ATTACHMENT - REQUIRED STATE AGENCY FINDINGS

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

Decision Date: August 23, 2019
Findings Date: August 23, 2019

Project Analyst: Celia C. Inman
Team Leader: Fatimah Wilson

Project ID #: J-11717-19
Facility: Duke University Hospital
FID #: 943138
County: Durham
Applicant: Duke University Health System, Inc.
Project: Add no more than 34 acute care beds pursuant to the 2019 SMFP need determination for a total of no more than 1,062 acute care beds upon completion of this project and Project ID# J-11426-17 (add 90)

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

Duke University Health System, Inc. (DUHS), "the applicant", proposes to develop 34 additional acute care beds pursuant to the Durham/Caswell County service area need determination in the 2019 State Medical Facilities Plan (SMFP) for a total of 1,062 acute care beds at Duke University Hospital (DUH), "the facility", upon completion of this project and Project ID #J-11426-17 (add 90 acute care beds).

Need Determination

Table 5B, page 50 of the 2019 SMFP, includes an "Acute Care Bed Need Determination" for 34 additional acute care beds in the Durham/Caswell County service area. Page 38 of the 2019 SMFP states:

> *"Any qualified applicant may apply for a certificate of need to acquire the needed acute care beds. A person is a qualified applicant if he or she proposes to operate the additional acute care beds in a hospital that will provide:*
>
> *(1) a 24-hour emergency services department,*
> *(2) inpatient medical services to both surgical and non-surgical patients, and*
> *(3) if proposing a new licensed hospital, medical and surgical services on a daily basis within at least five of the major diagnostic categories as recognized by the Centers for Medicare and Medicaid services (CMS), as follows: …"* [as listed on pages 38-39 of the 2019 SMFP].

The applicant submitted an application in response to the need identified in the 2019 SMFP for 34 additional beds in the Durham/Caswell County service area, and there were no other applications submitted for those beds. DUH will be licensed for a total of 1,062 acute care beds upon completion of this project and Project ID #J-11426-17 (add 90).

In Section B.1, page 11, and Exhibit O.2, the applicant documents that DUH currently operates a 24-hour emergency services department and provides inpatient medical services to both surgical and non-surgical patients. Because the applicant is not proposing a new licensed hospital, the third requirement above for *"medical and surgical services on a daily basis within at least five of the major diagnostic categories as recognized by the Centers for Medicare and Medicaid Services (CMC) as listed on page 41"* is not applicable.

Therefore, based on the information provided by the applicant and other data available to the Agency, DUHS is a qualified applicant.

The applicant does not propose to develop more new acute care beds than are determined to be needed in the 2019 SMFP for the Durham/Caswell County service area.

Policies

There are two policies in the 2019 SMFP which are applicable to this review: *Policy GEN-3: Basic Principles* and *Policy GEN-4: Energy Efficiency and Sustainability for Health Service Facilities.* Policy GEN-3 on page 31 of the 2019 SMFP states:

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

Promote Safety and Quality – The applicant describes how it believes the proposed project would promote safety and quality in Sections M, N, and O, and referenced exhibits. In Section M, page 62, the applicant discusses its training programs as an Academic Medical Center Teaching Hospital. In Section N.2(b), pages 63-64, the applicant discusses DUH's commitment to delivering high-quality care. In Section O, pages 66-67, the applicant discusses the system's initiatives to improve patient care quality and safety. The applicant also refers to its website at https://www.dukehealth.org/quality-and-safety/awards for a list of the patient safety and health care quality awards, including its current rank as the #1 Best Hospital in North Carolina. The information provided by the applicant is reasonable and adequately supports the determination that the applicant's proposal would promote safety and quality.

Promote Equitable Access – The applicant describes how it believes the proposed project would promote equitable access in Section N.2(c), page 64. The information provided by the applicant is reasonable and adequately supports the determination that the applicant's proposal would promote equitable access.

Maximize Healthcare Value – The applicant describes how it believes the proposed project would maximize healthcare value in Section N.2(a), page 63, where it states:

> *"This addition of acute care beds represents increased economy of scale and efficiency. Therefore, DUH will be able to most cost-effectively increase its inpatient capacity."*

The information provided by the applicant is reasonable and adequately supports the determination that the applicant's proposal would maximize healthcare value and that the applicant's projected volumes incorporate the concepts of quality, equitable access and maximum value for resources expended in meeting the need identified in the 2019 SMFP. Therefore, the application is consistent with Policy GEN-3.

Policy GEN-4 on page 31 of the 2019 SMFP 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 are 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; therefore, Policy GEN-4 is applicable to this application. In Section B.11, page 14, and Section K.3(c), page 55, the applicant describes its 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, 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 demonstrates it is a "qualified applicant",
- the applicant does not propose to develop more new acute care beds than are determined to be needed in the 2019 SMFP for the Durham/Caswell County service area,

- the applicant demonstrates that the proposal is consistent with Policy GEN-3 for the following reasons:

    - the applicant uses existing policies, historical data, and verifiable sources to project utilization, and
    - the applicant adequately demonstrates how the projected volumes incorporate the concepts of quality, equitable access and maximum value for resources expended in meeting the identified need, and

- the applicant demonstrates that the proposal is consistent with Policy GEN-4 by providing a written statement that demonstrates that the project includes a plan for 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

The applicant proposes to develop 34 additional acute care beds for a total of 1,062 acute care beds at DUH, upon completion of this project and Project ID #J-11426-17 (add 90 acute care beds).

In Section C.1, pages 15-16, the applicant states that 14 of the 34 proposed beds will be developed as neonatal beds in space in the Duke North Tower which will be vacated upon the relocation of pediatric intensive care beds into the new patient bed tower scheduled for completion in 2021. The remaining 20 general acute care proposed beds will be developed after a series of renovations to the 100 and 300 Towers after the relocation of beds to the new patient bed tower described above.

The applicant is not proposing to acquire additional major medical equipment or develop any other health services as part of this proposed project.

Patient Origin

On page 36, the 2019 SMFP defines the service area for acute care services as the planning area in which the bed is located. *"An acute care bed's service area is the acute care bed planning area in which the bed is located. The acute care bed planning areas are the single and multicounty groupings shown in Figure 5.1."* In Figure 5.1, page 40 of the 2019 SMFP, Durham County and Caswell County are shown as a multicounty acute care bed service area. DUH is located in Durham County. Thus, in this review, the service area is Durham and Caswell counties. Providers may serve residents of counties not included in their service area.

In Section C.2, pages 16-17, the applicant provides the historical patient origin for the proposed services for the last full fiscal year (FY), July 1, 2017 through June 30, 2018, by number of patients and percent of total patients. The projected patient origin by percent of total patients is summarized below.

DUH Historical Patient Origin
FY2018

	Percent of Total Patients	
County	**Non-neonatal**	**Neonatal**
Alamance	3.8%	4.7%
Caswell	0.6%	0.4%
Chatham	0.5%	1.1%
Cumberland	2.7%	2.7%
Durham	27.3%	29.2%
Franklin	1.3%	2.7%
Granville	3.6%	4.7%
Guilford	1.5%	1.4%
Harnett	1.2%	1.6%
Johnston	1.3%	2.8%
Lee	0.7%	1.8%
Nash	1.0%	0.5%
Orange	3.8%	2.8%
Person	3.9%	4.6%
Robeson	1.7%	1.9%
Vance	2.7%	6.0%
Wake	12.8%	16.1%
Warren	1.0%	1.3%
Wilson	0.7%	0.8%
Other NC Counties	16.6%	10.9%
Virginia	5.9%	0.9%
Other States	5.6%	1.4%
Total	100.0%	100.0%

Totals may not sum due to rounding

In Section C.3, pages 18-19, the applicant provides the projected patient origin for the proposed services by number of patients and percent of total patients. The projected patient origin by percent of total patients is summarized in the following table.

DUH Projected Patient Origin
Percent of Total Patients

	1st Full FY FY2025 7/1/24-6/30/25		2nd Full FY FY2026 7/1/25-6/30/26		3rd Full FY FY2027 7/1/26-6/30/27	
County	**Non-neonatal**	**Neonatal**	**Non-neonatal**	**Neonatal**	**Non-neonatal**	**Neonatal**
Alamance	3.8%	4.7%	3.8%	4.7%	3.8%	4.7%
Caswell	0.6%	0.4%	0.6%	0.4%	0.6%	0.4%
Chatham	0.5%	1.1%	0.5%	1.1%	0.5%	1.1%
Cumberland	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%
Durham	27.2%	29.2%	27.2%	29.2%	27.2%	29.2%
Franklin	1.3%	2.7%	1.3%	2.7%	1.3%	2.7%
Granville	3.6%	4.7%	3.6%	4.7%	3.6%	4.7%
Guilford	1.5%	1.4%	1.5%	1.4%	1.5%	1.4%
Harnett	1.2%	1.6%	1.2%	1.6%	1.2%	1.6%
Johnston	1.3%	2.8%	1.3%	2.8%	1.3%	2.8%
Lee	0.7%	1.7%	0.7%	1.7%	0.7%	1.8%
Nash	1.0%	0.5%	1.0%	0.5%	1.0%	0.5%
Orange	3.8%	2.8%	3.8%	2.8%	3.8%	2.8%
Person	3.9%	4.6%	3.9%	4.6%	3.9%	4.6%
Robeson	1.7%	1.9%	1.7%	1.9%	1.7%	1.9%
Vance	2.7%	5.9%	2.7%	5.9%	2.7%	6.0%
Wake	12.8%	16.1%	12.8%	16.1%	12.8%	16.1%
Warren	1.0%	1.2%	1.0%	1.2%	1.0%	1.3%
Wilson	0.7%	0.7%	0.7%	0.7%	0.7%	0.8%
Other NC Counties	16.6%	10.9%	16.6%	10.9%	16.6%	10.9%
Virginia	5.9%	0.9%	5.9%	0.9%	5.9%	0.9%
Other States	5.6%	1.4%	5.6%	1.4%	5.6%	1.4%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Totals may not sum due to rounding

In Section C.3(c), page 19, with regard to the assumptions for projected patient origin, the applicant states:

> *"The projected patient origin for both med/surg and neonatal services is consistent with DUH's historical experience providing those services. … DUH does not anticipate a substantial change in patient origin as a result of the proposed project."*

The applicant's assumptions are reasonable and adequately supported.

Analysis of Need

In Section C.4, pages 20-26, the applicant explains why it believes the population projected to utilize the proposed services needs the proposed services, summarized as:

- the need for 34 additional acute care beds, as identified in the 2019 SMFP and generated by DUH's utilization (pages 20-23),
- the growing inpatient volume at DUH (pages 21-23),
- the growing neonatal inpatient volume at DUH (page 26),
- DUHS strategic growth (pages 25-26), and
- projected demographic changes in DUH's primary service area (pages 23-25).

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

- there is a need determination in the 2019 SMFP for 34 acute care beds in the Durham/Caswell County service area,
- The applicant uses clearly cited, reasonable, and verifiable historical and demographical data to make the assumptions with regard to identifying the population to be served, and
- The applicant uses reasonable methodologies and reasonable assumptions to demonstrate the need the population projected to be served has for the proposed acute care services.

Projected Utilization

In Section Q, Form C, the applicant provides the projected utilization for the existing, approved and proposed beds at DUH.

Duke University Hospital
Projected Acute Care Bed Utilization
FY2024-FY2026

	PY1 FY2025 (7/1/24-6/30/25)	PY2 FY2026 (7/1/25-6/30/26)	PY3 FY2027 (7/1/26-6/30/27)
Acute Care Beds Excluding Neonatal			
# of Beds	981	981	981
# of Admissions	45,092	45,543	45,998
# of Patient Days	294,156	297,097	300,068
Neonatal Beds			
# of Beds	81	81	81
# of Admissions	809	809	809
# of Patient Days	27,407	27,407	27,407

In Section Q, beginning on page 71, the applicant provides the methodology and assumptions for its projected utilization, based on utilization from FY2017 through the third full fiscal year following completion of the project, as shown in the tables on page 71-72, and summarized below.

Duke University Hospital
Neonatal Beds

	PRIOR	PRIOR	INTERIM	INTERIM	INTERIM	INTERIM	INTERIM	INTERIM	PY 1	PY 2	PY 3
	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027
Average Daily Census (ADC)	60.5	58.9	64*	64	64	65	66	67	68	68	68
Total Beds	67	67	67	67	67	81**	81	81	81	81	81
Incremental Days						369	738	1,107	1,476	1,476	1,476
Bed Utilization	90.3%	87.9%	95.5%	95.5%	95.5%	80.2%	81.5%	82.7%	84.0%	84.0%	84.0%

Source: Application, page 71
*FY2019 ADC based on year to date through March 2019
**Additional 14 beds open in September 2021 and operating 10/12 of FY2022: incremental days are adjusted accordingly

Duke University Hospital
AC Beds Excluding Neonatal Beds

	PRIOR	PRIOR	INTERIM	INTERIM	INTERIM	INTERIM	INTERIM	INTERIM	PY 1	PY 2	PY 3
	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027
Total Beds	871	871	893*	893	893	910	944	971	981	981	981
ADC	733.4	756.6	759.2**	766.8	774.5	782.2	790	797.9	805.9	814	822.1
ADC Increase				1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Utilization	84.2%	86.9%	85.0%	85.9%	86.7%	86.0%	83.7%	82.2%	82.2%	83.0%	83.8%
Incremental Days of Care FY2019-FY2027				2,771	5,570	8,397	11,252	14,135	17,048	19,989	22,960
Incremental Discharges at 6.53 ALOS				424	853	1,289	1,723	2,165	2,611	3,062	3,517

Source: Application, page 72
*22 beds added to the license effective January 2019
**FY2019 ADC based on year to date through March 2019
***Total beds increase in FY2022-2024 as set forth above due to implementation of 68 beds previously approved. FY2024 beds are assumed to include 10 of the additional 20 beds, due to implementation date of January 1, 2024, halfway through the fiscal year (0.5 year x 20 additional beds)

Assumptions:

Neonatal Beds

- Average daily census (ADC) for neonatal beds will remain constant at 64 through the opening of the additional 14 beds
- Beginning in September 2021, the ADC will increase by one patient per year through FY2025, when utilization reaches 84.0% and DUH will be facing operational constraints to accommodate additional demand

Acute Care Beds Excluding Neonatal Beds

- ADC has grown 3.5% between FY2017 and FY2019
- Additional acute care beds which were previously approved will come into service beginning in FY2021, allowing a growth in average daily census of 1% per year
- Average length of stay will remain constant at the FY2019 average of 6.53 days

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

- the applicant bases projected utilization upon historical data for the service area population and the applicant's experience in providing acute care services, and
- the applicant applies reasonable growth assumptions based on historical utilization.

Access

In Section C.11, page 30, the applicant states that DUH is open to all area and non-area residents for inpatient, outpatient and other healthcare services on a walk-in, emergency, appointment, or referral basis. The applicant states there is no discrimination of the basis of race, ethnicity, age, gender, or disabilities. In Section L, page 57, the applicant provides a table which illustrates that DUH (entire hospital) provided services to women (53%), those 65+ (35%) and racial minorities (approximately 40%) during the last full fiscal year.

In Section L.3, page 60, the applicant provides the payor mix for the projected neonatal and non-neonatal acute care inpatient services but fails to include the payor mix for the entire facility. The applicant provides this information in response to the Agency's request for supplemental information during the expedited review of this application. The table below summarizes the projected payor mix during the second full fiscal year of operation following completion of the project.

DUH Projected Payor Mix
FY2026

Payor Source	Entire Facility	Neonatal Beds	Non-neonatal AC Beds
Self-Pay	0.4%	0.0%	0.4%
Charity Care	2.1%	0.4%	1.9%
Medicare*	44.8%	0.0%	47.8%
Medicaid*	12.7%	62.1%	14.7%
Insurance*	34.9%	31.9%	29.7%
Workers Compensation	0.3%	0.0%	0.2%
TRICARE	2.0%	3.9%	2.2%
Other(Specify)	2.7%	1.6%	3.0%
Total	**100.0%**	**100.0%**	**100.0%**

*Including any managed care plans
**Excludes normal newborns and psychiatric inpatient services
Other includes Out-of-State Medicaid, non-governmental payors, Carolina Donor Services, state inmates, international embassies, the VA and others.
Totals may not sum due to rounding

The applicant states that projected payor mix is based on FY2019 YTD actual payor mix, adjusted for a 2.9% annual shift from managed care to Medicare through FY2021 due to the aging of the population for non-neonatal services. The projected payor mix is reasonable and adequately supported.

The Agency reviewed the:

- application,
- exhibits to the application,
- information publicly available during the review and used by the Agency, and
- supplemental information requested 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.

NA

The applicant is not proposing a reduction or elimination of a service.

(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

The applicant proposes to develop 34 additional acute care beds, pursuant to the Durham/Caswell County service area need determination in the 2019 SMFP, for a total of 1,062 acute care beds at DUH, upon completion of this project and Project ID #J-11426-17 (add 90 acute care beds).

In Section E, pages 39-40, the applicant describes the alternatives considered prior to submitting this application for the proposed project, which include:

- Maintaining the Status Quo / Pursue No Additional Inpatient Beds –The applicant states that DUH would be unable to accommodate inpatient volume growth, and would face ongoing pressures to meet the existing demand for services. The applicant states that maintaining the status quo is not a realistic alternative and therefore is not the most effective alternative.
- Construct an Off-Site Facility in Durham County – The applicant states that developing a new inpatient hospital at an off-site location is not an effective alternative because it would require site preparation of land, incremental utility and infrastructure construction, construction permits and other timely and costly challenges. The applicant also states that it would not capitalize on the current resource-intense DUH facility, and would increase fixed costs; therefore, the applicant does not consider this alternative the least costly or most effective alternative at this time.
- Renovate Existing Space at Duke Regional Hospital (DRH) - The applicant states that DUHS is evaluating renovation plans that would enable DRH to operate and staff more of its licensed beds as private rooms. However, the applicant states that such a project would not address the need for additional inpatient capacity within the Duke University Health System, particularly for the specialized neonatal services at DUH; therefore, this was not considered the most effective alternative to meet the DUH identified need.
- Renovate Existing Spaces for Incremental Beds - The applicant is in the process of constructing a new patient bed tower at DUH to accommodate the relocation of existing licensed beds from Duke North. That project affords an opportunity for the

efficient and cost-effective development of additional acute care bed capacity in existing hospital space at DUH, as proposed.

On page 40, the applicant states that its proposal is the most effective alternative because it affords an opportunity for the efficient and cost-effective development of additional acute care bed capacity in vacated space at DUH.

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

- Maintaining the status quo would cause DUH to be unable to accommodate inpatient volume growth.
- Building offsite would not capitalize on the current resource-intense DUH facility and increase fixed costs for providing the additional bed capacity.
- Adding capacity at DRH would not alleviate capacity constraints at DUH or address the need for additional neonatal capacity.
- Meets the need identified in the 2019 SMFP for additional acute care beds in the Durham/Caswell County service area.

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 reasons stated above. Therefore, the application is approved subject to the following conditions:

1. **Duke University Health System, Inc. shall materially comply with all representations made in the certificate of need application and any supplemental responses. In the event that representations conflict, Duke University Health System, Inc. shall materially comply with the last made representation.**

2. **Duke University Health System, Inc. shall develop 34 additional acute care beds pursuant to the need determination in the 2019 State Medical Facilities Plan.**

3. **Duke University Hospital shall be licensed for no more than 1,062 acute care beds upon completion of this project and Project ID #J-11426-17 (add 90 acute care beds).**

4. **Duke University Health System, Inc. not acquire as part of this project any equipment that is not included in the project's proposed capital expenditures in Section F of the application and that would otherwise require a certificate of need.**

5. **No later than three months after the last day of each of the first three full fiscal years of operation following initiation of the services authorized by this certificate of need, Duke University Health System, Inc. 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.**

6. **Duke University Health System, Inc. 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

The applicant proposes to develop 34 additional acute care beds, pursuant to the Durham/Caswell County service area need determination in the 2019 SMFP, for a total of 1,062 acute care beds at DUH, upon completion of this project and Project ID #J-11426-17 (add 90 acute care beds).

Capital and Working Capital Costs

In Section Q, Form F.1a Capital Cost, the applicant projects the total capital cost of the project as shown in the table below:

Projected Capital Cost

Construction/Renovation Costs	$2,000,000
Non-medical Equipment Costs	$2,780,000

Total Capital Costs	$4,780,000

Exhibit F.1a contains a renovation/construction cost estimate prepared by a North Carolina licensed architect, stating that the total cost of the renovation required for the proposed 14 neonatal beds is $2,000,000, as stated on Form F.1a. The other proposed 20 beds to be developed will fill existing vacated space that does not require any renovation. Exhibit K.2 contains the line drawings showing the spaces to be vacated and/or renovated for the proposed beds.

In Section F.3, pages 42-43, the applicant projects that there will be no start-up costs or initial operating expenses since the hospital is operational.

Availability of Funds

In Section F.2, page 41, the applicant states that the capital cost of the project will be funded with accumulated reserves or owner's equity. Exhibit F.2a contains a letter dated June 10, 2019 from the Senior Vice President, Chief Financial Officer and Treasurer of DUHS committing up to $5,000,000 in accumulated reserves to the capital cost of the proposed project. Exhibit F.2b contains the Duke University Health System, Inc. and Affiliates consolidated balance sheet for the years ending June 30, 2018 and 2017. As of June 30, 2018, DUHS had $277,957,000 in cash and cash equivalents, $6,199,769,000 in total assets, and $3,619,728,000 in net assets.

Financial Feasibility

In Section Q, Form F.2 the applicant projects that acute care inpatient operating expenses will exceed revenues in each of the first three full fiscal years of operation following completion of the project, as shown in the table below.

Duke University Health
Total Non-neonatal and Neonatal Acute Care Services
Projected Revenue

	FY2025	FY2026	FY2027
Projected # of Patient Days	321,563	324,504	327,475
Gross Patient Revenue	2,823,947,446	2,850,533,271	2,877,354,890
Deductions from Gross Patient Revenue	1,930,816,933	1,940,989,889	1,951,076,165
Net Patient Revenue	893,130,512	909,543,381	926,278,725
Average Net Patient Revenue per Patient day	4,498	4,537	4,577
Total Operating Expenses	1,463,399,180	1,516,600,187	1,572,010,792
Average Operating Expense per Patient Day	6,964	7,155	7,352
Net Income (Loss)	($570,268,668)	($607,056,806)	($645,732,067)

Totals may not sum due to rounding

As shown in the table above, the applicant expects its acute care inpatient service to operate at a loss through FY2027. However, Form F.2 for Duke University Health Systems Statement of Revenues & Expenses, projects the system's overall Excess of Revenue over Expenses from Continuing Operations to be $222,603,000, $227,580,000, and $233,164,000 in FY2025, FY2026, and FY2027, respectively.

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, and
- 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 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

The applicant proposes to develop 34 additional acute care beds, pursuant to the Durham/Caswell County service area need determination in the 2019 SMFP, for a total of 1,062 acute care beds at DUH, upon completion of this project and Project ID #J-11426-17 (add 90 acute care beds).

On page 36, the 2019 SMFP defines the service area for acute care services as the planning area in which the bed is located. *"An acute care bed's service area is the acute care bed planning area in which the bed is located. The acute care bed planning areas are the single and multicounty groupings shown in Figure 5.1."* In Figure 5.1, page 40 of the 2019 SMFP, Durham County and Caswell County are shown as a multicounty acute care bed service area. DUH is located in Durham County. Thus, in this review, the service area is Durham and Caswell counties. Providers may serve residents of counties not included in their service area.

The following table identifies the existing and approved acute care inpatient beds located in the multicounty acute care bed service area of Durham and Caswell counties, per page 43 of the 2019 SMFP.

Durham/Caswell Acute Care Bed Service Area

	# of Existing and Approved Acute Care Beds
Duke Regional Hospital	316
Duke University Hospital	1,014
Duke/Duke Regional Total	1,320
North Carolina Specialty Hospital	18
Total Acute Care Beds	1,338

Source: Table 5A, 2017 SMFP, based on 2015 Truven Data

As the table above indicates, there are three hospitals in the Durham/Caswell County service area and a total of 1,338 existing and approved acute care beds.

Table 5B, page 50 of the 2019 SMFP, identifies a need for 34 additional acute care beds in the Durham/Caswell County service area. The applicant does not propose to develop more acute care beds than are determined to be needed in the service area.

In Section G, pages 46-47, the applicant discusses why it believes its proposal would not result in the unnecessary duplication of existing or approved services in the Durham/Caswell County service area. The applicant states that the 34 additional beds are needed at DUH to expand access to the hospital's well-utilized acute care services.

The applicant states that NCSH is a private, physician-owned medical center, offering primarily surgical services, and which the applicant states also serves a fundamentally different patient population compared to DUH. Furthermore, the applicant states:

> *"The scope of acute care services at DUH cannot be replicated at NCSH. Any available licensed bed capacity at NCSH cannot effectively meet the need that DUH has for additional acute care bed capacity."*

The applicant states that DRH's potential capacity is restricted by semi-private beds and facility limitations. Furthermore, states the applicant, DRH does not offer the same quaternary services, including Level IV neonatal services, as DUH.

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

- There is a need determination in the 2019 SMFP for the proposed acute care beds.
- The applicant adequately demonstrates that the proposed acute care beds are needed in addition to the existing or approved acute care beds.

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 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 projected staffing in full-time equivalent (FTE) positions for the proposed services as illustrated in the following table.

DUH Acute Care Services
Non-neonatal and Neonatal Total FTE Positions

Position	Current	Projected		
	FY2019	FY2025	FY2026	FY2027
Nurse Practitioners	169.09	179.75	190.92	202.80
Registered Nurses	1820.07	1931.94	1951.26	1970.76
LPN	3.83	4.06	4.11	4.15
Aides/Orderlies	486.22	516.12	521.94	527.85
Clerical	7.02	7.45	7.54	7.64
Nurse Manager	30.07	30.07	30.07	30.07
Scheduler	1.50	1.50	1.50	1.50
Total	**2517.80**	**2670.89**	**2707.34**	**2744.77**

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.2, which is found in Section Q. In Section H, pages 48-49, the applicant describes the methods used to recruit or fill new positions and its existing training and continuing education programs.

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

Conclusion

The Agency reviewed the:

- application, and
- 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

The applicant currently provides acute care inpatient services. In Section I, page 50, the applicant states that the following ancillary and support services are necessary for the proposed services:

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

On page 50, the applicant adequately explains that each ancillary and support service is already available and will continue to be made available to DUH patients by the DUH professional, clinical and support staff.

In Section I, page 51, the applicant describes its existing and proposed relationships with other local health care and social service providers.

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

Conclusion

The Agency reviewed the:

- application, and
- 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, page 54, the applicant states that the project involves renovating 7,800 square feet of space. Line drawings are provided in Exhibit K.2.

On page 54, the applicant adequately explains how the cost, design and means of construction represent the most reasonable alternative for the proposal and provides supporting documentation in Exhibits F.1 and K.2.

On page 55, 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 page 55, the applicant identifies any applicable energy saving features that will be incorporated into the renovation plans.

Conclusion

The Agency reviewed the:

- application, and
- exhibits to the application.

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(b), page 58, the applicant provides the payor source for DUH and for the inpatient services provided at DUH for FY2018, as follows:

DUH Historical Payor Mix FY2018

Payor Source	Entire Facility	Neonatal Inpatient AC Beds	Non-neonatal Inpatient AC Beds***
Self-Pay	0.2%	0.0%	0.0%
Charity Care	2.4%	0.2%	2.0%
Medicare*	42.0%	0.0%	45.9%
Medicaid*	13.2%	63.5%	16.0%
Insurance*	37.5%	29.0%	30.9%
Workers Compensation	0.3%	0.0%	0.4%
TRICARE	1.8%	6.8%	1.6%
Other (Specify)**	2.6%	0.5%	2.9%
Total	**100.0%**	**100.0%**	**100.0%**

Totals may not sum due to rounding
*Including any managed care
**Includes Out-of-State Medicaid, non-governmental payors, Carolina Donor Services, state inmates, international embassies, the VA and others.
***Excludes normal newborns and psychiatric inpatient services

In Section L.1(a), page 57, the applicant provides the following comparison:

	PERCENTAGE OF TOTAL PATIENTS SERVED BY THE FACILITY DURING THE LAST FULL FY	PERCENTAGE OF THE POPULATION OF THE SERVICE AREA (DURHAM COUNTY) *
Female	52.7%	52.2%
Male	47.3%	47.8%
Unknown	--	--
64 and Younger	65.5%	87.3%
65 and Older	34.5%	12.7%
American Indian	0.8%	0.9%
Asian	2.1%	5.2%
Black or African-American	30.8%	37.8%
Native Hawaiian or Pacific Islander	0.1%	0.1%
White or Caucasian	58.8%	53.5%
Other Race	5.9%	2.5%
Declined / Unavailable	1.5%	--

*US Census Bureau's QuickFacts at https://www.census.gov/quickfacts/fact/table/us/pst045218

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 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 ion 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.2, page 58, the applicant states that DUHS has no obligation under applicable federal regulations to provide uncompensated care, community service, or access by minorities and handicapped persons other than those obligations which apply to private, not-for-profit, acute care hospital which participate in Medicare, Medicaid and Title V programs.

On page 59, the applicant lists five civil rights access complaints as filed against DUHS in the last five years. The applicant provides the complaint date, allegation and the status of each complaint. Three of the five complaints were closed without further investigation and one was voluntarily dismissed. The fifth complaint in March 2017 alleged that sign language interpreter services were not provided, to which the applicant responded that there is documentation on the presence of an interpreter for that patient.

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.

(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 60, the applicant provides the payor mix for the proposed neonatal and non-neonatal inpatient services but fails to include the payor mix for the entire facility. The applicant provides this information in response to the Agency's request for supplemental information during the expedited review of this application. The table below summarizes the projected payor mix during the second full fiscal year of operation following completion of the project.

DUH Historical Payor Mix FY2026

Payor Source	Entire Facility	Neonatal Inpatient AC Beds	Non-neonatal Inpatient AC Beds***
Self-Pay	0.4%	0.0%	0.4%
Charity Care	2.1%	0.4%	1.9%
Medicare*	44.8%	0.0%	47.8%
Medicaid*	12.7%	62.1%	14.7%
Insurance*	34.9%	31.9%	29.7%
Workers Compensation	0.3%	0.0%	0.2%
TRICARE	2.0%	3.9%	2.2%
Other (Specify)**	2.7%	1.6%	3.0%
Total	**100.0%**	**100.0%**	**100.0%**

Totals may not sum due to rounding
*Including any managed care
**Includes Out-of-State Medicaid, non-governmental payors, Carolina Donor Services, state inmates, international embassies, the VA and others.
***Excludes normal newborns and psychiatric inpatient services

As shown in the table above, during the second full fiscal year of operation, the applicant projects that 2.5% of DUH's total services will be provided to self-pay/charity care patients, 44.8% to Medicare patients and 12.7% to Medicaid patients.

On page 60, 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 applicant states that projected payor mix is based on FY2019 YTD actual payor mix, adjusted for a 2.9% annual shift from managed care to Medicare through FY2021 due to the aging of the population for non-neonatal services. The projected payor mix is reasonable and adequately supported.

The projected payor mix is reasonable and adequately supported for the following reasons:

- The projected payor mix is based on the historical payor mix of patients at the facility, adjusted for future expectations for reimbursement of care, and
- The applicant adequately demonstrates that medically underserved populations will have access to the proposed services.

The Agency reviewed the:

- application,
- exhibits to the application, and
- supplemental information requested 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.5, page 61, the applicant adequately describes the range of means by which patients will have access to the proposed services.

The Agency reviewed the:

- application, and
- 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, page 62, the applicant states that as an AMC teaching hospital, DUH serves as a primary teaching location for medical students, residents, fellows, nurses, and other health care professionals. The applicant further states that the proposed project will increase capacity at DUH, and thus will enhance Duke's ability to fulfill its educational mission. The applicant states that members of Duke University Schools of Medicine and Nursing and DUH's staff work closely with faculties of other schools and universities, community colleges and clinics in the area to provide health professional training programs including specialized training.

The Agency reviewed the:

- application, and
- 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

The applicant proposes to develop 34 additional acute care beds, pursuant to the Durham/Caswell County service area need determination in the 2019 SMFP, for a total of 1,062 acute care beds at DUH, upon completion of this project and Project ID #J-11426-17 (add 90 acute care beds).

On page 36, the 2019 SMFP defines the service area for acute care services as the planning area in which the bed is located. *"An acute care bed's service area is the acute care bed planning area in which the bed is located. The acute care bed planning areas are the single and multicounty groupings shown in Figure 5.1."* In Figure 5.1, page 40 of the 2019 SMFP, Durham County and Caswell County are shown as a multicounty acute care bed service area. DUH is located in Durham County. Thus, in this review, the service area is Durham and Caswell counties. Providers may serve residents of counties not included in their service area.

The following table identifies the existing and approved acute care inpatient beds located in the multicounty acute care bed service area of Durham and Caswell counties, per page 43 of the 2019 SMFP.

Durham/Caswell Acute Care Bed Service Area

	# of Existing and Approved Acute Care Beds
Duke Regional Hospital	316
Duke University Hospital	1,014
Duke/Duke Regional Total	1,320
North Carolina Specialty Hospital	18
Total Acute Care Beds	1,338

Source: Table 5A, 2017 SMFP, based on 2015 Truven Data

As the table above indicates, there are three hospitals in the Durham/Caswell service area and a total of 1,338 existing and approved acute care beds.

Table 5B, page 50 of the 2019 SMFP, identifies a need for 34 additional acute care beds in the Durham/Caswell County service area. The applicant does not propose to develop more acute care beds than are determined to be needed in the service area.

In Section N, pages 63-64, 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 63, the applicant states:

> *"The additional beds will enable DUH to better meet the needs of its existing patient population, and to ensure timely provision of inpatient services. DUH is committed to delivering high-quality care, and will continue to maintain the highest standards and quality of care, consistent with the standards that DUHS has sustained throughout its illustrious history of providing patients care. DUH has quality-related policies and procedures, and its quality management programs emphasize a customer-oriented perspective that is used to determine the needs of patients, physicians and others who utilize hospital services.*
>
> …
>
> *… DUH will continue to have a policy to provide 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. Inpatient services will continue to be available to and accessible by any patient with a clinical need."*

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, N, and Q of the application and any exhibits)

- Quality services will be provided (see Sections M, N, and O of the application and any exhibits)
- Access will be provided to underserved groups (see Sections L and N of the application and any exhibits)

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 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 Q, Form A Facilities, the applicant identifies the acute care hospitals located in North Carolina owned, operated or managed by the applicant or a related entity. The applicant identifies a total of three acute care hospitals located in North Carolina: Duke University Hospital, Duke Regional Hospital, and Duke Raleigh Hospital.

In Section O, pages 67-68, the applicant states:

> *"No DUHS facility has had licensure or certification issues during the 18-month period immediately preceding submission of this application. Duke does not include in this answer any standard level deficiencies or conditional findings that may have been identified in the course of inspections or surveys at DUHS facilities and addressed, as it does not interpret those as potentially placing any facility out of compliance."*

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 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 FirstHealth 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.

C

The application submitted by Duke University Health System, Inc. is conforming to all applicable Criteria and Standards for Acute Care Beds as promulgated in 10A NCAC 14C .3800. The specific criteria are discussed below.

SECTION .3800 - CRITERIA AND STANDARDS FOR ACUTE CARE BEDS

10A NCAC 14C .3803 PERFORMANCE STANDARDS

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

-C- In Section Q, beginning on page 71, the applicant provides the projected utilization, based on utilization from FY2017 through the third full fiscal year following completion of the project, as summarized above in Criterion C, Projected Utilization. The applicant projects a bed utilization rate of 84% for total acute care services and both the individual neonatal and the non-neonatal acute care services in the third full fiscal year of operation following completion of the proposed project. This exceeds the requirement of 75.2% in the performance standard.

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

-C- See Section Q, beginning on page 71, the applicant provides the assumptions, methodology, and data used to project utilization. The data supports the projected utilization of the proposed beds. The discussion regarding projected utilization found in Criterion (3) is incorporated herein by reference.