ATTACHMENT - REQUIRED STATE AGENCY FINDINGS

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

Decision Date:	May 16, 2019
Findings Date:	May 16, 2019
Project Analyst:	Julie M. Faenza
Assistant Chief:	Lisa Pittman
Project ID #:	F-11658-19
Facility:	Atrium Health Mountain Island Emergency Department
FID #:	190083
County:	Mecklenburg
Applicant:	The Charlotte-Mecklenburg Hospital Authority
Project:	Develop a satellite emergency department with diagnostic and treatment services essential to providing emergency care, including a CT scanner, ultrasound, x-ray, laboratory services, and pharmacy services, to be operated as a part of Atrium Health University

REVIEW CRITERIA FOR NEW INSTITUTIONAL HEALTH SERVICES

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

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

C

The Charlotte-Mecklenburg Hospital Authority (referred to as "CMHA," "Atrium," or "the applicant") proposes to develop a satellite emergency department (ED) in the Mountain Island area of Charlotte, in Mecklenburg County, which will be licensed as part of Atrium Health University City and create a new campus. The satellite ED will offer around-the-clock emergency care, including necessary diagnostic services (CT scanner, ultrasound, x-ray), laboratory services, and pharmacy services.

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; therefore, Policy GEN-4 is applicable to this review. In Section B, pages 30-31, 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 30, 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."*

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 includes a written statement describing the project's plan to assure improved energy efficiency and water conservation.

(2) Repealed effective July 1, 1987.

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

C

The applicant proposes to develop Atrium Health Mountain Island Emergency Department ("AH-MI-ED"), a satellite ED located in the Mountain Island region of Charlotte, which will offer around-the-clock emergency care, including necessary diagnostic services (CT scanner, ultrasound, x-ray), laboratory services, and pharmacy services. The satellite ED will be a new campus and will be licensed as part of Atrium Health University City ("AH-UC").

On February 7, 2018, The Charlotte-Mecklenburg Hospital Authority, which owns and operates the facilities discussed or involved in this application, announced that it was changing its previous business name – Carolinas HealthCare System (usually abbreviated as "CHS") – and would do business as Atrium Health. There are eight facilities discussed or involved in this review that are part of the Atrium Health system. The following table identifies these facilities, the current name, and the county in which the facility is located. In Section C, page 42, the applicant states that it is in the process of changing facility names to reflect the new system names, so facilities without current name changes may change names in the future.

ATRIUM HEALTH FACILITIES		
Previous Name	**County**	**Current Name**
CHS University	Mecklenburg	Atrium Health University City
CHS Huntersville	Mecklenburg	Atrium Health Huntersville
CHS Waxhaw	Union	Atrium Health Waxhaw
CHS Harrisburg	Cabarrus	CHS Harrisburg
CHS Steele Creek	Mecklenburg	Atrium Health Steele Creek
CHS Kannapolis	Cabarrus	CHS Kannapolis
CHS SouthPark	Mecklenburg	CHS SouthPark
CHS Providence	Mecklenburg	Atrium Health Providence

In Section C, pages 33-38, the applicant describes the proposed project, including plans for the number of ED exam rooms, triage bays, and observation rooms; plans for the provision of necessary diagnostic services, including the use of a CT scanner, ultrasound, and x-ray;

and plans for the provision of necessary laboratory and pharmacy services. The applicant does not propose to provide any type of outpatient or other services at the satellite ED.

Patient Origin

The 2019 SMFP does not define a service area for emergency departments. The applicant defines the proposed service area by identifying all or portions of ZIP codes that are located within a 15-minute drive from the proposed facility. The ZIP codes identified by the applicant as being fully or partially within the proposed service area are 28278, 28273, 28269, 28262, 28216, 28214, 28208, 28202, 28164, 28120, 28078, 28037, and 28012. These ZIP codes cover an area in northwest Mecklenburg County and eastern portions of Gaston and Lincoln counties. Facilities may also serve residents of counties not included in their service area.

The proposed satellite ED is not an existing facility and therefore does not have historical patient origin. The table below illustrates projected patient origin.

AH-MI-ED Projected Patient Origin						
	OY 1 – CY 2021		OY 2 – CY 2022		OY 3 – CY 2023	
County	# Patients	Percent	# Patients	Percent	# Patients	Percent
Mecklenburg	8,360	83.8%	9,578	83.8%	10,839	83.8%
Gaston	1,314	13.2%	1,506	13.2%	1,704	13.2%
Lincoln	301	3.0%	344	3.0%	390	3.0%
Total	**9,975**	**100.0%**	**11,428**	**100.0%**	**12,932**	**100.0%**

Source: Section C, page 40

In Section C, page 40, and Section Q, the applicant provides the assumptions and methodology used to project patient origin. The applicant's assumptions are reasonable and adequately supported.

Analysis of Need

In Section C, pages 41-59, the applicant explains why it believes the population projected to utilize the proposed services needs the proposed services.

In Section C, page 41, the applicant states:

> *"The proposed project is in response to a need driven by highly utilized emergency services in Mecklenburg County, along with the lack of sufficient capacity in the proposed service area. …, existing emergency services in Mecklenburg County are currently operating above industry-recognized capacity levels. In addition to and further exacerbating this capacity constraint is the population growth and drive-time to the nearest emergency department from the proposed service area. Together, these factors support the need for local access to emergency services. Atrium Health has determined that the freestanding emergency department model represents the least costly and most effective alternative to increasing access to emergency department services in the proposed service area."*

On page 41, the applicant describes the extent of the services it plans to offer at the satellite ED. The applicant states it will provide around-the-clock emergency services, which will include providing necessary diagnostic, laboratory, and pharmacy services. The applicant states that the diagnostic services will be provided with a CT scanner to be replaced and relocated from Carolinas Medical Center, an ultrasound, and x-ray machines. The applicant further states that these diagnostic services are to be provided solely as a part of emergency medical treatment and will not be used to provide outpatient or scheduled diagnostic services.

On pages 41-43, the applicant discusses the planning it undertook to determine the most effective location for the proposed project, and states it based the planning on its prior experience operating satellite EDs in Mecklenburg and surrounding counties.

On pages 43-59, the applicant discusses the individual factors it states contribute to the need for the proposed project. Each factor is summarized below.

National ED Trends

The applicant states ED utilization across the country is very high due to several factors: issues with financial aspects of the healthcare delivery system, increases in patients receiving outpatient care versus inpatient care, and the growth of the population that utilizes Medicare and/or Medicaid at a faster rate than the general population. The applicant states these factors combine to result in overcrowding of EDs both locally and nationally. (pages 43-44)

Population Growth in Mecklenburg County

The applicant states Mecklenburg County and the surrounding area is one of the fastest growing regions in the country, and states North Carolina Office of State Budget and Management (NC OSBM) data shows Mecklenburg County has the second highest growth in population by number and the tenth highest population growth by percentage in North Carolina. The applicant further states that, by 2024, the population aged 65 and older in Mecklenburg County will comprise approximately one quarter of the total population, giving Mecklenburg County the second highest population aged 65 and older, and that population will grow by 26 percent by 2024. The applicant states that population group typically utilizes healthcare services at a higher rate than younger populations. (pages 45-46)

Mecklenburg County Traffic Congestion

The applicant states that, along with the growth in population, there has been a corresponding increase in traffic congestion. The applicant states that, despite planned transportation projects, the population growth in the area will result in congestion delays doubling over the next ten years. The applicant cites data showing that by 2030, Charlotte's traffic congestion will be as high as congestion in Chicago today, and states timely access to emergency care is essential to positive outcomes. (pages 47-48)

Atrium Health ED Volume Growth

The applicant states its six operational satellite EDs in Mecklenburg, Cabarrus, and Union counties are all experiencing significant growth in volume – on average, 21 percent growth in ED visits between 2015 and 2018. The applicant states that all Atrium EDs (including those at acute care hospitals) in Mecklenburg and surrounding counties are operating above the recommended capacity ranges suggested by the American College of Emergency Physicians (ACEP). (pages 49-50)

AH-UC and Carolinas Medical Center ED Volume

The applicant states most patients in its proposed service area currently travel to Carolinas Medical Center in downtown Charlotte for ED services. The applicant states that, by opening a satellite ED in the Mountain Island area of Charlotte, it will reduce the amount of traffic congestion patients must navigate to receive emergency services and reduce the extremely high utilization of ED services at Carolinas Medical Center. The applicant states AH-UC ED services, while highly utilized, are not as highly utilized as those at Carolinas Medical Center.

The applicant states ED overcrowding directly impacts how many patients leave before being seen, as a result of the number of ED rooms available and the wait time associated with those rooms. The applicant states providing services in the Mountain Island area of Charlotte allows patients to receive ED services closer to home, while also resulting in shorter wait times and shorter stays due to the increased throughput and efficiency of satellite EDs. The applicant cites internal data showing that, most often, less than one percent of patients leave its satellite EDs without being seen, while the percent of patients leaving its hospital-based EDs without being seen is higher. The applicant further states locating the satellite ED in an area with easily accessible roads without the congestion of other areas of Charlotte allows for adequate parking, increased access for patients with disabilities, and its development will not interrupt or impact existing services provided at other EDs. (pages 50-52)

Total Mecklenburg County ED Capacity

The applicant provides data showing other EDs in Mecklenburg County operated by other providers are also experiencing volumes which meet or exceed the capacity ranges suggested by ACEP. The applicant calculates the number of ED rooms that should be operated in Mecklenburg County, based on the capacity ranges suggested by ACEP, and determines that there is a deficit of 29 ED rooms in Mecklenburg County. That deficit includes approximately 41 ED rooms that were under development during FFY 2017, the time period from which the applicant uses data to make its calculations, but that was also based on ED volumes from approximately two years ago – and the applicant has documented the growth in both the population of the area and in ED utilization over time. (pages 53-55)

Access to Emergency Services in the Service Area

The applicant defines its proposed service area as areas located within a 15-minute drive from the proposed location of the satellite ED. The applicant states it reviewed its utilization patters from another Mecklenburg County satellite ED, Atrium Health Steele Creek, and determined

using a distance measurement would not accurately reflect utilization patterns. The applicant states that, due to the recent development of an extension of a major highway in the area, development in the proposed service area has grown significantly and is expected to continue to grow significantly in the upcoming years. The applicant provides a table showing the non-peak driving time it takes to get to 12 existing EDs in Mecklenburg County from the proposed site of AH-MI-ED. Only one of those existing EDs is under 15 minutes away during non-peak traffic travel times. (pages 55-59)

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

- The applicant uses historical data that is clearly cited, reasonable demographical data, and credible national data to make assumptions with regard to identifying the population to be served, its growth and aging, and the need the identified population has for the proposed services.

- The applicant relies on historical data from the same proposed model it operates in other locations.

- The applicant provides reasonable information to support the need to add additional ED capacity in addition to its existing ED capacity.

Projected Utilization

In Section Q, the applicant provides projected utilization of the satellite ED and ancillary services during the first three operating years, as shown in the table below.

AH-MI-ED Projected Utilization – Operating Years 1-3 (CYs 2021-2023)			
	OY 1 – CY 2021	OY 2 – CY 2022	OY 3 – CY 2023
Emergency Department			
# of Treatment Rooms	6	6	6
# of Visits	9,975	11,428	12,932
Observation Beds (unlicensed)			
# of Beds	2	2	2
# of Patients	214	245	277
Average Length of Stay (days)	0.84	0.84	0.84
Laboratory	17,638	20,208	22,867
CT Scans			
# of Units	1	1	1
# of Scans	1,678	1,922	2,175
# of HECT Units	2,662	3,050	3,452
Fixed X-Ray (incl. fluoroscopy)			
# of Units*	1	1	1
# of Procedures	3,531	4,045	4,578
Ultrasound			
# of Units	1	1	1
# of Procedures	623	714	808

* The applicant states it will also operate a portable x-ray unit.

In Section Q, the applicant provides the assumptions and methodology used to calculate projected utilization of the satellite ED and ancillary services. The assumptions and methodology for each set of calculations are discussed below.

Step 1: Identify the service area (defined as the area within 15 minutes driving time of the proposed facility) and the population residing in the service area.

In Section Q, pages 3-4, the applicant states it relied on its experience operating Atrium Health Steele Creek, another satellite ED in Mecklenburg County, in determining the most accurate area of patient origin. Using ESRI data, the applicant identified the population residing in the proposed service area as 215,071 people in 2018, which is projected by ESRI to grow to 235,627 people by 2023. The applicant states ESRI does not provide the breakdown of population growth for the individual years between 2018 and 2023, so the applicant calculated the population for 2019-2022 based on the growth projected by ESRI for 2018 to 2023. The resulting population of the proposed service area for each year in the time span is shown in the table below.

Proposed Service Area Population by Year (Based on 2018 and 2023 ESRI Data)						
	2018	**2019**	**2020**	**2021**	**2022**	**2023**
15 Minute Driving Time	215,071	219,033	223,069	227,179	231,364	235,627

Step 2: Calculate ED use rates for ZIP codes in the proposed service area using historical data and the average ED use rate for all ZIP codes in the proposed service area.

In Section Q, pages 5-6, the applicant states there was not enough data to be able to calculate the ED use rate of just the proposed service area, so instead it used ESRI, Truven, and South Carolina Office of Research and Statistics data to calculate the ED use rate for each ZIP code represented in the proposed service area. The applicant states it calculated the use rate for the entire ZIP code if any of the ZIP code fell within the proposed service area. The applicant's data and calculations are shown in the table below.

ED Use Rate by ZIP Code			
ZIP Code	**2018 Pop.**	**Outpatient ED Visits**	**Use Rate per 1,000 Pop.**
28278	30,356	7,123	234.6
28273	39,875	12,480	313.0
28269	80,118	27,594	344.4
28262	44,606	14,192	318.2
28216	58,420	30,657	524.8
28214	40,526	17,291	426.7
28208	40,161	33,159	825.7
28202	16,132	3,642	225.8
28164	15,644	6,481	414.3
28120	22,929	10,889	474.9
28078	65,566	13,900	212.0
28037	21,905	5,753	262.6
28012	24,115	7,791	323.1
Total	**500,353**	**190,952**	**381.6**

Source: Section Q, page 8

The applicant states it does not project the inpatient ED visits – visits to the ED resulting in an inpatient admission – because on average, less than four percent of all ED visits at satellite EDs operated by the applicant result in an inpatient admission.

In Section Q, pages 8-10, the applicant further states it considered the reasonableness of its projected use rate by comparing its experience in projecting ED visits for Atrium Health Steele Creek. The applicant states its assumptions and methodology for projecting utilization at Atrium Health Steele Creek were the same as the present application – calculating use rate by ZIP codes which fell within a 15 minute driving window of the proposed facility. The applicant states that, based on the data for the year after Atrium Health Steele Creek opened, the ED use rate per 1,000 people increased by an average of more than 20 percent over the previous year, while during the same time period, the ED use rate for Mecklenburg County declined slightly. The applicant states that, by projecting no increase in the ED use rate during the first three operating years of the project, it believes its projections are reasonable and conservative.

Step 3: Project future outpatient ED visits for the proposed service area.

Using the population data calculated in the first step, and applying the average outpatient ED use rate calculated in the second step, the applicant states it projects the outpatient ED visits for each of the first three operating years. The calculations are shown in the table below.

Projected Service Area Outpatient ED Visits – OYs 1-3 (CYs 2021-2023)			
	OY 1 – CY 2021	OY 2 – CY 2022	OY 3 – CY 2023
Proposed Service Area Population	227,179	231,364	235,627
Outpatient ED Visits per 1,000 Pop.	381.6	381.6	381.6
Projected Outpatient ED Visits	86,699	88,297	89,923

Source: Section Q, page 10

Step 4: Calculate ED market share of Atrium satellite EDs and determine projected market share for AH-MI-ED.

The applicant calculates the market share for each of the six satellite EDs operated by Atrium by comparing the number of outpatient ED visits for every ZIP code that falls within the 15 minute driving window for each satellite ED with the total number of outpatient ED visits for that ZIP code. In Section Q, the applicant provides detailed examples of its calculations for the market share of Atrium Health Steele Creek and CHS Harrisburg. The applicant provides detailed calculations and data sources for all six satellite EDs in Exhibit C-10.2. The applicant states it believes its market share calculations are reasonable and conservative because they use the market share of the entire ZIP code for every ZIP code within the identified service area, even if only a fraction of that ZIP code falls into the service area.

A summary of the market share of outpatient ED visits for each of the six Atrium satellite EDs and the system average is shown in the table below.

Outpatient ED Visit Market Share by Facility	
Facility	**Market Share – 15 Minute Drive Window**
Atrium Health Huntersville	12.0%
CHS SouthPark	9.0%
Atrium Health Steele Creek	39.3%
CHS Harrisburg	11.5%
CHS Kannapolis	28.7%
Atrium Health Waxhaw	31.8%
Average	**22.1%**

Source: Section Q, page 13

In Section Q, page 14, the applicant states it projects the market share for AH-MI-ED will be the same as the market share for CHS Harrisburg, based on similar services offered and similar geography. The applicant states it believes the 11.5 percent market share it uses to project utilization at AH-MI-ED is conservative for the following reasons:

- AH-UC is located within the same 15 minute driving window as CHS Harrisburg, which gives patients an alternative; however, the closest EDs to AH-MI-ED will be at the very edge of the 15 minute driving window, which will give patients less of an alternative.

- Atrium EDs currently have a market share of 58 percent of the outpatient ED visits for the proposed service area, and has historically served a majority of patients in the proposed service area.

Using the 11.5 percent market share, the applicant projects the number of outpatient ED visits from the proposed service area that will be served at AH-MI-ED, as shown in the table below.

Projected AH-MI-ED Outpatient ED Visits – OYs 1-3 (CYs 2021-2023)			
	OY 1 – CY 2021	**OY 2 – CY 2022**	**OY 3 – CY 2023**
Projected Outpatient ED Visits	86,699	88,297	89,923
Assumed Market Share	11.5%	11.5%	11.5%
AH-MI-ED Projected Outpatient ED Visits	9,950	10,133	10,320

Source: Section Q, page 14

Step 5: Calculate inmigration and total ED utilization.

The applicant states it uses a similar process to its market share calculations to determine the amount of inmigration at each of Atrium's six satellite EDs. The applicant states it uses data from entire ZIP codes, even when part of the ZIP code would not be considered part of the service area, which artificially lowers the actual inmigration amount at each facility. Full calculations and detailed sources for all six satellite EDs are found in Exhibit C-10.2.

A summary of the inmigration for each of the six Atrium satellite EDs and the system average is shown in the table below.

Outpatient ED Visit Inmigration by Facility	
Facility	**Inmigration – outside 15 Minute Drive Window**
Atrium Health Huntersville	32.3%
CHS SouthPark	35.8%
Atrium Health Steele Creek	41.7%
CHS Harrisburg	20.2%
CHS System Kannapolis	12.7%
Atrium Health Waxhaw	43.3%
Average	**31.0%**

Source: Section Q, page 15

In Section Q, page 15, the applicant states it uses the ratio associated with CHS Harrisburg, 20.2 percent, to project inmigration for AH-MI-ED, for the following reasons:

- The applicant states that both CHS Harrisburg and the proposed site of AH-MI-ED are outside of the Interstate 485 beltline in suburban areas of Charlotte.

- The inmigration at CHS Harrisburg is conservative as compared to other satellite EDs and the average inmigration for all Atrium satellite EDs.

Using the 20.2 percent rate of inmigration, the applicant projects the number of outpatient ED visits resulting from inmigration that will be served at AH-MI-ED, as shown in the table below.

Projected AH-MI-ED Outpatient ED Visits from Inmigration – OYs 1-3 (CYs 2021-2023)			
	OY 1 – CY 2021	**OY 2 – CY 2022**	**OY 3 – CY 2023**
AH-MI-ED Projected Outpatient ED Visits	9,950	10,133	10,320
Inmigration Rate	20.2%	20.2%	20.2%
AH-MI-ED Projected Inmigration Visits	2,519	2,565	2,612

Source: Section Q, page 16

In Section Q, page 16, the applicant states it combines the projected outpatient ED visits from the proposed service area with the projected number of outpatient ED visits due to inmigration, and applies a ramp-up period of 80 percent in OY 1, 90 percent in OY 2, and 100 percent in OY 3. The table below shows the projected outpatient ED visits at AH-MI-ED for each of the first three operating years.

Projected AH-MI-ED Outpatient ED Visits – OYs 1-3 (CYs 2021-2023)			
	OY 1 – CY 2021	**OY 2 – CY 2022**	**OY 3 – CY 2023**
AH-MI-ED Projected Outpatient ED Visits	9,950	10,133	10,320
AH-MI-ED Projected Inmigration Visits	2,519	2,565	2,612
AH-MI-ED Total Projected Visits	12,468	12,698	12,932
Ramp-up Period Ratio	80%	90%	100%
Final AH-MI-ED Projected ED Visits	9,975	11,428	12,932

The applicant states ACEP guidelines suggest an ED with the utilization projected above should optimally have between nine and 11 ED rooms. The applicant further states while it

believes that proposing to develop six ED rooms shows that the facility will be fully utilized, it also believes the satellite EDs it operates are able to have increased efficiency and throughput compared to ED rooms in a hospital, and thus it does not believe having six ED rooms will result in any detrimental outcomes for patients or operational efficiency.

Step 6: Project utilization of ancillary services.

In Section Q, page 22, the applicant states it again uses its experience operating CHS Harrisburg to project utilization of ancillary services such as observation beds, diagnostic imaging tests, and laboratory services. The applicant states that, in addition to the other reasons it believes CHS Harrisburg is an optimal facility to compare the proposed facility with, CHS Harrisburg also has ancillary services that are similar in nature to those proposed for AH-MI-ED and, like the proposal to develop AH-MI-ED, does not offer any type of other outpatient treatment or diagnostic imaging services at its facility.

The applicant states it used its CY 2018 experience at CHS Harrisburg to determine the ratios of specific services to ED visits. Those ratios are shown in the table below.

CY 2018 CHS Harrisburg Utilization Ancillary Services		
	Utilization	**Ratio to ED Visits**
ED Visits	25,812	--
CT Scans	4,341	0.168
HECT Units	6,889	0.267
X-Ray	9,137	0.354
Ultrasound	1,613	0.062
Observation Encounters	553	0.021
Observation Minutes	671,045	25.997
Laboratory	45,642	1.768

Source: Section Q, page 22

The applicant then applied the ratios from CHS Harrisburg in CY 2018 to its projected ED visits during the first three operating years. The results are shown in the table below.

AH-MI-ED Projected Utilization – Ancillary Services – OYs 1-3 (CYs 2021-2023)				
	Ratio to ED Visits	**OY 1 – CY 2021**	**OY 2 – CY 2022**	**OY 3 – CY 2023**
ED Visits	--	9,975	11,428	12,932
CT Scans	0.168	1,678	1,922	2,175
HECT Units	0.267	2,662	3,050	3,452
X-Ray	0.354	3,531	4,045	4,578
Ultrasound	0.062	623	714	808
Observation Encounters	0.021	214	245	277
Observation Minutes	25.997	259,319	297,108	336,202
Average Length of Stay*	--	0.84	0.84	0.84
Laboratory	1.768	17,638	20,208	22,867

Source: Section Q, page 23
*The applicant states average length of stay in days was calculated to provide information requested on Form C.

In Section Q, pages 23-24, the applicant discusses the specific needs for each of the ancillary services it projects utilization for.

Projected utilization for ED visits and ancillary services is reasonable and adequately supported for the following reasons:

- The applicant bases projected utilization on its own historical experience operating similar services for a similar population to that proposed to be served.
- The applicant applies reasonable growth assumptions based on its historical experience for the proposed services.
- The applicant utilizes reasonable assumptions for market share and inmigration based on its historical experience.
- The applicant adequately explains why it proposes to develop the number of ED rooms, observation rooms, and ancillary services to be offered.

Access

In Section C, pages 63-64, the applicant discusses access to the proposed services. The applicant states:

> *"Atrium Health University City provides services to all persons in need of medical care, regardless of race, color, religion, national origin, sex, age, disability, or source of payment. … As a facility of Atrium Health University City, all Atrium Health financial policies will apply to the proposed Atrium Health Mountain Island. 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.'"*

In Section L, page 105, the applicant provides a table showing the projected payor mix for the proposed services in the second full fiscal year, as summarized below.

Projected Payor Mix – OY 2 (CY 2022)			
Payor Source	**AH-UC Total**	**AH-UC ED**	**AH-MI-ED**
Self-Pay*	22.8%	32.5%	23.1%
Medicare**	21.9%	12.3%	15.1%
Medicaid**	20.5%	25.4%	29.9%
Insurance**	34.7%	29.8%	31.9%
Other***	0.0%	0.0%	0.0%
Total	**100.0%**	**100.0%**	**100.0%**

*The applicant states its internal data does not include a separate category for charity care and patients in every payor category receive charity care.
**Including any managed care plans.
***Includes Workers Compensation and TRICARE.

On page 106, the applicant provides the assumptions and methodology used to project its payor mix. The projected payor mix is reasonable and adequately supported.

Conclusion

The Agency reviewed the:

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

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

- The applicant adequately identifies the population to be served.

- The applicant adequately explains why the population to be served needs the services proposed in this application.

- Projected utilization is reasonable and adequately supported.

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

(3a) In the case of a reduction or elimination of a service, including the relocation of a facility or a service, the applicant shall demonstrate that the needs of the population presently served will be met adequately by the proposed relocation or by alternative arrangements, and the effect of the reduction, elimination or relocation of the service on the ability of low income persons, racial and ethnic minorities, women, handicapped persons, and other underserved groups and the elderly to obtain needed health care.

C

The applicant proposes to develop AH-MI-ED, a satellite ED located in the Mountain Island region of Charlotte, which will offer around-the-clock emergency care, including necessary diagnostic services (CT scanner, ultrasound, x-ray), laboratory services, and pharmacy services. The satellite ED will be a new campus and will be licensed as part of AH-UC.

In Section D, page 68, the applicant states that, as part of the proposed project, a CT scanner will be relocated from Carolinas Medical Center to AH-MI-ED and replaced.

In Section D, page 69, the applicant explains why it believes the needs of the population presently utilizing the services to be reduced, eliminated, or relocated will be adequately met following completion of the project. The applicant states the CT scanner being relocated is a portable CT scanner which is currently underutilized and there is a second portable CT

scanner at Carolinas Medical Center with sufficient capacity to serve the patients previously served on the CT scanner to be relocated.

In Section Q, the applicant provides historical and projected utilization of the CT scanners at Carolinas Medical Center, as shown in the table below.

Carolinas Medical Center Historical & Projected CT Scanner Utilization								
	CY 2016	CY 2017	CY 2018	CY 2019	CY 2020	OY 1 (CY 2021)	OY 2 (CY 2022)	OY 3 (CY 2023)
# Units	7	7	7	8	8	7	7	7
# Scans	68,831	72,889	78,514	83,855	89,559	95,362	101,827	108,733
# HECT Units	112,410	120,515	129,291	138,086	147,480	157,053	167,701	179,075

In Section Q, the applicant provides the assumptions and methodology used to project CT scanner utilization at Carolinas Medical Center, which is summarized below.

Step 1: Analyze historical CT scanner utilization and calculate growth rate.

The applicant provides historic CT scanner utilization for the main campus of Carolinas Medical Center, and calculates the corresponding growth rate, as shown in the table below.

Carolinas Medical Center Historical CT Scanner Utilization – CY 2016-2018				
	CY 2016	CY 2017	CY 2018	CAGR*
# Units	7	7	7	--
# Scans	68,831	72,889	78,514	6.8%
# HECT Units	112,410	120,515	129,291	7.2%
HECT Units per CT	16,059	17,216	18,470	7.2%

Source: Atrium Health Internal data
*Compound Annual Growth Rate

Step 2: Apply historical growth rate to historical utilization to project future utilization.

The applicant applies the growth rate of 6.8 percent to the historical number of scans performed to project utilization through the end of the third operating year of the proposed project, as shown in the table below.

Carolinas Medical Center Projected CT Scanner Utilization							
	CY 2018	CY 2019	CY 2020	OY 1 (CY 2021)	OY 2 (CY 2022)	OY 3 (CY 2023)	CAGR
# Scans	78,514	83,855	89,559	95,651	102,158	109,108	6.8%
# HECT Units	129,291	138,086	147,480	157,512	168,227	179,670	6.8%

Step 3: Calculate potential impact of AH-MI-ED on CT scanner utilization at Carolinas Medical Center and subtract the impact to calculate final projected utilization.

As part of its assumptions and methodology to project utilization at AH-MI-ED, the applicant prepared an impact analysis on area facilities. See Section Q, pages 17-21, for the discussion of impact on other providers. The applicant calculates the projected impact of ED visits shifting from Carolinas Medical Center to AH-MI-ED and the impact on projected CT scanner

utilization, and subtracts the impact to calculate final projected utilization of CT scanners at Carolinas Medical Center following completion of the proposed project. The calculations are shown in the table below.

Carolinas Medical Center Final Projected CT Scanner Utilization						
	CY 2018	CY 2019	CY 2020	OY 1 (CY 2021)	OY 2 (CY 2022)	OY 3 (CY 2023)
# Units	7	8	8	7	7	7
# Scans	78,514	83,855	89,559	95,651	102,158	109,108
# HECT Units	129,291	138,086	147,480	157,512	168,227	179,670
Shift in ED Visits	--	--	--	(1,720)	(1,970)	(2,230)
Impact on Scans*	--	--	--	(289)	(331)	(375)
Impact on HECT Units**	--	--	--	(459)	(526)	(595)
# Scans	78,514	83,855	89,559	95,362	101,827	108,733
# HECT Units	129,291	138,086	147,480	157,053	167,701	179,075
HECT Units per CT Scanner	18,470	17,261	18,435	22,436	23,957	25,582

*Based on a ratio of 0.168 CT scans per ED visit.
**Based on a ratio of 0.267 HECT units per ED visit.

Projected utilization is reasonable and adequately supported based on the following reasons:

- The applicant bases projected utilization on its own historical experience.
- The applicant applies reasonable growth assumptions based on its historical experience.

The Project Analyst notes that, on February 21, 2019, the applicant received an administrative determination from the Agency that an unrelated proposal to replace and relocate an existing CT scanner was exempt from review under the certificate of need statutes, and also received an administrative determination from the Agency that its proposal to keep and continue to use the CT scanner it was proposing to relocate and replace was not subject to review under certificate of need statutes. The Project Analyst notes that, due to those administrative determinations, Carolinas Medical Center currently operates seven CT scanners, and following project completion, Carolinas Medical Center will still operate seven CT scanners.

In Section D, page 71, the applicant states:

> *"…the existing CT scanner at CMC to be relocated to Atrium Health Mountain Island and replaced is an underutilized portable CT scanner. CMC has a second portable CT scanner that is sufficient to accommodate its need for portable CT scans. As such, the relocation of the proposed scanner will not impact CMC's provision of CT services and therefore will not impact access to CT or any other services at CMC for low income persons, racial and ethnic minorities, women, handicapped persons, the elderly, or any other underserved group."*

Conclusion

The Agency reviewed the:

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

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

- The needs of the population currently using the services to be reduced, eliminated, or relocated will be adequately met following project completion.

- The project will not adversely impact the ability of underserved groups to access these services following project completion.

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

CA

The applicant proposes to develop AH-MI-ED, a satellite ED located in the Mountain Island region of Charlotte, which will offer around-the-clock emergency care, including necessary diagnostic services (CT scanner, ultrasound, x-ray), laboratory services, and pharmacy services. The satellite ED will be a new campus and will be licensed as part of AH-UC.

In Section E, pages 73-74, the applicant describes the alternatives 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:

1. Maintain the Status Quo – the applicant states that, with ED utilization increasing, maintaining the status quo would lead to patients facing delays in receiving emergency care; therefore, this was not an effective alternative.

2. Add to Existing Capacity at AH-UC – the applicant states that, while AH-UC has additional ED capacity available, it still operates above ACEP recommended guidelines. The applicant further states that adding capacity at AH-UC would not bring ED services closer to the population growth in the Mountain Island area of Charlotte. Thus, the applicant determined this was not an effective alternative.

3. Develop a Satellite ED at a Different Location – the applicant states it strategically locates its satellite EDs in areas of high population and development growth. The applicant states locating a satellite ED in a different area would leave patients in the proposed service area without immediate access to ED services and facing increasing travel times to other ED services as population and development continue to grow. Thus, the applicant determined this was not an effective alternative.

On page 74, the applicant states:

"Based on all the factors identified in this application, Atrium Health believes the proposed project is the most effective alternative to meet the need identified under current circumstances."

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

- The application is conforming to all statutory and regulatory review 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
- Written comments
- Information which was publicly available during the review and used by the Agency

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

1. **The Charlotte-Mecklenburg Hospital Authority shall materially comply with all representations made in the certificate of need application.**

2. **The Charlotte-Mecklenburg Hospital Authority shall develop a hospital-based satellite emergency department, including 24/7 emergency services, a replacement CT scanner, ultrasound equipment, x-ray equipment, laboratory services, and pharmacy services.**

3. **The Charlotte-Mecklenburg Hospital Authority 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.**

4. **The Charlotte-Mecklenburg Hospital Authority 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, The Charlotte-Mecklenburg Hospital Authority shall submit, on the form**

provided by the Healthcare Planning and Certificate of Need Section, an annual report containing the:

a. **Payor mix for the services authorized in this certificate of need.**
b. **Utilization of the services authorized in this certificate of need.**
c. **Revenues and operating costs for the services authorized in this certificate of need.**
d. **Average gross revenue per unit of service.**
e. **Average net revenue per unit of service.**
f. **Average operating cost per unit of service.**

6. **The Charlotte-Mecklenburg Hospital Authority shall acknowledge acceptance of and agree to comply with all conditions stated herein to the Agency in writing prior to issuance of the certificate of need.**

(5) Financial and operational projections for the project shall demonstrate the availability of funds for capital and operating needs as well as the immediate and long-term financial feasibility of the proposal, based upon reasonable projections of the costs of and charges for providing health services by the person proposing the service.

C

The applicant proposes to develop AH-MI-ED, a satellite ED located in the Mountain Island region of Charlotte, which will offer around-the-clock emergency care, including necessary diagnostic services (CT scanner, ultrasound, x-ray), laboratory services, and pharmacy services. The satellite ED will be a new campus and will be licensed as part of AH-UC.

<u>**Capital and Working Capital Costs**</u>

In Section Q, Form F.1a, the applicant projects the capital costs for the proposed project, as shown in the table below.

Cost Category	Projected Capital Cost
Land/Closing Costs	$2,985,575
Site Prep/Landscaping	$2,804,502
Construction Contract	$5,088,001
Fees	$819,065
Medical Equipment	$2,351,256
Furniture	$505,812
Financing/Interest Costs	$609,296
Other (incl. contingency)	$2,874,899
TOTAL CAPITAL COST	**$18,038,406**

Source: Section Q, Form F.1a

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

In Section F, page 79, the applicant states that because ED services are already offered as part of AH-UC, there are no start-up or initial operating expenses.

Availability of Funds

In Section F, pages 77-78, the applicant states it will finance the proposed project's capital costs through accumulated reserves.

Exhibit F-2.1 contains a letter from the Executive Vice President and Chief Financial Officer of Atrium Health, documenting the plans to finance the proposed capital cost of the project by using existing accumulated cash reserves. Exhibit F-2.2 contains the Basic Financial Statements and Other Financial Information with Independent Auditor's Report for the applicant for the years ending December 31, 2016 and 2017. The financial statements document that as of December 31, 2017, the applicant had adequate assets and accumulated cash reserves to finance the capital costs of the proposed project.

Financial Feasibility

The applicant provides pro forma financial statements for the first three full fiscal years of operation following completion of the project. In the pro forma financial statements, Form F.4, the applicant projects that total revenues will exceed operating expenses in the first three full fiscal years of operation, as shown in the table below.

AH-MI-ED Projected Revenue and Operating Costs – OYs 1-3			
	OY 1 – CY 2021	**OY 2 – CY 2022**	**OY 3 – CY 2023**
Total ED Visits	9,975	11,428	12,932
Total Gross Revenue (Charges)	$37,346,947	$44,073,089	$51,368,495
Total Net Revenue	$10,179,210	$12,012,474	$14,000,896
Average Net Revenue per Visit	$1,020	$1,051	$1,083
Total Operating Expenses	$6,891,360	$7,146,675	$7,417,414
Operating Expense/Visit	$691	$625	$574
Net Income (Loss)	**$3,287,850**	**$4,865,799**	**$6,583,482**

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

- The applicant adequately demonstrates that the capital costs are based on reasonable and adequately supported assumptions.

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

- The applicant adequately demonstrates sufficient funds for the operating needs of the proposal and that the financial feasibility of the proposal is based upon reasonable projections of costs and charges.

(6) The applicant shall demonstrate that the proposed project will not result in unnecessary duplication of existing or approved health service capabilities or facilities.

C

The applicant proposes to develop AH-MI-ED, a satellite ED located in the Mountain Island region of Charlotte, which will offer around-the-clock emergency care, including necessary diagnostic services (CT scanner, ultrasound, x-ray), laboratory services, and pharmacy services. The satellite ED will be a new campus and will be licensed as part of AH-UC.

The 2019 SMFP does not define a service area for emergency departments. The applicant defines the proposed service area by identifying all or portions of ZIP codes that are located within a 15-minute drive from the proposed facility. The ZIP codes identified by the applicant as being fully or partially within the proposed service area are 28278, 28273, 28269, 28262, 28216, 28214, 28208, 28202, 28164, 28120, 28078, 28037, and 28012. These ZIP codes cover an area in northwest Mecklenburg County and eastern portions of Gaston and Lincoln counties. Facilities may also serve residents of counties not included in their service area.

In Section G, page 84, the applicant identifies two other providers of ED services within its proposed service area – CaroMont Regional Medical Center – Mount Holly, a satellite ED of CaroMont Regional Medical Center, and Novant Health Huntersville Medical Center, with its hospital-based ED.

In Section G, pages 84-86, the applicant explains why it believes the proposal would not result in the unnecessary duplication of existing or approved health service capabilities or facilities in the proposed service area. On page 86, the applicant states:

> *"…Mecklenburg County, in general, and the proposed Mountain Island service area, specifically, need additional capacity for emergency services. Based on the 2017 inventory of emergency department rooms and FFY 2017 volumes, Mecklenburg County could support 29 additional emergency department rooms using the mean of the ACEP recommended range."*

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

- The applicant adequately demonstrates that current ED utilization is high enough to support additional ED services in the proposed service area.

- The applicant adequately demonstrates that the proposed satellite ED is needed in addition to the existing and approved ED services in the proposed service area.

Conclusion

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 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, on Form H, the applicant provides the full-time equivalent (FTE) staffing for the proposed services, as illustrated in the following table.

AH-MI-ED Projected Staffing – OYs 1-3	
Position	**FTEs**
Manager	1.00
Registered Nurses	10.50
Technicians	4.62
Patient Access Representative	6.70
Patient Access Supervisor	1.00
Laboratory Technician (MT)	3.62
Laboratory Lead Technician	1.00
EVS	4.60
Security	4.60
Maintenance	0.60
Ultrasound Technician	4.20
X-Ray/CT Cross-Trained Technician	4.20
Total	46.64

Source: Section Q, Form H

Assumptions and methodology for projecting staffing are found in Sections H and Q. Adequate costs for the health manpower and management positions proposed by the applicant are budgeted in Form F.4, which is found in Section Q. In Sections H.2 and H.3, pages 88-89, the applicant describes its experience and process for recruiting and retaining staff and its current training and continuing education programs. In Section H.4, page 90, the applicant

discusses physician coverage needed for the project and physician recruitment plans. On page 90, the applicant identifies the proposed medical director for the satellite ED. In Exhibit H-4, the applicant provides a letter from the proposed medical director, indicating his support for the proposed project and his willingness to serve as medical director for the proposed services. The applicant provides additional supporting documentation in Exhibit H.4.

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 92, the applicant states the following ancillary and support services are necessary for the proposed services:

- Diagnostic Imaging
- Pharmacy Services
- Laboratory Services
- Environmental Services
- Security
- Maintenance
- Administration
- Other Services

In Section I, page 92, the applicant explains how the necessary services will be made available. Exhibit I.1 contains a letter from the President of AH-UC documenting that all ancillary services necessary to support the proposed satellite ED will be provided as needed.

Although the project proposes a new satellite ED, the applicant already provides the proposed services in Mecklenburg County and has relationships with the existing health care system. Exhibit I-2 of the application contains letters from physicians expressing support for the proposed project. Other letters from physicians expressing support for the proposed project were

received by the Agency during the public comment period. The applicant adequately demonstrates that necessary ancillary and support services are available and that the proposed services will be coordinated with the existing health care system.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application
- Written Comments

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

The applicant proposes to develop AH-MI-ED, a satellite ED located in the Mountain Island region of Charlotte, which will offer around-the-clock emergency care, including necessary diagnostic services (CT scanner, ultrasound, x-ray), laboratory services, and pharmacy services. The satellite ED will be a new campus and will be licensed as part of AH-UC.

In Section K, page 95, the applicant states the proposed project involves constructing 12,500 square feet of new space. Line drawings are provided in Exhibit C-1.

On page 96, the applicant adequately explains how the cost, design, and means of construction represents the most reasonable alternative for the proposal and provides supporting documentation in Section Q and Exhibit F-2.2.

On page 96, 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 and provides supporting documentation in Section Q and Exhibit F-2.2.

On pages 96-97, the applicant identifies any applicable energy saving features that will be incorporated into the construction plans. On pages 98-100, the applicant identifies the proposed site and provides information about the zoning and special use permits for the site, and the availability of water, sewer, and waste disposal and power at the site. The applicant provides supporting documentation in Exhibits F-1.2, K-5.1, and K-5.2.

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

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

(13) The applicant shall demonstrate the contribution of the proposed service in meeting the health-related needs of the elderly and of members of medically underserved groups, such as

medically indigent or low income persons, Medicaid and Medicare recipients, racial and ethnic minorities, women, and handicapped persons, which have traditionally experienced difficulties in obtaining equal access to the proposed services, particularly those needs identified in the State Health Plan as deserving of priority. For the purpose of determining the extent to which the proposed service will be accessible, the applicant shall show:

(a) The extent to which medically underserved populations currently use the applicant's existing services in comparison to the percentage of the population in the applicant's service area which is medically underserved;

C

The proposed project will create a new satellite ED; therefore, there is no historical payor mix for the proposed facility. It will be licensed as part of AH-UC, and in Section L, page 104, the applicant provides the historical payor mix for AH-UC as a whole and ED services at AH-UC, as shown in the table below.

Historical Payor Mix – AH-UC CY 2018		
Payor Source	**AH-UC Total**	**AH-UC ED**
Self-Pay*	22.8%	32.5%
Medicare**	21.9%	12.3%
Medicaid**	20.5%	25.4%
Insurance**	34.7%	29.8%
Other***	0.0%	0.0%
Total	**100.0%**	**100.0%**

*The applicant states its internal data does not include a separate category for charity care and patients in every payor category receive charity care.
**Including any managed care plans.
***Includes Workers Compensation and TRICARE.

In Section L, pages 102-103, the applicant provides the following comparison.

	Percentage of Total Patients Served by AH-UC during CY 2018	Percentage of the Population of the Service Area
Female	59.5%	51.4%
Male	40.5%	48.6%
Unknown	0.0%	0.0%
64 and Younger	83.0%	89.1%
65 and Older	17.0%	10.9%
American Indian	1.9%	0.5%
Asian	1.4%	4.8%
Black or African-American	50.0%	43.8%
Native Hawaiian or Pacific Islander	0.1%	0.1%
White or Caucasian	31.5%	43.2%
Other Race	12.4%	7.7%
Declined / Unavailable	2.4%	0.0%

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

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, pages 104-105, the applicant states that AH-UC is not obligated under any applicable federal regulations to provide uncompensated care, community service, or access by minorities and handicapped persons. The applicant states that AH-UC is dedicated to providing care for all in its community regardless of ability to pay. The applicant discusses its charity care and financial assistance policies on pages 106-107.

In Section L, page 105, 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 105, the applicant provides a table showing the projected payor mix for the proposed services in the second full fiscal year, as summarized below.

Projected Payor Mix – OY 2 (CY 2022)			
Payor Source	**AH-UC Total**	**AH-UC ED**	**AH-MI-ED**
Self-Pay*	22.8%	32.5%	23.1%
Medicare**	21.9%	12.3%	15.1%
Medicaid**	20.5%	25.4%	29.9%
Insurance**	34.7%	29.8%	31.9%
Other***	0.0%	0.0%	0.0%
Total	**100.0%**	**100.0%**	**100.0%**

*The applicant states its internal data does not include a separate category for charity care and patients in every payor category receive charity care.
**Including any managed care plans.
***Includes Workers Compensation and TRICARE.

As shown in the table above, during the second full fiscal year of operation, the applicant projects 23.1 percent of ED services at AH-MI-ED will be provided to self-pay patients, 15.1 percent of services will be provided to Medicare patients, and 29.9 percent of services will be provided to Medicaid patients.

Exhibit L-4.1 contains Atrium Health's financial policies. The applicant provides the assumptions and methodology used to project payor mix in Section L, page 106. The projected payor mix is reasonable and adequately supported for the following reasons:

- The projected payor mix is based on the historical payor mix of patients in the applicant's defined service area.

- The applicant accounts for the difference in historical payor mix between patients at its existing facility and those expected to utilize the proposed facility.

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, page 107, the applicant describes the range of means by which a person 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, pages 108-109, the applicant describes the extent to which health professional training programs in the area have access to AH-UC and will have access to AH-MI-ED for training purposes and provides supporting documentation in Exhibit M-2.

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 AH-MI-ED, a satellite ED located in the Mountain Island region of Charlotte, which will offer around-the-clock emergency care, including necessary diagnostic services (CT scanner, ultrasound, x-ray), laboratory services, and pharmacy services. The satellite ED will be a new campus and will be licensed as part of AH-UC.

The 2019 SMFP does not define a service area for emergency departments. The applicant defines the proposed service area by identifying all or portions of ZIP codes that are located within a 15-minute drive from the proposed facility. The ZIP codes identified by the applicant as being fully or partially within the proposed service area are 28278, 28273, 28269, 28262, 28216, 28214, 28208, 28202, 28164, 28120, 28078, 28037, and 28012. These ZIP codes cover an area in northwest Mecklenburg County and eastern portions of Gaston and Lincoln counties. Facilities may also serve residents of counties not included in their service area.

In Section N, pages 110-112, 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 its satellite EDs are more cost-effective than hospital-based EDs; discusses its commitment to providing quality care; and discusses its plans and policies designed to promote access by medically underserved groups. The applicant provides supporting documentation in Exhibits C-11.1, C-11.2, L-4.1, O-1.1, O-1.2, and O-1.3.

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

- The cost-effectiveness of the proposal (see Sections F and Q of the application and any exhibits).

- Quality services will be provided (see Section O of the application and any exhibits).

- Access will be provided to underserved groups (see Section L of the application and any exhibits).

Conclusion

The Agency reviewed the:

- Application
- Exhibits to the application

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 Exhibit O-3.1, the applicant lists the health care facilities located in North Carolina owned, operated, or managed by the applicant or a related entity. The applicant identifies a total of 17 hospitals, including seven satellite EDs licensed under hospitals, located in North Carolina, along with numerous imaging centers, ambulatory surgical facilities, nursing facilities, and other health care service facilities.

In Section O, pages 116-117, the applicant states that, during the 18 months immediately preceding the submittal of the application, incidents related to quality of care occurred in two of these facilities. The applicant states that all of the problems have been corrected and provides supporting documentation in Exhibit O-3.2.

According to the files in the Acute and Home Care Licensure and Certification Section, DHSR, Randolph Hospital received an EMTALA violation in a survey conducted on February 1, 2018. The violation is pending at the time of this decision. After reviewing and considering information provided by the applicant and by the Acute and Home Care Licensure and Certification Section and considering the quality of care provided at all 17 hospitals and seven satellite EDs, 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 satellite ED, which will include relocating and replacing an existing CT scanner. There are no administrative rules that are applicable to proposals to develop a satellite ED or to relocate and replace an existing CT scanner. Therefore, this Criterion is not applicable to this review.