

ATTACHMENT - REQUIRED STATE AGENCY FINDINGS

FINDINGS

C = Conforming

CA = Conditional

NC = Nonconforming

NA = Not Applicable

Decision Date: February 27, 2019

Findings Date: March 5, 2019

Project Analyst: Gloria C. Hale

Assistant Chief: Lisa Pittman

COMPETITIVE REVIEW

Project ID #: F-11566-18

Facility: Carolinas Rehabilitation

FID #: 943092

County: Mecklenburg

Applicant: The Charlotte-Mecklenburg Hospital Authority

Project: Develop eight new inpatient rehabilitation beds pursuant to the 2018 State Medical Facilities Plan need determination for a total of 78 beds upon project completion

Project ID #: F-11584-18

Facility: The Presbyterian Hospital

FID #: 943501

County: Mecklenburg

Applicants: The Presbyterian Hospital
Novant Health, Inc.

Project: Develop a ten-bed inpatient rehabilitation unit by developing the eight beds in the 2018 State Medical Facilities Plan need determination and relocating two existing rehabilitation beds from Novant Health Rowan Medical Center

REVIEW CRITERIA FOR NEW INSTITUTIONAL HEALTH SERVICES

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

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

C

CR
NHPMC

Need Determination

Chapter 8, page 108, of the 2018 State Medical Facilities Plan (SMFP) includes the following statement regarding a need determination for eight inpatient rehabilitation beds in Health Service Area (HSA) III which consists of the following counties: Iredell, Rowan, Cabarrus, Stanly, Union, Mecklenburg, Gaston and Lincoln.

“Application of the standard methodology for the North Carolina 2018 State Medical Facilities Plan determined there is no need for additional inpatient rehabilitation beds. However, in response to a petition from Novant Health and HealthSouth, a need determination for eight inpatient rehabilitation beds was approved by the State Health Coordinating Council, as shown in Table 8B. There is no need anywhere else in the state and no other reviews are scheduled.”

Two applications were submitted to the Healthcare Planning and Certificate of Need Section (Agency) in response to the need determination for eight inpatient rehabilitation beds in HSA III, each proposing to develop eight inpatient rehabilitation beds in Mecklenburg County, which is in HSA III, for a combined total of 16 inpatient rehabilitation beds. Pursuant to the need determination in Table 8B, page 108 of the 2018 SMFP, only eight new inpatient rehabilitation beds may be approved in this review.

Policies

- **Policy GEN-3: Basic Principles** is applicable to both applications in this review – Carolinas Rehabilitation (CR) and Novant Health Presbyterian Medical Center (NHPMC).
- **Policy GEN-4: Energy Efficiency and Sustainability for Health Service Facilities** is applicable to the NHPMC application only.

Policy GEN-3: Basic Principles, found on page 33 of the 2018 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.”

Policy GEN-4: Energy Efficiency and Sustainability for Health Service Facilities, found on page 33 of the 2018 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 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 Charlotte-Mecklenburg Hospital Authority d/b/a Carolinas Rehabilitation (CR) proposes to develop eight new inpatient rehabilitation beds at CR, a 70-bed inpatient rehabilitation facility located adjacent to Carolinas Medical Center in Charlotte, Mecklenburg County, for a total of 78 inpatient rehabilitation beds.

Need Determination. The applicant does not propose to develop more inpatient rehabilitation beds than are determined to be needed in HSA III.

Policy GEN-3. In Section C, pages 12-13, and Section N, pages 73-75, the applicant explains why it believes its application is conforming to Policy GEN-3, summarized as follows:

- Safety and quality of services is ensured through compliance with all applicable licensure and certification standards, is a licensed hospital that meets accreditation standards of The Joint Commission and the Commission on Accreditation of Rehabilitation Facilities, participates in facility, state and national quality reporting programs, and requires staff training and certification related to patient safety and emergency preparedness. (pages 12, 74-75, Exhibits 4 and 5)
- Equitable access will be ensured by continuing to make services available and accessible to any person with a clinical need for rehabilitation services regardless of income, racial/ethnic origin, gender, physical or mental conditions, age, ability to pay or that would deem a person underserved. In addition, the applicant states that the beds will be conforming to all applicable building, life safety, and handicapped access standards. (page 75, Exhibit 6)

- Healthcare value will be maximized by developing the project in existing space that will be renovated and by utilizing existing necessary ancillary and support services. In addition, the applicant states that the additional beds do not represent a new service, and therefore the charges and reimbursement for services will not change. (page 75)

Policy GEN-4. Policy GEN-4 is not applicable because the proposed capital expenditure for the proposed project is less than \$2 million.

Conclusion. The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Remarks made at the public hearing
- Responses to comments
- Information publicly available during the review and used by the Agency.

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

- The applicant does not propose to develop more inpatient rehabilitation beds than are determined to be needed in the service area; therefore, the application is consistent with the need determination in the 2018 SMFP.
- 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. Therefore, the application is consistent with Policy GEN-3.

The Presbyterian Hospital and Novant Health, Inc., collectively referred to as **NHPMC**, propose to develop a ten-bed inpatient rehabilitation unit at NHPMC in Mecklenburg County by adding eight beds pursuant to the need determination in the 2018 State Medical Facilities Plan and relocating two licensed inpatient rehabilitation beds from Novant Health Rowan Medical Center (NHRMC). NHPMC has two acute care facilities on its license: NHPMC Main and Novant Health Charlotte Orthopedic Hospital (NHCOH). The ten-bed inpatient rehabilitation unit will be located at NHCOH which is located adjacent to NHPMC Main.

Need Determination. The applicant does not propose to develop more inpatient rehabilitation beds than are determined to be needed in HSA III.

Policy GEN-3. In Section B, pages 9-12, Section C, pages 10-11, Section L, pages 31-32, and Exhibits B-4, C-4, C-7, and H-4, the applicants explain why they believe their application is conforming to Policy GEN-3, summarized as follows:

- The inpatient rehabilitation unit addresses safety and quality by increasing competition and choice of rehabilitation services, reducing the need to transfer patients, reducing delays in accessing rehabilitation services, and by improving continuity of care for patients with comorbidities and continuing acute care issues (pages 9-10, 12, Exhibit B-4).

- The inpatient rehabilitation unit will be accessible to all medically underserved groups per Novant Health's existing policies and procedures (Section C, pages 10-11, Section L, pages 31-32, Exhibits B-4 and C-7) and will improve access to patients receiving care at Novant Health acute care hospitals who need rehabilitation services, specifically addressing delays in receiving services or denials (Section C, pages 21-22, Exhibits C-4 and H-4).
- Costs will be saved by avoiding transfers and associated costs of preparation for discharge and admission, transportation, and repeat tests at Atrium hospitals (Section B, page 11).
- Space is available to be renovated for the proposed project at a reasonable cost and with expected high occupancy, the unit will be financially feasible in both the short and long term (Section B, page 11).
- Collaboration with Encompass Health will be cost effective (Section B, page 11).

Policy GEN-4. The proposed capital expenditure for this project is greater than \$2 million, but less than \$5 million. In Section B.5, pages 13-14, the applicants explain why they believe their application is conforming to Policy GEN-4, and discuss energy efficiency and water conservation methods consistent with the Novant Health Sustainable Energy Management Plan (SEMP), including oversight by a Corporate Energy Manager and converting to more efficient equipment and environmentally preferable products and practices. The applicants state, on page 14, that they will work with the DHSR Construction Section to develop plans consistent with or exceeding energy efficiency and water conservation standards in the latest editions of the North Carolina State Building Codes. See Exhibit B-5 for a copy of Novant Health's 2018 SEMF.

Conclusion. The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Remarks made at the public hearing
- Responses to comments
- 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 applicants do not propose to develop more inpatient rehabilitation beds than are determined to be needed in the service area.
- The applicants adequately demonstrate how the projected volumes incorporate the concepts of quality, equitable access and maximum value for resources expended in meeting the identified need. Therefore, the application is consistent with Policy GEN-3.
- 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.

Decision

The applications submitted by **CR** and **NHPMC** are conforming to the need determination in the 2018 SMFP. The limit on the number of new inpatient rehabilitation beds that can be approved is eight. Combined, the applicants propose a total of 16 new inpatient rehabilitation beds. Therefore, both of the applications cannot be approved even though both are conforming to this criterion.

The applications submitted by **CR** and **NHPMC** are consistent with Policy GEN-3. The application submitted by **NHPMC** is consistent with Policy GEN-4.

See the Decision following the Comparative Analysis.

- (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
CR
NHPMC

On page 108, the 2018 SMFP identifies a need determination for eight inpatient rehabilitation beds in HSA III, as shown in Table 8B. There is no need anywhere else in the state and no other reviews are scheduled.

CR. The applicant proposes to develop eight additional inpatient rehabilitation beds pursuant to the need determination in the 2018 SMFP for a total of 78 inpatient rehabilitation beds at CR upon project completion. In Section C, page 15, the applicant states that the eight additional inpatient rehabilitation beds will be located in existing spaces within the nursing unit which will be converted to private rooms.

Patient Origin

On page 106, the 2018 SMFP states, “*The Health Service Areas remain logical planning areas for inpatient rehabilitation beds even though many patients elect to enter rehabilitation facilities outside the region in which they reside.*” Appendix A, page 405 of the 2018 SMFP, contains a map of the state which shows the counties within each of the state’s six HSAs. HSA III contains the following counties: Iredell, Rowan, Cabarrus, Stanly, Union, Mecklenburg, Gaston and Lincoln. Thus, for this review, the service area is HSA III. Providers may serve residents of counties not included in their service area.

The following table depicts both the applicant’s current and projected patient origin for CR, summarized from Sections C.2 and C.3, pages 17 and 18, respectively,

CR					
Current and Projected Patient Origin					
Inpatient Rehabilitation Beds					
	Current FFY2017	OY1 FFY2020	OY2 FFY2021	OY3 FFY2022	Current & Projected
County/Area	# Patients	# Patients	# Patients	# Patients	% Patients
Mecklenburg	628	644	655	665	51.0%
Union	82	84	85	87	6.7%
Gaston	58	59	60	61	4.7%
Cleveland	47	48	49	50	3.8%
Cabarrus	39	40	41	41	3.2%
Iredell	22	23	23	23	1.8%
Burke	21	22	22	22	1.7%
Catawba	20	21	21	21	1.6%
Stanley	17	17	18	18	1.4%
Rowan	12	12	13	13	1.0%
South Carolina	156	160	163	165	12.7%
Other*	130	133	136	138	10.6%
Total**	1,232	1,263	1,284	1,305	100.0%

Source: CR's 2018 License Renewal Application (Application Exhibit 7).

*Other includes less than 1.0% each from other NC counties and other states.

**Percentage total does not foot due to rounding.

As shown in the table above, the projected patient origin and percentage of patients by county/area are the same as the historical patient origin and percentages. The applicant projects that 51% of its patients will be from Mecklenburg County and the next highest, 12.7%, will be from South Carolina. In Section C, page 18, 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 20-29, the applicant explains why it believes the population projected to utilize the proposed services needs the proposed services, based on the following factors:

- the 2018 SMFP need determination for eight inpatient rehabilitation beds in HSA III (pages 21-22),
- increasing inpatient rehabilitation services utilization at CR from FY2016 through FY2018 annualized, with annual occupancy over 80% for each of those years (pages 22-25),
- projected population growth in the service area (pages 25-26),
- projected population growth of persons 65 years of age and older in the service area (page 27),
- the ratio of population to inpatient rehabilitation beds and occupancy of those beds in the service area (page 28),
- efforts to reduce unnecessary hospital readmissions through management of patients through the continuum of care at CR (page 29).

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

- The applicant documents that there is a need determination for eight inpatient rehabilitation beds in HSA III in the 2018 SMFP. The applicant’s proposal to develop eight new inpatient rehabilitation beds in Mecklenburg County is in accordance with the inpatient rehabilitation bed adjusted need determination in the 2018 SMFP.
- The applicant adequately documents that utilization of CR’s existing inpatient rehabilitation beds has been increasing and occupancy has consistently been above 80% for the last three fiscal years.
- The applicant adequately documents projected general population growth and growth in persons 65 and older in the service area, the latter of which it documents are higher users of inpatient rehabilitation services.
- The applicant adequately documents that inpatient rehabilitation beds are well utilized in the service area.

Projected Utilization

In Section Q, Form C, page 84, the applicant provides historical and projected utilization, as illustrated in the following table.

CR Inpatient Rehabilitation Beds Historical & Projected Utilization							
	FFY2016 10/1/2015- 9/30/2016	FFY2017 10/1/2016- 9/30/2017	Interim FFY2018 10/1/2017- 9/30/2018	Interim** FFY2019 10/1/2018- 9/30/2019	OY1 FFY2020 10/1/2019- 9/30/2020	OY2 FFY2021 10/1/2020- 9/30/2021	OY3 FFY2022 10/1/2021- 9/30/2022
# Inpatient Rehab. Beds	70	70	70	*78	78	78	78
# of Admissions	1,135	1,232	1,223	1,243	1,263	1,284	1,305
# of Discharges				1,270	1,290	1,312	1,333
Total Days of Care	20,686	21,212	21,735	22,092	22,455	22,823	23,198
ALOS*	18.2	17.2	17.8	17.8	17.8	17.8	17.8
Occupancy	81.0%	83.0%	85.1%	79.4%	78.9%	80.2%	81.5%

Key: Rehab. = Rehabilitation; ALOS = Average Length of Stay;

**8 additional beds projected to be operational July 1, 2019. Occupancy based on 70 beds October-June & 78 beds July-September.

In Section Q, pages 82-83, the applicant provides the assumptions and methodology used to project utilization. The applicant calculated the two-year Compound Annual Growth Rate (CAGR) for CR’s days of care, discharges and admissions for the time periods reported on its 2016-2018 License Renewal Applications (LRAs), as shown in the table below.

CR 2-Year CAGR				
	FY2016	FY2017	FY2018*	2-Yr CAGR
# of Inpatient Rehab. Days of Care	20,686	21,212	21,735	2.5%
# Inpatient Rehab. Discharges	1,138	1,224	1,249	4.8%
# of Inpatient Admissions	1,135	1,232	1,223	3.8%

*Based on 11 months annualized data (October-August)

On page 82, the applicant states that it uses the four-year CAGR for the projected population for HSA III of 1.6% to project the number of admissions and discharges for the interim years, FFY2018 and FFY2019, and for each of the first three operating years of the project, FFY2020 through FFY2022. The applicant provides a table of the projected population for HSA III and the four-year CAGR in Section C, page 25. The applicant notes that its use of 1.6% to project the number of discharges and admissions is conservative given the 2-year CAGRs of 4.8% and 3.8%, respectively and as depicted in the table above.

On page 83, the applicant projects its days of care by multiplying the FFY2018 average length of stay (ALOS) of 17.8 days by the projected number of admissions.

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

- The applicant projects growth of its inpatient rehabilitation admissions and discharges by using the population growth rate for the service area which is lower than the recent historical growth of the facility’s admissions and discharges.
- The applicant projects the facility’s days of care by multiplying the historical average length of stay by the number of admissions.
- Projected population estimates, and therefore the growth rate for the service area, are from a credible source and the application of this growth rate to project increases in utilization of inpatient rehabilitation services is reasonable given projected growth in the population of the service area.
- The applicant documents historical growth of the facility and demonstrates that the facility has met the performance standard promulgated in 10A NCAC 14C .2803(b).

Access

In Section C.7, page 31, the applicant states:

“CR does not discriminate based on race, ethnicity, creed, color, sex, age, religion, national origin, handicap, or ability to pay. CR will continue to have a policy to provide all services to all patients regardless of income, racial/ethnic origin, gender, physical or mental conditions, age, ability to pay or any other factor that would classify a patient as underserved.”

See Exhibit 6 for Atrium Health's notice of non-discrimination and accessibility.

In Section L.3, page 68, the applicant projects the following payor mix during the third full fiscal year of operation following completion of the project, as illustrated in the following table.

CR Projected Payor Mix FFY2022 / 10/01/2021-09/30/2022	
Payor Source	Percent of Total Days of Care
Self-Pay/Charity Care	2.16%
Medicare*	44.87%
Medicaid*	20.37%
Commercial Insurance*	25.03%
Workers Compensation	0.86%
Other (TRICARE & other government	6.72%
Total	100.00%

*Including any managed care plans. Table does not foot due to rounding.

The applicant states that it projects future payor mix based on its historical experience. The projected payor mix is reasonable and adequately supported.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Remarks made at the public hearing
- Responses to comments
- 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.

NHPMC. The applicants propose to develop a ten-bed inpatient rehabilitation unit at NHPMC by developing the eight beds in the 2018 State Medical Facilities Plan need determination and relocating two existing rehabilitation beds from NHRMC. The ten-bed rehabilitation unit will

be located on the third floor of NHCOH. NHPMC is a licensed acute care facility that includes two acute care locations: NHPMC Main and NHCOH.

Patient Origin

In Section C.3, page 17, the applicants provide the projected patient origin for inpatient rehabilitation services for the proposed inpatient rehabilitation unit for the first three operating years of the project, as summarized in the table below.

NHPMC Projected Patient Origin Inpatient Rehabilitation Beds				
	OY1 CY2021	OY2 CY2022	OY3 CY2023	
County/Area	# Patients	# Patients	# Patients	% of Total for each OY
Mecklenburg	114	132	135	56%
Union	21	25	25	10%
Gaston	16	18	19	8%
York (SC)	6	7	8	3%
Other	46	53	55	23%
Total	203	236	241	100%

As shown in the table above, the applicants project that 56% of their patients will be from Mecklenburg County. In Section C, page 18, the applicants provide the assumptions and methodology used to project its patient origin. The applicants state, on page 17, that its projected patient origin and percentage of patients for the proposed rehabilitation unit are expected to be similar to the patient origin of the patients NHPMC discharged to inpatient rehabilitation. Exhibit C-3 contains historical payor mix data for the year ending May 31, 2018 for NHPMC patients discharged to inpatient rehabilitation, obtained from Truven Analytics.

The applicants' assumptions are reasonable and adequately supported.

Analysis of Need

In Section C, page 15, the applicants state that the new inpatient rehabilitation unit will be managed by Encompass Health Corporation (Encompass Health), previously named HealthSouth Corporation. The applicants further state that Encompass Health is the largest provider of inpatient rehabilitation services in the nation. On page 18, the applicants state that they have partnered with Encompass Health to improve inpatient rehabilitation services in HSA III, and have partnered with them to develop Novant Health Rehabilitation Hospital of Winston-Salem, a 68-bed inpatient rehabilitation hospital¹. The applicants further state, on page 19, that Encompass Health's clinicians and managers have extensive experience and the company has consistently exceeded national quality benchmarks.

¹ Novant Health Rehabilitation Hospital of Winston-Salem, CON Project I.D. #G-11211-16, became operational on October 8, 2018 according to a progress report received by the Agency on October 29, 2018.

In Section C, pages 19-30, the applicants state why they believe the population projected to utilize the proposed services needs the proposed services, based on the following factors:

- Novant Health’s patients in Mecklenburg County have a lack of choice for inpatient rehabilitation services which impacts continuity of care for Novant Health’s patients. Atrium Health is the only provider of inpatient rehabilitation services in Mecklenburg County (pages 20-21),
- Novant Health’s patients experience barriers to access for inpatient rehabilitation services resulting in delays in receiving care, less optimal care in alternative settings, and lengthier, costly hospital stays (pages 21-22),
- Novant Health’s historical acute care discharges in Mecklenburg County to inpatient rehabilitation services were sufficient to achieve 80% occupancy of ten inpatient rehabilitation beds (pages 22-23),
- Best clinical practices and guidelines for rehabilitative care of stroke patients recommend inpatient rehabilitation to improve functional outcomes (pages 23-26),
- Continuity of care will be improved by maintaining a consistent care team and therefore provide better patient outcomes (pages 26-29).

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

- Novant Health does not currently have inpatient rehabilitation services in Mecklenburg County, the most populous county in HSA III, which negatively impacts continuity of care and patient outcomes.
- Novant Health’s historical acute care discharges to Atrium Health’s inpatient rehabilitation services were sufficient to achieve 80% occupancy at a ten-bed inpatient rehabilitation unit.

Projected Utilization

In Section Q, Form C, page 82, the applicants provide projected utilization, as illustrated in the following table.

**NHPMC Inpatient Rehabilitation Beds
 Projected Utilization**

	OY1	OY2	OY3
	First Full FY	Second Full FY	Third Full FY
	1/01/2021 –	1/01/2022 –	1/01/2023 –
	12/31/2021	12/31/2022	12/31/2023
# of Inpt. Rehab. Beds	10	10	10
# of Admissions	196	235	241
Total Days of Care	2,651	3,176	3,249
Average Length of Stay	13.5	13.5	13.5
Occupancy Rate	72.6%	87.0%	89.0%

Key: Inpt. = Inpatient; Rehab. = Rehabilitation

In Section Q, Form C, page 83, and Section C, page 22, the applicant provides the assumptions and methodology used to project utilization of inpatient rehabilitation beds, which is summarized below:

The applicants state, on page 83, “*estimates are based on the need assessment for HSA III in the 2018 SMFP, estimates of unmet demand from Novant Health hospitals and physicians found in the response to Section C Question 4a..., and the combined experience Novant Health and Encompass Health have in marketing and establishing operations in new inpatient rehabilitation units and hospitals.*”

The applicants refer to their response in Section C, page 22, of the application which provides data, by diagnosis, on the number of patients from Novant Health hospitals in HSA III, excluding NHRMC, that were discharged to inpatient rehabilitation for the year ending March 31, 2018. The data from page 22, and source information from Exhibit C-5, is summarized below:

**Novant Health HSA III Hospital Patients
Discharged to Inpatient Rehabilitation***

Diagnosis	# of Discharges	Percent of Total
Stroke	103	34%
Brain injury (BI)	16	5%
Amputation	11	4%
Spinal cord injury (SCI)	9	3%
Neurological condition	5	2%
Hip fracture	4	1%
Major multiple trauma (MMT)	3	1%
Other	152	50%
Total	303	100%
Diagnoses Novant Health will continue to refer to Atrium (BI, SCI, MMT)	28	50%
Diagnoses Accepted at NHPMC Rehab Unit	261 [275]	91%
Days of Care**	3,713	
Average Daily Census***	10.2	

Source: Truven Analytics, Year ending 3/31/2018, includes NH Huntersville Medical Center, NH Matthews Medical Center, and NHPMC Main and NHCOH

*Excludes NHRMC

**Average length of stay assumed to be 13.5

***Patient days/ 365

Note: Team Leader’s correction is in brackets.

The applicants’ assumption for length of stay, at 13.5 days, is reasonable given the breadth of experience Encompass Health has in establishing and operating 128 inpatient rehabilitation facilities throughout the country, including Novant Health and Encompass Health’s joint venture 68-bed rehabilitation hospital in Forsyth County which became operational in October 2018, and Novant Health’s experience in operating its 10-bed inpatient rehabilitation unit at NHRMC in Rowan County. In Exhibit A-6, the applicants provide Encompass Health’s

Overview which states, “We are the nation’s largest owner and operator of inpatient rehabilitation hospitals in terms of patients treated, revenues and number of hospitals.” In addition, the applicants provide the historical utilization for its one inpatient rehabilitation unit in HSA III, NHRMC, for 2013 through 2018 annualized, in Section D, page 37. The ALOS for NHRMC’s inpatient rehabilitation patients fluctuated during this time period. The average ALOS for 2013 through 2018 annualized was 13.4.

The applicants further state, on page 83, that most of the projected inpatient rehabilitation patients will have been patients at Novant Health’s hospitals in HSA III and will not be transferred from outside the service area.

Next, the applicants provide a table, on page 84, projecting utilization by quarter for the first operating year, and then annually for the first three operating years of the project, summarized as follows:

**NHPMC Inpatient Rehabilitation Unit
Projected Utilization, CY2021 through CY2023**

	CY 2021				CY2021	CY2022	CY2023
	OY1 1 st Qtr.	OY1 2 nd Qtr.	OY1 3 rd Qtr.	OY1 4 th Qtr.	OY1 Total	OY2	OY3
Number of Beds	10	10	10	10	[10]	10	10
Available Days	90	91	92	92	[365]	365	365
Days of Care	450	683	736	782	2,651	3,176	3,249
ALOS					13.5	13.5	13.5
Number of Admissions					196	235	241
Occupancy	50%	75%	80%	85%	[72.6%]	87%	89%

Note: Team Leader’s additions are in brackets.

The applicants state, on page 83, that both the ramp up of utilization and average length of stay are based on Encompass Health’s historical experience.

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

- The applicants document the historical number of discharges from Novant Health acute care facilities in Mecklenburg County to inpatient rehabilitation beds from a credible source.
- The applicants document that the historical number of discharges from Novant Health acute care facilities in Mecklenburg County to inpatient rehabilitation services would have resulted in an occupancy of 91% for a ten-bed inpatient rehabilitation unit.
- The applicants project utilization based on the experience of Encompass Health, a provider with inpatient rehabilitation expertise and with whom they have partnered with to open a 68-bed rehabilitation hospital in Winston-Salem, Forsyth County in 2018.
- The applicants demonstrate that the facility has met the performance standard promulgated in 10A NCAC 14C .2803(b).

Access

In Section C.7, page 31, the applicants state:

“Novant Health makes services accessible to indigent patients without regard to ability to pay. NHPMC and its physicians provide services to all persons regardless of race, sex, age, religion, creed, disability, national origin or ability to pay.”

The applicants discuss their policies for serving underserved populations in Section C.7, pages 31–32, and Section L.4, pages 64–65. A copy of Novant Health’s Charity Care Policy and related policies are provided in Exhibit C-7.

In Section L.3, page 63, the applicants project the following payor mix during the third full fiscal year of operation following completion of the project, as illustrated in the following table.

NHPMC Projected Payor Mix FFY2023 (1/01/2023-12/31/2023)	
Payor Source	Percent of Total Days of Care
Self-Pay	2%
Insurance*	25%
Medicare*	64%
Medicaid*	6%
Insurance*	25%
Other	3%
Total	100%

*Including any managed care plans.

The applicants state, in Section Q, Form F.2 Revenues and Net Income Assumptions, page 95, that projected payor mix is based on Novant Health acute care hospitals discharges to inpatient rehabilitation facilities in Mecklenburg County for the year ending December 31, 2017. The applicants further state, on page 95, that payor mix will stay constant for the first three operating years of the project following project completion, not including the first three months of operating year one due to lag time in obtaining Medicare certification. The projected payor mix is reasonable and adequately supported.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Remarks made at the public hearing
- Responses to comments

- 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 (payer 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
CR

C
NHPMC

CR. The applicant does not propose to reduce a service, eliminate a service or relocate a facility or services. Therefore, Criterion (3a) is not applicable to this review.

NHPMC. The applicants propose to develop a ten-bed inpatient rehabilitation unit at NHPMC by adding eight beds pursuant to the need determination in the 2018 SMFP and by relocating two existing inpatient rehabilitation beds from NHRMC.

The applicants currently operate a ten-bed inpatient rehabilitation unit at NHRMC at 612 Mocksville Avenue in Salisbury, Rowan County. The applicants propose to relocate two existing inpatient rehabilitation beds from NHRMC to NHPMC at 1901 Randolph Road in Charlotte, in Mecklenburg County, where it will also develop eight new inpatient rehabilitation beds, for a ten-bed inpatient rehabilitation unit at NHCOH, an acute care facility adjacent to NHPMC Main in Charlotte. Eight inpatient rehabilitation beds will remain at NHRMC in Salisbury. Following completion of this project, two inpatient rehabilitation beds at NHRMC will be delicensed.

In Section D, pages 36-38, the applicants explain why they believe the needs of the population presently utilizing the services to be relocated will be adequately met following completion of the project. On pages 36-37, the applicants state:

“Historically, the ten-bed unit at NHRMC has seen volumes shift both up and down as the data for January 2013-June 2018 shows. The low census has been a reason HSA III has not shown a need for additional rehabilitation beds under the state formula. In recent years, the average census has grown and the estimated average census for 2018 is 5.8. This is 59% occupancy on ten beds and 74% occupancy on eight beds.”

On page 37, the applicants provide two utilization tables for NHRMC’s inpatient rehabilitation beds: one providing historical utilization from 2013 through 2018 annualized, and the second providing projected utilization for 2019 through 2023, as summarized below.

NHRMC Inpatient Rehabilitation Beds Historical Utilization						
	2013	2014	2015	2016	2017	2018*
# of Beds	10	10	10	10	10	10
Discharges	150	146	129	127	147	186
Patient Days	2,247	1,922	1,681	1,839	1,912	2,170
Average Census	6.2	5.3	4.6	5.0	5.2	5.9
ALOS	15.0	13.0	13.0	14.5	13.0	11.7
Occupancy (10) Beds	62%	53%	46%	50%	52%	59%
Occupancy (8 Beds)	77%	66%	58%	63%	65%	74%

*Discharges and days annualized based on 6 months data. NA = not applicable.

NHRMC Inpatient Rehabilitation Beds Projected Utilization					
	2019	2020	OY1 2021	OY2 2022	OY3 2023
# of Beds	10	10	10 [8]	10 [8]	10 [8]
Discharges	193	200	207	214	221
Patient Days	2,258	2,340	2,422	2,504	2,586
Average Census	6.2	6.4	6.6	6.9	7.1
ALOS	11.7	11.7	11.7	11.7	11.7
Occupancy (10) Beds	62%	64%	66%	69%	71%
Occupancy (8 Beds)	77%	80%	83%	86%	89%

In Section D, the applicants provide the assumptions and methodology used to project utilization. The applicants state, on page 37, that the number of discharges from 2013 through 2018 annualized has grown on average by seven per year. However, the Team Leader calculates an average growth of six discharges per year for that time period. The applicants state, on page 37, that the average length of stay, for 2013 through 2018 annualized declined from 15.0 to 11.7.

In the tables above, the applicants show occupancy for both 10 and 8 inpatient rehabilitation beds to demonstrate the expected differences in projected utilization. The applicants project

that for 2019 through the first three operating years of the project, 2021 through 2023, occupancy will steadily increase based on an average increase of seven discharges per year. The Team Leader notes that using the corrected number of six discharges per year to increase the number of discharges each year rather than seven, does not make a material difference in occupancy of the eight beds that will remain at NHRMC in the first three operating years of the project.

Projected utilization is reasonable and adequately supported because the applicants use historical utilization of the inpatient rehabilitation beds at NHRMC as the basis for projecting utilization.

In regard to services for low income persons, racial and ethnic minorities, women, handicapped persons, the elderly, Medicare beneficiaries, and Medicaid recipients, the applicants state, in Section D.3, page 38,

“The relocation of two beds from NHRMC to NHPMC will not affect the listed groups. Patients in all the groups needing rehabilitation services will have equal or greater access to the services with units at both NHRMC and NHPMC.”

In Exhibit C-7, the applicants provide their charity care, financial policies and patient non-discrimination policies as supporting documentation.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Remarks made at the public hearing
- Responses to comments

Based on that review, the Agency concludes that the applicants adequately demonstrate 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.

CR. The applicant proposes to develop eight new inpatient rehabilitation beds in Mecklenburg County pursuant to the need determination in the 2018 SMFP, for a total of 78 inpatient rehabilitation beds upon project completion.

In Section E, pages 39-40, the applicant describes the alternatives it considered, and explains why each alternative is either more costly or less effective than the alternative proposed in this application to meet the need.

The alternatives considered were:

- Maintain the status quo – the applicant states that pursuing no additional expansion would continue to limit its ability to provide capacity for future inpatient rehabilitation volume growth. It states that CR's discharges have increased by a two-year 5.6 percent CAGR and projects a 2018 occupancy of nearly 86 percent. CR states that its occupancy rate has been above 80 percent for the last five years. Therefore, the status quo is not the most effective alternative to meet the need for inpatient rehabilitation beds.
- Develop Additional Beds in Another Atrium Health Facility – the applicant states that after review of some of its other facilities with inpatient rehabilitation beds, it was determined that there was not adequate space within the facilities to develop eight private beds and constructing new facility spaces would result in significant cost and a much longer time to develop the beds. The development of semi-private beds at existing facilities was also considered, however the applicant determined that because of the recent growth and high occupancy at CR, adding beds there would be the most effective alternative.

On page 39, the applicant states that its proposal is the most effective alternative because, *“Future growth due to executing strategic plans, patient volumes resulting from population growth, and new patients resulting from physician recruitment will be difficult to accommodate without additional inpatient capacity.”*

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

- CR treats higher acuity patients than Atrium's community hospital inpatient rehabilitation units in the service area,
- the inpatient rehabilitation volumes are increasing at CR, as evidenced by its two-year CAGR of 5.6% and occupancy rates have been over 80% for the last five years, and
- CR's existing building can accommodate the additional beds.

Conclusion

The Agency reviewed the:

- Application

- Exhibits to the application
- Written comments
- Remarks made at the public hearing
- Responses to comments

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

NHPMC. The applicants propose to develop eight new inpatient rehabilitation beds in Mecklenburg County pursuant to the need determination in the 2018 SMFP, and relocate two inpatient rehabilitation beds from NHRMC for a total of ten inpatient rehabilitation beds located at NHCOH on the NHPMC campus upon project completion.

In Section E, page 39, the applicants describe the alternatives they considered, and explain why each alternative is either more costly or less effective than the alternative proposed in this application to meet the need.

The alternatives considered were:

Maintain the Status Quo – the applicants state that maintaining the status quo is not a desirable alternative because it would not improve access to and quality of inpatient rehabilitation services for patients requiring such services in Mecklenburg County. The applicants also state that developing an inpatient rehabilitation unit would enable competition in Mecklenburg County because all existing inpatient rehabilitation beds in the county are owned by the same provider. The applicants state that maintaining the status quo is not an effective alternative to meet the need for inpatient rehabilitation beds in the service area.

Relocate More Beds from NHRMC – The applicants state that they rejected this alternative because the utilization at NHRMC justifies eight inpatient rehabilitation beds and that relocating more beds than two could reduce access for Rowan County's and adjacent counties' residents. Therefore, relocating more beds from NHRMC would not be an effective alternative.

Build a Freestanding Rehabilitation Hospital – The applicants state that they rejected this alternative because the maximum number of inpatient rehabilitation beds they could operate, including the eight new ones, would be 18 to be consistent with the 2018 SMFP. The applicants state the cost per bed would far exceed the cost of developing a ten-bed inpatient rehabilitation unit in an existing facility, as they propose. Therefore, building a freestanding rehabilitation hospital would not be a cost effective alternative.

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

- a ten-bed inpatient rehabilitation unit owned by Novant Health would increase competition in Mecklenburg County for inpatient rehabilitation beds and provide additional access to these services,

- relocating two inpatient rehabilitation beds from NHRMC rather than relocating more than two will enable NHRMC to continue to meet the inpatient rehabilitation needs of patients in Rowan County and adjacent counties, and
- developing a ten-bed inpatient rehabilitation unit at NHCOH in existing space is more cost-effective than developing a freestanding inpatient rehabilitation facility.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Remarks made at the public hearing
- Responses to comments

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

- (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
CR
NHPMC**

CR. The applicant proposes to develop eight new inpatient rehabilitation beds pursuant to the need determination in the 2018 SMFP, for a total of 78 inpatient rehabilitation beds upon project completion.

Capital and Working Capital Costs

In Section Q, Form F.1a, page 85, the applicant projects the total capital cost of the project as shown below in the table.

Site Preparation	\$0
Construction/Renovation Costs	\$2,000
Medical Equipment	\$88,100
Miscellaneous Costs	\$143,800
Total	\$233,900

In Section F.1, page 41, Exhibits 10 and 11, the applicant provides the assumptions used to project the capital cost.

In Section F.3, page 45, the applicant projects that there will be no start-up costs or initial operating expenses because CR is an existing hospital that is already providing inpatient rehabilitation services.

Availability of Funds

In Section F.2, page 42, the applicant states that the capital cost will be funded as shown in the table below.

Sources of Capital Cost Financing

Type	Charlotte-Mecklenburg Hospital Authority	Total
Loans	\$ 0	\$0
Accumulated reserves or OE *	\$233,900	\$233,900
Bonds	\$0	\$0
Other (Specify)	\$0	\$0
Total Financing	\$233,900	\$233,900

* OE = Owner's Equity

The applicant documents the availability of these funds in Exhibit 13 which includes a letter from the Chief Financial Officer of The Charlotte-Mecklenburg Hospital Authority d/b/a Atrium Health which owns and operates CR.

Financial Feasibility

The applicant provides pro forma financial statements for the first three full fiscal years of operation following completion of the project. In Form F.2, the applicant projects that revenues will exceed operating expenses in the first three operating years of the project, as shown in the table below.

	CR*		
	1 st Full Fiscal Year 10/01/2019 - 09/30/2020	2 nd Full Fiscal Year 10/01/2020 - 09/30/2021	3 rd Full Fiscal Year 10/01/2021 - 09/30/2022
Total Days of Care	22,455	22,823	23,198
Total Gross Revenues (Charges)	\$127,863,839	\$137,442,854	\$147,758,247
Total Net Revenue	\$46,017,853	\$49,261,511	\$52,751,153
Average Net Revenue per Days of Care	\$2,049	\$2,158	\$2,274
Total Operating Expenses (Costs)	\$42,764,395	\$44,072,696	\$45,372,270
Average Operating Expense per Days of Care	\$1,904	\$1,931	\$1,956
Net Income	\$3,253,458	\$5,188,815	\$7,378,883

*Includes only inpatient rehabilitation revenues and costs (excludes outpatient services) as stated in Section F.4, page 45.

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

for the assumptions used regarding costs and charges. The discussion regarding projected utilization found in Criterion (3) is incorporated herein by reference.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

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.

NHPMC. The applicants propose to develop eight new inpatient rehabilitation beds in Mecklenburg County pursuant to the need determination in the 2018 SMFP, and relocate two inpatient rehabilitation beds from NHRMC, for a total of 10 inpatient rehabilitation beds at NHCCH on the NHPMC campus upon project completion.

Capital and Working Capital Costs

In Section Q, page 90, the applicant projects the total capital cost of the project as shown in the table below.

NHPMC CAPITAL COSTS	
Site Preparation Costs	\$0
Construction/Renovation Costs	\$1,104,522
Miscellaneous Costs	\$928,911
Total	\$2,033,433

In Section Q, pages 91-92, and Exhibit K-3, the applicant provides the assumptions used to project the capital cost.

In Section F.3, pages 41-42, the applicant projects that start-up costs will be \$244,683 and initial operating expenses will be \$599,443 for a total working capital of \$844,126. On page 42, the applicant provides the assumptions used to project the working capital costs of the project.

Availability of Funds

In Section F, page 40, the applicant states that the capital cost will be funded as shown in the table below.

NHPMC Sources of Capital Cost Financing			
Type	THE PRESBYTERIAN HOSPITAL	NOVANT HEALTH	Total
Loans	\$ 0	\$0	\$0
Accumulated reserves or OE *	\$0	\$2,033,433	\$2,033,433
Bonds	\$0	\$0	\$0
Other (Specify)	\$0	\$0	\$0
Total Financing	\$0	\$2,033,433	\$2,033,433

* OE = Owner's Equity

In Section F, page 43, the applicants state that the working capital needs of the project will be funded as shown below in the table.

Novant Health, Inc. Sources of Financing for Working Capital		Amount
(a)	Loans	\$0
(b)	Cash or Cash Equivalents, Accumulated Reserves or Owner's Equity	\$848,517 [\$844,126]
(c)	Lines of credit	\$0
(d)	Bonds	\$0
(e)	Total	\$848,517 [\$844,126]

Note: the Team Leader's corrections are in brackets. See Section F, pages 41-42, and Exhibit F.2 for a letter from Novant Health, Inc.'s Senior VP Corporate Finance.

In Section F, page 43, the applicants state that the working capital needs of the project will be funded from accumulated reserves of Novant Health, Inc.

Exhibit F.2 contains a letter dated September 17, 2018 from the VP Corporate Finance, Novant Health, Inc., committing accumulated reserves to fund the capital costs of \$2,033,433, and \$244,683 in start-up expenses and initial operating expenses of \$599,443. In addition, Exhibit F.2 contains the Consolidated Financial Statements for Novant Health, Inc. and Affiliates for the fiscal years ending December 31, 2017 and 2016. The statements show as of December 31, 2017, Novant Health, Inc. and Affiliates had \$408,698,000 in cash and cash equivalents, total assets of \$6,462,913,000 and total net assets of \$3,929,878,000.

Financial Feasibility

The applicants provide pro forma financial statements for the first three full fiscal years of operation following completion of the project. In Form F.2, the applicants project that revenues will exceed operating expenses beginning in the second operating year of the project, as shown in the table below.

NOVANT HEALTH, INC. AND AFFILIATES			
Revenues and Operating Expenses			
	1st FY CY 2021	2nd FY CY 2022	3rd FY CY 2023
Total (Days of Care)	2,651	3,176	3,249
Total Gross Revenues (Charges)	\$8,505,095	\$10,268,559	\$10,745,169
Total Net Revenue	\$2,935,205	\$4,381,691	\$4,600,029
Average Net Revenue per Days of Care	\$1,107	\$1,380	\$1,416
Total Operating Expenses (Costs)	\$3,101,555	\$3,629,113	\$3,749,709
Average Operating Expense per Days of Care	\$1,170	\$1,143	\$1,154
Net Income	(\$166,350)	\$752,578	\$850,320

The assumptions used by the applicants in preparation of the pro forma financial statements are reasonable, including projected utilization, costs and charges. See Section Q of the application for the assumptions used regarding costs and charges. The discussion regarding projected utilization found in Criterion (3) is incorporated herein by reference.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

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

- The applicants adequately demonstrate that the capital and working capital costs are based on reasonable and adequately supported assumptions.
 - The applicants adequately demonstrate availability of sufficient funds for the capital and working capital needs of the proposal.
 - The applicants adequately demonstrate 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
CR
NHPMC

The 2018 SMFP identifies a need determination for eight inpatient rehabilitation beds in HSA III, as shown in Table 8B, page 108 of the SMFP. There is no need anywhere else in the state and no other reviews are scheduled.

Table 8A on page 107 of the 2018 SMFP indicates there are seven licensed facilities with inpatient rehabilitation beds in HSA III. However, only six of these facilities are operational (The beds at Carolinas HealthCare System - Stanly were relocated to Carolinas HealthCare System – Northeast). The Charlotte-Mecklenburg Hospital Authority operates five facilities and Novant Health operates one. The following table illustrates the existing inpatient rehabilitation bed inventory in HSA III as reflected in Table 8A, page 107 of the 2018 SMFP.

Inventory and Utilization of Inpatient Rehabilitation Beds HSA III					
Facility	Current Bed Inventory	Days of Care		Average Annual Utilization Rate	
		2015	2016	2015	2016
Carolinas Health Care System - Pineville	29	9,295	9,123	87.8%	86.0%
Carolinas Medical Center – Levine Children’s Hospital	13	4,250	4,159	89.6%	87.4%
Carolinas Rehabilitation	70	23,437	20,686	91.7%	80.7%
Carolinas Rehabilitation - Mt. Holly	40	11,460	11,916	78.5%	81.4%
Carolinas Rehabilitation – NorthEast	40	10,355	11,195	70.9%	76.5%
Novant Health Rowan Medical Center	10	1,723	1,731	47.2%	47.3%
Carolinas HealthCare System – Stanley**	0	0	0	0.0%	0.0%
Total	202	60,520	58,810	82.1%	79.5%

*Beds were relocated to Carolinas HealthCare System - NorthEast.

As the table above indicates, there are six facilities with operational inpatient rehabilitation beds in HSA III with a total of 202 beds. One facility’s beds, Carolinas Medical Center – Levine Children’s Hospital, are used exclusively for children. Three of the six facilities are located in Mecklenburg County, one is located in Cabarrus County, one is located in Gaston County, and one is located in Rowan County. Five facilities are owned and operated by Atrium Health and one is owned and operated by Novant Health.

CR. The applicant proposes to develop eight new inpatient rehabilitation beds pursuant to the need determination in the 2018 SMFP, for a total of 78 inpatient rehabilitation beds upon project completion.

In Section G.3, pages 48-49, the applicant explains why it believes its proposal would not result in unnecessary duplication of existing or approved inpatient rehabilitation services in HSA III. The applicant states, on page 49,

“...the average occupancy of Atrium Health’s inpatient rehabilitation beds is anticipated to exceed 80 percent occupancy during FY2018. Although the FY2018 (annualized) occupancy at CR-Mount Holly and at CR-NorthEast is below 80 percent occupancy, these smaller, community-based inpatient rehabilitation programs do not

offer the same breadth of services as CR. ...CR provides comprehensive rehabilitation services including programs for brain injury, neuropsychology, robot-assisted gait training, spinal cord injury, stroke, orthopedic, amputee rehabilitation, and cancer rehabilitation. ...The scope of inpatient rehabilitation services at CR cannot efficiently be duplicated at either CR-Mt. Holly or CR-NorthEast. Therefore, any available licensed bed capacity at these facilities cannot effectively meet the need that CR has for additional inpatient rehabilitation bed capacity.”

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

- There is a need determination in the 2018 SMFP for eight inpatient rehabilitation beds and CR proposes to add eight inpatient rehabilitation beds.
- CR adequately demonstrates that the proposed inpatient rehabilitation beds are needed in addition to the existing or approved inpatient rehabilitation beds in HSA III.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Remarks made at the public hearing
- Responses to comments
- 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.

NHPMC. The applicants propose to develop eight new inpatient rehabilitation beds in HSA III pursuant to the need determination in the 2018 SMFP, and relocate two inpatient rehabilitation beds from NHRMC, for a total of 10 inpatient rehabilitation beds at NHCOH upon project completion.

In Section G, page 47, the applicants discuss why they believe their proposed project would not result in the unnecessary duplication of existing or approved inpatient rehabilitation services in HSA III. The applicant states that the need for the proposed beds is documented in the analysis provided in their application and the letters of support provided in Exhibit H-4. In addition, the applicants state, on page 47:

“The proposed NHPMC Rehabilitation Unit will provide increased access to high-quality physical rehabilitation for the residents of HSA III. The new service will be accessible to all area residents, limited only by the medical requirements for admission to rehabilitation and the availability of a bed. This project will increase

accessibility and the availability of rehabilitation beds through the increase in the number of beds in the service area.”

The applicants adequately demonstrate that the proposal would not result in the unnecessary duplication of existing or approved inpatient rehabilitation beds in HSA III for the following reasons:

- There is a need determination for eight inpatient rehabilitation beds in the 2018 SMFP and NHPMC proposes to develop eight inpatient rehabilitation beds.
- The applicants adequately demonstrate that the inpatient rehabilitation beds are needed in addition to the existing or approved inpatient rehabilitation beds in HSA III.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Remarks made at the public hearing
- Responses to comments
- 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
CR
NHPMC

CR. In Section Q, Form H, the applicant provides current and projected full-time equivalents (FTEs) staffing for the proposed services as illustrated in the following table.

CR				
Current and Projected Staffing FTEs				
Position	Current	Projected		
	07/01/2018	1st Full Fiscal Year	2nd Full Fiscal Year	3rd Full Fiscal Year
Program Manager/Administrator	2.00	2.00	2.00	2.00
Occupational Therapists	10.56	11.56	11.56	11.56
Occupational Therapy Aides	2.31	2.31	2.37	2.37
Physical Therapists	18.81	19.81	19.81	19.81
Physical Therapy Assistants/Aides	2.31	2.31	2.37	2.37
Physiatrists	6.00	6.00	6.00	6.00
Other Physicians (Residents)	15.00	15.00	15.00	15.00
Recreation Therapists	1.00	1.00	1.00	1.00
Rehab Technicians	3.01	3.01	3.01	3.01
Advanced Care Practitioners	2.00	2.00	2.00	2.00
Psychologists	2.00	2.00	2.00	2.00
Respiratory Therapists	5.50	5.81	5.84	5.84
Social Workers	6.60	6.84	6.85	6.85
Speech Therapists	5.60	6.54	6.60	6.60
Audiologists	0.20	0.20	0.20	0.20
Registered Nurses	59.50	63.50	63.58	63.58
Nursing Assistants/Aides	51.90	55.50	55.90	55.90
Clinical Nutrition	1.43	1.43	1.43	1.43
Pharmacists	3.92	4.37	4.40	4.40
Pharmacy Techs	3.15	3.15	3.15	3.15
Radiology/Ultrasound	1.30	1.42	1.42	1.42
Laundry & Linen	4.50	4.50	4.50	4.50
Housekeeping	4.50	4.50	4.50	4.50
Engineering /Maintenance	3.01	3.01	3.01	3.01
Administration	3.00	3.00	3.00	3.00
Clerical Support	6.50	6.50	6.50	6.50
Security	0.74	0.74	0.74	0.74
TOTAL	226.34	238.00	238.74	238.74

Source: Form H in Section Q of the application.

The assumptions and methodology used to project staffing are provided in Section H, page 51, and Section Q, Form H and the assumptions pages that follow. Adequate costs for the health manpower and management positions proposed by the applicant are budgeted in Form F.3 which is found in Section Q. In Section H, pages 52-53, the applicant describes the methods used to recruit or fill new positions and its existing training and continuing education programs. In Section H, page 53, the applicant identifies the current medical director. In Exhibit 3, the applicant provides a letter from the current medical director indicating an interest in continuing to serve as medical director for the proposed services. In Section H, page 54, the applicant states it does not have any immediate plans to recruit physicians because they have many physicians on staff. The applicant also states, on page 54, that it regularly conducts a physician demand/supply analysis and will initiate its recruitment plan should it be determined that additional physicians are needed for the facility.

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.

NHPMC. In Section Q, Form H, the applicants provide the projected staffing FTEs for the proposed services, as illustrated in the following table.

NHPMC Projected Staffing FTEs

Position	1st Full Fiscal Year	2nd Full Fiscal Year	3rd Full Fiscal Year
Program Manager/Administrator	1.00	1.00	1.00
Occupational Therapists	1.35	1.80	1.80
Occupational Therapy Aides	0.93	1.40	1.40
Physical Therapists	1.50	2.00	2.00
Physical Therapy Assistants /Aides	1.00	1.40	1.50
Respiratory Therapists	0.50	0.60	0.60
Social Workers	0.50	0.60	0.60
Speech Therapists	0.55	0.70	0.70
Registered Nurses	9.79	10.50	10.50
Licensed Practical Nurses	1.13	1.30	1.50
Nursing Assistants/Aides	2.00	2.00	2.00
Administration/Business Office	1.00	1.00	1.00
Clinical Documentation	1.00	1.00	1.00
TOTAL	22.25	25.30	25.60

Source: Form H in Section Q of the application.

The assumptions and methodology used to project staffing are provided in Section Q, Form H Staffing Assumptions, Form F.3, and Form F.3 Operating Costs Assumptions. Adequate costs for the health manpower and management positions proposed by the applicants are budgeted in Form F.3. In Section H, pages 48-51, the applicants describe the methods to be used to recruit or fill new positions and the existing training and continuing education programs. In Section H.4(b), page 51, the applicants identify the proposed medical director. In Exhibit H.4, the applicants provide a letter from the proposed medical director indicating her willingness to serve as medical director for the proposed services. In Section H.4, page 51, the applicants state that 85 physicians on staff at NHPMC and NHCOH admitted or treated patients who were discharged to rehabilitation in 2017. The applicants state that they expect these physicians to refer patients to the proposed services. Supporting documentation is provided by the applicants in Exhibits H.2 and H.4.

The applicants adequately demonstrate 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
CR
NHPMC

CR. In Section I, page 55, the applicant states that the following ancillary and support services are necessary for the proposed services:

CR Ancillary and Support Services	
Administration	Laboratory / Pathology
Business Office	Food & nutrition services
Medical records	Pastoral care
Nursing & therapists	Facility maintenance
Housekeeping	Medical supplies
Professional services (physicians)	Linen service
Pharmacy	Materials management
Imaging	Social services

On page 55, the applicant adequately explains how each ancillary and support service will be made available, stating that all of these services are currently available as part of a licensed hospital.

In Section I, page 56, the applicant describes its existing relationships with other local health care and social service providers and provides supporting documentation in Exhibit 14. 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.

NHPMC. In Section I, pages 53-54, the applicants state that the following ancillary and support services are necessary for the proposed services:

NHPMC Ancillary and Support Services	
Physical Therapy	Dietary
Occupational Therapy	Medical records
Speech Therapy	Laundry and Linens
Radiology	Housekeeping
Respiratory Therapy	Maintenance
Laboratory Services	
Pharmacy	

On pages 53-54, and in Section Q, Form H Staffing Assumptions, the applicants adequately explain how each ancillary and support service is or will be made available.

In Section I, page 54, the applicants describe their existing and proposed relationships with other local health care and social service providers, stating that the proposed services are an expansion of NHPMC's services which has relationships with the existing health care system.

The applicants adequately demonstrate 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 – Both Applications

Neither of the applicants project to provide the proposed services to a substantial number of persons residing in HSAs that are not adjacent to the HSA in which the services will be offered. Furthermore, neither of the applicants 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.

- (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 – Both Applications

Neither of the applicants are HMOs. Therefore, this criterion 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
CR
NHPMC**

CR. In Section K, page 60, the applicant states that the project involves renovating 1,729 square feet of existing space. Line drawings are provided in Exhibit 12.

In Section K, page 61, 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 Exhibit 10.

On page 61, 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. The applicant states,

“This project will not increase charges or projected reimbursement rates for hospital services, which predominantly are established by Medicare, Medicaid, and/or negotiated private payor contracts. Further, the project will not unduly increase the costs of providing inpatient rehabilitation services. ...addition of inpatient rooms by utilizing existing space is cost effective and provides the benefit of offering operational economies of scale for providing inpatient rehabilitation services.”

On page 61, the applicant identifies any applicable energy saving features that will be incorporated into the construction plans.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Remarks made at the public hearing
- Responses to comments

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

NHPMC. In Section K, page 57, the applicants state that the project involves renovating 14,664 square feet of existing space. Line drawings are provided in Exhibit K-2.

On pages 57-58, the applicants adequately explain how the cost, design and means of construction represent the most reasonable alternative for the proposal and provides supporting documentation in Exhibit K-3.

On page 58, the applicants adequately explain 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 58, the applicants identify any applicable energy saving features that will be incorporated into the construction plans and provides supporting documentation in Exhibit B-5.

On page 59, the applicants identify the proposed site and provide 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. The applicants provide supporting documentation in Exhibit K-4.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Written comments
- Remarks made at the public hearing
- Responses to comments

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
CR
NHPMC

CR. In Section L, page 66, the applicant provides the historical payor mix for the proposed services during FFY2017 (10/01/2016 through 09/30/2017) as shown in the table below.

CR	
Payor Source	Inpatient Rehabilitation Services as Percent of Total Days of Care
Self-Pay/Charity Care	2.16%
Medicare*	44.87%
Medicaid*	20.37%
Commercial Insurance*	25.03%
Workers Compensation	0.86%
TRICARE & other government	6.72%
Total	100.00%

*Including any managed care plans. Total does not foot due to rounding.

In Section L, page 65, the applicant provides the following comparison.

CR		
	Percentage of Total Patients Served by the Facility or Campus during the Last Full FY	Percentage of the Population of the Service Area
Female	64%	51.9%
Male	36%	48.1%
Unknown	0%	0%
64 and Younger	55%	89.1%
65 and Older	45%	10.9%
American Indian	<1.0%	.8%
Asian	1.0%	6.1%
Black or African-American	19%	32.8%
Native Hawaiian or Pacific Islander	0%	0%
White or Caucasian	72%	57.8%
Other Race	6%	2.4%
Declined / Unavailable	2%	0%

Source: United States Census Bureau for Mecklenburg County

The Agency reviewed the:

- Application
- Exhibits to the application
- Information which was 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.

NHPMC. The historical payor mix for inpatient days of care for NHPMC during FFY2017, (10/01/2016 through 09/30/2017), is provided from NHPMC's 2018 License Renewal Application (LRA), summarized in the table below:

NHPMC	
Payor Source	Inpatient Days of Care as Percent of Total Days of Care
Self-Pay/Charity Care	3.7%
Medicare*	39.8%
Medicaid*	21.4%
Commercial Insurance*	32.6%
Other**	2.5%
Total	100.00%

Source: NHPMC 2018 LRA

*Includes managed care

**Includes: institutional accounts, other government, worker's comp., Stone Institute and other

The historical payor mix for inpatient days of care for NHRMC during FFY2017, (10/01/2016 through 09/30/2017), is provided from NHRMC's 2018 License Renewal Application (LRA), summarized in the table below:

NHRMC	
Payor Source	Inpatient Days of Care as Percent of Total Days of Care
Self-Pay/Charity Care	5.1%
Medicare*	62.1%
Medicaid*	14.9%
Commercial Insurance*	14.7%
Other	3.1%
Total**	100.00%

Source: NHRMC 2018 LRA

*Includes managed care

**Total does not foot due to rounding

The Agency reviewed the:

- Information which was publicly available during the review and used by the Agency

Based on that review, the Agency concludes that the applicants adequately document the extent to which medically underserved populations currently use the applicants' 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;

CR
NHPMC

CR. Regarding any obligation to provide uncompensated care, community service or access by minorities and persons with disabilities, in Section L, page 66, the applicant states,

“Atrium Health has a non-discrimination policy, shown in Exhibit 6. CR has no federal obligations regarding uncompensated care, community service, or access by minorities and handicapped persons. ...Atrium Health hospitals, including CR, have satisfied the requirements of applicable federal regulations to provide, on an annual basis, a certain amount of uncompensated care in return for Hill Burton funds previously received.”

In Section L, page 68, 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 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.

NHPMC. Regarding any obligation to provide uncompensated care, community service or access by minorities and persons with disabilities, in Section L.2, page 62 the applicants state that they fulfilled their Hill-Burton obligations long ago. The applicants state, in Section L.2, page 62,

“NHFMC [Novant Health Forsyth Medical Center], NHPMC and all Novant Health facilities in North Carolina continue to comply with the community service obligation and there is no denial, restriction, or limitation of access to minorities or handicapped persons.”

In Section L, page 63, the applicants state 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 applicants or a related entity 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
CR
NHPMC

CR. In Section L, page 68, the applicant projects the following payor mix for the proposed services during the third full fiscal year of operation following completion of the project, as shown in the table below.

CR Projected Payor Category FFY2022	
Payor Category	Inpatient Rehabilitation Services Percent of Total Days of Care
Self-Pay/Charity Care	2.16%
Medicare*	44.87%
Medicaid*	20.37%
Commercial Insurance*	25.03%
Workers Compensation	0.86%
TRICARE & other government	6.72%
Total	100.00%

*Including any managed care plans. Table does not foot due to rounding.

As shown in the table above, during the third full fiscal year of operation, the applicant projects that 2.16% of total services will be provided to self-pay and charity care patients, 44.87% to Medicare patients and 20.37% to Medicaid patients.

On page 69, the applicant provides the assumptions and methodology used to project payor mix during the third full fiscal year of operation following completion of the project. The projected payor mix is reasonable and adequately supported for the following reasons:

- The applicant bases its projected payor mix on its historical payor mix.
- The applicant does not anticipate any significant change in the projected payor mix during the initial three years of the project.

The Agency reviewed the:

- Application
- Exhibits to the application

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

NHPMC. In Section L, page 63, the applicants project the following payor mix for the proposed services during the third full fiscal year of operation following completion of the project, as shown below in the table.

NHPMC Projected Payor Category FY2023	
Payor Category	Inpatient Rehabilitation Services Percent of Total Days of Care
Self-Pay/Charity Care*	2%
Insurance**	25%
Medicare**	64%
Medicaid**	6%
Other	3%
Total	100%

*In Section Q, page 95, the applicants state that charity care is equal to total self-pay charges.

**Including any managed care plans. Table may not foot due to rounding.

As shown in the table above, during the third full fiscal year of operation, the applicants project that 2% of total services will be provided to self-pay patients, 64% to Medicare patients and 6% to Medicaid patients.

On page 95, the applicants provide the assumptions and methodology used to project payor mix during the third full fiscal year of operation following completion of the project. The projected payor mix is reasonable and adequately supported for the following reasons:

- Projected payor mix is based on the historical discharges to inpatient rehabilitation facilities for Novant Health hospitals in Mecklenburg County.
- Payor mix is assumed to be constant for the first three operating years of the proposed project, excluding the first three months of the first full operating year which will be 100% charity care due to the lag time in obtaining Medicare certification.

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
CR
NHPMC

CR. In Section L, page 70, 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.

NHPMC. In Section L, page 66, 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
CR
NHPMC

CR. In Section M, page 71, the applicant describes the extent to which health professional training programs in the area have access to the facility for training purposes and provides supporting documentation in Exhibit 9.

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.

NHPMC. In Section M, page 67, the applicants describe the extent to which health professional training programs in the area will have access to the facility for training purposes and provide supporting documentation in Exhibit M.1.

The Agency reviewed the:

- Application
- Exhibits to the application

Based on that review, the Agency concludes that the applicants adequately demonstrate 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
CR
NHPMC

On page 106, the 2018 SMFP defines the service area for inpatient rehabilitation beds as follows, “*The Health Service Areas remain logical planning areas for inpatient rehabilitation beds...*” Appendix A, on page 405 of the 2018 SMFP, contains a map of the state of North Carolina which shows the location of the six HSAs in the state and the counties included in each. The 2018 SMFP includes an adjusted need determination for eight inpatient rehabilitation beds in HSA III which was approved by the State Health Coordinating Council in response to a petition from Novant Health and Health South. HSA III includes the following counties: Iredell, Rowan Cabarrus, Stanly, Union, Mecklenburg, Gaston and Lincoln. Thus, for this review, the service area is HSA III. Providers may serve residents of counties not included in the service area.

Table 8A, on page 107 of the 2018 SMFP, indicates there are seven licensed facilities with inpatient rehabilitation beds in HSA III. However, only six of these facilities are operational because the beds at Carolinas HealthCare System - Stanly were relocated to Carolinas HealthCare System – Northeast. The Charlotte-Mecklenburg Hospital Authority operates five facilities and Novant Health operates one. The following table illustrates the existing inpatient rehabilitation bed inventory in HSA III as reflected in Table 8A, page 107 of the 2018 SMFP.

Inventory and Utilization of Inpatient Rehabilitation Beds HSA III					
Facility	Current Bed Inventory	Days of Care		Average Annual Utilization Rate	
		2015	2016	2015	2016
Carolinas Health Care System - Pineville	29	9,295	9,123	87.8%	86.0%
Carolinas Medical Center – Levine Children’s Hospital	13	4,250	4,159	89.6%	87.4%
Carolinas Rehabilitation	70	23,437	20,686	91.7%	80.7%
Carolinas Rehabilitation - Mt. Holly	40	11,460	11,916	78.5%	81.4%
Carolinas Rehabilitation – NorthEast	40	10,355	11,195	70.9%	76.5%
Novant Health Rowan Medical Center	10	1,723	1,731	47.2%	47.3%
Carolinas Healthcare System – Stanley**	0	0	0	0.0%	0.0%
Total	202	60,520	58,810	82.1%	79.5%

*Beds were relocated to Carolinas HealthCare System - NorthEast.

CR. The applicant proposes to develop eight new inpatient rehabilitation beds in Mecklenburg County pursuant to the adjusted need determination in the 2018 SMFP for a total of 78 inpatient rehabilitation beds upon project completion.

In Section N, pages 73-75, 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 73, the applicant states:

“In populous Mecklenburg County, CR is an essential provider of rehabilitation services, both inpatient and outpatient. Following completion of the inpatient bed addition project, CR will continue to provide inpatient rehabilitation services to local residents. ...promote competition in the CR service area because it will enable CR to better meet the needs of its existing patient population, and to ensure more timely provision of inpatient rehabilitation services for regional residents.”

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 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
- Written comments
- Remarks made at the public hearing
- Responses to comments
- 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 above stated reasons.

NHPMC. The applicants propose to develop eight new inpatient rehabilitation beds in Mecklenburg County, in HSA III, pursuant to the need determination in the 2018 SMFP, and relocate two existing inpatient rehabilitation beds from NHRMC for a total of ten inpatient rehabilitation beds at NHCOH upon project completion.

In Section N, pages 68-72, the applicants describe the expected effects of the proposed services on competition in the service area and discuss how any enhanced competition in the service area will promote the cost-effectiveness, quality and access to the proposed services.

On pages 68-69, the applicants state:

“The proposed rehabilitation unit will be at NHPMC in Mecklenburg County. This county is in HSA III. The 2018 SMFP lists six operational IRFs in HSA III with 202 beds. All except the ten-bed unit at NHRMC are owned by Atrium. Thus, over ninety-five percent of the inpatient rehabilitation beds in HSA III are controlled by one system. ...Approval of this unit will give Mecklenburg County residents who need IRF services the option of a Novant Health or an Atrium program. Without approval of this unit these patients have no choice and there is no competition to serve these patients.”

The applicants adequately describe the expected effects of the proposed services on competition in the service area and adequately demonstrate:

- 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 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
- Written comments
- Remarks made at the public hearing
- Responses to comments
- 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 above stated reasons.

- (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
CR
NHPMC

CR. In Section A.7, page 10, the applicant identifies the hospitals with inpatient rehabilitation beds located in North Carolina owned, operated or managed by the applicant or a related entity. The applicant identifies a total of five of this type of facility in North Carolina.

In Section O, pages 78-79, the applicant states that, during the 18 months immediately preceding submittal of the application, incidents related to quality of care occurred in none of these facilities. According to the files in the Acute and Home Care Licensure and Certification Section, DHSR, during the 18 months immediately preceding submission of the application through the date of this decision, incidents related to quality of care occurred in none of these facilities. After reviewing and considering the quality of care provided at all five facilities, the applicant provided sufficient evidence that quality care has been provided in the past. Therefore, the application is conforming to this criterion.

NHPMC. In Section A.7, page 7, the applicants identify the hospitals with inpatient rehabilitation beds located in North Carolina owned, operated or managed by the applicants or related entities. The applicant identifies a total of three of this type of facility in North Carolina.

In Section O, pages 77-78, the applicants state that during the 18 months immediately preceding submittal of the application, incidents related to quality of care occurred in none of these facilities. According to the files in the Acute and Home Care Licensure and Certification Section, DHSR, during the 18 months immediately preceding submission of the application through the date of this decision, incidents related to quality of care occurred in none of these facilities. After reviewing and considering the quality of care provided at all five facilities, the applicant provided sufficient evidence that quality care has been provided in the past. Therefore, the application is conforming to this criterion.

(21) Repealed effective July 1, 1987.

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

C
CR
NHPMC

CR. The application is conforming with all applicable Criteria and Standards for Section .2800 – Rehabilitation Services. The specific criteria are discussed below.

NHPMC. The application is conforming with all applicable Criteria and Standards for Section .2800 – Rehabilitation Services. The specific criteria are discussed below.

SECTION .2800 - CRITERIA AND STANDARDS FOR REHABILITATION SERVICES

10A NCAC 14C .2803 PERFORMANCE STANDARDS

(a) An applicant proposing to establish new rehabilitation beds shall not be approved unless the average occupancy, over the nine months immediately preceding the submittal of the application, of the total number of licensed rehabilitation beds within the facility in which the new beds are to be operated was at least 80 percent.

-C- **CR.** In Section C.8(a), page 33, the applicant states that average occupancy for CR's 70 inpatient rehabilitation beds was 85.0% for the nine months immediately preceding the submittal of this application, December 2017 through August 2018.

-NA- **NHPMC.** The applicants do not currently operate inpatient rehabilitation beds at NHPMC.

(b) An applicant proposing to establish new rehabilitation beds shall not be approved unless occupancy is projected to be 80 percent for the total number of rehabilitation beds to be operated in the facility no later than two years following completion of the proposed project.

-C- **CR.** In Section Q, page 83, and Form C, page 84, the applicant projects an occupancy of 80.2% for the 78 inpatient rehabilitation beds it proposes to operate in Year Two (FY2021) following completion of the project. Projected utilization is based upon reasonable and supported assumptions. The discussion regarding projected utilization found in Criterion (3) is incorporated herein by reference.

-C- **NHPMC.** In Section Q, Form C, page 82, the applicant projects an occupancy 87% for the 10 proposed inpatient rehabilitation beds in Year Two (CY2022) following completion of the project. The discussion regarding projected utilization found in Criterion (3) is incorporated herein by reference.

COMPARATIVE ANALYSIS

Pursuant to N.C. Gen. Stat. § 131E-183(a)(1) and the 2018 SMFP, no more than eight additional inpatient rehabilitation beds may be approved for HSA III in this review. Because the two applications in this review collectively propose to develop 16 additional inpatient rehabilitation beds to be located in HSA III, not all of the applications can be approved. Therefore, after considering all of the information in each application and reviewing each application individually against all applicable review criteria, the Team Leader conducted a comparative analysis of the proposals to decide which proposal should be approved.

The following provides a brief description of each of the proposed projects being addressed in the comparative analysis:

CR. Carolinas Rehabilitation, Project I.D. #F-11566-18, proposes to add eight inpatient rehabilitation beds to Carolinas Rehabilitation, an inpatient rehabilitation hospital, for a total of 78 inpatient rehabilitation beds in Charlotte, Mecklenburg County.

NHPMC. The Presbyterian Hospital and Novant Health, Inc., Project I.D. #F-11584-18, propose to add eight inpatient rehabilitation beds and relocate two existing inpatient rehabilitation beds from NHRMC to develop a 10-bed inpatient rehabilitation unit at NHCOH, an acute care hospital located on the campus of NHPMC located in Charlotte, Mecklenburg County.

Conformity with Review Criteria

Table 8A, page 108, of the 2018 SMFP identifies a need for eight new inpatient rehabilitation beds in HSA III. No need for inpatient rehabilitation beds was determined anywhere else in the state.

The **CR** and **NHPMC** applications each adequately demonstrate the need for their respective proposals and are conforming with all applicable statutory and regulatory review criteria. Therefore, the applications submitted by **CR** and **NHPMC** are equally effective alternatives with respect to this comparative factor.

Geographic Accessibility

HSA III consists of eight counties: Iredell, Cabarrus, Union, Gaston, Rowan, Stanly, Lincoln and Mecklenburg. The existing and approved inpatient rehabilitation beds in HSA III are located in four counties: Mecklenburg, Cabarrus, Gaston and Rowan. The most populous county in HSA III is Mecklenburg County which has a 2017 estimated population of 1,074,596 persons.² The next most populous county is Union County with 228,492 persons.³

The current distribution of inpatient rehabilitation beds in HSA III, by county and facility, is provided in the table below.

² https://files.nc.gov/ncosbm/demog/countygrowth_cert_2017.html

³ Ibid.

Inpatient Rehabilitation Bed Distribution in HSA III by Facility

County	Facility	# Beds	% HSA III Beds	FFY2016 % Occupancy
Mecklenburg	Carolinas HealthCare System - Pineville	29	14.4%	86.0%
	Carolinas Medical Center – Levine Children’s Hospital	13	6.4%	87.4%
	Carolinas Rehabilitation	70	34.7%	80.7%
Total Mecklenburg		112	55.5%	84.7%
Gaston	Carolinas Rehabilitation - Mt. Holly	40	19.8%	81.4%
Total Gaston		40	19.8%	81.4%
Cabarrus	Carolinas Rehabilitation – NorthEast	40	19.8%	76.5%
Total Cabarrus		40	19.8%	76.5%
Rowan	Novant Health Rowan Medical Center	10	5.0%	47.3%
Total Rowan		10	5.0%	47.3%
Stanly*	Carolinas Healthcare System – Stanly**	0	0.0%	0.0%
Total Stanly		0	0.0%	0.0%
HSA III Total/Ave. Occupancy**		202	100.0%	76.6%

Source: Table 8B, page 108, of the 2018 SMFP

*Beds were relocated to Carolinas Healthcare System-NorthEast

**Occupancy at Carolinas Healthcare System-Stanly was not included in calculation of average occupancy for HSA III.

In this review, both applications proposed to develop eight inpatient rehabilitation beds in Mecklenburg County and at existing facilities located in Charlotte. As the table above shows, over 55% of the existing inpatient rehabilitation beds are located in Mecklenburg County which has the highest population of any of the counties in HSA III, nearly five times higher than the population in Union County which has the next highest population. In addition, the table shows that the inpatient rehabilitation beds in each of the facilities with inpatient rehabilitation beds in Mecklenburg County are well utilized, each with over 80% utilization.

Projected patient origin for each application is illustrated in the table below:

**HSA III Projected Patient Origin by Applicant
 Project Year Two**

County/Area	CR	NHPMC
HSA III:		
Mecklenburg	51.0%	56.0%
Union	6.7%	10.0%
Gaston	4.7%	8.0%
Cabarrus	3.2%	0.0%
Iredell	1.8%	0.0%
Stanly	1.4%	0.0%
Rowan	1.0%	0.0%
Total HSA III	69.8%	74.0%
Contiguous HSAs:		
Total HSA II	1.6%	cbd**
Total HSA I	1.7%	cbd**
South Carolina	12.7%	3.0%
Other*	10.6%	23.0%

Source: Section C, page 18, of CR application and Section C, page 17 of NHPMC application.

*For CR, Other includes less than 1% of patients from each of the remaining counties in North Carolina. Other for NHPMC is undisclosed.

**cbd = cannot be determined since NHPMC does not define what counties or other areas are included in the Other category.

Both applicants propose that the majority of their patients will come from HSA III. NHPMC proposes that 74.0% of its patients will come from HSA III and CR proposes that 69.8% will come from HSA III. However, CR proposes to serve patients from Cabarrus, Iredell, Stanly and Rowan Counties in HSA III, whereas NHPMC does not indicate they will serve patients in those counties for the proposed project. However, NHPMC does not define what counties or areas are included in its “other” category. Therefore, since **CR** and **NHPMC** are both proposing to locate the new inpatient rehabilitation beds in Charlotte, Mecklenburg County, and both are proposing to serve patients primarily from HSA III, **CR** and **NHPMC** are equally effective in terms of geographic access.

Access to Alternate Providers

Ownership and operation of inpatient rehabilitation beds in HSA III is illustrated in the table below:

Inpatient Rehabilitation Beds by Owner in HSA III

Owner	Facility	# of Beds
Atrium/CMHA	Carolinas HealthCare System - Pineville	29
Atrium/CMHA	Carolinas Medical Center – Levine Children’s Hospital	13
Atrium/CMHA	Carolinas Rehabilitation	70
Atrium/CMHA	Carolinas Rehabilitation – Mt. Holly	40
Atrium/CMHA	Carolinas Rehabilitation – NorthEast	40
Total Atrium/CMHA		192
Novant Health, Inc.	Novant Health Rowan Medical Center	10
Total Novant Health, Inc.		10
Total Beds		202

Source: Section A, page 10, of CR application and Section A, page 7, of NHPMC application.

As the table above shows, Atrium/CMHA (CR) owns and operates 95.1% (192/202) of the inpatient rehabilitation beds in HSA III at five sites. Novant Health, Inc. (NHPMC) owns and operates 4.9% (10/202) of the inpatient rehabilitation beds at one site in HSA III. Therefore, in terms of increased choice of services and increased competition for inpatient rehabilitation beds in HSA III, NHPMC is the most effective alternative.

Scope of Rehabilitation Services

The table below compares the types of medical conditions that CR and NHPMC propose to serve for their respective proposed inpatient rehabilitation beds.

Availability of Rehabilitation Services by Medical Condition

Medical Condition	CR	NHPMC
Stroke	X	X
Brain Injury	X	
Spinal Cord Injury	X	
Neurological	X	X
Orthopaedic	X	X*
Amputation	X	X
Cardiac	X	
Major Multiple Trauma	X	
Cancer	X	
Guillain Barre	X	
Burns		
Miscellaneous	X	
Other	X	

Source: Section C, pages 23-24, of CR’s application and Section C, page 15, of NHPMC’s application.

*NHPMC states, on page 15 of its application, they will serve patients with hip fractures. NHPMC does not state whether they will treat patients with other orthopaedic conditions.

CR provides comprehensive rehabilitation services and is designated as a Traumatic Brain Injury Model System. CR is located adjacent to Carolinas Medical Center (CMC) which is a Level I Trauma

Center. Therefore, CR receives high-acuity patient referrals from CMC and is an established rehabilitation provider (See Section C, pages 23-24 of the application).

NHPMC is a licensed acute care facility that includes two acute care locations: NHPMC Main and NHCOH. NHCOH is located adjacent to NHPMC Main. NHPMC is a Certified Comprehensive Stroke Center and as such, will have an emphasis on stroke and neurological disorders. NHPMC's rehabilitation unit will be managed by Encompass Health, the largest provider of inpatient rehabilitation services in the country and with whom Novant Health owns and operates Novant Health Rehabilitation Hospital in Winston-Salem under a joint venture.

As stated above, CR currently offers and proposes to continue to offer a broader range of inpatient rehabilitation services than NHPMC proposes to offer. Therefore, CR's proposal is the most effective alternative with regard to providing a broader scope of inpatient rehabilitation services.

Continuity of Care

In Section C, pages 24-25, of CR's application, the applicant discusses how CR is located adjacent to Carolinas Medical Center, the largest of the state's Level I Trauma Centers, and therefore receives complex and high-acuity patients. The applicant further states that it has operated at a high occupancy consistently and that population growth and aging of the service area population supports the need for the additional eight beds at CR. In Section C, page 29, CR states, "*CR's vertical integration enables Atrium Health to manage patients through the continuum of care to improve outcomes and reduce unnecessary readmissions.*"

In Section C, page 20 of NHPMC's application, the applicants state that the population of the service area and thus, the need for inpatient rehabilitation beds, are in the Greater Charlotte area, but that they cannot serve this population and need with their only inpatient 10-bed rehabilitation facility in Rowan County. The applicants state, on page 20, "*The lack of choice and competition in the Greater Charlotte market impacts continuity of care for Novant Health patients in Mecklenburg and surrounding counties...NHRMC is about a 1-hour drive from NHPMC in Charlotte, and even further for other Novant Health patients and patients from other hospitals in HSA III.*"

In Section C, pages 23-24 of NHPMC's application, the applicants state that NHPMC was the first comprehensive stroke center in the Charlotte region certified by The Joint Commission and has seen an increase in the number of stroke patients and their acuity. The applicants further state, "*An inpatient rehabilitation unit at NHPMC will improve the continuity of care by providing patients access to the physiatrists, neurologists, rehabilitation nurses, physical and occupational therapists, speech-language pathologists, dieticians, and social workers from whom they were already receiving care.*" In Section C, pages 26-29 of NHPMC's application, the applicants discuss how having the 10-bed rehabilitation unit at NHPMC will improve continuity of care and allow movement between rehabilitation, its 12-bed subacute skilled nursing facility unit and acute care, if needed, and will enable Novant Health physicians at Novant Health's hospitals to keep control of their patients' care instead of losing that control upon patients' admissions to an Atrium Health rehabilitation unit.

Therefore, both CR and NHPMC improve continuity of care for patients in need of inpatient rehabilitation and thus, are equally effective in regard to this factor.

Access by Underserved

Projected Charity Care

The following table illustrates each applicant’s projected charity care to be provided in the project’s third full fiscal year of operation following completion of the project. Generally, the application proposing to provide the most charity care is the more effective alternative with regard to this comparative factor.

Charity Care Adjustment to Revenue, OY3

Applicant	Projected Patient Days as % of Total	Projected Total Charity Care	Total Number of Inpatient Rehab Beds at Facility	Projected Total Charity Care per Inpatient Rehab Bed	Percent of Total Net Revenue
CR	2.16%	\$235,330	78	\$3,017	0.45%
NHPMC	2.00%	\$240,667	10	\$24,067	5.23%

Source: CR application, Section L, page 68, and Section Q, Form F.2, and NHPMC application, Section L, page 63, Section Q, Form F.2.

As shown in the table above, **NHPMC** projects the most charity care monetarily and the most charity care per inpatient rehabilitation bed. Therefore, the application submitted by **NHPMC** is the most effective alternative in regard to access to charity care.

Projected Medicare

The following table illustrates each applicant’s projected number and percentage of inpatient rehabilitation days to be provided to Medicare patients in the applicants’ third full fiscal year of operation following completion of the project. Generally, the application proposing to provide the highest percentage of care to Medicare patients is the more effective alternative.

Medicare, OY3

Applicant	Projected Total Inpatient Rehab. Days	Projected Medicare Patient Days of Care	Percent of Total Days of Care for Medicare Patients
CR	23,198	10,409	44.87%
NHPMC	3,249	2,079	64.00%

Source: CR application, Section L, page 68, and Section Q, Form F.2, and NHPMC application, Section L, page 63, Section Q, Form F.2.

As shown in the table above, **CR** and **NHPMC** project 44.87% and 64%, respectively, of their inpatient rehabilitation patient days of care will be for Medicare patients. Therefore, **NHPMC** is the most effective application in regard to serving Medicare patients.

Projected Medicaid

The following table illustrates each applicant’s projected number and percentage of inpatient rehabilitation days to be provided to Medicaid patients in the applicants’ third full fiscal year of operation following completion of the project. Generally, the application proposing to provide the highest percentage of care to Medicaid patients is the more effective alternative.

Medicaid, OY3

Applicant	Projected Total Inpatient Rehab. Days	Projected Medicaid Patient Days of Care	Percent of Total Days of Care for Medicaid Patients
CR	23,198	4,725	20.37%
NHPMC	3,249	195	6.00%

Source: CR application, Section L, page 68, and Section Q, Form F.2, and NHPMC application, Section L, page 63, Section Q, Form F.2.

As shown in the table above, **CR** and **NHPMC** project 20.37% and 6%, respectively, of their inpatient rehabilitation patient days of care will be for Medicaid patients. Therefore, **CR** is the most effective application in regard to serving Medicaid patients.

Projected Average Net Revenue

The following table shows the projected average net revenue per inpatient rehabilitation bed and by inpatient rehabilitation patient days of care in the third full fiscal year of operation for each applicant. Generally, the application proposing the lowest average net revenue is the more effective alternative with regard to this comparative factor.

Average Net Revenue per Inpatient Rehabilitation Bed and Patient Day of Care, OY3

Applicant	Net Revenue	Number of Inpatient Rehab. Beds	Number of Patient Days of Care	Net Revenue per Inpatient Rehab. Bed	Net Revenue per Patient Day of Care
CR	\$7,378,884	78	23,198	\$94,601	\$318
NHPMC	\$850,320	10	3,249	\$85,032	\$262

Source: Section Q, Form F.2, for both CR and NHPMC applications.

As shown in the table above, **NHPMC** projects the lowest net revenue per inpatient rehabilitation bed and per inpatient rehabilitation patient day of care in the third full fiscal year of operation. Therefore, the application submitted by **NHPMC** is the most effective application with respect to net revenue per inpatient rehabilitation bed and patient day of care.

Projected Average Operating Expense per Inpatient Rehabilitation Bed and Patient Day of Care

The following table compares the projected average operating expense in the third full fiscal year of operation for each of the applicants. Generally, the application proposing the lowest average operating expense is the more effective alternative with regard to this comparative factor.

Average Operating Expense per Inpatient Rehabilitation Bed and Patient Day of Care, OY3

Applicant	Total Operating Expense	Number of Inpatient Rehab. Beds	Number of Patient Days of Care	Operating Expense per Inpatient Rehab. Bed	Operating Expense per Patient Day of Care
CR	\$45,372,270	78	23,198	\$581,696	\$1,956
NHPMC	\$3,749,709	10	3,249	\$374,971	\$1,154

Source: Section Q, Form F.3, for both CR and NHPMC applications.

As shown in the table above, **NHPMC** projects the lowest average operating expense per inpatient rehabilitation bed and patient day of care in the third fiscal year of operation. Therefore, the application submitted by **NHPMC** is the most effective application with respect to average operating expense per inpatient rehabilitation bed and patient day of care.

SUMMARY

The following is a summary of the comparative analysis performed on the proposed projects submitted during this review.

CR

- Proposes to offer a greater scope of rehabilitation services than the other applicant proposes.
- Proposes greater access by the underserved for Medicaid than the other applicant proposes.

NHPMC

- Proposes increased patient choice and enhanced competition in the service area.
- Proposes greater access by the underserved for Charity Care and Medicare than the other applicant proposes.
- Proposes lower average net revenue than the other applicant proposes.
- Proposes lower average operating expense than the other applicant proposes.

The following table lists the comparative factors and states which application is the most effective alternative with regard to that particular comparative factor. The comparative factors are listed in the same order they are discussed in the Comparative Analysis, which should not be construed to indicate an order of importance.

Comparative Factor	CR	NHPMC
Conformity with Review Criteria	Yes	Yes
Geographic Accessibility	Equally effective	Equally effective
Patient Access to Alternate Provider	Less effective	More Effective
Scope of Rehabilitative Services	More effective	Less effective
Continuity of Care	Equally effective	Equally effective
Access by Underserved Groups: Charity Care	Less effective	More effective
Access by Underserved Groups: Medicare	Less effective	More effective
Access by Underserved Groups: Medicaid	More effective	Less effective
Projected Average Net Revenue per Case	Less effective	More effective
Projected Average Operating Expense per Case	Less effective	More effective

CONCLUSION

Based upon the comparative factors as discussed and evaluated above, the application submitted by **The Presbyterian Hospital and Novant Health, Inc. (NHPMC), Project I.D. #F-11584-18** is the more effective alternative proposed in this review for new inpatient rehabilitation beds to be located in HSA III and is therefore conditionally approved. The approval of the application submitted by Carolinas Rehabilitation, Project I.D. #F-11566-18, would result in inpatient rehabilitation beds in excess of the need determination for HSA III. Consequently, the application submitted by **Carolinas Rehabilitation, Project I.D. #F-11566-18** is denied.

The application submitted by The Presbyterian Hospital and Novant Health, Inc. is approved subject to the following conditions:

- 1. The Presbyterian Hospital and Novant Health, Inc. shall materially comply with all representations made in the certificate of need application.**
- 2. The Presbyterian Hospital and Novant Health, Inc. shall develop a 10-bed inpatient rehabilitation unit by developing no more than eight inpatient rehabilitation beds pursuant to the 2018 SMFP need determination and relocating two existing inpatient rehabilitation beds from Novant Health Rowan Medical Center.**
- 3. Upon completion of the project, Novant Health Presbyterian Medical Center shall be licensed for no more than 10 inpatient rehabilitation beds.**
- 4. The Presbyterian Hospital and Novant Health, Inc. shall delicense two inpatient rehabilitation beds at Novant Health Rowan Medical Center upon completion of the project for a total of no more than eight inpatient rehabilitation beds.**
- 5. The Presbyterian Hospital and Novant Health, Inc. shall not acquire as part of this project any equipment that is not included in the project's proposed capital expenditures in Section Q of the application and that would otherwise require a certificate of need.**

- 6. No later than three months after the last day of each of the first three full years of operation following initiation of the services authorized by this certificate of need, The Presbyterian Hospital and Novant Health, 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.**

- 7. The Presbyterian Hospital and Novant Health, 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.**