

ATTACHMENT - REQUIRED STATE AGENCY FINDINGS

FINDINGS

C = Conforming

CA = Conditional

NC = Nonconforming

NA = Not Applicable

DECISION DATE: September 27, 2012

PROJECT ANALYST: F. Gene DePorter

TEAM LEADER: Lisa Pittman

PROJECT I.D. NUMBER: H-8844-12/ FirstHealth of the Carolinas, Inc. d/b/a FirstHealth Richmond Memorial Hospital/ Provide inpatient dialysis services through the development of a two station inpatient dialysis suite in the existing acute care hospital/ Richmond 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.

NA

FirstHealth of the Carolinas, Inc. d/b/a FirstHealth Richmond Memorial Hospital [FHRMH], located at 925 Long Drive in Rockingham, NC 28379, proposes to contract with DaVita-Dialysis Care of Richmond County [DaVita] to provide dialysis (hemodialysis and peritoneal dialysis) to inpatients in the existing acute care hospital. The applicant proposes to develop a two dialysis station inpatient suite on the second floor of the hospital. A former day room and therapy room will be renovated into a single room that can accommodate two inpatient dialysis stations as shown in Section II.1(a), page 15. Inpatient dialysis services are currently provided in the ICU on an emergency basis by DaVita. The applicant does not propose to increase the number of licensed beds in any category or acquire equipment for which there is a need determination in the 2012 State Medical Facilities Plan (SMFP). There are no need determinations or policies in the 2012 SMFP that are applicable to the review of this project. Therefore, this criterion is not applicable to this review.

- (2) Repealed effective July 1, 1987.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

FirstHealth Richmond Memorial Hospital [FHRMH] is a private, non-profit acute care hospital serving the people of south central North Carolina and north east South Carolina. The applicant, FirstHealth Richmond Memorial Hospital proposes to enter into a contract with DVA-Dialysis Care of Richmond County to provide dialysis (hemodialysis and peritoneal dialysis) to inpatients in First Health Richmond Memorial Hospital. DaVita will provide three dialysis machines [one for emergency dialysis and two for inpatient dialysis use] as well as appropriately trained staff to provide dialysis services 24 hours per day, seven days a week, as stated in Exhibit 3. In this application the applicant seeks to add 2 dialysis stations for a total of 2 stations upon completion of this project. One dialysis station operates out of the ICU for emergency needs.

Population to be Served

In Section III.4, page 43, the applicant provides FHRMH’s current inpatient patient origin as shown in the table below.

Table 1
FirstHealth Richmond Memorial Hospital
Patient Origin by County, FY 2011

| County | Entire Facility |
|----------------|-----------------|
| Richmond | 87.99% |
| Anson | 6.06% |
| Other States | 1.97% |
| Scotland | 1.50% |
| Montgomery | 1.29% |
| Other Counties | 1.19% |
| Total | 100.00% |

Source: 2012 Hospital Licensure Renewal Application

Currently, FHRMH does not provide non-emergent inpatient dialysis service. The projected utilization for FY 2013 and FY 2014 represent the first two full years of operation. In Section III.5, pages 44-45, the applicant states that the proposed service area is Richmond and Anson counties and that it expects patient origin to remain consistent with historical inpatient origin at FHTMH. See Table 2, below, for the proposed patient origin for the first two years of operation.

Table 2
FirstHealth Richmond Memorial Hospital

**Projected Inpatient Dialysis Origin by County
 FY 2013-FY 2014**

| County | Projected # of Patients FY 1 2012-2013 | Projected # of Patients FY 2 2013-2014 |
|---------------|---|---|
| Richmond | 88.00% | 88.00% |
| Anson | 6.00% | 6.00% |
| In-Migration | 6.00% | 6.00% |
| Total | 100.00% | 100.00% |

The applicant adequately identifies the population proposed to be served.

Demonstration of Need

In Section III.1(a) and (b), page 31, the applicant states the following in regard to the need for the proposed dialysis services:

“In the past two years that FRMH has tracked dialysis patient transfers, FRMH has transferred an average of 50 inpatients per year to other hospitals to receive inpatient dialysis treatments as either a part of their treatment plan or due to end-stage renal disease. This number obviously does not include patients who had to bypass FRMH for care because they were likely to need inpatient dialysis. Since January 2012, DaVita has treated 14 patients (31 dialysis treatments) on an emergent basis in the ICU at FRMH. Adding dialysis stations for inpatients at FRMH makes it possible for local residents on dialysis to receive hospital care at FRMH, rather than having to travel to another hospital and interrupting their care at FRMH, and incurring additional expense (e.g. ambulance charges) and inconvenience.”

According to the North Carolina Semiannual Dialysis Report of July 2012 there were 105 Richmond County ESRD In-Center Dialysis patients in 2007. The average annual change rate for the last five years has been 3.7% resulting in a projected surplus of 3 stations as of 12/31/12. Anson County’s Five Year Average Change Rate is 1.50%, resulting in a projected surplus of 2 stations.

**Table 3
 Historic Dialysis Patient Origin by County
 FFY 2007-FFY 2012**

| Richmond | 2007 | 2008 | 2009 | 2010 | 2011 | 2012* |
|-----------------------|-------------|-------------|-------------|-------------|-------------|--------------|
| In-Center Patients | 105 | 109 | 122 | 119 | 121 | 126 |
| Annual Percent Growth | NA | 3.81% | 11.93% | -2.46% | 1.68% | 4.13% |
| Anson | 2007 | 2008 | 2009 | 2010 | 2011 | 2012* |
| In-Center Patients | 75 | 69 | 68 | 75 | 79 | 80 |
| Annual Percent Growth | NA | -.08% | -1.45% | 10.29% | 5.33% | 1.26% |
| TOTAL | 180 | 178 | 190 | 194 | 200 | 206 |

Source: July 2012, North Carolina Semiannual Dialysis Report
 * 2012 is projected.

Richmond and Anson counties make up the projected primary service area for the inpatient dialysis services.

The following table shows the number of existing dialysis units that are freestanding or based at a hospital in the primary service area of FHRMH. The 2012 Hospital License Renewal Application for the hospitals listed in the following table show that three out of six hospitals have inpatient dialysis services while Anson Community Hospital, Ashe Memorial Hospital and FirstHealth Montgomery Memorial Hospital do not. Of the eight free-standing dialysis centers in the FHRMH service area four are operating above the minimum performance standard of 3.2 patients per station and 80% utilization, one dialysis facility is approaching the minimum operating standard and three facilities are significantly below the minimum.

Table 4
Existing Hospital Inpatient and Free-Standing Dialysis Stations in
FHRMH Primary Service Area

| | Location | Certified | In-Center | Utilization | Patients |
|--|-----------------|------------------|------------------|--------------------|-----------------|
|--|-----------------|------------------|------------------|--------------------|-----------------|

| Richmond | Dialysis Stations | Dialysis Stations | Dialysis Patients | Dialysis Stations | Per Station |
|-------------------|---|--|--|--|---------------------------------|
| Hospital | FHRMH | 0 | | | |
| Hospital | Sandhills | 3 | NA | NA | NA |
| Free-Standing | Sandhills Dialysis Center | 12* | 0 | 0 | 0 |
| Free-Standing | Dialysis Care of Richmond | 32 | 115 | 89.84% | 3.59 |
| Anson | Location Dialysis Stations | Certified Dialysis Stations | In-Center Dialysis Patients | Utilization Dialysis Stations | Patients Per Station |
| Hospital | Ashe Mem. Rockingham | 0 | NA | NA | NA |
| Free-standing | Dialysis Care Anson City. | 15 | 31 | 51.67% | 2.07 |
| Free-standing | FMC Anson Cty. | 10 | 30 | 75.00% | 3.00 |
| Scotland | Location Dialysis Stations | Certified Dialysis Stations | In-Center Dialysis Patients | Utilization Dialysis Stations | Patients Per Station |
| Hospital | Scotland Mem. Hosp. | 2 | NA | NA | NA |
| Free-standing | BMA Laurinburg | 26 | 85 | 81.73% | 3.27 |
| Free-Standing | FMC Scotland Cty | 12 | 40 | 83.33% | 3.33 |
| Montgomery | Location Dialysis Stations | Certified Dialysis Stations | In-Center Dialysis Patients | Utilization Dialysis Stations | Patients Per Station |
| Hospital | FirstHealth Montgomery Memorial | 0 | NA | NA | NA |
| Free-Standing | Dialysis Care Montgomery County | 19 | 61 | 80.26% | 3.21 |
| Moore | Location Dialysis Stations | Certified Dialysis Stations | In-Center Dialysis Patients | Utilization Dialysis Stations | Patients Per Station |
| Hospital | FirstHealth Moore Regional | 7 Fixed 4 Mobile | NA | NA | NA |
| Free-standing | Dialysis Center Pinehurst | 25 | 70 | 70.00% | 2.80 |
| Free-Standing | Southern Pines Dialysis | 15 | 52 | 86.67% | 3.47 |
| Free-standing | Carthage Dialysis | 12 | 22 | 45.83% | 1.83 |

Source: July 2012- North Carolina Semiannual Dialysis Report; Table A. [Data as of- 12/31/2011] and 2012 Hospital License Renewal Applications.

* CON issued, not certified

In Section III.1, page 31 the applicant states that it began its analysis for dialysis station need by reviewing Richmond County population growth, Richmond County ESRD growth and common co-morbidities for dialysis patients. In Section III.1(a) and (b), page 32; the

applicant provides a table showing historical and projected Richmond County population change. The total population growth from 2000 to 2010 was 0.2% and the projected population change from 2010 to 2020 will be -0.3%.

In Section III.1(a) and (b), page 33; the applicant provides a table of historical annual dialysis patient growth from 2007 to 2011 [and projected for 2012] as provided in Table B of the July 2012 North Carolina Semiannual Dialysis Report, which shows that the Average Annual Change Rate for the past five years for Richmond County is 3.7% per year.

In Section III.1(a) and (b), pages 34-38; the applicant provides information on the impact of co-morbidity conditions on dialysis patients as follows:

- As of 2008, Richmond County's age-adjusted diabetes death rate was almost 50% higher than the North Carolina rate at 38.0/100,000 population,
- Hypertension is the second leading cause of chronic kidney disease. As of 2008 Richmond County's rate for age adjusted stroke death rate was 76.9/100,000 population while North Carolina's rate had decreased to 54.4/100,000,
- As of 2008, Richmond County had an adjusted heart disease death rate approximately 46% higher than the state at 294/100,000 population (vs. 202.2/100,000).

Utilization Projections

In Section III.1(a) and (b), page 31, and Section IV.1(c) and (d), page 48, the applicant provides assumptions and projections for inpatient dialysis for FY 2013 through FY 2015, as illustrated in the table following these assumptions:

- FHRMH will treat all inpatients previously transferred (50 inpatients per year) due to the need to receive dialysis treatment during their inpatient stay.
- DaVita treated 14 emergency patients in the ICU at FHRMH, (31 dialysis treatments) in 5 months which annualizes to approximately 34 patients per year experiencing 2.2 treatments per emergent episode [31 treatments / 14 patients = 2.2 treatments per patient] for an annualized total number of treatments of approximately 75 emergent dialysis treatments per year.
- FHRMH expects to begin at 60 inpatients in Year 1 and remain constant for the next two years.

Table 5
FirstHealth Richmond Memorial Hospital
Dialysis Patients and Treatment Volume
FY 2013-FY 2015

| | 2013 | 2014 | 2015 |
|---|------|------|------|
| Non-Emergent Dialysis Patients Per Year | 60 | 60 | 60 |
| Non-Emergent Dialysis Treatments Per Year | 120 | 120 | 120 |
| Non-Emergent Dialysis Stations | 2 | 2 | 2 |

In Section IV.1, page 48, FirstHealth Richmond Memorial Hospital projects that it will serve 60 non-emergent patients by the end of the first full year of operation [2013] with the same volume projected for 2014 and 2015. At the completion of Year1 [2013] FHRMH projects 120 [2.0 X 60=120] non-emergency dialysis treatments.

Currently, the only providers of hospital inpatient dialysis services in the primary service area are Sandhills Regional Medical, Scotland Memorial Hospital and FirstHealth Moore Regional. There are no providers of hospital inpatient dialysis services in Anson or Montgomery counties. If any ESRD patients in Anson or Montgomery counties should require an admission for acute care in a hospital, they would have to be transferred to another county in order to have access to inpatient dialysis care. See Table 4 above. The proposed project will meet an identified need in providing inpatient dialysis services to residents in the service area. Establishment of inpatient dialysis services will expand the continuum of care at FirstHealth Richmond Memorial Hospital. Geographical accessibility to such services will ease travel burdens for families of these patients.

The assumptions and methodology used by the applicant to project the number of inpatients requiring dialysis per project year are stated as follows, from Section IV, 1, page 48:

“FRMH expects to begin at 60 inpatients in Year 1 and remain constant for the next two years. DaVita has recently treated fourteen patients in the ICU over the last five months; ...The provision of IP dialysis services at FRMH should discontinue the pattern of physicians bypassing FRMH and referring patients directly to a hospital where IP dialysis is available.”

The applicant adequately demonstrates the need to provide inpatient dialysis services in the acute care hospital setting. Projected utilization is based on reasonable and supported assumptions.

In summary, the applicant adequately identified the population to be served and adequately demonstrated the need for the proposed inpatient dialysis services. Therefore, the application is conforming to this criterion.

- (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

The applicant does not propose to reduce or eliminate any services nor relocate any service to another campus.

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

CA

In Section III.3, pages 41 and 42, the applicant discussed the alternatives considered before pursuing the proposed project. The applicant considered the following alternatives:

- 1) Maintain the status quo,
- 2) Provide IP dialysis services internally,
- 3) Develop a joint venture, and
- 4) Contract for the provision of IP dialysis services.

FHRMH staff determined that the status quo does not meet identified need for hospital inpatient and emergent dialysis based upon historical tracking and projected growth in hospital based dialysis, and therefore, is not acceptable.

FHRMH staff determined that the internal provision of IP dialysis services would require the acquisition and maintenance of dialysis equipment and FHRMH staff would be responsible for the treatment of the patient. The projected volume does not make this alternative efficient or effective for FHRMH.

FHRMH staff considered a joint venture to provide the inpatient dialysis service at FHRMH but found this alternative to be less effective as most outside providers of dialysis services work on a contract basis.

FHRMH decided that contracting for provision of hospital based dialysis services with DaVita would be the most prudent alternative for the following reasons:

- FHRMH would not have to invest in dialysis equipment,

- FHRMH would not have to invest in specialized nursing staff with treatment knowledge,
- FHRMH would not have to invest in specialized equipment maintenance personnel, and
- FHRMH will be able to increase its health service offerings without a major expenditure.

Furthermore, the application is conforming to all other applicable statutory review criteria. See Criteria (3), (5), (6), (7), (8), (12), (13), (14), (18a), and (20). Therefore, the applicant adequately demonstrates that this proposal is its least costly or most effective alternative. Consequently, the application is conforming to this criterion and approved subject to the following conditions:

- 1. FirstHealth of the Carolinas, Inc. d/b/a FirstHealth Richmond Memorial Hospital, Inc. shall materially comply with all representations made in the certificate of need application.**
 - 2. FirstHealth of the Carolinas, Inc. d/b/a FirstHealth Richmond Memorial Hospital, 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 and which would otherwise require a certificate of need.**
 - 3. FirstHealth of the Carolinas, Inc. d/b/a FirstHealth Richmond Memorial Hospital, Inc. shall be certified for no more than 2 additional dialysis stations.**
 - 4. Prior to the issuance of the certificate of need, FirstHealth of the Carolinas, Inc. d/b/a FirstHealth Richmond Memorial Hospital, Inc. shall acknowledge acceptance of and agree to comply with all conditions stated in writing to the Certificate of Need Section.**
- (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

In Section VIII, page 83, the applicant projects the total capital cost for the proposal to be \$100,000; as illustrated in the following table.

**Table 6
 Projected Capital Cost**

| Description | Cost |
|-------------|------|
|-------------|------|

| | |
|------------------------|------------------|
| Construction | 29,051 |
| Clinical Equipment | 17,600 |
| Non-clinical Equipment | 920 |
| Fixtures and Equipment | 9,980 |
| Consulting Fees | 35,000 |
| Contingency | 7,449 |
| Total | \$100,000 |

In Section VIII.3, page 84 the applicant states the project will be funded with cash provided by FirstHealth of the Carolinas. In Exhibit 21 [21] the applicant includes a letter dated May 30, 2012 from the Chief Financial Officer, FirstHealth of the Carolinas, stating the following:

“FirstHealth of the Carolinas, Inc., will provide \$100,000 through Accumulated Reserves (Assets Limited as to use: Internally Designated for Capital Projects) to fund the inpatient dialysis service project at FirstHealth Richmond Memorial Hospital in Richmond County.”

Exhibit 22 includes audited financial statements for the years ending September 30, 2011 and 2010 for FirstHealth of the Carolinas, Inc. The Cash and Cash Equivalent Funds equal \$35,824,000 for fiscal year 2011. FHRMH has adequately demonstrated the availability of sufficient funds for the project.

In Forms B and C, Statement of Projected Revenues and Expenses for FHRMH and the proposed project, FHRMH projects that revenues will exceed expenses in each of the first three years of operation following project completion. In the Pro Forma section of the application, the applicant provides the assumptions used to project revenues and expenses for the entire facility, as well as the historical average charges per case. The assumptions used by the applicants in preparation of the pro formas are reasonable. The applicants adequately demonstrated that the financial feasibility of the proposal is based upon reasonable projections of costs and revenues for the entire facility. 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.

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The applicant adequately demonstrated that the proposal would not result in the unnecessary duplication of existing or approved health service capabilities or facilities. Sandhills Regional Medical Center is the only other hospital in Richmond County that provides inpatient dialysis. In addition the applicant demonstrated the need that its patients have for the proposed project.

The applicant does not propose to increase the number of licensed beds or acquire any new equipment for which there is a need in the 2012 SMFP. Therefore, the applicant adequately demonstrated that the proposal would not result in the unnecessary duplication of existing or approved health service capabilities or facilities. Consequently, the application is conforming to 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.

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The applicant states in Section VII.3(b), page 71: *“DaVita has the personnel to begin meeting the inpatient dialysis need at FRMH.”* The applicant states in Section VII.5(a) and (b): *“The inpatient dialysis service will be provided whenever an inpatient requires dialysis as a part of their treatment or when the patient is diagnosed with ESRD, as such; FirstHealth’s contract with DaVita will take into account the possibility of providing treatments any time of day or night.”* All FTE positions identified in Table VII.1, are positions required by the DaVita contract with FHRMH. All other personnel required for the proposed service will be provided through the DaVita contract.

In Exhibit 13 the applicant provides a Medical Director Agreement for Inpatient Dialysis between FHRMH and Muhammad Jawad Iqbal, M.D. a North Carolina licensed Nephrologist who will serve as the inpatient dialysis medical director.

The applicant has demonstrated the availability of adequate health manpower and management personnel for the provision of the proposed inpatient dialysis 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.

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In Section II.2, page 18 and Exhibit 4 the applicant states that all ancillary and support services required for this service component will be provided by existing personnel. In Section II.2 (c), page 18, the applicant provides the following table which lists the availability of ancillary and support services.

Table 7
FirstHealth Richmond Memorial Hospital
Availability of Necessary Ancillary and Support Services

Inpatient Dialysis

| Service | Facility Staff | Proposed Provider |
|-------------------------|-----------------------|-----------------------------|
| Inpatient | X | RNs and Technicians |
| Laboratory | X | Technicians |
| Pharmacy | X | Pharmacists and Technicians |
| Dietary Services | X | Dieticians |
| Medical Records | X | FRMH Personnel |
| House Keeping | X | FRMH Personnel |
| Utilization Review | X | FRMH Personnel |
| Risk Management | X | FRMH Personnel |
| Infection Control | X | FRMH Personnel |
| Quality Management | X | FRMH Personnel |
| Administrative Services | X | FRMH Personnel |
| Support Services | X | FRMH Personnel |

In Section II.5, page 19, the applicant states:

“With the approval of this CON application, FRMH will offer to its patients the ability to receive their dialysis treatment in an inpatient setting at the hospital, rather than having to be transferred to another hospital.”

The applicant provides 24 letters of support in Exhibit 25 [24]. Eleven of the twenty-four letters are from physicians.

The applicant adequately demonstrates that the necessary ancillary and support services will be available and that the proposed services will be coordinated with the existing health care system. Therefore, the application is conforming to 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

- (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

NA

- (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

- (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

- (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 2012 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 existing services in comparison to the percentage of the population in the applicant service area which is medically underserved:

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In Section VI.12, page 67, the applicant provided payor mix information for the entire facility for the last full fiscal year (FY 2011), as illustrated below.

Table 8
FRMH [Entire Facility]
Last Full Fiscal Year [2011]
Current Patient Days as % of Total Utilization

| Payor | Entire Facility |
|--------------------------------|-----------------|
| Self Pay/Indigent/Charity | 11.90% |
| Medicare/Medicare Managed Care | 56.00% |
| Medicaid | 17.60% |
| Commercial Insurance | 14.50% |
| Total | 100.00% |

The applicant did not provide payor mix for inpatient dialysis services since FHRMH does not currently provide such service. The applicant demonstrates that medically underserved patients currently have adequate access to existing services at FHRMH.

Therefore, the application is conforming to this criterion.

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

C

In Section VI.10, page 66, the applicant states that there have been no civil rights access complaints filed against FHRMH within the last five years. Therefore, 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 proposed services and the extent to which each of these groups is expected to utilize the proposed services;

C

In Section VI.14 and 15, pages 68-69, the applicant provided the projected payor mix for the entire facility as well as inpatient dialysis service for the second operating year following project completion. The projected payor mix shown below in Table 9 is consistent with the current mix for the entire hospital, as shown above in Table 8. The projected payor mix for inpatient dialysis is based on FHRMH's dialysis patients treated by DaVita on an emergent basis, as shown below in Table 10.

Table 9
FHRMH [Entire Facility]
Second Full Fiscal Year [2014]
Projected Patient Days as % of Total Utilization

| Payor | Entire Facility |
|--------------------------------|-----------------|
| Self Pay/Indigent/Charity | 12.00% |
| Medicare/Medicare Managed Care | 56.00% |
| Medicaid | 18.00% |
| Commercial Insurance | 14.00% |
| Total | 100.00% |

Table 10
FHRMH [Dialysis Services]
Second Full Fiscal Year [2014]
Projected Patient Days as % of Total Utilization

| Payor | Entire Facility |
|----------------------|-----------------|
| Medicare/Medicaid | 93.00% |
| Commercial Insurance | 7.00% |
| Total | 100.00% |

In Section VI.2 (f), page 57, the applicant states:

“FRMH is and will continue to be accessible to all persons, including the medically indigent.”

Exhibit 16 contains the Credit, Collection and Charitable Care Policy. The applicant demonstrated that medically underserved populations would have adequate access to the proposed services.

The following table shows the historical and projected charity care and bad debt for FYs 2011, 2013 and 2014.

Table 11
FRMH Charity Care, Bad Debt and
Percent of Net and Gross Revenue
FYs 2011, 2013 and 2014

| FY 2011 | Amount | Percent of Net Revenue | |
|-------------------------|----------------|------------------------|--------------------------|
| Entire Hospital | | | |
| Charity Care | \$33.0 million | 7.5% | |
| Bad Debt | \$33.6 million | 7.7% | |
| FY 2013 | Amount | Percent of Net Revenue | Percent of Gross Revenue |
| IP Dialysis Only | | | |

| | | | |
|-------------------------|---------------|-------------------------------|---------------------------------|
| Charity Care | \$8,640 | 3.5% | 2.0% |
| Bad Debt | \$8,899 | 3.5% | 2.0% |
| FY 2014 | Amount | Percent of Net Revenue | Percent of Gross Revenue |
| IP Dialysis Only | | | |
| Charity Care | \$8,640 | 3.5% | 2.0% |
| Bad Debt | \$8,899 | 3.5% | 2.0% |

Source: Section VI. 8, page 64.

Therefore, the application is conforming to this criterion.

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

C

In Section VI.9, page 65, the applicant states: “Access to FRMH inpatient dialysis service will be by physician order.” The applicant also states that agencies/facilities that have historically referred patients to the facility include FirstHealth Montgomery Hospital and FirstHealth Moore Regional Hospital. In Section V.2, page 51, the applicant states that transfer agreements currently exist between FRMH and the following provider facilities: Anson County Hospital, FirstHealth Montgomery Memorial Hospital, FirstHeath Moore Regional Hospital, Sandhills Regional Medical Center, Scotland Memorial Hospital and Hospice of Scotland County. The applicant adequately demonstrated a range of means by which patients will have access to the proposed inpatient dialysis services that will be offered. Therefore, 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.

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In Section V.1, page 50, the applicant states: “FRMH is committed to collaborative relationships with local and regional health professional training programs. FRMH, as a part of FirstHealth, has agreements with over 80 health professional training programs. Please refer to Exhibit 11 for the list of these training programs and an example of a training program affiliation agreement.”

The applicant adequately demonstrates that it will continue to accommodate the clinical needs of health professional training programs in the area. Therefore, the application is conforming to this criterion.

- (15) Repealed effective July 1, 1987.
- (16) Repealed effective July 1, 1987.

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

C

In Section V.7, page 54, the applicant discusses the impact of the proposed project on competition as it relates to promoting cost-effectiveness, quality and access, stating:

“Currently, FRMH is not an option for patients who need inpatient dialysis. This project will foster competition by making FRMH a choice for patients who need inpatient dialysis. The project allows FRMH to offer a needed service to patients in their local community so that they will no longer have to face the additional cost and inconvenience, as well as interruption in care, of being transferred to another facility for inpatient dialysis. This project also improves FRMH’s viability in a rapidly-changing and highly uncertain environment. ...each year FRMH transfers approximately 50 patients per year to other facilities because FRMH does not offer inpatient dialysis.”

The information provided by the applicant is reasonable and credible and adequately demonstrates that the expected effects of the proposal on competition including a positive impact on cost-effectiveness, quality and access to FHRMH inpatient dialysis services in Richmond County and FHRMH’s primary service area. This determination is based on a review of the information in Sections II, III, IV, V, VII and the Pro Formas:

- The proposal would not result in the unnecessary duplication of existing inpatient dialysis services by adding two inpatient dialysis stations at FHRMH.
- FirstHealth Richmond Memorial Hospital adequately demonstrates the need to add 2 inpatient dialysis stations.
- The applicant adequately demonstrates that the proposal is a cost-effective alternative to meeting the need the applicant says exists for its proposal.
- The applicant has provided and will continue to provide quality services;
- The applicant has provided and will continue to provide adequate access to medically underserved populations; and
- The applicant adequately demonstrates that the proposal will have a positive impact on competition by providing patients with increased access to inpatient dialysis services.

Therefore, 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.

C

In Section VI.1, FirstHealth Richmond Memorial Hospital indicates that it is a licensed, acute care hospital, accredited by the Joint Commission and certified as a Medicare and Medicaid provider. In Section II.7(c), the applicant states that none of the identified facilities in this application has ever had its license revoked nor have any of the facilities identified ever had their Medicare or Medicaid Provider Agreement terminated.

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.

NA