

ATTACHMENT - REQUIRED STATE AGENCY FINDINGS

FINDINGS

C = Conforming

CA = Conditional

NC = Nonconforming

NA = Not Applicable

Decision Date: April 24, 2020

Findings Date: April 24, 2020

Project Analyst: Julie M. Faenza

Team Leader: Fatimah Wilson

Project ID #: F-11862-20

Facility: Atrium Health Union West

FID #: 180514

County: Union

Applicant: The Charlotte-Mecklenburg Hospital Authority

Project: Change of scope for Project I.D. #F-11348-17 (add a third OR to Union West Surgery Center pursuant to the need determination in the 2017 SMFP) which involves adding the approved OR to the approved Atrium Health Union West hospital campus for a total of 3 ORs and 1 dedicated C-Section OR upon completion of this project and Project I.D. #F-11618-18 (develop a new satellite campus of Atrium Health Union)

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 (hereinafter referred to as CMHA, "Atrium," or "the applicant") proposes a change of scope (COS) for the approved but undeveloped Project I.D. #F-11348-17, which authorized the applicant to add one operating room (OR) pursuant to a need determination in the 2017 State Medical Facility Plan (SMFP) to Union West Surgery Center (Union West ASF) for a total of three ORs. The approved capital expenditure for the original project was \$4,100,000.

In the current COS application, the applicant proposes to develop the approved OR from Project I.D. #F-11348-17 at Atrium Health Union West (AH Union West), the satellite hospital campus of Atrium Health Union (AH Union) approved in Project I.D. #F-11618-18. The proposed capital expenditure for the COS application is \$2,184,502, a reduction of \$1.9 million from the originally approved capital expenditure in Project I.D. #F-11348-17.

Need Determination

The original project involved a need determination in the 2017 SMFP for one OR in Union County. That application was conforming to the need determination in the 2017 SMFP. The current COS application does not involve the addition of any new health service facility beds, services, or equipment for which there is a need determination in the 2020 SMFP. Therefore, there are no need determinations applicable to this review.

Policies

Policy GEN-4: *Energy Efficiency and Sustainability for Health Service Facilities*, on page 31 of the 2020 SMFP, states:

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

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

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

The proposed capital expenditure for this project is greater than \$2 million but less than \$5 million. In Section B, pages 11-12, the applicant describes the project’s plan to improve energy efficiency and conserve water. 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 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 because the applicant adequately demonstrates that the proposal 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 a COS to Project I.D. #F-11348-17 (add one OR to Union West ASF pursuant to the 2017 SMFP need determination) by developing the approved OR at AH Union West, the satellite hospital campus of Atrium Health Union approved in Project I.D. #F-11618-18, instead of at Union West ASF.

Project I.D. #F-11348-17 approved the addition of a third OR to Union West ASF pursuant to a need determination in the 2017 SMFP for one OR in Union County. In this COS application, the applicant now proposes to develop the OR at AH Union West rather than at Union West ASF.

A certificate of need was issued for Project I.D. #F-11618-18 on March 15, 2019, approving the development of AH Union West, a satellite campus of Atrium Health Union. As part of that project, the applicant was approved to relocate 40 acute care beds, two ORs, one dedicated C-Section OR, one gastrointestinal endoscopy room, and one CT scanner to develop the satellite campus. Upon completion of this project and Project I.D. #F-11618-18, AH Union West will have three ORs and one dedicated C-Section OR. In Section C, page 22, the applicant states the OR will be developed in space at AH Union West that was previously designated as equipment storage space in the OR suite drawings.

In Section C, pages 20-21, the applicant states that it refers to space at AH Union West as “existing” space and refers to the change in location of the OR as a “relocation.” The applicant states it refers to the space at AH Union West as “existing” because the space involved was already approved in Project I.D. #F-11618-18, even if it is not yet fully developed. The

applicant also states that use of the term “relocation” is a term of art, in that the OR at issue has not yet been developed, so it is not a physically existing asset that is being relocated.

Patient Origin

On page 51, the 2020 SMFP defines the service area for operating rooms as “...the service area in which the room is located. The operating room service areas are the single or multicounty groupings as shown in Figure 6.1.” Figure 6.1, on page 57, shows Union County as a single county operating room service area. Thus, the service area for this facility consists of Union County. Facilities may also serve residents of counties not included in their service area.

AH Union West is not an existing facility and thus has no historical patient origin. The health services that will comprise AH Union West will be relocated from Atrium Health Union. The applicant provides the historical patient origin for the ORs at Atrium Health Union during the last full fiscal year, as shown in the table below.

Atrium Health Union OR Historical Patient Origin – CY 2019		
County	# of Patients	% of Patients
Union	3,334	60.0%
Anson	620	11.2%
Chesterfield (SC)	465	8.4%
Mecklenburg	376	6.8%
Lancaster (SC)	283	5.1%
Stanly	75	1.3%
York (SC)	74	1.3%
Other*	329	5.9%
Total	5,556	100.0%

Source: Section C, page 23

*Other includes Alamance, Brunswick, Buncombe, Burke, Cabarrus, Catawba, Cleveland, Cumberland, Currituck, Davidson, Forsyth, Gaston, Guilford, Iredell, Lincoln, Montgomery, Moore, New Hanover, Polk, Randolph, Richmond, Robeson, Rockingham, Rowan, Scotland, Surry, Wake, and Wayne counties, as well as other states.

The following table illustrates projected patient origin.

AH Union West Projected Patient Origin – FYs 1-3 (CYs 2022-2024)						
County	FY 1 – CY 2022		FY 2 – CY 2023		FY 3 – CY 2024	
	# of Patients	% of Total	# of Patients	% of Total	# of Patients	% of Total
Union	1,497	74.7%	1,887	75.7%	2,310	76.5%
Mecklenburg	301	15.0%	362	14.5%	423	14.0%
Lancaster (SC)	146	7.3%	177	7.1%	205	6.8%
York (SC)	58	2.9%	70	2.8%	82	2.7%
Total	2,004	100.0%	2,493	100.0%	3,020	100.0%

Source: Section C, page 23

In Section C, page 24, 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 20-22, the applicant describes the scope of the previously approved project and explains the changes it proposes to make in the current application as compared with Project I.D. #F-11348-17.

In Section C, pages 24-32, the applicant explains why it believes the proposed change of scope from the previously approved application is necessary:

- Approval to develop AH Union West (Project I.D. #F-11618-18) will allow for inpatient services and provides an alternative to OR access that did not exist at the time of the previously approved application.
- According to the North Carolina Office of State Budget and Management (NC OSBM), Union County is one of the fastest growing counties in North Carolina, both for percentage of population growth and numerical population growth. Additionally, the applicant states 89 percent of the population growth between 2010 and 2024 (projected) will happen in the western part of Union County (as defined by the applicant).
- After the approval of Project I.D. #F-11348-17, a procedure room was developed at Union West ASF. Subsequently, cases appropriate for the procedure room shifted from the existing ORs which resulted in a decline in OR utilization at Union West ASF. As a result, despite more recent growth, there is a surplus of OR capacity at Union West ASF today that did not exist and could not be projected at the time Project I.D. #F-11348-17 was approved.
- After the approval to develop AH Union West, additional physician groups expressed interest in utilizing ORs at AH Union West. The applicant states Project I.D. #F-11618-18 did not account for projected utilization by additional physician groups outside of the Atrium system. The applicant provides letters of support from physicians who intend to utilize AH Union West in Exhibit C.10-5, including letters with specific projections of potential surgical cases to be performed at AH Union West.

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

- The applicant provides adequately supported information to explain why it needs to change the scope of its previously approved proposal.
- The applicant provides adequate documentation of increased physician interest in utilizing AH Union West.
- The applicant provides adequate documentation to demonstrate there is and will be existing capacity at Union West ASF without the addition of the previously approved OR.

- The applicant does not propose to change the number of ORs in Union County.

Projected Utilization

On Form C in Section Q, the applicant provides projected utilization, as shown in the table below.

Projected Utilization – AH Union West ORs FYs 1-3 (CYs 2022-2024)			
	FY 1 (CY 2022)	FY 2 (CY 2023)	FY 3 (CY 2024)
# of Shared ORs	3	3	3
# IP* Surgical Cases	697	786	877
# OP* Surgical Cases	1,307	1,708	2,143
Total # Surgical Cases	2,004	2,493	3,020
IP Case Times**	130.0	130.0	130.0
OP Case Times**	81.0	81.0	81.0
IP Surgical Hours	1,511	1,702	1,900
OP Surgical Hours	1,764	2,306	2,893
Total Surgical Hours	3,275	4,008	4,793
Group Assignment	4	4	4
Standard Hours	1,500	1,500	1,500
ORs Needed	2.2	2.7	3.2

Note: Utilization for the dedicated C-Section OR, gastrointestinal endoscopy room, and procedure room are not included in the table above because they are not relevant to this application.

*IP = Inpatient; OP = Outpatient

**Based on surgical case times for Atrium Health Union as reported in the 2020 SMFP

In the Form C Utilization – Assumptions and Methodology subsection of Section Q, the applicant provides the assumptions and methodology used to project utilization, as summarized below.

- The applicant begins with the projected utilization for AH Union West as submitted in Project I.D. #F-11618-18. In Exhibit C.10-2, the applicant provides the Form C Utilization – Assumptions and Methodology subsection of Section Q from Project I.D. #F-11618-18.
- Physician letters of support in Exhibit C.10-5 state that physicians project to perform 530 inpatient surgical cases per year and 600 outpatient surgical cases per year at AH Union West. The applicant states in Section C, page 32, that these projected cases were not included in Project I.D. #F-11618-18. The applicant adds these surgical cases to the projected utilization from Project I.D. #F-11618-18 and holds the number of additional projected surgical cases constant through each of the first three full fiscal years following project completion.
- The applicant updates its calculations of projected surgical hours from Project I.D. #F-11618-18 to be consistent with the final case times for both inpatient and outpatient surgical cases at Atrium Health Union as published in the 2020 SMFP.

The applicant’s assumptions and methodology are summarized in the table below.

Summary of Assumptions and Methodology			
	FY 1 (CY 2022)	FY 2 (CY 2023)	FY 3 (CY 2024)
# of IP* Surgical Cases from F-11618-18	167	256	347
# of IP Surgical Cases projected from physicians	530	530	530
# of Total IP Surgical Cases (combined)	697	786	877
# of OP* Surgical Cases from F-11618-18	707	1,108	1,543
# of OP Surgical Cases projected from physicians	600	600	600
# of Total OP Surgical Cases (combined)	1,307	1,708	2,143
# of Total Surgical Cases (combined)	2,004	2,494	3,020
IP Case Time (per 2020 SMFP)	130.0	130.0	130.0
OP Case Time (per 2020 SMFP)	81.0	81.0	81.0
IP Surgical Hours	1,511	1,702	1,900
OP Surgical Hours	1,764	2,306	2,893
Total Surgical Hours	3,275	4,008	4,793
Group Assignment	4	4	4
Standard Hours	1,500	1,500	1,500
ORs Needed	2.2	2.7	3.2
# of Existing, Approved, & Proposed ORs	3	3	3
(Surplus)/Deficit	(0.8)	(0.3)	0.2

*IP = Inpatient; OP = Outpatient

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

- At the time Project I.D. #F-11348-17 was approved, Union West ASF did not have a procedure room.
- After the approval of Project I.D. #F-11348-17, a procedure room was added to Union West ASF.
- Appropriate cases shifted to the procedure room, which opened up additional capacity in Union West ASF’s two existing ORs.
- At the time Project I.D. #F-11348-17 was approved, the application proposing to develop AH Union West had not been submitted to the Agency.
- Project I.D. #F-11618-18 was conditionally approved by the Agency and its utilization projections were found to be reasonable and adequately supported.
- The applicant relies on the assumptions and methodology used in Project I.D. #F-11618-18 as the starting point for its projected utilization in the current application.
- The applicant provides reasonable and adequately supported documentation to support the projection of additional surgical cases to be performed at AH Union West in this application.

- The Criteria and Standards for Surgical Services and Operating Rooms promulgated in 10A NCAC 14C .2103 are not applicable to this review, since the applicant does not propose to add any ORs to the service area; thus, there is no performance standard that the applicant must meet. However, based on the applicant’s projections, including the decrease in surgical cases from historical highs at Union West ASF, the applicant would meet the performance standard promulgated in 10A NCAC 14C .2103(a) if it was applicable. See the Working Papers for documentation.

Access

In Section L, page 78, the applicant projects the following payor mix during the third full fiscal year of operation following completion of the project, as illustrated in the following table.

AH Union West Projected Payor Mix – FY 3 (CY 2024)		
Payor Source	Total Facility	Surgical Services
Self-Pay	6.8%	6.5%
Medicare*	48.4%	46.8%
Medicaid*	22.7%	9.3%
Insurance*	20.8%	34.4%
Other**	1.3%	2.9%
TOTAL	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

The projected payor mix is reasonable and adequately supported.

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 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.

- The applicant adequately explains the need to change the scope of the previously approved 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 a COS to Project I.D. #F-11348-17 (add one OR to Union West ASF pursuant to the 2017 SMFP need determination) by developing the approved OR at AH Union West, the satellite hospital campus of Atrium Health Union approved in Project I.D. #F-11618-18, instead of at Union West ASF.

The OR to be relocated has not yet been developed; however, it was approved to be developed at an existing facility.

In Section D, page 42, 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. On page 42, the applicant states:

“The existing capacity of Union West Surgery Center is sufficient to meet the current and future needs of the patients currently utilizing that facility, based on more recent physician practice and patient utilization trends.”

In Section C, pages 30-31, the applicant states the 2020 SMFP shows Union West ASF is projected to have a surplus of 0.34 ORs in CY 2022, even without the third OR approved in Project I.D. #F-11348-17. The applicant states this is due to development of a procedure room in 2017 and a shift in appropriate cases from the ORs to the procedure room. The applicant states it believes the 2020 SMFP overstates the projected OR need at Union West ASF due to an error in the data provided on Union West ASF’s 2019 License Renewal Application (LRA), which counts procedures as surgical cases. The applicant does not provide the correct information in the application; however, in the Form D Utilization – Assumptions and Methodology subsection of Section Q, the applicant provides the number of procedures and surgical cases per calendar year. Based on that information, it appears that of the surgical cases reported on the applicant’s 2019 LRA, approximately one-third of the reported surgical cases were surgical cases and approximately two-thirds of the reported surgical cases were procedures.

On Form D in Section Q, the applicant provides historical, interim, and projected utilization for Union West ASF, as shown in the table below.

Historical and Projected Utilization – Union West ASF (CYs 2019-2024)						
	Historical	Interim		FY 1	FY 2	FY 3
	CY 2019	CY 2020	CY 2021	CY 2022	CY 2023	CY 2024
# of ORs	2	2	2	2	2	2
Total # Surgical Cases	1,104	1,134	1,164	1,196	1,228	1,261
Total Surgical Hours*	552.0	566.9	582.2	597.9	614.0	630.6
Group Assignment	5	5	5	5	5	5
Standard Hours	1,312	1,312	1,312	1,312	1,312	1,312
ORs Needed	0.42	0.43	0.44	0.46	0.47	0.48

*Based on the Final Case Time as reported in the 2020 SMFP

In the Form D Utilization – Assumptions and Methodology subsection of Section Q, the applicant provides the assumptions and methodology used to project utilization, as summarized below.

- The 4-Year CAGR for surgical cases at Union West ASF, based on CYs 2015-2019, is -18.6 percent. The applicant states the largest decrease in cases took place when the procedure room was developed and began offering services in CY 2017.
- The negative growth rate is largely due to the decline in surgical cases following development of the procedure room, and surgical cases increased between CY 2018 and CY 2019 at a rate of 2.7 percent.
- The applicant projects surgical cases will continue to increase at a rate of 2.7 percent through CY 2024.
- The applicant states that, based on its projections, Union West ASF will have a surplus of 1.5 ORs in CY 2024, even without the OR approved as part of Project I.D. #F-11348-17.

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

- At the time the applicant was approved for the OR at Union West ASF in Project I.D. #F-11348-17:
 - There was a need determination for one OR in Union County. The discussion regarding analysis of need found in Criterion (3) is incorporated herein by reference.
 - There were no procedure rooms at Union West ASF. All surgical cases, including those appropriate for a procedure room, were performed in ORs.
 - AH Union West had not been approved and no application had been submitted to the Agency.

- After the applicant developed a procedure room at Union West ASF, the number of surgical cases decreased significantly as appropriate cases were performed in the procedure room instead of the ORs.
- The applicant accounts for recent growth in surgical cases in its projected utilization.

In Section D, page 45, the applicant states:

“...Union West Surgery Center has adequate capacity with its two existing operating rooms and one procedure room to meet current and projected demand based on more recent physician practice and patient utilization trends; as such, the relocation of the previously approved operating room that has not been developed at Union West Surgery Center will have no impact on access for [medically underserved groups].

Atrium Health Union, which will include Atrium Health Union West, provides services to all persons in need of medical care, regardless of race, color, religion, national origin, sex, age, disability, or source of payment.”

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 following reasons:

- The applicant adequately demonstrates that the needs of the population previously projected to utilize the approved OR will be adequately met following project completion.
 - The applicant adequately demonstrates that 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 a COS to Project I.D. #F-11348-17 (add one OR to Union West ASF pursuant to the 2017 SMFP need determination) by developing the approved OR at AH Union West, the satellite hospital campus of Atrium Health Union approved in Project I.D. #F-11618-18, instead of at Union West ASF.

In Section E, pages 47-78, 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 alternative would not be responsive to hospital-based OR demand and would result in excess costs to develop capacity that is unnecessary at Union West ASF; therefore, this was not an effective alternative.

Fail to Develop the Previously Approved Project: The applicant states this alternative would leave AH Union West without necessary OR capacity; therefore, this was not an effective alternative.

Develop the Approved OR at Atrium Health Union: The applicant states this alternative would not be responsive to the increase in demand for surgical services in the western part of the county, as Atrium Health Union is located in the center of Union County; therefore, this was not an effective alternative.

On pages 47-48, the applicant states the proposed project is the most effective alternative because it will provide necessary hospital-based OR capacity at AH Union West and it can be developed at a lower cost than the previously approved Project I.D. #F-11348-17.

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 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
- 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 the representations in this application and the representations made in Project I.D. #F-11348-17. Where representations conflict, The Charlotte-Mecklenburg Hospital Authority shall materially comply with the last made representation.**

- 2. In a change of scope for Project I.D. #F-11348-17, The Charlotte-Mecklenburg Hospital Authority shall develop the one operating room approved pursuant to the need determination in the 2017 SMFP at Atrium Health Union West and not at Union West Surgery Center.**
 - 3. Upon completion of this project and Project I.D. #F-11618-18 (develop a new satellite campus of Atrium Health Union), Atrium Health Union West will be licensed for no more than three operating rooms and one dedicated C-Section operating room.**
 - 4. Upon completion of this project and Project I.D. #F-11618-18, Union West Surgery Center will be licensed for no more than two operating rooms.**
 - 5. Upon issuance of the certificate of need for this project, The Charlotte-Mecklenburg Hospital Authority shall relinquish the certificate of need for Project I.D. #F-11348-17 to the Agency.**
 - 6. 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 Sections F and Q of the application and that would otherwise require a certificate of need.**
 - 7. 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.**
 - 8. 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 a COS to Project I.D. #F-11348-17 (add one OR to Union West ASF pursuant to the 2017 SMFP need determination) by developing the approved OR at AH Union West, the satellite hospital campus of Atrium Health Union approved in Project I.D. #F-11618-18, instead of at Union West ASF.

Capital and Working Capital Costs

In Section Q, Form F.1b, the applicant projects the total capital cost of this project and compares that with the approved capital cost from Project I.D. #F-11348-17, as shown in the table below.

	Original Costs (Project I.D.# F-11348-17)	Changes in Costs Projected for COS	Total
Construction Costs	\$1,820,000	-\$1,285,663	\$534,337
Architect/Engineering Fees	\$180,000	-\$37,478	\$142,522
Medical Equipment	\$1,601,500	-\$697,207	\$904,293
Non-Medical Equipment	\$0	\$5,832	\$5,832
Furniture	\$10,000	\$5,721	\$15,721
Consultant Fees	\$88,500	\$79,355	\$167,855
Other*	\$400,000	\$13,942	\$413,942
Total	\$4,100,000	-\$1,915,498	\$2,184,502

*"Other" includes IS, Security, Internal Allocation, and Contingency.

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

In Section F, pages 53-54, the applicant states it will not have any working capital costs because the proposed service is not a new service. The Project Analyst notes that in Project I.D. #F-11618-18, the applicant projected no working capital costs to develop AH Union West since it will be a satellite campus of Atrium Health Union.

Availability of Funds

In Section F, pages 54-55, the applicant states the new capital cost will be funded by accumulated reserves.

Exhibit F.5-2 contains a letter from the Executive Vice President and Chief Financial Officer of CMHA, describing the ability of CMHA to fund the proposed capital costs with accumulated reserves and committing funding to the capital cost of the project. Exhibit F.5-3 contains the Basic Financial Statements and Other Financial Information, including an Independent Auditor's Report, for CMHA for the years ending December 31, 2018 and 2017. As of December 31, 2018, CMHA had adequate assets to meet the capital requirements 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. On Form F.2 in Section Q, the applicant projects that revenues will exceed operating expenses in each of the first three full fiscal years of the project, as shown in the table below.

AH Union West Projected Revenues/Operating Expenses – Surgical Services			
	FY 1 (CY 2022)	FY 2 (CY 2023)	FY 3 (CY 2024)
Total Surgical Cases	2,004	2,493	3,020
Total Gross Patient Revenues (Charges)	\$58,509,036	\$77,366,461	\$98,569,167
Total Net Revenue	\$13,371,720	\$17,353,608	\$21,691,815
Average Net Revenue per Surgical Case	\$6,673	\$6,961	\$7,183
Total Operating Expenses (Costs)	\$11,431,782	\$14,076,271	\$17,315,545
Average Operating Expense per Surgical Case	\$5,704	\$5,646	\$5,734
Net Income	\$1,939,938	\$3,277,337	\$4,376,269

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
- 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 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 a COS to Project I.D. #F-11348-17 (add one OR to Union West ASF pursuant to the 2017 SMFP need determination) by developing the approved OR at AH Union West, the satellite hospital campus of Atrium Health Union approved in Project I.D. #F-11618-18, instead of at Union West ASF.

On page 51, the 2020 SMFP defines the service area for operating rooms as “...the service area in which the room is located. The operating room service areas are the single or multicounty groupings as shown in Figure 6.1.” Figure 6.1, on page 57, shows Union County as a single county operating room service area. Thus, the service area for this facility consists of Union County. Facilities may also serve residents of counties not included in their service area.

Not including dedicated C-Section ORs, there are 10 existing and approved ORs in Union County, as shown in the table below.

Union County OR Inventory						
Facility	IP* ORs	OP* ORs	Shared ORs	Excluded C-Section ORs	CON Adjustments	Total ORs
Atrium Health Union	2	0	6	2	-2	4
Atrium Health Union West	0	0	0	0	2	2
Union West Surgery Center	0	2	0	0	1	3
Atrium Health System Total	2	2	6	2	1	9
Presbyterian Same Day Surgery Center Monroe	0	1	0	0	0	1
Total	2	3	6	2	1	10

Sources: Table 6A, 2020 SMFP

*IP = Inpatient; OP = Outpatient

Project I.D. #F-11348-17 was found conforming with this criterion, and the applicant proposes no other changes as part of this project which would affect that determination.

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 H, page 60, the applicant states its projected staffing has changed from what was proposed as part of Project I.D. #F-11348-17. On Form H in Section Q, the applicant provides updated projected staffing for the first three full fiscal years following project completion, as shown in the table below.

AH Union West Surgical Services Projected Staffing in FTEs			
	FY 1 (CY 2022)	FY 2 (CY 2023)	FY 3 (CY 2024)
CRNAs	6.0	6.0	6.0
Registered Nurses	8.5	10.0	12.5
Surgical Technicians	3.5	4.5	7.5
Total	18.0	20.5	26.0

The assumptions and methodology used to project staffing are provided on Form H in Section Q. 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.

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.

- (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 62, the applicant states the following ancillary and support services are necessary for patients receiving surgical services at AH Union West:

- Laboratory
- Radiology
- Pharmacy
- Housekeeping
- Maintenance
- Administration
- Other Ancillary and Support Services

On page 62, the applicant adequately explains how each ancillary and support service will be made available and provides supporting documentation in Exhibit I.4-1.

In Section I, pages 63-64, the applicant describes its existing relationships with other local health care and social service providers and provides supporting documentation in Exhibits C.10-5 and I.4-2.

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 68, the applicant states that the project involves renovating 605 square feet of space previously designated as storage space in Project I.D. #F-11618-18. Line drawings are provided in Exhibit C.10-1.

In Section K, page 69, the applicant adequately explains how the cost, design, and means of construction represent the most reasonable alternative for the proposal.

In Section K, page 69, 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 the proposed project can be developed for slightly less than half the cost of the previously approved project.

In Section K, pages 69-70, 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
- 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.

- (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

AH Union West is not an existing facility but will be comprised of existing services to be relocated from Atrium Health Union. In Section L, page 77, the applicant the applicant provides the historical payor mix for the last full fiscal year for all facilities implicated in this review, as illustrated in the following table.

Atrium Health Historical Payor Mix – Union County – CY 2019			
Payor Source	AH Union	AH Union Surgical Services	Union West ASF
Self-Pay	14.4%	7.3%	0.6%
Medicare*	34.9%	45.1%	56.0%
Medicaid*	17.9%	9.9%	8.0%
Insurance*	29.7%	33.9%	32.7%
Other**	3.1%	3.9%	2.7%
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 Section L, pages 76-77, the applicant provides the following comparison.

Last Full FY (CY 2019)	% of Total Patients Served by AH Union	% of Total Patients Served by Union West ASF	% of the Population of Union County
Female	57.9%	59.0%	50.8%
Male	42.1%	41.0%	49.2%
Unknown	0.0%	0.0%	0.0%
64 and Younger	59.4%	42.2%	87.3%
65 and Older	40.6%	57.8%	12.7%
American Indian	0.9%	NA*	0.6%
Asian	0.4%	NA*	3.4%
Black or African-American	18.7%	NA*	12.3%
Native Hawaiian or Pacific Islander	0.0%	NA*	0.1%
White or Caucasian	70.6%	NA*	81.6%
Other Race	0.4%	NA*	2.0%
Declined / Unavailable	9.0%	NA*	0.0%

Sources: Atrium Health Internal Data, US Census Bureau

*On page 77, the applicant states this data was not collected.

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 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

AH Union West is not an existing facility but will be comprised of existing services to be relocated from Atrium Health Union. Regarding any obligation to provide uncompensated care, community service or access by minorities and persons with disabilities, in Section L, page 78, the applicant states that it has no such obligations.

In Section L, page 78, the applicant states that during the last five years no patient civil rights access complaints have been filed against Atrium Health Union 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
- 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.

- (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 78, the applicant projects the following payor mix during the third full fiscal year of operation following completion of the project, as illustrated in the following table.

AH Union West Projected Payor Mix – FY 3 (CY 2024)		
Payor Source	Total Facility	Surgical Services
Self-Pay	6.8%	6.5%
Medicare*	48.4%	46.8%
Medicaid*	22.7%	9.3%
Insurance*	20.8%	34.4%
Other**	1.3%	2.9%
TOTAL	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

As shown in the table above, during the third full fiscal year of operation, the applicant projects that 6.8 percent of all services and 6.5 percent of surgical services at AH Union West will be provided to self-pay patients, 48.4 percent of all services and 46.8 percent of surgical services will be provided to Medicare patients, and 22.7 percent of all services and 9.3 percent of surgical services will be provided to Medicaid patients.

In Section L, page 79, the applicant provides the assumptions and methodology used to project payor mix during the third full fiscal year of operation following completion of the project. The projected payor mix is reasonable and adequately supported for the following reasons:

- Projected payor mix is based on the projected payor mix submitted in the application to develop AH Union West (Project I.D. #F-11618-18).
- 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
- 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.

- (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 80, 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 Project I.D. # F-11348-17, the application was conforming to this criterion, and the applicant proposes no changes in the current COS application which would affect that determination.

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 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 a COS to Project I.D. #F-11348-17 (add one OR to Union West ASF pursuant to the 2017 SMFP need determination) by developing the approved OR at AH Union West, the satellite hospital campus of Atrium Health Union approved in Project I.D. #F-11618-18, instead of at Union West ASF.

On page 51, the 2020 SMFP defines the service area for operating rooms as “...the service area in which the room is located. The operating room service areas are the single or multicounty groupings as shown in Figure 6.1.” Figure 6.1, on page 57, shows Union County as a single county operating room service area. Thus, the service area for this facility consists of Union County. Facilities may also serve residents of counties not included in their service area.

Not including dedicated C-Section ORs, there are 10 existing and approved ORs in Union County, as shown in the table below.

Union County OR Inventory						
Facility	IP* ORs	OP* ORs	Shared ORs	Excluded C-Section ORs	CON Adjustments	Total ORs
Atrium Health Union	2	0	6	2	-2	4
Atrium Health Union West	0	0	0	0	2	2
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Atrium Health System Total	2	2	6	2	1	9
Presbyterian Same Day Surgery Center Monroe	0	1	0	0	0	1
Total	2	3	6	2	1	10

Sources: Table 6A, 2020 SMFP

*IP = Inpatient; OP = Outpatient

In Project I.D. # F-11348-17, the application was conforming to this criterion, and the applicant proposes no changes in the current COS application which would affect that determination.

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.

- (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

On Form A in Section Q, the applicant provides a list of all healthcare facilities with ORs located in North Carolina which are owned, operated, or managed by the applicant or a related entity. The applicant identifies a total of 18 (19, including the approved but not yet developed AH Union West) hospitals and ASFs located in North Carolina.

In Section O, pages 88-89, the applicant states that, during the 18 months immediately preceding the submittal of the application, there was one incident which resulted in a finding of immediate jeopardy that occurred in any of these facilities. The applicant states the facility is back in compliance and provides supporting documentation in Exhibit O.3. According to the files in the Acute and Home Care Licensure and Certification Section, DHSR, during the 18 months immediately preceding submission of the application through the date of this decision, incidents related to quality of care occurred in four of these facilities. After reviewing and considering information provided by the applicant and by the Acute and Home Care Licensure and Certification Section and considering the quality of care provided at all 18 facilities, the applicant provided sufficient evidence that quality care has been provided in the past. Therefore, the application is conforming to this criterion.

- (21) Repealed effective July 1, 1987.
- (b) The Department is authorized to adopt rules for the review of particular types of applications that will be used in addition to those criteria outlined in subsection (a) of this section and may vary according to the purpose for which a particular review is being conducted or the type of health service reviewed. No such rule adopted by the Department shall require an academic medical center teaching hospital, as defined by the State Medical Facilities Plan, to demonstrate that any facility or service at another hospital is being appropriately utilized in order for that academic medical center teaching hospital to be approved for the issuance of a certificate of need to develop any similar facility or service.

C

In Project I.D. # F-11348-17, the application was conforming to Criteria and Standards for Surgical Services and Operating Rooms promulgated in 10A NCAC 14C .2103, and the applicant proposes no changes in the current COS application which would affect that determination. The applicant does not propose any other changes in this COS application

which would make any other Criteria and Standards applicable to this review. Therefore, the application is conforming with this criterion.