

ATTACHMENT - REQUIRED STATE AGENCY FINDINGS

FINDINGS

C = Conforming

CA = Conditional

NC = Nonconforming

NA = Not Applicable

Decision Date: May 24, 2018

Findings Date: May 24, 2018

Project Analyst: Julie M. Faenza

Assistant Chief: Lisa Pittman

Project ID #: F-11463-18

Facility: Carolinas Rehabilitation

FID #: 180102

County: Mecklenburg

Applicant: The Charlotte-Mecklenburg Hospital Authority

Project: Consolidate and relocate outpatient rehabilitation services in Pineville to a new medical office building in Pineville

REVIEW CRITERIA FOR NEW INSTITUTIONAL HEALTH SERVICES

N.C. Gen. Stat. §131E-183(a) The Agency shall review all applications utilizing the criteria outlined in this subsection and shall determine that an application is either consistent with or not in conflict with these criteria before a certificate of need for the proposed project shall be issued.

- (1) The proposed project shall be consistent with applicable policies and need determinations in the State Medical Facilities Plan, the need determination of which constitutes a determinative limitation on the provision of any health service, health service facility, health service facility beds, dialysis stations, operating rooms, or home health offices that may be approved.

C

The Charlotte-Mecklenburg Hospital Authority (CMHA), the parent company of Carolinas Rehabilitation (CR), proposes to consolidate and relocate existing outpatient rehabilitation services in Pineville to a new medical office building on the campus of CHS Pineville.

Need Determination

The proposed project does not involve the addition of any new health service facility beds, services, or equipment for which there is a need determination in the 2018 State Medical Facilities Plan (SMFP).

Policies

There is one policy in the 2018 SMFP that is applicable to this review: Policy GEN-4: Energy Efficiency and Sustainability for Health Service Facilities, on page 33.

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

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

In approving a certificate of need proposing an expenditure greater than \$5 million to develop, replace, renovate or add to a health service facility pursuant to G.S. 131E-178, Certificate of Need 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 is required to submit a plan of 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.”

The proposed capital expenditure for this project is greater than \$2 million and less than \$5 million. In Section B.11, pages 27-28, the applicant describes the project’s plan to assure improved energy efficiency and water conservation. The applicant adequately demonstrates that the application includes a written statement describing the project’s plan to assure improved energy efficiency and water conservation. Therefore, the application is consistent with Policy GEN-4.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Information publicly available during the review and used by the Agency

Based on that review, the Agency concludes that the application is conforming to this criterion for the following reasons:

- The applicant does not propose the addition of any new health service facility beds, services, or equipment for which there is a need determination in the 2018 SMFP.
 - The applicant adequately demonstrates that the proposal is consistent with Policy GEN-4 because it includes a written statement describing the project’s plan to assure improved energy efficiency and water conservation.
- (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

CMHA, the parent company of CR, proposes to consolidate and relocate existing outpatient rehabilitation services in Pineville to a new medical office building on the campus of CHS Pineville. The existing outpatient rehabilitation services, located in Pineville, are affiliated with CR, located in Charlotte, and not directly affiliated with rehabilitation services located at CHS Pineville.

Patient Origin

Neither the 2018 SMFP nor the CON statutes and rules define the service area for outpatient rehabilitation services. Therefore, the proposed service area for this review, as defined by the applicant on page 38, is Mecklenburg and Union counties, which the applicant states is where 71.4 percent of its patients originated from in CY 2017. The applicant may also serve residents of counties not included in its proposed service area.

In Section C.2, page 31, the applicant provides the historical patient origin for outpatient rehabilitation services in Pineville for the last full calendar year, as shown in the table below.

CR Pineville Outpatient Patient Origin – CY 2017	
County	% of Total
Mecklenburg	65.5%
Union	5.9%
Other*	28.6%
Total	100.0%

*Other includes less than 1% patient origin from Gaston, Catawba, Stanly, Montgomery, Lincoln, Cherokee, Cleveland, Rowan, Buncombe, Rutherford, Martin, Chatham, Forsyth, Henderson, Anson, Iredell, and New Hanover counties; South Carolina; and other states.

In Section C.3, page 32, the applicant projects the origin of the patient population it proposes to serve during the first three years of operation following project completion, as shown in the table below.

CR Pineville Outpatient Projected Patient Origin CYs 2020-2022	
County	% of Total
Mecklenburg	65.5%
Union	5.9%
Other*	28.6%
Total	100.0%

*Other includes less than 1% patient origin from Gaston, Catawba, Stanly, Montgomery, Lincoln, Cherokee, Cleveland, Rowan, Buncombe, Rutherford, Martin, Chatham, Forsyth, Henderson, Anson, Iredell, and New Hanover counties; South Carolina; and other states.

In Section C.3, page 32, the applicant provides the assumptions and methodology used to project patient origin. The applicant's assumptions are reasonable and adequately supported.

Analysis of Need

In Section C.4, pages 33-39, the applicant discusses the need for the project. The applicant states that the need for the project is based on the following factors:

- Inadequate Existing Location (pages 33-36)

On pages 33-36, the applicant explains some of the current inadequacies and logistical challenges of its current location, including the office being split between two floors; lack of space to expand; lack of parking for patients; and increasing wait times for appointments due to the existing constraints. The applicant states that by consolidating and relocating to the new location, it will almost double its available space; have more access to parking; be located on a single floor; and have adequate space and capacity to keep up with demand for appointments.

- Historical Utilization Growth (pages 36-38)

On pages 36-38, the applicant provides historical utilization for the last four calendar years, and states that it has experienced double digit compound annual growth rates (CAGRs) in the number of patient encounters for physical therapy (PT), occupational therapy (OT), speech therapy (ST), and total patient encounters for all services, as well as in the number of visits for PT, OT, ST, and total visits for all services. The applicant states that the growth is a result of the development and growth of acute care services at CHS Pineville as well as the development of Pineville Inpatient Rehabilitation, a 29-bed inpatient rehabilitation facility on CHS Pineville's campus, which became operational in 2013.

- Population Growth and Aging (pages 38-39)

On page 38, the applicant provides population data from the NC Office of State Budget and Management for Mecklenburg and Union counties, which shows the population in both counties increasing over the next five years. On page 39, the applicant provides the same population data for the population age 65 and older, which shows the population age 65 and older in both counties increasing by more than double the rate of the general population increase in those counties over the next five years.

The information is reasonable and adequately supported for the following reasons:

- The applicant provides a reasonable explanation of why its existing facility is not currently meeting the needs of the patients proposed to be served.
- The applicant cites appropriate data that correlates to Mecklenburg and Union counties.
- The applicant relies on historical utilization to justify the need.

Projected Utilization

In Section Q, the applicant provides historical and projected utilization as illustrated in the table below.

CR Historical/Projected Utilization – Pineville						
	Historical	Interim	Interim	Year 1	Year 2	Year 3
	CY 2017	CY 2018	CY 2019	CY 2020	CY 2021	CY 2022
Physical Therapy						
Encounters	4,480	4,671	4,870	5,078	5,295	5,521
Visits	14,315	14,926	16,204	17,565	18,315	19,097
Speech Therapy						
Encounters	857	903	952	1,004	1,058	1,115
Visits	2,498	2,633	2,916	3,223	3,397	3,581
Occupational Therapy						
Encounters	1,381	1,446	1,514	1,586	1,660	1,739
Visits	3,899	4,083	4,709	5,385	5,638	5,904

In Section Q, the applicant provides the assumptions and methodology used to project utilization, which are summarized below.

- The project will be complete in April 2019.
- Operating Year 1 = CY 2020
- Operating Year 2 = CY 2021
- Operating Year 3 = CY 2022

- The applicant provides its historical utilization for CYs 2014-2017 to show the appropriate CAGR for each category, as shown in the table below.

CR Historical Outpatient Rehabilitation Services CYs 2014-2017				
CY	PT	OT	ST	Total
Patient Encounters				
2014	2,791	823	476	4,090
2015	3,146	995	570	4,711
2016	3,836	1,309	788	5,933
2017	4,480	1,381	857	6,718
3-Year CAGR	17.1%	18.8%	21.6%	18.0%
Visits				
2014	9,995	2,578	1,352	13,926
2015	11,132	3,390	1,723	16,244
2016	13,267	4,445	2,530	20,243
2017	14,315	3,899	2,498	20,712
3-Year CAGR	12.7%	14.8%	22.7%	14.1%

The applicant states that the slowdown in growth between CY 2016 and CY 2017 is associated with the constraints of the existing space, and states it expects growth to resume at rates more consistent with rates from previous years once the new space is operational.

- The applicant assumes that patient encounters will increase at a rate of one-fourth of the CAGR for CYs 2014-2017:
 - PT CAGR – 17.1%; $17.1\% / 4 = 4.3\%$
 - OT CAGR – 18.8%; $18.8\% / 4 = 4.7\%$
 - ST CAGR – 21.6%; $21.6\% / 4 = 5.4\%$
- The applicant assumes that the patient visits will be based on a ratio of visits per encounter:
 - CY 2017 ratio of visits to encounters:
 - PT – 14,315 visits / 4,480 encounters = 3.2 visits per encounter
 - OT – 3,899 visits / 1,381 encounters = 2.8 visits per encounter
 - ST – 2,498 visits / 857 encounters = 2.9 visits per encounter
 - CY 2016 ratio of visits to encounters:
 - PT – 13,267 visits / 3,836 encounters = 3.5 visits per encounter
 - OT – 4,445 visits / 1,309 encounters = 3.4 visits per encounter
 - ST – 2,530 visits / 788 encounters = 3.2 visits per encounter
- The applicant states that to project the number of patient visits, which saw slower growth in CY 2017 compared to CY 2016, it uses the CY 2017 ratio of visits to encounters for interim CY 2018; for CY 2019, it uses the CY 2017 ratio of visits to encounters for the first two quarters and, after the project is complete in April 2019, then uses the CY 2016 ratio of visits to encounters for the last two quarters; and for CYs 2020-2022, it uses the CY 2016 ratio of visits to encounters.

- CY 2018 Interim projections based on CY 2017 ratios:
 - PT = 3.2 visits per encounter
 - OT = 2.8 visits per encounter
 - ST = 2.9 visits per encounter

- CY 2019 Interim projections based on CY 2017 ratios for Q1-Q2 and CY 2016 ratios for Q3-Q4:
 - PT = 3.3 visits per encounter
 - OT = 3.1 visits per encounter
 - ST = 3.1 visits per encounter

- CY 2020-2022 Operating Years 1-3 projections based on CY 2016 ratios:
 - PT = 3.5 visits per encounter
 - OT = 3.4 visits per encounter
 - ST = 3.2 visits per encounter

The applicant’s utilization projections, found in Section Q of the application, are shown in the table below.

CR Historical/Projected Utilization – Pineville						
	Historical	Interim	Interim	Year 1	Year 2	Year 3
	CY 2017	CY 2018	CY 2019	CY 2020	CY 2021	CY 2022
Physical Therapy						
Encounters	4,480	4,671	4,870	5,078	5,295	5,521
Growth Rate	--	4.3%	4.3%	4.3%	4.3%	4.3%
Visits	14,315	14,926	16,204	17,565	18,315	19,097
Ratio	--	3.2	3.3	3.5	3.5	3.5
Growth Rate	--	4.3%	8.6%	8.4%	4.3%	4.3%
Speech Therapy						
Encounters	857	903	952	1,004	1,058	1,115
Growth Rate	--	5.4%	5.4%	5.4%	5.4%	5.4%
Visits	2,498	2,633	2,916	3,223	3,397	3,581
Ratio	--	2.9	3.1	3.2	3.2	3.2
Growth Rate	--	5.4%	10.8%	10.5%	5.4%	5.4%
Occupational Therapy						
Encounters	1,381	1,446	1,514	1,586	1,660	1,739
Growth Rate	--	4.7%	4.7%	4.7%	4.7%	4.7%
Visits	3,899	4,083	4,709	5,385	5,638	5,904
Ratio	--	2.8	3.1	3.4	3.4	3.4
Growth Rate	--	4.7%	15.3%	14.4%	4.7%	4.7%

Projected utilization is reasonable and adequately supported for the following reasons:

- The applicant relies on historical utilization to determine projected utilization rates.

- The applicant provides a reasonable explanation as to why growth rates slowed and why they are expected to increase.

Access

In Section C.11, page 49, the applicant states:

“CR does not discriminate based on race, ethnicity, creed, color, sex, age, religion, national origin, handicap, or ability to pay. CR will continue to have a policy to provide all services to all patients regardless of income, racial/ethnic origin, gender, physical or mental conditions, age, ability to pay or any other factor that would classify a patient as underserved. Outpatient services at CR – Pineville will continue to be available to and accessible by any patient, including the medically underserved, having a clinical need for services.”

In Section L.3, page 94, the applicant projects the following payor mix during the second full fiscal year of operation following completion of the project, as illustrated in the following table.

Payor Source	Outpatient PT	Outpatient OT	Outpatient ST
Self-Pay/Charity Care	2.8%	1.8%	2.9%
Medicare*	47.6%	48.0%	46.1%
Medicaid*	5.0%	2.3%	3.6%
Commercial Insurance*	41.6%	46.7%	42.7%
Workers Compensation	1.7%	1.0%	3.6%
TRICARE/Other Gov't	1.3%	0.3%	1.0%
Total	100.0%	100.0%	100.0%

* Including any managed care plans

The projected payor mix is reasonable and adequately supported.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Information publicly available during the review and used by the Agency

Based on that review, the Agency concludes that the application is conforming to this criterion for the following reasons:

- The applicant adequately identifies the population proposed to be served.
- The applicant adequately explains why the population proposed to be served needs the services proposed in this application.
- Projected utilization is reasonable and adequately supported.

- The applicant projects the extent to which all residents, including underserved groups, will have access to the proposed services (payor mix) and adequately supports its assumptions.
- (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.

C

CMHA, the parent company of CR, proposes to consolidate and relocate existing outpatient rehabilitation services in Pineville to a new medical office building on the campus of CHS Pineville.

The applicant proposes to relocate its entire existing outpatient rehabilitation services from its current location to a different medical office building located approximately 200 yards from its current location.

In Section D, page 54, the applicant explains why it believes the needs of the population presently utilizing the services to be reduced, eliminated, or relocated will be adequately met following completion of the project. On page 54, the applicant states that it does not anticipate any change in patient origin or utilization based on the proposed consolidation and relocation, and that the proposed project will greatly improve physical accessibility for its patients.

In Exhibit 5, the applicant provides supporting documentation in the form of a site plan showing the location of both the existing services and the location to where the services will be relocated.

In Section D, page 54, the applicant states:

“CR’s outpatient rehabilitation services will continue to be available to all area and non-area residents. There will be no discrimination on the basis of race, ethnicity, age, gender, or disability. ... As set forth in the pro formas, a significant proportion of CR’s outpatient rehabilitation services will continue to be provided to Medicare, Medicaid, and uninsured patients. Projected payor mix to these patient populations will not be reduced as a result of the proposed project. Additionally, as shown in Section C.3, CR does not anticipate any change in patient origin as a result of the proposed project.

As described in Section C.4, the proposed consolidation and relocation of outpatient rehabilitation services will greatly improve physical accessibility for CR patients.”

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Information publicly available during the review and used by the Agency

Based on that review, the Agency concludes that the applicant adequately demonstrates that:

- The needs of the population currently using the services to be reduced, eliminated, or relocated will be adequately met following project completion.
 - The project will not adversely impact the ability of underserved groups to access these services following project completion.
- (4) Where alternative methods of meeting the needs for the proposed project exist, the applicant shall demonstrate that the least costly or most effective alternative has been proposed.

CA

CMHA, the parent company of CR, proposes to consolidate and relocate existing outpatient rehabilitation services in Pineville to a new medical office building on the campus of CHS Pineville.

In Section E.2, pages 58-59, the applicant describes the alternatives it considered and explains why each alternative is either more costly or less effective than the alternative proposed in this application to meet the need. The alternatives considered were:

- Maintain the Status Quo
- Expand Outpatient Rehabilitation Services in the Current Location
- Develop the Project in Another Location in Mecklenburg County

On pages 58-59, the applicant states that its proposal is the most effective alternative because maintaining the status quo would result in continuing issues with scheduling, access, and patient care; there is no ability to expand the services in the existing location; and the services are currently located proximate to acute care services and inpatient rehabilitation services at CHS Pineville, which would not be the case if they were moved to a different location in Mecklenburg County.

The applicant provides supporting documentation in Exhibits 5 and 9.

The applicant adequately demonstrates that the alternative proposed in this application is the most effective alternative to meet the need for the following reasons:

- The application is conforming to all statutory and regulatory criteria.

- The applicant provides credible information to explain why it believes the proposed project is the most effective alternative.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Information publicly available during the review and used by the Agency

Based on that review, the Agency concludes that the application is conforming to this criterion for the reasons stated above. Therefore, the application is approved subject to the following conditions:

- 1. The Charlotte-Mecklenburg Hospital Authority shall materially comply with all representations made in the certificate of need application.**
 - 2. The Charlotte-Mecklenburg Hospital Authority shall consolidate and relocate its existing outpatient rehabilitation services in Pineville to a new medical office building.**
 - 3. No later than three months after the last day of each of the first three full years of operation following initiation of the services authorized by this certificate of need, The Charlotte-Mecklenburg Hospital Authority shall submit, on the form provided by the Healthcare Planning and Certificate of Need Section, an annual report containing the:**
 - a. Payor mix for the services authorized in this certificate of need.**
 - b. Utilization of the services authorized in this certificate of need.**
 - c. Revenues and operating costs for the services authorized in this certificate of need.**
 - d. Average gross revenue per unit of service.**
 - e. Average net revenue per unit of service.**
 - f. Average operating cost per unit of service.**
 - 4. The Charlotte-Mecklenburg Hospital Authority shall acknowledge acceptance of and agree to comply with all conditions stated herein to the Agency in writing prior to issuance of the certificate of need.**
- (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

CMHA, the parent company of CR, proposes to consolidate and relocate existing outpatient rehabilitation services in Pineville to a new medical office building on the campus of CHS Pineville.

Capital and Working Capital Costs

In Section Q, the applicant projects the total capital cost of the project will be \$3,900,000, which includes:

CR – Capital Expenditures	
Construction/Renovation	\$2,350,000
Equipment	\$400,000
Professional Fees	\$200,000
Furniture	\$80,000
Other*	\$870,000
Total	\$3,900,000

*The applicant states that “other” includes items for information systems, security, and internal allocation.

The applicant provides a certified cost estimate from an architect in Exhibit 8 that corresponds with the projections in Section Q.

In Section F.3, page 64, the applicant projects no working capital costs (start-up and initial operating expenses) as the proposed service is an existing service.

Availability of Funds

In Section F.2, pages 62-63, the applicant states that the proposed project will be financed through the accumulated reserves of CMHA.

In Exhibit 14, the applicant provides a letter from the executive vice president and chief financial officer of CMHA, which states that \$3,900,000 is available from the existing accumulated cash reserves of CMHA for the proposed project. The letter refers to the audited consolidated balance sheets of CMHA in Exhibit 15, where the line item for cash and cash equivalents showed \$142,725,000 available as of December 31, 2016.

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

Financial Feasibility

The applicant provides pro forma financial statements for the first three full fiscal years of operation following completion of the project. In Form F.3, the applicant projects that revenues will exceed operating expenses in the first three operating years of the project, as shown in the table below.

	OY1	OY2	OY3
Number of Patient Visits (combined total of PT, OT, and ST)	26,173	27,350	28,582
Total Gross Revenues (Charges)	\$11,964,144	\$12,816,120	\$13,728,946
Total Net Revenue	\$4,915,277	\$5,265,507	\$5,640,767
Average Net Revenue per visit	\$188	\$193	\$197
Total Operating Expenses (Costs)	\$3,513,751	\$3,716,542	\$3,926,700
Average Operating Expense per visit	\$134	\$136	\$137
Net Income	\$1,401,527	\$1,548,966	\$1,714,067

The assumptions used by the applicant in preparation of the pro forma financial statements are reasonable, including projected utilization, costs, and charges. See Section Q 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.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Information publicly available during the review and used by the Agency

Based on that review, the Agency concludes that the application is conforming to this criterion for the following reasons:

- The applicant adequately demonstrates that the capital cost is based on reasonable and adequately supported assumptions.
 - The applicant adequately demonstrates availability of sufficient funds for the capital needs of the proposal.
 - The applicant adequately demonstrates sufficient funds for the operating needs of the proposal and that the financial feasibility of the proposal is based upon reasonable projections of costs and charges.
- (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

CMHA, the parent company of CR, proposes to consolidate and relocate existing outpatient rehabilitation services in Pineville to a new medical office building on the campus of CHS Pineville. The existing outpatient rehabilitation services, located in Pineville, are affiliated with CR, located in Charlotte, and not directly affiliated with rehabilitation services located at CHS Pineville.

Neither the 2018 SMFP nor the CON statutes and rules define the service area for outpatient rehabilitation services. Therefore, the proposed service area for this review, as defined by the applicant on page 38, is Mecklenburg and Union counties, which the applicant states is where 71.4 percent of its patients originated from in CY 2017. The applicant may also serve residents of counties not included in its proposed service area.

In Section G, pages 69-70, the applicant identifies other related entities which provide similar services within the proposed service area. A comprehensive list of providers of outpatient rehabilitation and utilization is not publically available. The discussion regarding analysis of need and projected utilization found in Criterion (3) is incorporated herein by reference.

In Section G, page 70, the applicant explains why it believes its proposal would not result in the unnecessary duplication of existing or approved outpatient rehabilitation services in Mecklenburg and Union counties. The applicant states:

“CR’s service area is based on the historical patient origin for CR outpatient rehabilitation services in Pineville. CR also demonstrates the need this population has for the proposed consolidation and relocation, based on qualitative, demographic and historical patient data specific to the proposed service area. The identified need is internal to CR, as it involves consolidation and relocation of existing outpatient rehabilitation services to accommodate current patient volumes and improve patient access. No other provider can or should provide for the internal clinical and operational needs of CR.”

The applicant adequately demonstrates that the proposal would not result in an unnecessary duplication of existing or approved services in the service area for because the proposal would not result in an increase in existing or approved outpatient rehabilitation services located in Mecklenburg and Union counties.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Information publicly available during the review and used by the Agency

Based on that review, the Agency concludes that the application is conforming to this criterion for the reasons stated above.

- (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 Q, Form H, the applicant provides current and projected staffing for the proposed services as illustrated in the following table.

CR Current and Projected Staffing				
Position	Current	Projected		
	As of 12/31/2017	1st Full OY	2nd Full OY	3rd Full OY
Physical Therapists	6.10	8.50	8.50	8.90
Physical Therapist Assistants	2.51	3.00	3.50	3.50
Rehab Techs	0.76	1.00	1.00	1.00
Speech Therapists	1.80	2.00	2.10	2.20
Occupational Therapists	2.10	2.30	2.50	2.60
Occupational Therapist Assistants	0.00	0.50	0.50	0.50
Business Office Supervisor	0.34	0.37	0.37	0.37
Director	0.00	0.37	0.37	0.37
Center Manager	1.00	0.00	0.00	0.00
Team Lead	1.00	1.00	1.00	1.00
Clinical Coordinator	0.00	1.00	1.00	1.00
Patient Services Specialist	2.85	3.00	3.00	3.00
Authorization Specialist	0.60	0.60	0.60	0.60
TOTAL	19.06	23.64	24.44	25.04

Source: Form H in Section Q of the application.

The assumptions and methodology used to project staffing are provided in Section Q. Adequate costs for the health manpower and management positions proposed by the applicant are budgeted in Form F.4, which is found in Section Q. In Section H.2, page 73, the applicant describes the methods used to recruit or fill new positions and its existing training and continuing education programs. In Section H.4, page 74, the applicant identifies the current medical director. In Exhibit 3, the applicant provides a letter from the existing medical director indicating his support for the proposed services. In Section H.4(c), page 75, the applicant describes its physician recruitment plans.

The applicant adequately demonstrates the availability of sufficient health manpower and management personnel to provide the proposed services.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Information publicly available during the review and used by the Agency

Based on that review, the Agency concludes that the application is conforming to this criterion for the reasons stated above.

- (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 I, page 77, the applicant states that the following ancillary and support services are necessary for the proposed services:

- Administration
- Business Office
- Medical Records
- Nursing
- Housekeeping
- Professional Services (physicians)
- Pharmacy
- Imaging
- Laboratory/Pathology
- Food & Nutrition Services
- Pastoral Care
- Facility Maintenance
- Medical Supplies
- Linen Service
- Materials Management
- Social Services

On pages 77-78, the applicant adequately explains how each ancillary and support service will continue to be made available.

In Section I, page 78, the applicant describes its existing and proposed relationships with other local health care and social service providers and provides supporting documentation in Exhibit 9.

The applicant adequately demonstrates that the proposed services will be coordinated with the existing health care system.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Information publicly available during the review and used by the Agency

Based on that review, the Agency concludes that the application is conforming to this criterion.

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

NA

The applicant does not project to provide the proposed services to a substantial number of persons residing in Health Service Areas (HSAs) that are not adjacent to the HSA in which the services will be offered. Furthermore, the applicant does not project to provide the proposed services to a substantial number of persons residing in other states that are not adjacent to the North Carolina county in which the services will be offered. Therefore, Criterion (9) is not applicable to this review.

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

NA

The applicant is not an HMO. Therefore, Criterion (10) is not applicable to this review.

- (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 K, page 82, the applicant states that the project involves up fitting 9,243 square feet of leased space. Line drawings are provided in Exhibit 5.

On page 83, the applicant adequately explains how the cost, design, and means of construction represent the most reasonable alternative for the proposal.

On page 84, the applicant adequately explains why the proposal will not unduly increase the costs to the applicant of providing the proposed services or the costs and charges to the public for the proposed services.

On pages 84-85, the applicant identifies any applicable energy saving features that will be incorporated into the construction plans.

On pages 86-88, the applicant identifies the proposed site and provides information about the current owner, zoning and special use permits for the site, and the availability of water, sewer and waste disposal, and power at the site.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Information publicly available during the review and used by the Agency

Based on that review, the Agency concludes that the application is conforming to this criterion.

- (13) The applicant shall demonstrate the contribution of the proposed service in meeting the health-related needs of the elderly and of members of medically underserved groups, such as medically indigent or low income persons, Medicaid and Medicare recipients, racial and ethnic minorities, women, and handicapped persons, which have traditionally experienced difficulties in obtaining equal access to the proposed services, particularly those needs identified in the State Health Plan as deserving of priority. For the purpose of determining the extent to which the proposed service will be accessible, the applicant shall show:
- (a) The extent to which medically underserved populations currently use the applicant's existing services in comparison to the percentage of the population in the applicant's service area which is medically underserved;

C

In Section L.1, page 92, the applicant provides the historical payor mix during the last full fiscal year (FY 2017) for the proposed services, as shown in the table below.

CR Outpatient Rehabilitation Services – Pineville Historical Payor Mix			
Payor Source	Outpatient PT	Outpatient OT	Outpatient ST
Self-Pay/Charity Care	2.8%	1.8%	2.9%
Medicare*	47.6%	48.0%	46.1%
Medicaid*	5.0%	2.3%	3.6%
Commercial Insurance*	41.6%	46.7%	42.7%
Workers Compensation	1.7%	1.0%	3.6%
TRICARE/Other Gov't	1.3%	0.3%	1.0%
Total	100.0%	100.0%	100.0%

* Including any managed care plans

In Section L.1, page 91, the applicant provides the following comparison.

	Percentage of Total Patients Served by the Facility or Campus during the Last Full FY	Percentage of the Population of the Service Area
Female	64.0%	52.0%
Male	36.0%	48.0%
Unknown	0.0%	0.0%
64 and Younger	55.0%	89.4%
65 and Older	45.0%	10.6%
American Indian	<1%	0.8%
Asian	1.0%	5.8%
Black or African-American	19.0%	32.7%
Native Hawaiian or Pacific Islander	0.0%	0.1%
White or Caucasian	72.0%	58.2%
Other Race	6.0%	2.3%
Declined / Unavailable	2.0%	0.0%

Source: US Census Bureau

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Information publicly available during the review and used by the Agency

Based on that review, the Agency concludes that the applicant adequately documents 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. 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

Regarding any obligation to provide uncompensated care, community service, or access by minorities and persons with disabilities, in Section L, page 92, the applicant states that it has no such obligations. The applicant also states that it has satisfied the requirements previously imposed on recipients of Hill Burton funds.

In Section L, page 93, the applicant states that during the last five years no patient civil rights access complaints have been filed against the facility or any similar facilities owned by the applicant or a related entity and located in North Carolina.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Information publicly available during the review and used by the Agency

Based on that review, the Agency concludes that 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 L.3, page 94, the applicant projects the following payor mix for the proposed services during the second full year of operation following completion of the project, as shown in the table below.

CR Outpatient Rehabilitation Services – Pineville Projected Payor Mix			
Payor Source	Outpatient PT	Outpatient OT	Outpatient ST
Self-Pay/Charity Care	2.8%	1.8%	2.9%
Medicare*	47.6%	48.0%	46.1%
Medicaid*	5.0%	2.3%	3.6%
Commercial Insurance*	41.6%	46.7%	42.7%
Workers Compensation	1.7%	1.0%	3.6%
TRICARE/Other Gov't	1.3%	0.3%	1.0%
Total	100.0%	100.0%	100.0%

* Including any managed care plans

As shown in the table above, during the second full year of operation, the applicant projects that 2.8 percent of PT outpatient rehabilitation services will be provided to self-pay or charity care patients, 47.6 percent to Medicare patients, and 5.0 percent to Medicaid patients. The applicant also projects that 1.8 percent of OT outpatient

rehabilitation services will be provided to self-pay or charity care patients, 48.0 percent to Medicare patients, and 2.3 percent to Medicaid patients. The applicant further projects that 2.9 percent of ST outpatient rehabilitation services will be provided to self-pay or charity care patients, 46.1 percent to Medicare patients, and 3.6 percent to Medicaid patients.

On page 94, the applicant provides the assumptions and methodology used to project payor mix during the second full fiscal year of operation following completion of the project. The projected payor mix is reasonable and adequately supported for the following reasons:

- The applicant states on page 94 that the projected payor mix is assumed to be the same as its historical payor mix.
- The applicant states that there are no major changes expected to the scope of outpatient rehabilitation services provided by CR.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Information publicly available during the review and used by the Agency

Based on that review, the Agency concludes that 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 L.4, page 96, the applicant adequately describes the range of means by which patients will have access to the proposed services.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Information publicly available during the review and used by the Agency

Based on that review, the Agency concludes that 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 M, page 97, the applicant describes the extent to which health professional training programs in the area have access to the facility for training purposes and provides supporting documentation in Exhibit 10.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Information publicly available during the review and used by the Agency

Based on that review, the Agency concludes that the applicant adequately demonstrates that the proposed services will accommodate the clinical needs of area health professional training programs, and therefore, the application is conforming to this criterion.

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

C

CMHA, the parent company of CR, proposes to consolidate and relocate existing outpatient rehabilitation services in Pineville to a new medical office building on the campus of CHS Pineville. The existing outpatient rehabilitation services, located in Pineville, are affiliated with CR, located in Charlotte, and not directly affiliated with rehabilitation services located at CHS Pineville.

Neither the 2018 SMFP nor the CON statutes and rules define the service area for outpatient rehabilitation services. Therefore, the proposed service area for this review, as defined by the applicant on page 38, is Mecklenburg and Union counties, which the applicant states is where 71.4 percent of its patients originated from in CY 2017. The applicant may also serve residents of counties not included in its proposed service area.

In Section G, pages 69-70, the applicant identifies other related entities which provide similar services within the proposed service area. A comprehensive list of providers of outpatient rehabilitation and utilization is not publically available. The discussion regarding analysis of need and projected utilization found in Criterion (3) is incorporated herein by reference.

In Section N, pages 99-101, the applicant describes the expected effects of the proposed services on competition in the service area and discusses how any enhanced competition in the service area will promote the cost-effectiveness, quality, and access to the proposed services. On page 99, the applicant states:

“...CR is an essential provider of rehabilitation services, both inpatient and outpatient. Following completion of the Pineville relocation project, CR will continue to provide outpatient rehabilitation services to local residents. The proposed project will promote cost-effectiveness, quality, and access to services...and therefore will promote competition in the CR service area because it will enable CR to better meet the needs of its existing patient population, and to ensure the timely provision of outpatient rehabilitation services.

There will be no adverse effect on other area hospitals because CR is an existing facility with established referral patterns, and because the proposed relocation site is located less than 200 yards from the current MOB on the CHS Pineville campus.”

The applicant adequately describes the expected effects of the proposed services on competition in the service area and adequately demonstrates:

- The cost-effectiveness of the proposal (see Sections F and Q of the application and any exhibits).
- Quality services will be provided (see Section O of the application and any exhibits).
- Access will be provided to underserved groups (see Section L of the application and any exhibits).

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Information publicly available during the review and used by the Agency

Based on that review, the Agency concludes that the application is conforming to this criterion for the reasons stated above.

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

C

In Section O.3, page 104, and in Exhibit 2, the applicant identifies the hospitals with inpatient rehabilitation beds located in North Carolina owned, operated, or managed by the applicant or a related entity. The applicant identifies a total of three inpatient rehabilitation hospitals and two acute care hospitals with inpatient beds located in North Carolina.

In Section O.3, page 104, the applicant states that, during the 18 months immediately preceding the submittal of the application, no incidents related to quality of care occurred in any of these facilities. According to the files in the Acute and Home Care Licensure and Certification Section, DHSR, during the 18 months immediately preceding submission of the application through the date of this decision, no incidents related to quality of care occurred in any of these five facilities. After reviewing and considering information provided by the applicant and by the Acute and Home Care Licensure and Certification Section and considering the quality of care provided at all five facilities, the applicant provided sufficient evidence that quality care has been provided in the past. Therefore, the application is conforming to this criterion.

- (21) Repealed effective July 1, 1987.
- (b) The Department is authorized to adopt rules for the review of particular types of applications that will be used in addition to those criteria outlined in subsection (a) of this section and may vary according to the purpose for which a particular review is being conducted or the type of health service reviewed. No such rule adopted by the Department shall require an academic medical center teaching hospital, as defined by the State Medical Facilities Plan, to demonstrate that any facility or service at another hospital is being appropriately utilized in order for that academic medical center teaching hospital to be approved for the issuance of a certificate of need to develop any similar facility or service.

NA

The applicant proposes to consolidate and relocate existing outpatient rehabilitation services in Pineville to a new medical office building on the campus of CHS Pineville. There are no administrative rules that are applicable to proposals to consolidate and relocate existing outpatient rehabilitation services.