,808	28,880

Hoke	3,742	3,840	3,938	4,035	4,133	4,231	4,328	4,426
Robeson	19,988	20,014	20,040	20,067	20,093	20,119	20,145	20,171
Scotland	5,071	5,009	4,938	4,866	4,795	4,723	4,652	4,580
Total	56,673	57,017	57,252	57,456	57,635	57,792	57,932	58,057
% Change	na	0.6%	0.4%	0.4%	0.3%	0.3%	0.2%	0.2%

5. Identify number of Patients and Days of Care. On page 95, FirstHealth identified the number of acute care patients and days of care, by all North Carolina hospitals, provided to the residents of the 4-county service area in FY2011 based on the FY2011 Thomson North Carolina State Inpatient Data base. This step differs from Step #3 in that the exclusions were more extensive. Excluded were patients and days of care related to admissions for chemical dependency (CD), normal newborns, psychiatric, and rehabilitation, OB deliveries, neonatology, trauma, open heart, surgical cardiology, neurosurgery, and thoracic surgery.

	Cumberland		**Hoke**		**Robeson**		**Scotland**		**Total**	
	Patients	Days	Patients	Days	Patients	Days	Patients	Days	Patients	Days
All NC Hospitals	21,110	122,394	2,803	14,089	16,157	75,449	4,169	17,255	44,239	229,187

6. Project Number of Admissions 2012 -2018. On page 95, using the volume of patients identified in Step 5 and the annual population change calculated in Step 2 FirstHealth calculated the projected number of acute care admissions from the 4-county service area excluding patients related to chemical dependency (CD), normal newborns, psychiatric, and rehabilitation OB deliveries, neonatology, trauma, open heart, surgical cardiology, neurosurgery, and thoracic surgery for 2012 through 2018. This step differs from Step #4 in that the exclusions were more extensive.

County	2011	2012	2013	2014	**2015 (PY1)**	**2016 (PY2)**	**2017 (PY3)**	2018
Cumberland	21,110	21,324	21,462	21,577	21,673	21,752	21,819	21,874
Hoke	2,803	2,876	2,949	3,023	3,096	3,169	3,242	3,315
Robeson	16,157	16,178	16,199	16,220	16,242	16,263	16,284	16,305
Scotland	4,169	4,118	4,059	4,000	3,942	3,883	3,824	3,766
Total	44,329	44,496	44,670	44,820	44,952	45,067	45,169	45,259
% Change	na	0.4%	0.4%	0.3%	0.3%	0.3%	0.2%	0.2%

7. Identify the Number of Patients and Days of Care by FMRH only. On page 96, FirstHealth identified the number of patients and days of care, by only FMRH, provided in FY2011 to the residents of the 4-county service area based on the FY2011 Thomson North Carolina State Inpatient Data base. Excluded were patients and days of care related to admissions for chemical dependency (CD), normal newborns, psychiatric, and

rehabilitation, OB deliveries, neonatology, trauma, open heart, surgical cardiology, neurosurgery, and thoracic surgery. The services were excluded because they were not planned to be provided at FHCH because of the *"capacity of the hospital, the availability of a medical or surgical specialist, and/or the need for the patient to receive care at a tertiary care facility."* FirstHealth decreased the number of inpatient and inpatient days of care that are available to "shift" to FHCH.

	Cumberland		**Hoke**		**Robeson**		**Scotland**		**Total**	
	Patients	Days	Patients	Days	Patients	Days	Patients	Days	Patients	Days
All NC Hospitals	369	1,360	1,514	6,538	1,091	4,449	629	2,578	3,603	14,925

8. Project Number of Admissions 2012-2018 to FMRH. On page 96, using the volume of patients identified in Step 7 and the annual population change calculated in Step 2 FirstHealth calculated the projected number of admissions to FMRH from the 4-county service area excluding patients related to chemical dependency (CD), normal newborns, psychiatric, and rehabilitation OB deliveries, neonatology, trauma, open heart, surgical cardiology, neurosurgery, and thoracic surgery for 2012 through 2018. This step again "*assumes that admission rates for these types of admissions remain constant throughout the projection period. Further, these projections assume that FMRH's market share for these services remains constant throughout the time period."*

County	2011	2012	2013	2014	**2015 (PY1)**	**2016 (PY2)**	**2017 (PY3)**	2018
Cumberland	369	373	375	377	379	380	381	382
Hoke	1,514	1,554	1,593	1,633	1,672	1,712	1,751	1,791
Robeson	1,091	1,092	1,094	1,095	1,097	1,098	1,100	1,101
Scotland	629	621	612	604	595	586	577	568
Total	3,603	3,640	3,675	3,709	3,742	3,776	3,809	3,842
% Change	na	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%

9. Project Days of Care at FMRH for 2012-2018. On page 97, FirstHealth projected the acute care number of days of care to FMRH from the 4-county service area excluding patients related to chemical dependency (CD), normal newborns, psychiatric, and rehabilitation OB deliveries, neonatology, trauma, open heart, surgical cardiology, neurosurgery, and thoracic surgery for 2012 through 2018. First the applicant calculated the average length of stay (ALOS) for 2012 through 2012, by county by taking the 2011 days of care by county identified in Step 7 and dividing this by patient admissions by

county (also from Step 7). Then, the applicant multiplied the projected number of admissions by county projected in Step 8 by the ALOS calculated in Step 9. This projected acute care number of days of care associated with patient admissions to FMRH form the 4-county service area.

County	**2011**	**ALOS**
Cumberland	1,360	3.7
Hoke	6,538	4.3
Robeson	4,449	4.1
Scotland	2,578	4.1

County	2011	2012	2013	2014	**2015 (PY1)**	**2016 (PY2)**	**2017 (PY3)**	2018
Cumberland	1,360	1,374	1,383	1,390	1,396	1,401	1,406	1,409
Hoke	6,538	6,709	6,880	7,050	7,221	7,392	7,563	7,733
Robeson	4,449	4,455	4,461	4,466	4,472	4,478	4,484	4,490
Scotland	2,578	2,546	2,510	2,474	2,438	2,401	2,365	2,329
Total	14,925	15,084	15,233	15,380	15,527	15,672	15,817	15,960
% Change	na	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%

10. Identify the number of patients and days of care by surgical and medical admission by FMRH for 2011. Using the 2011 patient days of acre identified in Steps 8 and 9, on page 98, FirstHealth classifies the identified number of patients and days provided in 2011 to residents of the 4-county service area by FMRH by medical and surgical admission. Patients and days of care related to chemical dependency (CD), normal newborns, psychiatric, and rehabilitation OB deliveries, neonatology, trauma, open heart, surgical cardiology, neurosurgery, and thoracic surgery were excluded.

11. Project the number of medical and surgical admissions to FMRH for 2012-2018. On page 99, FirstHealth projected the number of surgical and medical admissions to FHRM for 2012 through 2018 from the 4-county service area by multiplying the projected number of admissions by the medical and surgical admission percentages calculated in Step 10. Patients related to admission for chemical dependency (CD), normal newborns, psychiatric, and rehabilitation OB deliveries, neonatology, trauma, open heart, surgical cardiology, neurosurgery, and thoracic surgery were excluded.

FHCH- Surgical Inpatients

12. Project Number of Surgical Inpatients for FHCH. On page 100, FirstHealth projects the "*surgical patient shift*", by percentage, from FMRH to FHCH for the 4-county service area. FirstHealth states "*FirstHealth projected the number of surgical inpatients that would receive care at FHCH, rather than at FMRH. FirstHealth made the assumption that patients seeking care at FirstHealth are more likely to seek care at a closer FirstHealth hospital, especially if their current physician provides services in Hoke County. … Using the experience of its administrative and outreach teams, FirstHealth assumes that 60.0 percent of FMRH patients from Hoke County (excluding patients from the following services chemical dependency (CD), normal newborns, psychiatric, and*

rehabilitation OB deliveries, neonatology, trauma, open heart, surgical cardiology, neurosurgery, and thoracic surgery) who would have travelled to FMRH for care will instead receive care at FHCH; this percentage will ramp-up over a three year period. … FirstHealth also assumes that 40.0 percent of the same medical surgical specialty patients from Cumberland and Robeson counties and 20.0 percent of the same medical surgical specialty patients from Scotland County who would have travelled to FMRH for care will instead receive care at FHCH; again, these percentages will ramp-up over a three year period. … This projected "shift" in existing patients takes into account patient preference and patient acuity. Higher acuity surgical specialties have already been excluded from the need methodology and an additional 40.0 to 80.0 percent of remaining current FMRH patients from the 4-county service area have been identified as not receiving care at FHCH. …"

On page 101, as illustrated in the table below, FirstHealth projects the number of inpatient surgical cases that will "shift" from FMRH to FHCH by multiplying the surgical admission from 2015 through 2017 projected in Step 11 by the patient shift rate projected in Step 12.

Surgical Patients "projected to shift" from FMRH to FHCH

Counties	Surgical Patients	Surgical Patients	Surgical Patients
	2015	**2016**	**2017**
Cumberland	38	58	77
Hoke	89	137	187
Robeson	82	124	165
Scotland	21	31	41
Total	231	350	470

The applicant's projected number of inpatient surgical days of care is illustrated in the table below using the ALOS set forth in Step #10.

Inpatient Surgical Days of Care

	2015	**2016**	**2017**
Cumberland	129	194	259
Hoke	359	552	753
Robeson	337	505	675
Scotland	100	147	194
Total	924	1,398	1,880

FHCH- Medical Inpatients Projected

13. <u>Project Number of Medical Inpatients for FHCH</u>. On page 102, FirstHealth projects the "*medical patient shift*", by percentage, from FMRH to FHCH for the 4-county service area. FirstHealth states *"FirstHealth projected the number of medical inpatients that would receive care at FHCH, rather than at FMRH. FirstHealth made the assumption that patients seeking care at FirstHealth are more likely to seek care at a closer FirstHealth hospital. Using the experience of its administrative and outreach teams, FirstHealth assumes that 60.0 percent of FMRH patients from Hoke County (excluding*

patients from the following services chemical dependency (CD), normal newborns, psychiatric, and rehabilitation OB deliveries, neonatology, trauma, open heart, surgical cardiology, neurosurgery, and thoracic surgery) who would have travelled to FMRH for care will instead receive care at FHCH; this percentage will ramp-up over a three year period. … FirstHealth also assumes that 40.0 percent of the same medical surgical [sic] *specialty patients from Cumberland and Robeson counties and 20.0 percent of the same medical surgical* [sic] *specialty patients from Scotland County who would have travelled to FMRH for care will instead receive care at FHCH; again, these percentages will ramp-up over a three year period. … This projected "shift" in existing patients takes into account patient preference and patient acuity. Higher acuity surgical specialties have already been excluded from the need methodology and an additional 40.0 to 80.0 percent of remaining current FMRH patients from the 4-county service area have been identified as not receiving care at FHCH. …"*

On page 103, as illustrated in the table below, FirstHealth projects the number of inpatient medical cases that will "shift" from FMRH to FHCH by multiplying the medical admission from 2015 through 2017 projected in Step 11 by the patient shift rate projected in Step 13.

Medical Patients "projected to shift" from FMRH to FHCH

Counties	**2015**	**2016**	**2017**
Cumberland	47	66	85
Hoke	481	704	936
Robeson	171	240	309
Scotland	58	76	93
Total	757	1,085	1,423

The applicant's projected number of inpatient medical days of care is illustrated in the table below

Inpatient Medical Days of Care

	2015	**2016**	**2017**
Cumberland	188	265	341
Hoke	2,108	3,082	4,100
Robeson	697	978	1,259
Scotland	216	284	349
Total	3,210	4,608	6,049

FHCH- Inpatient admissions "shifting' from non-FMRH facilities

14. <u>Inpatient admissions "shifting' from non-FMRH facilities.</u> On page 103, FirstHealth states *"In its approved CON application, Project ID# N-8497-10, page 215, FirstHealth's need methodology projected Hoke County Emergency Department inpatient admissions 'shifting' from non-FMRH facilities. FirstHealth assumes a 5.0 increase for the 2014 projection and a 1.0 percent annual increase for 2016 and 2017 and then a 50 percent decrease, as the following table shows:*"

Total Patients

	2012	2013	2014	2015	2016	2017
Previous Need	713	734	756			
% Increase				5.0%	1.0%	1.0%
Potential Need				794	802	810
% Decrease				50.0%	50.0%	50.0%
Total Need				397	401	405

15. <u>Calculate Total Number of Inpatient Cases and Inpatient Days of Care.</u> On page 104, FirstHealth states that it calculated the total number of inpatient cases and inpatient days of care, as illustrated in the tables below, by adding the volumes projected in Steps 12, 13, and 14.

Total Patients

	2015	2016	2017
Cumberland	85	123	162
Hoke	967	1,242	1,528
Robeson	254	364	474
Scotland	79	107	134
Total	1,385	1,836	2,298

Total Days of Care

	2015	2016	2017
Cumberland	317	458	600
Hoke	4,206	5,391	6,627
Robeson	1,034	1,483	1,933
Scotland	316	431	543
Total	5,873	7,763	9,703

16. <u>Daily Census and Occupancy Rate</u>. On page 104, FirstHealth calculated the daily census and occupancy rate of its proposed 36 acute care bed hospital as illustrated in the table below.

	2015	2016	2017
Total days of Care	5,873	7,763	9,703

Days	365	365	365
Daily Census	16.1	21.3	26.6
Beds	36	36	36
Occupancy	44.7%	59.1%	73.8%

17. (Note: the applicant also labeled this step "Step 16" creating two "Step 16's". Calculate the number of ICU days of care and inpatients. On page 105, FirstHealth projected the total ICU days of care and inpatients. As illustrated in the table below, FirstHealth multiplied the total days of care calculated in Step 15 by a percentage or "ICU Rate". To calculate this percentage FirstHealth *"used the medical/surgical ICU days of care as a percentage of total medical/surgical days of care at FirstHealth Moore Regional Hospital (7,058 ICU days of care/ 73,181 days of care = 9.6 percent) as the proxy for FHCH."* The applicant states "*FirstHealth Richmond Memorial Hospital is similar to the proposed expanded FHCH in that both are located in smaller, more rural counties, and both have a smaller number of acute care beds. FirstHealth Richmond Memorial Hospital has 99 acute care beds, and the proposed expanded FHCH would have 36 acute care beds. The percentage of total medical/surgical days of care at FirstHealth Richmond Memorial Hospital that were medical/surgical ICU days of care is over 14.0 percent. FirstHealth could have used this experience as the basis for its projection of ICU days of care and ICU inpatients. … in order to be more conservative in its projections, FirstHealth used the percentage of total medical/surgical days of care at FirstHealth Moore Regional Hospital that were medical/surgical ICU days of care, which was 9.6 percent. ICU patient origin by county is expected to remain consistent with the inpatient origin by county."*

	2015	**2016**	**2017**
Total days of care	5,873	7,763	9,703
ICU Rate	9.6%	9.6%	9.6%
Total ICU Days	564	745	932
Days/Year	365	365	365
Daily Census	1.5	2.0	2.6
ICU Beds	4	4	4
Occupancy	38.6%	51.05	63.8%
ALOS	3.7	3.7	3.7
ICU Patients	152	201	252

18. (Same as Step 17 on page 106) Calculate FHCH's Effective Market Share. On page 106, FirstHealth calculates the effective market share that FHCH would have of inpatient's from its proposed four county service area. The applicant calculates FHCH's market share of patients by dividing the number of patients projected to be treated at FHCH in Step 15, by the total number of patients (excluding chemical dependency (CD), normal newborns, psychiatric, and rehabilitation patients and days of care) identified in Step 4 for the service area in FY 2011. The applicant states *"FirstHealth believes that this is a reasonable means to calculate the effective market share as the calculation does not project an increase in the total number of patients or days of care in the 4-county*

service area, which results in a "higher" market share than would be expected if overall patients and days of care also increased over the next five years."

The applicants' market share calculations are illustrated in the table below

	2015	2016	2017
Cumberland	0.3%	0.4%	0.6%
Hoke	23.4%	29.3%	35.3%
Robeson	1.3%	1.8%	2.4%
Scotland	1.6%	2.3%	2.9%
Total	2.4%	3.2%	4.0%

19. (Same as Step 18 on page 107) Patient Origin of projected FHCH patients. On page 107, FirstHealth calculated the patient origin of projected FHCH patients. The applicant calculated patient origin by dividing the number of patients by county by the total number of patients projected for each year (Step 15) as illustrated in the table below

Total Patients

	2015	2016	2017
Cumberland	85	123	162
Hoke	967	1,242	1,528
Robeson	254	364	474
Scotland	79	107	134
Total	1,385	1,836	2,298

Patient Origin

	2015	2016	2017
Cumberland	6.1%	6.7%	7.0%
Hoke	69.9%	67.6%	66.5%
Robeson	18.3%	19.8%	20.6%
Scotland	5.7%	5.8%	5.8%
Total	100.0%	100.0%	100.0%

Please refer to Exhibit 28 for methodology documents.

Analysis

Rule 10A NCAC 14C .3803 (a) "Performance Standards" states

(a) An applicant proposing to develop new acute care beds shall demonstrate that the projected average daily census (ADC) of the total number of licensed acute care beds proposed to be licensed within the service area, under common ownership with the applicant, divided by the total number of those licensed acute care beds is reasonably projected to be at least 66.7 percent when the projected ADC is less than 100 patients …, in the third operating year following completion of the proposed project or in the year for which the need determination is identified in the State Medical Facilities Plan, whichever is later.

As illustrated in the table below, the Average Daily Census (ADC) in the third project year is 26.58 and the total number of FirstHealth's existing, approved and proposed licensed acute care beds within the Cumberland-Hoke Multi-County Acute Care Bed Service area is 36. The projected ADC in the third operating year following completion of the proposed project is less than 100 patients. 26.58 ADC divided by 36 beds equates to 73.8% which is greater than the 66.7 percent required by this rule.

C	Total Acute Care Patient Days*	9,703
D = C/365	Average Daily Census (FY2017)	26.58
E = D/0.667	# Acute Care Beds Needed at 66.7% Target Occupancy	39.86
F	Total # acute care beds (approved and proposed)	36
G	Acute Care Beds (Surplus)/Deficit	3.86

*From page 92 of the application.

The applicant was reasonable and conservative in projecting total acute care patient days for the third operating year following completion of the proposed project.

The majority of the applicant's projected patient days is derived from "shifting' a portion of its existing market originating from the 4-county service currently receiving service at FMRH to FHCH. However, since FMRH is a tertiary hospital and provides care to patients with higher acuity levels and different services than will be provided at FHCH adjustments have to be made by the applicant to base its projected utilization on the type of cases that are appropriately served at a smaller community hospital.

<u>All North Carolina Hospitals</u>

First, in Steps #1 - #6 the applicant provided both historic and projected data, by each of the 4 counties in the proposed service area, for population, population growth, the number of patients and days of care (both provided and projected to be provided) to residents of the 4 counties by all North Carolina hospitals excluding patients and days of care excluding admissions and days of care for chemical dependency (CD), normal newborns, psychiatric, and rehabilitation, OB deliveries, neonatology, trauma, open heart, surgical cardiology, neurosurgery, and thoracic surgery, services and acuity levels that are not projected to be provided by FHCH. The historical data was "grown" at a reasonable rate. .

<u>FMRH Only</u>

Then the applicant further narrowed the pool for patients and days of care from which cases could reasonably be "shifted" from FMRH to FHCH. Starting with Step #7, page 96, forward, the applicant provided historical and projected data identifying the number of patients and days of care provided just by FMRH to residents of the 4-county service area again excluding admissions and days of care for chemical dependency (CD), normal newborns, psychiatric, and rehabilitation, OB deliveries, neonatology, trauma, open heart, surgical cardiology, neurosurgery, and thoracic surgery. The historical data was "grown" at a reasonable rate.

The average length of stay (ALOS) in Step #9 was based on historical FY2011 data from the 4-county service area.

The applicant further broke down the FY 2011 historical data into surgical and medical inpatient admission and calculated ALOS for both subgroups. (Step #10).

In Steps #12 and #13 the applicant projected "shift rates" for both surgical and medical patients by county. For surgical patients the "shift rates" in the third operating year range from 20% - 60% an 25% - 65% for medical inpatients based on FirstHealth's experience and ramped up over a three year period. By not shifting 100% of the patients originating from the 4-county service area to FHCH the applicant allowed for patient preference, patients with higher acuity (sort of a "double acuity test" since acuity levels were already factored in Step #7 forward.). The "shift rates", considering that they are being applied to existing FirstHealth market share combined with the fact that FHCH will be a new facility, are reasonable and conservative.

In Step #14, the applicant includes those patients which were "new market share", from Hoke County only, as approved in Project ID# N-8497-10 (FHCH). FirstHealth only projected to serve Hoke County residents in the 2010 FHCH application.

The total number of inpatient cases and inpatient days of care was derived in Step #15 by adding the projections found in Steps #12, #13, and #14. Thus, in this application, FirstHealth projected no increase in existing market share, rather a "shifting" of where its existing market share received service. This is a very conservative approach. At this time CFVMC is the only entity with existing acute care beds in the Cumberland-Hoke Multi-County Acute Care Bed Service Area and therefore the only option for patients who which to be treated in the service area. FHCH will be a new facility, located in approximately 3-4 miles from the Cumberland/ Hoke county line and approximately 10 miles from Fayetteville, on the major traffic corridor between Cumberland and Hoke County and, more specifically, the major traffic corridor between the City of Fayetteville and Hoke County. It would not have been unreasonable for FirstHealth to have projected treating some residents of Cumberland County not currently part of FirstHealth's existing market share. On a smaller scale, it also would not have been unreasonable for FirstHealth to project that FHCH would provide service to some of FMRH's existing market share of Moore County residents.
In Step #16 the applicant's analysis in support of using a 9.6 percent for calculating ICU days of care and inpatients is reasonable.

Furthermore, based on Hospital License Renewal Application (LRA) data in 2011 Hoke County generated 3,634 general acute care inpatients who received service in North Carolina. In the table below general acute care inpatients for Hoke County are projected for the years FY2012 – FY2017 based on the County Growth Rate Multiplier in Table 5A of the 2012 SMFP Cumberland/Hoke.

Year	**Growth Rate***	**All Hoke County Acute Care Inpatients**
FY2011	3.6%	3,634
FY2012	3.6%	3,764
FY2013	3.6%	3,900
FY2014	3.6%	4,040
FY2015	3.6%	4,186
FY2016	3.6%	4,336
FY2017	3.6%	4,493

*Source: County Growth Rate Multiplier, Table 5A, page 51, 2012 SMFP.

The table below illustrates the projected number of Hoke County patients in CFVMC's application for its approved 41 acute care bed hospital (HCMC) in Hoke County and the projected number of Hoke County patients in the current FirstHealth application.

Hoke County Patients only.

	FY2014	**FY2015**	**FY2016**	**FY2017**
(A) HCMC (41 beds as approved)	730*	967*	1,163	1,205**
(B) FHCH-2010	734	756		
Subtotal (A+B)	**1,464**	**1,723**		
(C) FHCH- 2012 (36 beds as proposed)		967	1,242	1,528
Subtotal (A+C)		**1,934**	**2,405**	**2,733**

*See page 161- many are OB cases
**Grown at 3.6% County Growth Rate Multiplier, Table 5A, page 51, 2012 SMFP

Thus, for FY2017 HCMC and FHCH combined will account for 60.8% [2,733 / 4493 = .608 or 60.8%] of the general acute care inpatients originating from Hoke County. That leaves 39.2% [100.0% - 60.8% = 39.2%] of the general acute care inpatients from Hoke in FY2017 to go elsewhere (besides FHCH or HCMC) because of acuity issues, patient preference, or for other reasons. Therefore, the proposed project will not adversely affect HCMC in terms of Hoke County patients, there are projected to be enough Hoke County patients to satisfy both the projected utilization of HCMC and FHCH in FY2017.

Projected utilization is based on reasonable, credible and supported assumptions.

Observation Beds

In Project ID #N-8497-10 FHCH was approved for 4 unlicensed observation beds. In this application FHCH proposes to add 4 observation beds for a total of 8. However, there is no demonstration of need for these added unlicensed observation beds. Thus, FHCH shall not add 4 observation beds as conditioned.

In Section VI.2, pages 131-132, the applicant describes in detail how medically underserved groups will have access to the proposed acute care bed.

In summary, FirstHealth adequately demonstrates the need to develop 28 acute care beds at FHCH including the extent to which medically underserved groups will have access to the proposed acute care beds. Therefore, the application is conforming this criterion, subject to conditions #2 and #3.

(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, handicapped persons, and other underserved groups and the elderly to obtain needed health care.

NA
Both Applications

(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.

NC
CFVMC

C
FHCH

CFVMC. In Section III., pages 62-63, the applicant describes the alternatives considered including maintaining the status quo; add 28 new acute care beds to CFV North; Convert Highsmith Rainey Specialty Hospital Back to an Acute Care Hospital; Add a new floor to the Valley Pavilion at CFVMC or Convert Observation Beds at CFVMC.

<u>Maintain Status Quo</u>. On page 62, the applicant states that maintaining the status quo would mean that CFVMC could not provide the level of services necessary to respond to the enormous growth and demand for its services. Thus, this is not a viable option.

<u>Add 28 new acute care beds to CFV North</u>. On page 62, the applicant states that while this option was considered and evaluated it was determined that the CON approved for CFV

North in 2011 was for the correct amount of acute care beds to serve the population in northern Cumberland County.

Convert Highsmith Rainey Specialty Hospital Back to an Acute Care Hospital. On page 62, the applicant states that this option would entail constructing space for, and relocating, the LTACH beds at Highsmith Rainey.

Add a new floor to the Valley Pavilion at CFVMC. On page 62, the applicant states that adding a new patient floor on top of the Valley Pavillion would improve patient flow at CFVMC however, CFVMC determined it was not the most reasonable or cost-effective alternative at this time.

Convert Observation Beds at CFVMC. This involves conversion of existing observation beds and renovation of existing space at three locations at CFVMC. The applicant states on page 63, that it has *"identified 28 existing observation beds that can be renovated and converted with a reasonable capital expenditure. The three units to be converted provided the most effective alternative for conversion at the lowest capital expenditure."* CFVMC found this to be the most effective and lowest cost alternative for the development of the proposed 28 acute care beds.

However, the application is not conforming to all other applicable statutory and regulatory review criteria. See Criteria (1), (18a) and (20). An application must be conforming or conditionally conforming to all review criteria to be an effective alternative. Therefore, the applicant did not adequately demonstrate that its proposal is the least costly or most effective alternative. Thus, the application is nonconforming to this criterion.

FHCH. In Section III.3, pages 86-87, the applicant describes the alternatives considered, including maintaining the status quo; expand FirstHealth Hoke Community Hospital; or a Joint Venture.

- Maintain Status Quo: The applicant states it rejected the status quo alternative for several reasons: 1) fails to address the need determination in the 2012 SMFP for an additional 28 acute care beds in the Cumberland-Hoke acute care bed service area; 2) maintaining the status quo would not allow FHCH to become more accessible through offering more acute care beds, thereby increasing the number of medical and surgical specialties; as well as ICU services. Also, maintaining the status quo would decrease competition and thus lose the opportunity to promote expanded access to services consistent with the objectives of the CON law; 3) by expanding FHCH can become more accessible by offering direct admissions to local physicians and surgeons, which were limited in FHCH's 8-bed approved facility; and 4) maintaining the status quo would prevent FHCH from taking advantage of economies of scale which would result from an expansion in the number of acute care beds and from allowing for equal distribution of acute care beds between the two counties in the service area.

- Expand FirstHealth Hoke Community Hospital: "*After the initial development phase of the FHCH, based on the relocation of existing acute care beds from Moore*

County, future needs for additional acute care beds in Hoke County will be determined by the need methodology included in the SMFP. Currently, the Acute Care Bed need methodology identifies that Hoke County is combined individually with Cumberland and Moore counties in separate two-county acute care bed service areas. Not until a hospital actually operates in Hoke County will the service area be a single county service area. As a result, Hoke County's approved hospitals may increase acute care beds through either of the two-county acute care bed service area need determinations, but future growth of acute care beds in the county will be solely based on the utilization of the two approved hospitals that will operate in Hoke County.

This need determination, based on the previous year's actual data, is included in the current year's SMFP. Add another year for submission and review of the CON application, and another year for design and construction, and it will take up to four years (not including any appeal process) from the year that hospital operations are projected to begin in Hoke County (approximately 2014) before as few as five additional beds can be added.

New beds based on a Hoke County acute care bed service area may not become operational until 2019 or 2020, at the earliest."

- Joint Venture: FirstHealth discussed joint venturing with leadership of other hospitals in the area approximately three years ago. The applicant states "*FirstHealth received no meaningful responses."*

On page 87, the applicant states

"Expanding FHCH under the two-county acute care beds service area need determination is the best means in making FHCH more competitive in comparison to CFVMC (490-beds), CFVMC-North (65-beds), and CFVMC-Hoke (41-beds).

The applicant adequately demonstrated that the proposal is its least costly or most effective alternative to meet the need.

Furthermore, the application is conforming or conditionally conforming to all other statutory and regulatory review criteria, and thus, is approvable. A project that cannot be approved cannot be an effective alternative. The application is conforming to this criterion subject to conditions #2 and #3.

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

C
Both Applications

CFVMC. In Section VIII., page 105, the applicant projects its capital cost for the proposed project to be $3,809,322 allocated as follows:

Construction Contract	
Cost of Materials	$1,183,985
Cost of Labor	$968,715
Other (Design/Constr. Contingency 20%)	$418,000
Miscellaneous Project Costs	
Fixed Equipment	$570,112
Architect & Engineering	$218,510
Legal Fees	$100,000
Other (CON and other Fees)	$50,000
Other (Contingency)	$300,000
Total Capital Cost of Project	**$3,809,322**

In Section VIII.3, page 106, the applicant states the capital cost will be financed with accumulated reserves. In Section IX.1, page 109, the applicant states that the proposed project does not require any start-up or initial operating capital. In Exhibit 4 of the application, the applicant provides a letter from the Chief Financial Officer for Cape Fear Valley Health System, which states

> *"Cape Fear Valley Health System is positioned financially to fund the project cost of $3,809,322 for the above referenced project through operations and/or accumulated cash reserves. The funds are available as reflected in the Cape Fear Valley Health System's 2011 Audited Financial Statements, which are included as part of this Application."*

Exhibit 5 of the application contains audited financial statements for the Cumberland County Hospital System d/b/a Cape Fear Valley Health System for the year ended September 30, 2011, which document that Cape Fear Valley Health System had $60,324,000 million in Cash and Cash Equivalents and $355,506,000 in Net Assets as of September 30, 2011. The applicant adequately demonstrated the availability of funds for the projected capital costs described in the application, as well as other approved hospital projects.

The applicant provided pro forma financial statements for the first three years of the project. The applicant projects revenues will exceed operating expenses in each of the first three operating years of the project, as illustrated in the table below.

Acute Care Beds	**Project Year 1 10/01/13 - 9/30/14**	**Project Year 2 10/01/14 - 9/30/15**	**Project Year 3 10/01/15 - 9/30/16**
Gross Patient Revenue	$1,354,015	$1,348,080	$1,358,432
Deductions from Gross Patient Revenue	$1,053,197	$1,057,117	$1,063,164
Net Patient Revenue	$311,194	$301,546	$306,063
Total Expenses	$297,836	$297,439	$298,985
Net Income	$13,358	$4,107	$7,078

The applicant also projects a positive net income for the entire facility in each of the first three operating years of the project. The assumptions used by the applicant in preparation of the pro forma financial statements are reasonable, including projected utilization, costs and charges. See Section X, pages 110-112 and Section XIII, pages 119-126. for the assumptions regarding costs and charges. See Criterion (3) for discussion regarding projected utilization which is incorporated hereby as if fully set forth herein. The applicant adequately demonstrates that the financial feasibility of the proposal is based upon reasonable projections of costs and charges, and therefore, the application is conforming to this criterion.

FHCH. In Project ID # N-8497-10 the applicant was approved to develop an 8-bed acute care hospital in Hoke County at a capital cost of $34,138,515. In Section VIII., page 159, the applicant projects its capital cost for the proposed project of adding 28 acute care beds to the approved 8-bed acute care hospital to be $17,516,509 for an overall capital cost between the two projects of $51,655,024**.** The capital cost of $17,516,509 is allocated as follows:

Construction Contract	
Cost of Materials (Including Cost of Labor, Site Prep)	$11,279,448
Other (Contingency)	$1,127,945
Miscellaneous Project Costs	
Clinical FFE	$2,694,761
Non-Clinical FFE	$712,694
FFE Inflation and Freight	$249,128
Architect & Engineering	$865,150
Legal Fees/ Market Analysis	$100,000
Permitting	$22,918
Other (Contingency)	$464,465
Total Capital Cost of Project	**$17,516,509**

In Section VIII.3, page 160, the applicant states the capital cost will be financed with accumulated reserves. In Section IX.1, the applicant projects total working capital of $4,488,658 ($388,658 start-up expenses + $4,100,000 initial operating expenses = $4,488,658). In Exhibit 40 of the application, the applicant provides a letter from the Chief Executive Officer for FirstHealth, which states

> *"FirstHealth of the Carolinas, Inc., will provide $17.52 million through Accumulated Reserves (Assets Limited as to use: Internally Designated for Capital Projects) to fund the 28-bed expansion at the FirstHealth Hoke Community Hospital in Hoke County.*

Please accept my assurance that the anticipated $17.52 million will be paid from these designated funds for this project.

FirstHealth of the Carolinas, Inc., will provide $4.5 million through Accumulated Reserves (Current Assets: Cash and Cash Equivalents) to fund the working capital for FirstHealth Hoke Community Hospital in Hoke County.

Please accept my assurance that the anticipated $4.5 million will be paid from these designated funds for this project."

Exhibit 41 of the application contains audited financial statements for FirstHealth for the year ended September 30, 2011, which document that FirstHealth had $316,056,000 million in Assets Limited as to Use: Internally Designated for Capital Projects and $35,824,000 million in Current Assets: Cash and Cash Equivalents as of September 30, 2011. Overall, the applicant had $511,787,000 in Net Assets as of September 30, 2011. The applicant adequately demonstrated the availability of funds for the projected capital costs described in the application, as well as other projects, applications for which were filed at the same time, in Hoke and Moore Counties.

The applicant provided pro forma financial statements for the first three years of the project. The applicant projects revenues will exceed operating expenses in the second and third operating years of the project, as illustrated in the table below.

FirstHealth Hoke Community Hospital

	Project Year 1	**Project Year 2**	**Project Year 3**
Gross Patient Revenue	$60,773,455	$75,648,355	$91,618,769
Deductions from Gross Patient Revenue	$41,421,878	$51,789,456	$62,626,330
Net Patient Revenue	$19,351,577	$23,858,899	$28,992,439
Total Expenses	$21,024,890	$22,952,596	$25,255,219
Net Income	($1,673,313)	$906,303	$3,737,220

The applicant also projects a positive net income for the entire facility in the second and third operating years of the project. The assumptions used by the applicant in preparation of the pro forma financial statements are reasonable, including projected utilization, costs and charges. See Section XIII, pages 176-239, for the assumptions regarding costs and charges. See Criterion (3) for discussion regarding projected utilization which is incorporated hereby as if fully set forth herein. The applicant adequately demonstrates that the financial feasibility of the proposal is based upon reasonable projections of costs and charges, and therefore, the application is conforming to this criterion.

(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
CFVMC

CA
FHCH

CFVMC and FHCH each propose to develop 28 additional acute care beds in the Cumberland Hoke Acute Care Bed Service Area. The 28 bed need determination is identified in the 2012 SMFP. During the review of both applications an issue has been raised concerning potential duplication of facilities in Hoke County, as the approved and proposed hospital projects total 77 acute care beds.

The approval HCMC Project ID #N-8499-10 proposed 41 general acute care beds including 21 medical/surgical beds, 4 ICU beds, and 16 OB beds. The proposed FHCH project includes 28 acute care beds to be added to 8 approved acute care beds for a total of 36 acute care beds. These beds include 32 medical/surgical beds and 4 ICU beds. There is no duplication of OB beds or services in Hoke County, which, in accordance with the SMFP, will become the Hoke Acute Care Service Area upon licensure of at least one of the two new hospitals.

In Section III.5(c), of its approved 41-bed HCMC hospital, CFVMC (the owner of HCMC) provides projected patient origin by program component for HCMC in the second year of operation, which is summarized in the following table:

County	Inpatient Days	Outpatient Visits	Emergency Visits	Surgery Cases
Cumberland	59.5%	70.2%	63.2%	61.0%
Hoke	36.5%	25.5%	32.1%	34.4%
Robeson	4.0%	4.3%	4.7%	4.6%
Total	100.0%	100.0%	100.0%	100.0%

Source: p. 52 of the findings for the 2010 Hoke County Hospitals and Ambulatory Surgery Center Review

Thus, Hoke County patients would utilize 36.5% (3,531 patient days), or 15 beds, of the approved 41 beds [41 x .365 = 14.96 or 15].

In the FHCH application, which amends the original approval for an 8-bed hospital, FHCH proposes that approximately 67.6% of its Year 2 patients (5,391 patient days) would be residents of Hoke County, which is about 25 beds of the 36 proposed [36 x .676 =- 24.3 or 25]. Thus, combined, the approved 41-bed HCMC (CFVMC subsidiary) hospital and proposed 36-bed FHCH (FirstHealth subsidiary) hospital have based a total of 40 beds for Hoke patients. [HCMC = 15 + FHCH = 25 for a total of 40]

Alternatively, based on combining HCMC's and FHCH's projected Hoke County patient days of 8,922 [3,531 HCMC days + 5,391 FHCH days = 8,922 patient days] the average daily census would be 24.4 [8,922 / 365 = 24.44] and the number of acute care beds needed to meet the minimum target occupancy of 66.7% is 36.6 or 37 beds.

The total number of acute care beds (77) proposed by both HCMC (41) and FHCH (36) are to be developed to serve patients from contiguous counties that would be closer to, or more likely to obtain care, at the new Hoke County Hospitals. Notably, in its application, HCMC projects that nearly 60% of its patients would come from Cumberland County which equals 24 of the 41 approved beds.

In comments, provided by CFVMC pursuant to NCGS 131E-185 CFVMC states that Hoke County needs about 50 beds to serve the need of Hoke County residents, adequately and appropriately with the referral of the remaining residents to regional medical centers. [See pages 6-7 of the Comments in Opposition submitted by CFVMS.]

"As shown in the following table… Hoke County does not have a need for more than:

- *48 acute care beds in 2015 (PY1)*
- *49 beds in 2016 (PY 2)*
- *50 acute care beds in 2017 (PY 3)"*

Between the two hospital proposals, 37 beds have been proposed to serve residents of other counties, primarily Cumberland and Robeson. Both the current application and the previously approved applications adequately demonstrate that two flagship hospitals, CFVMC and FMRH, have a history of serving patients from these counties.

CFVMC adequately demonstrates that its proposal would not result in the unnecessary duplication of existing or approved acute care beds in the Cumberland-Hoke Acute Care Bed Service Area based on the following analysis:

1) The State Health Coordinating Council and the Governor determined that 28 new acute care beds will be needed in the Cumberland-Hoke Acute Care Bed Service Area in 2014 in addition to the existing and approved acute care beds located in the service area. See Table 5B on page 58 of the 2012 SMFP.

2) CFVMC adequately demonstrates in its application that the 28 new acute care beds it proposes to develop at CFVMC-Owen Drive in Cumberland County are needed in addition to the existing and approved acute care beds. See Sections III, IV and VI of CFVMC's application.

3) CFVMC's application conforms to this criterion.

FirstHealth adequately demonstrates that its proposal would not result in the unnecessary duplication of existing or approved acute care beds in the Cumberland-Hoke Acute Care Bed Service Area based on the following analysis:

1) The State Health Coordinating Council and the Governor determined that 28 new acute care beds will be needed in the Cumberland-Hoke Acute Care Bed Service Area in 2014 in addition to the existing and approved acute care beds located in the service area. See Table 5B on page 58 of the 2012 SMFP.

2) FirstHealth adequately demonstrates in its application that the 28 new acute care beds it proposes to develop at the approved FHCH in Hoke County are needed in addition to the existing and approved acute care beds. See Sections III, IV and VI of FirstHealth's application.

3) FirstHealth proposed to increase the number of observation beds from 4 to 8 without discussing demonstration of need. Thus, subject to the conditions #2 and #3 not to develop this proposed service, the FirstHealth application conforms with this criterion.

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

C
Both Applications

CFVMC. In Section VII, page 97, the applicant projects a total of 1,066.2 full-time equivalent (FTE) positions at CFVMC, with the proposed 28 acute care beds, in the second full operating year of the proposed project. In Section VII.3, page 98 and VII.6, pages 100-102, the applicant describes its experience and procedures for recruiting and retaining personnel. In Section VII.8, page 102, the applicant identifies Dr. Eugene Wright, as the Chief Medical Officer of CFVHS and Dr. Divyang Patel is identified as the current Chief of Staff at CFVHS. Exhibit 23 contains a letter from Dr. Wright stating that he is *"the Chief Medical Officer of Cape Fear Valley Health System."* Exhibit 23 also contains letters from other physicians expressing their support for the proposed project. In Section V.3, pages 77-82, Section V.4, pages 83-85, and Exhibit 23, the applicant describes efforts to develop relationships with local physicians and physicians who have expressed support for the proposed project. The applicant adequately demonstrates the availability of sufficient health manpower and administrative personnel for the provision of the proposed services. Therefore, the application is conforming to this criterion.

FHCH. In Section VII, page 146, the applicant projects a total of 55.8 FTE positions at FHCH in the second full operating year of the proposed project which shows the administrative, clinical, and support personnel that will be available. In Section VII.3, page 147 and VII.6, pages 148-152, the applicant describes its experience and procedures for recruitment and retention of personnel. Exhibit 21 contains a copy of the Medical Staff Development Plan. In Section V.3, page 117, the applicant identifies John Krahnert, MD., as the Medical Director. Exhibit 32 contains a letter indicating Dr. John Krahnert agreement to serve as the Chief Medical Officer of FHCH. Exhibit 44 also contains letters from other physicians expressing their support of FirstHealth and their willingness to refer patients to FirstHealth. In Section V.3, pages 112-116, and Section V.4, page 118, the applicant both describes efforts to develop relationships with local physicians, other local healthcare providers, and physicians who have expressed support for the proposed project. The applicant adequately demonstrates the availability of sufficient health manpower and management personnel to provide the proposed services. Therefore, the application is conforming to this criterion.

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

C
Both Applications

CFVMC. In Section II.2, pages 20-21, the applicant describes the necessary ancillary and support services for the proposed services that will be provided at the proposed hospital. In Section V.2, page 76, the applicant provides a list of healthcare facilities with which CFVHS currently has transfer agreements. Exhibit 40 contains an example of an existing CFVHS transfer agreement. The applicant adequately demonstrates that the proposed project will be coordinated with the existing health care system and that the necessary ancillary and support services will be available. Therefore, the application is conforming to this criterion.

FHCH. In Section II.2, pages 30-31, the applicant states that the majority of the necessary ancillary and support services for the proposed services will be provided at the proposed hospital, and a few support services will be provided through service agreements with FMRH. In Exhibit 5the applicant provides letters the Chief Executive Officer of FirstHealth of the Carolinas, Inc. documenting provision of pharmaceutical services and that "*the necessary ancillary and support services required to operate an acute care hospital will be provided at FirstHealth Hoke Community Hospital through either hospital staff or provided by FirstHealth corporate services through a Services Agreement.*" The letter from the Chief Executive Officer documents the ancillary and support services that will be provided through a service agreement. In Section V.2, page 110, the applicant states, *"Transfer agreements currently exist between FMRH and the provider facilities listed. FirstHealth will arrange for these agreements to extend to FHCH.*

- *Womack Army Medical Hospital*
- *Scotland Memorial Hospital*
- *UNC Hospitals"*

Exhibit 30 contains copies of correspondence from FirstHealth to arrange transfer agreements with FHCH with the following hospitals

- FirstHealth Moore Regional Hospital
- Cape Fear Valley Medical Center
- Womack Army Medical Hospital
- Scotland Memorial Hospital
- Southeast Regional Medical Center

Exhibit 44 contains approximately 80 letters of physician support for the proposed project. The applicant adequately demonstrates that the proposed project will be coordinated with the existing health care system. The applicant adequately demonstrates that the proposed project will be

coordinated with the existing health care system. Therefore, the application is conforming with this criterion.

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

NA
Both Applications

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

NA
Both Applications

(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.

NA
CFVMC

CA
FHCH

FHCH. In CON Project ID# N-8497-10, FHCH was previously approved to construct an 8-bed hospital in Hoke County. The 8-bed hospital is not yet developed. In this application the applicant proposes to construct amend the development described in Project ID # N-8497-10 by adding a 36-bed inpatient wing and convert the approved 8-bed inpatient unit in

the original approval into an 8-bed observation unit. The previously approved inpatient unit was to be 5,560 square feet. In the proposed project the 36-bed inpatient wing will be a total of 25,000 square feet. In Exhibit 42, the architect certifies that the total construction cost for the "*Patient Bed Unit Addition*" is estimated to be $12,407,393. This cost is consistent with the costs reported by the applicant in Section VIII.1, page 159. In Section XI.7, page 173, the applicant states that applicable energy savings features will be incorporated into the plans and lists specific methods that will be incorporated into the design of the facility to maintain energy operations and contain costs of utilities. Exhibit 43 contains a copy of the mechanical, plumbing, and electrical system narratives. The application is conforming to this criterion subject to conditions #2 and #3.

(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 handicapped persons, which have traditionally experienced difficulties in obtaining equal access to the proposed services, particularly those needs identified in the State Health Plan as deserving of priority. For 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
Both Applications

The Division of Medical Assistance (DMA) maintains a website which offers information regarding the number of persons eligible for Medicaid assistance and estimates of the percentage of uninsured for each county in North Carolina. The following table illustrates those percentages for Bladen, Cumberland, Harnett, Hoke, Robeson and Scotland counties and statewide.

County	**June 2010 Total # of Medicaid Eligibles as % of Total Population ***	**June 2010 Total # of Medicaid Eligibles Age 21 and older as % of Total Population ***	**CY 2008-2009 % Uninsured (Estimate by Cecil G. Sheps Center) ***
Bladen	25.0%	12.4%	19.4%
Cumberland	18.0%	7.4%	20.3%
Harnett	17.0%	6.2%	20.3%
Hoke	19.0%	6.9%	21.9%
Robeson	31.0%	13.2%	23.9%
Scotland	30.0%	12.9%	21.5%
Statewide	**17.0%**	**6.7%**	**19.7%**

* More current data, particularly with regard to the estimated uninsured percentages, was not available.

The majority of Medicaid eligibles are children under the age of 21.

Moreover, the number of persons eligible for Medicaid assistance may be greater than the number of Medicaid eligibles who actually utilize health services. The DMA website includes information regarding dental services which illustrates this point. For dental services only, DMA provides a comparison of the number of persons eligible for dental services with the number actually receiving services. The statewide percentage of persons eligible to receive dental services who actually received dental services was 48.6% for those age 20 and younger and 31.6% for those age 21 and older. Similar information is not provided on the website for other types of services covered by Medicaid. However, it is reasonable to assume that the percentage of those actually receiving other types of health services covered by Medicaid is less than the percentage that is eligible for those services.

The Office of State Budget & Management (OSBM) maintains a website which provides historical and projected population data for each county in North Carolina. In addition, data is available by age, race or gender. However, a direct comparison to the applicants' current payor mix would be of little value. The population data by age, race or gender does not include information on the number of elderly, minorities or women utilizing health services. Furthermore, OSBM's website does not include information on the number of handicapped persons.

The following tables show the average inpatient utilization (admissions) for acute general hospitals by payer category for North Carolina and Cumberland County. (The data includes normal newborns.) Hoke County does not have an existing hospital. For North Carolina, data are based on 1,113,423 inpatient admissions. For Cumberland County, data are based on 35,956 inpatient admissions.

North Carolina Hospital Admissions by Payer Category-FY2009

Payer Category	Percent of Total
Commercial/HMO	32.9%
Medicare	36.0%
Medicaid	21.9%
Other	3.1%
Uninsured	6.1%
Total	**100.0%**

Source: Cecil B. Sheps Center for Health Services Research

Cumberland County Hospital Admissions by Payer Category-FY2009

Payer Category	Percent of Total
Commercial/HMO	20.4%
Medicare	35.7%
Medicaid	29.8%
Other-Gov.	8.0
Other	0.2%
Uninsured	6.0%

Total	100.0%

Source: Cecil B. Sheps Center for Health Services Research

CFVMC In Section VI.12, page 93, the applicant provides the payer mix during FY2011 for all services provided at CFVMC, as illustrated in the table below.

CFVMC
Last Full Fiscal Year- FY2011

Payer Category	Patient Days as % of Total Utilization
Self Pay/ Indigent/ Charity	4.6%
Medicare/ Medicare Managed Care	51.9%
Medicaid	24.1%
Commercial Insurance	12.3%
Managed Care	4.8%
Other*	2.3%
Total	100.0%

*Payor Mix Category titled “Other” includes all other payors not listed on a separate line and includes payors such as Contract Service and Worker’s Comp.

The applicant demonstrates that medically underserved populations currently have adequate access to CFVMC’s existing services and is conforming to this criterion.

FHCH. FHCH has not yet been developed. The applicant operates an existing hospital in Moore County (FMRH). In Section VI.12, page 126, of Project ID# N-8843-12, the applicant provides the payer mix during FY2011 for all services provided at FMRH, as shown in the table below.

FMRH
Last Full Fiscal Year 10/1/2010 – 9/30/2011

Payer Category	Patient Days as % of Total Utilization
Self Pay/ Charity/ Other	12.1%
Medicare / Medicare Managed Care	63.1%
Medicaid	7.9%
Commercial Insurance/ Managed Care	16.9%
Total*	100.0%

*May not foot due to rounding.

The applicant demonstrates that medically underserved populations currently have adequate access to FMRH’s existing services and is conforming to this criterion.

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

C
Both Applications

CFVMC. Recipients of Hill-Burton funds were required to provide uncompensated care, community service and access by minorities and handicapped persons. In Section VI.11, page 92, the applicant states

"*In October 1985, CFVHS was informed that it had fulfilled all of its Hill-Burton requirements. However, CFVHS continues its admission policy to provide equal access to care without discrimination and without regard to race, color, age, creed, national origin, or source of payment. The Board of Trustees adopted a Charity Care Program, a copy of which is included along with the Admission and Credit/Charity Policy in Exhibit 40."*

In Section VI.10, page 92, the applicant states that one civil rights access complaint against Highsmith Rainey Memorial Hospital was filed with the Office of Civil Rights in August 2007, but the complaint was determined to be unsubstantiated in February 2008.

Also in Section VI.10, page 92, the applicant states

"CFVMC responded swiftly to EMTALA complaints. Follow up surveys conducted by the Acute and Home Care Licensure Section found no deficiencies and recommended compliance with EMTALA. Please see the letters from the Acute and Home Care Licensure Section included in Section 39. Further, as indicated by the letters from CMS included in Exhibit 39, CMS determined that CFVMC's corrective Policies included in Exhibit 41, describes its procedures to assure that patients presenting to CFVMC receive access to healthcare."

FHCH. Recipients of Hill-Burton funds were required to provide uncompensated care, community service and access by minorities and handicapped persons. In Section VI.11, page 141, the applicant states

"In June 1995, FMRH fulfilled its Hill-Burton quota to provide uncompensated care, community service, and access to minorities and handicapped persons under Hill-Burton."

In Section VI.10, page 141, the applicant states that there have not been any civil rights access complaints filed against FirstHealth in the past five years. The application is conforming to this criterion.

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

C

Both Applications

CFVMC. In Section VI.14(a), page 94, the applicant projects the following payer mix for the proposed services in the second full fiscal year of operation (FY2015).

CFVMC
Second Full Fiscal Year- FY2106 (10/1/14 – 9/30/15)
Entire Facility

Payer Category	Patient Days as % of Total Utilization
Self Pay/ Indigent/ Charity	4.5%
Medicare/ Medicare Managed Care	52.1%
Medicaid	24.0%
Commercial Insurance	11.9%
Managed Care	4.6%
Other*	2.9%
Total	100.0%

*Payor Mix Category titled "Other" includes all other payors not listed on a separate line and includes payors such as Contract Service and Worker's Comp.

In Section VI.14, page 94, the applicant states "*Payor mix for the second full fiscal year was based on review of the FY2011 payor mix data from Cape Fear Valley Health System.*"

In Section VI.15, pages 94-95, the applicant projects the following payer mix for the proposed services in the second full fiscal year of operation (FY2015).

CFVMC
Second Full Fiscal Year- FY2106 (10/1/14 – 9/30/15)
Inpatient Acute Care Services

Payer Category	Patient Days as % of Total Utilization
Self Pay/ Indigent/ Charity	4.7%
Medicare/ Medicare Managed Care	51.2%
Medicaid	24.6%
Commercial Insurance	12.9%
Managed Care	4.6%
Other*	2.0%
Total	100.0%

*Payor Mix Category titled "Other" includes all other payors not listed on a separate line and includes payors such as Contract Service and Worker's Comp.

On page 95, the applicant states "*Payor mix for Cape Fear Valley Medical Center and proposed additional 28 acute care beds was based on review of the FY2011 payor mix data from Cape Fear Valley Health System Inpatients that included patients from the CFVHS service area and received inpatient acute care services..*"

The applicant demonstrated that the proposed acute care beds will provide adequate access to medically underserved populations. Therefore, the application is conforming with this criterion.

FHCH. In Section VI.14, page 143, the applicant projects the payer mix for the entire facility at FHCH for the second operating year following project completion (FY2016), as shown in the table below.

FHCH
Second Full Fiscal Year- FY2106 (10/1/14 – 9/30/15)
Entire Facility

Payer Category	Patient Days as % of Total Utilization
Self Pay/ Charity	6.6%
Medicare/ Medicare Managed Care	48.2%
Medicaid	12.5%
Commercial Insurance/ Managed Care	26.9%
Other (Specify)	5.8%
Total	100.0%

On page 143, the applicant states "*Overall FHCH payer mix is based on the pro forma financial statements included in Section XIII.*"

In Section VI.15, page 144, the applicant projects the payer mix for the proposed inpatient and ICH services at FHCH for the second operating year following project completion (FY2016), as shown in the table below.

FHCH
Second Full Fiscal Year- FY2106 (10/1/14 – 9/30/15)
General IP Services

Payer Category	Patient Days as % of Total Utilization
Self Pay/ Charity	4.9%
Medicare/ Medicare Managed Care	51.0%
Medicaid	10.4%
Commercial Insurance/ Managed Care	26.5%
Other (Specify)	7.2%
Total	100.0%

The applicant states "*FirstHealth assumes no change in payer mix of the service area patients who received care at FMRH in FY2011.*" [see page 144.]

FHCH
Second Full Fiscal Year- FY2106 (10/1/14 – 9/30/15)
ICU Services

Payer Category	Patient Days as % of Total Utilization
Self Pay/ Charity	2.2%
Medicare/ Medicare Managed Care	69.8%
Medicaid	10.8%
Commercial Insurance/ Managed Care	15.5%
Other (Specify)	1.7%
Total	100.0%

On page 144, the applicant states, *"FirstHealth assumes no change in payer mix of the service area patients who received care at FMRH in FY2011."*

The applicant demonstrated that the proposed acute care beds will provide adequate access to medically underserved populations. Therefore, the application is conforming with 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
Both Applications

CFVMC In Section VI.9, page 91, the applicant describes the range of means by which a person will access their services. The application is conforming to this criterion.

FHCH In Section VI.9, pages 140, the applicant describes the range of means by which a person will access their services. The application is conforming to this criterion.

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

C
Both Applications

CFVMC In Section V.1, pages 72-76, the applicant states that it has extensive relationships with many health professional training programs. On pages 73-74, the applicant provides a

list of institutions with which it has these arrangements. The list of institutions includes: Methodist University; Fayetteville Technical Community College, Central Carolina Community College, Sandhills Community College, Robeson Community College, Sampson Community College and Johnston Community College. The information provided is reasonable and credible and supports a finding of conformity to this criterion.

FHCH In Section V.1, page 109, the applicant states it has extensive relationships with many health professional training programs and that *"FHCH will be available to students in these training programs."* Exhibit 29 contains a list of training programs that FirstHealth has an agreement with and an "*example of a training program affiliation agreement."* The list of training programs includes: Central Carolina Community College; Fayetteville Technical Community College; Hoke County High School; Johnston Community College; Methodist College; Robeson Community College and Sandhills Community College. The information provided is reasonable and credible and supports a finding of conformity 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.

NC
CFVMC

C
FHCH

There are currently two entities who have existing or approved acute care beds in the Cumberland-Hoke Acute Care Bed Service Area: #1) The Cumberland County Health System, Inc. d/b/a Cape Fear Valley Medical Center; and #2) FirstHealth of the Carolinas, Inc.

The following tables illustrates the location of the existing, approved and proposed acute care beds in the Cumberland-Hoke Acute Care Bed Service Area controlled by The Cumberland County Health System, Inc. d/b/a Cape Fear Valley Medical Center and FirstHealth of the Carolinas, Inc.

#1) The Cumberland County Health System, Inc. d/b/a Cape Fear Valley Medical Center

	Existing Acute Care Beds	Approved Acute Care Beds	Proposed Acute Care Beds	Total
Cumberland County				
CFVMC's- Owen Drive Campus	490	Na	28	518
CFVMC's CFV North Campus	0	65	0	65
Overall Cumberland County Total	490	65	28	583
Hoke County				
Hoke Healthcare, LLC	0	41	0	41
Overall Hoke County Total	0	41	0	41
Overall Cumberland/Hoke County Total	**490**	**106**	**28**	**624**

#2) FirstHealth of the Carolinas, Inc.

	Existing Acute Care Beds	Approved Acute Care Beds	Proposed Acute Care Beds	Total
Cumberland County	0	0	0	0
Hoke County				
FHCH		8	28	**36**

CFVMC. The applicant proposes to develop 28 new acute care beds at CFVMC-Owen Drive Campus for a total of 518 acute care beds at CFVMC's-Owen Drive campus upon project completion. CFVMC also has been approved to develop a second campus with 65 acute care beds, CFV North, in Fayetteville, Cumberland County.

In Section V.7, pages 85-86, the applicant states

> *"Cost Effectiveness*
>
> *The proposed project is a logical and responsive approach by Cape Fear Valley Health System, reflecting its continued commitment to its service area. The ability of CFVHS to convert existing space to expeditiously accommodate putting into operation the proposed 28 acute care beds is the most cost efficient means available. In each of the areas identified for inclusion of a portion of the proposed beds, a fully operating patient care unit already exists and all required facility support is in place. The capital expenditure required to renovate the existing units and to expand and improve patient bathrooms for all 28 acute care beds is less expensive than the other options, including new construction and expansion, and can be accomplished in a shorter timeframe.*
>
> *Quality*
>
> *The infrastructure for Quality and Patient Safety is well established in each of the areas where the proposed beds will reside and no additional staff or other resources will be required to continue the monitoring and oversight of these functions. The*

> *expanded patient rooms and patient bathrooms on 2 North and 3 North will eliminate shared bathrooms and improve patient quality.*
>
> *Access*
>
> *Avoidance for the need to construct new space will result in an improved time line, also, for availability of these beds and will allow them to be used as fully designed/ licensed beds months sooner than other, more costly, approaches."*

However, the applicant does not adequately demonstrate that its proposed project would have a positive impact on the quality of the proposed services because: 1) CFVMC has not demonstrated that it has provided quality care in the past (See discussion in Criterion (20) which is incorporated hereby as if fully set forth herein.) Therefore, the application is nonconforming to this criterion.

FHCH. The applicant proposes to develop 28 new acute care beds at the approved FHCH for a total of 36 acute care beds at FHCH upon completion of the proposed project.

In Section V.7, pages 120-129, the applicant describes in detail how the proposed project will foster competition in the proposed service area by promoting the cost effectiveness, quality, and access to services as summarized below.

> "*Competitive healthcare markets exist when there is genuine choice for patients in terms of who supplies the care and services they require. Competitive healthcare markets are characterized by various forms of charge and no-charge competition between hospitals who are attempting to increase or protect their market share. FHCH is a true alternative to CFVHS for service area residents who desire a choice in their healthcare provider.*
>
> *What are the gains from increased healthcare market competition?*
> 1. *Lower charges to third-party insurers and patients.*
> 2. *A greater discipline on hospitals to keep costs down.*
> 3. *Improvements in technology with positive effects on care and outcomes.*
> 4. *A greater variety of services (giving more choice)*
> 5. *A faster pace of innovation of care*
> 6. *Improvements to the quality of care of patients.*
> 7. *Better performance and quality information available allowing patients to make more informed choices.*
> 8. *Create jobs.*
>
> *The overall impact of increased healthcare competition should be the improvement in the economic and physical welfare of patients."*

The information provided by the applicant in those sections is reasonable and credible and adequately demonstrates that the expected effects of the proposal on competition in the service area include a positive impact on cost-effectiveness, quality and access to the acute care beds. This determination is based on the information in the application and the following analysis:

- The applicant adequately demonstrates the need to develop 28 acute care beds at FHCH and that it is a cost-effective alternative;
- The applicant has and will continue to provide quality services; and
- The applicant has and will continue to provide adequate access to medically underserved populations.

The application is conforming to this criterion.

(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.

NC
CFVMC

C
FHCH

CFVMC. Cape Fear Valley Health System is accredited by the Joint Commission, certified for Medicare and Medicaid participation, and licensed by the North Carolina Department of Health and Human Services. According to the files in the Acute and Home Care Licensure and Certification Section, DHSR, (the state agency) two incidents occurred in November and December 2011 that are within the eighteen months immediately preceding the date of this decision. In both instances complaint investigations were conducted by the state agency on November 29 and 30, and on December 22, 2011, respectively. Both surveys resulted in the identification of an Immediate Jeopardy (IJ) as a consequence of the incidents. The results of these surveys were forwarded to the CMS Regional Office in Atlanta (Region IV). In both instances, the state agency recommended termination of the Medicare provider agreement between CMS and the hospital due to noncompliance with conditions of participation that affected quality of patient care, specifically, 482.12 Governing Body, 482.13 Patient's Rights and 482.23 Nursing Services. CMS began the process of provider termination with the most recent date set for January 19, 2012.

CFVMC negotiated and signed a Systems Improvement Agreement (SIA) with CMS on January 20, 2012 that stayed the effective date of the termination of its Medicare provider agreement. The SIA is analogous to a settlement agreement.

Follow up surveys conducted during the next few months indicated that some of the conditions were in compliance but other conditions were identified as being out of compliance.

Between March 19 and 22, 2012, the Joint Commission conducted an accreditation survey at CFVMC and Cape Fear was reaccredited. Per the Joint Commission

Accredited is awarded to a health care organization that is in compliance with all standards at the time of the onsite survey or has successfully addressed requirements for

improvement in an Evidence of Standards Compliance within 45 or 60 days following the posting of the Accreditation Summary Findings Report.

However, according to CMS, a facility that is accredited does not qualify for deemed status if it has conditions of participation that are out of compliance. The most recent follow-up survey completed by the state agency in August 2012 indicated that no condition level deficiencies were sited for Governing Body, Nursing Services, Quality Assurance, and Infection Control, However, according to a representative for CMS Regional Office in Atlanta, CFVMC will not be in compliance with the conditions of participation of the Medicare Program until it completes a full Medicare and Medicaid Survey with no conditions of participation out of compliance. As of the date of the decision no full validation survey had been conducted.

Therefore, CFVMC is not conforming to this criterion.

FHCH. FirstHealth of the Carolinas, Inc. operates three hospitals in the North Carolina Sandhills: FirstHeath Moore; FirstHealth Richmond; and FirstHealth Montgomery. These FirstHealth of the Carolinas hospitals are certified by CMS for Medicare and Medicaid participation, and licensed by the NC Department of Health and Human Services. According to files in the Acute and Home Care Licensure and Certification Section in the Division of Health Service Regulation, no incidents have occurred at FirstHealth within the eighteen months immediately preceding the date of the decision for which any sanctions or penalties related to quality of care were imposed by the State. Therefore, the application is conforming to this criterion.

(21) Repealed effective July 1, 1987.

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

C
Both Applications

CVFMC. The applicant proposes to add 28 new acute care beds CFVMC- Owen Drive Campus. The following regulatory review criteria are applicable to this review:

- Criteria and Standards for Acute Care Beds, promulgated in 10A NCAC 14C .3800; and

The application is conforming to all applicable Criteria and Standards. The specific criteria are discussed below.

FirstHealth. The applicant proposes to add 28 acute care beds (24 acute care beds and 4 ICU beds) at the approved 8-bed acute care hospital, FHCH. The following regulatory review criteria are applicable to this review:

- Criteria and Standards for Acute Care Beds, promulgated in 10A NCAC 14C .3800; and
- Criteria and Standards for Intensive Care Services, promulgated in 10A NCAC 14C .1200; and

The application is conforming to all applicable Criteria and Standards. The specific criteria are discussed below.

SECTION .3800 - CRITERIA AND STANDARDS FOR ACUTE CARE BEDS

10A NCAC 14C .3802 INFORMATION REQUIRED OF APPLICANT

(a) An applicant that proposes to develop new acute care beds shall complete the Acute Care Facility/Medical Equipment application form.

-C- **Both Applicants.** Both applicants completed the Acute Care Facility/Medical Equipment application form.

(b) An applicant proposing to develop new acute care beds shall submit the following information:

(1) the number of acute care beds proposed to be licensed and operated following completion of the proposed project;

-C- **CFVMC.** In Section II.8, pages 26-27, the applicant states that it proposes 518 acute care beds to be licensed and operational at CFVMC's Owen Drive Campus upon completion of the proposed project (28 acute care beds) in addition to the existing 490 acute care beds at CFVMC's Owen Drive Campus. Please note that CFVMC has been approved in Project M-8689-11 for a second campus with 65 acute care beds under the same license known as CFV North.

-C- **FHCH.** In Section II.8, page 46, the applicant states that it proposes 36 acute care beds to be licensed and operational at FHCH upon completion of the proposed project (including the 8 acute care beds previously approved to be transferred from FMRH to FHCH.)

(2) documentation that the proposed services shall be provided in conformance with all applicable facility, programmatic, and service specific licensure, certification, and JCAHO accreditation standards;

-C- **CFVMC.** In Section II.8, page 27, and Exhibits 35 and 36, the applicant provides documentation that the services will be provided in conformance with all applicable facility, programmatic, and service specific licensure, certification, and Joint Commission accreditation standards.

-C- **FHCH.** See Section II.8, page 46, and Exhibit 11, the applicant provides documentation that the services will be provided in conformance with all applicable facility, programmatic, and service specific licensure, certification, and Joint Commission accreditation standards.

(3) documentation that the proposed services shall be offered in a physical environment that conforms to the requirements of federal, state, and local regulatory bodies;

-C- **CFVMC.** In Section II.8, page 28, and Exhibits 9 and 10, the applicant provides documentation that the services will be provided in a physical environment that conforms to the requirements of federal, state, and local regulatory bodies.

-C- **FHCH.** See Section II.8, page 46, and Exhibit 12 for the applicant provides documentation that the services will be provided in a physical environment that conforms to the requirements of federal, state, and local regulatory bodies.

(4) if adding new acute care beds to an existing facility, documentation of the number of inpatient days of care provided in the last operating year in the existing licensed acute care beds by medical diagnostic category, as classified by the Centers for Medicare and Medicaid Services according to the list set forth in the applicable State Medical Facilities Plan;

-C- **CFVMC.** In Section II.8, pages 28-29, the applicant documented the number of inpatient days of care provided in the last operating year in the existing licensed acute care beds at Owen Drive by medical diagnostic category, as classified by the Centers for Medicare and Medicaid Services according to the list set forth in the applicable State Medical Facilities. CFVMC states that for October 2010 to September 2011the total inpatient days of care provided was 171,878 excluding normal newborns, rehabilitation, psychiatric and substance abuse.

-NA- **FHCH.** The applicant is not proposing to add new acute care beds to an existing facility. FHCH is an approved 8-bed acute care hospital which has not yet been developed.

(5) the projected number of inpatient days of care to be provided in the total number of licensed acute care beds in the facility, by county of residence, for each of the first three years following completion of the proposed project, including all assumptions, data and methodologies;

-C- **CFVMC.** In Section II.8, pages 29-31, the applicant provides the projected number of inpatient days of care to be provided in the total number of licensed acute care beds in the facility, by county of residence, for each of the first three operating years following completion of the project. In Section III.1(b), pages 48-54, and Exhibit 30, Tables 1-18, the applicant provides the assumptions, data and methodology used for the projections. See Criterion (3) for discussion of the applicants projected utilization regarding the reasonableness of the projections.

CFVMC-Owen Drive Only
Total Projected Inpatient Days of Care by County
Adjusted to Reflect the Impact of CFV North and HCMC
October 1, 2013 – September 30, 2016

	PY1 FY 2014	PY2 FY 2015	PY3 FY 2016
Cumberland	128,454	122,080	116,880
Bladen	4,492	4,573	4,663
Harnett	10,464	10,139	9,741
Hoke	6,603	4,670	3,944
Robeson	11,955	11,949	12,095
Sampson	6,241	6,321	6,406
Other*	6,146	5,595	4,935
Total	174,357	165,326	158,664

Source: Thomson data included in Exhibit 30, Table 4.
*Other reflects all other North Carolina Counties and other States as reflected in Exhibit 30, Table 8 and/or in the patient origin tables included in the CFVMC 2012 LRA included in Exhibit 37.

-C- **FHCH.** In Section II.8, page 47, the applicant provides the projected number of inpatient days of care to be provided in the total number of licensed acute care beds in the facility, by county of residence, for each of the first three operating years following completion of the project. In Section IV, pages 92-107, the applicant provides the assumptions, data and methodology used for the projections. See Criterion (3) for discussion regarding the applicant's projected utilization and the reasonableness of the projections.

County	**FY2015**	**FY2016**	**FY2017**
Cumberland	317	458	600
Hoke	4,206	5,391	6,627
Robeson	1,034	1,483	1,933
Scotland	316	431	543
Total	5,873	7,763	9,703

(6) documentation that the applicant shall be able to communicate with emergency transportation agencies 24 hours per day, 7 days per week;

-C- **CFVMC.** In Section II.8, page 31, and Exhibit 23, the applicant provides documentation that CFV North will be able to communicate with emergency transportation agencies 24 hours per day, 7 days per week.

-C- **FHCH.** In Section II.8, page 47, and Exhibit 9, the applicant provides documentation that the proposed hospital will be able to communicate with emergency transportation agencies 24 hours per day, 7 days per week.

(7) documentation that services in the emergency care department shall be provided 24 hours per day, 7 days per week, including a description of the scope of services to be provided during each shift and the physician and professional staffing that will be responsible for provision of those services;

-C- **CFVMC.** In Section II.8, page 31, and Exhibit 23, the applicant describes the scope of services to be provided in the emergency department and provides documentation that the hospital's emergency department services will be available 24 hours per day, 7 days per week.

-C- **FHCH.** In Section II.8, page 48, the applicant describes the scope of services to be provided in the emergency department and provides documentation that the hospital's emergency department services will be available 24 hours per day, 7 days per week.

(8) copy of written administrative policies that prohibit the exclusion of services to any patient on the basis of age, race, sex, creed, religion, disability or the patient's ability to pay;

-C- **CFVMC.** In Section II.8, page 32, and Exhibits 41-50, the applicant provides written administrative policies documenting that CFVMC will prohibit the exclusion of services to any patient on the basis of age, race, sex, creed, religion, disability or the patient's ability to pay.

-C- **FHCH.** In Section II.8, page 48, and Exhibit 19, the applicant provides written administrative policies documenting that the hospital will prohibit the exclusion of services to any patient on the basis of age, race, sex, creed, religion, disability or the patient's ability to pay.

(9) a written commitment to participate in and comply with conditions of participation in the Medicare and Medicaid programs;

-C- **CFVMC.** In Section II.8, page 32, and Exhibit 36, the applicant provides a written commitment from the COO of CFVHS documenting CFVMC's commitment to participate in and comply with conditions of participation in the Medicare and Medicaid programs.

-C- **FHCH.** In Section II.8, page 48, and Exhibit 20, the applicant provides a written commitment from the Chief Executive Officer of FirstHealth of the Carolinas, Inc. to

participate in and comply with conditions of participation in the Medicare and Medicaid programs.

(10) documentation of the health care services provided by the applicant, and any facility in North Carolina owned or operated by the applicant's parent organization, in each of the last two operating years to Medicare patients, Medicaid patients, and patients who are not able to pay for their care;

-C- **CFVMC** In Section II.1, page 13, the applicant states

"*Cumberland County Hospital System, Inc. ("CCHS") doing business as Cape Fear Valley Medical Center ("CFVMC") is the flag-ship of Cape Fear Valley Health System ("CFVHS"). CFVHS operates a variety of healthcare facilities from its headquarters in Fayetteville, North Carolina, including a tertiary acute care hospital, a long-term acute care hospital, a critical access hospital, an inpatient rehabilitation facility, county emergency medical services, an outpatient psychiatric facility, a detoxification facility, a wellness center, 14 primary care clinics, 16 specialty care clinics, 5 walk-in clinics, and Health Pavilion North, an outpatient complex."*

In Section II.8, page 32, for all CFVHS, the applicant provides a table documenting CFVHS historical payor mix for 2008 – 2011 including Medicare, Medicaid and Self Pay.

	2008	**2009**	**2010**	**2011**
Commercial	15%	14%	14%	12%
Managed Care	9%	8%	7%	5%
Medicaid	17%	20%	19%	24%
Medicare	46%	45%	47%	52%
Other	5%	6%	6%	2%
Self Pay	8%	7%	7%	5%

-C- **FHCH.** In Section II.8, page 49, the applicant provides a table showing the facilities and programs that have provided health care services to Medicare patients, Medicaid patients and patients who are not able to pay for their care in the last two years.

The tables below illustrate the payor mix for FMRH for the last two fiscal years (FY 2010 and FY 2011 from public data sources available to the agency.

FMRH
Full Fiscal Year 2010 and 2011

Payer Category	Patient Days as % of Total Utilization 10/1/09-9/30/10*	Patient Days as % of Total Utilization 10/1/10-9/30/11**
Self Pay/ Charity/ Other	10.0%	12.1%
Medicare / Medicare Managed Care	59.8%	63.1%

Medicaid	8.9%	7.9%
Commercial Insurance/ Managed Care	21.3%	16.9%
Total	100.0%	100.0%

*Source: Findings for Project ID #N-8690-11

**Source: Application for Project ID # N-8843-12, page 126.

FirstHealth-Montgomery
Full Fiscal Year 2010 and 2011

Payer Category	Patient Days as % of Total Utilization 10/1/09-9/30/10	Patient Days as % of Total Utilization 10/1/10-9/30/11
Self Pay/ Charity/ Other	6.0%	8.7%
Medicare / Medicare Managed Care	83.4%	78.7%
Medicaid	2.1%	4.0%
Commercial Insurance/ Managed Care	8.4%	8.7%
Total	100.0%	100.0%

Source: LRA- 2011 & 2012

FirstHealth-Richmond
Full Fiscal Year 2010 and 2011

Payer Category	Patient Days as % of Total Utilization 10/1/09-9/30/10	Patient Days as % of Total Utilization 10/1/10-9/30/11
Self Pay/ Charity/ Other	14.0%	11.9%
Medicare / Medicare Managed Care	55.1%	56.0%
Medicaid	16.9%	17.6%
Commercial Insurance/ Managed Care	13.9%	14.5%
Total	100.0%	100.0%

Source: LRA- 2011 & 2012

FirstHealth Hospice & Palliative Care
Full Fiscal Year 2010 and 2011

Payer Category	Patient Days as % of Total Utilization 10/1/09-9/30/10	Patient Days as % of Total Utilization 10/1/10-9/30/11
Self Pay	1.4%	0.8%
Medicare	92.9%	94.2%
Medicaid	2.2%	2.4%
Private Insurance	3.5%	2.6%
Total	100.0%	100.0%

Source: LRA- 2011 & 2012

(11) documentation of strategies to be used and activities undertaken by the applicant to attract physicians and medical staff who will provide care to patients without regard to their ability to pay; and

-C- **CFVMC.** In Section II.8, page 32, and Exhibits 3 and 41, the applicant provides documentation of strategies to be used and activities undertaken by the applicant to attract physicians and medical staff who will provide care to patients without regard to their ability to pay.

-C- **FHCH.** In Section II.8, page 150, and Exhibits 21 the applicant provides documentation of strategies to be used and activities undertaken by the applicant to attract physicians and medical staff who will provide care to patients without regard to their ability to pay.

(12) documentation that the proposed new acute care beds shall be operated in a hospital that provides inpatient medical services to both surgical and non-surgical patients.

-C- **CFVMC.** In Section II.8, page 33, and Exhibit 36, the applicant provides documentation that the proposed new acute care beds at CFVMC will provide inpatient medical services to both surgical and non-surgical patients.

-C- **FHCH.** In Section II.8, page 50, and Exhibit 22, the applicant provides documentation that the proposed new acute care beds at FHCH will provide inpatient medical services to both surgical and non-surgical patients.

(c) An applicant proposing to develop new acute care beds in a new licensed hospital or on a new campus of an existing hospital shall also submit the following information:

(1) the projected number of inpatient days of care to be provided in the licensed acute care beds in the new hospital or on the new campus, by major diagnostic category as recognized by the Centers for Medicare and Medicaid Services (CMS) according to the list set forth in the applicable State Medical Facilities Plan;

(2) documentation that medical and surgical services shall be provided in the proposed acute care beds on a daily basis within at least five of the major diagnostic categories as recognized by the Centers for Medicare and Medicaid Services (CMS) according to the list set forth in the applicable State Medical Facilities Plan;

(3) copies of written policies and procedures for the provision of care within the new acute care hospital or on the new campus, including but not limited to the following:
(A) the admission and discharge of patients, including discharge planning,
(B) transfer of patients to another hospital,
(C) infection control, and
(D) safety procedures;

(4) documentation that the applicant owns or otherwise has control of the site on which the proposed acute care beds will be located; and

(5) documentation that the proposed site is suitable for development of the facility with regard to water, sewage disposal, site development and zoning requirements; and provide the required procedures for obtaining zoning changes and a special use permit if site is currently not properly zoned; and

(6) correspondence from physicians and other referral sources that documents their willingness to refer or admit patients to the proposed new hospital or new campus.

-NA- **Both Applications.** Neither application is proposing to develop new acute care beds in a new licensed hospital or on a new campus of an existing hospital shall

10A NCAC 14C .3803 PERFORMANCE STANDARDS

(a) An applicant proposing to develop new acute care beds shall demonstrate that the projected average daily census (ADC) of the total number of licensed acute care beds proposed to be licensed within the service area, under common ownership with the applicant, divided by the total number of those licensed acute care beds is reasonably projected to be at least 66.7 percent when the projected ADC is less than 100 patients, 71.4 percent when the projected ADC is 100 to 200 patients, and 75.2 percent when the projected ADC is greater than 200 patients, in the third operating year following completion of the proposed project or in the year for which the need determination is identified in the State Medical Facilities Plan, whichever is later.

-C- **CFVMC.** The service area is the Cumberland-Hoke County Acute Care Bed Service Area. The applicant is Cumberland County Hospital System, Inc., d/b/a/ Cape Fear Valley Medical System (CFVMC). As stated above, CFVMC has two campus's, one existing (Owen Drive) and one approved (CFV North). The Owen Drive campus has 490 existing acute care beds and the CFV North campus is approved for 65 acute care beds. Both of CFVMC's campus's are located in Fayetteville, Cumberland County. Hoke Healthcare, LLC, a subsidiary of Cumberland County Hospital System, Inc. d/b/a Cape Fear Valley Health System was approved in Project ID # N-8499-10 to develop 41 acute care beds in Hoke County. The third operating year following completion of the proposed 28 acute care bed project is FY2016. As of FY2016 the 65 acute care beds approved for CFVMC's CFV North campus and the 41 acute care beds approved for Hoke Healthcare, LLC are projected to be licensed.

Therefore, the total existing, approved and proposed acute care beds in the Cumberland-Hoke County Acute Care Bed Service Area under common ownership with the applicant is 624 [490 at CFRVC's Owen Drive Campus + 65 approved for CFVMC's CFV North campus + the proposed 28 for CFVMC's Owen Drive Campus + 41 approved for Hoke Healthcare, LLC.] As illustrated in the table below, the Average Daily Census (ADC) is 500.2 and the total number of existing, approved and proposed acute care beds is 624. The projected ADC in the third operating year following completion of the proposed project is greater than 200 patients. 500.2 ADC divided by 624 beds equates to 80.2% which is greater than 75.2 percent required by this rule.

C	Total Acute Care Patient Days*	182,581
D = C/365	Average Daily Census (FY2016)	500.2
E = D/0.752	# Acute Care Beds Needed at 75.2% Target Occupancy	665.2
F	Total # acute care beds (approved and proposed)	624
G	Acute Care Beds (Surplus)/Deficit	41.2

*From page 50 of the application.

-C- **FHCH.** In Section II.8, page 56, the applicant states "*FirstHealth projects that in the third year of operation, the thirty-six (36) acute care beds at FHCH will operate at 73.8 percent [(9,703 days of care) / (36 beds x 365) x 100 = 73.8%]. This calculation is derived from data in Section IV.* See Criterion (3) for discussion.

As illustrated in the table below, the Average Daily Census (ADC) is 26.58 and the total number of existing, approved and proposed acute care beds is 36. The projected ADC in the third operating year following completion of the proposed project is greater less than 100 patients. 26.58 ADC divided by 36 beds equates to 73.8% which is greater than 66.7 percent required by this rule.

C	Total Acute Care Patient Days*	9,703
D = C/365	Average Daily Census (FY2017)	26.58
E = D/0.667	# Acute Care Beds Needed at 66.7% Target Occupancy	39.86
F	Total # acute care beds (approved and proposed)	36
G	Acute Care Beds (Surplus)/Deficit	3.86

*From page 92 of the application.

(b) An applicant proposing to develop new acute care beds shall provide all assumptions and data used to develop the projections required in this rule and demonstrate that they support the projected inpatient utilization and average daily census.

-C- **CFVMC.** The applicant's assumptions and data used to develop the projections required in this Rule are provided in Section III.1(b), pages 48-54, and Exhibit 30, Tables 1-18. The applicant's assumptions regarding projected inpatient utilization and average daily census are reasonable and credible and support a finding of conformity with this rule. See Criterion (3) for a summary/overview of the assumptions and data used to develop the projections and an analysis of the reasonableness of the projections.

-C- **FHCH.** The applicant's assumptions and data used to develop the projections required in this Rule are provided in Section IV, pages 92-107. The applicant's assumptions regarding projected inpatient utilization and average daily census are reasonable and credible and support a finding of conformity with this rule. See Criterion (3) for summary/overview of the assumptions and data used to develop the projections and an analysis of the reasonableness of the projections.

10A NCAC 14C .3804 SUPPORT SERVICES

(a) An applicant proposing to develop new acute care beds shall document that each of the following items shall be available to the facility 24 hours per day, 7 days per week:

(1) laboratory services including microspecimen chemistry techniques and blood gas determinations;
(2) radiology services;
(3) blood bank services;
(4) pharmacy services;
(5) oxygen and air and suction capability;
(6) electronic physiological monitoring capability;

(7) mechanical ventilatory assistance equipment including airways, manual breathing bag and ventilator/respirator;
(8) endotracheal intubation capability;
(9) cardiac arrest management plan;
(10) patient weighing device for a patient confined to their bed; and
(11) isolation capability;

-C- **CFVMC.** Exhibit 36 contains a letter from the Chief Operating Officer (COO) of CFVHS which states that all of the items listed above will be available 24 hours per day, seven days per week at CFVMC.

-C- **FHCH.** Exhibit 24 contains a letter from the Chief Executive Officer at FirstHealth which states that all of the items listed above will be available 24 hours per day, seven days per week at the hospital.

(b) If any item in Paragraph (a) of this Rule will not be available in the facility 24 hours per day, 7 days per week, the applicant shall document the basis for determining the item is not needed in the facility.

-NA- **CFVMC** In Section II.8, page 36, the applicant states that all of the items in Paragraph (a) of this Rule will be available 24 hours per day, seven days per week.

-NA- **FHCH.** In Section II.8, page 57, and Exhibit 24, the applicant states that all of the items in Paragraph (a) of this Rule will be available 24 hours per day, seven days per week.

(c) If any item in Paragraph (a) of this Rule will be contracted, the applicant shall provide correspondence from the proposed provider of its intent to contract with the applicant.

-NA- **CFVMC.** In Section II.8, page 36, the applicant states that none of the items listed in Paragraph (a) of this Rule will be contracted.

-NA- **FHCH.** In Section II.8, pages 57-58, the applicant states that none of the items listed in Paragraph (a) of this Rule will be contracted.

10A NCAC 14C .3805 STAFFING AND STAFF TRAINING

(a) An applicant proposing to develop new acute care beds shall demonstrate that the proposed staff for the new acute care beds shall comply with licensure requirements set forth in Title 10A NCAC 13B, Licensing of Hospitals.

-C- **CFVMC.** In Section II.8, page 36, and Exhibit 43 the applicant demonstrates that the proposed staff for the new acute care needs will comply with the licensure requirements set forth in Title 10A NCAC 13B, Licensing of Hospitals.

-C- **FHCH.** In Section II.8, page 59, the applicant demonstrates that the proposed staff for the new acute care needs will comply with the licensure requirements set forth in Title 10A NCAC 13B, Licensing of Hospitals.

(b) An applicant proposing to develop new acute care beds shall provide correspondence from the persons who expressed interest in serving as Chief Executive Officer and Chief Nursing Executive of the facility in which the new acute care beds will be located, documenting their willingness to serve in this capacity.

-C- **CFVMC.** In Section II.8, page 36, the applicant identifies the two individuals who will serve as Chief Executive Officer and Chief Nursing Officer. Exhibit 36 contains letters from each individual which documents their willingness to serve in the capacities as required by this rule.

-C- **FHCH.** In Section II.8, page 59, the applicant identifies the two individuals who will serve as Chief Executive Officer and Interim Chief Nurse Officer. Exhibit 25 contains letters from each individual which documents their willingness to serve in the capacities as required by this rule.

(c) An applicant proposing to develop new acute care beds in a new hospital or on a new campus of an existing hospital shall provide a job description and the educational and training requirements for the Chief Executive Officer, Chief Nursing Executive and each department head which is required by licensure rules to be employed in the facility in which the acute care beds will be located.

-NA- **CFVMC**. CFVMC does not propose to develop new acute care beds in a new hospital or on a new campus of an existing hospital

-NA- **FHCH.** FHCH does not propose to develop new acute care beds in a new hospital or on a new campus of an existing hospital

(d) An applicant proposing to develop new acute care beds shall document the availability of admitting physicians who shall admit and care for patients in each of the major diagnostic categories to be served by the applicant.

-C- **CFVMC.** In Section II.8, page 37, Section VII.8.b., pages 102-103, and Exhibits 23 and 36, the applicant provides approximately 230 letters from physicians documenting the availability of admitting physicians who will admit and care for patients in each of the major diagnostic categories to be served at CFVMC.

-C- **FHCH.** In Exhibit 44 the applicant provides approximately 80 letters from physicians documenting the availability of admitting physicians who will admit and care for patients in each of the major diagnostic categories to be served at FHCH.

(e) An applicant proposing to develop new acute care beds shall provide documentation of the availability of support and clinical staff to provide care for patients in each of the major diagnostic categories to be served by the applicant.

-C- **CFVMC.** In Sections VII.1 and VII.8, and Exhibit 36, which includes a letter from the COO of CFVHS, the applicant provides documentation of the availability of

support and clinical staff to provide care for patients in each of the major diagnostic categories to be served at CFVMC.

-C- **FHCH.** See Section II.8, pages 60-63, and Section VII, pages 145-157, the applicant provides documentation of the availability of support and clinical staff to provide care for patients in each of the major diagnostic categories to be served at FHCH.

SECTION .1200 – CRITERIA AND STANDARDS FOR INTENSIVE CARE SERVICES

These rules apply only to FirstHealth, which proposes to develop new intensive care unit (ICU) beds.

10A NCAC 14C .1202 INFORMATION REQUIRED OF APPLICANT

(a) An applicant that proposes new or expanded intensive care services shall use the Acute Care Facility/Medical Equipment application form.

-C- FirstHealth used the Acute Care Facility/Medical Equipment application form.

(b) An applicant proposing new or expanded intensive care services shall submit the following information:

(1) the number of intensive care beds currently operated by the applicant and the number of intensive care beds to be operated following completion of the proposed project;

-C- In Section II.8, page 39, FHCH provides a table showing that FirstHealth currently operates 62 ICU beds: 50 at FMRH and 12 at FRMH. The applicant proposes to develop 4 ICU beds in the new hospital.

(2) documentation of the applicant's experience in treating patients at the facility during the past twelve months, including:
(A) the number of inpatient days of care provided to intensive care patients;
(B) the number of patients initially treated at the facility and referred to other facilities for intensive care services; and
(C) the number of patients initially treated at other facilities and referred to the applicant's facility for intensive care services.

-NA- FHCH is not an existing facility but is approved to develop eight acute care beds as part of Project ID #N-8497-10.

(3) the projected number of patients to be served and inpatient days of care to be provided by county of residence by specialized type of intensive care for each of the first twelve calendar quarters following completion of the proposed project, including all assumptions and methodologies;

-C- In Section II.8, page 40, the applicant provides tables showing the projected number of patients to be served and inpatient days of care to be provided by county of residence for the four proposed ICU beds for each of the first twelve calendar quarters following completion of the proposed project. The applicant's assumptions and methodology are discussed in Section IV, pages 92-107.

Projected ICU Admissions

County	PY1	PY2	PY3
Cumberland	14	19	24
Hoke	79	104	130
Robeson	43	56	70
Scotland	16	22	27
Total	152	201	252

Projected ICU Patient Days of Care

County	PY1	PY2	PY3
Cumberland	53	71	88
Hoke	292	386	482
Robeson	158	209	261
Scotland	61	80	100
Total	564	745	932

(4) data from actual referral sources or correspondence from the proposed referral sources documenting their intent to refer patients to the applicant's facility;

-C- Exhibit 44 contains copies of 74 letters from physicians documenting their intent to refer patients to the proposed facility.

(5) documentation which demonstrates the applicant's capability to communicate effectively with emergency transportation agencies;

-C- Exhibit 9 contains a copy of a letter documenting FHCH's capability to communicate effectively with emergency transportation agencies.

(6) documentation of written policies and procedures regarding the provision of care within the intensive care unit, which includes the following:
(A) the admission and discharge of patients;
(B) infection control;
(C) safety procedures; and
(D) scope of services.

-C- Exhibit 10 contains copies of the listed ICU policies and procedures.

(7) documentation that the proposed service shall be operated in an area organized as a physically and functionally distinct entity, separate from the rest of the facility, with controlled access;

-C- Exhibit 11 contains a letter documenting that ICU services will be operated in an area organized as a physically and functionally distinct entity, separate from the rest of the facility, with controlled access.

(8) documentation to show that the services shall be offered in a physical environment that conforms to the requirements of federal, state, and local regulatory bodies;

-C- Exhibit 12 contains a letter documenting that the services will be offered in a physical environment that conforms to the requirements of federal, state, and local regulatory bodies.

(9) a floor plan of the proposed area drawn to scale; and

-C- Exhibit 14 contains a floor plan.

(10) documentation of a means for observation by unit staff of all patients in the unit from at least one vantage point.

-C- In Section II.8, page 41, the applicant states, *"Please refer to Exhibit 13 for a floor plan showing observation by unit staff of all patients in the unit from at least one vantage point."*

10A NCAC 14C .1203 PERFORMANCE STANDARDS

(a) The applicant shall demonstrate that the proposed project is capable of meeting the following standards:

(1) the overall average annual occupancy rate of all intensive care beds in the facility, excluding neonatal and pediatric intensive care beds, over the 12 months immediately preceding the submittal of the proposal, shall have been at least 70 percent for facilities with 20 or more intensive care beds, 65 percent for facilities with 10-19 intensive care beds, and 60 percent for facilities with 1-9 intensive care beds; and

-NA- FHCH is not an existing facility but is approved to develop eight acute care beds as part of Project ID #N-8497-10.

(2) the projected occupancy rate for all intensive care beds in the applicant's facility, exclusive of neonatal and pediatric intensive care beds, shall be at least 70 percent for facilities with 20 or more intensive care beds, 65 percent for facilities with 10-19 intensive care beds, and 60 percent for facilities with 1-9 intensive care beds, in the third operating year following the completion of the proposed project.

-C- In Section II.8, page 42, the applicant states FHCH will provide 932 patient days in the proposed 4-bed ICU in the third operating year (FY2017), for a projected occupancy rate of 63.8 percent. See Criterion (3) for discussion.

(b) All assumptions and data supporting the methodology by which the occupancy rates are projected shall be provided.

-C- The applicant's assumptions and data supporting the methodology by which the occupancy rates were determined are provided in Section IV, pages 92-107. See Criterion (3) for discussion.

10A NCAC 14C .1204 SUPPORT SERVICES

(a) An applicant proposing new or additional intensive care services shall document the extent to which the following items are available:

(1) twenty-four hour on-call laboratory services including microspecimen chemistry techniques and blood gas determinations;

(2) twenty-four hour on-call radiology services, including portable radiological equipment;

(3) twenty-four hour blood bank services;

(4) twenty-four hour on-call pharmacy services;

(5) twenty-four hour on-call coverage by respiratory therapy;

(6) oxygen and air and suction capability;

(7) electronic physiological monitoring capability;

(8) mechanical ventilatory assistance equipment including airways, manual breathing bag and ventilator/respirator;

(9) endotracheal intubation capability;

(10) cardiac pacemaker insertion capability;

(11) cardiac arrest management plan;

(12) patient weighing device for bed patients; and

(13) isolation capability.

-C- Exhibit 14 contains a letter from the Chief Executive Officer at FirstHealth documenting FHCH's ability to provide *"all of the previously identified support services."*

(b) If any item in Subparagraphs (a)(1) - (13) of this Rule will not be available, the applicant shall document the reason why the item is not needed for the provision of the proposed services.

-C- In Section II.8, page 43, the applicant states *"Cardiac pacemaker insertion will be available based on the order of the on-call cardiologist. Either the on-call cardiologist or the Emergency Department physician may insert the cardiac pacemaker. It may also be necessary for the ICU clinical staff to utilize the LifePak for transcutaneous pacing if immediate pacemaker insertion is unavailable and arrangement will be made to transfer the patient as required. This is the same policy utilized at FMRH, which also offers general intensive care beds."*

10A NCAC 14C .1205 STAFFING AND STAFF TRAINING

The applicant shall demonstrate the ability to meet the following staffing requirements:

(1) nursing care shall be supervised by a qualified registered nurse with specialized training in the care of critically ill patients, cardiovascular monitoring, and life support;

-C- Exhibit 15 contains the job description for ICU registered nurses.

(2) direction of the unit shall be provided by a physician with training, experience and expertise in critical care;

-C- In Section II.8, page 44, the applicant states "*Please refer to Exhibit 15 for the ICU Medical Director Agreement which identifies the required training, experience, and expertise needed to act as a medical director, specifically listed under 3.a.ii.*"

(3) assurance from the medical staff that twenty-four hour medical and surgical on-call coverage is available; and

-C- Exhibit 16 contains a letter from the FirstHealth Chief of Staff indicating that twenty-four hour medical and surgical on-call coverage will be extended to FHCH.

(4) inservice training or continuing education programs shall be provided for the intensive care staff.

-C- Exhibit 17 contains copies of the in-service training and continuing education programs available to the intensive care staff. Exhibit 218 contains a letter from the Chief Executive Officer at FirstHealth documenting that the regulations in 10A NCAC 14C.1205 will be meet at FHCH.

COMPARATIVE ANALYSIS

Pursuant to G.S. 131E-183(a)(1) and the 2012 SMFP, no more than 28 additional acute care beds may be approved for the Cumberland Hoke Multi-County Acute Care Bed Service Area. Because the two applications in this review propose a total of 56 additional acute care beds, both of the applications cannot be approved. Therefore, after considering all of the information in each application and reviewing each application individually against all applicable statutory and regulatory review criteria, the Project Analyst also conducted a comparative analysis of the proposals.

For the reasons set forth below and in the remainder of the findings, the application submitted by FirstHealth is approved and the application submitted by CFVMC is disapproved.

Geographic Accessibility

The 2012 SMFP identifies a need for 28 acute care beds for the Cumberland Hoke Multi-County Acute Care Bed Service Area. The 2012 SMFP need determination does not indicate where in either of those counties the beds should be located. The following table identifies the location of the existing and approved acute care beds in the Cumberland Hoke Multi-County Acute Care Bed Service Area.

CUMBERLAND COUNTY

Facility	Existing/ Approved Acute Care Beds	Location Within the Cumberland Hoke Multi-County Acute Care Bed Service Area	City/Town
CFVMC's Owen Drive Campus	490	Cumberland County- Central	Fayetteville-South
CFVMC's CFV North Campus	65	Cumberland County- North	Fayetteville- North
Cumberland County – Total	**555**		

HOKE COUNTY

Facility	Existing/ Approved Acute Care Beds	Location Within the Cumberland Hoke Multi-County Acute Care Bed Service Area	City/Town
Hoke Community Medical Center	41	Hoke County - Central/East	McLauchlin Township
FHCH	8	Hoke County- Central/East	McLauchlin Township
Hoke County- Total	**49**		

The following tables identifies the location of the acute care beds proposed to be developed in this review.

CUMBERLAND COUNTY

Facility	Proposed Acute Care Beds	Location Within the Cumberland Hoke Multi-County Acute Care Bed Service Area	City/Town
CFVMC's Owen Drive Campus	28	Cumberland County- Central	Fayetteville-South
Cumberland County- Total	28		

HOKE COUNTY

Facility	Proposed Acute Care Beds	Location Within the Cumberland Hoke Multi-County Acute Care Bed Service Area	City/Town
FHCH*	28	Hoke County- Central/East	McLauchlin Township
Hoke County- Total	28		

CFVMC proposes developing the 28 new acute care beds at its Owen Drive Campus in central Cumberland County. FirstHealth proposes developing the 28 new acute care beds on the same site as its approved 8-bed acute care hospital, FHCH, in Hoke County. As illustrated in the table above, there are already 555 existing or approved acute care beds in Cumberland County and only 49 approved acute care beds in Hoke County. Four hundred and ninety (490) of the acute care beds are located in Fayetteville at 1638 Owen Drive, Fayetteville. Sixty Five (65) of the acute care beds are approved to be developed about 12 miles north and slightly west of the 490 beds at 6387 Ramsey Street, Fayetteville. Forty nine (49) of the beds are located at two locations (HCMC and FHCH) in eastern Hoke County due west of CFVMC's Owen Drive Campus a few miles over the Cumberland/Hoke County line on the major transportation corridor (US Highway 401) from Fayetteville to Hoke County.

In FY2016 the population of Hoke County is projected to be 55,471 and the population of Cumberland County is projected to be 337,612. There are currently 49 acute care beds approved for Hoke County and 555 existing or approved acute care beds in Cumberland County. This equates to a ratio of 1 acute care bed to every 1,132 people in Hoke County [55,471 / 49 = 1,132.06] and a ratio of 1 acute care bed to every 608 people in Cumberland County [337,612 / 555 = 608.3]. If the 28 acute care beds are awarded to FHCH this would raise the total number of approved beds in Hoke County to 77 for a ratio of 1 acute care bed to every 720 people in Hoke County [555,471 / 77 = 720.4]. It should be noted that both Hoke County hospitals propose serving significant numbers of residents from contiguous counties, notably Cumberland. With regard to improving geographic access to the proposed services, the FHCH application is determined to be more effective than the CFVMC application.

Access by Underserved Groups

The following tables show the average inpatient utilization (admissions) for acute general hospitals by payer category for North Carolina and Cumberland County. (The data includes normal newborns.) Hoke County does not have an existing hospital. For North Carolina, data are based on 1,113,423 inpatient admissions. For Cumberland County, data are based on 35,956 inpatient admissions.

North Carolina Hospital Admissions by Payer Category-FY2009

Payer Category	Percent of Total
Commercial/HMO	32.9%
Medicare	36.0%
Medicaid	21.9%
Other	3.1%
Uninsured	6.1%
Total	**100.0%**

Source: Cecil B. Sheps Center for Health Services Research

Cumberland County Hospital Admissions by Payer Category-FY2009

Payer Category	Percent of Total
Commercial/HMO	20.4%
Medicare	35.7%
Medicaid	29.8%
Other-Gov.	8.0
Other	0.2%
Uninsured	6.0%
Total	**100.0%**

Source: Cecil B. Sheps Center for Health Services Research

The following table shows each applicant's projected percentage of hospital services to be provided to Medicaid and Medicare Inpatient Acute Care Service recipients in the second year following completion of the project.

Inpatient Acute Care Services

Applicant	Projected Percentage of Services to be Provided to Medicare Recipients	Projected Percentage of Services to be Provided to Medicaid Recipients
CFVMC	51.2%	24.6%
FHCH	51.0%	10.4%

With regard to access by Medicaid recipients, CFVMC projects the higher percentage of total services to be provided to Medicaid recipients and FHCH projects the lowest percentage of total services to be provided to Medicaid recipients. The Project Analyst notes that CFVMC-Owen Drive Campus offers obstetrical services, a service which often has a high percentage of Medicaid recipients. In contrast, obstetrical services will not be offered at FHCH. With regard to access by Medicare recipients both applicants are comparable.

Demonstration of Need

CFVMC adequately demonstrates the need for all components of its proposal based on projected utilization which is based on reasonable, credible and supported assumptions. See Criterion (3) for discussion.

FHCH adequately demonstrates the need for all components of its proposal based on projected utilization which is based on reasonable, credible and supported assumptions. See Criterion (3) for discussion.

Therefore, the applications submitted by CFVMC and FHCH, with regard to demonstration of need for the proposed services, are equally effective alternatives.

Financial Feasibility

CFVMC adequately demonstrated that the financial feasibility of its proposed project is based upon reasonable projections of costs and revenues. See Criterion (5) for discussion.

FHCH adequately demonstrated that the financial feasibility of its proposed project is based upon reasonable projections of costs and revenues. See Criterion (5) for discussion. Therefore, with regard to financial feasibility, the applications submitted by CFVMC and FHCH are equally effective alternatives.

Competition

CFVMC- Cumberland County Hospital System, Inc., d/b/a/ Cape Fear Valley Medical System (CFVMC) and its subsidiaries currently control 596 of the 604 existing or approved acute care beds in the Cumberland-Hoke Multi-County Acute Care Bed Service Area. If CFVMC's proposed project to develop the 28 new acute care beds at CFVMC's Owen Drive Campus is approved Cumberland County Hospital System, Inc. and its subsidiaries will control 624 of the 632 existing or approved acute care beds in the Cumberland-Hoke Multi-County Acute Care Bed Service Area. FirstHealth currently controls 8 of the 604 existing or approved acute care beds in the Cumberland-Hoke Multi-County Acute Care Bed Service Area. If FirstHealth's proposed project to develop the 28 acute care beds at its approved 8 acute care bed hospital, FHCH, in Hoke County FirstHealth will control 36 of the 632 existing or approved acute care beds in the Cumberland-Hoke Multi-County Acute Care Bed Service Area. Therefore, with regard to competition, the application submitted by FirstHealth is the most effective alternative.

Coordination with the Existing HealthCare System

CFVMC and FirstHealth are existing providers with established relationships with physicians and area healthcare providers. Both applications demonstrated that the proposed services would be coordinated with the existing healthcare system. See Criterion (8) for discussion. Therefore, both applications are equally effective alternatives with regard to coordination with the existing health care system.

COMMUNITY SUPPORT

In its application, CFVMC provided in excess of 2,600 letters of support from: 1) physicians; 2) other health care providers; 3) area businesses; 4) local and State government officials; and 5) residents of the proposed service area. See Exhibits 2, 24, 25, 26 and 27. Most

(2,000) of the letters are from Cumberland County ZIP codes associated with Fayetteville [28301, 28303, 28304, 28305, 28306] During the public comment period, the CON Section received 248 additional letters of support from residents of the proposed service area. Community support for HCMC's proposal was also expressed at the public hearing.

In its application, FHCH provided in excess of 1,500 letters and emails of support from: 1) physicians; 2) other health care providers; 3) area businesses and community organizations; 4) local government officials; and 5) residents of the proposed service area. See Exhibits 44, 45 and 46. Most of the letters are from Hoke County (52%) with Cumberland (34%) and Robeson (12%). During the public comment period, the CON Section received additional letters of support from residents of the proposed service area. Community support for FHCH's proposal was also expressed at the public hearing.

Both applications demonstrated that the respective proposals have significant community support. Therefore, both applications are equally effective alternatives with regard to community support.

Revenues

The following table shows the gross revenue per inpatient day for the third operating year for each applicant. Gross revenue and inpatient days are taken from Form B, Form C, and the applications.

Gross Revenue Comparison - Third Year of Operation

Applicant	Gross Revenue	In-Patient Days	Gross Revenue Per In-Patient Day
CFVMC	$3,428,510,000	158,664	$21,608.00
FHCH	$91,618,769	9,703	$9,442.00

As shown in the table above, FHMC projects lower gross revenue per inpatient day than CFVMC in the third full fiscal year of operation. However, CFVMC is a tertiary hospital and FHCH is a community hospital. A tertiary hospital offers more services and handles patients with greater levels of acuity as compared to a community hospital. Due to the differences in the two projects, it is not possible to make conclusive comparisons of the two applications with regard to gross revenue per inpatient day.

The following table shows the net revenue per inpatient day for the third operating year for each applicant. Net revenue and inpatient days are taken from Form B, Form C, and the applications.

Net Revenue Comparison - Third Year of Operation

Applicant	Net Revenue	In-Patient Days	Net Revenue Per

			Patient Day
CFVMC	$826,089,000	158,664	$5,206.00
FHCH	$28,992,439	9,703	$2,987.00

As shown in the table above, FHMC projects lower net revenue per inpatient day than CFVMC in the third full fiscal year of operation. However, CFVMC is a tertiary hospital and FHCH is a community hospital. A tertiary hospital offers more services and handles patients with greater levels of acuity as compared to a community hospital. Due to the differences in the two projects, it is not possible to make conclusive comparisons of the two applications with regard to gross revenue per inpatient day.

Operating Expenses

The following table shows the operating costs (expenses) per inpatient day for the third operating year for each applicant. Operating costs are taken from Form B, Form C, and the applications.

Operating Costs Comparison - Third Year of Operation

Applicant	Operating Costs	In-Patient Days	Operating Costs Per In-Patient Day
CFVMC	$849,307,000	158,664	$5,352.00
FHCH	$25,255,219	9,703	$2,602.00

As shown in the table above, FHMC projects lower operating costs per inpatient day than CFVMC in the third full fiscal year of operation. However, CFVMC is a tertiary hospital and FHCH is a community hospital. A tertiary hospital offers more services and handles patients with greater levels of acuity as compared to a community hospital. Due to the differences in the two projects, it is not possible to make conclusive comparisons of the two applications with regard to operating costs per inpatient day.

Quality

CFVMC has did not adequately demonstrate that it would provide quality care. In contrast, FHCH did adequately demonstrate that it would provide quality care. See discussion in Criterion (20) which is incorporated hereby as if fully set forth herein. Therefore, with regard to quality of care, the application submitted by FHCH is a more effective alternative than the application submitted by CFVMC.

CONCLUSION

Both of the applications are individually conforming to the need determination in the 2012 SMFP for 28 acute care beds in the Cumberland-Hoke Multi-County Acute Care Bed Service Area. However, G.S.131E 183(a)(1) states that the need determination in the SMFP is the determinative limit on the number of acute care beds that can be approved by the Certificate of Need Section. The Certificate of Need Section determined that the application submitted by FirstHealth is the most effective alternative proposed in this review for the development of 28 new acute care beds in the Cumberland-Hoke Multi-County Acute Care Bed Service Area and is approved. The approval of any other application would result in the approval of acute care beds in excess of the need determination in the Cumberland-Hoke Multi-County Acute Care Bed Service Area, and therefore, the competing application of CFVMC is denied. Furthermore, the CON Section determined that the application submitted by CFVMC is not approvable standing alone.

The application submitted by FirstHealth is approved subject to the following conditions:

1. **FirstHealth of the Carolinas, Inc. shall materially comply with all representations made in the certificate of need application, as revised by the conditions of approval.**

2. **FirstHealth of the Carolinas, Inc. shall develop 28 new acute care beds (24 general acute care beds and 4 ICU beds) at FirstHealth Hoke Community Hospital. Upon completion of this project and Project I.D. #N-8497-10 (FHCH 8 bed hospital), FMRH shall be licensed for no more than 36 acute care beds (32 general acute care beds and 4 ICU beds) and 4 observation beds.**

3. **FirstHealth of the Carolinas, Inc. shall not develop any additional observation beds beyond what was approved in Project I.D. #N-8497-10 (FHCH 8 bed hospital).**

4. **FirstHealth of the Carolinas, Inc. shall not acquire, as part of this project, any equipment that is not included in the project's proposed capital expenditure in Section VIII of the application or that would otherwise require a certificate of need.**

5. **FirstHealth of the Carolinas, Inc. shall acknowledge acceptance of and agree to comply with all conditions stated herein to the Certificate of Need Section, in writing prior to issuance of the certificate of need.**