

ATTACHMENT - REQUIRED STATE AGENCY FINDINGS

FINDINGS

C = Conforming

CA = Conditional

NC = Nonconforming

NA = Not Applicable

Decision Date: October 29, 2018

Findings Date: October 29, 2018

Project Analyst: Ena Lightbourne

Assistant Chief: Gloria C. Hale

Project ID #: P-11538-18

Facility: Crystal Coast Dialysis Unit

FID #: 970506

County: Carteret

Applicant: Bio-Medical Applications of North Carolina, Inc.

Project: Relocate an existing dialysis facility, Crystal Coast Dialysis Unit, to a new location in Morehead City

REVIEW CRITERIA FOR NEW INSTITUTIONAL HEALTH SERVICES

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

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

C

Bio-Medical Applications of North Carolina, Inc. d/b/a Crystal Coast Dialysis Unit [**BMA Crystal Coast**] proposes to relocate an existing dialysis facility from 3332 Bridges Street, Morehead City in Carteret County, to a new location in Morehead City; a leased space in an existing building located at 2900 Arendell Street.

Need Determination

The applicant is proposing to relocate existing dialysis stations within Carteret County. Neither the county nor the facility need methodologies in the 2018 State Medical Facilities Plan (2018 SMFP) are applicable to this review.

Policies

There are two policies in the 2018 SMFP that are applicable to this review: *Policy ESRD-2 Relocation of Dialysis Stations*, on page 27, and *Policy GEN-4: Energy Efficiency and Sustainability for Health Service Facilities*, on page 33.

Policy ESRD-D: Relocation of Dialysis Stations

“Relocations of existing dialysis stations are allowed only within the host county and to contiguous counties. Certificate of need applicants proposing to relocate dialysis stations to contiguous counties shall:

- 1. Demonstrate that the facility losing dialysis stations or moving to a contiguous county is currently serving residents of that contiguous county; and*
- 2. Demonstrate that the proposal shall not result in a deficit, or increase an existing deficit in the number of dialysis stations in the county that would be losing stations as a result of the proposed project, as reflected in the most recent North Carolina Semiannual Dialysis Report, and*
- 3. Demonstrate that the proposal shall not result in a surplus, or increase an existing surplus of dialysis stations in the county that would gain stations as a result of the proposed project, as reflected in the most recent North Carolina Semiannual Dialysis Report.”*

The applicant proposes to relocate existing dialysis stations within Carteret County, thus there will be no change to the dialysis station inventory of Carteret County. Therefore, the application is consistent with Policy ESRD-2.

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 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."

The proposed capital expenditure is greater than \$2 million, but less than \$5 million. In Section B.5, pages 10-11, Section K.1, pages 40-41, the applicant describes how it will 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 reasons stated above.

- (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

BMA Crystal Coast proposes to relocate an existing dialysis facility from 3332 Bridges Street in Morehead City, Carteret County to leased space in an existing building located at 2900 Arendell Street which is 0.6 miles and 12 minutes driving time from the current site.

Patient Origin

On page 365, the 2018 SMFP defines the service area for dialysis stations as “*the planning area in which the dialysis station is located. Except for the Cherokee-Clay-Graham Multicounty Planning Area and the Avery-Mitchell-Yancey Multicounty Planning Area, each of the 94 remaining counties is a separate dialysis station planning area.*” Thus, the service area is Carteret County. Facilities may serve residents of counties not included in their service area.

In Section C.1, page 12, the applicant provides the projected patient origin for BMA Crystal Coast for in-center patients for the first two years of operation following completion of the project as follows:

County	OY1 (CY2020)	OY2 (CY2021)	County Patients as a Percent of Total	
	In-Center Patients	In-Center Patients	OY1 (CY2020)	OY2 (CY2021)
Carteret	58.6	59.6	93.6%	93.7%
Craven	4.0	4.0	6.4%	6.3%
Total	62.0	63.0	100.0%	100.0%

The BMA Crystal Coast facility does not currently provide home hemodialysis (HHD) or peritoneal dialysis (PD) training or support, and the applicant is not proposing to add those services as part of the project. In Section C, pages 12-13, the applicant provides the assumptions and methodology used to project its patient origin. The applicant’s assumptions are reasonable and adequately supported.

Analysis of Need

In Section C, pages 12-14, the applicant explains why it believes the population projected to utilize the proposed services needs the proposed services.

On pages 12-14, the applicant describes the assumptions as follows:

- The applicant begins the projections for the future patient population of BMA Crystal Coast by using the ending in-center patient census of Carteret County patients of 56 [57] as of June 30, 2018.
- The applicant uses the Five-Year Average Annual Change Rate (AACR) for Carteret County which is 1.80% to project the Carteret County patient population forward.

Crystal Coast Dialysis Unit

P-11538-18

Page 5

- Four Craven County patients were dialyzing at BMA Crystal Coast of June 30, 2018. The applicant assumes these patients will continue dialysis at the facility. The applicant does not project an increase in the facility's patient population residing in Craven County.
- Operating Year 1 (OY1) = January 1, 2020 – December 31, 2020 (CY2020)
Operating Year 2 (OY2) = January 1, 2021 – December 31, 2021 (CY2021)

Projected Utilization

In Section C, page 13, the applicant provides the methodology used to project in-center patient utilization, as shown in the following table.

BMA Crystal Coast	Patients
BMA begins with Carteret County patients dialyzing at BMA Crystal Coast as of June 30, 2018	56 [57]
BMA projects the Carteret County patient population forward six months using half the Carteret County Five-Year Average Annual Change Rate, to December 31, 2018	$56 \times 1.009 = 56.5$ $[57 \times 1.009 = 57.5]$
BMA projects the Carteret County patient population forward for one year to December 31, 2019.	$56.5 \times 1.018 = 57.5$ $[57 \times 1.018 = 58.5]$
Add the patients from Craven County. This is the starting census for this project.	$57.5 + 4 = 61.5$ $[58.5 + 4 = 62.5]$
BMA projects the Carteret County patient population forward for 12 months to December 31, 2020.	$57.5 \times 1.018 = 58.6$ $[58.5 \times 1.018 = 59.6]$
Add the patients from Craven County. This is the projected ending census for Operating Year 1.	$58.6 + 4 = 62.6$ $[59.6 + 4 = 63.6]$
BMA projects the Carteret County population forward for 12 months to December 31, 2021.	$58.6 \times 1.018 = 59.6$ $[59.6 \times 1.018 = 60.7]$
Add the patients from Craven County. This is the projected ending census for Operating Year 2.	$59.6 + 4 = 63.6$ $[60.7 + 4 = 64.7]$

*Project Analyst's corrections are in brackets

The applicant states, on page 13 that it rounds down to the whole patient. Thus, the applicant projects that BMA Crystal Coast will serve a total of 63 in-center patients at the end of OY1 for a utilization rate of 98.4% or 3.9 patients per station per week ($63 \text{ patients} / 16 \text{ stations} = 3.9 / 4 = 0.984$ or 98.4%). The performance standard required by 10A NCAC 14C .2203(b) is not applicable to this review because the applicant is not proposing to establish a new facility or increase the number of dialysis stations in an existing facility.

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

- The applicant begins its utilization projection with the existing patients of BMA Crystal Coast,
- The applicant grows the Carteret County patient population by the July 2018 SDR Carteret County Five-Year AACR and holds the patient population from Craven County constant, and
- The facility proposes to serve the same population as historically served by BMA Crystal Coast at the existing facility.

Access

In Section C.3, page 14, the applicant states the facility’s services are available to all residents of the service area without regard to income, race, gender, handicap, age or ability to pay. In Section L.1, page 48, the applicant provides the projected (CY2021) payor mix for BMA Crystal Coast, as shown below.

Payor Source	Percent of Total Patients
Self-Pay/Indigent/Charity	0.35%
Medicare	78.54%
Medicaid	2.74%
Commercial Insurance	7.39%
Medicare / Commercial	5.41%
Misc. (VA)	5.58%
Total	100.00%

In Section L.1, page 48, the applicant projects 86.7% of Medicare and Medicaid recipients for BMA Crystal Coast in the second operating year of the project. The projected payor mix is reasonable and adequately supported.

Conclusion

The Agency reviewed the:

- Application,
- Exhibits to the application, and
- 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 to be served.
- The applicant adequately explains why the population 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

Bio-Medical Applications of North Carolina, Inc. d/b/a Crystal Coast Dialysis Unit [**BMA Crystal Coast**] proposes to relocate an existing dialysis facility from 3332 Bridges Street, Morehead City in Carteret County, to a new location in Morehead City; a leased space in an existing building located at 2900 Arendell Street.

In Section D.2, page 19, the applicant explains why it believes the needs of the population presently utilizing the services to be relocated will be adequately met following completion of the project. On page 19, the applicant states:

“BMA is planning to relocate to a new building within one half mile from the existing facility. The relocation will not have any effect on the ability of low income persons, racial and ethnic minorities, women, handicapped persons, the elderly and other underserved groups to obtain needed health care. Patient [sic] in need of dialysis services provided by the facility will continue to have access to care through referrals for dialysis by a nephrologist with admitting privileges at the facility.”

BMA Crystal Coast proposes to relocate an existing dialysis facility from 3332 Bridges Street in Morehead City to leased space in an existing building located at 2900 Arendell Street which is 0.6 miles and 12 minutes driving time from the current site. The secondary site located at 1700 Arendell Street, is 1.5 miles and 4 minutes from the current site. Thus the facility will still be accessible to the same population presently served, including underserved.

Projected utilization is reasonably and adequately supported based on the fact that the facility proposes to serve the same population as historically served by BMA Crystal Coast at the existing facility.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

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

- The needs of the population currently using the services to be 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

Bio-Medical Applications of North Carolina, Inc. d/b/a Crystal Coast Dialysis Unit [**BMA Crystal Coast**] proposes to relocate an existing dialysis facility from 3332 Bridges Street, Morehead City, in Carteret County, to a new location in Morehead City; a leased space in an existing building located at 2900 Arendell Street.

In Section E.1, page 20, the applicant states it had no alternative to the proposed relocation because the existing space needs significant upgrades and renovations would cause disruption in patient care.

The Agency reviewed the:

- Application
- Exhibits to the application

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. Bio-Medical Applications of North Carolina, Inc. d/b/a Crystal Coast Dialysis Unit shall materially comply with all representations made in the certificate of need application.**
- 2. Pursuant to Policy ESRD-2, Bio-Medical Applications of North Carolina, Inc. d/b/a Crystal Coast Dialysis Unit shall relocate 16 stations from the existing location of**

Crystal Coast Dialysis Unit to the proposed new site for a total of no more than 16 stations at Crystal Coast Dialysis Unit upon project completion.

- 3. Bio-Medical Applications of North Carolina, Inc. d/b/a Crystal Coast Dialysis Unit shall install plumbing and electrical wiring through the walls for no more than 16 dialysis stations, which shall include any isolation or home hemodialysis stations.**
- 4. Bio-Medical Applications of North Carolina, Inc. d/b/a Crystal Coast Dialysis Unit 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

Bio-Medical Applications of North Carolina, Inc. d/b/a Crystal Coast Dialysis Unit [**BMA Crystal Coast**] proposes to relocate an existing dialysis facility from 3332 Bridges Street, Morehead City in Carteret County, to a new location in Morehead City; a leased space in an existing building located at 2900 Arendell Street.

Capital and Working Capital Costs

In Section F.1, page 22, the applicant projects \$2,041,626 in capital costs to develop the proposed project as summarized below:

Projected Capital Cost

Construction Costs	\$1,285,652
Miscellaneous Costs	\$755,974
Total	\$2,041,626

In Sections F.10 - F.13, page 25, the applicant states there will be no start-up or initial operating expenses associated with the proposed project since this is an existing facility.

Availability of Funds

In Section F.2, page 23, the applicant states that the capital cost will be funded as shown in the table below.

Sources of Capital Cost Financing

Type	BMA	Total
Loans	\$	\$
Accumulated reserves or OE *	\$2,041,626	\$2,041,626
Bonds	\$	\$
Other (Specify)	\$	\$
Total Financing	\$2,041,626	\$2,041,626

* OE = Owner's Equity

Exhibit F-1 contains a letter dated July 16, 2018 from the Senior Vice President and Treasurer for Fresenius Medical Care Holdings, Inc., authorizing and committing accumulated reserves of Fresenius Medical Care Holdings, Inc. for the capital costs of the project. Exhibit F-2 contains a copy balance sheet for Fresenius Medical Care Holdings, Inc. and Subsidiaries for the years ending December 31, 2016 and 2017. For the year ending December 31, 2017, Fresenius Medical Care Holdings, Inc. and Subsidiaries had \$569,818,000 in cash and cash equivalents, \$19,822,127,000 in total assets and \$10,542,494,000 in net assets (total assets less total liabilities).

Financial Feasibility

The applicant provided pro forma financial statements in Section R for the first two full fiscal years of operation following completion of the project. In Form B, the applicant projects that revenues will exceed operating expenses in the first two operating years of the project, as shown in the table below.

	1st Full Fiscal Year CY2020	2nd Full Fiscal Year CY2021
Total Treatments	9,188	9,336
Total Gross Revenues (Charges)	\$36,641,744	\$37,231,968
Total Net Revenue	\$2,613,296	\$2,655,391
Average Net Revenue per Treatment	\$284	\$284
Total Operating Expenses (Costs)	\$2,440,071	\$2,483,978
Average Operating Expense per Treatment	\$266	\$266
Net Income	\$173,225	\$171,413

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

Crystal Coast Dialysis Unit
P-11538-18
Page 11

- Application
- Exhibits to the application

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 costs are based on reasonable and adequately supported assumptions.
 - The applicant adequately demonstrates availability of sufficient funds for the capital and working 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

Bio-Medical Applications of North Carolina, Inc. d/b/a Crystal Coast Dialysis Unit [**BMA Crystal Coast**] proposes to relocate an existing dialysis facility from 3332 Bridges Street, Morehead City, in Carteret County, to a new location in Morehead City; a leased space in an existing building located at 2900 Arendell Street.

On page 365, the 2018 SMFP defines the service area for dialysis stations as “*the planning area in which the dialysis station is located. Except for the Cherokee-Clay-Graham Multicounty Planning Area and the Avery-Mitchell-Yancey Multicounty Planning Area, each of the 94 remaining counties is a separate dialysis station planning area.*” Thus, the service area is Carteret County. Facilities may serve residents of counties not included in their service area.

The applicant operates two dialysis centers in Carteret County. Fresenius Medical Care Holdings, Inc., the parent company of BMA, is the only provider of dialysis services in Carteret County. The existing and approved Carteret County dialysis facilities are shown below:

Facility Name	Provider	Location	# of stations	Utilization
Crystal Coast Dialysis Unit	FMC	Morehead City	16	82.81%
FMC Sea Spray	FMC	Cedar Point	10	80.00%

Source: July 2018 SDR, Table B.

As shown in the table above, both of the operational Carteret County dialysis facilities were operating at or above 80% utilization (3.2 patients per station per week), as of June 30, 2018.

In Section G.1, page 30 of the application, the applicant explains why it believes its proposal would not result in the unnecessary duplication of existing or approved dialysis facilities in Carteret County. The applicant states,

“This is an application to relocate and existing facility. The services exist. BMA is not planning an increase or decrease in services. Given that the services are already existing and not planned to change, there is no unnecessary duplication.”

The applicant adequately demonstrates its proposal would not result in an unnecessary duplication of existing or approved dialysis services in the service area for the following reasons:

- The proposal would not result in an increase in the number of dialysis stations in Carteret County.
- The applicant adequately demonstrates that the proposed relocation of existing dialysis stations is needed in addition to the existing or approved dialysis stations in Carteret County.

Conclusion

The Agency reviewed the:

- Application
- Exhibits in 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 H.1, page 31, the applicant provides current and projected staffing in full time equivalents (FTEs) for BMA Crystal Coast. The applicant does not project any changes in its FTE staff for BMA Crystal Coast associated with the proposed relocation. The assumptions and methodology used to project staffing are provided in Section H. Adequate costs for the health manpower and management positions proposed by the applicant are budgeted in Form A, Section R. In Section I.3, page 36, the applicant identifies the medical director for the facility. Exhibit I-

5 of the application contains a letter from the medical director expressing his intention to continue serving in that capacity for BMA Crystal Coast. In Section H, page 32, the applicant describes the methods used to recruit and fill vacant or new positions and its existing training and continuing education programs. In Exhibits H-1 and H-2, the applicant provides supporting documentation.

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

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.1, page 35, the applicant provides a list of the necessary ancillary and support services, as shown below.

Crystal Coast Dialysis Unit
P-11538-18
Page 14

BMA Crystal Coast Ancillary and Support Services	
Services	Provider
In-center dialysis/maintenance	BMA Crystal Coast
Self-care training (in-center)	FMC Craven County
Home training: Home hemodialysis Peritoneal dialysis Accessible follow-up program	FMC Craven County Home Training program
Psychological counseling	Greater Visions Health
Isolation – hepatitis	BMA Crystal Coast
Nutritional counseling	BMA Crystal Coast
Social Work services	BMA Crystal Coast
Acute dialysis in an acute care setting	Carteret General Hospital; Craven Regional Hospital
Emergency care	BMA Crystal Coast
Blood bank services	Craven Regional Hospital
Diagnostic and evaluation services	Carteret Imaging Center
X-ray services	Carteret Imaging Center
Laboratory services	Spectra Laboratory
Pediatric nephrology	Vidant Health Systems
Vascular surgery	Vascular Care of New Bern, Craven Regional Hospital
Transplantation services	Vidant Health; UNC Hospitals; Duke UMC
Vocational rehabilitation & counseling	NCDHHS Vocational Rehabilitation; Morehead City
Transportation	Carteret County Area Transportation Services; Friendly Medical Services

In Section I, page 35, the applicant adequately explains how ancillary and support services will be made available and provides supporting documentation in Exhibit I-1. In Section I.4, page, 36-37, the applicant describes its existing and proposed relationships with other local health care and social service providers and provides supporting documentation in Exhibits I-3 through I-5. 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

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.2, page 42, the applicant states that the project involves upfitting 3,283 square feet of leased space to be constructed at 2900 Arendell Street, Morehead City, NC 28557. Line drawings are provided in Exhibit K-1.

On pages 40-41, the applicant identifies any applicable energy saving features that will be incorporated into the construction plans and provides supporting documentation in Exhibit K-5.

On page 43 and Exhibit K-5, 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. Supporting documentation is provided in Exhibits K-4 and K-5.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

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

- (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.7, page 51, the applicant provides the historical (CY2017) payor mix for BMA Crystal Coast, as shown below.

Crystal Coast Dialysis Unit
P-11538-18
Page 17

Payor Source	Percent of Total Patients
Self-Pay/Indigent/Charity	-0.8%
Medicare	79.72%
Medicaid	3.89%
Commercial Insurance	5.35%
Medicare / Commercial	4.64%
Misc. (VA)	6.48%
Total	100.00%

As shown in the table above, BMA Crystal Coast reports that 88.25% of its patients were Medicare or Medicaid recipients in CY2017.

The United States Census Bureau provides demographic data for North Carolina and all counties in North Carolina. The following table contains relevant demographic statistics for the applicant's service area.

Percent of Population						
County	% 65+	% Female	% Racial and Ethnic Minority*	% Persons in Poverty**	% < Age 65 with a Disability	% < Age 65 without Health Insurance**
2017 Estimate	2017 Estimate	2017 Estimate	2017 Estimate	2017 Estimate	2017 Estimate	2015 Estimate
Carteret	24%	51%	14%	12%	15%	12%
Statewide	16%	51%	37%	15%	10%	12%

Source: <http://www.census.gov/quickfacts/table/US/PST045217>; Latest Data 7/1/17 as of 7/17/18

*Excludes "White alone, not Hispanic or Latino"

** "Estimates are not comparable to other geographical levels due to methodology differences that may exist between different data sources. Some estimates presented here come from sample data, and thus have sampling errors that may render some apparent differences between geographies statistically indistinguishable...The vintage year (e.g. V2017) refers to the final year of the series (2010 thru 2017). Different vintage years of estimates are not comparable."

The IPRO ESRD Network of the South Atlantic Network 6 (IPRO SA Network 6) consisting of North Carolina, South Carolina and Georgia, provides an Annual Report which includes aggregate ESRD patient data from all three states. The report does not provide state-specific ESRD patient data, but the aggregate data is likely to be similar to North Carolina's based on the Network's recent annual reports which included state-specific data.

The IPRO SA Network 6 Annual Report (pages 25-26¹) provides the following prevalence data on dialysis patients by age, race, and gender. As of December 31, 2016, over 85% of dialysis patients in Network 6 were 45 years of age and older, over 66% were other than Caucasian and 45% were female.

¹<https://network6.esrd.ipro.org/wp-content/uploads/sites/4/2017/07/NW6-2016-Annual-Report-FINAL.pdf>

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.3, page 49, the applicant states:

“The admission policy included at Exhibit L-1 indicates that patients are required to have some type of insurance prior to admissions for treatment....However, in the interest of providing services where needed, the Regional Vice President does have the authority to override the policy. The Social Worker and Business office staff will assist the patient by identifying available sources of funding and completing the required information necessary to obtain assistance.”

In Section L.6, page 50, 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.

The Agency reviewed the:

- Application
- Exhibits to the application

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.1 (b), page 48, the applicant provides the following table showing the projected payor mix during the second full fiscal year of operation following completion of the project, (CY2021).

Payment Source	Percent of Total Patients
Self-Pay/Indigent/Charity	0.35%
Medicare	78.54%
Medicaid	2.74%
Commercial Insurance	7.39%
Medicare / Commercial	5.41%
Misc. (VA)	5.58%
Total	100.0%

As shown in the table above, during the second full fiscal year of operation, the applicant projects that 83.95% of total services will be provided to Medicare patients (includes Medicare and Medicare/Commercial), and 2.74% to Medicaid patients.

On page 48, 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 because it is based on the historical payor mix for BMA Crystal Coast.

The Agency reviewed the:

- Application
- Exhibits to the application

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 50, the applicant adequately describes the range of means by which patients will have access to the proposed services.

The Agency reviewed the:

- Application
- Exhibits to the application

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.1, page 52, the applicant describes the extent to which health professional training programs in the area will have access to the facility for training purposes and provides supporting documentation in Exhibit M-1.

The Agency reviewed the:

- Application
- Exhibits to the application

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

Bio-Medical Applications of North Carolina, Inc. d/b/a Crystal Coast Dialysis Unit [**BMA Crystal Coast**] proposes to relocate an existing dialysis facility from 3332 Bridges Street, Morehead City, in Carteret County, to a new location in Morehead City; a leased space in an existing building located at 2900 Arendell Street.

On page 365, the 2018 SMFP defines the service area for dialysis stations as “*the planning area in which the dialysis station is located. Except for the Cherokee-Clay-Graham Multicounty Planning Area and the Avery-Mitchell-Yancey Multicounty Planning Area, each of the 94 remaining counties is a separate dialysis station planning area.*” Thus, the service area is Carteret County. Facilities may serve residents of counties not included in their service area.

The applicant operates two dialysis centers in Carteret County. Fresenius Medical Care Holdings, Inc. is the only provider of dialysis services in Carteret County. The existing and approved Carteret County dialysis facilities are shown below:

Facility Name	Provider	Location	# of stations	Utilization
Crystal Coast Dialysis Unit	FMC	Morehead City	16	82.81%
FMC Sea Spray	FMC	Cedar Point	10	80.00%

Source: January 2018 SDR, Table B

In Section N.1, page 53, 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 53, the applicant states:

“BMA does not expect this proposal to have effect on the competitive climate in Carteret County. BMA does not project to serve dialysis patients currently being served by another provider. The projected patient population for the BMA Crystal Coast facility begins with patients currently served by BMA, and a growth of that patient population consistent with the Carteret County five year average annual change rate of 1.80 % as published within the July 2018 SDR.”

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 R 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 58, the applicant states Fresenius owns more than 100 dialysis facilities located in North Carolina. Exhibit A-4 contains a list of the Fresenius dialysis facilities located in North Carolina.

In Section O.3, page 58, the applicant states that during the 18 months immediately preceding the submittal of the application, incidents related to quality of care occurred in none of these facilities. The applicant states in Section O.3, page 58, that all facilities are currently in compliance with all Medicare conditions of participation. After reviewing and considering the information provided by the applicant and considering the quality of care provided to all of the facilities, the applicant provided sufficient evidence that quality of 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 Criteria and Standards for End Stage Renal Disease Services promulgated in 10A NCAC 14C .2200 are not applicable to this review because the applicant does not propose to establish a new end stage renal disease facility nor does that applicant propose to add stations to an existing facility.