ATTACHMENT - REQUIRED STATE AGENCY FINDINGS

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

DECISION DATE: March 28, 2014
FINDINGS DATE April 4, 2014

PROJECT ANALYST: Bernetta Thorne-Williams
INTERIM CHIEF: Martha J. Frisone

PROJECT I.D. NUMBER: F-10214-13/ Novant Health Huntersville Medical Center/ Add 17 acute care beds/ Mecklenburg County

F-10215-13/ The Charlotte-Mecklenburg Hospital Authority d/b/a Carolinas Medical Center-Mercy/ Add 34 acute care beds/ Mecklenburg County

F-10221-13/ The Charlotte-Mecklenburg Hospital Authority d/b/a Carolinas Medical Center-University/ Add 6 acute care beds/ 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
All Applicants

The 2013 State Medical Facilities Plan (SMFP) identified a need for 40 additional acute care beds in Mecklenburg County. The 2013 SMFP states:

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

(1) a 24-hour emergency services department,

(2) inpatient medical services to both surgical and non-surgical patients, and

(3) if proposing a new licensed hospital, medical and surgical services on a daily basis within at least five of the major diagnostic categories as recognized by the Centers for Medicare and Medicaid services (CMS), as follows: … [as listed on page 52 in the 2013 SMFP]*."*

Three applications were submitted to the Certificate of Need Section.

Novant Health Huntersville Medical Center [NHHMC] proposes to develop 17 of the 40 acute care beds available for Mecklenburg County in the 2013 SMFP at its acute care hospital located at 10030 Gilead Road, Huntersville, for a total of 92 acute care beds upon project completion. The applicant does not propose to develop more acute care beds than are determined to be needed in the Mecklenburg County Service Area. Novant Health Huntersville Medical Center, is a community hospital that currently operates a 24-hour emergency services department. In Section II.8, page 20, the applicant provides the number of patient days of care by major diagnostic category (MDC) provided at NHHMC during CY2012. NHHMC provided services in all 25 MDCs listed in the 2013 SMFP. Therefore, the applicant adequately demonstrates that it will provide medical and surgical services in at least five MDCs recognized by CMS. NHHMC adequately demonstrates that it provides inpatient medical services to both surgical and non-surgical patients. Therefore, NHHMC is a qualified applicant and the proposal is consistent with the need determination in the 2013 SMFP for acute care beds in Mecklenburg County.

The Charlotte-Mecklenburg Hospital Authority d/b/a Carolinas Medical Center-Mercy [CMC-Mercy] proposes to develop 34 of the 40 acute care beds available for Mecklenburg County in the 2013 SMFP at is acute care hospital located at 2001 Vail Avenue, Charlotte, for a total of 196 acute care beds upon project completion. The Charlotte-Mecklenburg Hospital Authority also does business as Carolinas HealthCare System (CHS). The applicant does not propose to develop more acute care beds than are determined to be needed in the Mecklenburg County Service Area. Carolinas Medical Center-Mercy is an unincorporated operating division of The Charlotte-Mecklenburg Hospital Authority that currently operates a 24-hour emergency services department. In Exhibit 15, the applicant provides the number of patient days of care by major diagnostic category (MDC) provided at CMC-Mercy for CY2012. CMC-Mercy provided services in all 25 MDCs listed in the 2013 SMFP. Therefore, the applicant adequately demonstrates that it will provide medical and surgical services in at least five MDCs recognized by CMS. CMC-Mercy adequately demonstrates that it provides inpatient medical services to both surgical and non-surgical patients. Therefore, CMC-Mercy is a qualified applicant and the proposal is consistent with the need determination in the 2013 SMFP for acute care beds in Mecklenburg County.

The Charlotte-Mecklenburg Hospital Authority d/b/a Carolinas Medical Center-University [CMC-University] proposes to develop 6 of the 40 acute care beds available for Mecklenburg County in the 2013 SMFP at its acute care hospital located at 8800 North Tyron Street, in Charlotte, for a total of 100 acute care beds upon project completion. The Charlotte-Mecklenburg Hospital Authority also does business as Carolinas HealthCare System (CHS). The applicant does not propose to develop more acute care beds than are

determined to be needed in the Mecklenburg County Service Area. Carolinas Medical Center-University is an unincorporated operating division of The Charlotte-Mecklenburg Hospital Authority that currently operates a 24-hour emergency services department. In Exhibit 14, the applicant provides the number of patient days of care by major diagnostic category (MDC) provided at CMC-University for CY2012. CMC-University provided services in all 25 MDCs listed in the 2013 SMFP. Therefore, the applicant adequately demonstrates that it will provide medical and surgical services in at least five MDCs recognized by CMS. CMC-University adequately demonstrates that it provides inpatient medical services to both surgical and non-surgical patients. Therefore, CMC-University is a qualified applicant and the proposal is consistent with the need determination in the 2013 SMFP for acute care beds in Mecklenburg County.

Additionally the following policies are applicable to this review, Policy GEN-3: Basic Principles and Policy GEN-4: Energy Efficiency and Sustainability for Health Service Facilities.

Policy GEN-3 states:

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

The applicants responded to Policy GEN-3, as follows:

NHHMC - <u>Promote Safety and Quality</u>

In Section III.2, page 60, the applicant states:

> *"NHHMC has a focused quality management program dedicated to ongoing quality assessment and improvement to provide high quality, cost-effective health care that meets the needs of all patients and enhances clinical effectiveness and health outcomes for the population.*
>
> …"

The applicant list several awards, credentialing and accreditation issued to NHHMC for its safety and quality achievements. See Exhibit 7 for a copy of NHHMC policies and procedures related to quality of care.

The applicant adequately demonstrates that the proposal will promote safety and quality care.

Promote Equitable Access

In Section III.2, pages 60-65, the applicant states that NHHMC currently has strategies in place to assure that physicians and medical staff provide care to patients without regard to their ability to pay for those services, thereby promoting equitable access to all patients in need of services. NHHMC states that its ability to go to an Electronic Health Record has further enhanced its ability to promote equitable access, as stated below:

> *"In addition to providing streamlined, comprehensive care, one of the most significant patient benefits of the new electronic health record comes from MyChart – a feature that allows patients to access their medical record online. More than 200,000 Novant Health patients use MyChart (as of 10/6/2013), which offers them the ability to:*
>
> - *Review personalized health information*
> - *Email and send photos to their team*
> - *Request prescription renewals*
> - *Schedule and manage appointments*
> - *Complete an e-visit for four non-critical symptoms*
> - *View laboratory test results*
> - *Pay bills online"*

The applicant states on page 62, that its charity care policy is, *"100% discount for a family of four with household income at or below 300% of the Federal Poverty Level (FPL) …."* See Exhibit 6 for a copy of NH charity policies.

The applicant adequately demonstrates that the proposal will promote adequate access.

Maximize Healthcare Value

In Section III.2, pages 65-67, the applicant discusses its strategies for maximizing healthcare value, as follows:

> *"Novant's PRN* [Payer Neutral Revenue] *strategy moves from a provider focus on cost-shifting to a PNR system where Novant considers all payers as if they were Medicare to prepare for the day when lower payments will be a reality. To achieve PNR, Novant used strategies such as: (a) rigorous use of data to study variation; (b) move to matrix leadership structure; (c) focus on transparency, communication and creating goal-oriented partnerships with board members and physicians. …Novant created the Remarkable Patient Experience (RPE) founded on three elements: (1) redefining care; (2) aligning people; and (3) building resources.*
>
> *… Novant's goal was and continues to be to develop services that are:*
>
> - *Safer and higher quality*
> - *More patient-focused*

- *More integrated*
- *More affordable*

…

Second, Novant Health, Inc. is a national leader in cost-effective approaches for health care services, putting the patient first and focusing on affordability."

NHHMC adequately demonstrates how its proposal would promote safety and quality of care, promote equitable access and maximize value. Therefore, the application is consistent with Policy GEN-3.

CMC-Mercy- Promote Safety and Quality

In Section II.7(a) and (b), pages 24-26, the applicant states, CMC-Mercy has in place performance improvement, utilization and risk management programs and policies to assure the continued promotion of quality care. In Section III.2, pages 79-82, the applicant states:

"In 2008, CMC-Mercy adopted the Planetree philosophy of personalized care that places the patient at the forefront of the healthcare journey. Physicians and staff at CMC-Mercy understand that no two patients area alike, and that tailoring care to that patient's specific condition makes a profound difference during the recovery from an illness, injury or surgery. …

…

The proposed project will serve to improve the quality of acute care services provided within the System."

The applicant list several awards, credentialing and accreditation issued to CMC-Mercy for its safety and quality achievements. See Exhibit 12 for a copy of CMC-Mercy policies and procedures related to quality of care.

The applicant adequately demonstrates that the proposal will promote safety and quality care.

Promote Equitable Access

In Section III.2, pages 82-83, the applicant states CMC-Mercy currently has strategies in place to assure that physicians and medical staff provide care to patients without regard to their ability to pay for those services, thereby promoting equitable access to all patients in need of services. CMC-Mercy states that it has made the recruitment and retention of bilingual staff a priority in its efforts to promote equitable access, as stated below:

"CHS is dedicated to creating and operating a comprehensive system to provide healthcare and related services, including education and research opportunities, for the benefit of the people it serves. This includes the medically underserved.

…

CMC-Mercy provides financial incentives to employees who spend their time using a language skill and employees who refer bilingual new hires. …"

See Exhibit 18 for a copy of Carolinas HealthCare System's (CHS) Admission, Credit and Collection Policy.

The applicant adequately demonstrates that the proposal will promote adequate access.

Maximize Healthcare Value

In Section III.2, page 83, the applicant discusses its strategies for maximizing healthcare value, as follows:

"[I]*n order to relieve System capacity constrains in a fiscally responsible manner, CHS is proposing a shift of general medicine patients to CMC-Mercy …. In so doing, the proposed project will not only ease capacity constraints at CMC, but also allow CHS to develop additional acute care beds as quickly as possible in existing space with minimal renovation. … As such, CHS believes the additional acute care capacity is being provided in such a way that will involve minimal cost while also creating additional capacity to care for the growing number of patients – maximizing healthcare value …"*

CMC-Mercy adequately demonstrates how its proposal would promote safety and quality of care, promote equitable access, and maximize value. Therefore, the application is consistent with Policy GEN-3.

CMC-University- Promote Safety and Quality

In Section II.7(a) and (b), pages 23-25, CMC-University has in place performance improvement, utilization and risk management programs and policies to assure the continued promotion of quality care. In Section III.2, pages 79-80, the applicant states:

"CMC-University has made a long term commitment to providing quality care to its patients … . As the medical center continues to expand, both in size and provision of services, CMC-University maintains the importance of continuous quality monitoring. Each new unit and service is subject to review under the existing policies."

See Exhibits 11, 12, and 13 for CMC-University's Performance Improvement, Utilization and Risk Management Plans.

The applicant adequately demonstrates that the proposal will promote safety and quality care.

Promote Equitable Access

In Section III.2, pages 80-81, the applicant summarizes its strategies for promoting equitable access, as follows:

> *"… CMC-University has historically provided services to all persons in need of medical care, regardless of race, sex, creed, age, national origin, handicap, or ability to pay … . The Medical Center will continue to serve this population as dictated by the mission of CHS which is the foundation for every action taken. … CHS is dedicated to creating and operating a comprehensive system to provide healthcare and related services, including education and research opportunities, for the benefit of the people it serves. This includes the medically underserved.*
>
> *… CMC-University has historically demonstrated a commitment to ensuring equitable access and will continue to provide such access upon project completion …"*

See Exhibit 17 for a copy of Carolinas HealthCare System's (CHS) Admission, Credit and Collection Policy.

The applicant adequately demonstrates that the proposal will promote adequate access.

Maximize Healthcare Value

In Section III.2, pages 81-82, the applicant states:

> *"*[I]*n order to relieve System capacity constrains in a fiscally responsible manner, CHS is proposing a shift of general medicine patients to … CMC-University. In so doing, the proposed project will not only easy capacity constraints at CMC, but also allow CHS to develop additional acute care beds as quickly as possible in existing space with minimal renovation. … As such, CHS believes the additional acute care capacity is being provided in such a way that will involve minimal cost while also creating additional capacity to care for the growing number of patients – maximizing healthcare value …"*

CMC-University adequately demonstrates how its proposal would promote safety and quality of care, promote equitable access and maximize value. Therefore, the application is conforming to Policy GEN-3.

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."

NHHMC- In Exhibit 12, NHHMC provides a copy of its Sustainable Energy Management Plan which states, in part:

"Novant Health Huntersville Medical Center proposes to improve the efficient use of energy resources throughout its campus by creating, implementing and following an effective Sustainable Energy Management Plan (SEMP).

…
Key elements for consideration include:

- *Utility and energy related costs are significant part of overall operating costs*
    - *Energy cost in FY 2012 was $521,339 for electricity*
    - *Energy cost in FY 2012 was $193,805 for natural gas*
    - *Water costs in FY 2012 was $143,560 …*
    - *Energy Use Intensity (EUI) was 230 BTU/FT^2 / YR, year ending 12/31/12*
    - *Facility related O&M costs are $1,985,418 annually, including utilities for 2012*
- *Activities associated with managing these costs include the following:*
    - *Duke Power SG (Stand-by Generation Rate) participant.*
    - *Placed stand-by boiler in wet lay-up.*
    - *Perform Commission service on HVAC air handler units.*
    - *Eliminate all incandescent lighting.*
    - *Installed positive drive systems (sprocket sheaves) on AHU fans.*
    - *Installed 150 HP "summer" boiler to reduce natural gas consumption.*
    - *Placed 400 HP stand-by boiler in dry lay-up.*

Goals

- *Long term: Establish Novant Health Huntersville Medical Center as a leader in energy efficiency and sustainability with a goal of achieving and Energy Star ranking of 60 by 2015. Currently 47.*
- *Short term: Reduce energy use by 15by 2015 compared to a 2011 baseline.*

Detailed Plan

…

- *Establish a hospital sustainable energy management plan*
- *Establish an internal framework to support the commitment to energy management*
- *Establish a process for monitoring energy performance and recognizing achievements*
- *Identify and implement energy performance improvement project*
- *Adopt policies and and/or renovation projects*
- *Implement best practices in operations and maintenance*
- *Establish energy efficiency guidelines and standards for products and equipment*
- *Perform systematic system analysis to discover energy savings opportunities*
- *Commission mechanical contracting firm to work with in-house technicians to engineer energy savings strategies*
- *Empower hospital staff to gain ownership in energy savings measures by educating employees on energy saving practices that they need to adopt or employ in their daily responsibilities*
- *Develop a communications plan to raise employee, patient, visitor and stakeholder awareness through communications activities*
- *Continue monthly adult of bills and track expenses as well as savings*
- *Perform regular facility audits to ensure existing technology is functioning correctly*
- *Look for future energy reduction technology, practices and other idea* [sic]
- *Work as a team to evaluate these goals and implement whenever possible"*

The applicant adequately described the project's plan to assure improved energy efficiency and water conservation. Therefore, the application is consistent with Policy GEN-4.

CMC-Mercy- Proposed capital expenditure is projected to be less than $2 million, therefore Policy GEN-4 is not applicable to this review.

CMC-University- Proposed capital expenditure is projected to be less than $2 million, therefore Policy GEN-4 is not applicable to this review.

Conclusion

All three applications are consistent with the need determination in the 2013 SMFP and Policy GEN-3. Additionally, the application submitted by NHHMC is consistent with Policy GEN-4. Therefore, all three applications are conforming with this criterion.

However, only 40 acute care beds may be approved in this review. Collectively, the three applicants propose a total of 57 beds. Therefore, all three applications cannot be approved as proposed. See the conclusion following the Comparative Analysis for the decision regarding the development of 40 additional acute care beds in Mecklenburg County.

(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
All Applicants

NHHMC proposes to add 17 acute care beds to NHHMC, located at 10030 Gilead Road, Huntersville for a total of 92 acute care beds (64 adult medical / surgical beds, 6 intensive care beds, 12 obstetric beds, 8 pediatric beds, and 2 level II neonatal beds) upon project completion. On page 31, the applicant states, *"NHHMC is proposing to meet the growing demand for inpatient acute care beds in northern Mecklenburg County and surrounding zip codes in Iredell, Gaston, Lincoln and Cabarrus counties… ."* In Section II.1(a), page 10, the applicant briefly describes the proposed project, as follows:

> *"This project involves the expansion of acute inpatient medical/surgical bed capacity by 17 beds at Novant Health Huntersville Medical Center … . The applicant is seeking approval for these 17 new acute beds based on a need determination in the 2013 SMFP for 40 new acute beds in Mecklenburg County. The proposed 17 new acute beds, will be placed in existing space on the 2nd and 3rd Floors, contiguous to existing inpatient beds, in the existing NHHMC facility."*

Population to be Served

In Section III.1, page 31, the applicant states that NHHMC's service area is comprised of seven zip codes in Northern Mecklenburg County, two zip codes in Iredell, Gaston and Lincoln counties and one zip code in Cabarrus County.

In Section III.4(a) and Section III.5(c), pages 69-72, the applicant provides the current and projected patient origin for acute inpatient services at NHHMC, by county, as illustrated in the table below.

County	10/11-9/12 Percent of Total	PY 1 CY 2017	PY 2 CY 2018	PY 3 CY 2019
Mecklenburg	67.1%	67.1%	67.1%	67.1%
Cabarrus	2.6%	2.6%	2.6%	2.6%
Gaston	5.2%	5.2%	5.2%	5.2%
Iredell	9.4%	9.4%	9.4%	9.4%
Lincoln	9.2%	9.2%	9.2%	9.2%
All Other	6.5%	6.5%	6.5%	6.5%
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**

As illustrated in the table above, the applicant does not project a change in the patient origin for acute inpatient services.

In Section VI, page 93, the applicant states how the residents of the service area will have access to the proposed services, including those residents that are low income persons, racial and ethnic minorities, women, handicapped persons, the elderly, and other underserved groups. The applicant states:

> *"It is the policy of … Novant Health Huntersville Medical Center, to provide necessary services to all individuals without regard to race, creed, color or handicap. Novant Health facilities and programs do not discriminate against the above-listed persons, or other medically underserved persons, regardless of their ability to pay. …"*

The applicant adequately identified the population to be served.

Need for the Proposed Project

In Section III.1(a), page 32, the applicant states the need for 17 additional acute care beds at NHHMC is based on the following:

- *"Implementation of the Patient Protection and Affordable Care Act*
- *Increased Acute Inpatient Utilization …*
- *Increased Utilization of the … Emergency Department*
- *Active Medical Staff Growth and Physician Recruitment …*
- *Increased … Market Share*
- *Population in the NHHMC Service Area and Mecklenburg and surrounding counties*
- *Growth and Development in the NHHMC Service Area."*

Regarding the Patient Protection and Affordable Care Act, the applicant states on page 33 *"19.6% of non-elderly North Carolinians, or 1.58 million, were uninsured."* The applicant also states on page 34, *"Blue Cross Blue Shield of North Carolina estimates that in North Carolina as many as 1.2 million additional persons will be entering the health care system as*

a result of the ACA. The impact of this population on the existing resources in Mecklenburg County is unknown but will have an impact on inpatient utilization at existing inpatient facilities."

Regarding increased emergency department utilization, the applicant states on page 35, that the ED experienced a 2.0% compound annual growth rate (CAGR), from FY 2005-2012, as illustrated in the table below.

Huntersville Medical Center
Emergency Department Utilization
October 2007–September 2012

Federal Fiscal Year (Oct-Sept)	***FY 2008***	***FY 2009***	***FY 2010***	***FY 2011***	***FY 2012***
ED Visits	*30,841*	*32,357*	*32,047*	*33,257*	*33,335*
Annual % increase	*3.3%*	*4.9%*	*-1.0%*	*3.8%*	*0.2%*
FY 2008– 2012 CAGR					*2.0%*

On page 37, the applicant states that 11.8% of emergency visits result in a hospital inpatient stay.

Regarding increases in the number of physicians on staff, the applicant states on pages 35-38, that 105 physicians have been added since 2010.

Regarding increases in the market share, on the applicant provides the following information pages 38-39.

	Admissions		**Market Share**
County	**2008**	**2012**	**Increase 08-12**
Cabarrus	0.6%	0.8%	0.3%
Gaston	1.1%	1.2%	0.1%
Iredell	2.4%	3.0%	0.6%
Lincoln	7.5%	7.2%	-0.3%
Mecklenburg	5.09%	5.3%	0.2%
	Patient Days		**Market Share**
County	**2008**	**20012**	**Increase 08-12**
Cabarrus	0.46%	0.6%	0.2%
Gaston	0.82%	0.9%	0.0%
Iredell	1.85% 8.6	2.3%	0.4%
Lincoln	5.8%	6.8%	1.0%
Mecklenburg	3.5%	4.1%	0.6%

Regarding population growth, the applicant states the following on pages 39-42.

"The population of the NHHMC's Service Area is projected to grow by an additional 45,176 persons in the next five years, for a total projected population of 543,700 persons in 2018. Population growth in zip code 28078, where NHHMC is located, is projected to be 6,773 persons during that timeframe …."

The applicant provides a table, which represents the projected population growth, by zip code, for the NHHMC service area, as summarized below.

Zip Code	Town	County	2013	2018	CAGR
28078	Huntersville	Mecklenburg	57,419	64,192	2.3%
28031	Cornelius	Mecklenburg	25,816	28,551	2.0%
28269	Charlotte	Mecklenburg	76,786	85,095	2.1%
28216	Charlotte	Mecklenburg	50,096	54,405	1.7%
28037	Denver	Lincoln	19,637	20,941	1.3%
28036	Davidson	Mecklenburg	15,823	16,970	1.4%
28117	Mooresville	Iredell	36,420	39,477	1.6%
28115	Mooresville	Iredell	37,041	39,738	1.4%
28164	Stanley	Gaston	14,370	15,050	0.9%
28214	Charlotte	Mecklenburg	37,155	40,968	2.0%
28262	Charlotte	Mecklenburg	41,249	46,154	2.3%
28027	Concord	Cabarrus	57,157	61,491	1.5%
28080	Iron Station	Lincoln	7.364	7,542	0.5%
28120	Mount Holly	Gaston	20,178	21,108	0.9%
Total Service Area			498,524	543,700	1.8%

As illustrated in the table above, the applicant projects the population of its service area will increase of 1.8% per year through 2018. The North Carolina Office of State Budget and Management (NCOSBM)[1], publishes Certified County and Municipality Population Estimates of the fastest growing counties and municipalities within the State. According to the 2012 certified estimates data, Charlotte rates number one for population growth and Huntersville ranks number 18.

Regarding growth and development in the service area, the applicant describes on pages 42-50, a number of business development projects in northern Mecklenburg County.

Projected Utilization

In Section IV.1, page 76 and Exhibit 2, the applicant provides the historical and projected acute care bed utilization at NHHMC through the first three operating years (aka Project Years) of the proposed project, as shown in the table below.

[1] North Carolina Office of State Budget and Management http://www.osbm.state.nc.us/ncosbm/facts_data/population

Calendar Year	# of Licensed Acute Care Beds	Patient Days	Average Daily Census	Percent Change	Average Occupancy Rate
2012	75	20,414	55.9		74.6%
2013	75	22,030	60.4	7.9%	80.5%
Interim 2014	75	23,152	63.4	5.1%	84.6%
Interim 2015	75	24,034	65.8	3.8%	87.8%
Interim 2016	92	24,949	68.4	3.8%	74.3%
PY 1 (2017)	92	25,898	71.0	3.8%	77.1%
PY 2 (2018)	92	26,884	73.7	3.8%	80.1%
PY 3 (2019)	92	27,804	76.2	3.4%	82.8%

Note: In PY 3, Novant Health Mint Hill Hospital is projected to open resulting in a shift of acute care patient days from NHHMC.

As illustrated in the table above, the applicant projects 27,804 patient days of care in the third Project Year (PY) for a projected average occupancy rate of 82.8%.

In Section II.8, page 26, the applicant provides projected utilization for all licensed acute care beds operated by Novant Health in Mecklenburg County, in PY 3 (CY 2019), as illustrated in the table below.

	*Current Number of Existing/ Approved/ Beds	Proposed Beds	Projected Inpatient Days of Care
NHHMC	75	17	27,804
NH Matthews Med Center	134		40,191
NH Presbyterian Med Center	539		152,497
NH Charlotte Ortho Hosp	64		15,335
NH Mint Hill Med Center	50		6,087
All Facilities Combined			241,914
ADC			662.8
Total Existing/Approved/ Proposed Acute Care Beds			879
Projected Occupancy Level Total Novant Hlth System			**75.4%**

As reported in the 2014 SMFP and 2013 License Renewal Applications

As shown in the table above, the projected average annual occupancy rate in the third PY exceeds the 75.2% occupancy rate required by 10A NCAC 14C .3803(a).

In Section III.1(b), pages 51-55, the applicant provides its assumptions and methodology used to project utilization during the first three years of the proposed project, as follows:

"Step 1: Determine Base Volume for Use in Acute Care Projections

NHHMC reviewed monthly internal Trendstar data for the period of October 2011 through July 2013 and annual data, as show in the following table.

Huntersville Medical Center
Acute Care Utilization
October 2011 – December Estimated

Acute Inpatient Utilization	**FFY 2012 Oct 11 – Sep 12**	**FFY 2013 Oct 12 – July 13 Annualized***	**CY 2012 Jan - Dec**	**CY 2013 Jan – Jul Annualized***	**Most Current 12 Months Available Aug 12 – Jul13**
Cases	*5,059*	*6,071*	*5,688*	*6,120*	*5,990*
Days of Care	*18,073*	*22,008*	*20,414*	*22,030*	*21,955*
Licensed Beds	*75*	*75*	*75*	*75*	*75*
ALOS	*3.6*	*3.6*	*3.6*	*3.6*	*3.7*
ADC	*49.5*	*60.3*	*55.9*	*60.4*	*60.2*
Occupancy Rate	*66.0%*	*80.4%*	*74.6%*	*80.5%*	*80.2%*

**NHHMC estimated FY 2013 and CY 2013 volume, respectively, based on monthly Trenstar data available through July 2013, which is the most current data available.*

NHHMC utilized its acute August 2012 – July 2013 Trendstar data on which to base its projections. …

Step 2: Determine Growth Rate for Use in Acute Care Projections

The following table shows acute care utilization of NHHMC during the last eight years.

Huntersville Medical Center Acute Care Utilization August 2005 – July 2013

Acute Care	***Aug 05 – Jul 06***	***Aug 06 – Jul 07***	***Aug 07 – Jul 08***	***Aug 08 – Jul 09***	***Aug 09 – Jul 10***	***Aug 10 – Jul 11***	***Aug 11 – Jul 12***	***Aug 12 – Jul 13***
Days of Care [sic]**	*4,055*	*4,960*	*5,344*	*5,286*	*5,494*	*5,573*	*5,596*	*5,990*
*Cases** [sic]**	*13,793*	*16,260*	*17,869*	*18,370*	*19,627*	*20,223*	*19,785*	*21,955*
ALOS	*3.4*	*3.3*	*3.3*	*3.5*	*3.6*	*3.6*	*3.5*	*3.7*

**Cases = Patients = Admissions*
**[Note: the applicant appears to have switched the labels for the first two rows in this table.]

As shown in the previous table, NHHMC's acute care days of care and cases increased significantly during the last eight years. NHHMC's acute care days of care grew an aggregate of 59.1% and its cases grew an aggregate of 47.7% in that eight-year period. NHHMC's average length of stay (ALOS) increased to a high of 3.7 days per case in the most recent year (August 2012-July 2013), as NHHMC acute care capacity has increased and more acute patients are treated at NHHMC.

The following table shows the Compound Annual Growth Rate (CAGR) in acute care utilization at NHHMC for the most recent four year timeframe.

Huntersville Medical Center

Acute Care Utilization Growth
August 2009 – July 2013

	CAGR			***Annual Growth***
	4 Yr CAGR Aug 09-Jul 13	*3 Yr CAGR Aug 10-Jul 13*	*2 Yr CAGR Aug 11-Jul 13*	*1 Yr AGR Aug 12-Jul 13*
Days of Care	*4.6%*	*3.8%*	*4.2%*	*11.0%*
*Cases**	*3.2%*	*2.9%*	*3.7%*	*7.0%*

**Cases = Patients =Admissions*

As shown in the previous table, NHHMC's CAGR for inpatient days of care ranges from 3.8% for a three year timeframe to 4.6% for a four year timeframe. In addition, patient days increased 11% in the most recent data year. NHHMC's CAGR for inpatient cases rages from 2.9% for a three year timeframe to 3.7% for the most recent two year timeframe. In addition, inpatient cases increased 7.0% in the most recent data year.

After review and assessment of the historical data and ongoing growth in physicians and services at NHHMC, NHHMC believes that use of an annual growth rate of 3.8%, which is the three-year CAGR calculated for the period of August 2010 through July 2013, is a conservative and reasonable growth metric to project days of care.

Step 3: Project Acute Care Days of Care at NHHMC

NHHMC multiplied its August 2012 – July 2013 acute care days of care by an annual growth rate of 3.8% (Step 2) in order to determine projected days of care. Projected acute care days of care are shown in the following table for August 2013 – July 2020.

Huntersville Medical Center Project Acute Care Days of Care August 2013 – July 2020

Acute Care	***Aug 12 – Jul 13***	***Annual Growth Rate***	***Aug 13 – Jul 14***	***Aug 14 – Jul 15***	***Aug 15 – Jul 16***	***Aug 16 – Jul 17***	***Aug 17 – Jul 18***	***Aug 18 – Jul 19***	***Aug 19 – Jul 20***
Days of Care	*21,955*	*3.8%*	*22,791*	*23,658*	*24,559*	*25,494*	*26,465*	*27,472*	*28,518*

Acute care days of care are projected to grow gradually through July 2020, increasing by 6,563 over a seven year period.

Step 4: Convert Projected Acute Care Days to Project Years

The proposed 17 new acute care beds are expected to be operational in January 2017. As a result, NHHMC converted August 2016 through July 2020 projected acute care days of care (Step 3) to Project Years 1 – 3 (CYs 2017 – 2019), as show in the following table.

Huntersville Medical Center
Projected Acute Days of Care
January 2017 – December 2019

Acute Care	***PY 1: CY 2017***	***PY 2: CY 2018***	***PY 3: CY 2019***
Days of Care	*25,898*	*26,884*	*27,908*

Novant Health Mint Hill Medical Center (NHMHMC) will become operational during Project Year Three. It is therefore necessary for NHHMC to adjust its projected acute care utilization to account for the impact of the opening of NHMHMC is CY 2019.

Step 6: [Step 5] *Adjust Projected Acute Care Utilization at NHHMC to Account for the Opening of NHMHMC*

NHHMC reviewed and updated historical projections for NHMHMC from CON-approved Project I.D. # F-7648-06. NHHMC subtracted the impact of NHMHMC days of care from the projected days of care calculated in Step 5 [Step 4], *as shown in the following table.*

Huntersville Medical Center
Adjusted Projected Acute Care Days of Care
January 2017 – December 2019

Acute Care	***PY 1: CY 2017***	***PY 2: CY 2018***	***PY 3: CY 2019***
Projected Days of Care [Step 4]	*25,898*	*26,884*	*27,908*
Impact of NH Mint Hill Hospital	*0*	*0*	*104*
Adjusted Projected Days of Care	*25,898*	*26,884*	*27,804*

In addition, projected utilization for NHHMC and all Novant facilities is extended for CYs 2020 and 2021 … which shows acute care days of care that will shift from all Novant facilities in Mecklenburg County to NHMHMC through the third year of operation. [as shown in the following table].

Acute Care	***PY 1: CY 2017***	***PY 2: CY 2018***	***PY 3: CY 2019***
Projected Days of Care	*25,898*	*26,884*	*27,804*
ADC	*71.0*	*73.7*	*76.2*
Proposed Bed Capacity	*92*	*92*	*92*
Projected Occupancy Rate	*77.1%*	*80.1%*	*82.8%*

The previous table shows that NHHMC projects that its 92 acute care beds will reach an occupancy rate of 82.8% in Project Year 3, which exceeds the SMFP planning occupancy target of 66.7% for hospitals with ADC less of 0 to 99 and is consistent with historical operation of acute care beds at NHHMC."

Projected utilization is based on reasonable, credible and supported assumptions. Therefore the applicant adequately demonstrates the need for 17 additional acute care beds at NHHMC.

In summary, NHHMC adequately identified the population proposed to be served and adequately demonstrates the need that the population it proposes to serve has for the proposed 17 acute care beds. Therefore, the application is conforming to this criterion.

CMC-Mercy proposes to add 34 acute care beds to CMC-Mercy, located at 2001 Vail Avenue, Charlotte for a total of 196 acute care beds (166 adult medical / surgical beds and 30 adult intensive care beds). The applicant proposes to renovate 17,640 square feet of existing space located on the south side of the sixth floor that was vacated following the development of Project I.D # F-8161-08 and Project I.D. # F-8764-11. In Section II.1(a), page 19, the applicant briefly describes the proposed project, as follows:

> *"CMC-Mercy proposes to renovate existing space located on the sixth floor of the medical center to expand its private, inpatient bed capacity. …* [T]*he proposed additional 34 acute care beds will be developed as medical/surgical beds. …* [S[*ix of the 34 beds will be developed as telemetry capable. "*

Population to be Served

In Section III.4(a) and Section III.5(c), pages 89-92, the applicant provides the current and projected patient origin for acute inpatient services at CMC-Mercy, by county, as illustrated in the table below.

County	CY2012	CY2015 PY1		CY2016 PY2	
	% of Total	Projected # of Patients	% of Total	Projected # of Patients	% of Total
Mecklenburg	62.0%	5,931	70.6%	6,604	69.6%
York, SC	7.3%	272	3.2%	311	3.3%
Union	7.2%	480	5.7%	541	5.7%
Gaston	4.2%	386	4.6%	467	4.9%
Cabarrus	2.3%	157	1.9%	170	1.8%
All Other*	16.9%	1,176	14.0%	1,393	14.7%
Total	**100.0%**	**8,401**	**100.0%**	**9,486**	**100.0%**

*See pages 89 and 92 of the application for a list of other counties served by CMC-Mercy

As illustrated in the table above, the applicant projects a modest change in the patient origin for acute care services at CMC-Mercy. On page 46, the applicant states that part of the projected change in patient origin stems from CHS proposal to, *"decompress volume at CMC by adding beds at, and shifting general medicine patients to, CMC-Mercy …"*

In Section VI, page 109, the applicant states how the residents of the service area will have access to the proposed services, including those residents that are low income persons, racial

and ethnic minorities, women, handicapped persons, the elderly, and other underserved groups. The applicant states:

> *"No individual shall be subject to discrimination or denied the benefits of the services, programs, or activities of the Carolinas HealthCare System on the basis of race, color, religion, national origin, sex, age, disability or source of payment."*

The applicant adequately identified the population to be served.

Need for the Proposed Project

In Section III.1, page 45, the applicant states the need for 34 additional acute care beds at CMC-Mercy is based on the following:

- *"The need for additional acute care beds in Mecklenburg County identified in the 2013 SMFP*
- *The need for additional capacity at CMC; and*
- *The dynamic population growth in Mecklenburg County, including the growth in the population over age 65."*

Additionally, on pages 47-48, the applicant states the proposed project will allow for the following.

- Add capacity to CMC by shifting patients to CMC-Mercy;
- Support ongoing service line development at CMC and Levine Children's Hospital;
- Allow for more effective utilization of acute care bed resources within the CHS System;
- Lower cost for patient care; and
- Improve patient satisfaction

The 2013 SMFP identified a need for 142 acute care beds at CMC by 2015, while also identifying a surplus of 97 beds at CMC-Mercy and a surplus of 5 beds at CMC-University for a deficit of 40 acute care beds within the CHS system, thereby triggering a need determination for 40 additional acute care beds in the Mecklenburg County Service Area. CHS shifted CMC-Mercy from the CMC-Pineville license, effective October 1, 2013, to CMC's license to align with a system strategy to operate CMC and CMC-Mercy as a single integrated unit. CHS proposes to shift lower acuity patients from CMC to CMC-Mercy from CMC to allow CMC, as an academic medical center and regional referral center, to focus on higher acuity level patients and specialty services.

On page 46-47, the applicant states:

> *"CHS is proposing to decompress volume at CMC by adding beds at, and shifting general medicine patients to, CMC-Mercy and CMC-University. … Further, the patients CHS is proposing to shift can be clinically cared for at both CMC-Mercy and CMC-University and do not require the higher level of services provided at CMC. CHS planned the proposed shifts with the assistance of key physician groups … and they have demonstrated*

their support for this strategy (please see Exhibit 39 for letters of support). These physicians have agreed to coordinate their practice and referral patterns in order to effect this shift of patients"

Projected Utilization

In Section III.1(b), pages 58-77 and Section IV.1, pages 96-97, the applicant discusses historical and utilization projected utilization of licensed acute care beds. Projected utilization through the first three project years at CMC-Mercy is illustrated in the following table.

Calendar Year	# of Licensed Beds	Patient Days	Average Daily Census	Percent Change	Average Occupancy Rate
CY2012	162	31,660	86.7	-	53.5%
Interim 2013* Annualized	162	31,880	87.3	0.7%	53.9%
Interim 2014	162	36,976	101.3	16.0%	62.5%
PY 1 (2015)	196	41,213	112.9	11.5%	57.6%
PY 2 (2016)	196	46,487	127.4	12.8%	65.0%
PY 3 (2017)	196	51,974	142.4	11.8%	72.6%

*Annualized data is based on January 1, 2013 – June 30, 2013

The applicant states on page 60, that from CY 2010 to CY 2013 (annualized) inpatient volume decreased by 3.1% due to the shifting of 50 acute care beds and patients to CMC-Pineville pursuant to Project I.D. # F-7979-07. However, on page 60, the applicant states that total patient days for all CHS facilities located in Mecklenburg County increased by a compound annual growth rate CAGR of 1.8% from CY 2010 to CY 2013, as illustrated in the table below.

Calendar Year	All CHS Days
2010	343,236
2011	347,386
2012	355,733
2013 Annualized*	362,274
CAGR	1.8%

*Annualized data is based on January 1, 2013 – June 30, 2013

In Section II.8, page 40, the applicant provides projected utilization of all licensed acute care beds CHS will operate in the Mecklenburg County service area in Project Year 3 (CY 2017), as illustrated in the table below.

	# of Beds	CY 2017 Projected Patient Days	Average Daily Census	Occupancy Rate
Carolinas Medical Center	814	246,337	674.9	
CMC-Mercy	196	51,974	142.4	
CMC-Pineville	206	45,092	123.5	
CMC-University*	100	25,364	69.5	
CHS Mecklenburg County Total	1,316	368,767	1,010.3	**76.8%**

*Includes the 6 beds proposed in Project I.D. # F-10221-13

As shown in the table above, the applicant's projected average annual occupancy rate of 76.8% in the third PY exceeds the 75.2% occupancy rate required by 10A NCAC 14C .3803(a).

In Section III.1(b), pages 62-76, the applicant provides its assumptions and methodology used to project utilization during the first three years of the proposed project, as follows:

"The projected patient days and admission for acute care beds were determined using the following methodology:

Step	*Description*
1	*Examine CMC-Mercy's Historical Acute Care Bed Utilization and Projected Population.*
2	*Determine the Projected Acute Care Bed Patient Days Prior to Shifts by applying projected growth rates to historical patient days.*
3	*Determine the projected Shift of Patient Days from CMC-Mercy to CMC-Fort Mill.*
4	*Determine the projected Shift of Patient Days from CMC-Mercy to Carolinas ContinueCare Hospital (LTCH).*
5	*Determine the projected Shift of Patient Days from CMC to CMC-Mercy.*
6	*Determine the Projected Acute Care Bed Patient Days by subtracting CMC-Fort Mill shifted volume, subtracting Carolinas ContinueCare Hospital volume and adding CMC shifted volume to the projected CMC-Mercy volume.*
7	*Determine Projected Acute Care Admissions by dividing projected patient days by the historical average length of stay.*

1. Historical Acute Care Bed Utilization

…CMC-Mercy currently operates 162 acute care beds. Thus, at the completion of the proposed project, CMC-Mercy will operate a total of 196 acute care beds.

The proposed 34 new beds will be adult medical/surgical beds. CMC-Mercy currently operates 132 adult medical/surgical beds …

…

Total patient days in all beds types have decreased since 2010 but from 2012 to 2013 annualized there is a 0.7 percent increase in total patient days, as shown below. …

CY	***Adult Med/Surg***	***Adult ICU***	***Total***	***Annual Percent Change***
2010	*28,706*	*6,325*	*35,031*	*-*
2011	*29,876*	*7,284*	*37,160*	*6.1%*
2012	*26,377*	*5,283*	*31,660*	*-14.8%*
2013 Annualized	*26,920*	*4,960*	*31,880*	*0.7%*
CAGR	***-2.1%***	***-7.8%***	***-3.1%***	***NA***

Source: CMC-Mercy internal data used to prepare HLRAs.

The increase in patient days experienced from 2012 to 2013 is expected to continue as the shift to CMC-Pineville is complete. CMC-Mercy expects organic growth based on the NC Office of State Budget and Management and SC Office of Research and Statistics population projections for its service area. CMC-Mercy's historical service area includes Mecklenburg County as its primary service area, with Cabarrus, Gaston, and Union Counties in North Carolina and York County in South Carolina comprising its secondary service area. The service area has been defined as those counties that comprise 80 to 85 percent of the facility's inpatient volume. CMC-Mercy's total service area population projections are summarized in the table below:

Year	*Total Service Area Population*
2013	*1,832,556*
2017	*1,963,980*
CAGR	*1.7%*

CMC-Mercy has chosen to use the … five-county service area population CAGR of 1.7% percent annually rather than the population CAGR for its primary service area … which is 2.1 percent.

2. Projected Acute Care Bed Patient Days Prior to Shifts

Based on the growth rate determined in step one, CMC-Mercy … projected patient days by bed type through CY 2017 prior to the shifts to and from other facilities.

CY	*Adult Med/Surg*	*Adult ICU*	*Total*
2014	*27,390*	*5,047*	*32,437*
PY 1: 2015	*27,869*	*5,135*	*33,003*
PY 2: 2016	*28,355*	*5,224*	*33,580*
PY 3: 2017	*28,851*	*5,316*	*34,166*
CAGR	*1.7%*	*1.7%*	*1.7%*

3. Shift of Patient Days from CMC-Mercy to CMC-Fort Mill

… CHS was approved by the South Carolina Department of Health and Environmental Control to develop a new acute care hospital in Fort Mill, South Carolina. CMC-Fort Mill is projected to be operational on January 1, 2015 … currently under appeal. Inpatient discharges at CMC-Fort Mill will be derived from Youk County patients currently seeking care at CHS hospitals in North Carolina … . The following table summarizes the number of total discharges which are projected to shift from CMC-Mercy to CMC-Fort Mill … . [See Exhibit 17 for the methodology used by CMC-Fort Mill to determine the number of patient days to be shifted from CMC-Mercy to CMC-Fort Mill].

CY	***Total Discharges***
2015	*(237)*
2016	*(243)*
2017	*(250)*

In order to determine the patient days associated with the discharges to be shifted, CMC-Mercy assumed that the average length of stay was four days for total discharges based on CMC-Fort Mill's projected average length of stay …

CY	***Total Discharges***	***CMC-Fort Mill ALOS***	***Total Days***
2015	*(237)*	*4.0*	*(946)*
2016	*(243)*	*4.0*	*(973)*
2017	*(250)*	*4.0*	*(1,000)*

CMC-Mercy … allocated total patient days based on CMC-Fort Mill's projected bed complement … 64 beds. Thus, CMC-Mercy assumes that 85.7 percent of total patient days to shift to CMC-Fort Mill will be adult medical/surgical days and the remainder will be adult ICU (85.7 percent = 48 medical/surgical beds / 56 beds…). As a result, CMC-Mercy projects the following adult and adult ICU patient days will shift to CMC-Fort Mill through Calendar Year 2017.

CY	***Adult Acute Care***	***Adult ICU***	***Total Days***
2015	*(811)*	*(135)*	*(946)*
2016	*(834)*	*(139)*	*(973)*
2017	*(857)*	*(143)*	*(1,000)*
Percent of Total	*85.7%*	*14.3%*	*100.0%*

4. *Shift of Patient Days from CMC-Mercy to Carolinas ContinueCare Hospital*

CHS is concurrently filing a CON application to develop a LTCH, Carolinas ContinueCare Hospital, on the fourth floor of CMC-University. The LTCH project is expected to be operational on July 1, 2015. The following table summarizes the number of total patient days projected to shift from CMC-Mercy acute care beds to LTCH beds …[See Exhibit 38 for the methodology used to determine the patient days to be shifted from CMC-Mercy to the LTCH.]

CY	*CMC-Mercy*
2014	*-*
2015	*(63)*
2016	*(163)*
2017	*(206)*

CMC-Mercy then allocated those patient days based on the historical percent distributions among the two bed categories (adult medical/surgical and adult ICU) for the LTCH-appropriate patients. Based on 2012 data, 91.5 percent of the potential shifted days were attributable to adult medical/surgical admitting units while the remaining 8.5 percent was attributable to adult ICU admitting units … [See table on page 68, for 2012 distribution by bed category, as defined by CMC-Mercy's bed definition in Exhibit 23.]

CMC-Mercy … assumed … these percentages will remain constant throughout the project years. … CMC-Mercy projects the following adult medical/surgical and adult ICU patient days will shift from its facility to Carolinas ContinueCare Hospital through Calendar Year 2017.

Projected Shifted Days by Bed Category

CY	*Adult Med/Surg*	*Adult ICU*	*Total Days*
2014	*-*	*-*	*-*
2015	*(57)*	*(5)*	*(63)*
2016	*(149)*	*(14)*	*(163)*
2017	*(189)*	*(18)*	*(206)*
Percent of Total	***91.5%***	***8.5%***	***100.0%***

5. Shift of Patient Days from CMC to CMC-Mercy

CMC has a need for [bed] *capacity … as found in the 2013 SMFP. … CHS has determined that growth in general medicine is a primary driver of this need … . From 2010 to 2012, general medicine days at CMC have grown at a rate of 4.1 percent annually. Additionally, medicine is the largest service line at CMC and has the largest growth in days from 2010-2012 …* [See the Table on page 69, which shows CMC's top five service lines by volume. The applicant states the volume for general medicine was 46,768 days in 2010 and 50,699 days in 2012 for a difference of 3,931 days.]

… CMC must shift a portion of its general medicine patients in order to relive capacity restraints. A shift of neonatal or pediatric subspecialties is not a possibility given the tertiary- and quaternary-level services within these specialty areas that are only provided at CMC. CHS is proposing to shift general medicine patients to CMC University and CMC-Mercy. …

… Historically, CMC-Mercy has treated medicine patients with higher acuity than CMC (at 1.21 and 1.20 CMI respectively) and has experience in treating the types of cases that are projected to be shifted …

Even with a higher acuity mix than CMC, CMC-Mercy refined the population of medicine patients by including only those general medicine days associated with MS-DRGs that have been treated at both CMC-Mercy and CMC-University at a volume of 48 discharges per year (or four … per month, or roughly one per week, on average) as potential patients that can be shifted. …

CHS has identified four admitting physician groups that will be instrumental in shifting these patients beginning in the interim year 2014: Carolinas Hospitalist Group, Charlotte Medical Clinic, Sanger Heart & Vascular Institute (SHVI), and Mecklenburg Medical Group (MMG) … The following table depicts the historical medicine patient days associated with the previously identified groups and MS-DRGs with more than 48 discharges per year at CMC-University and CMC-Mercy.

Historical CMC Medicine Days for DRGs with More than 48 Discharges per Year for CMC-Mercy and CMC-University

Admitting Group	***2010***	***2011***	***2012***	***2013 Annualized****
Carolinas Hospitalist Group	*14,872*	*15,776*	*17,892*	*17,126*
Charlotte Medical Clinic	*3,124*	*4,474*	*4,299*	*4,768*
*MMG^*	*87*	*33*	*17*	*-*
SHVI	*902*	*1,150*	*823*	*802*
Total Select DRG Medicine Days	***18,985***	***21,433***	***23,031***	***22,696***

**2013 is annualized based on January 1, 2013 through June 30, 2013 data.*
^Many of MMG's patient days are captured as Carolina Hospitalist Group in the dataset. MMG was included as a separate entity due to their large role in eventual patient admissions.

Additionally, CMC-Morrocroft is scheduled to begin operation in March 2014. This freestanding emergency department is expected to be the first point of contact for many patients that have historically sought care at CMC's ED. … [T]*his is expected to be another avenue to shift patients from CMC to CMC-Mercy.*

… [E]*ffective October 1, 2013, CMC-Mercy was shifted from the Mercy Hospital, Inc. /Pineville license to CMC's license.*

…

Patients from these physician groups, MS-DRGs, and originating from the areas outside of the following University Area ZIP codes will be shifted to CMC-Mercy, …[See Table on page 71 for a listing of University Area Zip Codes and the number of general medicine days associated with those zip codes.]

Based on this assumption, the following table depicts potential shifted days by facility.

2013 Potential Shifted Days by Service Area

	2013 Annualized*
CMC-University (… Area ZIP Codes)	*2,830*
CMC-Mercy (ALL Other)	*19,866*
Total	*22,696*

**2013 is annualized based on January 1, 2013 through June 30, 2013 data.*

… CMC's total service area is comprised of Cabarrus, Gaston, Mecklenburg, Union, Lincoln, Iredell and Cleveland counties in North Carolina as well as York and Lancaster counties in South Carolina. [See Table on page 72 for projected service area population for 2013 and 2018. The applicant used the total service projected population CAGR of 1.6%.]

…CMC-Mercy has assumed that it will shift 90 percent of the identified patient days, providing some latitude for patient /family preference or atypical circumstance that would keep the patient at CMC. In addition, CMC-Mercy has assumed a ramp-up, occurring in 25 percent increments from 2014 to 2017, the third project year.

Based on the population CAGR … of 1.6 percent, the assumed 90 percent shift and the assumed ramp-up period, the following medicine patient days are projected to shift from CMC to CMC-Mercy.

Projected Shifts from CMC to CMC-Mercy

CY	***Projected Medicine Shifts from CMC***	***Percent to be Shifted to CMC-Mercy***	***Potential Shifted Days***	***Percent to be Shifted***	***Shifted Days***
2014	*20,174*	*90%*	*18,157*	*25%*	*4,539*
2015	*20,487*	*90%*	*18,438*	*50%*	*9,219*
2016	*20,804*	*90%*	*18,724*	*75%*	*14,043*
2017	*21,127*	*90%*	*19,014*	*100%*	*19,014*
CAGR	***1.6%***	***N/A***	***1.6%***	***N/A***	***N/A***

Thus, in the third project year CMC-Mercy will gain 19,014 patient days via shifts from CMC. … Based on 2013 annualized data, 92.4 percent of the potential shifted days were attributable to adult medical/surgical admitting units while the remaining 7.6 percent were attributable to adult ICU admitting units …[See Table on page 73 of the application for the 2013 annualized potential shifted days by bed category.]

CMC-Mercy has assumed that these percentages will remain constant throughout the project years. …

Projected Shifted Days by Bed Category

CY	*Adult Med/Surg*	*Adult ICU*	*Total shifted Days*
2014	*3,891*	*648*	*4,539*
2015	*7,902*	*1,317*	*9,219*
2016	*12,037*	*2,006*	*14,043*
2017	*16,298*	*2,716*	*19,014*
Percent of Total	***92.4%***	***7.6%***	***100.0%***

6. Projected Acute Care Bed Patient Days

To determine final projected patient days, CMC-Mercy subtracted the volume being shifted to CMC-Fort Mill and to Carolinas ContinueCare Hospital (LTCH) and added the volume being shifted from CMC to its projected days calculated in Step 2. These calculations are shown by bed category and then in summary in the tables below. [Emphasis in original.]

Adult Med/Surg Utilization

CY	*CMC-Mercy Patient Days (from Step 2)*	*Shift to CMC -Fort Mill (from Step 3)*	*Shift to LTCH (from Step 4)*	*Shift from CMC (from Step 5)*	*Final Projected Patient Days*	*ADC*	*Beds*	*Occupancy*
2014	*27,390*	*-*	*-*	*3,891*	*31,281*	*85.7*	*132*	*64.9%*
2015	*27,869*	*(811)*	*(57)*	*7,902*	*34,902*	*95.6*	*166*	*57.6%*
2016	*28,355*	*(834)*	*(149)*	*12,037*	*39,409*	*108.0*	*166*	*65.0%*
2017	*28,851*	*(857)*	*(189)*	*16,298*	*44,102*	*120.8*	*166*	*72.8%*

Adult ICU Utilization

CY	*CMC-Mercy Patient Days (from Step 2)*	*Shift to CMC -Fort Mill (from Step 3)*	*Shift to LTCH (from Step 4)*	*Shift from CMC (from Step 5)*	*Final Projected Patient Days*	*ADC*	*Beds*	*Occupancy*
2014	*5,047*	*-*	*-*	*648*	*5,695*	*15.6*	*30*	*52.0%*
2015	*5,135*	*(135)*	*(5)*	*1,317*	*6,311*	*17.3*	*30*	*57.6%*
2016	*5,224*	*(139)*	*(14)*	*2,006*	*7,078*	*19.4*	*30*	*64.6%*
2017	*5,316*	*(143)*	*(18)*	*2,716*	*7,872*	*21.6*	*30*	*71.9%*

Total Days

CY	*Adult Med/ Surg*	*Adult ICU*	*ADC*	*Beds*	*Occupancy*
2014	*31,281*	*5,695*	*101.3*	*162*	*62.5%*
2015	*34,902*	*6,311*	*112.9*	*196*	*57.6%*
2016	*39,409*	*7,078*	*127.4*	*196*	*65.0%*
2017	*44,102*	*7,872*	*142.4*	*196*	*72.6%*

7. Projected Acute Care Admissions

In order to calculate projected admissions, CMC-Mercy assumed its average length of stay (ALOS) would be equivalent to 4.2 days for its adult medical/surgical beds and 4.9 days for its adult ICU beds based on historical experience. Based on these, CMC-Mercy projects the following intervening and project year admissions.

Adult Med/Surg Admissions

CY	Projected Patient Days	ALOS	Admissions
2014	31,281	4.2	7,530
2015	34,902	4.2	8,401
2016	39,409	4.2	9,486
2017	44,102	4.2	10,616

Adult ICU Admissions

CY	Projected Patient Days	ALOS	Admissions
2014	5,695	4.9	1,160
2015	6,311	4.9	1,286
2016	7,078	4.9	1,442
2017	7,872	4.9	1,604

…

As a result of the calculations above, CMC-Mercy projects the following patient days and admissions, which result in a 72.6 percent occupancy of all acute care beds in the third project year, exceeding CMC-Mercy's target occupancy of 71.4 percent.

Year	Patient Days	ADC	Admissions	Adult Care Beds	Occupancy
PY 1	41,213	112.9	9,688	196	57.6%
PY 2	46,487	127.4	10,929	196	65.0%
PY 3	51,974	142.4	12,220	196	72.6%

If CMC-Mercy does not add the 34 additional beds, it would operate at 87.9 percent occupancy in the third project year… Moreover, if CHS does not shift the projected volume from CMC to CMC-Mercy and CMC-University, CMC would operate at 90.2 percent given its current bed capacity. …"

Projected utilization is based on reasonable, credible and supported assumptions. Therefore, the applicant adequately demonstrates the need for 34 additional acute care beds at CMC-Mercy.

In summary, CMC-Mercy adequately identifies the population proposed to be served and adequately demonstrates the need the population it proposes to serve has for the proposed 34 acute care beds. Therefore, the application is conforming to this criterion.

CMC-University proposes to add 6 acute care beds to CMC-University, located at 8800 North Tyron Street, Charlotte for a total of 100 acute care beds (67 medical / surgical beds, 8 ICU intensive care beds, 5 neonatal Level III beds, and 20 obstetric beds) upon project completion. The applicant proposes to renovate 1,420 square feet of existing space located

on the sixth floor previously used as unlicensed observation rooms. In Section II.1(a), page 17, the applicant briefly describes the proposed project, as follows:

> *"The project proposed in this application … involves the renovation of existing space located on the sixth floor of the medical center. The six proposed beds will be developed as telemetry capable, medical/surgical beds."*

Population to be Served

In Section III.4(a) and Section III.5(c), pages 87-90, the applicant provides the current and projected patient origin for acute inpatient services at CMC-University, by county, as illustrated in the table below.

County	CY2012	CY2015 PY1		CY2016 PY2	
	% of Total General Acute Care Beds	Projected # of Patients	% of Total	Projected # of Patients	% of Total
Mecklenburg	80.6%	4,043	82.3%	4,269	82.9%
Cabarrus	7.2%	329	6.7%	333	6.5%
Gaston	1.3%	59	1.2%	60	1.2%
Other*	11.0%	483	9.8%	488	9.5%
Total	100.0%	4,915	100.0%	5,150	100.0%

*See pages 87-88 and 90 for a list of other counties served my CMC-University

As illustrated in the table above, the applicant projects a modest change in the patient origin for acute care services at CMC-University. On page 90, the applicant states:

> *"CMC-University projected patient origin for its general acute care beds based on its existing patient origin by service, which was modified to account for projected shifts to CMC-Fort Mill, projected shifts to the proposed Carolinas ContinueCare Hospital, and the proposed shifts from CMC to its facility."*

In Section VI, page 107, the applicant states how the residents of the service area will have access to the proposed services, including those residents that are low income persons, racial and ethnic minorities, women, handicapped persons, the elderly, and other underserved groups. The applicant states:

> *"*[N]*o individual shall be subject to discrimination or denied the benefits of the services, programs, or activities of the Carolinas HealthCare System on the basis of race, color, religion, national origin, sex, age, disability or source of payment."*

The applicant adequately identified the population to be served.

Need for the Proposed Project

In Section III.1, page 44, the applicant states the need for six additional acute care beds at CMC-University is based on the following:

- *"The need for additional acute care beds in Mecklenburg County identified in the 2013 SMFP*
- *The need for additional capacity at CMC; and,*
- *The dynamic population growth in Mecklenburg County, including the growth in the population over age 65."*

Additionally, on pages 46-47, the applicant states the proposed project will allowing the following.

- Add capacity to CMC by shifting patients to CMC-University;
- Support ongoing service line development at CMC and Levine Children's Hospital;
- Allow for more effective utilization of CHS's acute care bed resources;
- Lower cost for patient care; and
- Improve patient satisfaction

The 2013 SMFP identified a need for 142 acute care beds at CMC by 2015, while also identifying a surplus of 97 beds at CMC-Mercy and a surplus of 5 beds at CMC-University for a deficit of 40 acute care beds within the CHS system, thereby triggering a need determination for 40 additional acute care beds in the Mecklenburg County Service Area. CHS proposes to shift lower acuity patients from CMC downtown, which can be served at CMC-University (located in Northeast Charlotte), allowing CMC, as an academic medical center and regional referral center, to focus on higher level patients and specialty services. Directions from Google Maps indicates that CMC-University is 11 to 12 miles from CMC depending on whether one uses I-85 (12.4 miles) or drives on city streets (10.9 miles).

On pages 45-46 of the application, the applicant states:

> *"… CHS is proposing to decompress volume at CMC by adding beds, at and shifting general medicine patients to, CMC-University and CMC-Mercy. … Further, the patients CHS is proposing to shift can clinically be cared for at both CMC-University and CMC-Mercy and do not require the higher level of services provided at CMC. CHS planned the proposed shifts with the assistance of key physician groups … ."*

Projected Utilization

In Section III.1(b), pages 44-61 and 75 and Section IV.1, pages 95-96, the applicant provides the historical and projected utilization of licensed acute care beds. Projected utilization through the first three project years at CMC-University is illustrated in the following table.

Calendar Year	# of Licensed Beds	Patient Days	Average Daily Census	Percent Change	Average Occupancy Rate
CY2012	130	21,125	57.9	-	44.5%
Interim 2013* Annualized	94	21,224	58.1	%	61.9%
Interim 2014	94	23,261	61	%	61.2%
PY 1 (2015)	100	23,261	64	%	63.7%
PY 2 (2016)	100	24,250	66	%	66.4%
PY 3 (2017)	100	25,364	69	%	69.5%

*Annualized data is based on January 1, 2013 – June 30, 2013.

The applicant states on page 59, that from CY 2010 to CY 2013 (annualized) inpatient volume decreased by –0.3 % due, in part, to the shifting of 36 acute care beds and patients to CMC-Pineville pursuant to Project I.D. # F-7979-07. However, on page 60, the applicant states that overall patient days for all CHS facilities located in Mecklenburg County increased by a CAGR of 1.8% from CY 2010 to CY 2013, as illustrated in the table below.

Calendar Year	All CHS Days
2010	343,236
2011	347,386
2012	355,733
2013 Annualized*	362,274
CAGR	1.8%

*Annualized data is based on January 1, 2013 – June 30, 2013

In Section II.8, page 39, the applicant provides projected utilization of all licensed acute care beds CHS will operate in Mecklenburg County in PY 3 (CY 2017), as illustrated in the table below.

	# of Beds	CY 2017 Projected Patient Days	Average Daily Census	Occupancy Rate
Carolinas Medical Center	814	246,337	674.9	
CMC-Mercy*	196	51,974	142.4	
CMC-Pineville	206	45,092	123.5	
CMC-University	100	25,364	69.5	
CHS Mecklenburg County Total	1,316	368,767	1,010.3	**76.8%**

*Includes the 34 beds proposed in Project I.D. # F-10215-13

In Section III.1(b), pages 62-77, the applicant provides its assumptions and methodology used to project utilization during the first three years of the proposed project, as follows:

"The projected patient days and admission for acute care beds were determined using the following methodology:

Step	*Description*
1	*Examine CMC-University's Historical Acute Care Bed Utilization and Projected Population.*
2	*Determine the Projected Acute Care Bed Patient Days Prior to Shifts by applying projected growth rates to historical patient days.*
3	*Determine the projected Shift of Patient Days from CMC-University to CMC-Fort Mill.*
4	*Determine the projected Shift of Patient Days from CMC-University to Carolinas ContinueCare Hospital (LTCH).*
5	*Determine the projected Shift of Patient Days from CMC to CMC-University.*
6	*Determine the Projected Acute Care Bed Patient Days by subtracting CMC-Fort Mill shifted volume, subtracting Carolinas ContinueCare Hospital volume and adding CMC shifted volume to the projected CMC-University volume.*
7	*Determine Projected Acute Care Admissions by dividing projected patient days by the historical average length of stay.*

1. Historical Acute Care Bed Utilization and Projected Population.

"CMC-University currently operates 94 acute care beds … at the completion of the proposed project, CMC-University will operate a total of 100 acute care beds.

…

Total patient days have decreased 0.3 percent since 2010 but from 2012 to 2013 annualized data there is a 0.5 percent increase in total patient days, as shown below. …

CY	***Adult Med/Surg***	***Adult ICU***	***Total General Acute Care Beds***	***Other Acute Care Beds***	***Total* [All acute days}**	***Annual Percent Change***
2010	*14,315*	*1,606*	*15,921*	*5,509*	*21,430*	
2011	*13,713*	*1,792*	*15,505*	*5,027*	*20,532*	*-4.2%*
2012	*13,667*	*2,125*	*15,792*	*5,333*	*21,125*	*2.9%*
2013 Annualized	*13,878*	*2,282*	*16,160*	*5,064*	*21,224*	*0.5%*
CAGR	***-1.0%***	***12.4%***	***0.5%***	***-2.8%***	***-0.3%***	***NA***

CMC-University internal data used to prepare HLRAs

The increase in patient days experienced from 2012 to 2013 is expected to continue … based on the NC Office of State Budget and Management and SC Office of Research and Statistics population projections for its service area. CMC-University's historical service area is Mecklenburg County. The service area has been defined as those counties that comprise 80 to 85 percent of the facility's inpatient volume. [See the table on page 63 of the application which illustrates that the population is expected to increase at a CAGR of 2.1% from 2013-2017.]

…

2. Projected Acute Care Bed Patient Days Prior to Shifts.

Based on the growth rate of 2.1 percent determined in step-one, CMC-University has projected patient days by bed type through CY 2017 prior to the shifts to and from other facilities.

CY	***Adult Med/Surg***	***Adult ICU***	***Total General Acute Care Bed***	***Other Acute Care Beds***	***Total***
2014	*14,174*	*2,331*	*16,504*	*5,172*	*21,676*
2015	*14,475*	*2,380*	*16,856*	*5,282*	*22,138*
2016	*14,784*	*2,431*	*17,215*	*5,394*	*22,609*
2017	*15,099*	*2,483*	*17,581*	*5,509*	*23,091*
CAGR	***2.1%***	***2.1%***	***2.1%***	***2.1%***	***2.1%***

3. Shift of Patient Days from CMC-University to CMC-Fort Mill.

… CHS was approved was approved by the South Carolina Department of Health and Environmental Control to develop a new acute care hospital in Fort Mill, South Carolina. CMC-Fort Mill is projected to be operational on January 1, 2015 … currently under appeal. Inpatient discharges at CMC-Fort Mill will be derived from York County patients currently seeking care at CHS hospitals in North Carolina … . The following table summarizes the number of total discharges which are projected to shift from CMC-University to CMC-Fort Mill. The following table summarizes the number of obstetrics (which are a component of the total) and total discharges which are projected to shift from CMC-University to CMC-Fort Mill … [See Exhibit 16 for the methodology used by CMC-Fort Mill to determine the number of patient days to be shifted from CMC-University to CMC-Fort Mill. Additionally, see the table on page 65 of the application for the projected number of obstetric discharges and non-obstetric discharges for CY 2015-2017.]

In order to determine the patient days associated with the discharges to be shifted, CMC-University assumed that the average length of stay was 2.6 days for obstetrics discharges and four days for total discharges based on CMC-Fort Mill's projected average length of stay … [See tables on page 65 for obstetrics discharges multiplied by the ALOS (2.6) and (4.0) for total discharges (non-obstetrics).]

CMC-University then subtracted the obstetrics days from the total days in order to determine the number of non-obstetrics days to be shifted. As a result, CMC-University projects the following other acute care and general acute care days will be shifted to CMC-Fort Mill through Calendar Year 2017.

CY	*Obstetrics Days (Component of Total)*	*Non-Obstetrics Days*	*Total Days*
2015	*(17)*	*(68)*	*(85)*
2016	*(17)*	*(70)*	*(88)*
2017	*(18)*	*(73)*	*(90)*

CMC-University then allocated those non-obstetrics patient days based on CMC-Fort Mill's projected bed complement. CMC-Fort Mill will develop eight ICU beds, eight obstetrics beds, and 48 medical/surgical beds for a total of 64 beds. Thus, CMC-University assumes that 14.3 percent of non-obstetrics patient days to shift to CMC-Fort Mill will be ICU days and the remainder will be adult medical/surgical (14.3 percent = 8 ICU beds / 56 total beds, excluding obstetrics beds). … CMC-University projects the following general acute care patient days will shift to CMC-Fort Mill through Calendar Year 2017.

CY	*Adult Med/Surg*	*Adult ICU*	*Total General Acute Care*
2015	*(59)*	*(10)*	***(68)***
2016	*(60)*	*(10)*	***(70)***
2017	*(62)*	*(10)*	***(73)***
Percent of Total	***85.7%***	***14.3%***	***100.0%***

4. Shift Patient Days from CMC-University to Carolinas Continue Care Hospital.

CHS is concurrently filing a CON application to develop a LTCH, Carolinas ContinueCare Hospital, on the fourth floor of CMC-University. The LTCH project is expected to be operational on July 1, 2015. The following table summarizes the number of total patient days projected to shift from CMC-University acute care beds to LTCH beds. …

CY	*CMC-University*
2014	
2015	*(105)*
2016	*(272)*
2017	*(345)*

CMC-University then allocated those patient days based on the historical percent distributions among the two bed categories (adult medical/surgical and adult ICU) for the total LTCH appropriate patients. Based on 2012 data, 82.6 percent of the potential shifted days were attributable to adult medical/surgical admitting units and 17.4 percent were attributable to adult ICU admitting units.

…

CMC-University has assumed that these percentages will remain constant throughout the project years. As a result, CMC-University projects the following general acute care patient days will shift from its facility to Carolinas ContinueCare Hospital through Calendar Year 2017.

CY	***Adult Med/Surg***	***Adult ICU***	***Total General Acute Care***
2014	*-*	*-*	***-***
2015	*(86)*	*(18)*	***(105)***
2016	*(224)*	*(47)*	***(272)***
2017	*(285)*	*(60)*	***(345)***
Percent of Total	***82.6%***	***17.4%***	***100.0%***

5. Shift of Patient Days from CMC to CMC-University.

…From 2010 to 2012, general medicine days at CMC have grown at a rate of 4.1 percent annually. Additionally, medicine is the largest service line at CMC and has the largest growth in days from 2010 to 2012, [See table on page 68 of the application which shows the growth of the top five service lines by volume at CMC.]

As a result of its patient growth … CMC must shift a portion of its general medicine patients in order to relieve capacity constraints. A shift of neonatal or pediatric subspecialties is not a possibility given the tertiary- and quaternary-level services within these specialty areas that are only provided at CMC. … The additional six beds proposed at CMC-University will accommodate the proposed shift of these patients.

… Historically, CMC-University has treated medicine patients with higher acuity than CMC (at 1.22 and 1.20 CMI respectively) and has experience in treating the types of cases that are projected to be shifted, … .

Even with a higher acuity mix than CMC, CMC-University refined the population of medicine patients by including only those general medicine days associated with MS-DRGs that have been treated at … CMC-University at a volume of 48 discharges per year (or four discharges per month, … roughly one per week, on average) as potential patients that can be shifted … CMC-University believes this approach is reasonable given its previous success in shifting patients, as demonstrated by CMC-Pineville's rapid and consistent growth since 2010, driven in part by the shift of resources and patients from CHS facilities in downtown Charlotte to CMC-Pineville.

CHS has identified four admitting physician groups that will be instrumental in shifting these patients beginning in the interim year 2014: Carolinas Hospitalist Group, Charlotte Medical Clinic, Sanger Heart & Vascular Institute (SHVI), and Mecklenburg Medical Group (MMG) … The following table depicts the historical medicine patient days associated with the previously identified groups and MS-DRGs with more than 48 discharges per year at CMC-University and CMC-Mercy.

Historical CMC Medicine Days for DRGs with More than 48 Discharges per Year for CMC-Mercy and CMC-University

Admitting Group	*2010*	*2011*	*2012*	*2013 Annualized**
Carolinas Hospitalist Group	*14,872*	*15,776*	*17,892*	*17,126*
Charlotte Medical Clinic	*3,124*	*4,474*	*4,299*	*4,768*
*MMG^*	*87*	*33*	*17*	*-*
SHVI	*902*	*1,150*	*823*	*802*
Total Select DRG Medicine Days	***18,985***	***21,433***	***23,031***	***22,696***

**2013 is annualized based on January 1, 2013 through June 30, 2013 data.*
^Many of MMG's patient days are captured as Carolina Hospitalist Group in the dataset. MMG was included as a separate entity due to their large role in eventual patient admissions.

Patients from these physician groups, MS-DRGs, and originating from the following University Area Zip codes will be shifted to CMC-University … Please see the following table for a list of University Area Zip codes and their associated general medicine days. …[See the table on page 70 of the application for a listing of University Area Zip Codes and the number of general medicine days associated with those zip codes.]

…

CMC-University believes it is reasonable to assume growth in general medicine days based on CMC's projected total service area population CAGR … CMC's total service area is comprised of Cabarrus, Gaston, Mecklenburg, Union, Lincoln Iredell and Cleveland counties in North Carolina as well as York and Lancaster counties in South Carolina.

Year	***Total Service Area Population***
2013	*2,353,991*
2017	*2,397,026*
CAGR	***1.6%***

…

… CMC-University has assumed that it will shift … 90 percent of the identified patient days, providing some latitude for patient /family preference of atypical circumstances that would keep the patient at CMC. In addition, CMC-University has assumed a ramp-up, occurring in 25 percent increments from 2014 to 2017, the third project year.

Based on the population CAGR … of 1.6 percent, the assumed 90 percent shift and the assumed ramp-up period, the following medicine patient days are projected to shift from CMC to CMC-University.

Projected Shifts from CMC to CMC-University

CY	*Projected Medicine Shifts from CMC*	*Percent to be Shifted to CMC-Mercy*	*Potential Shifted Days*	*Percent to be Shifted*	*Shifted Days*
2014	*2,874*	*90%*	*2,586*	*25%*	*647*
2015	*2,918*	*90%*	*2,627*	*50%*	*1,313*
2016	*2,964*	*90%*	*2,667*	*75%*	*2,000*
2017	*3,010*	*90%*	*2,709*	*100%*	*2,709*
CAGR	***1.6%***	***N/A***	***1.6%***	***N/A***	***N/A***

Thus, in the third project year CMC-University will gain 2,709 patient days via shifts from CMC. CMC-University then allotted those patient days based on historical distributions among the two bed categories (adult medical/surgical and adult ICU). Based on 2013 annualized data, 97.7 percent of the potential shifted days were attributable to adult medical/surgical admitting units and 2.3 percent were attributable to adult ICU admitting units … [See the table on page 72 of the application for the CY 2013 annualized potential shifted days by bed category.]

CMC-University has assumed that these percentages will remain constant throughout the project years. As a result, CMC-University projects the following general acute days will shift from CMC through Calendar Year 2017.

Projected Shifted Days by Bed Category

CY	*Adult Med/Surg*	*Adult ICU*	*Total General Acute Care Shifted Days*
2014	*632*	*15*	*647*
2015	*1,283*	*31*	*1,313*
2016	*1,954*	*47*	*2,000*
2017	*2,645*	*63*	*2,709*
Percent of Total	***97.7%***	***2.3%***	***100.00***

6. Projected Acute Care Bed Patient Days

To determine final projected patient days, CMC-University subtracted the volume being shifted to CMC-Fort Mill and to Carolinas ContinueCare Hospital (LTCH) and added the volume being shifted from CMC to its projected days calculated in Step 2. These calculations are shown by bed category and then in summary in the tables below.

Adult Med/Surg Utilization

CY	*CMC-University Patient Days (from Step 2)*	*Shift to CMC -Fort Mill (from Step 3)*	*Shift to LTCH (from Step 4)*	*Shift from CMC (from Step 5)*	*Final Projected Patient Days*	*ADC*	*Beds*	*Occupancy*
2014	*14,174*	*-*	*-*	*632*	*14,805*	*40.6*	*61*	*66.5%*
2015	*14,475*	*(59)*	*(86)*	*1,283*	*15,613*	*42.8*	*67*	*63.8%*
2016	*14,784*	*(60)*	*(224)*	*1,954*	*16,453*	*45.1*	*67*	*67.3%*
2017	*15,099*	*(62)*	*(285)*	*2,645*	*17,397*	*47.7*	*67*	*71.1%*

Adult ICU Utilization

CY	*CMC-Mercy Patient Days (from Step 2)*	*Shift to CMC -Fort Mill (from Step 3)*	*Shift to LTCH (from Step 4)*	*Shift from CMC (from Step 5)*	*Final Projected Patient Days*	*ADC*	*Beds*	*Occupancy*
2014	*2,331*	*-*	*-*	*15*	*2,346*	*6.4*	*8*	*80.3%*
2015	*2,380*	*(10)*	*(18)*	*31*	*2,383*	*6.5*	*8*	*81.6%*
2016	*2,431*	*(10)*	*(47)*	*47*	*2,420*	*6.6*	*8*	*82.9%*
2017	*2,483*	*(10)*	*(60)*	*63*	*2,475*	*6.8*	*8*	*84.8%*

General acute care days are a summation of the adult medical/surgical and adult ICU bed categories above. A summary of general acute care days can be found in the following table.

***General Acute Care Utilization* [*]**

CY	*Final Projected Patient Days*	*ADC*	*Beds*	*Occupancy*
2014	*17,151*	*47.0*	*69*	*68.1%*
2015	*17,996*	*49.3*	*75*	*65.7%*
2016	*18,873*	*51.7*	*75*	*68.9%*
2017	*19,872*	*54.4*	*75*	*72.6%*

[*Does not include 25 other acute care beds. See the table on page 74 of the application for utilization of those 25 beds.]

…

Total Days

CY	*Adult Med/Surg*	*Adult ICU*	*Total General Acute Care*	*Other Acute Care*	*Total*	*ADC*	*Beds*	*Occupancy*
2014	*14,805*	*2,346-*	*17,151*	*5,172*	*22,323*	*61.2*	*94*	*64.1%*
2015	*15,613*	*2,383*	*17,996*	*5,265*	*23,261*	*63.7*	*100*	*63.7%*
2016	*16,453*	*2,420*	*18,873*	*5,377*	*24,250*	*66.4*	*100*	*66.4%*
2017	*17,397*	*2,475*	*19,872*	*5,492*	*25,364*	*69.5*	*100*	*69.5%*

7. Projected Acute Care Admissions

In order to calculate projected admissions, CMC-University assumed that its average length of stay (ALOS) would be equivalent to 3.8 days for its adult medical/surgical beds , 3.1 days for its adult ICU beds and 3.3 days for its other acute care beds based on historical experience. … CMC-University projects the following intervening and project year

admissions. [See the tables on page 75 of the application that illustrate projected patient days and admissions for adult med/surg and adult ICU beds.]

…

General acute care admission is a summation of the projected adult medical/surgical and adult ICU admissions. …

…

Total Admissions

CY	*Adult Med/Surg*	*Adult ICU*	*Total General Acute Care*	*Other Acute Care*	*Total*
2014	*3,940*	*748*	*4,688*	*1,570*	*6,258*
2015	*4,155*	*760*	*4,915*	*1,598*	*6,513*
2016	*4,378*	*772*	*5,150*	*1,632*	*6,783*
2017	*4,630*	*790*	*5,419*	*1,667*	*7,086*

As a result of the calculations above, CMC-University projects the following patient days and admissions, which result in 69.5 percent occupancy of all acute care beds in the third project year, exceeding CMC-University's target occupancy of 66.7 percent.

CY	*Patient Days*	*ADC*	*Admissions*	*Acute Care Beds*	*Occupancy*
PY 1	*23,261*	*64*	*6,513*	*100*	*63.7%*
PY 2	*24,250*	*66*	*6,783*	*100*	*66.4%*
PY 3	*25,364*	*69*	*7,086*	*100*	*69.5%*

If CMC-University does not add the proposed six additional beds, it would operated at 73.9% in the third project year… Moreover, if CHS does not shift the projected volume from CMC to CMC-Mercy and CMC-University, CMC would operate at 90.2 percent occupancy given its current capacity…"

Projected utilization is based on reasonable, credible and supported assumptions. Therefore, the applicant adequately demonstrates the need to add six additional acute care beds at CMC-University.

In summary, CMC-University adequately identifies the population proposed to be served and adequately demonstrates the need the population it proposes to serve has for the proposed six acute care beds. 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

All Applicants

(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
All Applicants

NHHMC- In Section III.3, pages 68-69, the applicant describes the alternatives it considered which include the following:

1) Maintain Status Quo – the applicant considered maintaining the status quo, however, the applicant concluded to do nothing would not be in the best interest for NHHMC or the communities it serves.

2) Construct Additional Square Footage to House 17 New Acute Care Beds – the applicant concluded that construction of additional square footage was neither the least costly or most effective alternative.

3) Develop the Project as Proposed – the applicant concluded that the development of the proposed project to add 17 acute care beds to existing space would be less disruptive to ongoing patient care at NHMMC. Thereby making it the least costly and most effective alternative to meet the need for additional acute care beds at NHHMC.

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

The applicant adequately demonstrates that the proposed alternative is the most effective or least costly alternative to meet the need for additional acute care beds in Mecklenburg County.

CMC-Mercy- In Section III.3, pages 85-89, the applicant describes the alternatives it considered, which include the following:

1) Maintain Status Quo – the applicant considered maintaining the status quo, however, the applicant concluded to do nothing would not be in the best interest of the patients served within Carolinas HealthCare System nor would it address the capacity issues at CMC.

2) Add Beds to Other CHS Campuses – the applicant considered adding additional acute care beds to other CHS facilities in Mecklenburg County, including CMC and CMC-Pineville. The applicant concluded that to add additional beds to the other facilities was not the most *"resource responsible or most effective alternative."*

3) Develop the Project as Proposed – the applicant concluded that the development of the proposed project to add 34 acute care beds to existing space would require minimal

construction/renovation, be completed in a timely manner and is cost effective. Thereby making it the least costly and most effective alternative to meet the need for additional acute care beds at CMC-Mercy.

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

The applicant adequately demonstrates that the proposed alternative is the most effective or least costly alternative to meet the need for additional acute care beds in Mecklenburg County. Therefore, the application is conforming to this criterion.

CMC-University- In Section III.3, pages 83-87, the applicant describes the alternatives it considered, which include the following:

1) Maintain Status Quo – the applicant considered maintaining the status quo, however, the applicant concluded to do nothing would not be in the best interest of the patients served within the Carolinas HealthCare System nor would it address the capacity issues at CMC.

2) Add Beds to Other CHS Campuses – the applicant considered adding additional acute care beds to other CHS facilities in Mecklenburg County, including CMC and CMC-Pineville. The applicant concluded that to add additional beds to the other facilities was not the most *"resource responsible or most effective alternative."*

3) Develop the Project as Proposed – the applicant concluded that the development of the proposed project to add six acute care beds to existing space would require minimal construction/renovation, be completed in a timely manner and is cost effective. Thereby making it the least costly and most effective alternative to meet the need for additional acute care beds at CMC-University.

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

The applicant adequately demonstrates that the proposed alternative is the most effective or least costly alternative to meet the need for additional acute care beds in Mecklenburg County. Therefore, the application is conforming to this criterion.

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

C
All Applicants

NHHMC- In Section VIII.2(c), page 126, the applicant states the total capital cost of the project will be $2,007,530, including $1,194,375 for renovation, $140,515 for fixed and moveable equipment, $207,337 for information and technology, $100,215 for furniture, $25,000 for consult fees, $114,088 for architect & engineering (and reimbursables) fees, $25,000 for DHSR review and special inspections, etc, $76,000 security system, nurse call, miscellaneous low voltage systems, and $125,000 for other project contingency. In Section IX, page 136, the applicant states there will be no start-up or initial operating expenses associated with the proposed project. In Section VIII.3, page 127, the applicant states that the project will be funded by means of Novant Health, Inc.'s accumulated reserves. Exhibit 8 contains an October 1, 2013 letter signed by the Senior Vice President Operation Finance for Novant Health, Inc., which states:

> *"This letter will serve to confirm that Novant Health will be funding the capital cost of $2,007,530 from the Accumulated reserves of Novant Health. There will be no start-up and working capital needs … Novant Health also reserves the right to seek tax exempt funding for all or part of this project …"*

Exhibit 8 of the application contains the audited financial statements for Novant Health, Inc. and Affiliates for the fiscal years ending December 31, 2012 and December 31, 2011. As of December 31, 2012, Novant Health, Inc. had $276,637,000 in cash and cash equivalents, $4,693,854,000 in total assets and $2,163,123,000 in net assets (total assets less total liabilities). The applicant adequately demonstrated the availability of sufficient funds for the capital needs of the project.

In the pro forma financial statement for the service component (Form C), the applicant projects that revenues will exceed operating expenses in each of the first three years of the project, as illustrated in the table below.

	PY 1 CY 2017	PY 2 CY 2018	PY 3 CY 2019
Gross Patient Revenue	$213,132,885	$230,097,268	$247,490,308
Deductions from Gross Patient Revenue	$131,141,375	$141,579,617	$152,281,612
Net Patient Revenue	$81,991,510	$88,517,652	$95,208,696
Total Expenses	$54,178,583	$58,490,946	$62,912,273
Net Income	$27,812,927	$30,026,706	$32,296,423

Additionally, in Form B the applicant projects that revenues will exceed operating expenses in each of the first three years for the entire hospital.

The assumptions used by the applicant in preparation of the pro forma financial statements are reasonable, including projected utilization, costs and charges. See the financial section of the application for the assumptions used regarding costs and charges. See Criterion (3) for discussion of utilization projections which is incorporated hereby as if set forth fully herein. The applicant adequately demonstrates that the financial feasibility of the proposal is based upon reasonable projections of costs and charges. Therefore, the application is conforming to this criterion.

CMC-Mercy- In Section VIII.2(c), pages 128-129, the applicant states that the total capital cost of the project will be $1,999,775, including $1,011,000 for renovation costs, $14,525 for fixed equipment, $666,750 for movable equipment, $86,000 for furniture, $50,000 for architect & engineering fees, $50,000 for legal and CON fees, $15,000 for admin, material testing, moving and permits, and $106,500 for contingencies. In Section IX, page 134, the applicant states there will be no start-up or initial operating expenses associated with the proposed project. In Section VIII.3, page 129, the applicant states that the project will be funded by means of CHS accumulated reserves. Exhibit 32 contains an October 15, 2013 letter signed by the Executive Vice President and Chief Financial Office of CHS, which states:

> *"As the Chief Financial Officer of the Charlotte-Mecklenburg Hospital Authority d/b/a Carolinas HealthCare System, I am responsible for the financial operations of Carolinas Medical Center-University. As such, I am very familiar with the organization's financial position. The total capital expenditure amount for this project is estimated to be $1,999,775. There are no start-up costs related to this project.*
>
> *Carolinas HealthCare System will fund the capital cost from existing accumulated cash reserves. …"*

Exhibit 33 of the application contains the audited financial statements for The Charlotte-Mecklenburg Hospital Authority d/b/a Carolinas HealthCare System for the fiscal years ending December 31, 2012 and December 31, 2011. As of December 31, 2012, CHS had $85,603,000 in cash and cash equivalents, $6,027,401,000 in total assets and $3,313,001,000 in net assets (total assets less total liabilities). The applicant adequately demonstrated the availability of sufficient funds for the capital needs of the project.

In the pro forma financial statement for the service component (Form C), the applicant provided pro forma financial statements for the first three years of the project, for CMC-Mercy. The applicant projects that operating expenses will exceed revenues in each of the first three years of the project, as illustrated in the table below.

	PY 1 CY 2015	PY 2 CY 2016	PY 3 CY 2017
Gross Patient Revenue	$54,280,839	$63,129,514	$72,766,058
Deductions from Gross Patient Revenue	$40,913,268	$47,837,042	$55,425,737
Net Patient Revenue	$13,367,571	$15,292,472	$17,340,321
Total Expenses	$20,768,329	$22,624,833	$24,636,090
Net Income	($7,400,758)	($7,332,361)	($7,295,769)

However, in Form B, the applicant projects that revenues will exceed operating expenses in each of the first three full fiscal years for the entire hospital. The applicant also projects a positive net income for the entire CHS in each of the first three full fiscal years of the project.

The assumptions used by the applicant in preparation of the pro forma financial statements are reasonable, including projected utilization, costs and charges. See the financial section of the application for the assumptions regarding costs and charges. See Criterion (3) for discussion of utilization projections which is incorporated hereby as if fully set forth herein. The applicant adequately demonstrates that the financial feasibility of the proposal is based upon reasonable projections of costs and charges. Therefore, the application is conforming to this criterion.

CMC-University- In Section VIII.2(c), pages 126-127, the applicant states that the total capital cost of the project will be $349,800, including $113,600 for renovation costs, $69,723 for fixed equipment, $53,400 for movable equipment, $19,000 for furniture, $15,000 for architect & engineering fees, $50,000 for legal and CON fees, $10,000 for admin, material testing, moving, and permits, and $19,077 for contingencies. In Section IX, page 132, the applicant states there will be no start-up or initial operating expenses associated with the proposed project. In Section VIII.3, page 127, the applicant states that the project will be funded by means of CHS accumulated reserves. Exhibit 31 contains an October 15, 2013 letter signed by the Executive Vice President and Chief Financial Office of CHS, which states:

> *"As the Chief Financial Officer of the Charlotte-Mecklenburg Hospital Authority d/b/a Carolinas HealthCare System, I am responsible for the financial operations of Carolinas Medical Center-University. As such, I am very familiar with the organization's financial position. The total capital expenditure amount for this project is estimated to be $349,800. There are no start-up costs related to this project.*
>
> *Carolinas HealthCare System will fund the capital cost from existing accumulated cash reserves. …"*

Exhibit 32 of the application contains the audited financial statements for The Charlotte-Mecklenburg Hospital Authority d/b/a Carolinas HealthCare System for the fiscal years ending December 31, 2012 and December 31, 2011. As of December 31, 2012, CHS had $85,603,000 in cash and cash equivalents, $6,027,401,000 in total assets and $3,313,001,000 in net assets (total assets less total liabilities). The applicant adequately demonstrated the availability of sufficient funds for the capital needs of the project.

In the pro forma financial statement for the service component (Form C), the applicant projects that operating expenses will exceed revenues in each of the first three years of the project, as illustrated in the table below.

	PY 1 CY 2015	PY 2 CY 2016	PY 3 CY 2017
Gross Patient Revenue	$47,033,652	$50,805,433	$55,099,849
Deductions from Gross Patient Revenue	$36,924,848	$40,092,091	$43,700,477
Net Patient Revenue	$10,108,805	$10,713,342	$11,399,373
Total Expenses	$17,986,151	$18,892,034	$19,888,430
Net Income	($7,877,347)	($8,178,693)	($8,489,057)

However, in Form B, the applicant projects that revenues will exceed operating expenses in each of the first three years for the entire hospital. The applicant also projects a positive net income for CHS in each of the first three full fiscal years of the project.

The assumptions used by the applicant in preparation of the pro forma financial statements are reasonable, including projected utilization, costs and charges. See the financial section of the application for the assumptions regarding costs and charges. See Criterion (3) for discussion of utilization projections which is incorporated hereby as if fully set forth herein. The applicant adequately demonstrates that the financial feasibility of the proposal is based upon reasonable projections of costs and charges. 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
All Applicants

As of the date of this decision, there are eight existing and approved acute care hospitals owned by two providers (CHS and Novant Health) in the Mecklenburg County Service Area, as illustrated in the following table.

Facility	# of Existing and Approved Acute Care Beds *
Carolinas Medical Center	814
Carolinas Medical Center – Mercy / Pineville ^	368
Carolinas Medical Center – University	94
CHS Subtotal	1,276
Novant Health Charlotte Orthopaedic Hospital	64
Novant Health Huntersville Medical Center	75
Novant Health Matthews Medical Center	134
Novant Health Presbyterian Medical Center ^^	539
Presbyterian Hospital Mint Hill ^^^	50
Novant Health Subtotal	862
Total	2,138

* Source: Table 5A, 2013 SMFP.

^ When the 2013 SMFP was published, the CMC-Mercy and CMC-Pineville campuses were on one license. As of the date of this decision, the CMC-Mercy campus is now on CMC's license.

^^ Novant Health Charlotte Orthopaedic Hospital is approved to be licensed with Novant Health Presbyterian Medical Center.

^^^ Presbyterian Hospital Mint Hill has not yet been developed. The beds are approved to be relocated from Novant Health Charlotte Orthopaedic Hospital.

NHHMC- The 2013 State Medical Facilities Plan identified a need for 40 additional acute care beds in the Mecklenburg County Service Area. NHHMC does not propose to develop more acute care beds than are determined to be needed in the service area. Furthermore, the applicant adequately demonstrates the need the population proposed to be served has for 17 additional acute care beds at NHHMC. See Criterion (3) for discussion regarding need which is incorporated hereby as if set forth fully herein. Therefore, the applicant adequately demonstrates that its proposal would not result in unnecessary duplication of existing or approved acute care beds in the Mecklenburg County Service Area. Consequently, the application is conforming to this criterion.

CMC-Mercy- The 2013 State Medical Facilities Plan identified a need for 40 additional acute care beds in the Mecklenburg County Service Area. CMC-Mercy does not propose to develop more acute care beds than are determined to be needed in the service area. Furthermore, the applicant adequately demonstrates the need the population proposed to be served has for 34 additional acute care beds at the CMC-Mercy Campus of CMC. See Criterion (3) for discussion regarding need which is incorporated hereby as if set forth fully herein. Therefore, the applicant adequately demonstrates that the proposed project would not result in the unnecessary duplication of acute care beds in the Mecklenburg County Service Area. Consequently, the application is conforming to this criterion.

CMC-University- The 2013 State Medical Facilities Plan identified a need for 40 additional acute care beds in the Mecklenburg County Service Area. CMC-University does not propose

to develop more acute care beds than are determined to be needed in the service area. Furthermore, the applicant adequately demonstrates the need the population proposed to be served has for 6 additional acute care beds at CMC-University. See Criterion (3) for discussion regarding need which is incorporated hereby as if set forth fully herein. Therefore, the applicant adequately demonstrates that the proposed project would not result in the unnecessary duplication of acute care beds in the Mecklenburg County Service Area. 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
All Applicants

NHHMC- In Section VII.1, page 113, the applicant reports a current total of 91.33 full-time equivalent (FTE) positions for NHHMC's adult medical/surgical beds. On page 114, the applicant projects an increase of 28.4 FTE positions for a total of 119.73 FTE positions at NHHMC in the second full operating year of the proposed project. The applicant provides its assumption regarding projected staffing on page 114. In Section VII.6, pages 118-119, the applicant describes its experience and procedures for recruiting and retaining personnel. In Section VII.8, page 121, the applicant identifies Dr. Jeff Welna as the Medical Director of NHHMC. The applicant demonstrates the availability of adequate health manpower and administrative personnel for the provision of the proposed services. Therefore, the application is conforming to this criterion.

CMC-Mercy- In Section VII.1, page 120, the applicant reports a current total of 176.28 full-time equivalent (FTE) positions for CMC-Mercy's adult medical/surgical beds. On page 121, the applicant projects an increase of 38.25 FTE positions for a total of 143.03 FTE positions at CMC-Mercy in the second full operating year of the proposed project. The applicant states:

> *"CMC-Mercy has assumed a ramp-up in incremental staffing, occurring in 25 percent increments from 2014 to 2017 to accommodate the additional 34 proposed beds and expected increases in volume."*

In Section VII.6, pages 122-124, the applicant describes its experience and procedures for recruiting and retaining personnel. In Section VII.8, pages 124-125, the applicant identifies Dr. Gena Marie Walker as the Medical Director of CMC-Mercy. The applicant demonstrates the availability of adequate health manpower and administrative personnel for the provision of the proposed services. Therefore, the application is conforming to this criterion.

CMC-University- In Section VII.1, page 118, the applicant reports a current total of 135.85 full-time equivalent (FTE) positions for CMC-University's general acute care beds. On page 119, the applicant projects an increase of 7.18 FTE positions for a total of 143.03 FTE positions at CMC-University in the second full operating year of the proposed project. The applicant states:

"CMC-University has assumed a ramp-up in incremental staff, occurring in 25 percent increments from 2014 to 2017 to accommodate the additional six proposed beds and expected increases in volume …"

In Section VII.6, pages 121-122, the applicant describes its experience and procedures for recruiting and retaining personnel. In Section VII.8, page 123, the applicant identifies Dr. Michael Zgoda as the Medical Director of CMC-University. The applicant demonstrates the availability of adequate health manpower and administrative personnel for the provision of 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
All Applicants

NHHMC- In Section II.2(a), page 11, the applicant states NHHMC currently provides the services proposed in this application, and all the necessary ancillary and support services are currently provided.

Exhibit 4 contains a sample transfer agreement and a list of health care facilities with which Novant Health has transfer agreements. Exhibit 3 contains physician letters of support. The applicant adequately demonstrates that the proposed project will be coordinated with the existing health care system and that the necessary ancillary and support services will be available. Therefore, the application is conforming to this criterion.

CMC-Mercy- In Section II.2(a), page 21, the applicant states CMC-Mercy currently provides the services proposed in this application, and all the necessary ancillary and support services are currently provided.

Exhibit 28 contains a sample transfer agreement and a list of health care facilities, including hospitals that have formal transfer agreements with CMC-Mercy. Exhibit 39 contains physician letters of support. The applicant adequately demonstrates that the proposed project will be coordinated with the existing health care system and that the necessary ancillary and support services will be available. Therefore, the application is conforming to this criterion.

CMC-University- In Section II.2(a), page 20, the applicant states CMC-University currently provides the services proposed in this application, and all the necessary ancillary and support services are currently provided.

Exhibit 27 contains sample transfer agreement and a list of health care facilities, including hospitals that have transfer agreements with CMC-University. Exhibit 38 contains physician letters of support. The applicant adequately demonstrates that the proposed project will be coordinated with the existing health care system and that the necessary ancillary and support services will be available. Therefore, the application is conforming to this criterion.

(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.

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
All Applicants

The following tables show the average inpatient utilization (admissions) for acute general hospitals by payer category for North Carolina and Mecklenburg County (this data includes normal newborns). For North Carolina, the data is based on 1,112,405 inpatient admissions. For Mecklenburg County, the data is based on 87,817 inpatient admissions.

North Carolina Hospital Admissions by Payer Category-FFY 2011

Payer Category	**Percent of Total**
Commercial/HMO	31.6%
Medicaid	21.3%
Medicare	37.4%
Other	3.2%
Uninsured	6.5%
Total	**100.0%**

Source: Cecil B. Sheps Center for Health Services Research

Mecklenburg County Hospital Admissions by Payer Category-FFY 2011

Payer Category	**Percent of Total**
Commercial/HMO	44.5%
Medicaid	15.2%
Medicare	31.8%
Other	2.2%
Uninsured	6.2%
Total	**100.0%**

Source: Cecil B. Sheps Center for Health Services Research

NHHMC- In Section VI.12 and VI.13, page 109, the applicant provides the payor mix during Calendar Year 2012 for the entire hospital (inpatient and outpatient services) and its general acute care beds, as illustrated in the table below:

Payor Source	% of Total	
	All Services	**Acute Inpatient Beds**
Self Pay / Indigent / Charity	10.99%	3.44%
Medicare / Medicare Managed Care	26.90%	51.63%
Medicaid	11.90%	9.15%
Commercial Insurance	1.78%	1.31%
Managed Care	45.91%	32.95%
Other (Worker's Comp)	2.52%	1.52%
Total	**100.0%**	**100.0%**

In Section VI.2, page, page 93, the applicant states:

> *"It is the policy of all the Novant Health facilities and programs, including Novant Health Huntersville Medical Center, to provide necessary services to all individuals without regard to race, creed, color, or handicap. Novant Health facilities and programs do not discriminate against the above-listed persons, or other medically underserved persons, regardless of their ability to pay. …"*

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.

	Total # of Medicaid Eligibles as % of Total Population June 2010	**Total # of Medicaid Eligibles Age 21 and older as % of Total Population June 2010**	**% Uninsured (Estimate by Cecil G. Sheps Center) 2008-2009**
Mecklenburg	15%	5.1%	20.1%
Statewide	17%	6.7%	19.7%

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

The majority of Medicaid eligibles are children under the age of 21. This age group does not typically utilize the same health services at the same rate as older segments of the population.

Moreover, the number of persons eligible for Medicaid assistance may be greater than the number of Medicaid eligibles who actually utilize health services. The DMA website includes information regarding dental services which illustrates this point. For dental services only, DMA provides a comparison of the number of persons eligible for dental services with the number actually receiving services. The statewide percentage of persons eligible to receive dental services who actually received dental services was 45.9% for those age 20 and younger and 30.6% for those age 21 and older. Similar information is not provided on the website for other types of services covered by Medicaid. However, it is reasonable to assume that the percentage of those actually

receiving other types of health services covered by Medicaid is less than the percentage that is eligible for those services.

The Office of State Budget & Management (OSBM) maintains a website which provides historical and projected population data for each county in North Carolina. In addition, data is available by age, race or gender. However, a direct comparison to the 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.

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

CMC-Mercy- In Section VI.12 and VI.13, page 117, the applicant provides the payor mix during Calendar Year 2012 for the entire hospital and its general acute care beds, as illustrated in the table below:

Payor Source	**% of Total**	
	All Services	**Adults Med/Surg Beds**
Self Pay / Indigent / Charity	6.0%	5.2%
Medicare / Medicare Managed Care	43.3%	58.7%
Medicaid	8.9%	10.2%
Commercial / Managed Care	37.4%	24.4%
Other *	4.4%	1.4%
Total	**100.0%**	**100.0%**

***Includes worker's compensation and unspecified payors**

In Section VI.2, page 107, the applicant states:

> *"CMC-Mercy provides services to all persons in need of medical care, regardless of racial, sex, creed, age, national origin, handicap, or ability to pay …"*

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.

	Total # of Medicaid Eligibles as % of Total Population June 2010	Total # of Medicaid Eligibles Age 21 and older as % of Total Population June 2010	% Uninsured (Estimate by Cecil G. Sheps Center) 2008-2009
Mecklenburg	15%	5.1%	20.1%
Statewide	17%	6.7%	19.7%

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

The majority of Medicaid eligibles are children under the age of 21. This age group does not typically utilize the same health services at the same rate as older segments of the population.

Moreover, the number of persons eligible for Medicaid assistance may be greater than the number of Medicaid eligibles who actually utilize health services. The DMA website includes information regarding dental services which illustrates this point. For dental services only, DMA provides a comparison of the number of persons eligible for dental services with the number actually receiving services. The statewide percentage of persons eligible to receive dental services who actually received dental services was 45.9% for those age 20 and younger and 30.6% for those age 21 and older. Similar information is not provided on the website for other types of services covered by Medicaid. However, it is reasonable to assume that the percentage of those actually receiving other types of health services covered by Medicaid is less than the percentage that is eligible for those services.

The Office of State Budget & Management (OSBM) maintains a website which provides historical and projected population data for each county in North Carolina. In addition, data is available by age, race or gender. However, a direct comparison to the 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.

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

CMC-University- In Section VI.12 and VI.13, page 115, the applicant provides the payor mix during Calendar Year 2012 for the entire hospital and its general acute care beds, as illustrated in the table below:

Payor Source	% of Total	
	All Services	**General Acute Care Beds**
Self Pay / Indigent / Charity	12.0%	10.0%
Medicare / Medicare Managed Care	26.0%	45.2%
Medicaid	16.7%	14.5%
Commercial / Managed Care	42.9%	28.7%
Other *	2.4%	1.6%
Total	**100.0%**	**100.0%**

In Section VI.2, page 107, the applicant states:

> *"CMC-University provides services to all persons in need of medical care, regardless of racial, sex, creed, age, national origin, handicap, or ability to pay …"*

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.

	Total # of Medicaid Eligibles as % of Total Population June 2010	**Total # of Medicaid Eligibles Age 21 and older as % of Total Population June 2010**	**% Uninsured (Estimate by Cecil G. Sheps Center) 2008 - 2009**
Mecklenburg	15%	5.1%	20.1%
Statewide	17%	6.7%	19.7%

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

The majority of Medicaid eligibles are children under the age of 21. This age group does not typically utilize the same health services at the same rate as older segments of the population.

Moreover, the number of persons eligible for Medicaid assistance may be greater than the number of Medicaid eligibles who actually utilize health services. The DMA website includes information regarding dental services which illustrates this point. For dental services only, DMA provides a comparison of the number of persons eligible for dental services with the number actually receiving services. The statewide percentage of persons eligible to receive dental services who actually received dental services was 45.9% for those age 20 and younger and 30.6% for those age 21 and older. Similar information is not provided on the website for other types of services covered by Medicaid. However, it is reasonable to assume that the percentage of those actually receiving other types of health services covered by Medicaid is less than the percentage that is eligible for those services.

The Office of State Budget & Management (OSBM) maintains a website which provides historical and projected population data for each county in North Carolina. In addition, data is available by age, race or gender. However, a direct comparison to the 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.

The applicant demonstrated that medically underserved populations currently have adequate access to the services offered at CMC-University. 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
All Applicants

NHHMC- Recipients of Hill-Burton funds were required to provide uncompensated care, community service and access by minorities and handicapped persons. In Section VI.11, pages 108-109, the applicant states:

"As required by the former Hill-Burton program, the NH Presbyterian Medical Center has far exceeded its requirements for delivering uncompensated care pursuant to that program and its regulations. NHHMC and all Novant facilities in North Carolina continue to comply with the community service obligation and there is no denial, restriction, or limitation of access to minorities or handicapped persons. …"

See Exhibit 6 for a copy of Novant Health's Charity Care and Financial Assistance Policies. In Section VI.10(a), page 107, the applicant states that there have been no patient civil rights access complaints filed against any Novant Health acute care hospital in the last five years. Therefore, the application is conforming to this criterion.

CMC-Mercy- 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 116, the applicant states:

"CMC-Mercy has had no obligations to provide uncompensated care during the last three years. … [T]*he medical center … in CY 2012 provided approximately $48.6 million in bad debt and charity care."*

See Exhibit 18 for a copy of the applicant's Policy and Procedure regarding CHS's admission policies. In Section VI.10(a), page 116, the applicant states that there have

been no patient civil rights access complaints filed against any CHS entity in the last five years. Therefore, the application is conforming to this criterion.

CMC-University- 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 114, the applicant states:

"CMC-University has had no obligations to provide uncompensated care during the last three years. … [T]*he medical center … in CY 2012 provided approximately $83.8 million in bad debt and charity care."*

See Exhibit 17 for a copy of the applicant's Policy and Procedure regarding CHS's admission policies. In Section VI.10(a), page 114, the applicant states that there have been no patient civil rights access complaints filed against any CHS entity in 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's proposed services and the extent to which each of these groups is expected to utilize the proposed services; and

C
All Applicants

NHHMC- In Section VI, page 110, the applicant projects the following payer mix for the entire hospital and the acute care bed service component, in Project Year 2 (CY 2018), as illustrated in the table below.

Payer Category	**Patient Days as % of Total Utilization**	
	Entire Hospital	**Acute Inpatient Beds**
Self Pay/Indigent/Charity	3.65%	3.64%
Medicare/Medicare Managed Care	50.04%	50.05%
Medicaid	9.01%	9.01%
Managed Care	35.12%	35.12%
Commercial Insurance	1.02%	1.02%
Other (Worker's Comp)	1.16%	1.16%
Total	**100.0%**	**100.0%**

In Section VI.15(b), page 110, the applicant states:

"The projected payor mix for NHHMC for Project Year 2 is based on actual NHHMC payor mix data for the first 7 months of CY 2013 (Jan through July 2013). … [T]*he applicant did not assume that the relative payor mix percentages would change in Project Year 2 …"*

The applicant demonstrated that medically underserved populations will have adequate access to the proposed services. Therefore, the application is conforming to this criterion.

CMC-Mercy- In Section VI, pages 118-119, the applicant projects the following payer mix for the entire hospital and for the acute care bed service component in Project Year 2 (CY2016), as illustrated in the table below.

Payer Category	**Patient Days as % of Total Utilization**	
	Entire Hospital	**Medical/Surgical**
Self Pay/Indigent/Charity	6.0%	5.2%
Medicare/Medicare Managed Care	43.3%	58.7%
Medicaid	8.9%	10.2%
Commercial Insurance/Managed Care	37.4%	24.4%
Other*	4.4%	1.4%
Total	**100.0%**	**100.0%**

*Includes worker's compensation and unspecified paysors

In Section VI.15(b), page 119, the applicant states:

> *"The projected adult medical/ surgical payor mix is based on CMC-Mercy's Calendar Year 2012 payor mix. The proposed project is not expected to impact the services pay mix. … CMC-Mercy has assumed for the purposes of these application projections that the payor mix will be consistent with the historical payor mix."*

The applicant demonstrated that medically underserved populations will have adequate access to the proposed services. Therefore, the application is conforming to this criterion.

CMC-University- In Section VI., pages 116- 117, the applicant projects the following payer mix for the entire hospital and the acute care bed service component in Project Year 2 (CY2016), as illustrated in the table below.

Payer Category	**Patient Days as % of Total Utilization**	
	Entire Hospital	**Acute Inpatient Beds**
Self Pay/Indigent/Charity	12.0%	10.0%
Medicare/Medicare Managed Care	26.0%	45.2%
Medicaid	16.7%	14.5%
Commercial Insurance/Managed Care	42.9%	28.7%
Other*	2.4%	1.6
Total	**100.0%**	**100.0%**

*Includes worker's compensation and unspecified paysors

In Section VI.15(b), page 117, the applicant states:

"The projected adult medical/ surgical and adult ICU beds payor mix is based on CMC-University's CY 2012 payor mix. The proposed project is not expected to impact the services pay mix. … CMC-University has assumed for the purposes of these application projections that the payor mix will be consistent with the historical payor mix."

The applicant demonstrated that medically underserved populations will have adequate access to the proposed services. 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
All Applicants

NHHMC- In Section VI.9(a), page 106, the applicant states persons have access to the services at NHHMC through physician referral from a member of the medical staff, primary care physician referral to a surgeon who is on the medical staff and being admitted through the emergency department. The applicant adequately demonstrates it offers a range of means by which patients will have access to the proposed services. Therefore, the application is conforming to this criterion.

CMC-Mercy- In Section VI.9(a), page 114, the applicant states persons have access to the services at CMC-Mercy through being admitted through the emergency department and through referrals from physicians who have admitting privileges. The applicant adequately demonstrates it offers a range of means by which patients will have access to the proposed services. Therefore, the application is conforming to this criterion.

CMC-University- In Section VI.9(a), page 113, the applicant states persons have access to the services at CMC-University through being admitted through the emergency department and through referrals from physicians who have admitting privileges. The applicant adequately demonstrates it offers a range of means by which patients will have access to the proposed services. 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.

C
All Applicants

NHHMC- In Section V.1, pages 78-79, the applicant identifies the health professional training programs that NHHMC has established relationships with in the service area. The

information provided is reasonable and credible and supports a finding of conformity to this criterion.

CMC-Mercy- In Section V.1, pages 98-99, the applicant identifies the health professional training programs that CMC-Mercy and CHS have established relationships with in the service area. The information provided is reasonable and credible and supports a finding of conformity to this criterion.

CMC-University- In Section V.1, pages 98-99, the applicant identifies the health professional training programs that CMC-University and CHS have established relationships with in the service area. The information provided is reasonable and credible and supports a finding of conformity to this criterion.

(15) Repealed effective July 1, 1987.
(16) Repealed effective July 1, 1987.
(17) Repealed effective July 1, 1987.
(18) Repealed effective July 1, 1987.

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

C
All Applicants

As of the date of this decision, there are eight existing and approved acute care hospitals owned by two providers (CHS and Novant Health) in the Mecklenburg County Service Area, as illustrated in the following table.

Facility	# of Existing and Approved Acute Care Beds *
Carolinas Medical Center	814
Carolinas Medical Center – Mercy / Pineville ^	368
Carolinas Medical Center – University	94
CHS Subtotal	1,276
Novant Health Charlotte Orthopaedic Hospital	64
Novant Health Huntersville Medical Center	75
Novant Health Matthews Medical Center	134
Novant Health Presbyterian Medical Center ^^	539
Presbyterian Hospital Mint Hill ^^^	50
Novant Health Subtotal	862
Total	2,138

* Source: Table 5A, 2013 SMFP.

^ When the 2013 SMFP was published, the CMC-Mercy and CMC-Pineville campuses were on one license. As of the date of this decision, the CMC-Mercy campus is now on CMC's license. There are

^^ Novant Health Charlotte Orthopaedic Hospital is approved to be licensed with Novant Health Presbyterian Medical Center.

^^^ Presbyterian Hospital Mint Hill has not yet been developed. The beds are approved to be relocated from Novant Health Charlotte Orthopaedic Hospital.

NHHMC- The applicant is an existing acute care hospital operating in northern Mecklenburg County, in the city of Huntersville. In Section V.7, pages 83-91, the applicant discusses how any enhanced competition will have a positive impact on the cost effectiveness, quality, and access to the proposed services. See also Sections II, III, VI and VII of the application where the applicant discusses cost-effectiveness, quality and access. The applicant adequately demonstrates that any enhanced competition in the service area would have a positive impact on the 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 for its proposal and that it is a cost-effective alternative;
- The applicant adequately demonstrates it will continue to provide quality care,
- The applicant adequately demonstrates it will continue to provide adequate access to the medically underserved groups.

The application is conforming to this criterion.

CMC-Mercy- The applicant is an existing acute care hospital operating in downtown Charlotte, one mile from CMC. In Section V.7, pages 103-107, the applicant discusses how any enhanced competition will have a positive impact on the cost effectiveness, quality, and access to the proposed services. See also Sections II, III, VI and VII of the application where the applicant discusses cost-effectiveness, quality and access. The information

provided by the applicant in those sections is reasonable and credible and adequately demonstrates any enhanced competition in the service area would have 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 for its proposal and that it is a cost-effective alternative;
- The applicant adequately demonstrates that it will continue to provide quality services; and
- The applicant demonstrates that it will continue to provide adequate access to medically underserved populations.

The application is conforming to this criterion.

CMC-University- The applicant is an existing acute care hospital operating in northeast Charlotte, approximately 12 miles from CMC. In Section V.7, pages 103-105, the applicant discusses how any enhanced competition will have a positive impact on the cost effectiveness, quality, and access to the proposed services. See also Sections II, III, VI and VII of the application where the applicant discusses cost-effectiveness, quality and access. The information provided by the applicant in those sections is reasonable and credible and adequately demonstrates any enhanced competition in the service area would have 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 for its proposal and that it is a cost-effective alternative;
- The applicant adequately demonstrates that it will continue to provide quality services; and
- The applicant demonstrates that it 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
All Applicants

NHHMC- NHHMC 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.

CMC-Mercy- CMC-Mercy 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.

CMC-University- CMC-University 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.

C
All Applicants

NHHMC- The applicant proposes to add 17 acute care beds to its existing hospital. Therefore, the Criteria and Standards for Acute Care Beds, promulgated in 10A NCAC 14C .3800, are applicable to this review. The application is conforming to all applicable Criteria and Standards for Acute Care Beds. The specific criteria are discussed below.

CMC-Mercy- The applicant proposes to add 34 acute care beds to its existing hospital. Therefore, the Criteria and Standards for Acute Care Beds, promulgated in 10A NCAC 14C .3800, are applicable to this review. The application is conforming to all applicable Criteria and Standards for Acute Care Beds. The specific criteria are discussed below.

CMC-University- The applicant proposes to add six acute care beds to its existing hospital. Therefore, the Criteria and Standards for Acute Care Beds, promulgated in 10A NCAC 14C .3800, are applicable to this review. The application is conforming to all applicable Criteria and Standards for Acute Care Beds. The specific criteria are discussed below.

SECTION .3800 - CRITERIA AND STANDARDS FOR ACUTE CARE BEDS

10A NCAC 14C .3802 INFORMATION REQUIRED OF APPLICANT

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

-C- All applicants completed the Acute Care Facility/Medical Equipment application form.

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

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

-C- **NHHMC-** In Section II.8 page 18, the applicant states that it proposes to add 17 acute care beds for a total of 92 acute care beds following project completion.

-C- **CMC-Mercy**- In Section II.8, page 28, the applicant states that it proposes to add 34 acute care beds for a total of 196 acute care beds following project completion.

-C- **CMC-University**- In Section II.8, page 27, the applicant states that it proposes to add six acute care beds for a total of 100 acute care beds following project completion.

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

-C- **NHHMC**- In Section II.8, page 19 and Exhibit 5, the applicant provides documentation that the services are and will continue to be provided in conformance with all applicable facility, programmatic, and service specific licensure, certification, and Joint Commission accreditation standards.

-C- **CMC-Mercy**- In Section II.8, page 29 and Exhibit 11, the applicant provides documentation that the services are and will continue to be provided in conformance with all applicable facility, programmatic, and service specific licensure, certification, and Joint Commission accreditation standards.

-C- **CMC-University**- In Section II.8, page 28 and Exhibit 10, the applicant provides documentation that the services are and will continue to be provided in conformance with all applicable facility, programmatic, and service specific licensure, certification, and Joint Commission accreditation standards.

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

-C- **NHHMC-** In Section II.8, page 19 and Exhibit 5, the applicant provides documentation that the services will be provided in a physical environment that conforms to the requirements of federal, state, and local regulatory bodies. See Exhibit 11 for a line drawing of the proposed additional 17 acute care beds.

-C- **CMC-Mercy-** In Section II.8, page 29 and Exhibit 11, the applicant provides documentation that the services will be provided in a physical environment that conforms to the requirements of federal, state, and local regulatory bodies. See Exhibit 6 for a line drawing of the proposed additional 34 acute care beds.

-C- **CMC-University**- In Section II.8, page 28 and Exhibit 10, the applicant provides documentation that the services will be provided in a physical environment that conforms to the requirements of federal, state, and local regulatory bodies. See Exhibit 5 for a line drawing of the proposed additional six acute care beds.

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

-C- **NHHMC**- In Section II.8, page 20, the applicant provides the number of patient days of care provided in the existing licensed acute care beds at NHHMC during CY 2012 by medical diagnostic category (MDC) as classified by the Centers for Medicare and Medicaid Services (CMS) according to the list set forth in the 2013 SMFP.

-C- **CMC-Mercy**- In Exhibit 15, the applicant provides the number of patient days of care provided in the existing licensed acute care beds at CMC-Mercy during CY 2012 by medical diagnostic category (MDC), as classified by CMS according to the list set forth in the 2013 SMFP.

-C- **CMC-University-** In Exhibit 14, the applicant provides the number of patient days of care provided in the existing licensed acute care beds at CMC-University during CY 2012 by medical diagnostic category (MDC), as classified by CMS according to the list set forth in the 2013 SMFP.

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

-C- **NHHMC**- In Section II.8, page 21, the applicant provides the following projected inpatient days of care, by county of residence, for each of the first three years following completion of the proposed project, as illustrated below.

		Patient Days		
County	**% of Total**	**PY 1 2017**	**PY 2 2018**	**PY 2019**
Cabarrus	2.6%	684	710	735
Gaston	5.2%	1,336	1,387	1,434
Iredell	9.4%	2,420	2,513	2,599
Lincoln	9.2%	2,392	2,484	2,569
Mecklenburg	67.1%	17,390	18,052	18,669
All Other	6.5%	1,676	1,739	1,799
Total	**100.0%**	**25,898**	**26,884**	**27,804**

See Exhibit 2 and Sections III and IV for the applicant's assumptions, data and methodologies used to project inpatient days of care.

-C- **CMC-Mercy**- In Exhibit 16, the applicant provides the following projected inpatient days of care, by county of residence, for each of the first three years following completion of the proposed project, as summarized below.

		Patient Days		
County	**% of Total**	**PY 1 CY 2015**	**PY 2 CY 2016**	**PY 3 CY 2017**
Mecklenburg	65.0%	26,771	30,197	33,760
Union	7.0%	2,888	3,258	3,642
York, SC	6.5%	2,664	3,005	3,359
Gaston	4.0%	1,612	1,818	2,033
Lancaster, SC	2.0%	847	955	1,068
Carbarrus	2.0%	804	907	1,014
All Other	13.7%	5,627	6,347	7,098
Total	**100.0%**	**41,213**	**46,487**	**51,974**

See Exhibits 17 and 38 and Sections III and IV for the applicant's assumptions, data and methodologies used to project inpatient days of care.

-C- **CMC-University**- In Exhibit 15, the applicant provides the following projected inpatient days of care, by county of residence, for each of the first three years following completion of the proposed project, as summarized below.

		Patient Days		
County	**% of Total**	**PY 1 CY 2015**	**PY 2 CY 2016**	**PY 3 CY 2017**
Mecklenburg	80.0%	18,601	19,392	20,283
Cabarrus	8.2%	1,913	1,995	2,086
Gaston	1.5%	347	362	379
Iredell	1.1%	261	272	284
Lincoln	0.70%	157	163	171
All Other	8.5%	1,982	2,066	2,161
Total	**100.0%**	**23,261**	**24,250**	**25,364**

See Exhibits 20, 16 and 37 and Sections III and IV for the applicant's assumptions, data and methodologies used to project inpatient days of care.

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

-C- **NHHMC-** In Section II.8, page 21 and Exhibit 5, the applicant provides documentation that the hospital will continue to be able to communicate with emergency transportation agencies 24 hours per day, 7 days per week.

-C- **CMC-Mercy-** In Section II.8, page 31 and Exhibit 11, the applicant provides documentation that the hospital will continue to be able to communicate with emergency transportation agencies 24 hours per day, 7 days per week.

-C- **CMC-University**- In Section II.8, page 30 and Exhibit 10, the applicant provides documentation that the hospital will continue to be able to communicate with emergency transportation agencies 24 hours per day, 7 days per week.

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

-C- **NHHMC-** In Section II.8, page 21 and Exhibit 5, the applicant provides documentation that the hospital's emergency department services are available 24 hours per day, 7 days per week. Further, the documentation in Exhibit 5 describes the scope of services provided during each shift and the physician and professional staff that will be responsible for the provision of those services. Also see Exhibit 3 for a letter dated October 2, 2013 from the Medical Director of the emergency department.

-C- **CMC-Mercy-** In Section II.8, pages 31-34 and Exhibit 11, the applicant provides documentation that the hospital's emergency department services are available 24 hours per day, 7 days per week. Further, the documentation in Exhibit 5 describes the scope of services provided during each shift and the physician and professional staff that will be responsible for the provision of those services.

-C- **CMC-University-** In Section II.8, pages 30-33 and Exhibit 10, the applicant provides documentation that the hospital's emergency department services are available 24 hours per day, 7 days per week. Further on pages 30-33, the applicant describes the scope of services provided and the physician and professional staff that will be responsible for the provision of those services.

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

-C- **NHHMC-** See Section II.8, page 22, Exhibit 6 (Charity Policies), Exhibit 7 (Admission Policies), Section VI.2, and Section VI.4(b) for written administrative policies documenting that the hospital prohibits the exclusion of services to any patient on the basis of age, race, sex, creed, religion, disability or the patient's ability to pay.

-C- **CMC-Mercy-** See Section II.8, pages 34-35, Exhibit 18 (Admission, Credit and Collection Policies), Section VI.2, and Section VI.4(b) for written administrative policies documenting that the hospital prohibits the exclusion of services to any patient on the basis of age, race, sex, creed, religion, disability or the patient's ability to pay.

-C- **CMC-University**- See Section II.8, page 33, Exhibit 17 (Admission, Credit and Collection Policies), Section VI.2 and Section VI.4(b) for written administrative policies documenting that the hospital prohibits the exclusion of services to any patient on the basis of age, race, sex, creed, religion, disability or the patient's ability to pay.

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

-C- **NHHMC**- In Section II.8, page 22, and Exhibit 5, the applicant provides a written commitment from the President to continue to participate in and comply with conditions of participation in the Medicare and Medicaid programs.

-C- **CMC-Mercy**- In Section II.8, page 35, and Exhibit 11, the applicant provides a written commitment from the President to continue to participate in and comply with conditions of participation in the Medicare and Medicaid programs.

-C- **CMC-University**- In Section II.8, page 34, and Exhibit 10, the applicant provides a written commitment from the President to continue to participate in and comply with conditions of participation in the Medicare and Medicaid programs.

(10) documentation of the health care services provided by the applicant, and any facility in North Carolina owned or operated by the applicant's parent organization, in each

of the last two operating years to Medicare patients, Medicaid patients, and patients who are not able to pay for their care;

-C- **NHHMC**- Exhibit 5 provides a summary of the inpatient days of care, emergency cases, outpatient cases, inpatient surgical cases, and ambulatory surgery cases for Medicare, Medicaid, and self pay/charity care patients at Novant Health owned and operated facilities for CY2011 and CY2012.

-C- **CMC-Mercy-** In Section II.8, pages 35-37, the applicant provides a summary of the inpatient days of care, emergency cases, outpatient cases, inpatient surgical cases, and ambulatory surgery cases for Medicare, Medicaid, and self pay/charity care patients at CHS owned and operated facilities for CY2011 and CY2012.

-C- **CMC-University**- In Section II.8, pages 34-36, the applicant provides a summary of the inpatient days of care, emergency cases, outpatient cases, inpatient surgical cases, and ambulatory surgery cases for Medicare, Medicaid, and self pay/charity care patients at CHS owned and operated facilities for CY2011 and CY2012.

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

-C- **NHHMC**- In Section II.8, pages 22-24, the applicant provides documentation of strategies to be used and activities undertaken by NHHMC to attract physicians and medical staff who currently provide and will continue to provide care to patients without regard to their ability to pay.

-C- **CMC-Mercy**- In Section II.8, page 37 and Exhibit 11, the applicant provides documentation of strategies to be used and activities undertaken by CMC-Mercy to attract physicians and medical staff who currently provide and will continue to provide care to patients without regard to their ability to pay.

-C- **CMC-University**- In Section II.8, page 36 and Exhibit 10, the applicant provides documentation of strategies to be used and activities undertaken by CMC-University to attract physicians and medical staff who currently provide and will continue to provide care to patients without regard to their ability to pay.

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

-C- **NHHMC**- In Exhibit 2, Table 7, the applicant provides documentation that shows it has historically provided inpatient medical services to both surgical and non-surgical patients.

-C- **CMC-Mercy-** In Exhibit 11, the applicant provides documentation that shows it has historically provided inpatient medical services to both surgical and non-surgical patients.

-C- **CMC-University**- In Exhibit 10, the applicant provides documentation that shows it has historically provided inpatient medical services to both surgical and non-surgical patients.

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

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

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

(3) copies of written policies and procedures for the provision of care within the new acute care hospital or on the new campus, including but not limited to the following:

(A) the admission and discharge of patients, including discharge planning,

(B) transfer of patients to another hospital,

(C) infection control, and

(D) safety procedures;

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

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

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

-NA- **All Applicants** propose to add the new acute care beds to the existing hospital on the same campus.

10A NCAC 14C .3803 PERFORMANCE STANDARDS

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

-C- **NHHMC**- In Section II.8, page 26, and Exhibit 2, the applicant projects that the utilization rate for all Novant Health hospitals in the Mecklenburg County Service Area will be 75.4% in the third Project Year (CY2019) following completion of the proposed project. See the following table.

	# Beds	ADC	% Occupancy
NHHMC	92	76.2	82.8%
NH Matthews Med Center	154	110.1	71.5%
NH Presbyterian Med Center	519	*	80.5%
NH Charlotte Ortho Hosp	64	*	65.6%
NH Mint Hill Med Center	50	*	33.3%
Total Novant Hlth System	**879**	**662.8**	**75.4%**

Note: The applicant submitted an application (Project I.D. # F-10213-13) to relocate 20 beds from NH Presbyterian Medical Center to NH Matthews Medical Center concurrently with this application. The applicant's projections assume approval of that application.
*ADC and percent of occupancy not provided.

Projected utilization is based on reasonable, credible and supported assumptions. See Criterion (3) for discussion regarding utilization which is incorporated hereby as if set forth fully herein.

-C- **CMC-Mercy**- In Section II.8, page 40, the applicant provides the following the projected utilization of the total number of licensed acute care beds CHS will operate in the Mecklenburg County Service Area in the third Project Year (CY 2017) following completion of the proposed project, as summarized in the table below.

	# Beds	ADC	% Occupancy
Carolinas Medical Center	814	674.9	66.8%
CMC-Mercy	196	142.4	14.1%
CMC-Pineville	206	123.5	12.2%
CMC-University	100	69.5	6.9%
Total CHS	**1,316**	**1,010.3**	**76.8%**

Projected utilization is based on reasonable, credible and supported assumptions. See Criterion (3) for discussion regarding utilization which is incorporated hereby as if set forth fully herein.

-C- **CMC-University**- In Section II.8, page 39, the applicant provides the following the projected utilization of the total number of licensed acute care beds CHS will operate in the Mecklenburg County service area in the third operating year (CY 2017) following completion of the proposed project, as summarized in the table below.

	# Beds	ADC	% Occupancy
Carolinas Medical Center	814	674.9	66.8%
CMC-Mercy	196	142.4	14.1%
CMC-Pineville	206	123.5	12.2%
CMC-University	100	69.5	6.9%
Total CHS	**1,316**	**1,010.3**	**76.8%**

Projected utilization is based on reasonable, credible and supported assumptions. See Criterion (3) for discussion regarding utilization which is incorporated hereby as if set forth fully herein.

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

-C- **NHHMC-** See Section II.8, pages 26-28, Section III.1, pages 31-50 and Exhibit 2. The applicant's assumptions and data used to project utilization support the projected utilization and average daily census. See Criterion (3) for discussion regarding projected utilization which is incorporated hereby as if set forth fully herein.

-C- **CMC-Mercy**- See Section II.8, pages 40-41, Section III.1, pages 45-57, and Exhibits 20 and 21. The applicant's assumptions and data used to project utilization support the projected utilization and average daily census. See Criterion (3) for discussion regarding projected utilization which is incorporated hereby as if set forth fully herein.

-C- **CMC-University**- See Section II.8, pages 39-40, Section III.1, pages 57-77, and Exhibits 19 and 20. The applicant's assumptions and data used to project utilization support the projected utilization and average daily census. See Criterion (3) for discussion regarding projected utilization which is incorporated hereby as if set forth fully herein.

10A NCAC 14C .3804 SUPPORT SERVICES

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

(1) laboratory services including microspecimen chemistry techniques and blood gas determinations;
(2) radiology services;
(3) blood bank services;
(4) pharmacy services;
(5) oxygen and air and suction capability;
(6) electronic physiological monitoring capability;
(7) mechanical ventilatory assistance equipment including airways, manual breathing bag and ventilator/respirator;

(8) endotracheal intubation capability;
(9) cardiac arrest management plan;
(10) patient weighing device for a patient confined to their bed; and
(11) isolation capability;

-C- **NHHMC-** In Section II.8, page 28, the applicant states that as an existing acute care facility, *"All of the services in subsections (1) through (11) are available at NHHMC 24 hours per day, 7 days per week."* Exhibit 5 contains a letter from the President of NHHMC regarding the continued availability of the services listed in this Rule at NHHMC.

-C- **CMC-Mercy**- Exhibit 8 contains a letter from the Vice-President and Chief Nursing Officer regarding the continued availability of the services listed in this Rule at CMC-Mercy 24 hours per day, 7 days per week.

-C- **CMC-University**- Exhibit 7 contains a letter from the Vice-President and Chief Nursing Officer regarding the continued availability of the services listed in this Rule at CMC-Mercy 24 hours per day, 7 days per week.

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

-C- **NHHMC-** In Section II.8, page 28, the applicant states that all of the items in Paragraph (a) of this Rule will be available 24 hours per day, seven days per week.

-C- **CMC-Mercy**- In Section II.8, page 41, the applicant states that all of the items in Paragraph (a) of this Rule will be available 24 hours per day, seven days per week.

-C- **CMC-University-** In Section II.8, page 40, the applicant states that all of the items in Paragraph (a) of this Rule will be available 24 hours per day, seven days per week.

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

-C- **NHHMC-** In Section II.8, page 28, the applicant states that none of the items listed in Paragraph (a) of this Rule will be contracted.

-C- **CMC-Mercy**- In Section II.8, page 42, the applicant states that none of the items listed in Paragraph (a) of this Rule will be contracted.

-C- **CMC-University**- In Section II.8, page 41, the applicant states that none of the items listed in Paragraph (a) of this Rule will be contracted.

10A NCAC 14C .3805 STAFFING AND STAFF TRAINING

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

-C- **NHHMC**- Exhibit 5 contains a letter from the President of NHHMC documenting that the proposed staff for the new acute care beds will comply with the licensure requirements set forth in Title 10A NCAC 13B, Licensing of Hospitals.

-C- **CMC-Mercy**- Exhibit 8 contains a letter from the Vice President and Chief Nursing Officer of CMC-Mercy documenting that the proposed staff for the new acute care beds will comply with the licensure requirements set forth in Title 10A NCAC 13B, Licensing of Hospitals.

-C- **CMC-University**- Exhibit 7 contains a letter from the Vice President and Chief Nursing Officer of CMC-University documenting that the proposed staff for the new acute care beds will comply with the licensure requirements set forth in Title 10A NCAC 13B, Licensing of Hospitals.

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

-C- **NHHMC**- In Section II.8, page 29, the applicant identifies the two individuals who will serve as Chief Executive Officer and Chief Nursing Executive. Exhibit 5 contains letters from each individual which documents their willingness to continue to serve in their respective roles.

-C- **CMC-Mercy**- In Section II.8, pages 42-43, the applicant identifies the two individuals who will serve as Chief Executive Officer and Chief Nursing Executive. Exhibits 11 and 8 contain letters from each individual, respectively, which documents their willingness to continue to serve in their respective roles.

-C- **CMC-University**- In Section II.8, page 41, the applicant identifies the two individuals who will serve as Chief Executive Officer and Chief Nursing Executive. Exhibits 10 and 7 contain letters from each individual, respectively, which documents their willingness to continue to serve in their respective roles.

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

-NA- **All Applicants** propose to add the new acute care beds to an existing hospital on the same campus.

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

-C- **NHHMC**- In Section VII.8(b), pages 122-123, the applicant documents the availability of physicians who will admit and care for patients in each of the major diagnostic categories to be served at NHHMC.

-C- **CMC-Mercy**- In Section VII.8(b), page 26, the applicant documents the availability of physicians who will admit and care for patients in each of the major diagnostic categories to be served at CMC-Mercy.

-C- **CMC-University-** In Section VII.8(b), page 24, the applicant documents the availability of physicians who will admit and care for patients in each of the major diagnostic categories to be served at CMC-University.

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

-C- **NHHMC**- In Section VII.1(b), pages 120-121, the applicant provides documentation of the availability of support and clinical staff to provide care for patients in each of the major diagnostic categories provided at NHHMC.

-C- **CMC-Mercy**- In Section VII.1(b), pages 113-114, the applicant provides documentation of the availability of support and clinical staff to provide care for patients in each of the major diagnostic categories provided at CMC-Mercy.

-C- **CMC-University**- In Section VII.1(b), page 119, the applicant provides documentation of the availability of support and clinical staff to provide care for patients in each of the major diagnostic categories provided at CMC-University.

COMPARATIVE ANALYSIS

Pursuant to G.S. 131E-183(a)(1) and the 2013 SMFP, no more than 40 acute care beds may be approved for Mecklenburg County. Because the three applications in this review propose a total of 57 acute care beds, all of the applications cannot be approved as proposed. Therefore, after considering all of the information in each application and reviewing each application individually against all applicable review criteria, the analyst conducted a comparative analysis of the proposals to decide which proposal should be approved. For the reasons set forth below and in the rest of the findings, the applications submitted by CMC-Mercy (Project I.D. # F-10215-13) and CMC-University (Project I.D. # F-10221-13) are approved, and the application submitted by NHHMC (Project I.D. # F-10214-13) is denied.

Geographic Accessibility (Location with Mecklenburg County)

The 2013 SMFP identifies a need for 40 acute care beds for Mecklenburg County. The following table identifies the location of the existing and approved acute care beds in Mecklenburg County.

Facility	Existing/Approved Beds	Location Within Mecklenburg County	Cit/Town
CMC Mercy	168	Downtown	Charlotte
CMC	814	Downtown	Charlotte
NH Presbyterian	539	Downtown	Charlotte
NH Charlotte Orthopaedic	64	Downtown	Charlotte
CMC University	94	East	Charlotte
NH Mint Hill	50	East	Mint Hill
NH Huntersville	75	North	Huntersville
CMC Pineville	154	South	Pineville
NH Matthews	134	South	Matthews

The following table identifies the proposed location of the acute care beds, and total number of beds at the facility following project completion, for each of the applications in this review.

Facility	Existing/ Approved Beds	Location Within Mecklenburg County	Cit/Town
CMC Mercy	202	Downtown	Charlotte
CMC University	100	East	Charlotte
NH Huntersville	92	North	Huntersville

As shown above, all three applicants propose to locate the new acute care beds at existing acute care hospitals. CMC-Mercy proposes to locate the new acute care beds in downtown Charlotte. CMC-University proposes to locate the new acute care beds in east Charlotte and NHHMC proposes to locate the new acute care beds in Huntersville. Novant Health also submitted an application concurrently with this application (Project I.D. # F-10213-13) to relocate 20 beds from NH Presbyterian Medical Center to NH Matthews Medical Center which, if approved, would result in 519 acute care beds at NHPHC [539-20 = 519] and 154 acute care beds at NHMMC [134+20=154].

In Section III.1(c) of the respective applications, each applicant is asked to explain why it believes the beds are needed at the proposed location as opposed to another area within Mecklenburg County. NHHMC states that the population of 5 of the zip codes in its service area are included in the 10 fastest growing zip codes in the Charlotte MSA. NHHMC provides an analysis of the % of acute care beds located north of I-85 compared to the % of the population living north of I-85. NHHMC states 5.6% of the beds are located north of I.85 while 22.8% of the population resides north o I.85. CMC-Mercy and CMC-University state in Section III.3, that adding the beds at CMC-Mercy and CMC-University can be accomplished without the need for extensive or cost prohibitive renovations. This will allow CHS to "*address the pressing capacity constraints at CMC.*"

With regard to location within Mecklenburg County, all of the applicants make good arguments and the agency draws no conclusion regarding which application or applications is the more effective alternative.

Access by Underserved Groups

The need identified in the 2013 SMFP was generated by CMC which is located in downtown Charlotte. The US Department of Commerce published 2012 estimates of population and demographics based on the 2012 Census for Mecklenburg County, Charlotte and Huntersville, which is summarized in the table be1ow.

Total	Mecklenburg County	Charlotte	Huntersville
Population	969,031	775,202	49,344
White	60.1%	50.0%	82.8%
African American	31.8%	35.0%	9.4%
Hispanic	12.5%	13.1%	7.4%
Asian American	5.1%	5.0%	2.7%
Native American	0.8%	0.5%	0.3%
Pacific Islander	0.1%	0.1%	0.0%
65+	9.4%	8.5%	6.8%
Women	51.7%	51.7%	50.0%

As illustrated in the table above, Charlotte has higher percentages of people classified in G.S. 131E-183(a)(13) as medically underserved and they are very similar to the percentages for Mecklenburg County. In contrast, the percentages in Huntersville are considerably lower. Thus, a Charlotte location could improve geographic access for these medically underserved groups.

The following table shows each applicant's projected Medicare and Medicaid percentages for the entire hospital in the second project year following completion of the project. Generally, the application proposing the highest percentage for each payor category is the most effective alternative.

Applicant	Medicare	Medicaid
NHHMC	50.04%	9.01%
CMC-Mercy	43.30%	8.90%
CMC-University	26.00%	16.70%

Source: Section VI.14(a) of the respective applications

NHHMC projects the highest Medicare percentage and CMC-University projects the highest Medicaid percentage. With regard to Medicare access, the NNHMC application is the most effective alternative. With regard to Medicaid access, the CMC-University application is the most effective alternative.

Meeting the Need for Additional Acute Care Beds

The 2013 SMFP includes tiered target occupancy rates for acute care beds based on average daily census. Specifically, for hospitals with an average daily census of less than 100 inpatients, the target occupancy rate is 66.7 %; for hospitals with an average daily census of 100 to 200 inpatients, the target occupancy rate is 71.4 %; for hospitals with an average daily census of more than 200 but less than 400 inpatients, the target occupancy rate is 75.2 %; and for hospitals with an average daily census of more than 400 inpatients, the target occupancy rate is 78.0 %. In FFY2011, CMC-Mercy-Pineville had an average daily census of more than 100 but less than 200. Thus, its target occupancy rate is 71.4%. CHS shifted CMC-Mercy to CMC's license effective October 1, 2013. Prior to that the CMC-Pineville campus was on the CMC-Mercy license. The average daily census for the CMC-Mercy campus was more than 100 but less than 200. Thus, its target occupancy rate is also 71.4 %. CMC-University and NHHMC had an average daily census of less than 100 inpatients, therefore their target occupancy rate is 66.7%.

As shown below, Table 5A of the 2013 SMFP (page 59) indicates that Mecklenburg County is projected to have a deficit of 40 acute care beds in 2015. CMC-Mercy-Pineville is projected to have a surplus of 97 beds, CMC-University is projected to have a surplus of 5 beds and NHHMC is projected to have a deficit of 10 beds.

2013 SMFP, Table 5A Acute Care Bed Need Projections

Facility	Licensed Acute Care Beds	2011 Acute Care Days	Projected 2015 Acute Care Days	2015 Average Daily Census	2015 Beds Adjusted for Target Occupancy	Projected 2015 Deficit (Surplus)
Carolinas Medical Center	795	256,117	272,584	747	956	44
CMC-Mercy-Pineville	294	69,975	74,474	204	271	(97)
CMC-University	130	20,318	21,624	59	89	(5)
All CHS Hospitals	**1,219**	**346,410**	**368,682**	**1,010**	**1,316**	**40**
NH Presbyterian Hospital	539	146,577	156,001	427	547	8
NHHMC	75	19,540	20,796	57	85	10
NH Matthews	117	31,535	33,563	92	138	4
Presbyterian Mint Hill	0	50	0	0	0	(50)
Presbyterian Orthopaedic Hospital	64	10,906	11,607	32	48	(16)
All NH Hospitals	**795**	**208,558**	**221,967**	**608**	**818**	**(44)**
Total for Mecklenburg Co	**2,014**					**40**

As shown in the table above, of the three hospitals that propose to add beds, NHHMC is the only one projected to have a deficit (10 beds) in 2015. However, when all CHS hospitals and all Novant Health hospitals are compared, Novant Health is projected to have a surplus of 44 beds by 2015 while CHS is projected to have a deficit of 40 beds in 2015. In fact it is CMC that is projected to have a deficit of 40 beds in 2015. CHS proposes to address the deficit at CMC by adding beds at CMC-Mercy (34) and CMC-University (6) and shifting lower acuity med/surg patients from CMC to those hospitals.

NHHMC projects that is project will be completed such that CY 2017 will be the first operating year. CMC-Mercy and CMC-University both project that their projects will be complete such that CY 2015 will be the first operating year. All three applicants propose to renovate existing space. CMC-Mercy and CMC-University, project to add the 40 beds in CY 2015, the year the SMFP projects they will be needed, a full tow years before NHHMC.

With regard to meeting a need for additional beds, the applications submitted by CMC-Mercy and CMC-University are the most effective alternatives.

Revenues

The following tables show the average gross and net patient revenue per adjusted patient day during CY 2017 for each applicant. The hospitals differ in several characteristics that could effect the average gross and net patient revenue per adjusted patient day, including differences in patient acuities and the types of medical and surgical subspecialty services provided. Moreover, many prayers necessitate discounts (also referred to as contractual adjustments) and government payers determine maximum allowable reimbursement rates. The majority of hospital reimbursements are paid by government payers. As a result, net revenue (gross revenue less discounts or contractual adjustments is the preferred comparative factor. Thus, generally the applicant projecting the lowest average net patient revenue per adjusted day is the most effective alternative.

CY 2017 is the third project year for CMC-Mercy and CMC-University and the first project year for NHHMC. It is the only common year for all three proposals. All are existing hospitals and NHHMC does not project any start-up or initial operating expenses in is first project year that would negatively impact it with regard to the comparison,

Average Gross Patient Revenue per Adjusted Patient Day in CY 2017

Applicant	Gross Patient Revenue Form B	Adjusted Patient Days Section X.3	Average Gross Revenue per Adjusted Patient Day
CMC-Mercy	$1,019,133,000	102,464	$9,946
CMC-University	$917,628,000	94,864	$9,673
NHHMC	$462,164,265	56,158	$8,230

As shown in the table above, NHHMC projects the lowest average gross patient revenue per adjusted patient day in CY 2017.

Average Net Patient Revenue per Adjusted Patient Day in CY 2017

Applicant	Net Patient Revenue Form B	Adjusted Patient Days Section X.3	Average Net Revenue per Adjusted Patient Day
CMC-Mercy	$261,282,000	102,464	$2,550
CMC-University	$189,583,000	94,864	$1,998
NHHMC	$197,380,978	56,158	$3,515

As shown in the table above, CMC-University projects the lowest average net revenue per adjusted patient day in CY 2017, and NHHMC projects the highest net revenue per adjusted patient day in the third year of operation. See Criterion (3) for additional discussion.

Operating Costs

The following table shows the average operating cost per adjusted patient day in CY 2017. The hospitals differ in several characteristics that could effect operating the average operating cost per adjusted patient day, including differences in patient acuities and the types of medical and surgical services provided. However, generally the applicant projecting the lowest average operating cost per adjusted patient day is the most effective alternative.

Average Operating Cost per Adjusted Patient Day in CY 2017

Applicant	Operating Cost Form B	Adjusted Patient Days Section X.3	Average Operating Cost per Adjusted Patient Day
CMC-Mercy	$235,349,434	102,464	$2,297
CMC-University	$155,609,000	94,864	$1,640
NHHMC	$122,029,001	56,158	$2,172

As shown in the table above, CMC-University projects the lowest average operating cost per adjusted patient day in CY 2017.

SUMMARY

For the comparative analysis factor listed below, the applications were determined to be equally effective.

- Geographic Accessibility (Location within Mecklenburg County)

For each of the comparative analysis factors listed below, the application submitted by CMC-University were determined to be the more effective alternative than the application submitted by NHHMC:

- Access by the Medically Underserved Groups
- Meeting the Need for Additional Acute Care Beds
- Medicaid Access
- Average Net Patient Revenue per Adjusted Patient Day

For each of the comparative analysis factors listed below, the application submitted by CMC-Mercy were determined to be the more effective alternative than the application submitted by NHHMC:

- Meeting the Need for Additional Acute Care Beds
- Average Net Patient Revenue per Adjusted Patient Day – Second Lowest

CONCLUSION

G.S. 131E 183(a)(1) states that the need determination in the 2013 SMFP is the determinative limit on the number of acute care beds that can be approved by the CON Section. All three applications are approvable standing alone. However, all three cannot be approved as proposed. The CON Section determined that the applications submitted by CMC-Mercy and CMC-University are the most effective alternatives proposed in this review for 40 additional acute care beds in Mecklenburg County and are approved, as conditioned below. The approval of any other application would result in the approval of acute care beds in excess of the need determination in the 2013 SMFP. Moreover, the approval of NHHMC's application would leave 23 beds [40-17=23]. CMC-Mercy applied for 34 beds and demonstrated a need for all 34 beds. CMC-University applied for six beds and demonstrated a need for all six beds. The NHHMC application does not "match" up with either of the CHS applications. The NHHMC application is determined to be a less effective alternative and is denied.

The application submitted by CMC-Mercy is approved subject to the following conditions.

1. **The Charlotte-Mecklenburg Hospital Authority d/b/a Carolinas Medical Center-Mercy shall materially comply with all representations made in the certificate of need application.**

2. **The Charlotte-Mecklenburg Hospital Authority d/b/a Carolinas Medical Center-Mercy 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-Mercy shall add no more than 34 acute care beds for a total of no more than 196 acute care beds upon project completion.**

4. **Prior to issuance of the certificate of need, The Charlotte-Mecklenburg Hospital Authority d/b/a Carolinas Medical Center-Mercy shall acknowledge acceptance of and agree to comply with all conditions stated herein in writing to the Certificate of Need Section.**

The application submitted by CMC-University is approved subject to the following conditions.

1. **The Charlotte-Mecklenburg Hospital Authority d/b/a Carolinas Medical Center-University shall materially comply with all representations made in the certificate of need application.**

2. **The Charlotte-Mecklenburg Hospital Authority d/b/a Carolinas Medical Center-University 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-University shall add no more than 6 acute care beds for a total of no more than 100 acute care beds upon project completion.**

4. **Prior to issuance of the certificate of need, The Charlotte-Mecklenburg Hospital Authority d/b/a Carolinas Medical Center-University shall acknowledge acceptance of and agree to comply with all conditions stated herein in writing to the Certificate of Need Section.**