

ATTACHMENT - REQUIRED STATE AGENCY FINDINGS

FINDINGS

C = Conforming

CA = Conditional

NC = Nonconforming

NA = Not Applicable

DECISION DATE: April 30, 2013

PROJECT ANALYST: Gene DePorter

TEAM LEADER: Lisa Pittman

PROJECT I.D. NUMBER: J-10078-13/ AMISUB of North Carolina, Inc. d/b/a Central Carolina Hospital / Renovate and expand emergency department/ Lee 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.

C

AMISUB of North Carolina, Inc. d/b/a Central Carolina Hospital (referred to hereinafter as CCH) is a 127 bed acute care hospital located in Sanford. CCH also has 10 inpatient psychiatric beds. The parent company is Tenet Health System Medical, Inc., Dallas, Texas. The applicant proposes to increase the number of emergency department treatment rooms from 15 to 24 by renovating 9,585 SF of existing space and constructing 12,483 SF of new space. The applicant does not propose to increase the number of licensed beds in any category, add services or acquire equipment for which there is a need determination in the 2013 State Medical Facilities Plan (SMFP). Therefore, there are no need determinations in the 2013 SMFP that are applicable to this project.

However, Policy GEN-4 is applicable to this review. Policy GEN-4: Energy Efficiency and Sustainability for Health Service Facilities 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 [sic] 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."

In Section III, pages 27-28, the applicant provides the following written statement:

"CCH is working to protect the environment and to provide environmentally friendly services and facilities for patients, visitors and staff. CCH will develop and implement an Energy Efficiency and Sustainability Plan for the project that conforms to the energy efficiency and water conservation standards incorporated in the latest editions of the North Carolina State Building Codes. The elements of the Plan shall not adversely affect patient or resident health, safety or infection control. Those elements include:

- Lighting Systems-Lighting systems will utilized for the project to provide higher energy efficiency in accordance with energy efficiency and water conservation standards incorporated in the latest editions of the North Carolina State Building Codes. The changes to the lighting systems shall not adversely affect patient or resident health, safety or infection control.*
- Water Systems-Water systems, hand wash facilities, and toilets will be utilized within the scope of the areas of renovation for the project to provide higher energy efficiency in accordance with the energy efficiency and water conservation standards incorporated in the latest editions of the North Carolina State Building Codes. The changes shall not adversely affect patient or resident health, safety or infection control.*

- *Heating, Ventilation and Air-conditioning (HVAC) Systems-HVAC systems will be added and upgraded as needed within the scope of the project to provide higher emergency efficiency in accordance with the energy efficiency and water conservation standards incorporated in the latest editions of the North Carolina States Building Codes. The changes shall not adversely affect patient or resident health, safety or infection control.*
- *Minor Equipment; such as ice machines, will be evaluated prior to purchase and implementation based on energy efficiency and water conservation.*
- *Other potential energy conservation measures for the project will be researched and evaluated by the project engineer and architect as well as hospital administration.”*

The hospital provides a written statement describing the project’s plan to assure improved energy efficiency and water conservation. The application is consistent with Policy GEN-4 subject to the conditions in Criterion 4.

- (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

AMISUB of North Carolina, Inc d/b/a Central Carolina Hospital (referred to hereinafter as CCH) whose parent company is Tenet Health System Medical, Inc is licensed for 127 acute care beds and 10 inpatient psychiatric beds. CCH provides healthcare services to the residents of Lee County as well as portions of Chatham, Harnett and Moore counties [CCH Emergency Department Service Area]. CCH and its predecessors have provided health care services to the residents of Lee County and surrounding counties since 1913. CCH is the only acute care hospital in Lee County, directly employees 650 people and has built a medical staff of more than 100 physicians.

The CCH current emergency department consists of 15 exam rooms. Upon completion of this project the emergency department will have 24 exam rooms inclusive of 14 acute care rooms, 6 fast-track rooms, 4 trauma/resuscitation rooms and a discharge unit. The 14 acute care rooms will include psychiatric safe rooms, and 2 OB/GYN exam rooms. The square footage of the emergency department will increase from 9,585 SF of renovated space plus 12,483 SF of new construction space for a total of 22,068 SF upon completion of this project. The emergency department will be staffed by emergency medicine physicians and by specialists drawn from the medical staff of the hospital.

Population to Be Served

In Section III.4, page 30, the applicant provides current patient origin for acute care inpatients and emergency department patients, as shown in the following table.

Table 1
Central Carolina Hospital
2012 Inpatient Origin by County
2012 ED Patient Origin by County

County	2012 Inpatient Origin		2012 ED Patient Origin	
	Admissions	Percent	Visits	Percent
Chatham	270	5.1%	1,117	2.9%
Harnett	734	14.0%	9,657	25.0%
Lee	3,979	75.6%	25,688	66.5%
Moore	61	1.2%	612	1.6%
All Other	216	4.1%	1,550	4.0%
Total	5,260	100.0%	38,624	100.0%

In Section III.5 (d), page 32, the applicant provides projected patient origin for its emergency department, including the assumptions and methodology used. CCH states:

“Patient origin is based upon existing Emergency Department Service area patient origin adjusted for the potential impact of the new Harnett Health System hospital in Lillington.”

In Exhibit 11, page 318, CCH further states:

“... Harnett County ED visits were adjusted downward by 35%. Based upon zip code patient origin and mapping, CCH estimated that approximately 35% of Harnett County patients currently seeking care at CCH would be closer to the Harnett Hospital in Lillington and choose to go there.”

Table 2
Central Carolina Hospital
Emergency Department
Projected Patient Origin by County

County	PY1: 7/1/16-6/30/17	PY 2: 7/1/17-6/30/18	PY 3: 7/1/18-6/30/19
Chatham	3.2%	3.2%	3.2%
Harnett	17.8%	17.8%	17.8%
Lee	72.9%	72.9%	72.9%
Moore	1.7%	1.7%	1.7%
All Other	4.4%	4.4%	4.4%
Total	100.0%	100.0%	100.0%

The applicant adequately identified the population to be served by the proposed project.

Need for the Proposed Project

In Section III.1 (a), page 13, the applicant provides five primary reasons for the proposed project:

- CCH is the only acute care hospital in Lee County
- ED physical plant issues
- Demographics in the service area
- Growth and development in Sanford and Lee County.
- Growth in ED volume at CCH

CCH is the sole provider of acute and emergency care for Lee County. CCH provides the majority of inpatient care services for residents of Lee County. CCH states that it employs more than 650 persons directly and pays \$30.5 million in salaries.

In Section III.1 (a), pages 16-17, the applicant states:

“The overall congestion in the Emergency Department is compounded by the high volume of EMS traffic through the vestibule area and EMS work area. The existing emergency treatment rooms are insufficient to meet the needs of all CCH emergency patients.”

Additional facility constraints include but are not limited to the following:

- The Emergency Department has too few exam rooms to accommodate current and projected number of visits; treatment bays and enclosed treatment rooms are too small.
- There is inadequate space throughout the department for staff workspace; the tiny nursing stations and lack of medication rooms result in functional issues.
- There is a lack of equipment storage space for wheelchairs and portable x-ray transport stretchers.
- The location of outlets and medical gases in treatment rooms is not conducive to efficient patient care.
- There are an inadequate number of toilets for the public and staff.
- There is a lack of workspace for EMS staff and EMS equipment storage.
- The ED lacks specialty patient care areas such as a decontamination area, an isolation (or negative pressure) room and psychiatric treatment rooms

The population in the CCH Emergency Department service area is continuing to increase, as shown in the following tables:

Table 3
Central Carolina Hospital

**Emergency Department Service Area
 Historic Population Growth 2008-2012**

County	2008	2009	2010	2011	2012	CAGR 2008-2012
Chatham	61,198	62,408	63,806	64,553	65,795	1.8%
Harnett	108,490	112,003	115,792	118,615	121,417	2.9%
Lee	56,505	57,297	57,882	58,305	58,687	1.0%
Moore	85,954	87,227	88,550	89,395	90,350	1.3%
Combined	312,147	318,935	326,030	330,867	336,249	1.9%

Source: NC OSBM, 1.8.13 and Table 11 of Exhibit 11.

Although Lee County had the lowest population compound annual growth rate (CAGR) experience between 2008 and 2012 for the counties surrounding Lee, CCH emergency department visits experienced the highest CAGR at 5.3% compared to surrounding county hospital emergency departments. The population of Lee County is projected to grow at a compound annual growth rate of 0.7% between 2013 and 2019.

**Table 4.
 Central Carolina Hospital
 Emergency Department Service Area
 County Projected County Population 2013-2019**

County	2013	2019	CAGR- 2013-2019
Chatham	67,052	74,608	1.8%
Harnett	124,263	141,320	2.2%
Lee	59,078	61,444	0.7%

Utilization of Emergency Department services by the uninsured in Lee County exceeds 25%. The North Carolina Institute of Medicine (IOM) published a data snapshot in the January of 2013 issue. The snapshot is included in Exhibit 25, and shows the high number of uninsured children and adults in Lee County with the county ranking 7th among the 100 North Carolina counties for the percentage of uninsured population aged 18 and under (2,000 or 9.4%) and ranks 30th out of 100 counties with a high uninsured population under 65 (8,000 or 22.2%).

The following table shows that emergency department utilization at Central Carolina Hospital and neighboring hospital emergency departments has increased at a greater rate than population growth per county over the previous five years.

**Table 5
 Central Carolina Hospital and Surrounding Hospital Emergency Departments**

**Visit Volumes for FY 2008 through 2012
 And Related Compound Annual Growth Rate**

Hospital and County	FY 2008 ED Visits	FY 2012 ED Visits	ED-CAGR 2008-2012	Population CAGR
Central Carolina Hospital-Lee	30,657	37,740	5.3%	1.0%
Chatham Hospital-Chatham	12,225	14,680	4.6%	1.8%
Betsy Johnson Regional-Harnett	39,093	44,094	3.1%	2.9%
FH Moore Regional-Moore	62,807	65,530	1.1%	1.3%
Total	144,782	161,972	2.8%	1.9%

Source: North Carolina Hospital Licensure Renewal Applications and NC OSBM.

In Exhibit 11 the applicant provides historic and projected emergency department patient activity as shown in the following table:

**Table 6
 Central Carolina Hospital
 Historic ED Visits by Variables-FY 2008-2012**

	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	CAGR 08-12
ED Visits	30,657	35,330	36,859	36,718	38,802	5.3%
ED Treatment Areas	15	15	15	15	15	-
Visits per Treatment Area	2,044	2,355	2,457	2,448	2,587	-

In Section III. 1, pages 21-24, CCH provides the methodology and assumptions used in its projections which are summarized below:

- From CY08 through CY 12, ED visits grew at a CAGR of 6.8%
- A growth rate of 6.8% is not sustainable with the current capacity of the ED
- Therefore, a growth rate of 2% is projected for the interim period of January 1, 2013 – June 30, 2017
- The growth rate will accelerate once the project is complete, however the impact of the new Harnett Health System hospital in Lillington was taken into consideration
- Instead of its historical CAGR of 6.8%, CCH uses a 5% growth rate to project Years 1-3

Central Carolina Hospital projected emergency department visits by selected variables. Overall, the growth in emergency department visits for CYs 2013-2016 is 2.0% per year then 3.5% for CY 2017 and finally 5.0% for CYs 2018-2019.

Table 7

**Central Carolina Hospital
 Historic, Interim and Project Years 1-2
 Emergency Department Visits by Variables-CYs 2012-2019**

	CY 2012	CY 2013	CY 2014	CY 2015	CY 2016	CY 2017	CY 2018	CY 2019
ED Visits	38,802	39,578	40,370	41,177	42,001	42,736	44,557	46,785
Annual Growth		2.00%	2.00%	2.00%	2.00%	3.50%	5.00%	5.00%
ED Admissions	10.00%	3,958	4,037	4,118	4,200	4,347	4,564	4,793
ED Treatment Areas	15	15	15	15.5	16.5	24	24	24
Visits Per Treatment Area	2,587	2,639	2,691	2,657	2,545	1,781	1,857	1,949

The applicant adequately identified the population to be served and demonstrated the need the population has for the proposed Emergency Department renovation and expansion. 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

- (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.

C

In Section III.3, pages 28-29, CCH states it considered the following alternatives to the expansion of its Emergency Department:

- Maintain the Status Quo-The applicant demonstrates in Sections III.1 (a) and III.1 (b) that its 15 existing treatment rooms are operating at levels exceeding industry standards. Continuing growth is projected. If the applicant does not increase the number of treatment rooms the timely provision of services will suffer. Therefore, maintaining the Status Quo is not an acceptable alternative.
- Implement process changes and efficiencies for the emergency department- Based upon a 2009 Tenet Performance Management Innovation Evaluation study, many innovations have been implemented and continue to be monitored on a monthly basis. However, the population continues to increase as does the emergency department patient volumes. The applicant states on page 29, that there are no additional process changes available to meet the increasing demand for emergency department services in the community.
- Expand emergency department size-CCH believes that expansion is the most effective alternative to addressing increasing emergency department volume.

The applicant concluded that developing the project as proposed is the most effective and least costly alternative.

Furthermore, the applicant is conforming to all other applicable statutory and regulatory review criteria, and therefore is approvable. A project that cannot be approved cannot be an effective alternative. Therefore, the application is conforming to this criterion and approved subject to the following conditions:

- 1. AMISUB of North Carolina, Inc. d/b/a Central Carolina Hospital, shall materially comply with all representations made in its certificate of need application.**
 - 2. AMISUB of North Carolina, Inc. d/b/a Central Carolina Hospital, 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. AMISUB of North Carolina, Inc. d/b/a Central Carolina Hospital, shall develop and implement an Energy Efficiency and Sustainability Plan for the project that conforms to or exceeds energy efficiency and water conservation standards incorporated in the latest editions of the North Carolina State Building Codes. The plan must be consistent with the applicant's representation in the written statement as described in paragraph one of policy GEN-4.**
 - 4. Upon completion of the project, AMISUB of North Carolina, Inc. d/b/a Central Carolina Hospital shall be licensed for no more than 24 emergency department treatment rooms,**
 - 5. Prior to issuance of the certificate of need, AMISUB of North Carolina, Inc. d/b/a Central Carolina Hospital shall acknowledge acceptance of and agree to comply with all conditions stated herein 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.1, page 56, the applicant indicates that the total capital cost of the project will be \$13,982,580, including \$9,921,000 for the construction contract, \$516,082 for site costs, \$1,311,480 for equipment and furniture, \$1,115,970 for architect and engineering fees, and \$1,083,048 for Other (Interest during Construction and Contingency). In Section IX, page

60, the applicant states that no start-up expenses, or initial operating expenses are associated with this project. In Section VIII.3, page 57, the applicant indicates that the entire project will be funded with Tenet Healthcare’s accumulated reserves. Exhibit 20 contains a February 15, 2013 letter signed by the Vice President, Finance Operations, Southern States Region, Tenet Healthcare Corporation, which states:

“Please accept this letter as documentation that Tenet Healthcare will provide \$13.8M to Central Carolina Hospital to fund the proposed project.”

Exhibit 21 of the application contains Tenet Healthcare’s Form 10K, as of December 31,2011, which indicates the following;

	<u>December 31, 2011</u>
Cash and Cash Equivalents-	\$ 113,000,000
Total Current Assets-	\$ 2,357,000,000
Total Equity	\$ 1,492,000,000

The applicant adequately demonstrated the availability of sufficient funds for the capital needs of the project.

The applicant provided pro forma financial statements for the first three years of the project (7/1/16-6/30/17 through 7/1/18-6/30/19), on Form C of the pro formas, for the proposed renovation and expansion of the emergency department as well as the entire facility. The applicant projects revenues will exceed operating expenses in each of the first three operating years of the project. Furthermore, the applicant projects a positive net income for the entire hospital 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 projections of the number of patient days of care to be provided. See the Pro Formas Tab of the application for the pro formas and assumptions. See Criterion (3) for discussion of utilization projections. The following table shows the projected financial viability of the Emergency Department renovation and expansion project.

Table 6
Central Carolina Hospital
Emergency Department Renovation and Expansion
Profit or Loss Profile for the First Three Years of Operation.

	Project YR 1	Project Yr. 2	Project Yr. 3.

	7/1/16 - 6/30/17	7/1/17 - 6/30/18	7/1/18 - 6/30/19
Projected # Patient Visits	42,736	44,557	46,785
Projected Average Charge	\$1,188	\$1,248	\$1,310
Gross Patient Revenue	\$50,786,489	\$55,599,039	\$61,297,940
Deductions From Gross Revenue	\$42,902,128	\$47,330,006	\$52,567,387
Net Patient Revenue	\$7,884,360	\$8,269,033	\$8,730,553
Total Expenses	\$4,836,404	\$5,086,677	\$5,253,852
Net Income	\$3,047,957	\$3,182,357	\$3,476,701

The applicant projects a positive net income for the emergency department for the first three full years of operation. The assumptions used by the applicant in the preparation of the pro forma financial statements are reasonable, including projected utilization, costs and charges. See the ProFormas tab for the assumptions regarding cost and charges (subject to change based upon implementation of the Affordable Care Act). See Criteria (3) for discussion of utilization projections which is hereby incorporated as if fully set forth herein. The applicant adequately demonstrated that the financial feasibility of the proposal is based on 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

Section III. 4(a) and (b), page 30 the applicant provides the following information: Central Carolina Hospital in Sanford is the only hospital in Lee County. CCH provides inpatient and outpatient services (including emergency care) and related support services to patients from Lee County and surrounding counties. In FFY12, CCH's inpatient and emergency department patient origin was as follows:

Table 7
Central Carolina Hospital
2012 Patient Origin for Inpatient Admissions and
Emergency Department Visits

County	2012		2012	
	Admissions	Percent	Visits	Percent
Chatham	270	5.1%	1,117	2.9%
Harnett	734	14.0%	9,657	25.0%
Lee	3,979	75.6%	25,688	66.5%
Moore	61	1.2%	612	1.6%
All Other	216	4.1%	1,550	4.0%
Total**	5,260	100%	38,624	100.0%

The applicant lowered its projected number of emergency department visits by Harnett County residents by 35% in response to the January 2013 opening of a new hospital and emergency department in Lillington, Harnett County.

In this application Central Carolina Hospital proposes to expand and renovate the Emergency Department to meet the increased demand for emergency services in the community served by CCH. The applicant adequately demonstrates the need for its proposed renovation and expansion based on reasonable, credible and supported projected utilization. See Criterion (3) for additional discussion of the emergency department which is hereby incorporated as if fully set forth herein. This analysis demonstrates the reasonableness of the proposed project. Thus, the applicant adequately demonstrates the proposed renovation and expansion of the emergency department at Central Carolina Hospital will not result in the unnecessary duplication of services. 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.

C

In Section VII.1(a), page 51, the applicant provides the following table indicating current staffing for the service components in this application. The proposed project does not include operating rooms.

**Table 8
 CCH Current Staffing of the Emergency Department**

Position	Total FTE Employees	Average Annual Salary-2013
Nursing		
-RNs	27.3	\$56,345
-Aides/CNAs	4.8	\$27,830
Other		
-Administrative	1.0	\$103,371
-PCT	1.4	\$31,236
-Concierge	1.4	\$27,230
-Clerical	5.2	\$26,437
Total	41.1	\$48,528

In Section VII. 1(b), page 51, the applicant provides the proposed number of Emergency Department FTEs for Project Year Two (FY' 18). The applicant will add 5.4 additional FTEs to staff the emergency department.

**Table 9
 CCH Proposed Staffing For the Emergency Department**

Position	Total FTE Employees	Average Annual Salary-PY2 7/1/17 to 6/30/18
Nursing		

-RNs	29.4	\$64,368
-Aides/CNAs	6.9	\$31,792
Other		
-Administrative	1.0	\$118,090
-PCT	2.1	\$35,683
-Concierge	1.4	\$31,107
-Clerical	5.7	\$30,201
Total	46.5	\$54,205

CCH states it contacted the local community colleges, and worked with the CCH Human Resources Department and Tenet’s corporate network, to determine the availability of the appropriate skilled personnel for the proposed project.

In Section VII. 5(a) and (b) the applicant states the following;

“The Emergency Department is operational 24 hours per day, seven days per week. Staff is hired and scheduled for one of three shifts upon employment. Please see Exhibit 16 for an example of weekly staffing. Staffing levels are consistent with industry standards.”

There are 6 full time emergency medicine physicians routinely providing care in the emergency department of Central Carolina Hospital, and 10 emergency medicine physicians on the medical staff at CCH. Reference Exhibit 17 for a copy of the CCH Medical Staff Bylaws, regarding, medical staff membership at CCH.

The current Chief of Staff is a board certified Nephrologist and is identified in Section VII. 8. The Medical Director of the Emergency Department is board certified in emergency medicine and identified in Exhibit 14.

The applicant adequately demonstrated the availability of adequate health manpower and management personnel for the provision of the proposed services. Therefore, the application is conforming to this criterion.

The following Table lists the number of physicians and dentists on the active staff by specialty and Board status:

Table 10.
Central Carolina Hospital Active Medical Staff

Medical & Dental Specialty	Number Board Certified Column (1.)	Number not Board Certified Column (2.)	Total Number of Columns 1. & 2. Column (3.)
Anesthesiology	2	0	2

Cardiology	11	2	13
Dermatology	1	0	1
Emergency Medicine	7	3	10
Family Practice	20	2	22
Gastroenterology	3	0	3
General Surgery	2	1	3
Hematology/Oncology	1	0	1
Internal Medicine	7	6	13
Nephrology	7	0	7
Neurology	1	0	1
OB/GYN	6	0	6
Ophthalmology	1	0	1
Orthopedics	2	0	2
Otolaryngology	3	0	3
Pathology	10	0	10
Pediatrics	7	1	8
Podiatry	1	1	2
Pulmonary	1	0	1
Radiology	2	0	2
Urology	2	0	2
DENTISTS-General	6	2	8
OTHER: Podiatry	1	1	2
TOTAL	104	19	123

The applicant adequately demonstrates the availability of adequate health manpower and management personnel for the provision of emergency services. Therefore, the applicant 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

The applicant is an existing hospital and provider of emergency services. The necessary support services are currently available. See Exhibit 3 for a letter dated February 15, 2013, from the Chief Operating Office of CCH documenting the availability of sufficient ancillary and support services. In Section II. 2(a), page 9, the applicant states;

“CCH provides all necessary ancillary and support services to patients receiving services in the Emergency Department, including but not limited to the following:

- *Radiology Services*
- *Laboratory*

- *Pharmacy Services*
- *Surgical Services*
- *Pre and Post Operative Surgical Services*
- *Anesthesia Services*
- *Medical Records*
- *Case Management*
- *Emergency Medical Services*
- *Engineering*
- *Environmental Services*
- *Infection Control*
- *Information Systems*
- *Materials Management*
- *Quality Improvement/Risk Management”*

The applicant adequately demonstrated the availability of the necessary ancillary and support services and that the proposed services would be coordinated with the existing health care system. Exhibits 14-15 include letters of support from local physicians and hospitals for the renovation and expansion of the emergency department. 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 (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.

C

In Section XI.4, page 66, the applicant provides the existing and proposed square footage for the facility, as illustrated in the tables below:

Table 11

Existing/Proposed Project-CCH	Square Feet
Total square feet of existing facility	143,446
Total square feet of new construction	12,483
Total square feet at the completion of the proposed project	155,929
Total square feet in the existing facility to be renovated	9,585

The applicant also provides the existing, new, renovation and total square footage breakout for the emergency department in the following table.

Table 12

Department	Existing SF	New SF	Renovated SF	Total Department SF
Emergency Department	9,585	12,483	9,585	22,068

In the following table the applicant identified the square footage and projected capital cost.

Table 13

	Estimated Square Feet	Construction Cost Per Square Foot	Total Cost Per Square Foot
Emergency Department	22,068	\$449.56	\$633.61

In Table VIII.1; page 56, the applicant states the subtotal cost for the construction contract as \$10,437,082. Exhibit 18 contains a letter from McCulloch and England Architects setting the construction contract cost at \$10,213,752. The \$223,300 difference between these two sources represents Site Costs for the following items that will be the responsibility of Tenet Corporate Design and Construction Group: Site Inspection and Survey-\$17,400, Legal Fees and Subsoil Investigation-\$60,930, and Project Administration-\$145,000.

See Exhibit 24 for line drawings for the facility and the site plan for the proposed project. The applicant adequately demonstrates that the cost, design, and means of construction represent the most reasonable alternative for the proposed expansion and renovation of the hospital's emergency department. See Criterion (5) for discussion of costs and charges which is hereby incorporated by reference as if fully set forth herein. Therefore, the application is conforming to this criterion.

- (13) The applicant shall demonstrate the contribution of the proposed service in meeting the health-related needs of the elderly and of members of medically underserved groups, such as medically indigent or low income persons, Medicaid and Medicare recipients, racial and ethnic minorities, women, and 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;

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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 as of June 2009 and CY 2009, respectively for Lee county and statewide.

Table 14

	Total # of Medicaid Eligible's as % of Total Population	Total # of Medicaid Eligible's Age 21 and Older as a % of Total Population	% Uninsured CY 2009 (Estimated by Cecil G. Sheps Center)*
Lee	19%	7.2%	21.5%
Statewide	17%	6.7%	19.7%

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

The majority of Medicaid eligibles are children under the age of 21. This age group would not typically utilize the same health services at the same rate as older segments of the population, particularly the services offered by CCH.

Moreover, the number of persons eligible for Medicaid assistance may be greater than the number of Medicaid eligible who actually utilize health services. The DMA website includes information regarding dental services which illustrates the 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 that age 20 and under and 31.6% for those ages 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 and 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 and gender. However, a direct comparison to the applicant's 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.

In Section VI.12 and VI.13, page 48, the applicant provides the payor mix during fiscal year 2012 for the entire hospital and the emergency department, as illustrated in the table below:

Table 15

Central Carolina Hospital and Emergency Department October 1, 2011 Through September 30, 2012		
	Entire Facility	Emergency Department
Self Pay/Indigent/Charity	4.5%	26.72%

Medicare/Medicare Managed Care	60.6%	20.62%
Medicaid	17.3%	30.64%
Commercial Insurance Managed Care	3.2%	6.28%
Other	14.4%	15.74%
	0.0%	0.0%
Total	100.0%	100.0%

Source: 2013 Central Carolina Hospital Licensure Renewal Application

In Section VI.2, page 44 the applicant states:

“...CCH has a non-discrimination policy and does not discriminate on the basis of age, race, religion, sex, national or ethnic origin, disability, sexual orientation, income or ability to pay. Patients are admitted and services are rendered in compliance with 1) Title VI of Civil Rights Act of 1963, 2) Section 504 of the Rehabilitation Act of 1973, and 3) The Age Discrimination Act of 1975. Please see Exhibit 10 for a copy of the CCH admissions policy and charity care policy. Also included in Exhibit 10 are copies of the CCH Compact for the Uninsured and Lee County Program for Indigent Care at Central Carolina Hospital.”

The applicant demonstrated that medically underserved populations currently have adequate access to the services offered at Central Carolina Hospital. Therefore, the application is conforming to this criterion.

- (b) In 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;

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Recipients of Hill-Burton funds were required to provide uncompensated care, community service and access for minorities and handicapped persons. In Section VI. 11, page 47, the applicant states: *“Please see Exhibit 10 for a copy of the Lee County Program for Indigent Care at Central Carolina Hospital. Although this program was arranged with CCH’s predecessor, AMI, CCH continues to fulfill the terms of the program.”*

access In Section VI.10, page 47, the applicant states there have been no civil rights complaints filed against CCH in the last five years:

“no complaints have been received, as documented in the memo from the CCH Quality Director included in Exhibit 22.”

The application is conforming to this criterion.

- (c) The elderly and medically underserved groups identified in this subdivision will be served by the applicants proposed services and the extent to which each of these groups is expected to utilize the proposed services, and

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In Section VI.15(a), page 50, the applicant provides the following projected payor mix for services provided in the ED in the second full fiscal year of operation:

Table 16

Central Carolina Hospital ED Visits and Entire Hospital Admissions by Payor Source Project Year 2 July 1, 2017 – June 30, 2018		
	E.D. Visits	Admissions
Self Pay/Indigent/Charity	26.72%	4.50%
Medicare/Medicare Managed Care	20.62%	60.60%
Medicaid	30.64%	17.30%
Commercial Insurance	6.28%	3.20%
Managed Care	15.74%	14.40%
Other	0.00%	0.00%
TOTAL	100.00%	100.00%

The applicant projects no change from the current payor mix for ED visits. Approximately 51% of all ED patients have some or all of their medical expenses reimbursed by some form of government healthcare coverage. The applicant demonstrates that medically underserved populations will have adequate access to the proposed services. Therefore, the applicant 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.

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In Section VI.9 (a), pages 46-47, the applicant states: *“Patients access the Emergency Department at CCH through self referral or via Central Carolina Advanced Life Support, the area emergency ambulance service provider.”*

The applicant demonstrates the means by which patients will have access to the proposed service. Therefore, the application is conforming to this criterion.

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

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The applicant states the following in Section VI.1 (a), page 38;

“As an established provider of health care services in Lee County, CCH has developed relationships with local clinical training programs, and a variety of students rotate through the hospital. The proposed project will provide additional training capacity for students involved in programs related to nursing, radiologic technology and programs applicable to services provided in the Emergency Department.”

A complete list of clinical training programs is provided in Section V.1(a), page 38.

Reference Section V.2(a), page 39, for a table listing “Transfer Facilities”. Copies of four of the transfer agreements listed in the previously referenced table can be found in Exhibit 5.

Reference Exhibit 13 for a sample of a clinical training agreement. Letters of support from other hospitals are included in Exhibit 15.

This information provided is reasonable and supports a finding of conformity with 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.

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The applicant is the only acute care provider of emergency services in Lee County. The applicant proposes to renovate and expand its ED to increase the number of treatment rooms from 15 to a total of 24 treatment rooms upon project completion, to accommodate the current and projected demand for ED services at CCH. In Section V.7, page 42, the applicant discusses how the proposed renovation and expansion of emergency department services will foster competition by promoting cost effectiveness, quality, and access in the proposed service area. The applicant states:

“The proposed project will improve local access to services in the Emergency Department at CCH. Currently, some residents of the CCH Emergency Department Service Area are driving further for care at other facilities as a result of the overcrowding and lack of capacity in the CCH Emergency Department. The proposed project is intended to reduce wait times, increase capacity and increase patient and physician satisfaction. The provision of more efficient services in Lee County will allow the residents of the CCH Emergency Department Service Area to receive care locally in a lower cost, community hospital.”

See also Sections II, III, IV, V, VI, and VII where the applicant discusses the impact of the proposal on cost effectiveness, quality and access to the proposed services. 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 include a positive impact on cost-effectiveness, quality and access to emergency services in Lee County. This determination is based on the information in the application, and the following:

- The applicant adequately demonstrates the need to renovate and expand the emergency department; and that the proposed project 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 for medically underserved populations.

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.

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CCH is accredited by the Joint Commission and certified for Medicare and Medicaid participation. According to the files in the Acute and Home Care Licensure and Certification Section, Division of Health Service Regulation, no incidents occurred, within the eighteen months immediately preceding the date of this 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.

NA