

ATTACHMENT - REQUIRED STATE AGENCY FINDINGS

FINDINGS

C = Conforming

CA = Conditional

NC = Nonconforming

NA = Not Applicable

Decision Date: July 19, 2019

Findings Date: July 19, 2019

Project Analyst: Julie M. Faenza

Team Leader: Fatimah Wilson

Project ID #: F-11700-19

Facility: Atrium Health Kenilworth Diagnostic Center #1

FID #: 190165

County: Mecklenburg

Applicant: Carolinas Physicians Network, Inc.

Project: Develop a new diagnostic center in MOB #1 by relocating existing cardiology, vascular, pulmonology, and imaging equipment, including a CT scanner, and adding a diagnostic ultrasound machine, diagnostic x-ray equipment, two echocardiogram machines, and two pulmonary function test machines

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

Carolinas Physicians Network, Inc. (hereinafter referred to as CPN or “the applicant”) proposes to develop a new diagnostic center, Atrium Health Kenilworth Diagnostic Center #1 (AH Kenilworth #1), in a medical office building (MOB #1) being developed at 1237 Harding Place, in Charlotte. The combined value of the medical diagnostic equipment costing \$10,000 or more exceeds the statutory threshold of \$500,000 and therefore qualifies as a diagnostic center, which is a new institutional health service, and which requires a certificate of need.

Need Determination

The proposed project does not involve the addition of any new health service facility beds, services, or equipment for which there is a need determination in the 2019 State Medical Facilities Plan (SMFP). Therefore, there are no need determinations applicable to this review.

Policies

Policy GEN-4: Energy Efficiency and Sustainability for Health Service Facilities (page 31 of the 2019 SMFP) is applicable to this review. *Policy GEN-4* states:

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

In approving a certificate of need proposing an expenditure greater than \$5 million to develop, replace, renovate or add to a health service facility pursuant to G.S. 131E-178, Certificate of Need shall impose a condition requiring the applicant to develop and implement an Energy Efficiency and Sustainability Plan for the project that conforms to or exceeds energy efficiency and water conservation standards incorporated in the latest editions of the North Carolina State Building Codes. The plan must be consistent with the applicant’s representation in the written statement as described in paragraph one of Policy GEN-4.

Any person awarded a certificate of need for a project or an exemption from review pursuant to G.S. 131E-184 is required to submit a plan for energy efficiency and water conservation that conforms to the rules, codes and standards implemented by the Construction Section of the Division of Health Service Regulation. The plan must be consistent with the applicant’s representation in the written statement as described in paragraph one of Policy GEN-4. The plan shall not adversely affect patient or resident health, safety or infection control.”

The proposed capital expenditure for this project is greater than \$5 million. In Section B, pages 31-32, the applicant provides a written statement describing its plan to work with a design team and facility management group to assure improved energy efficiency and water conservation. On page 31, the applicant states:

“Atrium Health is committed to energy efficiency and sustainability that balances the need for healthcare services and environmental sustainability in the communities it serves.”

The applicant adequately demonstrates that the application includes a written statement describing the project’s plan to assure improved energy efficiency and water conservation.

Conclusion

The Agency reviewed the:

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

Based on that review, the Agency concludes that the application is conforming to this criterion because the applicant adequately demonstrates that the application is consistent with Policy GEN-4.

- (2) Repealed effective July 1, 1987.
- (3) The applicant shall identify the population to be served by the proposed project, and shall demonstrate the need that this population has for the services proposed, and the extent to which all residents of the area, and, in particular, low income persons, racial and ethnic minorities, women, handicapped persons, the elderly, and other underserved groups are likely to have access to the services proposed.

C

The applicant proposes to develop a new diagnostic center in Mecklenburg County as part of relocating physician office practices away from Carolinas Medical Center (CMC) and consolidating various physician office practices affiliated with CPN. In Section C, page 33, the applicant states that an unrelated third-party developer is building two medical office buildings (MOB #1 and MOB #2) and associated parking as part of a new medical campus in Charlotte, also called Atrium Health Kenilworth, which will serve as a site to consolidate physician practices that are part of CPN. MOB #1 is located at 1237 Harding Place and MOB #2 is located at 1225 Harding Place. The Agency, in letters sent June 15, 2018 and November 7, 2018, determined that development of these medical office buildings, to the extent the development was not part of projects requiring a certificate of need, was exempt from review.

In Section A, page 10, the applicant provides an explanation of its corporate ownership structure. CPN's parent company (and sole owner of CPN) is Carolinas Health Network, Inc. The parent company of Carolinas Health Network, Inc. (and sole owner of Carolinas Health Network, Inc.) is The Charlotte-Mecklenburg Hospital Authority (CMHA). CMHA does business as Atrium Health. Thus, while the applicant for this project is CPN, the applicant and the facility are ultimately affiliated with and are part of CMHA and the Atrium Health system.

Designation as a Diagnostic Center

In Section C, pages 34-35, the applicant states the proposed diagnostic center will feature physician offices and related medical diagnostic equipment on multiple floors of the medical office building. The applicant states the proposed diagnostic center will include the following

pieces of new and existing medical diagnostic equipment, each of which is worth \$10,000 or more:

AH Kenilworth #1 Type and Location of Medical Diagnostic Equipment		
Equipment	Number of Units	New or Existing/Relocated
IMAGING – SECOND FLOOR		
Echocardiogram	6	Existing/Relocated
Stress Echocardiogram	2	New
Nuclear Camera	1	Existing/Relocated
Diagnostic Ultrasound	1	New
Diagnostic X-ray	1	New
CT Scanner	1	Existing/Relocated
PULMONOLOGY CLINIC – THIRD FLOOR		
Pulmonary Function Test	2	Existing/Relocated
Pulmonary Function Test	2	New
Chest X-ray	1	Existing/Relocated
HEART FAILURE CLINIC – FOURTH FLOOR		
Echocardiogram	1	Existing/Relocated
VASCULAR CLINIC – FOURTH FLOOR		
Diagnostic Ultrasound	4	Existing/Relocated
Parks Flo Lab	3	Existing/Relocated

The existing equipment to be relocated will be coming from CMC, CHS SouthPark (a satellite emergency department licensed as part of CMC), and Sanger Heart and Vascular Institute at Medical Center Plaza (Sanger), a “grandfathered” diagnostic center. The applicant states that the combined cost of the pieces of equipment listed above is more than \$500,000 and therefore a certificate of need is required to develop a diagnostic center. In Form F.1a, the applicant lists the cost of medical equipment as \$5,078,352.

Patient Origin

N.C.G.S. §131E-176(24a) states: “Service area means the area of the State, as defined in the State Medical Facilities Plan or rules adopted by the Department, which receives services from a health service facility.” The 2019 SMFP does not define a service area for diagnostic centers, nor are there any applicable rules adopted by the Department that define the service area for diagnostic centers. Thus, the service area in this review is as defined by the applicant.

In supplemental information, the applicant defines the service area as Mecklenburg, Gaston, and Union counties. Facilities may also serve residents of counties not included in their service area.

The following table illustrates projected patient origin during the first three full fiscal years following project completion.

AH Kenilworth #1 Projected Patient Origin – FYs 1-3 (CYs 2021-2023)						
County	FY 1 – CY 2021		FY 2 – CY 2022		FY 3 – CY 2023	
	# of Tests	% of Total	# of Tests	% of Total	# of Tests	% of Total
Mecklenburg	16,815	53.5%	17,140	53.5%	17,475	53.5%
York (SC)	2,495	7.9%	2,549	8.0%	2,605	8.0%
Union	2,181	6.9%	2,229	7.0%	2,278	7.0%
Gaston	2,046	6.5%	2,084	6.5%	2,123	6.5%
Other*	7,904	25.1%	8,051	25.1%	8,203	25.1%
Total	31,440	100.0%	32,052	100.0%	32,684	100.0%

*Other includes Alamance, Alexander, Alleghany, Anson, Avery, Brunswick, Buncombe, Burke, Cabarrus, Caldwell, Carteret, Catawba, Cleveland, Columbus, Craven, Davidson, Davie, Durham, Edgecombe, Forsyth, Graham, Guilford, Haywood, Henderson, Iredell, Jackson, Lee, Lincoln, Madison, McDowell, Mitchell, Montgomery, Moore, New Hanover, Onslow, Orange, Pamlico, Pender, Polk, Randolph, Richmond, Robeson, Rowan, Rutherford, Scotland, Stanly, Surry, Transylvania, Wake, Watauga, Wayne, Wilkes, Wilson, Yadkin, and Yancey counties, as well as other states. In supplemental information, the applicant states that Cleveland County patients represent three percent of total projected patients and it is the county with the highest percent of projected patients in the “Other” category.

Source: Section C, page 41

In Section C, page 42, 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 42-48, the applicant explains why it believes the population projected to utilize the proposed services needs the proposed services. The applicant states:

- The physician offices that will be located at AH Kenilworth #1 are currently located in multiple buildings across multiple locations in Charlotte, which makes in-person consultations between physicians difficult, and which requires patients to go to multiple locations for related services.
- By consolidating physician office locations with medical diagnostic equipment, AH Kenilworth #1 can allow patients to receive medical diagnostic services at the same location they see their providers. Consolidation also allows patients to schedule multiple appointments (when schedules permit) for the same day at a single location.
- Relocating the medical diagnostic equipment with the physician offices allows physicians to avoid referring patients to a different location, potentially with higher charges, for medical diagnostic services, and saves patients money. Additionally, as a physician-based practice, AH Kenilworth #1 will be able to serve more Medicaid patients, as general physician-based medical diagnostic services are reimbursed by Medicaid, whereas tests done in outpatient or independent diagnostic testing facilities may not be covered.
- Relocating an existing cardiac CT scanner from CHS SouthPark results in lower charges for patients, since they are not receiving services at an outpatient hospital facility and

prevents patients from having scheduled testing delayed or changed due to emergency patients.

- Shifting services that can be provided in physician-based offices away from outpatient facilities such as CHS SouthPark or other locations on hospital campuses results in greater capacity to treat emergency, inpatient, or outpatient cases that cannot be treated in office-based settings.
- According to the North Carolina Office of State Budget and Management (NC OSBM), the Mecklenburg County population is projected to grow at a Compound Annual Growth Rate (CAGR) of 1.9 percent through 2023, and the population of Mecklenburg County residents age 65 and older will increase from 11.6 percent in 2019 to 13 percent in 2023. The applicant states the increase in the percent of the population age 65 and older is significant because older residents utilize healthcare services at a higher rate than younger residents.

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

- The applicant provides reasonable and adequately supported information to support its assertion that the relocation of physician offices and medical diagnostic equipment will better serve patients.
- Reliable data sources are used to support assertions about population growth.

Projected Utilization

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

AH Kenilworth #1 Projected Utilization – FYs 1-3 (CYs 2021-2023)			
Component	FY 1 (CY 2021)	FY 2 (CY 2022)	FY 3 (CY 2023)
Echocardiogram – Units	7	7	7
Echocardiogram – Tests	8,506	8,669	8,835
Stress Echocardiogram – Units	2	2	2
Stress Echocardiogram – Tests	1,054	1,074	1,095
Nuclear Camera – Units	1	1	1
Nuclear Camera – Studies	1,328	1,282	1,237
Diagnostic Ultrasound – Units	1	1	1
Diagnostic Ultrasound – Tests	2,894	2,949	3,006
Diagnostic X-ray – Units	1	1	1
Diagnostic X-ray – Tests	4,227	4,308	4,390
CT Scanner – Units	1	1	1
CT Scanner – Scans	3,447	3,595	3,751
CT Scanner – HECTs	6,224	6,497	6,785
CT Scanner – HECTs to CTs	1.81	1.81	1.81
Pulmonary Fx Testing – Units	4	4	4
Pulmonary Fx Testing – Studies	3,629	3,699	3,770
Chest X-ray – Units	1	1	1
Chest X-ray - Tests	609	620	632
Vascular Ultrasound – Units	4	4	4
Vascular Ultrasound – Tests	4,467	4,552	4,639
Parks Flo Labs – Units	3	3	3
Parks Flow Labs - Studies	1,280	1,304	1,329
Total Tests	31,441	32,052	32,684

In Section C, pages 48-52, the applicant provides the annual maximum capacity per unit for each type of medical diagnostic equipment proposed in this application, as well as the assumptions and methodology used to project the annual maximum capacities. The annual maximum capacity for each type of medical diagnostic equipment proposed in this application is shown in the table below.

Annual Maximum Capacity for Each Type of Medical Diagnostic Equipment Proposed					
Equipment Type	# Units	Patients/Hour	Hours/Day	Days/Year	Maximum Annual Capacity*
Echocardiogram	7	1.00	7	250	12,250
Stress Echocardiogram	2	1.00	4	250	2,000
Nuclear Medicine Camera	1	0.75	7	250	1,313
Diagnostic Ultrasound	1	2.00	7	250	3,500
Diagnostic X-ray	1	3.00	7	250	5,250
CT Scanner**	1	--	--	--	5,100
Pulmonary Function Test	4	1.50	7	250	10,500
Chest X-ray***	1	3.00	NA	250	NA
Vascular Ultrasound	4	1.00	7	250	7,000
Parks Flo Lab***	3	1.00	NA	250	NA

Source: Section C, page 49; Section Q

*Maximum Annual Capacity = Units X Patients X Hours X Days

**CT Scanner capacity is provided in HECT units based on performance standard

***The applicant states that there is no dedicated staff and no assumed hours per day for these pieces of equipment, so there is no calculated annual capacity for these pieces of equipment. See Section C, pages 51-52.

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

The applicant states that, except for the diagnostic ultrasound and CT scanner, the projected utilization is based on the historical utilization of the physicians who will have offices at AH Kenilworth #1. The applicant further states that historical and interim utilization is not provided specifically for AH Kenilworth #1 because the physicians are currently located in many different locations and the proposed facility is not an existing facility.

Echocardiogram Machines

- The applicant states internal data shows echocardiogram utilization grew at a CAGR of 11.4 percent between CY 2016 and CY 2018.
- The applicant states that, based on the projected growth rate of the population of Mecklenburg County as published by NC OSBM, it projects growth in the number of echocardiograms at AH Kenilworth #1 at an annual growth rate of 1.9 percent from CY 2018 through CY 2023.
- Based on the calculated maximum capacity of the echocardiogram machines, the applicant projects the echocardiogram machines will operate at 72 percent of capacity in CY 2023.

Stress Echocardiogram Machines

- The applicant states internal data shows stress echocardiogram utilization grew at a CAGR of 13.4 percent between CY 2016 and CY 2018.
- The applicant states that, based on the projected growth rate of the population of Mecklenburg County as published by NC OSBM, it projects growth in the number of stress echocardiograms at AH Kenilworth #1 at an annual growth rate of 1.9 percent from CY 2018 through CY 2023.
- Based on the calculated maximum capacity of the stress echocardiogram machines, the applicant projects the stress echocardiogram machines will operate at 55 percent of capacity in CY 2023.

Nuclear Medicine Camera

- The applicant states internal data shows nuclear medicine camera utilization decreased at a CAGR of -3.5 percent between CY 2016 and CY 2018.
- The applicant states it expects this trend to continue due to increased reliance on cardiac CT scans as the new standard, due to faster and more accurate readings; the applicant also states it believes a nuclear medicine camera is still an important diagnostic tool for patients.

- The applicant states that, based on its historical experience, it projects nuclear medicine camera utilization at AH Kenilworth #1 will decrease at an annual growth rate of -3.5 percent from CY 2018 through CY 2023.
- Based on the calculated maximum capacity of the nuclear medicine camera, the applicant projects the nuclear medicine camera will operate at 94 percent of capacity in CY 2023.

Diagnostic Ultrasound

- The applicant states it analyzed the number of diagnostic ultrasound studies in CY 2018 ordered by doctors who will be located at AH Kenilworth #1 to determine which studies would be clinically appropriate to shift to AH Kenilworth #1 and to project what percentage of those clinically appropriate studies would ultimately transfer to AH Kenilworth #1.
- The applicant states that due to its centralized scheduling system, it can redirect patients to the most appropriate facility for diagnostic ultrasound studies based on cost, capacity, and clinical appropriateness. The applicant reviewed the number of diagnostic ultrasound studies in CY 2018 ordered by physicians other than those who will be located at AH Kenilworth #1, but who ordered the studies at an Atrium-related facility or office, to determine which studies would be clinically appropriate to shift to AH Kenilworth #1 and to project what percentage of those clinically appropriate studies would ultimately transfer to AH Kenilworth #1.
- The applicant states it performed this analysis and these calculations only for CMC, CMC-Mercy (a separate campus licensed together with CMC), and Charlotte Radiology (Carolinas Imaging Services) – facilities all located in the Center City area of Charlotte.
- The applicant calculated the total number of CY 2018 diagnostic ultrasound studies it projects will shift to AH Kenilworth #1, based on clinical appropriateness and the percentage of those studies projected to transfer to AH Kenilworth #1, to obtain a CY 2018 starting point for projected utilization.
- The applicant states that, based on the projected growth rate of the population of Mecklenburg County as published by NC OSBM, it projects growth in the number of diagnostic ultrasound studies to be performed at AH Kenilworth #1 at an annual growth rate of 1.9 percent from CY 2018 through CY 2023.
- Based on the calculated maximum capacity of the diagnostic ultrasound machine, the applicant projects the diagnostic ultrasound machine will operate at 86 percent of capacity in CY 2023.

Diagnostic X-ray

- The applicant states it analyzed the number of diagnostic x-ray cases in CY 2018 ordered by doctors who will be located at AH Kenilworth #1 to determine which studies would be clinically appropriate to shift to AH Kenilworth #1 and to project what percentage of those

clinically appropriate diagnostic x-ray cases would ultimately transfer to AH Kenilworth #1.

- The applicant states that a higher percentage of diagnostic x-ray cases will transfer to AH Kenilworth #1, compared with the percentage of diagnostic ultrasound studies that will transfer to AH Kenilworth #1, because diagnostic x-rays are often done on the same day as an office visit, while diagnostic ultrasound studies are often scheduled for different days.
- The applicant states that because of the way diagnostic x-rays are typically performed – on the same day as an office visit – there is not a centralized scheduling system shared between Atrium facilities such as Charlotte Radiology. The applicant states it performed this analysis and these calculations only for CMC and CMC-Mercy, and not for Charlotte Radiology as it did for diagnostic ultrasound studies, to account for those differences.
- The applicant calculated the total number of CY 2018 diagnostic x-ray cases it projects will shift to AH Kenilworth #1, based on clinical appropriateness and the percentage of those cases projected to transfer to AH Kenilworth #1, to obtain a CY 2018 starting point for projected utilization.
- The applicant states that, based on the projected growth rate of the population of Mecklenburg County as published by NC OSBM, it projects growth in the number of diagnostic x-ray cases to be performed at AH Kenilworth #1 at an annual growth rate of 1.9 percent from CY 2018 through CY 2023.
- Based on the calculated maximum capacity of the diagnostic x-ray machine, the applicant projects the diagnostic x-ray machine will operate at 84 percent of capacity in CY 2023.

CT Scanner

- The applicant proposes to relocate an existing CT scanner, approved as part of Project I.D. #F-11339-17, from CHS SouthPark, a satellite emergency department, to AH Kenilworth #1. The applicant states this CT scanner is primarily used for cardiac patients when not being used by emergency department patients. The applicant states it believes all the cardiac patients utilizing the CT scanner at CHS SouthPark will transfer to AH Kenilworth #1, since they will be seeing the provider ordering the CT scan at AH Kenilworth #1, and since it will be lower in cost as compared with a satellite emergency department.
- The applicant states it reviewed its projected utilization from the application for Project I.D. #F-11339-17, compared it with its actual utilization, and determined that its actual utilization was higher than what it had projected in its application. The applicant states it applied its utilization calculations from Project I.D. #F-11339-17 to the current projections. The applicant states that, because its projections for Project I.D. #F-11339-17 only extended through CY 2020, it then applied an annual growth rate of 1.9 percent, based on the projected growth rate of Mecklenburg County as published by NC OSBM, for CY 2021 through CY 2023.

- The applicant proposes to serve non-cardiac patients from Morehead Medical Plaza (MMP), an outpatient imaging service at CMC, at AH Kenilworth #1. The applicant states internal data shows non-cardiac CT scanner utilization at MMP grew at a CAGR of 13.6 percent between CY 2016 and CY 2018 and had a CT to HECT ratio of 1.87 percent.
- The applicant states it projects growth of non-cardiac CT scanner utilization at MMP at an annual rate of 6.8 percent, half of its CY 2016 through CY 2018 CAGR, for CY 2018 through CY 2023, and projects the same CT to HECT ratio will apply. The applicant also states it projects 10 percent of these non-cardiac CT scans will transfer to AH Kenilworth #1.
- The applicant proposes to serve non-cardiac patients from CMC-Mercy at AH Kenilworth #1. The applicant states that, while non-cardiac outpatient CT scanner utilization decreased at a CAGR of -12.8 percent between CY 2016 and CY 2018, overall CT scanner utilization at CMC-Mercy during CY 2016 to CY 2018 grew at a CAGR of 10.6 percent. The applicant states this indicates growth of non-cardiac outpatient CT scanner utilization is inhibited by emergency and inpatient CT scanner utilization. The applicant states it projects its CY 2018 non-cardiac CT scanner utilization at CMC-Mercy will remain constant through CY 2023, and projects 10 percent of these non-cardiac CT scans will transfer to AH Kenilworth #1.
- Based on the performance standard promulgated in 10A NCAC 14C .2301(c), which does not apply to this application, the applicant projects the CT scanner will operate at 133 percent of the performance standard in CY 2023.

Pulmonary Function Test Machines

- The applicant states internal data shows pulmonary function test utilization decreased at a CAGR of -1.5 percent between CY 2016 and CY 2018.
- The applicant states this was due to a lack of staff for the last four months of CY 2018, which resulted in operation of only one pulmonary function test machine for those four months. The applicant states that, if it adjusts utilization to account for that lack of staff, pulmonary function tests grew at a CAGR of 2.9 percent between CY 2016 and CY 2018.
- The applicant states that, based on the projected growth rate of the population of Mecklenburg County as published by NC OSBM, it projects growth in the number of pulmonary function tests at AH Kenilworth #1 at an annual growth rate of 1.9 percent from CY 2018 through CY 2023.
- Based on the calculated maximum capacity of the pulmonary function test machines, the applicant projects the pulmonary function test machines will operate at 36 percent of capacity in CY 2023.
- The applicant states it believes there is need for the pulmonary function test machines at AH Kenilworth #1, despite a projected CY 2023 capacity of 36 percent, due to recruitment

of additional pulmonologists and the ability to support spirometry tests on the same machines when they are not performing pulmonary function tests.

Chest X-ray

- The applicant states it does not have internal data for CY 2016 for chest x-rays ordered by physicians who will be located at AH Kenilworth #1, due to a change in software, but its internal data shows chest x-ray utilization grew 85.5 percent between CY 2017 and CY 2018.
- The applicant states that, based on the projected growth rate of the population of Mecklenburg County as published by NC OSBM, it projects growth in the number of chest x-rays ordered at AH Kenilworth #1 at an annual growth rate of 1.9 percent from CY 2018 through CY 2023.
- Because there will not be dedicated staff for the chest x-ray, the applicant states it has not calculated a maximum capacity. The applicant states the chest x-ray is necessary to facilitate patient testing during pulmonology visits with the least amount of disruption to both patients and providers.

Vascular Ultrasound

- The applicant states internal data shows vascular ultrasound utilization grew at a CAGR of 3.8 percent between CY 2016 and CY 2018.
- The applicant states that, based on the projected growth rate of the population of Mecklenburg County as published by NC OSBM, it projects growth in the number of vascular ultrasound studies at AH Kenilworth #1 at an annual growth rate of 1.9 percent from CY 2018 through CY 2023.
- Based on the calculated maximum capacity of the vascular ultrasound machines, the applicant projects the vascular ultrasound machines will operate at 66 percent of capacity in CY 2023.

Parks Flo Lab Machines

- The applicant states internal data shows Parks Flo Lab study utilization grew at a CAGR of 40.4 percent between CY 2016 and CY 2018.
- The applicant states that, based on the projected growth rate of the population of Mecklenburg County as published by NC OSBM, it projects growth in the number of Parks Flo Lab studies at AH Kenilworth #1 at an annual growth rate of 1.9 percent from CY 2018 through CY 2023.
- Because there will not be dedicated staff for the Parks Flo Lab machines, the applicant states it has not calculated a maximum capacity. The applicant states the Parks Flo Lab

machines are necessary to support the four vascular ultrasounds so that patients needing vascular ultrasounds are not waiting for machines specifically equipped with Parks Flo Lab equipment.

A summary of the applicant’s historical utilization, details of assumptions and methodology, and projected utilization for each type of equipment is shown in the table below.

AH Kenilworth #1 Utilization Assumptions, Methodology, and Projections – CY 2016 through CY 2023											
Component	CY 2016	CY 2017	CY 2018	CY 2019	CY 2020	FY 1 (CY 2021)	FY 2 (CY 2022)	FY 3 (CY 2023)	Max. Capacity	% of Max. Capacity	
Echocardiogram – Units	--	--	--	--	--	7	7	7	--	--	
Echocardiogram – Tests	6,474	7,463	8,036	8,190	8,346	8,506	8,669	8,835	12,250	72%	
Growth Rate	11.4%			1.9%	1.9%	1.9%	1.9%	1.9%	--	--	
Stress Echocardiogram – Units	--	--	--	--	--	2	2	2	--	--	
Stress Echocardiogram – Tests	775	923	996	1,105	1,034	1,054	1,074	1,095	2,000	55%	
Growth Rate	13.4%			1.9%	1.9%	1.9%	1.9%	1.9%	--	--	
Nuclear Camera – Units	--	--	--	--	--	1	1	1	--	--	
Nuclear Camera – Studies	1,584	1,574	1,476	1,425	1,375	1,328	1,282	1,237	1,313	94%	
Growth Rate	-3.5%			-3.5%	-3.5%	-3.5%	-3.5%	-3.5%	--	--	
Diagnostic Ultrasound – Units	--	--	--	--	--	1	1	1	--	--	
Diagnostic Ultrasound – Tests	--	--	2,734	2,786	2,840	2,894	2,949	3,006	3,500	86%	
Growth Rate	--	--	--	1.9%	1.9%	1.9%	1.9%	1.9%	--	--	
Diagnostic X-ray – Units	--	--	--	--	--	1	1	1	--	--	
Diagnostic X-ray – Tests	--	--	3,993	4,070	4,148	4,227	4,308	4,390	5,250	84%	
Growth Rate	--	--	--	1.9%	1.9%	1.9%	1.9%	1.9%	--	--	
CT Scanner – Units	--	--	--	--	--	1	1	1	--	--	
CT Scanner – Scans*	--	--	--	--	--	3,447	3,595	3,751	--	--	
CT Scanner – HECTs	--	--	--	--	--	6,224	6,497	6,785	5,100	133%	
CT Scanner – HECTs to CTs	--	--	--	--	--	1.81	1.81	1.81	--	--	
Growth Rate	NA – varied by facility									--	--
Pulmonary Fx Testing – Units	--	--	--	--	--	4	4	4	--	--	
Pulmonary Fx Testing – Studies	3,239	3,400	3,429	3,495	3,561	3,629	3,699	3,770	10,500	36%	
Growth Rate	2.9%			1.9%	1.9%	1.9%	1.9%	1.9%	--	--	
Chest X-ray – Units	--	--	--	--	--	1	1	1	--	--	
Chest X-ray - Tests	--	310	575	586	597	609	620	632	--	--	
Growth Rate	--	85.5%		1.9%	1.9%	1.9%	1.9%	1.9%	--	--	
Vascular Ultrasound – Units	--	--	--	--	--	4	4	4	--	--	
Vascular Ultrasound – Tests	3,915	4,358	4,220	4,301	4,383	4,467	4,552	4,639	7,000	66%	
Growth Rate	3.8%			1.9%	1.9%	1.9%	1.9%	1.9%	--	--	
Parks Flo Labs – Units	--	--	--	--	--	3	3	3	--	--	
Parks Flow Labs - Studies	613	815	1,209	1,232	1,256	1,280	1,304	1,329	--	--	
Growth Rate	40.4%			1.9%	1.9%	1.9%	1.9%	1.9%	--	--	
Total Tests	--	--	--	--	--	31,441	32,052	32,684	--	--	

*There is a discrepancy in the number of CT scans projected for CYs 2021-2023 in Form C – Utilization and the explanation of the applicant’s assumptions and methodology following Form C – Utilization. This discrepancy does not impact the outcome of these findings in any way. The Project Analyst used the data that appears to be correct based on the applicant’s written narrative.

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

- Projected utilization is based on historical data.
- The applicant uses conservative projected growth rates.
- The applicant provides reasonable and adequately supported information to justify the need for equipment which is projected to be utilized at lower rates.

Access

In Section C, pages 55-56, the applicant states:

“...Atrium Health’s system-wide policies and procedures with regard to access to care will apply to the proposed diagnostic center at Atrium Health Kenilworth. Please see Exhibit C.11 for Atrium Health’s Non-Discrimination policies. As noted in Atrium Health’s Non-Discrimination Policy Statement, ‘[n]o individual shall be subject to discrimination or denied the benefits of the services, programs, or activities of [Atrium Health] on the basis of race, color, religion, national origin, sex, age, disability or source of payment.’ Atrium Health will continue to serve this population as dictated by the mission of Atrium Health, which is the foundation for every action taken. The mission is simple, but unique: To improve health, elevate hope, and advance healing – for all. This includes the medically underserved.”

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

AH Kenilworth #1 Payor Mix – FY 2 (CY 2022)	
Payor Source	Percent of Services
Self-Pay	3.8%
Medicare*	49.4%
Medicaid*	5.2%
Insurance*	40.8%
Other**	0.7%
Total	100.0%

Note: The applicant states that it does not have charity care as a payor source, and that patients in every payor category receive charity care.

*Including any managed care plans

**“Other” includes Worker’s Compensation and TRICARE

The projected payor mix is reasonable and adequately supported.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Supplemental information requested by the Agency
- 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.

C

The applicant proposes to develop a new diagnostic center in Mecklenburg County as part of relocating physician office practices away from CMC and consolidating various physician office practices affiliated with CPN.

As part of the proposed project, the applicant proposes to relocate seven existing echocardiogram machines, one nuclear medicine camera, two pulmonary function test machines, one chest x-ray machine, four diagnostic ultrasound machines, and three Parks Flo Lab machines from CMC and Sanger. The applicant also proposes to relocate a CT scanner from CHS SouthPark to AH Kenilworth #1. The equipment and services being relocated will no longer be offered at their current locations.

In Section D, page 61, the applicant explains why it believes the needs of the population presently utilizing the services to be relocated will be adequately met following completion of the project. The applicant states:

- The proposed facility will be more accessible than the current locations of offices. Current offices are in multiple locations and many are on the campus of CMC. The proposed facility will consolidate the offices into a single location, which will be accessible from major roads, be located close to CMC, and which will offer substantially more parking options.

- Patients needing to see multiple providers can do so in one location and on the same day, as scheduling permits, without having to navigate the campus of CMC.
- Locating the physician offices together allows physicians to collaborate and discuss cases and care more frequently, which allows for higher quality care.
- Since patients will not be competing with inpatients or emergency department patients for resources, patients will not have to worry about scheduled tests being delayed or rescheduled due to the needs of inpatient or emergency department patients.

Regarding the proposed relocation of the CT scanner from CHS SouthPark to AH Kenilworth #1, on page 61, the applicant states:

“In particular, cardiac CT services provided at CHS SouthPark will be relocated to the proposed diagnostic center and cardiac CT services will no longer be provided at CHS SouthPark. Those patients requiring cardiac CT scans will relocate to the proposed diagnostic center and will continue to be served. In order to continue to provide CT services at CHS SouthPark, which are essential to the operation of the freestanding emergency department, CMC intends to support CHS SouthPark by purchasing a CT scanner for less than \$750,000 and will evaluate at that time whether any regulatory filings are necessary.”

In Section D, page 63, the applicant states:

“...given the relocation and consolidation of the physician practices to Atrium Health Kenilworth, the patients historically served by the equipment to be relocated are also expected to relocate to the proposed diagnostic center. As such, the proposed project will not have any negative impact on the ability of low income persons, racial and ethnic minorities, women, handicapped persons, the elderly, or other underserved groups to obtain needed healthcare.”

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

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

- The needs of the population currently using the services to be relocated will be adequately met following project completion.
- The project will not adversely impact the ability of underserved groups to access these services following project completion.

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

CA

The applicant proposes to develop a new diagnostic center in Mecklenburg County as part of relocating physician office practices away from CMC and consolidating various physician office practices affiliated with CPN.

In Section E, pages 65-66, 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 this option would not allow enhanced and more convenient access to care by patients and would not free up capacity and space at CMC. Therefore, this is not an effective alternative.

Relocate Physicians Without Medical Diagnostic Equipment: The applicant states this option is not feasible because the equipment being relocated with the physicians is currently in use at the same location where physicians are. Relocating the physicians without the equipment would require physicians to send patients to a different location for medical diagnostic tests that patients currently receive at the same location they see their physicians. Therefore, this is not an effective alternative.

On pages 65-66, the applicant states that its proposal is the most effective alternative because it provides enhanced and more convenient access to patients, frees up capacity at CMC, and maintains the ability of patients to receive medical diagnostic tests at the same location they see their physicians.

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

- The application is conforming to all statutory and regulatory criteria.
- The applicant provides credible information to explain why it believes the proposed project is the most effective alternative.

Conclusion

The Agency reviewed the:

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

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

- 1. Carolinas Physicians Network, Inc. shall materially comply with all representations made in the certificate of need application and any supplemental responses. In the event that representations conflict, Carolinas Physicians Network, Inc. shall materially comply with the last made representation.**
 - 2. Carolinas Physicians Network, Inc. shall develop a diagnostic center in MOB #1 at 1237 Harding Place in Charlotte by relocating a CT scanner from CHS SouthPark, seven echocardiogram machines, one nuclear camera, two pulmonary function test machines, one chest x-ray machine, four diagnostic ultrasound machines, and three Parks Flo Lab machines, and adding a diagnostic ultrasound machine, a diagnostic x-ray machine, two echocardiogram machines, and two pulmonary function test machines.**
 - 3. Carolinas Physicians Network, Inc., as part of this project, shall not acquire any equipment that is not included in the project's proposed capital expenditures in Section F of the application or that would otherwise require a certificate of need.**
 - 4. Carolinas Physicians Network, Inc. shall develop and implement an Energy Efficiency and Sustainability Plan for the project that conforms to or exceeds energy efficiency and water conservation standards incorporated in the latest editions of the North Carolina State Building Codes.**
 - 5. 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, Carolinas Physicians Network, Inc. shall submit, on the form provided by the Healthcare Planning and Certificate of Need Section, an annual report containing the:**
 - a. Payor mix for the services authorized in this certificate of need.**
 - b. Utilization of the services authorized in this certificate of need.**
 - c. Revenues and operating costs for the services authorized in this certificate of need.**
 - d. Average gross revenue per unit of service.**
 - e. Average net revenue per unit of service.**
 - f. Average operating cost per unit of service.**
 - 6. Carolinas Physicians Network, Inc. shall acknowledge acceptance of and agree to comply with all conditions stated herein to the Agency in writing prior to insurance of the certificate of need.**
- (5) Financial and operational projections for the project shall demonstrate the availability of funds for capital and operating needs as well as the immediate and long-term financial feasibility of the proposal, based upon reasonable projections of the costs of and charges for providing health services by the person proposing the service.

C

The applicant proposes to develop a new diagnostic center in Mecklenburg County as part of relocating physician office practices away from CMC and consolidating various physician office practices affiliated with CPN.

Capital and Working Capital Costs

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

Construction Costs	\$2,296,560
Medical Equipment Costs	\$5,078,352
Non-Medical Equipment/Furniture	\$577,302
Consultant/A&E Fees	\$398,080
Miscellaneous Costs/Contingency	\$410,100
Total	\$8,760,394

In Section Q, the applicant provides the assumptions used to project the capital cost.

In Section F, pages 69-70, the applicant projects that start-up costs will be \$414,881 and initial operating expenses will be \$630,965 for a total working capital cost of \$1,045,845. On page 70, the applicant provides the assumptions and methodology used to project the working capital needs of the project.

Availability of Funds

In Sections F.2 and F.3, pages 68 and 71, respectively, the applicant states the capital and working capital costs of the project will be funded via accumulated reserves of CMHA/Atrium Health. Exhibit F.2-1 contains a letter from the Executive Vice President and Chief Financial Officer of Atrium Health, who also serves as the Treasurer of CPN, dated April 15, 2019, stating CPN will fully commit the funding costs provided to it by CMHA to develop the proposed project.

Exhibit F.2-2 contains financial statements for CMHA/Atrium Health for the years ending December 31, 2017 and 2016. As of December 31, 2017, CMHA/Atrium Health had adequate cash and cash equivalents to fund the proposed project.

Financial Feasibility

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

AH Kenilworth #1 Revenue and Expenses – FYs 1-3 (CYs 2021-2023)			
	FY 1 (CY 2021)	FY 2 (CY 2022)	FY 3 (CY 2023)
Total Imaging Tests*	30,161	30,748	31,355
Total Gross Revenues (Charges)	\$24,238,722	\$25,270,660	\$26,365,264
Total Net Revenue	\$6,878,373	\$7,190,741	\$7,521,865
Average Net Revenue per Test	\$228	\$234	\$240
Total Operating Expenses (Costs)	\$5,959,159	\$6,146,320	\$6,318,633
Average Operating Expense per Test	\$198	\$200	\$202
Net Income / (Loss)	\$919,214	\$1,044,422	\$1,203,232

*In the assumptions and methodology for Form F.3, the applicant states the total number of tests excludes Parks Flo Lab tests because these tests are done as part of vascular ultrasound tests and the associated revenue and expenses for those tests are captured under those of the vascular ultrasound tests.

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 and supplemental information 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 and working capital costs are based on reasonable and adequately supported assumptions.
 - The applicant adequately demonstrates availability of sufficient funds for the capital and working capital needs of the proposal.
 - The applicant adequately demonstrates sufficient funds for the operating needs of the proposal and that the financial feasibility of the proposal is based upon reasonable projections of costs and charges.
- (6) The applicant shall demonstrate that the proposed project will not result in unnecessary duplication of existing or approved health service capabilities or facilities.

C

The applicant proposes to develop a new diagnostic center in Mecklenburg County as part of relocating physician office practices away from CMC and consolidating various physician office practices affiliated with CPN.

N.C.G.S. §131E-176(24a) states: “*Service area means the area of the State, as defined in the State Medical Facilities Plan or rules adopted by the Department, which receives services from a health service facility.*” The 2019 SMFP does not define a service area for diagnostic centers, nor are there any applicable rules adopted by the Department that define the service area for diagnostic centers. Thus, the service area in this review is as defined by the applicant.

In supplemental information, the applicant defines the service area as Mecklenburg, Gaston, and Union counties. Facilities may also serve residents of counties not included in their service area.

In Section G, pages 75-76, and supplemental information, the applicant states it is unaware of any publicly available data to show inventory and utilization of existing and approved non-hospital-based facilities and equipment providing services like those proposed in this application. In Exhibit G.2, and in supplemental information, the applicant provides copies of pages from 2018 License Renewal Applications (LRAs) for hospitals in Mecklenburg, Gaston, and Union counties with equipment and services like those proposed in this application.

In Section G, page 76, the applicant explains why it believes its proposal would not result in the unnecessary duplication of existing or approved diagnostic center services in Mecklenburg, Gaston, and Union counties. The applicant states:

“The need for the proposed project is based on the need for CPN to provide convenient access to diagnostic imaging services to support the physician services proposed to relocate to Atrium Health Kenilworth. Atrium Health Kenilworth will serve as a destination center with access to CPN physician clinics as well as the diagnostic services that comprise the proposed diagnostic center. No other provider can meet the identified need. Further, though other imaging and diagnostic services may be available in the service area, they are not reasonably available to the patients of the CPN physicians who will be located at Atrium Health Kenilworth.”

The applicant adequately demonstrates that the proposal would not result in an unnecessary duplication of existing or approved services in the service area because the applicant adequately demonstrates that the proposed diagnostic center is needed in addition to the existing or approved diagnostic centers.

Conclusion

The Agency reviewed the:

- Application

- Exhibits to the application
- Supplemental information requested by the Agency
- Information publicly available during the review and used by the Agency

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

- (7) The applicant shall show evidence of the availability of resources, including health manpower and management personnel, for the provision of the services proposed to be provided.

C

In Section Q, Form H, the applicant provides projected staffing for the proposed services as illustrated in the following table.

AH Kenilworth #1 Projected Staffing – All FYs (CYs 2021, 2022, 2023)	
Position	FTEs
Diagnostic Center	
CT Technicians/Technologists	4.00
Registered Nurses	2.00
Ultrasound Technicians/Technologists	1.10
X-Ray Technicians/Technologists	1.10
Clerical Staff	2.20
Echocardiogram Technicians/Technologists	6.60
Stress Echocardiogram Technicians/Technologists	3.30
Nuclear Medicine Camera Technicians/Technologists	3.30
Cardiac Clerical Staff	1.10
Pulmonology	
Technician/Technologist/Clerical Supervisor	0.11
Project Manager/Technician/Technologist	0.06
Registered Technicians/Technologists	2.00
Technicians/Technologists	2.00
Vascular Clinic	
Technician/Technologist/Clerical Supervisor	1.03
Project Manager/Technician/Technologist	1.00
Registered Technicians/Technologists	2.64
Total	33.55

Source: Form H in Section Q of the application.

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 77-78, the applicant describes the methods to be used to recruit or fill new positions and its proposed training and continuing education programs. In Section H, page 78, the applicant identifies the proposed medical directors. In Exhibit H.4, the applicant provides letters from each of the two proposed medical directors, each indicating an interest in serving as a medical director for the proposed services. In Section H, page 78, the applicant describes its physician recruitment plans.

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

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

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

- (8) The applicant shall demonstrate that the provider of the proposed services will make available, or otherwise make arrangements for, the provision of the necessary ancillary and support services. The applicant shall also demonstrate that the proposed service will be coordinated with the existing health care system.

C

In Section I, page 80, the applicant states that the following ancillary and support services are necessary for the proposed diagnostic center:

- Housekeeping
- Security
- Maintenance
- Registration
- Administration
- Other Ancillary and Support Services

On page 80, the applicant adequately explains how each ancillary and support service will be made available.

In Section I, pages 80-81, the applicant describes its efforts to develop relationships with other local health care and social service providers. The applicant states:

“As part of Atrium Health, CPN has established relationships with area healthcare providers. Atrium Health’s and CPN’s relationships with other local healthcare and social service providers are well established and will continue following completion of the proposed project.”

The applicant provides supporting documentation in Exhibit I.2.

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

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

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

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

NA

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

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

NA

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

- (11) Repealed effective July 1, 1987.
- (12) Applications involving construction shall demonstrate that the cost, design, and means of construction proposed represent the most reasonable alternative, and that the construction

project will not unduly increase the costs of providing health services by the person proposing the construction project or the costs and charges to the public of providing health services by other persons, and that applicable energy saving features have been incorporated into the construction plans.

C

In Section K, page 85, the applicant states that the project involves upfitting 16,390 square feet of leased space in a medical office building being developed by an unrelated third-party developer. Line drawings are provided in Exhibit C.1-4.

In Section K, page 85, the applicant adequately explains how the cost, design, and means of construction represent the most reasonable alternative for the proposal.

In Section K, pages 85-86, 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 development of the building by a third-party developer while the applicant leases and upfits the space is a more cost-effective option for the proposed project, and consolidation of services allows for economies of scale.

In Section K, pages 86-87, 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

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

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

C

In supplemental information, the applicant provides the historical payor mix for CY 2018 at existing facilities where diagnostic equipment that is part of the proposed project is currently located, as shown in the table below.

Historical Payor Mix at Existing Facilities – CY 2018			
	CMC	CHS SouthPark	Sanger
Payor Source	% of Services	% of Services	% of Services
Self-Pay	5.7%	3.4%	1.3%
Medicare*	45.8%	39.6%	54.1%
Medicaid*	5.8%	4.0%	3.4%
Insurance*	42.0%	52.3%	38.7%
Other**	0.7%	0.7%	0.6%
Total	100.0%	100.0%	100.0%

Source: Atrium Health internal data

Note: The applicant states that it does not have charity care as a payor source, and that patients in every payor category receive charity care.

*Including any managed care plans

**"Other" includes Worker's Compensation and TRICARE

In supplemental information, the applicant provides the following comparison.

Percent of Patients Served During CY 2018 (by Facility)			
	CMC	CHS SouthPark	Sanger
Female	51.1%	43.1%	58.6%
Male	48.1%	56.9%	41.4%
Unknown	0.8%	0.0%	0.0%
64 and Younger	59.5%	62.3%	53.1%
65 and Older	40.5%	37.7%	46.9%
American Indian	0.5%	0.8%	0.2%
Asian	1.2%	0.8%	0.7%
Black or African-American	28.7%	12.2%	27.3%
Native Hawaiian or Pacific Islander	0.0%	2.8%	0.0%
White or Caucasian	61.8%	79.3%	66.1%
Other Race	3.8%	0.4%	2.6%
Declined / Unavailable	3.9%	3.7%	3.1%

Source: Atrium Health Internal Data

Percent of Population in CY 2018 (by County)			
	Gaston	Mecklenburg	Union
Female	51.8%	51.9%	50.8%
Male	48.2%	48.1%	49.2%
Unknown	0.0%	0.0%	0.0%
64 and Younger	83.9%	88.8%	87.3%
65 and Older	16.1%	11.2%	12.7%
American Indian	0.6%	0.8%	0.6%
Asian	1.6%	6.4%	3.4%
Black or African-American	17.6%	32.9%	12.3%
Native Hawaiian or Pacific Islander	0.1%	0.1%	0.1%
White or Caucasian	78.0%	57.5%	81.6%
Other Race	2.1%	2.4%	2.0%
Declined / Unavailable	0.0%	0.0%	0.0%

Source: US Census Bureau QuickFacts

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Supplemental information requested by the Agency

Based on that review, the Agency concludes that the applicant adequately documents the extent to which medically underserved populations currently use the applicant's existing services in comparison to the percentage of the population in the applicant's service area which is medically underserved. Therefore, the application is conforming to this criterion.

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

C

Regarding any obligation to provide uncompensated care, community service or access by minorities and persons with disabilities, in Section L, page 93, the applicant states that it has no such obligations.

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

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

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

- (c) That the elderly and the medically underserved groups identified in this subdivision will be served by the applicant's proposed services and the extent to which each of these groups is expected to utilize the proposed services; and

C

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

AH Kenilworth #1 Payor Mix – FY 2 (CY 2022)	
Payor Source	Percent of Services
Self-Pay	3.8%
Medicare*	49.4%
Medicaid*	5.2%
Insurance*	40.8%
Other**	0.7%
Total	100.0%

Note: The applicant states that it does not have charity care as a payor source, and that patients in every payor category receive charity care.

*Including any managed care plans

**"Other" includes Worker's Compensation and TRICARE

As shown in the table above, during the second full fiscal year of operation, the applicant projects that 3.8 percent of total services will be provided to self-pay patients, 49.4 percent to Medicare patients, and 5.2 percent to Medicaid patients.

In Section L, page 95, the applicant provides the assumptions and methodology used to project payor mix during the second full fiscal year of operation following completion of the project. The projected payor mix is reasonable and adequately supported for the following reasons:

- Projected payor mix is based on the historical experience of the physicians that will be located at AH Kenilworth #1.
- The applicant provides reasonable and adequately supported information to explain why there are no changes to the projected payor mix in future years.

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.

- (d) That the applicant offers a range of means by which a person will have access to its services. Examples of a range of means are outpatient services, admission by house staff, and admission by personal physicians.

C

In Section L, pages 96-97, the applicant adequately describes the range of means by which patients will have access to the proposed services.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

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

- (14) The applicant shall demonstrate that the proposed health services accommodate the clinical needs of health professional training programs in the area, as applicable.

C

In Section M, page 98, the applicant describes the extent to which health professional training programs in the area will have access to the facility for training purposes.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

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

- (15) Repealed effective July 1, 1987.
- (16) Repealed effective July 1, 1987.
- (17) Repealed effective July 1, 1987.
- (18) Repealed effective July 1, 1987.

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

C

The applicant proposes to develop a new diagnostic center in Mecklenburg County as part of relocating physician office practices away from CMC and consolidating various physician office practices affiliated with CPN.

N.C.G.S. §131E-176(24a) states: “*Service area means the area of the State, as defined in the State Medical Facilities Plan or rules adopted by the Department, which receives services from a health service facility.*” The 2019 SMFP does not define a service area for diagnostic centers, nor are there any applicable rules adopted by the Department that define the service area for diagnostic centers. Thus, the service area in this review is as defined by the applicant.

In supplemental information, the applicant defines the service area as Mecklenburg, Gaston, and Union counties. Facilities may also serve residents of counties not included in their service area.

In Section N, pages 100-102, 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. The applicant states the proposed project will positively impact cost effectiveness due to consolidation of existing resources, freeing up capacity of other resources, and cost savings from economies of scale. The applicant states the services to be relocated to the proposed diagnostic center are accredited by top industry associations, which will positively impact quality. The applicant states access will improve with the development of the proposed project because it will allow patients more convenient and efficient access to providers as well as be able to serve more Medicaid patients.

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

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

Conclusion

The Agency reviewed the:

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

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

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

C

In Section O, page 104, the applicant identifies Sanger as an existing “grandfathered” diagnostic center. In Exhibit O.3, the applicant identifies all other healthcare facilities in North Carolina owned, operated, or managed by the applicant or a related entity. The applicant does not specifically identify which facilities are diagnostic centers, but the information in Exhibit O.3 suggests there are seven such diagnostic centers located in North Carolina, in addition to the Sanger Heart and Vascular Clinic.

On page 105, the applicant states,

“Each of the similar healthcare facilities identified...has continually maintained all relevant licensure, certification, and accreditation...for the 18 months preceding the submission of this application.”

After reviewing and considering information provided by the applicant regarding the quality of care provided at Sanger and the other seven facilities, the applicant provided sufficient evidence that quality care has been provided in the past. Therefore, the application is conforming to this criterion.

- (21) Repealed effective July 1, 1987.

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

NA

The applicant proposes to develop a new diagnostic center. There are no administrative rules that are applicable to proposals to develop new diagnostic centers.