

ATTACHMENT - REQUIRED STATE AGENCY FINDINGS

FINDINGS

C = Conforming

CA = Conditional

NC = Nonconforming

NA = Not Applicable

DECISION DATE: November 12, 2014

PROJECT ANALYST: Bernetta Thorne-Williams

INTERIM CHIEF: Martha J. Frisone

PROJECT I.D. NUMBER: M-10294-14/ Cumberland County Hospital System, Inc. d/b/a Cape Fear Valley Medical Center/ Add 34 acute care beds/ Cumberland 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.

CA

The Proposed 2014 State Medical Facilities Plan (SMFP) identified a need for 127 additional acute care beds in Cumberland County. The Cape Fear Valley Health System (CFVHS) petitioned for an adjusted need determination to reduce the need determination from 127 acute care beds to 34 acute care beds. This petition was approved by the State Health Coordinating Council (SHCC) and the Governor.

The only applicant, Cumberland County Hospital System, Inc. (CCHS) d/b/a Cape Fear Valley Medical Center (CFVMC) proposes to add 34 acute care beds on its main campus located at 1638 Owen Drive, in Fayetteville. CFVMC is currently licensed for 490 beds at this location. The applicant does not propose to develop more acute care beds than are determined to be needed in the Cumberland County Service Area.

CFVMC currently operates a 24-hour emergency services department. In Section II.8, pages 28-29, the applicant provides the number of patient days of care by major diagnostic category (MDC) provided at CFVMC during CY2013. CFVMC provided services in all 25 MDCs listed in the 2014 SMFP. Therefore, the applicant adequately demonstrates that it will provide medical and surgical services in at least five MDCs recognized by CMS. CFVMC adequately demonstrates that it provides inpatient medical services to both surgical and non-surgical

patients. Therefore, the application is consistent with the need determination in the 2014 SMFP for 34 acute care beds in Cumberland County.

Additionally, the following three policies are applicable to this review; Policy AC-5: Replacement of Acute Care Bed Capacity, Policy GEN-3: Basic Principles and Policy GEN-4: Energy Efficiency and Sustainability for Health Service Facilities.

Policy AC-5: Replacement of Acute Care Bed Capacity states:

*“Proposals for either partial or total replacement of acute care beds (i.e., construction of new space for existing acute care beds) shall be evaluated against the utilization of the total number of acute care beds in the applicant’s hospital in relation to utilization targets found below. For hospitals **not** designated by the Center for Medicare and Medicaid Services as Critical Access Hospitals, in determining utilization of acute care beds, only acute care bed ‘days of care’ shall be counted. For hospitals designated by the Center for Medicare and Medicaid Services as Critical Access Hospitals, in determining utilization of acute care beds, only acute care bed ‘days of care’ **and** swing bed days (i.e., nursing facility days of care) shall be counted in determining utilization of acute care beds. Any hospital proposing replacement of acute care beds must clearly demonstrate the need for maintaining the acute care bed capacity proposed within the application. Additionally, if the hospital is a Critical Access Hospital and swing bed days are proposed to be counted in determining utilization of acute care beds, the hospital shall also propose to remain a Critical Access Hospital and must demonstrate the need for maintaining the swing bed capacity proposed within the application. If the Critical Access Hospital does not propose to remain a Critical Access Hospital, only acute care bed “days of care” shall be counted in determining utilization of acute care beds and the hospital must clearly demonstrate the need for maintaining the acute care bed capacity proposed within the application.*

| <i>Facility Average Daily Census</i> | <i>Target Occupancy of Licensed Acute Care Beds</i> |
|--------------------------------------|---|
| <i>1 – 99</i> | <i>66.7%</i> |
| <i>100 – 200</i> | <i>71.4%</i> |
| <i>Greater than 200</i> | <i>75.2%</i> |

Policy AC-5 is applicable to this review because CFVMC proposes to replace 14 existing acute care beds.

The following table illustrates historical and projected acute care bed utilization as reported in Section IV, page 74 and Exhibit 30.

| Fiscal Year | # of Licensed Acute Care Beds | # of Patient Days | Average Daily Census | Percent Change | Average Occupancy Rate |
|----------------------------|-------------------------------|-------------------|----------------------------------|----------------|------------------------|
| 2013 Last Full FFY | 490 | 169,213 | 457.3 | NA | 93.3% |
| 2014 Interim FFY | 490 | 168,161 | 461.9 | -0.6% | 94.3% |
| 2015 Interim FFY | 490 | 164,900 | 466.5 | -1.9% | 95.2% |
| 2016 Interim FFY | 490 | 158,612 | 471.1 | -3.8% | 84.9% |
| 2017 Interim Q1 FFY | 490 | 37,530 | Transition period from FFY to CY | | |
| 2017 CY PY 1 | 524 | 155,961 | 494.7 | NA | 84.0% |
| 2018 CY PY 2 | 524 | 154,519 | 499.6 | -0.9% | 84.8% |
| 2019 CY PY 3 | 524 | 155,304 | 504.6 | 0.5% | 85.7% |

* Source: Section IV.1, page 74 and Exhibit 30.

As shown in the table above, CFVMC projects that the occupancy rate for 524 licensed acute care beds will be 85.7% in Project Year 3, which exceeds the target occupancy rate of 75.2 percent required for a facility with an average daily census greater than 200. The occupancy rate for the 490 licensed acute care beds in FY2013 was 93.3%

In Section II.8, page 34-35, the applicant provides the projected number of patient days for the first three years of operations for CFVMC and CFV-North, as illustrated in the table below.

| <i>Combined Total Acute Care Beds*</i> | <i>PY 1 CY 2017</i> | <i>PY 2 CY 2018</i> | <i>PY 3 CY 2019</i> |
|---|-------------------------|-------------------------|-------------------------|
| <i>Cumberland Acute Care Days of Care</i> | <i>169,414</i> | <i>171,072</i> | <i>172,895</i> |
| <i>Number of licensed beds</i> | <i>589</i> | <i>589</i> | <i>589</i> |
| <i>Average Daily Census</i> | <i>464.1</i> | <i>468.7</i> | <i>473.7</i> |
| <i>Occupancy Rate @ 583 Acute Care Beds</i> | <i>78.8%</i> | <i>79.6%</i> | <i>80.4%</i> |

Source: Exhibit 30, Table 9: LRA + 34 Beds proposed in this project + 65 beds at CFV North

**Includes CFVMC Owen Drive and CFV North*

As shown in the table above, CFVMC projects the occupancy rate for 589 licensed acute care beds will be 80.4% in Project Year 3, which exceeds the target occupancy rate of 75.2 percent required for a facility with an average daily census greater than 200.

Projected utilization is based on reasonable and adequately supported assumptions. The discussion regarding projected utilization found in Criterion (3) is incorporated herein by reference. The applicant adequately demonstrates the need to maintain the acute care bed capacity proposed in this application, and therefore, the application is consistent with Policy AC-5.

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.”

Promote Safety and Quality

The applicant describes how it believes the proposed project would promote safety and quality in Section II, pages 20-25, Section III, pages 61-62, and Section V, page 91, and referenced exhibits. The information provided by the applicant is reasonable and adequately supports the determination that the applicant’s proposal would promote safety and quality.

Promote Equitable Access

The applicant describes how it believes the proposed project would promote equitable access in Section VI, pages 92-100, Section III, pages 61-62, Section V, page 91 and referenced exhibits. The information provided by the applicant is reasonable and adequately supports the determination that the applicant’s proposal would promote equitable access.

Maximize Healthcare Value

The applicant describes how it believes the proposed project would maximize healthcare value in Section III, pages 38-66, Section V, page 90, and referenced exhibits. The information provided by the applicant is reasonable and adequately supports the determination that the applicant’s proposal would maximize healthcare value.

The applicant adequately demonstrates how its projected volumes incorporate the concepts of quality, equitable access and maximum value for resources expended in meeting the need identified in the 2014 SMFP. Therefore, the application is consistent with 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."

In Section II.8, pages 63-65, that applicant describes the measures that will be taken to assure the proposed additional 34 acute care beds at CFVMC will be energy efficient and conserve water. Also see a letter from the architect in Exhibit 10 that further outlines the details of CFVMC's energy efficiency and water conservation plan.

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 subject to Condition # 4 in Criterion (4).

In summary, the proposed project is consistent with the need determination in the 2014 SMFP. Additionally, the application is consistent with Policies AC-5, GEN-3 and GEN-4. Therefore, the application is conforming to this criterion as conditioned.

- (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

Cumberland County Hospital System, Inc. d/b/a Cape Fear Valley Medical Center proposes to add 34 acute care beds on its main campus located at 1638 Owen Drive, in Fayetteville for a total of 524 acute care beds at the Owen Drive location. Pursuant to the certificate of need issued for Project I.D. # M-8689-11 on June 5, 2012, the applicant is authorized to develop a 65-bed satellite hospital at 6387 Ramsey Street. Upon completion of both projects, the hospital will be licensed for 589 acute care beds.

In Section II.1(a), pages 18-19, the applicant describes the proposed project, as follows:

"The proposed project consist of adding an additional floor to the existing Valley Pavilion at Cape Fear Valley Medical Center. The Valley Pavilion was added to the campus in

September 2008 and serves as a patient service tower. The Valley Pavilion currently consists of:

- *Ground Floor – Emergency Department*
- *1st Floor – Imaging Services*
- *2nd Floor – Heart & Vascular Center and Chest Pain Center (36 Observation Rooms, Non-invasive cardiology, Cath, Angio and EP services)*
- *3rd Floor – 48 Medical / Surgical Beds (24 are ICU)*
- *4th Floor – 48 Medical / Surgical Beds*
- *5th Floor – Mechanical / HVAC including enclosed mechanical rooms and roof-top equipment*
- *Parking Deck Adjacent To New Tower*

The proposed project will enclose the remaining roof and convert the 5th Floor into an interstitial mechanical floor and add a 6th Floor with 48 acute care beds which includes the 34 new acute care beds ... and 14 existing medical surgical beds at CFVMC. ... Upon completion of the new 6th Floor, 14 existing medical surgical acute care patient rooms located in older units throughout the hospital will be relocated to the new 6th floor. The vacated space will be utilized as storage and/or support space for the existing units. ...

The new 6th Floor will consist of two 24 bed nursing units, which will be state of the art hospital units. The patient rooms will be designed for patient comfort as well as high-quality, efficient care.

Patient rooms will also be designed for enhanced care quality. The units will include decentralized nurse stations, bedside computers, and phone-based nurse call systems to increase the time that nurses are able to spend with patients. Supply rooms will be optimally positioned to reduce the time nurses spend walking for supplies, further increasing time available to care for patients. The comfortable family zones can encourage family to help care for the patient. Provisions for ceiling lifts will be made in each patient room to prevent patient and staff injuries. The LED lighting could improve color rendition for clinical evaluations. The patients' entertainment and information system could serve as the backbone for telemedicine systems."

Population to be Served

In Section III.1, page 38, the applicant provides a map that illustrates CFVMC's service area which is comprised of Cumberland County, Hoke County, Harnett County, Sampson County, Bladen County and Robeson County.

In Section III.4(a) and Section III.5(c), pages 66-69, the applicant provides the current and projected patient origin for acute inpatient services at CFVMC, by county, as illustrated in the table below.

| County | Percent of Total FFY 2013 | PY 1 CY 2017 | PY 2 CY 2018 |
|--------------|------------------------------|-----------------|-----------------|
| Cumberland | 76.4% | 76.3% | 76.2% |
| Bladen | 2.0% | 2.8% | 2.9% |
| Harnett | 5.5% | 5.2% | 5.2% |
| Hoke | 4.6% | 2.3% | 2.3% |
| Robeson | 6.0% | 7.3% | 7.4% |
| Sampson | 3.1% | 3.5% | 3.5% |
| Other* | 2.5% | 2.6% | 2.5% |
| Total | 100.0% | 100.0% | 100.0% |

*Other – See Exhibit 37 which contains a copy of CFVMC’s License Renewal Application which identifies the counties included in “Other”

As illustrated in the table above, the applicant projects a slight change in the patient origin for acute inpatient services with the biggest decrease in patient origin occurring in Hoke County. The projected decrease in patient’s being served from Hoke County is due to the development of Hoke Community Medical Center (HCMC), a 41-bed hospital in Hoke County, which is part of the Cape Fear Valley Health System (CFVHS). The applicant reports that HCMC is under construction and will open in early 2015.

In Section VI, page 92, 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:

“The policy of Cape Fear Valley Health System is that all services are available to all patients upon the request of physicians with appropriate privileges, regardless of race, sex, income status, ability to pay, disability, age, or other underserved characteristics. ...”

The applicant adequately identified the population to be served.

Need Analysis

In Section III.1(a), pages 40-49, the applicant states the need for 34 additional acute care beds at CFVMC is based on the following:

- Need determination in the 2014 SMFP [see page 40 of the application].
- High Utilization of Inpatient Services at CFVMC [see pages 40-42 of the application].
- Population growth in the CFVMC Service Area [see pages 42-43 of the application].
- Market Share Analysis [see pages 43-45 of the application].
- Economic growth and development in Cumberland County [see pages 45-49 of the application].

Regarding historical utilization of acute care beds, on pages 40-41, the applicant states:

“For the last seven years, CFVMC operated its existing licensed acute care beds at well over the target planning occupancy levels for hospitals with ADCs between 200-400 and, within the last three years, greater than 400 patients per day included in the annual SMFP Acute Care Bed Chapter. The following table shows historical utilization of licensed acute care beds at CFVMC, as reported in the annual SMFP.

*Cape Fear Medical Center
 Historical Acute Care Bed Utilization
 Fiscal Year October 1, 2006 – September 30, 2013*

| | FFY 2007 | FFY 2008 | FFY 2009 | FFY 2010 | FFY 2011 | FFY 2012 | FFY 2013 |
|--------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|-----------------|
| <i>Patient Acute Care Days</i> | 136,755 | 140,017 | 150,096 | 154,432 | 170,143 | 167,859 | 169,213 |
| <i>ADC</i> | 374.7 | 397.3 | 411.2 | 423.1 | 466.1 | 459.9 | 463.6 |
| <i>Licensed Bed Capacity</i> | 397 | 487 | 490 | 490 | 490 | 490 | 490 |
| <i>SMFP Target Occupancy</i> | 75.2% | 75.2% | 78.0% | 78.0% | 78.0% | 78.0% | 78.0% |
| <i>Occupancy Licensed Beds</i> | 94.4% | 81.6% | 83.9% | 86.3% | 95.1% | 93.9% | 94.6% |

Source: SMFPs; FFY 2013 Truven data from Proposed 2015 SMFP; Exhibit 30, Table 1,2

Note: CFVMC recently received its 20th approval for temporary licensed beds from DHSR ...

The previous table shows growth in acute care inpatient days, and ADC at CFVMC. Utilization of operational beds exceeds 80% during the last seven years. CFVMC has 41 acute care beds under development at Hoke Community Medical Center in Hoke County and 65 acute care beds under development at Cape Fear Valley North in northern Cumberland Count. If those 106 beds are included in CFVMC’s acute care bed capacity, utilization of total licensed and approved acute care beds in FFY 2013 would equal 78%; the SMFP planning target for facilities with an ADC of 400 or more patients per day.

... Utilization of the 490 licensed acute care beds at CFVMC exceeded 83% in FFY 2009. In FFY 2013, CFVMC’s total acute inpatient days totaled 169,213 patient days which resulted in an occupancy rate of 94.6%.

Since March 2011, CFVMC requested and received twenty approvals for a temporary increase of 10 percent in licensed acute care bed capacity from DHSR License Section pursuant to N.C.G.S. §131E-83. Since March 2011, CFVMC has operated 490 licensed acute care beds plus 49 additional temporary acute care beds pursuant to those twenty requests. The most current approval, received May 1, 2014 will expire on July 1, 2014. ... Those temporary increase have been due to the extremely high utilization of acute inpatient services at CFVMC.”

In Section III.1(b), page 57, the applicant states:

“... CFVMC has dealt with operational challenges as a result of the high utilization of the existing acute care beds. The addition of 34 acute care beds will help to alleviate some of the operational challenges associated with prolonged high occupancy levels.”

Projected Utilization

In Section II.8, page 35 and Exhibit 30, the applicant provides projected utilization for all licensed acute care beds to be operated by CFVMC in Cumberland County, in PY 3 (CY 2019), as illustrated in the table below.

| | Current Number of Existing/ Approved Beds | Proposed Beds | Projected Acute Care Patient Days PY 3 |
|---|---|---------------|--|
| CFVMC | 490 | 34 | 155,304 |
| CFV-North | 65 | | 17,591 |
| ADC | | | 473.7 |
| Total Existing/Approved/ Proposed Acute Care Beds | | | 589 |
| Projected Occupancy Level Total CFVHS | | | 80.4% |

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 54-57, the applicant provides the assumptions and methodology used to project utilization during the first three years of the proposed project, as follows:

“Step 1: Determine CFVMC Base Acute Inpatient Days

CFVMC utilized actual calendar year 2013 inpatient days, from its internal Decision Support Service (DSS) database ... as the base to project future acute inpatient days. ... CFVHS inpatient days reported on the Annual Licensure Renewal Application using this database and Truven inpatient days in the annual SMFP show little variance, therefore using the DSS database is reasonable. Due to ongoing efforts to decrease average length of stay at CFVMC patient days decreased from FFY 2013 to CY 2013. ... The CY 2013 CFVMC DSS inpatient days at CFVMC totaled 166,909 acute inpatient days ...

Step 2: Determine CFVMC Acute Inpatient Day Growth Rate

...

CFVMC utilized ... a 1.0% [population] growth rate, for interim years and Project Years 2 and 3. Growth for the first year the new sixth floor is open is greater, 5% and is based upon additional growth expected for the year the acute care beds open to meet pent up demand in the Service Area. This growth rate is less than the actual growth of 5.8% experienced at CFVMC from CY 2007 to CY 2008 after the new Valley Pavilion opened in 2008 with 90 new beds, and is less than the actual growth of 7.3% experienced at CFVMC from CY 2010 to CY 2011 when the 49 temporary acute care beds became operational. ...

Step 3: Project Future CFVMC Patient Days

The following table reflects projected patient days for CFVMC, prior to any adjustments for volumes shifted to CFV North and HCMC.

*Cape Fear Valley Medical Center
 Projected Acute Care Patient Days – Calendar Years*

| | CY 2013 | CY 2014 | CY 2015 | CY 2016 | PY 1 CY 2017 | PY 2 CY 2018 | PY 3 CY 2019 |
|---|----------------|----------------|----------------|----------------|-------------------------|-------------------------|-------------------------|
| <i>CFVMC Projected Interim and Future Patient Days (includes volume to be shifted to CFV North [sic] Volume and HCMC)</i> | 166,909 | 168,578 | 170,264 | 171,967 | 180,565 | 182,370 | 184,194 |
| <i>Projected Growth Rate</i> | | 1.00% | 1.00% | 1.00% | 5.00% | 1.00% | 1.00% |
| <i>ADC</i> | 457.3 | 461.9 | 466.5 | 471.1 | 494.7 | 499.6 | 504.6 |
| <i>Occupancy Rate</i> | 93.3% | 94.3% | 95.2% | 84.9% | 84.0% | 84.8% | 85.7% |
| <i>Projected Bed Need @ 78% (SMFP Planning Target)</i> | 586 | 592 | 598 | 604 | 634 | 641 | 647 |
| <i>Licensed Bed Capacity (Includes All Licensed, Approved and Proposed Acute Care Beds)</i> | 490 | 490 | 490 | 555 | 589 | 589 | 589 |
| <i>Additional Bed Need</i> | 96 | 102 | 108 | 49 | 45 | 52 | 58 |

Source: Exhibit 30, Table 1 Numbers may not foot due to rounding.

As shown in the previous table, projected patient days using growth rates discussed in Step 2 results in an occupancy rate exceeding 85% at completion of the proposed project. ...

Projected volume was converted to FFYs for the interim timeframe as reflected in the following table.

*Cape Fear Valley Medical Center
 Projected Acute Care Patient Days – Calendar Years*

| | FFY 2013 | FFY 2014 | FFY 2015 | FFY 2016 | FFY 2017 Q1 | PY 1 CY 2017 | PY 2 CY 2018 | PY 3 CY 2019 |
|--|---------------------|---------------------|---------------------|---------------------|----------------------------|-----------------------------|-----------------------------|-----------------------------|
| <i>CFVMC Projected Patient Days (includes volume to be shifted to CFVN and Hoke)</i> | 169,213 | 168,161 | 169,842 | 171,541 | 42,992 | 180,565 | 182,370 | 184,194 |

*Source: Exhibit 30, Table 1
 Numbers may not foot due to rounding.*

Step 4: Adjusted CFVMC Projected Utilization for Volume Shift to New Community Hospitals

To adjust for volume to be shifted to CFV North and HCMC, CFVMC adjusted the projected patient days from the respective approved CON applications. For both CONs, a zip code

service area was utilized. CFVMC reviewed and compared FFY 2013 projected utilization in both CON applications to actual FFY 2013 utilization by zip code and then adjusted the projections to reflect the projected operational date through December 2019 accordingly. ... CFV North and HCMC patient day projections were converted to CFVMC project years, and subtracted from total days projected in Step 3. The following table reflects total adjusted patient days for CFVMC.

*Cape Fear Valley Medical Center
 Projected Acute Care Patient Days*

| | FFY 2013 | FFY 2014 | FFY 2015 | FFY 2016 | FFY 2017 Q1 | PY 1 CY 2017 | PY 2 CY 2018 | PY 3 CY 2019 |
|--|---------------------|---------------------|---------------------|---------------------|----------------------------|-----------------------------|-----------------------------|-----------------------------|
| <i>CFVMC Projected Interim and Future Patient Days Less volume shifted to CFV North and HCMC</i> | 166,701 | 168,161 | 164,900 | 158,612 | 37,350 | 155,961 | 154,519 | 155,304 |
| <i>Admissions</i> | 31,635 | 31,348 | 30,740 | 29,568 | | 29,073 | 28,805 | 28,951 |
| <i>ALOS (FY 2013 held constant)</i> | 5.4 | 5.4 | 5.4 | 5.4 | | 5.4 | 5.4 | 5.4 |
| <i>ADC</i> | 464.9 | 460.7 | 451.8 | 434.6 | 407.9 | 427.3 | 423.3 | 425.5 |
| <i>Licensed Bed Capacity (Includes proposed 34 beds)</i> | 490 | 490 | 490 | 490 | 490 | 524 | 524 | 524 |
| <i>Occupancy Rate</i> | 94.9% | 94.0% | 92.2% | 88.7% | 83.3% | 81.5% | 80.8% | 81.2% |

Source: Exhibit 30, Table 1

Projected patient days at CFVMC from Project Year 1 to Project Year 3 reflect a shift in patient days to CFV North and HCMC, respectively. The patient day volume at CFVMC in PY 3, 155,304 acute inpatient days, results in a reasonable utilization rate of 81.2% for the proposed 524 acute care beds, all of which will be operational on January 1, 2017.

CFVMC considered the potential impact of the new Harnett Health System 50 bed community hospital in Harnett County on the CFVMC future utilization. ... CFVMC meets the needs of 14.2% of total admission from Harnett County which has increased since the opening of the new Harnett Health System 50 bed community hospital in Harnett County. These are patient that seek primary care in Cumberland County with Cumberland County physicians and are subsequently referred to Cumberland County hospitals for inpatient care. ...Therefore, CFVMC does not expect the new Harnett Health System community hospital to impact future utilization. ...”

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

Access to Services

In Section VI.2, page 92, the applicant states, “*The policy at Cape Fear Valley Health System is that all services are available to all patients upon the request of physicians with appropriate privileges, regardless of race, sex, income status, ability to pay, disability, age, or other underserved characteristics. ...*”

In Section VI, page 99, the applicant projects that in PY 2, 76% of patients who receive services at CFVMC will have part or all of the services paid for by Medicare (51.7%) or Medicaid (24.3%). The applicant adequately demonstrates the extent to which all residents of the service area, including underserved groups, are likely to have access to the proposed services.

Conclusion

In summary, the applicant adequately:

- 1) identifies the population to be served.
- 2) demonstrates the need that the population has for the proposed project.
- 3) demonstrates the extent to which residents of the service area, including underserved groups, are likely to have access to the proposed services.

Therefore, the application is conforming to this criterion.

- (3a) In the case of a reduction or elimination of a service, including the relocation of a facility or a service, the applicant shall demonstrate that the needs of the population presently served will be met adequately by the proposed relocation or by alternative arrangements, and the effect of the reduction, elimination or relocation of the service on the ability of low income persons, racial and ethnic minorities, women, handicapped persons, and other underserved groups and the elderly to obtain needed health care.

NA

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

C

In Section III.3, pages 65-66, the applicant describes the alternatives it considered which include the following:

- 1) Maintain Status Quo – The applicant concluded that given the continual increase in patient days since 2008, to do nothing would not be in the best interest of CFVMC or the patients it serves.

- 2) Add 34 New Acute Care Beds to CFV North – The applicant concluded that projected utilization for CFV-North, as proposed in its CON application (Project I.D # M-8689-11), supports only the 65 beds to serve the population in northern Cumberland County. Thus, adding 34 beds to CFV-North would not be the least costly or most effective alternative to meet the need for the additional acute beds in Cumberland County.
- 3) Convert Highsmith Rainey Specialty Hospital Back to an Acute Care Hospital (HRSH) – The applicant concluded that this option would require constructing additional space and relocating the long-term care hospital. Therefore this option is not the least costly or most effective alternative to meet the need for additional acute care beds in Cumberland County.
- 4) Convert Unlicensed Observation Beds At CFVMC – The applicant concluded that it did not have 34 unlicensed observation beds in locations that could function efficiently as a unit.
- 5) Develop the Project as Proposed – The applicant concluded that the proposed project to add 34 acute care beds by constructing a new patient floor on top of the Valley Pavilion was the most effective alternative to meet the need for additional acute care beds in Cumberland County.

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 Cumberland County. Therefore, the application is conforming to this criterion and is approved subject to the following conditions:

- 1. Cumberland County Hospital System, Inc. d/b/a Cape Fear Valley Medical Center shall materially comply with all representations made in the certificate of need application.**
- 2. Cumberland County Hospital System, Inc. d/b/a Cape Fear Valley Medical Center 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. Cumberland County Hospital System, Inc. d/b/a Cape Fear Valley Medical Center shall add no more than 34 acute care beds for a total of no more than 589 acute care beds upon completion of Project M-8689-11 (add 65 acute care beds to Cape Fear Valley - North) and this project.**
- 4. Cumberland County Hospital System, Inc. d/b/a Cape Fear Valley Medical Center shall develop and implement an energy efficiency and sustainability plan for the project that conforms to or exceeds energy efficiency and water conservation**

standards incorporated in the latest editions of the North Carolina State Building Codes.

- 5. Prior to issuance of the certificate of need, Cumberland County Hospital System, Inc. d/b/a Cape Fear Valley Medical Center shall acknowledge acceptance of and agree to comply with all conditions stated herein in writing to the Certificate of Need Section.**
- (5) Financial and operational projections for the project shall demonstrate the availability of funds for capital and operating needs as well as the immediate and long-term financial feasibility of the proposal, based upon reasonable projections of the costs of and charges for providing health services by the person proposing the service.

C

In Section VIII.2(c), page 110, the applicant states the total capital cost of the project will be \$30,000,000 including \$40,000 for site costs, \$24,577,550 for construction contract, \$2,411,924 for fixed equipment purchase/lease, \$1,710,000 for architect & engineering fees, \$210,000 for CON and other fees, and \$1,050,526 for other (contingency). In Section IX, page 114, the applicant states there will be no start-up or initial operating expenses associated with the proposed project. In Section VIII.3, page 111, the applicant states that the project will be funded by means of Cape Fear Valley Health System's accumulated reserves. Exhibit 3 contains a June 16, 2014 letter signed by the Chief Financial Officer for the Cape Fear Valley Health System, which states:

“Cape Fear Valley Health System is positioned financially to fund the project cost of \$30,000,000 through operations and/or accumulated case reserves. Funds are available, and CFVMC commits to using these funds for this project ...”

Exhibit 5 of the application contains the audited financial statements for Cumberland County Hospital System, Inc. d/b/a Cape Fear Valley Health System for the years ending September 30, 2013 and September 30, 2012. As of September 30, 2013, Cape Fear Valley Health System had \$63,636,000 in cash and cash equivalents, \$868,483,000 in total assets and \$412,828,000 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 | \$1,381,300,740.27 | \$1,436,955,838.58 | \$1,516,468,777.51 |
| Deductions from Gross Patient Revenue | \$1,091,227,584.82 | \$1,142,379,891.67 | \$1,213,175,022.01 |
| Net Patient Revenue | \$290,073,155.46 | \$294,575,946.91 | \$303,293,755.50 |
| Total Expenses | \$233,403,135.22 | \$236,838,828.22 | \$243,802,979.36 |
| Net Income | \$1,668,005.00 | \$3,119,428.49 | \$4,922,013.41 |

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

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. The discussion regarding projected utilization found in Criterion (3) is incorporated herein by reference. 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

There is only one existing and approved acute care hospital in the Cumberland County Service Area, which is owned by CCHS. The 65 beds at CFV-North will be licensed as part of CFVMC. The applicant projects that CFV-North will be operational by April 2016. The table below illustrates the number of existing and approved acute care beds in Cumberland County.

| Facility | # of Existing and Approved Acute Care Beds |
|-----------|---|
| CFVMC | 490 |
| CFV-North | 65 |
| Total | 555 |

The 2014 State Medical Facilities Plan identified an adjusted need determination for 34 additional acute care beds in the Cumberland County Service Area. CFVMC 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 CFVMC. The discussion regarding need found in Criterion (3) is incorporated herein by reference. Therefore, the applicant adequately demonstrates that its proposal would not result in unnecessary duplication of existing or approved acute care beds in the Cumberland 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

In Section VII.1, page 101, the applicant reports a current total of 924.4 full-time equivalent (FTE) positions at CFVMC for all acute inpatient beds including the 49 temporary licensed acute care beds approved through DHSR. On page 102, the applicant projects a decrease of 65.3 FTE positions for a total of 859.1 FTE positions at CFVMC in the second full operating year of the proposed project. Those changes consist of the following:

- The reduction of 1 Patient Care Manager
- The addition of 1.1 Resource RNs
- The reduction of 34.4 RNs
- The reduction of 1.7 LPNs
- The reduction of 18.6 NAII
- The reduction of 1.7 Sitters
- The addition of 0.5 Unit Secretary
- The reduction of 9.5 Monitor Tech

The number of FTE positions reflect the addition of the proposed 34 acute care beds and the discontinued use of the 49 temporary licensed acute care beds.

The applicant provides its assumption regarding projected staffing on pages 103-104. In Section VII.6, pages 105-106, the applicant describes its experience and procedures for recruiting and retaining personnel. In Section VII.8, page 107, the applicant identifies Dr. Bradley Broussard as the Medical Director of CFVMC. The applicant demonstrates the availability of adequate health manpower and management 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

In Section II.2(a), page 20, the applicant states CFVMC currently provides the acute care services proposed in this application, and all the necessary ancillary and support services are currently available.

Exhibit 16 contains a letter from the CEO of CFVHS documenting the necessary ancillary and support services will continue to be available at CFVMC. 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.

- (9) An applicant proposing to provide a substantial portion of the project's services to individuals not residing in the health service area in which the project is located, or in adjacent health service areas, shall document the special needs and circumstances that warrant service to these individuals.

NA

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

NA

- (11) Repealed effective July 1, 1987.
- (12) Applications involving construction shall demonstrate that the cost, design, and means of construction proposed represent the most reasonable alternative, and that the construction project will not unduly increase the costs of providing health services by the person proposing the construction project or the costs and charges to the public of providing health services by other persons, and that applicable energy saving features have been incorporated into the construction plans.

C

In Section XI.4, pages 120-121, the applicant proposes to add 70,970 square feet of new construction which will consist of 30,729 square feet for the 5th floor mechanical space and 40,240 square feet for the 6th floor acute care unit. The applicant further states on page 121, that the total cost, per square feet is projected to be \$422.41. Exhibit 10 contains a certified estimate letter dated May 13, 2014 from RPA Design, P.C. The estimated total construction cost is projected to be \$24,577,550 which is consistent with the information found in Section VIII, page 110 of the application for construction contract cost. Exhibit 10 also contains the applicant's energy efficiency and sustainability plan and water conservation plan. Exhibit 9

contains the Site and Floor Plans. The discussion regarding energy conservation found in Criterion (1) is incorporated herein by reference.

The applicant adequately demonstrates that applicable energy saving features have been incorporated into the construction plans. The applicant adequately demonstrates that the cost, design, and means of construction represent the most reasonable alternative for the proposal. Furthermore, the applicant adequately demonstrates the project will not unduly increase costs or charges. The discussion of costs and charges found in Criterion (5) is incorporated herein by reference. Therefore, the application is conforming.

- (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

The following tables show inpatient admissions by payor, including normal newborns, for acute care hospitals in North Carolina and Cumberland County. For North Carolina, the data is based on 1,085,551 inpatient admissions. For Cumberland County, the data is based on 37,384 inpatient admissions.

**North Carolina Hospital Admissions by Payer
 Category-FFY 2012**

| Payer Category | Percent of Total |
|-----------------------|-------------------------|
| Commercial/HMO | 31.0% |
| Medicaid | 22.3% |
| Medicare | 37.6% |
| Other | 3.3% |
| Uninsured | 5.8% |
| Total | 100.0% |

Source: Cecil B. Sheps Center for Health Services Research

**Cumberland County Hospital Admissions by Payer
 Category-FFY 2012**

| Payer Category | Percent of Total |
|-----------------------|-------------------------|
| Commercial/HMO | 18.4% |
| Medicaid | 30.0% |
| Medicare | 39.4% |
| Other | 7.1% |
| Uninsured | 5.2% |
| Total | 100.0% |

Source: Cecil B. Sheps Center for Health Services Research

In Section VI.12 and VI.13, page 98, the applicant provides the payor mix during FFY 2013 for the entire hospital (inpatient and outpatient services) and its general acute care beds, as illustrated in the table below:

| Payor Source | % of Total | |
|-----------------------------------|------------------------|-----------------------------|
| | Entire Hospital | Acute Inpatient Beds |
| Self Pay / Indigent / Charity | 4.9% | 5.3% |
| Medicare / Medicare Managed Care | 51.7% | 51.3% |
| Medicaid | 24.3% | 25.3% |
| Commercial Insurance/Managed Care | 16.9% | 13.8% |
| Other (Worker's Comp) | 2.2% | 4.3% |
| Total | 100.0% | 100.0% |

In Section VI.2, page 92, the applicant states:

“The policy of Cape Fear Valley Health System is that all services are available to all patients upon the request of physicians with appropriate privileges, regardless of race, sex, income status, ability to pay, disability, age, or other underserved characteristics. ... In Cumberland County, Cape Fear Valley Health System’s

allowances for Medicare, Medicaid, Charity, and Bad Debt accounts for the fiscal year ended September 30, 2013, was \$1,427,990,000 billion [sic].

FY 2013:

| | |
|--|-------------------------|
| <i>Medicare/Medicaid net write-off</i> | <i>\$1,245,143,000</i> |
| <i>Charity</i> | <i>43,909,000</i> |
| <i>Bad Debts</i> | <i>138,938,000</i> |
| <i>Total</i> | <i>\$1,427,990,000”</i> |

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 Cumberland 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 |
|------------|--|---|---|
| Cumberland | 15% | 7.3% | 20.3% |
| 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 or handicapped persons utilizing health services.

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

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

C

Recipients of Hill-Burton funds were required to provide uncompensated care, community service and access by minorities and handicapped persons. In Section VI.11, page 97, the applicant states:

“Cape Fear Valley Health System is a recipient of federal funds, and as such is in compliance with all applicable federal regulations to ensure the continuance of these funds. In October 1985, CFVHS was informed that it had fulfilled all of its Hill-Burton requirements. However, CFVHS continues its admission policy to provide equal access to care without discrimination and without regard to race, color, age, creed, national origin, or source of payment. ... ”

See Exhibit 42 for a copy of CFVHS’s Admission and Credit/Charity Policy. In Section VI.10(a), page 97, the applicant states that there have been no patient civil rights access complaints filed against CFVMC in the last five years. The applicant further states that the one complaint that was filed against CFVMS occurred in August 2007 at Highsmith Rainey Memorial Hospital. 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

In Section VI.14 and VI.15, page 99, the applicant projects the following payer mix in Project Year 2 (CY 2018) for the entire hospital and the acute care bed service component.

| Payer Category | Patient Days as % of Total Utilization | |
|-----------------------------------|--|----------------------|
| | Entire Hospital | Acute Inpatient Beds |
| Self Pay/Indigent/Charity | 4.9% | 5.3% |
| Medicare/Medicare Managed Care | 51.7% | 51.3% |
| Medicaid | 24.3% | 25.3% |
| Commercial Insurance/Managed Care | 16.9% | 0.0% |
| Managed Care | 0.0% | 13.8% |
| Other (Worker's Comp) | 2.2% | 4.3% |
| Total | 100.0% | 100.0% |

In Section VI.15(b), page 100, the applicant states:

“For the purposes of this application, payor mix for Cape Fear Valley Medical Center and proposed additional 34 acute beds was based on review of the FFY 2013 payor mix data from Cape Fear Valley Health System Inpatients that included patients from the CFVHS service area and received inpatient acute care services. ...”

The applicant further states on page 100, that the impact of the Affordable Care Act (ACA) on CFVMC revenues is not yet known. Therefore, for the purposes of this application, the applicant did not make any assumptions with regards to the impact that the ACA could have.

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

In Section VI.9(a), page 96, the applicant states persons have access to the services at CFVMC through physician referral from a hospitalist or admitting physician with privileges, personal physician referral, being admitted through the emergency department and patients referred from other healthcare providers (i.e. nursing homes, urgent care, imaging and ambulatory surgery centers). 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

In Section V.1, pages 75-78, the applicant identifies the health professional training programs that CFVMC has 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

The applicant operates the only acute care hospital in Cumberland County which provides care to residents of Cumberland County and to residents who live in the five contiguous counties (Bladen, Harnett, Hoke, Robeson and Sampson). In Section V.7, pages 89-91, the applicant discusses how any enhanced competition in the service area will promote cost effectiveness, quality and access to the proposed services. See also Sections II, III, VI and VII of the application where the applicant discusses the impact of the project on cost effectiveness, quality and access.

The information in the application is reasonable and credible and adequately demonstrates that any enhanced competition in the service area includes a positive impact on cost effectiveness, quality and access to the proposed services. This determination is based on the information in the application and the following analysis:

- The applicant adequately demonstrates the need to develop 34 additional acute care beds and that it is a cost effective alternative. The discussion regarding need found in Criterion (3) and the discussion regarding alternatives found in Criterion (4) is incorporated herein by reference.
- The applicant adequately demonstrates that it will continue to provide quality services.
- The applicant demonstrates that it will continue to provide adequate access to medically underserved populations. The discussion regarding access found in Criterion (13) is incorporated herein by reference.

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

CFVMC 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

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.

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- The applicant used 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- In Section II.8 pages 26-27, the applicant states that it proposes to add 34 acute care beds to CFVMC for a total of 589 acute care beds following completion of this project and Project I.D. # M-8689-11 (develop 65-bed satellite hospital).
 - (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- In Section II.8, page 27 and Exhibits 35 and 36, 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- 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 9 for a line drawing of the proposed additional 34 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- In Section II.8, pages 28-29, the applicant provides the number of patient days of care provided in the existing licensed acute care beds at CFVMC during CY 2013 by medical diagnostic category (MDC) as classified by the Centers for Medicare and Medicaid Services (CMS) according to the list set forth in the 2014 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- In Section II.8, page 30, the applicant provides 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 CY 2017 | PY 2 CY 2018 | PY CY 2019 |
| Cumberland | 76.2% | 119,019 | 117,766 | 118,297 |
| Bladen | 2.9% | 4,436 | 4,480 | 4,525 |
| Harnett | 5.2% | 8,166 | 8,017 | 8,029 |
| Hoke | 2.3% | 3,555 | 3,577 | 3,654 |
| Robeson | 7.4% | 11,309 | 11,421 | 11,540 |
| Sampson | 3.5% | 5,358 | 5,397 | 5,447 |
| Other** | 2.5% | 4,117 | 3,862 | 3,813 |
| Total | 100.0% | 155,961 | 154,519 | 155,304 |

*Indicates projected % for PY 2 and PY 3. PY 1 % differs slightly for the following counties: Cumberland 76.3%; Bladen 2.8%; Robeson 7.3%; and Other 2.6%.

**Reflects other NC counties and states which make-up a % of the patient origin at CFVMC.

***Days adjusted to reflect the impact of CFV-North and HCMC.

See Exhibit 30 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- In Section II.8, page 31, Exhibit 16 and Exhibit 36, 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- In Section II.8, pages 31-32 and Exhibit 36, the applicant provides documentation that the hospital’s emergency department services are available 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.
- (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- See Exhibit 42 (Charity Policies), Exhibit 46 (Admission Policies), also see 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- In Exhibit 36, the applicant provides a written commitment from the President and CEO of CFVMC 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- In Section II.8, page 32, the applicant provides the payor mix for CFVHS during CY 2010, CY 2011, CY 2012 and CY 2013, which shows that CFVHS provides services to the groups identified in this Rule.
- (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- In Section II.8, pages 32-33 and Exhibit 3, the applicant provides documentation of strategies to be used and activities undertaken by CFVMC 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- In Section II.8, pages 28-29 and Exhibit 36, the applicant documents that CFVMC provides 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- The applicant 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- In Section II.8, pages 34-35, and Exhibit 30, Table 9, the applicant projects that the utilization rate for all CFVM hospitals in the Cumberland County Service Area will be 80.4% in the third Project Year (CY2019) following completion of the proposed project. See the following table.

| Combined Total Acute Care Beds: CFVMC & CFV - North | PY 1 CY 2017 | PY 2 CY 2018 | PY 3 CY 2019 |
|--|-------------------------|-------------------------|-------------------------|
| Acute Care Days of Care | 169,414 | 171,072 | 172,895 |
| Number of Licensed Beds | 589 | 589 | 589 |
| ADC | 464.1 | 468.7 | 473.7 |
| Occupancy Rate | 78.8% | 79.6% | 80.4% |

Note: The applicant provides the projected utilization rate for CFVMC only on page 34.

Projected utilization is based on reasonable and adequately supported assumptions. The discussion regarding projected utilization found in Criterion (3) is incorporated herein by reference.

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

-C- See Section II.8, page 35 Section III.1, pages 38-58 and Exhibit 30. The applicant's assumptions and data used to project utilization support the projected utilization and average daily census. The discussion regarding projected utilization found in Criterion (3) is incorporated herein by reference.

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- In Section II.8, page 36, the applicant states that as an existing acute care facility, "*The services listed in subsections (1) through (11) are available at CFVMC 24 hours per day, 7 days per week.*" Exhibit 36 contains a letter from the President and CEO of CFVMC regarding the continued availability of the services listed in this Rule at CFVMC.

(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- In Section II.8, page 36, 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- In Section II.8, page 36, 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- Exhibit 36 contains a letter from the President and CEO of CFVMC documenting that the proposed staff 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- In Section II.8, page 36, the applicant identifies the two individuals who will serve as Chief Executive Officer and Chief Nursing Executive. Exhibit 36 contains letters from each individual 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- The applicant 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- In Section VII.8(b), page 108, 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 CFVMC.

(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- In Section VII.1(b), page 102, 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 CFVMC.