

ATTACHMENT - REQUIRED STATE AGENCY FINDINGS

FINDINGS

C = Conforming

CA = Conditional

NC = Nonconforming

NA = Not Applicable

DECISION DATE: July 25, 2013
PROJECT ANALYST: Fatimah Wilson
SECTION CHIEF: Craig Smith

PROJECT I.D. NUMBER: F-10135-13 / The Charlotte-Mecklenburg Hospital Authority d/b/a Carolinas Medical Center / Renovate and refurbish existing medical/surgical units located on the eleventh floor of the medical center / Mecklenburg 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

The Charlotte-Mecklenburg Hospital Authority (CMHA) d/b/a Carolinas Medical Center (CMC) proposes to renovate space on the eleventh floor of the medical center (Units 11A and 11B), currently housing adult medical/surgical services, in order to bring the units up-to-date. Unit 11A currently houses 24 licensed adult medical/surgical beds and Unit 11B currently houses 20 licensed adult medical/surgical beds. CMC was previously approved, pursuant to Project I.D. #F-8827-12, to relocate a total of five licensed beds from Units 11A and 11B to Unit 4B (four from Unit 11A and one from Unit 11B). According to the most recently submitted progress report on June 3, 2013, that project is expected to be complete on January 1, 2014, prior to the completion of the proposed refurbishment project on March 1, 2015. Therefore, upon completion of the proposed refurbishment project, Unit 11A will house 20 licensed adult medical/surgical beds and Unit 11B will house 19 licensed adult medical/surgical beds. The applicant states that none of the services currently provided on the units will be changed nor will there be any change in CMC's total number of licensed acute care beds. The applicant does not propose to develop beds or services or acquire equipment for which there is a need determination in the 2013 State Medical Facilities Plan (SMFP). However, Policy GEN-4 is applicable to this project.

Policy GEN-4: Energy Efficiency and Sustainability for Health Service Facilities

Policy GEN-4 states:

“Any person proposing a capital expenditure greater than \$2 million to develop, replace, renovate or add to a health service facility pursuant to G.S. 131E-178 shall include in its certificate of need application a written statement describing the project’s plan to assure improved energy efficiency and water conservation.

In approving a certificate of need proposing an expenditure greater than \$5 million to develop, replace, renovate or add to a health service facility pursuant to G.S. 131E-178, the Certificate of Need Section shall impose a condition requiring the applicant to develop and implement an Energy Efficiency and Sustainability Plan for the project that conforms to or exceeds energy efficiency and water conservation standards incorporated in the latest editions of the North Carolina State Building Codes. The plan must be consistent with the applicant’s representation in the written statement as described in paragraph one of Policy GEN-4.

Any person awarded a certificate of need for a project or an exemption from review pursuant to G.S. 131E-184 are required to submit a plan for energy efficiency and water conservation that conforms to the rules, codes and standards implemented by the Construction Section of the Division of Health Service Regulation. The plan must be consistent with the applicant’s representation in the written statement as described in paragraph one of Policy GEN-4. The plan shall not adversely affect patient or resident health, safety or infection control.”

In Section III.2, pages 38-39 and XI.7, pages 93-95, the applicant states:

“CHS is committed to energy efficiency and sustainability that balances the need for healthcare services and environmental sustainability in the communities it serves. The project’s plan to assure improved energy and water conservation in accordance with Policy Gen-4 requirements is discussed below.

Guiding Principles

- 1. Implement environmental sustainability to improve and reduce our environmental impact.*
- 2. Integrate sustainable operation and facility best practices into existing and new facilities.*
- 3. Encourage partners to engage in environmentally responsible practices.*
- 4. Promote environmental sustainability in work, home and community.*
- 5. Deliver improved performance to provide a long term return on investment that supports our mission and values.*

CHS employs a Facility Management Group with experienced, highly trained and qualified architects, engineers, project managers, tradesmen and technicians, who design, construct, operate and maintain CHS facilities.

Medical center equipment is maintained on a computerized preventive maintenance schedule and monitored using integrated building control systems. CHS's multi-disciplinary team participates during planning and design to ensure that new systems and components incorporate demonstrated best practices as well as to recommend new and improved practices.

In April, CMC was awarded the Practice Greenhealth's Partner for Change Award for 2013, which recognizes the work it does every day to support healthy environments for strong and healthy communities.

...

CMC will work with experienced architects and engineers to develop this proposed project to ensure energy efficient systems are an inherent part of the proposed project to the degree appropriate with the proposed project to the degree appropriate with the proposed renovations. The design team for the proposed project has Energy Star Leadership in Energy and Environmental Design (LEED) and Hospitals for a Healthy Environment Green Guide for Healthcare (GGHC) experience. Together the team seeks to deliver the following:

- *Meet or exceed the requirements of the North Carolina Building Code in effect when construction drawings are submitted for review to the DHSR Construction Section.*
- *Use a Commissioning Agent to verify facility operates as designed.*
- *Use Environmental Protection Agency Energy Star for Hospitals rating system to compare performance following 12 months of continuous operation.*
- *Refer to United States Green Building Council (USGBC) LEED guidelines and GGHC to identify opportunities to improve the efficiency and performance.*
- *Design for maximum efficiency and life cycle benefits within each mechanical system: heating, cooling, water, sewer and irrigation."*

The application is consistent with Policy GEN-4 and conforming to this criterion.

- (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.

The applicant, CMHA d/b/a CMC, is an existing acute care hospital licensed for a total of 795¹ acute care beds. CMC has been providing acute care services to residents of Mecklenburg County and surrounding communities since 1943. CMC proposes to renovate space on the eleventh floor of the medical center (Units 11A and 11B), currently housing adult medical/surgical services, in order to bring the units up-to-date. Unit 11A currently houses 24 licensed adult medical/surgical beds and Unit 11B currently houses 20 licensed adult medical/surgical beds. CMC was previously approved, pursuant to Project I.D. #F-8827-12, to relocate a total of five licensed beds from Units 11A and 11B to Unit 4B (four from Unit 11A and one from Unit 11B). According to the most recently submitted progress report on June 3, 2013, that project is expected to be complete on January 1, 2014, prior to the completion of the proposed refurbishment project on March 1, 2015. Therefore, upon completion of the proposed refurbishment project, Unit 11A will house 20 licensed adult medical/surgical beds and Unit 11B will house 19 licensed adult medical/surgical beds. The applicant does not propose to develop beds or services or acquire equipment for which there is a need determination in the 2013 State Medical Facilities Plan (SMFP). In Section II.1(a), page 16, the applicant states:

“The purpose of the project is to bring the units up-to-date, both functionally and aesthetically. None of the services currently provided on the units will be changed. Moreover, the proposed project will renovate Units 11A and 11B without any change in CMC’s total number of licensed acute care beds. Unit 11A currently houses 24 licensed adult medical/surgical beds and Unit 11B currently houses 20 licensed adult medical/surgical beds. CMC was previously approved, pursuant to Project I.D. #F-8827-12, to relocate a total of five licensed beds from Units 11A and 11B to Unit 4B (four from Unit 11A and one from Unit 11B). According to the most recently submitted progress report on June 3, 2013, that project is expected to be complete on January 1, 2014, prior to the completion of the proposed refurbishment project on March 1, 2015. Therefore, upon completion of the proposed project, Unit 11A will house 20 licensed adult medical/surgical beds and Unit 11B will house 19 licensed adult medical/surgical beds.”

Population to be Served

In Section III.5(a), page 42, the applicant states:

“CMC projects that Mecklenburg County will remain its primary service area and Union, Gaston,, Cleveland, Cabarrus, Lincoln and Iredell Counties in North Carolina, and York and Lancaster counties in South Carolina, will comprise the secondary service area.”

The following table illustrates historical patient origin for CY 2012 for CMC’s total acute care beds. The applicant states in Section III.5(c), page 44, that the proposed refurbishment

¹ According to the Acute and Home Care Licensure and Certification Section and 2013 LRA

project is not contingent upon volume growth, nor is it expected to directly impact utilization at the medical center upon project completion. Therefore CMC has not projected future utilization of its acute beds.

CY 2012 CMC Total Acute Care Beds

County	% Patients
Mecklenburg	55.1%
Union	6.1%
York, SC	5.9%
Gaston	5.4%
Cleveland	3.6%
Lincoln	2.4%
Cabarrus	2.4%
Lancaster, SC	2.0%
Iredell	1.7%
Other*	15.4%
Total	100.0%

Source: CHS internal data.

*See application page 41

The applicant adequately identifies the population it proposes to serve.

Need for the Proposed Renovations

In Section III.1(a), pages 30-32, the applicant discusses the need to renovate units 11A and 11B. The applicant states:

“As noted previously, Units 11A and 11B were originally constructed in the early 1960s and have operated without any major refurbishment or renovations since the early 1990s. The age of the units has created a wide range of facility constraints that not only adversely impact patient comfort, but also hinder the staff’s productivity and ultimately the efficiency of the units.

Patient Comfort

Patient rooms on Units 11A and 11B are outdated and in need of upgrades. ...Since the units were built, medical centers are focusing more on providing patients with a comfortable, relaxed atmosphere, to engender a safe and warm environment. Patients are often more content and often heal faster when they are placed in an environment that is conducive to relaxation and comfort. As such, CMC believes that by upfitting patient rooms with new lighting, wall and floor coverings, furniture, televisions, and sinks, patients will experience a more aesthetically pleasing environment that will aid in the healing process.

...

Staff/Physician Productivity and Efficiency

Staff currently work in poorly configured space that limits efficiency as noted in Section II.1. The existing nurses' stations and work areas are undersized by modern standards. Of note, neither of the existing nurses' stations have adequate space for staff planning and charting areas. Moreover, there is a lack of adequate storage space on each of the units and as a result, staff often resort to storing items in the corridors.

Technology and information systems have evolved since the units were built. For instance, new technologies have been developed relative to patient monitoring. As a result, the existing units must be updated to accommodate new technology as well as adequate work space.

...

Regulatory Compliance

Since the units were built, many federal and state healthcare regulatory agencies have introduced new laws and standards of care to which hospitals must adhere. With the proposed project, CMC will upgrade the mechanical and electrical systems as necessary to comply with new code requirements. All renovations associated with this project will be compliant with current code standards.

Moreover, given the age of the space, the air handling units (AHUs) are reaching the end of their useful life and cannot support modern units. As such, the antiquated AHUs must be replaced in order to remain functional and to be capable of supporting the modern operations. Renovations will be made to the existing mechanical room to accommodate ductwork penetrations and asbestos remediation as needed."

While the applicant provides historical utilization and projected population estimates for acute care beds (see Section III) and this information was analyzed, the determination of conformity with this criterion is based, not on utilization of the beds, but on the documented need to renovate and refurbish the units for better quality care, patient/family satisfaction and staff satisfaction. The proposed project will allow the facility to be code-compliant and to more efficiently serve patients of Mecklenburg County and surrounding communities. Based on historical acute care utilization at CMC and the projected population growth in Mecklenburg County, the applicant's proposal to renovate Units 11A and 11B on the eleventh floor of the existing medical center is reasonable in order to improve the delivery of health care services to its patients. The applicant demonstrates it will continue to provide adequate access to healthcare services to the same population it currently serves, which includes handicapped, elderly, and the underserved groups.

In summary, the applicant adequately identifies the population it proposes to serve and adequately demonstrates the need the population has for the proposed renovation. Therefore, the application is conforming with 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.

CA

In Section III.3, page 40, the applicant discusses the alternatives considered prior to the submission of this application, which include:

Maintain the Status Quo – The applicant did not choose this alternative due to the fact that the units have not had any significant renovations since the early 1990s. Specifically, Unit 11A and Unit 11B are in need of functional and environmental upgrades in order to improve both patient and staff satisfaction. There is additional concern that the more outdated the units become, they will eventually require more extensive renovations, which will likely be more expensive than the proposed project. Maintaining the status quo was therefore discarded as a viable alternative to meet the need.

The applicant decided on the proposed project as the least costly or most effective alternative. Since the units were built, medical centers are focusing more on providing patients with a comfortable, relaxed atmosphere, to engender a safe and warm environment. As the proposed project allows for updating of and modernization of the units, patients will experience a more aesthetically pleasing environment that will aid in the healing process.

Furthermore, the application is conforming to all other statutory review criteria, and thus, is approvable. A project that cannot be approved cannot be an effective alternative.

In summary, the applicant adequately demonstrates that its proposal is the least costly or most effective alternative to meet the need. Therefore, the application is conforming to this criterion and approved, subject to the following conditions:

- 1. The Charlotte Mecklenburg Hospital Authority d/b/a Carolinas Medical Center (CMC) shall materially comply with all representations made in its certificate of need application.**
- 2. The Charlotte Mecklenburg Hospital Authority d/b/a Carolinas Medical Center (CMC) 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. The Charlotte Mecklenburg Hospital Authority d/b/a Carolinas Medical Center (CMC) 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 applicants' representations in the written statement as described in paragraph one of Policy GEN-4.**
 - 4. Prior to issuance of the certificate of need, The Charlotte Mecklenburg Hospital Authority d/b/a Carolinas Medical Center (CMC) 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, page 79, the applicant projects that the total capital cost of the proposed project will be \$6,663,900, including:

- \$4,320,600 for construction contract(s);
- \$96,900 for fixed equipment purchase/lease;
- \$895,400 for moveable equipment purchase/lease (information systems);
- \$505,000 for furniture;
- \$490,000 for architect and engineering fees;
- \$35,000 for CON and legal fees;
- \$147,000 for other (admin, material testing, moving and permits); and
- \$174,000 for contingency.

In Section IX, page 84, the applicant states that there will be no start-up or initial operating expenses associated with this project, since all services are currently offered at CMC. In Section VIII, page 80, the applicant states the entire capital cost will be funded with its accumulated reserves. In Exhibit 20, the applicant provides a letter from Executive Vice President and Chief Financial Officer for Carolinas Healthcare System (CHS) which certifies that the applicant has adequate reserves and debt capacity to fund the proposed project. Exhibit 21 contains audited financial statements for CMHA d/b/a CHS. As of December 31, 2011, CHS had \$97,506,000 in cash and cash equivalents, \$6,155,124,000 in total assets and

\$3,517,048,000 in net assets (total assets minus total liabilities). The applicant adequately demonstrates the availability of sufficient funds for the capital needs of the proposed project.

The applicant provided the pro formas and the assumptions used to develop the pro formas on pages 99-101 of the application. The applicant projects CMC's revenues will exceed operating expenses in each of the first three full fiscal years, as illustrated in the table below.

CMC			
Form B-Statement of Revenue and Expenses			
(in 000s)			
	First Full FY 1/1/16 -12/31/16	Second Full FY 1/1/17/ - 12/31/17	Third Full FY 1/1/18 – 12/31/18
Gross Patient Revenue	\$5,723,012	\$6,332,122	\$6,837,612
Deductions from Gross Patient Revenue	\$4,117,596	\$4,626,590	\$5,072,716
Total Revenue	\$1,669,428	\$1,771,404	\$1,830,769
Total Expenses	\$1,485,310	\$1,559,771	\$1,619,868
Net Income	\$184,118	\$211,633	\$210,901

The applicant's assumptions in preparation of the pro forma financial statements are reasonable, credible and supported. See the financial section of the application for the assumptions regarding cost and charges. Therefore, the applicant adequately demonstrates that the financial feasibility of the proposal is based upon reasonable projections of costs and revenues. Consequently, the application is conforming with 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

The applicant proposes to renovate existing medical/surgical units (Unit 11A and Unit 11B) on the eleventh floor of the medical center. The units were originally constructed in the 1960s. The applicant states that the age of the units has created a wide range of facility constraints that not only adversely impact patient comfort, but also hinder the staff's productivity and ultimately the efficiency of the units. 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 methodology in the 2013 SMFP. The total number of acute care beds in the hospital will not change as a result of the proposed project. The applicant adequately demonstrates that renovation of the units is necessary and the least costly or most effective alternative to meet the need. See Criterion (3) for discussion regarding need demonstration which is incorporated hereby as if set forth fully herein. The applicant adequately demonstrates that the renovation project will not result in an unnecessary duplication of existing or approved health service capabilities or facilities. Therefore, 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 following table illustrates the current and projected staffing for Unit 11A and 11B during the second operating year (FY 2017), as reported by the applicant in Section VII, pages 70-71.

Position	Current and Projected # of FTEs Unit 11A	Current and Projected # of FTEs Unit 11B
RN	37.4	20.01
Nurse Assistant	10.2	2.2
Unit Secretary	3.6	0.9
Healthcare Tech.	-	5.1
TOTAL	51.2	28.3

No additional FTE positions are to be added. As shown in the table above, the applicant proposes to employ a total of 51.2 full-time equivalent (FTE) positions to staff Unit 11A and 28.3 FTE positions to staff Unit 11B. In Section VII.5, page 73, the applicant states that services will continue to be offered on a twenty-four hours a day, seven days a week basis. In Section VII, page 75, the applicant identifies the current Chief of Staff/Medical Director as Dr. Jack Lucas, and Exhibit 15 contains his curriculum vitae. Exhibit 25 contains physician letters of support for the proposed project. The applicant adequately documented the availability of sufficient health manpower and management personnel to provide the proposed services. Therefore, the application is conforming to this criterion.

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

C

In Section II.2, page 21, the applicant lists the ancillary and support services currently provided by CMC or by contract with CMC. Furthermore, on page 21, the applicant states that CMC currently has all ancillary and support services in place necessary to support hospital operations and these existing services will also support the renovation and refurbishment proposed in this application. In Exhibit 6, the applicant provides a May 15, 2013 letter signed by the President of CMC, which states:

“Please accept this letter as documentation that CMC, as an existing full-service acute care hospital, currently has all ancillary and support services in place necessary to support hospital operations. These existing ancillary and support services will also support the renovation and refurbishment of existing space proposed

in CMC's application. These services are currently available and will continue to be made available following completion of the proposed project."

Exhibit 7 includes copies of patient referral, transfer, and follow-up polices and procedures. Exhibit 14 includes copies of a transfer agreement list and a sample transfer agreement with existing health care facilities. Exhibit 25 includes letters of support from members of the Medical Staff. The applicant adequately demonstrates the availability of necessary ancillary and support services 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

The applicant is proposing to continue to serve the individuals in the health service area in which it currently resides. There is no evidence that the applicant will need to serve anyone outside of its existing service area. The criterion is therefore not applicable to this finding.

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

NA

The proposed project is a renovation of a portion of an existing facility. Because there will be no change in service levels for this project, albeit temporary ones while construction is completed, the criterion is therefore not applicable to this finding.

- (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 State Health Plan as deserving of priority. For the purpose of determining the extent to which the proposed service will be accessible, the applicant shall show:

(a) The extent to which medically underserved populations currently use the applicant's existing services in comparison to the percentage of the population in the applicant's service area which is medically underserved;

C

In Section VI.12, page 67, the applicant provides the FFY 2012 payor mix for CMC, which is illustrated in the following table.

FY 2012 Carolinas Medical Center Payor Mix

CMC 1/1/2012 to 12/31/2012 Current Patient Days As Percent of Total Utilization	
Self Pay/Indigent/Charity/Other*	7.2%
Medicare/Medicare Managed Care	31.3%
Medicaid	31.3%
Managed Care/Commercial Insurance	30.2%
Total	100.0%

*Other includes workers comp and other government payors.

Note: Numbers may not foot due to computer rounding

The Division of Medical Assistance (DMA) maintains a website which offers information regarding the number of persons eligible for Medicaid assistance and estimates of the percentage of uninsured for each county in North Carolina. The following table illustrates those percentages for Mecklenburg County and statewide.

	2010 Total # of Medicaid Eligibles as % of Total Population *	2010 Total # of Medicaid Eligibles Age 21 and older as % of Total Population *	2008-2009 % Uninsured (Estimate by Cecil G. Sheps Center) *
Mecklenburg County	15.0%	5.1%	20.1%

Statewide	17.0%	6.7%	19.7%
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Source: <http://www.ncdhhs.gov/dma/countyreports/index.htm>

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

The majority of Medicaid eligibles are children under the age of 21. This age group would not typically utilize the health services proposed in this application.

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

The applicant demonstrates that medically underserved populations have adequate access to the services provided by the hospital as well as the existing cancer center. 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

Recipients of Hill-Burton funds were required to provide uncompensated care, community service and access by minorities and handicapped persons. In Section VI.11, page 67, the applicant states:

“CMC has had no obligation to provide uncompensated care during the last three years. As stated earlier, the medical center provides, without obligation, a considerable amount of bad debt and charity care and in CY 2012 provided approximately \$331 million in bad debt and charity care.”

In Section VI.10, page 66, the applicant states that no complaints have been filed against any affiliated entity of CHS regarding civil rights equal access in the last five years. The application is conforming to this criterion.

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

C

In Section VI.14, page 68, the applicant provides the projected payor mix for the entire hospital, as illustrated in the following table:

FY 2017 Carolinas Medical Center Payor Mix

CMC 1/1/2017 to 12/31/2017 Projected Patient Days As Percent of Total Utilization	
Self Pay/Indigent/Charity/Other*	7.2%
Medicare/Medicare Managed Care	31.3%
Medicaid	31.3%
Managed Care/Commercial Insurance	30.2%
Total	100.0%

*Other includes workers comp and other government payors.

Note: Numbers may not foot due to computer rounding

As shown in the table above, the applicant projects that 62.6% of all patients will have some or all of their services paid for by Medicare or Medicaid.

In Section VI.2, page 60, the applicant states that CMC provides services to all persons in need of medical care, regardless of race, sex, creed, age, national origin, handicap, or ability to pay. In Section VI.2, page 61, the applicant states that the existing facility currently complies with the standards and provisions of the North Carolina State Building Code Volume 1-C Accessibility Code as well as the federal guidelines (Americans with Disabilities Act). The applicant also states that all CHS facilities will comply with regulations as described in the Rehabilitation Act of 1973 and the Americans with Disabilities Act of 1990 to reasonably accommodate individuals with disabilities.

The applicant demonstrates that adequate access will be provided to the elderly and medically underserved groups. 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, pages 65-66, and referenced exhibits, the applicant states that persons have access to services at CMC through referrals from physicians who have admitting privileges at the medical center and through the emergency department. The applicant adequately demonstrates that it will provide a range of means by which a person can access services. The information provided is reasonable and credible and supports a finding of conformity with 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 Exhibit 13, the applicant identifies the 80 area health professional training programs that use CHS facilities for clinical training. The exhibit also contains sample agreements with these programs. The applicant adequately demonstrates that the facility will accommodate the clinical needs of health professional training programs in the proposed service area. The information provided is reasonable and credible 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.

C

CMHA d/b/a CMC proposes to renovate space on the eleventh floor of the medical center (Units 11A and 11B), currently housing adult medical/surgical services, in order to bring the units up-to-date. Unit 11A currently houses 24 licensed adult medical/surgical beds and Unit 11B currently houses 20 licensed adult medical/surgical beds. CMC was previously approved, pursuant to Project I.D. #F-8827-12, to relocate a total of five licensed beds from Units 11A and 11B to Unit 4B (four from Unit 11A and one from Unit 11B). According to the most recently submitted progress report on June 3, 2013, that project is expected to be complete on January 1, 2014, prior to the completion of the proposed refurbishment project on March 1, 2015. Therefore, upon completion of the proposed refurbishment project, Unit 11A will house 20 licensed adult medical/surgical beds and Unit 11B will house 19 licensed adult medical/surgical beds. The applicant states that none of the services currently provided on the units will be changed nor will there be any change in CMC's total number of licensed acute care beds. The applicant does not propose to develop beds or services or acquire equipment for which there is a need determination in the 2013 State Medical Facilities Plan (SMFP).

In Section V.7, pages 56-58, the applicant discusses the impact of the proposed project on competition in the service area as it relates to promoting cost-effectiveness, quality and access.

See also Sections II, III, V, VI and VII where the applicant discusses the impact of the project on cost-effectiveness, quality and access.

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

- ◆ The applicant adequately demonstrates the need to renovate Unit 11A and Unit 11B and that it is a cost-effective alternative;
- ◆ The applicant has and will continue to provide quality services; and
- ◆ The applicant has and will continue to provide adequate access to medically underserved populations.

The application is conforming to this criterion.

- (19) Repealed effective July 1, 1987.
- (20) An applicant already involved in the provision of health services shall provide evidence that quality care has been provided in the past.

C

The Charlotte-Mecklenburg Hospital Authority (CMHA) d/b/a Carolinas Medical Center (CMC) is accredited by the Joint Commission and certified for participation in Medicare Medicaid. 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 with 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