

Comments by Lake Norman Regional Medical Center Regarding Atrium Health Lake Norman CON Project ID # F-011810-19 (Mecklenburg County)

In response to the 2019 State Medical Facilities Plan need determinations for 76 acute care beds and 6 operating rooms in Mecklenburg County, a total of nine Certificate of Need (CON) applications were submitted. These are summarized in the following chart:

Project ID#	Applicant	Capital Cost	Project Description
F-11806-19	Novant Health Mountain Island Lake	\$32,543,654	Develop a satellite Emergency Department to be licensed as party of NHHMC
F-11807-19	Novant Health Matthews Medical Center	\$2,162,667	Add 1 OR for a total of 9 ORs
F-11808-19	Novant Health Matthews Medical Center	\$27,212,177	Add 20 acute care beds for a total of 174 beds
F-11810-19	Atrium Health Lake Norman	\$147,090,166	Develop a new satellite hospital campus of Atrium Health University with 30 acute care beds and 2 ORs
F-11811-19	Carolinas Medical Center	\$10,527,737	Add 18 acute care beds for a total of 1073 at completion
F-11812-19	Atrium Health University City	\$3,766,000	Add 16 beds for a total of 116 beds
F-11813-19	Atrium Health Pineville	\$7,231,102	Add 12 beds for a total of 271 beds
F-11814-19	Attrium Health Pineville	\$15,695,524	Add 2 ORs for a total of 15 ORs
F-11815-19	Carolinas Medical Center	\$7,974,633	Add 2 ORs for a total of 64 ORs

The following comments are submitted in accordance with N.C. Gen. Stat. § 131E-185(a1) (1) and address the representations in the project applications, including an analysis and discussion as to whether the Atrium Health Lake Norman application complies with the CON review criteria.

CON Project ID # F-011810-19 Overview

The Atrium Health Lake Norman proposal is for the development of a new satellite hospital campus near Cornelius that would be licensed as part of Atrium Health University City. Page 7 of the application provides the summary project description:

Develop Atrium Health Lake Norman, a new hospital campus to be operated as a facility of CMHA d/b/a Atrium Health University City, including 30 acute care beds and two operating rooms pursuant to the need determinations for Mecklenburg County in the 2019 SMFP.

The overall scope of the proposed project includes 30 acute care beds, 8 observation beds, 2 operating rooms, one C-Section operating room, one procedure room, an emergency department with 10 treatment bays, one CT scanner and other imaging equipment with a total projected capital cost of \$147,090,166.

Summary Comments:

The Atrium Heath Lake Norman (AHLN) Project application # F-011810-19 is nonconforming to CON Criteria 1, 3, 4, 5, 6, 8, 13a, 13c, 18a and the regulatory performance standards for ICU Beds 10A NCAC 14C .1203 (a) and (b); Acute Care Beds 10A NCAC 14C.3803 (a) and (b); and for Operating Rooms 10A NCAC 14C.2103 (a), (b) and (e). In addition, because the AHLN application is nonconforming to multiple CON review criteria and regulatory performance standards it is not an approvable application or an effective alternative in the comparative analysis for this CON review. There are abundant reasons why the AHLN project application is nonconforming to the CON review criteria and applicable performance standards:

- Patient origin projections are unreliable because the applicant failed to provide the historical patient origin data for the existing licensed facility, Carolinas Healthcare University, for which the proposed AHLN project would be a satellite hospital campus.
- AHLN erroneously proposes three zip codes in its primary service area that are not patient geographic locations but instead are “PO Box only” zip codes. Consequently the numbers of patients that may originate from these three zip codes cannot be reasonably predicted. Also, the applicant fails to explain that zip code 28035 is the Davidson, NC “PO Box only” zip code for a Post Office that is located very near the Iredell / Mecklenburg County line and serves residents of both Iredell and Mecklenburg Counties. Thus, the AHLN patient origin projections are faulty.
- AHLN omits the patient origin projections for the CT scanner and other diagnostic imaging equipment that are service components of the proposed project. Therefore the application fails to identify the population to be served for these service components.
- AHLN fails to demonstrate that the population of the proposed service area, that includes portions of Mecklenburg and Iredell Counties, has the need for the proposed project that includes 30 beds, 2 operating rooms and the imaging equipment.
- Utilization projections for the proposed acute care beds and operating rooms and computed tomography (CT) scanner are overstated and not based on reasonable assumptions that are adequately supported.
- As compared to the existing Atrium Health University City, AHLN proposes a limited scope of clinical services that excludes invasive cardiology, neurosurgery and pediatrics. Thus, it is unreasonable to assume that the use rates for diagnostic services at AHLN will be the same as Atrium Health University City.
- The AHLN methodology and assumptions are erroneously based on a previous CON project application in Union County that is dissimilar to the proposed project in terms of service area boundaries, demographics and numbers of existing hospitals in the service area.
- The proposed project is not an effective alternative to improve access because the proposed additional acute care beds, operating rooms and CT scanner will be located in an area of Mecklenburg County that is distant from the majority of the low-income population.

- **AHLN fails to demonstrate that its proposal is the least costly alternative because additional beds and operating rooms can be added at Carolinas Medical Center (Projects # F-11811-19 and #F-11815-19) at substantially less incremental cost.**
- **Overstated and unreasonable utilization projections cause the AHLN application to fail to demonstrate financial feasibility.**
- **The proposed project is unnecessary because the utilization projections are flawed and the proposed project is duplicative of existing health service facilities in both Mecklenburg and Iredell Counties.**
- **AHLN is duplicative of the Atrium Health Mountain Island Emergency Department CON Project ID that includes a satellite Emergency Department, CT scanner, and other imaging services.**
- **AHLN fails to adequately demonstrate the availability of ancillary and support services because there is no documentation in the application of the willingness of a contracted mobile MRI vendor to provide services.**
- **AHLN fails to provide historical payor mix data for its existing facility; the projected payor mix for the AHLN project is unreasonable.**
- **This AHLN proposal fails to provide positive competition to improve access to services in Mecklenburg County because the majority of the Mecklenburg County population is excluded from the proposed primary and secondary service areas.**

The following paragraphs provide the LNRMC comments that include the analysis and discussion as to whether the Atrium Health Lake Norman application complies with the CON review criteria.

Criterion 1 *“The proposed project shall be consistent with applicable policies and need determinations in the State Medical Facilities Plan, the need determination of which shall constitute a determinative limitation on the provision of any health services, health service facility, health service beds, dialysis stations, Operating rooms, or home health offices that may be approved.”*

POLICY GEN-3: BASIC PRINCIPLES 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.”

The information provided by the AHLN application fails to demonstrate that the applicant's proposal would maximize healthcare value because the utilization projections are not based on reasonable and adequately supported assumptions. The discussion regarding utilization found in Criterion (3) is incorporated herein by reference. Therefore, the AHLN application does not conform to Criterion 1 and Policy GEN-3.

Criterion 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."*

The AHLN application is nonconforming to Criterion 3 because the proposal fails to identify the population to be served by the proposed project due to an unreasonable scope of services, omitted patient origin data and the absence of historical data for the existing Atrium University City. The AHLN utilization projections are overstated and unreasonable.

Unreasonable Scope of Services

The applicant unreasonably predicts to provide obstetrics services including C-Section but, unlike all of the other Atrium facilities in Mecklenburg County, the application includes no pediatrics or minor or advanced neonatal services. Page 15 of the AHLN application shows that the proposed project will include no MDC 15, the major diagnostic code for Newborn and Other Neonates (Perinatal Period). Women would be very unlikely to choose to utilize a hospital that lacks pediatrics or minor or advanced neonatal services. Therefore it is unreasonable to project utilization and days of care for obstetrics without demonstrating any pediatric coverage and newborn services.

Incomplete and Erroneous Patient Origin Data

The AHLN patient origin projections are erroneous because the methodology assumes that it can predict the future shift in patient days of care from existing Atrium hospitals to the proposed project simply based on the applicant's perceived "appropriateness" which ignores the facts that:

- The proposed AHLN scope of services is substantially more limited as compared to the services available at existing facilities in Iredell and Mecklenburg Counties.
- Patients can choose which hospitals and physicians best meet their overall needs regardless of travel distances and convenience.
- CMC Main provides so much greater depth of clinical services and array of specialists it is unlikely that large numbers of patients would be willingly shifted to the proposed AHLN because it is closer to their home.
- Patients may utilize different hospitals over time such that patients that utilized Atrium hospitals may also have utilized Lake Norman Medical Center or Novant Hospitals in the past.

In Section C, the applicant fails to provide the historical patient origin data that is requested in the CON application form for the existing facility, which is Atrium University City. As stated on page 12 of the application, "Atrium Health University City proposes to develop a new acute care hospital campus near Lake Norman to be licensed as part of Atrium Health University City's existing license." Previous CON applications for satellite hospital campuses such as Atrium Health Union West Project ID #F-

11618-18 did provide the historical patient origin data so that the Agency had the actual data to evaluate the reasonableness of the projections for the satellite hospital campus. But the AHLN application omits the historical data so the Agency has no baseline data to assess the reasonableness of the projections.

Pages 33 to 34 of the AHLN application omit the patient origin for the CT scanner as well as other diagnostic imaging services and outpatient services. Thus AHLN fails to identify the numbers of CT scanner patients and the numbers of other diagnostic imaging services patients by county of residence. This omission is critical because previous CON reviews that involved CT scanners listed on page 92 of the AHLN were required to provide patient origin data in order to be found conforming to Criterion 3.

AHLN erroneously proposes three zip codes in its primary service area that are not patient geographic locations but instead are "Post Office box only" zip codes. The application fails to explain that zip code 28035 is the U.S. Post Office of Davidson, NC that serves residents of both Iredell and Mecklenburg Counties because the town straddles the Iredell Mecklenburg County line. Moreover, the AHLN application provides no assumptions or methodology to show how it calculated its patient origin projections by county of residents based on the three zip codes that are Post Offices and not population locations.

Flawed Need Methodology

The Atrium Health Lake Norman application based its need methodology and assumptions on a model that was developed for the Union County Atrium Health Union West Project ID #F-11618-18. The Union project was a noncompetitive review for the relocation of existing acute care beds from CHS Union, the only acute care hospital in Union County. The geography, population and numbers of hospitals that patients have to choose from in Mecklenburg County for the AHLN proposal are entirely different from the characteristics of Union County as follows:

	Mecklenburg	Union
Total Population	1,138,473	242,474
County Area in Square Miles	546	640
Numbers of Hospitals	3 Atrium Hospitals and 3 Novant Hospitals and 1 pending Novant Hospital	One existing Atrium Hospital
Total Acute Care Beds	2,128 licensed and 160 pending	182 licensed beds and 0 pending
Atrium Hospital-based Operating Rooms	14 Inpatient (includes 7 C-Section Rooms)	2 Inpatient (Includes 2 C-Section Rooms)
	15 Ambulatory	0 Ambulatory
	59 Shared	6 Shared
All Other Operating Rooms in the Service Area.	9 Inpatient (includes 6 C-Section Rooms/	0 Inpatient
	27 Ambulatory	3 Ambulatory
	44 Shared	0 Shared

The Lake Norman area is a significant geographic feature that is located in the proposed AHLN service area of northern Mecklenburg and southern Iredell Counties; Union County has no major lake at its border. Furthermore the AHLN application provides no travel data to demonstrate that large numbers of residents from Iredell County routinely travel to Mecklenburg County. Had the applicant consulted the North Carolina Department of Commerce website, Commuting Patterns (Census LEHD-LODES) — AccessNC, the data shows that far fewer residents from Iredell County commute to Mecklenburg as compared to the numbers of residents from Union County.

2014 Commuting Data	Commuting Patterns Residential Inflow	
	From Iredell	From Union
To Mecklenburg County	13,999	40,611

Source: US Census, Local Employment Dynamics Partnership, Longitudinal Employer-Household Dynamics (LEHD), Origin-Destination Employment Statistics, 2014 Released 3/3/2016
https://opendata.nccommerce.com/explore/dataset/census_led/table/?disjunctive.periodyear&disjunctive.datefacet&disjunctive.areafacet

Despite these profound differences in the characteristics of the geography, the numbers of existing hospitals in the areas, and travel patterns, the applicant unreasonably defines the primary and secondary service area zip codes for the AHLN project based on the “geography of the Lake Norman area and expected patient travel patterns.”

The AHLN application assumes that its primary and secondary service areas would include the zip codes as described as follows.

Assumed Geographies for Atrium Health Lake Norman Patients

<i>Primary Service Area (PSA)</i>
28031-Cornelius
28035-Davidson (PO Box)
28036-Davidson
28070-Huntersville (PO Box)
28078-Huntersville
28115-Mooresville
28117-Mooresville
28123-Mooresville (PO Box)
<i>Secondary Service Area (SSA)</i>
28216-Charlotte
28269-Charlotte

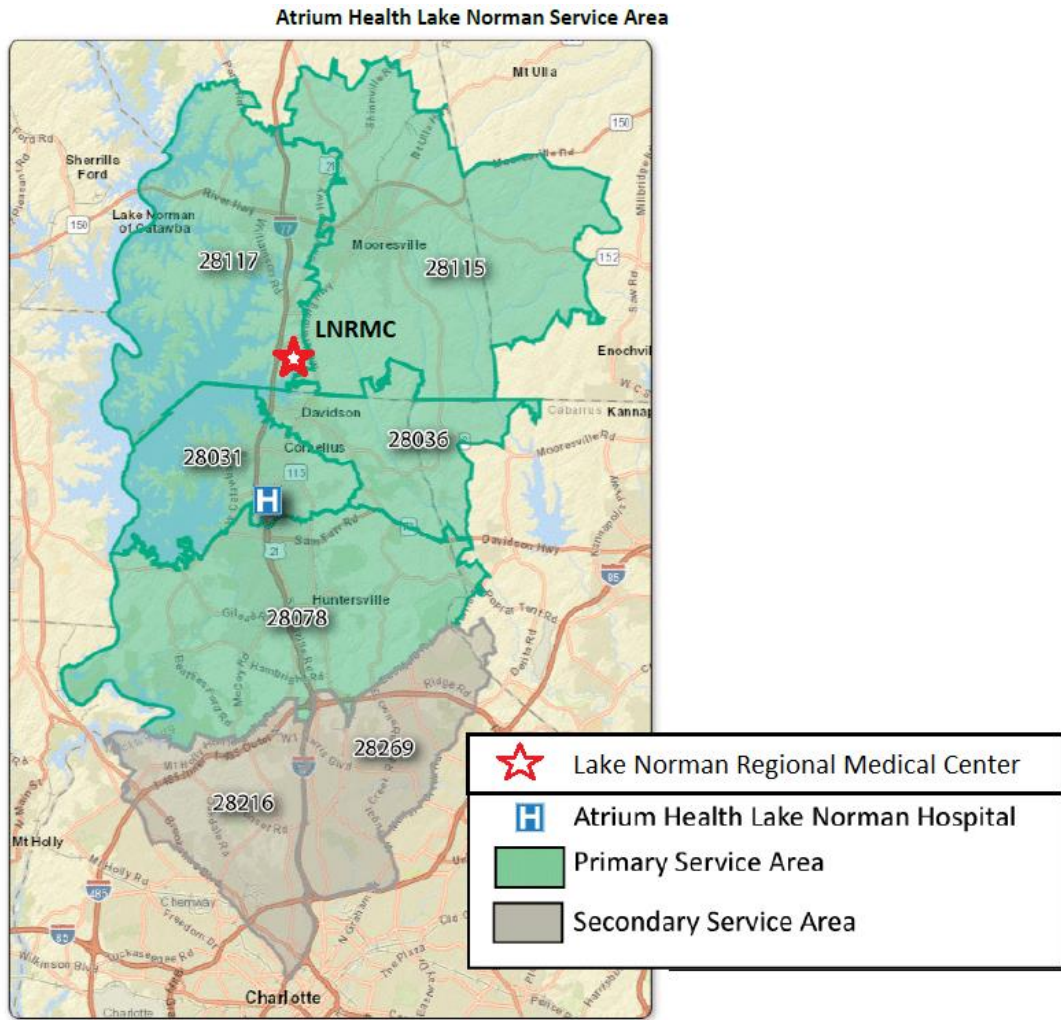
This definition of the primary service area (PSA) for AHLN is not reasonable and adequately supported because the zip codes 28115 and 28117 are located in Iredell County and outside of the Mecklenburg County Service Area that is defined for the need determinations for the operating rooms and acute care beds. AHLN seeks to annex the populations of these zip codes into its methodology and assumptions in order to inflate its overall utilization projections. Given that the applicant failed to provide the actual patient origin data for Atrium Health University City, AHLN fails to demonstrate that increased numbers of patients from Iredell County have a need to travel from their home county to the proposed new AHLN in Mecklenburg County.

The applicant’s assumption that 28117 and 28115 should be included in the proposed primary service area is based on conjecture and not on statistical data. The following chart shows that 77 percent of the potential patients originate from the Charlotte zip codes 28216 and 28269. These two secondary service area zip codes of Charlotte are similar distances from the proposed AHLN location as the Mooresville zip codes 28117 and 28115. Even though the travel distances appear similar, AHLN chose to designate Charlotte zip codes 28216 and 28269 as secondary and 28117 and 28115 near Mooresville as primary.

	CY 2018 Atrium Health Lake Norman- Appropriate Days	Percentages
PSA	4,671	22.65%
SSA	15,948	77.35%
Total Days	20,619	100%
Total ADC	56	NA

Based on this analysis of the applicant’s methodology and assumptions it is obvious that the proposed project is focused on gaining market share of Iredell County patients rather than seeking to improve access for the vast majority of Atrium patients that originate in the Charlotte area zip codes.

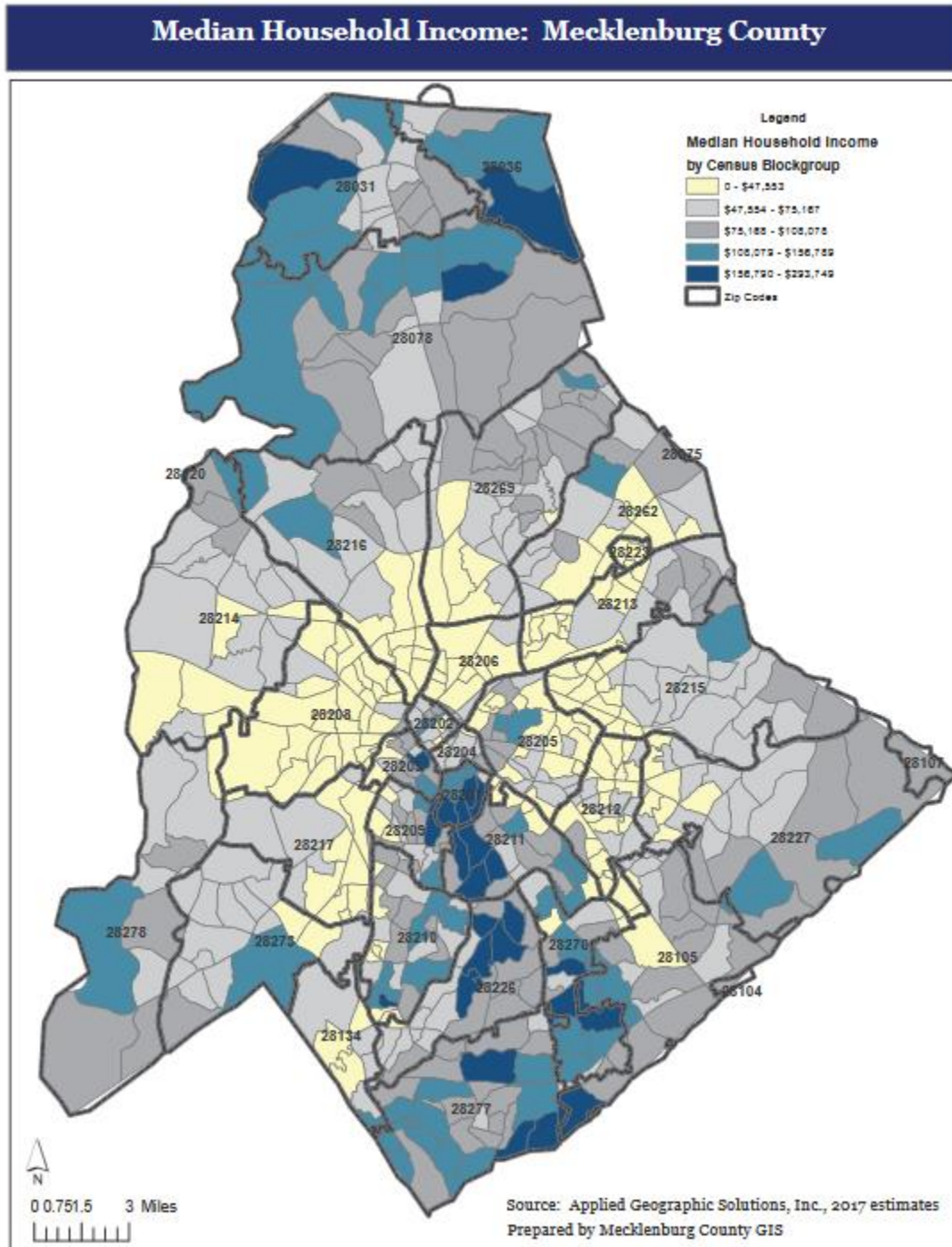
The following map shows the proposed service area for AHLN and the location of the existing Lake Norman Regional Medical Center near Mooresville (Iredell County) is indicated by the red star. The proposed Atrium Health Lake Norman project is located 8 miles to the south of Lake Norman Regional Medical Center. There is no data provided in the AHLN application to demonstrate that patients that reside in zip codes 28117 and 28115 and have utilized Atrium Hospitals in the past are committed to continue to exclusively utilize Atrium Hospitals in future years.



Furthermore, many patients that reside in zip codes 28117 and 28115 have shorter travel distances and more convenient access to the existing Lake Norman Regional Medical Center located near Mooresville as compared to the proposed location of AHLN near Cornelius. Not only does Lake Norman Regional Medical Center have a greater depth of clinical services as compared to the proposed AHLN, it also achieved the Joint Commissions Gold Seal of Approval, and Joint Commission Perinatal Care Certification as well as the Blue Cross designation as a Blue Distinction Center+ for Maternity.

Limited Geographic Access for Low Income Patients

The following map from the 2017-2018 Mecklenburg County Community Health Assessment shows the median household income by Census Blockgroup and demonstrates that the central region of Mecklenburg has the lower median household income and the northern region has higher incomes.



Based on this demographic data, AHLN seeks to develop a hospital campus in the high income region of Mecklenburg County and provide the least geographic access to the low income households. The applicant’s own assumptions demonstrate that it’s goal is to provide higher access (80% assumed shift of patients) to the primary service population and the least access (20% assumed shift of patients) to the lower income Charlotte populations located in 28216 and 28269.

Proposed Service Area for Atrium Health Lake Norman Patients

Primary Service Area (PSA)	AHLN Assumption % Served	Median Household Incomes*	Individuals Below Poverty Level %
28031-Cornelius	80%	\$86,027	5.80%
28035-Davidson (PO Box)	80%	No data	No data
28036-Davidson	80%	\$114,641	6.40%
28070-Huntersville (PO Box)	80%	No data	No data
28078-Huntersville	80%	\$92,707	4.50%
28115-Mooresville	80%	\$60,256	10.40%
28117-Mooresville	80%	\$85,376	6.50%
28123-Mooresville (PO Box)	80%	No data	No data
Secondary Service Area (SSA)			
28216-Charlotte	20%	\$49,440	13.70%
28269-Charlotte	20%	\$63,097	7.80%

Source: U S Census Bureau American Factfinder for Median Household Income and Percentages of Poverty

AHLN projections that are based on the expected shift of patients from existing Atrium hospitals and are premised on the 80 percent shift for PSA and 20 percent shift for SSA that has no merit. As discussed previously the geography and travel distances are not the basis for these projections. The applicant provides no data and analysis why it is reasonable to utilize a need methodology and assumptions based on the previous Union County Atrium Health Union West Project ID #F-11618-18. There are major differences in geography, populations, numbers of existing hospitals, existing capacity, and travel patterns for the Union project as compared to the proposed Mecklenburg / Iredell service area that is proposed by AHLN.

In addition to the fact that these foundational assumptions (80% PSA and 20% shifts SSA) for the AHLN proposal are fatally flawed, the methodology and assumptions veer off course for multiple reasons:

1. AHLN unreasonably states, “Upon opening, Atrium Health expects that the facility’s utilization will ramp up over three years with 50 percent, 75 percent, and 100 percent of the potential days of care served in CY 2023 through 2025, respectively.” There is no documentation or data to demonstrate the reasonableness of the ramp up assumptions contained in the application. These are arbitrary percentages because they are not based either on the experience of the applicant or any credible information.
2. The applicant states that in CY 2018 obstetrics days comprised 24.7 percent and 16.7 percent of the Atrium Health Lake Norman-appropriate acute care utilization in the PSA and SSA, respectively. Based on this data, Atrium Health Lake Norman assumes that obstetrics days of

care will comprise 24.7 percent of its projected PSA acute care utilization and 16.7 percent of its projected SSA acute care utilization at the proposed site. This assumption lacks adequate support because there are major differences in the scope of service, and capacity at the existing Atrium University City and the proposed AHLN. Atrium Health University City has a Special Care Neonatal Nursery that is not included in the scope of services at AHLN. Atrium Health University City also provides pediatric services which are omitted from the AHLN proposal. Based on these major differences in the scope of services it is not reasonable to assume that obstetrics days of care will comprise 24.7 percent of its projected PSA acute care utilization and 16.7 percent of its projected SSA acute care utilization.

3. Atrium Health Lake Norman unreasonably assumes that its average length of stay (ALOS) would be consistent with the CY 2018 Average Length of Stay (ALOS) for Atrium Health Lake Norman appropriate inpatients in the PSA and SSA, 3.56 and 3.88 days, respectively for each of the first three years. Again these assumptions are unreasonable due to the differences in the scope of services. Furthermore the ALOS is unlikely to be the same for Years 1, 2 and 3 given the fact that the applicant's methodology and assumptions include the ramped-up assumptions. Since the application acknowledges that the proposed project will experience a ramp up in the numbers of patients it should also follow that the patient acuity would be reasonably expected to ramp up over time.
4. Assumptions regarding the percentages and projections for Medical Surgical and ICU days are unreliable because these numbers are derivative of the faulty assumptions and calculations as described in the previous three explanations.

AHLN projects its inpatient and ambulatory surgery cases based on its historical percentages for surgery performed at Atrium Health University City. This assumption is unreasonable because AHLN has minimal surgical capacity with two operating rooms and one C-Section room as compared to Atrium Health Lake Norman with two ambulatory ORs, nine shared operating rooms and one C-Section Room. Because AHLN has such limited surgical capacity its overall mix of inpatient and ambulatory surgery cases will be different because fewer surgeons will have access to this limited capacity and the scope of surgical service will be different than the historical experience.

For all of these reasons, the AHLN application is nonconforming to Criterion 3.

Criterion 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."

AHLN does not adequately demonstrate that the alternative proposed in this application is the most effective alternative to meet the identified need because the application is not conforming to all statutory and regulatory review criteria (see Criteria 1, 3, 6, 18 (a), and 10A NCAC 14C .2103). An application that cannot be approved cannot be the most effective alternative. AHLN proposes to develop a satellite hospital in the wealthiest area of the county where it is least needed and is most inaccessible to the low income population. Therefore the AHLN application is nonconforming to Criterion 4.

Criterion 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.”

AHLN’s assumptions in the pro forma financial statements are not feasible because the utilization projections are not based on reasonable and adequately supported assumptions. The discussion regarding projected utilization found in Criterion 3 is incorporated herein by reference. Based on the unreasonable utilization, the projection revenues and expenses are unreliable. Furthermore the applicant’s utilization projections for the CT scanner in Form C are unreasonable because the applicant omitted the patient origin for this service component.

As a result of these unreasonable projections, the financial statements in Section Q are also not reasonable because the applicant fails to demonstrate the long-term financial feasibility of the proposal. For these reasons the AHLN application is nonconforming to Criterion 5.

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.”

AHLN fails to demonstrate that this very costly project is necessary because there are existing and approved hospital services including emergency departments and diagnostic imaging services within short travel distances of the proposed site. AHLN is duplicative of the Atrium Health Mountain Island Emergency Department CON Project ID # F-011658-19 that involves a satellite Emergency Department, CT scanner and other clinical service. The CON-approved Atrium Health Mountain Island project is being developed at 3548 Mt. Holly Huntersville Road, only 15 miles southwest of the proposed AHLN location. Furthermore, the AHLN project is duplicative of the Atrium Health Mountain Island Emergency Department due to overlapping service area zip codes 28216, 28260 (PO Box only zip code) and 28078 that include approximately 100,000 residents. Consequently it is unreasonable for the applicant to assume that the Atrium Health Mountain Island Emergency Department will have no impact on the AHLN utilization based on the sizable overlap of the service areas.

The applicant does not adequately demonstrate that the assumptions used to project acute care days of care and surgical cases are reasonable and adequately supported. AHLN does not adequately demonstrate that the proposed operating rooms needed at the proposed facility near Cornelius in addition to the existing and approved operating rooms in Mecklenburg County. The discussion regarding need and projected utilization found in Criterion 3 is incorporated herein by reference. For these reasons the AHLN application is nonconforming to Criterion 6.

Criterion 13 (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;

The applicant states that the proposed project will be licensed as part of Atrium Health University City. While making this representation, AHLN states in CON Project ID # F-1180-19 that there is no existing facility and omits the historical payor percentages that are specifically requested in the CON Form in Section L. But in CON Project # F-11812-19 the payor mix information is provided as follows:

**Last Full Fiscal Year before Submission of Application
(01 / 01 / 2018 to 12 / 31 / 2018)**

Payor Source	Atrium Health University City (Entire Facility)	Med/Surg Beds (Service Component)
Self-Pay	18.5%	9.4%
Charity Care [^]		
Medicare*	22.0%	50.0%
Medicaid*	21.1%	15.9%
Insurance*	34.7%	21.3%
Workers Compensation ^{^^}		
TRICARE ^{^^}		
Other (Other Govt, Worker's Comp)	3.7%	3.4%
Total	100.0%	100.0%

Source: Atrium Health internal data.

*Including any managed care plans.

[^] Atrium Health's internal data does not include Charity Care as a payor source for patients. Patients in any payor category can and do receive charity care. Please see Form F.2 for charity care projections.

^{^^}Workers Compensation and TRICARE are included in the Other payor category.

However, the above data does not address all of the service components that are included in AHLN project application # F-11810-19. Therefore even if the Agency is willing to consider information that was omitted from the AHLN application, the data is clearly incomplete.

The CON findings for Atrium Health Union West Project ID #F-11618-18 demonstrate that Criterion 13(a) is applicable for satellite campuses of an existing hospital and Atrium provided the historical payor mix information for all of the service components of the proposed project.

For these reasons, the AHLN application does not conform to Criterion 13(a)

***Criterion 13 (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;*

The project application fails to demonstrate that its payor mix projections are based on reasonable assumptions because historical payor percentages for Atrium Health University City are omitted from the application. Based on this omission for the parent hospital, the Agency has no data to evaluate the reasonableness of the projections.

The following projections are provided by the applicant and are supposedly based on “Atrium Health Mecklenburg facilities’ CY 2018 payor mix for Atrium Health Lake Norman-appropriate patients from the PSA and SSA identified in the Form C Methodology and Assumptions for the services to be provided at the proposed facility.” Since the applicant chose to omit its calculations and assumptions to make these projections, the Agency has no opportunity to even check the math.

**Third Full Fiscal Year
(01 / 01 / 2025 to 12 / 31 / 2025)**

Payor Source	Entire Facility or Campus	<u>Med/Surg Beds</u>	<u>ICU Beds</u>	<u>Obstetrics Beds</u>	<u>Surgical Services</u>	<u>ED</u>	<u>Imaging</u>	<u>Lab/PT/OT/ST/Other</u>
Self-Pay	8.2%	7.5%	7.5%	1.5%	4.5%	21.4%	10.3%	6.8%
Charity Care^								
Medicare*	16.1%	52.7%	52.7%	0.7%	38.2%	19.4%	25.7%	10.9%
Medicaid*	37.2%	17.9%	17.9%	42.5%	6.4%	25.4%	16.5%	45.3%
Insurance*	37.2%	19.5%	19.5%	54.8%	48.4%	30.1%	45.9%	36.2%
Workers Compensation^^								
TRICARE^^								
Other (Other Govt, Worker’s Comp)	1.2%	2.5%	2.5%	0.4%	2.5%	3.6%	1.7%	0.8%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

*Including any managed care plans.

^ Atrium Health’s internal data does not include Charity Care as a payor source for patients. Patients in any payor category can and do receive charity care. Please see Form F.2 for charity care projections.

^^Workers Compensation and TRICARE are included in the Other payor category.

AHLN chose to omit its historical payor percentages for the services components as a basis for its projections and the applicant chose not “to show the math” for the above percentages. The applicant fails to adequately document the extent to which the medically underserved population will have access to the proposed services. The payor percentages are not based on reasonable and adequately supported assumptions.

For these reasons, the AHLN application does not conform to Criterion 13(c).

Criterion 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.”*

AHLN does not adequately demonstrate how any enhanced competition in the service area would have a positive impact on the cost effectiveness of the proposal because it does not adequately demonstrate the need the population to be served has for the proposed services. The application is based on unreasonable and incomplete patient origin percentages, a defective methodology and erroneous assumptions.

The project seeks to develop a satellite hospital in the wealthiest area of the county where it is least needed and is most inaccessible to the low income population. Additional discussion regarding analysis of need and projected utilization found in Criterion 3 is incorporated herein by reference. The application is not conforming to Criterion 18a for all of the reasons stated above.

Lake Norman Regional Medical Center Comments Regarding Applicable Performance Standards:

10A NCAC 14C .1203 PERFORMANCE STANDARDS (ICU Beds)

(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

AHLN is nonconforming to this performance standard. As discussed in the Criterion 3 comments, the AHLN projections of ICU days of care are unreasonable due to unreliable patient origin projections, unreasonable scope of services and unsupported assumptions regarding the expected shift of Atrium patients in the PSA and SSA. The additional comments regarding the Criterion 3 comments are included by reference.

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

AHLN is nonconforming to this performance standard. As discussed previously, the AHLN assumptions are unreasonable and the applicant chose to omit historical data for its service components at Atrium Health University City so that its projections for AHLN would not be compared to the actual experience of the applicant.

10A NCAC 14C .3803 PERFORMANCE STANDARDS (Acute Care Beds)

(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 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.

AHLN is nonconforming to this performance standard. As discussed in the Criterion 3 comments, the AHLN projections for overall acute care days of care are unreasonable due to unreliable patient origin projections, unreasonable scope of services and unsupported assumptions regarding the expected shift of Atrium patients in the PSA and SSA. The additional comments regarding the Criterion 3 comments are included by reference.

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.

AHLN is nonconforming to this performance standard. As discussed previously, the AHLN assumptions are unreasonable as discussed in the Criterion 3 comments.

10A NCAC 14C .2103 PERFORMANCE STANDARDS (Operating Rooms)

(a) A proposal to establish a new ambulatory surgical facility, to establish a new campus of an existing facility, to establish a new hospital, to increase the number of operating rooms in an existing facility (excluding dedicated C-section operating rooms), to convert a specialty ambulatory surgical program to a multispecialty ambulatory surgical program, or to add a specialty to a specialty ambulatory surgical program shall demonstrate the need for the number of proposed operating rooms in the facility that is proposed to be developed or expanded in the third operating year of the project based on the Operating Room Need Methodology set forth in the 2018 State Medical Facilities Plan. The applicant is not required to use the population growth factor.

AHLN is nonconforming to this performance standard. As discussed in the Criterion 3 comments, AHLN projects its inpatient and ambulatory surgery cases based on its historical percentages for surgery performed at Atrium Health University City. This assumption is unreasonable because AHLN has minimal surgical capacity with two operating rooms and one C-Section room as compared to Atrium Health Lake Norman with two ambulatory ORs, nine shared operating rooms and one C-Section Room. Because AHLN will have limited surgical capacity its overall mix of inpatient and ambulatory surgery cases will be different because fewer surgeons will have access to this limited capacity and the scope of surgical services will be different than the historical experience.

(b) A proposal to increase the number of operating rooms (excluding dedicated C-section operating rooms) in a service area shall demonstrate the need for the number of proposed operating rooms in addition to the existing and approved operating rooms in the applicant's health system in the third operating year of the proposed project based on the Operating Room Need Methodology set forth in the 2018 State Medical Facilities Plan. The applicant is not required to use the population growth factor.

AHLN is nonconforming to this performance standard. AHLN proposes to develop additional operating rooms based on unreasonable methodology and assumptions that are not adequately supported. As discussed in the above comment, the historical utilization at Atrium Health University City is based on much greater capacity, a broader scope of services and a large medical staff that is already in place. AHLN will have limited surgical capacity and its overall mix of inpatient and ambulatory surgery cases will be different than the historical utilization at a much larger surgical facility location.

(e) The applicant shall document the assumptions and provide data supporting the methodology used for each projection in this Rule.

AHLN is nonconforming to this performance standard. As disclosed previously, the AHLN assumptions are unreasonable as discussed in the Criterion 3 comments.